subscription right has vested but has not yet been exercised at the end of reporting period. These shares have a potentially dilutive effect on basic EPS and are therefore taken into consideration in the calculation of diluted EPS.

The "Number of shares that could have been issued at fair value" represents the normalisation factor, being the number of shares that would have been issued dividing the proceeds that would have been received from subscription of the stock options by the average annual fair value of the Sogefi S.p.A. ordinary shares, which amounted to Euro 1.7004 in 2016, compared to Euro 2.5133 in 2015.

Please note that 2,316,209 shares that could dilute basic EPS in the future were not included in the calculation of diluted EPS for 2016 because their exercise price is higher than the average annual *fair value* of the ordinary shares of Sogefi S.p.A. in 2016.

E) 39. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

The following table shows a comparison between the book value of the Group's financial instruments and their fair value.

An analysis of the table shows that the fair value is different from the book value only in the case of short-term and long-term fixed-rate financial debts. This difference, corresponding to Euro 29,696 thousand, is generated by a recalculation of these loans at year-end date at current market rates.
The spreads of floating-rate loans are in line with standard market conditions.
The fair value of fixed-rate financial debts is classified as Level 2 in the fair value hierarchy (see paragraph "Categories of financial assets and liabilities stated in the financial statements and fair value hierarchy") and was measured using generally accepted discounted cash flow models and a free-risk discount rate.
The fair value of the convertible bond amounts to Euro 94,482 thousand (Euro 91,397 thousand as at 31 December 2015) and is classified as Level 1 in the fair value hierarchy, because the financial instrument is quoted on an active market.

(in thousands of Euro)	Book value		Fair value	
	12.31.2016	12.31.2015	12.31.2016	12.31.2015
Financial assets				
Cash and cash equivalents	93,661	121,892	93,661	121,892
Securities held for trading	-	17	-	17
Held-to-maturity investments	3,950	3,949	3,950	3,949
Assets for derivative financial instruments	255	931	255	931
Current financial receivables	1,676	1,438	1,676	1,438
Trade receivables	158,466	143,489	158,466	143,489
Other receivables	6,820	7,915	6,820	7,915
Other assets	3,689	3,974	3,689	3,974
Other financial assets available for sale	46	439	46	439
Non-current trade receivables	4	4	4	4
Non-current financial receivables	15,770	13,156	15,770	13,156
Other non-current receivables	29,818	34,666	29,818	34,666
Financial liabilities				
Short-term fixed rate financial debts	25,313	15,323	25,871	15,164
Other floating rate short-term financial debts	122,895	76,965	122,895	76,965
Other short-term liabilities for derivative financial instruments	400	325	400	325
Trade and other payables	339,086	325,421	339,086	325,421
Other current liabilities	8,197	9,686	8,197	9,686
Other non- current liabilities	15,046	9,195	15,046	9,195
Other fixed rate medium/long-term financial debts	130,634	151,210	147,326	159,426
Equity linked bond included embedded derivative	82,035	78,627	94,482	91,397
Other floating rate medium/long-term financial debts	45,528	129,660	45,528	129,660
Other medium/long-term liabilities for derivative financial instruments	7,550	11,562	7,550	11,562

Financial risk management

Given that the Group operates on world markets, its activity is exposed to various kinds of financial risks, including fluctuations, up or down, of interest and exchange rates, and cash flow risks (for cash flows generated outside of the Eurozone). In order to minimise these risks, the Group uses derivatives as part of its risk management activities, whereas it does not use or hold derivatives or similar instruments purely for trading purposes.

The Group also has available a variety of financial instruments other than derivatives, such as bank loans, financial leases, rentals, sight deposits, payables and receivables deriving from normal operating activities.
The Group handles its main hedging operations centrally. Precise instructions have also been issued, laying down guidelines on risk management, while procedures have been introduced to control all transactions in derivatives.

Interest risk

The interest risk to which the Group is exposed mainly arises from long-term debts.

These debts may be fixed or floating rate.

Floating rate debts, which represent 41% of the net book value of Group loans, expose the Group to a risk arising from interest rate volatility (cash flow risk).

With regard to this risk, for the purposes of the related hedging, the Group may use derivative contracts which limit the impacts on the Income Statement of changes in the interest rate. At present, the net book value of the Group's floating-rate debts is entirely covered by hedging transactions made during the previous years (such hedges do not always meet the requirements of IAS 39 for treatment under hedge accounting).

The following table gives a breakdown, by maturity, of the book value of the Group's financial assets and liabilities instruments, which are exposed to interest rate risk as at 31 December 2016, split according to whether they are contractually at a fixed or floating rate (for further details see the table shown in the analysis of "Liquidity risk"):

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
TOTAL FIXED RATE	(25,312)	(19,609)	(18,386)	(42,146)	(99,251)	(33,278)	(237,983)
TOTAL FLOATING RATE - ASSET	99,542	-	-	-	-	-	99,542
TOTAL FLOATING RATE - LIABILITIES	(122,895)	(29,531)	(12,982)	(10,484)	(20)	(61)	(175,973)

Financial instruments booked to "Total floating rate – Asset" refer to "Cash and cash equivalents" and "Other financial assets" (Securities held for trading, Held-to-maturity investments, Assets for derivative financial instruments).
Below there is a sensitivity analysis which shows the impact on the Income Statement, net of tax, and on Equity of a change in interest rates that is considered reasonably possible.

An increase or decrease in interest rates of 100 basis points, applied to floating-rate financial assets and liabilities in existence as at 31 December 2016, including interest-rate hedges, would have the following effects:

(in thousands of Euro)	12.31.2016		12.31.2015	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 100 basis points	2,441	2,681	3,548	3,906
- 100 basis points	(2,488)	(2,734)	(3,650)	(4,023)

The effect on Equity differs from the effect on the Income Statement by Euro 240 thousand (in the event of an increase in interest rates), and by Euro -246 thousand (in the event of a decrease in interest rates), which reflects the change in the fair value of the instruments hedging the interest rate risk.

Foreign currency risk

As it operates at an international level, the Group is exposed to the risk that changes in exchange rates could have an impact on the fair value of some of its assets or liabilities.

Moreover, as can be seen from the segment information given in note 4, the Group produces and sells mainly in countries of the Eurozone, but it is potentially exposed to currency risk, above all in respect of the British Pound, Brazilian Real, US Dollar, Argentine Peso, Chinese Renminbi and Canadian Dollar.
Generally speaking, the Group is not particularly exposed to exchange risk, which is mainly related to the translation of foreign subsidiaries' financial statements, as the currencies in which the foreign operating companies bill and those in which they are invoiced tend to be much the same.

As regards borrowings, there are also policies stating that any funds raised from third parties have to be in the same currency as the functional currency of the company obtaining the loan. If any exception is made to this principle, then the risk is hedged through forward currency purchases.
More specifically, the Parent Company Sogefi S.p.A. made one private placement of bonds for the amount of USD 115 million in 2013. The exchange risk on this financing was hedged through cross currency swap contracts (please see paragraph "Hedging – Exchange risk hedges" for more details).

A sensitivity analysis is provided below, which shows the impact on the Income Statement, especially on "Exchange (gains) losses", net of tax, and on Equity of a change that is considered reasonably possible in exchange rates of the main foreign currencies. Note that the exchange effect of translating the financial statements of foreign subsidiaries into Euro has not been taken into consideration here.
What has been taken into consideration are the financial assets and liabilities outstanding as at 31 December 2016 denominated in a currency other than the functional currency of the individual subsidiaries. This analysis also takes into account any changes in the fair value of the financial instruments used to hedge exchange risk.

As at 31 December 2016, exchange risk was concentrated mainly in transactions with the Euro.
A 5% appreciation or depreciation of the Euro against the other main currencies would have the following effects:

(in thousands of Euro)	12.31.2016		12.31.2015	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 5%	(487)	(487)	(663)	(663)
- 5%	491	491	364	364

These effects are mainly due to the following exchange rates:
-EUR/GBP due to the net exposure for the trade payables and financial debt in Euro of UK companies and for the net financial debt in GBP of the Parent Company Sogefi S.p.A.;
-EUR/USD due to the net exposure for the trade payables and financial debt in Euro of the US subsidiaries and for the net financial debt in USD of the Parent Company Sogefi S.p.A.;
-EUR/BRL due to the net exposure for the trade payables in Euro of the Brazilian subsidiaries;

-EUR/RON due to the net exposure for the trade payables in Euro of the Romanian subsidiary S.C. Sogefi Air & Cooling S.r.l.

Please note also that a sensitivity analysis of the MEX/CAD exchange rate showed that a 5% appreciation/depreciation of the Peso would cause Group's net profit and equity to decrease/increase by Euro 432 thousand. This effect is due to the exposure for the trade payables and financial debt in CAD of the Mexican subsidiary.

With regard to the United Kingdom's exit from the Euro area, the Group does not expect any significant impacts. Outlined below is a sensitivity analysis on the net assets of the UK subsidiaries: a 5% appreciation of the Euro against GBP would cause the net assets of UK subsidiaries to fall by Euro 958 thousand; a 5% depreciation of the Euro against GBP would cause the net assets of UK subsidiaries to increase by Euro 1,059 thousand.

Price risk

The Group is partially exposed to price risk as it makes purchases of various raw materials such as steel, plastics, aluminium, cellulose products.
The risk is handled in the best way possible thanks to centralised purchasing (or at business unit level) and a policy of having various suppliers for each kind of raw material, operating in different parts of the world.
We would also point out that price risk is generally mitigated by the Group's ability to pass on part of the variation in raw material costs to selling prices.
The price risk on Group investments classified as "Securities held for trading" and "Other financial assets available for sale" is not significant.

Credit risk

This is the risk that one of the parties signing a contract of a financial nature defaults on an obligation, thereby provoking a financial loss. This risk can derive from strictly commercial aspects (granting and concentration of credits), as well as from purely financial aspects (choice of counterparties used in financial transactions).

From a commercial point of view, the Group does not have excessive concentrations of credit risk as it operates on distribution channels, both Original Equipment and the Aftermarket, that make it possible not to depend too much on individual customers. For example, Original Equipment sales are largely to car and industrial vehicle manufacturers.
As regards the Aftermarket, on the other hand, the Group's main customers are important international purchasing groups.
In order to minimise credit risk, however, procedures have in any case been implemented to limit the impact of any customer insolvencies.
As regards counterparties for the management of financial resources, the Group only has recourse to partners that have a safe profile and a high international standing.
The Group's maximum exposure to credit risk as at 31 December 2016 is represented by the book value of the financial assets shown in the financial statements (Euro 314,155 thousand), as well as by the nominal value of the guarantees given in favour of third parties, as mentioned in note 43 (Euro 9,836 thousand).

The exposure to credit risk is essentially linked to trade receivables which amounted to Euro 157,163 thousand as at 31 December 2016 (Euro 142,266 thousand as at 31 December 2015), written down by Euro 4,977 thousand (Euro 5,367 thousand as at 31 December 2015).
Receivables are backed by mainly insurance guarantees for Euro 4,345 thousand (Euro 5,327 thousand as at 31 December 2015). The Group does not have any other guarantees covering trade receivables.

The following table shows the changes in the allowance for doubtful accounts:

(in thousands of Euro)	12.31.2016	12.31.2015
Opening balance	5,367	5,170
Change to the scope of consolidation	-	-
Accruals for the period	1,578	1,554
Utilisations	(1,741)	(1,124)
Provisions not used during the period	(294)	(56)
Other changes	-	-
Exchange differences	67	(177)
TOTAL	4,977	5,367

The following is an ageing analysis of gross receivables and the related allowance for doubtful accounts to help evaluate credit risk:

(in thousands of Euro)	12.31.2015		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	7,765	(403)	7,362
30-60 days	2,967	(82)	2,885
60-90 days	404	(140)	265
over 90 days	7,463	(4,592)	2,871
Total receivables past due	18,599	(5,217)	13,382
Total receivables still to fall due	123,667	(150)	123,517
TOTAL	142,266	(5,367)	136,899

(in thousands of Euro)	12.31.2016		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	11,108	(442)	10,666
30-60 days	1,689	(82)	1,607
60-90 days	594	(26)	568
over 90 days	6,820	(4,246)	2,574
Total receivables past due	20,211	(4,796)	15,415
Total receivables still to fall due	136,952	(181)	136,771
TOTAL	157,163	(4,977)	152,186

As at 31 December 2016, gross receivables past due had decreased by Euro 1,612 thousand compared to the previous year. The increase affects the 0-30 days bracket and mainly relates to the European subsidiaries due to delayed collection of amounts recovered in the early days of 2017.

The impact of gross receivables past due on total receivables stands at 12.9%, slightly down when compared to 13.1% in the previous year.
Past due receivables have been written down by 23.7% of the total (28.1% as at 31 December 2015) and 62.3% (61.5% as at 31 December 2015) considering only the "over 90 days" bracket. Writedowns refer mainly to disputed amounts or receivables that have been due for a significant period of time and can no longer be collected.
Net receivables past due account for 10.1% of total net receivables, compared to 9.8% in the previous year.
The item "Total receivables still to fall due" does not contain significant positions that have been renegotiated.

Considering the nature of the Sogefi Group's customers (cars and industrial vehicles manufacturers and important international purchasing groups), a Credit risk analysis by type of customer is not considered meaningful.

Liquidity risk

The Group is subject to a minimum amount of liquidity risk, namely having to handle a situation where it is not able to raise sufficient funds to meet its liabilities.
The Group has always taken an extremely prudent approach to its financial structure, using mainly medium/long-term funding, whereas forms of short-term financing are generally used only to cope with moments of peak requirement.
Its solid capital structure makes it relatively easy for the Group to find additional sources of financing.
It should also be mentioned that the Group has implemented a cash pooling system for all of the main European subsidiaries, which makes it possible to optimise liquidity and cash flow management at a supranational level.

The following table shows an analysis of the Group's financial assets and liabilities instruments by maturity, including the amount of future interests to be paid and trade receivables and payables:

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
Fixed rate							
Finance lease Sogefi Filtration Ltd	(222)	(250)	(277)	(311)	(345)	(383)	(1,788)
Finance lease Allevard Sogefi U.S.A. Inc.	(1,499)	(1,635)	(1,441)	(1,206)	(1,246)	(1,947)	(8,974)
Private Placement USD 115 million Sogefi S.p.A.	(15,585)	(15,585)	(15,585)	(15,585)	(15,585)	(30,887)	(108,812)
Private Placement EUR 25 million Sogefi S.p.A.	-	-	-	(24,953)	-	-	(24,953)
Equity linked bond EUR 100 million Sogefi S.p.A.	-	-	-	-	(82,035)	-	(82,035)
Sogefi Air & Cooling Canada Corp. loan	(1,045)	(1,090)	(848)	-	-	-	(2,983)
Sogefi Filtration do Brasil Ltda loan	(5,319)	(804)	-	-	-	-	(6,123)
Government financing	(518)	(239)	(229)	(85)	(37)	(61)	(1,169)
Other fixed rate loans	(1,125)	(6)	(6)	(6)	(3)	-	(1,146)
Future interests	(10,076)	(8,852)	(7,781)	(5,951)	(3,192)	(1,796)	(37,648)
Future financial income on derivative instruments - interest risk hedging *	1,384	1,168	953	936	664	395	5,500
TOTAL FIXED RATE	(34,005)	(27,293)	(25,214)	(47,161)	(101,779)	(34,679)	(270,131)
Floating rate							
Cash and cash equivalents	93,661	-	-	-	-	-	93,661
Financial assets	3,950	-	-	-	-	-	3,950
Assets for derivative financial instruments	255	-	-	-	-	-	255
Current financial receivables	1,676	-	-	-	-	-	1,676
Non-current financial receivables	-	-	-	-	-	-	-
Bank overdrafts and other short-term loans	(11,005)	-	-	-	-	-	(11,005)
Sogefi S.p.A. loans	(83,134)	(20,437)	(11,404)	(9,737)	-	-	(124,712)
Shanghai Sogefi Auto Parts Co., Ltd loans	(2,049)	-	-	-	-	-	(2,049)
S.C. Sogefi Air & Cooling S.r.l. loan	(1,090)	(1,453)	(1,453)	(727)	-	-	(4,723)
Sogefi (Shouzu) Auto Parts Co., Ltd loan	(21,810)	-	-	-	-	-	(21,810)
Other floating rate loans	(3,807)	(91)	(125)	(20)	(20)	(61)	(4,124)
Future interests	(1,658)	(616)	(314)	(95)	(4)	(5)	(2,692)
Liabilities for derivative financial instruments - exchange risk hedging	(400)	-	-	-	-	-	(400)
Future financial expenses on derivative instruments - interest risk hedging *	(5,091)	(2,121)	-	-	-	-	(7,212)
TOTAL FLOATING RATE	(30,502)	(24,718)	(13,296)	(10,579)	(24)	(66)	(79,185)
Trade receivables	158,466	-	-	-	-	-	158,466
Trade and other payables	(339,086)	(15,046)	-	-	-	-	(354,132)
TOTAL FINANCIAL INSTRUMENT - ASSET	258,008	-	-	-	-	-	258,008
TOTAL FINANCIAL INSTRUMENT - LIABILITIES	(503,134)	(67,057)	(38,511)	(57,740)	(101,803)	(34,745)	(802,990)

* The amount is different from “Net financial assets for derivatives – hedging of interest rate” (equal to a total of Euro 9,932 thousand) because it represents the non-discounted cash flows.

Hedging

a) Exchange risk hedges – not designated in hedge accounting

The Sogefi Group has entered the following contracts to hedge the exchange risk on financial and commercial balances. Note that even though the Group considers these instruments as exchange risk hedges from a risk management point of view, it has chosen not to adopt hedge accounting, as this treatment is not considered suitable for the Group's operating requirements. It therefore measures such contracts at fair value, posting the differences to “Exchange (gains) losses” in the Income Statement (this difference is offset within Income Statement by the fair value change of the asset/liability denominated in a certain currency).

The fair value of these instruments was calculated using the forward curve of exchange rates as at 31 December 2016.

As at 31 December 2016, the following forward purchase/sale contracts were maintained to hedge the exchange risk on intercompany financial positions and on commercial positions:

Company	Forward purchase / Forward sale		Date opened	Currency exchange	Spot price	Date closed	Forward price	Fair value at 12.31.2016
Sogefi S.p.A	P	GBP 2,000,000	12/21/2016	€/currency	0.84155	02/21/2017	0.84280	(40)
Sogefi S.p.A	P	GBP 3,000,000	12/14/2016	€/currency	0.83905	02/14/2017	0.84025	(70)
Sogefi S.p.A	P	GBP 3,000,000	12/16/2016	€/currency	0.83690	01/20/2017	0.83753	(80)
Sogefi S.p.A	S	USD 4,000,000	11/28/2016	€/currency	1.05480	01/30/2017	1.05850	(9)
Sogefi S.p.A	S	USD 7,500,000	12/01/2016	€/currency	1.06270	01/30/2017	1.06600	(69)
Sogefi S.p.A	S	USD 7,500,000	12/21/2016	€/currency	1.04250	01/23/2017	1.04480	74
Sogefi Filtration Ltd	S	EUR 600,000	11/30/2016	GBP/currency	0.85400	01/25/2017	0.85510	(1)
Sogefi Suspension Argentina S.A.	P	USD 1,000,000	12/01/2016	ARS/currency	15.91000	02/24/2017	16.83000	(19)
Sogefi Suspension Argentina S.A.	P	USD 1,000,000	11/16/2016	ARS/currency	15.51000	01/31/2017	16.42000	(9)
Allevard Molas do Brasil Ltda	P	EUR 200,000	11/24/2016	BRL/currency	3.58250	01/23/2017	3.66600	(14)
Allevard Molas do Brasil Ltda	S	USD 500,000	12/02/2016	BRL/currency	3.46450	02/22/2017	3.54000	35
Allevard Molas do Brasil Ltda	P	EUR 150,000	12/02/2016	BRL/currency	3.69820	02/22/2017	3.80950	(14)
Allevard Molas do Brasil Ltda	S	USD 350,000	12/15/2016	BRL/currency	3.38880	02/22/2017	3.44800	15
Allevard Molas do Brasil Ltda	S	USD 350,000	12/23/2016	BRL/currency	3.27150	01/18/2017	3.28930	2
Allevard Molas do Brasil Ltda	S	USD 400,000	12/23/2016	BRL/currency	3.27150	02/15/2017	3.31300	2
Sogefi MNR Engine systems India Private Limited	P	EUR 2,000,000	10/28/2016	INR/currency	72.88000	01/31/2017	74.34000	(64)
Allevard IAI Suspensions Private Ltd	P	EUR 350,000	12/01/2016	INR/currency	72.52000	03/01/2017	76.48000	(11)

(*) Positive fair value was recognised in “Other financial assets – Assets for derivative financial instruments”, whereas negative fair value was recognised in “Other short-term liabilities for derivative financial instruments”.

b) Interest risk hedges – in hedge accounting

During 2013, the Parent Company Sogefi S.p.A. entered into the following Interest Rate Swap contracts and the relating cash flows started to be exchanged in June 2016. These contracts were originally aimed at hedging for the future indebtedness of the Parent Company Sogefi S.p.A., which was deemed to be highly probable; in the year 2015 they were associated to the new loan granted by Ing Bank N.V. for a total amount of Euro 30 million and passed the effectiveness test under IAS 39 carried out as at 31 December 2016:

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2016	Fair value at 12.31.2015
Hedging of Sogefi S.p.A. future financial indebtedness	02/21/2013	06/01/2018	10,000	1.660%	(293)	(349)
Hedging of Sogefi S.p.A. future financial indebtedness	02/19/2013	06/01/2018	10,000	1.650%	(291)	(347)
Hedging of Sogefi S.p.A. future financial indebtedness	02/21/2013	06/01/2018	5,000	1.660%	(147)	(175)
TOTAL			25,000		(731)	(871)

These financial instruments envisage payment by the Group of an agreed fixed rate and payment by the counterparty of the floating rate that is the basis of the underlying loan.

c) Exchange risk hedges – in hedge accounting

During 2013 the Parent Company Sogefi S.p.A. entered into three cross currency swap (Ccs) contracts maturing in June 2023, designated in hedge accounting, in order to hedge interest and exchange rate risk relating to the private placement of USD 115 million bonds. Under these contracts, a fixed interest receivable of 600 basis points on subscribed notional USD amount is collected by the Parent Company on a quarterly basis against payment of a fixed interest payable on a notional amount in EUR corresponding to the USD notional amount converted at the fixed exchange rate of 1.3055 (totalling Euro 88,089 thousand).
Details of these contracts are as follows:

Description of CCSwap	Date opened	Contract maturity	Notional (in thousands of Usd)	Fixed rate	Fair value at 12.31.2016	Fair value at 12.31.2015
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	55,000	6.0% USD receivable 5.6775% Euro payables	7,646	6,349
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	40,000	6.0% USD receivable 5.74% Euro payables	5,396	4,529
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	20,000	6.0% USD receivable 5.78% Euro payables	2,728	2,278
TOTAL			115,000		15,770	13,156

d) derivatives no longer in hedge accounting

As at 31 December 2016, the Parent Company Sogefi S.p.A. holds the following interest rate swap contracts that, based on the effectiveness tests carried out on 30 June 2014 (for the first two tables reported below), and on 31 December 2014 (for the third table reported below) have become ineffective (the purpose of these derivative instruments was to hedge the risk of fluctuations in the cash flows arising from expected future indebtedness of the Parent Company Sogefi S.p.A.) and so that the hedging relationship was discontinued and the derivative contracts were reclassified as fair value through profit or loss instruments. The change in fair value compared to the last effectiveness test is recognised immediately in the income statement, whereas the reserve booked to Other Comprehensive Income (if any) is reclassified in the income statement over the same period of time as the differentials relating to the underlying hedged item.

Details are as follows:

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2016	Fair value at 12.31.2015
Hedging of Sogefi S.p.A. future financial indebtedness	02/10/2011	06/01/2018	10,000	3.679%	(575)	(909)
Hedging of Sogefi S.p.A. future financial indebtedness	02/23/2011	06/01/2018	10,000	3.500%	(570)	(897)
Hedging of Sogefi S.p.A. future financial indebtedness	03/11/2011	06/01/2018	10,000	3.545%	(577)	(908)
Hedging of Sogefi S.p.A. future financial indebtedness	03/23/2011	06/01/2018	10,000	3.560%	(578)	(910)
Hedging of Sogefi S.p.A. future financial indebtedness	03/28/2011	06/01/2018	10,000	3.670%	(596)	(939)
Hedging of Sogefi S.p.A. future financial indebtedness	05/13/2011	06/01/2018	10,000	3.460%	(564)	(887)
Hedging of Sogefi S.p.A. future financial indebtedness	06/24/2011	06/01/2018	10,000	3.250%	(533)	(834)
Hedging of Sogefi S.p.A. future financial indebtedness	06/28/2011	06/01/2018	10,000	3.250%	(533)	(834)
Hedging of Sogefi S.p.A. future financial indebtedness	11/28/2011	06/01/2018	10,000	2.578%	(431)	(668)
TOTAL			90,000		(4,957)	(7,786)

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2016	Fair value at 12.31.2015
Hedging of Sogefi S.p.A. future financial indebtedness	02/11/2013	06/01/2018	5,000	1.225%	(114)	(166)
Hedging of Sogefi S.p.A. future financial indebtedness	02/01/2013	06/01/2018	10,000	1.310%	(240)	(353)
Hedging of Sogefi S.p.A. future financial indebtedness	02/06/2013	06/01/2018	10,000	1.281%	(236)	(346)
Hedging of Sogefi S.p.A. future financial indebtedness	02/11/2013	06/01/2018	5,000	1.220%	(129)	(190)
Hedging of Sogefi S.p.A. future financial indebtedness	02/12/2013	06/01/2018	5,000	1.240%	(115)	(168)
TOTAL			35,000		(834)	(1,223)

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2016	Fair value at 12.31.2015
Hedging of Sogefi S.p.A. future financial indebtedness	02/07/2013	06/01/2018	15,000	1.445%	(391)	(580)
Hedging of Sogefi S.p.A. future financial indebtedness	02/11/2013	06/01/2018	5,000	1.425%	(129)	(191)
Hedging of Sogefi S.p.A. future financial indebtedness	02/19/2013	06/01/2018	10,000	1.440%	(260)	(385)
Hedging of Sogefi S.p.A. future financial indebtedness	02/11/2013	06/01/2018	5,000	1.420%	(113)	(165)
Hedging of Sogefi S.p.A. future financial indebtedness	02/13/2013	06/01/2018	5,000	1.500%	(135)	(200)
TOTAL			40,000		(1,028)	(1,521)

The discontinuation of hedge accounting had the following impact on the financial statements as at 31 December 2016:

- a financial income of Euro 3,869 thousand reflecting the change in fair value compared to 31 December 2015 was immediately recognised in the income statement;
- a financial expense of Euro 2,922 thousand was recognised in the income statement; this amount reflects the portion of the reserve previously booked to "Other Comprehensive Income" that will be recognised in the income statement over the same period of time as the differentials relating to the former underlying hedged item. As at 31 December 2016, an amount of Euro 3,589 thousand remains to be recycled to the income statement in the years 2017 and 2018.

e) fair value of derivatives

The fair value of all derivatives was calculated using the forward curves of exchange and interest rates as at 31 December 2016, also taking into account a credit valuation adjustment/debit valuation adjustment. The fair value amounts of derivatives are classified as Level 2 in fair value hierarchy, based on the significance of the inputs used in fair value measurements.

Equity management

The main objectives pursued by the Group through its equity risk management are the creation of value for shareholders and the safeguarding of business continuity. The Group also sets itself the objective of maintaining an optimal equity structure so as to reduce the cost of indebtedness and meet the covenants established by the loan agreements.

The Group monitors equity on the basis of the net financial position/total equity ratio (gearing ratio). For the purposes of determination of the net financial position reference is made to note 22. Total equity is analysed in note 21.
As at 31 December 2016, gearing stands at 1.58 (1.69 as at 31 December 2015).

Categories of financial assets and liabilities stated in the financial statements and fair value hierarchy

In compliance with the requirements of IFRS 7, the table below provides the information on the categories of financial assets and liabilities held by the Group as at 31 December 2016.
For the financial instruments measured at fair value in the statement of financial position the IFRS 7 requires a classification by hierarchy determined by reference to the source of inputs used to derive the fair value. This classification uses the following three levels:

- level 1: if the financial instrument is quoted in an active market;
- level 2: if the fair value is determined using valuation techniques and the inputs used for the valuation (other than quoted prices of financial instruments) are observable in the market. Specifically, fair value was calculated using the forward curves of exchange and interest rates;
- level 3: if the fair value is determined using valuation techniques and the inputs used for the valuation are non-observable in the market.

The following table therefore shows the fair value level of financial assets and liabilities measured at fair value, as at 31 December 2016:

(in thousands of Euro)	Note	Book value 2016	Receivables and financial assets	Financial assets available for sale	Held-to-maturity investments	Financial liabilities	Fair Value with changes booked in the Income	
							Amount	Fair value hierarchy
Current assets								
Cash and cash equivalents	*5*	93,661	93,661	-	-	-	-	
Securities held for trading	*6*	-	-	-	-	-	-	
Held-to-maturity investments	*6*	3,950	-	-	3,950	-	-	
Assets for derivative financial instruments	*6*	255	-	-	-	-	255	2
Trade receivables	*8*	158,466	158,466	-	-	-	-	
Other receivables	*8*	6,820	6,820	-	-	-	-	
Other assets	*8*	3,689	3,689	-	-	-	-	
Non-current assets								
Other financial assets available for sale	*12*	46	-	46 *	-	-	-	
Non-current trade receivables	*13*	4	4	-	-	-	-	
Non-current assets for derivative financial instruments	*13*	15,770	-	-	-	-	15,770	2
Other non-current receivables	*13*	29,818	29,818	-	-	-	-	
Current liabilities								
Short-term fixed rate financial debts	*16*	25,313	-	-	-	25,313	-	
Short-term variable rate financial debts	*16*	122,895	-	-	-	122,895	-	
Other short-term liabilities for derivative financial instruments	*16*	400	-	-	-	-	400	2
Trade and other payable	*17*	339,086	-	-	-	339,086	-	
Other current liabilities	*18*	8,197	-	-	-	8,197	-	
Non-current liabilities								
Medium/long-term fixed rate financial debts	*16*	130,634	-	-	-	130,634	-	
Equity linked bond included embedded derivative	*16*	82,035	-	-	-	82,035	-	
Medium/long-term variable rate financial debts	*16*	45,528	-	-	-	45,528	-	
Other medium/long-term liabilities for derivative financial instruments	*16*	7,550	-	-	-	-	7,550 **	2

* relating to financial assets valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not avaible.

** of which Euro 731 thousand relating to hedge instruments accounted according to the cash flow hedge method.

The following table shows the fair value level of financial assets and liabilities measured at fair value, as at 31 December 2015:

(in thousands of Euro)	Note	Book value 2015	Receivables and financial assets	Financial assets available for sale	Held-to-maturity investments	Financial liabilities	Fair Value with changes booked in the income	
							Amount	Fair value hierarchy
Current assets								
Cash and cash equivalents	*5*	121,892	121,892	-	-	-	-	
Securities held for trading	*6*	17	-	-	-	-	17	*1*
Held-to-maturity investments	*6*	3,949	-	-	3,949	-	-	
Assets for derivative financial instruments	*6*	931	-	-	-	-	931	*2*
Trade receivables	*8*	143,489	143,489	-	-	-	-	
Other receivables	*8*	7,915	7,915	-	-	-	-	
Other assets	*8*	3,974	3,974	-	-	-	-	
Non-current assets								
Other financial assets available for sale	*12*	439	-	439 *	-	-	-	
Non-current trade receivables	*13*	4	4	-	-	-	-	
Non-current assets for derivative financial instruments	*13*	13,156	-	-	-	-	13,156	*2*
Other non-current receivables	*13*	34,666	34,666	-	-	-	-	
Current liabilities								
Short-term fixed rate financial debts	*16*	15,323	-	-	-	15,323	-	
Short-term variable rate financial debts	*16*	76,965	-	-	-	76,965	-	
Other short-term liabilities for derivative financial instruments	*16*	325	-	-	-	-	325	*2*
Trade and other payables	*17*	325,421	-	-	-	325,421	-	
Other current liabilities	*18*	9,686	-	-	-	9,686	-	
Non-current liabilities								
Medium/long-term fixed rate financial debts	*16*	151,210	-	-	-	151,210	-	
Equity linked bond included embedded derivative	*16*	78,627	-	-	-	78,627	-	
Medium/long-term variable rate financial debts	*16*	129,660	-	-	-	129,660	-	
Other medium/long-term liabilities for derivative financial instruments	*16*	11,562	-	-	-	-	11,562 **	*2*

* relating to financial assets valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not avaible.

** of which Euro 871 thousand relating to hedge instruments accounted according to the cash flow hedge method.

C) NOTES ON THE MAIN INCOME STATEMENT ITEMS: STATEMENT OF FINANCIAL POSITION

C 1) ASSETS

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to Euro 93,661 thousand versus Euro 121,892 thousand as at 31 December 2015 and break down as follows:

(in thousands of Euro)	12.31.2016	12.31.2015
Short-term cash investments	93,607	121,835
Cash on hand	54	57
TOTAL	93,661	121,892

"Short-term cash investments" earn interest at a floating rate.

For further details, please refer to the Analysis of the net financial position in note 22 and to the Consolidated Cash Flow Statement included in the financial statements.

As at 31 December 2016, the Group has unused lines of credit for the amount of Euro 298,254 thousand. These funds are available for use on demand, because the conditions required for their availability are met.

Please note that this item includes ARS (Argentine Peso) 18,595 thousand, i.e. the equivalent of Euro 1,110 thousand at the exchange rate in force on 31 December 2016 (ARS 13,619 thousand, the equivalent of Euro 966 thousand at the exchange rate in force on 31 December 2015) held by the Argentinian subsidiaries.

6. OTHER FINANCIAL ASSETS

"Other financial assets" can be broken down as follows:

(in thousands of Euro)	12.31.2016	12.31.2015
Securities held for trading	-	17
Financial receivables	1,676	1,438
Held-to-maturity investments	3,950	3,949
Assets for derivative financial instruments	255	931
TOTAL	5,881	6,335

"Held-to-maturity investments" are measured at amortised cost and include bank term deposits.
"Assets for derivative financial instruments" amount to Euro 255 thousand and refer to the fair value of forward foreign currency contracts. Further details can be found in the analysis of financial instruments contained in note 39.

7. INVENTORIES

The breakdown of inventories is as follows:

(in thousands of Euro)	12.31.2016			12.31.2015		
	Gross	*Write-downs*	*Net*	*Gross*	*Write-downs*	*Net*
Raw, ancillary and consumable materials	63,216	4,690	58,526	60,298	3,829	56,469
Work in progress and semi-finished products	16,251	384	15,867	14,171	283	13,888
Contract work in progress and advances	41,001	54	40,947	39,190	12	39,178
Finished goods and goods for resale	55,955	6,318	49,637	55,633	5,474	50,159
TOTAL	176,423	11,446	164,977	169,292	9,598	159,694

The gross value of inventories increased by Euro 7,131 thousand compared to the previous year (the increase amounts to Euro 5,855 thousand at constant exchange rates), of which Euro 1,811 thousand reflect an increase in tooling for sale to customers included in "Contract work in progress and advances" (mostly relating to the Air and Cooling business unit), whereas the remaining portion originates from increased volumes.

Writedowns consist for the most part of accruals for raw materials that can no longer be used for current production and for obsolete or slow-moving finished goods, goods for resale and ancillary materials. The increase in the provisions – by Euro 1,848 thousand – reflects the allocation of an additional Euro 3,119 thousand, partly offset by products scrapped during the year (Euro 1,252 thousand) and a negative currency exchange effect for Euro 19 thousand.

8. TRADE AND OTHER RECEIVABLES

Current receivables break down as follows:

(in thousands of Euro)	12.31.2016	12.31.2015
Trade receivables	157,163	142,266
Less: allowance for bad debts	4,977	5,367
Trade receivables, net	152,186	136,899
Due from Parent Company	6,280	6,590
Tax receivables	24,192	26,753
Other receivables	6,820	7,915
Other assets	3,689	3,974
TOTAL	193,167	182,131

"Trade receivables, net" are non-interest bearing and have an average due date of 34 days, against 32 days recorded at the end of the previous year.
It should be noted that as at 31 December 2016, the Group factored trade receivables for Euro 98,937 thousand (Euro 88,972 thousand as at 31 December 2015), including an

amount of Euro 60,804 thousand (Euro 48,487 thousand as at 31 December 2015) which was not notified and for which the Group continues to manage collection services. The risks and benefits related to these receivables have been transferred to the factor; therefore these receivables have been derecognised in the Statement of Financial Position debiting the consideration received from the factoring company.

Excluding the factoring transactions (Euro 98,937 thousand as at 31 December 2016 and Euro 88,972 thousand as at 31 December 2015) and the effect of exchange rates (Euro 744 thousand), net trade receivables increased by Euro 24,508 thousand as a result of the increase in the Group's business activities in the last quarter of the year compared to the same quarter of the previous year, and a slight increase in average collection days.

Further adjustments were booked to "Allowance for bad debts" during the year for a total of Euro 1,578 thousand, against net utilisations of the allowance for the amount of Euro 2,035 thousand (see note 39 for further details). Writedowns, net of provisions not used during the period, were charged to Income Statement under the item "Variable cost of sales – Variable sales and distribution costs".

"Due from Parent Company" as at 31 December 2016 is the amount receivable from the Holding Company CIR S.p.A. arising from the participation in the Group tax filing system on the part of the Italian companies of the Group. Outstanding receivables as at 31 December 2015 (totalling Euro 6,590 thousand) collected in 2016 amounted to Euro 5,683 thousand.
See chapter F for the terms and conditions governing these receivables from CIR S.p.A.

"Tax receivables" as at 31 December 2016 include tax credits due to the Group companies by the tax authorities of the various countries. This item decreased by Euro 2,561 thousand mainly because part of the tax receivables relating to research and development activities of the French subsidiary Sogefi Air & Refroidissement France S.A.S. were reclassified in long-term receivables.
It does not include deferred taxes which are treated separately.

"Other receivables" are made up as follows:

(in thousands of Euro)	12.31.2016	12.31.2015
Amounts due from social security institutions	103	204
Amounts due from employees	202	320
Advances to suppliers	2,690	2,659
Due from others	3,825	4,732
TOTAL	6,820	7,915

The decrease in "Other receivables" refers for the most part to subsidiary Allevard Sogefi U.S.A. Inc. and reflects insurance indemnities received.
The item "Other assets" mainly includes accrued income and prepayments on insurance premiums, rents, indirect taxes relating to buildings and on costs incurred for sales activities.

9. *TANGIBLE FIXED ASSETS*

The net carrying amount of tangible fixed assets as at 31 December 2016 amounted to Euro 262,482 thousand versus Euro 252,252 thousand at the end of the previous year and breaks down as follows:

(in thousands of Euro)	2016				
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*TOTAL*
Balance at January 1	14,299	201,861	5,343	30,749	252,252
Additions of the period	-	25,648	2,634	30,481	58,763
Disposals during the period	(70)	(208)	(10)	16	(272)
Exchange differences	(197)	1,702	(73)	(415)	1,017
Depreciation for the period	-	(37,073)	(2,339)	-	(39,412)
Write-downs/revaluations during the period	(56)	(5,609)	(464)	-	(6,129)
Reclassification of non-current asset held for sale	(1,158)	(2,260)	-	-	(3,418)
Other changes	-	25,094	1,310	(26,723)	(319)
Balance at December 31	12,818	209,155	6,401	34,108	262,482
Historical cost	12,881	831,790	28,639	35,157	908,467
of which: leases - gross value	-	*16,239*	*89*	*533*	*16,861*
Accumulated depreciation	63	622,635	22,238	1,049	645,985
of which: leases - accumulated depreciation	-	*8,667*	*89*	-	*8,756*
Net value	12,818	209,155	6,401	34,108	262,482
Net value - leases	-	*7,572*	-	*533*	*8,105*

(in thousands of Euro)	2015				
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*TOTAL*
Balance at January 1	14,286	191,283	5,348	33,144	244,061
Additions of the period	-	19,418	1,623	30,225	51,266
Disposals during the period	(2)	(203)	(28)	(27)	(260)
Exchange differences	15	(4,939)	(352)	(326)	(5,602)
Depreciation for the period	-	(35,351)	(1,729)	(25)	(37,105)
Write-downs/revaluations during the period	-	(243)	-	-	(243)
Reclassification of non-current asset held for sale	-	-	-	-	-
Other changes	-	31,896	481	(32,242)	135
Balance at December 31	14,299	201,861	5,343	30,749	252,252
Historical cost	14,299	804,801	26,647	31,477	877,224
of which: leases - gross value	-	*13,751*	*86*	*369*	*14,206*
Accumulated depreciation	-	602,940	21,304	728	624,972
of which: leases - accumulated depreciation	-	*7,288*	*86*	-	*7,374*
Net value	14,299	201,861	5,343	30,749	252,252
Net value - leases	-	*6,463*	-	*369*	*6,832*

Investments during the year amounted to Euro 58,763 thousand compared to Euro 51,266 thousand in the previous year.

The larger projects regarded the "Assets under construction and payments on account" and "Buildings, plant and machinery, commercial and industrial equipment" categories.

Major investments in the "Assets under construction and payments on account" category reflect investments in the following subsidiaries LPDN GmbH to develop new products and improve production processes; S.C. Sogefi Air & Cooling S.r.l., Sogefi Italy S.p.A. and Allevard Sogefi U.S.A. Inc. to expand production capacity and develop new products; and in the French companies Sogefi Suspensions France S.A. and Sogefi Filtration France S.A. to develop new products and improve production processes.

Among the most significant projects in the "Buildings, plant and machinery, commercial and industrial equipment" category, noteworthy are the investments in subsidiaries Sogefi Engine Systems Mexico S. de R.L. de C.V. for the new Mexican plant in Monterrey dedicated to the Suspensions business unit; ISSA S.A. to expand production capacity and improve production processes; Sogefi (Suzhou) Auto Parts Co., Ltd for the development of new products and extraordinary maintenance operations; Sogefi Suspensions France S.A. and Sogefi Air & Refroidissement France S.A.S. for the development of new products, the improvement of production processes and quality, and the adjustment of the production lines in compliance with health and safety rules and regulations.

During 2016, the S. Père site owned by the subsidiary Sogefi Filtration France S.A. (net book value Euro 113 thousand) was sold for Euro 700 thousand, and the corresponding gain of Euro 587 thousand was recognised in "Losses (gains) on disposal" in the Income statement.

"Depreciation for the period" has been recorded in the appropriate item in the Income Statement.

"Writedowns/revaluations during the period" totals Euro 6,129 thousand, Euro 3,105 thousand of which relate to the subsidiary Sogefi Filtration do Brasil Ltda (please see paragraph Impairment test of Sogefi Filtration do Brasil Ltda below for more details), whereas Euro 3,024 thousand relate to European companies.
Impairment losses less reversals are booked to "Other non-operating expenses (income)".

"Reclassification of non-current assets held for sale" totals Euro 3,418 thousand and relates to the plot of land and building of the Lieusaint site owned by the subsidiary Sogefi Suspensions France S.A., which were reclassified to "Non-current assets held for sale" as it is considered highly probable that they will be sold during 2017.

"Other changes" refer to the completion of projects that were under way at the end of the previous year and their reclassification under the pertinent items.

The balance of "Assets under construction and payments on account" as at 31 December 2016 includes Euro 269 thousand of advances for investments.

The main inactive assets, with a total net value of Euro 4,436 thousand, included in the item "Tangible fixed assets" mostly refer to investment properties of the Parent Company Sogefi S.p.A. (located in Mantova and San Felice del Benaco, for a total amount of Euro 4,398 thousand). The fair value of these assets as measured by an independent expert report exceeds their net book value. The book value of said assets will be recovered through their sale rather than through their continuous use. As we do not expect to sell them within one year, they are not subject to the accounting treatment envisaged by IFRS 5 and depreciation is continued.

No interest costs were capitalised to "Tangible fixed assets" during the year 2016.

Guarantees
As at 31 December 2016, tangible fixed assets are encumbered by mortgages or liens totalling Euro 5,580 thousand to guarantee loans from financial institutions, compared to Euro 7,726 thousand as at 31 December 2015. Guarantees existing as at 31 December 2016 refer to subsidiaries Sogefi Air & Cooling Canada Corp., Allevard IAI Suspensions Private Ltd. and Sogefi Filtration do Brasil Ltda.

Purchase commitments
As at 31 December 2016, there are binding commitments to buy tangible fixed assets for Euro 2,373 thousand (Euro 1,709 thousand as at 31 December 2015) relating to the

subsidiary Sogefi Suspensions France S.A. Said commitments will be settled within 12 months.

Leases

The carrying value of assets under financial leases as at 31 December 2016 was Euro 16,861 thousand, and the related accumulated depreciation amounted to Euro 8,756 thousand.

Please note that in 2016, subsidiary Allevard Sogefi USA Inc. re-negotiated the financial lease agreement entered into in 2013 after the purchase of additional assets, increasing its value by Euro 2,689 thousand. The new lease agreement presents for the same annual interest rate (3.24%) and term (June 2023) as the original one.

The financial aspects of the lease payments and their due dates are explained in note 16.

Impairment test of Sogefi Filtration do Brasil Ltda

At the end the fiscal year 2016, tangible and intangible fixed assets of the subsidiary Sogefi Filtration do Brasil Ltda were tested for impairment due to the negative economic and financial results of the subsidiary and the sluggish performance of the Brazilian car market. The impairment test was carried out in accordance with the procedure laid down in IAS 36 by comparing the net book value of these assets (totalling Euro 12.7 million, of which Euro 9.7 thousand tangible and Euro 3 million intangible fixed assets) with their value in use, given by the present value of estimated future cash flows that are expected to result from the continuing use of the asset being tested for impairment.

We used Discounted Cash Flow Unlevered model in performing the test. The subsidiary took into account cash flows expected for 2017 as determined based on the budget and for the following 6 years (i.e. the estimated remaining useful life of the assets) approved by the Advisory Board of the Brazilian subsidiary on 24 February 2017.

Budget and plan were prepared taking into account forecasts for the automotive industry in Brazil made by major sources in the industry, based on the expectation that the subsidiary will recover revenues and margins so as to return to pre-crisis profitability levels.

A discount rate of 19.52%, which reflects the weighted average cost of capital, was used.

As regards the average cost of capital, we calculated a weighted average of the cost of debt (taking into consideration the benchmark interest rates plus a spread) and the Company's own cost of capital, based on parameters for a group of firms operating in the European car components sector which are considered by the leading industry analysts to be Sogefi's peers. The values used to calculate the average cost of capital (extrapolated from the main financial sources) are as follows:

- financial structure of the industry: 21.7%
- levered beta of the industry: 1.08
    - risk-free rate: 12.98% (annual average of the Brazilian sovereign debt over 10 years)
- risk premium: 8.2% (weighted average risk premium calculated by an independent source)
- debt cost: 17%

The test based on the present value of the estimated future cash flows turns out a value in use of the assets that is lower than their carrying value; as a result, a writedown of Euro 3,034 thousand has been posted, with Euro 2,640 thousand relating to tangible fixed assets and Euro 394 thousand to intangible assets.

10. INTANGIBLE ASSETS

The net balance as at 31 December 2016 was Euro 281,650 thousand versus Euro 284,050 thousand at the end of the previous year, and breaks down as follows:

(in thousands of Euro)	2016						
	Develop-ment costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction and payments on account*	*Customer Relationship*	*Trade name Systemes Moteurs*	*Goodwill*	*TOTAL*
Balance at January 1	79,362	34,505	22,185	14,843	6,516	126,639	284,050
Additions of the period	18,653	1,485	10,159	-	-	-	30,298
Disposals during the period	(59)	-	-	-	-	-	(59)
Exchange differences	(1)	(40)	136	-	-	-	95
Amortisation for the period	(24,021)	(3,405)	(530)	(990)	(435)	-	(29,381)
Writedowns during the period	(3,257)	-	-	-	-	-	(3,257)
Other changes	10,713	169	(10,978)	-	-	-	(96)
Balance at December 31	81,391	32,714	20,972	13,853	6,081	126,639	281,650
Historical cost	211,718	65,031	25,253	19,215	8,437	149,537	479,191
Accumulated amortisation	130,327	32,317	4,281	5,362	2,356	22,898	197,541
Net value	81,391	32,714	20,972	13,853	6,081	126,639	281,650

(in thousands of Euro)	2015						
	Develop-ment costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction and payments on account*	*Customer Relationship*	*Trade name Systemes Moteurs*	*Goodwill*	*TOTAL*
Balance at January 1	77,773	36,033	19,767	15,833	6,951	126,639	282,996
Additions of the period	16,971	2,248	11,158	-	-	-	30,377
Disposals during the period	(748)	-	(20)	-	-	-	(768)
Exchange differences	(992)	(33)	277	-	-	-	(748)
Amortisation for the period	(21,129)	(4,071)	(664)	(990)	(435)	-	(27,289)
Writedowns during the period	-	-	(114)	-	-	-	(114)
Other changes	7,487	328	(8,219)	-	-	-	(404)
Balance at December 31	79,362	34,505	22,185	14,843	6,516	126,639	284,050
Historical cost	184,219	64,388	25,788	19,215	8,437	149,537	451,584
Accumulated amortisation	104,857	29,883	3,603	4,372	1,921	22,898	167,534
Net value	79,362	34,505	22,185	14,843	6,516	126,639	284,050

Investments during the year amounted to Euro 30,298 thousand.

The increases in "Development costs" for the amount of Euro 18,653 thousand refer to the capitalisation of costs incurred by Group companies to develop new products in collaboration with leading motor vehicle manufacturers (after obtaining the nomination from the customer). The largest investments refer to the subsidiaries Sogefi Air & Refroidissement France S.A.S., Sogefi Filtration France S.A., Sogefi Air & Cooling Canada Corp., Sogefi Filtration Spain S.A., Allevard Sogefi U.S.A. Inc., and Sogefi Engine Systems Mexico S. de R.L. de C.V.

Increases in "Industrial patents and intellectual property rights, concessions, licences and trademarks" amount to Euro 1,485 thousand and refer mainly to the development and implementation in process of the new information system across the Sogefi Group. This integrated information system is amortised on a ten-year basis, based on its estimated useful life, starting from the date of implementation in each subsidiary.

Increases in "Other, assets under construction and payments on account", for the amount of Euro 10,159 thousand, refer mainly to a large number of investments in the development and implementation of the new products not yet flowed into production. The highest development costs were recorded at subsidiaries Sogefi Suspensions France S.A., S.C. Sogefi Air & Cooling Srl, Allevard Sogefi U.S.A. Inc. and Sogefi Filtration d.o.o.

"Writedowns", for the amount of Euro 3,257 thousand, reflect research and development projects of subsidiaries Sogefi Filtration do Brasil Ltda, Sogefi Filtration d.o.o., Sogefi Filtration France S.A., Sogefi Filtration Spain S.A. and Sogefi Air & Refroidissement France S.A.S. that cannot be recovered.

The item does not include advances to suppliers for the purchase of fixed assets.

"Development costs" principally include costs generated internally, whereas "Industrial patents and intellectual property rights, concessions, licences and trademarks" consist of factors that are acquired externally for the most part.
"Other, assets under construction and payments on account" include around Euro 20,807 thousand of costs generated internally.

There are no intangible assets with an indefinite useful life except for goodwill.

Goodwill and impairment test

Goodwill is not amortised, but subjected each year to impairment test.
The Company identified five Cash Generating Units (CGUs):

- filtration
- air & cooling
- car suspension
- industrial vehicle suspension
- precision springs

For the moment, it is possible to identify goodwill deriving from external acquisitions in three CGUs: Filtration, Air&Cooling and Car Suspension.

The specific goodwill of the CGU "filtration" amounts to Euro 77,030 million, the goodwill of CGU "air&cooling" amounts to Euro 32,560 million, and the goodwill of CGU "car suspension" amounts to Euro 17,049 thousand.

Impairment tests have been carried out in accordance with the procedure laid down in IAS 36 to check whether there have been any losses in the value of this goodwill, by comparing the book value of the individual CGUs with their value in use, given by the present value of estimated future cash flows that are expected to result from the continuing use of the asset being tested for impairment.
We used the Discounted Cash Flow Unlevered model. The Group took into account the cash flows projections expected for 2017 as determined based on the budget (approved by the Board of Directors on 23 January 2017) and the forecasts included in the 2018-2020 plan (adjusted to eliminate any estimated benefits from future projects and reorganisations) approved by the Board of Directors on 13 June 2016 and 27 February 2017. Budget and plan were prepared taking into account forecasts for the automotive segment made by major sources in the industry.

A discount rate of 8.34%, which reflects the weighted average cost of capital, was used. The same discount rate is used for all three CGUs. As a matter of fact, the three CGUs operate in the same sector and deal with the same kind of customers, and it is estimated that they are exposed to the same risks.

The terminal value was calculated using the "perpetual annuity" approach, assuming a growth rate ("g-rate") of 2% (assumed to be conservative when compared to the forecasts for the automotive segment available from major sources of the industry) and considering an operating cash flow based on the last year of the projection (the year 2020), adjusted to project a stable situation "in perpetuity", based on the following main assumptions:
- a balance between capital investment and depreciation (according to the rationale of considering the level of investment needed to "maintain" the business);
- change in working capital equal to zero.

As regards the average cost of capital, we calculated a weighted average of the cost of debt (taking into consideration the benchmark interest rates plus a spread) and the Company's own cost of capital, based on parameters for a group of firms operating in the European car components sector which are considered by the leading industry analysts to be Sogefi's peers. The values used to calculate the average cost of capital (extrapolated from the main financial sources) are as follows:
- financial structure of the industry: 21.7%
- levered beta of the industry: 1.08
- risk-free rate: 3.0% (annual average of risk-free rates of 10 year sovereign debt of the key markets in which the Group operates, weighted by revenues)
- risk premium: 6.4% (weighted average risk premium calculated by an independent source for the key markets in which the Group operates, weighted by revenues)
- debt cost spread: 3.4% (estimate based on the 2017 budget)

As far as the sensitivity analysis goes, it should be noted that:
- the impairment test reached the break-even point at the following discounting rates (growth rate of terminal value remaining unchanged at 2% and all other plan assumptions being equal): 16.6% for CGU Filtration; 17.2% for CGU Air&Cooling; and 12.3% for CGU Car Suspension;
- the impairment test reached break-even point with a significant reduction in EBIT during the explicit period covered by the plan that was also applied to terminal value (all other plan assumptions being equal): -56.8% in CGU Filtration; -58.3% in CGU Air&Cooling; and -38.7% in CGU Car Suspension;
- the impairment test reached break-even point at the following decreasing rates of the terminal value "g-rate" (all other plan assumptions being equal): -10.9% in CGU Filtration; -10.7% in CGU Air&Cooling; and -3.4% in CGU Car Suspension.

The test based on the present value of the estimated future cash flows turns out a value in use of the CGUs that exceeds their carrying value, so no writedown has been posted.

11. INVESTMENTS IN JOINT VENTURES

As at 31 December 2016, there were no investments in joint ventures.

12. OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2016, these assets totalled Euro 46 thousand (Euro 439 thousand as at 31 December 2015) and break down as follows:

(in thousands of Euro)	12.31.2016	12.31.2015
Equity investments in other companies	46	439
Other securities	-	-
TOTAL	46	439

The decrease in this item basically reflects a writedown of the full amount of the equity investment in the company AFICO FILTERS S.A.E. (17.77% stake as at 31 December 2016 and 22.62% stake as at 31 December 2015) due to an impairment loss as the company's economic and financial position worsened. The writedown, in the amount of Euro 392 thousand, was booked to "Losses (gains) from equity investments".
At the end of the previous year, the equity investment had not been classified as associate due to the significant lack of Group's members in the management bodies of the company (which means the Group did not exert significant influence on the company).

13. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT RECEIVABLES

Non-current financial receivables total Euro 15,770 thousand (Euro 13,156 thousand as at 31 December 2015) and refer to the fair value of cross currency swap hedging contracts. For further details, please refer to note 39.

"Other receivables" break down as follows:

(in thousands of Euro)	12.31.2016	12.31.2015
Pension fund surplus	9,955	23,368
Other receivables	19,863	11,298
TOTAL	29,818	34,666

"Other receivables" include an indemnification asset of Euro 9,955 thousand (Euro 23,368 thousand as at 31 December 2015) owed by the seller of Sogefi Air & Refroidissement France S.A.S.'s shares – booked upon the PPA of the Systemes Moteurs Group – relating to the recovery of expenses charged by customers following claims on the quality of products sold, based on warranties given by the same seller.
For further details, please refer to note 2, paragraph "Consolidation principles and accounting policies – Critical estimates and assumptions".

The item "Other non-current receivables" also includes tax credits relating to the research and development activities of the French subsidiaries, other tax credits and non-interest bearing guarantee deposits for leased properties.
These receivables will be collected over the coming years. They increased by Euro 8,565 thousand, of which Euro 3,500 thousand reflect tax credits of subsidiary Sogefi Air & Refroidissement S.A.S. reclassified from current "Tax receivables", Euro 4,179 thousand relate to tax credits originated from research and development activities of the French subsidiaries, and Euro 886 thousand other receivables.

14. DEFERRED TAX ASSETS

As at 31 December 2016, this item amounts to Euro 56,810 thousand compared to Euro 65,301 thousand as at 31 December 2015.
This amount relates to the expected benefits on deductible temporary differences, booked to the extent that it is probable that it will be recovered. Reference should be made to note 20 for a further discussion of this matter.

15. NON-CURRENT ASSETS HELD FOR SALE

As at 31 December 2016, non-current assets held for sale total Euro 3,418 thousand and relate to the plot of land and building of the Lieusaint site owned by subsidiary Sogefi Suspensions France S.A., which were reclassified to "Non-current assets held for sale" as it is highly probable that they will be sold during 2017.

C 2) LIABILITIES AND EQUITY

16. FINANCIAL DEBTS TO BANKS AND OTHER FINANCING CREDITORS

These break down as follows:

Current portion

(in thousands of Euro)	12.31.2016	12.31.2015
Bank overdrafts and short-term loans	11,005	17,843
Current portion of medium/long-term financial debts	137,203	74,445
of which: leases	*1,721*	*1,252*
TOTAL SHORT-TERM FINANCIAL DEBTS	148,208	92,288
Other short-term liabilities for derivative financial instruments	400	325
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	148,608	92,613

Non-current portion

(in thousands of Euro)	12.31.2016	12.31.2015
Financial debts to banks	48,291	141,080
Other medium/long-term financial debts	209,906	218,417
of which: leases	*9,039*	*8,135*
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	258,197	359,497
Other medium/long-term liabilities for derivative financial instruments	7,550	11,562
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	265,747	371,059

Bank overdrafts and short-term loans

For further details, please refer to the Analysis of the net financial position in note 22 and to the Consolidated Cash Flow Statement included in the financial statements.

Current and non-current portions of medium/long-term financial debts

Details are as follows:

Balance as at 31 December 2016 (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Current portion	Non-current portion	Total amount	Real Guaran-tees
Sogefi S.p.A.	BNP Paribas S.A.	Sep - 2014	Sep - 2017	25,000	Euribor 3m + 190 bps variable	24,939	-	24,939	N/A
Sogefi S.p.A.	ING Bank	July - 2015	Sep - 2020	30,000	Euribor 3m + 190 bps variable	-	29,879	29,879	N/A
Sogefi S.p.A.	Banca Carige S.p.A	July - 2011	Sep - 2017	25,000	Euribor 3m + 225 bps variable	4,026	-	4,026	N/A
Sogefi S.p.A.	Banco do Brasil S.A.	Dec - 2012	Apr - 2017	15,000	Euribor 3m + 315 bps variable	3,742	-	3,742	N/A
Sogefi S.p.A.	Mediobanca S.p.A	July - 2015	Jan- 2017	20,000	Euribor 3m + 130 bps variable	19,996	-	19,996	N/A
Sogefi S.p.A.	Mediobanca S.p.A	Dec - 2015	June- 2017	20,000	Euribor 3m + 125 bps variable	19,983	-	19,983	N/A
Sogefi S.p.A.	Banco do Brasil S.A.	Sep - 2015	Sep - 2018	19,000	Euribor 3m + 130 bps variable	7,600	7,552	15,152	N/A
Sogefi S.p.A.	Banca Carige S.p.A	Nov - 2015	June - 2019	10,000	Euribor 3m + 130 bps variable	2,848	4,289	7,137	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ING Bank	Mar - 2015	Jan - 2017	9,358	160% PBOC 1y	9,358	-	9,358	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Intesa SanPaolo S.p.A.	Nov - 2016	May - 2017	5,350	120% PBOC 3m	5,350	-	5,350	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Nov - 2016	Nov - 2017	4,097	115% PBOC 3m	4,097	-	4,097	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Commerz bank	July - 2016	June - 2017	3,005	105% PBOC 6m	3,005	-	3,005	N/A
Sogefi Air & Cooling Canada Corp.	Ge Capital	Sep - 2015	Sep - 2019	4,229	4,207% fixed	1,045	1,938	2,983	YES
Sogefi Filtration do Brasil Ltda	Banco do Brasil	July - 2014	Aug - 2017	3,322	8 % fixed	3,322	-	3,322	N/A
Sogefi Filtration do Brasil Ltda	Banco do Brasil	Sep - 2015	Aug - 2018	2,915	17,96% fixed	1,206	804	2,010	YES
Sogefi Filtration do Brasil Ltda	Banco Itau	Mar - 2016	Mar - 2017	2,591	6,2% fixed	791	-	791	N/A
S.C. Sogefi Air & Cooling S.r.l.	ING Bank	May - 2016	May - 2020	4,723	ROBOR 3m + 2,8%	1,090	3,633	4,723	N/A
Shanghai Sogefi Auto Parts Co., Ltd	Bank of China	July - 2016	Jan - 2017	2,049	105% PBOC 6m	2,049	-	2,049	N/A
Other loans						22,756	196	22,951	
TOTAL						137,203	48,291	185,494	

The current portion of line "Other medium/long-term financial debts" includes Euro 15,585 thousand relating to the bond issue of USD 115,000 thousand.
This item also includes other minor loans, as well as financial lease payments in accordance with IAS 17.

Balance as at 31 December 2015 (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Current portion	Non-current portion	Total amount	Real Guarantees
Sogefi S.p.A.	Intesa SanPaolo S.p.A.	Apr - 2011	Dec - 2016	60,000	Euribor 3m + 260 bps variable	7,868	0	7,868	N/A
Sogefi S.p.A.	BNP Paribas S.A.	Sep - 2014	Sep - 2017	25,000	Euribor 3m + 190 bps variable	0	24,858	24,858	N/A
Sogefi S.p.A.	Mediobanca S.p.A.	Jul- 2014	Jan - 2016	20,000	Euribor 3m + 170 bps variable	0	19,998	19,998	N/A
Sogefi S.p.A.	Banca Carige S.p.A.	Jul - 2011	Sep - 2017	25,000	Euribor 3m + 225 bps variable	5,232	3,969	9,201	N/A
Sogefi S.p.A.	ING Bank	Jul - 2015	Sep - 2020	30,000	Euribor 3m + 190 bps variable	0	29,846	29,846	N/A
Sogefi S.p.A.	Mediobanca S.p.A.	Jul - 2015	Jan - 2017	20,000	Euribor 3m + 130 bps variable	0	19,952	19,952	N/A
Sogefi S.p.A.	Banco do Brasil S.A.	Sep - 2015	Sep - 2018	19,000	Euribor 3m + 130 bps variable	3,800	15,124	18,924	N/A
Sogefi S.p.A.	Banco do Brasil S.A.	Dec - 2012	Apr - 2017	15,000	Euribor 3m + 315 bps variable	3,750	3,714	7,464	N/A
Sogefi S.p.A.	Banca Carige S.p.A.	Nov - 2015	Jun - 2019	10,000	Euribor 3m + 130 bps variable	2,811	7,116	9,927	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ING Bank	Jun - 2014	Jan - 2017	11,415	8.80% fixed	5,156	6,259	11,415	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ING Bank	Jun - 2015	Jan - 2017	5,235	8.01% fixed	1,772	3,463	5,235	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Jan - 2015	Jun - 2016	7,876	7.28% fixed	7,876	0	7,876	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Nov - 2015	Nov - 2016	6,498	6.96% fixed	6,498	0	6,498	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Commerzbank AG	Jan - 2015	Jun - 2016	3,265	5.78% fixed	3,265	0	3,265	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Intesa SanPaolo S.p.A.	May - 2015	Dec - 2016	4,466	6.72% fixed	4,466	0	4,466	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Intesa SanPaolo S.p.A.	May - 2015	Dec - 2016	2,702	5.52% fixed	2,702	0	2,702	N/A
Sogefi Filtration do Brasil Ltda	Banco Itau BBA Internat	Feb - 2013	Mar - 2016	4,818	5.5% fixed	4,818	0	4,818	N/A
Sogefi Filtration do Brasil Ltda	Banco do Brasil S.A.	Sep - 2015	Aug - 2018	2,319	17.96% fixed	640	1,679	2,319	YES
Sogefi Air & Cooling Canada Corp.	Ge Capital	Sep - 2015	Sep - 2019	3,969	4.207% fixed	941	2,799	3,740	YES
Sogefi Filtration Spain S.A.	Banco Sabadell S.A.	May - 2011	May - 2016	7,000	Euribor trim. + 225 bps variable	700	0	700	N/A
S.C. Sogefi Air & Cooling S.r.l.	ING Bank	May - 2013	May - 2017	2,459	ROBOR 3M +5.5%	820	205	1,025	N/A
Other loans						11,330	2,098	13,428	
TOTAL						74,445	141,080	215,525	

As at 31 December 2016, the “Current portion of medium/long-term financial debts” totals Euro 137,203 thousand, Euro 100 million of which relating to the Parent Company Sogefi S.p.A. and reflects bank loan instalments or bonds underwritten during the previous years repayable by 31 December 2017. With regard to the current portions of financial debts payable within the following year, it should be noted that the Parent Company Sogefi S.p.A. has unused lines of credit for the amount of Euro 170,171 thousand. These funds are available for use on demand, because the conditions required for their availability are met.

In May 2016, the Parent Company chose to use the option provided for by the loan agreement to waive borrowing under the revolving portion (Euro 30 million not drawn at the time of the waiver) of the loan facility granted by Intesa Sanpaolo S.p.A. in April 2011 and expiring on 31 December 2016. With regard to the amortisable portion of the loan granted by Intesa Sanpaolo S.p.A. in April 2011 and expiring on 31 December 2016, the Parent Company paid the remaining instalments (Euro 8 million as at 31 December 2015) and extinguished the loan during the year.
The loan of Euro 20 million obtained from Mediobanca S.p.A. in July 2014, expiring in January 2016, was replaced with a loan for the same amount taken out with the same bank in December 2015, effective from January 2016 and expiring in June 2017, at a floating interest rate linked to the 3-month Euribor plus a spread of 125 basis points.

The existing loans are not secured by the Company's assets. Furthermore, note that, contractually, the spreads relating to the loans of the Company are reviewed every six months on the basis of the computation of the consolidated NFP/normalised consolidated EBITDA ratio. For an analysis of the covenants relating to loans outstanding at the end of the period, please refer to the note below entitled "Analysis of the financial position".

Other short-term liabilities for derivative financial instruments

The item includes the short-term portion of the *fair value* of the exchange risk hedging contracts.
Reference should be made to chapter E for a further discussion of this matter.

Other medium/long-term financial debts

As at 31 December 2016, details were as follows (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Total amount at December 31, 2016	Real guarantees
Sogefi S.p.A.	Private placement	May - 2013	May - 2023	USD 115,000	Fixed coupon 600 bps	93,228	N/A
Sogefi S.p.A.	Private placement	May - 2013	May - 2020	Euro 25,000	Fixed coupon 505 bps	24,953	N/A
Sogefi S.p.A.	Equity linked bond	May - 2014	May - 2021	Euro 100,000	Fixed coupon 2% year	82,035	N/A
Other financial debts						9,689	
TOTAL						209,906	

Please note that an amount of Euro 15,585 thousand relating to the bond issue of USD 115,000 thousand was classified under "Current portion of medium/long-term financial debts" because redemption will occur during the year 2017.

Line "Other medium/long-term financial debts" includes other minor loans, as well as financial lease payments in accordance with IAS 17.

As at 31 December 2015, details were as follows (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan (in thousands)	Interest rate	Total amount at December 31, 2015 (in thousands of Euro)	Real guarantees
Sogefi S.p.A.	Private placement	May - 2013	May - 2023	USD 115,000	Fixed coupon 600 bps	105,302	N/A
Sogefi S.p.A.	Private placement	May - 2013	May - 2020	Euro 25,000	Fixed coupon 505 bps	24,940	N/A
Sogefi S.p.A.	Equity linked bond	May - 2014	May - 2021	Euro 100,000	Fixed coupon 2% year	78,627	N/A
Other financial debts						9,548	
TOTAL						218,417	

The balance in Euro of the bond of USD 115,000 thousand increased as a result of the variation in the Euro-to-USD exchange rate (hedged as detailed in section E).

Other medium/long-term financial liabilities for derivative financial instruments

This item amounts to Euro 7,550 thousand (Euro 11,562 thousand as at 31 December 2015) and breaks down as follows:
- Euro 731 thousand represent a liability corresponding to the fair value of interest rate swap (Irs) contracts designated in hedge accounting, entered into for a notional amount of Euro 25 million in 2013 and maturing in June 2018, whose purpose is to convert part of the existing medium/long-term loan taken out with Ing Bank N.V. from variable to fixed interest rate (the original purpose of these instruments was to hedge for future indebtedness of the Parent Company Capogruppo Sogefi S.p.A., deemed to be highly probable).
- Euro 6,819 thousand represent a liability corresponding to the fair value of interest rate swap (Irs) contracts previously designated in hedge accounting that were reclassified as financial liabilities at fair value through profit or loss during previous years; contracts for Euro 90 million were entered into in 2011 and Euro 75 million in 2013, maturing in June 2018. The purpose of these contracts was to hedge the risk of fluctuations in future cash flows arising from the expected future long-term indebtedness of the Parent Company Sogefi S.p.A., deemed to be highly probable according to future projections approved by management. These derivatives did not pass the effectiveness test required by IAS 39 in order to apply the hedge accounting rules.

Finance leases

The Group has finance leases as well as rental and hire contracts for building, plant and machinery that, according to their type, cover almost the entire useful life of the asset concerned. The assets held under these leases, rental and hire contracts are booked in accordance with IAS 17 as though they were fixed assets owned by the company, disclosing their historical cost, depreciation, the financial cost and the residual liability.

Future payments deriving from these contracts can be summarised as follows:

(in thousands of Euro)	Instalments	Capital
Within 12 months	2,158	1,721
Between 1 and 5 years	7,779	6,710
Beyond 5 years	2,411	2,329
Total lease payments	12,349	10,760
Interests	(1,589)	-
TOTAL PRESENT VALUE OF LEASE PAYMENTS	10,760	10,760

The contracts included in this item refer to the following subsidiaries:

- Sogefi Filtration Ltd for a long-term rental contract for the production site in Tredegar. The contract expires in September 2022 and the original total amount of the contract was Euro 3,095 thousand; the future capital payments amount to Euro 1,787 thousand and the annual nominal rate of interest applied by the lessor is 11.59%.
The Group has given sureties for this contract.
This rental contract has been accounted for as financial leases, as required by IAS 17, where the present value of the rent payments amounted approximately with the fair value of the asset at the time the contract was signed.

- Allevard Sogefi USA Inc. has entered into the following lease contracts for the Prichard production site relating to:
a) plants, machinery and improvements to the building for an original amount of Euro 1,518 thousand. The contract expires in May 2019, the future capital payments amount to Euro 409 thousand and the annual interest rate applied by the lessor is equal to 3.92%. The Group has given sureties for this contract;
b) plants, machinery and improvements to the building for an original amount of Euro 2,729 thousand. The contract expires in July 2019, the future capital payments amount to Euro 815 thousand and the annual interest rate applied by the lessor is equal to 3%. The Group has given sureties for this contract.
c) plants, machinery and improvements to the building for an original amount of Euro 5,662 thousand. Please note that in 2016, subsidiary Allevard Sogefi USA Inc. re-negotiated the financial lease agreement entered into in 2013 after the purchase of new machinery, increasing its value by Euro 2,154 thousand. The new lease agreement presents for the same annual interest rate (3.24%) and term (June 2023) as the original one. Overall residual principal amount is Euro 7,750 thousand.
The Group has given sureties for this contract.

There are no restrictions of any nature on these leases. Upon expiry of the contracts ownership of the assets is transferred to the lessee without payment of any purchase price. These contracts are therefore accounted for as financial leases, as required by IAS 17.

17. TRADE AND OTHER CURRENT PAYABLES

The amounts shown in the financial statements can be broken down into the following categories:

(in thousands of Euro)	12.31.2016	12.31.2015
Trade and other payables	339,086	325,421
Tax payables	8,664	6,071
TOTAL	347,750	331,492

Details of trade and other payables are as follows:

(in thousands of Euro)	12.31.2016	12.31.2015
Due to suppliers	262,884	255,400
Due to the parent company	3,254	2,428
Due to tax authorities for indirect and other taxes	11,359	8,607
Due to social and security institutions	20,668	21,750
Due to employees	31,992	29,719
Other payables	8,929	7,517
TOTAL	339,086	325,421

Amounts "Due to suppliers " are not interest-bearing and are settled on average in 66 days (70 days as at 31 December 2015).
There is no significant concentration of payables due to any one supplier or small group of suppliers.

The amounts "Due to suppliers" increased by Euro 7,484 thousand (by Euro 8,256 thousand at constant exchange rates); this is mainly due to business growth in the last portion of 2016 compared to the same period of the previous year.

Amounts "Due to parent company" reflect the consideration of Euro 1,390 thousand due for the fiscal surplus transferred by companies that have joined the CIR Group tax filing system; Euro 1,750 thousand represent the tax liability of subsidiary Sogefi Italy S.p.A. in connection with the CIR Group tax filing system, and Euro 114 thousand reflect outstanding Directors' remuneration charged back to the parent company Cir S.p.A. For further details, please refer to note 40.

The increase in amounts "Due to tax authorities for indirect and other taxes" mainly refers to VAT debts, outstanding withholding tax payments and other indirect taxes.

Item "Due to social and security institutions" decreased after the French subsidiaries changed contribution payment scheme from quarterly (in 2015) to monthly payments in the year 2016. The increase in "Due to employees" of Euro 2,273 thousand reflects for the most part provisions for vacation accrued and not utilised and for the variable portion of remuneration.

"Tax payables" are taxes accrued in 2016.

18. OTHER CURRENT LIABILITIES

"Other current liabilities" for the amount of Euro 8,197 thousand (Euro 9,686 as at 31 December 2015) include adjustments to costs and revenues for the period so as to ensure compliance with the accruals based principle (accrued expenses and deferred income), deferred margin on tooling sales and advances received from customers for orders still to be delivered.

19. LONG-TERM PROVISIONS AND OTHER PAYABLES

These are made up as follows:

Details of the main items are given below.

(in thousands of Euro)	12.31.2016	12.31.2015
Pension funds	53,198	42,575
Provision for employment termination indemnities	5,996	6,316
Provision for restructuring	2,106	5,194
Provision for product warranties	19,081	19,716
Provisions for disputes in progress and other risks	8,936	5,414
TOTAL	89,317	79,215

Pension funds

The amount of Euro 53,198 thousand represents the amount set aside at year end by the various Group foreign companies to cover the liabilities of their various pension funds. Changes in the pension funds occurred during the year are shown below:

(in thousands of Euro)	12.31.2016	12.31.2015
Opening balance	42,575	47,361
Cost of benefits charged to income statement	3,380	3,941
"Other Comprehensive Income"	12,929	(7,176)
Contributions paid	(2,939)	(2,921)
Exchange differences	(2,747)	1,370
TOTAL	53,198	42,575

The following table shows all of the obligations deriving from "Pension funds" and the present value of the plan assets for the year 2016 and the two previous years.

(in thousands of Euro)	12.31.2016	12.31.2015	12.31.2014
Present value of defined benefit obligations	221,176	221,701	222,291
Fair value of plan assets	167,978	179,126	174,930
Deficit	53,198	42,575	47,361

Changes in the "Present value of defined benefit obligations" for the year 2016 were as follows: