CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS

2014

JOINT-STOCK COMPANY - SHARE CAPITAL EURO 61,672,548.60
MANTOVA COMPANY REGISTER AND TAX CODE 00607460201
COMPANY SUBJECT TO THE DIRECTION AND COORDINATION OF CIR S.p.A.
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BOARD OF DIRECTORS

Honorary Chairman	CARLO DE BENEDETTI
Chairman	RODOLFO DE BENEDETTI(1)
Vice Chairman	MONICA MONDARDINI(2)
Directors	EMANUELE BOSIO LORENZO CAPRIO(4) ROBERTA DI VIETO(4)(5) DARIO FRIGERIO(3) GIOVANNI GERMANO(3) GIUSEPPE GIANOGLIO(*) ROBERTO ROBOTTI(4) PAOLO RICCARDO ROCCA(3)(5)(6)
Secretary to the Board	NIVES RODOLFI

BOARD OF STATUTORY AUDITORS

Chairman	RICCARDO ZINGALES
Acting Auditors	GIUSEPPE LEONI CLAUDIA STEFANONI
Alternate Auditors	LUIGI BAULINO MAURO GIRELLI LUIGI MACCHIORLATTI VIGNAT

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

(*) Coopted on February 23, 2015.

Details on the exercise of powers (Consob Resolution no. 97001574 of February 20, 1997):
(1) All ordinary and extraordinary powers with single signature, except for those delegated to the Board of Directors by law or the by-laws.
(2) All ordinary powers with single signature.
(3) Members of the Appointment and Remuneration Committee.
(4) Members of the Control and Risks Committee and of the Committee for Related Party Transactions.
(5) Members of the Supervisory Body (Legislative Decree 231/2001).
(6) Lead independent director.

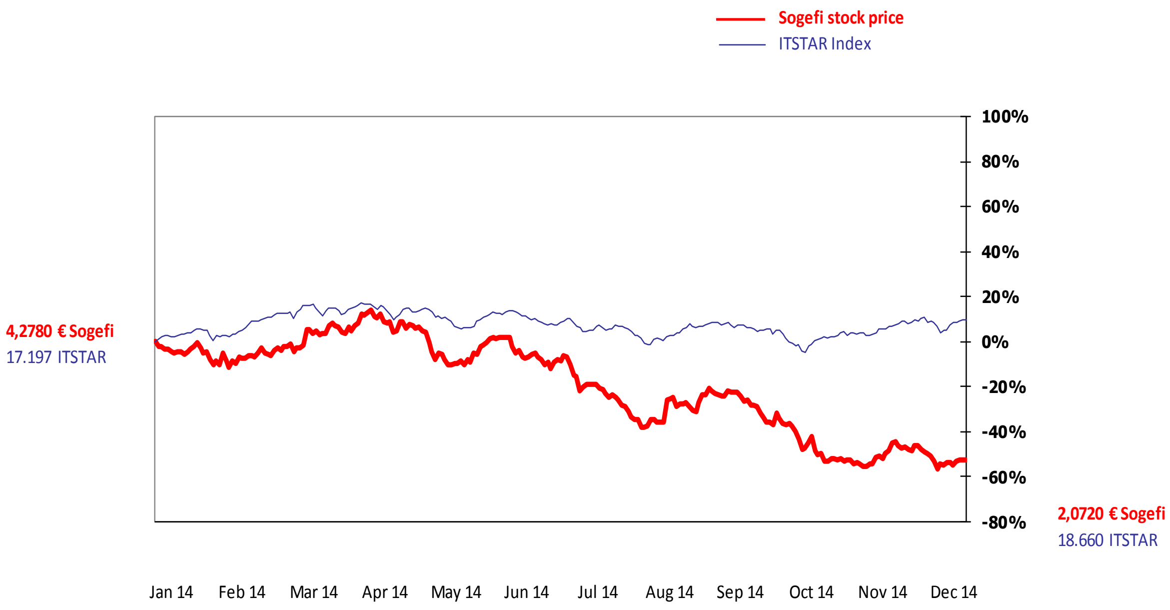
OVERVIEW OF GROUP RESULTS

(in millions of Euro)	2011		2012		2013		2014	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues	1,158.4	100.0%	1,319.2	100.0%	1,335.0	100.0%	1,349.4	100.0%
EBITDA pre-restructuring	120.6	10.4%	138.9	10.5%	147.3	11.0%	129.3	9.6%
EBITDA	111.9	9.7%	126.7	9.6%	129.5	9.7%	109.5	8.1%
Operating result	88.0	7.6%	92.5	7.0%	107.8	8.1%	84.4	6.3%
Ebit pre-restructuring	70.7	6.1%	78.8	6.0%	88.3	6.6%	69.4	5.1%
Ebit	58.5	5.0%	63.4	4.8%	69.1	5.2%	48.3	3.6%
Result before taxes and		0.0%		0.0%		0.0%		0.0%
non-controlling interests	45.8	3.9%	44.9	3.3%	40.4	3.1%	21.5	1.6%
Net result	24.0	2.1%	28.2	2.1%	21.1	1.6%	3.6	0.3%
Self-financing	73.3		89.2		87.9		67.6	
Free cash flow	(109.6)		27.6		10.0		3.8	
Net financial position	(299.8)		(295.8)		(304.6)		(304.3)	
Total shareholders' equity	202.6		200.3		188.9		180.8	
GEARING	1.48		1.48		1.61		1.68	
ROI	13.3%		12.7%		14.0%		9.9%	
ROE	12.6%		15.5%		12.1%		2.2%	
Number of employees at December 31	6,708		6,735		6,834		6,668	
Dividends per share (Euro)	0.13		0.13		-		-	(*)
EPS (Euro)	0.210		0.260		0.187		0.032	
Average annual price per share	2.3722		1.9856		2.8377		2.0720	

(*) As proposed by the Board of Directors to the Shareholders' Meeting

STOCK PERFORMANCE

The graph below shows the performance of Sogefi stock and of the ITSTAR index in 2014.



REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS IN 2014

Shareholders,

for the year 2014, Sogefi Group realised revenues for Euro 1.3 billion despite negative exchange rates and an intensified restructuring effort.
In this scenario, Sogefi's revenues slightly increased to Euro 1.3 billion (+1.1%, +4.7% exchange rates being equal) in 2014 as the growth recorded in North America and Asia and in the aftermarket business compensated for the downtrend in South America.
Margins were negatively affected not only by the performance of South American markets, but also by restructuring under way – in Europe for the most part – and the resulting – temporary – productive inefficiency.

With regard to the overall performance of automotive markets in 2014, the production of cars and light commercial vehicles grew by 3.1% world-wide over 2013, although performance was different in the various geographical areas.
More specifically, automobile markets in North America and Asia did well, as production volumes rose by 5% and 6.5%, respectively compared to 2013. South America – especially Brazil and Argentina – witnessed a continued market slowdown compared to 2013, as the production of passenger and light commercial vehicles dropped by 16.5% during the year. Europe witnessed an upswing in the sales of light commercial vehicles (+13%) and recovered from the low volumes recorded the previous year, leading to a market growth of 5.7% in 2014.

Sogefi closed the year with **consolidated revenues** of Euro 1,349.4 million, slightly up from the Euro 1,335 million figure recorded in 2013 (+1.1%, +4.7% exchange rates being equal).
The key in achieving this was the good performance on non-European markets. Especially noteworthy was the performance in North America and Asia, where revenues grew by 10.6% (Euro 207.3 million, +16.1% exchange rates being equal) and 39.5% (Euro 82.7 million, +41.8% exchange rates being equal), respectively compared to 2013, compensating for the significant decline in South America (down 19.2% to Euro 181.4 million, -1.6% exchange rates being equal). Revenues in Europe showed a slight increase (+1.5% at Euro 872.1 million).

In 2014, the Engine Systems business unit realised revenues for Euro 844.9 million, 3.2% up from 2013 (+6.3% exchange rates being equal).
The Suspension Components business unit ended 2014 with revenues of Euro 506.6 million (Euro 518.6 million in 2013), down 2.3% over 2013 (however, revenues would have been up 2.1% exchange rates being equal).

The table below shows the performance of the divisions:

(in millions of Euro)	2014		2013	
	Amount	*%*	*Amount*	*%*
Engine systems	844.9	62.7	818.6	61.4
Suspension components	506.6	37.5	518.6	38.8
Intercompany eliminations	(2.1)	(0.2)	(2.2)	(0.2)
TOTAL	1,349.4	100.0	1,335.0	100.0

Despite the unfavourable effect of exchange rates, contribution to the total revenues of the Sogefi Group from non-European countries remained basically stable at 35.4% in 2014 (35.6% in 2013).
North America (NAFTA countries) delivered a good performance with contribution to Group revenues increasing from 14% in 2013 to 15.4% in 2014. The share of revenues contributed by Asian markets grew as well, namely to 6.1% from 4.4% in 2013.
Conversely, low market volumes and exchange rates drove down the revenues contributed by the South American (Mercosur) area, namely from 16.8% of total Group revenues in 2013 to 13.5% in 2014. Net of exchange differences, the Mercosur area would have accounted for 16% of total revenues.

The table below shows a breakdown of sales by key markets.

(in millions of Euro)	2014		2013	
	Amount	*%*	*Amount*	*%*
Europe	872.1	64.6	859.3	64.4
Mercosur	181.4	13.5	224.4	16.8
NAFTA	207.3	15.4	187.4	14.0
Asia	82.7	6.1	59.2	4.4
Rest of the world	5.9	0.4	4.7	0.4
TOTAL	1,349.4	100.0	1,335.0	100.0

A breakdown of revenues by customers shows the effects of the expansion in areas outside Europe noted above. Ford is still the Group's top customer, accounting for 12.5% of revenues (essentially stable compared to 2013), with Renault/Nissan following shortly behind (12.3% compared to 10.7% in 2013). The FCA Group also grew and now accounts for 10.6% of total revenues compared to 9.1% in 2013, whereas revenues from the PSA Group fell from 12.4% to 11.4% of the total.

(in millions of Euro)	2014		2013	
Group	*Amount*	*%*	*Amount*	*%*
Ford	169.0	12.5	166.2	12.4
Renault/Nissan	165.7	12.3	142.3	10.7
PSA	154.4	11.4	165.5	12.4
FCA/CNH Industrial	143.5	10.6	121.6	9.1
GM	111.9	8.3	120.2	9.0
Daimler	100.0	7.4	101.3	7.6
Volkswagen/Audi	47.4	3.5	56.3	4.2
BMW	38.6	2.9	34.6	2.6
Volvo	29.1	2.2	29.0	2.2
Toyota	28.6	2.1	26.5	2.0
DAF/Paccar	22.0	1.6	30.8	2.3
Man	17.6	1.3	22.8	1.7
Caterpillar	6.1	0.5	6.0	0.4
Honda	6.1	0.5	6.1	0.5
Other	309.4	22.9	305.8	22.9
TOTAL	1,349.4	100.0	1,335.0	100.0

The following table provides comparative figures of the Income Statement for 2014 and the previous year.

(in millions of Euro)	2014		2013	
	Amount	*%*	*Amount*	*%*
Sales revenues	1,349.4	100.0	1,335.0	100.0
Variable cost of sales	967.2	71.7	932.4	69.8
CONTRIBUTION MARGIN	382.2	28.3	402.6	30.2
Manufacturing and R&D overheads	127.4	9.4	130.8	9.8
Depreciation and amortization	58.0	4.3	57.3	4.3
Distribution and sales fixed expenses	41.4	3.1	39.6	3.0
Administrative and general expenses	71.0	5.3	67.1	5.0
Restructuring costs	16.2	1.2	17.8	1.3
Losses (gains) on disposal	(0.1)	-	(1.6)	(0.1)
Exchange (gains) losses	0.6	-	4.1	0.3
Other non-operating expenses (income)	19.4	1.4	18.4	1.4
EBIT	48.3	3.6	69.1	5.2
Financial expenses (income), net	26.8	2.0	28.4	2.1
- of which fair value of the embedded derivative (convertible bond)	*(14.0)*		-	
- of which other net financial expenses (income)	*40.8*		*28.4*	
Losses (gains) from equity investments	-	-	0.3	-
RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS	21.5	1.6	40.4	3.1
Income taxes	13.1	1.0	15.7	1.2
NET RESULT BEFORE NON-CONTROLLING INTERESTS	8.4	0.6	24.7	1.9
Loss (income) attributable to non-controlling interests	(4.8)	(0.3)	(3.6)	(0.3)
GROUP NET RESULT	3.6	0.3	21.1	1.6

2014 **EBITDA** amounts to Euro 109.5 million, down 15.5% from Euro 129.5 million in 2013. This drop is mainly traced back to lower contribution from countries outside the Euro area, a slowdown in South American markets, the unfavourable effect of exchange rates and the temporary inefficiency of European operations due to restructuring under way, especially in the third quarter. It was thought it better prudentially to increase the provision of the Engine Systems business unit for charges relating to supplies made in prior periods from Euro 12.6 million to Euro 18 million.

Pre-restructuring EBITDA amounts to Euro 129.3 million (Euro 147.3 million in 2013; -12.2%), and its impact on revenues fell from 11% in 2013 to 9.6%.

Consolidated **EBIT** totalled Euro 48.3 million (Euro 69.1 million in 2013). Pre-restructuring EBIT amounts to Euro 69.4 million (Euro 88.3 million in 2013; -21.4%), and its impact on revenues fell from 6.6% in 2013 to 5.1%.

During 2014, the Group continued its efforts to improve efficiency in the face of the continued weakness in Europe, and by the need to adjust production to declining demand. Restructuring costs recorded in 2014 amount to Euro 21.1 million, of which Euro 16.2 million refer to costs for rationalising production capacity and Euro 4.9 million refer to write-down of assets and sundry charges relating to the restructuring (included in "Other non-operating expenses (income)").

Net financial expense during the year came to Euro 26.8 million in 2014 (Euro 28.4 million in 2013). This item also includes: charges of Euro 3.9 million from the fair value measurement of interest rate hedging transactions; charges of Euro 5.3 million due to refinancing transactions with the liquidity coming from the issue of the convertible bond; non-recurring gains of Euro 14 million from the periodic mark-to-market of the derivative embedded in the convertible bond, mark-to-market carried out as per accounting standards in the presence of an option which gives the company the cash settlement right the exercise of the conversion right. It should be noted that on January 19, 2015 the Board of Directors approved the renouncement of this option, whose formalization took place on January 28, 2015.

Consequently, **result before taxes and non-controlling interests** was positive at Euro 21.5 million (Euro 40.4 million in 2013).

Consolidated net result was positive at Euro 3.6 million (Euro 21.1 million in 2013).

At the end of 2014, the Sogefi Group's employees were 6,668 (6,834 as of December 31, 2013). Breakdown by business sectors is as follows:

	12.31.2014		12.31.2013	
	Number	*%*	*Number*	*%*
Engine systems	4,013	60.2	4,047	59.2
Suspension components	2,582	38.7	2,714	39.7
Other	73	1.1	73	1.1
TOTAL	6,668	100.0	6,834	100.0

and breakdown by category is provided below:

	12.31.2014		12.31.2013	
	Number	*%*	*Number*	*%*
Managers	97	1.5	108	1.6
Clerical staff	1,824	27.4	1,847	27.0
Blue collar workers	4,747	71.1	4,879	71.4
TOTAL	6,668	100.0	6,834	100.0

Net financial indebtedness as of December 31, 2014 was Euro 304.3 million, in line with the figure at year-end 2013 (Euro 304.6 million) and showing an improvement compared to the figure at September 30, 2014 (Euro 348.5 million). The positive change in the quarter was due to the seasonal improvement in working capital combined with the benefit resulting from the mark-to-market of the derivative embedded in the convertible bond mentioned above.

The following table provides a breakdown of indebtedness as of December 31, 2014:

(in millions of Euro)	12.31.2014	12.31.2013
Cash, banks, financial receivables and securities held for trading	133.5	132.8
Medium/long-term financial receivables	0.2	-
Short-term financial debts (*)	(78.3)	(83.7)
Medium/long-term financial debts	(359.7)	(353.7)
NET FINANCIAL POSITION	(304.3)	(304.6)

(*) Including current portions of medium and long-term financial debts.

The table below shows changes in cash flows during the year:

(in millions of Euro)	Note(*)	2014	2013
SELF-FINANCING	(f)	67.6	87.9
Change in net working capital		20.4	6.7
Other medium/long-term assets/liabilities	(g)	(2.1)	(1.3)
CASH FLOW GENERATED BY OPERATIONS		**85.9**	**93.3**
Sale of equity investments	(h)	-	0.1
Net decrease from sale of fixed assets	(i)	3.8	1.9
TOTAL SOURCES		89.7	95.3
Increase in intangible assets		42.1	47.8
Purchase of tangible assets		42.3	36.0
TOTAL APPLICATION OF FUNDS		84.4	83.8
Exchange differences on assets/liabilities and equity	(l)	(1.5)	(1.5)
FREE CASH FLOW		**3.8**	**10.0**
Holding Company increases in capital		2.5	0.8
Dividends paid by the Holding Company to shareholders		-	(14.7)
Dividends paid by subsidiaries to non-controlling interests		(2.6)	(2.6)
Change in fair value derivative instruments		(3.4)	(2.3)
CHANGES IN SHAREHOLDERS' EQUITY		(3.5)	(18.8)
Change in net financial position	(m)	**0.3**	**(8.8)**
Opening net financial position	(m)	**(304.6)**	**(295.8)**
CLOSING NET FINANCIAL POSITION	(m)	**(304.3)**	**(304.6)**

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

As of December 31, 2014, **total equity** was Euro 180.8 million (vs. Euro 188.9 million as of December 31, 2013), as illustrated in the table below.

(in millions of Euro)	Note(*)	12.31.2014		12.31.2013	
		Amount	*%*	*Amount*	*%*
Short-term operating assets	(a)	325.3		321.0	
Short-term operating liabilities	(b)	(323.2)		(298.0)	
Net working capital		2.1	0.4	23.0	4.7
Equity investments	(c)	0.4	0.1	0.4	0.1
Intangible, tangible fixed assets and other medium and long-term assets	(d)	632.8	130.5	590.3	119.7
CAPITAL INVESTED		635.3	131.0	613.7	124.5
Other medium and long-term liabilities	(e)	(150.2)	(31.0)	(120.2)	(24.5)
NET CAPITAL INVESTED		485.1	100.0	493.5	100.0
Net financial indebtedness		304.3	62.7	304.6	61.7
Non-controlling interests		19.6	4.0	20.4	4.1
Consolidated equity of the Group		161.2	33.3	168.5	34.2
TOTAL		485.1	100.0	493.5	100.0

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

Outlined below are a few indicators as at 2014 year end:

- **gearing** (net financial position/total equity ratio) stood at 1.68 at the end of 2014 (1.61 at the end of 2013);
- **net financial position/pre-restructuring EBITDA** (excluding costs and revenues from non-ordinary operations) **ratio** was 2.35 in 2014 (2.07 in 2013);
- **normalised ROI** (Return on Investment, calculated as the ratio of EBIT before restructuring costs and non-recurring non-operating expenses incurred in restructuring to average net capital invested) decreased from 17.8% in 2013 to 14.2% in 2014;
- **ROE** (Return on Equity) was 2.2% at the end of 2014 (12.1% in 2013).

INVESTMENTS AND RESEARCH & DEVELOPMENT ACTIVITIES

Investments during 2014 were substantially stable at Euro 84.4 million when compared with Euro 83.9 million recorded in the previous year. Such investments were mostly aimed at increasing production capacity in the fastest growing markets, as well as developing new products, especially in North America. Other investments were aimed at improving industrial processes, as well as innovating and upgrading Group information systems and a partial capitalisation of R&D assets.
In particular, tangible investments totalled Euro 42.3 million (36 million in 2013), and intangible investments amounted to Euro 42.1 million (47.8 million in 2013).

Research and development expenses amounted to Euro 35.3 million (2.6% of sales revenues), and mostly focused on product innovation.

RECONCILIATION BETWEEN THE HOLDING COMPANY'S STATUTORY FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

The following is a reconciliation of the Group's net result and equity at the end of the year with the equivalent figures for the Holding Company:

Net result for the year

(in millions of Euro)	2014	2013
Net result per Sogefi S.p.A. financial statements	2.0	15.9
Group share of results of subsidiary companies included in the consolidated financial statements	23.5	32.0
Writedowns/Gains of equity investments in Sogefi S.p.A.	-	-
Elimination of Sogefi S.p.A. dividends	(16.3)	(34.9)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	(5.6)	8.1
NET RESULT PER CONSOLIDATED FINANCIAL STATEMENTS	3.6	21.1

Shareholders' equity

(in millions of Euro)	12.31.2014	12.31.2013
Shareholders' equity per Sogefi S.p.A. financial statements	161.3	155.8
Group share of excess equity value of investments in consolidated companies over carrying value in Sogefi S.p.A. financial statements	(26.4)	(22.0)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	26.3	34.7
SHAREHOLDERS' EQUITY PER CONSOLIDATED FINANCIAL STATEMENTS	161.2	168.5

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

In 2014, net result was Euro 2 million, compared to Euro 15.9 million in the previous year.
The reduction was due mainly to the lower flow of dividends approved by the subsidiaries. Furthermore, following the debt refinancing deals, in the year 2014 there was an increase of Euro 11.3 million in the amount of interest expense recognized, which was wholly offset by a financial gain of Euro 14 million corresponding to the higher fair value of the derivative embedded in the convertible bond.
"Operating costs" increased in 2014, in particular costs of non-financial services and amortisation, mainly connected with the more intensive use of the new SAP information system, and the corresponding increase in the royalty fees ("Other operating revenues") charged to the subsidiaries using the system.
The item "Other non-operating income (expenses)" includes expenses for Euro 1.1 million (Euro 0.8 million in 2013) incurred in 2014 when certain executive functions were re-organised.

(in millions of Euro)	2014	2013
Financial income/expenses and dividends	3.7	19.1
Adjustments to financial assets	-	-
Other operating revenues	21.3	16.7
Operating costs	(25.8)	(23.3)
Other non-operating income (expenses)	(2.1)	(3.1)
RESULT BEFORE TAXES	(2.9)	9.4
Income taxes	(4.9)	(6.5)
NET RESULT	2.0	15.9

As regards the **statement of financial position**, the table below shows the main items as of December 31, 2014, compared with the figures recorded at the end of the previous year:

(in millions of Euro)	Note(*)	12.31.2014	12.31.2013
Short-term assets	(n)	14.4	20.7
Short-term liabilities	(o)	(8.9)	(9.8)
Net working capital		5.5	10.9
Equity investments	(p)	397.3	396.9
Other fixed assets	(q)	67.6	55.4
CAPITAL INVESTED		470.4	463.2
Other medium and long-term liabilities	(r)	(1.4)	(2.5)
NET CAPITAL INVESTED		469.0	460.7
Net financial indebtedness		307.7	304.9
Shareholders' equity		161.3	155.8
TOTAL		469.0	460.7

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

The decrease in "Short-term assets" reflects for the most part a decrease in amount receivable from the Parent Company CIR S.p.A. arising from the participation in the Group tax filing system.
"Other fixed assets" include increased capitalised costs (for Euro 10.3 million) for the multi-year project started in 2011 to develop and implement the new integrated SAP information system at a group-wide level, as well as higher deferred tax assets on tax losses incurred during the year brought forward under the CIR Group tax filing system.

The decrease in "Other medium and long-term liabilities" is mainly traced back to utilisations of the Phantom Stock Option provision when 990,000 option rights under the 2008 plan were exercised on March 31, 2014.

"Shareholders' equity" as of December 31, 2014 amounts to Euro 161.3 million, up from Euro 155.8 million as of December 31, 2013, mostly thanks to capital increases through subscription of Stock Options by the beneficiaries. The Company paid no dividends in 2014 as per resolution passed by the Shareholders' Meeting on April 23, 2014, and the whole 2013 profit was allocated to Reserves and retained earnings.

Net financial position as of December 31, 2014 was Euro 307.7 million, with a net increase of Euro 2.8 million compared to December 31, 2013.

(in millions of Euro)	12.31.2014	12.31.2013
Short-term cash investments	36.6	40.1
Short/medium-term financial receivables to third and subsidiaries	123.2	119.2
Short-term financial debts (*)	(139.5)	(143.2)
Medium/long-term financial debts	(328.0)	(321.0)
NET FINANCIAL POSITION	(307.7)	(304.9)

(*) Including current portions of medium and long-term financial debts.

It should be noted that the Company undertook significant debt re-financing efforts during 2014 by taking out new bank loans and issuing convertible bonds designated "Euro 100,000,000 2 per cent Equity Linked Bonds due 2021" – as per resolution of the Board of Directors passed in May 2014 –) which were placed with institutional investors. As a result of these transactions, the Company redeemed several loans in advance, including the Syndicated Loan obtained in 2012.

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

(in millions of Euro)	Note(*)	2014	2013
SELF-FINANCING	(s)	(0.6)	18.3
Change in net working capital	(t)	5.4	(10.6)
Other medium/long term assets/liabilities	(u)	4.4	1.6
CASH FLOW GENERATED BY OPERATIONS		**9.2**	**9.3**
Sale of equity investments	(v)	-	-
TOTAL SOURCES		9.2	9.3
Increase in intangible assets		10.7	14.2
Purchase of tangible assets		-	0.1
Purchase of equity investments		0.4	0.4
TOTAL APPLICATION OF FUNDS		11.1	14.7
FREE CASH FLOW		**(1.9)**	**(5.4)**
Holding Company increases in capital		2.5	0.8
Net purchase of treasury shares		-	-
Change in fair value derivative instruments		(3.4)	(2.3)
Dividends paid by the Holding Company		-	(14.7)
CHANGES IN SHAREHOLDERS' EQUITY		(0.9)	(16.2)
Change in net financial position	(w)	**(2.8)**	**(21.6)**
Opening net financial position	(w)	**(304.9)**	**(283.3)**
CLOSING NET FINANCIAL POSITION	(w)	**(307.7)**	**(304.9)**

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

While still negative for Euro 1.9 million, free cash flow improved by Euro 3.5 million in 2014 over the figure recorded in 2013. Lower profitability in 2014 was offset by a reduction of net working capital and lower investments in intangible fixed assets as compared to 2013.

PERFORMANCE BY BUSINESS DIVISION

ENGINE SYSTEMS BUSINESS UNIT

The following tables show the key results and economic indicators of the Engine Systems business unit for the year 2014 and the three previous years. Please note that the acquired assets of Systemes Moteurs Group are fully consolidated starting August 2011.

KEY ECONOMIC DATA

(in millions of Euro)	2011	2012	2013	2014	Change '14 vs '13
Sales revenues	612.9	792.6	818.6	844.9	3.2%
EBITDA pre-restructuring	60.4	86.5	94.5	82.8	-12.3%
% on sales revenues	*9.9%*	*10.9%*	*11.5%*	*9.8%*	
EBITDA	52.0	74.7	78.9	75.5	-4.2%
% on sales revenues	*8.5%*	*9.4%*	*9.6%*	*8.9%*	
EBIT pre-restructuring	36.2	54.0	61.6	49.4	-19.7%
% on sales revenues	*5.9%*	*6.8%*	*7.5%*	*5.9%*	
EBIT	24.4	39.0	45.7	42.1	-7.8%
% on sales revenues	*4.0%*	*4.9%*	*5.6%*	*5.0%*	

KEY FINANCIAL DATA

(in millions of Euro)	2011	2012	2013	2014	Change '14 vs '13
Net Assets	187.0	203.7	197.1	207.3	5.2%
Net financial surplus (indebtedness)	3.7	34.0	58.4	70.0	19.8%

OTHER INDICATORS

	2011	2012	2013	2014	Change '14 vs '13
Number of employees	4,136	4,090	4,047	4,013	-0.8%

In 2014, the Engine Systems business unit realised **Sales revenues** for Euro 844.9 million, 3.2% up from 2013 (+6.3% exchange rates being equal). During the period under consideration, the business unit benefited from business growth in non-European markets – in the USA, China and India for the most part – and from the positive performance of the aftermarket segment.

The business unit's **EBITDA** for 2014 amounts to Euro 75.5 million, down 4.2% from 2013. Pre-restructuring EBITDA amounts to Euro 82.8 million (Euro 94.5 million in 2013; -12.3%), and its impact on revenues fell from 11.5% in 2013 to 9.8%. This drop is mainly traced back to falling volumes in South American markets, as well as to restructuring under way in 2014 and the resulting – temporary – productive inefficiency, especially in the third quarter.

EBIT was Euro 42.1 million (vs. Euro 45.4 million in 2013; -7.8%); it was Euro 49.4 million net of restructuring costs (Euro 61.6 million in 2013; -19.7%), and its impact on revenues fell to 5.9% from 7.5% in 2013.

As of December 31, 2014, the business unit's **Net Assets** amounted to Euro 207,3 million compared to Euro 197.1 million at the end of 2013, whereas **Net financial position** recorded a surplus of Euro 70 million versus Euro 58.4 million as of December 31, 2013.

The business unit's number of employees at the end of 2014 has decreased to 4,013 units from the 4,047 units at the end of 2013.

SUSPENSION COMPONENTS BUSINESS UNIT

The following tables show the key results and economic indicators of the Suspension Components business unit for the year 2014 and the three previous years.

KEY ECONOMIC DATA

(in millions of Euro)	2011	2012	2013	2014	Change '14 vs '13
Sales revenues	547.7	528.6	518.6	506.6	-2.3%
EBITDA pre-restructuring	68.6	57.3	60.1	52.5	-12.5%
% on sales revenues	*12.5%*	*10.8%*	*11.6%*	*10.4%*	
EBITDA	68.3	56.9	58.8	41.4	-29.7%
% on sales revenues	*12.5%*	*10.8%*	*11.3%*	*8.2%*	
EBIT pre-restructuring	44.4	32.7	38.0	30.7	-19.2%
% on sales revenues	*8.1%*	*6.2%*	*7.3%*	*6.1%*	
EBIT	44.1	32.3	35.7	18.2	-49.0%
% on sales revenues	*8.1%*	*6.1%*	*6.9%*	*3.6%*	

KEY FINANCIAL DATA

(in millions of Euro)	2011	2012	2013	2014	Change '14 vs '13
Net Assets	137.2	142.2	121.2	106.8	-11.8%
Net financial surplus (indebtedness)	(48.4)	(45.2)	(57.7)	(64.7)	-12.0%

OTHER INDICATORS

	2011	2012	2013	2014	Change '14 vs '13
Number of employees	2,508	2,571	2,714	2,582	-4.9%

The Suspension Components business unit ended 2014 with **Sales revenues** of Euro 506.6 million (Euro 518.6 million in 2013), down 2.3% over 2013 (however, sales revenues would have been up +2.1% exchange rates being equal).

The business unit's **EBITDA** for 2014 amounts to Euro 41.4 million (Euro 58.8 million in 2013; -29.7%), affected as it was by sharp declining volumes and currency depreciation experienced in South American markets. Excluding restructuring effects, EBITDA amounts to Euro 52.5 million (Euro 60.1 million in 2013; -12.5%), and its impact on revenues fell from 11.6% in 2013 to 10.4%.

EBIT was Euro 18.2 million (vs. Euro 35.7 million in 2013; -49%); it was Euro 30.7 million net of restructuring costs (Euro 38 million in 2013; -19.2%), and its impact on revenues fell to 6.1% from 7.3% in 2013.

The business unit's **Net Assets** as of December 31, 2014 amounted to Euro 106.8 million (versus Euro 121.2 million at the end of 2013), whereas **Net financial position** recorded an indebtedness of Euro 64.7 million versus 57.7 million at the end of 2013.

The business unit’s number of employees at the end of 2014 has decreased to 2,582 units from the 2,714 units as of December 31, 2013.

OUTLOOK FOR OPERATIONS

In 2015, in a global car market that appears to be growing, Sogefi expects to continue the positive trends seen in North America, China and India. In Europe, the company should achieve a slightly better performance than last year, while in the South American market there is likely to be a modest recovery from the low volumes recorded in 2014.

MANAGEMENT OF THE MAIN BUSINESS RISKS

A structured and formalized Enterprise Risk Management (ERM) process is implemented within the Group in line with international best practice. The process is aimed at identifying and assessing key group risks and involves Group's managers at a global level under the coordination of Risk Management & Internal Audit.

Managers across the Group at a global level identify and evaluate risks – both on a potential and residual basis – in connection with the Group's strategic goals based on a specific risk model and identify risk mitigation strategies.

According to the risk model, the Group Chief Risk Officer first identifies priority risk areas with regard to strategic objectives and guidelines as per business plan (key value drivers, such as raw materials/commodities, economic scenario, currency exchange rates, technological innovation, balance of customer portfolio, competitor monitoring, etc.), and defines the reference economic-financial parameters for risk and impact measurement (impact on revenues, EBIT, cash flow, etc.) where applicable. Managers at the business unit and local levels are required to validate/supplement exposures within the priority risk areas identified beforehand and submit the corresponding risk mitigation plans to help finalise the global Sogefi Group ERM Report. This method ensures that the following elements are defined and kept up to date at all times:

- target levels of exposure to priority risks;
- risk management strategies in line with existing risk attitude (risk transfer, reduction, avoidance, mitigation);
- action plans and management guidelines to keep exposure levels within target limits.

Sogefi Group ERM Report findings are also used to define the Internal Audit's Action Plan adopting a risk-based approach in line with international best practice. The Internal Audit's Action Plan is prepared on an annual basis based on the findings of the assessments performed within the Enterprise Risk Management process, and focuses on those areas that are determined to be associated with higher risk after such ERM assessments.

For more details of the risk assessment method and the tasks and functions involved in the company's Control and Risk System, please refer to the “Code of Conduct of Sogefi S.p.A.” attached to the “Annual Report on Corporate Governance” for the year 2014, available at www.sogefigroup.com.

The following section looks at the main risks and uncertainties that the Group is potentially exposed to in the achievement of its business objectives/operations, together with a description of the ways in which said risks are managed.

To facilitate comprehension, risk factors have been grouped on the basis of their origin into homogeneous risk categories, with distinction between those that arise outside the Group **(external risks)** and those associated with the characteristics and structure of the organisation itself **(internal risks)**.

In terms of **external risks**, first of all, the Group adopts a centralised management approach to **financial risk** (which includes **risks of changes in interest rates** and **exchange rates**, **risks of changes in raw materials prices**, **credit risk** and **liquidity risk**), described in further detail in the *Explanatory and Supplementary Notes to the Consolidated Financial Statements* which should be referred to[1].

With regard to **risks relating to competitors**, the Group is one of the leading players in both the suspension components and engine system sectors at a worldwide level, and benefits from a progressive consolidation of the market and the resulting gradual reduction in the number of competitors.
With regard to the suspension components sector, the Group benefits from objective barriers to the entry of new competitors, as this sector is structurally capital intensive and a wide technological and qualitative gap puts manufacturers in low-cost countries at a disadvantage.
Similarly, the technological and qualitative gap represents a barrier to the entry of new competitors in the original equipment engine system sector as well, while in the aftermarket, important barriers to entry are represented by the Group's exhaustive product range and by the lack of notoriety of the brands of manufacturers in *low-cost* countries.

As regards the **risks associated with customer management**, as well as the management of **credit risk** already mentioned within **financial risk**, the Group manages the risk of the concentration of demand by appropriately diversifying its customer portfolio, both from a geographic perspective and in terms of distribution channel (the major world manufacturers of cars and industrial vehicles in the original equipment market and leading international customers in the spare parts market).
Credit risk has significantly diminished in the independent aftermarket (IAM) thanks to the recent reorganisation of the business unit, whereas the overall upturn in sales volumes on global markets has helped reduce the actually limited risk exposure with original equipment (OEM) and original equipment spares (OES) customers.
As regards the **risks associated with supplier management**, mostly managed centrally by the Group, increased focus on multi-sourcing, especially from non-European suppliers and the ongoing search for alternate suppliers helps to reduce the **risk of being excessively dependent on key suppliers/single suppliers**.
It should be noted that this multi-sourcing approach, i.e. sourcing each raw material from multiple suppliers based in different world countries helps to reduce the **risk of changes in raw materials prices** mentioned earlier when discussing the management of **financial risk**.

The Group places particular attention on the management of **country risk**, given the considerable geographic diversification of its business activities at world level.

In terms of the **risks associated with technological innovation**, the Group constantly seeks to innovate products and production processes.
Specifically, the Group's pipeline includes certain product/process innovations that are not available to key competitors, such as new elastic suspension components made from composite materials, a new oil cooling technology that uses aluminium foam and an

[1] For a detailed description of the centralised management of financial risk adopted by the Group, please see the "Explanatory and Supplementary Notes to the Consolidated Financial Statements", Chap. E, Note no. 39.

innovative particulate emission control system.

With regard to the **risks related to health, safety and the environment**, each subsidiary has its own internal function that manages HSE in accordance with local laws and in accordance with Sogefi Group's guidelines. More specifically, the Holding Company Sogefi S.p.A. has approved an Environmental Policy for Health and Safety, which sets out the principles that all operations of subsidiaries should observe for the organisation of the HSE management system. Special emphasis is placed on monitoring the risk of accidents, which is a pillar of the plant operating approach "Kaizen Way" adopted at all production sites across the world and coordinated by a dedicated central management team at Group level.
In correlation with the environmental policy, 16 plants in the Engine Systems business unit and 13 in the Suspension Components business unit are currently certified as complying with the international standard ISO 14001. Within the Engine Systems business unit, two companies have had their health and safety systems certified to the OHSAS 18001 standard. The activities carried out in the plants are audited by both experienced internal auditors and external auditors. Particular attention is paid to personnel training in order to consolidate and disseminate a safety culture.

As regards **internal risks**, namely risks mostly connected with internal activities and with the characteristics of the organisation itself, one of the major risks identified, monitored and actively managed by the Group is the **risk of product quality/complaints due to non conformity**: in this regard, it is worth drawing attention to the fact that the Sogefi Group considers ongoing quality improvement as a fundamental objective to meet customers' needs. In this regard, a central organisation was set up at Group level with the specific task of monitoring product quality and preventing non-conformities on an on-going basis through local plant units that operate under its supervision. The same focus on quality is placed on the supplier selection and approval process, as well as in the on-going quality control of supplies used in the manufacturing process (raw materials, semi-finished products, etc.), in order to prevent non-conformities in Group products partly or totally due to defective supplies. In correlation with the Group's quality policy, 18 plants in the Engine Systems Business Unit and 14 in the Suspension Components Business Unit are currently certified as complying with the international standard ISO TS 16949. Some plants' systems are certified according to business specifications. Unforeseeable risk is adequately covered by insurance, as regards both third party product liability and the potential launch of product recall campaigns.

With regard to the **risks associated with adequacy of managerial support (e.g. the effectiveness/efficiency of Group monitoring and reporting, of internal information flows etc.)**, information can be found in the "Annual Report on Corporate Governance".

In terms of the set of **risks associated with human resource management**, the Group acknowledges the key role played by its human resources and the importance of maintaining clear relationships based on mutual loyalty and trust, as well as on the observance of conduct dictated by its Code of Ethics.
Working relationships are managed and coordinated in full respect of workers' right and in full acknowledgement of their contribution, with a view to encouraging development and professional growth. Established selection processes, career paths, and incentive schemes are the tools used to make the most of human resources. The Group also uses a system of annual performance appraisals based on a clear definition of shared objectives,

which can be measured in numerical, economic, financial, qualitative and individual terms. A variable bonus is paid depending on the degree to which said objectives are achieved. As regards medium-long term incentive schemes, again in 2014 a stock grant plan has been allocated to top management positions.

With regard to the **risks associated to the management of Information Systems**, the Group manages the risks linked to the potential incompleteness/inadequacy of IT infrastructure and the risks related to the physical and logical safety of systems in terms of the protection of confidential data and information by means of specific units at group level.

OTHER INFORMATION

RELATED PARTY TRANSACTIONS

Information on the most important economic transactions and balances with related parties is provided in the explanatory and supplementary notes to the consolidated financial statements, in the section entitled “Related Party Transactions”, as well as in the explanatory and supplementary notes to the statutory financial statements.
Dealings between Group companies are conducted at arm’s length, taking into account the quality and type of services rendered.

We point out that no transactions have been carried out with related parties or with entities or individuals other than related parties that, according to the definition used by Consob, are atypical or unusual, do not relate to the normal business activity or have a significant impact on the Group's results, balance and financial position.

In 2010, in accordance with Consob Resolution no. 17221 of March 12, 2010 and subsequent amendments, the Company’s Board of Directors appointed the Committee for Related Party Transactions, establishing that the members are to be the same as those of the Control and Risks Committee and approved the Discipline on related-party transactions, which had previously received a favourable opinion of the Control and Risks Committee. The purpose of this Discipline is to establish the principles of conduct that the Company is bound to observe to guarantee the correct management of related-party transactions. This Discipline is available on the Company's website at www.sogefigroup.com, in the “Investor – Corporate Governance” section.

In accordance with art. 2497 bis of the Italian Civil Code, we point out that Sogefi S.p.A. is subject to policy guidance and coordination by its parent company CIR S.p.A..

CORPORATE GOVERNANCE

Note that the “Annual Report on Corporate Governance” for 2014 was approved at the meeting of the Board of Directors that was called to approve the draft financial statements for the year ended December 31, 2014 and is made available to Shareholders as provided for by the law. The Report is also available on the Company's website at www.sogefigroup.com, in the “Investor – Corporate Governance” section.

The Report also contains the information prescribed by art. 123 *bis* of the Consolidated Law on Financial Intermediation, including information on ownership structures and compliance with the codes of conduct that the Company has adopted. Generally speaking, the Company's Corporate Governance is in line with the recommendations and rules contained in the Code of Conduct for listed companies of Borsa Italiana S.p.A.

As regards Legislative Decree 231/2001, which brings domestic regulations on administrative liability of legal entities into line with the international conventions signed by Italy, in February 2003 the Board of Directors adopted a Code of Ethics for the Sogefi Group. The Code clearly defines the values that the Group believes in as the basis on

which to achieve its objectives. It lays down rules of conduct which are binding on directors, employees and others who have ongoing relations with the Group.
On February 26, 2004 the Company also adopted an "Organization, Management and Control Model as per Legislative Decree no. 231 of June 8, 2001" following the guidelines of the decree, with a view to ensuring conditions of fairness and transparency in the carrying on of the company's affairs and business activities.
A Supervisory Body was also set up with the task of monitoring the functioning, effectiveness and observance of the Model, as laid down in the decree.

TREASURY SHARES

As of December 31, 2014, the Holding Company has 3,430,133 treasury shares in its portfolio, corresponding to 2.89% of capital, at an average price of Euro 2.28 each. In 2014, treasury shares decreased after they were assigned to beneficiaries of stock-based compensation plans.

DECLARATIONS PURSUANT TO ARTICLES 36 AND 37 OF CONSOB REGULATION 16191 OF OCTOBER 29, 2007

In accordance with the obligations set forth in article 2.6.2. of the Regulations of Borsa Italiana, and with reference to the requirements referred to in articles 36 and 37 of Consob Resolution 16191 of October 29, 2007 and subsequent amendments, it is hereby stated that there are no circumstances such as to prevent the listing of Sogefi stock on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. insofar as: Sogefi S.p.A. (the “Company”) has obtained the articles of association and the composition and powers of the related control bodies from foreign subsidiaries based in countries that are not part of the European Union and are of material significance to the Company; the same foreign subsidiaries provide the Company’s auditor with information necessary to perform annual and interim audits of Sogefi and use an administrative/accounting system appropriate for regular reporting to the Management and to the auditors of the Company of the income statement, balance and financial data necessary for the preparation of the consolidated financial statements.
Sogefi S.p.A. will also publish the financial statements of foreign subsidiaries (based in non-European countries and with material significance to the Company), prepared for the purpose of the consolidated financial statements as of December 31, 2014, in accordance with the procedures indicated in the Consob regulation.

In consideration of the fact that Sogefi is subject to policy guidance and coordination by its parent company CIR – Compagnie Industriali Riunite S.p.A., it is also hereby stated that there are no circumstances such as to prevent the listing of Sogefi stock on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. insofar as the Company has fulfilled its publication obligations pursuant to article 2497-*bis* of the Italian Civil Code; has independent decision-making powers in relations with customers and suppliers; does not hold a cash pooling system with CIR. The Company has a cash pooling system with subsidiaries that satisfies the interest of the company. This situation enables the Group’s finances to be centralised, thus reducing the need to utilise funding from banks, and therefore minimising financial charges.

On April 18, 2000, the Company set up a Control and Risks Committee and an Appointment and Remuneration Committee that at present are fully made up by independent administrators.
Lastly, it is hereby stated that as of December 31, 2014, the Company's Board of Directors comprises 9 members, 6 of which meet the independence criteria, and therefore a sufficient number to guarantee that their contribution has an adequate weight when taking board decisions.

EXEMPTION FROM THE OBLIGATION TO PUBLISH INFORMATION DOCUMENTS UNDER ARTICLE 70, PARAGRAPH 8 AND ARTICLE 71, PARAGRAPH 1-BIS OF THE RULES FOR ISSUERS

In relation to art. 70, paragraph 8 and art. 71, paragraph 1-bis of Consob Regulation no. 11971/99, as amended by Consob Resolution no. 18079 of January 20, 2012, on October 23, 2012, the Board of Directors resolved to make use – effective today – of the exemption from the obligation to publish the information documents required for significant transactions consisting in mergers, spin-offs, capital increases by means of the conferral of assets in kind, takeovers and transfers.

OTHER

SOGEFI S.p.A. has its registered office in Via Ulisse Barbieri 2, Mantova and its operating offices in Via Flavio Gioia 8, Milano.

The Sogefi stock has been listed on the Milano Stock Exchange since 1986 and has been traded on the STAR segment since January 2004.

This report, which relates to the period January 1 to December 31, 2014, was approved by the Board of Directors on February 23, 2015.

SIGNIFICANT SUBSEQUENT EVENTS

With regard to the convertible bond under which terms Sogefi S.p.A. had the right to deliver ordinary shares of Sogefi, or pay cash or offer a combination of ordinary shares and cash when the conversion rights were exercised, on January 19, 2015 the Board of Directors approved a renouncement of the right to cash settlement on the above cited convertible bond by executing a Deed Poll and this was formalised on January 28, 2015. The agent was notified of the Deed Poll on January 29, 2015.

PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

The statutory financial statements as of December 31, 2014 that we submit for your approval show a net profit of Euro 2,022,375.83. Proposed allocation is as follows:

- portion to legal reserve Euro 300,000.00

- remaining portion of net profit for 2014 to "Retained earnings" Euro 1,722,375.83.

Milan, 23 February 2015

THE BOARD OF DIRECTORS

ATTACHMENT: NOTES RECONCILING THE FINANCIAL STATEMENTS SHOWN IN THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS CONTAINED IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND THE HOLDING COMPANY'S STATUTORY FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IAS/IFRS

Notes relating to the Consolidated Financial Statements

(a) the heading agrees with "Total working capital" in the Consolidated Statement of Financial Position;

(b) the heading agrees with the sum of the line items "Trade and other payables", "Tax payables" and "Other current liabilities" in the Consolidated Statement of Financial Position;

(c) the heading agrees with the sum of the line items "Investments in joint ventures" and "Other financial assets available for sale" in the Consolidated Statement of Financial Position;

(d) the heading agrees with the sum of the line items "Total fixed assets", "Other receivables", "Non-current trade receivables", "Deferred tax assets" and "Non-current assets held for sale" in the Consolidated Statement of Financial Position;

(e) the heading agrees with the line item "Total other long-term liabilities" in the Consolidated Statement of Financial Position;

(f) the heading agrees with the sum of the line items "Net result", "Non-controlling interests", "Depreciation, amortisation and write-downs", "Accrued costs for stock-based incentive plans", "Losses/(gains) on equity investments in associates and joint ventures", "Provisions for risks, restructuring and deferred taxes" and "Post-retirement and other employee benefits" in the Consolidated Cash Flow Statement;

(g) the heading agrees with the sum of the line items "Other medium/long-term assets/liabilities" and "Recognition of fair value reserve previously booked to OCI in the income statement" in the consolidated cash flow statement, excluding movements relating to financial receivables;

(h) the heading corresponds to the line item "Sale of subsidiaries (net of cash and cash equivalents) and associates" in the Consolidated Cash Flow Statement;

(i) the heading agrees with the sum of the line items "Losses/(gains) on disposal of fixed assets and non-current assets held for sale", "Sale of property, plant and equipment" and "Sale of intangible assets" in the consolidated cash flow statement;

(l) the heading agrees with the line items "Exchange differences" in the consolidated cash flow statement, excluding exchange differences on medium/long-term financial receivables and payables;

(m) these headings differ from those shown in the consolidated cash flow statement as they refer to the total net financial position and not just to cash and cash equivalents.

Notes relating to the Holding Company's Statutory Financial Statements

(n) the heading agrees with "Total working capital" ("Totale attivo circolante operativo") in the Holding Company's statutory Statement Of Financial Position;

(o) the heading agrees with the sum of the line items "Trade and other payables" ("Debiti commerciali e altri debiti"), "Tax payables" ("Debiti per imposte") and "Other current liabilities" ("Altre passività correnti") in the Holding Company's statutory Statement Of Financial Position;

(p) the heading agrees with the sum of the line items "Equity investments in subsidiaries" ("Partecipazioni in società controllate"), "Equity investments in associates" ("Partecipazioni in società collegate") and "Other financial assets available for sale" ("Altre attività finanziarie disponibili per la vendita") in the Holding Company's statutory Statement Of Financial Position;

(q) the heading agrees with the sum of the line items "Total fixed assets" ("Totale immobilizzazioni"), "Other receivables" ("Altri crediti") and "Deferred tax assets" ("Imposte anticipate") in the Holding Company's statutory Statement Of Financial Position;

(r) the heading agrees with the line item "Total other long-term liabilities" ("Totale altre passività a lungo termine") in the Holding Company's statutory Statement Of Financial Position;

(s) the heading agrees with the sum of the line items "Net result" ("Utile netto d'esercizio"), "Write-down of equity investments" ("Svalutazione partecipazioni"), "Depreciation and amortisation" ("Ammortamenti immobilizzazioni materiali e immateriali"), "Change in fair value of property investments" ("Variazione fair value investimenti immobiliari"), "Accrual to Income Statement for fair value of cash flow hedging instruments" ("Stanziamento a conto economico fair value derivati cash flow hedge"), "Accrued costs for stock-based incentive plans" ("Accantonamenti costi per piani di incentivazione basati su azioni"), "Accrued costs for Phantom Stock Options" ("Accantonamenti costi per Phantom Stock Options"), "Liquidation Phantom Stock Options provision" ("Liquidazione fondo Phantom Stock Options") and "Net change in provision for employment termination indemnities" ("Variazione netta fondo trattamento di fine rapporto") as well as the change of deferred tax assets/liabilities included in the line "Other Medium/Long-term assets/liabilities" ("Altre attività/passività a medio lungo termine") of the Holding Company's statutory Cash Flow Statement;

(t) the heading agrees with the sum of the line items "Change in net working capital" ("Variazione del capitale circolante netto"), "Change in tax receivables/payables" ("Variazione dei crediti/debiti per imposte") and "Payables for purchases of intangible fixed assets" ("Debiti per acquisti immobilizzazioni immateriali") of the Holding Company's statutory Cash Flow Statement;

(u) the heading is included in the line item "Other Medium/Long-term assets/liabilities" ("Altre attività/passività a medio lungo termine") in the Holding Company's statutory cash flow statement, excluding movements relating to financial receivables/payables;

(v) the heading agrees with line "Sale of equity investments" ("Vendita partecipazioni") in the Holding Company's statutory cash flow statement;

(w) these headings differ from those shown in the Holding Company's statutory cash flow statement as they refer to the total net financial position and not just to cash and cash equivalents.

DEFINITION OF THE PERFORMANCE INDICATORS

In accordance with recommendation CESR/05-178b published on November 3, 2005, the criteria used for constructing the main performance indicators deemed by the management to be useful for the purpose of monitoring Group performance are provided below.

ROE: is calculated as the ratio of “Group net result” for the year under way to the average “Total shareholders' equity attributable to the holding company” (the average is calculated with reference to the punctual values at the end of the year under way and of the previous year).

ROI: is calculated as the ratio of “EBIT” relating to the year under way to the average “Net capital invested”, as set forth in the table of the consolidated capital structure included in the “Report on Operations”, (the average is calculated with reference to the punctual values at the end of the year under way and of the previous year).

Normalised ROI: is calculated as the ratio of “Pre-restructuring EBIT” relating to the year under way to the average “Net capital invested”, as set forth in the table of the consolidated capital structure included in the “Report on Operations”, (the average is calculated with reference to the punctual values at the end of the year under way and of the previous year).

EBITDA: starting from financial year 2012, EBITDA is calculated as the sum of "EBIT", “Depreciation and Amortisation” and the writedowns of tangible and intangible fixed assets included in the item “Other non-operating expenses (income)”.

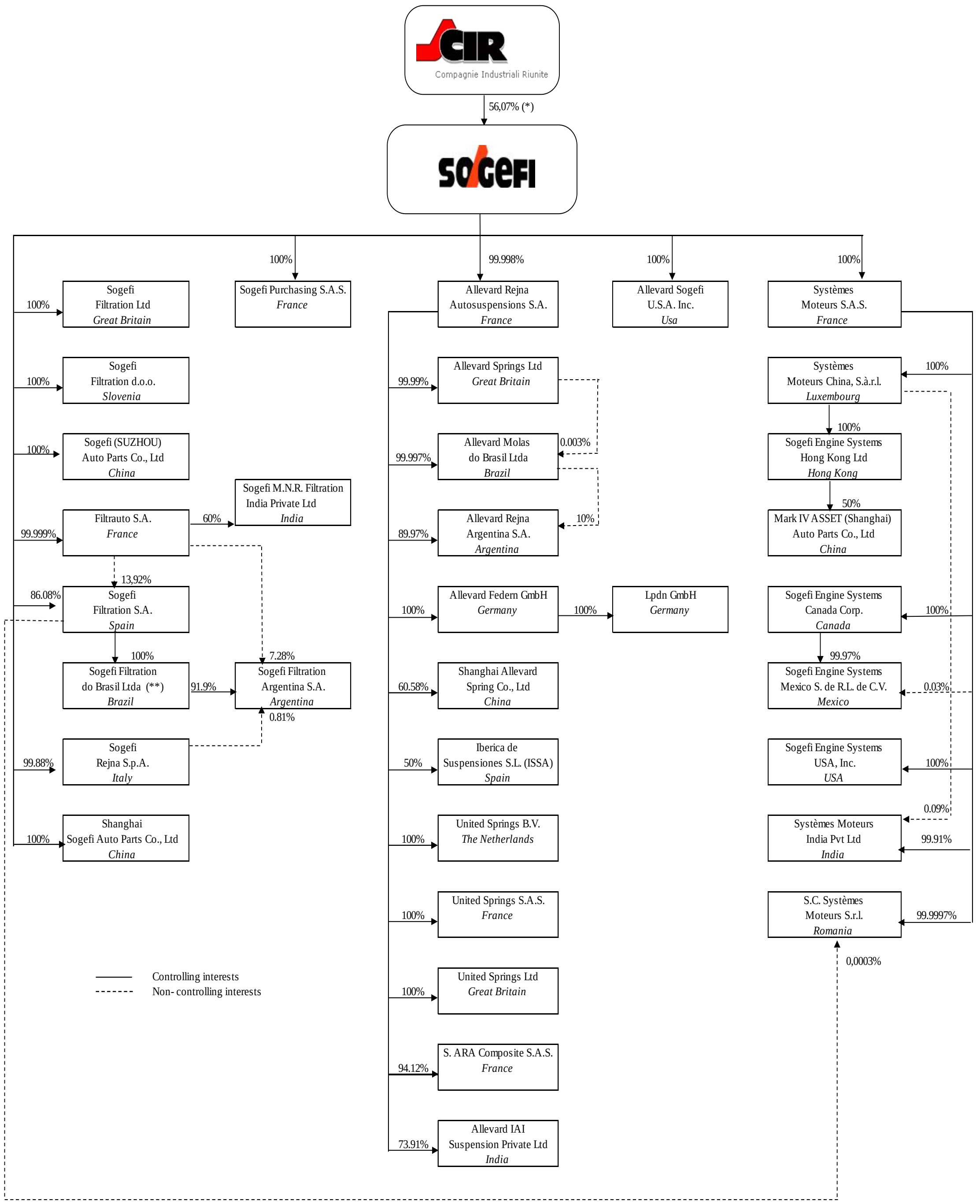
Pre-restructuring EBITDA is calculated as the sum of "EBITDA", “Restructuring costs” and other expenses incurred in restructuring included in item “Other non-operating expenses (income)”.

Normalised EBITDA is calculated by summing “EBITDA” and the expenses and revenues arising from non-ordinary operations, such as “Restructuring costs”, “Losses (gains) on disposal”, and non-recurring items included in “Other non-operating expenses (income)”.

Pre-restructuring EBIT is calculated as the sum of "EBIT", “Restructuring costs” and other expenses incurred in restructuring included in item “Other non-operating expenses (income)”.

GEARING: is calculated as the “Net financial position” / “Total Shareholders' equity” ratio.

SOGEFI GROUP STRUCTURE: CONSOLIDATED COMPANIES



(*) 57,74% of shares outstanding (excluding treasury shares)
(**) Participation of Allevard Molas do Brasil Ltda to 0.000003%.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)

ASSETS	*Note*	12.31.2014	12.31.2013
CURRENT ASSETS			
Cash and cash equivalents	*5*	124,033	125,344
Other financial assets	*6*	9,490	7,508
Working capital			
Inventories	*7*	144,142	143,127
Trade receivables	*8*	148,083	145,837
Other receivables	*8*	6,884	7,827
Tax receivables	*8*	22,564	20,504
Other assets	*8*	3,599	3,692
TOTAL WORKING CAPITAL		*325,272*	*320,987*
TOTAL CURRENT ASSETS		458,795	453,839
NON-CURRENT ASSETS			
FIXED ASSETS			
Land	*9*	14,286	15,444
Property, plant and equipment	*9*	224,427	216,014
Other tangible fixed assets	*9*	5,348	4,957
Of which: leases		*5,148*	*7,370*
Intangible assets	*10*	282,996	262,725
TOTAL FIXED ASSETS		527,057	499,140
OTHER NON-CURRENT ASSETS			
Investments in joint ventures	*11*	-	-
Other financial assets available for sale	*12*	439	439
Non-current trade receivables	*13*	4	4
Financial receivables	*13*	157	-
Other receivables	*13*	34,626	31,582
Deferred tax assets	*14-20*	71,126	59,620
TOTAL OTHER NON-CURRENT ASSETS		106,352	91,645
TOTAL NON-CURRENT ASSETS		633,409	590,785
NON-CURRENT ASSETS HELD FOR SALE	*15*	-	-
TOTAL ASSETS		1,092,204	1,044,624

LIABILITIES	*Note*	12.31.2014	12.31.2013
CURRENT LIABILITIES			
Bank overdrafts and short-term loans	*16*	13,426	6,885
Current portion of medium/long-term financial debts and other loans	*16*	64,508	76,750
Of which: leases		*914*	*1,118*
TOTAL SHORT-TERM FINANCIAL DEBTS		77,934	83,635
Other short-term liabilities for derivative financial instruments	*16*	350	93
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS		78,284	83,728
Trade and other payables	*17*	309,808	285,410
Tax payables	*17*	5,323	4,557
Other current liabilities	*18*	8,096	8,055
TOTAL CURRENT LIABILITIES		401,511	381,750
NON-CURRENT LIABILITIES			
MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS			
Financial debts to bank	*16*	131,617	213,675
Other medium/long-term financial debts	*16*	203,648	118,664
Of which: leases		*6,481*	*6,607*
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS		335,265	332,339
Other medium/long-term financial liabilities for derivative financial instruments	*16*	24,464	21,378
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS		359,729	353,717
OTHER LONG-TERM LIABILITIES			
Long-term provisions	*19*	104,326	81,672
Other payables	*19*	6,988	257
Deferred tax liabilities	*20*	38,864	38,315
TOTAL OTHER LONG-TERM LIABILITIES		150,178	120,244
TOTAL NON-CURRENT LIABILITIES		509,907	473,961
SHAREHOLDERS' EQUITY			
Share capital	*21*	61,631	60,924
Reserves and retained earnings (accumulated losses)	*21*	95,948	86,439
Group net result for the year	*21*	3,639	21,124
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY		161,218	168,487
Non-controlling interests	*21*	19,568	20,426
TOTAL SHAREHOLDERS' EQUITY		180,786	188,913
TOTAL LIABILITIES AND EQUITY		1,092,204	1,044,624

CONSOLIDATED INCOME STATEMENT
(in thousands of Euro)

	Note	2014		2013	
		Amount	*%*	*Amount*	*%*
Sales revenues	*23*	1,349,391	100.0	1,334,987	100.0
Variable cost of sales	*24*	967,201	71.7	932,374	69.8
CONTRIBUTION MARGIN		382,190	28.3	402,613	30.2
Manufacturing and R&D overheads	*25*	127,401	9.4	130,750	9.8
Depreciation and amortization	*26*	58,003	4.3	57,336	4.3
Distribution and sales fixed expenses	*27*	41,444	3.1	39,631	3.0
Administrative and general expenses	*28*	70,955	5.3	67,049	5.0
Restructuring costs	*30*	16,195	1.2	17,813	1.3
Losses (gains) on disposal	*31*	(66)	-	(1,599)	(0.1)
Exchange losses (gains)	*32*	618	-	4,123	0.3
Other non-operating expenses (income)	*33*	19,369	1.4	18,384	1.4
- of which non-recurring		*4,933*		*1,717*	
EBIT		48,271	3.6	69,126	5.2
Financial expenses (income), net	*34*	26,818	2.0	28,361	2.1
- of which fair value of the embedded derivative (convertible bond)		*(13,960)*		-	
- of which other net financial expenses (income)		*40,778*		*28,361*	
Losses (gains) from equity investments	35	-	-	289	-
RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS		21,453	1.6	40,476	3.1
Income taxes	*36*	13,058	1.0	15,745	1.2
NET RESULT BEFORE NON-CONTROLLING INTERESTS		8,395	0.6	24,731	1.9
Loss (income) attributable to non-controlling interests	*21*	(4,756)	(0.3)	(3,607)	(0.3)
GROUP NET RESULT		3,639	0.3	21,124	1.6
Earnings per share (EPS) (Euro):	*38*				
Basic		0.032		0.187	
Diluted		0.031		0.185	

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
(in thousands of Euro)

	Note	*2014*	*2013*
Net result before non-controlling interests		8,395	24,731
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
- Actuarial gain (loss)	*21*	(21,698)	2,965
- Tax on items that will not be reclassified to profit or loss	*21*	4,199	(1,170)
Total items that will not be reclassified to profit or loss		*(17,499)*	*1,795*
Items that may be reclassified to profit or loss			
- Profit (loss) booked to cash flow hedging reserve	*21*	190	(2,260)
- Tax on items that may be reclassified to profit or loss	*21*	(53)	620
- Profit (loss) booked to translation reserve	*21*	6,837	(21,319)
Total items that may be reclassified to profit or loss		*6,974*	*(22,959)*
Other Comprehensive Income		*(10,525)*	*(21,164)*
Total comprehensive result for the period		(2,130)	3,567
Attributable to:			
- Shareholders of the Holding Company		(7,603)	542
- Non-controlling interests		5,473	3,025

CONSOLIDATED CASH FLOW STATEMENT
(in thousands of Euro)

	2014	2013
Cash flows from operating activities		
Net result	3,639	21,124
Adjustments:		
- non-controlling interests	4,756	3,607
- depreciation, amortization and writedowns	61,184	60,371
- expenses recognised for share-based incentive plans	852	1,562
- expenses recognised for phantom stock option plans	1,000	1,270
- payments of phantom stock options	(2,299)	-
- exchange rate differences on private placement	11,333	-
- (not paid) interest expense on bonds	1,907	-
- reclassification in the income statement of a fair value reserve previously recognized in OCI	3,601	-
- change in fair value of the call option (Embedded derivative)	(13,960)	-
- losses/(gains) on disposal of fixed assets and non-current assets held for sale	(66)	(1,599)
- losses/(gains) on sale of equity investments in associates and joint ventures	-	290
- provisions for risks, restructuring and deferred taxes	1,235	1,626
- post-retirement and other employee benefits	(2,786)	(1,990)
- change in net working capital	20,370	6,749
- other medium/long-term assets/liabilities	(5,693)	(1,324)
CASH FLOWS FROM OPERATING ACTIVITIES	85,073	91,686
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(42,278)	(36,030)
Purchase of intangible assets	(42,129)	(47,847)
Net change in other securities	493	738
Sale of subsidiaries (net of cash and cash equivalents) and associates	-	56
Sale of property, plant and equipment	3,880	3,470
Sale of intangible assets	7	14
NET CASH FLOWS FROM INVESTING ACTIVITIES	(80,027)	(79,599)
FINANCING ACTIVITIES		
Capital increase in subsidiaries from third parties	-	-
Net change in capital	2,523	767
Net purchase of treasury shares	-	-
Dividends paid to Holding Company shareholders and non-controlling interests	(2,597)	(17,240)
New (repayment of) bonds	98,235	107,834
New (repayment of) long-term loans	(112,788)	(59,507)
New (repayment of) finance leases	(1,115)	2,297
NET CASH FLOWS FROM FINANCING ACTIVITIES	(15,742)	34,151
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10,696)	46,238
Balance at the beginning of the period	118,459	76,833
(Decrease) increase in cash and cash equivalents	(10,696)	46,238
Exchange differences	2,844	(4,612)
BALANCE AT THE END OF THE PERIOD	110,607	118,459

ADDITIONAL INFORMATION OF CASH FLOW STATEMENT		
Taxes paid	(12,085)	(31,027)
Financial expenses paid	(33,889)	(28,847)
Financial income collected	1,026	1,646

NB: this table shows the elements that bring about the change in cash and cash equivalents, as expressly required by IAS 7 (in particular the net balance between “Cash and cash equivalents” and “Bank overdrafts and short-term loans”). The cash flow statement included in the Report of the board of directors on operations shows the various operational components of cash flow, thereby explaining all of the changes in the overall net financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in thousands of Euro)

	Attributable to the shareholders of the parent company				Non-controlling interests	Total
	Share capital	Reserves and retained earnings (accumulated losses)	Net result for the period	Total		
Balance at December 31, 2012	*60,712*	*91,462*	*28,246*	*180,420*	*19,837*	*200,257*
Paid share capital increase	212	555	-	767	-	767
Allocation of 2012 net profit:						
Legal reserve	-	-	-	-	-	-
Dividends	-	(14,667)	-	(14,667)	(2,573)	(17,240)
Retained earnings	-	28,246	(28,246)	-	-	-
Recognition of share-based incentive plans	-	1,562	-	1,562	-	1,562
Other changes	-	(137)	-	(137)	137	-
Comprehensive result for the period						
Fair value measurement of cash flow hedging instruments	-	(2,260)	-	(2,260)	-	(2,260)
Actuarial gain (losses)	-	2,965	-	2,965	-	2,965
Tax on items booked in Other Comprehensive Income	-	(550)	-	(550)	-	(550)
Currency translation differences	-	(20,737)	-	(20,737)	(582)	(21,319)
Net result for the period	-	-	21,124	21,124	3,607	24,731
Total comprehensive result for the period	-	*(20,582)*	*21,124*	*542*	*3,025*	*3,567*
Balance at December 31, 2013	*60,924*	*86,439*	*21,124*	*168,487*	*20,426*	*188,913*
Paid share capital increase	707	1,816	-	2,523	-	2,523
Allocation of 2013 net profit:						
Legal reserve	-	20	(20)	-	-	-
Dividends	-	-	-	-	(2,597)	(2,597)
Retained earnings	-	21,104	(21,104)	-	-	-
Recognition of share-based incentive plans	-	852	-	852	-	852
Other changes	-	(3,041)	-	(3,041)	(3,734)	(6,775)
Comprehensive result for the period						
Fair value measurement of cash flow hedging instruments	-	190	-	190	-	190
Actuarial gain (losses)	-	(21,694)	-	(21,694)	(4)	(21,698)
Tax on items booked in Other Comprehensive Income	-	4,146	-	4,146	-	4,146
Currency translation differences	-	6,116	-	6,116	721	6,837
Net result for the period	-	-	3,639	3,639	4,756	8,395
Total comprehensive result for the period	-	*(11,242)*	*3,639*	*(7,603)*	*5,473*	*(2,130)*
Balance at December 31, 2014	*61,631*	*95,948*	*3,639*	*161,218*	*19,568*	*180,786*

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CONTENTS

A) GENERAL ASPECTS

SOGEFI is an Italian Group that is market leader in the field of components for motor vehicles, specializing in engine and cabin filter systems air intake and engine cooling systems, and suspension components.
SOGEFI is present in 3 continents and 18 countries, with 55 locations, of which 42 are production sites. It is a multinational group and a partner of the world's largest motor vehicle manufacturers.

The Holding Company, Sogefi S.p.A., has its registered offices in Via Ulisse Barbieri 2, Mantova and its operating offices in Via Flavio Gioia 8, Milano.
The Sogefi stock has been listed on the Milano Stock Exchange, organised and managed by Borsa Italiana S.p.A. since 1986 and has been traded on the STAR segment since January 2004.
The Holding Company, Sogefi S.p.A., is subject to the policy guidance and coordination of its parent company CIR – Compagnie Industriali Riunite S.p.A..

1. CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Consob resolution 11971/1999 and subsequent amendments, in particular those introduced by resolutions no. 14990 of April 14, 2005 and no. 15519 of July 27, 2006, and include the consolidated accounting schedules and explanatory and supplementary notes of the Group and those of the Holding Company, prepared according to the IFRS international accounting standards issued by the IASB (International Accounting Standards Board) and endorsed by the European Union. IFRS means all the "International Financial Reporting Standards" (IFRS), all the "International Accounting Standards" (IAS) and all the interpretations of the "International Financial Reporting Interpretations Committee" (IFRS IC, formerly IFRIC), previously named the "Standing Interpretations Committee" (SIC).
It is specifically reported that the IFRS have been applied in a consistent manner to all the periods presented in this document.

The financial statements have been prepared on the basis of the conventional historical cost principle, except for the measurement of certain financial assets and liabilities, including derivatives instruments, where the application of the fair value principle is mandatory.

The financial statements used for consolidation purposes are those prepared by the Boards of Directors for approval by the shareholders of the individual companies. Said financial statements have been reclassified and adjusted to comply with International Financial Reporting Standards (IAS/IFRS), and Group accounting policies.

The Consolidated Financial Statements as of December 31, 2014 were approved by the Board of Directors of the Holding Company Sogefi S.p.A. on February 23, 2015.

1.1 Format of the consolidated financial statements

As regards to the format of the consolidated financial statements, the Company has opted to present the following types of accounting statements:

Consolidated Statement of Financial Position
The Consolidated Statement of Financial Position is presented in two sections, showing assets on one side and liabilities and equity on the other.
Assets and liabilities are in turn shown in the consolidated financial statements on the basis of their classification as current or non-current.

An asset/liability is classified as current when it satisfies one of the following criteria:

- it is expected to be realised/settled or it is expected to be sold or consumed in the normal cycle of operations, or
- it is held primarily for the purpose of trading, or
- it is expected to be realised/settled within twelve months after the reporting period.

If none of the above conditions are met, the assets/liabilities are classified as non-current.

Finally, liabilities are classified as current when the entity does not have unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Consolidated Income Statement
Costs shown in the Consolidated Income Statement are aggregated by function, while also making a distinction between fixed and variable costs.

The Income Statement also provides the following intermediate aggregates in order to give a clearer understanding of the typical results of normal manufacturing activities, the financial side of the business and the impact of taxation:

- Contribution margin;
- EBIT (earnings before interest and tax);
- Result before taxes and non-controlling interests;
- Net result before non-controlling interests;
- Group net result.

Consolidated Statement of Other Comprehensive Income
The Consolidated Statement of Other Comprehensive Income includes all the changes occurring in Other comprehensive income of the year, generated by transactions other than those conducted with shareholders and in compliance with specific IAS/IFRS accounting principles. The Group has chosen to present these changes in a separate table to the Consolidated Income Statement.
The changes in Other Comprehensive Income are shown before the related tax effect with the aggregate amount of the income taxes on said variations being recognised in a single item. Those components that may or may not be reclassified to Income Statement at a later time are listed separately in the table.

Consolidated Cash Flow Statement
A Consolidated Cash Flow Statement split by area of formation of the various types of cash flow as indicated in international accounting standards is included.
The Consolidated Cash Flow Statement has been prepared using the indirect method.
Please note that in this cash flow statement, the change in working capital may not coincide with the difference between the opening and closing statement of financial position figures because of exchange differences: in fact, cash flows generated are converted using the average exchange rate for the year, while the difference between the opening and closing consolidated statement of financial position figures in Euro may be influenced by changes in exchange rates at the beginning and end of the year, which have little to do with the generation or absorption of cash flow within working capital. The exchange differences generated by opening and closing statements of financial position are booked to “Exchange differences”.

Consolidated Statement of Changes in Equity
A Consolidated Statement of Changes in Equity is included as required by international accounting standards, showing separately the net result for the period and any change that was not charged through the Income Statement, but directly to the consolidated Other Comprehensive Income on the basis of specific IAS/IFRS, as well as transactions with shareholders in their role as shareholders.

1.2 Content of the consolidated financial statements

The Consolidated Financial Statements as of December 31, 2014 include the Holding Company Sogefi S.p.A. and the directly or indirectly controlled subsidiaries.
Section H of these notes gives a list of the companies included in the scope of consolidation and the percentages held.

These financial statements are presented in Euro and all figures are rounded up or down to the nearest thousand Euro, unless otherwise indicated.
The consolidated financial statements (prepared on a line-by-line basis) include the financial statements of Sogefi S.p.A., the Holding Company, and of all the Italian and foreign companies under its direct or indirect control, which is normally identified as control over the majority of the voting rights.

During the year the following changes occurred in the scope of consolidation:
- subsidiary Allevard Rejna Autosuspensions S.A. increased its percentage of ownership in subsidiary Allevard IAI Suspensions Pvt Ltd. from 70.24% to 73.91% through a share capital increase not paid in by non-controlling interests that resulted in the amount of Euro 52 thousand being reclassified between shareholders' equity attributable to non-controlling interests and Group's equity;
- subsidiary Allevard Rejna Autosuspensions S.A. increased its percentage of ownership in subsidiary S. ARA Composite S.A.S. from 90.91% to 93.71% through a share capital increase not paid in by non-controlling interests that resulted in the amount of Euro 160 thousand being reclassified between shareholders' equity attributable to non-controlling interests and Group's equity;
- subsidiary Sogefi Engine Systems (Shanghai) Co. Ltd was wound up.

Moreover, the Indian companies Sogefi M.N.R. Filtration India Pvt Ltd (60% owned by Filtrauto S.A.) and Systèmes Moteurs India Pvt Ltd (99.91% owned by Systèmes Moteurs S.A.S. and 0.09% owned by Systèmes Moteurs China, S.à.r.l.) approved the merger. As of December 31, 2014, merger formalities were being defined and the merger is to take legal effect some time during 2015. It should be noted that the non-controlling interests of subsidiary Sogefi M.N.R. Filtration India Pvt Ltd hold a put option over the 30% of the post-merger company's capital. The impact of the put option held by the non-controlling interests of subsidiary Sogefi M.N.R. Filtration India Pvt Ltd had not been recognised in the financial statements as of December 31, 2013 because the fair value of the liability associated with the option could not be measured reliably due to the wide variability in the range of reasonable fair value estimates and the inability to reasonably assess the probabilities of the various estimates within the range. As of December 31, 2014, the fair value amount of the liability associated with the exercise of the put option (Euro 6,765 thousand) has been recorded as a financial liability. As a contra entry for this liability, the Group chose as its accounting policy to reduce the balance of equity held by non-controlling interests of the subsidiary (Euro 3,946 as of December 31, 2014), whereas the residual amount of Euro 2,819 thousand was deducted from Group's equity (for a total decrease in “Total Shareholders' equity” of Euro 6,765 thousand).

No further changes were made to the scope of consolidation during the period.

The effects resulting from changes to the scope of consolidation are illustrated, if significant, in the notes related to the individual financial statement items.

1.3 Group composition

In compliance with the provisions of the new IFRS 12, Group composition as of December 31, 2014 and as of December 31, 2013 is outlined below:

Business Unit	*Region*	*Wholly-owned subsidiaries*	
		December 31, 2014	December 31, 2013
Engine Systems	Italy (*)	1	1
	France	2	2
	Great Britain	1	1
	Spain	1	1
	Slovenia	1	1
	Romania	1	1
	Luxembourg	1	1
	Canada	1	1
	USA	2	2
	Mexico	1	1
	Brazil	1	1
	Argentina	1	1
	China (**)	2	3
	Hong Kong	1	1
	India	1	1
Suspension Components	France	2	2
	Great Britain	2	2
	Germany	2	2
	The Netherlands	1	1
	Brazil	1	1
	Argentina	1	1
Other	France	28	29
TOTAL		-	-

(*) This subsidiary works also for Suspension Components Business Unit.
(**) These subsidiaries work also for Suspension Components Business Unit.

Business Unit	*Region*	*Non-wholly-owned subsidiaries*	
		December 31, 2014	December 31, 2013
Engine Systems	China	1	1
	India	1	1
Suspension Components	France	1	1
	Spain	1	1
	China	1	1
	India	6	6
TOTAL		-	-

It should be noted that the Chinese subsidiary Sogefi Engine Systems Shanghai Co. Ltd, consolidated as of December 31, 2013, was wound up on June 19, 2014.

2. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

The main accounting principles and standards applied in preparation of the consolidated financial statements and of the Group aggregate financial disclosures are set forth below.

These Consolidated Financial Statements have been drawn on the going concern assumption, as the Directors have verified the inexistence of financial, performance or other indicators that could give rise to doubts as to the Group's ability to meet its obligations in the foreseeable future. The risks and uncertainties relating to the business are described in the dedicated sections in the Report on Operations. A description of how the Group manages financial risks, including liquidity and capital risk, is provided in note 39.

2.1 Consolidation principles

The financial statements as of December 31, 2014 of the companies included in the scope of consolidation, prepared in accordance with Group accounting policies with reference to IAS/IFRS, have been used for consolidation purposes.
The scope of consolidation includes subsidiaries, joint ventures and associates.

All the companies over which the Group has the direct or indirect power to determine relevant activities – i.e. the financial and operating policies – are considered to be subsidiaries. Specifically, 50% owned company Iberica de Suspensiones S.L. is treated as a subsidiary because the Group controls the majority of votes of the Board of Directors, which is the corporate body tasked with deciding on the entity's relevant activities.
The assets, liabilities, costs and revenues of the individual consolidated companies are fully consolidated on a line-by-line basis, regardless of the percentage owned, while the carrying value of consolidated investments held by the Holding Company and other consolidated companies is eliminated against the related share of equity.

All intercompany balances and transactions, including unrealised profits deriving from transactions between consolidated companies, are eliminated. Unrealised losses are eliminated, except when a loss represents an impairment indicator to be recognised in the Income Statement.

The financial statements of the subsidiaries are drawn up using the currency of the primary economic environment in which they operate ("functional currency"). The consolidated financial statements are presented in Euro, the functional currency of the Holding Company and hence the currency of presentation of the consolidated financial statements of the Sogefi Group.
The procedures for translation of the financial statements expressed in foreign currency other than the Euro are the following:

- the items of the Consolidated Statement of Financial Position are translated into Euro at the year-end exchange rates;
- the Income Statement items are translated into Euro using the year's average exchange rates;
- differences arising on translation of opening equity at year-end exchange rates are booked to the translation reserve, together with any difference between net result per income statement and net result per statement of financial position;

- whenever a subsidiary with a different functional currency from the Euro is disposed of, any exchange differences included in OCI are charged to the Income Statement;
- dividends paid by companies that use functional currencies other than the Euro are converted at the average exchange rate of the previous year for the company that pays the dividend and at the current exchange rate for the company that receives the dividend; exchange differences between the two amounts are booked to the translation reserve.

The following exchange rates have been used for translation purposes:

	2014		2013	
	Average	*12.31*	*Average*	*12.31*
US dollar	1.3267	1.2141	1.3277	1.3791
Pound sterling	0.8061	0.7789	0.8491	0.8337
Brazilian real	3.1198	3.2207	2.8503	3.2576
Argentine peso	10.7596	10.2754	7.2207	8.9888
Chinese renminbi	8.1733	7.5358	8.1639	8.3493
Indian rupee	80.9717	76.7460	77.3994	85.3971
New romanian Leu	4.4439	4.4829	4.4189	4.4711
Canadian dollar	1.4657	1.4063	1.3672	1.4671
Mexican peso	17.6523	17.8667	16.9405	18.0734
Hong Kong dollar	10.2891	9.4171	10.2987	10.6929

A joint venture is an entity for which strategic financial and operating decisions on relevant activities are made with the unanimous approval of the controlling parties.
An associate is an entity in which the Group is able to exert a significant influence, but without being able to control its relevant activities.
Investments in joint ventures and associates are consolidated applying the equity method, which means that the results and any change in Other Comprehensive Income of the joint ventures and associates are reflected in the consolidated Income Statement and in Consolidated Statement of Other Comprehensive Income. If the carrying value exceeds the recoverable amount, the carrying value of the investment in the joint venture or in the associate is adjusted by booking the related loss to the Income Statement.
22.62% owned company AFICO FILTERS S.A.E. was not classified as associate due to the lack of Group’s members in the management bodies of the company (which means the Group does not exert significant influence on the company).

2.2 Business combinations

Business combinations are recognised under the acquisition method. According to this method, the consideration transferred to a business combination is measured at fair value calculated as the aggregate of the acquisition-date fair value of the assets transferred and liabilities assumed by the Company and of the equity instruments issued in exchange for the control of the acquired entity.
On the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair value; the following items represent exception to the above and are valued according to their reference principle:
- deferred tax assets and liabilities;
- assets and liabilities relating to employee benefits;

- liabilities or equity instruments relating to share-based payments of the acquired entity or share-based payments relating to the Group, issued as a replacement of contracts of the acquired entity;
- assets held for sale and discontinued assets and liabilities.

Goodwill is measured as the surplus between the sum of the consideration transferred to the business combination, the value of non-controlling interests and the fair value of previously-held equity interest in the acquiree with respect to the fair value of the net assets transferred and liabilities assumed as at the acquisition-date. If the fair value of the net assets transferred and liabilities assumed as at the acquisition-date exceeds the sum of the consideration transferred, the value of non-controlling interests and the fair value of the previously-held equity interest in the acquiree, said surplus is immediately booked to the Income Statement as gain resulting from said transaction.
The share of non-controlling interests as at the acquisition-date may be measured at fair value or as a proportion of net assets value in the acquiree. The measurement method adopted is decided on a transaction-by-transaction basis.

2.3 Accounting policies

The following accounting policies have been applied in the financial statements as of December 31, 2014.

Cash and cash equivalents

Cash and cash equivalents are those held to meet short-term cash needs, rather than for investment or other purposes. For an investment to be considered as cash or cash equivalent, it must be able to be readily converted into a known amount of cash and must be subject to an insignificant risk of change in value.

Inventories

Inventories are stated at the lower of purchase or manufacturing cost, determined on a weighted average cost basis, and realisable value based on market trends, net of variable selling costs.
Manufacturing cost includes raw materials and all direct or indirect production-related expenses. Financial expenses are excluded. Obsolete and slow-moving inventories are written down to their utilisable or realisable value.

Receivables included in current assets

Receivables are initially recognised at fair value of the consideration to be received, which usually corresponds to the nominal value shown on the invoice, adjusted (if necessary) to their estimated realisable value by making provision for doubtful accounts. Subsequently, receivables are measured at amortised cost, which generally corresponds to their nominal value.
Receivables assigned through without-recourse factoring transactions after which the related risks and benefits are definitively transferred to the assignee are derecognised from the statement of financial position at the time of transfer. Receivables assigned through recourse factoring transactions are not derecognised.

Tangible fixed assets

Tangible fixed assets mainly relate to industrial sites. Assets are shown at historical cost, net of accumulated depreciation and accumulated impairment losses.
Cost includes related charges, together with the portion of direct and indirect expenses reasonably attributable to individual assets.

Tangible fixed assets are depreciated each month on a straight-line basis using rates that reflect the technical and economic remaining lives of the related assets.

The depreciable value is the cost of an asset less its residual value, where the residual value of an asset is the estimated value that the entity could receive at the end of its useful life from its disposal, net of estimated disposal costs.

Depreciation is calculated from the month that the asset becomes available for use, or when it is potentially able to provide the economic benefits expected of it.

The annual average depreciation rates applied are as follows:

	%
Land	n.a.
Industrial buildings and light constructions	2.5-12.5
Plant and machinery	7-14
Industrial and commercial equipment	10-25
Other assets	10-33.3
Assets under construction	n.a.

Land, assets under construction and payments on account are not depreciated.

Ordinary maintenance costs are charged to the Income Statement.
Maintenance costs that increase the value, functions or useful life of fixed assets are recorded directly as the increase in the value of the assets to which they refer and depreciated over their residual useful lives.
Gains or losses on the disposal of assets are calculated as the difference between the sales proceeds and the net book value of the asset and are charged to the Income Statement for the period.

Grants are shown in the Statement of Financial Position as an adjustment of the book value of the asset concerned. Grants are then recognised as income over the useful life of the asset by effectively reducing the depreciation charge each year.

Assets under lease
There are two types of leases: finance leases and operating leases.
A lease is considered a finance lease when it transfers substantially all the risks and benefits incidental to the ownership of the asset to the lessee.
As envisaged in IAS 17, a lease is considered a finance lease when the following elements are present, either individually or in combination:
- the contract transfers ownership of the asset to the lessee at the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that it is reasonably certain, at the inception of the lease, that it will be exercised;

- the lease term is for the major part of the useful life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments is equal to the fair value of the asset being leased;
- the assets being leased are of such a specialised nature that only the lessee is able to use them without making major modifications.

Assets available to Group companies under contracts that fall into the category of finance leases are accounted for as tangible fixed assets at their fair value at the date of purchase or, if lower, at the present value of the minimum payments due under the lease; the corresponding liabilities to the lessor are shown in the Statement of Financial Position as financial debts. The assets are depreciated over their estimated useful lives.
Lease payments are split between the principal portion, which is booked as a reduction of financial debts, and interest. Financial expenses are charged directly to the Income Statement for the period.
Payments under operating lease contracts, on the other hand, are charged to the Income Statement on a straight-line basis over the life of the contract.

Intangible assets

An intangible asset is only recognised if it is identifiable and verifiable, it is probable that it will generate economic benefits in the future and its cost can be measured reliably.
Intangible assets with a finite life are valued at purchase or production cost, net of amortisation and accumulated impairment losses.

The annual average amortisation rates applied are as follows:

	%
Development costs	20-33.3
Industrial patents and intellectual property rights, concessions, licences, trademarks	10-33.3
Customer relationship	5
Trade name	5
Software	20-50
Other	20-33.3
Goodwill	n.a.
Assets under construction	n.a.

Amortisation is based on the asset's estimated useful life and begins when it is available for use.

Research and development expenses
Research expenses are charged to the income statement as incurred in accordance with IAS 38.
Development expenses relating to specific projects are capitalised when their future benefit is considered reasonably certain by virtue of a customer's commitment; they are then amortised over the entire period of future profits expected to be earned by the project in question.
Costs for the development of the aftermarket product range are capitalised from the time the need to add a new item to the product portfolio is recognised; future benefit is considered to be reasonably certain as the new item will be added to the product catalogue and made available for purchase by customers.

The capitalised value of the various projects is reviewed annually - or more frequently if there are particular reasons for doing so - analysing its recoverable amount to assess if there have been any impairment losses.

Trademarks and licences
Trademarks and licences are valued at cost, less amortisation and accumulated impairment losses. The cost is amortised over the shorter of the contract term and the finite useful life of the asset.

Customer Relationship
Customer relationship represents the value of the Systemes Moteurs Group's customer portfolio measured at the acquisition date as determined during the Purchase Price Allocation process and subsequently amortised.

Brand name
Brand name represents the value of the "Systemes Moteurs" brand name measured at the acquisition date as determined during the Purchase Price Allocation process and subsequently amortised.

Software
The costs of software licences, including related charges, are capitalised and shown in the financial statements net of amortisation and any accumulated impairment losses.
It should be pointed out that a multi-year project has been launched in 2011 to implement a new integrated IT system across the Group. Relating costs are capitalised by Holding Company Sogefi S.p.A., that will licence the intellectual property rights on the IT system for use by the subsidiaries involved in the implementation process receiving the payment of royalty fees. The useful life of the fixed asset is estimated at 10 years and amortisation begins when implementation at each individual company is completed.

Goodwill
Goodwill resulting from business combinations is initially recognised at cost as at the acquisition-date, as detailed in the paragraph above entitled “Business combinations”. Goodwill is not amortised but is tested annually for impairment, or more frequently if specific events or changed circumstances indicate a potential loss in value. Unlike other intangible assets, reversal of an impairment loss is not allowed for goodwill.

For impairment test purposes, goodwill was allocated to each of the Cash Generating Units (CGU) due to benefit from the acquisition.
The Sogefi Group currently encompasses five CGUs: Engine Systems – Fluid Filters (previously named “Filters”), Engine Systems – Air Intake and Cooling (Systemes Moteurs Group), Car Suspension, Industrial Vehicles Suspension and Precision Springs.
The goodwill currently on the books only concerns the CGUs Engine Systems – Fluid Filters, Engine Systems – Air Intake and Cooling and Car Suspension.

Intangible assets with an indefinite useful life
Intangible assets with an indefinite useful life are not amortised, but are tested annually for impairment, or more frequently if there is an indication that the asset may have suffered a loss in value. As of December 31, 2014, the Group has no intangible assets with an indefinite useful life.

Impairment losses of tangible and intangible fixed assets

If there are indications of possible losses in value, tangible and intangible fixed assets are subjected to impairment test, estimating the asset's recoverable amount and comparing it with its net book value. If the recoverable amount is less than the book value, the latter is reduced accordingly. This reduction constitutes an impairment loss, which is booked to the income statement.
For goodwill and any other intangible fixed assets with indefinite useful life, impairment test is carried out at least once a year.
With the exception of goodwill, if a previous writedown is no longer justified, a new recoverable amount is estimated, providing it is not higher than what the carrying value would have been if the writedown had never been made. This reversal is also booked to the Income Statement.

Equity investments in other companies and other securities

In accordance with IAS 39, equity investments in entities other than subsidiaries, joint ventures and associates are classified as financial assets available for sale which are measured at fair value, except in situations where the market price or fair value cannot be reliably determined. In this case the cost method is used.
Gains and losses deriving from fair value adjustments are booked to a specific item under Other comprehensive income. In the case of objective evidence that an asset suffered an impairment loss or it is sold, the gains and losses previously recognised under Other Comprehensive Income are reclassified to the Income Statement.
For a more complete discussion of the principles regarding financial assets, reference should be made to the note specifically prepared on this matter (paragraph 3 "Financial assets").

Non-current assets held for sale

Under IFRS 5 "Non-current assets held for sale and discontinued operations", providing the relevant requirements are met, non-current assets whose book value will be recovered principally by selling them rather than by using them on a continuous basis, have to be classified as being held for sale and valued at the lower of book value or fair value net of any selling costs. From the date they are classified as non-current assets held for sale, their depreciation is suspended.

Loans

Loans are initially recognised at cost, represented by the fair value received, net of related loan origination charges.
After initial recognition, loans are measured at amortised cost by applying the effective interest rate method.
The amortised cost is calculated taking account of issuing costs and any discount or premium envisaged at the time of settlement.

Derivatives

A derivative is understood as being any contract of a financial nature with the following characteristics:

1. its value changes in relation to changes in an interest rate, the price of a financial instrument, the price of a commodity, the exchange rate of a foreign currency, a price or interest rate index, a credit rating or any other pre-established underlying variable;
2. it does not require an initial net investment or, if required, this is less than what would be requested for other types of contract likely to provide a similar reaction to changes in market factors;
3. it will be settled at some future date.

For accounting purposes, a derivative's treatment depends on whether it is speculative in nature or whether it can be considered an hedging instrument.
All derivatives are initially recognised in the Statement of Financial Position at cost as this represents their fair value. Subsequently, all derivatives are measured at fair value.

Any changes in the fair value of derivatives that are not designated as hedging instruments are booked to the Income Statement (under the item "Financial expenses (income), net").

Derivatives that can be booked under the hedge accounting are classified as:

- fair value hedges if they are meant to cover the risk of changes in the market value of the underlying assets or liabilities;
- cash flow hedges if they are taken out to hedge the risk of fluctuations in the cash flows deriving from an existing asset or liability, or from a future transaction that is highly probable.

For derivatives classified as fair value hedges, the gains and losses that arise on determining their fair value and the gains and losses that derive from adjusting the underlying hedged items to their fair value are booked to the Income Statement.

For those classified as cash flow hedges, used for example, to hedge medium/long-term loans at floating rates, gains and losses that arise from their valuation at fair value are booked directly to Other Comprehensive Income for the part that effectively hedges the risk for which they were taken out. The portion booked to Other Comprehensive Income will be reclassified to the Income Statement (under the item "Financial expenses (income), net" in the period) when the hedged assets and liabilities impact the costs and revenues of the period.

When the hedge of an instrument is determined to be an ineffective, the hedging relationship is discontinued and the following amounts are booked to Income Statement (under the item "Financial expenses (income), net"):

- the change in fair value since the date the hedge last proved effective is immediately recognised in the Income Statement;
- the reserve previously booked to Other Comprehensive Income is recognised in the Income Statement over the same period of time as the differentials relating to the underlying hedged item are recognised in the Income Statement.

Note that the Group has adopted a specific procedure for managing financial instruments as part of an overall risk management policy.

Trade and other payables

Payables are initially recognised at fair value of the consideration to be paid and subsequently at amortised cost, which generally corresponds to their nominal value.

Provisions for risks and charges

Provisions for risks and charges are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
On the other hand, no provision is made in the case of risks for which there is only a possibility that a liability may arise. In this case, the risk is disclosed in the notes on commitments and risks without making any provision.
Provisions relating to corporate reorganizations are only set aside once they have been approved and raised a valid expectation to the parties involved.

Post-retirement and similar employee benefits

Group employees have defined-benefit and/or defined-contribution pension plans, depending on the conditions and local practices of the countries in which the group operates.

The Group's responsibility is to finance the pension funds for the defined-benefit plans (including the employment termination indemnities currently applicable in Italy) and the annual cost recognised in the Income Statement are calculated on the basis of actuarial valuations that use the projected unit credit method.

The liability relating to benefits to be recognised on termination of employment recorded in the Consolidated Statement of Financial Position represents the present value of the defined-benefit obligation, less the fair value of the plan assets. Any net assets determined are recognised at the lowest of their value and the present value of available repayments and reductions of future contribution to the plan.

Pursuant to the amendment to IAS 19 "Employee Benefits" effective as of January 1, 2013, the Group recognises actuarial gains and losses and books them to "Other Comprehensive Income" immediately, so that the full net amount of the provisions for the defined benefits (net of plan assets) is recognised in the Consolidated Statement of Financial Position. The amendment further requires any changes in the defined benefit provision and plan assets over the previous period to be subdivided into three components: the cost components of work performed during the reporting period must be recognised in the Income Statement as service costs; net interest costs calculated by applying the appropriate discount rate to the opening balance of defined benefit provision net of assets must be booked to Income Statement as net financial expenses and the actuarial gains and losses resulting from the remeasurement of assets and liabilities must be booked to "Other Comprehensive Income". In addition, the return on assets included in net interest costs must be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets.

In the event of an amendment to the plan that changes the benefits relating to past service or in the event of the application of a new plan relating to past service, the costs relating to past service are booked to the Income Statement (under service costs). In the event of an amendment to the plan that significantly reduces the number of employees involved in the plan or that changes the clauses of the plan in such a way that a significant part of future service due to employees will no longer accrue the same benefits or will accrue them but to a lesser extent, the profit or loss relating to said reduction is immediately booked to the Income Statement (under service costs).

All of the costs and income resulting from the measurement of funds for pension plans are booked to the Income Statement by functional area of destination, with the exception of the financial component relating to non-financed defined-benefit plans, which is included in Financial expenses.

The costs relating to defined-contribution plans are booked to the Income Statement when incurred.

Other long-term benefits
Other long-term employee benefits relate to the French subsidiaries and include "Jubilee or other long-service benefits" that are not expected to be paid fully within the twelve months following the end of the reporting period during which the employee has rendered service for those benefits.

The valuation of other long-term benefits usually does not present the same degree of uncertainty as post-employment benefits. This is why IAS 19 requires a simplified method of accounting for such benefits. Unlike the accounting method required for post-employment benefits, this method (which requires actuarial valuation) does not require discounting effects to be taken to Other Comprehensive Income.

Phantom stock options
With regard to phantom stock option plans, as envisaged by IFRS 2, in the section regarding "Cash-settled share-based payment transactions", the fair value of the plan at the date of the financial statements is remeasured, with any changes in fair value recognised to the Income Statement with a corresponding entry to a provision.

Stock-based incentive plans
With regard to "Stock-based incentive plans" (Stock options and Stock grants), as envisaged by IFRS 2 "Share-based payments", the Group calculates the fair value of the option at the granting date, booking it to the Income Statement as a cost over the vesting period of the benefit. Given that this is an eminently imputed element, the *ad hoc* equity reserve in the Consolidated Statement of Financial Position has been increased. This imputed cost is measured by specialists with the help of suitable economic and actuarial models.

Deferred taxation

Deferred taxes are calculated on the temporary differences between the book value of assets and liabilities and their tax bases, and classified under non-current assets and liabilities.
Deferred tax assets are accounted for only to the extent that it is probable that sufficient taxable profits will be available in the future against which they can be utilised.
The carrying amount of the deferred tax assets shown in the financial statements is subject to an annual review.
Deferred tax assets and liabilities are calculated at the tax rates expected to apply in the period when the differences reverse under the law of the countries in which the Group

operates, considering current rates and those enacted or substantially enacted at the end of the reporting period.
Deferred tax liabilities are recognised based on temporary taxable differences on investments in subsidiaries, associates and joint ventures, unless a company is able to control the timing of the reversal of the temporary differences and it is probable that those temporary differences will not reverse in the foreseeable future.
Current and deferred taxes are recognised in the Income Statement, except for those relating to items directly charged or credited to Other Comprehensive Income or other equity items, in which case tax effect is recognised directly under Other comprehensive income or equity.

Participation in CIR's group tax filing system (applicable to Italian companies)

Each company jointing to the group Italian tax filing system transfers its tax profit or loss to the parent company. The parent company recognises a credit corresponding to the IRES (Italian tax on company income) that companies have to be paid (debit for the transferor company). On the contrary, for companies that booked tax losses, the parent company recognises a debt corresponding to the IRES for the part of loss actually offset at group level (credit for the transferor company).
In connection with the Group tax filing system, those companies that record non-deductible net financial expenses may use the excess tax benefits available for offset of other Group companies (thus making such expenses deductible) for a consideration. Such consideration, in an amount proportionate to the resulting tax benefit and applicable to excess tax benefits arising in Italy only, has been paid to the parent company CIR and is treated as expense for those companies that obtain the excess tax benefit and as revenue for those that transfer it.

Treasury shares

Treasury shares are deducted from equity. The original cost of treasury shares and the profit/loss resulting from their subsequent sales are recognised as changes in equity.

Revenues recognition

Revenues from the sale of products are recognised at the time ownership passes (time of risks and benefits transfer), which is generally upon shipment to the customer. They are shown net of returns, discounts and allowance.
The proceeds from the sale of tooling to customers can be recognised as follows:
a) the full amount is recognised at the time risks and benefits of the tooling are transferred (if said transfer is deferred, margin is booked to "Other current liabilities");
b) the amount is recognised by means of an increase of the sales price of the products manufactured using the relevant tooling, throughout a variable time frame depending on the number of products sold (in this case the unrealised sales price for the tooling is booked to "Inventory – Contract work in progress and advances");
Revenues from services rendered are recognised at the time the services are provided.

Income Statement Presentation

Variable cost of sales
This represents the cost of goods sold. It includes the cost of raw and ancillary materials and goods for resale, as well as variable manufacturing and distribution costs, including the direct labour cost of production.

Manufacturing and R&D overheads
This category includes manufacturing overheads such as indirect labour cost of production, maintenance costs, consumable materials, building rents, and industrial equipment involved in production.
Also included are all R&D overheads, net of any development costs that are capitalised because of their future benefits and excluding amortisation which is booked to a separate item in the Consolidated Income Statement.

Distribution and sales fixed expenses
These are costs that are essentially insensitive to changes in sales volumes, relating to personnel, promotion and advertising, external warehousing, rentals and other sales and distribution activities. This category, therefore, includes all fixed costs identified as being incurred after finished products have been stocked in the warehouse and directly related to their sale and distribution.

Administrative and general expenses
This category includes fixed labour costs, telephone expenses, legal and tax consulting fees, rents and rentals, cleaning, security and other general expenses.

Restructuring costs and other non-operating expenses/income
These are figures that do not relate to the Group's normal business activities or refer to non-recurring activities and are subject to specific disclosure in the notes if they are of a significant amount.

Operating grants

These are credited to the Consolidated Income Statement when there is a reasonable certainty that the company will meet the conditions for obtaining the grant and that the grants will therefore be received.

Dividends

Dividend income is recorded when the right to receive it arises. This is normally at the time of the shareholders' resolution that approves distribution of the dividends.

Dividends to be distributed are recognised as a payable to shareholders immediately after they have been approved.

Current taxes

Current taxes are booked on the basis of a realistic estimate of taxable income calculated according to current tax legislation in the country concerned, taking account of any exemptions and tax credits that may be due.

Earnings per share (EPS)

Basic EPS is calculated by dividing net result for the period attributable to the ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period, net of treasury shares.

Diluted EPS is obtained by adjusting the weighted average number of shares outstanding to take account of all potential ordinary shares that could have a dilutive effect.

Translation of foreign currency items

Functional currency
Group companies prepare their financial statements in the local currency of the country concerned.
The functional currency of the Parent is the Euro and this is the presentation currency in which the consolidated financial statements are prepared and published.

Accounting for foreign currency transactions
Foreign currency transactions are initially translated at the exchange rate ruling on the transaction date.
At the end of the reporting period, monetary assets and liabilities expressed in foreign currency are retranslated at the period-end exchange rate.
Non-monetary foreign currency items valued at historical cost are translated at the exchange rate ruling on the transaction date.
Non-monetary items carried at fair value are translated at the exchange rate ruling on the date this value was determined.

Critical estimates and assumptions

Various estimates and assumptions regarding the future have to be made when preparing financial statements. They are the best estimates possible at the end of the reporting period. Given their nature, they could lead to a material difference in statement of financial position items in future years. The main items affected by these estimates are as follows:

- goodwill (Euro 126.6 million) – impairment test: for the purpose of determining the value in use of the Cash Generating Units, the Group took into account the trends expected for 2015 as determined based on the budget and the forecasts included in the 2016-2018 projection update for the following years (adjusted to eliminate any estimated benefits from future projects and reorganisations) approved by the Board of Directors on January 19, 2015. Projections are prepared by management and approved by the Board of Directors for the sole purposes of the impairment test. Both budget and projections are prepared taking into account forecasts of automotive industry performance drawn up by major industry sources and adopting a conservative approach. Such forecasts do not indicate a need for impairment;
- pension plans (Euro 47.4 million): actuaries who offer their consulting services to the Group use different statistic assumptions in order to anticipate future events for the purpose of estimating pension plan expenses, liabilities and assets. Such assumptions concern discount rate, future wage inflation rates, mortality and turnover rates;
- recoverability of deferred tax assets on tax losses (Euro 21.8 million): as of December 31, 2014, deferred tax assets on tax losses incurred in the year or during previous years were accounted for to the extent that it is probable that taxable income will be available in the future against which they can be utilised. Such probability is also determined based on the fact that such losses have originated under extraordinary circumstances that are unlikely to occur again in the future and that the same could be recovered throughout an unlimited or long-term time frame;
- derivatives (Euro 0.7 million recognised as assets and Euro 14.3 million as liabilities): the fair value of derivatives (related to interest-rate and foreign exchange rate) was estimated with the help of third-party consultants based on assessment models in accordance with industry practice, in compliance with the requirements of IFRS 13 (calculation of DVA- Debit valuation adjustment);
- embedded derivative - conversion option (Euro 10.5 million): the fair value of the conversion option in the convertible bond was determined based on a mathematical financial model (binomial model), using the stock price of Sogefi shares, the issue price of newly-issued shares (identified as the strike price), the risk-free rate and volatility of the Sogefi stock as evaluation parameters;
- provision for product warranties (Euro 18 million)/ Other non-current receivables (Euro 23.4 million).
  With regard to provision for product warranties, there are claims in progress by two customers relating to a defective component supplied by subsidiary Systèmes Moteurs S.A.S. starting from 2010 (the subsidiary was acquired by Sogefi Group in July 2011). Based on the Company's opinion the defect was caused by a thermostat manufactured by a supplier of Systèmes Moteurs S.A.S.

  Systèmes Moteurs S.A.S. believes that liability for the defect is connected with the subcomponent manufactured by the supplier and in 2012 filed a law suit against that supplier in the French courts seeking indemnity for any damages it might have to pay to its customers (claimed amount was later adjusted to the claims filed by car makers against Systèmes Moteurs S.A.S.).

On June 6, 2013, the court appointed a technical expert to write an expert witness report and determine where technical liability for the defect lies and the amount of related damages. Merit proceedings were suspended pending submission of the expert witness report.

Management is of the opinion that the court expert will assign predominant technical liability to the component supplier.

On July 9, 2014, the two customers joined the proceedings and petitioned for their damages to be determined in the expert witness report. Up to that date, neither of the two customers had filed a law suit against Systèmes Moteurs S.A.S. Both of them had requested an out-of-court settlement for damages.

A first customer claimed approximately Euro 43 million in damages, plus an additional claim of Euro 11.1 million for damage to reputation and financial expenses. In January 2015, this customer informally advised the company that they were going to claim an additional indemnity of Euro 30 million for costs associated with planned future campaigns.

A second affected customer filed a claim for approximately Euro 40 million.

Waiting for the conclusion of the Court, while not admitting to any liability, Systèmes Moteurs S.A.S. made an agreement with the second customer to pay a "provisional amount" of Euro 8 million pending a final decision and quantification of damage by the Court. In the event damages awarded by the Court are less than the amounts paid, the customer will return any excess amounts to Systèmes Moteurs S.A.S., otherwise Systèmes Moteurs S.A.S. will pay any balance amount. Customer has undertaken to avoid initiating any other recall campaigns.

Likewise, a similar settlement is being negotiated with the first customer and an agreement should be finalised soon. The proposed settlement is expected to provide for payment of a "provisional amount" of Euro 10 million to be adjusted when the Court awards damages.
Based on the above considerations, it was considered prudent to increase the provision for product warranties from Euro 12.6 million to Euro 18 million.

With regard to the indemnities owed by the seller of Systèmes Moteurs S.A.S. shares and by the supplier of the subcomponent, it is worthwhile pointing out that after the determination of the fair value of identifiable assets acquired and identifiable liabilities assumed in connection with the Systemes Moteurs Group PPA exercise was completed, the Sogefi Group entered an indemnification asset in the consolidated financial statement in accordance with IFRS 3.27 and 28 , because the seller Dayco Europe S.r.l. had provided contractual guarantees relating to defect liability claims existing at the time of the acquisition, including those noted above, for a total amount of Euro 23.4 million (versus a total fair value amount of potential liabilities of Euro 25.1 million).

As of December 31, 2014, such indemnification asset has been valued according to IFRS 3.57, and is still believed to be recoverable based on the contractual guarantees given by the seller and the considerations outlined above.
After requesting an indemnification from the seller, Sogefi S.p.A. initiated international arbitration proceedings against the seller of Systèmes Moteurs S.A.S.' shares to collect the payables, as provided for by the acquisition contract. The proceedings are still pending.

It should be noted that these are complex proceedings that involve passing judgement on technical, juridical and commercial matters, and present uncertainties connected with arbitration awards. Estimates concerning risks provision and the recovery of booked assets are based on the best information available at the time of preparing the financial statements. They are subject to change as events evolve.

2.4 Adoption of new accounting standards

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE SINCE JANUARY 1, 2014

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group starting January 1, 2014.

- IFRS 10 – Consolidated Financial Statements supersedes the portion of IAS 27 – Consolidated and Separate Financial Statements concerning consolidated financial statements, and SIC-12 Consolidation – Special Purpose Entities (special purpose vehicles). IAS 27 has been renamed *Separate financial statements* and now addresses only the how to account for equity investments in separate financial statements. The key changes introduced by this new principle for consolidated financial statements are as follows:
    - IFRS 10 establishes a single basic principle for the consolidation of all types of entities, i.e. the principle of control.
    - A more detailed definition of control has been introduced, based on three elements that must exist at the same time: (a) power over the investee; (b) exposure, or rights, to variable returns from the investor's involvement with the investee; (c) ability on the part of the investor to use its power over the investee to affect the amount of the investor's variable returns;
    - for the purpose of determining whether an investor has control over an investee, IFRS 10 requires investor to focus on the activities that significantly affect the investee's return (concept or relevant activities);
    - for the purpose of determining whether an investor has control over an investee, IFRS 10 requires that only substantive rights be considered, i.e. those rights that can be exercised when significant decisions need to be taken concerning the investee;
    - IFRS 10 provides practical guidance to help determine whether control exist in complex scenarios.

  Generally speaking, IFRS 10 application requires significant insight on a certain number of application issues.

The standard is applicable retrospectively from January 1, 2014. The adoption of this new standard had no impact on the scope of consolidation of the Group.

- IFRS 11 – Joint Arrangements replacing IAS 31 – Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. The new standard provides the criteria for joint arrangement accounting by focusing on the rights and obligations of the arrangement, rather than its legal form and classifies joint arrangements into joint ventures and joint operations. According to IFRS 11, the existence of a separate vehicle alone is not sufficient to classify a joint arrangement as a joint venture, as was the case with its IAS 31 predecessor. Joint ventures, in which the parties have rights only to the net assets relating to the arrangement, are required to be accounted for in the consolidated financial statements using the equity method. For joint operations, in which the parties have rights to the assets and obligations for the liabilities relating to the arrangement, the party recognises its share of assets, liabilities, revenue and expenses relating to the joint operation in the consolidated – and separate – financial statements.

Generally speaking, IFRS 11 application requires significant insight into certain business segments in order to differentiate between joint ventures and joint operations.
The new standard is applicable retrospectively from January 1, 2014.
Following the issuance of the new IFRS 11, IAS 28 – Investments in associates has been amended to include also accounting for investments in jointly-controlled entities in its scope of application (from the date of effect of the standard). The adoption of this new standard had no impact on the scope of consolidation of the Group.

- IFRS 12 – Disclosure of interests in other entities is a new, comprehensive standard concerning additional disclosures required for all types of interests in other entities in the consolidated financial statements. The standard is applicable retrospectively from January 1, 2014. Disclosures in accordance with the new standard are presented at paragraph 21 of this Note.
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities clarify the application of the offsetting criteria for financial assets and liabilities. The amendments are applicable retrospectively from January 1, 2014. The adoption of these amendments had impact on the consolidated financial statements of the Group.
- The amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities introduce an exemption from the consolidation of subsidiaries for investment entities, unless the investees provide them with services related to their investment activities. Under these amendments, an investment entity must measure its investment in subsidiaries on a fair value basis.
  The amendments and the original standards are applicable from January 1, 2014. The adoption of these amendments had impact on the consolidated financial statements of the Group.
- Amendments to IAS 36 – Impairment of Assets – Recoverable amount disclosures for non-financial assets. These amendments clarify that the additional disclosures on the recoverable amount of assets subject to impairment testing when such recoverable amount is based on fair value less costs of disposal, are only required for those assets or cash-generating units for which an impairment loss was recognised or reversed during the reporting period. The amendments are applicable retrospectively from January 1, 2014. The adoption of these amendments had impact on the disclosures provided in the consolidated financial statements of the Group.
- Amendments to IAS 39 – Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting. These amendments introduce certain exceptions to the hedge accounting requirements in IAS 39 applicable when an existing derivative is required to be replaced with a new derivative in specific situations where a derivative is novated to a central counterparty (CCP) as a result of the introduction of new laws or regulation.

The amendments are applicable retrospectively from January 1, 2014. The adoption of these amendments had no impacts on the consolidated financial statements of the Group.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORILY APPLICABLE AND NOT EARLY ADOPTED BY THE GROUP AS OF DECEMBER 31, 2014

- On May 20, 2013, IFRIC interpretation 21 – Levies was issued. The interpretation clarifies when a liability for levies (other than income tax) imposed by government agencies should be recognised. The interpretation is applicable retrospectively to periods beginning on or after June 17, 2014. Directors are evaluating the potential impact of this interpretation on the consolidated financial statements of the Group.
- On December 12, 2013, the IASB published document Annual Improvements to IFRSs: 2010-2012 Cycle, amending certain standards as part of the annual improvement process. Key amendments are as follows:
    - IFRS 2 Share Based Payments – Definition of vesting condition. The definitions of "vesting condition" and "market condition" were amended and the definitions of "performance condition" and "service condition" (previously included in the definition of "vesting condition") were added;
    - IFRS 3 Business Combination – Accounting for contingent consideration. The amendment clarifies that contingent consideration within a business combination that is classified as a financial asset or liability should be remeasured at fair value at each reporting date and changes in fair value should be recognised in profit or loss or in the Consolidated Statement of Other Comprehensive Income in accordance with IAS 39 (or IFRS 9);
    - IFRS 8 Operating segments – Aggregation of operating segments. The amendments require an entity to disclose judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and of the economic indicators used in determining that the aggregated segments have similar economic characteristics;
    - IFRS 8 Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets. The amendments clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is only required if the total of segment assets is regularly provided to the chief operating decision-maker;
    - IFRS 13 Fair Value Measurement – Short-term receivables and payables. The Basis for Conclusions of this standard was amended to clarify that short-term receivables and payables can still be accounted for without discounting, where the effect of discounting is immaterial after IAS 39 and IFRS 9 were amended as a result of the issuance of IFRS 13;
    - IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization. The amendments remove inconsistencies in the accounting for provision for depreciation/amortisation when items of property, plant and equipment and/or intangible assets are revalued. The amended requirements clarify that the gross carrying amount of the asset is adjusted to the revalued amount of the asset and the provision

for depreciation/amortisation is adjusted to equal to the difference between the gross carrying amount and the net carrying amount less recognised impairment losses;

    - IAS 24 Related Parties Disclosures – Key management personnel. The amendment clarifies that an entity (not an individual) that provides key management personnel services to a reporting entity, is a related party. These amendments are to be applied for financial periods beginning on or after February 1, 2015 at the latest. Directors are evaluating the potential impact of these amendments on the consolidated financial statements of the Group.

- On December 12, 2013, the IASB published document Annual Improvements to IFRSs: 2011-2013 Cycle, amending certain standards as part of the annual improvement process. Key amendments are as follows:
    - IFRS 3 Business Combinations – Scope exception for joint ventures. This amendment clarifies that paragraph 2(a) of IFRS 3 excludes the formation of all types of joint arrangements as defined in IFRS 11 from the scope of IFRS 3;
    - IFRS 13 Fair Value Measurement – Scope of portfolio exception (par. 52. This amendment clarifies that the portfolio exception included in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 (or IFRS 9), regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32;
    - IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40. This amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that when it is necessary to determine whether the acquisition of investment property falls within the scope of IFRS 3 or IAS 40, such determination is based on the guidance in IFRS 3 or IAS 40, respectively. These amendments are to be applied for financial periods beginning on or after January 1, 2015. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.
- On November 21, 2013, the IASB issued the amendment to IAS 19 – Defined Benefit Plans: Employee Contributions, proposing that contributions (related to service rendered by the employee during the period) to defined benefit plans from employees or third parties be recognized as a reduction in the service cost in the period in which the contribution is paid. These amendments are to be applied for financial periods beginning on or after February 1, 2015 at the latest. Directors are evaluating the potential impact of this amendment on the consolidated financial statements of the Group.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

The European Union has not yet completed its endorsement process for the standards and amendments below reported at the date of these financial statements.

- On January 30, 2014, the IASB issued IFRS 14 – Regulatory Deferral Accounts that permits an entity which is a first-time adopter of IFRSs to continue to account for amounts relating to Rate Regulation Activities in accordance with the accounting standards adopted previously. The Company/Group is not a first-time adopter and this standard is not applicable to it.
- On May 6, 2014, the IASB issued some amendments to IFRS 11 – Joint Arrangements – Accounting for acquisitions of interests in joint operations on the accounting for the acquisition of interests in a joint operation that is a business as defined in IFRS 3. The amendments establish that the principles in IFRS 3 for the recognition of the effects of business combinations should be applied in this situation.
  The amendments are applicable from January 1, 2016. Early adoption is allowed. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.
- On May 12, 2014, the IASB published some amendments to IAS 16 – Property, plant and Equipment and IAS 38 Intangibles Assets – Clarification of acceptable methods of depreciation and amortisation. These amendments establish that a revenue-based amortisation method is not appropriate, except under limited, specific circumstances relating to intangible assets. The amendments are applicable from January 1, 2016. Early adoption is allowed. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.
- On May 28, 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which is to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. This standard establishes a new revenue recognition model that will apply to all contracts with customers except for those within the scope of other IAS/IFRS standards. According to the new model, revenue is accounted for through five key steps:
  - Identify the contract with a customer;
  - Identify the performance obligations in the contract;
  - Determine the price;
  - Allocate the price to the performance obligations in the contract;
  - Criteria for recognising revenue when the entity satisfies each performance obligation.

  The standard is applicable from January 1, 2017. Early adoption is allowed. Directors expect IFRS 15 to have an impact on the revenue balances and on the relevant disclosures in the consolidated financial statements of the Group. However, it is not possible to estimate such impact until the Group completes a detailed review of contracts with customers.

- On June 30, 2014, the IASB published some amendments to IAS 16 – Property, plant and Equipment and IAS 41 – Agriculture – Bearer Plants. These amendments require that bearer plants, i.e. fruit trees that bear produce yearly, be accounted for in accordance with IAS 16 (rather than IAS 41). The amendments are applicable from January 1, 2016. Early adoption is allowed. Directors do not expect any effect on the consolidated financial statements of the Group when these amendments are adopted.
- On July 24, 2014, the IASB published the final version of IFRS 9 – Financial instruments. This new standard replaces the previous versions of IFRS 9, and applies to periods starting on or after January 1, 2018.
  With this publication, which also addresses impairment, IFRS 9 is completed, except for macro hedging criteria, for which IASB initiated a separate project.
  The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, as regards financial assets, the new standard adopts a single approach based on how an entity manages its financial instruments and the contractual cash flows characteristics of the financial assets, in order to determine its valuation criteria and replacing the many different rules in IAS 39. The most significant effect of the standard regarding the financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as measured at fair value through profit or loss, when such changes are attributable to changes in the credit risk of the issuer of that financial liability. According to the new standard, these changes must be recognised in "Other Comprehensive Income" and will no longer be recognised in the Income Statement.
  With regard to the impairment model, the new standard requires that credit losses be estimated using the expected loss model (rather than the incurred loss model) based on supportable information that is available without undue cost or effort and that includes historical, current and forecast information. The standard establishes that such impairment model applies to all financial instruments, i.e. financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and lease and trade receivables.

  Lastly, the standard introduces a new hedge accounting model to amend IAS 39 requirements, which have often been considered as too stringent and not suitable for reflecting the entities' risk management policies. The increased flexibility of the new accounting rules is offset by additional disclosures required on the company risk management activities. Directors expect IFRS 9 to have a significant impact on the balances and the relevant disclosures in the consolidated financial statements of the Group. However, it is not possible to estimate such impact until the Group completes a detailed analysis.
- On August 12, 2014, the IASB issued the amendment to IAS 27 – Equity Method in Separate Financial Statements: This document introduces the option to use the equity method of accounting in measuring investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. Accordingly, an entity may recognise such investments in its separate financial statements after measuring them either:
  - at cost; or
  - in accordance with IFRS 9 (or IAS 39); or
  - using the equity method.

The amendments are applicable from January 1, 2016. Early adoption is allowed. Directors are evaluating the potential impact of these amendments on the separate / statutory financial statements of the Company.

- On September 11, 2014, the IASB issued the amendment to IFRS 10 and IAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments establish that the portion of gain or loss resulting from the sale or transfer of an asset or a subsidiary to a joint venture or an associate to be recognised in the financial statements of the seller/transferor is to be determined based on whether the asset or subsidiary sold/transferred constitutes or not a business as defined in IFRS 3. If the asset or subsidiary is a business, the entity should recognise the profit or loss on the total interest held before the transaction; otherwise, the portion of profit or loss on the interest still held by the entity must be eliminated. The amendments are applicable from January 1, 2016. Early adoption is allowed. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.
- On September 25, 2014, the IASB published document "Annual Improvements to IFRSs: 2012-2014 Cycle". These amendments are to be applied for financial periods beginning on or after January 1, 2016.
  This document introduces several amendments to the following standards:
  - IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The amendment introduces specific guidance for when an entity reclassifies an asset (or a disposal group) held for sale as held for distribution (or viceversa), or when the requirements for classifying an asset as held for distribution are no longer met. According the amendments, (i) such reclassifications should not be considered as changes to a plan to sell or distribute the asset and applicable classification and measurement criteria remain unchanged; (ii) those assets that no longer meet the classification criteria established for assets held for distribution should be treated as assets that cease to be classified as held for sale;
  - IFRS 7 – Financial Instruments: Disclosure. The amendments provide additional guidance to clarify whether a servicing contract constitutes continuing involvement in a transferred asset in order to determine whether disclosures are required for the transferred assets. In addition they clarify that – as a general rule – disclosures on offsetting of financial assets and liabilities are not expressly required for interim financial statements. However, such disclosure might be required under IAS 34, if they provide significant information;
  - IAS 19 – Employee Benefits. This document amends IAS 19 to clarify that high quality corporate bonds used to determine the discount rate of post-employment benefits should be in the same currency in which the benefits are to be paid.
  - IAS 34 – Interim Financial Reporting. This document introduces several amendments to clarify which requirements are to be met when the required disclosures are included in the interim financial report, however not in the interim financial statements.

  Directors are evaluating the potential impact of these amendments on the consolidated financial statements of the Group.

- On December 18, 2014, the IASB issued the amendment to IAS 1 – Disclosure Initiative. The purpose of these amendments is to clarify certain disclosure elements and remove perceived impediments to presenting clear, understandable financial reports. Amendments are as follows:
    - Materiality and aggregation: clarifies that an entity should not obscure information by aggregating or disaggregating information and that materiality considerations apply to the primary statements, notes and specific disclosure requirements in IFRSs. Disclosures specifically required by IFRSs need to be provided only if the information is material;
    - Statement of financial position and statement of profit or loss or other comprehensive income: clarifies that the list of line items specified by IAS 1 for these statements can be disaggregated and aggregated as relevant. Guidance is provided on the use of subtotals in these statements;
    - Presentation of items of other comprehensive income ("OCI"): clarifies that the share of OCI of associates and joint ventures accounted for using the equity method should be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss;
    - Notes: clarifies that entities have flexibility when designing the structure of the notes and provides guidance on systematic ordering of the notes.

  These amendments are to be applied for financial periods beginning on or after January 1, 2016. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.
- On December 18, 2014, the IASB published document "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)" with amendments that address issues about the application of the consolidation exception granted to investment entities. These amendments are to be applied for financial periods beginning on or after January 1, 2016. Early adoption is permitted. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted, as the Company does not meet the definition of investment entity.

3. FINANCIAL ASSETS

Classification and initial recognition

In accordance with IAS 39, financial assets are to be classified in the following four categories:

1. financial assets at fair value through profit or loss;
2. held-to-maturity investments;
3. loans and receivables;
4. available-for-sale financial assets.

The classification depends on the purpose for which assets are bought and held. *Management* decides on their initial classification at the time of initial recognition, subsequently checking that it still applies at the end of each reporting period.

The main characteristics of the assets mentioned above are as follows:

Financial assets at fair value through profit or loss
This is made up of two sub-categories:
- financial assets held specifically for trading purposes;
- financial assets to be measured at fair value under the fair value option designation.

This category also includes all financial investments, other than equity instruments that do not have a price quoted on an active market, but for which the fair value can be determined.
Derivatives are included in this category, unless they are designated as hedging instruments, and their fair value is booked to the Income Statement.

At the time of initial recognition, financial assets held for trading are recognised at fair value, not including the transaction costs or income associated with the same instruments, which are recognised in the Income Statement.

All of the assets in this category are classified as current if they are held for trading purposes or if they are expected to be sold within 12 months from the end of the reporting period.

Designation of a financial instrument to this category is considered final (IAS 39 envisages some exceptional circumstances in which said financial assets may be reclassified in another category) and can only be done on initial recognition.

Held-to-maturity investments
These are non-derivative assets with fixed or determinable payments and fixed maturities which the Group intends to hold to maturity (e.g. subscribed bonds).
The intention and ability to hold the security to maturity must be evaluated on initial recognition and confirmed at the end of each reporting period.
In the case of early disposal of securities belonging to this category (for a significant amount and not motivated by particular events), the entire portfolio is reclassified to financial assets available for sale and restated at fair value.

Loans and receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and in which the Group does not intend to trade.
They are included in current assets except for the portion falling due beyond 12 months from the end of the reporting period, which is classified as non-current.

Available-for-sale financial assets
This is a residual category represented by non-derivative financial assets that are designated as available for sale and which have not been assigned to one of the previous categories.
"Available-for-sale financial assets" are recorded at their fair value including related purchase costs.
They are classified as non-current assets, unless management intends to dispose of them within 12 months from the end of the reporting period.

Subsequent measurement

Gains and losses on "Financial assets at fair value through profit or loss" (cat. 1) are immediately booked to the Income Statement.
"Available-for-sale financial assets" (cat. 4) are measured at fair value unless a market price or the fair value of equity instruments cannot be reliably determined. In this case the cost method is used.
Gains and losses on "Available-for-sale financial assets" (cat. 4) are booked to a separate item under Other Comprehensive Income until they have been sold or cease to exist, or until it has been ascertained that they have suffered an impairment loss. When such events take place, all gains or losses recognised and booked to Other Comprehensive Income up to that moment are transferred to the Income Statement.

Fair value is the amount for which an asset could be exchanged, or that would be paid to transfer a liability (exit price) in an arm's length transaction between informed and independent parties. Consequently, it is assumed that the holder is a going-concern entity and that none of the parties needs to liquidate their assets in a forced sale at unfavourable conditions.

In the case of securities traded on regulated markets, fair value is determined with reference to the bid price at the close of trading at the end of the reporting period.
In cases where no market valuation is available for an investment, fair value is determined either on the basis of the current market value of another very similar financial instrument or by using appropriate financial techniques (such as discounted cash flow analysis).
Purchases or sales regulated at "market prices" are recognised on the day of trading, which is the day on which the Group takes a commitment to buy or sell the asset.

"Held-to-maturity investments" (cat. 2) and "Loans and receivables" (cat. 3) are measured at their "amortised cost" using the effective interest rate and taking account of any discounts or premiums obtained at the time of acquisition so that they can be recognised over the entire period until their maturity. Gains or losses are booked to the Income Statement either at the time that the investment reaches maturity or when an impairment arises, in the same way that they are recognised during the normal process of amortisation that is part of the amortised cost method.

Investments in financial assets can only be derecognised once the contractual rights to receive the cash flows deriving from such investments have expired (e.g. final redemption of bonds) or if the Group transfers the financial asset and all of the risks and benefits attached to it.

B) SEGMENT INFORMATION

4. OPERATING SEGMENTS

In compliance with the provisions of IFRS 8, the following information is provided by operating segments (business segments) and performance indicators that play a key role in the Group's strategic decisions.
As the analysis by business segments is given higher priority in the decision-making process, the analysis by geographic areas is not presented.

Business segments

With regard to the business segments, information concerning the two business units: Engine Systems and Suspension Components – is provided below. Figures for the Holding Company Sogefi S.p.A. and the subsidiary Sogefi Purchasing S.A.S. are also provided for the purpose of reconciliation with consolidated values.

The tables below provide the Group's income statement and statement of financial position figures for 2013 and 2014:

(in thousands of Euro)	2013				
	Engine Systems Business Unit	Suspension Components Business Unit	Sogefi S.p.A. / Sogefi Purch. S.A.S.	Adjustments	Sogefi consolidated f/s
REVENUES					
Sales to third parties	817,583	517,404	-	-	1,334,987
Intersegment sales	983	1,211	22,312	(24,506)	-
TOTAL REVENUES	818,566	518,615	22,312	(24,506)	1,334,987
RESULTS					
EBIT	45,712	35,680	(9,129)	(3,137)	69,126
Financial expenses, net					(28,361)
Income from equity investments					-
Losses from equity investments					(289)
Result before taxes					40,476
Income taxes					(15,745)
Loss (profit) attributable to non-controlling interests					(3,607)
NET RESULT					21,124
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	518,717	407,510	622,739	(676,541)	872,425
Equity investments in associates	-	-	-	-	-
Unallocated assets	-	-	-	172,199	172,199
TOTAL ASSETS	518,717	407,510	622,739	(504,342)	1,044,624
LIABILITIES					
Segment liabilities	336,118	268,843	479,642	(228,892)	855,711
TOTAL LIABILITIES	336,118	268,843	479,642	(228,892)	855,711
OTHER INFORMATION					
Increase in tangible and intangible fixed assets	45,173	24,861	14,332	(489)	83,877
Depreciation, amortisation and writedowns	33,431	23,141	1,058	3,031	60,661

(in thousands of Euro)	2014				
	Engine Systems Business Unit	Suspension Components Business Unit	Sogefi S.p.A. / Sogefi Purch. S.A.S.	Adjustments	Sogefi consolidated f/s
REVENUES					
Sales to third parties	844,048	505,343	-	-	1,349,391
Intersegment sales	857	1,266	27,403	(29,526)	-
TOTAL REVENUES	844,905	506,609	27,403	(29,526)	1,349,391
RESULTS					
EBIT	42,134	18,206	(7,123)	(4,946)	48,271
Financial expenses, net					(26,818)
Income from equity investments					-
Losses from equity investments					-
Result before taxes					21,453
Income taxes					(13,058)
Loss (profit) attributable to non-controlling interests					(4,756)
NET RESULT					3,639
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	571,744	415,632	629,887	(692,917)	924,346
Equity investments in associates	-	-	-	-	-
Unallocated assets	-	-	-	167,858	167,858
TOTAL ASSETS	571,744	415,632	629,887	(525,059)	1,092,204
LIABILITIES					
Segment liabilities	377,867	289,284	482,035	(237,768)	911,418
TOTAL LIABILITIES	377,867	289,284	482,035	(237,768)	911,418
OTHER INFORMATION					
Increase in tangible and intangible fixed assets	48,830	25,865	11,140	(1,428)	84,407
Depreciation, amortisation and writedowns	33,390	23,149	2,645	2,001	61,184

Please note that the Engine Systems business unit figures include the net book value of the Systemes Moteurs Group – in other words, net assets that were not adjusted to fair value for its Purchase Price Allocation, and only the adjustments for its Purchase Price Allocation relating to changes in product warranty provisions (contingent liabilities booked upon PPA); the remaining adjustments for its Purchase Price Allocation are posted in column "Adjustments".

Adjustments to “Intersegment sales” mainly refer to services provided by the Holding Company Sogefi S.p.A. and by the subsidiary Sogefi Purchasing S.A.S. to other Group companies (see note 40 for further details on the nature of the services provided). This item also includes intersegment sales between the Engine Systems business unit and the Suspension Components business unit. Intersegment transactions are carried out in accordance with the Group's transfer pricing policy.

The adjustments to “EBIT” refer to depreciation and amortisation linked to the revaluation of assets resulting from the acquisition of 40% of Sogefi Rejna S.p.A. and its subsidiaries in the year 2000 and of the Systemes Moteurs Group in the year 2011.

In the Statement of Financial Position, the adjustments to the item "Segment assets" refer to the consolidation entry of investments in subsidiaries and intercompany receivables.

Adjustments to “Unallocated assets” mainly include the goodwill and the fixed assets revaluations resulting from the acquisitions of: the Allevard Ressorts Automobile Group, 40% of Sogefi Rejna S.p.A., the Filtrauto Group, 60% of Sogefi M.N.R. Filtration India Private Ltd and the Systemes Moteurs Group.

“Depreciation, amortization and writedowns” include writedowns of tangible and intangible fixed assets for the amount of Euro 3,183 thousand, of which: Euro 1,285 thousand reflecting subsidiary Allevard Rejna Autosuspensions S.A.'s writedown of the carrying value of its Lieusaint plant to align it to its lower market value after it was shut down and certain industrial assets no longer used; Euro 1,658 thousand reflecting development projects relating to subsidiary Filtrauto S.A. that are no longer recoverable; and Euro 240 thousand reflecting minor losses.

These assets were written down based on the recoverable value of assets at year-end date, which is considered to be to zero.

Information on the main customers

As of December 31, 2014, revenues from sales to third parties accounting for over 10% of Group revenues refer to the following customers: Ford for the amount of Euro 169.0 million (12.5% of total revenues), of which Euro 70.7 million relating to the Suspension Components business unit and Euro 98.3 million to the Engine Systems business unit, Renault/Nissan for the amount of Euro 165.7 million (12.3% of total revenues), of which Euro 75.4 million relating to the Suspension Components business unit and Euro 90.3 million to the Engine Systems business unit, PSA for the amount of Euro 154.4 million (11.4% of total revenues), of which Euro 59.2 million relating to the Suspension Components business unit and Euro 95.2 million to the Engine Systems business unit, and FCA/CNH Industrial for the amount of Euro 143.5 million (10.6% of total revenues), of which Euro 31.6 million relating to the Suspension Components business unit and Euro 111.9 million to the Engine Systems business unit.

Information on geographic areas

The breakdown of revenues by geographical area "of destination", in other words with regard to the nationality of the customer, is analysed in the Directors' Report and in the notes to the Income Statement.

The following table shows a breakdown of total assets by geographical area:

(in thousands of Euro)	2013					
	Europe	South America	North America	Asia	Adjustments	Sogefi consolidated f/s
TOTAL ASSETS	1,436,837	102,635	99,498	87,398	(681,745)	1,044,623

(in thousands of Euro)	2014					
	Europe	South America	North America	Asia	Adjustments	Sogefi consolidated f/s
TOTAL ASSETS	1,458,334	111,324	114,342	115,911	(707,707)	1,092,204

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

C 1) ASSETS

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to Euro 124,033 thousand versus Euro 125,344 thousand as of December 31, 2013 and break down as follows:

(in thousands of Euro)	12.31.2014	12.31.2013
Short-term cash investments	123,976	123,747
Cheques	-	1,539
Cash on hand	57	58
TOTAL	124,033	125,344

“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 of December 31, 2014, the Group has unused lines of credit for the amount of Euro 268,088 thousand. These funds are available for use on demand, because the conditions required for their availability are met.

Please note that this item includes Euro 4,013 thousand (Euro 3,276 thousand as of December 31, 2013) held by the Argentinian subsidiaries; use of this amount is temporarily subject to government restrictions that require an official authorisation of foreign payments (including dividend payouts).

6. OTHER FINANCIAL ASSETS

“Other financial assets” can be broken down as follows:

(in thousands of Euro)	12.31.2014	12.31.2013
Securities held for trading	18	14
Financial receivables	2,000	-
Held-to-maturity investments	6,953	7,462
Assets for derivative financial instruments	519	32
TOTAL	9,490	7,508

“Securities held for trading” are measured at fair value based on official sources at the time the financial statements are drawn up. They represent readily marketable securities which are used by the companies to optimise cash management.
“Financial receivables” mainly relate to subsidiary Sogefi Filtration Argentina S.A..
“Held-to-maturity investments” are valued at amortised cost and include bonds of a Spanish prime banking institution.

"Assets for derivative financial instruments" total Euro 519 thousand and refer to the fair value of forward foreign exchange 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)	12.31.2014			12.31.2013		
	Gross	*Write-downs*	*Net*	*Gross*	*Write-downs*	*Net*
Raw, ancillary and consumable materials	55,863	4,141	51,722	54,396	4,030	50,366
Work in progress and semi-finished products	14,126	569	13,557	12,789	339	12,450
Contract work in progress and advances	29,573	21	29,552	31,134	113	31,021
Finished goods and goods for resale	54,984	5,673	49,311	56,223	6,933	49,290
TOTAL	154,546	10,404	144,142	154,542	11,415	143,127

The gross value of inventories is stable compared to the previous period (exchange rates being equal, it would have decreased by Euro 1,572 thousand).

Write-downs 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 provision decreased by Euro by 1,011 thousand as a result of products scrapped during the year (Euro 571 thousand), obsolete materials sold (Euro 395 thousand), reclassification between gross value and relating provisions (Euro 559 thousand); these were partly offset by further accruals for Euro 456 thousand and a positive exchange rate effect of Euro 58 thousand.

8. TRADE AND OTHER RECEIVABLES

Current receivables break down as follows:

(in thousands of Euro)	12.31.2014	12.31.2013
Trade receivables	150,976	140,572
Less: allowance for bad debts	5,170	4,703
Trade receivables, net	145,806	135,869
Due from Parent Company	2,277	9,968
Tax receivables	22,564	20,504
Other receivables	6,884	7,827
Other assets	3,599	3,692
TOTAL	181,130	177,860

"Trade receivables, net" are non-interest bearing and have an average due date of 37 days, against 35 days recorded at the end of the previous year.
It should be noted that as of December 31, 2014, the Group factored trade receivables for Euro 78,784 thousand (Euro 79,541 thousand as of December 31, 2013), including an

amount of Euro 45,814 thousand (Euro 46,026 thousand as of December 31, 2013) 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 78,784 thousand as of December 31, 2014 and Euro 79,541 thousand as of December 31, 2013) and the positive effect of exchange rates (Euro 1,384 thousand), net trade receivables show an increase of Euro 7,796 thousand as a result of the increase in the Group's business activities which occurred in the last quarter of the year with respect to the same quarter of the previous year.

Further adjustments were booked to "Allowance for bad debts" during the year for a total of Euro 631 thousand, against net utilisations of the allowance for the amount of Euro 213 thousand (see note 39 for further details). The balance in the Allowance for bad debts increased by Euro 49 thousand due to the exchange rate effect. Write-downs, 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 of December 31, 2014 is the amount receivable from the Parent 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. Euro 9,305 thousand of the receivables outstanding as of December 31, 2013 were collected during the year 2014.
See chapter F for the terms and conditions governing these receivables from CIR S.p.A..

"Tax receivables" as of December 31, 2014 include tax credits due to the Group companies by the tax authorities of the various countries. The increase in this item relates for the most part to withholding taxes and taxes paid on imports relating to Allevard Rejna Argentina S.A. that could not be offset against tax debt for the year due to the negative result for year of the subsidiary, and to tax credits of Systèmes Moteurs S.A.S. arisen in connection with grants relating to research and development activities. It does not include deferred taxes which are treated separately.

"Other receivables" are made up as follows:

(in thousands of Euro)	12.31.2014	12.31.2013
Amounts due from social security institutions	383	195
Amounts due from employees	796	252
Advances to suppliers	3,006	1,984
Due from others	2,699	5,396
TOTAL	6,884	7,827

The decrease in "Other receivables" includes a Euro 2,498 thousand indemnity paid by a supplier of subsidiary Filtrauto S.A. in connection with quality issues arisen during year 2009.

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 of December 31, 2014 amounted to Euro 244,061 thousand versus Euro 236,415 thousand at the end of the previous year and breaks down as follows:

(in thousands of Euro)	2014				
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*TOTAL*
Balance at January 1	15,444	185,920	4,957	30,094	236,415
Additions of the period	-	16,051	1,729	24,498	42,278
Disposals during the period	(1,251)	(2,520)	(30)	(13)	(3,814)
Exchange differences	93	4,629	156	878	5,756
Depreciation for the period	-	(33,667)	(1,658)	-	(35,325)
Write-downs/revaluations during the period	-	(1,315)	(10)	(35)	(1,360)
Reclassification of non-current asset held for sale	-	-	-	-	-
Other changes	-	22,185	204	(22,278)	111
Balance at December 31	14,286	191,283	5,348	33,144	244,061
Historical cost	14,286	803,835	26,802	33,872	878,795
of which: leases - gross value	-	*10,694*	*77*	-	*10,771*
Accumulated depreciation	-	612,552	21,454	728	634,734
of which: leases - accumulated depreciation	-	5,551	72	-	5,623
Net value	14,286	191,283	5,348	33,144	244,061
Net value - leases	-	5,143	5	-	5,148

(in thousands of Euro)	2013				
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*TOTAL*
Balance at January 1	15,711	198,230	5,443	32,961	252,345
Additions of the period	48	17,377	1,162	17,443	36,030
Disposals during the period	(115)	(1,611)	17	(162)	(1,871)
Exchange differences	(200)	(9,191)	(564)	(1,261)	(11,216)
Depreciation for the period	-	(34,506)	(1,633)	-	(36,139)
Write-downs/revaluations during the period	-	(2,181)	(39)	-	(2,220)
Reclassification of non-current asset held for sale	-	-	-	-	-
Other changes	-	17,802	571	(18,887)	(514)
Balance at December 31	15,444	185,920	4,957	30,094	236,415
Historical cost	15,444	771,336	25,282	30,788	842,850
of which: leases - gross value	*331*	*11,375*	*68*	-	*11,774*
Accumulated depreciation	-	585,416	20,325	694	606,435
of which: leases - accumulated depreciation	-	*4,363*	*41*	-	*4,404*
Net value	15,444	185,920	4,957	30,094	236,415
Net value - leases	*331*	*7,012*	*27*	-	*7,370*

Investments during the year amounted to Euro 42,278 thousand compared with Euro 36,030 thousand in the previous year.

The larger projects relate to 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 mainly reflect investments in: subsidiary Allevard Rejna Autosuspensions S.A. to increase the production capacity of cold-forming processes for stabilizer bars; subsidiary Allevard Sogefi U.S.A. Inc. to expand both the production capacity and the plant; subsidiary Filtrauto S.A. to develop new products and improve manufacturing processes; subsidiary Sogefi (Suzhou) Auto Parts Co., Ltd to increase production capacity; and subsidiary Sogefi Filtration do Brasil Ltda to increase the production capacity of the new Brazilian plant in Atibaia and adapt it to meet the needs of engine system manufacture.

Among the most significant projects in the "Property, plant and equipment, industrial and commercial equipment" category, noteworthy are the investments in subsidiary LPDN GmbH to improve production processes and for maintenance purposes, in subsidiary Sogefi (Suzhou) Auto Parts Co., Ltd to increase production capacity at a new production line for springs and a production line for engine cooling systems, in subsidiary Sogefi Engine Systems Mexico S. de R.L. de C.V. to expand production capacity for the development of new products, and in subsidiaries Filtrauto S.A. and Sogefi Engine Systems Canada Corp. to improve production processes and develop new products.

"Disposals during the period" total Euro 3,814 thousand and refer for the most part to the sale of two industrial buildings. One building and adjoining land (net book value of Euro 3,020 thousand) formerly owned by subsidiary Sogefi Filtration Ltd (in Llartrisant) generated Euro 81 thousand gains that were credited to "Losses (gains) on disposal"; the plant and adjoining land (net book value of Euro 384 thousand) of subsidiary United Springs Ltd (in West Bromwich) generated no economic benefit.

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

"Write-downs/revaluations during the period" total Euro 1,360 thousand, of which Euro 1,285 thousand reflect write-downs of a property (Euro 1 million) and of industrial machinery (Euro 285 thousand) connected with the shutdown of the Lieusaint plant of French subsidiary Allevard Rejna Autosuspensions S.A., and the remaining portion reflects diminished impairment losses and reversals.
Impairment losses less reversals are booked to "Other non-operating expenses (income)".

"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 of December 31, 2014 includes Euro 43 thousand of advances for investments.

The main retired from active use assets, with a total net value of Euro 9,714 thousand, included in the item "Tangible fixed assets" mostly refer to the Lieusaint production site of the subsidiary Allevard Rejna Autosuspensions S.A. that was written down as noted above and to a property complex of the Holding Company Sogefi S.p.A. (located in Mantova and San Felice del Benaco). The book value of said assets will be recovered through their sale rather than through their continuous use. As the Group does 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 2014.

Guarantees
As of December 31, 2014, tangible fixed assets are encumbered by mortgages or liens totalling Euro 6,652 thousand to guarantee loans from financial institutions, compared to Euro 9,463 thousand as of December 31, 2013. Guarantees existing as of December 31, 2014 refer to subsidiaries Sogefi Engine Systems Canada Corp., Allevard IAI Suspensions Private Ltd., Systèmes Moteurs S.A.S., United Springs B.V. and Sogefi M.N.R. Filtration India Private Ltd..

Purchase commitments
As of December 31, 2014, there are binding commitments to buy tangible fixed assets for Euro 323 thousand (Euro 1,907 thousand as of December 31, 2013) relating to the subsidiaries Allevard Rejna Autosuspensions S.A. and United Springs S.A.S.. Said commitments will be settled within 12 months.

Leases

The carrying value of assets under financial leases as of December 31, 2014 was Euro 10,771 thousand, and the related accumulated depreciation amounted to Euro 5,623 thousand.

The gross value of fixed assets under financial leases decreased by Euro 1,003 thousand compared to December 31, 2013; the decrease relates to subsidiary Allevard Rejna Autosuspensions S.A. that exercised its purchase option at the end of a lease contract to buy the asset under lease at the price of Euro 1.

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

10. INTANGIBLE ASSETS

The net balance as of December 31, 2014 was Euro 282,996 thousand versus Euro 262,725 thousand at the end of the previous year, and breaks down as follows:

(in thousands of Euro)	2014						
	Develop-ment costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction and payments on account*	*Customer Relationship*	*Trade name Systemes Moteurs*	*Goodwill*	*TOTAL*
Balance at January 1	70,799	28,064	13,014	16,823	7,386	126,639	262,725
Additions of the period	21,016	10,151	10,962	-	-	-	42,129
Disposals during the period	-	(7)	-	-	-	-	(7)
Exchange differences	1,875	33	588	-	-	-	2,496
Amortisation for the period	(17,412)	(3,353)	(485)	(990)	(435)	-	(22,675)
Writedowns during the period	(1,739)	-	(85)	-	-	-	(1,824)
Other changes	3,234	1,145	(4,227)	-	-	-	152
Balance at December 31	77,773	36,033	19,767	15,833	6,951	126,639	282,996
Historical cost	171,609	61,982	22,659	19,215	8,437	149,537	433,439
Accumulated amortisation	93,836	25,949	2,892	3,382	1,486	22,898	150,443
Net value	77,773	36,033	19,767	15,833	6,951	126,639	282,996

(in thousands of Euro)	2013						
	Develop-ment costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction and payments on account*	*Customer Relationship*	*Trade name Systemes Moteurs*	*Goodwill*	*TOTAL*
Balance at January 1	60,896	4,967	21,441	17,813	7,821	126,639	239,577
Additions of the period	27,830	14,104	5,913	-	-	-	47,847
Disposals during the period	(8)	(6)	-	-	-	-	(14)
Exchange differences	(2,344)	(21)	(422)	-	-	-	(2,787)
Amortisation for the period	(17,079)	(1,983)	(706)	(990)	(435)	-	(21,193)
Writedowns during the period	(753)	-	(66)	-	-	-	(819)
Other changes	2,257	11,003	(13,146)	-	-	-	114
Balance at December 31	70,799	28,064	13,014	16,823	7,386	126,639	262,725
Historical cost	152,258	48,533	17,657	19,215	8,437	149,537	395,637
Accumulated amortisation	81,459	20,469	4,643	2,392	1,051	22,898	132,912
Net value	70,799	28,064	13,014	16,823	7,386	126,639	262,725

Investments during the year amounted to Euro 42,129 thousand.

The increases in "Development Costs" for the amount of Euro 21,016 thousand refer to the capitalisation of costs incurred by Group companies to develop new products in collaboration with leading motor vehicle manufacturers (after being nominated by the customer). The largest investments refer to the subsidiaries Systèmes Moteurs S.A.S., Filtrauto S.A., Sogefi Engine Systems Canada Corp., Sogefi Filtration do Brasil Ltda and Sogefi (Suzhou) Auto Parts Co., Ltd.

Increases in "Industrial patents and intellectual property rights, concessions, licences and trademarks" amount to Euro 10,151 thousand and refer nearly entirely to the development and implementation of the new information system across the Sogefi Group. The integrated information system will be depreciated over a ten-year period starting from implementation date at each subsidiary.

Increases in "Other, assets under construction and payments on account", for the amount of Euro 10,962 thousand, refer mainly to a large number of investments in the development and implementation of the new products not yet flowed into production. The largest investments went to fund development costs posted by subsidiaries Allevard Sogefi U.S.A. Inc., Allevard Rejna Autosuspensions S.A., Sogefi Filtration d.o.o. and S.C. Systèmes Moteurs S.r.l..

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 15,358 thousand of costs generated internally.

The line “Write-downs during the period” includes write-downs of development costs for the amount of Euro 1,658 thousand capitalised in previous years by subsidiary Filtrauto S.A. that are no longer recoverable.

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

Goodwill and impairment test

From January 1, 2004 goodwill is no longer amortised, but subjected each year to impairment test.

The Company has identified five Cash Generating Units (CGUs):

- engine systems – fluid filters
- engine systems – air intake and cooling (“Systemes Moteurs” Group)
- car suspension
- industrial vehicle suspension
- precision springs

For the moment, it is possible to identify goodwill deriving from external acquisitions in three CGUs: engine systems - fluid filters, engine systems - air intake and cooling and car suspension.

The specific goodwill of “CGU Engine Systems – Fluid Filters” amounts to Euro 77,030 thousand; the goodwill of “CGU Engine Systems – Air Intake and Cooling” amounts to Euro 32,560 thousand; 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.
The Discounted Cash Flow Unlevered method was used. The Group took into account the cash flow projections expected for 2015 as determined based on the budget and the forecasts included in the 2016-2018 projection update for the following years (adjusted to eliminate any estimated benefits from future projects and reorganisations) approved by the Board of Directors on January 19, 2015. Projections are prepared by management and approved by the Board of Directors for the sole purposes of the impairment test. Both budget and the projection update are prepared taking into account forecasts of automotive industry performance drawn up by major industry sources and adopting a conservative approach.

A discounting rate of 9.91%, which reflects the weighted average cost of capital, was used. The same discounting 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 risk.

The terminal value was calculated using the "perpetual annuity" approach, assuming a growth rate of 2% – which is a conservative assumption when compared to forecasts for the automotive industry by authoritative industry sources – and considering an operating cash flow based on the last year of the projection (the year 2018), 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, the Group calculated a weighted average cost of debt (taking into consideration the budget 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: 19.3%
- levered beta of the industry: 1.17
- risk-free rate: 4.0% (annual average risk-free rates of 10 year bonds of the key markets in which the Group operates, weighted by sales revenues per market)
- risk premium: 6.4% (risk premium of the key markets in which the Group operates calculated by a primary source, weighted by sales revenues per market)
- debt cost spread: 3.6% (estimate based on the 2015 budget)

As far as the sensitivity analysis goes, it should be noted that:

- the impairment test reaches 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): 12.7% for CGU Engine Systems - Fluid Filters; 13.4% for CGU Engine Systems - Air Intake and Cooling; and 10.9% for CGU Car Suspension.
- the impairment test reaches the break-even point with a significant reduction in EBIT during the explicit projection period, which was also applied to determine the terminal value: -26% for CGU Engine Systems - Fluid Filters; -30% for CGU Engine Systems - Air Intake and Cooling and -12% for 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

There were no investments in joint ventures as of December 31, 2014.

12. OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

As of December 31, 2014, these totalled Euro 439 thousand (unchanged from December 31, 2013) and break down as follows:

(in thousands of Euro)	12.31.2014	12.31.2013
Equity investments in other companies	439	439
Other securities	-	-
TOTAL	439	439

The balance of "Equity investments in other companies" essentially refers to the 22.62% shareholding in the company AFICO FILTERS S.A.E.. The equity investment was not classified as associate due to the lack of Group's members in the management bodies of the company (which means the Group does not exert significant influence on the company).

13. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT RECEIVABLES

Non-current financial receivables total Euro 157 thousand and refer to the fair value of cross-currency swap hedging instruments. For further details, please refer to note 39.

"Other receivables" break down as follows:

(in thousands of Euro)	12.31.2014	12.31.2013
Pension fund surplus	-	2,876
Other receivables	34,626	28,706
TOTAL	34,626	31,582

As of December 31, 2014, subsidiary Sogefi Filtration Ltd records a Euro 15,468 thousand deficit in pension funds, versus a Euro 2,876 thousand surplus as of December 31, 2013. For further details, please refer to note 19.

"Other receivables" include an indemnification asset of Euro 23,368 thousand owed by the seller of Systèmes Moteurs S.A.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 (after possible partial indemnities obtained from insurers and suppliers). Sogefi S.p.A. initiated international arbitration proceedings against the seller of Systèmes Moteurs S.A.S.' shares to collect the receivables, as provided for by the acquisition contract. The proceedings are still pending. For further details, please refer to note 19, paragraph "Provision for product warranties".

The item "Other receivables" includes tax credits relating to research and development activities of the French subsidiaries, VAT credits of subsidiary Sogefi (Suzhou) Auto Parts Co., Ltd, tax credits on purchases of assets made by the Brazilian subsidiaries, and non-interest bearing guarantee deposits for leased properties. These receivables will be collected over the coming years.

14. DEFERRED TAX ASSETS

As of December 31, 2014, this item amounts to Euro 71,126 thousand compared with Euro 59,620 thousand as of December 31, 2013.
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 of December 31, 2014, there are no non-current assets held for sale.

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)	12.31.2014	12.31.2013
Bank overdrafts and short-term loans	13,426	6,885
Current portion of medium/long-term financial debts	64,508	76,750
of which: leases	*914*	*1,118*
TOTAL SHORT-TERM FINANCIAL DEBTS	77,934	83,635
Other short-term liabilities for derivative financial instruments	350	93
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	78,284	83,728

Non-current portion

(in thousands of Euro)	12.31.2014	12.31.2013
Financial debts to banks	131,617	213,675
Other medium/long-term financial debts	203,648	118,664
of which: leases	*6,481*	*6,607*
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	335,265	332,339
Other medium/long-term liabilities for derivative financial instruments	24,464	21,378
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	359,729	353,717

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:

Position as of December 31, 2014 (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 + 230 bps variable	8,000	37,736	45,736	N/A
Sogefi S.p.A.	BNP Paribas S.A.	Sep - 2014	Sep - 2019	55,000	Euribor 3m + 290 bps variable	-	24,777	24,777	N/A
Sogefi S.p.A.	Mediobanca S.p.A.	Jul - 2014	Jan - 2016	20,000	Euribor 3m + 170 bps variabile	-	19,948	19,948	N/A
Sogefi S.p.A.	Banca Carige Italia S.p.A.	Jul - 2014	Sep - 2017	25,000	Euribor 3m + 225 bps variable	5,040	9,143	14,183	N/A
Sogefi S.p.A.	Banco do Brasil S.A.	Dec - 2012	Apr - 2017	15,000	Euribor 3m + 315 bps variable	3,750	7,435	11,185	N/A
Sogefi S.p.A.	Unicredit S.p.A.	Jul - 2014	Jul - 2019	50,000	Euribor 3m + 200 bps variable	-	9,748	9,748	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ING Bank	Mar - 2013	Mar - 2016	9,164	9.79% fixed	4,312	4,852	9,164	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ING Bank	Mar - 2013	Mar - 2016	3,840	9.79% fixed	2,124	1,716	3,840	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Oct - 2014	Jun - 2015	9,567	7.28% fixed	9,567	-	9,567	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Nov - 2014	Jun - 2015	4,612	7.28% fixed	4,612	-	4,612	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Commerzbank AG	Dec - 2014	Jun - 2015	3,112	6.42% fixed	3,112	-	3,112	N/A
Allevard Rejna Autosuspensions S.A.	CIC Bank S.A.	May - 2014	May - 2015	4,000	Euribor 12m + 150 bps variable	4,000	-	4,000	N/A
Sogefi Filtration do Brasil Ltda	Banco Itau BBA International S.A.	Feb - 2013	Mar - 2016	6,450	5.5% fixed	-	6,450	6,450	N/A
Sogefi Filtration do Brasil Ltda	Banco do Brasil S.A.	Jul - 2014	Aug -2017	3,517	8% fixed	-	3,517	3,517	N/A
Sogefi Engine Systems Canada Corp.	Ge Capital	Nov - 2012	Nov - 2017	3,022	B/A 3m+4.65% variable	663	1,385	2,048	YES
Sogefi Engine Systems Canada Corp.	Ge Capital	Nov - 2012	Nov - 2017	3,022	6.23% fixed	662	1,392	2,054	YES
Systèmes Moteurs Sas	CIC Bank S.A.	May -2014	May -2015	3,500	Euribor 12m + 150 bps variable	3,500	-	3,500	N/A
Sogefi Filtration S.A.	Banco Sabadell S.A.	May -2011	May -2016	7,000	Euribor 3m + 225 bps variable	1,400	700	2,100	N/A
Other loans						13,766	2,818	16,583	N/A
TOTAL						64,508	131,617	196,124	

Line “Other loans” includes other minor loans, as well as financial lease payments in accordance with IAS 17.

Position as of December 31, 2013 (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.	Unicredit S.p.A.	Jun - 2006	Mar - 2014	100,000	Euribor 3m + 110 bps variable	5,550	-	5,550	N/A
Sogefi S.p.A.	European Investment Bank - tr. A	Dec - 2010	Apr - 2016	20,000	Euribor 3m + 316 bps variable	5,000	7,444	12,444	N/A
Sogefi S.p.A.	European Investment Bank - tr. B	Dec - 2010	Apr - 2016	20,000	Euribor 3m + 187 bps variabile	5,000	7,443	12,443	N/A
Sogefi S.p.A.	Banca Monte dei Paschi di Siena S.p.A.	Mar - 2011	Mar - 2017	25,000	Euribor 3m + 225 bps variable	6,250	13,905	20,155	N/A
Sogefi S.p.A.	Intesa San Paolo S.p.A.	Apr - 2011	Dec - 2016	60,000	Euribor 3m + 260 bps variable	8,000	15,603	23,603	N/A
Sogefi S.p.A.	Banca Carige Italia S.p.A.	Jul - 2011	Sep - 2017	25,000	Euribor 3m + 225 bps variable	4,855	14,126	18,981	N/A
Sogefi S.p.A.	Ge Capital Interbanca S.p.A.	Oct - 2011	Jun - 2017	10,000	Euribor 3m + 230 bps variable	2,000	4,956	6,956	N/A
Sogefi S.p.A.	Syndicate loan	Dec - 2012	Dec - 2017	200,000	Euribor 3m + 475 bps variable	-	116,235	116,235	N/A
Sogefi S.p.A.	Banco do Brasil S.A.	Dec - 2012	Apr - 2017	15,000	Euribor 3m + 315 bps variable	3,750	11,157	14,907	N/A
Allevard Rejna Autosuspensions S.A.	CIC Bank S.A.	May - 2013	May - 2014	4,000	Euribor 3m + 150 bps variable	4,000	-	4,000	N/A
Systèmes Moteurs Sas	CIC Bank S.A.	May - 2013	May - 2014	3,500	Euribor 12m + 150 bps variable	3,500	-	3,500	N/A
Sogefi Filtration S.A.	Banco Sabadell S.A.	May - 2011	May - 2016	7,000	Euribor 3m + 225 bps variable	1,400	2,100	3,500	N/A
Shanghai Sogefi Auto Parts Co., Ltd	Unicredit S.p.A.	May - 2013	May - 2014	5,400	7.28% fixed	5,096	-	5,096	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd (*)	ING Bank	Mar - 2013	Mar - 2015	3,972	9.84% fixed - 12.30% fixed	-	3,972	3,972	N/A
Sogefi Engine Systems Canada Corp.	Ge Capital	Nov - 2012	Nov - 2017	2,897	B/A 3m+4.65% variable	600	1,963	2,563	YES
Sogefi Engine Systems Canada Corp.	Ge Capital	Nov - 2012	Nov - 2017	2,897	6.16% fixed	597	1,969	2,566	YES
Sogefi Filtration do Brasil Ltda	Banco Itau BBA International S.A.	Feb - 2013	Mar - 2016	6,376	5.5% fixed	-	6,377	6,377	N/A
Other loans						21,152	6,425	27,577	N/A
TOTAL						76,750	213,675	290,425	

(*) The amount is originated by some loans stipulated from March to September 2013, whose tax rate is included in the indicated range (tax min. 9.84% - tax max. 12.30%).

Other short-term liabilities for derivative financial instruments

The item includes the short-term portion of the fair value of the foreign 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 of December 31, 2014, details were as follows:

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan (in thousands)	Interest rate	Total amount at December 31, 2014 (in thousands of Euro)	Real guarantees
Sogefi S.p.A.	Private placement	May - 2013	May - 2023	USD 115.000	Fixed coupon 600 bps	94,359	N/A
Sogefi S.p.A.	Private placement	May - 2013	May - 2020	Euro 25.000	Fixed coupon 505 bps	24,922	N/A
Sogefi S.p.A.	Equity linked bond	May - 2014	May - 2021	Euro 100.000	Fixed coupon 2% year	75,527	N/A
Other financial debts						8,840	N/A
TOTAL						203,648	

Line “Other loan” includes other minor loans, as well as financial lease payments in accordance with IAS 17.

As of December 31, 2013, details were as follows:

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan (in thousands)	Interest rate	Total amount at December 31, 2013 (in thousands of Euro)	Real guarantees
Sogefi S.p.A.	Private placement	May - 2013	May - 2023	USD 115,000	Fixed coupon 600 bps	82,908	N/A
Sogefi S.p.A.	Private placement	May - 2013	May - 2020	Euro 25,000	Fixed coupon 505 bps	24,926	N/A
Other financial debts						10,830	N/A
TOTAL						118,664	

On May 13, 2014, the Board of Directors passed a resolution to issue the convertible bonds designated “€ 100,000,000 2 per cent. Equity Linked Bonds due 2021”, which were placed with institutional investors on May 14, 2014. Bond settlement occurred on May 21, 2014; the bonds were issued and investors paid the subscription price for a total amount of Euro 100 million (transaction costs relating to bond issuance amount to Euro 1,817 thousand). Bond term is seven years from date of settlement. The bonds were quoted on the Third Market (MTF) of the Vienna Stock Exchange starting June 13, 2014, have a minimum denomination of Euro 100 thousand and carry a coupon payable half-yearly at a fixed annual interest rate of 2%.
On September 26, 2014, the Extraordinary Shareholders Meeting resolved a capital increase in cash instalments, excluding option rights, under art. 2441, paragraph 5 of the Italian Civil Code, for a maximum total nominal value of Euro 9,657,528.92 to be released in a single or several issues of up to 18,572,171 ordinary shares of Sogefi issued exclusively for bond conversion. Under the terms and conditions of the bond, Sogefi S.p.A. had the right to deliver ordinary shares of Sogefi, or pay cash or offer a combination of ordinary shares and cash when the conversion rights were exercised.
On final maturity (May 21, 2021), the bonds will be repaid in a single instalment, unless they are redeemed early or converted.

The Holding Company Sogefi S.p.A. may repay the Bonds fully at any time prior to maturity at their nominal value plus outstanding accrued interest in the cases set forth by the Bond Terms, in line with market practices, including (i) when early conversion or

redemption rights have been exercised for at least 85% of the original nominal amount of the Convertible Bonds, and (ii) when the dealing price of the Company's ordinary shares exceeds a certain threshold on certain specific dates as defined in the Bond Terms.
Bondholders may redeem their Bonds in cash prior to maturity at the nominal value of the Bonds plus outstanding accrued interest if a Change of Control Event (when an entity or individual other than the current controlling entity or individuals acquires more than 50% of shares with voting rights, directly or indirectly, as defined in the Bond Terms) and a Free Float Event (when the free float of ordinary shares drops below 20%, as defined in the Bond Terms) occur.
The fair value of these options was deemed to be immaterial.

The conversion option in the bond is a US-style option and constitutes an embedded derivative with economic characteristics and risks that are not closely related to the host contract; as a result, its fair value was booked to “Other medium/long-term financial liabilities for derivative financial instruments”.
On May 14, 2014 (placement date), the Holding Company Sogefi S.p.A. separated the embedded derivative (call option on treasury shares of the Holding Company Sogefi S.p.A.) from the host contract (equity-linked bonds) in accordance with IAS 39 guidance on hybrid instruments and determined that its fair value amounted to Euro 24,500 thousand. Such fair value was classified as Level 2 in the fair value hierarchy and was determined based on a mathematical financial model (binomial model), using the stock price of Sogefi shares, the issue price of newly-issued shares as defined in the Bond Terms (identified as the strike price) at Euro 5.3844, the 7-year risk-free rate and the volatility of the Sogefi stock over a one-year period.
The book value of the host contract at placement date was found to be equal to the residual amount after separation of the embedded derivative, namely:

(in migliaia di euro)	
Fair value of the hybrid instrument (net of Euro 1,817 million of transaction costs connected with the issuing of equity-linked bonds)	98,183
Fair value of the embedded derivative (call option)	(24,500)
Difference corresponding to the initial book value of the host instrument	73,683

After initial recognition, the embedded derivative was measured at fair value and any changes were immediately booked to the Income Statement; the host contract was recognised at amortised cost. Such amortised cost was determined using an effective interest rate, as defined in IAS 39, of 6.79%. The interest rate owed and paid to bondholders is 2%.

As of December 31, 2014, the fair value of the embedded derivative had decreased by Euro 13,960 thousand (the fair value was measured with the same method outlined above), whereas the amortised cost of the host contract had increased by Euro 3,067 thousand (because of the difference of interests calculated using the effective interest rate as defined in IAS 39 and the interest rate actually paid); such changes were booked to the Income Statement under items “Other financial income” and “Interest expenses and other financial expenses”, respectively. The following parameters were used to measure the fair value of the embedded derivative:

- Three-month average price of the Sogefi stock as of December 31, 2014: Euro 2.26
- Exercise price: Euro 5.3844
- 7-year BTP yield as of December 31, 2014: 1.43%
- Average annual volatility of the Sogefi stock as of December 31, 2014: 45.2%

The fair value of the equity-linked bonds due 2021 amounted to Euro 86,971 thousand as of December 31, 2014 (fair value measured based on a quoted price per unit of the instrument of Euro 86.971 on the Third market (MTF) of the Vienna Stock Exchange as of December 31, 2014).
Under a resolution of the Board of Directors passed on January 19, 2015 and a Deed Poll executed on January 28, 2015 under British law (notified to Agent on January 29, 2015), the Holding Company Sogefi S.p.A. unilaterally waived the right to settle the convertible bonds in cash rather than by conversion into ordinary shares when the conversion options are exercised by bondholders under the Bond Terms. Such renouncement is final, irrevocable and unconditional. Under British law, such renouncement has the same effect as an amendment to the Bond Terms. Please read note 47 “Subsequent events” for more details.

In July 2014, the Holding Company Sogefi S.p.A. signed a revolving loan agreement for a total amount of Euro 20 million with Mediobanca S.p.A.. Final expiry is in January 2016 and the interest rate is linked to the 3-month Euribor plus a base spread of 170 basis points. The Holding Company Sogefi S.p.A. has drawn down the entire loan amount starting July 2014.

In July 2014, the Holding Company Sogefi S.p.A. signed a revolving loan agreement for a total amount of Euro 50 million with Unicredit S.p.A.. Final expiry is in July 2019 and the interest rate is linked to the 3-month Euribor plus a base spread of 200 basis points. The Holding Company Sogefi S.p.A. has drawn down a Euro 10 million portion of the loan starting December 2014. The remaining portion is available at demand until final expiry of the loan agreement.

In September 2014, the Holding Company Sogefi S.p.A. signed a loan agreement for a total amount of Euro 55 million with BNP Paribas S.A.. Principal is divided into a revolving portion amounting to Euro 30 million (expiry in September 2019) and a bullet portion amounting to Euro 25 million (expiry in September 2017). In December 2014, the Holding Company Sogefi S.p.A. drew down the entire bullet portion of Euro 25 million. As of December 31, 2014, the interest rate charged on this portion was linked to the 3-month Euribor plus a spread of 290 basis points.

Starting May 2014, the Holding Company Sogefi S.p.A. drawn down and repaid several portions of the revolving portion of the loan from Intesa Sanpaolo S.p.A. for the amount of Euro 30 million which will expire in December 2016. As of October 2014, the entire portion had been drawn down and the interest rate charged on it was linked to the 3-month Euribor plus a spread of 230 basis points.

With regard to the drawdowns and the issuance of the equity-linked bonds outlined above, the Holding Company Sogefi S.p.A. has made several advance repayments during 2014:
- with regard to the Syndicated Loan obtained in 2012, a first partial repayment of Euro 84 million (net book value at payment date was Euro 82,574 thousand) was made in May

2014 and a second final repayment of Euro 36 million (net book value at payment date was Euro 34,359 thousand) in full settlement of the Euro 120 million term loan portion was made in December 2014. When these two repayments were made, the IRS contracts designed in hedge accounting for a total notional value of Euro 120,000 thousand were terminated. With the repayment made in December 2014, the Holding Company Sogefi S.p.A. waived the revolving portion of Euro 80 million (which had never been used) and terminated the loan agreement;
- the loan obtained from Banca Monte dei Paschi di Siena S.p.A. in 2011 for Euro 18,750 thousand (net book value at payment date was Euro 18,614 thousand) expiring in March 2017 was repaid in June 2014;
- the loan obtained from GE Capital S.p.A. in 2011 for Euro 6,500 thousand (net book value at payment date was Euro 6,463 thousand) expiring in June 2017 was repaid in June 2014;
- the loan obtained from the European Investment Bank in 2010 for Euro 20,000 thousand (net book value at payment date was Euro 19,915 thousand) expiring in April 2016 was repaid in July 2014.

The advance repayment of these loans had the following impact on the Income Statement:

- a negative impact of Euro 3,337 thousand reflecting the difference between the redeemed amounts and the net book value of the repaid loans including miscellaneous charges totalling Euro 12 thousand;
- a negative impact of Euro 1,913 thousand relating to the termination of the IRS contracts related to the repaid loans.

Such expenses were booked to “Financial expenses (income), net”.

In March 2014, the Holding Company Sogefi S.p.A. redeemed the loan obtained from Unicredit S.p.A. in June 2006 for a principal amount of Euro 100 million when it paid the final instalment of Euro 5,550 thousand as per loan agreement.

In November 2014, the Holding Company Sogefi S.p.A. entered into a revolving loan agreement with Société Générale S.A. for a principal amount of Euro 30 million which will expire in November 2019. As of December 31, 2014, the Holding Company Sogefi S.p.A. has not drawn down this loan.

The existing loans are not secured by the Holding Company Sogefi S.p.A.'s assets. Furthermore, note that, contractually, the spreads relating to the loans of the Holding Company Sogefi S.p.A. 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 medium/long-term financial liabilities for derivative financial instruments

The item includes the medium/long-term portion of the fair value of the interest and exchange risk hedging instruments.
Reference should be made to chapter E for a further discussion of this matter.

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	1,306	914
Between 1 and 5 years	5,038	3,948
Beyond 5 years	2,826	2,533
Total lease payments	9,170	7,395
Interests	(1,775)	-
TOTAL PRESENT VALUE OF LEASE PAYMENTS	7,395	7,395

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 3,402 thousand; the future capital payments amount to Euro 2,385 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 coincided 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 1,318 thousand. The contract expires in May 2019, the future capital payments amount to Euro 646 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 2,471 thousand. The contract expires in July 2019, the future capital payments amount to Euro 1,257 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 3,580 thousand. The contract expires in June 2023, the future capital payments amount to Euro 3,107 thousand and the annual interest rate applied by the lessor is equal to 3.24%. 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.

It should be noted that the lease agreement of the Lieusaint facility expired in October 2014 and subsidiary Allevard Rejna Autosuspensions S.A. exercised the option to purchase at the price of Euro 1.

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)	12.31.2014	12.31.2013
Trade and other payables	309,808	285,410
Tax payables	5,323	4,557
TOTAL	315,131	289,967

Details of trade and other payables are as follows:

(in thousands of Euro)	12.31.2014	12.31.2013
Due to suppliers	242,383	223,573
Due to the parent company	142	130
Due to tax authorities for indirect and other taxes	10,144	8,442
Due to social and security institutions	20,514	21,671
Due to employees	30,049	27,572
Other payables	6,576	4,022
TOTAL	309,808	285,410

The amounts "Due to suppliers" are not subject to interest and on average are settled in 74 days, in line with the year 2013.
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 18,810 thousand (by Euro 15,792 thousand exchange rates being equal); this is mainly due to business growth in the last portion of 2014 compared to the same period of the previous year.

Item "Due to the Parent Company" reflects the consideration due for the fiscal surplus transferred by companies that have joined the CIR Group tax filing system, which amounts to Euro 128 thousand. For further details, please refer to note 40.

The increase in amounts "Due to tax authorities for indirect and other taxes" reflects VAT debts and other tax debt for the most relating to the Chinese subsidiaries.

The increase in line "Other payables" is mainly due to a reclassification of certain amounts between this item and amounts due to suppliers.

18. OTHER CURRENT LIABILITIES

"Other current liabilities" include adjustments to costs and revenues for the period so as to ensure compliance with the accruals based principle (accrued expenses and deferred income) 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)	12.31.2014	12.31.2013
Pension funds	47,361	31,321
Provision for employment termination indemnities	8,405	7,685
Provision for restructuring	19,296	16,870
Provisions for disputes with tax authorities	2,179	878
Provision for phantom stock options	-	1,299
Provision for product warranties and other risks	25,874	22,538
Agents' termination indemnities	102	96
Lawsuits	1,109	985
TOTAL	104,326	81,672

Pension funds

The amount of Euro 47,361 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 over the period are shown below:

(in thousands of Euro)	12.31.2014	12.31.2013
Opening balance	28,445	33,582
Cost of benefits charged to income statement	(153)	640
"Other Comprehensive Income"	21,063	(2,756)
Contributions paid	(2,722)	(2,898)
Exchange differences	728	(123)
TOTAL	47,361	28,445
of which booked to Liabilities	*47,361*	*31,321*
of which booked to Assets	-	*(2,876)*

We point out that as of December 31, 2013, the pension fund of the subsidiary Sogefi Filtration Ltd showed a surplus of Euro 2,876 thousand, which was booked to “Other receivables”, as explained in note 13.

The following table shows all of the obligations deriving from “Pension funds” and the present value of the plan assets for the year 2014 and the two previous years.

(in thousands of Euro)	12.31.2014	12.31.2013	12.31.2012
Present value of defined benefit obligations	222,291	186,866	189,037
Fair value of plan assets	174,930	158,421	155,455
Deficit	47,361	28,445	33,582
Liability recorded to "Long-term provisions"	47,361	31,321	36,213
Surplus recorded to "Other receivables"	-	(2,876)	(2,631)

Changes in the "Present value of defined benefit obligations" for the year 2014 were as follows:

(in thousands of Euro)	12.31.2014	12.31.2013
Present value of defined benefit obligations at the beginning of the period	186,866	189,037
Current service cost	1,769	1,918
Financial expenses	8,266	7,698
Remeasurement (gains)/losses		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(220)	(2,921)
- Actuarial (gains)/losses arising from changes in financial assumptions	26,351	6,261
- Actuarial (gains)/losses arising from experience	(1,676)	(2,563)
- Actuarial (gains)/losses arising from "Other long-term benefits" - Jubilee benefit	(1,102)	56
Past service cost	(1,794)	(824)
Contribution paid by plan participants	212	253
Settlements/Curtailments	(860)	(2,054)
Exchange differences	12,053	(3,306)
Benefits paid	(7,574)	(6,689)
Present value of defined benefit obligations at the end of the period	222,291	186,866

"Actuarial (gains)/losses arising from changes in financial assumptions" are mainly due to decreasing discount rates in British 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" relate for the most part to subsidiary Filtrauto S.A. as a result of falling wage inflation rates and a social contribution balance equal to zero.
"Past service cost" relates nearly entirely to subsidiary Sogefi Filtration Ltd as a result of an amendment to the terms of one of four plans under which future pay raises are now linked to the CPI (Consumer prices index) rather than the RPI (Retail prices index).
"Settlements/Curtailments" refer to the decrease of the pension fund of subsidiary Allevard Rejna Autosuspensions S.A. after the Lieusaint plant was shut down.

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)	12.31.2014	12.31.2013
Fair value of plan assets at the beginning of the period	158,421	155,455
Interest income	7,433	6,634
Remeasurement (gains)/losses:		
Return on plan assets	3,392	3,533
Non investment expenses	(1,001)	(480)
Contributions paid by the company	1,447	1,363
Contributions paid by the plan participants	212	253
Settlements/curtailments	-	-
Exchange differences	11,317	(3,181)
Benefits paid	(6,291)	(5,156)
Fair value of plan assets at the end of the period	174,930	158,421

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)	12.31.2014	12.31.2013
Return on plan assets (excluding amounts included in net interests expenses on net liability (assets))	(3,392)	(3,533)
Actuarial (gains)/losses arising from changes in demographic assumptions	(220)	(2,921)
Actuarial (gains)/losses arising from changes in financial assumptions	26,351	6,261
Actuarial (gains)/losses arising from experience	(1,676)	(2,563)
Value of the net liability (asset) to be recognised in "Other Comprehensive income"	21,063	(2,756)

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

(in thousands of Euro)	12.31.2014	12.31.2013
Current service cost	1,769	1,918
Net interest cost	833	1,064
Past service cost	(1,794)	(824)
Actuarial (gains)/losses recognised during the year on "Other long-term benefits"- Jubilee benefit	(1,102)	56
Non investment expenses	1,001	480
Settlements/Curtailments	(860)	(2,054)
TOTAL	(153)	640

Please see the table reporting changes in the “Present value of defined benefit obligations” for comments on main items.

Items “Current service cost”, “Past service cost” and “Non investment expenses” 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 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)	12.31.2013			
	Great Britain	France	Other	TOTAL
Present value of defined benefit obligations	158,622	24,814	3,430	186,866
Fair value of plan assets	158,365	-	56	158,421
Deficit	257	24,814	3,374	28,445

(in thousands of Euro)	12.31.2014			
	Great Britain	France	Other	TOTAL
Present value of defined benefit obligations	196,097	22,536	3,658	222,291
Fair value of plan assets	174,858	-	72	174,930
Deficit	21,239	22,536	3,586	47,361

The increase in Great Britain Deficit can be traced back mainly to a decrease in the discount rate.
The decrease in France Deficit is mainly due to the effect of the restructuring plan of subsidiary Allevard Rejna Autosuspensions S.A. that will reduce the number of beneficiaries, and to the dynamics of actuarial valuations.

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:

	12.31.2014	12.31.2013
Discount rate %	3.6	4.6
Expected annual wage rise %	2.2-3.1	3.5-3.95
Annual inflation rate %	2.1-3.1	3.5
Retirement age	65	65

The lower “Discount rate” versus the previous year reflects the downward trend in returns on AA-rated UK corporate bonds recorded in 2014. The “Discount rate” is calculated based on the returns on Eurozone AA-rated corporate bonds (average duration of 13 years) adjusted for the longer average bond duration (19 years).

Changes in the present value of the UK funds obligation for 2014 and 2013 were as follows:

(in thousands of Euro)	12.31.2014	12.31.2013
Present value of defined benefit obligations at the beginning of the period	158,622	158,852
Current service cost	172	283
Financial expenses	7,370	6,730
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	-	(2,813)
- Actuarial (gains)/losses arising from changes in financial assumptions	25,694	5,786
- Actuarial (gains)/losses arising from experience	-	(1,195)
Past service cost	(1,731)	(824)
Contribution paid by plan participants	212	253
Settlements/Curtailments	-	-
Exchange differences	12,049	(3,297)
Benefits paid	(6,291)	(5,153)
Present value of defined benefit obligations at the end of the period	196,097	158,622

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

(in thousands of Euro)	12.31.2014	12.31.2013
Fair value of plan assets at the beginning of the period	158,365	155,408
Interest income	7,428	6,630
Remeasurement (gains)/losses:		
Return on plan assets	3,392	3,533
Non investment expenses	(1,001)	(480)
Contribution paid by the company	1,430	1,341
Contribution paid by plan participants	212	253
Settlements/Curtailments	-	-
Exchange differences	11,323	(3,167)
Benefits paid	(6,291)	(5,153)
Fair value of plan assets at the end of the period	174,858	158,365

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

	12.31.2014	12.31.2013
Debt instruments	28.2%	27.1%
Equity instruments	44.2%	47.8%
Real estate investments	0.5%	2.0%
Cash	8.6%	15.0%
Derivatives	16.8%	6.3%
Other assets	1.7%	1.8%
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 2014 shows an increase in derivative instruments. This increase does not reflect a change in investment strategy, but rather the fund's dynamic management strategy that requires asset allocation to be adjusted to present economic conditions and future expectations. More specifically, the increased used of derivatives as of December 31, 2014 is aimed at hedging the exchange risks connected with certain investment strategies.

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

The Trustee Board 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 interest rates, exchange rates and inflation.

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 1,205 thousand.

Average bond duration as of December 31, 2014 is approximately 19 years.

In compliance with the revised IAS 19, a sensitivity analysis was performed to determine how the present value of the obligation 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)	12.31.2014	
	+1%	-1%
Discount rate	(32,682)	42,607
Rate of salary increase	140	(128)

(in thousands of Euro)	12.31.2014	
	+ 1 year	- 1 year
Life expectancy	4,823	(4,851)

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, 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:

	12.31.2014	12.31.2013
Discount rate %	2.4	3.0-3.2
Expected annual wage rise %	2.5	2.0-2.5
Annual inflation rate %	1.0	2.0
Retirement age	60-67	60-67

The “Discount rate” is calculated based on the returns on Eurozone AA-rated corporate bonds (average duration of 13 years).

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

(in thousands of Euro)	12.31.2014	12.31.2013
Present value of defined benefit obligations at the beginning of the period	24,814	26,625
Current service cost	1,529	1,576
Financial expenses	781	849
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(256)	(16)
- Actuarial (gains)/losses arising from changes in financial assumptions	(378)	553
- Actuarial (gains)/losses arising from experience	(2,072)	(1,449)
Settlements/Curtailments	(860)	(2,054)
Benefits paid	(1,022)	(1,270)
Present value of defined benefit obligations at the end of the period	22,536	24,814

“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)	12.31.2014	
	+1%	-1%
Discount rate	(2,723)	3,328
Rate of salary increase	3,032	(2,594)

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 December 27, 2006 and subsequent decrees and regulations issued in the early part of 2007, for companies with 50 or more employees (Sogefi Rejna S.p.A.), the portions of the provision accruing as from January 1, 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 December 31, 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 IAS 19, for companies with less than 50 employees (Holding Company Sogefi S.p.A.) the provision 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): 0.91% (2.5% as of December 31, 2013)
2. annual inflation rate: 0.6% for 2015, 1.2% for 2016, 1.5% for 2017 and 2018, 2% from 2019 onwards (2% as of December 31, 2013)
3. annual increase in termination indemnity: 1.95% for 2015, 2.4% for 2016, 2.625% for 2017 and 2018, 3% from 2019 onwards (3% as of December 31, 2013)

- Demographic assumptions:
1. rate of voluntary resignations: 3% - 10% of the workforce (same assumptions adopted as of December 31, 2013);
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 of December 31, 2013);
3. probability of death: the RG48 mortality tables produced by the General State Accounting Body were used (same assumptions adopted as of December 31, 2013);
4. probability of advanced settlement: an annual value of 2% - 3% each year was assumed (same assumptions adopted as of December 31, 2013);

5. INPS' tables split by age and gender were used for the probability of disability (same assumptions adopted as of December 31, 2013).

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2014	12.31.2013
Opening balance	7,685	7,867
Accruals for the period	309	260
Amounts recognised in "Other Comprehensive Income"	631	(209)
Contributions paid	(220)	(233)
TOTAL	8,405	7,685

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

(in thousands of Euro)	2014	2013
Current service cost	120	100
Interest costs	189	160
TOTAL	309	260

Average bond duration as of December 31, 2014 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)	12.31.2014	
	+0,5%	-0,5%
Discount rate	(269)	289
Rate of salary increase	9	(54)

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)	12.31.2014	12.31.2013
Opening balance	16,870	7,720
Accruals for the period	11,132	15,750
Utilisations	(7,289)	(6,046)
Provisions not used during the period	(1,138)	(303)
Other changes	(208)	-
Exchange differences	(71)	(251)
TOTAL	19,296	16,870

"Accruals for the period" reflect for the most part restructuring projects initiated during the year at the subsidiaries Allevard Rejna Autosuspensions S.A. (shutdown of the Lieusaint plant) and Sogefi Filtration do Brasil Ltda (relocation of production from San Paolo to Atibaia).

"Utilizations" (written down from provisions set aside previously) and "Provisions not used during the period" (amounts set aside in previous years less amounts actually paid) refer nearly entirely to subsidiary Filtrauto S.A and relate to the shutdown of the Saint Père plant and the relocation of production from the Argentan plant to Vire.

Movements in the "Accruals for the period" net of the "Provisions not used during the period" occurred during the year total Euro 9,994 thousand; this figure is booked to the Income Statement under "Restructuring costs".

Provisions for disputes with tax authorities

This refers to tax disputes under way with local European tax authorities, for which the appropriate provisions have been made, even though the final outcome is not yet certain.

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2014	12.31.2013
Opening balance	878	546
Accruals for the period	1,430	378
Utilisations	(117)	(46)
Exchange differences	(12)	-
TOTAL	2,179	878

The largest accruals for the period refer to subsidiary Systèmes Moteurs S.A.S., and relate to a dispute under way arisen in the 2009-2011 period.

Provision for phantom stock options

The provision for Phantom Stock Options refers to the fair value measurement of options related to Phantom Stock Option incentive plans for the Director who filled the post of Managing Director when the plans were issued. As of March 31, 2014, the Director exercised 990,000 options under the 2008 phantom stock option plan. Under Plan Regulations, in April 2014 the Company paid the corresponding amount of Euro 2,299 thousand in cash to the beneficiary, of which Euro 1,257 thousand were drawn from the

existing Provision for phantom stock options as of December 31, 2013 and Euro 1,042 thousand were recognised in the Income Statement for the year 2014 under "Directors' and statutory auditors' remuneration" to reflect the change in the fair value of the stock occurred in early 2014.
With regard to the 2007 Phantom Stock Option, its fair value increased by Euro 42 thousand, and such increase was recognised in the Income Statement for 2014 under item "Directors' and statutory auditors' remuneration".

Provision for product warranties

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2014	12.31.2013
Opening balance	22,538	27,329
Accruals for the period	5,810	1,085
Utilisations	(2,658)	(5,386)
Provisions not used during the period	(85)	(432)
Other changes	261	-
Exchange differences	8	(58)
TOTALE	25,874	22,538

The item reflects for the most part liabilities connected with product warranty risks of the Systemes Moteurs Group and other liabilities booked to accounts during the Purchase Price Allocation process relating to the acquisition of the Group.

With regard to Provision for product warranties, there are claims in progress by two customers relating to a defective component supplied by subsidiary Systèmes Moteurs S.A.S starting from 2010 (the subsidiary was acquired by Sogefi Group in July 2011). Based on the Company's opinion the defect was caused by a thermostat manufactured by a supplier of Systèmes Moteurs S.A.S.

Systèmes Moteurs S.A.S. believes that liability for the defect is connected with the subcomponent manufactured by the supplier and in 2012 filed a law suit against that supplier in the French courts seeking indemnity for any damages it might have to pay to its customers (claimed amount was later adjusted to the claims filed by car makers against Systèmes Moteurs S.A.S.).

On June 6, 2013, the court appointed an expert to write an expert witness report and determine where technical liability for the defect lies and the amount of damages. Merit proceedings were suspended pending submission of the expert witness report.

Management believes that the court expert will assign predominant technical liability to the component supplier.

On July 9, 2014, the two customers joined the proceedings and petitioned for their damages to be determined in the expert witness report. Up to that date, neither of the two customers had filed a law suit against Systèmes Moteurs S.A.S. Both of them had requested an out-of-court settlement for damages.

A first customer claimed approximately Euro 43 million in damages, plus an additional claim of Euro 11.1 million for damage to reputation and financial expenses. In January 2015, this customer informally advised the company that they were going to claim an additional indemnity of Euro 30 million for costs associated with planned future campaigns.

A second affected customer filed a claim for approximately Euro 40 million.

While not admitting to any liability, Systèmes Moteurs S.A.S. made an agreement with the second customer to pay a provisional amount of Euro 8 million pending a final decision and quantification of damage by the Court. In the event damages awarded by the Court are less than the amounts paid, the customer will return any excess amounts to Systèmes Moteurs S.A.S., otherwise Systèmes Moteurs S.A.S. will pay any balance amount. Customer has undertaken to avoid initiating any other recall campaigns.

Likewise, a similar settlement is being negotiated with the first customer and an agreement should be finalised soon. The proposed settlement provides for payment of a provisional amount of Euro 10 million to be adjusted when the Court awards damages.
Based on the above considerations, the Company prudently increased the Provision for product warranties from Euro 12.6 million to Euro 18 million.

With regard to the indemnities owed by the seller of Systèmes Moteurs S.A.S. shares and by the supplier of the subcomponent, it is worthwhile pointing out that after the determination of the fair value of identifiable assets acquired and identifiable liabilities assumed in connection with the Systemes Moteurs Group acquisition was completed, the Sogefi Group entered an indemnification asset in the consolidated financial statement in accordance with IFRS 3.27 and 28 , because the seller Dayco Europe Srl had provided contractual guarantees relating to defect liability claims existing at the time of the acquisition, including those noted above, for a total amount of Euro 23.4 million (versus a total fair value amount of potential liabilities of Euro 25.1 million).

As of December 31, 2014, such indemnification asset has been valued according to IFRS 3.57, and is still believed to be recoverable based on the contractual guarantees given by the seller and the considerations outlined above.
After requesting an indemnification from the seller, Sogefi S.p.A. initiated international arbitration proceedings against the seller of Systèmes Moteurs S.A.S.' shares to collect the payables, as provided for by the acquisition contract. The proceedings are still pending.

It should be noted that these are complex proceedings that involve passing judgement on technical, juridical and commercial matters, and that there is a certain degree of uncertainty connected with arbitration awards. Estimates concerning risks provision and the recovery of booked assets are based on the best information available at the time of preparing the financial statements. They are subject to change as events evolve.

Supplementary indemnity reserves for agents and Lawsuits

The provisions changed as follows during the period:

(in thousands of Euro)	12.31.2013	
	Agent's termination indemnities	Lawsuits
Opening balance	90	881
Accruals for the period	6	405
Utilisations	-	(228)
Provisions not used during the period	-	(38)
Exchange differences	-	(35)
TOTAL	96	985

(in thousands of Euro)	12.31.2014	
	Agent's termination indemnities	Lawsuits
Opening balance	96	985
Accruals for the period	6	502
Utilisations	-	(114)
Provisions not used during the period	-	(24)
Other changes	-	(228)
Exchange differences	-	(12)
TOTAL	102	1,109

Amounts stated in the financial statements represent the best possible estimates of liabilities at year-end date. Item “Lawsuits” includes litigation with employees and third parties.

Other payables

“Other payables” totalled Euro 6,988 thousand (Euro 257 thousand as of December 31, 2013), of which Euro 6,765 thousand reflect the fair value of the liability connected with the put options held by the non-controlling interests of subsidiary Sogefi M.N.R. Filtration India Pvt Ltd. on 30% of the capital of the company that will originate from the merger of Sogefi M.N.R. and subsidiary Systemes Moteurs India Pvt Ltd. The options can be exercised after December 31, 2016. The fair value of this liability reflects a reasonable estimate of the strike price of the option, and was determined according to the Discounted Cash Flow Unlevered method based on the cash flows of the 2015 budget and on the projections for the 2016-2018 period relating to the involved subsidiaries. A 16.52% discount rate was applied and terminal value was calculated by the perpetuity formula assuming a 6.7% growth rate in line with industry performance in the Indian market.
The following parameters (obtained from key financial sources) were used to calculate the discount rate based on weighted average cost of capital:
- financial structure of the industry: 19.3%
- levered beta of the industry: 1.17
- risk-free rate: 8.57% (annual average of risk-free rates of 10 year securities)
- risk premium: 8%

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)	12.31.2014		12.31.2013	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Deferred tax assets:				
Allowance for doubtful accounts	3,273	942	3,258	937
Fixed assets amortisation/writedowns	31,329	9,750	29,798	9,163
Inventory writedowns	5,645	1,865	4,928	1,602
Provisions for restructuring	9,383	3,169	8,822	2,990
Other provisions - Other payables	77,326	23,409	50,978	16,984
Fair value derivative financial instruments	16,299	4,483	16,508	4,541
Other	17,851	5,669	15,324	5,316
Deferred tax assets for tax losses incurred during the year	17,563	4,944	-	-
Deferred tax assets for tax losses incurred during previous years	53,009	16,895	56,861	18,087
TOTAL	231,678	71,126	186,477	59,620
Deferred tax liabilities:				
Accelerated/excess depreciation and amortisation	72,637	20,119	75,416	22,040
Difference in inventory valuation methods	758	204	775	213
Capitalisation of R&D costs	46,955	15,796	42,300	14,384
Other	32,666	2,745	6,493	1,678
TOTAL	153,016	38,864	124,984	38,315
Deferred tax assets (liabilities) net		32,262		21,305
Temporary differences excluded from the calculation of deferred tax assets (liabilities):				
Tax losses carried forward	88,670	28,223	65,423	21,025

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.

The change in “Deferred tax assets (liabilities), net” compared with December 31, 2013 amounts to Euro 10,957 thousand and differs by Euro 4,900 thousand from the amount shown in the Income Statement under “Income taxes – Deferred tax liabilities (assets)” (Euro 6,057 thousand) due to:

- movements in the statement of financial position items that did not have any effect on the Income Statement and therefore the related positive tax effect amounting to Euro 4,146 thousand has been accounted for as Other Comprehensive Income (the negative effect of the fair value of derivatives designated as cash flow hedges was Euro 53 thousand; the positive effect of actuarial gains/losses arising from the adoption of the IAS 19 revised was Euro 4,199 thousand);
- exchange differences for the amount of Euro 754 thousand.

The increase in the tax effect in the item "Other provisions - Other payables" mostly originates from a reduction of the liabilities connected with British pension funds and liabilities connected with the provisions for product warranty risks.

Item "Other" of deferred tax assets includes various types of postings, such as for example costs for which tax deduction is deferred (for example, remuneration allocated to 2014 on an accrual basis but not yet paid, intercompany service costs in Argentinian subsidiaries that are deducted upon actual payment).

"Deferred tax assets for tax losses incurred during the year" relate to the following companies:

- Holding Company Sogefi S.p.A. for Euro 4,261 thousand and subsidiary Sogefi Rejna S.p.A. for Euro 89 thousand. Taxes on tax losses for the year are recognised in the Income Statement under "Current taxes" (for Euro 1,431 thousand) to the extent that the loss is actually offset against taxable income generated within the CIR Group tax filing system. Tax losses carried forward in excess of the offset amount were recognised as deferred tax assets (Euro 4,350 thousand) as they are likely to be recovered taking into account that the Company has joined the CIR Group tax filing system permanently;
- subsidiary Sogefi Filtration do Brasil Ltda for Euro 594 thousand. Losses occurred as a result of a marked slump in South American markets observed during the year 2014. 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 subsidiaries Allevard Sogefi U.S.A. Inc. (Euro 7,725 thousand; Euro 6,802 thousand as of December 31, 2013), Allevard Rejna Autosuspensions S.A. (Euro 3,356 thousand; Euro 4,760 thousand as of December 31, 2013), Sogefi Filtration Ltd (Euro 2,284 thousand; Euro 2,933 thousand as of December 31, 2013), Sogefi Filtration S.A. (Euro 2,111 thousand; Euro 1,972 thousand as of December 31, 2013), United Springs S.A.S. (Euro 872 thousand; Euro 921 thousand as of December 31, 2013) and Systèmes Moteurs S.A.S. (Euro 547 thousand; Euro 699 thousand as of December 31, 2013). 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; under a law amendment passed in late 2014, the losses in the Spanish subsidiary can now be treated in the same manner. The losses of the French subsidiary can be carried forward indefinitely but the law passed in 2012 has introduced a limit for the amount that can be utilised each year, making recovery time longer.

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 line item "Other" relating to deferred tax liabilities includes: Euro 26,696 thousand relating to dividends of the French and Canadian subsidiaries to be paid in the short term, on which a 3% and 5% income tax is due, respectively, at the time of payment; Euro 2,495 thousand is the tax effect relating to the taxed portion of these dividends that will be paid to the French subsidiaries and the Holding Company Sogefi S.p.A.; other minor items totalling Euro 3,475 thousand.

As regards the figures shown under "Temporary differences excluded from the calculation of deferred tax assets (liabilities)", no deferred tax assets were recognised as, at year end, it was not likely that they would be recovered. "Tax losses carried forward" mainly relate to subsidiaries Allevard Sogefi U.S.A. Inc. (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), Allevard Rejna Autosuspensions 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 Filtration Ltd (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), S. ARA Composite S.A.S., and to the Chinese and Indian subsidiaries of the Suspension Components business unit.
The increase in "Tax losses carried forward" is mainly traced back to the losses of subsidiaries Allevard Rejna Autosuspensions S.A., Sogefi (Suzhou) Auto Parts Co., Ltd. and to certain companies that operate under the Suspension Components business unit. No deferred tax assets were recognised for these losses because the cash flows for the specific period of the company's long-term plan only allow for the recovery of the deferred tax assets recognised during previous years.

21. SHARE CAPITAL AND RESERVES

Share capital

The share capital of the Holding Company Sogefi S.p.A. is fully paid in and amounts to Euro 61,631 thousand as of December 31, 2014 (Euro 60,924 thousand as of December 31, 2013), split into 118,521,055 ordinary shares with a par value of Euro 0.52 each.

During the year 2014, the share capital increased from Euro 60,924 thousand (divided into 117,162,292 shares) to Euro 61,631 thousand (divided into 118,521,055 shares). All ordinary shares have been fully paid-in. There are no shares encumbered by rights, privileges or restrictions as to dividend pay-outs.

As of December 31, 2014, the Holding Company has 3,430,133 treasury shares in its portfolio, corresponding to 2.89% of share capital.

Movements in the shares outstanding are as follows:

(Shares outstanding)	2014	2013
No. shares at start of period	*117,222,292*	*116,753,392*
No. shares issued for subscription of stock options	1,298,763	408,900
No. of ordinary shares as of December 31	118,521,055	117,162,292
No. shares issued for subscription of stock options booked to "Other reserves" at December 31, 2013	-	60,000
Treasury shares	(3,430,133)	(3,763,409)
No. of shares outstanding as of December 31	115,090,922	113,458,883

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*
Balance at December 31, 2012	*60,712*	*10,796*	*9,087*	*(9,087)*	*(6,923)*	*12,320*	*(14,528)*	*3,552*	*(18,220)*	*8,552*	*3,111*	*92,802*	*28,246*	*180,420*
Paid share capital increase	212	429	-	-	-	-	-	-	-	-	126	-	-	767
Allocation of 2012 net profit:														
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	(14,667)	-	(14,667)
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	28,246	(28,246)	-
Recognition of share-based incentive plans	-	-	-	-	-	-	-	1,562	-	-	-	-	-	1,562
Other changes	-	495	(495)	495	-	-	-	(511)	-	-	-	(121)	-	(137)
Fair value measurement of cash flow hedging instruments: share booked to OCI	-	-	-	-	-	-	(5,753)	-	-	-	-	-	-	(5,753)
Fair value measurement of cash flow hedging instruments: share booked to income statement	-	-	-	-	-	-	3,493	-	-	-	-	-	-	3,493
Actuarial gain/loss	-	-	-	-	-	-	-	-	2,965	-	-	-	-	2,965
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	(550)	-	-	-	(550)
Currency translation differences	-	-	-	-	(20,737)	-	-	-	-	-	-	-	-	(20,737)
Net result for the period	-	-	-	-	-	-	-	-	-	-	-	-	21,124	21,124
Balance at December 31, 2013	*60,924*	*11,720*	*8,592*	*(8,592)*	*(27,660)*	*12,320*	*(16,788)*	*4,603*	*(15,255)*	*8,002*	*3,237*	*106,260*	*21,124*	*168,487*
Paid share capital increase	707	1,942	-	-	-	-	-	-	-	-	(126)	-	-	2,523
Allocation of 2013 net profit:														
Legal reserve	-	-	-	-	-	20	-	-	-	-	-	-	(20)	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	21,124	(21,124)	-
Recognition of share-based incentive plans	-	-	-	-	-	-	-	852	-	-	-	-	-	852
Other changes	-	761	(761)	761	-	-	-	(724)	-	-	-	(3,078)	-	(3,041)
Fair value measurement of cash flow hedging instruments: share booked to OCI	-	-	-	-	-	-	(9,413)	-	-	-	-	-	-	(9,413)
Fair value measurement of cash flow hedging instruments: share booked to income statement	-	-	-	-	-	-	9,603	-	-	-	-	-	-	9,603
Actuarial gain/loss	-	-	-	-	-	-	-	-	(21,694)	-	-	-	-	(21,694)
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	4,146	-	-	-	4,146
Currency translation differences	-	-	-	-	6,116	-	-	-	-	-	-	-	-	6,116
Net result for the period	-	-	-	-	-	-	-	-	-	-	-	-	3,639	3,639
Balance at December 31, 2014	61,631	14,423	7,831	(7,831)	(21,544)	12,340	(16,598)	4,731	(36,949)	12,148	3,111	124,306	3,619	161,218

Share premium reserve

It amounts to Euro 14,423 thousand compared with Euro 11,720 thousand in the previous year.

The increase by Euro 1,942 thousand reflects share subscriptions under stock option plans for Euro 1,847 thousand, and the transfer of the Euro 95 thousand capital increase subscribed on December 31, 2013.

During 2014, the Holding Company Sogefi S.p.A. credited Euro 761 thousand to the Share premium reserve after the free grant of 333,276 treasury shares to beneficiaries of the 2011 and 2012 Stock Grant plans.

Treasury shares

Item “Treasury shares” reflects the purchase price of treasury shares. Movements during the year amount to Euro 761 thousand and reflect the free grant of 333,276 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.

Movements in the period show an increase of Euro 6,116 thousand mainly attributable to the appreciation of the US and Canadian Dollar against the Euro.

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 of January 1, 2012. The item also includes actuarial gains and losses accrued after January 1, 2012 and recognised under Other Comprehensive Income.

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 190 thousand. Breakdown is as follows:

- decrease of Euro 3,411 thousand reflecting the change, as of December 31, 2013, in the fair value of existing contracts;
- increase of Euro 825 thousand reflecting the reserve portion relating to redeemed IRS contracts reclassified to Income Statement (as outlined in note 15);
- increase of Euro 2,776 thousand reflecting the reserve portion relating to the contracts no longer designated in hedge accounting that is recognised in the Income Statement over the same period of time as the differentials relating to the underlying hedged item.

Stock-based incentive plans reserve

The reserve refers to the credit to equity for stock-based incentive plans, assigned to directors and employees, resolved after November 7, 2002, including the portion relating to the stock grant plan approved in 2014.

In 2014, as a result of the free grant of 333,276 treasury shares to beneficiaries who exercised their options under the stock grant plans, the amount of Euro 724 thousand, corresponding to fair value at units assignment date, was reclassified from “Stock-based incentive plans reserve” and Euro 761 thousand were credited to “Share premium reserve”, whereas Euro 37 thousand were deducted from “Retained earnings reserve”.

The increase of Euro 852 thousand mainly refers to the cost of plans not yet at maturity.

Retained earnings

These totalled Euro 124,286 thousand and include amounts of profit that have not been distributed.

The decrease of Euro 3,078 thousand refers to the following events:

- the interest held by subsidiary Allevard Rejna Autosuspensions S.A. in subsidiary Allevard IAI Suspensions Pvt Ltd. increased from 70.24% to 73.91% through a share capital increase paid in by shareholders other than non-controlling interests that resulted in the amount of Euro 52 thousand being reclassified between shareholders' equity attributable to non-controlling interests and Group's equity;
- the interest held by subsidiary Allevard Rejna Autosuspensions S.A. in subsidiary S.ARA Composite S.A.S. increased from 90.91% to 93.71% (percent values refer to paid-in capital) through a share capital increase paid in by shareholders other than non-controlling interests that resulted in the amount of Euro 160 thousand being reclassified between shareholders' equity attributable to non-controlling interests and Group's equity;
- recognition of the fair value of the liability connected with the put options held by the non-controlling interests of subsidiary Sogefi M.N.R. Filtration India Pvt for the amount of Euro 2,819 thousand (please read note 1.2 “Content of the consolidated financial statements” for more details);
- reclassification of the “Stock-based incentive plans reserve” as outlined above (Euro 37 thousand);
- other minor changes (Euro 10 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)	2014			2013		
	Gross value	Taxes	Net value	Gross value	Taxes	Net value
- Profit (loss) booked to cash flow hedging reserve	190	(53)	137	(2,260)	620	(1,640)
- Actuarial gain (loss)	(21,698)	4,199	(17,499)	2,965	(1,170)	1,795
- Profit (loss) booked to translation reserve	6,837	-	6,837	(21,319)	-	(21,319)
- Total Profit (loss) booked in Other Comprehensive Income	(14,671)	4,146	(10,525)	(20,614)	(550)	(21,164)

Tax-related restrictions applicable to certain provisions

The Shareholders' equity of Holding Company Sogefi S.p.A. includes Deferred tax provisions and share capital committed to deferred tax as a result of past utilisation of valuation reserve totalling Euro 24,164 thousand.

The Holding Company has not allocated any deferred tax liabilities to such provisions that, if distributed, would contribute to the taxable income of the Company, because it is not likely that they will be distributed.

Non-controlling interests

The balance amounts to Euro 19,568 thousand and refers to the portion of shareholders' equity attributable to non-controlling interests.

During the year, the reserve was decreased by Euro 3,734 thousand (posted under line item “Other changes” in the “Consolidated Statement of Changes in Equity”) to reflect the changes in the interests held in subsidiaries S.ARA Composite S.A.S. (Euro 160 thousand) and Allevard IAI Suspensions Pvt Ltd. (Euro 52 thousand) noted above and the recognition of the fair value of the liability connected with the put options held by the non-controlling interests of subsidiary Sogefi M.N.R. Filtration India Pvt for the amount of Euro 3,946 thousand.

Details of non-controlling interests are given below:

(in thousands of Euro)		*% owned by third parties*		*Loss (proftt) attributable to non-controlling interests*		*Shareholders' equity attributable to non-controlling*	
Subsidiary's name	Region	12.31.2014	12.31.2013	12.31.2014	12.31.2013	12.31.2014	12.31.2013
S.ARA Composite S.A.S.	France	6.29%	9.09%	(116)	(132)	524	482
Iberica de Suspensiones S.L.	Spain	50.00%	50.00%	4,103	3,000	15,417	13,814
Shanghai Allevard Spring Co., Ltd	China	39.42%	39.42%	209	217	3,138	2,820
Allevard IAI Supensions Pvt Ltd	India	26.09%	29.76%	(136)	(196)	425	356
Sogefi M.N.R. Filtration India Pvt Ltd	India	40.00%	40.00%	696	718	-	2,889
Other		0.12%	0.12%	-	-	64	65
TOTAL				4,756	3,607	19,568	20,426

As required by IFRS 12, a brief overview of the key financial data of companies with significant non-controlling interests is provided below:

(in thousands of Euro)

Company	*Shanghai Allevard Spring Co., Ltd*		*Iberica de Suspensiones S.L.*		*Sogefi M.N.R. Filtration India Pvt Ltd*	
	12.31.2014	12.31.2013	12.31.2014	12.31.2013	12.31.2014	12.31.2013
Current Assets	5,635	5,485	33,412	25,628	9,593	6,719
Non-current Assets	3,729	3,444	9,767	9,769	6,331	4,106
Current Liabilities	1,129	1,775	12,169	7,609	5,444	3,085
Non-current Liabilities	-	-	174	160	617	518
Shareholders' equity attributable to the Holding Company	5,097	4,443	15,418	13,814	5,918	4,333
Non-controlling interests	3,138	2,711	15,417	13,814	3,945	2,889
	-	-	-	-	-	-
Sales Revenue	6,189	7,092	64,331	53,989	18,403	15,356
Variable cost of sales	3,626	4,229	38,995	33,097	12,205	9,724
Other variable costs of sales	423	508	3,940	3,288	579	497
Fixed expenses	1,445	1,501	10,211	9,352	2,821	2,492
Non-operating expenses (income)	20	120	246	19	103	(18)
Income taxes	145	184	2,731	2,233	955	866
Income (loss) for the period	530	550	8,208	6,000	1,740	1,795
Income (loss) attributable to the Holding Company	320	334	4,104	2,999	1,045	1,077
Income (loss) attributable to non-controlling interests	209	217	4,103	3,000	696	718
Income (loss) for the period	529	551	8,207	5,999	1,741	1,795
OCI attributable to the Holding Company	483	(68)	-	-	546	(694)
OCI attributable to non-controlling interests	314	(45)	-	-	364	(463)
OCI for the period	797	(113)	-	-	546	(536)
Total income (losses) attributable to the Holding Company	803	266	4,104	2,999	1,591	383
Total income (losses) attributable to non-controlling interests	523	172	4,103	3,000	1,055	255
Total income (losses) for the period	1,326	438	8,207	5,999	2,287	1,259
Dividends paid to non-controlling interests	97	73	2,500	2,500	-	-
Net cash inflow (out flow) from operating activities	1,200	1,576	10,568	6,343	2,921	2,389
Net cash inflow (out flow) from investing activities	(316)	(354)	(1,515)	(525)	(2,076)	(1,167)
Net cash inflow (out flow) from financing activities	(857)	(797)	(5,000)	(5,000)	(585)	(92)
Net cash inflow (out flow)	27	425	4,053	818	260	1,130

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 July 28, 2006 with a reconciliation of the net financial position shown in the Board of Directors' Report:

(in thousands of Euro)	12.31.2014	12.31.2013
A. Cash	124,033	125,344
B. Other cash at bank and on hand (held to maturity investments)	6,953	7,462
C. Financial instruments held for trading	18	14
D. Liquid funds (A) + (B) + (C)	**131,004**	**132,820**
E. Current financial receivables	**2,519**	**32**
F. Current payables to banks	13,426	6,885
G. Current portion of non-current indebtedness	64,509	76,750
H. Other current financial debts	350	93
I. Current financial indebtedness (F) + (G) + (H)	**78,285**	**83,728**
J. Current financial indebtedness, net (I) - (E) - (D)	**(55,238)**	**(49,124)**
K. Non-current payables to banks	131,617	213,675
L. Bonds issued	194,809	107,834
M. Other non-current financial debts	22,763	32,208
N. Convertible bond embedded derivative liability	10,540	-
O. Non-current financial indebtedness (K) + (L) + (M) + (N)	**359,729**	**353,717**
P. Net indebtedness (J) + (O)	**304,491**	**304,593**
Non-current financial receivables	157	-
Financial indebtedness, net including non-current financial receivables (as per the "Net financial position" included in the Report on operations)	**304,334**	**304,593**

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 60,000 thousand from Intesa Sanpaolo S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5;
- 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 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 Societe Generale 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;
- 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 of December 31, 2014, the Company was in compliance with these covenants.

D) NOTES ON THE MAIN INCOME STATEMENT ITEMS: INCOME STATEMENT

23. SALES REVENUES

Revenues from sales and services

The Sogefi Group recorded net revenues for the amount of Euro 1,349,391 thousand during the period, versus Euro 1,334,987 thousand in the previous year (+1.1% in percentage terms). Exchange rates being equal (at the average exchange rates of the current year), corresponding revenues would amount to Euro 1,289,264 thousand and growth rate to +4.7%.

Revenues from the sale of goods and services break down as follows:

By business sector:

(in thousands of Euro)	2014		2013	
	Amount	*%*	*Amount*	*%*
Engine systems	844,905	62.7	818,566	61.4
Suspension components	506,609	37.5	518,615	38.8
Intercompany eliminations	(2,123)	(0.2)	(2,194)	(0.2)
TOTAL	1,349,391	100.0	1,334,987	100.0

In 2014, the Engine Systems business unit realised revenues for Euro 844,905 thousand, 3.2% up from 2013 (+6.3% exchange rates being equal). During the period under consideration, the Business Unit benefited from business growth in non-European markets – in the USA, China and India for the most part – and from the positive performance of the aftermarket segment.
The Suspension Components business unit ended 2014 with revenues of Euro 506,609 thousand (Euro 518,615 thousand in 2013), down 2.3% over 2013 (however, revenues would have been up +2.1% exchange rates being equal).

By geographical area of "destination":

(in thousands of Euro)	2014		2013	
	Amount	*%*	*Amount*	*%*
Europe	872,100	64.6	859,338	64.4
Mercosur	181,362	13.5	224,381	16.8
Nafta	207,331	15.4	187,399	14.0
Asia	82,662	6.1	59,260	4.4
Rest of the World	5,936	0.4	4,609	0.4
TOTAL	1,349,391	100.0	1,334,987	100.0

Despite the unfavourable effect of exchange rates, contribution to the total revenues of the Sogefi Group from non-European countries remained basically stable at 35.4% in 2014 (35.6% in 2013).
A breakdown of sales by destination markets shows continuing growth in North America, with Euro 207,331 million revenues (+10.6%; +16.1% exchange rates being equal),

which now account for 15.4% of total Group sales revenues (+1.4 percentage points up from last year).
Particularly significant was growth in Asia as well, with revenues 39.5% higher than in 2013 (+41.8% exchange rates being equal). The share of revenues contributed by the Chinese market grew as well, namely to 6.1% from 4.4% in 2013.
Sales in Mercosur recorded a significant slowdown compared to the previous year (-19,2% from 2013). As a result of low market volumes and Euro appreciation, the revenues contributed by the South American area dropped from 16.8% of total Group revenues in 2013 to 13.5% in 2014. Net of exchange differences, the area would have accounted for 16% of total revenues.
In Europe Sogefi reported revenues of Euro 872,100 million, slightly up (+1.5%) compared to last year, thanks – among other things – to a positive contribution from the aftermarket segment.

24. VARIABLE COST OF SALES

Details are as follows:

(in thousands of Euro)	2014	2013
Materials	719,564	697,957
Direct labour cost	114,680	113,286
Energy costs	35,775	35,754
Sub-contracted work	26,357	19,958
Ancillary materials	18,454	18,154
Variable sales and distribution costs	48,650	44,116
Royalties paid to third parties on sales	4,453	4,236
Other variable costs	(732)	(1,087)
TOTAL	967,201	932,374

The percentage on revenues of "Variable cost of sales" rose from 69.8% in 2013 to 71.7% in 2014. Average margin was affected on one hand by the lower contribution from countries outside the Euro area, especially from the Mercosur area, and on the other hand by the temporary inefficiency of European operations due to restructuring under way, especially in the third quarter.

The changes in "Direct labour cost" and "Sub-contracted work" are interrelated. The increase in "Direct labour cost" reflects variable and indirect production costs reclassified to improve amount allocation between the two items amounting to Euro 3,000 thousand approximately. The increase in "Sub-contracted work" accounts for an increased use of temporary workers by European subsidiaries in order to respond to growing volumes with greater flexibility.

The increase in "Materials", and its percentage on revenues up from 52.3% to 53.3%, is closely related to the growth of total sales.

25. MANUFACTURING AND R&D OVERHEADS

These can be broken down as follows:

(in thousands of Euro)	2014	2013
Labour cost	102,667	107,429
Materials, maintenance and repairs	27,044	25,205
Rental and hire charges	9,301	9,163
Personnel services	7,544	8,361
Technical consulting	4,360	4,660
Sub-contracted work	2,215	1,823
Insurance	2,531	3,404
Utilities	4,207	2,478
Capitalisation of internal construction costs	(31,562)	(32,249)
Other	(906)	476
TOTAL	127,401	130,750

"Manufacturing and R&D overheads" show a decrease of Euro 3,349 thousand which is mainly due to the effect of exchange rates. Exchange rates being equal, this item would have increased by Euro 404 thousand.

The most significant changes are discussed below:

- the decrease in "Labour cost" of Euro 4,762 thousand is mainly traced back to the following factors: an amount of Euro 3,000 thousand reclassified to "Variable cost of sales" as noted above, and an amount of Euro 500 thousand reclassified to "Administrative and general expenses" to improve cost allocation between the affected items; a reduction of direct labour at subsidiaries Allevard Rejna Autosuspensions S.A. and Filtrauto S.A. as a result of restructuring projects under way. This decrease was partly offset by an increase in direct labour cost at the Chinese subsidiaries and at subsidiary Allevard Sogefi U.S.A. Inc. to respond to growing volumes;
- "Materials, maintenance and repairs" increased by Euro 1,839 thousand, mainly pertaining to the Chinese and European subsidiaries as a result of growing volumes;
- "Personnel services" decreased by Euro 817 thousand, mainly due to restructuring under way at subsidiary Filtrauto S.A.;
- "Insurance" decreased by Euro 873 thousand, mainly with regard to the French subsidiaries;
- "Utilities" increased by Euro 1,729 thousand, mainly as a result of production plant cleaning expenses reclassified to "Administrative and general expenses" and "Manufacturing and R&D overheads" to improve cost allocation;
- lastly, the item "Other" decreased by Euro 1,382 thousand due to a higher contribution to Research and Development costs obtained by the French subsidiaries.

"Capitalization of internal construction costs" reflects for the most part the capitalisation of product development costs when their future benefit is deemed to be reasonably certain.

Total costs for Research and Development (not reported in the table), excluding capitalisation, amount to Euro 35,259 thousand (stable at 2.6% of sales).

26. DEPRECIATION AND AMORTISATION

Details are as follows:

(in thousands of Euro)	2014	2013
Depreciation of tangible fixed assets	35,328	36,143
of which: assets under finance leases	*1,071*	*854*
Amortisation of intangible assets	22,675	21,193
TOTAL	58,003	57,336

Item "Depreciation and amortisation" amounts to Euro 58,003 thousand, and increased by Euro 667 thousand compared to the previous year. Exchange rates being equal, the increment would have been Euro 1,631 thousand.

Depreciation of tangible assets amounts to Euro 35,328 thousand, down from the Euro 815 thousand posted in 2013, of which Euro 733 thousand reflect exchange rate effects.

Amortisation of intangible assets increased by Euro 1,482 thousand. of which Euro 1,500 thousand refer to the implementation of the new information system at the Holding Company Sogefi S.p.A..

27. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

(in thousands of Euro)	2014	2013
Labour cost	24,929	24,054
Sub-contracted work	5,874	5,906
Advertising, publicity and promotion	3,857	3,413
Personnel services	3,228	3,214
Rental and hire charges	1,775	1,509
Consulting	1,204	612
Other	577	923
TOTAL	41,444	39,631

"Distribution and sales fixed expenses" increased by Euro 1,813 thousand (+4.6%) compared with the previous year. Exchange rates being equal, this item would have increased by Euro 2,858 thousand.

"Labour cost" increased by Euro 875 thousand, which for the most part pertain to the Engine Systems business unit, namely to the sales organisation of the Aftermarket division.

"Rental and hire charges" and "Consulting" increased by Euro 266 thousand and Euro 592 thousand, respectively, due to higher cost of sales in subsidiaries Filtrauto S.A. and Systèmes Moteurs S.A.S..

28. ADMINISTRATIVE AND GENERAL EXPENSES

These can be broken down as follows:

(in thousands of Euro)	2014	2013
Labour cost	37,712	36,301
Personnel services	5,862	5,225
Maintenance and repairs	1,972	5,193
Cleaning and security	2,007	3,047
Consulting	9,794	5,280
Utilities	3,367	2,986
Rental and hire charges	4,136	3,311
Insurance	1,449	1,135
Participation des salaries	699	590
Administrative, financial and tax-related services provided by Parent Company	1,350	1,820
Audit fees and related expenses	1,409	1,488
Directors' and statutory auditors' remuneration	1,612	2,085
Sub-contracted work	639	638
Capitalisation of internal construction costs	(7,204)	(6,970)
Other	6,151	4,920
TOTAL	70,955	67,049

“Administrative and general expenses” increased by Euro 3,906 thousand. Exchange rates being equal, this item would have increased by Euro 5,772 thousand.

The Euro 1,411 thousand increase in “Labour cost” reflects for the most part the Euro 500 thousand reclassified between R&D overheads and general overheads in subsidiary Systèmes Moteurs S.A.S., and newly hired workforce engaged in the management of IT systems at subsidiary Filtrauto S.A. .

The increase in item “Personnel services” for the amount of Euro 637 thousand mainly refers to the French subsidiaries Filtrauto S.A. and Systèmes Moteurs S.A.S. and to the Holding Company Sogefi S.p.A. and reflects higher travel expenses of the IT team compared to 2013.

The Euro 1,040 thousand decrease in line item “Cleaning and security” was affected by the reclassification to “Manufacturing and R&D overheads” noted above.

The increase in “Consulting”, partly offset by the decrease in “Maintenance and repairs”, relates for the most part to IT services required to implement the integrated Group information system at the French subsidiary Filtrauto S.A. and to higher legal and tax consulting fees paid by the Holding Company Sogefi S.p.A..

The Euro 473 thousand decrease in line item “Directors' and statutory auditors' remuneration” is mainly represented by the lower cost in 2014 of the fair value of the phantom stock options in 2014 and by the fact that 2013 included the remuneration of the former Managing Director for nearly four months, while the remuneration of the Manager

Director who took over the office (who had also the function of General Manager) was charged to “Labour cost”.

Item “Capitalization of internal construction costs” includes the capitalisation of the costs incurred in developing the Group integrated information system.

The increase in item “Other” by Euro 1,231 thousand mainly relates to higher third party operating expenses incurred by the Holding Company Sogefi S.p.A. in connection with the growing scale of implementation of the new Group information system.

29. PERSONNEL COSTS

Personnel

Regardless of their destination, “Personnel costs” as a whole can be broken down as follows:

(in thousands of Euro)	2014	2013
Wages, salaries and contributions	276,834	276,859
Pension costs: defined benefit plans	1,096	2,411
Pension costs: defined contribution plans	2,026	1,762
Participation des salaries	699	590
Imputed cost of stock option and stock grant plans	852	1,562
Other costs	334	302
TOTAL	281,841	283,486

“Personnel costs” have dropped by Euro 1,645 thousand (-0.6%) compared to the previous period. Exchange rates being equal, “Personnel costs” would have increased by Euro 5,249 thousand (+1.9%).

The impact of “Personnel costs” on sales revenues drops from 21.2% in the previous year to 20.9%.

The increase in line item “*Participation des salaries*” by Euro 109 thousand reflects higher results posted by the French subsidiaries Systèmes Moteurs S.A.S. and Filtrauto S.A..

“Wages, salaries and contributions”, “Pension costs: defined benefit plans” and “Pension costs: defined contribution plans” are posted in the tables provided above at lines “Labour cost” and “Administrative and general expenses”.

“*Participation des salaries*” is included in “Administrative and general expenses”.

“Other costs” is included in “Administrative and general expenses”.

“Imputed cost of stock option and stock grant plans” is included in “Other non-operating expenses (income)”. The following paragraph “Personnel benefits” provides details of the stock option and stock grant plans.

The average number of Group employees, broken down by category, is shown in the table below:

(Number of employees)	2014	2013
Managers	105	109
Clerical staff	1,838	1,841
Blue collar workers	4,840	4,808
TOTAL	6,783	6,758

Personnel benefits

Sogefi S.p.A. implements stock-based incentive plans for the Managing Director of the Company and for employees of the Company and of its subsidiaries that hold important positions of responsibility within the Group. The purpose is to foster greater loyalty to the Group and to provide an incentive that will raise their commitment to improving business performance and generating value in the long term.

The stock-based incentive plans of Sogefi S.p.A. are first approved by the Shareholders' Meeting.

Except as outlined at the following paragraphs "Stock grant plans", "Stock option plans" and "Phantom stock option plans", the Group has not carried out any other transaction that involves the purchase of goods or services with payments based on shares or any other kind of instrument representing portions of equity. As a result, it is not necessary to disclose the fair value of such goods or services.
As laid down in IFRS 2, only plans allocated after November 7, 2002 must be considered (note that the Company does not have any plans prior to said date) and therefore, in addition to that issued in 2014, the plans issued in the period from 2004 until 2013 must also be considered. The main details of these plans are provided below.

Stock grant plans
The stock grant plans provide for the free assignment of conditional rights (called Units) that cannot be transferred to third parties or other beneficiaries; each of them entitles to the free assignment of one Sogefi S.p.A. share. There are two categories of rights under these plans: Time-based Units, that vest upon the established terms and Performance Units, that vest upon the established terms provided that shares have achieved the target price value established in the regulation.
The regulation provides for a minimum holding period during which the shares held for the plan can not be disposed of.
All shares assigned under these plans will be treasury shares held by Sogefi S.p.A.. According to the regulation, a pre-condition for assigning the shares is a continued employer-employee relationship or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period of the rights.

On April 23, 2014, after the Shareholders' Meeting approved the 2014 stock grant plan to assign a maximum of 750,000 conditional rights, the Board of Directors executed the 2014 stock grant plan restricted to employees of the Company and of its subsidiaries, who

were assigned a total of 378,567 Units (159,371 of which were Time-based Units and 219,196 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2016 and ending on January 20, 2018.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as defined in the Regulation) at that date.

The fair value of the rights assigned during 2014 has been determined at the time the rights were assigned using the binomial option pricing model (so-called Cox, Ross and Rubinstein model) for US options and amounts to Euro 1,472 thousand overall.

Input data used for measuring the fair value of the 2014 stock grant plan are provided below:
- curve of EUR/GBP/SEK/CHF-riskless interest rates as of April 23, 2014;
- prices of the underlying (equal to the price of the Sogefi S.p.A. share as of April 23, 2014, and equal to Euro 4.64) and of the securities included in the benchmark basket, again as of April 23, 2014;
- standard prices of Sogefi S.p.A. share and of the securities included in the benchmark basket during the period starting on March 24, 2014 and ending on April 23, 2014 for the determination of the stock grant Performance Units limit;
- historical volatility rate of stock and exchange rates during 260 days, as of April 23, 2014;
- null dividend yield for stock grant valuation;
- historical series of the logarithmic returns of involved securities and EUR/GBP, EUR/SEK and EUR/CHF exchange rates to calculate the correlation among securities and among the three non-EUR denominated securities and associated exchange rates (to adjust for estimated trends).

The main characteristics of the stock grant plans approved during previous years and still under way are outlined below:

• 2011 stock grant plan to assign a maximum of 1,250,000 conditional rights, restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries, who were assigned a total of 757,500 Units (320,400 of which were Time-based Units and 437,100 Performance Units).
Time-based Units will vest in *tranches* on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2013 and ending on January 20, 2015.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the price value of shares at vesting date is at least equal to the percentage of the initial value indicated in the regulation. On January 20, 2015, 92,354 Performance Units expired as per Regulation.
• 2012 stock grant plan to assign a maximum of 1,600,000 conditional rights, restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries, who were assigned a total of 1,152,436 Units (480,011 of which were Time-based Units and 672,425 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2014 and ending on January 31, 2016.

Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.

• 2013 stock grant plan to assign a maximum of 1,700,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 1,041,358 Units (432,434 of which were Time-based Units and 608,924 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2015 and ending on January 31, 2017.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.

The imputed cost for 2014 for existing stock grant plans is Euro 848 thousand, booked to the Income Statement under "Other non-operating expenses (income)".

The following table shows the total number of existing rights with reference to the 2011-2014 plans:

	2014	2013
Not exercised/not exercisable at the start of the year	2,483,088	1,854,618
Granted during the year	378,567	1,045,977
Cancelled during the year	(504,125)	(199,821)
Exercised during the year	(333,276)	(217,686)
Not exercised/not exercisable at the end of the year	2,024,254	2,483,088
Exercisable at the end of the year	247,203	57,970

Stock option plans
The stock option plans provide beneficiaries with the opportunity to exercise an option to subscribe to newly-issued Sogefi shares at a set price and within a specific period of time. According to the regulation, a pre-condition for exercising the option is a continued employer-employee relationship with or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period.

The main characteristics of the *stock option* plans approved during previous years and still under way are outlined below:
• 2005 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,930,000 shares (1.63% of the share capital as of December 31, 2014) with a subscription price of Euro 3.87, to be exercised between September 30, 2005 and September 30, 2015;
• 2006 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,770,000 shares (1.49% of the share capital as of December 31, 2014) with a subscription price of Euro 5.87, to be exercised between September 30, 2006 and September 30, 2016;

• 2007 stock option plan restricted to employees of the foreign subsidiaries for a maximum of 715,000 shares (0.6% of the share capital as of December 31, 2014) with an initial subscription price of Euro 6.96, to be exercised between September 30, 2007 and September 30, 2017. On April 22, 2008, the Board of Directors, under the authority vested in it by the Shareholders' Meeting, adjusted the exercise price from Euro 6.96 to Euro 5.78 to take into account the extraordinary portion of the dividend distributed by the Shareholders' Meeting on the same date;
• 2008 stock option plan restricted to employees of the foreign subsidiaries for a maximum of 875,000 shares (0.74% of the share capital as of December 31, 2014) with a subscription price of Euro 2.1045, to be exercised between September 30, 2008 and September 30, 2018.
• 2009 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 2,335,000 shares (1.97% of the share capital as of December 31, 2014) with a subscription price of Euro 1.0371, to be exercised between September 30, 2009 and September 30, 2019;
• 2009 extraordinary stock option plan restricted to beneficiaries of 2007 and 2008 phantom stock option plans, still employed by the Company or by its subsidiaries, after having waived their rights under the above-mentioned phantom stock option plans, for a maximum of 1,015,000 shares (0.86% of share capital as of December 31, 2014) of which 475,000 (first Tranche options) with a subscription price of Euro 5.9054, to be exercised between June 30, 2009 and September 30, 2017 and 540,000 (second Tranche options) with a subscription price of Euro 2.1045, to be exercised between June 30, 2009 and September 30, 2018;
• 2010 stock option plan restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries for a maximum of 2,440,000 shares (2.06% of the share capital as of December 31, 2014) with a subscription price of Euro 2.3012, to be exercised between September 30, 2010 and September 30, 2020.
The 2004 stock option plan restricted to employees of the Company and its subsidiaries terminated on September 30, 2014 as per Regulation.

The imputed cost for 2014 for existing plans is Euro 4 thousand, booked to the Income Statement under "Other non-operating expenses (income)".

The following table shows the total number of existing options with reference to the 2004-2010 plans and their average exercise price:

	12.31.2014		12.31.2013	
	Number	Average price of the year	Number	Average price of the year
Not exercised/not exercisable at the start of the year	6,534,500	3.06	7,178,400	2.96
Granted during the year	-	-	-	-
Cancelled during the year	(367,000)	4.30	(175,000)	2.97
Exercised during the year	(1,298,763)	1.94	(468,900)	1.64
Expired during the year	(4,800)	2.64	-	-
Not exercised/not exercisable at the end of the year	4,863,937	3.26	6,534,500	3.06
Exercisable at the end of the year	4,863,937	3.26	6,104,100	3.11

The line "Not exercised/not exercisable at the end of the period" refers to the total number of options, net of those exercised or cancelled during the current and previous years.
The line "Exercisable at the end of the period" refers to the total amount of options matured at the end of the period and not yet subscribed.
With reference to the options exercised during 2014, the average weighted price of the Sogefi share at the exercise dates is equal to Euro 4.12.

Details of the number of options exercisable at December 31, 2014 are given below:

	Total
Number of exercisable options remaining at December 31, 2013	6,104,100
Options matured during the year	488,000
Options cancelled during the year	(424,600)
Options exercised during the year	(1,298,763)
Options expired during the year	(4,800)
Number of exercisable options remaining at December 31, 2014	4,863,937

Phantom stock option plans

Unlike traditional stock option plans, phantom stock option plans do not envisage the granting of a right to subscribe or to purchase a share, but entail paying the beneficiaries an extraordinary variable cash amount corresponding to the difference between the Sogefi share price in the option exercise period and the Sogefi share price at the time the option was awarded.

In 2009, as shown in the paragraph entitled "*Stock option plans*", the Holding Company gave the beneficiaries of the 2007 and 2008 phantom stock option plans the opportunity to waive the options of the above-mentioned plans and to join the 2009 extraordinary stock option plan.

The main characteristics of existing plans as of December 31, 2014 are as follows:
• 2007 phantom stock option plan restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan, managers and project workers of the Holding Company and to managers of Italian

subsidiaries, for a maximum of 1,760,000 options at the initial grant price of Euro 7.0854, adjusted to Euro 5.9054 in 2008, to be exercised between September 30, 2007 and September 30, 2017. Following subscription to the 2009 extraordinary stock option plan, 475,000 options were waived;

The 2008 phantom stock option plan terminated on March 31, 2014 when the Director who filled the post of Managing Director of the Holding Company when the plan was issued exercised 990,000 remaining options.

Details of the number of phantom stock options as of December 31, 2014 are given below:

	2014
Not exercised/not exercisable at the start of the year	1,830,000
Granted during the year	-
Cancelled during the year	-
Exercised during the year	(990,000)
Not exercised/not exercisable at the end of the year	840,000
Exercisable at the end of the year	840,000

Fair value as of December 31, 2013 (Euro 1,299 thousand) equals zero at the end of 2014 after all options under the 2008 phantom stock option plan were exercised and as a result of the positive change in the fair value of the 2007 phantom stock option plan.

30. RESTRUCTURING COSTS

These amount to Euro 16,195 thousand (compared with Euro 17,813 thousand the previous year) and relate to restructuring plans under way mainly at subsidiary Allevard Rejna Autosuspensions S.A. in connection with the shutdown of the Lieusaint plant, to the relocation of production from Sao Paolo to Atibaia at the subsidiary Sogefi Filtration do Brasil Ltda, and other plans to rationalise the use of clerical resources under way at subsidiaries Systèmes Moteurs S.A.S. and Sogefi Rejna S.p.A..

“Restructuring costs” relate for the most part to personnel costs and are made up of the accruals to the “Provision for restructuring” (Euro 9,994 thousand, net of the not used provisions made during the previous years) and for the remaining part of costs incurred and paid during the year (Euro 6,201 thousand).

31. LOSSES (GAINS) ON DISPOSAL

Net gains amount to Euro 66 thousand (net gains as of December 31, 2013 were Euro 1,599 thousand).

32. EXCHANGE (GAINS) LOSSES

Net exchange losses as of December 31, 2014 amounted to Euro 618 thousand (Euro 4,123 thousand as of December 31, 2013). Exchange differences were affected by the depreciation of the Euro against all major currencies occurred at year end.

33. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to Euro 19,369 thousand compared with Euro 18,384 thousand the previous year. The following table shows the main elements:

(in thousands of Euro)	2014	2013
Indirect taxes	7,672	8,194
Other fiscal charges	3,828	3,263
Cost of stock option and stock grant plans	852	1,562
Other non-operating expenses (income)	7,017	5,365
TOTAL	19,369	18,384

"Indirect taxes" include tax charges such as property tax, taxes on sales revenues (*taxe organic* of the French companies), non-deductible VAT and taxes on professional training.
"Other fiscal charges" consist of the *cotisation économique territoriale* (previously called *taxe professionnelle*) relating to the French companies, which is calculated on the value of tangible fixed assets and on added value.

The main components of "Other non-operating expenses (income)" are as follows:

of which non-recurring
- costs relating to the shutdown of the Lieusaint plant of subsidiary Allevard Rejna Autosuspensions S.A. for the amount of Euro 4,655 thousand, of which Euro 1,285 thousand reflect writedowns of tangible fixed assets and Euro 3,370 thousand relate for the most part to technical costs incurred in relocating certain production lines.
- technical costs incurred in relocating certain production lines in the amount of Euro 278 thousand pertaining to the subsidiary Shanghai Sogefi Auto Parts Co. Ltd incurred as part of a reorganisation process;

of which recurring
- writedowns of intangible fixed assets in the amount of Euro 1,824 thousand, of which Euro 1,658 thousand reflect for the most part research and development projects capitalised in previous years by subsidiary Filtrauto S.A. that no longer meet the requirements for capitalisation;
- actuarial gains in the amount of Euro 1,101 thousand relating to "Other long-term benefits – Jubilee benefit" mainly relating to subsidiary Filtrauto S.A.;
- provisions for legal disputes with employees and third parties mainly relating to the subsidiaries Sogefi Filtration do Brasil Ltda, Allevard Rejna Argentina S.A. and Allevard Molas do Brasil Ltda for a total of Euro 1,796 thousand;
- pension costs for employees no longer on the books of Allevard Federn GmbH for the amount of Euro 139 thousand;
- tax recovered in the amount of Euro 1,223 thousand after tax disputes concerning previous fiscal periods for the most part relating to subsidiaries Sogefi Filtration do Brasil Ltda and Sogefi Filtration S.A. were settled;
- other recurring costs for the amount of Euro 651 thousand.

34. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

(in thousands of Euro)	2014	2013
Interests on bonds	9,671	4,254
Interest on amounts due to banks	10,791	13,389
Financial charges under lease contracts	719	412
Financial component of pension funds and termination indemnities	925	1,122
Loss on interest-bearing hedging instruments	9,792	3,818
Other interest and commissions	9,907	7,012
TOTAL FINANCIAL EXPENSES	41,805	30,007

Financial income is detailed as follows:

(in thousands of Euro)	2014	2013
Gain on interest-bearing hedging instruments	189	325
Interest on amounts given to banks	723	1,062
Fair value of the embedded derivative (call option)	13,960	-
Other interest and commissions	115	259
TOTAL FINANCIAL INCOME	14,987	1,646
TOTAL FINANCIAL EXPENSES (INCOME), NET	26,818	28,361

Financial expenses increased by Euro 11,798 thousand, of which Euro 3,337 thousand reflect the difference between the amounts paid and the net book value of the loans redeemed by the Holding Company Sogefi S.p.A., Euro 1,913 thousand reflect IRS contracts terminated in connection with the redeemed loans noted above (of which Euro 825 thousand account for the portion of the OCI reserve relating to terminated IRSs reclassified to Income Statement), Euro 3,944 thousand reflect the change in the fair value of the IRS contracts no longer designated in hedge accounting, whereas the balance reflects higher average cost of indebtedness for the remaining part.
The amount of Euro 3,944 thousand mentioned above includes:

- a financial charge of Euro 2,776 thousand that reflects the portion of the reserve previously booked to Other Comprehensive Income that is recognised in the Income Statement over the same period of time as the differentials relating to the underlying hedged item.
- a financial expense of Euro 1,168 thousand reflecting the change in the fair value as of December 31, 2013.

Posted under financial income is the positive change – in the amount of Euro 13,960 thousand – in the fair value of the derivative (call option) embedded in the convertible bond.

35. LOSSES (GAINS) FROM EQUITY INVESTMENTS

As of December 31, 2014, there are no losses from equity investments.

36. INCOME TAXES

(in thousands of Euro)	2014	2013
Current taxes	19,115	18,599
Deferred tax liabilities (assets)	(6,057)	(2,854)
TOTAL	13,058	15,745

The year 2014 recorded a tax rate of 60.9% compared to 38.9% in the previous year.

A reconciliation between the standard tax rate (that of the Holding Company Sogefi S.p.A.) and the effective tax rate for 2014 and 2013 is shown in the table below. Taxes have been calculated at the domestic rates applicable in the various countries. The differences between the rates applied in the various countries and the standard tax rate are included in the line "Other permanent differences and tax rate differentials".

(in thousands of Euro)	2014		2013	
		Tax rate %		Tax rate %
Result before taxes	21,453	27.5%	40,476	27.5%
Theoretical income taxes	5,900		11,131	
Effect of increases (decreases) with respect to the standard rate:				
Statutory amortisation of goodwill	-	0.0%	(242)	-0.6%
Non-deductible costs, net	(878)	-4.1%	(41)	-0.1%
Use of deferred tax assets not recognised in previous years	(2,430)	-11.3%	(2,007)	-5.0%
Deferred tax assets on losses for the year not recognised in the financial statements	7,068	33.0%	2,890	7.1%
Taxed portion of dividends	2,615	12.2%	2,560	6.3%
Other permanent differences and tax rate differentials	783	3.6%	1,454	3.7%
Income taxes in the consolidated income statement	13,058	60.9%	15,745	38.9%

The item "Use of deferred tax assets not recognised in previous years" mainly relates to subsidiary Allevard Sogefi USA Inc.; use of past losses for which no deferred tax assets had been recognised in previous years resulted in no taxes being posted on the positive results of this company.
"Deferred tax assets on losses for the year not recognised in the financial statements" are mainly attributable to subsidiaries Allevard Rejna Autosuspensions S.A. and Sogefi (Suzhou) Auto Parts Co., Ltd, for which there was no probability at the end of the year that such losses would be recovered.
The "Taxed portion of dividends" refers to the portion of dividends received from Group companies that is not tax-exempt, to the taxes on dividends paid by the French subsidiaries, and to amounts set aside to provision for tax on the dividends that the subsidiaries will pay in 2015 (Euro 1,709 taxed portion of dividends) as required by IAS 12.

Item “Other permanent differences and tax rate differentials” includes Euro 882 thousand relating to a tax dispute with local European tax authorities.

37. DIVIDENDS PAID

No dividends were paid the shareholders of the Holding Company during 2014. Dividends paid to non-controlling interests amount to Euro 2,597 thousand.
The Holding Company Sogefi S.p.A. did not issue any shares other than ordinary shares; treasury shares are always excluded from the dividend.

38. EARNINGS PER SHARE (EPS)

Basic EPS

	2014	2013
Net result attributable to the ordinary shareholders (in thousands of Euro)	3,639	21,124
Weighted average number of shares outstanding during the year (thousands)	114,713	112,969
Basic EPS (Euro)	*0.032*	*0.187*

Diluted EPS

The Company only has one category of potential ordinary shares, namely those deriving from the potential conversion of the *stock options* granted to Group employees.

	2014	2013
Net result attributable to the ordinary shareholders (in thousands of Euro)	3,639	21,124
Average number of shares outstanding during the year (thousands)	114,713	112,969
Weighted average number of shares potentially under option during the year (thousands)	3,146	3,953
Number of shares that could have been issued at fair value (thousands)	(1,654)	(2,547)
Adjusted weighted average number of shares outstanding during the year (thousands)	116,205	114,375
Diluted EPS (Euro)	*0.031*	*0.185*

The “Weighted average number of shares potentially under option during the year” represents the average number of shares that are potentially outstanding under stock option plans (only for potentially dilutive options, i.e. with an exercise price lower than the average annual fair value of the ordinary shares of Sogefi S.p.A.), for which the subscription right has vested but has not yet been exercised at the end of reporting period. These shares have a potentially dilutive effect on basic EPS and are therefore taken into consideration in the calculation of diluted EPS.

The “Number of shares that could have been issued at fair value” represents the normalisation factor, being the number of shares that would have been issued dividing the proceeds that would have been received from subscription of the stock options by the average annual fair value of the Sogefi S.p.A. ordinary shares, which in 2014 amounted to Euro 3.5350, compared to Euro 2.8377 in 2013.

Please note that 2,017,485 shares that could dilute basic EPS in the future were not included in the calculation of diluted EPS for 2014 because their exercise price is higher than the average annual fair value of the ordinary shares of Sogefi S.p.A. in 2014.

E) 39. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

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

Analysing the table shows that the fair value is different from the book value only in the case of short-term and long-term fixed-rate financial debts. This difference, corresponding to Euro 20,355 thousand, is generated by a recalculation of these loans at year-end date at current market rates.
The spreads of floating-rate loans are in line with market trends.
Fair value is classified as Level 2 in the fair value hierarchy (see paragraph “Categories of financial assets and liabilities stated in the financial statements and fair value hierarchy”) and was measured using generally accepted discounted cash flow models and a free-risk discount rate.
The fair value of the equity- linked bond (including the embedded derivative linked to the conversion option) is classified as Level 1 in the fair value hierarchy being the financial instrument listed in an active market.

(in thousands of Euro)	Book value		Fair value	
	12.31.2014	12.31.2013	12.31.2014	12.31.2013
Financial assets				
Cash and cash equivalents	124,033	125,344	124,033	125,344
Securities held for trading	18	14	18	14
Held-to-maturity investments	6,953	7,462	6,953	7,462
Assets for derivative financial instruments	519	32	519	32
Current financial receivables	2,000	-	2,000	-
Trade receivables	148,083	145,837	148,083	145,837
Other receivables	6,884	7,827	6,884	7,827
Other assets	3,599	3,692	3,599	3,692
Other financial assets available for sale	439	439	439	439
Non-current trade receivables	4	4	4	4
Non-current financial receivables	157	-	157	-
Other non-current receivables	34,626	31,582	34,626	31,582
Financial liabilities				
Short-term fixed rate financial debts	11,268	7,685	11,731	8,058
Other floating rate short-term financial debts	66,666	75,950	66,666	75,950
Other short-term liabilities for derivative financial instruments	350	93	350	93
Trade and other payables	309,808	285,410	309,808	285,410
Other current liabilities	8,096	8,055	8,096	8,055
Other non- current liabilities	6,988	257	6,988	257
Other fixed rate medium/long-term financial debts	146,121	142,886	165,109	148,669
Equity linked bond included embedded derivative (call option)	86,067	-	86,971	-
Other floating rate medium/long-term financial debts	113,617	189,453	113,617	189,453
Other medium/long-term liabilities for derivative financial instruments	13,924	21,378	13,924	21,378

Financial risk management

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

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

Interest risk

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

These debts may be fixed or floating rate.

Floating rate debts, which represent 43% of the net book value of Group loans, expose the Group to a risk arising from interest rate volatility (cash flow risk).

With regard to this risk, for the purposes of the related hedging, the Group may use derivative contracts which limit the impacts on the Income Statement of changes in the interest rate. At present, hedging transactions cover around 78% of the net book value of the Group's floating-rate debts. After such transactions, floating-rate loans exposing the Group to a cash flow risk fall to 9% of the net book value of the Group's total loans (not all derivatives considered to be hedges from an operational point of view were designated in hedge accounting as of December 31, 2014).

The following table gives a breakdown, by maturity, of the book value of the Group's financial assets and liabilities instruments, which are exposed to interest rate risk as of December 31, 2014, split according to whether they are contractually at a fixed or floating rate (for further details see the table shown in the analysis of "Liquidity risk"):

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
TOTAL FIXED RATE	(10,621)	(15,023)	(18,945)	(14,342)	(14,265)	(166,407)	(239,603)
TOTAL FLOATING RATE - ASSET	133,523	-	-	-	-	-	133,523
TOTAL FLOATING RATE - LIABILITIES	(67,015)	(70,085)	(34,334)	(13,374)	(9,748)	-	(194,556)

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

An increase or decrease in interest rates of 100 basis points, applied to floating-rate financial assets and liabilities in existence as of December 31, 2014, including interest-rate hedges, would have the following effects:

(in thousands of Euro)	12.31.2014		12.31.2013	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 100 basis points	4,508	4,849	951	7,943
- 100 basis points	(4,685)	(5,045)	(960)	(8,346)

The effect on Equity differs from the effect on the Income Statement by Euro 341 thousand (in the event of an increase in interest rates), and by Euro -360 thousand (in the event of a decrease in interest rates), which reflects the change in fair value of the instruments hedging the interest rate risk.

Foreign currency risk

As it operates at an international level, the Group is exposed to the risk that changes in exchange rates could have an impact on the fair value of some of its assets or liabilities.
Moreover, as can be seen from the segment information given in note 4, the Group produces and sells mainly in countries of the Eurozone, but it is potentially exposed to currency risk, above all in respect of the British Pound, Brazilian Real, US Dollar, Argentine Peso, Chinese Renminbi and Canadian Dollar.
Generally speaking, the Group is not particularly exposed to exchange risk, which is mainly related to the translation of foreign subsidiaries' financial statements, as the currencies in which the foreign operating companies bill and those in which they are invoiced tend to be much the same.

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

A sensitivity analysis is provided below, which shows the impact on the Income Statement, especially on "Exchange (gains) losses", net of tax, and on Equity of a change that is considered reasonably possible in exchange rates of the main foreign currencies. Note that the exchange effect of translating the financial statements of foreign subsidiaries into Euro has not been taken into consideration here.
What has been taken into consideration are the financial assets and liabilities outstanding as of December 31, 2014 denominated in a currency other than the functional currency of the individual subsidiaries. This analysis also takes into account any changes in the fair value of the financial instruments used to hedge exchange risk.

As of December 31, 2014, exchange risk was concentrated mainly in transactions with the Euro.
A 5% appreciation or depreciation of the Euro against the other main currencies would have the following effects:

(in thousands of Euro)	12.31.2014		12.31.2013	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 5%	(640)	(640)	(481)	(481)
- 5%	712	712	540	540

These effects are mainly due to the following exchange rates:
-EUR/CNY mainly due to the debt exposure for the trade and financial payables in Euro of Chinese subsidiaries;

-EUR/BRL mainly due to the debt exposure for the trade payables in Euro of the Brazilian subsidiaries and to the financial debt exposure in Brazilian Real of Sogefi Filtration S.A.;
-EUR/USD mainly due to the private placement noted above, in spite of the cross currency swaps that partly neutralise the effect of possible fluctuations in the relevant exchange rate.

It should be noted that a sensitivity analysis of the CAD/USD exchange rate showed that the economic effect and impact on equity in the event of a 5% appreciation/depreciation of the Canadian Dollar would cause Net profit and Group's equity to increase/decrease by Euro 474 thousand. This effect is due to the debt exposure for the trade and financial payables in USD of Canadian subsidiary.

Price risk

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

Credit risk

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

From a commercial point of view, the Group does not have excessive concentrations of credit risk as it operates on distribution channels, both Original Equipment and the Aftermarket, that make it possible not to depend too much on individual customers. For example, Original Equipment sales are largely to car and industrial vehicle manufacturers. As regards the Aftermarket, on the other hand, the Group's main customers are important international purchasing groups.
In order to minimise credit risk, however, procedures have in any case been implemented to limit the impact of any customer insolvencies.
As regards counterparties for the management of financial resources, the Group only has recourse to partners that have a safe profile and a high international standing.
The Group's maximum exposure to credit risk as of December 31, 2014 is represented by the book value of the financial assets shown in the financial statements (Euro 331,548 thousand), as well as by the nominal value of the guarantees given in favour of third parties, as mentioned in note 43 (Euro 11,607 thousand).

The exposure to credit risk is essentially linked to trade receivables which amounted to Euro 150,976 thousand as of December 31, 2014 (Euro 140,576 thousand as of December 31, 2013), written down by Euro 5,170 thousand (Euro 4,703 thousand as of December 31, 2013).

Receivables are backed by mainly insurance guarantees for Euro 6,633 thousand (Euro 6,174 thousand as of December 31, 2013). The Group does not have any other guarantees covering trade receivables.

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

(in thousands of Euro)	12.31.2014	12.31.2013
Opening balance	4,703	5,263
Change to the scope of consolidation	-	-
Accruals for the period	631	491
Utilisations	(11)	(240)
Provisions not used during the period	(202)	(660)
Other changes	-	(36)
Exchange differences	49	(115)
TOTAL	5,170	4,703

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

(in thousands of Euro)	12.31.2013		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	6,791	(55)	6,736
30-60 days	4,740	(101)	4,639
60-90 days	2,060	(96)	1,964
over 90 days	7,926	(4,398)	3,528
Total receivables past due	21,517	(4,650)	16,867
Total receivables still to fall due	119,059	(53)	119,006
TOTAL	140,576	(4,703)	135,873

(in thousands of Euro)	12.31.2014		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	10,829	(19)	10,810
30-60 days	2,793	(384)	2,409
60-90 days	1,247	(88)	1,159
over 90 days	8,276	(4,679)	3,597
Total receivables past due	23,145	(5,170)	17,975
Total receivables still to fall due	127,831	-	127,831
TOTAL	150,976	(5,170)	145,806

As of December 31, 2014, gross receivables past due were Euro 1,628 thousand higher than at the end of the previous year. The increase is concentrated in the "0-30 days" bracket (Euro 4,038 thousand) and is mostly due to payments due owed by customers of the French subsidiaries that were put off until early 2015. This increase is partly offset by a decrease in the “30-60 days” past due bracket (Euro -1,947 thousand) and in the “60-90 days” bracket (Euro -813 thousand) mostly relating to subsidiaries Filtrauto S.A. and Sogefi Engine Systems Mexico S. de R.L. de C.V..

The impact of gross receivables past due on total receivables is unchanged from the previous year at 15.3%.
Past due receivables have been written down by 22.3% overall (21.6% as of December 31, 2013) and by 56.5% (55.5% as of December 31, 2013) considering only the “over 90 days” bracket. Writedowns refer mainly to disputed amounts or receivables that have been due for a significant period of time and can no longer be collected.
Net receivables past due account for 12.3% of total net receivables, compared to 12.4% in the previous year.
The item “Total receivables still to fall due” does not contain significant positions that have been renegotiated.

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

Liquidity risk

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

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

Interest risk

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
Fixed rate							
Finance lease Sogefi Filtration Ltd	(195)	(217)	(244)	(275)	(304)	(1,150)	(2,385)
Finance lease Allevard Sogefi U.S.A. Inc.	(719)	(743)	(768)	(793)	(604)	(1,383)	(5,010)
Private Placement USD 115 million Sogefi S.p.A.	-	-	(13,536)	(13,536)	(13,536)	(53,752)	(94,360)
Private Placement EUR 25 million Sogefi S.p.A.	-	-	-	-	-	(24,922)	(24,922)
Equity linked bond Sogefi S.p.A. included embedded derivative (call option)	-	-	-	-	-	(86,067)	(86,067)
Sogefi (Suzhou) Auto Parts Co., Ltd loan	(6,436)	(6,569)	-	-	-	-	(13,005)
Sogefi Filtration do Brasil Ltda loan	(41)	(6,491)	(3,541)	-	-	-	(10,073)
Systèmes Moteurs S.A.S. loan	(437)	-	-	-	-	-	(437)
Sogefi Engine Systemes Canada Corp. loan	(662)	(705)	(686)	-	-	-	(2,053)
Government financing	(628)	(630)	(518)	(239)	(229)	(183)	(2,427)
Other fixed rate loans	(2,150)	(315)	(245)	-	-	-	(2,710)
Future interest	(9,726)	(10,456)	(9,580)	(7,907)	(7,044)	(9,819)	(54,532)
Future financial income on derivative instruments - interest risk hedging *	647	647	593	501	408	1,050	3,846
TOTAL FIXED RATE	(20,347)	(25,479)	(28,525)	(22,249)	(21,309)	(176,226)	(294,135)
Floating rate							
Cash and cash equivalents	124,033	-	-	-	-	-	124,033
Financial assets	6,971	-	-	-	-	-	6,971
Assets for derivative financial instruments	519	-	-	-	-	-	519
Current financial receivables	2,000	-	-	-	-	-	2,000
Non-current financial receivables	-	-	-	-	-	-	-
Bank overdrafts and other short-term loans	(13,426)	-	-	-	-	-	(13,426)
Sogefi S.p.A. loans	(17,404)	(66,665)	(32,374)	-	(9,748)	-	(126,191)
Shanghai Sogefi Auto Parts Co., Ltd loans	(2,654)	-	-	-	-	-	(2,654)
S.C. Systemes Moteurs SRL loan	(827)	(827)	(207)	-	-	-	(1,861)
Sogefi (Shouzu) Auto Parts Co., Ltd loan	(20,512)	-	-	-	-	-	(20,512)
Sogefi Filtration S.A. loan	(1,400)	(700)	-	-	-	-	(2,100)
Systèmes Moteurs S.A.S. loan	(3,500)	-	-	-	-	-	(3,500)
Sogefi Engine Systems Canada Corp. loans	(1,440)	(703)	(681)	-	-	-	(2,824)
Allevard Rejna Autosuspensions S.A. loan	(4,000)	-	-	-	-	-	(4,000)
Other floating rate loans	(1,502)	(647)	(1,072)	-	-	-	(3,221)
Future interest	(3,871)	(2,457)	(990)	(211)	(122)	-	(7,651)
Liabilities for derivative financial instruments - exchange risk hedging	(350)	-	-	-	-	-	(350)
Future financial expenses on derivative instruments - interest risk hedging *	(4,091)	(4,316)	(4,334)	(1,806)	-	-	(14,547)
TOTAL FLOATING RATE	58,546	(76,315)	(39,658)	(2,017)	(9,870)	-	(69,314)
Trade receivables	148,083	-	-	-	-	-	148,083
Trade and other payables	(309,808)	(223)	(6,765)	-	-	-	(316,796)
TOTAL FINANCIAL INSTRUMENT - ASSET	281,606	-	-	-	-	-	281,606
TOTAL FINANCIAL INSTRUMENT - LIABILITIES	(405,132)	(102,017)	(74,948)	(24,266)	(31,179)	(176,226)	(813,768)

* The amount is different from "Net financial liabilities for derivatives – hedging of interest rate" (equal to a total of Euro 13,767 thousand) because it represents the non-discounted cash flows

Hedging

a) Exchange risk hedges – not designated in hedge accounting

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

Fair value was calculated using the forward curve of exchange rates as of December 31, 2014.

As of December 31, 2014, the Holding Company Sogefi S.p.A. held the following forward sale contracts to hedge exchange risk on intercompany financial positions:

Forward sale	Date opened	Spot price €/currency	Date closed	Forward price €/currency
USD 5,000,000	12/19/2014	1.24480	03/19/2015	1.24580
GBP 6,000,000	12/19/2014	0.79320	03/19/2015	0.79438

As of December 31, 2014, the fair value of these contracts was negative for Euro 242 thousand and was booked to “Other short-term liabilities for derivative financial instruments”.

The subsidiary Filtrauto S.A. holds the following forward purchase contract to hedge the exchange risk on trade positions:

Forward purchase	Date opened	Spot price €/currency	Date closed	Forward price €/currency
USD 250,000	11/12/2014	1.24630	01/05/2015	1.24666

As of December 31, 2014, the fair value of this contract amounted to Euro 5 thousand and was booked to “Other financial assets – Assets for derivative financial instruments”.

The subsidiary Systèmes Moteurs S.A.S. holds the following forward purchase contract to hedge the exchange risk on trade positions:

Forward purchase	Date opened	Spot price €/currency	Date closed	Forward price €/currency
CAD 10,000,000	11/28/2014	1.40570	01/28/2015	1.40800

As of December 31, 2014, the fair value of this contract was positive for Euro 3 thousand and was booked to “Other financial assets – Assets for derivative financial instruments”.

The subsidiary S.C. Systèmes Moteurs S.r.l. holds the following forward purchase contracts to hedge the exchange risk on trade and intercompany financial positions:

Forward purchase	Date opened	Spot price RON/currency	Date closed	Forward price RON/currency
EUR 3,100,000	11/28/2014	4.41730	01/28/2015	4.42660
EUR 400,000	12/10/2014	4.44300	01/09/2015	4.44650
EUR 200,000	12/19/2014	4.47900	01/15/2015	4.48380

As of December 31, 2014, the fair value of this contract was positive for Euro 45 thousand and was booked to "Other financial assets – Assets for derivative financial instruments".

The subsidiary Sogefi Engine Systems Canada Corp. holds the following forward purchase contracts to hedge the exchange risk on trade positions:

Forward purchase	Date opened	Spot price CAD/currency	Date closed	Forward price CAD/currency
USD 7,700,000	12/04/2014	1.13900	01/02/2015	1.13990
USD 7,000,000	12/10/2014	1.14580	02/02/2015	1.14750
USD 7,900,000	12/11/2014	1.14700	03/02/2015	1.14930

and the following forward sale contract to hedge exchange risk on intercompany financial positions:

Forward sale	Date opened	Spot price CAD/currency	Date closed	Forward price CAD/currency
MXN 75,000,000	12/17/2014	12.67060	02/19/2015	12.70460

As of December 31, 2014, the fair value of these contracts was positive for Euro 229 thousand and was booked to "Other financial assets – Assets for derivative financial instruments".

The subsidiary Sogefi Engine Systems Mexico S. de R.L. de C.V. holds the following forward purchase contracts to hedge the exchange risk on trade positions:

Forward purchase	Date opened	Spot price MXN/USD	Date closed	Forward price MXN/USD
MXN 7,700,000	12/15/2014	14.77000	01/05/2015	14.78250
MXN 7,700,000	12/19/2014	14.50000	02/03/2015	14.53000

and the following forward purchase contract to hedge exchange risk on trade and intercompany financial positions:

Forward purchase	Date opened	Spot price MXN/currency	Date closed	Forward price MXN/currency
CAD 7,500,000	11/28/2014	12.11850	02/27/2015	12.16050

As of December 31, 2014, the fair value of these contracts was positive for Euro 236 thousand and was booked to "Other financial assets – Assets for derivative financial instruments".

The subsidiary Systèmes Moteurs India Pvt. Ltd. holds the following forward purchase contract to hedge the exchange risk on intercompany financial positions:

Forward purchase	Date opened	Spot price INR/currency	Date closed	Forward price INR/currency
EUR 2,000,000	10/31/2014	78.00000	01/30/2015	80.04000

As of December 31, 2014, the fair value of these contracts was negative for Euro 68 thousand and was booked to "Other short-term liabilities for derivative financial instruments".

The subsidiary Allevard Molas do Brasil Ltda holds the following forward purchase contracts to hedge the exchange risk on trade positions:

Forward purchase	Date opened	Spot price BRL/currency	Date closed	Forward price BRL/currency
EUR 102,000	12/12/2014	3.22270	01/30/2015	3.27530
EUR 220,000	12/13/2014	3.22270	02/27/2015	3.30360
EUR 164,000	12/14/2014	3.22270	03/31/2015	3.33760

and the following forward sale contracts to hedge exchange risk on trade positions:

Forward sale	Date opened	Spot price BRL/currency	Date closed	Forward price BRL/currency
USD 733,000	12/12/2014	2.59650	01/30/2015	2.62900
USD 942,000	12/12/2014	2.59650	02/27/2015	2.64580
USD 1,010,000	12/12/2014	2.59650	03/31/2015	2.66450

As of December 31, 2014, the fair value of these contracts was negative for Euro 40 thousand and was booked to "Other short-term liabilities for derivative financial instruments".

The subsidiary Sogefi Filtration Argentina S.A. holds the following forward purchase contracts to hedge the exchange risk on trade positions:

Forward purchase	Date opened	Spot price ARP/currency	Date closed	Forward price ARP/currency
USD 200,000	12/30/2014	8.55200	01/30/2015	8.78000
USD 200,000	12/30/2014	8.55200	02/27/2015	8.96500

As of December 31, 2014 the fair value of those contracts amounts to zero.

b) Exchange risk hedges – in hedge accounting

In 2013, the Holding Company Sogefi S.p.A. entered into the following Interest Rate Swap contracts (in thousands of Euro) as part of a macro cash flow hedge strategy aimed at hedging the risk of fluctuations in future cash flows deriving from the envisaged future long term indebtedness of the Holding Company Sogefi S.p.A.. Future indebtedness is deemed to be highly probable in view of the 2015-2018 projections approved by management. Relating cash flows will be exchanged from 2016 onwards:

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2014	Fair value at 12.31.2013
Hedging of Sogefi S.p.A. future financial indebtedness	02/21/2013	06/01/2018	10,000	1.660%	(281)	(21)
Hedging of Sogefi S.p.A. future financial indebtedness	02/19/2013	06/01/2018	10,000	1.650%	(277)	(17)
Hedging of Sogefi S.p.A. future financial indebtedness	02/21/2013	06/01/2018	5,000	1.660%	(139)	(8)
TOTAL			25,000		(697)	(46)

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

c) Exchange risk hedges – in hedge accounting

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

Details of these contracts are as follows:

Description of CCSwap	Date opened	Contract maturity	Notional (in thousands of Usd)	Fixed rate	Fair value at 12.31.2014	Fair value at 12.31.2013
Private placement USD 115 million (05/03/2013 maturity 06/01/2013), coupon 600 bps	04/30/2013	06/01/2023	55,000	6.0% USD receivable 5.6775% Euro payables	140	(4,363)
Private placement USD 115 million (05/03/2013 maturity 06/01/2013), coupon 600 bps	04/30/2013	06/01/2023	40,000	6.0% USD receivable 5.74% Euro payables	17	(3,320)
Private placement USD 115 million (05/03/2013 maturity 06/01/2013), coupon 600 bps	04/30/2013	06/01/2023	20,000	6.0% USD receivable 5.78% Euro payables	(7)	(1,698)
TOTAL			115,000		150	(9,381)

d) derivatives no longer in hedge accounting

As of December 31, 2014, the Group held the following Interest Rate Swap contracts that had become ineffective according to the effectiveness tests performed as of December 31,

2013 (with regard the first derivatives listed below) and as of June 30, 2014 (with regard to the other derivatives listed here), so that the hedging relationship was discontinued and the derivatives were reclassified as trading instruments. More specifically, the change in fair value since the last effectiveness test passed is immediately recognised in the Income Statement, whereas any reserve previously booked to Other Comprehensive Income is recognised in the Income Statement over the same period of time as the differentials relating to the underlying hedged item.
Details are as follows:

Derivative held by the subsidiary Sogefi Filtration S.A.:

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2014	Fair value at 12.31.2013
Hedging of Sogefi Filtration S.A. loan for Euro 7 million (05/30/2011 maturity 05/30/2016), rate Euribor 3 months + 225 bps	08/30/2011	05/30/2016	1,050	2.651%	(24)	(56)
TOTAL			1,050		(24)	(56)

Derivatives held by the Holding Company Sogefi S.p.A.:

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2014	Fair value at 12.31.2013
Hedging of Sogefi S.p.A. loan for Euro 60 million (04/29/2011 maturity 12/31/2016), rate Euribor 3 months + 200 bps	05/11/2011	12/31/2016	16,000	2.99%	(518)	(986)
TOTAL			16,000		(518)	(986)

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2014	Fair value at 12.31.2013
Hedging of Sogefi S.p.A. future financial indebtedness	02/10/2011	06/01/2018	10,000	3.679%	(1,153)	(1,117)
Hedging of Sogefi S.p.A. future financial indebtedness	02/23/2011	06/01/2018	10,000	3.500%	(1,135)	(1,108)
Hedging of Sogefi S.p.A. future financial indebtedness	03/11/2011	06/01/2018	10,000	3.545%	(1,148)	(1,128)
Hedging of Sogefi S.p.A. future financial indebtedness	03/23/2011	06/01/2018	10,000	3.560%	(1,152)	(1,127)
Hedging of Sogefi S.p.A. future financial indebtedness	03/28/2011	06/01/2018	10,000	3.670%	(1,195)	(1,182)
Hedging of Sogefi S.p.A. future financial indebtedness	05/13/2011	06/01/2018	10,000	3.460%	(1,124)	(1,092)
Hedging of Sogefi S.p.A. future financial indebtedness	06/24/2011	06/01/2018	10,000	3.250%	(1,051)	(1,001)
Hedging of Sogefi S.p.A. future financial indebtedness	06/28/2011	06/01/2018	10,000	3.250%	(1,049)	(1,002)
Hedging of Sogefi S.p.A. future financial indebtedness	11/28/2011	06/01/2018	10,000	2.578%	(824)	(712)
TOTAL			90,000		(9,831)	(9,469)

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2014	Fair value at 12.31.2013
Hedging of Sogefi S.p.A. future financial indebtedness	02/11/2013	06/01/2018	5,000	1.225%	(186)	(51)
Hedging of Sogefi S.p.A. future financial indebtedness	02/01/2013	06/01/2018	10,000	1.310%	(397)	(119)
Hedging of Sogefi S.p.A. future financial indebtedness	02/06/2013	06/01/2018	10,000	1.281%	(388)	(109)
Hedging of Sogefi S.p.A. future financial indebtedness	02/11/2013	06/01/2018	5,000	1.220%	(184)	(50)
Hedging of Sogefi S.p.A. future financial indebtedness	02/12/2013	06/01/2018	5,000	1.240%	(185)	(27)
TOTAL			35,000		(1,340)	(356)

According to the effectiveness tests carried out as of December 31, 2014, the derivatives listed below, aimed at hedging the risk of fluctuations in cash flows from 2015 onwards connected with expected future indebtedness, became ineffective as well:

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2014	Fair value at 12.31.2013
Hedging of Sogefi S.p.A. future financial indebtedness	02/07/2013	06/01/2018	15,000	1.445%	(566)	(79)
Hedging of Sogefi S.p.A. future financial indebtedness	02/11/2013	06/01/2018	5,000	1.425%	(186)	(30)
Hedging of Sogefi S.p.A. future financial indebtedness	02/19/2013	06/01/2018	10,000	1.440%	(376)	(62)
Hedging of Sogefi S.p.A. future financial indebtedness	02/11/2013	06/01/2018	5,000	1.420%	(185)	(52)
Hedging of Sogefi S.p.A. future financial indebtedness	02/13/2013	06/01/2018	5,000	1.500%	(195)	(36)
TOTAL			40,000		(1,508)	(259)

The non-application of hedge accounting had the following impact on the financial statements as of December 31, 2014:

- a financial charge of Euro 2,776 thousand was recognised in the Income Statement; this amount reflects the portion of the reserve previously booked to Other Comprehensive Income that will be recognised in the Income Statement over the same period of time as the differentials relating to the underlying hedged item.
- a financial charge of Euro 1,168 thousand, reflecting the amount of the change in fair value since the previous effectiveness test (December 31, 2013), was recognised in the Income Statement.

e) fair value of derivative contracts in hedge accounting and no longer designated in hedge accounting

The fair value of all derivatives was calculated using the forward curves of exchange and interest rates as of December 31, 2014, also taking into account a credit valuation adjustment / debit valuation adjustment. The fair value amounts of derivatives are classified as Level 2 in a hierarchy of levels that describes the significance of the inputs used in fair value measurements.

Derivative embedded in the bond

As noted above, the Holding Company Sogefi S.p.A. issued a bond designated "€100,000,000 2 per cent. Equity Linked Bonds due 2021" under which terms the Company has the right to pay cash or offer a combination of ordinary shares and cash when the conversion rights are exercised - following the Extraordinary Shareholders Meeting on September 26, 2014 - passed the resolution to increase share capital, excluding option rights, under art. 2441, paragraph 5 of the Italian Civil Code, through the issue of shares exclusively for bond conversion.
Such right constitutes an embedded derivative that is booked to the appropriate item in the statement of financial position (financial liability).
On May 14, 2014, the Holding Company Sogefi S.p.A. separated the embedded derivative (call option on Company's shares) from the host contract (equity-linked bonds) in accordance with IAS 39 and determined that its fair value amounts to Euro 24,500 thousand. The fair value was classified as Level 2 in the fair value hierarchy. As of December 31, 2014, the fair value of the embedded derivative amounted to Euro 10,540

thousand, and the Euro 13,960 thousand increase was recognised in the Income Statement under item "Other financial income".
The following parameters were used to measure fair value:

- Three-month average price of the Sogefi stock as of December 31, 2014: Euro 2.2626 (the three-month average price was used due to the high volatility of the stock during the final months of 2014)
- Exercise price: Euro 5.3844
- 7-year BTP yield as of December 31, 2014: 1.43%
- Average annual volatility of the Sogefi stock as of December 31, 2014: 45.2%

With regard to sensitivity, if the price of the Sogefi stock ruling as of December 31, 2014 had been used, the fair value of the embedded derivative would have been Euro 8,791 thousand; if the average price of December were used, the fair value of embedded derivative would amount to Euro 9,365 thousand.

Equity management

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

The Group monitors equity on the basis of the net financial position/total equity ratio (gearing ratio). For the purposes of determination of the net financial position reference is made to note 22. Total equity is analysed in note 21.

As of December 31, 2014, gearing stands at 1.68 (1.61 as of December 31, 2013).

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

In compliance with the requirements of IFRS 7, the table below provides the information on the categories of financial assets and liabilities held by the Group as of December 31, 2013.
For the financial instruments measured at fair value in the statement of financial position the IFRS 7 requires a classification by hierarchy determined by reference to the source of inputs used to derive the fair value. This classification uses the following three levels:

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

The following table therefore shows the fair value level of financial assets and liabilities measured at fair value, as of December 31, 2014:

(in thousands of Euro)	Note	Book value 2014	Receivables and financial assets	Financial assets available for sale	Held-to-maturity investments	Financial liabilities	Fair Value with changes booked in the Income Statement	
							Amount	Fair value hierarchy
Current assets								
Cash and cash equivalents	*5*	124,033	124,033	-	-	-	-	
Securities held for trading	*6*	18	-	-	-	-	18	*1*
Held-to-maturity investments	*6*	6,953	-	-	6,953	-	-	
Assets for derivative financial instruments	*6*	519	-	-	-	-	519	*2*
Trade receivables	*8*	148,083	148,083	-	-	-	-	
Other receivables	*8*	6,884	6,884	-	-	-	-	
Other assets	*8*	3,599	3,599	-	-	-	-	
Non-current assets								
Other financial assets available for sale	*12*	439	-	439 *	-	-	-	
Non-current trade receivables	*13*	4	4		-			
Other non-current receivables	*13*	34,626	34,626	-	-	-	-	
Current liabilities								
Short-term fixed rate financial debts	*16*	11,268	-	-	-	11,268	-	
Short-term variable rate financial debts	*16*	66,666	-	-	-	66,666	-	
Other short-term liabilities for derivative financial instruments	*16*	350	-	-	-	-	350	*2*
Trade and other payable	*17*	309,808	-	-	-	309,808	-	
Other current liabilities	*18*	8,096	-	-	-	8,096	-	
Non-current liabilities								
Medium/long-term fixed rate financial debts	*16*	146,121	-	-	-	146,121	-	
Equity linked bond included embedded derivative (call option)	*16*	86,067	-	-	-	86,067	-	2
Medium/long-term variable rate financial debts	*16*	113,617	-	-	-	113,617	-	
Other medium/long-term liabilities for derivative financial instruments	*16*	13,924	-	-	-	-	13,924 **	*2*

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

** of which € 11,245 thousand relating to hedge instruments accounted according to the cash flow hedge method.

The following table therefore shows the fair value level of financial assets and liabilities measured at fair value, as of December 31, 2013:

(in thousands of Euro)	Note	Book value 2013	Receivables and financial assets	Financial assets available for	Held-to-maturity investments	Financial liabilities	Fair Value with changes booked in	
							Amount	Fair value hierarchy
Current assets								
Cash and cash equivalents	5	125,344	125,344	-	-	-	-	
Securities held for trading	6	14	-	-	-	-	14	1
Held-to-maturity investments	6	7,462	-	-	7,462	-	-	
Assets for derivative financial instruments	6	32	-	-	-	-	32	2
Trade receivables	8	145,837	145,837	-	-	-	-	
Other receivables	8	7,827	7,827	-	-	-	-	
Other assets	8	3,692	3,692	-	-	-	-	
Non-current assets								
Other financial assets available for sale	12	439	-	439 *	-	-	-	
Other non-current receivables	13	4	4	-	-	-		
Other non-current receivables	13	31,582	31,582	-	-	-	-	
Current liabilities								
Short-term fixed rate financial debts	16	7,685	-	-	-	7,685	- -	-
Short-term variable rate financial debts	16	75,950	-	-	-	75,950	- -	-
Other short-term liabilities for derivative financial instruments	16	93	-	-	-	-	93 -	2
Trade and other payables	17	285,410	-	-	-	285,410	- -	-
Other current liabilities	18	8,055	-	-	-	8,055	- -	-
Non-current liabilities								
Medium/long-term fixed rate financial debts	16	142,886	-	-	-	142,886	-	
Medium/long-term variable rate financial debts	16	189,453	-	-	-	189,453	-	
Other medium/long-term liabilities for derivative financial instruments	16	21,378	-	-	-	-	21,378 **	2

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

** of which € 20,336 thousand relating to hedge instruments accounted according to the cash flow hedge method.

F) 40. RELATED PARTY TRANSACTIONS

See IAS 24 and the related communications from Consob for the definition of related party transactions.

The Group is controlled by the Parent Company CIR S.p.A. (which in turn is controlled by the ultimate Parent Company F.lli De Benedetti S.A.P.A.) which as of December 31, 2014 held 56.07% of the share capital (57.74% of outstanding shares, excluding treasury shares). Sogefi S.p.A.'s shares are listed on the STAR segment of Mercato Telematico Azionario managed by Borsa Italiana S.p.A..

The Group's consolidated financial statements include the financial statements of the consolidated companies, listed in chapter H along with the stake held in the same by the Group.
Dealings between Group companies are conducted at arm's length, taking into account the quality and nature of services rendered; the Holding Company Sogefi S.p.A. charges Group companies fees for administrative, financial and management support services. The Holding Company also debits and credits interest at a market spread to those subsidiaries that have signed up for the Group's centralised treasury function.
The Holding Company is also charging royalty fees on the Group "SAP" information system to those subsidiaries at which implementation has been completed, as well as a consideration for the Group centralised data communication service through a single provider.
The subsidiary Sogefi Purchasing S.a.S. charges Group companies for purchase management support services.

As part of its activity, Sogefi S.p.A. makes use of the services provided by CIR S.p.A., its Parent Company, in areas such as strategic development, disposals and acquisitions, and services of an administrative, financial, fiscal and corporate nature. This relationship is regulated by contracts at arm's-length conditions and the cost is commensurate to the effective value of such services to the Sogefi Group in terms of the resources devoted to them and the specific economic advantages obtained as a result.
In 2014, the Holding Company Sogefi S.p.A. used the services of CIR S.p.A., paying Euro 1,350 thousand for them (Euro 1,820 thousand in the previous year).

As of December 31, 2014, the Italian companies of the Sogefi Group had receivables for the amount of Euro 2,149 thousand owed by CIR S.p.A. in connection with their participation in the group tax filing system. As of December 31, 2013, receivables amounted to Euro 9,838 thousand, and Euro 9,305 thousand were collected during the course of 2014.

At the end of 2014, the subsidiary Sogefi Rejna S.p.A. recorded an income of Euro 128 thousand (Euro 130 thousand in the previous year) following the transfer of fiscal surplus to companies that have joined the CIR Group tax filing system in order to have an interest deduction. The Holding Company Sogefi S.p.A. recorded an expense of Euro 128 thousand (Euro 130 thousand in the previous year) due to the payment for the fiscal surplus received from the companies that have joined the CIR Group tax filing system.
As regards economic transactions with the Board of Directors, Statutory Auditors, Chief Executive Officer and the Manager with strategic responsibility in 2014, please refer to the attached table.

Apart from those mentioned above and shown in the table below, at the date of these financial statements, we are not aware of any other related party transactions.

The following table summarises related party transactions:

(in thousands of Euro)	2014	2013
Receivables		
- for the Group tax filing from CIR S.p.A.	2,149	9,838
- for income following the transfer of fiscal surplus to the CIR Group	128	130
Payables		
- for purchases of energy/gas from Sorgenia S.p.A.	8	8
- for expense due to fiscal surplus received from the CIR Group	128	130
- for Director's remuneration	14	-
- for services from other related companies	20	23
Costs		
- for services received from CIR S.p.A.	1,350	1,820
- for expense due to fiscal surplus received from the CIR Group	128	130
- for services from other related companies	122	83
Revenues		
- for income following the transfer of fiscal surplus to the CIR Group	128	130
Compensation of directors and statutory auditors		
- directors (*)	1,721	2,411
- statutory auditors	164	142
Compensation and related contributions to the ex General Manager of the Holding Company (who held the office of Managing Director from April 19, 2013 to October 20, 2014) (**) (***)	851	1,394
Compensation and related contributions to Manager with strategic responsibilities ex Consob resolution no. 17221/2010 (****)	746	699

(*) including the imputed cost of stock option and stock grant plans for Euro 273 thousand (Euro 468 thousand in 2013) booked under the item "Other non-operating expenses (income)" and the compensation of a director of the Holding Company for Euro 20 thousand transferred to the Parent Company CIR S.p.A.

(**) including the compensation of Euro 300 thousand, paid on termination of employment occurred October 20, 2014

(***) including the imputed income of stock option and stock grant plans for Euro 114 thousand (imputed cost for Euro 114 thousand in 2013) booked under the item "Other non-operating expenses (income)"

(****) including the imputed cost of stock option and stock grant plans for Euro 81 thousand (Euro 97 thousand in 2013) booked under the item "Other non-operating expenses (income)"

G) COMMITMENTS AND RISKS

41. OPERATING LEASES

For accounting purposes, leases and rental contracts are classified as operating when:
- a significant part of the risks and benefits associated with ownership are retained by the lessor;
- there are no purchase options at prices that do not represent the presumable market value of the asset being leased at the end of the period;
- the lease term is not for the major part of the useful life of the asset leased or rented.

Operating lease instalment payments are booked to the Income Statement in line with the underlying contracts.

The main operating leases existing as of December 31, 2014 regard the following subsidiaries:

- Sogefi (Suzhou) Auto Parts Co., Ltd. for the rental of two production plants in Wujiang, under a contract that will expire in September 2033.
  As of December 31, 2014, total remaining payments amount to Euro 16,835 thousand, Euro 771 thousand of which due by the end of the year. The increase in the residual amount over 2013 is due for the most part to exchange rate effects in the amount of Euro 1.6 million. The Group has not given any guarantees whatsoever for this contract;

- Filtrauto S.A. for the rental of the production plant in Guyancourt. The contract will expire in May 2021 and remaining payments as of December 31, 2014 amount to Euro 4,841 thousand, Euro 778 thousand of which are due by the end of the year.
  The Group has not given any guarantees for this contract;

- Allevard Federn GmbH for the rental of the production plant in Völklingen. The contract expires in May 2020. As of December 31, 2014, the remaining payments amount to Euro 2,210 thousand, Euro 384 thousand of which due by the end of the year.
  The Group has not given any guarantees for this contract;

- Sogefi Engine Systems Canada Corp. for the rental of the production plant in Montreal. The contract expires in December 2015 and the remaining payments as of December 31, 2014 amount to Euro 752 thousand, which are due by the end of the year.
  The Group has not given any guarantees for this contract;

- Allevard Sogefi U.S.A. Inc. for the rental of the production plant in Prichard (West Virginia).
  The contract expires in May 2019 and the remaining payments as of December 31, 2014 amount to Euro 1,443 thousand, of which Euro 327 thousand due by the end of the year.
  For this contract Sogefi S.p.A. provided a guarantee equal to 63% of the residual instalments still to fall due. The guarantee is renewed at the end of each year according to the residual amount.

There are no restrictions of any kind on this type of lease and at the end of the contract the US company will be able to purchase the building at its market value.

- The lease contract for the production site in Shanghai entered into by subsidiary Shanghai Sogefi Auto Parts Co., Ltd, which would have expired in August 2023, was terminated after the plant was shut down and production relocated to Wuijang.
  The Group had not given any guarantees whatsoever for this contract;

Future lease payments under operating leases outstanding as of December 31, 2014 are as follows:

(in thousands of Euro)	2014	2013
Within 12 months	7,555	6,582
Between 1 and 5 years	18,814	18,751
Beyond 5 years	12,646	14,131
TOTAL	39,016	39,465

42. INVESTMENT COMMITMENTS

As of December 31, 2014, Group companies have binding commitments for investments relating to the purchase of property, plant and equipment for Euro 323 thousand (Euro 1,907 thousand at the end of the previous year) as already disclosed in the explanatory notes regarding tangible fixed assets.

43. GUARANTEES GIVEN

Details of guarantees are as follows:

(in thousands of Euro)	12.31.2014	12.31.2013
PERSONAL GUARANTEES GIVEN		
a) Sureties to third parties	1,893	1,745
b) Other personal guarantees in favour of third parties	9,714	9,714
TOTAL PERSONAL GUARANTEES GIVEN	11,607	11,459
REAL GUARANTEES GIVEN		
a) Against liabilities shown in the financial statements	7,122	9,588
TOTAL REAL GUARANTEES GIVEN	7,122	9,588

The guarantees given in favour of third parties relate to guarantees given to certain customers and to secure operating lease contracts; guarantees are shown at a value equal to the outstanding commitment at the reporting period. These accounts indicate risks, commitments and guarantees provided by Group companies to third parties.

The "Other personal guarantees in favour of third parties" relate to the commitment of the subsidiary LPDN GmbH to the employee pension fund for the two business lines at the time it was acquired in 1996; this commitment is covered by the contractual obligations of the seller, who is a leading German operator.

“Real guarantees given” mainly refer to subsidiaries Sogefi Engine Systems Canada Corp., Allevard IAI Suspensions Private Ltd and United Springs B.V., which have real guarantees on tangible fixed assets and trade receivables to secure loans obtained from financial institutions.

44. OTHER RISKS

As of December 31, 2014, the Group had third-party goods and materials held at Group companies worth Euro 9,367 thousand (Euro 7,075 thousand as of December 31, 2013).

45. POTENTIAL LIABILITIES

Sogefi Group is managing environmental issues in some production plants. No relevant costs are expected.

In 2004, the subsidiary Sogefi Filtration Ltd purchased the assets and liabilities of Filtrauto UK Ltd, thus taking charge of employer as regards the pension funds Filtrauto UK Limited Staff Pension Scheme and Filtrauto UK Limited Works Pension Scheme. Said funds are defined-benefit plans.
Between 1990 and 2006, the employer and the pension fund trustees received professional advices from leading consulting companies to equalise the conditions of the pension funds, as required by amended legislation.
It shows that the above equalisation may not have been correctly applied.
Sogefi Filtration Ltd has therefore submitted a protective claim to the Birmingham High Court.
The Court could conclude that the equalisation was correctly applied, or that an adjustment could be possible, or even that there is a potential liability. In the latter case, we are confident that almost the entire amount of any liability can be recovered from the consultants.
An initial valuation of the maximum potential liability, before its likely recovery from the consultants amounts to around Euro 1.9 million.

In January 2014, the Holding Company Sogefi S.p.A. received two notices of assessment under which tax authorities disallowed deduction of the costs for services performed by the Parent Company CIR S.p.A. during the year 2009 for Euro 1.8 million from IRES tax base and consequently their eligibility for VAT tax deduction.
Based on the tax advisor's opinion, Directors believe said arguments to be groundless and inconsistent with the applicable tax regulation in force and, for the moment, the risk of losing to be possible but not likely.
This is why the Holding Company did not set aside any amount for tax risks in the 2014 financial statements.
It should be noted that the Province Tax Commission has already discussed these tax assessments and decided in favour of the Company.
Tax authorities lodged an appeal with the Regional Tax Commission to reverse this decision.

46. ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication dated July 28, 2006, it is specified that the Group did not implement any atypical and/or unusual transactions during 2014.

47. SUBSEQUENT EVENTS

Under a resolution of the Board of Directors passed on January 19, 2015 and a Deed Poll executed on January 28, 2015 under British law (notified to agent on January 29, 2015), the Holding Company Sogefi S.p.A. unilaterally waived the right to settle the convertible bonds in cash rather than by conversion into ordinary shares when the conversion options are exercised by bondholders under the Bond Terms. Such renouncement is final, irrevocable and unconditional. Under British law, such renouncement has the same effect as an amendment to the Bond Terms.
As of January 28, 2015, the fair value of the option (calculated using the same model applied as of December 31, 2014) was Euro 9,090 thousand. This will have a positive effect (Euro 1,450 thousand) on the 2015 Income Statement. In addition, because the Deed Pool executed has the same effect as an amendment to the Bond Terms, the Holding Company Sogefi S.p.A. reviewed the liability-equity classification made upon initial recognition of the option (because the call option rights granted to the Company were waived irrevocably, finally and unconditionally). As a result, the Holding Company Sogefi S.p.A. reclassified the amount of the option mentioned above (Euro 9,090 thousand) from “Other medium/long-term liabilities for derivative financial instruments” to shareholders's equity.

H) GROUP COMPANIES

48. LIST OF GROUP COMPANIES AS OF DECEMBER 31, 2014

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Direct subsidiaries	Currency	Share capital	Number of shares	% of share capital held	Par value per share	Par value of the interest held
SOGEFI REJNA S.p.A. Mantova (Italy)	Euro	21,978,316	21,950,990	99.88	1	21,950,990
SOGEFI FILTRATION Ltd Tredegar (Great Britain)	GBP	5,126,737	5,126,737	100.00	1	5,126,737
SOGEFI FILTRATION S.A. Cerdanyola (Spain) 86.08% held by Sogefi S.p.A. 13.92% held by Filtrauto S.A.	Euro	12,953,713.60	2,155,360	100.00	6.01	12,953,713.60
FILTRAUTO S.A. Guyancourt (France)	Euro	5,750,000	287,497	99.99	20	5,749,940
ALLEVARD REJNA AUTOSUSPENSIONS S.A. Guyancourt (France)	Euro	36,000,000	1,999,964	99.99	18	35,999,352
ALLEVARD SOGEFI U.S.A., Inc. Prichard (U.S.A.)	USD	20,055,000	191	100.00		20,055,000
SOGEFI FILTRATION d.o.o. Medvode (Slovenia)	Euro	10,291,798		100.00		10,291,798
SOGEFI PURCHASING S.A.S. Guyancourt (France)	Euro	100,000	10,000	100.00	10	100,000
SHANGHAI SOGEFI AUTO PARTS Co. Ltd Shanghai (China)	USD	13,000,000		100.00		13,000,000
SYSTEMES MOTEURS S.A.S. Guyancourt (France)	Euro	54,938,125	3,602,500	100.00	15.25	54,938,125
SOGEFI (SUZHOU) AUTO PARTS CO., Ltd Wujiang (China)	USD	15,000,000		100.00		15,000,000

Indirect subsidiaries	Currency	Share capital	Number of shares	% of share capital held	Par value per share	Par value of the interest held
BUSINESS UNIT ENGINE SYSTEMS – FLUID FILTERS						
SOGEFI M.N.R. FILTRATION INDIA Pvt Ltd Bangalore (India) Held by Filtrauto S.A.	INR	15,940,980	956,459	60.00	10	9,564,590
SOGEFI FILTRATION DO BRASIL Ltda São Bernardo do Campo (Brazil) 99.999997% held by Sogefi Filtration S.A. 0.000003% held by Allevard Molas do Brasil Ltda	BRL	29,857,374	29,857,374	100.00	1	29,857,374
SOGEFI FILTRATION ARGENTINA S.A. Buenos Aires (Argentina) 91.90% held by Sogefi Filtration do Brasil Ltda 7.28% held by Filtrauto S.A. 0.81% held by Sogefi Rejna S.p.A.	ARP	10,691,607	10,691,605	99.99	1	10,691,605

Indirect subsidiaries	Currency	Share capital	Number of shares	% of share capital held	Par value per share	Par value of the interest held
BUSINESS UNIT **ENGINE SYSTEMS – AIR INTAKE AND COOLING**						
SOGEFI ENGINE SYSTEMS CANADA CORP. Nova Scotia (Canada) Held by Systèmes Moteurs S.A.S.	CAD	39,393,000	2,283	100.00		39,393,000
SOGEFI ENGINE SYSTEMS USA, Inc. Wilmington (U.S.A.) Held by Systèmes Moteurs S.A.S.	USD	100	1,000	100.00	0.10	100
SYSTEMES MOTEURS CHINA, S.à.r.l. Luxembourg (Luxembourg) Held by Systèmes Moteurs S.A.S.	Euro	12,500	125	100.00	100	12,500
SYSTEMES MOTEURS INDIA Pvt Ltd New Delhi (India) 99.91% held by Systèmes Moteurs S.A.S. 0.09% held by Systemes Moteurs China, S.à.r.l.	INR	127,636,860	12,763,686	100.00	10	127,636,860
S.C. SYSTEMES MOTEURS S.r.l. Titesti (Romania) 99.9997% held by Systèmes Moteurs S.A.S. 0.0003% held by Sogefi Filtration S.A. (Spain)	RON	7,087,610	708,761	100.00	10	7,087,610
SOGEFI ENGINE SYSTEMS MEXICO S. de R.L. de C.V. Apodaca (Mexico) 0.03% held by Systèmes Moteurs S.A.S. 99.97% held by Sogefi Engine Systems Canada Corp.	MXN	3,000	3,000	100.00	1	3,000
SOGEFI ENGINE SYSTEMS HONG KONG Ltd Hong Kong (Hong Kong) Held by Systemes Moteurs China, S.à.r.l.	HKD	1,000	1,000	100.00	1	1,000

Indirect subsidiaries	Currency	Share capital	Number of shares	% of share capital held	Par value per share	Par value of the interest held
BUSINESS UNIT SUSPENSION COMPONENTS AND PRECISION SPRINGS						
ALLEVARD SPRINGS Ltd Clydach (Great Britain) Held by Allevard Rejna Autosuspensions S.A.	GBP	4,000,002	4,000,001	99.99	1	4,000,001
ALLEVARD FEDERN GmbH Völklingen (Germany) Held by Allevard Rejna Autosuspensions S.A.	Euro	50,000		100.00		50,000
ALLEVARD REJNA ARGENTINA S.A. Buenos Aires (Argentina) 89.97% held by Allevard Rejna Autosuspensions S.A. 10% held by Allevard Molas do Brasil Ltda	ARP	600,000	599,827	99.97	1	599,827
IBERICA DE SUSPENSIONES S.L. (ISSA) Alsasua (Spain) Held by Allevard Rejna Autosuspensions S.A.	Euro	10,529,668	5,264,834	50.00	1	5,264,834
ALLEVARD MOLAS DO BRASIL Ltda São Paulo (Brazil) 99.997% held by Allevard Rejna Autosuspensions S.A. 0.003% held by Allevard Springs Ltd	BRL	37,161,683	37,161,683	100.00	1	37,161,683
UNITED SPRINGS Ltd Rochdale (Great Britain) Held by Allevard Rejna Autosuspensions S.A.	GBP	6,500,000	6,500,000	100.00	1	6,500,000
UNITED SPRINGS B.V. Hengelo (Netherlands) Held by Allevard Rejna Autosuspensions S.A.	Euro	254,979	254,979	100.00	1	254,979
SHANGHAI ALLEVARD SPRING Co., Ltd Shanghai (China) Held by Allevard Rejna Autosuspensions S.A.	Euro	5,335,308		60.58		3,231,919
UNITED SPRINGS S.A.S. Guyancourt (France) Held by Allevard Rejna Autosuspensions S.A.	Euro	10,218,000	2,043,600	100.00	5	10,218,000
S.ARA COMPOSITE S.A.S. Guyancourt (France) Held by Allevard Rejna Autosuspensions S.A.	Euro	8,500,000	16,000,000	94.12	0.5	8,000,000
ALLEVARD IAI SUSPENSIONS Pvt Ltd Pune (India) Held by Allevard Rejna Autosuspensions S.A.	INR	276,127,820	20,409,782	73.91	10	204,097,820
LUHN & PULVERMACHER - DITTMANN & NEUHAUS GmbH Hagen (Germany) Held by Allevard Federn GmbH	Euro	50,000		100.00	50,000	50,000

EQUITY INVESTMENTS IN SUBSIDIARIES CONSOLIDATED USING THE EQUITY METHOD

Indirect subsidiaries	Currency	Share capital	Number of shares	% of share capital held	Par value per share	Par value of the interest held
MARK IV ASSET (Shanghai) AUTO PARTS Co., Ltd Shanghai (China) Held by Sogefi Engine Systems Hong Kong Limited	RMB	10,000,000	1	50.00		5,000,000

EQUITY INVESTMENTS IN OTHER COMPANIES CARRIED AT COST

Indirect subsidiaries	Currency	Share capital	Number of shares	% of share capital held	Par value per share	Par value of the interest held
UMC & MAKKAWI SPRING MANUFACTURING Co., Ltd Khartoum (Sudan) Held by Sogefi Rejna S.p.A.	SDP	900,000	225	25.00	1,000	225,000
AFICO FILTERS S.A.E. Cairo (Egypt) Held by Sogefi Rejna S.p.A.	EGP	11,000,000	24,880	22.62	100	2,488,000

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT ART. 81-TER OF CONSOB RESOLUTION No. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned:
Monica Mondardini – Vice Chairman of Sogefi S.p.A.
Giancarlo Coppa – Manager responsible for preparing Sogefi S.p.A.'s financial reports
hereby certify having also taken into consideration the provisions of Article 154-bis, paragraph 3 and 4, of Italian Legislative Decree n. 58 of February 24, 1998, that:

- are adequate with respect to the company structure and
- have been effectively applied the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2014 fiscal year.

2. No relevant aspects are to be reported on this subject.

3. It is also certified that:

3.1 the consolidated financial statements at December 31, 2014:

- have been prepared in accordance with international accounting standards as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002;
- correspond to the books and accounting records;
- provide a true and fair representation of the financial position, result of operations and cash flow of the issuer and the companies included in the scope of consolidation.

3.2 The report on operations includes a reliable analysis of the performance and result of operations and also the position of the issuer and the companies included in the scope of consolidation together with all principle risks and uncertainties that the Group is exposed.

Milan, February 23, 2015

Signed by	Signed by
Vice Chairman	Manager responsible for preparing financial report
Monica Mondardini	Giancarlo Coppa

SOGEFI S.p.A.

Company subject to the direction and coordination of CIR S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE No. 58/1998

To the Shareholders Meeting of SOGEFI S.p.A.

During the financial year closed at December 31, 2014, we carried out our supervisory activity as required by law and the Articles of Association, in accordance with the Rules of Conduct for the Board of Statutory Auditors recommended by the National Council of Accountants and the Code of Conduct issued by the Corporate Governance Committee of Borsa Italiana S.p.A., and hereby report on such activity. This report was drawn up following the recommendations set out in Consob Communication no. 1025564 of April 6, 2001 and subsequent amenments.

As regards the methods employed to perform our duties during the period under consideration, we report as follows:

- we attended the Shareholders Meetings and Board of Directors meetings held during the period under consideration and by the Directors we obtained timely and adequate information on operations and their outlook, as well as on significant operational, financial and equity-related operations conducted by the Company and subsidiaries within the Group, as required by law and the Articles of Association; all meetings of the Control and Risk Committee and of the Appointment and Remuneration Committee were attended by one or more members of the Board of Statutory Auditors;
- we obtained the necessary information to perform our tasks and determine compliance with the law and the Articles of Association, proper governance principles, adequacy of the Company’s organizational structure, internal control system and of the administration-accounting system, by direct investigation, collecting information from the heads of the involved departments and sharing data and significant information with the appointed Independent Auditors;
- under art. 19 of Legislative Decree no. 39/2010, our activities in our capacity as Internal Control and Audit Committee addressed the following issues: a) financial reporting process; b) effectiveness of internal control, auditing and risk management systems; c) statutory audits of annual and consolidated accounts; d) independence of the Independent Auditors, and were conducted by direct investigation, collecting information from the heads of the involved departments, analysing the results of the Independent Auditors' work;
- we examined the results of the quarterly audits of accounts to ensure proper accounting conducted by the Independent Auditors;
- we obtained the Reports provided for by art. 14 and art. 19, paragraph 3 of Legislative Decree no. 39/2010 from the Independent Auditors;
- under art. 17, paragraph 9, letter a) of Legislative Decree no. 39/2010, the Independent Auditors submitted their annual Statement of Independence, a disclosure of any additional, non-audit services provided to SOGEFI S.p.A. and the Group by the Independent Auditors and entities belonging to its network;
- under art. 17, paragraph 9, letter b) of Legislative Decree no. 39/2010, we analysed the risks associated with the independence of the Independent Auditors and the measures they take to reduce such risk;

- we monitored the performance of the system used to control subsidiaries and the adequacy of the directions given to them, also under art. 114, paragraph 2 of Legislative Decree no. 58/1998;
- we monitored the actual methods used to implement the corporate governance rules set out in the Code of Conduct issued by Borsa Italiana S.p.A., as adopted by the Company;
- we determined whether the Organization, Management and Control Model as per Legislative Decree no. 231/2001 and subsequent amendments was updated to comply with the expanded scope of the Decree;
- under art. 4, paragraph 6 of the Regulation approved by Consob Resolution no. 17221 of March 12, 2010, we monitored compliance with the Discipline for related-party transactions approved by the Board of Directors;
- we ensured that no significant issues exist that the controlling bodies of SOGEFI S.p.A. subsidiaries would have to disclose;
- we determined compliance with law provisions and regulations concerning the preparation, layout and statements of the statutory and consolidated financial statements as well as their accompanying documents. We also determined that the relevant Reports on Operations comply with the law and regulations in force and are consistent with the resolutions of the Board of Directors;
- we ascertained the adequacy, in terms of method, of the impairment test process implemented to identify the presence of any impairment loss on assets entered to the financial statements subject to impairment test;
- we have noted, based on the statements made by the Directors and the opinions issued by the Board of Directors, that the criteria and procedure adopted expressed by the Board assessment of the independence of its members have been properly applied.

After completing our surveillance activity as outlined above, we did not identify any significant events such as would have to be reported to the Supervisory Authorities, nor any proposals concerning the financial statements, their approval or any other issue within our area of responsibility.

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Outlined below is the information specifically required by the above mentioned Consob Communication of April 6, 2001 and subsequent amendments.

- We obtained adequate information on significant operational, financial and equity-related operations conducted by SOGEFI S.p.A. and its subsidiaries and ascertained their compliance with the law and the Articles of Association; the Directors provide adequate disclosure on such transactions in the Report on Operations; we also obtained information on and assurance that the transactions resolved and carried out were not manifestly imprudent, risky, in conflict with resolutions or in potential conflict of interest with the same or, in any case, of such a nature as to jeopardize the integrity of corporate assets.
- We obtained adequate information on intercompany and related party transactions. Based on obtained information, we ascertained that such transactions comply with the law and the Articles of Association, satisfy the interest of the company and raise no doubts as to their accurate, exhaustive disclosure in the financial statements, the existence of any conflict-of-interest situations, the protection of corporate assets and

safe-guarding of minority shareholders; periodic audits and inspections carried out at the Company's premises did not identify any atypical and/or unusual transactions.

- The Directors provide adequate disclosures on key transactions, as well as on the dealings between SOGEFI S.p.A., Group companies and/or related parties in the Report on Operations and in the Explanatory and Supplementary Notes, and state that such dealings were conducted at arm's length, taking into account the quality and type of services rendered; such dealings mainly consisted in the provision of administrative and financial services, including the Group centralized treasury management with the related credit and debit interest, as well as management support services and the utilization of SAP Information system across the Group; Sogefi S.p.A. also receives by the parent company CIR S.p.A. strategic development services and services in administrative, financial, fiscal and corporate nature; appropriate financial details are provided and the impact on the statement of financial position is adequately described in the documents accompanying the 2014 statutory financial statements.
- The Independent Auditors Deloitte & Touche S.p.A. issued their Audit Reports under art. 14 of Legislative Decree no. 39/2010 on the statutory and consolidated financial statements as at December 31, 2014 on the same date as this document. These reports include the auditors' opinion on consistency as provided for by art. 14, paragraph 2, letter e) of Legislative Decree no. 39/2010 and art. 123-bis of Legislative Decree no. 58/1998, without any disclosure observations or statements.
- We received no complaints pursuant to art. 2408 of the Italian Civil Code, nor do we have any knowledge of any statements of complaints submitted to other parties.
- During the year 2014, SOGEFI S.p.A. engaged the Independent Auditors to perform certain certifications after due inspection - in addition to its auditing services - for a consideration of Euro 80,000. During the same year, SOGEFI S.p.A.'s subsidiaries engaged the Independent Auditors to entities belonging to the network to perform certain certifications after due inspection for a Euro 72,000 and other services for euro 56,000.

The amounts paid were found to be adequate to the size and complexity of the performed work are not deemed liable to affect the independence and discretion of the auditors in performing their auditing tasks.

- During the year under consideration, we have given advice pursuant to article 2389 of the Italian Civil Code.
- The following meetings were held during the year 2014: 7 Board of Directors meetings, 6 Control and Risk Committee meetings, 3 Appointment and Remuneration Committee meetings and 7 Statutory Board of Directors meetings.
- There are no particular observations to be made concerning compliance with proper administration principles, which appear to have been implemented consistently, or the adequacy of the organizational structure, which we found to be adequate to meet the requirements for operations management and control. It should be noted that following the termination of the employment relationship with the Managing Director Mr. Fiocchi in October 2014, the company assigned to the Vice President Mrs Monica Mondardini the ordinary administration and is currently searching for a manager to be entrusted with the function of Managing Director.
- We found the internal control system to be adequate to the size and management of the Company as we also ascertained during the meetings of the Control and Risk Committee, which are attended by the President of the Board of Statutory Auditors (or by a Statutory Auditor appointed by the President) as provided for by corporate governance rules. In addition, the Group's Chief Internal Auditing Officer and Internal Control Officer under the Code of Conduct issued by the Corporate Governance

Committee for listed companies acted as a liaison and provided the necessary information on the methods adopted to perform his duties of control and the results of his audits, among other things by attending certain meetings of the Statutory Board of Auditors.

- There are no observations to be made as to the adequacy of the administrative/accounting system and its ability to provide a reliable view of operations; with regard to the disclosures in the statutory and consolidated financial statements as at December 31, 2014, the Vice President and the Manager charged with preparing the company accounts have issued their relevant statements under art. 154-*bis*, paragraph 5 of Legislative Decree 58/1998 and art. 81-*ter* of Consob Regulation no. 11971 of May 14, 1999 as subsequently amended have issued their relevant statements.
- There are no observations to be made on the adequacy of information flows from subsidiaries to the Holding Company aimed at ensuring timely compliance with disclosure obligations under the law.
- During the periodic exchange of data and information between the Board of Statutory Auditors and the Auditors, under art. 150, paragraph 3 of Legislative Decree no. 58/1998, no issues have come up that would need to be disclosed in this report.
- The Company substantially followed the recommendations contained in the Code of Conduct issued by the Corporate Governance Committee for listed companies and described its corporate governance model in the relevant Report, which was prepared things under art. 123-*bis* of Legislative Decree no. 58/1998. Within the limits of our responsibility, we monitored the actual methods used to implement the corporate governance rules set out in the above mentioned Code of Conduct, as adopted by the Company, and ensured that the findings periodic assessment of the Board of Statutory Auditors compliance with the independence requirements according to the same criteria applicable to Independent Directors under the above mentioned Code of Conduct were included in the Corporate Governance Report of SOGEFI S.p.A. In compliance with Legislative Decree no. 231/2001, the Company adopted, implemented and maintained up-to-date an “Organisational Model” that governs its behaviour and business conduct and set up a Supervisory Body as provided for by the Decree. The Company also adopted a Code of Ethics.
- Our surveillance activity took place during the year 2014 in the normal course of business and identified no omissions, reprehensible facts and/or anomalies worth noting.

After completing our surveillance activity, we have no proposals concerning the statutory financial statements as at December 31, 2014, their approval or any other issue within our area of responsibility pursuant to article 153, paragraph 2 of Legislative Decree 58/1998, nor any remarks on the proposed allocation of the profit for the year submitted by the Board of Directors for approval.

Reminding you that the three-years term of the Board of Statutory Auditors expires and the Directors have called you to provide about, the Board of Statutory Auditors wished to thank you for your trust.

Milan, March 26, 2015

The Board of Statutory Auditors
Riccardo Zingales (Chairman of the Board of Statutory Auditors)
Giuseppe Leoni (Acting Auditor)
Claudia Stefanoni (Acting Auditor)

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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
SOGEFI S.p.A.

1. We have audited the consolidated financial statements of Sogefi S.p.A. and subsidiaries (the "Sogefi Group") which comprise the statement of financial position as of December 31, 2014, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to the auditors' report issued by us on March 26, 2014.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Sogefi Group as of December 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of Sogefi S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published in the "Investor relations" section of Sogefi S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of the Sogefi Group as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
Partner

Milan, Italy
March 26, 2015

This report has been translated into the English language solely for the convenience of international readers.