

## **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
<b>TOTAL</b>	<b>93,661</b>	<b>121,892</b>

“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
<b>TOTAL</b>	<b>5,881</b>	<b>6,335</b>

“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		
	<i>Gross</i>	<i>Write-downs</i>	<i>Net</i>	<i>Gross</i>	<i>Write-downs</i>	<i>Net</i>
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
<b>TOTAL</b>	<b>176,423</b>	<b>11,446</b>	<b>164,977</b>	<b>169,292</b>	<b>9,598</b>	<b>159,694</b>

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
<b>TOTAL</b>	<b>193,167</b>	<b>182,131</b>

“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
<b>TOTAL</b>	<b>6,820</b>	<b>7,915</b>

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				
	<i>Land</i>	<i>Buildings, plant and machinery, commercial and industrial equipment</i>	<i>Other assets</i>	<i>Assets under construction and payments on account</i>	<i>TOTAL</i>
<i>Balance at January 1</i>	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)
<i>Balance at December 31</i>	12,818	209,155	6,401	34,108	262,482
Historical cost	12,881	831,790	28,639	35,157	908,467
<i>of which: leases - gross value</i>	-	16,239	89	533	16,861
Accumulated depreciation	63	622,635	22,238	1,049	645,985
<i>of which: leases - accumulated depreciation</i>	-	8,667	89	-	8,756
Net value	12,818	209,155	6,401	34,108	262,482
<i>Net value - leases</i>	-	7,572	-	533	8,105

(in thousands of Euro)	2015				
	<i>Land</i>	<i>Buildings, plant and machinery, commercial and industrial equipment</i>	<i>Other assets</i>	<i>Assets under construction and payments on account</i>	<i>TOTAL</i>
<i>Balance at January 1</i>	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
<i>Balance at December 31</i>	14,299	201,861	5,343	30,749	252,252
Historical cost	14,299	804,801	26,647	31,477	877,224
<i>of which: leases - gross value</i>	-	13,751	86	369	14,206
Accumulated depreciation	-	602,940	21,304	728	624,972
<i>of which: leases - accumulated depreciation</i>	-	7,288	86	-	7,374
Net value	14,299	201,861	5,343	30,749	252,252
<i>Net value - leases</i>	-	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						TOTAL
	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	
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						TOTAL
	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	
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	-	-
<b>TOTAL</b>	<b>46</b>	<b>439</b>

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
<b>TOTAL</b>	<b>29,818</b>	<b>34,666</b>

“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 <i>of which: leases</i>	137,203 1,721	74,445 1,252
<b>TOTAL SHORT-TERM FINANCIAL DEBTS</b>	<b>148,208</b>	<b>92,288</b>
Other short-term liabilities for derivative financial instruments	400	325
<b>TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>148,608</b>	<b>92,613</b>

#### *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 <i>of which: leases</i>	209,906 9,039	218,417 8,135
<b>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS</b>	<b>258,197</b>	<b>359,497</b>
Other medium/long-term liabilities for derivative financial instruments	7,550	11,562
<b>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>265,747</b>	<b>371,059</b>

#### ***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 Guarantees
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	
<b>TOTAL</b>						<b>137,203</b>	<b>48,291</b>	<b>185,494</b>	

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	
<b>TOTAL</b>						<b>209,906</b>	

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	
<b>TOTAL</b>						<b>218,417</b>	

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)	-
<b>TOTAL PRESENT VALUE OF LEASE PAYMENTS</b>	<b>10,760</b>	<b>10,760</b>

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. renegotiated 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
<b>TOTAL</b>	<b>347,750</b>	<b>331,492</b>

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
<b>TOTAL</b>	<b>339,086</b>	<b>325,421</b>

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
<b>TOTAL</b>	<b>89,317</b>	<b>79,215</b>

#### *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
<b>TOTAL</b>	<b>53,198</b>	<b>42,575</b>

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:

(in thousands of Euro)	12.31.2016	12.31.2015
Present value of defined benefit obligations at the beginning of the period	221,701	222,291
Current service cost	1,638	1,647
Financial expenses	7,353	8,128
Remeasurement (gains)/losses		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(6,777)	(305)
- Actuarial (gains)/losses arising from changes in financial assumptions	39,275	(19,379)
- Actuarial (gains)/losses arising from experience	(5,176)	4,978
- Actuarial (gains)/losses arising from "Other long-term benefits" - Jubilee benefit	332	164
Contribution paid by plan participants	183	227
Settlements/Curtailments	(310)	-
Exchange differences	(28,952)	12,163
Benefits paid	(8,091)	(8,213)
Present value of defined benefit obligations at the end of the period	221,176	221,701

“Actuarial (gains)/losses arising from changes in demographic assumptions” are mainly due to revised mortality assumptions in British pension funds.

“Actuarial (gains)/losses arising from changes in financial assumptions” are mainly due to a diminished discount rate in British and French pension funds.

“Actuarial (gains)/losses arising from experience adjustments” reflect the difference between actuarial assumptions and what occurred in practice (for instance, in terms of employee turnover, wage inflation or inflation rate).

“Actuarial (gains)/losses relating to other long-term benefits” mainly relate to the French subsidiaries.

With regard to the balances of companies that use functional currencies other than the Euro, please note that the Income Statement items are translated into Euro using the average exchange rate of the reporting period; the present value of obligations at beginning and end of period was translated at the rate of exchange ruling at the relevant date.

Changes in the fair value of plan assets are illustrated in the table below:

(in thousands of Euro)	12.31.2016	12.31.2015
Fair value of plan assets at the beginning of the period	179,126	174,930
Interest income	6,175	6,675
Remeasurement (gains)/losses:		
Return on plan assets	14,393	(7,530)
Non investment expenses	(542)	(677)
Contributions paid by the company	1,737	1,718
Contributions paid by the plan participants	183	227
Exchange differences	(26,205)	10,792
Benefits paid	(6,889)	(7,009)
Fair value of plan assets at the end of the period	167,978	179,126

With regard to the balances of companies that use functional currencies other than the Euro, please note that the Income Statement items are translated into Euro using the average exchange rate of the reporting period, whereas the fair value of assets at beginning and end of period was translated at the rate of exchange ruling at the relevant date.

Details of the amounts recognised in Other comprehensive income are given below:

(in thousands of Euro)	12.31.2016	12.31.2015
Return on plan assets (excluding amounts included in net interests expenses on net liability (assets))	(14,393)	7,530
Actuarial (gains)/losses arising from changes in demographic assumptions	(6,777)	(305)
Actuarial (gains)/losses arising from changes in financial assumptions	39,275	(19,379)
Actuarial (gains)/losses arising from experience	(5,176)	4,978
Value of the net liability (asset) to be recognised in "Other Comprehensive income"	12,929	(7,176)

The amounts charged to the Income Statement can be summarised as follows:

(in thousands of Euro)	12.31.2016	12.31.2015
Current service cost	1,638	1,647
Net interest cost	1,178	1,453
Actuarial (gains)/losses recognised during the year on "Other long-term benefits"- Jubilee benefit	332	164
Non-management costs of plan assets	542	677
Settlements/Curtailments	(310)	-
TOTAL	3,380	3,941

Items "Current service cost" and "Non-management costs of plan assets" are included in the various "Labour cost" lines of Income Statement items.

Line "Financial expenses, net" is included in "Financial expenses (income), net".

"Actuarial (gains) losses related to jubilee benefits recognized during the year" and "Settlements/Curtailments" are included in "Other non-operating expenses (income)".

Defined-benefit plans expose the Group to the following actuarial risks:

- Investment risk (only applies to British subsidiaries that hold plan assets): the present value of the defined-benefit obligation is calculated at a discount rate determined with reference to returns on AA-rated Eurozone corporate bonds; if the return on plan assets is lower than this rate, the plan will be in deficit. For this reason, and considering the long-term nature of plan liabilities, the British companies' funds diversified their portfolios to include investment in properties, debt instruments and equity instruments.
- Interest risk: a decrease in the discount rate will lead to an increase in plan liability; however, if plan assets are present, such increase will be partially offset by an increase in the return on plan investments.

- Longevity risk: the value of the defined-benefit obligation is calculated taking into account the best possible estimate of the mortality rate of plan beneficiaries; an increase in life expectancy leads to an increase in the resulting obligation.
- Inflation risk/wage inflation risk: the value of the definite-benefit plan with reference to employees in service is calculated taking into account future pay rises and inflation rate: an increase in these elements causes the relevant obligation to increase.

The following table shows the breakdown of “Pension funds” by geographical area of the relevant subsidiaries:

(in thousands of Euro)	12.31.2015			
	Great Britain	France	Other	TOTAL
Present value of defined benefit obligations	195,409	22,650	3,642	221,701
Fair value of plan assets	179,031	-	95	179,126
Deficit	16,378	22,650	3,547	42,575

  

(in thousands of Euro)	12.31.2016			
	Great Britain	France	Other	TOTAL
Present value of defined benefit obligations	190,788	26,734	3,654	221,176
Fair value of plan assets	167,781	-	197	167,978
Deficit	23,007	26,734	3,457	53,198

Growing Deficit reduction in Great Britain and France can be traced back mainly to a diminished discount rate.

Note that the actuarial valuations of the “Pension funds” are carried out in collaboration with external specialists.

The following paragraphs summarise the pension systems in the geographical areas that affect the Group the most: Great Britain and France.

#### *Great Britain*

In Great Britain, pension plans are mainly private, being made with fund management companies and administered independently from the company.

They are classified as defined-benefit plans subject to actuarial valuation that are accounted for according to the corridor approach as provided for by IAS 19.

With regard to plan governance, administrators are representatives of employees, former employees and employer; they are required by law to act in the interest of the fund and of all main stakeholders and are responsible for the investment policies adopted for plan assets.

With regard to the nature of employee benefits, employees are entitled to a post-employment annuity calculated by multiplying a portion of the wage earned at retirement age by the number of years of service until retirement age.

The main assumptions used in the actuarial valuation of these “Pension funds” were as follows:

	12.31.2016	12.31.2015
Discount rate %	2.8	3.9
Expected annual wage rise %	2,2-3,7	2,2-3,7
Annual inflation rate %	2,2-3,2	2,2-3,2
Retirement age	65	65

The diminished “Discount rate” versus the previous year reflects the downward trend in returns on AA-rated UK corporate bonds recorded in 2016. The “Discount rate” is calculated based on the returns on AA-rated UK corporate bonds (average duration of 15 years) adjusted for the longer average duration of the bond (19 years).

Changes in the present value of the UK funds obligation for 2016 and 2015 were as follows:

(in thousands of Euro)	12.31.2016	12.31.2015
Present value of defined benefit obligations at the beginning of the period	195,409	196,097
Current service cost	208	269
Financial expenses	6,704	7,481
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(6,845)	-
- Actuarial (gains)/losses arising from changes in financial assumptions	35,911	(13,825)
- Actuarial (gains)/losses arising from experience	(4,941)	-
Contribution paid by plan participants	183	227
Exchange differences	(28,956)	12,156
Benefits paid	(6,885)	(6,996)
Present value of defined benefit obligations at the end of the period	190,788	195,409

Changes in the fair value of UK plan assets are illustrated in the table below:

(in thousands of Euro)	12.31.2016	12.31.2015
Fair value of plan assets at the beginning of the period	179,031	174,858
Interest income	6,168	6,668
Remeasurement (gains)/losses:		
Return on plan assets	14,391	(7,530)
Non investment expenses	(542)	(677)
Contribution paid by the company	1,645	1,696
Contribution paid by plan participants	183	227
Exchange differences	(26,210)	10,785
Benefits paid	(6,885)	(6,996)
Fair value of plan assets at the end of the period	167,781	179,031

Allocations of the fair value of plan asset based on type of financial instrument were as follows:

	12.31.2016	12.31.2015
Debt instruments	17.7%	23.3%
Equity instruments	29.1%	32.2%
Real estate investments	0.3%	0.3%
Cash	11.3%	13.7%
Derivatives	31.2%	28.4%
Other assets	10.4%	2.1%
TOTAL	100.0%	100.0%

The fair value of these financial instruments was measured based on quoted prices available in active markets.

Asset allocation at the end of the year 2016 shows an increase in derivative instruments and other assets (such as private equity, private debt, hedge funds, commodities). Such increase is due to the fund's dynamic management strategy, which requires asset allocation to be adjusted to present economic conditions and future expectations on one hand. On the other hand, the strategy of one of the plans changed after a review of the Asset Liability Modelling (investment approach that identifies strategic asset allocation based on the nature and duration of a liability) also with a view to enhancing the efficiency of investment strategies, leading to the dismissal of investments classified as debt and equity instruments to invest in derivatives and other assets.

Debt instruments are mostly foreign corporate securities. Equity instruments are mostly foreign securities (emerging country securities constitute a minimal share ).

The Trustee Board periodically reviews the plan's investment strategies and diversifies them by risk and asset profitability. These strategies take into account the nature and duration of liabilities, the fund's financing needs and the employer's ability to meet the fund's commitments. The fund of subsidiary Sogefi Filtration Ltd uses derivative financial instruments to hedge the risk of changes in liability value connected with inflation, exchange and interest rates.

With regard to the impact of the defined-benefit plan of the UK companies on the Group's future cash flows, expected contributions to the plans for the next year total Euro 2,037 thousand.

Average bond duration as at 31 December 2016 is approximately 19 years.

In compliance with the IAS 19, a sensitivity analysis was performed to determine how the present value of the bond changes as the most significant actuarial assumptions change, other actuarial assumptions being equal.

Considering the peculiar operation of UK funds, the following actuarial assumptions are considered significant:

- Discount rate
- Wage inflation rate
- Life expectancy

An overview of the changes in the present value of the obligation triggered by changes in these actuarial assumptions is provided below:

(in thousands of Euro)	12.31.2016	
	+1%	-1%
Discount rate	(31,512)	40,632
Rate of salary increase	1,507	(1,630)

(in thousands of Euro)	12.31.2016	
	+ 1 year	- 1 year
Life expectancy	5,780	(6,057)

### France

Pensions in France are essentially based on state pension plans and the responsibility of the company is limited to paying the contributions established by law.

In addition to this basic assistance guaranteed by the state, retiring employees are also entitled to other additional amounts under collective labour agreements that are determined based on length of service and salary level, and are only paid if the employee reaches retirement age in the company. An employee leaving the company before retirement age will lose these additional benefits.

These additional benefits are recognised as a liability for the company and, in accordance with IAS 19, they are considered as defined-benefit plans subject to actuarial valuation.

In addition to the retirement indemnity, a collective labour agreement provides for a “*Jubilee benefit*” (which is calculated with a different method at each different French subsidiary) that vests upon reaching 20, 30, 35 and 40 years of service with the company. Under the IAS 19, this “*Jubilee benefit*” falls under the residual category of “Other long-term benefits” and is subject to actuarial valuation; actuarial gains (losses) must be recognised in the Income Statement for that year. Employees will lose the bonus falling due upon the different service jubilee bonuses if they leave the company before reaching the years of service mentioned above.

The main assumptions used in the actuarial valuation of these “Pension funds” were as follows:

	12.31.2016	12.31.2015
Discount rate %	1.5	2.5
Expected annual wage rise %	2.5	2.5
Annual inflation rate %	1.8	1.8
Retirement age	62-67	62-67

The “Discount rate” is calculated based on the returns on Eurozone AA-rated corporate bonds (average duration of 16.5 years).

Changes in the “Present value of defined benefit obligations” were as follows:

(in thousands of Euro)	12.31.2016	12.31.2015
Present value of defined benefit obligations at the beginning of the period	22,650	22,536
Current service cost	1,314	1,275
Financial expenses	568	541
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(36)	(305)
- Actuarial (gains)/losses arising from changes in financial assumptions	3,243	(187)
- Actuarial (gains)/losses arising from experience	(99)	(460)
- Actuarial (gains)/losses related to "Other long-term benefits" - Jubilee benefit	332	163
Settlements/Curtailments	(310)	-
Benefits paid	(928)	(913)
Present value of defined benefit obligations at the end of the period	26,734	22,650

“Actuarial (gains)/losses arising from experience adjustments” reflect the difference between actuarial assumptions and what occurred in practice (for instance, in terms of employee turnover, wage inflation or inflation rate).

The sensitivity analysis of the French funds was performed by varying the following actuarial assumptions:

- Discount rate
- Wage inflation rate

An overview of the changes in the present value of the obligation triggered by changes in these actuarial assumptions is provided below:

(in thousands of Euro)	12.31.2016	
	+1%	-1%
Discount rate	(3,058)	3,528
Rate of salary increase	3,406	(3,070)

### ***Provision for employment termination indemnities***

This aspect only concerns the Group's Italian companies, where pensions are represented by state plans and the company's responsibility is limited to regular payment of social contributions each month.

In addition to state-provided pensions, employees are entitled by law to a termination indemnity that accrues in accordance with length of service and is paid when an employee leaves the company.

The termination indemnity is calculated based on the length of service and taxable remuneration of each employee.

The corresponding liability is put aside in a specific provision and the amounts accrued in previous years are subject to annual revaluation based on the official cost-of-life index and at the legal interest rates; it is not associated with any conditions or accrual periods, nor does it require any financial provision; as a result, there are no assets underlying the provision.

This termination indemnity is considered as a defined-benefit provision, but subject to actuarial valuation for the part relating to the expected future benefits in respect of past service (which is the part subject to annual revaluation).

Further to the amendments to the “Provision for employment termination indemnities” introduced by Law 296 of 27 December 2006 and subsequent decrees and regulations issued in the early part of 2007, for companies with 50 or more employees (Sogefi Italy S.p.A.), the portions of the provision accruing as from 1 January 2007 are transferred - at employee's option - to supplementary pension funds or to the treasury fund held by INPS (the Italian social security authority) or to supplementary pension schemes, and are considered as “defined-contribution plans”. These amounts therefore do not require actuarial valuation and are no longer booked to the “Provision for employment termination indemnities”. The “Provision for employment termination indemnities” accruing up to 31 December 2006 is still a “defined-benefit plan”, consequently requiring actuarial valuation, which however will no longer take account of the component relating to future wage inflation.

In accordance with the IAS 19, for companies with less than 50 employees (Parent Company Sogefi S.p.A.) the provision as at 31 December 2016 is entirely accounted for as a “Definite-benefit plan” and is subject to actuarial valuation.

The assumptions taken into consideration when carrying out the actuarial valuation of the “Provision for employment termination indemnities” were as follows:

- Macroeconomic assumptions:

1. annual discount rate (IBOxx Eurozone Corporate AA Index): 0.86% (1.39% as at 31 December 2015);
2. annual inflation rate: 1.5% (as at 31 December 2015: 1.5% for 2016, 1.8% for 2017, 1.7% for 2018, 1.6% for 2019 and 2% from 2020 onward);
3. annual increase in termination indemnity: 2.625% (as at 31 December 2015: 2.625% for 2016, 2.85% for 2017, 2.775% for 2018, 2.7% for 2019 and 3.0% from 2020 onward).

- Demographic assumptions:

1. rate of voluntary resignations: 3% - 10% of the workforce (same assumptions adopted as at 31 December 2015);
2. retirement age: it was assumed that employees would reach the first of the requirements valid for mandatory general social security (same assumptions adopted as at 31 December 2015);
3. probability of death: the RG48 mortality tables produced by the General State Accounting Body were used (same assumptions adopted as at 31 December 2015);
4. probability of advanced settlement: an annual value of 2% - 3% each year was assumed (same assumptions adopted as at 31 December 2015);
5. INPS' table split by age and gender was used for the probability of disability (same assumptions adopted as at 31 December 2015).

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2016	12.31.2015
Opening balance	6,316	8,405
Accruals for the period	147	(162)
Amounts recognised in "Other Comprehensive Income"	(13)	(351)
Contributions paid	(454)	(1,576)
<b>TOTAL</b>	<b>5,996</b>	<b>6,316</b>

The amounts charged to the Income Statement can be summarised as follows:

(in thousands of Euro)	2016	2015
Current service cost	62	117
Curtailement	-	(345)
Financial charges	85	66
<b>TOTAL</b>	<b>147</b>	<b>(162)</b>

Average bond duration as at 31 December 2016 is approximately 8 years.

The sensitivity analysis of the provision for employment termination indemnities is outlined below. The table below shows the changes in the provision triggered by changes in the following actuarial assumptions:

- Discount rate
- Wage inflation

(in thousands of Euro)	12.31.2016	
	+0,5%	-0,5%
Discount rate	(196)	206
Rate of salary increase	5	(4)

### ***Provision for restructuring***

These are amounts set aside for restructuring operations that have been officially announced and communicated to those concerned, as required by IAS/IFRS.

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2016	12.31.2015
Opening balance	5,194	19,296
Accruals for the period	1,216	1,535
Utilisations	(3,621)	(14,438)
Provisions not used during the period	(758)	(440)
Other changes	25	(373)
Exchange differences	50	(386)
<b>TOTAL</b>	<b>2,106</b>	<b>5,194</b>

“Utilisations” (booked as reductions of provisions previously accrued provisions) relate nearly entirely to subsidiaries Sogefi Filtration France S.A., Sogefi Suspension France S.A. and Sogefi Air & Refroidissement S.A.S.

Changes in “Accruals for the period” net of the “Provisions not used during the period” (amounts set aside during previous years in excess of amounts actually paid), total Euro 458 thousand; this figure is booked to the Income Statement under “Restructuring costs”.

“Other changes” include reclassifications to other balance sheet items.

### ***Provision for product warranties***

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2016	12.31.2015
Opening balance	19,716	23,086
Accruals for the period	2,279	14,623
Utilisations	(2,422)	(18,000)
Provisions not used during the period	(515)	(2)
Other changes	37	-
Exchange differences	(14)	9
<b>TOTAL</b>	<b>19,081</b>	<b>19,716</b>

The item reflects for the most part liabilities connected with product warranty risks of the Systemes Moteurs Group for the amount of Euro 16,300 thousand. For further details, please refer to note 2, paragraph “Consolidation principles and accounting policies – Critical estimates and assumptions”.

The item also includes minor provisions for product warranties by Group companies.

### ***Lawsuits and other risks***

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2016	12.31.2015
Opening balance	5,414	6,178
Accruals for the period	5,188	2,853
Utilisations	(2,364)	(2,613)
Provisions not used during the period	(229)	(817)
Other changes	620	373
Exchange differences	307	(560)
<b>TOTAL</b>	<b>8,936</b>	<b>5,414</b>

The provision includes liabilities toward employees and third parties. Amounts stated in the financial statements represent the best possible estimates of liabilities at year-end date.

The allocation of Euro 5,188 thousand mainly relates to subsidiaries Sogefi Filtration do Brasil Ltda and Sogefi Filtration Ltd for disputes with employees.

With regard to subsidiary Sogefi Filtration Ltd, please note that the company and the pension fund trustees received professional advice from leading consulting companies between 1990 and 2006, to equalise the conditions of the pension funds, as required by amended legislation. In 2007, it turned out that the above equalisation may not have been correctly applied. Sogefi Filtration Ltd therefore submitted a protective claim in

2009 against the consultants to the Birmingham High Court. In 2015, after obtaining an opinion from the Queen's Counsel, the company filed a court claim to have the equalisation corrected. In 2016 the company started to hold consultations with the representative of fund beneficiaries seeking a compromise between the parties to resolve the matter. Such compromise may cover the matter as a whole or may address only certain specific issues and submit remaining issues to the Court's decision. Consultations are still under way.

After the developments in 2016, the company deemed it appropriate to account for a provisions (in the past, the matter had been treated as a potential liability). The provision does not take into account for possible remedy against the consultants.

### ***Other payables***

“Other payables” amount to Euro 15,046 thousand (Euro 9,195 thousand as at 31 December 2015). The increase in the item (Euro 5,851 thousand) is mainly traced back to the following factors: Euro 2,459 thousand reflect advances paid by customers for the most part to subsidiary LPDN GmbH; Euro 966 thousand relate to subsidiary Sogefi Air & Refroidissement France S.A.S. and reflect research and development costs charged back to customers that will be accounted for as revenue over the life of the project starting at the time capitalised R&D costs are depreciated; and Euro 2,115 thousand reflect the fair value adjustment of the put option held by non-controlling shareholders of the Indian subsidiary as outlined below.

The item includes Euro 8,997 thousand (Euro 6,882 thousand as at 31 December 2015) which reflect the fair value of the liability associated with the exercise price of the put option held by non-controlling shareholders of subsidiary Sogefi M.N.R. Engine Systems India Pvt Ltd. on 30% of its share capital. The option may be exercised from the year 2016 onward. The fair value of such liability represents a reasonable estimate of the option exercise price, and was determined using the method that involves discounted cash flows method, based on the cash flows of the 2017 budget and the plan for 2018-2020 of the affected subsidiary. A discount rate of 14.36% was applied and terminal value was calculated using the “perpetual annuity” approach, assuming a growth rate of 7.6%, consistently with the sector performance in the Indian market.

Discount rate was calculated based on weighted average cost of capital and the following parameters (extrapolated from the main financial sources):

- financial structure of the industry: 21.7% (the same as the one used in the impairment test)
- levered beta of the industry: 1.08 (the same as the one used in the impairment test)
- risk-free rate: 7.22% (annual average of risk free rates of 10-year Indian securities)
- risk premium: 8.1%

## ***20. DEFERRED TAX ASSETS AND LIABILITIES***

The following details of deferred tax assets and liabilities are provided in light of the IAS/IFRS disclosure requirements.

(in thousands of Euro)	12.31.2016		12.31.2015	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
<b>Deferred tax assets:</b>				
Allowance for doubtful accounts	2,342	595	2,552	721
Fixed assets amortisation/writedowns	31,488	7,934	31,744	9,212
Inventory writedowns	4,828	1,540	4,421	1,466
Provisions for restructuring	732	236	882	291
Other provisions - Other payables	87,502	21,837	78,819	24,454
Fair value derivative financial instruments	9,267	2,224	11,473	2,754
Other	16,072	5,280	12,371	3,797
Deferred tax assets for tax losses incurred during the year	454	113	5,962	2,009
Deferred tax assets for tax losses incurred during previous years	54,031	17,051	66,338	20,597
<b>TOTAL</b>	<b>206,716</b>	<b>56,810</b>	<b>214,562</b>	<b>65,301</b>
<b>Deferred tax liabilities:</b>				
Accelerated/excess depreciation and amortisation	87,747	25,238	68,490	18,704
Difference in inventory valuation methods	557	139	622	155
Capitalisation of R&D costs	43,303	13,383	44,785	14,968
Other	42,997	5,190	27,044	2,437
<b>TOTAL</b>	<b>174,604</b>	<b>43,950</b>	<b>140,941</b>	<b>36,264</b>
<b>Deferred tax assets (liabilities) net</b>		<b>12,860</b>		<b>29,037</b>
<b>Temporary differences excluded from the calculation of deferred tax assets (liabilities):</b>				
Tax losses carried forward	89,356	28,079	100,779	32,532

The tax effect has been calculated on the basis of the rates applicable in the various countries, which are in line with those of the previous year, except for the tax rate applicable to UK subsidiaries, which decreased from 19% to 17% for deferred taxes expected to be reversed starting in 2020, and that applicable to French subsidiaries, which decreased from 34.43% to 28% for deferred taxes expected to be reversed starting in 2019. The negative impact of the changed tax rate applicable in France recognised in the Income Statement amounts to Euro 1 million.

The decrease in “Deferred tax assets (liabilities), net” compared to 31 December 2015 amounts to Euro 16,177 thousand and differs by Euro 1,764 thousand from the amount shown in the Income Statement under “Income taxes – Deferred tax liabilities (assets)” (Euro 14,413 thousand) due to:

- movements in Balance sheet items that did not have any effect on the income statement and therefore the related positive tax effect amounting to Euro 1,588 thousand has been accounted for as Other comprehensive income (expenses); negative effect of the fair value of derivatives designated as cash flow hedges was Euro 533 thousand; positive effect of actuarial gains/losses arising from the adoption of the IAS 19 was Euro 2,059 thousand; positive effect of other reclassifications was Euro 62 thousand;
- negative effect on the balance of deferred tax assets of tax losses of previous years reclassified from deferred tax assets to amounts receivable from CIR for Euro 2,322

thousand (without any impact on the Consolidated Income Statement); this amount reflects the share of tax losses for the year 2014 offset by taxable income generated by the CIR Group tax filing system for the year 2016;  
- exchange differences with a negative effect of Euro 1,030 thousand.

The decrease in the tax effect relating to item “Fixed assets amortisations/writedowns” mainly relates to the Parent Company Sogefi S.p.A. It reflects deferred tax assets for IRAP tax recognised in previous years that have been de-recognised because it is no longer believed to be probable that taxable income will be available in the future against which such tax losses can be utilised.

The decrease in the tax effect relating to item “Other provisions - Other payables” – as opposed to the increased “Amount of temporary differences” – mostly originates from the lower tax rate applied by French subsidiaries.

The decrease in the tax effect relating to item “Fair value of derivatives” mainly relates to the Parent Company Sogefi S.p.A. and reflects the change in the fair value of CCS contracts as well as the portion of reserve previously booked to Other comprehensive income relating to IRS contracts no longer designated for hedge accounting recognised in Income Statement.

Item “Other” of deferred tax assets includes various types of items, such as for example costs for which tax deduction is deferred (for example, amounts allocated to remuneration accrued in 2016 not yet paid).

The increased tax effect relating to item “Other” of deferred tax assets and of item “Accelerated/excess depreciation and amortisation” of deferred tax liabilities mainly relates to subsidiary Allevard Sogefi U.S.A. Inc. and reflects the recognition of net deferred tax liabilities not recognised previously. At the same time, deferred tax assets on tax losses were recognised as explained in more detail below in the comment on “Deferred tax assets for tax losses incurred during previous years”.

“Deferred tax assets for tax losses incurred during the year” amount to Euro 113 thousand and relate to subsidiary Sogefi Filtration Spain S.A. These taxes were recognised because it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised.

“Deferred tax assets for tax losses incurred during previous years” relate to the Parent Company Sogefi S.p.A. (Euro 1,259 thousand, Euro 3,495 thousand as at 31 December 2015) and to subsidiaries Sogefi Italy S.p.A. (Euro 43 thousand; Euro 49 thousand as at 31 December 2015), Allevard Sogefi U.S.A. Inc. (Euro 8,221 thousand; Euro 8,615 thousand as at 31 December 2015; please note that the deferred tax assets utilised in view of the 2016 positive taxable income were partly offset for Euro 5,153 thousand, by the recognition of new deferred tax assets on losses incurred during previous years – previously included in “Temporary differences excluded from the calculation of deferred tax assets (liabilities)” (as at 31 December 2016, total net deferred tax assets amounted to Euro 1,639 thousand), Sogefi Suspensions France S.A. (Euro 3,651 thousand, Euro 4,243 thousand as at 31 December 2015), Sogefi Filtration Ltd (Euro 807 thousand;

Euro 1,737 thousand as at 31 December 2015), Sogefi Filtration Spain S.A. (Euro 2,197 thousand; Euro 2,196 thousand as at 31 December 2015. United Springs S.A.S. (Euro 493 thousand, Euro 717 thousand as at 31 December 2015) and Sogefi Air & Refroidissement France S.A.S. (Euro 380 thousand, Euro 1,025 thousand as at 31 December 2015). These taxes were recognised because it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised. Such probability is determined based on the fact that losses have originated under extraordinary circumstances that are unlikely to occur again, such as restructuring plans currently under way or occurred in the past. It should also be noted that the losses incurred by the UK subsidiary can be carried forward indefinitely. The losses of the French and Spanish subsidiaries can be carried forward indefinitely but new law passed in 2012 in France and in 2016 in Spain has maintained a limit for the amount that can be utilised each year, making recovery time longer. The losses of the US subsidiary can be carried forward over a period of up to 20 years since they were incurred. It is probable that the losses of the Parent Company Sogefi S.p.A. and of subsidiary Sogefi Italy S.p.A. will be recovered taking into account that the companies have joined the CIR Group tax filing system in the past.

Note that the deferred tax assets relating to the “Allowance for doubtful accounts” and to the “Inventory writedowns” include amounts that will mainly be reversed in the twelve months following year end.

Column “Amount of temporary differences” of item “Other” of deferred tax liabilities includes:

- Euro 29,724 thousand relating to dividends expected to be paid out by the French, Canadian and Argentinian subsidiaries in the short term, subject to a 3%, 5% and 10% tax rate, respectively;
- Euro 2,311 thousand relating to the taxed portion of dividends expected to be paid to the French subsidiaries and the Parent Company Sogefi S.p.A. in the short term;
- Euro 9,955 thousand relating to the remaining amount due by the seller of Systemes Moteurs shares. Please note that when the arbitration award was paid (see note 2, paragraph “Consolidation principles and accounting policies – Critical estimates and assumptions” for more details), the tax treatment of the amounts payable by Dayco (from price adjustment of equity investments obtained by way of indemnification) was reassessed based on legal doctrine and case law available to date; the amount received was taxed at current tax rates, and an accrual was made for deferred tax liabilities on the outstanding amount payable;
- other minor items for the amount of Euro 1,007 thousand.

As regards the figures shown under “Temporary differences excluded from the calculation of deferred tax assets (liabilities)”, deferred tax assets were not booked as, at year end, there was not a probability that they would be recovered. “Tax losses carried forward” relate to subsidiaries Sogefi Suspensions France S.A. (portion of losses not recognised in deferred tax assets because it can not be recovered in the specific period of the company's long-term plan), Sogefi Suspensions Argentina S.A., Sogefi Filtration do

Brasil Ltda, S. ARA Composite S.A.S., Allevar IAI Suspensions Pvt Ltd and Chinese subsidiaries.

Please note that in 2016 the subsidiary Allevar Sogefi U.S.A. Inc. recognised all deferred tax assets included in this item as at 31 December 2015 and the corresponding net deferred tax liabilities not recognised previously, as mentioned above.

## 21. SHARE CAPITAL AND RESERVES

### *Share capital*

The share capital of the Parent Company Sogefi S.p.A. is fully paid in and amounts to Euro 62,065 thousand as at 31 December 2016 (Euro 61,681 thousand as at 31 December 2015), split into 119,356,455 ordinary shares with a par value of Euro 0.52 each (118,618,055 shares as at 31 December 2015).

No shares are encumbered by rights, liens or limitations relating to dividend distribution.

As at 31 December 2016, the Company has 2,878,451 treasury shares in its portfolio, corresponding to 2.41% of share capital.

Movements in the shares outstanding are as follows:

(Shares outstanding)	2016	2015
<i>No. shares at start of period</i>	118,618,055	118,521,055
No. shares issued for subscription of stock options	738,400	97,000
No. of ordinary shares as of December 31	119,356,455	118,618,055
No. shares issued for subscription of stock options booked to "Other reserves" at December 31	-	-
Treasury shares	(2,878,451)	(3,252,144)
<i>No. of shares outstanding as of December 31</i>	116,478,004	115,365,911

The following table shows the changes in the Group's equity:

(in thousands of Euro)	Share capital	Share premium reserve	Reserve for treasury shares	Treasury shares	Translation reserve	Legal reserve	Cash flow hedging reserve	Share-based incentive plans reserve	Actuarial gain/loss reserve	Tax on items booked in Other Comprehensive Income	Other reserves	Retained earnings	Net result for the period	Total
<i>Balance at December 31, 2014</i>	61,631	14,423	7,831	(7,831)	12,340	4,731	(21,544)	(16,598)	(36,949)	12,148	3,111	124,286	3,639	161,218
Paid share capital increase	50	95	-	-	-	-	-	-	-	-	-	-	-	145
Allocation of 2014 net profit:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	300	-	-	-	-	-	-	(300)	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	3,639	(3,639)	-
Recognition of share-based incentive plans	-	-	-	-	-	642	-	-	-	-	-	-	-	642
embedded derivative (conversion option)	-	-	-	-	-	-	-	-	-	-	9,090	-	-	9,090
Other changes	-	406	(406)	406	(712)	-	-	-	-	-	-	202	-	(104)
Fair value measurement of cash flow hedging instruments: share booked to OCI	-	-	-	-	-	-	-	1,336	-	-	-	-	-	1,336
Fair value measurement of cash flow hedging instruments: share booked to income statement	-	-	-	-	-	-	-	3,495	-	-	-	-	-	3,495
Actuarial gain/loss	-	-	-	-	-	-	-	-	7,527	-	-	-	-	7,527
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	(10,043)	-	-	(3,583)	-	-	-	(3,583)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,043)
Net result for the period	-	-	-	-	-	-	(3,587)	-	-	-	-	-	1,120	1,120
<i>Balance at December 31, 2015</i>	61,681	14,924	7,425	(7,425)	12,640	4,661	(31,587)	(11,767)	(29,422)	8,565	12,201	127,827	1,120	170,843
Paid share capital increase	384	382	-	-	-	-	-	-	-	-	-	-	-	766
Allocation of 2015 net profit:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	1,120	(1,120)	-
Recognition of share-based incentive plans	-	-	-	-	-	248	-	-	-	-	-	1,120	-	248
embedded derivative (conversion option)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	853	(853)	853	-	(1,917)	-	-	-	-	-	994	-	(70)
Fair value measurement of cash flow hedging instruments: share booked to OCI	-	-	-	-	-	-	-	(625)	-	-	-	-	-	(625)
Fair value measurement of cash flow hedging instruments: share booked to income statement	-	-	-	-	-	-	-	2,837	(12,916)	-	-	-	-	2,837
Actuarial gain/loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,916)
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	1,526	-	-	-	1,526
Currency translation differences	-	-	-	-	-	-	993	-	-	-	-	-	-	993
Net result for the period	-	-	-	-	-	-	-	-	-	-	-	-	9,336	9,336
<i>Balance at December 31, 2016</i>	62,065	16,159	6,572	(6,572)	12,640	2,992	(30,594)	(9,555)	(42,338)	10,091	12,201	129,941	9,336	172,938

#### *Share premium reserve*

It amounts to Euro 16,159 thousand compared to Euro 14,924 thousand in the previous year.

The increase by Euro 382 thousand accounts for share subscriptions under stock option plans.

In 2016, the Parent Company Sogefi S.p.A. credited Euro 853 thousand to the Share premium reserve after the free grant of 373,693 treasury shares to 2011, 2012, 2013 and 2014 Stock Grant beneficiaries.

#### *Treasury shares*

Item “Treasury shares” reflects the purchase price of treasury shares. Movements during the year amount to Euro 853 thousand and reflect the free grant of 373,693 treasury shares as reported in the note to “Stock-based incentive plans reserve”.

#### *Translation reserve*

This reserve is used to record the exchange differences arising on the translation of foreign subsidiaries' financial statements.

Changes during the period show an increase of Euro 993 thousand.

#### *Reserve for actuarial gains/losses*

This reserve reflects the net impact of the application of the amendment to IAS 19 “Employee Benefits” on other actuarial gains (losses) as at 1 January 2012. The item also includes actuarial gains and losses accrued after 1 January 2012 and recognised under Other Comprehensive Income.

#### *Stock-based incentive plans reserve*

The reserve refers to credit to equity for stock-based incentive plans, assigned to Directors, employees and co-workers, resolved after 7 November 2002, including the portion relating to the stock grant plan approved in 2016.

In 2016, further to Stock Grant Plan beneficiaries exercising their rights under the 2011, 2012, 2013 and 2014 plans and due to the corresponding free grant of 373,693 treasury shares, the amount of Euro 868 thousand, corresponding to the fair value of those same shares at right (Unit) allocation date, was reclassified from “Stock-based incentive plans reserve” to “Share premium reserve” (which increased by Euro 853 thousand) and to “Retained earnings reserve” (which increased by Euro 15 thousand).

During 2016, the Company reclassified Euro 1,049 thousand to “Retained earnings reserve” after the 2006 Stock Option Plan expired and the 2012 Stock Grant Plan was cancelled because the Performance Units failed to meet market conditions within the term provided for by plan regulation.

While the increase by Euro 248 thousand refers to the cost of accruing plans.

#### *Cash flow hedging reserve*

This reserve has changed as a result of accounting for the cash flows deriving from instruments that for IAS 39 purposes are designated as “cash flow hedging instruments”. Changes during the period show an increase of Euro 2,212 thousand which breaks down as follows:

- decrease of Euro 710 thousand as a consequence of the change after 31 December 2015 in the fair value of the existing effective hedging contracts;
- increase of Euro 2,922 thousand reflecting the portion of reserve relating to contracts no longer in hedge accounting that will be reclassified to the Income Statement over the same period of time as the differentials relating to the underlying hedged item.

#### *Other reserves*

This item amounts to Euro 12,201 thousand (unchanged compared to 31 December 2015).

#### *Retained earnings*

These totalled Euro 129,941 thousand and include amounts of profit that have not been distributed.

The increase of Euro 994 thousand refers to the following events:

- the interest held by subsidiary Sogefi Suspensions France S.A. in S.ARA Composite S.A.S. increased from 95% to 95.65% through a share capital increase not subscribed by non-controlling interests that led to a negative amount of Euro 70 thousand being reclassified between non-controlling interests and Group's shareholders' equity;
- reclassification from the above mentioned "Stock-based incentive plans reserve" as outlined above for a total of Euro 1,064 thousand.

#### *Tax on items booked in Other Comprehensive Income*

The table below shows the amount of income taxes relating to each item of Other Comprehensive Income:

(in thousands of Euro)	2016			2015		
	Gross value	Taxes	Net value	Gross value	Taxes	Net value
- Profit (loss) booked to cash flow hedging reserve	2,212	(533)	1,679	4,831	(1,731)	3,100
- Actuarial gain (loss)	(12,916)	2,059	(10,857)	7,527	(1,852)	5,675
- Profit (loss) booked to translation reserve	899	-	899	(9,834)	-	(9,834)
- Total Profit (loss) booked in Other Comprehensive Income	(9,805)	1,526	(8,279)	2,524	(3,583)	(1,059)

#### *Tax constraints applicable to certain reserves*

The equity of Parent Company Sogefi S.p.A. includes Reserves under tax suspension and its share capital is subject to constraints under tax suspension after revaluation reserves were utilised in the past, for a total amount of Euro 24,164 thousand.

The Parent Company has made no allocations for deferred tax liabilities to such reserves, that, if distributed, would count towards taxable income of the Company, because it is not deemed likely that they will be distributed.

### *Non-controlling interests*

The balance amounts to Euro 16,131 thousand and refers to the portion of shareholders' equity attributable to non-controlling interests.

The reserve increased by Euro 70 thousand during the year (decrease is booked to "Other changes" in the "Consolidated Statement of Changes in Equity") traced back to the above mentioned changes in the interest held in subsidiary S.ARA Composite S.A.S.

Details of non-controlling interests are given below:

(in thousands of Euro)	Subsidiary's name	Region	% owned by third parties		Loss (profit) attributable to non-controlling interests		Shareholders' equity attributable to non-controlling	
			12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015
	S.ARA Composite S.A.S.	France	4.35%	5.00%	(207)	(159)	326	463
	Iberica de Suspensiones S.L.	Spain	50.00%	50.00%	4,941	4,239	12,496	15,557
	Shanghai Alleward Spring Co., Ltd	China	39.42%	39.42%	17	(74)	2,695	3,003
	Alleward IAI Suspensions Pvt Ltd	India	25.77%	25.77%	(96)	(80)	545	461
	Sogefi M.N.R. Engine Systems India Pvt Ltd	India	30.00%	30.00%	-	-	-	-
	Sogefi Italy S.p.A.	Italy	0.12%	0.12%	4	5	69	69
	<b>TOTAL</b>				<b>4,659</b>	<b>3,931</b>	<b>16,131</b>	<b>19,553</b>

As required by IFRS 12, an overview of the key financial indicators of the companies showing significant non-controlling interests:

Company	Shanghai Allevard Spring Co., Ltd		Iberica de Suspensiones S.L.		Sogefi M.N.R. Engine Systems India Pvt Ltd	
	12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015
Current Assets	4,982	5,380	25,980	35,233	25,342	21,304
Non-current Assets	3,247	3,667	11,097	9,060	15,829	13,211
Current Liabilities	1,116	1,150	11,937	12,302	17,747	15,990
Non-current Liabilities	-	-	148	877	5,833	4,315
Shareholders' equity attributable to the Holding Company	4,418	4,894	12,496	15,557	17,591	14,210
Non-controlling interests	2,695	3,003	12,496	15,557	-	-
Sales Revenue	3,956	4,175	74,159	68,685	46,015	37,790
Variable cost of sales	2,222	2,462	43,424	41,223	32,146	26,262
Other variable costs of sales	267	272	4,936	4,706	1,295	1,009
Fixed expenses	1,408	1,570	11,677	10,693	6,577	5,439
Non-operating expenses (income)	12	28	221	805	997	1,343
Income taxes	5	30	4,019	2,780	1,732	(2)
Income (loss) for the period	42	(187)	9,882	8,478	3,268	3,739
Income (loss) attributable to the Holding Company	25	(113)	4,941	4,239	3,268	3,739
Income (loss) attributable to non-controlling interests	17	(74)	4,941	4,239	-	-
Income (loss) for the period	42	(187)	9,882	8,478	3,268	3,739
OCI attributable to the Holding Company	(153)	279	-	-	215	596
OCI attributable to non-controlling interests	(99)	181	-	-	-	-
OCI for the period	(252)	460	-	-	215	596
Total income (losses) attributable to the Holding Company	(128)	166	4,941	4,239	3,483	4,335
Total income (losses) attributable to non-controlling interests	(82)	107	4,941	4,239	-	-
Total income (losses) for the period	(210)	273	9,882	8,478	3,483	4,335
Dividends paid to non-controlling interests	226	241	8,000	4,100	-	-
Net cash inflow (out flow) from operating activities	433	881	10,088	11,645	4,833	3,215
Net cash inflow (out flow) from investing activities	(112)	(84)	(3,715)	1,801	(3,242)	(2,818)
Net cash inflow (out flow) from financing activities	(574)	(612)	(16,000)	(8,200)	28	(221)
Net cash inflow (out flow)	(253)	185	(9,627)	5,246	1,619	176

## 22. ANALYSIS OF THE NET FINANCIAL POSITION

The following table provides details of the net financial position as required by Consob in its communication no. DEM/6064293 of 28 July 2006 with a reconciliation of the net financial position shown in the table included in the Report on operations:

(in thousands of Euro)	12.31.2016	12.31.2015
A. Cash	93,661	121,892
B. Other cash at bank and on hand (held to maturity investments)	3,950	3,949
C. Financial instruments held for trading	-	17
<b>D. Liquid funds (A) + (B) + (C)</b>	<b>97,611</b>	<b>125,858</b>
<b>E. Current financial receivables</b>	<b>1,931</b>	<b>2,369</b>
F. Current payables to banks	11,005	17,843
G. Current portion of non-current indebtedness	137,203	74,445
H. Other current financial debts	400	325
<b>I. Current financial indebtedness (F) + (G) + (H)</b>	<b>148,608</b>	<b>92,613</b>
<b>J. Current financial indebtedness, net (I) - (E) - (D)</b>	<b>49,066</b>	<b>(35,614)</b>
K. Non-current payables to banks	48,291	141,080
L. Bonds issued	200,216	208,869
M. Other non-current financial debts	17,240	21,110
N. Convertible bond embedded derivative liability	-	-
<b>O. Non-current financial indebtedness (K) + (L) + (M) + (N)</b>	<b>265,747</b>	<b>371,059</b>
<b>P. Net indebtedness (J) + (O)</b>	<b>314,813</b>	<b>335,445</b>
Non-current financial receivables (derivates in cash flow hedge)	15,770	13,156
<b>Financial indebtedness, net including non-current financial receivables (as per the "Net financial position" included in the Report on operations)</b>	<b>299,043</b>	<b>322,289</b>

Details of the covenants applying to loans outstanding at year end are as follows (see note 16 for further details on loans):

- loan of Euro 15,000 thousand from Banco do Brasil S.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;
- loan of Euro 20,000 thousand from Mediobanca S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;
- loan of Euro 50,000 thousand from Unicredit S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;
- loan of Euro 55,000 thousand from BNP Paribas S.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;
- loan of Euro 30,000 thousand from Société Générale S.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the

ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;

- loan of Euro 20,000 thousand from Mediobanca S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;

- loan of Euro 30,000 thousand from Ing Bank N.V.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;

- bond issue of USD 115,000 thousand: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;

- bond issue of Euro 25,000 thousand: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4.

As at 31 December 2016, the Company was in compliance with these covenants.