

**GEFRAN GROUP**  
**INTERIM FINANCIAL STATEMENTS**  
**TO 31 MARCH 2016**



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## 1. CORPORATE BODIES

### Board of Directors

Chairman and Chief Executive Officer	Ennio Franceschetti
Chief Executive Officer	Maria Chiara Franceschetti
Vice-chairman	Romano Gallus
Director	Marco Mario Agliati (*)
Director	Andrea Franceschetti
Director	Giovanna Franceschetti
Director	Daniele Piccolo (*)
Director	Monica Vecchiati (*)
Director	Cesare Giovanni Vecchio (*)

### Board of Statutory Auditors

Chairman	Marco Gregorini
Standing Auditor	Primo Ceppellini
Standing Auditor	Maria Alessandra Zunino de Pignier
Deputy auditor	Guido Ballerio
Deputy auditor	Rossella Rinaldi

### Internal Control Committee

- Cesare Giovanni Vecchio
- Marco Mario Agliati
- Monica Vecchiati

### Remuneration Committee

- Romano Gallus
- Daniele Piccolo
- Cesare Giovanni Vecchio

### External auditor

PricewaterhouseCoopers S.p.A.

On 21 April 2016, the ordinary shareholders' meeting of Gefran S.p.A. engaged auditing firm PricewaterhouseCoopers S.p.A. to audit the separate annual and interim financial statements of Gefran S.p.A., as well as the consolidated annual and interim financial statements of the Gefran Group for a period of nine years until the approval of the financial statements for 2024, in accordance with Legislative Decree 39/2010.

(\*) independent directors pursuant to the Consolidated Finance Act (TUF) and the Code of Conduct

## 2. ALTERNATIVE PERFORMANCE INDICATORS

In addition to the conventional financial tables and indicators required under IFRS, this document includes restated tables and alternative performance indicators. These are intended to allow a better assessment of the Group's economic and financial management. However, these tables and indicators must not be considered as a substitute for those required under IFRS.

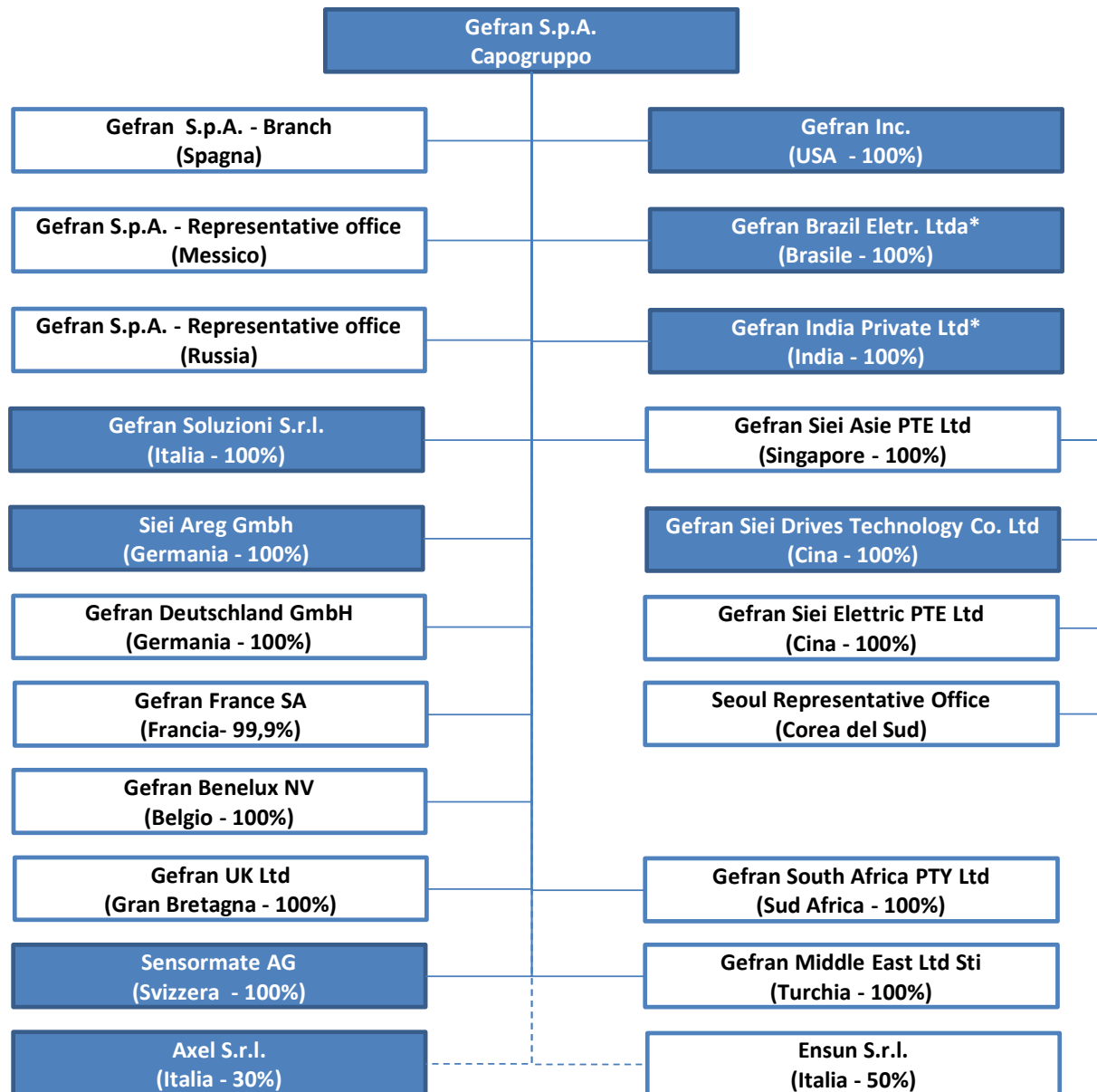
Specifically, the alternative indicators used in the notes to the income statement are:

- **Added value:** The direct margin resulting from revenues, including only direct material, gross of other production costs, such as personnel costs, services and other sundry costs;
- **EBITDA:** operating result before depreciation, amortisation and write-downs. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items;
- **EBIT:** operating result before financial operations and taxes. The purpose of this indicator is to present the Group's operating profitability.

Alternative indicators used in the notes to the reclassified statement of financial position are:

- **Net non-current assets:** the algebraic sum of the following items in the statement of financial position:
  - Goodwill
  - Intangible assets
  - Property, plant, machinery and tools
  - Equity investments valued at equity
  - Equity investments in other companies
  - Receivables and other non-current assets
  - Deferred tax assets
- **Operating capital:** the algebraic sum of the following items in the statement of financial position:
  - Inventories
  - Trade receivables
  - Trade payables
  - Other assets
  - Tax receivables
  - Current provisions
  - Tax payables
  - Other liabilities
- **Net invested capital:** the algebraic sum of fixed assets, operating capital and provisions;
- **Net debt:** the algebraic sum of the following items:
  - Medium- to long-term financial payables
  - Short-term financial payables
  - Financial liabilities for derivatives
  - Financial assets for derivatives
  - Cash and cash equivalents and short-term financial receivables

**3. STRUCTURE OF THE GEFRAN GROUP**



**Unità produttive**

**Filiali commerciali**

(\*) Gefran India e Gefran Brasil in via indiretta tramite Gefran UK

#### 4. SUMMARY OF GROUP PERFORMANCE

The first quarter of 2016 closed with revenues of EUR 29,524 thousand, a decrease of 2.6% compared with the same period of the previous year. On the other hand, revenue performance in recent quarters has shown signs of recovery, continuing also into the first quarter of 2016, confirming a reversal of general trends starting from the fourth quarter of 2015. Even though this result is 2.6% lower than the same period of the previous year, it confirms growth and reversal of the previous trend starting from the fourth quarter of 2015.

In line with expectations, the performance of the sensor business was stable and there was a slight reduction in sales of automation components (-3.2%), and drives (-6.6% compared to the first quarter of 2015).

EBITDA stood at 5.8% of revenues, and EBIT at 0.5%; both ratios were negatively influenced by the impact of the non-recurring components during the quarter, for EUR 1,371 thousand, and without which they would have been 10.6% and 5.3% of revenues respectively.

A procedure for redundancies was formally opened by the Parent Company in February, involving a total of 55 employees, and a total of EUR 1,700 thousand in restructuring costs was allocated for this.

On 21 March 2016, negotiations were completed on the sale of the company branch involved in the distribution of automation sensors and components in Spain/Portugal, sold to a Spanish distributor who had been a former customer of Gefran, for a gross payment of EUR 650 thousand.

Negotiations for the sale of the photovoltaic division continued in the first quarter: conclusion of negotiations was postponed to the end of the half-year period.

The Group invested EUR 954 thousand in tangible and intangible assets during the quarter (EUR 1,322 thousand in the first quarter of 2015).

Net debt amounted to EUR 23,791 thousand, an improvement of EUR 1,087 thousand compared to the figure at 31 December 2015.

## 5. KEY CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION FIGURES

The reclassifications of the financial statements, made in accordance with the standard IFRS 5 “Non-current assets held for sale and discontinued operations” - relating to the decisions made regarding the sale of the photovoltaic division and the company branch involved in the distribution of automation sensors and components in Spain/Portugal - were applied retrospectively, also to the figures for the first quarter of 2015, in order to ensure the data was comparable.

The amounts shown below only refer to continuing operations, unless otherwise specified.

### Group income statement highlights

(EUR /000)	31 March 2016		31 March 2015	
Revenues	29,524	100.0%	30,309	100.0%
EBITDA	1,714	5.8%	1,854	6.1%
EBIT	157	0.5%	253	0.8%
Profit (loss) before tax	(682)	-2.3%	1,434	4.7%
Result from operating activities	(1,198)	-4.1%	1,205	4.0%
Profit (loss) from assets held for sale	486	1.6%	(141)	-0.5%
Group net profit (loss)	(712)	-2.4%	1,064	3.5%

### Group income statement highlights, excluding non-recurring components

(EUR /000)	31 March 2016		31 March 2015	
Revenues	29,003	100.0%	30,309	100.0%
EBITDA	3,085	10.6%	1,854	6.1%
EBIT	1,528	5.3%	253	0.8%
Profit (loss) before tax	689	2.4%	1,434	4.7%
Result from operating activities	173	0.6%	1,205	4.0%
Profit (loss) from assets held for sale	486	1.7%	(141)	-0.5%
Group net profit (loss)	659	2.3%	1,064	3.5%

### Group statement of financial position highlights

(EUR /000)	31 March 2016	31 Dec 2015
Net invested capital	83,802	86,508
Net working capital	39,512	40,166
Shareholders' equity	61,225	62,984
Net financial position	(23,791)	(24,878)

(EUR /000)	31 March 2016	31 March 2015
Operating cash flow	2,845	(6,647)
Investments	954	1,322



**6. GROUP BUSINESS PERFORMANCE IN THE FIRST QUARTER OF 2016**

(EUR /000)	1Q 2016			1Q 2015			Chg. '16-'15	
	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec. Value	%
a Revenues	29,003	(521)	29,524	30,309		30,309	(1,306)	-4.3%
b Consumption of materials and products	9,539		9,539	9,810		9,810	(271)	-2.8%
c Added value (a-b)	19,464	(521)	19,985	20,499	0	20,499	(1,035)	-5.0%
d Other operating costs	5,563		5,563	6,503		6,503	(940)	-14.5%
e Personnel costs	11,224	(1,892)	13,116	12,645		12,645	(1,421)	-11.2%
f Increases for internal work	408		408	503		503	(95)	-18.9%
g EBITDA (c-d-e+f)	3,085	1,371	1,714	1,854	0	1,854	1,231	66.4%
h Depreciation, amortisation and impairments	1,557		1,557	1,601		1,601	(44)	-2.7%
i EBIT (g-h)	1,528	1,371	157	253	0	253	1,275	504.0%
l Gains (losses) from financial assets/liabilities	(761)		(761)	1,175		1,175	(1,936)	-164.8%
m Gains (losses) from shareholdings value at equity	(78)		(78)	6		6	(84)	-1400.0%
n Profit (loss) before tax (i+l+m)	689	1,371	(682)	1,434	0	1,434	(745)	-52.0%
o Taxes	(516)		(516)	(229)		(229)	(287)	125.3%
p Result from operating activities (n+o)	173	1,371	(1,198)	1,205	0	1,205	(1,032)	-85.6%
q Profit (loss) from assets held for sale	486		486	(141)		(141)	627	-444.7%
r Group net profit (loss) (p+q)	659	1,371	(712)	1,064	0	1,064	(405)	-38.1%

**Revenues** in the first quarter of 2016 totalled EUR 29,524 thousand, compared with EUR 30,309 thousand in the first quarter of 2015 (-2.6%). Revenues for the first quarter of 2016 included government funds recorded by the Chinese subsidiaries, equal to EUR 521 thousand, relating to incentives for research and development granted to technology companies. If those government funds are not included, revenues would have amounted to EUR 1,306 thousand (-4.3%).

New orders in the quarter totalled EUR 32,678 thousand, compared with EUR 30,458 thousand in the first quarter of 2015. There was an increase of EUR 2,220 thousand in the new orders for products, and more especially in lift products for the drive business.

The table below shows a breakdown of revenues by geographic region:

(EUR /000)	1Q 2016	%	1Q 2015	%	Chg. '15-'14 value	%
Italy	8,856	30.0%	8,627	28.5%	229	2.7%
European Union	8,266	28.0%	8,163	26.9%	103	1.3%
Europe non-EU	1,469	5.0%	1,580	5.2%	(111)	-7.0%
North America	3,875	13.1%	3,243	10.7%	632	19.5%
South America	864	2.9%	1,212	4.0%	(348)	-28.7%
Asia	6,083	20.6%	7,384	24.4%	(1,301)	-17.6%
Rest of the World	111	0.4%	100	0.3%	11	11.0%
<b>Total</b>	<b>29,524</b>	<b>100%</b>	<b>30,309</b>	<b>100%</b>	<b>(785)</b>	<b>-2.6%</b>

The breakdown by **geographic area** shows that there was significant growth in North America (+19.5% compared to the same period in 2015), Italy (+2.7%), the European Union (+1.3%) and the rest of the world (+11.0%), while the other reference markets were down.

The table below summarises the results by business area in the first quarter of 2016 and shows a comparison with the same period of the previous year:

	1Q 2016					1Q 2015				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
<i>(EUR /000)</i>										
Sensors	12,568	3,319	26.4%	2,775	22.1%	12,600	3,032	24.1%	2,504	19.9%
Automation components	7,989	(123)	-1.5%	(593)	-7.4%	8,255	98	1.2%	(441)	-5.3%
Drives	9,694	(1,482)	-15.3%	(2,025)	-20.9%	10,382	(1,276)	-12.3%	(1,810)	-17.4%
Eliminations	(727)					(928)				
<b>Total</b>	<b>29,524</b>	<b>1,714</b>	<b>5.8%</b>	<b>157</b>	<b>0.5%</b>	<b>30,309</b>	<b>1,854</b>	<b>6.1%</b>	<b>253</b>	<b>0.8%</b>

The breakdown of **revenues by business area** shows that the sensor business was substantially stable, but there was a fall in sales in the components business for automation and Drives, of 3.2% and 6.6% respectively compared to the first quarter of 2015.

**Added value** was EUR 19,985 thousand (67.7% of revenues) in the first quarter, a decrease compared with the first quarter of 2015 in absolute terms (EUR 514 thousand), and in line with respect to the percentage of revenues. The reduction in added value during the quarter is almost entirely due to the reduction in revenues.

Not including the non-recurring income from government incentives granted to the Chinese subsidiary, amounting to EUR 521 thousand, the added value was EUR 19,464 thousand for the first quarter of 2016 (67.1% of revenues).

**Other operating costs** amounted to EUR 5,563 thousand in the first quarter of 2016 (EUR 6,503 thousand in the same period of 2015), a decrease of EUR 940 thousand compared to the first quarter of 2015; these savings were achieved through improved efficiency following the reorganisation of the Group processes. As a percentage of revenues, these costs therefore fell from 21.5% in the first quarter of 2015 to the current figure of 19.2%.

**Personnel costs** amounted to EUR 13,116 thousand in the first quarter of 2016 compared with EUR 12,645 thousand in the same period of 2015; the EUR 471 thousand increase reflects the effect of the non-recurring costs borne by the Parent Company Gefran S.p.A. for winding-up the Spanish branch (EUR 192 thousand), and opening the procedure for redundancies of 55 employees in the Italian factories (EUR 1,700 thousand).

Not including these non-recurring components, amounting to a total negative amount of EUR 1,892 thousand, personnel costs amounted to EUR 11,224 thousand, down EUR 1,421 thousand compared to the first quarter of 2015. The significant reorganisation of the Group subsidiaries and Gefran S.p.A. itself resulted in the total number of Group employees falling to 793, down 70 compared to 31 March 2015.

**EBITDA** amounted to EUR 1,714 thousand in the first quarter (EUR 1,854 thousand in the first quarter of 2015), equal to 5.8% of revenues (6.1% as at 31 March 2015), a fall of EUR 140 thousand compared to the same period of 2015.

Excluding the non-recurring components, EBITDA for the first quarter of 2016 was EUR 3,085 thousand (equivalent to 10.6% of revenues), up compared to the same period in 2015 in both absolute terms (EUR 1,231 thousand) and in relation to the percentage to revenues.

**EBIT** was positive in the first quarter of 2016, and amounted to EUR 157 thousand, compared with an EBIT of EUR 253 thousand for the same period of 2015.

Excluding the above-mentioned non-recurring negative components of EUR 1,371 thousand, EBIT amounted to EUR 1,528 thousand, an improvement of EUR 1,275 thousand over the first quarter of 2015. The EBIT performance mirrored the dynamics of the EBITDA performance.

**Net financial charges** were EUR 761 thousand in the first quarter of 2016, and compare with net financial charges of EUR 1,175 thousand in the same period of 2015. They include financial charges relating to Group debt of EUR 254 thousand (EUR 358 thousand at 31 March 2015), financial income of EUR 26 thousand and the negative balance of EUR 533 thousand resulting from differences in currency transactions (this was a positive amount of EUR 1,610 thousand in the first quarter of 2015).

Losses **from shareholdings valued at equity** were EUR 78 thousand (positive for EUR 6 thousand in the first quarter of 2015), and mainly relate to the negative pro-rata result of the Ensun S.r.l. Group.

**Taxes** were negative in the amount of EUR 516 thousand in the first quarter of 2016, compared with EUR 229 thousand in the same period of the previous year. They comprise negative current taxes of EUR 456 thousand (EUR 278 thousand in the first quarter of 2015), mainly attributable to the local taxes of the foreign subsidiaries and negative deferred taxes of EUR 60 thousand (a positive EUR 49 thousand in the same period of 2015), originating mainly from Gefran S.p.A.

The **result from operating activities** in the first quarter of 2016 was a negative EUR 1,198 thousand compared with a positive figure of EUR 1,205 thousand in the first quarter of 2015.

Excluding all the above-mentioned non-recurring components, the result from operating activities was positive in the amount of EUR 173 thousand.

The **result from assets held for sale** in the first quarter of 2016 was a positive EUR 486, from the sale of the branch relating to the distribution of Automation Sensors and Components in Spain/Portugal to a Spanish distributor, and compares with a negative result of EUR 141 thousand in the first quarter of 2015 which included the net result from operations in the photovoltaic sector.

The **Group net loss** amounted to EUR 712 thousand, compared with a profit of EUR 1,064 thousand in the same period of 2015.

Excluding the non-recurring components, the result for the first quarter of 2016 was a profit of EUR 659 thousand.

## 7. RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2016

The reclassified consolidated statement of financial position of the Gefran Group at 31 March 2016 is shown below:

<i>(EUR /000)</i>	31-Mar-16	%	31-Dec-15	%
Intangible assets	14,917	17.5	15,126	17.2
Tangible assets	38,584	45.4	39,389	44.8
Financial assets	7,961	9.4	8,202	9.3
<b>Net fixed assets</b>	<b>61,462</b>	<b>72.3</b>	<b>62,717</b>	<b>71.4</b>
Inventories	23,050	27.1	22,674	25.8
Trade receivables	34,342	40.4	34,023	38.7
Trade payables	(17,880)	(21.0)	(16,531)	(18.8)
Other assets/liabilities	(7,659)	(9.0)	(8,246)	(9.4)
<b>Operating capital</b>	<b>31,853</b>	<b>37.5</b>	<b>31,920</b>	<b>36.3</b>
Provisions for risks and future liabilities	(3,260)	(3.8)	(1,856)	(2.1)
Deferred tax provisions	(808)	(1.0)	(868)	(1.0)
Employee benefits	(5,445)	(6.4)	(5,405)	(6.2)
<b>Invested capital from operations</b>	<b>83,802</b>	<b>98.6</b>	<b>86,508</b>	<b>98.5</b>
<b>Invested capital from assets held for sale</b>	<b>1,214</b>	<b>1.4</b>	<b>1,354</b>	<b>1.5</b>
<b>Net invested capital</b>	<b>85,016</b>	<b>100.0</b>	<b>87,862</b>	<b>100.0</b>
<b>Shareholders' equity</b>	<b>61,225</b>	<b>72.0</b>	<b>62,984</b>	<b>71.7</b>
Medium- to long-term financial payables	9,357	11.0	10,879	12.4
Short-term financial payables	34,291	40.3	38,352	43.7
Financial liabilities for derivatives	282	0.3	274	0.3
Financial assets for derivatives	(12)	(0.0)	(25)	(0.0)
Cash and cash equivalents and short-term financial receivables	(20,127)	(23.7)	(24,602)	(28.0)
<b>Net debt relating to operations</b>	<b>23,791</b>	<b>28.0</b>	<b>24,878</b>	<b>28.3</b>
<b>Total sources of financing</b>	<b>85,016</b>	<b>100.0</b>	<b>87,862</b>	<b>100.0</b>

Net **non-current assets** at 31 March 2016 amounted to EUR 61,462 thousand, compared with EUR 62,717 thousand at 31 December 2015. The decrease of EUR 1,255 thousand was due to amortisation/depreciation in the period of EUR 1,557 thousand, the decrease in deferred tax assets of EUR 118 thousand and exchange rate movements of EUR 534 thousand, offset by the investments during the quarter of EUR 954 thousand.

**Operating capital** was EUR 31,853 thousand as at 31 March 2016, compared with EUR 31,920 thousand at 31 December 2015, showing substantial equilibrium due to the increase in trade payables which offset the growth in inventories.

**Provisions for risks and liabilities** were EUR 3,260 thousand, an increase over 31 December 2015 of EUR 1,404 thousand for allocation of the restructuring provision for the Parent Company Gefran S.p.A., with the residual value amounting to EUR 1,666 as at 31 March 2016.

The **shareholders' equity** at 31 March 2016 was EUR 61,225 thousand, compared with EUR 62,984 thousand at 31 December 2015. The reduction was due to the loss for the year of EUR 712 thousand, in addition to the negative change in the other capital reserves, which amounted to EUR 1,047 thousand.

There was an increase in **net financial borrowing** as at 31 March 2016 compared to 31 December 2015 of EUR 1,087, broken down as follows:

(EUR /000)	31/03/2016	31/12/2015	Changes
Cash and cash equivalents	20,127	24,602	(4,475)
Current financial payables	(34,291)	(38,352)	4,061
Financial liabilities for derivatives	(282)	(274)	(8)
Financial assets for derivatives	12	25	(13)
<b>(Debt)/short-term cash and cash equivalents</b>	<b>(14,434)</b>	<b>(13,999)</b>	<b>(435)</b>
Non-current bank debt	(9,357)	(10,879)	1,522
<b>(Debt)/medium-/long-term cash and cash equivalents</b>	<b>(9,357)</b>	<b>(10,879)</b>	<b>1,522</b>
<b>Net debt</b>	<b>(23,791)</b>	<b>(24,878)</b>	<b>1,087</b>

Net debt comprises short-term financial liabilities of EUR 14,434 thousand and medium-/long-term debt of EUR 9,357 thousand.

With reference to short term financial liabilities, the terms of the financial covenant relating to the ratio between net debt and EBITDA established in certain loan contracts had not been complied with at 31 December 2015; this explains why the medium/long term debt relating to loans that did not comply with the terms of the above-mentioned covenant was reclassified under short term debt.

Expectations regarding net short term debt and operations lead the company to believe that the situation whereby the terms of the covenants were not honoured is a highly exceptional situation and limited to 2015 in the light of the approved Business plan. On the one hand, the plan provides for continued improvement in the net short term debt position, and on the other, a recovery of profitability through an increase in revenues, and more especially, constant cost reduction, also through the restructuring process which began in 2015 in the foreign subsidiaries and will conclude with redundancies in Italy in 2016.

The banks have said they are willing to discuss the current situation on the basis of both the approved financial statements and the 2016-2018 Business Plan. Negotiations with the banks to obtain the above-mentioned waivers had not yet concluded as of 31 March 2016, and therefore the loans that were not in compliance with the terms of the respective covenants as of 31 December 2015 were fully stated under short-term loans. The reclassified debt as at 31 March 2016 amounted to EUR 14,000 thousand (EUR 15,032 thousand at 31 December 2015).

Loans of EUR 2,906 were repaid in the first quarter of 2016, and no new loans were taken out.

## 8. CONSOLIDATED CASH FLOW STATEMENT

The Gefran Group consolidated cash flow statement at 31 March 2016 shows a negative net change in cash at hand of EUR 4,475 thousand, compared with a positive change of EUR 281 thousand in the first quarter of 2015. The change was as follows:

<i>(EUR /000)</i>	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	24,602	20,732
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:	2,845	(6,647)
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES	(961)	(1,310)
D) FREE CASH FLOW (B+C)	1,884	(7,957)
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES	(6,759)	7,341
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)	(4,875)	(616)
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE	626	0
H) Exchange translation differences on cash at hand	(226)	897
I) NET CHANGE IN CASH AT HAND (F+G+H)	(4,475)	281
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)	20,127	21,013

The cash flow from operations for the period was a positive EUR 2,845 thousand, an improvement of EUR 9,492 thousand compared to the negative cash flow for the same period in 2015. This result was obtained both through operations in the first quarter of 2016 which generated cash of EUR 2,191 thousand (while it was a negative amount of EUR 1,608 thousand in the first quarter of 2015), and the capital movements for the period which generated a positive cash flow of EUR 654 thousand, which had been a negative amount of EUR 5,039 thousand in the first quarter of 2015.

Technical and financial investments, net of disposals, absorbed resources of EUR 961 thousand.

Free cash flow (operating cash flow excluding investment activities) was a positive EUR 1,884 thousand, compared with a negative figure of EUR 7,957 thousand for the first quarter of 2015; this was an improvement of EUR 9,841 thousand, mainly due to the effect of the flow generated by operations during the quarter.

The loans absorbed EUR 6,759 thousand in cash, mainly for repayment of the loan instalments falling due (EUR 2,906 thousand) and the reduction in short-term financial liabilities (EUR 2,677 thousand). On the other hand, in the same period of 2015, loans contributed a total of EUR 7,341 thousand in cash due to taking out new loans (EUR 4,000 thousand), and more use of short-term financing (EUR 4,859 thousand).

The cash flow from operating assets held for sale was a positive amount of EUR 626 thousand, due to the sale of the company branch involved in the distribution of automation sensors and components in Spain/Portugal, finalised on 21 March 2016.

## 9. INVESTMENTS

Gross technical **investments** made in the first quarter of 2016 amounted to EUR 954 thousand (EUR 1,322 thousand to 31 March 2015) and related to:

- investments in production plant and equipment of EUR 393 thousand in the Group's Italian factories, EUR 37 thousand in the Gefran India subsidiary, and EUR 16 thousand in the other subsidiaries;
- investments to upgrade the industrial buildings of the Parent Company of approximately EUR 32 thousand;
- the capitalisation of costs incurred in the period for new product development, totalling EUR 407 thousand;
- other investments in intangible assets, relating to management software licences and the development of ERP SAP, of EUR 69 thousand.

(EUR /000)	At 31/03/2016	At 31/03/2015
Intangible assets	476	766
Tangible assets	478	556
<b>Total</b>	<b>954</b>	<b>1,322</b>

Investments are broken down by individual business area below.

(EUR /000)	Sensors	Components	Drives	Total
Intangible assets	158	215	103	476
Tangible assets	376	73	29	478
<b>Total</b>	<b>534</b>	<b>288</b>	<b>132</b>	<b>954</b>

## 10. OPERATING ASSETS HELD FOR SALE

The operating assets held for sale include the assets related to the photovoltaic business know-how, with the terms of the sale currently being established.

The economic impact that can be specifically attributed to the photovoltaic business in the first quarter of 2016 was not established, while there was a negative impact of EUR 141 thousand as at 31 March 2015.

The company branch relating to the distribution of the sensors and components for automation in Spain/Portugal, stated at EUR 140 thousand under assets held for sale as at 31 December 2015, was sold to a Spanish distributor on 21 March 2016, as part of the sales contract of the Group's assets in Spain/Portugal, implementing the decision by the Board of Directors to sell the aforementioned branch and the consequent winding-up of the Spanish branch.

The net result from the sale of the company branch involved in the distribution of automation sensors and components in Spain/Portugal was a positive amount of EUR 486 thousand.

## 11. RESULTS BY BUSINESS AREA

The following sections comment on the performance of the individual business areas.

To ensure a correct interpretation of figures relating to individual activities, it should be noted that:

- the business represents the sum of revenues and related costs both of the Parent Company Gefran S.p.A. and Group subsidiaries;
- the figures for each business are provided gross of internal trade between different businesses;
- the central operations costs, which pertain to Gefran S.p.A., are fully allocated to the businesses, where possible, and quantified according to actual use; they are otherwise divided according to economic-technical criteria.

### 11.1) BUSINESS SENSORS

The key figures are summarised in the table below.

(EUR /000)	31 March 2016	31 March 2015	chg. '16 - '15 value	%
Revenues	12,568	12,600	(32)	-0.3%
EBITDA	3,319	3,032	287	9.5%
<i>% of revenues</i>	26.4%	24.1%		
EBIT	2,775	2,504	271	10.8%
<i>% of revenues</i>	22.1%	19.9%		

The breakdown of sensor business revenues by geographic region is as follows:

	Italy	Europe	America	Asia	Rest of World
Revenues (€/000.000)	2.8	4.7	2.4	2.7	-
% of total	22%	37%	19%	21%	0%

#### Business performance

Revenues for the business amounted to EUR 12,568 thousand at 31 March 2016, in line with 31 March 2015. These revenues were negatively affected by exchange rate fluctuations, amounting to EUR 181 thousand compared to 31 March 2015.

Revenues by line of product: there was significant growth in contactless transducers (+23%) and force transducers with Sensormate technology (+18%).

Compared to the first quarter of 2015, there was an increase in sales in North America (+7%) and in Asia (+3%), while there was a significant reduction in sales in South America (-31%), mainly due to the negative effect of exchange rate fluctuations.

EBITDA was EUR 3,319 thousand as at 31 March 2016, an increase of EUR 287 thousand (+2.9%) compared to the previous year when it was EUR 3,032 thousand. There were certain non-recurring items in the first quarter of 2016 related to allocations to the staff restructuring provision, amounting to



EUR 247 thousand; if these components are not considered, EBITDA was up by EUR 534 thousand with an increase in the margin due to the reduction in operating management costs (labour costs and other operating costs).

EBIT at 31 March 2016 was EUR 2,775 thousand, equal to 22.1% of revenues, compared to EBIT of EUR 2,504 thousand in the first quarter of 2015 (19.9% of revenues), with a positive change of EUR 271 thousand. Not including the non-recurring items recorded in the first quarter of 2016, EBIT improved by EUR 518 thousand.

The new orders figure was positive at 31 March 2016, up compared to the first quarter of 2015.

### **Investments**

The Group had invested EUR 534 thousand in the sensors business as of 31 March 2016, breaking down into EUR 158 thousand in investments in intangible assets and EUR 376 thousand in investments in tangible assets.

Investments in intangible assets mainly relate to research and development into new products.

The bulk of investments in tangible assets were made in the Parent Company (EUR 344 thousand) to adjust workshop equipment and the current production lines in order to improve the production processes and develop new lines for the new range of products recently launched on the market.

## 11.2) AUTOMATION COMPONENTS

The key figures are summarised in the table below.

(EUR /000)	31 March 2016	31 March 2015	chg. '16 - '15	
			value	%
Revenues	7,989	8,255	(266)	-3.2%
EBITDA	(123)	98	(221)	-225.5%
% of revenues	-1.5%	1.2%		
EBIT	(593)	(441)	(152)	34.5%
% of revenues	-7.4%	-5.3%		

The breakdown of components business revenues by geographic region is as follows:

	Italy	Europe	America	Asia	Rest of World
Revenues (€/000.000)	4.0	2.3	1.1	0.6	-
% of total	50%	29%	14%	8%	0%

### Business performance

Revenues totalled EUR 7,989 thousand at 31 March 2016, down by EUR 266 thousand compared to the first quarter of 2015. More especially, there was a positive performance in the power control family, up 42.9% compared to the same period of the previous year.

The breakdown by geographic region shows sales growth in the EU area, where France and Germany registered growth of 16.7% and 10% respectively; sales also increased on the North American market (+53.1%). On the other hand, revenues from the South American market were down by EUR 201 thousand compared to the first quarter of 2015, also as a result of foreign currency fluctuations which had a negative impact on the business of EUR 89 thousand.

The results of the first quarter of 2016 included non-recurring items relating to staff restructuring costs of EUR 807 thousand.

EBITDA at 31 March 2016 was a negative EUR 123 thousand, down by EUR 221 thousand compared to 31 March 2015; not including the non-recurring items mentioned above, the 2016 EBITDA was positive (EUR 684 thousand), up by EUR 586 thousand compared to the same period of the previous year.

EBIT was negative at EUR 593 thousand (-7.4% of revenues), a fall of EUR 152 thousand compared to 2015; excluding the above-mentioned non-recurring items for 2016, EBIT improved by EUR 655 thousand.

New orders were higher than the same period of the previous year as at 31 March 2016.

## Investments

Investments totalled EUR 287 thousand in 2016, and included intangible assets (EUR 214 thousand) and tangible assets (EUR 73 thousand).

Investments in tangible assets in the business were mainly focused on the Italian facilities and allocated to equipment to be used for the new range of regulators and for building upgrading work.

As regards investments in intangible assets, capitalised development costs totalled EUR 175 thousand in the period, and related to the new regulator and power control ranges.

## 11.3) DRIVES

The key figures are summarised in the table below.

(EUR /000)	31 March 2016	31 March 2015	chg. '16 - '15 value	%
Revenues	9,694	10,382	(688)	-6.6%
EBITDA	(1,482)	(1,276)	(206)	16.1%
% of revenues	-15.3%	-12.3%		
EBIT	(2,025)	(1,810)	(215)	11.9%
% of revenues	-20.9%	-17.4%		

The breakdown of revenues by geographic region is as follows:

	Italy	Europe	America	Asia	Rest of World
Revenues (€/000.000)	2.9	2.9	1.3	2.6	-
% of total	30%	30%	13%	27%	0%

## Business performance

Revenues totalled EUR 9,694 thousand at 31 March 2016, down by EUR 688 thousand (-6.6%) compared to the same period of 2015. Revenues in the first quarter of 2016 also included non-recurring amounts of EUR 521 thousand relating to government funds awarded to the Chinese subsidiary as incentives for research and development granted to technology companies. Excluding non-recurring revenues, revenues fell by EUR 1,209 thousand (-12.5%).

This reduction is almost entirely attributable to sales dynamics of lift family products for lift applications in the Asian subsidiaries. On the other hand, trends in converters (+3.6%) and Areg motors (+10.3%) were positive.

With respect to breakdown by geographic region, Europe (+7.4%) and America (+18.2%) posted positive results while there was a significant drop in Asia as mentioned above.

EBITDA was negative at EUR 1,482 thousand at 31 March 2016, EUR 206 thousand less than as at 31 March 2015. This reduction was entirely due to the non-recurring items (EUR 838 thousand for the costs allocated for staff restructuring and EUR 521 thousand in revenues for government grants for research and development). Not including all the non-recurring items, there was a positive difference between the EBITDA for the first quarter of 2016 and the first quarter of 2015 of EUR 111 thousand.

The EBIT loss of EUR 2,025 thousand for the first quarter of 2016 compares with a loss of EUR 1,810 thousand in the same period of 2015. Not including the non-recurring items, EBIT improved by EUR 102 thousand.

New order figures for the first three months of 2016 were positive compared to the same period of 2015. The order portfolio was boosted by the lift products in the Euro zone.

### Investments

Investments totalled EUR 132 thousand in 2016, divided between technical investments of EUR 29 thousand and investments in intangible assets of EUR 103 thousand.

Technical investments mainly relate to the production of new moulds and the purchase of new production equipment for the Gerenzano plant and to start up new production lines in Gefran India.

The increases in intangible assets chiefly related to the capitalisation of development costs of EUR 89 thousand for the new industrial sector and lift sector products.

## 12. HUMAN RESOURCES

At 31 March 2016, the Group headcount was 793, including 5 staff with fixed-term contracts (contracts to replace temporarily absent staff or to undertake specific projects).

The change in headcount over the year was marked by an overall turnover rate within the Group of 6.8%, which breaks down as follows:

- 18 people joined the Group, including 8 manual workers, 9 clerical staff and 1 manager;
- 34 people left the Group, including 8 manual workers, 24 clerical staff and 2 managers.

### 13. SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2016

- On 13 January 2016, Gefran announced that it had reached a framework agreement for the sale to a leading Indian group involved in the design and production of measurement and control instruments, of all the rights relating to the photovoltaic product technology.
- On 12 February 2016, Gefran notified the trade union organisations of the Parent Company, in accordance with articles 4 and 24 of Law no. 223 of 23 July 1991, of its intention to start the procedure for redundancies involving a total of 55 employees.
- On 7 March 2016, the subsidiary, Gefran Siei Asia, gave notice that it had completed closure of the representative office in Taiwan.
- On 21 March 2016, Gefran finalised the sale of the company branch involved in the distribution of automation sensors and components in Spain/Portugal to a Spanish distributor. Payment for the transaction, paid upon agreement of the contract, amounted to EUR 650 thousand.

### 14. SIGNIFICANT EVENTS SINCE THE END OF THE FIRST QUARTER OF 2016

- On 20 April 2016, Unicredit S.p.A., the main bank involved in obtaining the waiver, gave Gefran a formal letter of “Waiver”, informing it of its willingness to waive its right to request early repayment.
  - On 21 April 2016, the ordinary shareholders’ meeting of Gefran S.p.A. voted to:
    - o approve the 2015 financial statements and cover the loss for the year of EUR 1,346 thousand through the use of available reserves;
    - o engage the Independent auditors, PricewaterhouseCoopers S.p.A., to carry out the auditing for the years 2016-2024;
    - o authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares for a period of 18 months from the date of the shareholders' meeting.
- The shareholders also expressed a favourable opinion of the general Group remuneration policy adopted by Gefran, pursuant to article 123-ter of the TUF.
- On 5 May 2016, Banca Popolare dell’Emilia Romagna sent Gefran a formal letter of “Waiver” informing it that it would waive its right to request early repayment.
  - On 10 May 2016, Banco di Brescia sent Gefran a formal letter of “Waiver” informing it that it would waive its right to request early repayment.

### 15. OUTLOOK

As reported in the April Economic Bulletin of the Bank of Italy, the United States and other advanced countries are growing while there is still an element of risk in emerging economics for global growth. The Chinese economy continues to slow down even though the potential risk of collapse appears to have been averted. The fall in oil prices did not result in strengthening global activity. The IMF and the OECD revised forecasts on international trade downwards.

Economic activity in Italy in the first quarter received a positive boost from the recovery in manufacturing. According to Bank of Italy estimates, growth was still moderate in the first quarter of 2016, but slightly higher than the previous three months.

In this context, the Gefran group has improved performance over the past two quarters - excluding the non-recurring components - and made gains on all economic and financial ratios indicating that it has chosen the right path to recovery.

New orders at the end of the quarter were higher than those for the same period of 2015 for all product lines; at geographic level, even though South America and Asia are currently less satisfactory, there are good signals coming from the United States and Europe.

Growth of 2.7% compared to the first quarter of 2015 confirms the cautious optimism in Italy where prospects seem to be positive.

With respect to the businesses, the automation sensor and component areas are solid in terms of profitability and focused on growth; the motion business is improving: the drastic action taken to reduce costs along with concentrating activities in certain countries and customers will also help this part of the group to break even thanks to interesting opportunities that should come up in the second half of the year.

Overall, the projections for the year remain valid: in the absence of any unexpected events, consolidated revenues should be 8% higher than the previous year, with the EBITDA margin expected to be around 8% of revenues and EBIT between 3% and 3.5%.

## **16. DEALINGS WITH RELATED PARTIES**

See note 15 of the specific explanatory notes for details on transactions with related parties.

# **CONSOLIDATED FINANCIAL STATEMENTS**





## 17. STATEMENT OF PROFIT/(LOSS) FOR THE PERIOD

(EUR /000)	at 31 March	
	2016	2015
Revenues from product sales	28,753	30,204
	<i>of which: non-recurring</i>	<i>0</i>
	<i>of which: related parties</i>	<i>86</i>
Other operating revenues and income	771	105
<b>TOTAL REVENUES</b>	<b>29,524</b>	<b>30,309</b>
Change in inventories	689	3,455
Costs of raw materials and accessories	(10,228)	(13,265)
Service costs	(5,221)	(5,983)
	<i>of which: related parties</i>	<i>(41)</i>
Miscellaneous management costs	(211)	(216)
Other operating income	52	(22)
Personnel costs	(13,116)	(12,645)
	<i>of which: non-recurring</i>	<i>0</i>
Increases for internal work	408	503
Provisions	0	0
Impairment of trade and other receivables	(183)	(282)
Amortisation	(565)	(557)
Depreciation	(992)	(1,044)
<b>EBIT</b>	<b>157</b>	<b>253</b>
	<i>of which: non-recurring</i>	<i>0</i>
Gains from financial assets	104	2,725
Losses from financial liabilities	(865)	(1,550)
Losses (gains) from shareholdings value at equity	(78)	6
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(682)</b>	<b>1,434</b>
	<i>of which: non-recurring</i>	<i>0</i>
Current taxes	(456)	(278)
Deferred taxes	(60)	49
<b>TOTAL TAXES</b>	<b>(516)</b>	<b>(229)</b>
<b>PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>(1,198)</b>	<b>1,205</b>
	<i>of which: non-recurring</i>	<i>0</i>
Net profit (loss) from assets held for sale	486	(141)
	<i>of which: non-recurring</i>	<i>(300)</i>
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>(712)</b>	<b>1,064</b>
	<i>of which: non-recurring</i>	<i>(300)</i>
Attributable to:		
Group	(712)	1,064
Third parties	0	0

## 18. STATEMENT OF PROFIT/(LOSS) FOR THE YEAR AND OTHER ITEMS OF COMPREHENSIVE INCOME

<i>(Euro)</i>	at 31 March	
	2016	2015
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>(712)</b>	<b>1,064</b>
<b>Items that will not subsequently be reclassified in the income statement for the year</b>		
<b>Items that will or could subsequently be reclassified in the income statement for the year</b>		
- conversion of foreign companies' financial statements	(980)	4,042
- equity investments in other companies	(43)	77
- fair value of cash flow hedging derivatives	(21)	60
- Other changes in the consolidation reserve	6	0
<b>Total changes, net of tax effect</b>	<b>(1,038)</b>	<b>4,179</b>
<b>Comprehensive result for the period</b>	<b>(1,750)</b>	<b>5,243</b>

## 19. STATEMENT OF FINANCIAL POSITION

(EUR /000)	31-Mar-16	31-Dec-15
<b>NON-CURRENT ASSETS</b>		
Goodwill	5,806	5,904
Intangible assets	9,111	9,222
<i>of which: related parties</i>	20	30
Property, plant, machinery and tools	38,584	39,389
<i>of which: related parties</i>	20	227
Shareholdings values at equity	968	1,046
Equity investments in other companies	1,757	1,800
Receivables and other non-current assets	113	115
Deferred tax assets	5,123	5,241
<b>TOTAL NON-CURRENT ASSETS</b>	<b>61,462</b>	<b>62,717</b>
<b>CURRENT ASSETS</b>		
Inventories	23,050	22,674
Trade receivables	34,342	34,023
<i>of which: related parties</i>	26	4
Other assets	2,747	2,254
Tax receivables	1,667	1,663
Cash and cash equivalents	20,127	24,602
Financial assets for derivatives	12	25
<b>TOTAL CURRENT ASSETS</b>	<b>81,945</b>	<b>85,241</b>
<b>ASSETS HELD FOR SALE</b>	<b>1,214</b>	<b>1,354</b>
<b>TOTAL ASSETS</b>	<b>144,621</b>	<b>149,312</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	14,400	14,400
Reserves	47,537	53,353
Profit/(loss) for the year	(712)	(4,769)
<b>Total Group Shareholders' Equity</b>	<b>61,225</b>	<b>62,984</b>
Shareholders' equity of minority interests	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>61,225</b>	<b>62,984</b>
<b>NON-CURRENT LIABILITIES</b>		
Non-current financial payables	9,357	10,879
Employee benefits	5,445	5,405
Non-current provisions	1,941	555
Deferred tax provisions	808	868
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>17,551</b>	<b>17,707</b>
<b>CURRENT LIABILITIES</b>		
Current financial payables	34,291	38,352
Trade payables	17,880	16,531
<i>of which: related parties</i>	69	52
Financial liabilities for derivatives	282	274
Current provisions	1,319	1,301
Tax payables	3,197	3,119
Other liabilities	8,876	9,044
<b>TOTAL CURRENT LIABILITIES</b>	<b>65,845</b>	<b>68,621</b>
<b>TOTAL LIABILITIES</b>	<b>83,396</b>	<b>86,328</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>144,621</b>	<b>149,312</b>

## 20. CONSOLIDATED CASH FLOW STATEMENT

<i>(EUR /000)</i>	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>
<b>A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	<b>24,602</b>	<b>20,732</b>
<b>B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:</b>		
Net profit (loss) for the period	(712)	1,064
Depreciation/amortisation	1,557	1,601
Capital losses (gains) on the sale of non-current assets	78	23
Capital losses (gains) on the sale of assets held for sale	(486)	0
Net result from financial operations	839	(1,181)
Change in provisions for risks and future liabilities	1,444	(144)
Change in other assets and liabilities	(587)	(2,855)
Change in deferred taxes	58	(116)
Change in trade receivables	(319)	(3,608)
Change in inventories	(376)	(4,465)
Change in trade payables	1,349	3,034
<b>TOTAL</b>	<b>2,845</b>	<b>(6,647)</b>
<b>C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES</b>		
Investments in:		
- Property, plant & equipment and intangible assets	(954)	(1,322)
- Equity investments and securities	0	0
- Acquisitions net of acquired cash	0	0
- Financial receivables	0	0
Disposal of non-current assets	(7)	12
<b>TOTAL</b>	<b>(961)</b>	<b>(1,310)</b>
<b>D) FREE CASH FLOW (B+C)</b>	<b>1,884</b>	<b>(7,957)</b>
<b>E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES</b>		
New financial payables	0	4,000
Repayment of financial payables	(2,906)	(3,129)
Increase (decrease) in current financial payables	(2,677)	4,859
Interest received (paid)	(225)	(380)
Change in shareholders' equity reserves	(951)	1,991
Dividends paid	0	0
<b>TOTAL</b>	<b>(6,759)</b>	<b>7,341</b>
<b>F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)</b>	<b>(4,875)</b>	<b>(616)</b>
<b>G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE</b>	<b>626</b>	<b>-</b>
H) Exchange translation differences on cash at hand	(226)	897
<b>I) NET CHANGE IN CASH AT HAND (F+G+H)</b>	<b>(4,475)</b>	<b>281</b>
<b>J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)</b>	<b>20,127</b>	<b>21,013</b>

**21. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

(EUR/000)	Share capital	Capital reserves		Consolidation reserve	Currency translation reserve	Other reserves	Retained profit / (loss)	Profit/ (Loss) for the year	Group Total shareholders' equity	Shareholders' equity of minority interests	Total shareholders' equity
		Fair value measurement reserve									
Balance at 1 January 2015	14,400	21,926	352	14,767	2,990	9,101	2,667	(224)	65,980	0	65,980
Destination of 2014 profit											
- Other reserves and provisions							(224)	224	0		0
- Dividends									0		0
Income/(expenses) recognised at equity			91	(319)		(95)			(323)		(323)
Change in translation reserve					2,346				2,346		2,346
Other changes				(75)		(82)	(93)		(250)		(250)
2015 profit							(4,769)		(4,769)		(4,769)
Balance at 31 December 2015	14,400	21,926	443	14,373	5,336	8,924	2,350	(4,769)	62,984	0	62,984
Destination of 2015 profit											
- Other reserves and provisions				(3,423)			(1,346)	4,769	0		0
- Dividends									0		0
Income/(expenses) recognised at equity			(64)	6					(58)		(58)
Change in translation reserve					(980)				(980)		(980)
Other changes						(9)			(9)		(9)
2016 profit							(712)		(712)		(712)
Balances at 31 March 2016	14,400	21,926	379	10,956	4,356	8,915	1,004	(712)	61,225	0	61,225



## **SPECIFIC EXPLANATORY NOTES**





## 1. General information

Gefran S.p.A. is incorporated and located at via Sebina 74, Provaglio d'Iseo (BS).

On 12 May 2016, the financial statements for the Gefran Group to 31 March 2016 were approved by the Board of Directors, which authorised their publication.

## 2. Form and content

The Company prepared this document in accordance with the international accounting standards (IFRS) issued by the IASB and approved by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002, and in particular IAS 34 – Interim Financial Reporting.

In preparing these interim financial statements, the same accounting criteria were applied as in the preparation of the financial statements for the year ending 31 December 2015. The interim financial statements for the quarter ending 31 March 2016 do not contain all the additional information required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ending 31 December 2015, prepared in accordance with IFRS.

Significant transactions with related parties and non-recurring items have been detailed in separate schedules, as required by CONSOB resolution 15519 of 27 July 2006.

These interim financial statements for the quarter ending 31 March 2016 are consolidated on the basis of the income statement and statement of financial position figures of Gefran S.p.A. and its subsidiaries relating to the first three months of 2016, prepared in accordance with international accounting standards. These accounting statements were prepared using valuation criteria in line with those of the Parent Company, or adjusted owing to consolidation.

Interim financial statements are not subject to an audit.

These interim financial statements are presented in euro, the Group's functional currency. Unless otherwise stated, all amounts are expressed in thousands of euro.

## 3. Consolidation principles and valuation criteria

The valuation criteria adopted for the preparation of these interim financial statements to 31 March 2016 are the same as those adopted in preparing the annual financial statements for the year ending 31 December 2015.

In line with the requirements of document 2 of 6 February 2009, issued jointly by the Bank of Italy, Consob and ISVAP, note that the annual financial statements of the Gefran Group were prepared on the assumption that the Group is a going concern. At 31 December 2015, the terms of the financial covenant relating to the ratio between net debt and EBITDA established on certain loan contracts had not been complied with. This is why the medium/long term debt was reclassified under short term debt, and relating to loans that did not comply with the terms of the above-mentioned covenant. Despite this, to date the lines of credit made available by banks and other credit institutions were enough to ensure that the Group could operate, and cash flow is also considered to be adequate. Additionally, all the banks have said they are willing to discuss the current situation on the basis of both the approved financial statements and the 2016-2018 Business Plan. This is why the Directors believe - also in view of

the approved Business Plan - that the failure to honour the covenants is a highly exceptional event, which is temporary, limited to 2015, and will not affect the assumption of the company continuing as a going concern.

With reference to Consob Communication DEM/11070007 of 5 August 2011, it is also noted that the Group does not hold in its portfolio any bonds issued by central or local governments or government agencies, and is therefore not exposed to risks generated by market fluctuations. The consolidated financial statements were prepared using the general historic cost criterion, adjusted as required for the valuation of certain financial instruments.

With reference to Consob communication 0003907 of 19 January 2015, note 29 “Verification of impairment of goodwill and intangible assets with a finite life relating to R&D activities”, the required information was added, and refers to external information and the sensitivity analysis.

With reference to Consob notification no. 0007780 of 28 January 2016, the impact of market conditions on the disclosure made in the financial statements was assessed in the Director’s report on operations. Additionally, application of IFRS 13 “Fair value measurement” did not lead to significant changes for Gefran in the items on the financial statements; the impact on the financial statements of application of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from contracts with customers” which will come into effect from 1 January 2018 is currently being assessed.

#### **4. Change in the scope of consolidation**

The scope of consolidation at 31 March 2016 was different from that at 31 March 2015 owing to the spin-off of Gefran Soluzioni S.r.l. from Gefran S.p.A. The change did not have a real impact on the consolidated figures of the Group, as Gefran Soluzioni is a wholly-owned subsidiary of Gefran S.p.A., and was created from a spin-off of part of the Parent Company.

However, the scope of consolidation was the same as at 31 December 2015.

## 5. Information by business area

### Primary segment – sector of activity

The organisational structure of the Gefran Group is divided into three areas of activity: sensors, automation components and drives. The economic trends and the main investments are covered in the Report on Operations.

#### Statement of financial position figures by business area

(EUR /000)	31-Mar-16	Sensors	Components	Drives	Not divided	Total
Intangible assets	14,917	8,518	3,110	3,289		14,917
Tangible assets	38,584	10,649	10,682	17,253		38,584
Financial assets	7,961				7,961	7,961
<b>Net fixed assets</b>	<b>61,462</b>	<b>19,167</b>	<b>13,792</b>	<b>20,542</b>	<b>7,961</b>	<b>61,462</b>
Inventories	23,050	4,298	3,539	15,213		23,050
Trade receivables	34,342	11,288	6,728	16,326		34,342
Trade payables	(17,880)	(5,518)	(4,306)	(8,056)		(17,880)
Other assets/liabilities	(7,659)	(2,097)	(1,992)	(2,040)	(1,530)	(7,659)
<b>Operating capital</b>	<b>31,853</b>	<b>7,971</b>	<b>3,969</b>	<b>21,443</b>	<b>(1,530)</b>	<b>31,853</b>
Provisions for risks and future liabilities	(3,260)	(471)	(788)	(1,702)	(299)	(3,260)
Deferred tax provisions	(808)			-	(808)	(808)
Employee benefits	(5,445)	(1,659)	(2,183)	(1,603)		(5,445)
<b>Invested capital from operations</b>	<b>83,802</b>	<b>25,008</b>	<b>14,790</b>	<b>38,680</b>	<b>5,324</b>	<b>83,802</b>
<b>Invested capital from assets held for sale</b>	<b>1,214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,214</b>	<b>1,214</b>
<b>Net invested capital</b>	<b>85,016</b>	<b>25,008</b>	<b>14,790</b>	<b>38,680</b>	<b>6,538</b>	<b>85,016</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>61,225</b>				<b>61,225</b>	<b>61,225</b>
Medium- to long-term financial payables	9,357				9,357	9,357
Short-term financial payables	34,291				34,291	34,291
Financial liabilities for derivatives	282				282	282
Financial assets for derivatives	(12)				(12)	(12)
Cash and cash equivalents and short-term financial receivables	(20,127)				(20,127)	(20,127)
<b>Net debt relating to operations</b>	<b>23,791</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,791</b>	<b>23,791</b>
<b>Total sources of financing</b>	<b>85,016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,016</b>	<b>85,016</b>

(EUR /000)	31-Dec-15	Sensors	Components	Drives	Not divided	Total
Intangible assets	15,126	8,631	3,116	3,379		15,126
Tangible assets	39,389	10,692	10,913	17,784		39,389
Financial assets	8,202				8,202	8,202
Net fixed assets	62,717	19,323	14,029	21,163	8,202	62,717
Inventories	22,674	4,130	3,630	14,914		22,674
Trade receivables	34,023	9,932	6,514	17,577		34,023
Trade payables	(16,531)	(4,781)	(4,157)	(7,593)		(16,531)
Other assets/liabilities	(8,246)	(2,373)	(2,122)	(2,295)	(1,456)	(8,246)
Operating capital	31,920	6,908	3,865	22,603	(1,456)	31,920
Provisions for risks and future liabilities	(1,856)	(316)	(47)	(903)	(591)	(1,856)
Deferred tax provisions	(868)			-	(868)	(868)
Employee benefits	(5,405)	(1,655)	(2,168)	(1,582)		(5,405)
Invested capital from operations	86,508	24,260	15,679	41,281	5,287	86,508
Invested capital from assets held for sale	1,354	-	-	-	1,354	1,354
Net invested capital	87,862	24,260	15,679	41,281	6,641	87,862
Shareholders' equity	62,984				62,984	62,984
Medium- to long-term financial payables	10,879				10,879	10,879
Short-term financial payables	38,352				38,352	38,352
Financial liabilities for derivatives	274				274	274
Financial assets for derivatives	(25)				(25)	(25)
Cash and cash equivalents and short-term financial receivables	(24,602)				(24,602)	(24,602)
Net debt relating to operations	24,878	-	-	-	24,878	24,878
Total sources of financing	87,862	-	-	-	87,862	87,862

## 6. Personnel costs

“Personnel costs” totalled EUR 13,116 thousand, an increase of EUR 471 thousand over the first quarter of 2015; they break down as follows:

(EUR /000)	2016	2015	changes
Salaries and wages	8,467	9,430	(963)
Social security contributions	2,232	2,557	(325)
Post-employment benefit reserve	503	513	(10)
Other costs	1,914	145	1,769
<b>Total</b>	<b>13,116</b>	<b>12,645</b>	<b>471</b>

The figures for the first quarter of 2016 include non-recurring costs of EUR 1,892 thousand for restructuring costs relating to the Parent Company Gefran S.p.A. of EUR 1,700 thousand and the Spanish branch for EUR 192 thousand. Not including the non-recurring component, personnel costs were down by EUR 1,421 thousand due to the significant restructuring put in place starting from the second half of 2015 at Group level.

## 7. Gains and losses from financial assets/liabilities

“Gains from financial assets” totalled EUR 104 thousand compared to EUR 2,725 thousand in the first quarter of 2015, and break down as follows:

Description	2016	2015	change
<i>(EUR /000)</i>			
income from cash management	17	14	3
other financial income	9	27	(18)
exchange rate gains	43	767	(724)
currency valuation differences	35	1,917	(1,882)
<b>Total</b>	<b>104</b>	<b>2,725</b>	<b>(2,621)</b>

“Losses from financial liabilities” totalled EUR 865 thousand, down from the balance of EUR 1,550 thousand in the first quarter of 2015, and break down as follows:

Description	2016	2015	change
<i>(EUR /000)</i>			
medium-/long-term interest	(214)	(294)	80
short-term interest	(19)	(41)	22
factoring interest and fees	(15)	(15)	-
other financial charges	(6)	(8)	2
exchange rate losses	(219)	(594)	375
currency valuation differences	(392)	(480)	88
write-downs of financial assets	-	(118)	118
<b>Total</b>	<b>(865)</b>	<b>(1,550)</b>	<b>685</b>

The reduction in financial interest payable in the first quarter of 2016 is due to the favourable interest rate trends along with the reduction in the spread for the loans entered into starting from the end of 2014.

The balance of differences in foreign exchange transactions was globally a negative amount of EUR 533 thousand which compares with a positive amount of EUR 1,610 thousand in the first quarter of 2015. The worsening in the balance of currency transactions was due to the appreciation - starting from the second half of the previous year - of the euro against the main currencies that the Group is exposed to (the Brazilian real, Turkish lira and Indian rupee). Compared with the average in 2015, the three currencies depreciated by 17%, 8% and 5% respectively against the euro in the first quarter of 2016.

## 8. Gains (losses) from the valuation of equity investments at equity

Description	2016	2015	change
<i>(EUR /000)</i>			
Result of companies valued at equity	(78)	6	(84)
<b>Total</b>	<b>(78)</b>	<b>6</b>	<b>(84)</b>

Expenses from equity investments measured at equity were EUR 78 thousand, and related to the negative result of the Ensun Group.

## 9. Income taxes, deferred tax assets and deferred tax liabilities

The item "taxes" was negative at EUR 516 thousand; this compares with a negative balance of EUR 229 thousand in the first quarter of 2015, and breaks down as follows:

(EUR /000)	2016	2015
<b>Current taxes</b>		
IRAP (regional production tax)	(53)	-
Foreign taxes	(403)	(278)
<b>Total current taxes</b>	<b>(456)</b>	<b>(278)</b>
<b>Deferred taxes</b>		
Deferred tax liabilities	24	5
Deferred tax assets	(84)	44
<b>Total deferred tax liabilities</b>	<b>(60)</b>	<b>49</b>
<b>TOTAL TAXES</b>	<b>(516)</b>	<b>(229)</b>

The tax burden for the period is mainly attributable to the local taxes of the Group's foreign subsidiaries.

Deferred tax assets were negative and amounted to EUR 84 thousand, mainly due to the transfer of taxes payable by the Parent Company Gefran S.p.A. in previous years.

The table below shows a breakdown of deferred tax assets and deferred tax liabilities:

(EUR /000)	31/12/2015	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	31/03/2016
<b>Deferred tax assets</b>					
Devaluation of inventories	1,114	29	-	-	1,143
Impairment of trade receivables	292	39	-	-	331
Deductible losses to be brought forward	2,746	1	(45)	-	2,702
Exchange rate differences	15	(14)	-	-	1
Elimination of unrealised margins on inventories	648	(67)	1	-	582
Provision for product warranty risk	202	(14)	-	-	188
Provision for sundry risks	224	(58)	10	-	176
Fair value hedging	-	-	-	-	-
<b>Total deferred tax assets</b>	<b>5,241</b>	<b>(84)</b>	<b>10</b>	<b>(44)</b>	<b>5,123</b>
<b>Deferred tax liabilities</b>					
Currency valuation differences	(28)	24	-	-	(4)
Other deferred tax liabilities	(840)	-	36	-	(804)
<b>Total deferred tax liabilities</b>	<b>(868)</b>	<b>24</b>	<b>-</b>	<b>36</b>	<b>(808)</b>
<b>Net total</b>	<b>4,373</b>	<b>(60)</b>	<b>10</b>	<b>(8)</b>	<b>4,315</b>

## 10. Net working capital

Net working capital totalled EUR 39,512 thousand, compared with EUR 40,166 thousand at 31 December 2015, and breaks down as follows:

(EUR /000)	31/03/2016	31/12/2015	changes
Inventories	23,050	22,674	376
Trade receivables	34,342	34,023	319
Trade payables	(17,880)	(16,531)	(1,349)
<b>Net amount</b>	<b>39,512</b>	<b>40,166</b>	<b>(654)</b>

Please see the “Report on Operations” for more details on net working capital.

The value of the “inventories” at 31 March 2016 was EUR 23,050 thousand, up by EUR 376 thousand over 31 December 2015. The balance breaks down as follows:

(EUR /000)	31/03/2016	31/12/2015	changes
Raw materials, supplies and consumer goods	14,512	14,362	150
<i>provision for raw materials</i>	<i>(3,662)</i>	<i>(3,229)</i>	<i>(433)</i>
Work in progress and semi-finished goods	6,467	5,967	500
<i>provision for work in progress</i>	<i>(942)</i>	<i>(882)</i>	<i>(60)</i>
Finished and semi-finished products	9,056	8,847	209
<i>provision for finished products</i>	<i>(2,381)</i>	<i>(2,391)</i>	<i>10</i>
<b>Total</b>	<b>23,050</b>	<b>22,674</b>	<b>376</b>

The increase in inventory is mainly due to the growth in the inventory stock of the Drives business of the Parent Company.

“Trade receivables” amounted to EUR 34,342 thousand compared with EUR 34,023 thousand at 31 December 2015, and break down as follows:

(EUR /000)	31/03/2016	31/12/2015	changes
Receivables from customers due within 12 months	38,182	37,835	347
<i>Provision for doubtful receivables</i>	<i>(3,840)</i>	<i>(3,812)</i>	<i>(28)</i>
<b>Net amount</b>	<b>34,342</b>	<b>34,023</b>	<b>319</b>

Receivables were adjusted to their estimated realisable value through the provision of a specific allowance calculated on the basis of an examination of individual debtor positions. The provision at 31 March 2016 represents a prudential estimate of the current risk, and registered the following changes:

(EUR /000)	31/12/2015	Increases	Decreases	Other changes	31/03/2016
<b>Provision for doubtful receivables</b>	<b>3,812</b>	<b>183</b>	<b>(69)</b>	<b>(86)</b>	<b>3,840</b>

Decreases include the use of the provision to cover losses on unrecoverable receivables. The Group is monitoring the situation of the receivables most at risk, and also initiating appropriate legal action. The carrying value of trade receivables is considered to approximate to their fair value.

“Trade payables” amounted to EUR 17,880 thousand, compared with EUR 16,531 thousand at 31 December 2015, with an increase of EUR 1,349 thousand. It breaks down as follows:

(EUR /000)	31/03/2016	31/12/2015	changes
payables to suppliers	12,970	8,350	4,620
payables to suppliers for invoices to be received	4,594	7,902	(3,308)
advances received from customers	316	279	37
<b>Total</b>	<b>17,880</b>	<b>16,531</b>	<b>1,349</b>

## 11. Net debt

The table below shows a breakdown of the net financial position:

(EUR /000)	31/03/2016	31/12/2015	changes
Cash and cash equivalents	20,127	24,602	(4,475)
Financial assets for derivatives	12	25	(13)
Non-current financial payables	(9,357)	(10,879)	1,522
Current financial payables	(34,291)	(38,352)	4,061
Financial liabilities for derivatives	(282)	(274)	(8)
<b>Total</b>	<b>(23,791)</b>	<b>(24,878)</b>	<b>1,087</b>

The following table breaks down the net financial position by maturity:

(EUR /000)	31/03/2016	31/12/2015	changes
A. Cash on hand	28	29	(1)
B. Cash in bank deposits	20,099	24,573	(4,474)
Term deposits – less than 3 months	-	-	-
C. Securities held for trading	-	-	-
<b>D. Cash And cash equivalents (A ) + ( B ) + ( C )</b>	<b>20,127</b>	<b>24,602</b>	<b>(4,475)</b>
Financial liabilities for derivatives	(282)	(274)	(8)
Financial assets for derivatives	12	25	(13)
E. Fair value hedging derivatives	(270)	(249)	(21)
F. Current portion of long-term debt	(25,492)	(26,876)	1,384
G. Other short-term financial payables	(8,799)	(11,476)	2,677
<b>H. Total current financial payables (F) + (G)</b>	<b>(34,291)</b>	<b>(38,352)</b>	<b>4,061</b>
<b>I. Total current payables (E) + (H)</b>	<b>(34,561)</b>	<b>(38,601)</b>	<b>4,040</b>
<b>J. Net short-term financial debt (I) + (D)</b>	<b>(14,434)</b>	<b>(13,999)</b>	<b>(435)</b>
<b>L. Non-current financial debt</b>	<b>(9,357)</b>	<b>(10,879)</b>	<b>1,522</b>
<b>M. Net financial debt (J) + (L)</b>	<b>(23,791)</b>	<b>(24,878)</b>	<b>1,087</b>
<i>Of which to minorities:</i>	<i>(23,791)</i>	<i>(24,878)</i>	<i>1,087</i>

Net debt at 31 March 2016 was a negative EUR 23,791 thousand, an improvement of EUR 1,087 thousand from 31 December 2015. The change in net debt was mainly due to positive cash flows from



core operations (EUR 2,845 thousand), net of the negative flow from the technical investments (EUR 961 thousand).

Please see the Report on Operations for more details on financial operations management.

At 31 December 2015, the terms of the financial covenant relating to the ratio between net debt and EBITDA established on certain loan contracts had not been complied with. This is why the medium/long term debt was reclassified under short term debt, and relates to loans that did not comply with the terms of the above-mentioned covenant.

Net debt and operations forecasts indicate that this failure to comply with the terms of the covenants was highly exceptional, and limited to the year 2015, in view of the approved Business Plan, which provides continued improvement in net debt on the one hand, and in the recovery of profitability through an increase in revenues on the other, but more especially, constant cost reduction, also in view of the restructuring process which began in 2015 in the foreign subsidiaries and will conclude with redundancies in Italy in 2016.

The banks have said they are willing to discuss the current situation on the basis of both the approved financial statements and the 2016-2018 Business Plan. Negotiations with the banks to obtain the above-mentioned waivers had not yet concluded as of 31 March 2016, and therefore the loans that were not in compliance with the terms of the respective covenants as of 31 December 2015 were fully stated under short-term loans. The reclassified debt as at 31 March 2016 amounted to EUR 14,000 thousand (EUR 15,032 thousand at 31 December 2015). At the date of this report, Unicredit, Banco di Brescia and Banca Popolare dell'Emilia Romagna, three of the banks involved in the "waiver" request, confirmed that they would waive their rights to calling in the loans early.

**Cash and cash equivalents** amounted to EUR 20,127 thousand at 31 March 2016, down by EUR 4,475 thousand compared with the balance at 31 December 2015:

(EUR /000)	31/03/2016	31/12/2015	changes
Cash in bank deposits	19,965	24,533	(4,568)
Cash	28	29	(1)
Other cash	134	40	94
<b>Total</b>	<b>20,127</b>	<b>24,602</b>	<b>(4,475)</b>

The technical forms used at 31 March 2016 are shown below:

- Payable on demand;
- Counterparty risk: deposits are made at leading banks;
- Country risk: deposits are held in countries in which Group companies have their registered offices.

The balance of **Current financial payables** decreased by EUR 4,061 thousand at 31 March 2016 compared to 31 December 2015, and breaks down as follows:

(EUR /000)	31/03/2016	31/12/2015	changes
Current portion of debt	25,492	26,876	(1,384)
Current overdrafts	8,467	11,187	(2,720)
Factoring	316	265	51
Leasing	8	16	(8)
Other payables	8	8	-
<b>Total</b>	<b>34,291</b>	<b>38,352</b>	<b>(4,061)</b>

Bank overdrafts at 31 March totalled EUR 8,467 thousand, compared with a balance at 31 December 2015 of EUR 11,187 thousand. The item relates almost entirely to Gefran S.p.A. and has the following characteristics:

- for use of credit lines payable on demand, the overall annual interest rate is in the 2.6%-5.8% annual range;
- for use of credit facilities on trade receivables, repayable on the maturity of these receivables, the overall annual interest rate is in the 0.5%-0.9% annual range.

**Non-current financial payables** break down as follows:

(EUR /000)	31/03/2016	31/12/2015	changes
Centrobanca	2,195	2,927	(732)
Deutsche Bank	-	150	(150)
Banco di Brescia	1,928	1,930	(2)
Cred. Bergamasco	203	404	(201)
Unicredit SACE	1,500	1,750	(250)
BNL	2,000	2,000	-
Banca Pop. Sondrio	1,531	1,718	(187)
<b>Total</b>	<b>9,357</b>	<b>10,879</b>	<b>(1,522)</b>

The loans listed in the table are all variable-rate contracts stipulated by Gefran S.p.A., and have the following characteristics:

Bank	Amount disbursed (€/000)	Signing date	Balance at 31 Mar 2016	Of which within 12 months	Of which over 12 months	Interest rate	Maturity	Repayment method
Centrobanca	EUR 10,976	04/09/08	3,657	1,462	2,195	Euribor 6m + 0.85%	01/10/18	half-yearly
Deutsche Bank	EUR 3,000	09/03/12	600	600	-	Euribor 3m + 3.60%	31/03/17	quarterly
Cred. Bergamasco	EUR 2,000	06/11/12	355	355	-	Euribor 3m + 3.80%	31/10/16	monthly
Banco di Brescia	EUR 6,000	31/05/13	3,153	1,225	1,928	Euribor 3m + 3.90%	31/05/18	quarterly
Banca Pop. Sondrio	EUR 3,000	11/06/13	530	530	-	Euribor 3m + 4.50%	31/07/16	quarterly
Cred. Bergamasco	EUR 3,000	18/06/13	994	791	203	Euribor 3m + 4.20%	30/06/17	monthly
Unicredit SACE	EUR 5,000	27/09/13	2,500	1,000	1,500	Euribor 3m + 2.60%	30/09/18	quarterly
Banco di Brescia	EUR 3,000	28/11/14	2,019	2,019	-	Euribor 3m + 1.35%	30/11/18	monthly
BNL	EUR 3,000	19/12/14	2,667	667	2,000	Euribor 6m + 1.35%	18/12/19	half-yearly
Banca Pop. Sondrio	EUR 3,000	23/12/14	2,274	743	1,531	Euribor 3m + 2.00%	22/12/18	quarterly
Unicredit	EUR 2,000	19/02/15	1,600	1,600	-	Euribor 3m + 1.60%	29/02/20	quarterly
Unicredit	EUR 2,000	19/02/15	2,000	2,000	-	Euribor 3m + 2.00%	28/02/19	bullet
Banca Pop. Emilia Romagna	EUR 4,000	06/08/15	4,000	4,000	-	Euribor 3m + 1.25%	03/02/20	quarterly
Mediocredito	EUR 10,000	07/08/15	8,500	8,500	-	Euribor 3m + 1.35%	30/06/20	quarterly
<b>Total</b>			<b>34,849</b>	<b>25,492</b>	<b>9,357</b>			

The changes relate to the repayment set out in the repayment plans of the individual loans totalling EUR 2,906 thousand. The loan granted by Centrobanca is guaranteed by a EUR 36 million mortgage on properties in Provaglio d'Iseo.

**Financial assets for derivatives** totalled EUR 12 thousand at 31 March 2016, and consist of the positive fair value, stated at the end of the quarter, of certain CAP contracts entered into by the Parent

Company to hedge interest rate risks. **Financial liabilities for derivatives** totalled EUR 282 thousand, owing to the negative fair value of certain IRS contracts, also entered into by the Parent Company to hedge interest rate risks.

To mitigate the financial risk associated with variable-rate loans, which could arise in the event of an increase in the Euribor, the Group decided to hedge its variable-rate loans through IRSs (Interest Rate Swaps), as set out below:

Bank (Euro/000)	Notional principal	Signing date	Notional at 31 Mar 2016	Derivative	Fair Value at 31 Mar 2016	Rate Long position	Rate Short position
Centrobanca	EUR 9,550	31/03/10	3,657	IRS	(144)	Fixed 3.11%	Euribor 6m
Deutsche Bank	EUR 3,000	09/03/12	600	IRS	(9)	Fixed 1.34%	Euribor 3m
Banca Pop. Emilia Romagna	EUR 4,000	01/10/15	4,000	IRS	(34)	Fixed 0.15%	Euribor 3m
Intesa	EUR 10,000	05/10/15	8,500	IRS	(95)	Fixed 0.16%	Euribor 3m
<b>Total financial liabilities for derivatives – interest rate risk</b>					<b>(282)</b>		

The Group has also taken out Interest Rate Caps, as set out in the table below:

Bank (Euro/000)	Notional principal	Signing date	Notional at 31 Mar 2016	Derivative	Fair Value at 31 Mar 2016	Rate Long position	Rate Short position
Credito Bergamasco	EUR 2,000	06/11/12	355	CAP	0	Strike Price 1.00%	Euribor 3m
Unicredit	EUR 6,000	04/06/13	3,153	CAP	0	Strike Price 0.75%	Euribor 6m
BNL	EUR 3,000	20/06/13	530	CAP	0	Strike Price 0.40%	Euribor 3m
Credito Bergamasco	EUR 3,000	20/06/13	994	CAP	0	Strike Price 0.75%	Euribor 3m
Unicredit	EUR 5,000	15/10/13	2,500	CAP	0	Strike Price 0.60%	Euribor 3m
Banco di Brescia	EUR 3,000	28/11/14	2,019	CAP	1	Strike Price 0.10%	Euribor 3m
BNL	EUR 3,000	19/12/14	2,667	CAP	3	Strike Price 0.20%	Euribor 6m
Unicredit	EUR 2,000	19/02/15	1,600	CAP	3	Strike Price 0.10%	Euribor 3m
Unicredit Bullet	EUR 2,000	19/02/15	2,000	CAP	5	Strike Price 0.10%	Euribor 3m
<b>Total financial assets for derivatives – interest rate risk</b>					<b>12</b>		

All the contracts described above are booked at fair value:

(Euro/000)	to 31 March 2016		to 31 December 2015	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Exchange rate risk	-	-	-	-
Interest rate risk	12	(282)	25	(274)
<b>Total cash flow hedge</b>	<b>12</b>	<b>(282)</b>	<b>25</b>	<b>(274)</b>

All derivatives were tested for effectiveness, with positive outcomes.

In order to support its current operations, the Group has various credit lines granted by banks and other financial institutions available, mainly in the form of loans for advances on invoices, cash flexibility and mixed loans for a total of EUR 43,904 thousand. Overall use of these lines at 31 March 2016 totalled EUR 8,565 thousand, with a residual available amount of EUR 35,339 thousand.

No fees are due in the event that these lines are not used.

## 12. SHAREHOLDERS' EQUITY

The consolidated shareholders' equity at 31 March 2016 amounted to EUR 61,225 thousand, compared with shareholders' equity of EUR 62,984 thousand at 31 December 2015.

Share capital was EUR 14,400 thousand, divided into 14,400,000 ordinary shares, with a nominal value of EUR 1 each.

Group shareholders' equity was down by EUR 1,759 thousand compared with 31 December 2015, mainly owing to the loss for the period of EUR 712 thousand, and the decrease in the translation reserve of EUR 980 thousand.

At 31 March 2016, Gefran S.p.A. held 225,828 own shares, equivalent to 1.57%, while it held 219,735 own shares as at 31 December 2015, equivalent to 1.53% of the share capital.

The Company did not issue convertible bonds.

For details on the movements in equity reserves during the year, see the table showing Changes in shareholders' equity.

Changes in the "Reserve for the measurement of securities at fair value" are shown in the table below.

(EUR /000)	31/03/2016	31/12/2015	changes
Balance at 1 January	(10)	(33)	23
UBI – Banca shares	(47)	4	(51)
Woojin Selex (Korea) shares	4	19	(15)
<b>Net amount</b>	<b>(53)</b>	<b>(10)</b>	<b>(43)</b>

Changes in the "Reserve for the measurement of derivatives at fair value" are shown in the table below.

(EUR /000)	31/03/2016	31/12/2015	changes
Balance at 1 January	453	385	68
Change in fair value of derivatives	(21)	68	(89)
<b>Net amount</b>	<b>432</b>	<b>453</b>	<b>(21)</b>

### 13. Current and non-current provisions

“Non-current provisions” rose by EUR 1,386 thousand compared with 31 December 2015, and break down as follows:

(EUR /000)	31/03/2016	31/12/2015	changes
<b>Gefran S.p.A. risk provisions</b>			
- for restructuring	1,666	-	1,666
- for legal disputes	180	374	(194)
- other provisions	85	85	-
<b>Gefran Brasil risk provisions</b>			
- for legal disputes	3	3	-
<b>Gefran France risk provisions</b>			
- for legal disputes	7	7	-
<b>GSDT risk provisions</b>			
- for legal disputes	-	86	(86)
<b>Total</b>	<b>1,941</b>	<b>555</b>	<b>1,386</b>

The “restructuring” item refers to the residual amount of the provision made by Gefran S.p.A. for a total of EUR 1,700 thousand to open a procedure for redundancies involving a total of 55 employees as per the trade union agreement made on 29 February 2016.

The item “Legal disputes” includes the provisions made for liabilities related to the settlement of pending disputes regarding claims from customers, some employees and distributors.

“Current provisions” totalled EUR 1,319 thousand at 31 March 2016, substantially in line with the value as at 31 December 2015, and break down as follows:

(EUR /000)	31/03/2016	31/12/2015	changes
FISC	153	163	(10)
Product warranty	1,163	1,135	28
Other provisions	3	3	-
<b>Total</b>	<b>1,319</b>	<b>1,301</b>	<b>18</b>

The item relating to repair charges for products under guarantee changed due to the adjustment of the provision during the year; at the end of the year, a check was conducted to ensure that the provision was appropriate, with a positive outcome.

The “FISC” item mainly includes contractual terms in place at the branch Gefran Deutschland GmbH.

## 14. Guarantees granted, commitments and other contingent liabilities

### Guarantees granted

At 31 March 2016, the Group had granted guarantees on the liabilities and commitments of third parties or subsidiaries for EUR 7,629 thousand, a decrease of EUR 246 thousand compared to 31 December 2015, as shown in the table below:

(EUR /000)	2016	2015
UBI Leasing	2,987	3,143
BNL	2	2
Banca Intesa	1,100	1,100
Banca Passadore	2,750	2,750
Banco di Brescia	790	790
<b>Total</b>	<b>7,629</b>	<b>7,875</b>

A guarantee in favour of UBI Leasing was issued to cover a leasing contract with a remaining debt of EUR 2,987 thousand, expiring in 2029, to guarantee financial requirements for the construction of photovoltaic plants by BS Energia 2 S.r.l.

The guarantee issued to Banca Passadore will cover the credit lines of Ensun S.r.l, while the guarantee to the Banco di Brescia will cover the credit lines of BS energia 2 S.r.l.

The amount of EUR 1,100 thousand in favour of Banca Intesa relates to a simple letter of patronage issued to guarantee the credit lines of Elettropiemme S.r.l.

### Legal proceedings and disputes

The Parent Company and certain subsidiaries are involved in certain legal proceedings and disputes. However, it is considered unlikely that the resolution of these disputes will generate significant liabilities for which provisions have not already been made.

### Commitments

The main operating lease contracts relate to property rentals, electronic equipment and company vehicles. As of the reporting date, the rents still owed by the Group in respect of irrevocable operating lease contracts was EUR 1,999 thousand; of this amount, EUR 1,879 thousand falls due within the next five years, and the remaining EUR 120 thousand after five years.

## 15. DEALINGS WITH RELATED PARTIES

In accordance with IAS 24, information relating to dealings with related parties for the first quarter of 2016 and the previous year is provided below.

Transactions with related parties are part of normal operations and the typical business of each entity involved, and are carried out under normal market conditions. The Group did not carry out any unusual and/or abnormal transactions that may have a significant impact on its economic, equity and financial situation.

On 12 November 2010, the Board of Directors of Gefran S.p.A. adopted the regulations governing transactions with related parties, published in the “Corporate Governance” section of the Company’s website [www.gefran.com](http://www.gefran.com).

Transactions with related parties are part of the Group’s normal business management and typical activity. Dealings with other related parties are as follows:

- Elettropiemme S.r.l., a subsidiary of Ensun S.r.l.: a company in which Ennio Franceschetti (Chairman and Chief Executive Officer of Gefran S.p.A.) is chairman.
- Climat S.r.l.: a company in which the director and shareholder is a relative of Maria Chiara Franceschetti (CEO of Gefran S.p.A.).
- Axel S.r.l.: a company in which Adriano Chinello (manager with strategic responsibilities) is a member of the Board of Directors.
- Francesco Franceschetti elastomeri S.r.l.: a company in which Ennio Franceschetti (Chairman and Chief Executive Officer of Gefran S.p.A.) is a member of the Board of Directors.

These dealings, summarised below, have no material impact on the Group’s economic and financial structure.

Company (EUR /000)	Costs and Charges		Revenues and income	
	2016	2015	2016	2015
Elettropiemme S.r.l.	15	0	34	9
Climat S.r.l.	28	31	0	0
Axel S.r.l.	15	10	0	0
Francesco Franceschetti elastomeri S.r.l.	0	0	0	77
<b>Total</b>	<b>58</b>	<b>41</b>	<b>34</b>	<b>86</b>

Company (EUR /000)	Receivables and other assets		Payables and other liabilities	
	31/3/2016	31/12/2015	31/3/2016	31/12/2015
Elettropiemme S.r.l.	26	0	9	19
Climat S.r.l.	20	227	50	26
Axel S.r.l.	20	34	10	7
Francesco Franceschetti elastomeri S.r.l.	0	0	0	0
<b>Total</b>	<b>66</b>	<b>261</b>	<b>69</b>	<b>52</b>

In accordance with internal regulations, transactions with related parties of an amount below EUR 50 thousand are not reported, since this amount was determined as the threshold for identifying significant transactions.

In relation to dealings with subsidiaries, Parent Company Gefran S.p.A. provided technical, administrative and management services, as well as royalties for Group operating companies, in the amount of approximately EUR 550 thousand, governed by specific contracts.

The Gefran Group provides a centralised Group treasury service also through the use of a "zero balance" cash pooling service, which involves all European subsidiaries.

None of the subsidiaries holds shares of the Parent Company or held them during the period.

In the first quarter of 2016, the Parent Company Gefran S.p.A. recognised dividends from subsidiaries amounting to EUR 1,742 thousand.

The key people were identified as the members of the executive Board of Directors, the two General Managers of the business units and the managers with key responsibilities, who are represented by the CFO and the Authorised Manager, the Marketing Manager and R&D Manager of a business unit, the General Manager of the Chinese subsidiary Gefran Siei Drives Technology Co. Ltd. and the Manager in charge of the European subsidiaries.

## 16. Other information

Pursuant to article 70, paragraph 8, and article 71, paragraph 1-bis of Consob's Issuers' Regulation, the Board of Directors decided to avail of its right not to publish the information documents provided for in relation to significant mergers, spin-offs, capital increases through contribution in kind, acquisitions or disposals.

Provaglio d'Iseo, 12 May 2016

On behalf of the Board of Directors

Chairman

**Ennio Franceschetti**

Chief Executive Officer

**Maria Chiara Franceschetti**



# **CONSOLIDATED INCOME STATEMENT ANALYSIS BY QUARTER**



**Consolidated income statement by quarter**

(EUR /000)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	TOT 2015	Q1 2016
a Revenues	30,309	29,556	26,759	28,728	<b>115,352</b>	29,524
b Consumption of materials and products	9,810	9,995	9,026	10,475	<b>39,306</b>	9,539
<b>c Added value (a-b)</b>	<b>20,499</b>	<b>19,561</b>	<b>17,733</b>	<b>18,253</b>	<b>76,046</b>	<b>19,985</b>
d Other operating costs	6,395	6,673	6,846	5,887	<b>25,801</b>	5,563
e Personnel costs	12,753	12,485	10,740	10,335	<b>46,313</b>	13,116
f Increases for internal work	503	480	376	390	<b>1,749</b>	408
<b>g EBITDA (c-d-e+f)</b>	<b>1,854</b>	<b>883</b>	<b>523</b>	<b>2,421</b>	<b>5,681</b>	<b>1,714</b>
h Depreciation, amortisation and impairments	1,601	1,596	1,531	1,583	<b>6,311</b>	1,557
<b>i EBIT (g-h)</b>	<b>253</b>	<b>(713)</b>	<b>(1,008)</b>	<b>838</b>	<b>(630)</b>	<b>157</b>
l Gains (losses) from financial assets/liabilities	1,175	(1,095)	(1,343)	140	<b>(1,123)</b>	(761)
m Gains (losses) from shareholdings value at equity	6	69	51	(7)	<b>119</b>	(78)
<b>n Profit (loss) before tax (i+l+m)</b>	<b>1,434</b>	<b>(1,739)</b>	<b>(2,300)</b>	<b>971</b>	<b>(1,634)</b>	<b>(682)</b>
o Taxes	(229)	(700)	(407)	(1,612)	<b>(2,948)</b>	(516)
<b>p Result from operating activities (n+o)</b>	<b>1,205</b>	<b>(2,439)</b>	<b>(2,707)</b>	<b>(641)</b>	<b>(4,582)</b>	<b>(1,198)</b>
q Profit (loss) from assets held for sale	(141)	(46)	0	0	<b>(187)</b>	486
<b>r Group net profit (loss) (p+q)</b>	<b>1,064</b>	<b>(2,485)</b>	<b>(2,707)</b>	<b>(641)</b>	<b>(4,769)</b>	<b>(712)</b>

**Consolidated income statement by quarter – excluding non-recurring items**

(EUR /000)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	TOT 2015	Q1 2016
a Revenues	30,309	29,556	26,759	28,728	<b>115,352</b>	29,003
b Consumption of materials and products	9,810	9,995	9,026	10,475	<b>39,306</b>	9,539
<b>c Added value (a-b)</b>	<b>20,499</b>	<b>19,561</b>	<b>17,733</b>	<b>18,253</b>	<b>76,046</b>	<b>19,464</b>
d Other operating costs	6,395	6,673	6,846	5,887	<b>25,801</b>	5,563
e Personnel costs	12,753	12,485	10,740	10,335	<b>46,313</b>	11,224
f Increases for internal work	503	480	376	390	<b>1,749</b>	408
<b>g EBITDA (c-d-e+f)</b>	<b>1,854</b>	<b>883</b>	<b>523</b>	<b>2,421</b>	<b>5,681</b>	<b>3,085</b>
h Depreciation, amortisation and impairments	1,601	1,596	1,531	1,583	<b>6,311</b>	1,557
<b>i EBIT (g-h)</b>	<b>253</b>	<b>(713)</b>	<b>(1,008)</b>	<b>838</b>	<b>(630)</b>	<b>1,528</b>
l Gains (losses) from financial assets/liabilities	1,175	(1,095)	(1,343)	140	<b>(1,123)</b>	(761)
m Gains (losses) from shareholdings value at equity	6	69	51	(7)	<b>119</b>	(78)
<b>n Profit (loss) before tax (i+l+m)</b>	<b>1,434</b>	<b>(1,739)</b>	<b>(2,300)</b>	<b>971</b>	<b>(1,634)</b>	<b>689</b>
o Taxes	(229)	(700)	(407)	(1,612)	<b>(2,948)</b>	(516)
<b>p Result from operating activities (n+o)</b>	<b>1,205</b>	<b>(2,439)</b>	<b>(2,707)</b>	<b>(641)</b>	<b>(4,582)</b>	<b>173</b>
q Profit (loss) from assets held for sale	(141)	(46)	0	0	<b>(187)</b>	486
<b>r Group net profit (loss) (p+q)</b>	<b>1,064</b>	<b>(2,485)</b>	<b>(2,707)</b>	<b>(641)</b>	<b>(4,769)</b>	<b>659</b>



## **ANNEXES**



## a) Exchange rates used to convert the financial statements of foreign companies

## End-of-period exchange rates

Currency	31 March 2016	31 Dec 2015	31 March 2015
Swiss franc	1.0931	1.0835	1.0463
Pound sterling	0.7916	0.7340	0.7273
US dollar	1.1385	1.0887	1.0759
Brazilian real	4.1174	4.3117	3.4958
Chinese renminbi	7.3514	7.0608	6.6710
Indian rupee	75.4298	72.0215	67.2738
South African rand	16.7866	16.9530	13.1324
Turkish lira	3.2118	3.1765	2.8131

## Average exchange rates in the period

Currency	1Q 2016	2015	1Q 2015
Swiss franc	1.0960	1.0676	1.0722
Pound sterling	0.7701	0.7260	0.7436
US dollar	1.1018	1.1096	1.1270
Brazilian real	4.3056	3.6916	3.2204
Chinese renminbi	7.2090	6.9730	7.0284
Indian rupee	74.4075	71.1752	70.1295
South African rand	17.4601	14.1528	13.2296
Turkish lira	3.2474	3.0219	2.7729

**b) List of companies included in the scope of consolidation**

Name	Registered office	Country	Currency	Share capital	Investing company	% direct ownership
Gefran UK Ltd	Uxbridge	UK	GBP	4,096,000	Gefran S.p.A.	100.00
Gefran Deutschland Gmbh	Seligenstadt	Germany	EUR	365,000	Gefran S.p.A.	100.00
Siei Areg GmbH	Pleidelsheim	Germany	EUR	150,000	Gefran S.p.A.	100.00
Gefran France S.A.	Lyon	France	EUR	800,000	Gefran S.p.A.	99.99
Gefran Benelux Nv	Geel	Belgium	EUR	344,000	Gefran S.p.A.	100.00
Gefran Inc.	Winchester	US	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Elettroel. Ltda	Sao Paolo	Brazil	REAL	450,000	Gefran S.p.A. Gefran UK	99.90 0.10
Gefran India Private Ltd.	Pune	India	INR	100,000,000	Gefran S.p.A. Gefran UK	95.00 5.00
Gefran Siei Asia Pte Ltd	Singapore	Singapore	EUR	3,359,369	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Pte Ltd	Shanghai	China (People's Rep.)	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric Pte Ltd	Shanghai	China (People's Rep.)	RMB	1,005,625	Gefran Siei Asia	100.00
Gefran South Africa (Pty) Ltd	Milnerton City	Rep. South Africa	ZAR	2,000,100	Gefran S.p.A.	100.00
Sensormate AG	Aadorf	Switzerland	CHF	100,000	Gefran S.p.A.	100.00
Gefran Middle East Ltd. Sti	Istanbul	Turkey	TRL	100,000	Gefran S.p.A.	100.00
Gefran Soluzioni S.r.l.	Provaglio d'Iseo	Italy	EUR	100,000	Gefran S.p.A.	100.00

**c) List of companies consolidated at equity**

Name	Registered office	Country	Currency	Share capital	Investing company	% of direct ownership
Ensun S.r.l.	Brescia	Italy	EUR	30,000	Gefran S.p.A.	50
Bs Energia 2 S.r.l.	Rodengo Saiano	Italy	EUR	10,000	Ensun S.r.l.	30
Elettropiemme S.r.l.	Trento	Italy	EUR	70,000	Ensun S.r.l.	50
Axel S.r.l.	Dandolo	Italy	EUR	26,008	Gefran S.p.A.	30

**d) List of other investing companies**

Name	Registered office	Country	Currency	Share capital	Investing company	% of direct ownership
Colombera S.p.A.	Iseo	Italy	EUR	8,098,958	Gefran S.p.A.	16.56
Woojin Machinery Co Ltd	Seoul	South Korea	WON	3,200,000,000	Gefran S.p.A.	2.00
UBI Banca S.c.p.A.	Bergamo	Italy	EUR	2,254,368,000	Gefran S.p.A.	n/s



### 23. DECLARATION OF THE DIRECTOR RESPONSIBLE FOR PREPARING THE COMPANY'S ACCOUNTING STATEMENTS

Declaration pursuant to article 154-bis, paragraph 2 of Legislative Decree 58 of 24 February 1998  
(Consolidated Finance Act "TUF")

The undersigned, **Fausta Coffano**, the manager responsible for drawing up the accounting statements of the company Gefran S.p.A., hereby declares, pursuant to paragraph 2, article 154-bis of the TUF, that the information contained in these interim financial statements to 31 March 2016 accurately represents the figures contained in the Group's accounting records.

Provaglio d'Iseo, 12 May 2016

The manager responsible for drawing up  
the Company's accounting statements

***Fausta Coffano***