

PERFORMANCE OF THE HOLDING COMPANY SOGEFI S.p.A.

In the year 2015, the Company recorded a net loss of Euro 6.8 million, compared to a net profit of Euro 2 million in the previous year.

The result of the year was adversely affected by higher non-operating expenses. More specifically, the Company incurred a loss of Euro 6.1 million as it waived trade receivables from subsidiaries Sogefi Filtration Argentina S.A. and Allevard Rejna Argentina S.A. on December 31 2015. This decision was dictated by a need to provide adequate financial support to these subsidiaries and by regulations issued by Argentinian monetary authorities several years ago prohibiting dividend, royalty and service payments to foreign beneficiaries that continue in force (and were still in force at the time of the waiver). It was also aimed at reducing the foreign exchange exposure of the subsidiaries in light of the high volatility of foreign exchange rates, as actually observed in December. Other expenses incurred during the year 2015 include Euro 2.2 million (Euro 1.1 million in 2014) for reorganising executive and clerical functions at the Company and Euro 1.5 million for adjusting the fair value of investment properties according to experts' valuation.

The increase in "Operating costs" is mainly connected with a greater use of the SAP information system and the resulting higher royalty fees ("Other operating income") charged to those subsidiaries that are using the system.

In 2015, the Company booked financial income in the amount of Euro 1.5 million (Euro 14 million in 2014) reflecting the fair value measurement of the convertible bond derivative under "Financial income/expenses and dividends". Such decrease was partly compensated for by lower net financial expense totalling Euro 10.7 million and a higher dividend flow from subsidiaries in the amount of Euro 0.7 million recorded in 2015.

(in millions of Euro)	2015	2014
Financial income/expenses and dividends	2.6	3.7
Other operating revenues	23.5	21.3
Operating costs	(26.5)	(25.8)
Other non-operating income (expenses)	(10.3)	(2.1)
RESULT BEFORE TAXES	(10.7)	(2.9)
Income taxes	(3.9)	(4.9)
NET RESULT	(6.8)	2.0

As regards the **statement of financial position**, the table below shows the main items as of December 31, 2015, compared with the figures recorded at the end of the previous year:

(in millions of Euro)	Note(*)	12.31.2015	12.31.2014
Short-term assets	(n)	17.4	14.4
Short-term liabilities	(o)	(10.0)	(8.9)
Net working capital		7.4	5.5
Equity investments	(p)	404.0	397.3
Other fixed assets	(q)	62.8	67.6
CAPITAL INVESTED		474.2	470.4
Other medium and long-term liabilities	(r)	(0.9)	(1.4)
NET CAPITAL INVESTED		473.3	469.0
Net financial indebtedness		305.8	307.7
Shareholders' equity		167.5	161.3
TOTAL		473.3	469.0

(*) See the notes at the end of this report for a detailed explanation of the reasons for the reclassifications that we have made.

The increase in “Short-term assets” mostly reflects higher amounts receivable from the Parent Company CIR S.p.A. arising from the participation in the Group tax filing system.

The increase in “Equity investments” is mainly due to a capital addition of Euro 6.4 million to the Spanish subsidiary Sogefi Filtration S.A. in the form of receivables from said subsidiary for dividends approved and yet to be paid.

“Shareholders' equity” amounted to Euro 167.5 million as of December 31, 2015, up from Euro 161.3 million as of December 31, 2014. The increase mostly reflects a translation reserve set aside for the convertible bond, as the amended bond regulations required that the remaining fair value after the call option be reclassified from “Other medium/long-term financial liabilities for derivative financial instruments” to “Reserves and retained earnings (accumulated losses)”. Under a resolution passed by the Shareholders' Meeting on April 20, 2015, no dividend was declared for 2015 and the entire profit for the year 2014 was allocated to Reserves and retained earnings.

Net financial position as of December 31, 2015 was Euro 305.8 million, showing a year-over-year net decrease of Euro 1.9 million.

(in millions of Euro)	12.31.2015	12.31.2014
Short-term cash investments	45.2	36.6
Short/medium-term financial receivables to third and subsidiaries	124.3	123.2
Short-term financial debts (*)	(130.5)	(139.5)
Medium/long-term financial debts	(344.8)	(328.0)
NET FINANCIAL POSITION	(305.8)	(307.7)

(*) including current portions of medium/long-term financial debts.

The table below illustrates the **cash flow statement** of Sogefi S.p.A.:

(in millions of Euro)	Note(*)	2015	2014
SELF-FINANCING	(s)	(1.6)	(0.6)
Change in net working capital	(t)	(1.9)	5.4
Other medium/long term assets/liabilities	(u)	12.2	4.4
CASH FLOW GENERATED BY OPERATIONS		8.7	9.2
Sale of equity investments	(v)	-	-
TOTAL SOURCES		8.7	9.2
Increase in intangible assets		1.9	10.7
Purchase of tangible assets		0.3	-
Purchase of equity investments		6.6	0.4
TOTAL APPLICATION OF FUNDS		8.8	11.1
FREE CASH FLOW		(0.1)	(1.9)
Holding Company increases in capital		0.1	2.5
Change in fair value derivative instruments		1.9	(3.4)
Dividends paid by the Holding Company		-	-
CHANGES IN SHAREHOLDERS' EQUITY		2.0	(0.9)
Change in net financial position	(w)	1.9	(2.8)
Opening net financial position	(w)	(307.7)	(304.9)
CLOSING NET FINANCIAL POSITION	(w)	(305.8)	(307.7)

(*) See the notes at the end of this report for a detailed explanation of the reasons for the reclassifications that we have made.

In 2015, free cash flow – while still negative for Euro 0.1 million – showed an improvement (up by Euro 1.8 million) over 2014.

Lower profitability, lower “Net working capital” and increased “Purchase of equity investments” in 2015 were offset by a decrease in “Other medium/long-term assets” and lower investments in intangible fixed assets compared to 2014.