GEFRAN GROUP

ANNUAL

FINANCIAL REPORT

AT 31 DECEMBER 2015

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NOTICE OF ORDINARY SHAREHOLDERS' MEETING

GEFRAN S.p.A.
Share capital: EUR 14,400,000 fully paid-up
Registered office: Via Statale Sebina 74, Provaglio d'Iseo (BS)
Tax code and Brescia Companies Register no. 03032420170

NOTICE OF ORDINARY SHAREHOLDERS' MEETING

The Ordinary Shareholders' Meeting will be held at the registered office of Gefran S.p.A., at Via Statale Sebina 74, Provaglio d'Iseo (BS), at 5 p.m. on 21 April 2016 (first call), and if necessary, at the same time and place on 22 April 2016 (second call), to discuss and vote on the following

AGENDA

1. Annual financial statements for the year ending 31 December 2015.
1.1. Approval of the annual financial statements for the year ending 31 December 2015; reports of the Board of Directors, Board of Statutory Auditors and External Auditors.
1.2. Coverage of the loss for the year.

2. Appointment of the Independent auditors
2.1 With reference to the audit of the accounts for the financial years 2016 to 2024 in accordance with article 13, paragraph 1 of Legislative Decree no. 39 of 27 January 2010.
2.2 Remuneration approval.

3. General Group Remuneration Policy. Consultation on the first section of the Report on Remuneration, pursuant to paragraph 6, article 123-ter of Legislative Decree 58/1998

4. Revoking of the previous authorisation to buy and sell own shares and release of new authorisation.

For the Board of Directors
The Chairman **Ennio Franceschetti**

ANNUAL FINANCIAL REPORT AT 31 DECEMBER 2015

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

BDO Italia S.p.A.

On 26 April 2007, the ordinary shareholders' meeting of Gefran S.p.A. engaged auditing firm BDO 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 2015, in accordance with Legislative Decree 39/2010.

With effect from 24 July 2015, BDO S.p.A. has sold its auditing business branch in favour of BDO Italia S.p.A., the assignment of auditing conferred by Gefran S.p.A. will continue with BDO Italia S.p.A.

(*) independent directors pursuant to the Consolidated Law on Finance (TUF) and the Code of Conduct


UK
BELGIUM
GERMANY
SWITZERLAND
FRANCE
ITALY
GEFRAN
TURKEY
IN

The **Board of Directors** in office comprises nine members, in accordance with the resolution of the Ordinary Shareholders' Meeting of 29 April 2014, which also appointed the members of the Company's management body, described at the beginning of this section. The entire Board will remain in office until the approval of the 2016 financial statements.

Pursuant to article 19 of the Articles of Association, the Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company, without limitation and therefore with the power to carry out all acts considered necessary to implement and achieve the corporate purpose, excluding only those strictly reserved by law to the Shareholders' Meeting. In particular, the Board is exclusively responsible for, among other things, examining and approving strategic, business and financial plans, and the Group's structure; the Board also oversees operating performance, and pays particular attention to possible conflicts of interest.

The Chairman of the Board of Directors is the legal representative of the Company, pursuant to article 21 of the Articles of Association. In its meeting of 29 April 2014, the Board of Directors granted Chairman Ennio Franceschetti powers of ordinary and extraordinary management of the Company, excluding those reserved to the Board of Directors, that is those assigned elsewhere by law or by the Articles of Association, with the recommendation that the entire Board should be involved from the outset in decisions of particular importance, and also that sufficient information should be provided on any other operations undertaken. The Board also conferred powers of legal representation and broad powers on Chief Executive Officer Maria Chiara Franceschetti.

The Board of Directors met seven times in 2015.

Control and Risks Committee

The Committee is tasked with supporting, by conducting the appropriate preliminary work, the assessments and decisions of the Board of Directors in relation to the internal control and risk management system, as well as those relating to the approval of interim and annual financial reports. In its meeting of 29 April 2014, the Board of Directors appointed the members of the committee, as set out above.

The Committee met five times in 2015.

Remuneration Committee

The Committee submits proposals or expresses opinions to the Board of Directors on the remuneration of executive directors, other directors with special duties and managers with strategic responsibilities, and sets performance objectives associated with the variable component of their remuneration; it also monitors the application of the decisions adopted by the Board, checking in particular that the performance objectives are actually achieved. In its meeting of 29 April 2014, the Board of Directors appointed the new members of the committee, as set out on page 10.

Board of Statutory Auditors

Pursuant to article 28 of the Articles of Association, the Board of Statutory Auditors comprises three standing auditors and two deputy auditors, who shall remain in office for three years and may be re-elected. The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 29 April 2015 for three years, until the approval of the 2017 annual financial statements.

The Board of Statutory Auditors is tasked with monitoring compliance with the law and the memorandum of association, proper management of the Company and the appropriateness of the internal control system. It also attends Board of Directors' meetings and Shareholders' Meetings.

The Board of Statutory Auditors met ten times in 2015.

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 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
    - Shareholdings valued at equity
    - Equity investments in other companies
    - Receivables and other non-current assets
    - Deferred tax assets
- **Working 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 (financial position)**: 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. GEFRAN GROUP ACTIVITIES

The Gefran Group operates in three main business areas: industrial sensors, automation components and drives for the electronic control of electric motors.

The Group offers a complete range of products and tailored turnkey solutions in numerous automation sectors. 71% of its revenues are generated abroad.

Sensors

The Sensors business offers a complete range of products for measuring four physical parameters of position, pressure, force and temperature - which are used in many industrial sectors.

Gefran stands out for its technological leadership. It produces primary components internally and boasts a comprehensive product range that is unique worldwide. In certain product families, Gefran is world leader. The sensors business generates two thirds of its revenues abroad.

Automation components

The electronic automation components business is divided along three product lines: instrumentation, power controllers and automation platforms (operator interfaces, PLCs and I/O modules. These components are widely used in the control of industrial processes. As well as supplying products, Gefran offers its customers the possibility of designing and supplying tailored turnkey automation solutions through a close strategic partnership during the design and production stages.

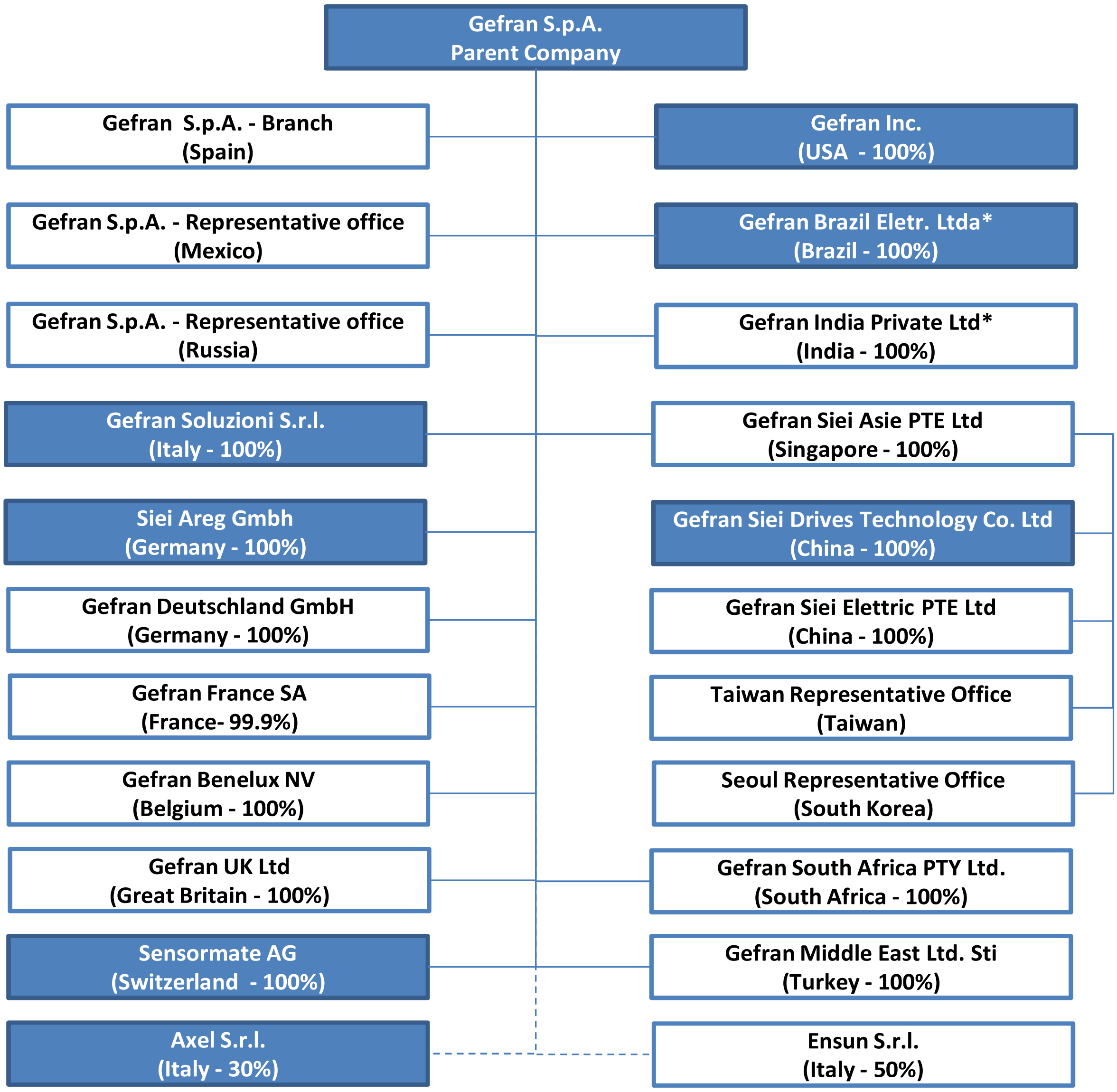
Gefran sets itself apart with its expertise in hardware and software acquired in over thirty years of experience. Gefran is one of the main Italian manufacturers in these product lines, and generates around half of its sales through exports.

Drives

The drives business develops products and solutions to regulate speed and control AC, DC and brushless electric motors. Products (inverters, armature converters and servodrives) guarantee maximum performance in terms of system precision and dynamics. These products are used in a variety of applications, including lift control, cranes, metal rolling lines, and in paper, plastics, glass and metal processing.

Through the integration of advanced capabilities and flexible hardware and software configurations, Gefran provides advantageous solutions for customers and target markets, optimising both technology and costs. The drives business generates 79% of its revenues abroad.

4. STRUCTURE OF THE GEFRAN GROUP



Production units

Commercial branches

(*) Gefran India and Gefran Brasil indirectly through Gefran UK

5. BREAKDOWN OF THE MAIN ACTIVITIES AMONG GROUP COMPANIES

Company	Production of sensors	Production of automation components	Production of drives	Central services	Sales
Gefran S.p.A.	×	×	×	×	×
Gefran Soluzioni S.r.l.		×			×
Gefran Inc	×				×
Gefran France SA					×
Gefran Deutschland GmbH					×
Gefran Brasil Eletr. Ltda		×			×
Gefran UK Ltd					×
Gefran Benelux NV					×
Gefran Siei Asia PTE Ltd				×	×
Gefran Siei Drives Technology Co Ltd	×		×		×
Gefran Siei Electric PTE Ltd					×
Gefran India Private Ltd			×		×
Siei Areg GmbH			×		×
Gefran South Africa PTY Ltd					×
Gefran Middle East Ltd Sti					×
Sensormate AG	×				×
Ensun S.r.l.					×
Axel S.r.l.		×			×

A brief description of Gefran S.p.A. and Gefran Group subsidiaries included in the scope of consolidation, with their main characteristics as of 31 December 2015, is provided below.

The Parent Company **Gefran S.p.A.** with registered office in Provaglio d'Iseo (BS). It contains three industrial divisions: sensors, automation components and drives, the sales division for the whole Group and central support functions, such as purchasing, logistics, administration, finance, control, legal, public relations, IT systems and human resources.

Gefran S.p.A. has representative offices and branches in Spain, Mexico and Russia, based in Barcelona, Mexico City and Moscow respectively.

Gefran Soluzioni S.r.l., with registered office in Provaglio d'Iseo (BS), is a 100% direct subsidiary of the Parent Company; it was established in April 2015 by the spin-off of the company branch of Gefran S.p.A., and is involved in the design and production of systems and panels for industrial automation.

Gefran Inc., with registered office in Charlotte (NC), USA, is a 100% direct subsidiary of the Parent Company; it operates a manufacturing site in Winchester (MA), where the melt sensors are manufactured. Gefran Inc. is the second largest producer of melt sensors in the US. It directly sells its own products and the entire range of Gefran Group products in North America.

Gefran France S.A., based in Lyon, France, is a 99.9%-owned direct subsidiary of the Parent Company. Gefran France sells the entire range of Gefran Group products in France.

Gefran Brasil Eletroelectronica Ltda, based on Sao Paulo, Brazil, is a 99.9%-owned direct subsidiary of the Parent Company, with the remaining 0.1% controlled indirectly through Gefran UK; Gefran Brasil sells the Gefran product range in Brazil, and produces regulators and solid state relays for the local market.

Gefran Deutschland GmbH, based in Seligenstadt, Germany, is a 100%-owned subsidiary of the Parent Company. Gefran Deutschland is dedicated to selling automation sensors and components in Germany, Europe's largest market for equipment manufacturers.

Gefran Benelux NV, based in Geel, Belgium, is a 100%-owned direct subsidiary of the Parent Company. In addition to the entire Gefran product range, it also sells dedicated systems for the oil installations sector.

Sensormate AG, based in Aadorf, Switzerland, is a 100%-owned direct subsidiary of the Parent Company; it took on its current form in 2014, after incorporating Gefran Suisse S.A. It produces strategically important load cells and sensors, which complete the Group's offer in the business. It sells the entire Gefran product range in Switzerland.

Gefran UK Ltd., based in Uxbridge, UK, is a 100%-owned direct subsidiary of the Parent Company. Gefran UK focuses on the sale of sensors and components for automation in the United Kingdom.

Siei Areg GmbH, based in Pleidelsheim, Germany, is 100% owned by the Parent Company. The company produces and sells small-scale electric motors with integrated drives. It also sells Drives business products in Germany and Northern European countries.

Gefran Siei Asia Pte Ltd, based in Singapore, is 100% owned by the Parent Company and deals with the distribution of Gefran products in Southeast Asia.

Gefran Siei Drives Technology Co Ltd, based in Shanghai (China), is 100% owned by Gefran Siei Asia, and indirectly by Gefran S.p.A. It has assembled low-powered drives since 2004 for the lift market, and since 2009, it has produced a line of sensors, mainly for the local market.

Gefran Siei Electric Pte Ltd, based in Shanghai (China), is 100% owned by Gefran Siei Asia, and indirectly by Gefran S.p.A. The company has been in liquidation since the beginning of 2009.

Gefran India Private Ltd, based in Pune (India), is 95% owned directly by the Parent Company, with the remaining 5% controlled indirectly through Gefran UK. The company distributes Gefran products in India and in the Gulf. It has carried out the assembly of drive business products for the Indian market since 2016.

Gefran South Africa Pty Ltd, based in Cape Town (South Africa), it is 100%-owned subsidiary of the Parent Company. Gefran South Africa no longer operates, and procedures have begun to put it into liquidation.

Gefran Middle East elektrik ve elektronik san. Ve Tic. Ltd. Şti, based in Istanbul (Turkey) and 100% owned by the Parent Company, was established in October 2013 to sell the full range of Gefran products in Turkey.

The main associates as of 31 December 2015 are as follows:

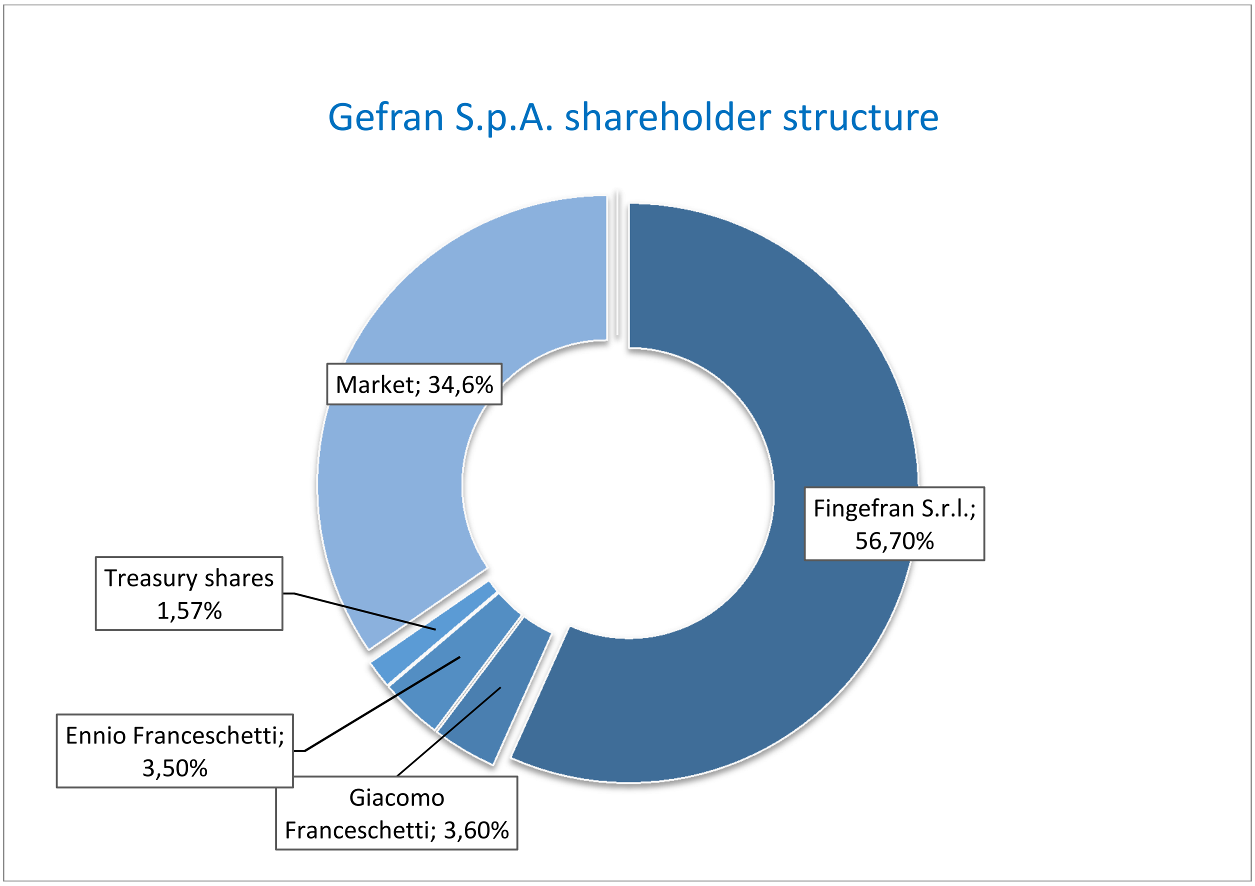
Ensun S.r.l., based in Brescia, is 50% owned by Gefran S.p.A. The company operates in the renewable energy sector, particularly in the photovoltaic systems business.

Axel S.r.l., based in Dandolo (VA), produces and sells application software for industrial automation, of which Gefran acquired a 30% stake in 2013.

6. SHAREHOLDERS AND STOCK PERFORMANCE

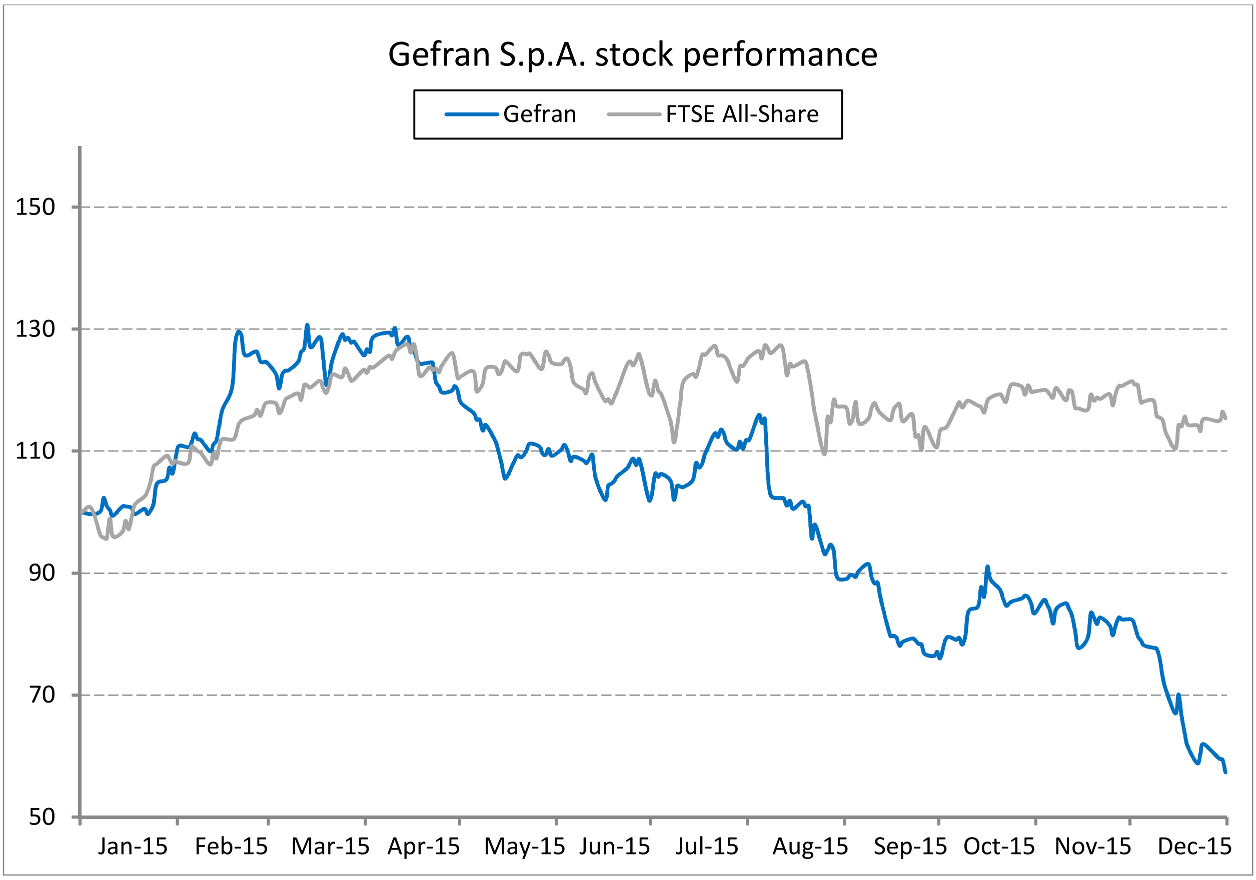
On 31 December 2015, the subscribed and paid-up share capital was EUR 14,400,000.00, divided into 14,400,000 ordinary shares, with a nominal value of EUR 1.00 per share. No further financial instruments have been issued.

STRUCTURE OF SHARE CAPITAL				
Type of shares	No. of shares	% of share capital	Listed	Rights and obligations
Ordinary shares	14,400,000	100	STAR	ordinary



Gefran S.p.A. has been listed on the Italian Stock Exchange since 9 June 1998, and since 2001, it has been part of the FTSE Italia STAR segment, dedicated to companies with small and medium-sized capitalisations that meet specific requirements relating to transparency, liquidity and corporate governance.

The Gefran stock registered a negative performance compared with 2014, with a year-on-year reduction in its value of 42.69% to EUR 1.73 per share (+9.06% in 2014).



Minimum value (30 December): EUR 1.73 – High (12 March): EUR 3.93 – Average: EUR 3.05

7. SUMMARY OF GROUP PERFORMANCE

The year ended with revenues of EUR 115,352 thousand, a reduction of 11.0% from the previous year.

The result was lower than expected, and mainly due to the downturn in the Asia region (which fell 38.6% compared to the previous year) where there was, starting from the second quarter, a marked reduction in lift market revenues (inverters for lifts - Drives business), in addition to the difficulties encountered on the South American market.

The effects of that crisis were reflected in the accounts of both the Drives business and the whole group to the point of making it necessary to devise a serious organisational and corporate restructuring plan. Immediate action was taken in the branches in Shanghai (China), Singapore and Sao Paolo (Brazil), before a future relaunch on the Asian and South American markets which are still strategic for Gefran.

On the other hand, there were positive performances in the North American associated company, and improvements in revenues in Europe were also good, driven by growth in Germany.

The Italian market was substantially stable.

From the viewpoint of the business lines in addition to the above-mentioned reduction in the Drives (-30.0%) in Asia, the main sales market, there was an increase in revenues from sensors (+6.5%) and substantial stability in the automation component revenues (-1.2%).

Despite the above-mentioned performance in sales, the growth in sensors allowed higher added value to be created, which increased by over four points over 2014, reaching a percentage of 65.9% of revenues, which however was not enough to offset the general reduction in volumes: the EBITDA margin at year end stood at 4.9% while EBIT was a negative EUR 630 thousand.

Starting from December, negotiations continued with an Indian company for the sale of the photovoltaic division: the agreement is expected to be concluded by the end of next March.

At its meeting of 12 November 2015, the Board of Directors decided to close the representative offices in both Russia and Mexico, and to shut down operations in South Africa. The managerial reorganisation of the subsidiaries of Shanghai (China) and Singapore began.

The Group invested EUR 4,733 thousand (EUR 5,462 thousand in 2014) in tangible and intangible assets: major investments were made in the sensors business for the development of new lines of product dedicated to applications in the mobile hydraulic sector, which will be launched in 2016.

Finally, at the end of the year, the new approach to the market for programmable automation lines was defined (business automation): it will be the subsidiary Gefran Soluzioni S.r.l. who will act as the conduit to the market for these products and solutions.

Actions continued to be taken to reduce net financial borrowing, which amounted to EUR 24,878 thousand, an improvement on December 2014 when it was EUR 27,605 thousand.

Finally, net working capital was EUR 40,166 thousand at 31 December 2015, down EUR 5,228 thousand compared to the value recorded in December 2014.

8. KEY CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION FIGURES

After the framework agreement was signed for sale of the photovoltaic division, which involved research and development only, the inventories that specifically applied to the business were reclassified under operating assets, and amounted to EUR 1,713 thousand at 31 December 2015 (EUR 1,900 thousand at 31 December 2014).

In addition, the decision by management to sell the company branch relating to the distribution of automation sensors and components in Spain/Portugal involved classifying the related goodwill of EUR 140 thousand separately under "Assets held for sale".

Both reclassifications, made in accordance with the standard IFRS 5 "non-current assets held for sale and discontinued operations", were applied retrospectively, also to the figures for 2014, 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 December 2015		31 December 2014		4Q 2015		4Q 2014	
Revenues	115,352	100.0%	129,627	100.0%	28,728	100.0%	36,086	100.0%
EBITDA	5,681	4.9%	12,936	10.0%	2,421	8.4%	3,790	10.5%
EBIT	(630)	-0.5%	6,581	5.1%	838	2.9%	2,357	6.5%
Profit (loss) before tax	(1,634)	-1.4%	5,931	4.6%	971	3.4%	1,889	5.2%
Result from operating activities	(4,582)	-4.0%	2,752	2.1%	(641)	-2.2%	556	1.5%
Profit (loss) from assets held for sale	(187)	-0.2%	(2,976)	-2.3%	0	0.0%	(785)	-2.2%
Group net profit (loss)	(4,769)	-4.1%	(224)	-0.2%	(641)	-2.2%	(229)	-0.6%

Group income statement highlights, excluding non-recurring components

(EUR/000)	31 December 2015		31 December 2014		4Q 2015		4Q 2014	
Revenues	115,352	100.0%	128,922	100.0%	28,728	100.0%	35,711	100.0%
EBITDA	5,681	4.9%	11,871	9.2%	2,421	8.4%	3,538	9.9%
EBIT	(630)	-0.5%	5,516	4.3%	838	2.9%	2,105	5.9%
Profit (loss) before tax	(1,634)	-1.4%	4,866	3.8%	971	3.4%	1,637	4.6%
Result from operating activities	(4,582)	-4.0%	1,687	1.3%	(641)	-2.2%	304	0.9%
Profit (loss) from assets held for sale	(187)	-0.2%	(2,676)	-2.1%	0	0.0%	(785)	-2.2%
Group net profit (loss)	(4,769)	-4.1%	(989)	-0.8%	(641)	-2.2%	(481)	-1.3%

Group statement of financial position highlights

(EUR/000)	31 December 2015	31 December 2014
Net invested capital	86,508	92,231
Net working capital	40,166	45,394
Shareholders' equity	62,984	65,980
Net debt	(24,878)	(27,605)
Operating cash flow	7,285	(826)
Investments	4,733	5,462

9. GROUP BUSINESS PERFORMANCE IN THE FOURTH QUARTER OF 2015

	(EUR/000)	4Q 2015 Excl. non-rec.	4Q 2015 Incl. non-rec.	4Q 2015 Final	4Q 2014 Excl. non-rec.	4Q 2014 Incl. non-rec.	4Q 2014 Final	Chg. 2015-2014 Excl. non-rec. Value	Chg. 2015-2014 %
a	Revenues	28,728		28,728	35,711	(375)	36,086	(6,983)	-19.6%
b	Consumption of materials and products	10,475		10,475	14,444		14,444	(3,969)	-27.5%
c	Added value (a-b)	18,253	0	18,253	21,267	(375)	21,642	(3,014)	-14.2%
d	Other operating costs	5,887		5,887	6,582		6,582	(695)	-10.6%
e	Personnel costs	10,335		10,335	11,743	(123)	11,866	(1,408)	-12.0%
f	Increases for internal work	390		390	596		596	(206)	-34.6%
g	EBITDA (c-d-e+f)	2,421	0	2,421	3,538	(252)	3,790	(1,117)	-31.6%
h	Depreciation, amortisation and impairment	1,583		1,583	1,433		1,433	150	10.5%
i	EBIT (g-h)	838	0	838	2,105	(252)	2,357	(1,267)	-60.2%
l	Gains (losses) from financial assets/liabilities	140		140	(458)		(458)	598	-130.6%
m	Gains (losses) from shareholdings valued at equity	(7)		(7)	(10)		(10)	3	-30.0%
n	Profit (loss) before tax (i+-l+-m)	971	0	971	1,637	(252)	1,889	(666)	-40.7%
o	Taxes	(1,612)		(1,612)	(1,333)		(1,333)	(279)	20.9%
p	Result from operating activities (n+-o)	(641)	0	(641)	304	(252)	556	(945)	-310.9%
q	Profit (loss) from assets held for sale	0		0	(785)		(785)	785	-100.0%
r	Group net profit (loss) (p+-q)	(641)	0	(641)	(481)	(252)	(229)	(160)	33.3%

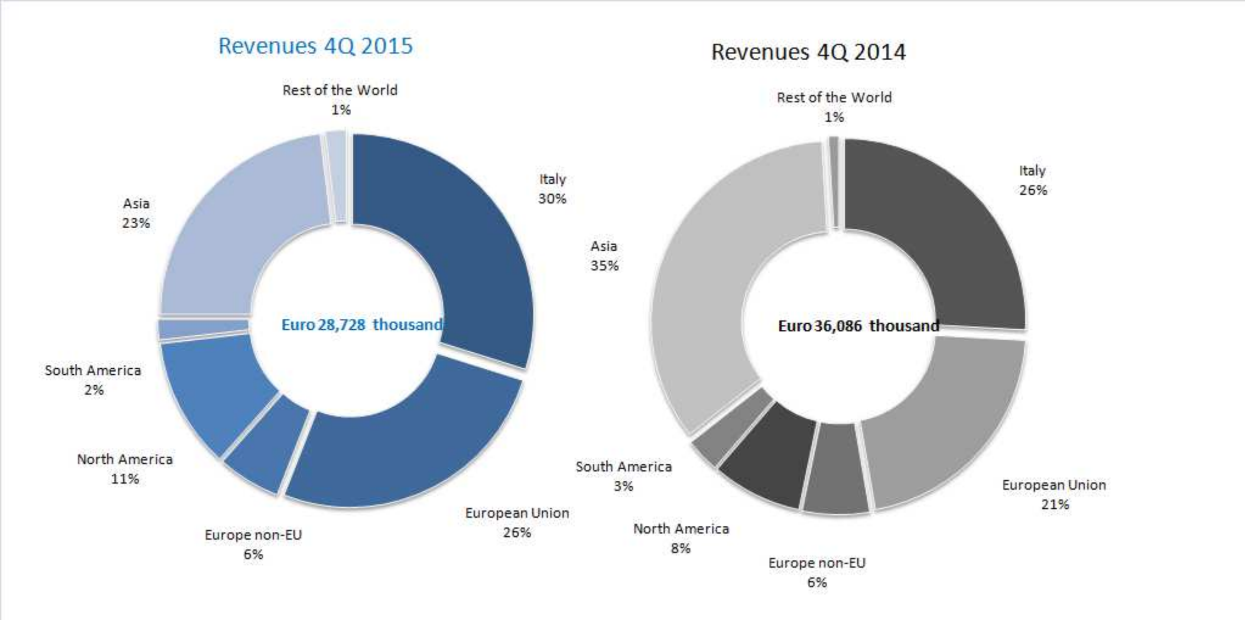
Revenues totalled EUR 28,728 thousand in the fourth quarter of 2015, down by EUR 7,358 thousand versus the same period of 2014 (-20.4%), mainly owing to the reduction registered on the Asian market and other reference markets; this was only partly offset by growth in North America, where revenue performance was up by 14.6% over the fourth quarter of the previous year, also in view of the favourable exchange rates. Revenues for the fourth quarter of 2014 included government funds recorded by the Chinese subsidiaries, equal to EUR 375 thousand, relating to incentives for research and development granted to technology companies.

New orders in the fourth quarter totalled EUR 26,502 thousand, compared with EUR 30,092 thousand in the fourth quarter of 2014. The fall in orders, of EUR 3,590 thousand was entirely due to the trends on the Chinese drives market described above.

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

(EUR/000)	4Q 2015	%	4Q 2014	%	Chg. '15-'14 value	%
Italy	8,572	29.8%	9,340	25.9%	(768)	-8.2%
European Union	7,499	26.1%	7,724	21.4%	(225)	-2.9%
Europe non-EU	1,615	5.6%	2,159	6.0%	(544)	-25.2%
North America	3,338	11.6%	2,914	8.1%	424	14.6%
South America	524	1.8%	1,112	3.1%	(588)	-52.9%
Asia	6,639	23.1%	12,501	34.6%	(5,862)	-46.9%
Rest of the World	541	1.9%	336	0.9%	205	61.0%
Total	**28,728**	**100%**	**36,086**	**100%**	**(7,358)**	**%**

The breakdown by **geographical region** shows that there was significant growth in North America (+14.6% compared to the same period in 2014) and the rest of the world (+61.0%) while the other reference markets were down.



In Italy, the Group closed the quarter with a decline of EUR 768 thousand compared with the fourth quarter of 2014 (-8.2%).

The table below summarises the results by business area in the fourth quarter of 2015 and shows a comparison with the same period of the previous year:

	4Q 2015					4Q 2014				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
(EUR/000)										
Sensors	11,428	3,213	28.1%	2,671	23.4%	11,405	2,188	19.2%	1,704	14.9%
Automation components	7,625	334	4.4%	(157)	-2.1%	8,556	310	3.6%	(194)	-2.3%
Drives	10,256	(1,126)	-11.0%	(1,676)	-16.3%	16,916	1,292	7.6%	847	5.0%
Eliminations	(581)					(791)				
Total	28,728	2,421	8.4%	838	2.9%	36,086	3,790	10.5%	2,357	6.5%

The breakdown of **revenues by business area** shows that the sensor business is substantially stable, but there was a fall in sales in the components business for automation and Drives, of 10.9% and 39.4% respectively compared to the fourth quarter of 2014.

Added value was EUR 18,253 thousand (63.5% of revenues) in the fourth quarter, a decrease compared with the fourth quarter of 2014 in absolute terms (EUR 3,389 thousand), but an improvement as a percentage of revenues (3.5%). The reduction in revenues generated a reduction of the added value of EUR 4,675 thousand, while the improvement in margins produced a margin of EUR 1,286 thousand.

Added value in the fourth quarter of 2014 included the non-recurring income from government incentives granted to the Chinese subsidiary; if this amount is not considered, added value was EUR 21,267 thousand (59.6% of revenues).

Other operating costs came in at EUR 5,887 thousand in the fourth quarter of 2015 (EUR 6,582 thousand in the same period of 2014), a decrease of EUR 695 thousand, thanks to the operational efficiency measures implemented in the second part of the year. As a percentage of revenues, these costs therefore increased from 18.2% in the fourth quarter of 2014 to the current 20.5% due to the reduction in revenues.

Personnel costs for the fourth quarter of 2015 amounted to EUR 10,335 thousand, and compares with EUR 11,866 thousand for the same period of 2014; the reduction of EUR 1,531 thousand mainly reflects the benefits of the significant reorganisation of the Group subsidiaries, reducing the number of employees by 39 resources by the end of December 2015, especially in the foreign subsidiaries.

Personnel costs in the fourth quarter of 2014 included non-recurring restructuring costs of EUR 123 thousand, resulting from specific measures put in place in the Group's German, French and UK subsidiaries; without these charges, personnel costs for the quarter were EUR 11,743 thousand.

EBITDA for the fourth quarter amounted to EUR 2,421 thousand (EUR 3,790 thousand in the fourth quarter of 2014), amounting to 8.4% of revenues (10.5% in 2014), down by EUR 1,369 thousand compared to the fourth quarter of 2014, mainly due to the reduction in revenues.

Excluding the non-recurring components, EBITDA for the fourth quarter of 2014 was EUR 3,538 thousand (equivalent to 9.9% of revenues).

EBIT was positive in the fourth quarter of 2015, and amounted to EUR 838 thousand, compared with an EBIT of EUR 2,357 thousand for the same period of 2014.

EBIT for the fourth quarter of 2014, excluding the aforementioned positive non-recurring components of EUR 252 thousand, amounted to EUR 2,105 thousand.

Net financial charges were EUR 140 thousand in the fourth quarter of 2015, compared to net financial charges of EUR 458 thousand in the fourth quarter of 2014. They include financial charges relating to Group debt of EUR 286 thousand, financial income of EUR 30 thousand and the positive balance of EUR 396 thousand resulting from differences in currency transactions (this was a negative amount of EUR 110 thousand in the fourth quarter of 2014).

Losses **from shareholdings valued at equity** were EUR 7 thousand (EUR 10 thousand in the fourth quarter of 2014), and mainly relate to the negative pro-rata result of the Ensun S.r.l. Group.

Taxes were negative and amounted to EUR 1,612 thousand in the fourth quarter of 2015, compared with EUR 1,333 thousand in the same period of the previous year. They comprise negative current taxes of EUR 666 thousand (EUR 585 thousand in the fourth quarter of 2014), mainly attributable to local taxes of foreign subsidiaries, and negative deferred taxes amounting to EUR 946 thousand (EUR 784 thousand in the fourth quarter of 2014), with EUR 511 thousand originating from the repayment of deferred tax assets booked by the Parent Company Gefran S.p.A. in previous years, and EUR 435 thousand from the necessary adjustment to the IRES (corporate income tax) rate of 24%, of the deferred tax assets that are expected to be repaid after 31 December 2016.

The **result from operating activities** in the fourth quarter of 2015 was negative in the amount of EUR 641 thousand, compared with a positive figure of EUR 556 thousand in the fourth quarter of 2014.

Excluding all non-recurring components, the result from operating activities was positive in the amount of EUR 304 thousand in the fourth quarter of 2014.

The **result from assets held for sale** in the fourth quarter of 2015 was EUR 0, compared with a loss of EUR 785 thousand in the fourth quarter of 2014. The item includes the net result from operations in the photovoltaic sector, after these were restated in accordance with IFRS 5, following the directors' decision to sell the business.

The **Group net loss** was EUR 641 thousand, compared with a loss of EUR 229 thousand in the same period of 2014.

Excluding the non-recurring components, the result for the fourth quarter of 2014 was a loss of EUR 481 thousand.

10. GROUP PERFORMANCE TO 31 DECEMBER 2015

The main income statement items and comments are shown below.

	(EUR/000)	2015 Excl. non-rec.	2015 Incl. non-rec.	2015 Final	2014 Excl. non-rec.	2014 Incl. non-rec.	2014 Final	Chg. 2015-2014 Excl. non-rec. Value	%
a	Revenues	115,352		115,352	128,922	(705)	129,627	(13,570)	-10.5%
b	Consumption of materials and products	39,306		39,306	49,715		49,715	(10,409)	-20.9%
c	Added value (a-b)	76,046	0	76,046	79,207	(705)	79,912	(3,161)	-4.0%
d	Other operating costs	25,801		25,801	23,199	1,383	21,816	2,602	11.2%
e	Personnel costs	46,313		46,313	46,358	(1,023)	47,381	(45)	-0.1%
f	Increases for internal work	1,749		1,749	2,221		2,221	(472)	-21.3%
g	EBITDA (c-d-e+f)	5,681	0	5,681	11,871	(1,065)	12,936	(6,190)	-52.1%
h	Depreciation, amortisation and impairment	6,311		6,311	6,355		6,355	(44)	-0.7%
i	EBIT (g-h)	(630)	0	(630)	5,516	(1,065)	6,581	(6,146)	-111.4%
l	Gains (losses) from financial assets/liabilities	(1,123)		(1,123)	(686)		(686)	(437)	63.7%
m	Gains (losses) from shareholdings valued at equity	119		119	(36)		(36)	(83)	230.6%
n	Profit (loss) before tax (i+-l+-m)	(1,634)	0	(1,634)	4,866	(1,065)	5,931	(6,500)	-133.6%
o	Taxes	(2,948)		(2,948)	(3,179)		(3,179)	231	-7.3%
p	Result from operating activities (n+-o)	(4,582)	0	(4,582)	1,687	(1,065)	2,752	(6,269)	-371.6%
q	Profit (loss) from assets held for sale	(187)		(187)	(2,676)	300	(2,976)	2,489	-93.0%
r	Group net profit (loss) (p+-q)	(4,769)	0	(4,769)	(989)	(765)	(224)	(3,780)	382.2%

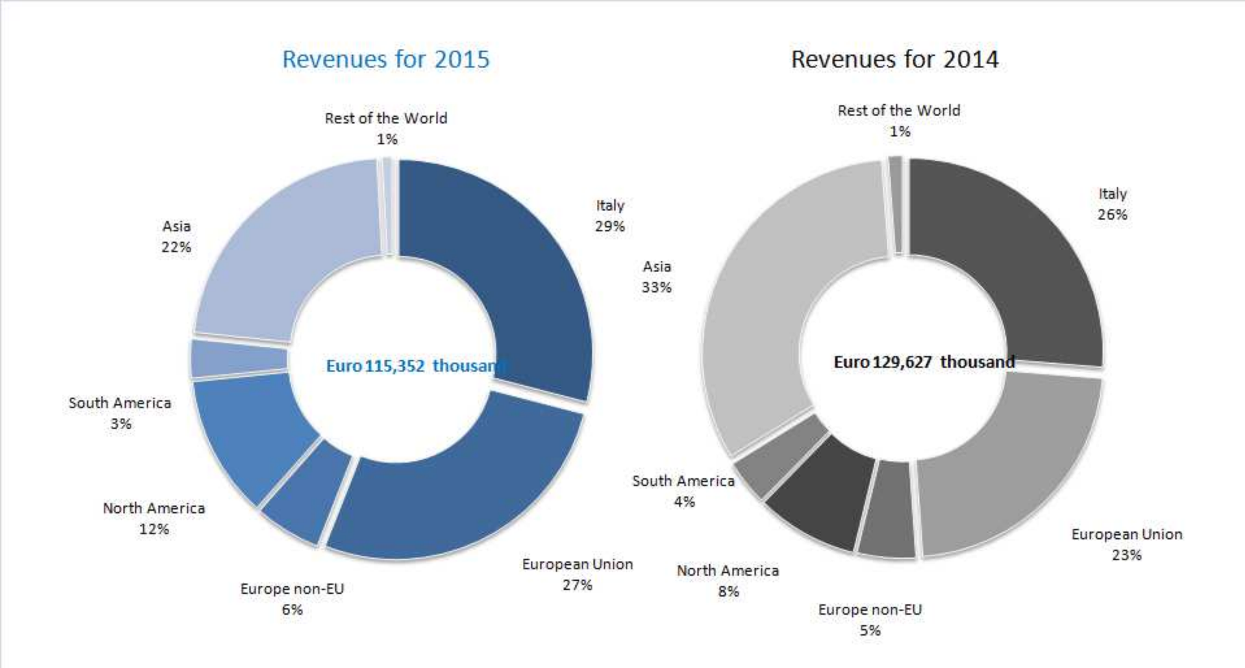
Revenues came in at EUR 115,352 thousand at 31 December 2015, compared to EUR 129,627 in 2014, showing an overall decrease of 11.0%.

Revenues in 2014 included EUR 705 thousand for non-recurring amounts resulting from government funds awarded to the Chinese subsidiary (incentives for research and development granted to technology companies). Excluding those components, revenues were EUR 128,922 thousand in 2014.

Orders over the year totalled EUR 117,055 thousand, down 8.3% from EUR 127,709 thousand in 2014, while the order portfolio at end-December 2015 totalled EUR 15,403 thousand, in line with the EUR 15,912 thousand at end-December 2014. The overall reduction in orders was entirely due to the slackness of the Chinese drive market as described above, while total orders of sensor and automation components were up compared to 2014.

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

(EUR/000)	2015	%	2014	%	Chg. '15-'14 value	%
Italy	33,475	29.0%	34,070	26.3%	(595)	-1.7%
European Union	31,100	27.0%	29,297	22.6%	1,803	6.2%
Europe non-EU	6,412	5.6%	6,389	4.9%	(23)	0.4%
North America	13,679	11.9%	11,050	8.5%	2,629	23.8%
South America	3,755	3.3%	4,963	3.8%	(1,208)	-24.3%
Asia	25,960	22.5%	42,292	32.6%	(16,332)	-38.6%
Rest of the World	971	0.8%	1,566	1.2%	(595)	-38.0%
Total	**115,352**	**100%**	**129,627**	**100%**	**(14,275)**	**-11.0%**



The breakdown of revenues by **geographical region** shows significant growth in North America (+23.8%, thanks also to favourable exchange rates), the European Union (+6.2%) and non-EU Europe (+0.4%). South America has fallen due in part to the weakness of the Brazilian real compared to the Euro which significantly penalised revenues.

In Asia, the 38.6% drop in revenues compared to 2014 was the result of a first quarter which was broadly unchanged compared to 2014, while the remaining quarters fell by an average of 46.8%.

Results by business area to 31 December 2015 and a comparison with the previous year are shown below.

	2015					2014				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
(EUR/000)										
Sensors	47,630	11,949	25.1%	9,837	20.7%	44,703	10,995	24.6%	9,015	20.2%
Automation components	30,432	388	1.3%	(1,632)	-5.4%	30,798	653	2.1%	(1,219)	-4.0%
Drives	40,134	(6,656)	-16.6%	(8,835)	-22.0%	57,342	1,288	2.2%	(1,215)	-2.1%
Eliminations	(2,844)					(3,216)				
Total	115,352	5,681	4.9%	(630)	-0.5%	129,627	12,936	10.0%	6,581	5.1%

The breakdown of **revenues by business area** shows growth in the sensors business of EUR 2,927 thousand (+6.5%), chiefly thanks to the Melt product family and synergies in the distribution of Sensormate products. Revenues generated by the automation components business, totalling EUR 30,432 thousand, were in line with 2014. The Drives business recorded revenues of EUR 40,134 thousand, down 30.0% compared to the end of 2014; this relevant change was almost entirely due to the reduction in revenues from the Chinese and Singapore associated companies.

Added value was EUR 76,046 thousand at 31 December 2015 (EUR 79,912 thousand at 31 December 2014), equivalent to 65.9% of revenues, up 4.3 points from the 2014 figure (61.6% of revenues). This improvement, which came despite the contraction in volumes that absorbed added value of EUR 9,411 thousand, was achieved thanks to savings on raw material purchases and an improvement in margins and the mix of products sold, which had a positive impact of EUR 5,545 thousand.

Excluding the non-recurring components, which had a positive impact of EUR 705 thousand at 31 December 2014, the reduction in the added value versus the same period of the previous year was EUR 3,161 thousand (4.0%).

The **other operating costs** amounted to EUR 25,801 thousand at 31 December 2015, compared with EUR 21,816 thousand at 31 December 2014. Excluding the effect of the non-recurring income from the 2014 figure (equal to EUR 1,383 thousand) resulting from the sale of the calibration laboratory, the other operating costs rose by EUR 2,602 thousand, owing to expenses incurred for advertising and trade shows, research and staff training, especially in the first half of the year.

Personnel costs were EUR 46,313 thousand at 31 December 2015 (40.1% of revenues), compared with EUR 47,381 thousand at 31 December 2014 (36.6% of revenues). The 2014 figure includes non-recurring costs of EUR 1,023 thousand for restructuring costs. Net of the non-recurring component, personnel costs were substantially similar to the previous two years.

Increases for internal work at 31 December 2015 amounted to EUR 1,749 thousand, compared with EUR 2,221 thousand at 31 December 2014. The item mainly relates to the portion of development costs incurred in the period and capitalised, in accordance with IFRS standards.

EBITDA was positive at EUR 5,681 thousand for 2015 (EUR 12,936 thousand at 31 December 2014), a decrease of EUR 7,255 thousand from 2014, with an EBITDA margin of 4.9%. Excluding the overall positive effect of the non-recurring components from the figure for 2014, EBITDA was down by EUR 6,190 thousand compared to 2014.

The fall in EBITDA was due to the reduction in volumes, along with the increase in other operating costs.

Depreciation, amortisation and impairments totalled EUR 6,311 thousand at 31 December 2015 (EUR 6,355 thousand at 31 December 2014, substantially in line with the 2014 amount).

EBIT was a negative EUR 630 thousand at 31 December 2015, compared with a positive result of EUR 6,581 thousand in 2014 (EUR 5,516 thousand net of the non-recurring components). The reasons for this performance are the same as commented on under EBITDA.

Charges from financial assets/liabilities were EUR 1,123 thousand at 31 December 2015 (EUR 686 thousand at 31 December 2014) and include:

- financial income of EUR 162 thousand (EUR 481 thousand at 31 December 2014), of which EUR 296 thousand related to sale of the stake in Sei Sistemi S.r.l.);
- financial charges, mainly relating to medium/long-term loans, of EUR 1,319 thousand (EUR 1,605 thousand in 2014), are down thanks to the reorganisation of the medium-/long-term debt and the improved spreads granted by banks for the new loans taken out starting from the fourth quarter of 2014;
- differences on currency transactions were a positive EUR 152 thousand, compared with a positive figure of EUR 438 thousand in 2014;
- the impact of the write-down of a stake held by Parent Company Gefran S.p.A. for EUR 118 thousand.

Gains from shareholdings valued at equity were EUR 119 thousand, an improvement of EUR 83 thousand compared with the 2014 figure. This increase mainly relates to the pro-rata result of the Ensun S.r.l. Group.

Current deferred **tax** assets and liabilities were negative at EUR 2,948 thousand at 31 December 2015, compared with a negative figure of EUR 3,179 thousand in 2014. The tax burden for the period comprised:

- current taxes of EUR 1,681 thousand (EUR 2,162 thousand at 31 December 2014). The tax burden for the period is mainly attributable to the local taxes of the Group’s foreign subsidiaries. As the cost of employees on permanent contracts can be fully deducted for IRAP purposes, as introduced by the 2015 Stability Law, IRAP for the year for Parent Company Gefran S.p.A. was reduced to zero.
- deferred tax assets and liabilities, for a negative amount of EUR 1,267 thousand (a negative amount of EUR 1,017 thousand at 31 December 2014); with EUR 832 thousand originating from the repayment of deferred tax assets booked mainly by the Parent Company Gefran S.p.A. in previous years, and EUR 435 thousand from the necessary adjustment to the IRES (corporate income tax) rate of 24% of the deferred tax assets that are expected to be repaid after 31 December 2016.

The **result from operating activities** at 31 December 2015, was negative in the amount of EUR 4,582 thousand, compared with a positive figure of EUR 2,752 thousand for 2014 (positive and equal to EUR 1,687 thousand excluding the non-recurring components, which at 31 December 2014, had an overall positive impact of EUR 1,065 thousand).

The **result from assets held for sale** was a negative amount of EUR 187 thousand at 31 December 2015. This included the net result of management of the photovoltaic segment, following the Board of Director’s decision to sell the business.

The **Group net loss** for 2015 was EUR 4,769 thousand, compared to a loss of EUR 224 thousand for 2014, (negative and equal to EUR 989 thousand excluding the effect of all the non-recurring components in 2014).

11. RECLASSIFIED CONSOLIDATED FINANCIAL POSITION AT 31 DECEMBER 2015

The reclassified consolidated financial position of the Gefran Group at 31 December 2015 is shown below.

(EUR/000)	31 Dec 2015	%	31 Dec 2014	%
Intangible assets	15,126	17.2	14,550	15.5
Tangible assets	39,389	44.8	40,997	43.8
Financial assets	8,202	9.3	9,213	9.8
Net fixed assets	62,717	71.4	64,760	69.2
Inventories	22,674	25.8	21,004	22.4
Trade receivables	34,023	38.7	42,232	45.1
Trade payables	(16,531)	(18.8)	(17,842)	(19.1)
Other assets/liabilities	(8,246)	(9.4)	(9,485)	(10.1)
Working capital	31,920	36.3	35,909	38.4
Provisions for risks and future liabilities	(1,856)	(2.1)	(2,067)	(2.2)
Deferred tax provisions	(868)	(1.0)	(760)	(0.8)
Employee benefits	(5,405)	(6.2)	(5,611)	(6.0)
Invested capital from operations	86,508	98.5	92,231	98.6
Invested capital from assets held for sale	1,354	1.5	1,354	1.4
Net invested capital	**87,862**	**100.0**	**93,585**	**100.0**
Shareholders' equity	62,984	71.7	65,980	70.5
Medium- to long-term financial payables	10,879	12.4	25,959	27.7
Short-term financial payables	38,352	43.7	22,061	23.6
Financial liabilities for derivatives	274	0.3	343	0.4
Financial assets for derivatives	(25)	(0.0)	(26)	(0.0)
Cash and cash equivalents and short-term financial receivables	(24,602)	(28.0)	(20,732)	(22.2)
Net debt relating to operations	24,878	28.3	27,605	29.5
Total sources of financing	**87,862**	**100.0**	**93,585**	**100.0**

Net non-current assets at 31 December 2015 were EUR 62,717 thousand, compared with EUR 64,760 thousand at 31 December 2014. The main movements were as follows:

- intangible assets registered an overall increase of EUR 576 thousand. This includes increases for new investments (EUR 788 thousand), the capitalisation of development costs (EUR 1,675 thousand), as well as decreases due to amortisation for the period (EUR 2,114 thousand) and positive exchange rate effects on goodwill and other intangible assets (EUR 227 thousand).
- Tangible assets fell by EUR 1,608 thousand compared with 31 December 2014. Depreciation totalled EUR 4,197 thousand, in addition to which there were net decreases for disposals (EUR 83 thousand), partly offset by investments over the period (EUR 2,270 thousand) and positive exchange rate differences (EUR 402 thousand).
- Financial assets totalled EUR 8,202 thousand at 31 December 2015, a decrease of EUR 1,011 thousand from the figure of EUR 9,213 thousand at 31 December 2014. This change was due to the net decrease of deferred tax assets of EUR 1,063 thousand, of which EUR 435 thousand for

the necessary adjustment to the IRES (corporate income tax) rate of 24% of the deferred tax assets that are expected to be repaid after 31 December 2016. Equity investments in other companies and Shareholdings valued at equity registered smaller increases (EUR 49 thousand).

Operating capital was EUR 31,920 thousand at 31 December 2015, compared with EUR 35,909 thousand at 31 December 2014, an overall decrease of EUR 3,989 thousand. The main changes were as follows:

- Inventories rose by EUR 1,670 thousand, from EUR 21,004 thousand at 31 December 2014 to EUR 22,674 thousand at 31 December 2015, mainly owing to the growth in the Chinese subsidiary and relating to raw material;
- Trade receivables totalled EUR 34,023 thousand, a decrease of EUR 8,209 thousand compared to 31 December 2014, mainly owing to the reduction in revenues;
- Trade payables amounted to EUR 16,531 thousand compared to EUR 17,842 thousand at 31 December 2014, with a decrease of EUR 1,311 thousand, owing to the decrease in purchases resulting from the reduction in volumes, especially in Asia;
- Other net assets and liabilities, negative at EUR 8,246 thousand at 31 December 2015, were down by EUR 1,239 thousand compared to the previous year (EUR 9,485 thousand at 31 December 2014).

Provisions for risks and future liabilities were EUR 1,856 thousand, a decrease of EUR 211 thousand from 31 December 2014. These include provisions for legal disputes in progress and other funds for miscellaneous risks. The decrease is due to the use of accruals, including non-recurring, made in the previous year, particularly by the Parent Company.

The **shareholders' equity** at 31 December 2015 was EUR 62,984 thousand, compared with EUR 65,980 thousand at 31 December 2014. The reduction was mainly due to the loss for the year of EUR 4,769 thousand, partially absorbed by the change in other capital reserves, which amounted to a positive total of EUR 1,773 thousand.

The table below shows a reconciliation between the Parent Company's shareholders' equity and operating result and those of the consolidated financial statements:

(EUR/000)	31/12/2015 Shareholders' equity	31/12/2015 Result for the year	31/12/2014 Shareholders' equity	31/12/2014 Result for the year
Parent Company shareholders' equity and operating result	46,698	(1,346)	48,128	(318)
Shareholders' equity and operating result of the consolidated companies	43,029	7,226	44,027	9,232
Elimination of the carrying value of consolidated investments	(29,143)	152	(28,287)	377
Goodwill	3,265	0	3,265	0
Elimination of the effects of transactions conducted between consolidated companies	(865)	(10,801)	(1,152)	(9,515)
Group share of shareholders' equity and operating result	62,984	(4,769)	65,980	(224)
Minorities' share of shareholders' equity and operating result	-	-	-	-
Shareholders' equity and operating result	62,984	(4,769)	65,980	(224)

Net debt at 31 December 2015 was negative and equal to EUR 24,878 thousand, EUR 2,727 thousand better than the figure at 31 December 2014.

It breaks down as follows:

(EUR/000)	**31/12/2015**	**31/12/2014**	**Changes**
Cash and cash equivalents	24,602	20,732	3,870
Current financial payables	(38,352)	(22,061)	(16,291)
Financial liabilities for derivatives	(274)	(343)	69
Financial assets for derivatives	25	26	(1)
(Debt)/short-term cash and cash equivalents	**(13,999)**	**(1,646)**	**(12,353)**
Non-current bank debt	(10,879)	(25,959)	15,080
(Debt)/medium-/long-term cash and cash equivalents	**(10,879)**	**(25,959)**	**15,080**
Net debt	**(24,878)**	**(27,605)**	**2,727**

Net debt comprises short-term financial liabilities of EUR 13,999 thousand and medium-/long-term debt of EUR 10,879 thousand.

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, equal to EUR 15,032 thousand, was reclassified under short term debt, and relating 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.

Debt of EUR 17,791 thousand was repaid in 2015, and new medium-/long-term loans were taken out in the amount of EUR 18,000 thousand.

The change in net debt was mainly due to positive cash flows from ordinary operations (EUR 7,285 thousand) and from technical investments (EUR 4,636 thousand).

12. CONSOLIDATED CASH FLOW STATEMENT

The Gefran Group's consolidated cash flow statement at 31 December 2015 show a positive net change in cash at hand of EUR 3,870 thousand, compared with a negative change of EUR 4,308 thousand in 2014. The change was as follows:

(EUR/000)	**31 Dec 2015**	**31 Dec 2014**
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	20,732	25,040
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:	7,285	(826)
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES	(4,636)	(3,297)
D) FREE CASH FLOW (B+C)	2,649	(4,123)
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES	765	(593)
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)	3,414	(4,716)
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE	0	(523)
H) Exchange translation differences on cash at hand	456	931
I) NET CHANGE IN CASH AT HAND (F+G+H)	3,870	(4,308)
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)	24,602	20,732

Cash flow generated by operations was positive in the amount of EUR 7,285 thousand in the period; specifically, operations in 2015, net of the inflow of provisions, amortisation and depreciation and financial items, generated cash of EUR 2,057 thousand, while the decrease in working capital in the same period generated positive cash flow of EUR 5,228 thousand, owing to the effect of the reduction in trade receivables of EUR 8,209 thousand, only partially offset by the reduction in trade payables of EUR 1,311 thousand and the increase in inventories of EUR 1,670 thousand.

Technical and financial investments, net of disposals, absorbed resources of EUR 4,636 thousand compared with investments of EUR 3,297 thousand in 2014.
Specifically, financial investments in 2015 generated a positive cash flow of EUR 97 thousand, compared with a positive flow of EUR 2,126 thousand in 2014, which included the effect of the sale of the LAT 11 calibration centre, which generated resources of EUR 1,240 thousand.
The technical investments amounted to EUR 4,733 thousand, a fall of EUR 729 thousand from the figure of EUR 5,462 thousand of 31 December 2014.

Free cash flow (operating cash flow excluding investment activities) was positive at EUR 2,649 thousand, compared with a negative figure of EUR 4,123 thousand in 2014, an improvement of EUR 6,772 thousand mainly owing to the reduction in working capital as commented on above.

13. INVESTMENTS

Gross technical **investments** made in 2015 amounted to EUR 4,733 thousand (EUR 5,462 thousand at 31 December 2014), and related to:

- investments in production plant and equipment of EUR 1,578 thousand in the Group's Italian factories, in the Chinese factory of subsidiary Gefran Siei Drives Technology (EUR 173 thousand), and EUR 245 thousand in other Group subsidiaries;
- investments to upgrade the industrial buildings of the Parent Company, more specifically to refurbish the fire protection system in the via Sebina factory, for about EUR 274 thousand;
- the capitalisation of costs incurred in the period for new product development, totalling EUR 1,675 thousand;
- other investments in intangible assets, relating to management software licences and the development of ERP SAP, of EUR 788 thousand.

(EUR/000)	**At 31/12/2015**	**At 31/12/2014**
Intangible assets	2,463	2,939
Tangible assets	2,270	2,523
Total	4,733	5,462

Investments are broken down by individual business area below:

(EUR/000)	**Sensors**	**Components**	**Drives**	**Total**
Intangible assets	691	856	916	2,463
Tangible assets	1,334	407	529	2,270
Total	2,025	1,263	1,445	4,733

14. OPERATING ASSETS HELD FOR SALE

The operating assets held for sale include the assets related to the photovoltaic business know-how, with the sale currently being assessed, and the goodwill of the branch involved in the distribution of sensors and components for automation in Spain/Portugal following the decision by the Board of Directors to sell this branch, and the consequent liquidation of the Spanish branch.

Both transactions are a direct result of the Group's strategy, which aims to focus on its core industrial business.

A summary of its results is provided below, shown according to the restatement table used to show the results of Gefran's businesses with respect to the performance of the group in activities related to the photovoltaic business for 2015:

(EUR/000)	2015	2014	chg. '15 - '14 value	%	4Q 2015	4Q 2014	chg. '15 - '14 value	%
Revenues	0	441	(441)	-100.0%	0	36	(36)	-100.0%
EBITDA	(187)	(2,316)	2,129	-91.9%	0	(475)	475	-100.0%
% of revenues	*n/a*	*-525.2%*			*n/a*	*-1319.4%*		
EBIT	(187)	(2,976)	2,789	-93.7%	0	(785)	785	-100.0%
% of revenues	*n/a*	*-674.8%*			*n/a*	*-2180.6%*		

No financial impact specifically related to the company branch involved in the distribution of sensors and automation components in Spain/Portugal was found.

15. 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.

15.1) BUSINESS SENSORS

Strategy

The business is mainly focused on growing volumes, and therefore the development of sales, with the aim of increasing market share in traditional sectors (machines used in manufacturing plastics) and increasing its presence in areas of industrial application where it has not historically been present.

The cornerstones of the growth strategy for the sensors business are:

- technological leadership to allow it to grow in mature markets;
- knowledge of industrial processes to grow in emerging markets, supported by local producers to guarantee sufficient customer service levels;
- extended range of products to tackle applications related to applications in the plastics industry;
- checking production processes and continued research on constructive solutions to obtain greater effectiveness and innovative efficiency.

Over the year, the product range was extended with the introduction of sensors for the mobile hydraulics sector. Gefran markets itself as a supplier of a complete package of sensors for those applications. More specifically, the following was developed:

- a new family of rotation sensors;
- a new family of inclination measurement sensors;
- a new family of “unravel” position sensors.

The range was expanded in the families of RK5 magnetostrictive position sensors and KH pressure sensors.

In terms of industrial processes, activity was focused on:

- completion of the introduction of proprietary thick film technology to the whole range of industrial pressure transducers;
- extension of proprietary thick film technology to the melt pressure sensors; the switch to this technology will be completed in 2016;
- optimisation of “Onda” magnetostrictive technology through the introduction of a new system of signal identification that both improves performance of the devices and improves production efficiency.

Key events

There was a significant increase in sales of the Sensormate products in 2015 as a result of the product promotion carried out by the Group branches.

More specifically, growth was driven by the sale to OEM and End User on the plastic channel of the innovative wireless systems to control the voltage of the injection press columns.

Summary results

The key figures are summarised in the table below.

(EUR/000)	2015	2014	chg. '15 - '14 value	chg. '15 - '14 %	4Q 2015	4Q 2014	chg. '15 - '14 value	chg. '15 - '14 %
Revenues	47,630	44,703	2,927	6.5%	11,428	11,405	23	0.2%
EBITDA	11,949	10,995	954	8.7%	3,213	2,188	1,025	46.8%
% of revenues	*25.1%*	*24.6%*			*28.1%*	*19.2%*		
EBIT	9,837	9,015	822	9.1%	2,671	1,704	967	56.7%
% of revenues	*20.7%*	*20.2%*			*23.4%*	*14.9%*		

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

	Italy	Europe	America	Asia	Rest of World
Revenues (€/000.000)	9.7	18.0	9.5	10.2	0.2
% of total	20%	38%	20%	21%	0%

Business performance

Revenues for the business amounted to EUR 47,630 thousand at 31 December 2015, an increase of 6.5% compared to 31 December 2014. The positive trend was confirmed in all product families thanks to consolidation of the range of products and the success of the new products on the market.

There was an increase in all sales areas; there was significant growth in North America (+16.3%) and Asia (+17.8%).

Revenues were positively affected by exchange rate effects (mainly the US dollar, but also the Indian rupee and Chinese renminbi), which had a total impact on cumulative revenues of EUR 624 thousand (1.4%) compared to 31 December 2014.

In the fourth quarter, sales amounted to EUR 11,458 thousand, slightly up from the figure for the same period of 2014 when it was EUR 11,405 thousand (+0.2%).

The 2014 results reported for comparison purposes, included some non-recurring items, particularly the capital gain of EUR 1,383 thousand on the sale of the LAT 011 calibration laboratory, and provisions for staff restructuring of EUR 357 thousand. Net of that, 2014 EBITDA and EBIT amounted to EUR 9,969 thousand, and EBIT 7,989 thousand respectively.

EBITDA at 31 December 2015 was EUR 11,949 thousand, an increase of EUR 954 thousand (+8.7%) over the previous year, when it was EUR 10,995 thousand, including the non-recurring items mentioned above; excluding these extraordinary items, EBITDA improved by EUR 1,980 thousand, on the back of the increase in sales and the improvement in added value, mainly thanks to the optimisation of production efficiency.

EBIT at 31 December 2015 was EUR 9,837 thousand, equal to 20.7% of revenues, with an EBIT for 2014 of EUR 9,015 thousand (20.2% of revenues). Net of the extraordinary items registered in 2014, EBIT improved by EUR 1,848 thousand.

Comparing the figures by quarter, EBIT was EUR 2,671 thousand in the fourth quarter of 2015, and corresponds to 23.4% of sales, up 8.5% on the figure for the same period in 2014.

The new orders figure was positive at 31 December 2015, up 8.1% on 2014.

Investments

The Group invested EUR 2,025 thousand in the Sensors business to 31 December 2015, which breaks down as EUR 691 thousand for investments in intangible assets, and EUR 1,334 thousand for investments in technical assets.

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

The bulk of investments in tangible assets was made in the Parent Company (EUR 1,207 thousand), and related in particular to adjustments to workshop equipment, the upgrading of certain current production lines, and the preparation of new production lines for new products at an advanced stage of

15.2) AUTOMATION COMPONENTS

Strategy

The automation component business planned to launch the range of GFW controllers in 2016 for high powered heat treatment applications, with currents of higher than 250 A. This activity, within the range of products known as "power control" products, forms part of the strategic framework of the division that considers heat treatment to be a core application; sales development activities are continuing from this standpoint, concentrating on the European and North American markets.

With respect to instrumentation, there will also be the launch of a new series of process controllers in 2016, aimed at heat treatment applications, which will replace the previous ranges of products which are now dated, extending the characteristics with respect to the number of regulation rings, the programming of the control profiles, the flexibility in the configuration of logic and mathematical calculation functions, the recording and filing of production data, and network connectivity.

With regard to the automation platforms, the strategy defined for 2016 provides for consolidation of the organisational model put in place at the end of 2015 where Gefran Soluzioni S.r.l. will be the vehicle for putting the platforms on the market. By joining the sales staff and technical support resources, penetration into the vertical plastic and heat treatment sectors will become more efficient thanks to the synergies between the product families. With respect to products, certain series of PC Panels will be technologically updated in 2016, with advantages from both the cost reduction standpoint and improved performance by the products.

Key events

In 2015, at the main European automation trade shows (SPS/IPC/Drives in Parma and Nuremberg), the Group presented the new functions on the 650, 1250 and 1350 temperature controllers, especially with regard to programming the logical sequences, monitoring energy consumption and preventive maintenance.

Thanks to these functions, the new Gefran 1350 was considered to be the best PID of the year for 2015 by Frost & Sullivan, a leading international company that carries out independent studies and research on the market.

Finally, the new Gefran "ePCLOGIC400" automation product was introduced at SPS Nuremberg, with an Ethercat communication bus, one of the most common industrial Ethernet communication standards with the highest performance.

Summary results

The key figures are summarised in the table below.

(EUR/000)	2015	2014	chg. '15 - '14 value	chg. '15 - '14 %	4Q 2015	4Q 2014	chg. '15 - '14 value	chg. '15 - '14 %
Revenues	30,432	30,798	(366)	-1.2%	7,625	8,556	(931)	-10.9%
EBITDA	388	653	(265)	-40.6%	334	310	24	7.7%
% of revenues	*1.3%*	*2.1%*			*4.4%*	*3.6%*		
EBIT	(1,632)	(1,219)	(413)	33.9%	(157)	(194)	37	-19.1%
% of revenues	*-5.4%*	*-4.0%*			*-2.1%*	*-2.3%*		

The breakdown of component business revenues by geographical region is as follows:

	Italy	Europe	America	Asia	Rest of World
Revenues (€/000.000)	15.1	8.7	3.4	3.0	0.2
% of total	50%	29%	11%	10%	1%

Business performance

Revenues totalled EUR 30,432 thousand at 31 December 2015, down by EUR 366 thousand compared to 2014. With reference to revenues by product family, there was a positive performance in the power control family (+7.9%).

The breakdown by geographical region shows sales growth in the EU, where France and Benelux registered growth of 8.5% and 8% respectively; sales also increased on the North American market (+38.7%), and in Asia (+25.3%). Revenues in the South American market are down due partly to the exchange rates.

With reference to business costs, with the results of 2014 shown for comparison purposes, they include non-recurring items for staff restructuring costs of EUR 350 thousand. Net of this, 2014 EBITDA was EUR 1,003 thousand, and EBIT was negative at 869 thousand.

EBITDA at 31 December 2015 was positive for EUR 388 thousand, down by EUR 265 thousand compared to 31 December 2014; net of the extraordinary items, 2015 EBITDA fell by EUR 615 thousand.

EBIT was negative at EUR 1,632 thousand (5.4% of revenues), a fall of EUR 413 thousand compared to 2014; excluding the above-mentioned non-recurring items for 2014, EBIT declined by EUR 763 thousand.

Added value was down, mainly owing to the different mix of products sold and higher raw materials costs, driven by the strengthening of the dollar against the euro.

In the fourth quarter of 2015, sales amounted to EUR 7,625 thousand, down 10.9% compared to the same period of 2014. EBITDA improved in the fourth quarter compared to the previous year by EUR 24 thousand, and EBIT was up EUR 37 thousand.

New orders were positive at 31 December 2015, up by EUR 825 thousand (+3.4%) compared to the same period of the previous year.

Investments

Investments totalled EUR 1,263 thousand in 2015, divided between intangible assets (EUR 856 thousand) and tangible assets (EUR 407 thousand).

Investments in tangible assets in the business were mainly focused on the Italian site (EUR 364 thousand): a significant portion was allocated to equipment to be used in the production of the new range of regulators and building work.

As regards investments in intangible assets, capitalised development costs totalled EUR 575 thousand in the period, and related to the new automation platforms and the new range of regulators.

15.3) DRIVES

Strategy

The drive business is structured on three product families: drives for industrial applications, for the lifts industry and for custom applications.

The market strategies for the Gefran drives are mainly based on the following guidelines:

- strong focus on increasing business in the industrial core segments;
- maintaining the market in the lifts industry.

More specifically, the industrial sector structured its sales drives on offers of technical/commercial solutions with high technological and application content. They include high-powered inverters, with or without the addition of regenerative power supplies, sectorial application solutions, supported by a comprehensive catalogue that contains different product technological levels.

Plans for the lifts industry are currently based on increasing the market share in Europe, thanks to the technological and qualitative recognition afforded to the products, and reducing the Asian markets. There are recovery actions being taken in China, with products updated to meet the application requirements in the sector, and more structured organisation of the sales channels.

The range of products was expanded this year thanks to completion of the introduction to the market of the lines launched in 2015.

For the industrial sectors in addition to the specific technology for the plastic and metal sectors, different application requirements and custom projects may be based on specific application machine software.

More specifically, for the plastics market, the success obtained with introduction of the liquid-cooled inverter lines strengthened the presence of Gefran in certain important German OEM markets.

There was further improvement in performance and the catalogue in the industrial lift sector thanks to more complete professional software and expansion of the optional obligatory hardware in this application segment.

The presence in the lift industry on the Asian market will be helped by the complete availability of the new *AVy-M-NR* inverter line, which both broadened the power of the current ranges, and also makes more highly developed functions available, therefore more in line with the requirements of modern lift systems.

A further important introduction in the portfolio of Asian products was the *ICS-VDL100* range, i.e. the solution called the “Integrated Lift” which includes the control technology for the entire lift system on the inverter. This technology has become strongly consolidated, especially on the Chinese market, and has put Gefran in a position to face the biggest local competitors.

It is also focusing on expanding in the sector on the European market with the now consolidated *ADL300* ranges, which have become more widespread over previous years confirming the excellent commercial and application response to them.

The *VDL200* range accompanies this range to provide broader coverage, and greater technological and commercial performance, mainly for the low-medium technological systems where Gefran is highly competitive.

Key events

There were very specific activities carried out on specific product lines to recover profit margins in 2015: cost optimisation operations and efficiency improvements aimed at increasing competitiveness.

The complex work carried out to optimise production in the departments where the SMT components and the finished products are assembled at the end of 2015 forms part of this scenario.

Summary results

The key figures are summarised in the table below.

(EUR/000)	2015	2014	chg. '15 - '14 value	%	4Q 2015	4Q 2014	chg. '15 - '14 value	%
Revenues	40,134	57,342	(17,208)	-30.0%	10,256	16,916	(6,660)	-39.4%
EBITDA	(6,656)	1,288	(7,944)	-616.8%	(1,126)	1,292	(2,418)	-187.2%
% of revenues	*-16.6%*	*2.2%*			*-11.0%*	*7.6%*		
EBIT	(8,835)	(1,215)	(7,620)	627.2%	(1,676)	847	(2,523)	-297.9%
% of revenues	*-22.0%*	*-2.1%*			*-16.3%*	*5.0%*		

The breakdown of revenues by geographical region is as follows:

	Italy	Europe	America	Asia	Rest of World
Revenues (€/000.000)	11.3	11.3	4.9	12.1	0.5
% of total	28%	28%	12%	30%	1%

Business performance

Revenues totalled EUR 40,134 thousand at 31 December 2015, down by EUR 17,208 thousand (-30.0%) compared to the same period of 2014. Revenues in 2014 also included non-recurring amounts of EUR 705 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 16,503 thousand (-28.8%).

This reduction is almost entirely attributable to sales dynamics of lift family products for lift applications in the Chinese and Singapore subsidiaries. On the other hand, the trend in industrial inverters increased by 7.4%.

With respect to breakdown by geographical region, Asia registered a sharp fall as noted above, while the US (+4.3%), and Europe (+3.7%) posted positive trends.

With respect to the fourth quarter of 2015, revenues came in at EUR 10,256 thousand, down -39.4% from the figure of EUR 16,916 thousand registered in the same quarter of 2014, mainly due to the fall in revenues in Asia as illustrated above.

EBITDA was negative at EUR 6,656 thousand at 31 December 2015, a decrease of EUR 7,944 thousand compared to 31 December 2014. This fall was due entirely to the revenues figures. Net of the non-recurring items, the difference between EBITDA in 2015 and 2014 was a negative amount of EUR 7,239 thousand.

In 2015, the Group recorded an EBIT loss of EUR 8,835 thousand, compared with a loss of EUR 1,215 thousand in the same period of 2014. Excluding the non-recurring revenues of 2014, the EBIT figure declined by EUR 6,915 thousand.

The performance of the Asian subsidiaries led to both a significant drop in revenues, and also to a slowdown in new orders in 2015. In light of these events, the order backlog at 31 December 2015 was 27% lower than in the same period of 2014. The backlog at the end of 2015 amounted to EUR 7,413 thousand, a little less than that at 31 December 2014.

Investments

Investments totalled EUR 1,445 thousand in 2015, divided between technical investments of EUR 529 thousand and investments in intangible assets of EUR 916 thousand.

Technical investments mainly related to the production of new moulds and the purchase of new production equipment for the Gerenzano and Shanghai plants.

The increases in intangible assets chiefly concerned the capitalisation of development costs of EUR 583 thousand relating to new products for the industrial sector and the lift sector; in the industrial sector, particularly for applications in plastics, hoist & crane, and for industrial inverters with water cooling technology, while in the lift sector, with the new medium range inverters.

16. RESEARCH AND DEVELOPMENT

The Gefran Group invests significant financial and human resources in product research and development. About 6.3% of sales were invested in that activity in 2015, considered to be strategic to maintain high technological and innovative levels in the products, and to ensure the competitiveness required by the market.

Research and development is concentrated in Italy, in the laboratories in Provaglio d'Iseo and Gerenzano. It is conducted within the design department, with a separation between research and development concerning new products and production engineering targeting the improvement and innovation of existing products.

In the **Sensors** business, research focused on the following products:

- rotation sensors: a new family of rotation sensors has been developed with hall effect for applications in the mobile hydraulics market. The range includes redundant versions for security applications. All products are currently in the process of obtaining E1 certification.
- Inclination sensors: using sensitive MEMS elements, a range of inclination sensors was developed for applications in the mobile hydraulics sector, including those for earth-moving machines and aerial platforms. The range includes analog and digital outputs and *redundant* versions for security applications.
- Unravel position sensors: the development of a family of position sensors is at the completion stage, based on the unravelling of a loop of wire, used mainly even though not exclusively in vehicles that belong to the mobile hydraulic sector.
- Magnetostrictive and industrial pressure position sensors, with "Can Open" outputs: the sensors of the RK5 and KH families, already developed to meet market requirements in the mobile hydraulics sector, were completed, adding those with digital electric outputs based on the "Can Open" field bus to the possible configurations. Development is at the completion stage and the new devices will be introduced onto the market in 2016.

Research and development in the **Automation components and systems** focused on

For the instruments range:

- The new series of medium-band 1350 temperature controllers was completed, also with some special versions customised for OEM customers.
- Upon completion of the Factory Mutual certification procedure for the 650 and 1250 controllers for the US market, making them suitable for use as safety thermostats.
- The development of the news series of 850, 1650 and 1850 medium-high band temperature controllers for thermal treatment applications.
- At start up of development of the graphic controllers with particularly advanced features and in line with the application requirements of furnaces, autoclaves, climate chambers, thermal treatments and sterilisation.

For the power controller range:

- The development of the IR24 multi-channel power controller with standard Modbus and Profinet communication was completed, and the product then launched on the market;
- The new ranges of GFW power controllers with current levels 400A and 600A are currently being developed to extend their use to high-power applications.

For automation platforms:

- The development of the *GCube Performa* automation platform with Ethercat master communication interface was completed; it is a high-performance standard protocol that allows for the integration of third-party drives and equipment.
- The range of PC GF_VEDO ML and GF_VEDO EV panels is currently being updated.

Development in the **Drives** area focused on industrial products and lifts. Specifically:

- Plastic: update of the axis boards for the AXV300 range.
- Hoist&Crane: availability of the SW 2.0 version, which includes all the functions for these types of plants and type approval of the braking units.
- Lifts: the requirements in this sector which is constantly developing led to the consideration of different customer variants and at the same time, the establishment of the main most specific requirements of the applications with integrated lifts in China.
  On the other hand, developments in the ADL300 ranges in the European markets means that new functions will now have to be incorporated in a new 4.0 software release, which is expected to be available by the end of the first half of the year.

The cost of technical personnel involved in the activities, consultancy and materials used is fully charged to the income statement, except for costs capitalised for the year that meet the requirements of IAS 38. Costs identified for capitalisation according to the above requirements are indirectly suspended by a revenue entry under a specific income statement item: “Increases for internal work”.

17. ENVIRONMENT, HEALTH AND SAFETY

"Gefran promotes sustainable growth geared towards respect for the environment and public health, developing management systems that comply with the laws in force and pursuing continuous improvement in environmental performance".

(from the Gefran Group "Code of Ethics and Conduct").

In 2015, Gefran S.p.A. continued with its commitment - started in 2012 - to promote initiatives and activities to protect the environment as a primary asset and the health and safety of all staff.

Construction of an *energy balance* was begun in the main production sites in Provaglio and Gerenzano, in association with a company ESCo (Energy Service Company), in order to identify the possible margins for improvement and potential energy savings actions in the various energy vectors (electricity and natural gas) for each factory.

With the data taken from the energy analysis carried out in accordance with Legislative Decree no. 102/2004, a feasibility study is now being completed, i.e. a technical and economic assessment of the interventions identified, with a precise analysis of the costs/benefits for every site.

In order to gather the necessary data and get precise indications on what actions to take the make the factories more energy efficient, the following will begin:

- a temporary monitoring campaign for the thermal and refrigerated uses;
- a study to make the lighting system more efficient and cost-effective;
- a campaign to check losses on the compressed air circuit;
- a study of the permanent monitoring system of the electricity, heat and refrigerated utilities;
- a study on the management of the White certificates (energy efficiency certificates).

The project will be completed with an assessment of the measures proposed by the professionals involved, and the identification of measures deemed the most effective, with a view towards:

- significantly reducing the use of primary and heat energy;
- generating power from renewable sources;
- making the workplace more comfortable.

With respect to worker health, the diphtheria-tetanus vaccination campaign continued during 2015 in the Provaglio d'Iseo factories.

In association with the medical staff, Gefran sponsored an initiative at the Provaglio factories to promote health at the workplace called "Why your heart counts"; personnel were given basic electrocardiograms and examinations by cardiologists. This campaign included all employees over 50 years old and will be completed during 2016.

The Group maintained its commitment to separate waste collection at the Group's various sites throughout 2015.

The information gathered regarding the disposal of waste and its complete independence from the services provided by the municipality of Provaglio d'Iseo led to recovery of the variable portion of the solid urban waste disposal taxes.

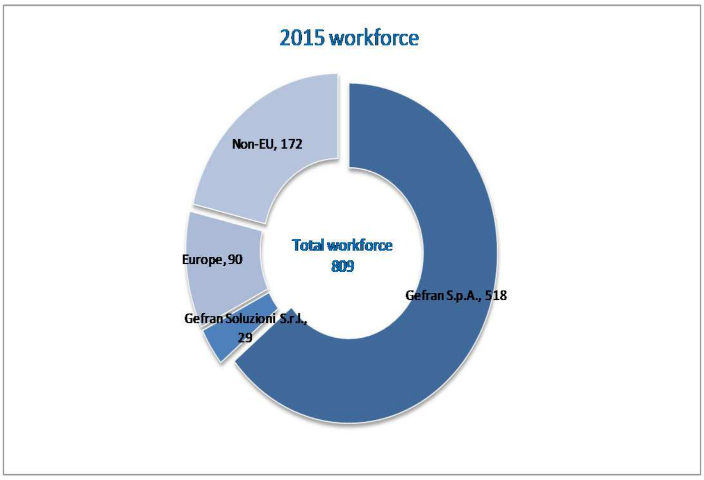
With respect to the factory in via Cave, an audit was made on the management and movement of goods and hazardous waste subject to A.D.R. regulations. This audit helped us understand the requirements provided under the regulations governed by Directive 96/35/EC.

18. HUMAN RESOURCES

Workforce

At 31 December 2015, the Group headcount was 809, including 10 staff with fixed-term contracts (contracts to replace temporarily absent staff or to undertake specific projects).

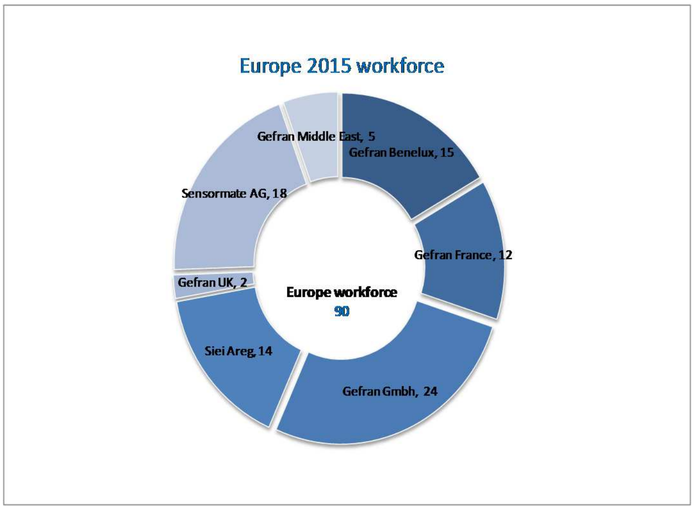
The change in headcount over the year was marked by an overall turnover rate within the Group of 35.8%, which breaks down as follows:



- 132 people joined the Group, including 42 manual workers, 89 clerical staff and one manager/executive;
- 171 people left the Group, including 61 manual workers, 107 clerical staff and 3 managers/executives.

The overall turnover rate in Italy was 10.2%.

The restructuring of the foreign Subsidiaries begun in the second half of the year had a considerable impact on this figure.



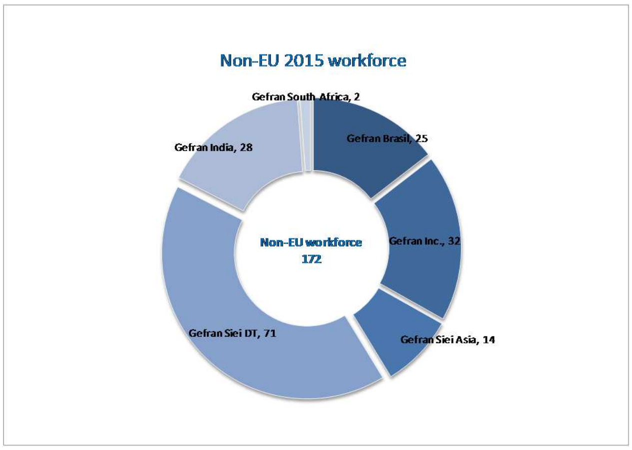
In the production plants in Italy, Gefran contracted out some work in order to obtain greater flexibility and efficiency, as it had done in previous years, albeit to a more limited extent. A total of 6 contracts were in place at the end of the year, of which only 1 was extended through 2016.

Cost-cutting measures continued, including annual and accrued leave plans.

The turnover in Italy was due to organisational changes in order to develop skills.

With regard to the foreign subsidiaries, there were significant changes at Gefran Siei Drives Technology, Gefran Siei Asia, Gefran Brazil, Gefran Inc. and Gefran France; significant restructuring was carried out in these companies in the second half of the year.

In other Group subsidiaries, changes in staff numbers were partially due to normal staff turnover and partly to the organisational changes made to develop skill.



Organisation

An in-depth analysis was made of the structure at Group level in the second half, considering resources and skills, sales channels, markets and products in the various regions of the world. This analysis showed the need to make organisational changes in order to develop and focus on skills, including international mobility projects, growth plans, managerial turnover and integration of functions. This complex reorganisation will be completed during 2016.

Industrial relations

Dialogue with trade union representatives and provincial union organisations was constructive. Use was made of the Ordinary Redundancy Fund (CIGO) in Provaglio d'Iseo for the factory in via Sebina during the fourth quarter due to a drop in orders.

Training and development

The constant interaction with the various company departments in the definition of training requirements in 2015 led to action being taken to develop skills and abilities such as: English, understanding of economic-financial indicators in financial statements (for "non finance" department managers) and efficient communication.

In order to develop rising talents, Gefran established and provided individual courses aimed at strengthening managerial and leadership skills, including assessment centres, classroom training, coaching and on-the-job training.

In association with the CSMT (Multisectorial and Technological Service Centre), an innovative course was designed and given to provide awareness of the pillars of lean production; this involved the entire operations department and led to implementation of process changes following a focus group meeting on the matter, with significant and tangible improvements.

The marketing area was involved in training courses with the MIP, Milan Polytechnic, in the area of innovation in marketing analysis and performance.

The human resources department continued to offer technical and specialist training across the various company departments in 2015, along with coaching for the staff and line functions.

MBO System

As in previous years, Human Resources continued to improve the Management By Objectives (MBO) incentive system, making it more effective and management processes more effective.

This focus on the company workforce is a fundamental instrument for Gefran, in order to achieve strategic results, and obtain maximum involvement and accountability by the staff with respect to their responsibilities. The process begins with the definition of the Company's strategic objectives, which are translated into business and/or company area operating objectives, down to individual objectives). It is managed organically in order to guarantee consistency between the objectives assigned to the different areas.

The "S.M.A.R.T." (Specific, Measurable, Achievable, Relevant, Time-related) principle is used as the golden rule in the allocation of objectives to the individual employees. This means that employees share objectives with their managers, that are:

- Specific, i.e. leaving no room for ambiguity;
- Measurable, unequivocal and verifiable at the control stage;
- Achievable, challenging but realistic;
- Relevant, from an organisational viewpoint, i.e. consistent with the company mission;

19. STRATEGY

The results were lower than expected, and required immediate action to be taken to deal with the situation in 2015, demonstrating the need to draw up a plan that aimed to put the group's performance back on track.

The priority is to recover profitability, independently of the growth in revenues planned in past years: organisational arrangements and strategies will have to be adopted in line with the business volumes recorded in previous years, focusing action on the most profitable products and applications.

As a priority, for the motion business, it will be of fundamental importance to review the customer/market /product organisation at global level in order to obtain an organisational set-up and reasonable costs that will allow economic balance to be regained; this is necessary to support the development of the business in relation to the abundant potential of the application market.

The Group strategy shall focus on three main guidelines for the year: improving the efficiency of the organisational model and market approach, clear identification of the geographical area with the business, and finally, integration of new application segments that can incorporate the intrinsic technology and know-how of the Gefran products.

The first guideline will involve integrating the sales structure with the operating aspects of each business to take a single approach to the market for the sensor and component businesses, more clearly separating the motion business, and finally, adopting new methods to put the programmable automation lines (business automation) on the market: the subsidiary Gefran Soluzioni S.r.l. will manage these types of products and solutions.

The second guideline will direct the strategic market choices for each line of business.

The Business Motion will concentrate its work in Northern Europe through the subsidiary Areg, a production company in Germany from where the distribution of products will be coordinated with advantages in terms of economies of scale and production.

The work of Gefran in North and South America on the other hand will be focused on the sensors and components business: commercial and production investments will be made in the associated company Gefran Inc. in the United States in order to increase its market share in the Melt and in the growth in the Industrial pressure (sensors).

In the Asia area, Gefran Siei Drive Technology, the headquarters of the Shanghai production facilities, after having been restructured, will focus again on keeping its market share in the lift industry (Drives), and in the production and distribution of sensors in an area where there is a high number of customers who request European technology.

Europe is still the most important market, in terms of volumes, and the market where the distribution model must be at its most efficient: this gave rise to the need to increase production through improving the efficiency of the structures.

Finally, in terms of applications, in addition to the traditional plastic, heat treatment and hydraulic mobiles are the segments in which application is found in the new ranges developed in power (components for automation) and sensors respectively.

In Drives, the emphasis - in addition to the lift and customised lines that ensure economies of scale - is on the industrial applications sector, which may be satisfactory, and therefore help in the return to profitability thanks to the performance of the liquid-cooled inverters.

Vertical integration is one of the fundamentals, one of the strong points of the Gefran group, and the reason why the level of investment must be kept high in both research and development of the new product ranges, and in innovation of the production processes through technological machines and lines for the factories.

20. MAIN RISKS AND UNCERTAINTIES TO WHICH THE GEFRAN GROUP IS EXPOSED

In the normal course of its business, the Gefran Group is exposed to various financial and non-financial risk factors, which, should they materialise, could have a significant impact on its economic and financial situation. The Group adopts specific procedures to manage the risk factors that could influence its results.

To this end, on 13 February 2008, the Board of Directors voted to adopt an Organisation, Management and Control model (the “Organisational Model”) to prevent the offences under Legislative Decree 231/01 from being committed.

This model was subsequently updated in light of changes to the law mentioned above. With Board resolution of 11 February 2016, the Company adopted the Organisational Model, prepared in accordance with Confindustria guidelines, and which meets the need to constantly update the Company’s corporate governance system. The Company’s corporate governance structure is based in turn on the recommendations and regulations set out in the “Code of Conduct for Listed Companies” promoted by Borsa Italiana S.p.A., with which the Company complies.

Based on the economic and financial results achieved in the last few years, the Group considers that there are currently no significant uncertainties of an extent to raise significant doubts as to its ability to continue to operate as a going concern.

Risk factors are analysed below, divided by external and internal risk.

20.1) EXTERNAL RISKS

Market risks

Risks associated with the general economic conditions and market trends

The global scenario shows signs of improvement in advanced countries, even though the continued weakness of the emerging economies is slowing down the expansion of global exchanges. Global activity projections indicate modest acceleration for 2016 and 2017 compared to 2015.

Growth will continue in the eurozone, but it will be weak, mainly due to weakness in foreign demand and crude oil price trends which will increase the risk of deflation.

The feeble signs of improvement in GDP levels will continue in Italy, with the fourth quarter of 2015 expected to confirm the +0.2% of the third quarter, thanks to the progressive recovery of internal consumption demand and the building up of stock levels, while the weakness of the non-European markets will hurt exports.

The Gefran Group operates through subsidiaries in many international markets, particularly China and the US, and in numerous European countries, notably Germany; this widespread geographical presence enables the Group to mitigate the effects of economic recession, which have mainly hit Italy and other eurozone countries. Diversification of the markets where the Group operates and the products it offers reduces exposure to the cyclical trends of some markets, but the possibility that these trends may have a significant impact on the Group's operations and economic and financial situation cannot be ruled out.

Risks associated with the market structure and competitive pressure

Gefran operates on open, unregulated markets that are not protected by any tariff barriers, regulated regime or public concession. The markets are highly competitive in terms of product quality, innovation, price competitiveness, product reliability and customer service to machinery manufacturers.

In some products, the Group competes with extremely competitive operators, some of which are large groups that may have greater resources and better cost positions, both in terms of economies of scale and factor costs, enabling them to implement aggressive pricing policies.

The success of the Gefran Group's activities will depend on its capacity to focus its efforts on specific industrial sectors, concentrating on resolving technological problems and on customer service, thereby providing greater value to customers in the niche markets in which it competes.

Should the Group prove unable to develop and offer innovative and competitive products and solutions that match those supplied by its main competitors in terms of price, quality, functionality, or should there be delays in such developments, sales volumes could decline, with a negative impact on the Group's economic and financial results.

Although the Gefran Group believes that it can adapt its cost structure to a reduction in sales volumes, the risk is that said reduction in the cost structures will not be enough or in line with a possible fall in prices, thereby negatively affecting its economic and financial situation.

Contextual risks

Exchange rate risk

As a global operator, the Gefran Group is exposed to market risks stemming from exchange rate fluctuations in the currency of the various countries in which it operates.

Exposure to exchange rate risk is linked to the presence of production activities concentrated in Italy and commercial activities in numerous geographical regions outside the eurozone. This organisational structure generates export flows in currencies other than the currency in the place of production, mainly the US dollar, the Chinese renminbi, the Brazilian real, the Indian rupee, the Turkish lira and the UK pound; production areas in the US and China mainly serve the local markets, with flows in the same currency.

The exchange risk arises when future transactions or assets and liabilities already recorded in the statement of financial position are denominated in a currency other than the functional currency of the company conducting the operation. Hedging transactions on the main currencies are evaluated and if necessary made in order to manage the exchange risk resulting from future commercial transactions and the recording of assets and liabilities in foreign currencies, with futures contracts stipulated by the Parent Company. However, since the Company prepares its consolidated financial statements in euro, fluctuations in the exchange rates used to translate subsidiaries' accounting figures, originally expressed in local currency, may affect the Group's results and financial position.

Interest rate risk

Changes in interest rates affect the market value of the Group's financial assets and liabilities, as well as net financial charges. The long-term interest rate to which the Group is exposed mainly originates from long-term loans. The Group is exposed almost exclusively to fluctuations in the euro rate, since bank loans have mainly been taken out by the Parent Company Gefran S.p.A., which supports the subsidiaries' financial requirements, also through cash pooling.

These variable-rate loans expose the Company to a risk associated with interest rate volatility, known as the cash flow risk. To limit exposure to this risk, the Parent Company puts in place derivative hedging contracts, specifically Interest Rate Swaps (IRS), which convert the variable rate to a fixed rate, or Interest Rate Caps, which set the maximum interest rate, thereby reducing the risk originating from interest rate volatility.
The potential rise in interest rates, from the lows reached particularly in the 2014-2015 two-year period, is a possible risk factor for the next few quarters, although this is limited by hedging contracts.

Risks associated with fluctuations in commodity prices

Since the Group's production processes are mainly mechanical, electronic and assembly-based, exposure to fluctuations in energy prices is very limited.

The Group is exposed to changes in basic commodity prices (e.g. oil, minerals, etc.) to a small extent, given the product cost component related to these materials is very limited.

Risks associated with changes in the regulatory framework

Since the Group makes and distributes electronic components used in electrical applications, it is subject to numerous legal and regulatory requirements in the various countries in which it operates, and to the national and international technical standards applicable to companies operating in the same industry and to the products made and sold by the Group.
Any changes in legislation or regulations could entail substantial costs relating to adapting the product characteristics or even temporary suspensions of the sale of some products, which would affect revenues.
The Group places great importance on the protection of the environment and safety.
Its activities do not include the manufacture or processing of materials or components to an extent that would generate a significant risk of pollution or environmental damage.
The Group has introduced a series of controls and monitoring to detect and prevent any potential increase in this risk. Furthermore, it has taken out an insurance policy to cover potential liabilities arising from environmental damage to third parties.
It is however possible that there are still some residual environmental risks that have not been adequately identified and hedged.

The enactment of other regulations that apply to the Group or its products, or changes in the regulations currently in force in the sectors in which the Group operates, also internationally, could force the Group to adopt more rigorous standards or limit its freedom of action in its areas of operation. These factors could entail costs relating to adapting the production facilities or product characteristics.

Strategic risks

Risks associated with the implementation of the Group’s strategy

The Gefran Group’s ability to improve profitability and achieve its targeted margins depends, among other things, on its success in implementing its strategy. Group strategy is based on sustainable growth, which can be achieved through investments and projects for products, applications and geographical markets, that that lead to growth in profitability.

The Company plans to implement its strategy by concentrating available resources on growing its core industrial business, favouring growth in strategic products that guarantee volumes, and in which the Group is technological and market leader. Gefran is making changes to its organisational structure, work processes and staff know-how to increase specialisation in research, marketing and sales by product and by application.

Given the uncertainty regarding the future macroeconomic environment, the operations described could take longer to implement than expected, or may not prove fully satisfactory for the Group.

Country risk

A significant portion of the Group’s production and sales activities is conducted outside the European Union, particularly in Asia, the US, Brazil, Turkey and Russia. The Group is exposed to risks relating to the global scale of its operations, including those relating to:

- exposure to local economic and political conditions;
- the implementation of policies restricting imports and/or exports;
- operating in multiple tax regimes;
- the introduction of policies limiting or restricting foreign investment and/or trade.

Unfavourable political and economic developments in the countries in which the Group operates could have a negative impact – the extent of which would vary by country – on the Group's prospects and operations, and its results.

20.2) INTERNAL RISKS

Operating risks

Risks associated with relations with suppliers

The Group purchases raw materials and components from a large number of suppliers, and depends on services and products supplied by other companies outside the Group.

The bulk of these raw materials consists of mechanical and electromechanical parts that are easily sourced on the market. The Group does therefore not rely on very large or strategic suppliers that would represent an operating risk if these supplier companies were to encounter problems (whether owing to internal or external factors), or in the event of a dispute.

Conversely, electronic components, particularly microprocessors, power semi-conductors and memory chips, are purchased from leading global producers. Although these suppliers are reliable, it cannot be ruled out that problems they could encounter - in terms of quality, availability or delivery times - would have a detrimental effect on the Group's operations and results, at least in the short term, until such time as the supplier can be replaced or the product modified.

Risks associated with product development, management and quality

The Group's value chain covers all activities, including R&D, production, marketing, sales and technical support. Defects or errors in these processes may cause product quality problems that could potentially affect the Group's results and financial position.

In line with the practices of many operators in the sector, the Company has taken out insurance policies that it considers sufficient to protect itself from the risks resulting from this liability. Furthermore, it has set up a specific product guarantee provision to meet these risks, in line with the volume of activities and the historical occurrence of these phenomena.

However, in the event that the insurance cover and risk provisions prove inadequate, the Group's results could be negatively affected. In addition, the Group's involvement in this type of dispute and any ruling against it therein could expose the Group to reputational damage, which also has potential consequences for the Group's results and financial position.

Risks associated with operations at industrial facilities

Gefran is an industrial group, so it is potentially exposed to the risk of stoppage in production at one or more of its plants, due, for example, to machinery breakdowns, revocation or disputes regarding permits or licences from public authorities (e.g. following changes in the law), strikes or manpower shortages, natural disasters, major disruptions to the supply of raw materials or energy, sabotage or attack.

There have been no significant interruptions of activity in recent years. However, future interruption cannot be ruled out, and if it occurs for lengthy periods, the Group's results and financial position could be negatively affected if the damage exceeds the amount currently covered by insurance policies.

Gefran has also implemented a disaster recovery system designed to restore the systems, data and infrastructure necessary for the Company's operations in the event of a serious emergency, in order to mitigate its possible impact.

Risks associated with human resources

Relations with employees are governed by law, collective contracts and supplementary company contracts, particularly in Italy.

The Group's success largely depends on the ability of its executive directors and other members of the management to manage the Group and the individual businesses effectively, as well as the quality, technical and management capabilities and motivation of its human resources.

Financial risks

Risks associated with funding requirements

The Gefran Group's financial situation is subject to risks associated with the general economic environment, the achievement of objectives and trends in the sectors in which the Group operates.

Gefran's capital structure is strong; it has own funds of EUR 63.0 million versus overall liabilities of EUR 86.3 million. In 2015, the Parent Company took out medium- to long-term loans with leading banks totalling EUR 18.0 million. These loans were negotiated at variable rates, determined by the Euribor plus a fixed spread, which may not however be greater than 200 bps. Some of these outstanding loans, whose remaining value as of end-2015 was EUR 24.9 million, contain covenants. At 31 December 2015 the terms of the clauses relating to the ratio between net debt and EBITDA had not be complied with. Therefore, EUR 15.0 million in medium/long term debt was reclassified as short-term debt.

The directors believe 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.

Liquidity risk

The Group expects to be able to continue to provide the financial resources necessary for its investment programmes and business management. The credit lines and cash available are sufficient in relation to the Group's operations and growth forecasts. Loans granted by banks were subject to an annual review in the second half of the year, leading to the substantial confirmation of the terms and conditions, and amounts.

Credit risk

The Group has business relations with a large number of customers. Customer concentration is not high, since no customer accounts for more than 10% of overall sales. Supply agreements are normally long-term, in that Gefran products form part of the customer's product design, as they are incorporated in the end product and have a significant influence on its performance. In accordance with IFRS 7.3.6a, all amounts presented in the financial statements represent the maximum exposure to the credit risk.

The Group grants its customers deferred payment conditions, which vary according to the market practices in individual countries. All customers' solvency is constantly monitored and any risks are periodically covered by appropriate provisions. Despite these precautions, under current market conditions, it cannot be ruled out that some customers may not be able to generate sufficient cash flow or may lack access to sufficient sources of funding, resulting in payment delays or a failure to honour obligations.

Legal compliance risks

Ethical risks

The Gefran Group has always been committed to applying and observing rigorous ethical and moral principles when conducting its internal and external activities, in full compliance with the laws in force and market regulations. The adoption of the Code of Ethics, the internal procedures put in place to comply with this code and the controls adopted guarantee a healthy, safe and efficient working environment for employees, and an approach intended to ensure complete respect of external stakeholders. The Group believes that ethics in business management must be pursued alongside financial growth, and the Code is therefore an explicit point of reference for everyone working with the Company.

Gefran also effectively adopted the Organisation and Management Model pursuant to Legislative Decree no. 231/2001. The Group believes that this is not only a regulatory obligation but also a source of growth and wealth generation, and has therefore fully restructured its activities and internal procedures in order to prevent the offences set out in this regulation from being committed. The Supervisory Board established by the Board of Directors performs its duties regularly and professionally, guaranteed by the presence of an internal company officer and two external professionals, one an expert in business and international law and the other with an excellent knowledge of administration and control systems.

The Group conducts the bulk of its business with private customers that do not directly or indirectly belong to government organisations or public agencies, and rarely takes part in public tenders or subsidised projects. This further limits the risks of reputational or economic damage resulting from unacceptable ethical conduct.

Legal risks and product liability

Within the scope of Gefran's core business, the manufacture and sale of products may give rise to issues linked to defects and consequent liability in respect of its customers or third parties. Like other operators in the industry, the Group is therefore exposed to the risk of product liability litigation in the countries in which it operates.

In line with the practices of many operators in the sector, the Company has taken out insurance policies that it considers sufficient to protect itself from the risks resulting from this liability. It has also set up a specific provision against these risks.

However, in the event that the insurance cover and risk provisions prove inadequate, the Group's results could be negatively affected. In addition, the Group's involvement in this type of dispute and any ruling against it therein could expose the Group to reputational damage, which also has potential consequences for the Group's results and financial position.

Risks associated with intellectual property rights

Although the Group considers it has adopted an appropriate system to protect its intellectual property rights, it cannot be ruled out that it may encounter difficulties defending these rights.

Furthermore, the intellectual property rights of third parties could inhibit or limit the Group's capacity to introduce new products onto the market. These events could have a negative impact on the development of activities and the Group's results and financial position.

21. SIGNIFICANT EVENTS DURING THE YEAR

- On 17 February 2015, the Gefran S.p.A. Board of Directors gave its final approval to the spin-off from Gefran S.p.A. of the activities of the systems area, forming a new wholly-owned subsidiary.
  The newly-formed company, Gefran Soluzioni S.r.l., currently has 29 employees, and is autonomous in terms of research and development, sales and operations. It designs and manufactures automation panels, and provides support and spare parts to customers.
  The operation was borne from the need to implement a competitive operational/organisational model on the System Integrators market, where the principles underlying orders are very different from those related to the Company's other business lines. The focus will enable customers to be provided with higher levels of service and post-sales support, while maintaining application know-how within the Gefran Group.
- On 1 April 2015, Gefran S.p.A. conferred the division in Provaglio d'Iseo to the newly-formed Gefran Soluzioni S.r.l., owned by the same and active in the production of systems and industrial automation panels. The transfer included goods, assets and liabilities, for a net asset value of EUR 1,002 thousand.
- On 29 April 2015, the ordinary shareholders' meeting of Gefran S.p.A. voted to:
  - approve the 2014 financial statements and cover the loss for the year of EUR 318 thousand through the use of available reserves;
  - appoint the following as members of the Board of Statutory Auditors for the three-year period 2015–2017: Marco Gregorini, Alessandra Zunino de Pignier and Primo Ceppellini, with Guido Ballerio and Rossella Rinaldi as deputy auditors;
  - 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 18 June 2015, Gefran opened a new representative office in South Korea. The new office, located in the outskirts of Seoul, is intended to strengthen the Group's presence on the Korean market, and boost its growth.
- At its meeting of 12 November 2015, the Board of Directors decided to close the sales offices in both Russia and Mexico, and stop operating in South Africa. The managerial reorganisation of the subsidiaries of Shanghai (China) and Singapore began.

22. SIGNIFICANT EVENTS AFTER YEAR END

- 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 redundancy process for a total of 65 employees.
- On 3 March 2016, Gefran signed a letter of intent with a Spanish distributor for the sale of the company branch involved in the distribution of sensors and automation components in Spain/Portugal.

23. OUTLOOK

The macroeconomic prospects for 2016 have slightly improved for advanced countries, while there are still uncertainties regarding China and the other emerging countries. Global growth projections forecast a slight acceleration in 2016 compared to 2015, even though this has been revised downwards.

The recession in Brazil could deepen further, while the economic situation in India is expected to improve, and to a lesser extent, in Russia. There was a slowdown in China at the beginning of 2016, with a disappointing performance in the manufacturing sector, helping reignite fears of a more serious slowdown in the economy in the next few months.

Growth continued in the eurozone - albeit to a low extent - due to the positive contribution from the gradual growth in internal demand, making up for the reduction in exports towards emerging countries. Inflation is still very low, partly due to the price of crude oil.

In Italy, as in the rest of the eurozone, recovery is continuing slowly, the weakness in exports is offset by increasing internal demand; however, there are still uncertainties in investment prospects.

In view of the above, strategic group policies will reflect the macroeconomic scenarios and factors outside the control of the company. The Gefran portfolio will maintain the revenue composition recorded in 2015, with the greatest portion contributed by the sensors, significant restructuring was planned in Italy, and finally greater focus on economies of scale and the size aspects of the company structures will be examined by management.

Investments and commercial activities involving the world of sensors (whose revenues now represent the highest portion of Gefran’s sales) once again will guarantee most Group profits, which, however, will also be helped by the better performance in the components business and a reduction in the absorption of resources by the Motion business.

The need for greater efficiency and productivity will also be achieved by downsizing the main industrial processes in the restructuring plan carried out by Gefran S.p.A: the 55 redundancies agreed with the trade unions in the three facilities of the Gefran S.p.A company will be managed through the redundancy fund (CIGS) and redundancy plan established on 29/2.

The focus on European organisation will involve managerial and corporate downsizing in order to increase the productivity of the Gefran commercial and distribution structures.

Since the environment in which the Group is acting is particularly unstable, this plan will have to be pursued with determination in order to lead the group back to profitability.

With the current order portfolio and the trends described above, the Group will only partially manage to recover the reduction in revenues from the previous year.

In the absence of situations occurring outside the group's control, consolidated revenues should be 8% higher than the previous year, with recovery of the EBITDA margin, which should be approximately 8% of revenues, and EBIT of between 3% and 3.5%.

24. OWN SHARES

In 2015, the Parent Company Gefran S.p.A. continued to purchase own shares following the guidelines set out in the plan approved by the Shareholders' Meeting of 29 April 2015, which authorised the purchase and sale of own shares up to the maximum legal limit of 10% of issued shares, for a period of 18 months from the date of the Shareholders' Meeting.

Gefran S.p.A. purchased 29,861 shares at an average price of EUR 2.7337 per share during the year. At 31 December 2015, Gefran S.p.A. held 219,735 shares (1.53% of the capital) with an average book value of EUR 3.6546 per share. As at the date of this report, Gefran S.p.A. owns 225,828 shares, equivalent to 1.57% of the capital, at an average book value of EUR 3.5954 per share.

Brokerage on Gefran's shares by the specialist Intermonte takes place regularly.

25. DEALINGS WITH RELATED PARTIES

At its meeting on 12 November 2010, the Gefran Board of Directors approved the "*Regulation for transactions with related parties*" in application of Consob ruling 17221 of 12 March 2010. This regulation is published in the "Investor Relations" section of the website www.gefran.com.

<u>The regulation is based on the following general principles:</u>

- to ensure the substantial and procedural transparency and probity of transactions with related parties;
- to provide directors and statutory auditors with an appropriate assessment, decision-making and control tool regarding transactions with related parties.

<u>The regulation is structured as follows:</u>

- **Part one:** definitions (related parties, significant and insignificant transactions, intercompany, ordinary, of negligible amount, etc.);
- **Part two:** procedures to approve significant and insignificant transactions, exemptions;
- **Part three:** disclosure obligations.

See note 42 of the Notes to the Consolidated Financial Statements for details on transactions with related parties. The procedure in question was updated in 2012 in order to improve some of the definitions contained therein.

26. SIMPLIFIED INFORMATION

On 1 October 2012, the Gefran S.p.A. Board of Directors voted to make use of the option of providing simplified information pursuant to article 70, paragraph 8, and article 71, paragraph 1-bis, of Consob Regulation 11971/1999 as amended.

27. PROVISIONS UNDER ARTICLES 36 AND 39 OF THE CONSOB REGULATION ON MARKETS

With reference to the "conditions for listing of shares of parent companies of companies established and regulated by laws of countries not belonging to the European Union" as set out in articles 36 and 39 of the Consob Regulation on Markets, note that the following subsidiaries fall under article 36: Gefran Siei Asia PTE Ltd (Singapore), Gefran Siei Drives Technology Co Ltd. (China), Gefran Deutschland GmbH and Siei Areg GmbH (Germany), Gefran Inc. (U.S.A.), Gefran France S.A. (France), Gefran India Private Ltd (India) and Gefran Soluzioni S.r.l. (Italy).

The Group also made the adjustments necessary to meet the conditions set out under paragraph 1 of the aforementioned article 36, and there are procedural provisions in place designed to ensure they are maintained.

Provaglio d'Iseo, 10 March 2016

For the Board of Directors	Chief Executive
Chairman	Officer
Ennio Franceschetti	**Maria Chiara Franceschetti**

CONSOLIDATED FINANCIAL STATEMENTS

28. STATEMENT OF PROFIT/(LOSS) FOR THE YEAR

		progressive at 31 December	
(EUR/000)	*Note*	**2015**	**2014**
Revenues from product sales	*15*	114,851	128,669
of which non-recurring:		*0*	*705*
of which related parties:	*42*	*120*	*75*
Other operating revenues and income	*16*	501	958
TOTAL REVENUES		**115,352**	**129,627**
Change in inventories		1,281	(1,838)
Costs of raw materials and accessories	*17*	(40,587)	(47,877)
Service costs	*18*	(23,055)	(21,556)
of which: related parties	*42*	*(181)*	*(196)*
Miscellaneous management costs	*20*	(1,098)	(920)
Other operating income	*20*	78	1,655
of which: non-recurring		*0*	*1,383*
Personnel costs	*19*	(46,313)	(47,381)
of which: non-recurring		*0*	*(1,023)*
Increases for internal work		1,749	2,221
Impairment of trade and other receivables		(1,726)	(995)
Amortisation	*21*	(2,114)	(2,186)
Depreciation	*21*	(4,197)	(4,169)
EBIT		**(630)**	**6,581**
of which: non-recurring		*0*	*1,065*
Gains from financial assets	*22*	3,154	2,014
Losses from financial liabilities	*22*	(4,277)	(2,700)
Losses (gains) from shareholdings value at equity	*23*	119	36
PROFIT (LOSS) BEFORE TAX		**(1,634)**	**5,931**
of which: non-recurring		*0*	*1,065*
Current taxes	*24*	(1,681)	(2,162)
Deferred taxes	*24*	(1,267)	(1,017)
TOTAL TAXES		**(2,948)**	**(3,179)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(4,582)**	**2,752**
of which: non-recurring		*0*	*1,065*
Net profit (loss) from assets held for sale	*12*	(187)	(2,976)
of which: non-recurring		*0*	*(300)*
NET PROFIT (LOSS) FOR THE YEAR		**(4,769)**	**(224)**
of which: non-recurring		*0*	*765*
Attributable to:			
Group		(4,769)	(224)
Third parties		0	0

Earnings per share		progressive at 31 December	
(Euro)	*note*	**2015**	**2014**
Basic earnings per ordinary share	*25*	(0.34)	(0.02)
Diluted earnings per ordinary share	*25*	(0.34)	(0.02)

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

		progressive at 31 December	
(Euro)	*note*	**2015**	**2014**
NET PROFIT (LOSS) FOR THE YEAR		**(4,769)**	**(224)**
Items that will not subsequently be reclassified in the income statement for the year			
- revaluation of employee benefits: IAS 19	*38*	(144)	(597)
- overall tax effect	*38*	49	48
Items that will or could subsequently be reclassified in the income statement for the year			
- conversion of foreign companies' financial statements		2,346	3,729
- corrections of prior year errors		(319)	0
- equity investments in other companies	*37*	23	8
- fair value of cash flow hedging derivatives	*37*	68	4
Total changes, net of tax effect		**2,023**	**3,192**
Comprehensive result for the period		**(2,746)**	**2,968**

30. STATEMENT OF FINANCIAL POSITION

(EUR/000)	Note	31 Dec 2015	31 Dec 2014
NON-CURRENT ASSETS			
Goodwill	*26*	5,904	5,674
Intangible assets	*27*	9,222	8,876
of which: related parties	*42*	*30*	*70*
Property, plant, machinery and tools	*29*	39,389	40,997
of which: related parties	*42*	*227*	*77*
Shareholdings valued at equity	*30*	1,046	927
Equity investments in other companies	*31*	1,800	1,870
Receivables and other non-current assets	*32*	115	112
Deferred tax assets	*24*	5,241	6,304
TOTAL NON-CURRENT ASSETS		**62,717**	**64,760**
CURRENT ASSETS			
Inventories	*33*	22,674	21,004
Trade receivables	*33*	34,023	42,232
of which: related parties		*4*	*6*
Other assets	*34*	2,254	2,688
Tax receivables	*35*	1,663	2,148
Cash and cash equivalents	*36*	24,602	20,732
Financial assets for derivatives	*36*	25	26
TOTAL CURRENT ASSETS		**85,241**	**88,830**
ASSETS HELD FOR SALE	*12*	**1,354**	**1,354**
TOTAL ASSETS		**149,312**	**154,944**
SHAREHOLDERS' EQUITY			
Share capital		14,400	14,400
Reserves		53,353	51,804
Profit/(loss) for the year		(4,769)	(224)
TOTAL SHAREHOLDERS' EQUITY	*37*	**62,984**	**65,980**
NON-CURRENT LIABILITIES			
Non-current financial payables	*36*	10,879	25,959
Employee benefits	*38*	5,405	5,611
Non-current provisions	*39*	555	664
Deferred tax provisions	*24*	868	760
TOTAL NON-CURRENT LIABILITIES		**17,707**	**32,994**
CURRENT LIABILITIES			
Current financial payables	*36*	38,352	22,061
Trade payables	*33*	16,531	17,842
of which: related parties	*42*	*52*	*128*
Financial liabilities for derivatives	*36*	274	343
Current provisions	*39*	1,301	1,403
Tax payables	*35*	3,119	3,795
Other liabilities	*40*	9,044	10,526
TOTAL CURRENT LIABILITIES		**68,621**	**55,970**
TOTAL LIABILITIES		**86,328**	**88,964**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**149,312**	**154,944**

31. CONSOLIDATED CASH FLOW STATEMENT

(EUR/000)	*note*	31 Dec 2015	31 Dec 2014
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**20,732**	**25,040**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:			
Net profit (loss) for the year		(4,769)	(224)
Depreciation/amortisation		6,311	6,355
Capital losses (gains) on the sale of non-current assets		(4)	(1,671)
Net result from financial operations		1,004	946
Change in provisions for risks and future liabilities		(417)	(1,473)
Change in other assets and liabilities		(1,239)	55
Change in deferred taxes		1,171	904
Change in trade receivables		8,209	(4,467)
Change in inventories		(1,670)	2,125
Change in trade payables		(1,311)	(3,376)
TOTAL		**7,285**	**(826)**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets		(4,733)	(5,462)
- Equity investments and securities		0	700
- Acquisitions net of acquired cash		0	0
- Financial receivables		0	0
Disposal of non-current assets		97	1,465
TOTAL		**(4,636)**	**(3,297)**
D) FREE CASH FLOW (B+C)		**2,649**	**(4,123)**
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables		18,000	9,000
Repayment of financial payables		(17,791)	(12,370)
Increase (decrease) in current financial payables		1,002	2,955
Interest received (paid)		(1,311)	(1,633)
Change in shareholders' equity reserves		865	1,455
Dividends paid		0	0
TOTAL		**765**	**(593)**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**3,414**	**(4,716)**
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE		**-**	**(523)**
H) Exchange translation differences on cash at hand		456	931
I) NET CHANGE IN CASH AT HAND (F+G+H)		**3,870**	**(4,308)**
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)		**24,602**	**20,732**

32. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR/000)	Share capital	Capital reserves	Fair value measurement reserve	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
Balance at 1 January 2014	14,400	21,926	340	15,814	(739)	9,977	9,826	(8,486)	63,059	0	63,059
Destination of 2013 profit											
- Other reserves and provisions				(1,072)		(255)	(7,159)	8,486	0		0
- Dividends									0		0
Income/(expenses) recognised at equity			12	25		(549)			(512)		(512)
Change in translation reserve					3,729				3,729		3,729
Other changes						(72)			(72)		(72)
2014 profit								(224)	(224)		(224)
Balance at 31 December 2014	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

NOTES TO THE ACCOUNTS

1. General information

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

On 10 March 2016, the consolidated financial statements for the Gefran Group for the year ending 31 December 2015 were approved by the Board of Directors, which authorised their publication.

The Group's main activities are described in the Report on Operations.

2. Form and content

The consolidated financial statements of the Gefran Group were prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

They comprise the financial statements of Gefran S.p.A., of its subsidiaries and of the direct and indirect affiliates, which have been approved by their respective Boards of Directors. The consolidated companies have adopted international accounting standards, with the exception of some minor Italian and foreign companies, whose financial statements have been restated for the consolidated financial statements of the Group to bring them into line with IAS/IFRS standards.

The independent audit of the financial statements was conducted by BDO Italia S.p.A..

These consolidated financial statements are presented in euro, the functional currency of most Group companies. Unless otherwise stated, all amounts are expressed in thousands of euro.

3. Accounting schedules

The Gefran Group produces:

- a statement of financial position, based on which assets and liabilities are classified separately as current and non-current;
- a statement of profit (loss) for the year, in which costs are classified by nature;
- a statement of profit (loss) for the year and other items of comprehensive income, which shows income and charges posted directly to shareholders' equity, net of tax effects;
- a cash flow statement prepared using the indirect method, through which pre-tax profit is shown net of the effects of non-monetary transactions, any deferral or provision of previous or future operating collections or payments, and revenue or cost items relating to cash flows resulting from investments or financial activities.

With reference to Consob resolution 15519 of 27 July 2006, amounts referring to transactions with related parties and non-recurring items are shown separately from the relevant items in the statement of financial position and income statement.

4. Consolidation principles

Subsidiaries are consolidated on a line-by-line basis when the Group has control of them. It only has control if all the following three conditions are met:

- it has power over an investee company (whether this power is actually exercised or not);
- it has exposure or a right to variable returns from the investee company;
- it is able to use its power over the investee company to influence the returns generated thereby.

The results of subsidiaries acquired or sold over the year are included in the consolidated income statement from the actual acquisition date or until the date they are sold.

Companies controlled jointly with other partners and associates, or in any event subject to significant influence are consolidated at equity.

The main principles adopted are the same for all companies in the scope of consolidation, and the related income statements and statements of financial position were all drawn up as of 31 December 2015; in addition, all financial statements have been approved by the respective boards of directors.

The main criteria adopted in line-by-line consolidation are listed below.

Earnings from transactions between subsidiaries not yet realised in respect of third parties, as well as receivables, payables, costs and income between consolidated companies, are eliminated.

The dividends paid by consolidated companies are eliminated from the income statement and added to earnings from previous years, if and to the extent that they are taken from them.

The portions of shareholders' equity and profits (losses) pertaining to minorities are shown respectively in a specific item under shareholders' equity, separately from Group shareholders' equity, and in a specific item in the income statement.

Assets held for sale, the sale of which is highly likely in the next 12 months, are classified in accordance with IFRS 5, provided that the other conditions set out therein are met; therefore, once consolidated on a line-by-line basis, the related assets are classified in a single item, "Assets held for sale", the related liabilities are recorded under liabilities in a single line of the statement of financial position, and the related margin is shown under "Net profit (loss) from assets held for sale" in the income statement.

Profits and losses from intercompany transactions valued at equity are eliminated in proportion to the Group's percentage interest in the associate, except in cases where unrealised losses are evidence of a loss in value of the transferred asset.

On consolidation, the financial statements of foreign subsidiaries expressed in currencies other than the euro are translated using the end-of-year exchange rate for items on the statement of financial position, and using the average exchange rate for the year for income statement items. Exchange rate differences are posted to a separate equity reserve called the "Translation reserve". When a foreign company is sold, the accumulated exchange rate differences recognised under shareholders' equity relating to that particular foreign company are recognised on the income statement.

Changes in equity interests that do not involve a loss of control or relate to investee companies already subject to control are treated as equity transactions (according to the entity control method) and therefore classified under shareholders' equity.

5. Change in the scope of consolidation

The scope of consolidation at 31 December 2015 was different from the scope at 31 December 2014 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.

6. Valuation criteria

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and approved by the European Union.

In line with the requirements of document no. 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 clauses relating to the ratio between net debt and EBITDA were not complied with. Therefore, EUR 15.0 million in medium/long term debt was reclassified as short-term debt. However, the credit lines provided by banks and other financial institutions are sufficient to ensure the Group's operations, liquidity is also considered adequate. Moreover all the banks involved 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. For the reasons above, the directors believe 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, not undermining the Company’s status 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, the information required and in particular details on external information and the sensitivity analysis have been added under note 29 “Verification of impairment of goodwill and intangible assets with a finite life relating to R&D activities”.

With reference to Consob Communication 0007780 of 28 January 2016, we note that the impacts of the market conditions on the balance sheet information were included in the Directors’ Report on Operations. We furthermore note that the application of IFRS 13 “Fair Value Measurement” does not result, for Gefran, in any significant changes to the balance sheet items and that we are currently in the process of assessing the impacts on the balance sheet figures of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from contracts with customers”, that will enter into effect from 1 January 2018.

The most significant valuation criteria adopted by the Gefran Group are summarised in this section.

Segment reporting

The primary segment reporting format chosen by the Gefran Group is line of business. The accounting standards used for reporting segment information in the notes are consistent with those used for preparing the annual financial statements. The information provided in the primary segment reporting format relates to revenues, EBITDA and EBIT, and the assets and liabilities of each business line.

The secondary segment reporting format, as required by IFRS 8, is geographical region; this format shows revenues based on the location of activities for each business line. In the Gefran Group, the location of activities broadly coincides with location by customer.

Revenues

Revenues are recognised to the extent to which it is likely that the Group will obtain economic benefits and the related amount can be reliably determined. The following specific criteria for recognition of revenues must always be complied with before recognition in the income statement.

Sale of goods

The revenue is recognised when the business has transferred the significant risks and benefits connected to ownership of the asset and the amount of revenue can be reliably measured.

Service revenues

Revenues from services (technical assistance, repairs and other services rendered) are recognised according to the state of advancement of these activities. The state of advancement is measured as a percentage, using the hours worked as a proportion of the total estimated hours for each contract.

When the result of the contract cannot be reliably measured, the revenue is recognised only to the extent that the costs sustained are recoverable.

Interest income

This is recorded as financial income for interest income accrued during the year, using the effective interest method, which is the rate that discounts expected future cash flows according to the expected life of the financial instrument, added to the net value of the financial assets reported in the financial statements.

Dividends

Dividends are recognised when the shareholders' right to receive payment arises, i.e. at the date of the Shareholders' Meeting resolution.

Government grants

Government grants are recorded at fair value when there is a reasonable expectation that they will be received and that all the conditions relating thereto have been met.

When funding is related to cost components (e.g. contributions to expenditure), it is recognised as revenues but broken down systemically over several accounting periods so that the revenues match the costs they are meant to offset. When funding is related to an asset (e.g. grants for plants and equipment), the fair value is temporarily recorded under long-term liabilities, and gradually released to the income statement consistently over the expected useful life of the asset concerned.

Costs

Costs for the period are recorded on an accruals basis and recognised net of returns, discounts and rebates.

Financial charges

Financial charges are recorded in the income statement when they are incurred, in accordance with the reference accounting treatment set forth in IAS 23.

Income tax

Income tax for the period was calculated using an estimate of taxable income. The amount owed to the tax authorities is recorded under tax payables. Taxes paid in excess of the amount due are posted to tax assets.

Current income taxes relating to items posted directly to shareholders' equity are reported directly in shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are determined in relation to temporary differences between the consolidated values of assets and liabilities and those recognised for tax purposes in subsidiaries' annual financial statements. Deferred tax assets are recognised when it is probable that sufficient taxable income is available to allow these assets to be used. Deferred tax liabilities are recognised for all taxable temporary differences.

Earnings per share

Basic earnings per ordinary share are calculated by dividing the Group's profit (loss) attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the period, excluding own shares.

For the purposes of calculating the diluted earnings (loss) per ordinary share, the weighted average of outstanding shares is adjusted in line with the assumption that all potential shares resulting from the conversion of bonds or the assignment of options will be subscribed. The Group's net profit is also adjusted to take into account the impact of these operations, net of taxes.

Tangible assets

Tangible assets are recognised at purchase cost, including accessory costs. The cost of tangible assets is adjusted for depreciation on the basis of a systematic plan, taking into account the remaining possibility of economic use of the assets and also considering their physical wear. Tangible assets are depreciated on a monthly basis from the time of entry into operation until they are sold or derecognised in the financial statements. If significant parts of tangible assets in use have different useful lives, the components identified are recognised and depreciated separately.

At the time of sale or when no future economic benefits are expected from the use of an asset, it is derecognised in the financial statements, and any gain or loss (calculated as the difference between the selling price and the carrying value) is recognised in the income statement in the year of derecognition.

Costs for maintenance and ordinary repairs are charged to the income statement in the year in which they are incurred. Extraordinary maintenance costs that entail significant and tangible improvements to plant production capacity or safety or their economically useful lives are capitalised.

Leases

Finance leases, which essentially transfer all of the risks and benefits associated with ownership of the leased asset to the Group, are capitalised as tangible assets on the date on which the lease begins at the lower of the fair value of the leased asset and the present value of the lease payments. A payable is recognised under liabilities for the same amount, which is then gradually reduced according to the repayment plan for the principal amounts included in the contractually agreed payments. Lease payments are apportioned between principal and interest so as to achieve a constant rate of interest on the remaining balance of the debt (principal). Financial charges are charged to the income statement.

Leased assets are depreciated using the same criteria as for other tangible assets.

Leases where the lessor retains substantially all the typical risks and rewards of ownership are classified as operating leases. The initial negotiation costs incurred for operating leases are regarded as increasing the cost of the leased asset and are recognised over the term of the lease so as to be netted against the revenues generated by the lease.

Operating lease payments are charged to the income statement on a straight-line basis throughout the term of the lease agreement.

Research and development costs

Research costs are charged to the income statement at the time that they are incurred. Development costs incurred for a specific project are capitalised when all the following conditions are met:

- technical feasibility;
- intention to complete, use or sell the asset;
- ability to use or sell the asset;
- probable future economic benefits;
- availability of sufficient resources;
- ability to reliably measure the cost attributable to the intangible asset.

Capitalised development costs are depreciated on a systematic basis from the start of production and throughout the estimated life of the product. The book value of the development costs is reassessed annually, for impairment testing purposes, so as to determine any losses in value or more frequently when there are indications that generate doubts regarding the recoverability of the book value. All other development costs are recognised in the income statement when they are incurred.

Business combinations and goodwill

Business combinations are reported using the acquisition method, based on which the identifiable assets, liabilities and contingent liabilities of the acquired company that meet the reporting conditions under IFRS 3, are recognised at their current values on the acquisition date. Deferred taxes are then allocated on the adjustments made to the previous carrying values to align them with the present value. Given its complexity, the application of the acquisition method involves an initial provisional phase in which the current values of the assets, liabilities and contingent liabilities acquired are determined, in order to allow the transaction to be recorded in the consolidated financial statements for the year in which the combination occurred. This initial recognition is added to and adjusted within 12 months of the acquisition date. Changes to the initial consideration due to events or circumstances occurring after the acquisition date are recognised in the statement of profit (loss) for the year.

Goodwill is recognised as the difference between:

- the sum of the consideration transferred, the amount of minority interests (valued combination by combination, or at fair value or in proportion to the amount of identifiable net assets attributable to minorities), the fair value of previously held interests in the acquiree, recognising any resulting gain or loss in the statement of profit (loss) for the year;

- the net value of the identifiable acquired assets and the identifiable assumed liabilities.

The costs connected to the combination are not included in the consideration transferred and are therefore recognised in the statement of profit (loss) for the year. If, when the process of determining the present value of the assets, liabilities and contingent liabilities has been completed, this amount exceeds the acquisition cost, the excess is immediately credited to the income statement.

Goodwill is periodically reviewed to check the prerequisites for recoverability, through a comparison with the fair value or with future cash flows from the underlying investment. For the purposes of the comparative analysis, goodwill acquired in a business combination is allocated, at the acquisition date, to the Group's individual cash-generating units, or to the groups of cash-generating units expected to benefit from the synergies of combination, regardless of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated:

- represents the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets;
- is no bigger than the operating sectors identified based on IFRS 8.

When goodwill is part of a cash-generating unit (group of cash-generating units) and a part of the assets within the unit is sold, the goodwill associated with the asset disposed of is included in the carrying value of the activity to determine the gain or loss on the disposal. Goodwill sold in these circumstances is measured according to the relative values of the asset disposed of and the retained portion of the unit. When the disposal relates to a subsidiary, the difference between the sale price and the net assets, together with cumulative translation differences and residual goodwill, is posted to the income statement.

Asset impairment

IAS 36 requires the impairment testing of tangible and intangible assets and equity investments if there are indicators suggesting that such a problem might exist. In the case of goodwill, other intangible assets with an indefinite life and equity investments, this test is conducted at least once a year, while intangible assets with a finite life are tested whenever there are indications of impairment. The recoverability of the asset is assessed by comparing the carrying value recognised in the financial statements with the greater of the net selling price, if an active market exists, and the value in use of the asset.

Value in use is the discounted value of the expected cash flows from use of the asset, or an aggregation of assets (cash-generating unit), as well as the value expected from disposal at the end of its useful life. The cash generating units have been identified in line with the organisational structure and the Group's business, as homogenous aggregations that generate independent cash flows through the continued use of the assets allocated to them. For further details, see note 28 of the notes to the accounts below.

Other intangible assets

Other intangible assets acquired or produced internally are recognised as assets in accordance with the provisions of "IAS 38 - Intangible assets", when it is probable that the asset will generate future economic benefits and when the cost of the asset can be reliably determined. Development costs are only recognised under assets if all the following conditions are met:

- technical feasibility;
- intention to complete, use or sell the asset;
- ability to use or sell the asset;
- probable future economic benefits;

- availability of sufficient resources;
- ability to reliably measure the cost attributable to the intangible asset.

The useful life of an intangible asset may be qualified as finite or indefinite. Intangible assets with finite useful lives are amortised on a straight-line basis for the duration of the expected future sales deriving from the related project (usually five years). Useful life is reviewed annually and any changes are applied prospectively. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if there is an indication that the asset may be impaired.

Non-current assets held for sale

Non-current assets classified as held for sale are measured in accordance with IFRS 5 at the lower of their carrying value and their fair value minus selling costs.

Investments in affiliates and joint ventures

Investments in affiliates and joint ventures are valued at equity, according to which the affiliate or joint venture is recognised at cost on the acquisition date; this is subsequently adjusted by the portion pertaining to changes in its shareholders' equity. The losses of affiliates or joint ventures exceeding the interest held by the Group, including medium to long-term receivables, which effectively are part of the Group's net investment in the affiliate, are not recognised, unless the Group has taken on the obligation to cover these losses.

The share of profit (loss) resulting from the application of this consolidation method are recognised in the income statement under "Gains (losses) from the valuation of equity investments at equity".

The surplus acquisition cost compared with the percentage pertaining to the Group of the current value of the affiliate's identifiable assets, liabilities and contingent liabilities on the acquisition date represents the goodwill, and continues to be included in the investment's carrying value. The deficient acquisition cost compared with the percentage pertaining to the Group of the fair value of the affiliate's identifiable assets, liabilities and contingent liabilities on the acquisition date is posted to the income statement for the year when the application process of the acquisition method is completed, or within twelve months of the acquisition.

If an affiliate or joint venture recognises adjustments directly attributable to shareholders' equity and/or in the statement of comprehensive income, the Group in turn records the related portion under shareholders' equity, and where applicable, includes it in the statement of changes to shareholders' equity and/or the statement of other items of comprehensive income.

Any loss due to impairment recognised pursuant to IAS 36 is not attributed to goodwill or any asset contributing to the carrying value of the equity investment in the affiliate, but to the value of the equity investment overall. Any reversal of value is therefore recognised fully to the extent that the recoverable value of the investment subsequently increases based on the result of the impairment test.

Inventories

Inventories are valued at the lower of the acquisition or production cost and the market value. Accessory costs are included in the acquisition cost. The following cost configuration is used:

- raw materials, supplies, products sold: weighted average cost;
- work in progress: production cost;
- finished and semi-finished products: production cost.

Production cost includes the cost of raw materials, materials, labour and all other direct production expenses, including depreciation and amortisation. Production cost does not include distribution costs. Obsolete or slow-moving inventories are written down according to the possibility of using or realising them.

Trade receivables and payables and other receivables/payables

Receivables are recognised in the financial statements at their presumed realisable value, which comprises the nominal value, adjusted if necessary by specific impairment provisions. Trade receivables have due dates that fall within normal contractual periods (30 to 120 days), and are therefore not discounted. An estimate of the risk of bad debt is made when collection of the full amount is no longer probable. Bad debts are written down when they are identified.

The discounting of receivables from customers through factoring operations (with recourse) is booked by recognising:

- the factored receivable at its nominal value under "trade receivables";
- the payable for advances received under "current financial payables".

Receivables factored without recourse are removed from the financial statements when all the risks associated with the sale of the receivable are borne by the factoring company.

Payables are recognised at nominal value. Trade payables have due dates that fall within normal contractual periods (60 to 120 days), and are therefore not discounted.

Financial derivatives

Derivatives are classified as "Hedging derivatives" if the conditions exist for the application of hedge accounting; otherwise, even if undertaken with the intention of managing risk exposure, they are recorded as "Financial assets held for trading". In line with IAS 39, financial derivatives may be recognised using the methods established for hedge accounting only when the relationship between the derivative and the hedged item is formally documented and the hedge effectiveness is high (effectiveness test). The effectiveness of hedge transactions is documented both at the start of the operation and periodically (at least at each reporting date for the financial statements or interim statements) and measured by comparing changes in the fair value of the hedging instrument with those of the hedged item.

When derivatives hedge the risk of changes in the fair value of hedged instruments (fair value hedges), the derivatives are recognised at fair value and the effects are charged to the income statement. The Gefran Group does not hold derivatives of this kind.

When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedges), changes in the fair value of the derivatives are initially recorded under other components of comprehensive income and are then reclassified from shareholders' equity to profit (loss) for the year as a reclassification adjustment, in line with the economic effects of the hedged transaction. The change in fair value relating to the ineffective portion is recognised immediately in the income statement for the period. If the derivative is sold or no longer qualifies as an effective hedge against the risk for which it was initiated, or the occurrence of the underlying transaction is no longer regarded as highly probable, the portion of the cash flow hedge reserve relating thereto is immediately reversed to the income statement

The Gefran Group uses financial derivatives such as interest rate swaps (IRS), interest rate caps (CAP) and forward exchange rate sale transactions to hedge the risk of changes in interest rates and exchange rates. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement. Regardless of classification, all derivatives are measured at fair value using valuation techniques based on market data (such as, inter alia, discounted cash flow, the forward exchange rate method and the Black-Scholes formula and its development).

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and demand and short-term bank deposits, which are highly liquid and subject to an insignificant risk of changes in value. It is recognised at nominal value.

Financial liabilities

Payables and financial liabilities are initially recorded at fair value, which broadly coincides with the amount to be paid, net of transaction costs. Purchases and sales of financial liabilities are recognised on the trading date, i.e. the date on which the Group has committed to purchase/sell the liabilities.

Management determines the classification of financial liabilities in the categories set out in IAS 39 and IFRS 7 at the time of their initial recognition. After initial recognition, financial liabilities are valued in relation to their classification within one of the categories defined by IAS 39. More specifically:

- the valuation of “Financial liabilities at fair value through profit or loss” is carried out using the market value at the close of the reporting period; in the case of unlisted instruments (e.g. financial derivatives) it is carried out using valuation techniques based on market data. Gains or losses arising from fair value measurement relating to assets and liabilities held for trading are recognised in the income statement.
- the valuation of “Financial liabilities valued at amortised cost”, carried out at amortised cost, in the case of instruments maturing within 12 months uses the nominal value as an approximation of amortised cost.

Payables denominated in foreign currencies are adjusted to year-end exchange rates and gains or losses resulting from the adjustment are recognised in the income statement.

Own shares

Own shares are reported as a reduction in respect of shareholders’ equity. The original cost of the own shares and the income generated by any subsequent sales are reported as movements in shareholders’ equity.

Provisions for risks and future liabilities

Allocations to provisions for risks and future liabilities take place when the Group has a present obligation (legal or implicit) arising from a past event, it is probable that a financial outlay will take place to meet the obligation and a reliable estimate can be made of the obligation.

Allocations to provisions for risks and future liabilities exceeding one year are discounted only if the effect of discounting is material, at a pre-tax discount rate that reflects current market assessments of the time value of money and, if appropriate, the specific risks associated with the liability. When discounting takes place, the increase in the provision due to the passage of time is recognised as a financial charge.

Employee benefits

The employee severance indemnities (TFR) mandatory for Italian companies pursuant to Law no. 297/1982. It is considered a defined benefits plan and is based, among other things, on the working life of employees and the remuneration received by the employee throughout a predetermined period of service. The post-employment benefit reserve is calculated by independent actuaries using the "traditional unit credit" method. The Company has opted to recognise all cumulative actuarial gains and losses both on first-time adoption of IFRS and subsequently.

The costs associated with an increase in the present value of the obligation for the post-employment benefits reserve, resulting from the approach of the time when benefits will be paid, are posted to the statement of comprehensive income.

7. Accounting standards, amendments and interpretations not yet in force, but adopted in advance by the Group

There are no relevant issues.

8. Accounting standards, amendments and interpretations applicable from 1 January 2015 relating to relevant issues for the Group

There are no relevant issues.

9. Accounting standards, amendments and interpretations applicable from 1 January 2015 relating to issues not currently relevant for the Group

The following accounting standards and amendments were adopted by the Gefran Group from 1 January 2015 for the preparation of these financial statements:

On 17 December 2014 the amendment of IAS 19 "Employee Benefits" was approved, based on which the contributions relating to defined benefit plans, due from the employee or from third parties, may be recorded as a reduction to the service cost in the period in which the employee's services are rendered, provided that these contributions are made under the following conditions: (i) they are set out in the formal terms and conditions of the plan, (ii) they are related to the service provided by the employee, and (iii) they are independent of the employee's number of years of service (e.g. the contributions are based on a fixed percentage of their salary or a fixed amount for the whole period of work related to the employee's age). The amendment enters into affect for financial years beginning on or after 1 February 2015. The adoption of these amendments did not have any effect on these financial statements.

The documents "Annual Improvements to IFRSs - 2010-2012 Cycle" and "Annual Improvements to IFRSs - 2011-2013 Cycle" were approved on 17 and 18 December 2014 respectively. They contain amendments, largely of a technical and editorial nature, to the main international accounting standards. The amendments to the standards set out in "Annual Improvements to IFRSs - 2011-2013 Cycle" are effective from financial years beginning on or after 1 January 2015; conversely, the amendments set out in "Annual Improvements to IFRSs - 2010-2012 Cycle" are effective from financial years beginning on or after 1 February 2015. The adoption of these amendments did not have any effect on these financial statements. The adoption of these amendments did not have any effect on these financial statements.

10. Accounting standards, amendments and interpretations not yet in force, and not adopted in advance by the Group or endorsed by the European Union

As of the date of this Report, the competent bodies of the European Union have not yet concluded the approval process necessary for the adoption of the following accounting standards, amendments and interpretations:

On 6 May 2014, the IASB issued some amendments to IFRS 11 – Joint Arrangements: Acquisitions of interests in Joint Operations, providing new guidance on how to account for acquisitions of interests in joint operations that constitute a business. The amendments are applicable retrospectively for annual accounting periods beginning on or after 1 January 2016. Early adoption is permitted.

On 12 May 2014, the IASB issued an amendment to IAS 16 – Property, Plant and Equipment, and to IAS 38 – Intangible Assets. The IASB clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate, as the revenue generated by an activity that include the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, may be rebutted in certain limited circumstances. These changes are effective for annual accounting periods beginning on or after 1 January 2016. Early adoption is permitted. At present, the application of the new standard is not expected to have any impact on the Gefran Group.

On 28 May 2014, the IASB issued the standard IFRS 15 - Revenue from Contracts with Customers, which requires companies to recognise revenues when the control of assets or services is transferred to customers in an amount that reflects consideration that the company expects to receive in exchange for these goods and services. To achieve this aim, the new revenue recognition model defines a five-step process. The new standard also requires further additional information regarding the nature, amount, timing and uncertainty of revenue and cash flows resulting from contracts with customers. Application of this new standard is mandatory for annual reporting periods beginning on or after 1 January 2018. Early adoption is permitted. The Gefran Group is assessing how to implement this standard and the impact that it will have on its consolidated financial statements.

On 24 July 2014, the IASB published the standard IFRS 9 – Financial Instruments. The series of amendments introduced by the new standard includes the introduction of a logical approach for the classification and measurement of financial instruments, based on cash flow characteristics and the business model in which an asset is held, as well as a single impairment model for financial assets based on expected losses, and a substantially reformed model for hedge accounting. The new standard will be applied retrospectively from 1 January 2018, and early adoption is permitted.

On 30 January 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts. IFRS 14 allows only first-time adopters of IFRS to continue to account for amounts relating to rate regulation using the previous accounting standards adopted. In order to improve comparison with entities that already apply IFRS and that do not recognise these amounts, the standard requires that the effect of the rate regulation must be presented separately from other items. The standard is applicable from 1 January 2016, but early adoption is permitted. To date this standard has not yet been approved. This standard will not be relevant for the Gefran Group.

On 25 September 2014, the IASB published the Annual Improvements to IFRSs - 2012-2014 Cycle. This is a series of amendments to IFRSs, in response to issues that emerged in 2012-2014. Four standards are affected by the amendments: IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 - Financial Instruments: Disclosures, IAS 19 - Employee Benefits and IAS 34 - Interim Financial Reporting. These amendments will come into force from 1 January 2016, but may be applied in advance. These amendments will not have a significant impact on the Gefran Group.

On 18 December 2014, the IASB published: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28). With "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)" the IASB clarified the following aspects relating to investment entities:

- consolidation of intermediate investment entities: if an entity qualifies as an investment entity, it must measure its subsidiaries at fair value and consolidate the subsidiary entities that provide services relating to the investment activities. The IFRS 10 amendment clarified that if the entity controlled by an investment entity is in turn an investment entity, the latter must be measured at fair value even if it provides services which are related to the investment activity.

- exemption from preparing consolidated financial statements for intermediate investment entities: consolidation of intermediate investment entities: an intermediate parent entity that is a subsidiary of an investment entity does not have to prepare its own consolidated financial statements if it meets the criteria set out under IFRS 10.10. One of these criteria is that the final parent entity prepare consolidated financial statements in pursuant to IFRS and these financial statements be made available to the public. The amendment to IFRS 10 clarified that this criterion is satisfied even if the final parent entity, being an investment entity, does not prepare consolidated financial statements but financial statements in which the subsidiaries are measured at fair value.

- valuation at equity of a shareholding in an investment entity: the change to IAS 28 clarified that the valuation at equity of a shareholding in an investment entity may be conducted using the figures of the subsidiary and therefore maintaining the measurement at fair value of the investments held by the subsidiary.

These amendments will be applied retrospectively from financial years beginning on or after 1 January 2016. This standard will not be relevant for the Gefran Group. Early application is allowed provided that the IASB document has already been approved by the European Union.

On 18 December 2014, the IASB published the document “Disclosure initiative (Amendments to IAS 1)”. With the document “Disclosure initiative (Amendments to IAS 1)”, the IASB clarified the following aspects regarding the presentation of the financial statements:

- emphasis on the materiality of additional information to the financial statements: it has been explicitly clarified that non-material disclosures must not be provided even if expressly requested by a specific IFRS;

- order of notes to the accounts: a specific order is no longer required, and therefore companies may also decide to present notes for each individual financial statement item, commenting on the content and change of the period together with the description of the accounting standard applied for this specific item.

- aggregation/disaggregation of financial statement items: the financial statement items must be disaggregated in order to provide clearer information to users of the financial statements; the items comprising the minimum content in IAS 1 may be aggregated if considered not material.

- sub-totals in financial statement schedules: the presentation of subtotals in the financial statement schedules must comply with specific criteria; regarding the subtotals included in the profit/(loss) for the year, additional reconciliations are required.

- other components of the statement of comprehensive income relating to affiliates and joint ventures valued at equity: it has been clarified that these components must be presented in an aggregate manner, but sub-dividing the portion that will never be restated under profit/(loss) referring to the year from the portion that could be a restated in the future.

The above amendments must be applied to financial statements beginning from (or after) 1 January 2016. Early application is allowed provided that the IASB document has already been approved by the European Union.

On 11 September 2014, the IASB published an exposure draft: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). With the amendment of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, the IASB resolve a conflict between these two principles of reference regarding the accounting treatment to be applied in the event that an entity sells or transfers a subsidiary to another entity over which it exercises joint control (a “joint venture”) or significant influence (“associated entities”). In the absence of this clarification, an entity could decide between one of the following two accounting treatments:

- the one provided by IFRS 10 which required recognition in the profit/(loss) of the financial year of 100% of the economic effects arising from the loss of control;

- the treatment provided in IAS 28, which required recognition in the profit/(loss) of the financial year only of the economic effect concerning other investors in the affiliate or the joint venture.

With the amendment to IFRS 10 and IAS 28, the IASB clarified that an entity must recognise in profit(loss) for the year 100% of the economic effects resulting from loss of control, only if the object transferred to a joint venture or affiliate complies with the definition of “business” set out under IFRS 3 - Business Combinations. If it does not comply with the definition of “business”, the transferring entity must recognise in the profit/(loss) for the year only the economic effects relating to other investors in the affiliate or joint venture.

The above amendments were to be applicable prospectively beginning from the financial statements for the financial years beginning on (or after) 1 January 2016, but the IASB decided in January 2015 to postpone this entry into effect date as incoherent areas were identified in IAS 28. The amendments required to resolve these incoherent areas will be examined during the project “Elimination of gains or losses arising from transactions between an entity and its associate or joint venture”. Following the IASB’s decision, the European Union blocked the approval process, pending the publication of the new document with the new effective date.

On 12 August 2014, the IASB published: Equity Method in Separate Financial Statements (Amendments to IAS 27). With the change to IAS 27 - Separate Financial Statements, the IASB introduced the option to measure shareholdings in subsidiaries, affiliates or joint ventures, in the separate financial statements, using the equity method. This option, which was previously not available, is added to two more options that have remained in place: the cost method or the fair value method pursuant to IAS 39 or IFRS 9. The option of using the equity method for all or some categories of shareholdings must be applied in the separate financial statements retrospectively. This amendment is due to come into force for financial statements for years beginning on or after 1 January 2016. Early application is allowed provided that the IASB document has already been approved by the European Union.

On 30 June 2014, the IASB published Agriculture: Bearer plant (Amendments to IAS 16 and IAS 41). The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture, bearer plants giving rise to annual harvests (such as grape vines) must be accounted for pursuant to IAS 16 rather than IAS 41. Therefore, according to IAS 16 these biological assets can be measured at cost and no longer at fair value net of selling costs, as was required previously by IAS 41. Pursuant to IAS 16, an entity can nevertheless also use the redetermination of value method, measuring these assets at fair value. These amendments only apply to plants used to produce seasonal fruit, and may not be applied to plants that will be sold (“living plants”) or subject to a harvest as agricultural products (e.g. trees for the production of timber). These amendments will be applied retrospectively from financial years beginning on or after 1 January 2016. For the first year of application, the option has been given to use fair value on the opening date of the comparative balance sheet as a “cost substitute”, thereby avoiding the retroactive reconstruction of this value for the previous years as well. Early application is allowed provided that the IASB document has already been approved by the European Union.

11. Main decisions in the application of accounting standards and uncertainties in making estimates

The preparation of the consolidated financial statements and the notes to the accounts required the use of estimates and assumptions, both in determining certain assets and liabilities, and in valuing contingent assets and liabilities. The estimates and assumptions made are based on past experience and other relevant factors. These estimated figures may therefore not be fully confirmed by future events. Estimates and assumptions are reviewed periodically, and the effects of each change are immediately reflected in the financial statements.

In light of the current macroeconomic environment, which continues to be destabilised by the current recession, estimates were based on assumptions relating to the future and are highly uncertain. It is therefore possible that even significant changes will have to be made next year to the figures subject to these evaluations if the results differ from the estimates made in the financial statements at 31 December 2015. Estimated figures relate to provisions for risks and future liabilities, bad debt provisions and other impairment provisions, with particular reference to inventory evaluations, depreciation and amortisation, employee benefits and deferred tax assets, as well as the evaluation of goodwill and research and development costs.

To determine the existence of goodwill impairment and the capitalisation of development costs, it is necessary to estimate the value in use of the cash generating unit (CGU) to which the goodwill is allocated, or the value in use of the project. Determining the value in use requires an estimate of the cash flows that the company expects the CGU to generate, and the calculation of an appropriate discount rate.

As described in more detail in note 28 below, the main uncertainties that could affect this estimate concern the assumptions made regarding the trend in expected cash flows, the discount rate (WACC) and the growth rate (g). Throughout 2015, the management carefully checked that there were no indicators of goodwill impairment in any of the CGUs.

The management does not consider that stock market capitalisation or other evaluation criteria such as market multiples can represent the Group’s value, given the market’s instability and the low volumes traded. The management therefore placed particular emphasis on the estimate of the Group’s value in use, as described in more detail in note 28.

12. Operating assets held for sale

In application of IFRS 5 “Non-current assets held for sale and discontinued operations”, the financial position consisting of the goodwill of the business unit that distributes the sensors and components for automation in Spain/Portugal was recognised as EUR 140 thousand for 2014 and 2015 and was presented under the item “Assets held for sale,” following the decision of the Board of Directors to sell the business unit.

Concurrently, the new developments in the negotiations for the sale of the photovoltaic unit to a major Indian group, required the restatement of the inventories dedicated to the business as operating assets, where they are presented for 2015 and 2014.

The statement of financial position originally published by the Gefran Group for 2014 have been restated to comply with the accounting standard mentioned above.

With regard to the remaining asset values, booked under "Assets held for sale" in the amount of EUR 1,354 thousand at 31 December 2015, the management considers these amounts to be fully recoverable.

Following is the statement of reconciliation of the statement of financial position at 31 December 2014.

	31 Dec 2014 Approved	Adjustments	31 Dec 2014 Adjusted
NON-CURRENT ASSETS			
Goodwill	5,814	(140)	5,674
Intangible assets	8,876		8,876
Property, plant, machinery and tools	40,997		40,997
Shareholdings valued at equity	927		927
Equity investments in other companies	1,870		1,870
Receivables and other non-current assets	112		112
Deferred tax assets	6,304		6,304
TOTAL NON-CURRENT ASSETS	**64,900**		**64,760**
CURRENT ASSETS			
Inventories	19,104	1,900	21,004
Trade receivables	42,232		42,232
Other assets	2,688		2,688
Tax receivables	2,148		2,148
Cash and cash equivalents	20,732		20,732
Financial assets for derivatives	26		26
TOTAL CURRENT ASSETS	**86,930**		**88,830**
ASSETS HELD FOR SALE	**3,114**	**(1,760)**	**1,354**
TOTAL ASSETS	**154,944**		**154,944**
SHAREHOLDERS' EQUITY			
Share capital	14,400		14,400
Reserves	51,804		51,804
Profit/(loss) for the year	(224)		(224)
Total Group Shareholders' Equity	**65,980**		**65,980**
TOTAL SHAREHOLDERS' EQUITY	**65,980**		**65,980**
NON-CURRENT LIABILITIES			
Non-current financial payables	25,959		25,959
Employee benefits	5,611		5,611
Non-current provisions	664		664
Deferred tax provisions	760		760
TOTAL NON-CURRENT LIABILITIES	**32,994**		**32,994**
CURRENT LIABILITIES			
Current financial payables	22,061		22,061
Trade payables	17,842		17,842
Financial liabilities for derivatives	343		343
Current provisions	1,403		1,403
Tax payables	3,795		3,795
Other liabilities	10,526		10,526
TOTAL CURRENT LIABILITIES	**55,970**		**55,970**
TOTAL LIABILITIES	**88,964**		**88,964**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**154,944**		**154,944**

13. Financial instruments: disclosures pursuant to IFRS 7

The Group's operations are exposed to various types of risk: market risk (including exchange rate risks, interest rate risks and price risks), credit risk and liquidity risk. The Group's risk management strategy focuses on the markets' unpredictability and is intended to minimise the potential negative effects on the Group's results. Certain types of risk are mitigated through the use of derivatives. Coordination and monitoring of the main financial risks are centralised in the Group's Finance and Administration Department, as well as the Purchasing function as regards the price risk, in close partnership with the Group's operating units. Risk management policies are approved by the Group's Administration, Finance and Control Department, which provides written guidelines for the management of the risks listed above and the use of derivative and non-derivative financial instruments. As part of the sensitivity analyses described below, the effect on the net profit figure and on shareholders' equity is determined gross of the tax effect.

Exchange rate risks

The Group is exposed to the risk of fluctuations in exchange rates in relation to commercial transactions and the cash held in currencies other than the euro, the Group's functional currency. Around 35% of sales are denominated in a different currency. Specifically, the Group is most exposed to the following exchange rates:

- EUR/USD to the tune of 12%, mainly related to the commercial transactions of Parent Company Gefran S.p.A. and the subsidiary Gefran Inc.;
- EUR /RMB to the tune of 13%, mainly related to the Chinese operating company Gefran Siei Drives Technology;
- the remainder is divided between EUR/BRL, EUR/GBP, EUR/CHF, EUR/INR, EUR/ZAR and EUR/TRL.

The Group hedges some of its foreign currency transactions by trading exchange rate derivatives (currency forward purchase and sale), the due dates of which coincide with that of the hedged transaction, in order to maximise its effectiveness. The main currency risk hedging activity is conducted through forward exchange rate option sale and purchase transactions.

The sensitivity to a hypothetical and unexpected change of the exchange rates of 5% and 10% in the fair value of the balance sheet assets and liabilities is shown below:

Description	**2015**		**2014**	
(EUR/000)	-5%	+5%	-5%	+5%
Chinese renminbi	(5)	5	(157)	157
US dollar	25	(23)	(23)	23
Total	20	(18)	(180)	180

Description	**2015**		**2014**	
(EUR/000)	-10%	+10%	-10%	+10%
Chinese renminbi	(11)	9	(315)	315
US dollar	54	(44)	(47)	47
Total	43	(35)	(362)	362

Sensitivity to a hypothetical, unfavourable and immediate change of 10% in exchange rates, with other variables remaining unchanged, would have an impact on the fair value of financial assets and liabilities held in a currency other than the functional currency of approximately EUR 662 thousand at 31 December 2015 (approximately EUR 944 thousand at 31 December 2014).

At 31 December 2015, the Group had no hedging transactions in place.

Interest rate risk

The long-term interest rate to which the Group is exposed mainly originates from long-term loans. These are variable-rate loans. Variable-rate loans expose the Group to a risk associated with interest rate volatility (the cash flow risk). The Group uses derivatives to hedge its exposure to interest rate risk, stipulating Interest Rate Swap (IRS) and Interest Rate CAP contracts.

The Group's Administration and Finance Department monitors exposure to the interest rate risk and proposes appropriate hedging strategies to contain exposure within the limits defined and agreed in the Group's policies, using derivatives when necessary.

The table below shows a sensitivity analysis of the impact that an interest rate increase/decrease of 100 basis points would have on the consolidated net profit/(loss), comparing interest rates at 31 December 2015 and 31 December 2014, while keeping other variables unchanged.

(EUR/000)	2015		2014	
	-100	100	-100	100
Euro	(8)	(58)	(188)	52
Total	**(8)**	**(58)**	**(188)**	**52**

The potential impacts shown above are calculated with reference to the net liabilities that account for the most significant portion of the Group's debt on the reporting date of this interim financial report, and measuring, on this amount, the effect on net financial liability charges resulting from the change in interest rates on an annual basis.

The net liabilities considered in this analysis include variable-rate financial assets and liabilities, cash and cash equivalents and derivative financial instruments, the value of which is affected by interest rate fluctuations.

The table below shows the carrying value at 31 December 2015, broken down by maturity, of the Group's financial instruments exposed to the interest rate risk:

Variable rate	**<1 year**	**1-5 years**	**>5 years**	**Total**
(EUR/000)				
Loans due	26,876	10,879	-	37,755
Other accounts payable	273	-	-	273
Account overdrafts	11,187	-	-	11,187
Leases	16	-	-	16
Total liabilities	**38,352**	**10,879**	**-**	**49,231**
Cash in current accounts	24,533	-	-	24,533
Other cash	-			-
Total assets	**24,533**	**-**	**-**	**24,533**
Total variable rate	**(13,819)**	**(10,879)**	**-**	**(24,698)**

Unlike net debt figures, the amounts shown in the table above do not include the fair value of derivatives (negative at EUR 249 thousand) or cash on hand (positive at EUR 69 thousand).

Liquidity risk

Prudent management of the liquidity risk arising from the Group's normal operations requires an appropriate level of cash on hand and short-term securities to be maintained, as well as the availability of funds obtainable through an appropriate amount of committed credit lines.

The Group's Administration and Finance Department monitors forecasts on the use of the Group's liquidity reserves based on expected cash flows. The table below shows the amount of liquidity reserves on the reference dates:

Description	2015	2014	changes
(EUR/000)			
Cash and cash equivalents	69	79	(10)
Cash in bank deposits	24,533	20,653	3,880
Total liquidity	**24,602**	**20,732**	**3,870**
Multiple mixed credit lines	22,450	21,000	1,450
Cash flexibility credit lines	8,785	8,385	400
Invoice factoring credit lines	12,624	12,184	440
Total credit lines available	**43,859**	**41,569**	**2,290**
Total liquidity available	**68,461**	**62,301**	**6,160**

To complete disclosure on financial risks, the table below shows a reconciliation of financial asset and liability classes, as identified in the Group's statement of financial position, and the types of financial assets and liabilities identified on the basis of IFRS 7 requirements:

	Note	Level 1	Level 2	Level 3	Total
(EUR/000)					
Available-for-sale assets valued at fair value:					
Shareholdings valued at fair value with a balancing item in other overall profit/(loss)		352	-	1,448	1,800
Foreign exchange forward transactions		-	-	-	-
Hedging transactions		-	25	-	25
Total assets		**352**	**25**	**1,448**	**1,825**
Hedging transactions		-	274	-	274
Total liabilities		**-**	**274**	**-**	**274**

Credit risk

The Gefran Group deals mainly with known and reliable customers. The Group's credit policy is to subject customers who require extended payment terms and new customers to credit checks. In addition, receivables are monitored over the year to reduce late payments and prevent significant losses.

The Group has adopted a policy of monitoring outstanding receivables, a measure made necessary given the possible deterioration of certain receivables, the decline in credit rating reliability and the lack of liquidity on the market. The process of devaluation, carried out in accordance with the Group's procedures, establishes that credit positions are devalued in percentage terms based on the overdue period of time; individual trade positions for which there is objective evidence of insolvency are also impaired.

The Gefran Group has established formal procedures for customer credit and credit collection through the legal department and in partnership with leading external law offices. All the procedures put in place are intended to reduce credit risk. Exposure to other forms of credit, such as financial receivables, is constantly monitored and reviewed monthly or at least quarterly, in order to determine any losses or recovery-associated risks.

The Gefran Group has assigned a portion of its trade receivables to a leading factoring company by transferring the insolvency risk.

At 31 December 2015, gross trade receivables totalled EUR 37,835 thousand (EUR 46,151 thousand at 31 December 2014), and included EUR 2,226 thousand (EUR 4,143 thousand at 31 December 2014) related to receivables subject to individual impairment; of the remaining amount, the sum overdue by less than two months was EUR 4,136 thousand (EUR 8,502 thousand at 31 December 2014), while that overdue by more than two months was EUR 11,541 thousand (EUR 7,969 thousand at 31 December 2014).

Risk of change in raw material prices

The Group's exposure to price risk is minimal. Purchases of materials and components subject to fluctuations in raw material prices are not significant. The purchase costs of the main components are usually set with counterparties for the full year, and reflected in the budget. The Group has in place structured and formalised governance systems that it uses to regularly analyse its margins. Commercial operations are coordinated by business area, so as to monitor sales and manage discounts.

Fair value of financial instruments

All the Group's financial instruments are recorded in the financial statements at fair value. The amount of financial liabilities valued at amortised cost is considered close to the fair value on the reporting date.

The table below summarises the Group's net debt, comparing fair value and carrying value:

	carrying value		fair value	
(EUR/000)	**2015**	**2014**	**2015**	**2014**
Financial investments				
Cash and cash equivalents	69	79	69	79
Cash in bank deposits	24,533	20,653	24,533	20,653
Financial assets for derivatives	25	26	25	26
Total financial assets	**24,627**	**20,758**	**24,627**	**20,758**
Financial liabilities				
Short-term portion of long-term debt	(26,876)	(11,587)	(26,876)	(11,587)
Short-term bank debt	(11,187)	(10,116)	(11,187)	(10,116)
Financial liabilities for derivatives	(274)	(343)	(274)	(343)
Factoring	(265)	(292)	(265)	(292)
Leasing	(16)	(57)	(16)	(57)
Other financial payables	(8)	(9)	(8)	(9)
Non-current financial debt	(10,879)	(25,959)	(10,879)	(25,959)
Total financial liabilities	**(49,505)**	**(48,363)**	**(49,505)**	**(48,363)**
Total net debt	**(24,878)**	**(27,605)**	**(24,878)**	**(27,605)**

14. 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.

Figures by business area

	2015					2014				
(EUR/000)	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
Sensors	47,630	11,949	25.1%	9,837	20.7%	44,703	10,995	24.6%	9,015	20.2%
Automation components	30,432	388	1.3%	(1,632)	-5.4%	30,798	653	2.1%	(1,219)	-4.0%
Drives	40,134	(6,656)	-16.6%	(8,835)	-22.0%	57,342	1,288	2.2%	(1,215)	-2.1%
Eliminations	(2,844)					(3,216)				
Total	115,352	5,681	4.9%	(630)	-0.5%	129,627	12,936	10.0%	6,581	5.1%

Intersegment sales are booked at transfer prices, which are broadly in line with market prices.

Statement of financial position figures by business area

(EUR/000)	**31/12/2015**	**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)
Working 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**

(EUR/000)	31/12/2014	Sensors	Components	Drives	Not divided	Total
Intangible assets	14,550	8,346	3,202	3,002		14,550
Tangible assets	40,997	10,677	11,633	18,687		40,997
Financial assets	9,213				9,213	9,213
Net fixed assets	64,760	19,023	14,835	21,689	9,213	64,760
Inventories	21,004	4,534	3,937	12,533		21,004
Trade receivables	42,232	10,091	7,338	24,803		42,232
Trade payables	(17,842)	(4,461)	(4,133)	(9,248)		(17,842)
Other assets/liabilities	(9,485)	(2,587)	(2,428)	(2,823)	(1,647)	(9,485)
Working capital	35,909	7,577	4,714	25,265	(1,647)	35,909
Provisions for risks and future liabilities	(2,067)	(252)	(55)	(1,123)	(637)	(2,067)
Deferred tax provisions	(760)				(760)	(760)
Employee benefits	(5,611)	(1,699)	(2,201)	(1,711)	-	(5,611)
Invested capital from operations	92,231	24,649	17,293	44,120	6,169	92,231
Invested capital from assets held for sale	1,354	-	-	-	1,354	1,354
Net invested capital	93,585	24,649	17,293	44,120	7,523	93,585
Shareholders' equity	65,980				65,980	65,980
Medium- to long-term financial payables	25,959				25,959	25,959
Short-term financial payables	22,061				22,061	22,061
Financial liabilities for derivatives	343				343	343
Financial assets for derivatives	(26)				(26)	(26)
Cash and cash equivalents and short-term financial receivables	(20,732)				(20,732)	(20,732)
Net debt relating to operations	27,605	-	-	-	27,605	27,605
Total sources of financing	93,585	-	-	-	93,585	93,585

Secondary segment - revenues by geographical region

Geographical region	2015	2014	changes	%
(EUR/000)				
Italy	33,173	33,999	(826)	-2.4%
European Union	30,977	29,178	1,799	6.2%
Europe non-EU	6,393	6,371	22	0.3%
North America	13,679	11,050	2,629	23.8%
South America	3,755	4,945	(1,190)	-24.1%
Asia	25,903	41,561	(15,658)	-37.7%
Rest of the World	971	1,565	(594)	-38.0%
Total	**114,851**	**128,669**	**(13,818)**	**-11%**

Secondary segment - investments by geographical region

Geographical region	2015 tangible assets	2015 intangible assets and goodwill	2014 tangible assets	2014 intangible assets and goodwill
(EUR/000)				
Italy	1,838	2,275	1,874	2,856
European Union	100	10	58	24
Europe non-EU	22	1	46	40
North America	25	6	44	9
South America	32	53	47	9
Asia	253	118	454	1
Rest of the World	0	0	0	0
Total	2,270	2,463	2,523	2,939

15. Revenues from product sales

"Revenues" totalled EUR 114,851 thousand in 2015, a decrease of EUR 13,818 thousand from 2014. The following table provides a breakdown of sales and service revenues by business:

Sector	2015	2014	changes	%
(EUR/000)				
Automation components	28,266	28,400	(134)	-0.5%
Sensors	46,909	44,146	2,763	6.3%
Drives	39,676	56,123	(16,447)	-29.3%
Total	**114,851**	**128,669**	**(13,818)**	**-11%**

The amount shown under total revenues includes service revenues of EUR 3,276 thousand (EUR 2,144 thousand in 2014); see the Report on Operations for comments on the performance of the various businesses and geographical regions.

16. Other operating revenues and income

"Other operating revenues and income" total EUR 501 thousand, a decrease of EUR 457 thousand on 2014, as shown in the following table:

Description	2015	2014	changes
(EUR/000)			
Recovery of company canteen expenses	40	44	(4)
Insurance reimbursements	37	0	37
Fees	7	4	3
Government grants	59	726	(667)
Other income	358	184	174
Total	**501**	**958**	**(457)**

The main change refers to government grants to the Chinese affiliate, which amounted to EUR 726 thousand in 2014.

17. Costs of raw materials and accessories

"Costs of raw materials and accessories" amounted to EUR 40,587 thousand and have decreased by EUR 7,290 thousand. They comprise of:

(EUR/000)	**2015**	**2014**	**changes**
Raw materials and accessories	40,587	47,877	(7,290)

The decrease is mainly due to the contraction in the sales, particularly with regard to the drives business during the financial period.

18. Service costs

"Service costs" amounted to EUR 23,055 thousand, up by EUR 1,499 thousand compared with the figure of EUR 21,556 thousand for 2014, and break down as follows:

(EUR/000)	**2015**	**2014**	**changes**
Services	20,878	19,206	1,672
Use of third-party assets	2,177	2,350	(173)
Total	23,055	21,556	1,499

The increase in the costs for services is due mainly from the expenses incurred at fairs, advertising and the recruitment and training of personnel, particularly in the first half of the year.

19. Personnel costs

"Personnel costs" totalled EUR 46,313 thousand, down by EUR 1,068 thousand from 2014, and break down as follows:

(EUR/000)	**2015**	**2014**	**changes**
Salaries and wages	34,260	35,138	(878)
Social security contributions	9,378	9,616	(238)
Post-employment benefit reserve	2,086	2,180	(94)
Other costs	589	447	142
Total	46,313	47,381	(1,068)

The 2014 figure includes non-recurring costs of EUR 1,023 thousand representing restructuring costs. Net of the non-recurring component, the personnel costs are essentially unchanged over the two financial years.

"Social security contributions" includes costs for defined contribution benefit plans for management (Previndai pension plan) of EUR 76 thousand (EUR 84 thousand at 31 December 2014).

The average number of Group employees in 2015 is shown below:

	2015	2014	changes
Managers	18	19	(1)
Clerical staff	546	573	(27)
Manual workers	265	281	(16)
Total	**829**	**873**	**(44)**

The average number of employees fell by 44 compared with 2014; the precise number at the end of 2015 was 809, a decrease of 39 from 31 December 2014. For more information, see the "Human Resources" section of the Report on Operations.

20. Other operating income and charges

"Miscellaneous management costs" were EUR 1,098 thousand, compared with EUR 920 thousand in 2014. They break down as follows:

(EUR/000)	2015	2014	changes
Capital losses on the sale of assets	(39)	(13)	(26)
Losses on other receivables	(81)	(42)	(39)
Other taxes and duties	(671)	(492)	(179)
Membership fees	(210)	(203)	(7)
Miscellaneous	(97)	(170)	73
Total	(1,098)	(920)	(178)

The item *"other operating income"* is EUR 78 thousand compared with EUR 1,655 thousand in 2014. It breaks down as follows:

(EUR/000)	2015	2014	changes
Capital gains on the sale of activities	-	1,383	(1,383)
Capital gains on the sale of assets	43	5	38
Collection of doubtful receivables	34	258	(224)
Miscellaneous	1	9	(8)
Total	78	1,655	(1,577)

The 2014 income includes the capital gains from the sale of the LAT 11 calibration laboratory, equal to EUR 1,383 thousand.

21. Depreciation/amortisation

These amount to EUR 6,311 thousand, essentially unchanged from the previous year.

(EUR/000)	2015	2014	changes
Amortisation	2,114	2,186	(72)
Depreciation	4,197	4,169	28
Total	6,311	6,355	(44)

The breakdown of depreciation and amortisation by business is summarised in the table below:

(EUR/000)	2015	2014	changes
Sensors	2,112	1,980	132
Components	2,020	1,872	148
Drives	2,179	2,503	(324)
Total	6,311	6,355	(44)

22. Gains and losses from financial assets/liabilities

"Gains from financial assets" totalled EUR 3,154 thousand, versus EUR 2,014 thousand in 2014, and break down as follows:

Description	**2015**	**2014**	**change**
(EUR/000)			
income from cash management	55	71	(16)
other financial income	107	114	(7)
exchange rate gains	2,264	799	1,465
currency valuation differences	728	734	(6)
income from the sale of financial assets	-	296	(296)
Total	**3,154**	**2,014**	**1,140**

"Losses from financial liabilities" totalled EUR 4,277 thousand, up from EUR 2,700 thousand in 2014, and break down as follows:

Description	**2015**	**2014**	**change**
(EUR/000)			
medium-/long-term interest	(1,100)	(1,405)	305
short-term interest	(101)	(109)	8
factoring interest and fees	(71)	(56)	(15)
other financial charges	(47)	(35)	(12)
exchange rate losses	(2,148)	(648)	(1,500)
currency valuation differences	(692)	(447)	(245)
write-down of financial assets	(118)	-	(118)
Total	**(4,277)**	**(2,700)**	**(1,577)**

The reduction in the financial interest payable in 2015 is due to the favourable performance of the interest rate curve together with the reduction of the overall spreads agreed with the banks for loans concluded at the end of 2014.

The balance of the differences on the currency transactions is positive by EUR 152 thousand, compared with a positive value of EUR 438 thousand in 2014. The worsened performance of the currency transaction balance is mainly due to the appreciation in 2015 of the Euro against the major currencies affecting the Group, particular against the Brazilian Real and the Turkish lira; compared to December 2014, these two currencies depreciated by 34% and 12% against the Euro.

The write-down of EUR 118 thousand refers to the write down of an equity investment held by Gefran S.p.A.

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

Description	2015	2014	change
(EUR/000)			
Result of companies valued at equity	119	36	83
Total	**119**	**36**	**83**

Gains from shareholdings valued at equity were EUR 119 thousand, and related to the positive result of the Ensun Group.

24. Income taxes, deferred tax assets and deferred tax liabilities

The item "*taxes*" was negative at EUR 2,948 thousand; this compares with a negative balance of EUR 3,179 thousand in 2014, and breaks down as follows:

(EUR/000)	2015	2014
Current taxes		
IRES (corporate income tax)	(46)	-
IRAP (regional production tax)	(6)	(561)
Foreign taxes	(1,629)	(1,601)
Total current taxes	**(1,681)**	**(2,162)**
Deferred taxes		
Deferred tax liabilities	(21)	114
Deferred tax assets	(1,246)	(1,131)
Total deferred tax liabilities	**(1,267)**	**(1,017)**
Total taxes	**(2,948)**	**(3,179)**

The tax burden of the period is mainly attributable to the local taxes paid by foreign companies of the Group, as the cost of employees on permanent contracts can be fully deducted for IRAP purposes, as introduced by the 2015 Stability Law, IRAP for the year for Parent Company Gefran S.p.A. was reduced to zero.

The deferred tax assets were negative and stood at EUR 1,246 thousand; of this EUR 811 thousand was due to the repayment of taxes recognised under the parent company Gefran S.p.A. in previous years, while EUR 435 thousand refers to the necessary adjustment to the IRES rate of 24% for deferred tax assets, which are expected to revert after 31 December 2016.

See the Report on Operations for more details on deferred tax assets and liabilities.

The table below shows the reconciliation between recognised income taxes and theoretical taxes resulting from the application of the IRES tax rate in force during the year to pre-tax profit:

(EUR/000)	**2015**	**2014**
Profit (loss) before tax	(1,821)	2,955
Theoretical income tax	501	(813)
Rate effect for affiliates	(440)	(485)
Net effect of permanent differences	(1,499)	(1,434)
Net effect of permanent differences for affiliates	(450)	(634)
Net effect of temporary deductible and taxable differences	213	1,765
Current taxes	**(1,675)**	**(1,601)**
Income taxes - deferred tax assets/liabilities	(1,269)	(1,004)
Recognised income taxes (excluding current and deferred IRAP)	**(2,944)**	**(2,605)**
IRAP - current taxes	(6)	(561)
IRAP - deferred tax assets/liabilities	2	(13)
Recognised income taxes (current and deferred)	**(2,948)**	**(3,179)**

For a greater understanding of the difference between tax charges recorded in the income statements and the theoretical tax charge, it should be noted that the theoretical tax charge does not take IRAP into account, since this tax has a different taxable base than pre-tax profit, and would therefore generate discrepancies from one year to the next. Theoretical taxes were, therefore, calculated solely by applying the current tax rate in Italy (IRES at 27.5% for both 2015 and 2014) to the pre-tax result.

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

(EUR/000)	**31/12/2014**	**Posted to the income statement**	**Recognised in shareholders' equity**	**Exchange rate differences**	**31/12/2015**
Deferred tax assets					
Devaluation of inventories	1,219	(105)		-	1,114
Impairment of trade receivables	666	(374)		-	292
Deductible losses to be brought forward	3,128	(504)		122	2,746
Exchange rate differences	22	(7)		-	15
Elimination of unrealised margins on inventories	789	(141)		-	648
Provision for product warranty risk	205	(3)		-	202
Provision for sundry risks	275	(112)	49	12	224
Total deferred tax assets	6,304	(1,246)	49	134	5,241
Deferred tax liabilities					
Currency valuation differences	(5)	(23)		-	(28)
Other deferred tax liabilities	(755)	2		(87)	(840)
Total deferred tax liabilities	(760)	(21)	-	(87)	(868)
Net total	5,544	(1,267)	49	47	4,373

The item *"deferred tax assets"* has decreased by EUR 1,246 thousand over the year, for the reasons set forth above.

25. Earnings per share

Basic and diluted earnings per share are shown in the table below:

	2015	2014
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group *(EUR/000)*	(4,769)	(224)
- Average no. of ordinary shares (no./000,000)	14.20	14.22
- Basic earnings per ordinary share	(0.336)	(0.016)
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group (EUR/000)	(4,769)	(224)
- Average no. of ordinary shares *(no./000,000)*	14.20	14.22
- Basic earnings per ordinary share	(0.336)	(0.016)
average number of ordinary shares	**14,195,865**	**14,223,006**

26. Goodwill and other intangible assets with an indefinite life

The item *"Goodwill"* totalled EUR 5,904 thousand at 31 December 2015, an increase of EUR 230 thousand compared with 31 December 2014, and breaks down as follows:

(EUR/000)	31/12/2014	Increases	Decreases	Exchange rate differences	31/12/2015
Gefran France SA	1,310	-	-	-	1,310
Gefran India	41	-	-	3	44
Gefran Inc.	2,369	-	-	227	2,596
Sensormate AG	1,954	-	-	-	1,954
	5,674	-	-	230	5,904

As set out under note 28 below, the figures shown above were subject to an impairment test, which did not reveal any permanent loss in value.

27. Intangible assets with a finite life

The item *"Intangible assets"* exclusively comprises assets with a finite life, and increased from EUR 8,876 thousand at 31 December 2014 to EUR 9,222 thousand at 31 December 2015. The movements during the period are shown below:

Historical cost	31/12/2014	Increases	Decreases	Other changes	31/12/2015
(EUR/000)					
Development costs	13,307	658	-	711	14,676
Intellectual property rights	5,155	341	-	121	5,617
Assets in progress and payments on account	2,309	958	(10)	(1,285)	1,972
Other assets	6,153	506	(8)	473	7,124
Total	26,924	2,463	(18)	20	29,389

Accumulated amortisation	31/12/2014	Increases	Decreases	Other changes	31/12/2015
(EUR/000)					
Development costs	9,074	1,360	-	-	10,434
Intellectual property rights	4,145	328	-	1	4,474
Other assets	4,829	431	(8)	7	5,259
Total	18,048	2,119	(8)	8	20,167

Net value	31/12/2014	31/12/2015	changes
(EUR/000)			
Development costs	4,233	4,242	9
Intellectual property rights	1,010	1,143	133
Assets in progress and payments on account	2,309	1,972	(337)
Other assets	1,324	1,865	541
Total	8,876	9,222	346

Development costs include the capitalisation of costs incurred for the following activities:

- EUR 994 thousand relating to new lines for melt sensors, pressure transducers (KS) and contactless linear position transducers (MK–IK and RK);
- EUR 1,906 thousand to component lines for the new range of regulators, GF Project VX, G Cube Performa and G Cube Fit;
- EUR 1,342 thousand relating to the new range of ADV 200 drives, lift and power supplies.

These assets are considered to have a useful life of 5 years, and were subject to impairment tests (as described in note 28), with positive results.

The Intellectual property rights exclusively comprises the costs incurred to purchase the company IT system management programmes and the use of licences for third-party software. These assets have a useful life of 3 years.

The Assets in progress and payments on account includes payments on account made to suppliers to purchase software programmes and licences expected to be delivered during the next year.

It also includes EUR 1,577 thousand in development costs, the benefits of which will be recognised on the income statement from the following year, as a result of which they have not been amortised. They relate to sensors (EUR 503 thousand), components (EUR 418 thousand) and drives (EUR 656 thousand).

The Other assets includes almost all the costs incurred by Parent Company Gefran S.p.A. to implement ERP SAP/R3, Business Intelligence (BW), Customer Relationship Management (CRM) and management software in previous years and in the current year. These assets have a useful life of 5 years.

28. Verification of impairment of goodwill and intangible assets with a finite life relating to R&D activities

The goodwill acquired following business combinations was allocated to specific CGUs for the purpose of impairment testing. Costs relating to R&D activities were tested separately and allocated to the relevant business units.

The carrying value of goodwill and R&D costs are shown below.

Description	Year	Development costs	Goodwill	Total
(EUR/000)				
Sensors	**2015**	993	5,860	6,854
	2014	1,111	5,633	6,744
Components	**2015**	1,906	-	1,906
	2014	2,417	-	2,417
Drives	**2015**	1,342	44	1,386
	2014	705	41	746
Total	**2015**	**4,242**	**5,904**	**10,146**
	2014	**4,233**	**5,674**	**9,907**

In preparing assessments and reviewing impairment indicators, the management took into consideration the relationship between stock exchange capitalisation and carrying value, among other things. At 31 December 2015, the Gefran Group's market capitalisation was less than consolidated shareholders' equity. This situation indicates a potential impairment, but the management considers that, in light of market trends and the macroeconomic environment, the Parent Company's market capitalisation does not fully reflect all of the Group's distinctive features, such as patents, research and know-how.

Therefore, although the stock market value is lower than consolidated shareholders' equity, the Group's value in use is considered to be higher than both of these values.

As with the measurement of goodwill and R&D activities, the value in use determined in the impairment test was defined according to IAS 36. The test calculates the recoverable amount of each R&D activity or each CGU to which the tested assets are attributed, through discounted cash flows produced by the CGU or activity, by applying a discounting rate that reflects specific risks.

Goodwill for Gefran France, Gefran Inc. and Sensormate AG is attributed to the sensors business, goodwill for subsidiary Gefran India is attributed to the drives business. For impairment testing purposes, all goodwill is assessed on the basis of data from the specific CGUs.

The main assumptions used in conducting the impairment tests are set out in the table below.

Description	Carrying value 31/12/2015	Reference BU	Explicit forecast	WACC (%)	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
(EUR/000)							
Gefran France S.A.	1,311	Sensors	2016 - 2018	5.7%	1.0%	5.5%	33.0%
Gefran India	44	Drives	2016 - 2018	11.7%	7.8%	7.5%	30.0%
Gefran Inc.	2,596	Sensors	2016 - 2018	6.2%	2.3%	5.0%	34.0%
Sensormate AG	1,954	Sensors	2016 - 2018	9.9%	-0.1%	5.5%	27.5%
Goodwill	**5,904**						
Magnetostrictive position	336	Sensors	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Melt pressure	398	Sensors	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Industrial pressure	259	Sensors	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Total Sensors	***993***						
Software	379	Components	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Static units	80	Components	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Solutions and systems	970	Components	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Regulators	441	Components	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Other	37	Components	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Total Components	***1,906***						
Lift new	96	Drives	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Lift old	32	Drives	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Regenerative lifts	210	Drives	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Metal-plastic industrial products	242	Drives	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Water cooled industrial products	536	Drives	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Hybrid electric industrial products	225	Drives	2016 - 2020	5.4%	1.6%	5.0%	31.4%
Total Drives	***1,342***						
Development costs	***4,242***						
Total	**10,146**						

Explicit forecast cash flows for 2016-2018, deriving from the budget plan approved by the Parent Company's management, are taken into account in determining value in use.

As in the past, the duration of the explicit forecast periods and finite time horizons, as well as the growth rate (g), were confirmed for all CGUs. The decision to adopt a finite time horizon for the implicit forecast period, as in the past, is based on caution, and is becoming less and less popular among operators, who now prefer an assessment of terminal value calculated on an infinite horizon. The determination of the terminal value using an infinite horizon was exclusively applied to the impairment test for the whole Group.

Impairment tests for research and development costs were conducted considering a time horizon equal to their useful life. Forecasts for financial years were extracted on the basis of the 2016-2018 budget, with estimated growth rates in line with the growth trends of the approved budget.

The main assumptions used by the management to calculate value in use concern the discount rate (WACC), the growth rate (g) and expected changes in sales prices and volumes, and direct costs during the calculation period.

The rate used to discount future cash flows expresses the post-tax weighted average cost of capital (WACC), which comprises a weighted average for the financial structure of the following two elements:

- the risk capital cost determined as the return from risk-free activities, including the country risk implicit in market prices, plus the Beta relating to the Parent Company's share, multiplied by the country risk premium and any specific risk premium;
- the cost of the entity's financial liability, net of tax relief.

The return from risk-free activities is assumed to be equal to the yield of a government bond of the country in which the CGU is located, with the duration in line with the assessment horizon (sources: Bloomberg, Reuters).

For the Group impairment test, the yield of 10-year Italian BTP government bonds at December 2015 was used as the risk-free rate, equal to 1.6%. The comparative analysis between the BTP yield and the rate derived by weighting the rates of the government bonds of the individual CGUs as a proportion of the turnover generated by the Group in the relative countries (2.6%), showed that the yield of ten-year BTPs effectively approximates the risk-free rate of Group, despite the fact that this includes a bigger country risk premium than, for example, German government bonds.

The market risk premium is equal to the additional historical performance premium required for the equity compared to the government bonds of a virtuous country (source: market consensus), while the specific risk premium is an additional premium, intended, among other things, to combine in the valuation the most likely cash flows indicated by management and the expected average flows. The value used to calculate the WACC was 5.0%, unchanged compared with 2014, because, although several macroeconomic analyses (sources: KPMG, EY, Value Walk, IESE Business School) identify for Italy (and more generally for Europe) a market risk premium of between 5.20% and 6.70%, experience shows that the value is around 4.00% (average over 50 years).

With regard to the Parent Company Beta, the available value (source: Reuters) is 0.95, while in the calculation of the WACC, the 2014 value of 1.08 was again used, as the management preferred not update it in order not to obtain additional benefits on the discount rate, which would have fallen to 4.97%.

The cost of the entity's financial liability is determined by the 10-year swap rate, plus the average current and forward spread of the Parent Company's liability. This spread is also in line with the result of analysing the cost of borrowing for investment grade-rated classes in Europe.

The financial structure used represents the Group's target structure, valid for all CGUs; using the current financial structure, the WACC would be 5.65%, with a change within the already tested sensitivity range. The discount rate applied was determined net of the tax breaks resulting from the Parent Company's debt (post-tax WACC).

The growth rate of financial flows adopted for the implicit forecast *g* was assumed in nominal terms to be zero (negative in real terms in the presence of inflation), the same as that used in the evaluations conducted the previous year. That is, after the explicit forecast period, cash flows for the last year of the budget, appropriately reconsidered, were projected without assuming any future growth.

A Group impairment test sensitivity analysis shows that the break-even WACC, i.e. the discount rate that would bring the value in use into line with the carrying value, is 17%, significantly higher than the current discount rate. Even in a worst case scenario, in which the cash flows generated by new products at consolidated level fall, the break-even WACC would be 10% and still much higher than the discount rate calculated at present.

The recoverable amount of goodwill was determined according to the calculation of the value in use, which used projections of the three-year cash flow based on the 2016-2018 budget approved by the Parent Company's management. The impairment test of the above assets did not reveal any lasting loss of value.

The following is a sensitivity analysis showing the "g" and "WACC" break even rates in a "steady case" scenario:

Description	"g" rate %	WACC %	A	B
(EUR/000)				
Goodwill - STEADY CASE				
Gefran France Sa	0.0%	8.6%	-17.2%	24.5%
Gefran India	0.0%	11.7%	-13.0%	30.5%
Gefran Inc.	0.0%	6.2%	-16.9%	36.0%
Sensormate AG	0.0%	9.9%	-7.8%	16.5%

A = g rate % break-even point with unchanged WACC

B = WACC % break-even point with unchanged g rate

Impairment testing at consolidated Group level suggests with a good level of certainty that the carrying value of the goodwill recognised in the financial statements is appropriate. However, as implementation of the budget involves some elements of uncertainty, it was considered preferable to prepare a more conservative (worst case) analysis, in which flows from new products have been completely excluded, and in which additional impairment of 3% has also been assumed on existing products.

The following is a sensitivity analysis showing the "g" and "WACC" break even rates in the worst case scenario:

Description	"g" rate %	WACC %	A	B
Goodwill - WORST CASE				
Gefran France S.A.	0.0%	8.6%	-15.8%	20.5%
Gefran India	0.0%	11.7%	-10.7%	24.6%
Gefran Inc.	0.0%	6.2%	-16.8%	35.0%
Sensormate AG	0.0%	9.9%	-6.2%	14.8%

A = g rate % break-even point with unchanged WACC

B = WACC % break-even point with unchanged g rate

The recoverable amount of the development costs was determined according to the calculation of the value in use, which used projections of the three-year cash flow based on the 2016-2018 budget approved by the Parent Company's management. The following tables show the break-even point WACCs (at a constant growth rate of 0.0%) and the break-even point g rate (at a constant growth rate of 5.4%).

A sensitivity analysis of development costs showing the break-even g rates and WACCs in a steady case scenario is provided below:

Description	"g" rate %	WACC %	A	B
Development costs - STEADY CASE				
Sensors				
Magnetostrictive position	0.0%	5.4%	-123.0%	32.8%
Melt pressure	0.0%	5.4%	-208.5%	42.2%
Industrial pressure	0.0%	5.4%	-78.0%	35.7%
Components				
Software	0.0%	5.4%	-88.0%	40.1%
Static units	0.0%	5.4%	-105.3%	28.9%
Solutions and systems	0.0%	5.4%	-4.8%	7.0%
Regulators	0.0%	5.4%	-20.7%	11.7%
Drives				
Lift new	0.0%	5.4%	-78.0%	14.9%
Lift old	0.0%	5.4%	-46.9%	13.3%
Regenerative lifts	0.0%	5.4%	-308.0%	45.6%
Metal-plastic industrial products	0.0%	5.4%	-380.9%	46.7%
Water cooled industrial products	0.0%	5.4%	-244.0%	39.5%
Hybrid electric industrial products	0.0%	5.4%	-104.2%	21.3%

A = g rate % break-even point with unchanged WACC

B = WACC % break-even point with unchanged g rate

The analysis shows how the change in the discount rate and in the growth rate has to reach unrealistic values to obtain a value in use that is lower than the carrying amount. The worst case scenario analysis was therefore not performed as it was regarded as irrelevant.

A simulation of greater stress (defined as the "worst case") was conducted on new products and the industrial products of the drives business, as correlated results show a higher degree of uncertainty. Although the projects of three-year cash flows were reduced by 25% and 50% respectively, the break-even "*g*" and WACC rates were of no concern, as shown in the table below.

Description	"g" rate %	WACC %	A	B
Development costs - WORST CASE				
Drives				
Water cooled industrial products	-50.0%	5.4%	-13.5%	19.6%
Hybrid electric industrial products	-50.0%	5.4%	21.3%	9.4%

A = g rate % break-even point with unchanged WACC

B = WACC % break-even point with unchanged g rate

The above analyses show how, under both unchanged conditions and in worse scenarios than those predicted, in addition to the change in the discount rate and the growth rate, the recoverable value of goodwill is not critical. However, the directors will systematically monitor the final balance sheet and income statement data for the CGUs to determine whether they need to adjust their forecasts and to reflect on the possibility of further write-downs in a timely manner.

29. Property, plant, machinery and tools

The item *"Property, plant, machinery and tools"* fell from EUR 40,997 thousand at 31 December 2014 to EUR 39,389 thousand at 31 December 2015. Movements are shown in the table below:

Historical cost	31/12/2014	Increases	Decreases	Other changes	31/12/2015
(EUR/000)					
Land	4,500	-	-	26	4,526
Industrial buildings	39,267	137	-	265	39,669
Plant and machinery	37,641	530	(178)	806	38,799
Industrial and commercial equipment	21,108	746	(60)	157	21,951
Other assets	11,382	249	(180)	68	11,519
Assets in progress and payments on account	479	608	-	(541)	546
Total	114,377	2,270	(418)	781	117,010

Accumulated amortisation	31/12/2014	Increases	Decreases	Other changes	31/12/2015
(EUR/000)					
Industrial buildings	14,347	935	-	42	15,324
Plant and machinery	30,095	1,695	(138)	480	32,132
Industrial and commercial equipment	19,157	1,009	(55)	(165)	19,946
Other assets	9,781	558	(142)	22	10,219
Total	73,380	4,197	(335)	379	77,621

Net value	31/12/2014	31/12/2015	changes
(EUR/000)			
Land	4,500	4,526	26
Industrial buildings	24,920	24,345	(575)
Plant and machinery	7,546	6,667	(879)
Industrial and commercial equipment	1,951	2,005	54
Other assets	1,601	1,300	(301)
Assets in progress and payments on account	479	546	67
Total	40,997	39,389	(1,608)

These assets were not subject to any impairment in 2015, while fluctuations in exchange rates had a negative impact of approximately EUR 402 thousand.

The biggest changes during the year related mainly to Gefran S.p.A. and Gefran Siei Drives Technology, and specifically:

- investments in production plant and equipment of EUR 1,578 thousand in the Group's Italian factories, in the Chinese factory of subsidiary Gefran Siei Drives Technology (EUR 173 thousand), and EUR 245 thousand in other Group subsidiaries;
- investments in renovating the buildings of the Parent Company and in particular the overhaul of the fire prevention system in the via Sebina installation, amounting to approximately EUR 274 thousand;

Mortgages on owned buildings amounted to around EUR 36 million, for bank loans relating to property in Provaglio d'Iseo.

30. Shareholdings valued at equity

(EUR/000)	Shareholding	31/12/2015	31/12/2014	change
Ensun S.r.l. (Italy)	50.00%	1,451	1,451	0
Axel S.r.l. (Italy)	30.00%	273	273	0
Adjustment provision		(678)	(797)	119
Total		1,046	927	119

The adjustment provision registered at 31 December 2015 relates mainly to the valuation of the equity investment in Ensun S.r.l., which decreased during the year, mainly due to the positive results achieved by Elettropiemme S.r.l..

31. Equity investments in other companies

"*Equity investments in other companies*" totalled EUR 1,800 thousand, representing a decrease of EUR 70 thousand compared with the figure at 31 December 2014. The balance breaks down as follows:

(EUR/000)	Shareholding	31/12/2015	31/12/2014	change
- Colombera S.p.A.	16.56%	1,416	1,416	0
- Woojin Machinery Co. Ltd.	2.00%	253	234	19
- Inn. Tec.Srl	12.87%	0	118	(118)
- UBI Banca S.p.A.	ns.	99	95	4
- Other	-	32	7	25
Total		1,800	1,870	(70)

The main change is the write-down of the equity investment in Inn.tec. S.r.l..

Equity investments are classed as held for sale and are recognised at fair value, deriving from the stock market quotation, for Woojin Machinery Co. Ltd. (Seoul Stock Exchange) and for Ubi Banca S.p.A. (Borsa Italiana). The adjustment provision is due to the fair value adjustment of:

- Woojin Machinery, listed in Seoul (positive adjustment of EUR 94 thousand);
- Ubi Banca (negative adjustment of EUR 104 thousand).

32. Receivables and other non-current assets

"Receivables and other non-current assets" show a balance of EUR 115 thousand, largely in line with the previous year.

(EUR/000)	31/12/2015	31/12/2014	changes
Cautionary deposits	115	112	3
Total	**115**	**112**	**3**

33. Net working capital

Net working capital totalled EUR 40,166 thousand, compared with EUR 45,394 thousand at 31 December 2014, and breaks down as follows:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Inventories	22,674	21,004	1,670
Trade receivables	34,023	42,232	(8,209)
Trade payables	(16,531)	(17,842)	1,311
Net amount	**40,166**	**45,394**	**(5,228)**

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

The value of the "inventories" at 31 December 2015 is equal to EUR 22,674 thousand, up by EUR 1,670 thousand from 31 December 2014. The balance breaks down as follows:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Raw materials, consumables and supplies	14,362	12,913	1,449
provision for raw materials	*(3,229)*	*(3,129)*	(100)
Work in progress and semi-finished products	5,967	5,380	587
provision for work in progress	*(882)*	*(829)*	(53)
Finished products and goods	8,847	8,685	162
provision for finished products	*(2,391)*	*(2,016)*	(375)
Total	**22,674**	**21,004**	**1,670**

The increase in the inventory provisions is mainly due to the increases in the stock of raw materials referring to the drives within the Chinese subsidiary, which was purchased in 2015 against income forecasts expected to materialize in 2016.

The provision for obsolete and slow-moving inventories was adjusted for requirements through specific allocations amounting to EUR 760 thousand in 2015 (EUR 832 thousand in 2014).

"*Trade receivables*" total EUR 34,023 thousand, down by EUR 8,209 thousand compared to 31 December 2014, due to the fewer average days for collection at the Group level and the decrease in the revenues, and are broken down as follows:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Receivables from customers due within 12 months	37,835	46,151	(8,316)
Provision for doubtful receivables	(3,812)	(3,919)	107
Net amount	**34,023**	**42,232**	**(8,209)**

This includes receivables subject to recourse factoring transferred to a leading factoring company, by the Parent Company, for a total amount of EUR 55 thousand (EUR 131 thousand at 31 December 2014). In addition, during the year, a total of EUR 8,430 thousand in receivables was assigned without recourse to factoring companies, including EUR 2,158 thousand in December 2015 (EUR 3,008 thousand in December 2014).

Receivables were adjusted to their estimated realisable value by means of a specific provision calculated on the basis of an examination of individual debtor positions. The provision at 31 December 2015 represents a prudential estimate of the current risk, and registered the following changes:

(EUR/000)	31/12/2014	Increases	Decreases	Change in basis of consol.	Other changes	31/12/2015
Provision for doubtful receivables	**3,919**	**1,726**	**(1,858)**	**0**	**25**	**3,812**

Decreases include the use of the provision to cover losses on unrecoverable receivables. The Group monitors the situation with regard to the riskiest receivables and also takes appropriate legal action. The carrying value of trade receivables is believed to approximate their fair value.

It should be noted that there is no significant concentration of sales made to individual customers: these sales continue to account for less than 10% of Group revenues.

"*Trade payables*" are equal to EUR 16,531 thousand compared with EUR 17,842 thousand at 31 December 2014, down by EUR 1,311 thousand of the reduction of the purchases following the contraction in volumes, particularly in Asia. It breaks down as follows:

(EUR/000)	31/12/2015	31/12/2014	changes
payables to suppliers	8,350	12,149	(3,799)
payables to suppliers for invoices to be received	7,902	5,488	2,414
payments on account received from customers	279	205	74
Total	**16,531**	**17,842**	**(1,311)**

34. Other assets

"*Other assets*" totalled EUR 2,254 thousand, compared with EUR 2,688 thousand at 31 December 2014. The item breaks down as follows:

(EUR/000)	31/12/2015	31/12/2014	changes
Insurance	38	74	(36)
Rents and leasing	33	82	(49)
Services and maintenance	297	427	(130)
Receivables from employees	55	61	(6)
Advance payments to suppliers	88	84	4
Bank transaction fees	377	511	(134)
VAT reimbursements on vehicles LD 258/2006	128	128	0
IRES receivable IRAP non-deductibility	56	56	0
Other	1,182	1,265	(83)
Total	**2,254**	**2,688**	**(434)**

The carrying value of other current assets is believed to approximate their fair value.

35. Tax receivables and payables

"*Tax receivables*" have decreased from EUR 2,148 thousand at 31 December 2014 to EUR 1,663 thousand on 31 December 2015. The balance breaks down as follows:

(EUR/000)	31/12/2015	31/12/2014	changes
IRAP	250	0	250
VAT	871	1,702	(831)
Foreign tax receivables	542	446	96
Total	**1,663**	**2,148**	**(485)**

The change mainly reflects the decrease in the VAT credit for Parent Company Gefran S.p.A. during the year.

"Tax payables" totalled EUR 3,119 thousand at 31 December 2015, down by EUR 676 thousand compared with 31 December 2014, and break down as follows:

(EUR/000)	31/12/2015	31/12/2014	changes
VAT payable	319	532	(213)
Substitute taxes	963	412	551
Withholding income tax	1,434	1,704	(270)
IRES (corporate income tax)	46	0	46
IRAP (regional production tax)	6	50	(44)
Other taxes	351	1,097	(746)
Total	**3,119**	**3,795**	**(676)**

The "withholding income tax" relative to employees item refers to payables to the tax authorities for withholding on salaries for December.

The "other taxes" item includes the payables for current taxes of foreign companies.

36. Net debt

The table below shows a breakdown of the net debt:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Cash and cash equivalents	24,602	20,732	3,870
Financial assets for derivatives	25	26	(1)
Non-current financial payables	(10,879)	(25,959)	15,080
Current financial payables	(38,352)	(22,061)	(16,291)
Financial liabilities for derivatives	(274)	(343)	69
Total	**(24,878)**	**(27,605)**	**2,727**

The following table breaks down the net debt by maturity:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
A. Cash on hand	29	26	3
B. Cash in bank deposits	24,573	20,706	3,867
Term deposits – less than 3 months	-	-	-
C. Securities held for trading	-	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**24,602**	**20,732**	**3,870**
Financial liabilities for derivatives	(274)	(343)	69
Financial assets for derivatives	25	26	(1)
E. Fair value hedging derivatives	(249)	(317)	68
F. Short-term portion of long-term debt	(26,876)	(11,587)	(15,289)
G. Other current financial payables	(11,476)	(10,474)	(1,002)
H. Total current financial payables (F) + (G)	**(38,352)**	**(22,061)**	**(16,291)**
I. Total current payables (E) + (H)	**(38,601)**	**(22,378)**	**(16,223)**
J. Net current financial debt (I) + (D)	**(13,999)**	**(1,646)**	**(12,353)**
L. Non-current financial debt	**(10,879)**	**(25,959)**	**15,080**
M. Net financial debt (J) + (L)	**(24,878)**	**(27,605)**	**2,727**
Of which to minorities:	*(24,878)*	*(27,605)*	*2,727*

Net debt at 31 December 2015 is negative by EUR 24,878 thousand, but improved compared to 31 December 2014 by EUR 2,727 thousand. The change was mainly due to positive cash flows from ordinary operations (EUR 7,285 thousand) and from technical investments (EUR 4,636 thousand).

Please see the Report on Operations for further details on changes in financial operations during the year.

The free cash flow after the investment operations is positive by EUR 2,649 thousand compared with a negative flow of EUR 4,123 thousand in 2014, and thus it has improved by EUR 6,772 thousand, mainly due to the reduction of capital in the year, the dynamics of which were illustrated above.

At 31 December 2015, the financial covenant relative to the ratio of the net debt and the EBITDA, as provided in certain of the existing loan agreements, was not fulfilled. For this reason, medium/long term portions of EUR 15,032 thousand which had not fulfilled the requirements of the above mentioned covenant were reclassified under short term.

The forecasts of the net debt and operations indicate that this situation of non-fulfilment of the covenants is an exceptional event limited to 2015 in light of the approved business plan, which provides for continuous improvement of the net debt on the one hand and recovery of profitability through increased income on the other, but above all the continuing decrease of costs, thanks also to the restructuring process which began in 2015 within the foreign subsidiaries and will be concluded in 2016 with the Italian facilities. The credit institutions indicated their willingness to discuss the current situation, based on the approved financial statements and the 2016-2018 business plan.

The long term debt has decreased by EUR 15,080 thousand compared to 2014, essentially due to the reclassification as short term of the loans that did not fulfil the covenant requirements at 31 December 2015, as indicated above.

The balance of the **Cash and cash equivalents** totalled EUR 24,602 thousand at 31 December 2015, an increase of EUR 3,870 thousand versus 31 December 2014:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Cash in bank deposits	24,533	20,653	3,880
Cash	29	26	3
Other cash	40	53	(13)
Total	**24,602**	**20,732**	**3,870**

The technical forms used at 31 December 2015 are shown below:

- Maturities: 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** at 31 December 2015 increased by EUR 16,291 thousand compared with 2014 and break down as follows:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Current portion of debt	26,876	11,587	15,289
Current overdrafts	11,187	10,116	1,071
Factoring	265	292	(27)
Leasing	16	57	(41)
Other payables	8	9	(1)
Total	**38,352**	**22,061**	**16,291**

The main changes during the year relate to changes in the short-term portion of the loans entered into by the Group. Please see below for changes in these.

The “factoring” item, which decreased by EUR 27 thousand, comprises payables to factoring companies, for the payment extension period from the original maturity of the payable with certain suppliers, for which the Parent Company has accepted non-recourse assignment.

The bank debit balance at 31 December 2015 was EUR 11,187 thousand, compared with EUR 10,116 thousand at 31 December 2014. 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% range;
- for use of credit facilities on trade receivables, repayable on the maturity of these receivables, the overall annual interest rate is in the 0.6%-0.9% range;

The **non-current financial payables** break down as follows:

(EUR/000)	31/12/2015	31/12/2014	changes
Centrobanca	2,927	4,393	(1,466)
Deutsche Bank	150	750	(600)
Cred. Bergamasco	-	488	(488)
Mediocredito	-	1,165	(1,165)
Banco di Brescia	1,930	3,158	(1,228)
Banca Pop. Sondrio	-	792	(792)
Mediocredito	-	2,222	(2,222)
Cred. Bergamasco	404	1,190	(786)
Banca Intesa	-	1,738	(1,738)
Unicredit SACE	1,750	2,750	(1,000)
Banco di Brescia	-	2,206	(2,206)
BNL	2,000	2,833	(833)
Banca Pop. Sondrio	1,718	2,274	(556)
Total	**10,879**	**25,959**	**(15,080)**

The main changes relate to the repayment set out in the amortisation schedule of individual loans totalling EUR 17,791 thousand, the drawing down of new loans of EUR 18,000 thousand, and the reclassification from long to short term of loans that did not fulfil the terms of the covenants at 31 December 2015 of the net debt and EBITDA ratio by EUR 15,032 thousand.

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 Dec 2015	Of which within 12 months	Of which over 12 months	Interest rate	Maturity	Repayment method
Centrobanca	EUR 10,976	04/09/08	4,390	1,463	2,927	Euribor 6m + 0.85%	01/10/18	half-yearly
Deutsche Bank	EUR 3,000	09/03/12	750	600	150	Euribor 3m + 3.60%	31/03/17	quarterly
Cred. Bergamasco	EUR 2,000	06/11/12	486	486	-	Euribor 3m + 3.80%	31/10/16	monthly
Mediocredito	EUR 3,000	16/11/12	-	-	-	Euribor 3m + 3.90%	30/09/17	quarterly
Banco di Brescia	EUR 6,000	31/05/13	3,152	1,222	1,930	Euribor 3m + 3.90%	31/05/18	quarterly
Banca Pop. Sondrio	EUR 3,000	11/06/13	790	790	-	Euribor 3m + 4.50%	31/07/16	quarterly
Mediocredito	EUR 4,000	26/06/13	-	-	-	Euribor 3m + 3.70%	31/05/18	quarterly
Cred. Bergamasco	EUR 3,000	18/06/13	1,186	782	404	Euribor 3m + 4.20%	30/06/17	monthly
Banca Intesa	EUR 3,000	27/06/13	-	-	-	Euribor 3m + 3.95%	27/06/18	quarterly
Unicredit SACE	EUR 5,000	27/09/13	2,750	1,000	1,750	Euribor 3m + 2.60%	30/09/18	quarterly
Banco di Brescia	EUR 3,000	28/11/14	2,204	2,204	-	Euribor 3m + 1.35%	30/11/18	monthly
BNL	EUR 3,000	19/12/14	2,889	889	2,000	Euribor 6m + 1.35%	18/12/19	half-yearly
Banca Pop. Sondrio	EUR 3,000	23/12/14	2,458	740	1,718	Euribor 3m + 2.00%	22/12/18	quarterly
Unicredit	EUR 2,000	19/02/15	1,700	1,700	-	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	9,000	9,000	-	Euribor 3m + 1.35%	30/06/20	quarterly
Total			**37,755**	**26,876**	**10,879**			

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 25 thousand at 31 December 2015, and consist of the positive fair value recorded at the end of the financial year of certain CAP contracts entered into by the Parent Company to hedge interest rate risks. **Financial liabilities for derivatives** totalled EUR 274 thousand, due to the negative fair value of some IRS contracts, also entered into by the Parent Company to hedge interest rate risk.

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 *(EUR/000)*	Notional principal	Signing date	Notional at 31 Dec 2015	Derivative	Fair value at 31 Dec 2015	Long position rate	Short position rate
Centrobanca	EUR 9,550	31/03/10	4,390	IRS	(194)	Fixed 3.11%	Euribor 6m
Deutsche Bank	EUR 3,000	09/03/12	750	IRS	(9)	Fixed 1.34%	Euribor 3m
Banca Pop. Emilia Romagna	EUR 4,000	01/10/15	4,000	IRS	(31)	Fixed 0.15%	Euribor 3m
Intesa	EUR 10,000	05/10/15	9,000	IRS	(40)	Fixed 0.16%	Euribor 3m
Total financial liabilities for derivatives – interest rate risk					**(274)**		

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

Bank *(EUR/000)*	Notional principal	Signing date	Notional at 31 Dec 2015	Derivative	Fair value at 31 Dec 2015	Long position rate	Short position rate
Credito Bergamasco	EUR 2,000	06/11/12	486	CAP	0	Strike Price 1.00%	Euribor 3m
Unicredit	EUR 6,000	04/06/13	3,152	CAP	0	Strike Price 0.75%	Euribor 6m
BNL	EUR 3,000	20/06/13	790	CAP	0	Strike Price 0.40%	Euribor 3m
Credito Bergamasco	EUR 3,000	20/06/13	1,186	CAP	0	Strike Price 0.75%	Euribor 3m
Unicredit	EUR 5,000	15/10/13	2,750	CAP	1	Strike Price 0.60%	Euribor 3m
Banco di Brescia	EUR 3,000	28/11/14	2,204	CAP	3	Strike Price 0.10%	Euribor 3m
BNL	EUR 3,000	19/12/14	2,889	CAP	7	Strike Price 0.20%	Euribor 6m
Unicredit	EUR 2,000	19/02/15	1,700	CAP	9	Strike Price 0.10%	Euribor 3m
Unicredit Bullet	EUR 2,000	19/02/15	2,000	CAP	5	Strike Price 0.10%	Euribor 3m
Total financial assets for derivatives – interest rate risk					**25**		

All the contracts described above are booked at fair value:

	at 31 December 2015		at 31 December 2014	
(EUR/000)	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Exchange rate risk	-	-	-	-
Interest rate risk	25	(274)	26	(343)
Total cash flow hedge	**25**	**(274)**	**26**	**(343)**

All derivatives underwent effectiveness tests, with positive results.

In order to support its 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 43,859 thousand. Overall use of these lines at 31 December 2015 totalled EUR 10,826 thousand, with a residual available amount of EUR 33,034 thousand.

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

37. Shareholders' equity

Consolidated "*shareholders' equity*" breaks down as follows:

(EUR/000)	30/09/2015	31/12/2014	changes
Portion pertaining to the Group	62,984	65,980	(2,996)
Net amount	**62,984**	**65,980**	**(2,996)**

Group shareholders' equity decreased compared with 31 December 2014 by EUR 2,996 thousand, mainly owing to the loss for the year of EUR 4,769 thousand, which was partially mitigated by the increase in the translation reserve of EUR 2,346.

The Board of Directors proposed to the Shareholders' Meeting, in relation to the allocation of earnings for the year, that no dividend should be paid out.

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

At 31 December 2015, Gefran S.p.A. held 219,735 own shares or 1.53% while at 31 December 2014, the own shares were 189,874, or 1.32% of the share capital.

The Company did not issue convertible bonds.

The type and purpose of the equity reserves can be summarised as follows:

- the share premium reserve, amounting to EUR 19,046 thousand, which is a capital reserve that includes the amounts received by the Company for the issue of shares at a price higher than their nominal value;
- the legal reserve, amounting to EUR 2,880 thousand, which is supplied by the mandatory allocation of an amount not less than one-twentieth of annual net profits, until an amount equal to one-fifth of the share capital has been reached (which has already occurred);
- the cash flow hedge reserve, which includes effects recognised directly in equity as deriving from the measurement at fair value of derivative financial instruments to hedge cash flows from changes in interest rates and exchange rates, and amounts to EUR 453 thousand;
- the consolidation reserve and the translation reserve, which include the effects of the consolidation of foreign subsidiaries and exchange rate differences arising from the translation into euro of the financial statements of foreign subsidiaries, and which amount to EUR 19,709 thousand in total;
- the extraordinary reserve (EUR 9,255 thousand), which is recognised under "other reserves";
- own shares, which are deducted from the Company's shareholders' equity (EUR 682 thousand) and are classed under "other reserves";

- the merger surplus reserve (EUR 858 thousand), which was created in 2006 after the merger by incorporation of Siei S.p.A. and Sensori S.r.l. and is included under “other reserves”;
- the reserve for conversion to IAS/IFRS (EUR 137 thousand), which is included under “other reserves”;
- the employee benefit valuation reserve pursuant to IAS 19 (EUR 644 thousand), which is included under “other reserves”.

For details on changes in the equity reserves during the year, see the statement of changes in shareholders’ equity.

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

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Balance at 1 January	(33)	(41)	8
UBI – Banca shares	4	17	(13)
Woojin Selex (Korea) shares	19	(9)	28
Net amount	**(10)**	**(33)**	**23**

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

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Balance at 1 January	385	381	4
Change in fair value of derivatives	68	4	64
Net amount	**453**	**385**	**68**

38. Employee benefits

Liabilities relating to “employee benefits” decreased by EUR 206 thousand and changed as follows:

(EUR/000)	**31/12/2014**	**Increases**	**Decreases**	**Other changes**	**31/12/2015**
Termination benefits	5,611	327	(534)	1	5,405

This item mainly comprises the post-employment benefit reserve for the employees of Parent Company Gefran S.p.A. and of Gefran Soluzioni S.r.l. The change during the year was due to an increase of EUR 327 thousand resulting from the revaluation of the payable existing at 31 December 2015 pursuant to IAS and to disbursements to employees of EUR 534 thousand.

Pursuant to IAS 19, the post-employment benefit reserve was valued using the “traditional unit credit” method, broken down into the following steps:

- any future benefits that might be paid out to each employee registered with the scheme in the event of retirement, death, disability, resignations etc. are projected using a series of financial assumptions. The estimate of future benefits does not include any increases for further service periods accrued or any presumed increase in pay at the valuation date, as any future increases in the post-employment benefit reserve are fully transferred to supplementary pension funds;
- at the valuation date, based on the annual interest rate used and the probability that every benefit has to be effectively paid, the average present value of future benefits is calculated;

- the liability for the Company is defined by identifying, in proportion the length of service accrued, the portion of the *average present value of future benefits* that relates to the service already accrued by the employee at the valuation date;
- based on the liability calculated as per the previous point and the reserve created in the financial statements for Italian statutory purposes, the reserve recognised as valid for IAS purposes is identified.

More specifically, the following assumptions were used:

Demographic assumptions	**Managers**	**Non-managers**
Probability of death	RG 48 mortality tables published by the Italian State General Accounting Department	RG 48 mortality tables published by the Italian State General Accounting Department
Probability of disability	Unisex tables drawn up by the CNR (National Research Council) reduced by 80%	Unisex tables drawn up by the CNR (National Research Council) reduced by 80%
Probability of resignation		
- up to 50 years of age	2.0% in each year	4.0% in each year
- subsequently	Nil	Nil
Probability of retirement	Calculated according to the rules set forth in the Monti-Fornero law.	Calculated according to the rules set forth in the Monti-Fornero law.
Probability of a person of working age of:		
- receiving an early pay-out of the post-employment benefit reserve allocated of 70%	3.0% in each year	3.0% in each year

Financial assumptions	**Managers**	**Non-managers**
Increase in the cost of living	2.0% annually	2.0% annually
Discount rate	2.3% annually	2.3% annually
Pay increase		
- equal to or less than 40 years of age	n/a	n/a
- over 40, but equal to or less than 55 years of age	n/a	n/a
- over 55 years of age	n/a	n/a

According to the sensitivity analysis performed on the financial assumptions used, the effect of a change of one percentage point in the discount rate would result in an actuarial gain of EUR 497 thousand in the event of increase in the interest rate, and would, conversely, result in an actuarial loss of EUR 555 thousand in the event of a decrease in the interest rate.

39. Current and non-current provisions

"Non-current provisions" fell by EUR 109 thousand compared with 31 December 2014, and break down as follows:

(EUR/000)	31/12/2015	31/12/2014	changes
Gefran S.p.A. risk provisions			
- for restructuring	-	61	(61)
- for legal disputes	374	265	109
- other provisions	85	85	-
Gefran Brasil risk provisions			
- for legal disputes	3	246	(243)
Gefran France risk provisions			
- for legal disputes	7	7	-
GSDT risk provisions			
- for legal disputes	86	-	86
Total	**555**	**664**	**(109)**

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

The balance of the *"current provisions"* totalled EUR 1,301 thousand at 31 December 2015, a decrease of EUR 102 thousand compared with 31 December 2014, and breaks down as follows:

(EUR/000)	31/12/2015	31/12/2014	changes
FISC	163	161	2
Product warranty	1,135	1,239	(104)
Other provisions	3	3	-
Total	**1,301**	**1,403**	**(102)**

The item refers to anticipated charges for repairs of products under warranty, and increased mainly due to the adjustment of the provision during the year; at year-end, the adequacy of the provision was checked, with a positive outcome.

The "FISC" item mainly includes contractual treatments existing at the Gefran Deutschland GmbH branch.

40. Other liabilities

"Other liabilities" at 31 December 2015 amount to EUR 9,044 thousand compared with EUR 10,526 thousand at 31 December 2014. It breaks down as follows:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Payables to personnel	4,456	6,188	(1,732)
Social security payables	2,688	2,773	(85)
Accrued interest on loans	130	137	(7)
Payables to directors	32	48	(16)
Other accruals	915	614	301
Other current liabilities	823	766	57
Total	**9,044**	**10,526**	**(1,482)**

The Payables to personnel item has decreased compared to the previous year, due to the lower number of Group employees at 31 December 2015, following the restructuring that took place in the foreign branches in the second half of the year and also because in 2014 the settlements of the personnel instalments and the incentives payable to the 23 employees that left Gefran S.p.A. in November and December 2014 took place.

41. Guarantees granted, commitments and other contingent liabilities

Guarantees granted

At 31 December 2015, the Group had granted guarantees on the liabilities and commitments of third parties or subsidiaries for EUR 7,785 thousand, a decrease of EUR 889 thousand on the figure for 31 December 2014, as shown in the table below:

(EUR/000)	**2015**	**2014**
UBI Leasing	3,143	3,180
BNL	2	4
Banca Intesa	1,100	1,110
Banca Passadore	2,750	3,500
Banco di Brescia	790	880
Total	7,785	8,674

A guarantee in favour of UBI Leasing was issued for a total of EUR 3,143 thousand, expiring in 2029, to guarantee financial requirements for the construction of photovoltaic plants by BS Energia 2 S.r.l..

The guarantees issued to Banca Passadore and Banco di Brescia both cover the credit lines to Ensun S.r.l..

The amount of EUR 1,110 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 various legal proceedings and disputes. It is however considered unlikely that the resolution of these disputes will generate significant liabilities for which provisions have not already been made.

Commitments

The main operating leases relate to building rental, electronic equipment and company cars. As at the reporting date, the payments still owed by the Group for irrevocable operating leases amounted to EUR 2,113 thousand; of this amount, EUR 1,993 thousand falls due within the next five years, and the remaining EUR 120 thousand after five years.

42. Dealings with related parties

In accordance with IAS 24, information relating to dealings with related parties for 2015 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.

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 member is a relative of Maria Chiara Franceschetti (CEO of Gefran S.p.A.).
- Axel S.r.l.: a company in which Adriano Chinello (director 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. They are summarised in the following tables:

Company	**Costs and Charges**		**Revenues and income**	
(EUR/000)	**2015**	**2014**	**2015**	**2014**
Elettropiemme S.r.l.	17	9	33	70
Climat S.r.l.	115	131	0	2
Axel S.r.l.	49	56	10	3
Francesco Franceschetti elastomeri S.r.l.	0	n/a	77	n/a
Total	**181**	**196**	**120**	**75**

Company *(EUR/000)*	**Receivables and other assets** 31/12/2015	31/12/2014	**Payables and other liabilities** 31/12/2015	31/12/2014
Elettropiemme S.r.l.	0	6	12	3
Climat S.r.l.	227	77	26	100
Axel S.r.l.	34	70	7	25
Francesco Franceschetti elastomeri S.r.l.	0	n/a	0	n/a
Total	**261**	**153**	**45**	**128**

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.

With regard to dealings with subsidiaries, Parent Company Gefran S.p.A. provided technical, administrative and management services as well as royalties to Group operating subsidiaries amounting to around EUR 2.3 million and governed by specific contracts.

The Gefran Group provides a Group cash pooling service, partly through a “Zero Balance” service, which involves all the European subsidiaries.

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

In 2015, Parent Company Gefran S.p.A. recognised dividends from subsidiaries amounting to EUR 5,984 thousand.

Members of the Board of Directors and the Board of Statutory Auditors and managers with strategic responsibilities were paid the following aggregate remuneration: EUR 1,107 thousand included in personnel costs and EUR 780 thousand included in service costs.

The executives with strategical responsabilities are the executive members of the Board of Directors, the two general managers of the Business Units and the managers with strategic responsibilities, the latter represented in the parent company by the CFO/Financial Reporting Officer and the Marketing and R&D Director of a Business Unit.

43. Information pursuant to article 149-duodecies of the Consob Issuers’ Regulation

The following table shows fees for 2015 for auditing services and services other than auditing provided by the same auditing company and entities within its network.

Description	**Party that provided the service**	**Recipient**	**Fees for 2015**
(EUR/000)			
External audit	BDO S.p.A.	Parent Company Gefran S.p.A.	112
	BDO network	Subsidiaries	110
Certification services	BDO S.p.A.	Parent Company Gefran S.p.A.	1
Other services	BDO S.p.A.	Parent Company Gefran S.p.A.	0
	BDO network	Parent Company Gefran S.p.A.	0
Total			223

44. Events after 31 December 2015

For information on operational performance in early 2016, please see the “Outlook” section.

No other significant events took place after year-end.

45. 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 take advantage of the option to derogate from the obligations to publish the information documents prescribed in relation to significant mergers, spin-offs, capital increases through contribution in kind, acquisitions and disposals.

Provaglio d’Iseo, 10 March 2016

For the Board of Directors

Chairman	Chief Executive Officer
Ennio Franceschetti	**Maria Chiara Franceschetti**

CONSOLIDATED INCOME STATEMENT ANALYSIS BY QUARTER

Consolidated income statement by quarter

	(EUR/000)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	TOT 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	TOT 2015
a	Revenues	29,596	32,144	31,801	36,086	**129,627**	30,309	29,556	26,759	28,728	**115,352**
b	Consumption of materials and products	10,436	11,875	12,960	14,444	**49,715**	9,810	9,995	9,026	10,475	**39,306**
c	Added value (a-b)	19,160	20,269	18,841	21,642	**79,912**	20,499	19,561	17,733	18,253	**76,046**
d	Other operating costs	5,619	4,546	5,069	6,582	**21,816**	6,395	6,673	6,846	5,887	**25,801**
e	Personnel costs	11,737	12,978	10,800	11,866	**47,381**	12,753	12,485	10,740	10,335	**46,313**
f	Increases for internal work	548	548	529	596	**2,221**	503	480	376	390	**1,749**
g	EBITDA (c-d-e+f)	2,352	3,293	3,501	3,790	**12,936**	1,854	883	523	2,421	**5,681**
h	Depreciation, amortisation and impairments	1,663	1,622	1,637	1,433	**6,355**	1,601	1,596	1,531	1,583	**6,311**
i	EBIT (g-h)	689	1,671	1,864	2,357	**6,581**	253	(713)	(1,008)	838	**(630)**
l	Gains (losses) from financial assets/liabilities	(399)	(325)	496	(458)	**(686)**	1,175	(1,095)	(1,343)	140	**(1,123)**
m	Gains (losses) from shareholdings value at equity	(19)	44	21	(10)	**36**	6	69	51	(7)	**119**
n	Profit (loss) before tax (i+-l+-m)	271	1,390	2,381	1,889	**5,931**	1,434	(1,739)	(2,300)	971	**(1,634)**
o	Taxes	(886)	(429)	(531)	(1,333)	**(3,179)**	(229)	(700)	(407)	(1,612)	**(2,948)**
p	Result from operating activities (n+-o)	(615)	961	1,850	556	**2,752**	1,205	(2,439)	(2,707)	(641)	**(4,582)**
q	Profit (loss) from assets held for sale	(669)	(1,009)	(513)	(785)	**(2,976)**	(141)	(46)	0	0	**(187)**
r	Group net profit (loss) (p+-q)	(1,284)	(48)	1,337	(229)	**(224)**	1,064	(2,485)	(2,707)	(641)	**(4,769)**

Consolidated income statement by quarter – excluding non-recurring items

	(EUR/000)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	TOT 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	TOT 2015
a	Revenues	29,266	32,144	31,801	35,711	**128,922**	30,309	29,556	26,759	28,728	**115,352**
b	Consumption of materials and products	10,436	11,875	12,960	14,444	**49,715**	9,810	9,995	9,026	10,475	**39,306**
c	Added value (a-b)	18,830	20,269	18,841	21,267	**79,207**	20,499	19,561	17,733	18,253	**76,046**
d	Other operating costs	5,619	5,929	5,069	6,582	**23,199**	6,395	6,673	6,846	5,887	**25,801**
e	Personnel costs	11,737	12,078	10,800	11,743	**46,358**	12,753	12,485	10,740	10,335	**46,313**
f	Increases for internal work	548	548	529	596	**2,221**	503	480	376	390	**1,749**
g	EBITDA (c-d-e+f)	2,022	2,810	3,501	3,538	**11,871**	1,854	883	523	2,421	**5,681**
h	Depreciation, amortisation and impairments	1,663	1,622	1,637	1,433	**6,355**	1,601	1,596	1,531	1,583	**6,311**
i	EBIT (g-h)	359	1,188	1,864	2,105	**5,516**	253	(713)	(1,008)	838	**(630)**
l	Gains (losses) from financial assets/liabilities	(399)	(325)	496	(458)	**(686)**	1,175	(1,095)	(1,343)	140	**(1,123)**
m	Gains (losses) from shareholdings value at equity	(19)	44	21	(10)	**36**	6	69	51	(7)	**119**
n	Profit (loss) before tax (i+-l+-m)	(59)	907	2,381	1,637	**4,866**	1,434	(1,739)	(2,300)	971	**(1,634)**
o	Taxes	(886)	(429)	(531)	(1,333)	**(3,179)**	(229)	(700)	(407)	(1,612)	**(2,948)**
p	Result from operating activities (n+-o)	(945)	478	1,850	304	**1,687**	1,205	(2,439)	(2,707)	(641)	**(4,582)**
q	Profit (loss) from assets held for sale	(669)	(709)	(513)	(785)	**(2,676)**	(141)	(46)	0	0	**(187)**
r	Group net profit (loss) (p+-q)	(1,614)	(231)	1,337	(481)	**(989)**	1,064	(2,485)	(2,707)	(641)	**(4,769)**

ANNEXES

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

End-of-period exchange rates

Currency	31 December 2015	31 December 2014
Swiss franc	1.0835	1.2024
Pound sterling	0.7340	0.7789
US dollar	1.0887	1.2141
Brazilian real	4.3117	3.2207
Chinese renminbi	7.0608	7.5358
Indian rupee	72.0215	76.7190
South African rand	16.9530	14.0353
Turkish lira	3.1765	2.8320

Average exchange rates in the period

Currency	2015	2014
Swiss franc	1.0676	1.2146
Pound sterling	0.7260	0.8064
US dollar	1.1096	1.3288
Brazilian real	3.6916	3.1228
Chinese renminbi	6.9730	8.1883
Indian rupee	71.1752	81.0689
South African rand	14.1528	14.4065
Turkish lira	3.0219	2.9070

b) List of companies included in the scope of consolidation

Name	Registered office	Country	Currency	Share capital	Parent Company	% of 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.	99.90
					Gefran UK	0.10
Gefran India Private Ltd	Pune	India	INR	100,000,000	Gefran S.p.A.	95.00
					Gefran UK	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 (PRC)	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric Pte Ltd	Shanghai	China (PRC)	RMB	1,005,625	Gefran Siei Asia	100.00
Gefran South Africa (Pty) Ltd	Milnerton City	Rep. of 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	Parent 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 subsidiaries

Name	Registered office	Country	Currency	Share capital	Parent 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
- Inn. Tec. S.r.l.	Brescia	Italy	EUR	918,493	Gefran S.p.A.	12.87
UBI Banca S.c.p.A.	Bergamo	Italy	EUR	2,254,368,000	Gefran S.p.A.	n/s

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

Certification of consolidated financial statements pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999, as subsequently amended and supplemented.

The undersigned **Maria Chiara Franceschetti**, as Chief Executive Officer, and **Fausta Coffano**, as Director in charge of preparing the accounting and corporate documents of Gefran S.p.A. hereby certify, with due regard for the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

- the adequacy, with respect to the Company's characteristics,

  and

- the effective application of the administrative and accounting procedures applied in the preparation of the consolidated financial statements in 2015.

There are no significant events to report in this regard.

They further certify that:

1. the consolidated financial statements:

- were prepared in accordance with applicable international accounting standards recognised in the European Union pursuant to EC Parliament and Council Regulation 1606/2002 of 19 July 2002;
- correspond to entries made in accounting ledgers and records;
- provide a true and accurate representation of the financial situation of the issuer and all companies included in the scope of consolidation.

2. The Report on Operations contains a reliable analysis of operating performance and results and of the condition of the issuer and all companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Provaglio d'Iseo, 10 March 2016

Chief Executive Officer	The Director responsible for preparing the accounting and corporate documents
Maria Chiara Franceschetti	***Fausta Coffano***

GEFRAN S.p.A.
SEPARATE FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

1. 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 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
    - Shareholdings valued at equity
    - Equity investments in other companies
    - Receivables and other non-current assets
    - Deferred tax assets
- **Working 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 (financial position)**: 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

2. KEY ECONOMIC, FINANCIAL, EQUITY AND OPERATING FIGURES

Gefran S.p.A. income statement highlights

(EUR/000)	31 December 2015		31 December 2014	
Revenues	74,771	100.0%	80,282	100.0%
EBITDA	1,332	1.8%	5,193	6.5%
EBIT	(3,735)	-5.0%	(2)	0.0%
Profit (loss) before tax	(412)	-0.6%	3,868	4.8%
Result from operating activities	(1,170)	-1.6%	2,348	2.9%
Profit (loss) from assets held for sale	(175)	-0.2%	(2,665)	-3.3%
Group net profit (loss)	(1,346)	-1.8%	(318)	-0.4%

Gefran S.p.A. income statement highlights, excluding non-recurring components

(EUR/000)	31 December 2015		31 December 2014	
Revenues	74,771	100.0%	80,282	100.0%
EBITDA	1,332	1.8%	4,710	5.9%
EBIT	(3,735)	-5.0%	(485)	-0.6%
Profit (loss) before tax	(412)	-0.6%	3,385	4.2%
Result from operating activities	(1,170)	-1.6%	1,865	2.3%
Profit (loss) from assets held for sale	(175)	-0.2%	(2,365)	-2.9%
Group net profit (loss)	(1,346)	-1.8%	(501)	-0.6%

Gefran S.p.A. statement of financial position highlights

(EUR/000)	31 December 2015	31 December 2014
Net invested capital	81,881	85,630
Net working capital	20,320	24,652
Shareholders’ equity	46,698	48,129
Net debt	(36,531)	(38,849)
Operating cash flow	3,862	4,994
Investments	4,123	5,462

3. DIRECTORS' REPORT ON OPERATIONS

The Group closed 2015 with revenues of EUR 74,771 thousand, down 6.9% from 2014.

Profitability is worsening, EBITDA is at 1.8%, while the EBIT margin is negative. This result is due to the reduction in sales revenues and the costs incurred by the company following the decision to waive the receivables due from the subsidiary Gefran South Africa and initiate the liquidation process, which had a total effect of EUR 2,402 thousand, of which EUR 1,139 thousand as a direct reduction of the EBIT.

Starting from December 2015, negotiations continued with an Indian company for the sale of the photovoltaic division: the agreement is expected to be concluded by the end of March 2016.

At its meeting of 12 November 2015, the Board of Directors decided to close the representative offices in both Russia and Mexico, and to shut down operations in South Africa.

Actions continued to be taken to reduce net financial borrowing, which amounted to EUR 36,531 thousand, an improvement on December 2014 when it was EUR 38,849 thousand.

Finally, net working capital was EUR 20,320 thousand at 31 December 2015, down EUR 4,332 thousand compared to the value recorded in December 2014.

The following table shows the operating results for the year, restated and compared with those of the previous period:

	(EUR/000)	2015 Excl. non-rec.	Incl. non-rec.	Final	2014 Excl. non-rec.	Incl. non-rec.	Final	Chg. 2015-2014 Excl. non-rec. Value	%
a	Revenues	74,771		74,771	80,282		80,282	(5,511)	-6.9%
b	Consumption of materials and products	27,307		27,307	29,287		29,287	(1,980)	-6.8%
c	Added value (a-b)	47,464	0	47,464	50,995	0	50,995	(3,531)	-6.9%
d	Other operating costs	17,340		17,340	15,418	1,383	14,035	1,922	12.5%
e	Personnel costs	30,541		30,541	33,056	(900)	33,956	(2,515)	-7.6%
f	Increases for internal work	1,748		1,748	2,189		2,189	(441)	-20.1%
g	EBITDA (c-d-e+f)	1,332	0	1,332	4,710	(483)	5,193	(3,379)	-71.7%
h	Depreciation, amortisation and impairment	5,067		5,067	5,195		5,195	(128)	-2.5%
i	EBIT (g-h)	(3,735)	0	(3,735)	(485)	(483)	(2)	(3,250)	670.4%
l	Gains (losses) from financial assets/liabilities	3,324		3,324	3,869		3,869	(546)	-14.1%
n	Profit (loss) before tax (i+-l)	(412)	0	(412)	3,385	(483)	3,868	(3,796)	-112.2%
o	Taxes	(759)		(759)	(1,520)		(1,520)	761	-50.1%
p	Result from operating activities (n+-o)	(1,170)	0	(1,170)	1,865	(483)	2,348	(3,035)	-162.8%
q	Profit (loss) from assets held for sale	(175)		(175)	(2,365)	300	(2,665)	2,190	-92.6%
r	Group net profit (loss) (p+-q)	(1,346)	0	(1,346)	(501)	(183)	(318)	(845)	168.9%

Revenues for the year amounted to EUR 74,771 thousand, down by EUR 5,511 thousand compared with the previous year, mainly due to the spin-off of the company branch operating in the production of industrial automation systems and panels, granted to Gefran Soluzioni S.r.l., which led to a reduction in revenues of EUR 2,495 thousand.

Added value was EUR 47,464 thousand, representing 63.5% of revenues, and perfectly in line with revenues to added value for 2014 in terms of percentage.

The **other operating costs** amounted to EUR 17,340 thousand at 31 December 2015, compared with EUR 15,418 thousand at 31 December 2014. Excluding the effect of the non-recurring income from the

2014 figure (equal to EUR 1,383 thousand) resulting from the sale of the calibration laboratory, the other operating costs rose by EUR 1,922 thousand, owing to expenses incurred for advertising and trade shows, research and staff training, especially in the first half of the year.

Having ascertained that the conditions needed to continue operations in the South African branch were no longer met, the Directors decided to start up the liquidation process in 2015. At the same time, it also waived loans of EUR 1,139 thousand granted to the branch, with this being recorded as an increase in other operating costs.

Personnel costs were EUR 30,541 thousand at 31 December 2015 (40.8% of revenues), compared with EUR 33,956 thousand at 31 December 2014 (41.2% of revenues). The 2014 figure includes non-recurring costs of EUR 900 thousand for restructuring costs. Net of the non-recurring component, personnel costs were down by EUR 2,515 thousand (-7.6%).

In 2015, **EBIT** was negative for EUR 3,735 thousand (negative for EUR 2 thousand in 2014).

Financial income was EUR 3,324 thousand, down by EUR 546 thousand on the previous year. This includes dividends from equity investments amounting to EUR 5,984 thousand, compared with EUR 5,185 thousand in dividends in 2014.

Interest income also included the effects of the above-mentioned liquidation of the South African subsidiary; more specifically, the cost, equal to EUR 152 thousand, for the write-down of the equity interest in Gefran South Africa and the financial charge of EUR 1,111 thousand from waiver of the right to be paid back the loan granted to it.

Current deferred **tax** assets and liabilities were negative at EUR 759 thousand at 31 December 2015, compared with a negative figure of EUR 1,520 thousand in 2014. The tax burden for the period exclusively comprised deferred tax assets and liabilities, for a negative amount of EUR 759 thousand (a negative amount of EUR 959 thousand at 31 December 2014); originating from the repayment of deferred tax assets in previous years of EUR 324 thousand and the necessary adjustment to the IRES (corporate income tax) rate of 24% of the deferred tax assets that are expected to be repaid after 31 December 2016, for EUR 435 thousand.

There were no current assets for 2015 since the cost of employees on permanent contracts can be fully deducted for IRAP purposes, as introduced by the 2015 Stability Law, IRAP for the year was reduced to zero. This tax reform led to a change in the rules for the tax deductions related to research and development. In this new scenario, Gefran did not believe it made economic sense to carry out the activities needed to achieve the tax incentives related to research and development in 2015.

Research and development costs, which are particularly substantial for Gefran S.p.A. due to the type of business it conducts, at nearly 9% of revenues, are recognised in the income statement. More specifically, the cost of technical personnel involved in the activities, consultancy and materials used is fully charged to the income statement, except for costs capitalised for the year that meet the requirements of IAS 38. Costs identified for capitalisation according to the above requirements are indirectly suspended by a revenue entry under a specific income statement item: “Increases for internal work”.

EUR 1,748 thousand was capitalised during the year, in relation to projects meeting the requirements of IFRS.

All the intangible assets with indefinite lives and equity investments in subsidiaries were subject to impairment tests, which did not show up any impairment.

The main items in the statement of financial position are summarised in the following table:

(EUR/000)	31 Dec 2015	%	31 Dec 2014	%
Intangible assets	7,771	9.3	7,421	8.5
Tangible assets	32,616	39.2	33,999	39.1
Financial assets	33,020	39.7	32,913	37.8
Net fixed assets	73,407	88.2	74,334	85.5
Inventories	11,222	13.5	11,667	13.4
Trade receivables	23,029	27.7	28,611	32.9
Trade payables	(13,931)	(16.7)	(15,627)	(18.0)
Other assets/liabilities	(5,789)	(7.0)	(6,814)	(7.8)
Working capital	14,531	17.5	17,838	20.5
Provisions for risks and future liabilities	(1,148)	(1.4)	(1,074)	(1.2)
Deferred tax provisions	(28)	(0.0)	(5)	(0.0)
Employee benefits	(4,880)	(5.9)	(5,462)	(6.3)
Invested capital from operations	81,882	98.4	85,631	98.5
Invested capital from assets held for sale	1,347	1.6	1,347	1.5
Net invested capital	**83,229**	**100.0**	**86,978**	**100.0**
Shareholders' equity	46,698	56.1	48,129	55.3
Medium- to long-term financial payables	10,879	13.1	25,959	29.8
Short-term financial payables	44,328	53.3	25,006	28.7
Financial liabilities for derivatives	275	0.3	344	0.4
Financial assets for derivatives	(25)	(0.0)	(26)	(0.0)
Cash and cash equivalents and short-term financial receivables	(18,926)	(22.7)	(12,433)	(14.3)
Net debt relating to operations	36,531	43.9	38,849	44.7
Total sources of financing	**83,229**	**100.0**	**86,978**	**100.0**

Net fixed assets decreased by EUR 926 thousand compared with 31 December 2014, mainly due to the decrease in deferred tax assets of EUR 686 thousand and tangible fixed assets of EUR 1,383 thousand, partially offset by the increase in equity investments due to the establishment of Gefran Soluzioni S.r.l., for EUR 1,012 thousand.

Working capital amounted to EUR 14,531 thousand, decreasing by EUR 3,307 thousand compared with 31 December 2014. The main changes in this item were as follows:

- Inventories fell by EUR 446 thousand, from EUR 11,667 thousand at 31 December 2014 to EUR 11,222 thousand at 31 December 2015.
- trade receivables amounted to EUR 23,029 thousand, down EUR 5,582 thousand compared with 31 December 2014, generated by the reduction in receivables and the transfer of some customers to the newly established Gefran Soluzioni S.r.l.
- Trade payables amounted to EUR 13,931 thousand, compared with EUR 15,627 thousand at 31 December 2014, down EUR 1,696 thousand, due to a reduction in purchases as a result of the reduction in volumes;

- Other net assets and liabilities, negative at EUR 5,789 thousand at 31 December 2015, compared with other net liabilities of EUR 6,814 thousand at 31 December 2014, with a reduction of EUR 1,025 thousand.

Provisions for risks and future liabilities were EUR 1,148 thousand, an increase over 31 December 2014 of EUR 75 thousand. These include provisions for legal disputes in progress and other funds for miscellaneous risks.

Shareholders' equity decreased by EUR 1,431 thousand compared with 31 December 2014, mainly due to the recognition of a net loss for the year (EUR 1,346 thousand) and the change in IFRS reserves, which had a negative impact on shareholders' equity.

(EUR/000)	**31 Dec 2015**	**31 Dec 2014**
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	10,803	13,838
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:	9,846	4,994
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES	(4,798)	(2,483)
D) FREE CASH FLOW (B+C)	5,048	2,511
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES	1,698	(3,411)
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)	6,746	(900)
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE	0	(505)
H) Currency translation differences on cash at hand	0	0
I) NET CHANGE IN CASH AT HAND (F+G+H)	6,746	(1,405)
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)	17,549	12,433

Net debt was a negative EUR 36,531 thousand, improved by EUR 2,318 thousand compared with 31 December 2014 (a negative EUR 38,849 thousand). This change was mainly due to cash flows from ordinary operations (EUR 9,846 thousand) and cash burn generated by investment activities (EUR 4,798 thousand).

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, equal to EUR 15,032 thousand, was reclassified under short term debt, and relating 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.

Debt of EUR 17,791 thousand was repaid in 2015, and new medium-/long-term loans were taken out in the amount of EUR 18,000 thousand.

4. SIGNIFICANT EVENTS DURING THE YEAR

- On 17 February 2015, the Gefran S.p.A. Board of Directors gave its final approval to the spin-off from Gefran S.p.A. of the activities of the systems area, forming a new wholly-owned subsidiary. The newly-formed company, Gefran Soluzioni S.r.l., currently has 29 employees, and is autonomous in terms of research and development, sales and operations. It designs and manufactures automation panels, and provides support and spare parts to customers. The operation was born from the need to implement a competitive operational/organisational model on the systems Integrators market, where the principles underlying orders are very different from those related to the Company's other business lines. The focus will enable customers to be provided with higher levels of service and post-sales support, while maintaining application know-how within the Gefran Group.
- On 1 April 2015, Gefran S.p.A. conferred the division in Provaglio d'Iseo to the newly-formed Gefran Soluzioni S.r.l., owned by the same and active in the production of systems and industrial automation panels. The transfer included goods, assets and liabilities, for a net asset value of EUR 1,002 thousand.
- On 29 April 2015, the ordinary shareholders' meeting of Gefran S.p.A. voted to:
    - approve the 2014 financial statements and cover the loss for the year of EUR 318 thousand through the use of available reserves;
    - appoint the following as members of the Board of Statutory Auditors for the three-year period 2015–2017: Marco Gregorini, Alessandra Zunino de Pignier and Primo Ceppellini, with Guido Ballerio and Rossella Rinaldi as deputy auditors;
    - 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.
- At its meeting of 12 November 2015, the Board of Directors decided to close the sales offices in both Russia and Mexico, and stop operating in South Africa.

5. SIGNIFICANT EVENTS AFTER YEAR END

- 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, in accordance with articles 4 and 24 of Law no. 223 of 23 July 1991, of its intention to start the redundancy process for a total of 65 employees.
- On 3 March 2016, Gefran signed a letter of intent with a Spanish distributor for the sale of the company branch involved in the distribution of sensors and automation components in Spain/Portugal.

6. OUTLOOK

The macroeconomic prospects for 2016 have slightly improved for advanced countries, while there are still uncertainties regarding China and the other emerging countries. Global growth projections forecast a slight acceleration in 2016 compared to 2015, even though this has been revised downwards.

Growth continued in the eurozone - albeit to a low extent - due to the positive contribution from the gradual growth in internal demand, making up for the reduction in exports towards emerging countries. Inflation is still very low, partly due to the price of crude oil.

In Italy, as in the rest of the eurozone, recovery is continuing slowly, the weakness in exports is offset by increasing internal demand; however, there are still uncertainties in investment prospects.

In view of the above, strategic group policies will reflect the macroeconomic scenarios and factors outside the control of the company. The Gefran portfolio will maintain the revenue composition recorded in 2015, with the highest portion contributed by the sensors: significant restructuring in Italy was planned, and finally greater focus will be placed on economies of scale and the size aspects of the company structures will be examined by management.

Investments and commercial activities involving the world of sensors (whose revenues now represent the highest portion of Gefran’s sales) once again will guarantee most profits, which, however, will also be helped by the better performance in the components business and a reduction in the absorption of resources by the Motion business.

The need for greater efficiency and productivity will also be achieved by downsizing the main industrial processes in the restructuring plan carried out by Gefran S.p.A: the 55 redundancies agreed with the trade unions in the three facilities of the Gefran S.p.A company will be managed through the redundancy fund (CIGS) and redundancy plan established on 29/2.

7. OWN SHARES

In 2015, Parent Company Gefran S.p.A. continued to purchase own shares following the guidelines set out in the plan approved by the Shareholders' Meeting of 29 April 2015, which authorised the purchase and sale of own shares up to the maximum legal limit of 10% of issued shares, for a period of 18 months from the date of the Shareholders' Meeting.

Gefran S.p.A. purchased 29,861 shares at an average price of EUR 2.7337 per share during the year. At 31 December 2015, Gefran S.p.A. held 219,735 shares (1.53% of the capital) with an average book value of EUR 3.6546 per share. As at the date of this report, Gefran S.p.A. owns 225,828 shares, equivalent to 1.57% of the capital, at an average book value of EUR 3.5954 per share.

Brokerage on Gefran's shares by the specialist Intermonte takes place regularly.

8. DEALINGS WITH RELATED PARTIES

At its meeting on 12 November 2010, the Gefran Board of Directors approved the "Regulation for transactions with related parties" in application of Consob resolution 17221 of 12 March 2010. This regulation is published in the "Investor Relations" section of the website www.gefran.com, and was updated in 2012 to improve some of the definitions contained therein. It is also provided in the Report on Corporate Governance and Ownership Structure.

See note 36 of these explanatory notes to the accounts for details on transactions with related parties.

9. ENVIRONMENT, HEALTH AND SAFETY

In 2015, Gefran S.p.A. continued with its commitment - started in 2012 - to promote initiatives and activities to protect the environment as a primary asset and the health and safety of all staff.

We constructed an energy balance for the main production sites in Provaglio and Gerenzano, in association with a company ESCo (Energy Service Company) in order to identify the possible margins for improvement and potential energy savings actions in the various energy vectors (electricity and natural gas) for each factory.

With the data taken from the energy analysis carried out in accordance with Legislative Decree no. 102/2004, a feasibility study is now being completed, i.e. a technical and economic assessment of the interventions identified, with a precise analysis of the costs/benefits for every site.

10. HUMAN RESOURCES

In the production plants in Italy, Gefran contracted out some work in order to obtain greater flexibility and efficiency, as it had done in previous years, albeit to a more limited extent. A total of 6 contracts were in place at the end of the year, of which only 1 was extended through 2016.

Cost-cutting measures continued, including annual and accrued leave plans.

Turnover in Italy was due to both the end of the restructuring plan implemented in the 2014-2016 business plan, and the organisational changes made to develop skills.

Dialogue with trade union representatives and provincial union organisations was constructive. Use was made of the Ordinary Redundancy Fund (CIGO) in Provaglio d'Iseo for the factory in via Sebina during the fourth quarter due to a drop in orders.

The constant interaction with the various company departments in the definition of training requirements in 2015 led to action being taken to develop skills and abilities such as: English, understanding of economic-financial indicators in financial statements (for "non finance" department managers) and efficient communication.

In order to develop rising talents, Gefran established and provided individual courses aimed at strengthening managerial and leadership skills, including assessment centres, classroom training, coaching and on-the-job training.

In association with the CSMT (Multisectorial and Technological Service Centre), an innovative course was designed and provided in order to provide awareness of the pillars of lean production; this involved the entire operations department, and led to implementation of process changes following a focus group on the matter, with significant and tangible improvements.

The marketing area was involved in training courses with the MIP, Milan Polytechnic, in the area of innovation in marketing analysis and performance.

The human resources department continued to offer technical and specialist training across the various company departments in 2015, along with coaching for the staff and line functions.

11. MAIN RISKS AND UNCERTAINTIES

For information on the main risks and uncertainties faced by the Company, please see the section "Main risks and uncertainties to which the Gefran Group is exposed" in the consolidated financial statements.
With regard to risk management objectives and policies, including the hedging policy and the exposure of Gefran S.p.A. to credit, price, liquidity, interest rate and exchange rate risks, please see the full description in the comments on the financial statement items. With regard to "financial risk management", please see note 11 of the explanatory notes to the accounts.

12. SIMPLIFIED INFORMATION

On 1 October 2012, the Gefran S.p.A. Board of Directors voted to make use of the option of providing simplified information pursuant to article 70, paragraph 8, and article 71, paragraph 1-bis, of Consob Regulation 11971/1999 as amended.

13. PROPOSED RESOLUTION

Dear Shareholders,

We hereby submit for your approval the annual financial statements for the year ending 31 December 2015, which show a net loss for the year of EUR 1,345,760.

Note that the legal reserve reached the limit set by the Italian Civil Code some time ago, and that the available reserves amply cover the development costs recorded under non-current assets.

We propose to cover the loss for the year using available reserves. We therefore submit for your approval the following resolution:

"The Ordinary Shareholders' Meeting of Gefran S.p.A., having taken note of the Board of Statutory Auditors' Report and the External Auditors' Report, votes:

1. *to approve the Board of Directors' Report on Operations and the annual financial statements for the year ending 31 December 2015, which show a loss of EUR 1,345,760, as presented by the Board of Directors;*
2. *to cover the loss using retained earnings;*
3. *not to pay out dividends."*

Provaglio d'Iseo, 10 March 2016

For the Board of Directors

Chairman	Chief Executive Officer
Ennio Franceschetti	**Maria Chiara Franceschetti**

GEFRAN S.p.A.

ACCOUNTING STATEMENTS FOR THE SEPARATE FINANCIAL STATEMENTS

14. STATEMENT OF PROFIT/(LOSS) FOR THE YEAR

		progressive at 31 December	
(Euro)	*Note*	**2015**	**2014**
Revenues from product sales	*12*	71,945,481	77,299,270
of which: related parties	*36*	*32,758,892*	*32,517,955*
Other operating revenues and income	*13*	2,825,224	2,982,534
of which: related parties	*36*	*2,523,631*	*2,898,772*
TOTAL REVENUES		**74,770,705**	**80,281,804**
Change in inventories		(270,291)	(831,717)
Costs of raw materials and accessories	*14*	(27,036,423)	(28,455,071)
of which: related parties	*36*	*(1,380,818)*	*(1,583,820)*
Service costs	*15*	(14,730,005)	(14,028,509)
of which: related parties:	*36*	*(305,279)*	*(369,967)*
Miscellaneous management costs	*17*	(2,136,998)	(683,986)
Other operating income	*17*	79,911	1,408,231
of which: non-recurring:		*0*	*1,383,413*
Personnel costs	*16*	(30,541,036)	(33,955,728)
of which: non-recurring:		*0*	*(900,000)*
Increases for internal work		1,748,446	2,189,294
Impairment of trade and other receivables		(552,783)	(731,110)
Amortisation	*18*	(1,903,124)	(1,983,984)
Depreciation	*18*	(3,163,553)	(3,211,061)
EBIT		**(3,735,151)**	**(1,837)**
of which: non-recurring:		*0*	*483,413*
Gains from financial assets	*19*	6,745,160	6,171,703
of which: related parties:	*36*	*5,984,258*	*5,185,171*
Losses from financial liabilities	*19*	(3,152,047)	(1,925,379)
of which: related parties:	*36*	*(787)*	*(2,183)*
Value adjustments on non-current assets	*19*	(269,514)	(376,970)
PROFIT (LOSS) BEFORE TAX		**(411,552)**	**3,867,517**
of which: non-recurring:		*0*	*483,413*
Current taxes	*20*	0	(561,346)
Deferred taxes	*20*	(758,716)	(958,618)
TOTAL TAXES		**(758,716)**	**(1,519,964)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(1,170,268)**	**2,347,553**
of which: non-recurring:		*0*	*483,413*
Net profit (loss) from assets held for sale	*10*	(175,492)	(2,665,077)
of which: non-recurring:		*0*	*(300,000)*
NET PROFIT (LOSS) FOR THE YEAR		**(1,345,760)**	**(317,524)**
of which: non-recurring:		*0*	*183,413*

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

		progressive at 31 December	
(Euro)	*note*	**2015**	**2014**
NET PROFIT (LOSS) FOR THE YEAR		**(1,345,760)**	**(317,524)**
Items that will not subsequently be reclassified in the income statement for the year			
- revaluation of employee benefits: IAS 19	*32*	(144,197)	(597,022)
- overall tax effect	*32*	49,304	47,785
Items that will or could subsequently be reclassified in the income statement for the year			
- equity investments in other companies	*31*	22,989	7,689
- fair value of cash flow hedging derivatives	*31*	68,142	3,804
Total changes, net of tax effect		**(3,762)**	**(537,744)**
Comprehensive result for the period		**(1,349,522)**	**(855,268)**

16. STATEMENT OF FINANCIAL POSITION

(Euro)		31 Dec 2015	31 Dec 2014
NON-CURRENT ASSETS			
Intangible assets	*21*	7,771,389	7,421,381
of which: related parties:		*30,410*	*69,500*
Property, plant, machinery and tools	*22*	32,616,200	33,999,182
of which: related parties:		*227,420*	*76,600*
Equity investments in subsidiaries	*23*	25,891,625	25,031,326
Shareholdings valued at equity	*24*	1,723,705	1,723,705
Equity investments in other companies	*25*	1,800,494	1,870,406
Receivables and other non-current assets	*26*	58,197	56,040
Deferred tax assets	*20*	3,546,027	4,231,993
TOTAL NON-CURRENT ASSETS		**73,407,637**	**74,334,033**
CURRENT ASSETS			
Inventories	*27*	11,221,704	11,667,487
Trade receivables	*27*	11,306,623	13,645,823
of which: related parties:		*4,480*	*6,118*
Trade receivables from subsidiaries	*27*	11,722,367	14,965,616
Other assets	*28*	1,465,786	1,720,657
Tax receivables	*29*	269,194	1,202,512
Cash and cash equivalents	*30*	17,549,048	10,802,562
Financial assets for derivatives	*30*	25,319	26,287
Financial receivables from subsidiaries	*30*	1,376,598	1,630,791
TOTAL CURRENT ASSETS		**54,936,639**	**55,661,735**
ASSETS HELD FOR SALE		**1,347,020**	**1,347,020**
TOTAL ASSETS		**129,691,296**	**131,342,788**
SHAREHOLDERS' EQUITY			
Share capital		14,400,000	14,400,000
Reserves		33,643,357	34,046,274
Profit/(loss) for the year		(1,345,760)	(317,524)
TOTAL SHAREHOLDERS' EQUITY	*31*	**46,697,597**	**48,128,750**
NON-CURRENT LIABILITIES			
Non-current financial payables	*30*	10,878,940	25,958,691
Employee benefits	*32*	4,879,961	5,462,090
Non-current provisions	*33*	459,000	411,363
Deferred tax provisions	*20*	28,059	4,612
TOTAL NON-CURRENT LIABILITIES		**16,245,960**	**31,836,756**
CURRENT LIABILITIES			
Current financial payables	*30*	37,219,958	21,056,321
Financial payables to subsidiaries	*30*	7,108,276	3,949,572
Trade payables	*27*	13,437,471	13,901,463
of which: related parties:		*45,767*	*127,238*
Trade payables to subsidiaries	*27*	493,576	1,725,746
Financial liabilities for derivatives	*30*	274,668	343,778
Current provisions	*33*	689,104	662,231
Tax payables	*29*	1,410,200	1,806,965
Other liabilities	*34*	6,114,486	7,931,206
TOTAL CURRENT LIABILITIES		**66,747,739**	**51,377,282**
TOTAL LIABILITIES		**82,993,699**	**83,214,038**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**129,691,296**	**131,342,788**

17. CASH FLOW STATEMENT

(EUR/000)	*note*	31 Dec 2015	31 Dec 2014
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**10,803**	**13,838**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:			
Net profit (loss) for the year		(1,346)	(318)
Depreciation/amortisation		5,067	5,195
Capital losses (gains) on the sale of non-current assets		(44)	(1,381)
Net result from financial operations		(3,324)	(3,869)
Dividends received		5,984	5,185
Change in provisions for risks and future liabilities		(508)	(1,613)
Change in other assets and liabilities		(1,025)	12
Change in deferred taxes		709	911
Change in trade receivables		5,582	290
Change in inventories		446	1,720
Change in trade payables		(1,696)	(1,138)
TOTAL		**9,846**	**4,994**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets		(4,122)	(4,636)
- Equity investments and securities		(1,060)	700
- Acquisitions net of acquired cash		0	0
- Financial receivables		252	1
Disposal of non-current assets		132	1,452
TOTAL		**(4,798)**	**(2,483)**
D) FREE CASH FLOW (B+C)		**5,048**	**2,511**
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables		18,000	9,000
Repayment of financial payables		(17,791)	(12,370)
Increase (decrease) in current financial payables		3,928	2,157
Interest received (paid)		(2,353)	(1,578)
Change in shareholders' equity reserves		(85)	(620)
Dividends paid		0	0
TOTAL		**1,698**	**(3,411)**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**6,746**	**(900)**
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE		**-**	**(505)**
I) NET CHANGE IN CASH AT HAND (F+G+H)		**6,746**	**(1,405)**
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)		**17,549**	**12,433**

18. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR/000)	Share capital	Capital reserves	Fair value measurement reserve	Other reserves	Profits/(Losses) prior years	Profit/(loss) for the year	Total Shareholders' equity
Balance at 1 January 2014	14,400	21,926	340	9,977	9,827	(7,414)	49,056
Destination of 2013 profit							
- Other reserves and provisions				(255)	(7,159)	7,414	0
- Dividends							0
Income/(expenses) recognised at equity			11				11
Change in translation reserve							0
Other changes				(621)			(621)
2014 profit						(318)	(318)
Balance at 31 December 2014	14,400	21,926	351	9,101	2,668	(318)	48,128
Destination of 2014 profit							
- Other reserves and provisions				0	(318)	318	0
- Dividends							0
Income/(expenses) recognised at equity			92	(95)			(3)
Change in translation reserve							0
Other changes				(81)			(81)
2015 profit						(1,346)	(1,346)
Balance at 31 December 2015	14,400	21,926	443	8,925	2,350	(1,346)	46,698

EXPLANATORY NOTES TO THE ACCOUNTS

1. Company information

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

Publication of the financial statements of Gefran S.p.A. for the year ended 31 December 2015 was authorised by resolution of the Board of Directors on 10 March 2016, and was made available to the public on the company website www.gefran.com on 30 March 2016.

Please note that the information required pursuant to article 123-*bis* of Legislative Decree 58/1998 is contained in a separate document, the "Report on Corporate Governance and Ownership Structure", which refers for some information to the "Remuneration Report", prepared pursuant to article 123-*ter* of Legislative Decree 58/1998. Both of these reports have been published in the investor relations/corporate governance section of the Company's website.

2. Form and content

The 2015 financial statements were prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

The external audit of the financial statements was conducted by BDO S.p.A..

These financial statements are presented in euro, which is also the functional currency used for the Group consolidated financial statements. Unless otherwise indicated, all the amounts included in the explanatory notes are expressed in euro.

3. Accounting schedules

Gefran S.p.A. has used:

- a statement of financial position, according to which assets and liabilities are separated into current and non-current categories;
- a statement of profit (loss) for the year, in which costs are categorised by nature;
- a statement of profit (loss) for the year and other items of comprehensive income, which includes charges and income recognised directly in shareholders' equity, net of tax charges;
- a cash flow statement according to the indirect method, whereby the operating result is adjusted for the effects of non-monetary transactions, any deferrals or accruals of past or future operating receipts or payments, and items of revenues or costs associated with the cash flows from investing or financing activities.

It should be noted that, with regard to Consob resolution 15519 of 27 July 2006, in the statement of financial position and the income statement, amounts for positions with related parties are shown separately from the items in question.

4. Measurement criteria

The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

*I*n line with the requirements of document 2 of 6 February 2009, issued jointly by the Bank of Italy, Consob and ISVAP, note that these financial statements of Gefran S.p.A. were prepared on the assumption that the Group is a going concern. At 31 December 2015 the terms of the clauses relating to the ratio between net debt and EBITDA were not complied with. Therefore, EUR 15.0 million in medium/long term debt was reclassified as short-term debt. However, the credit lines provided by banks and other financial institutions are sufficient to ensure the Group's operations, liquidity is also considered adequate. Moreover all the banks involved 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. For the reasons above, the directors believe 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, not undermining the Company’s status as a going concern.

With reference to Consob Communication DEM/11070007 of 5 August 2011, it is also noted that the Company 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.

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”) includes the required information, and specifically refers to the external information and the sensitivity analysis.

With reference to Consob Communication 0007780 of 28 January 2016, we note that the impacts of the market conditions on the balance sheet information were included in the Directors’ Report on Operations. It is furthermore noted that the application of IFRS 13 “Fair Value Measurement” does not involve any significant changes in the financial statement items of Gefran and currently an assessment is being carried out of the impacts on the financial statements of application of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from contracts with customers” both of the latter entering into effect on 1 January 2018.

The financial statements were prepared using the general historical cost criterion, adjusted as required for the measurement of some financial instruments.

This section summarises the most significant measurement criteria used by the Company.

<u>Revenues</u>

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the relative amount can be reliably measured. The following specific criteria for recognition of revenues must always be complied with before recognition in the income statement.

<u>Sale of goods</u>

The revenue is recognised when the business has transferred the significant risks and benefits connected to ownership of the asset and the amount of revenue can be reliably measured.

Provision of services

Revenues from services (technical assistance, repairs and other services rendered) are recognised according to the state of advancement of these activities. The state of advancement is measured as a percentage, using the hours worked as a proportion of the total estimated hours for each contract.

When the result of the contract cannot be reliably measured, the revenue is recognised only to the extent that the costs sustained are recoverable.

Interest

This is recorded as financial income for interest income accrued during the year, using the effective interest method, which is the rate that discounts expected future cash flows according to the expected life of the financial instrument, added to the net value of the financial assets reported in the financial statements.

Dividends

Dividends are recognised when the shareholders' right to receive payment arises, i.e. at the date of the Shareholders' Meeting resolution.

Costs

Costs for the period are recorded on an accruals basis and recognised net of returns, discounts and rebates.

Financial charges

Financial charges are recorded in the income statement when they are incurred, in accordance with the reference accounting treatment set forth in IAS 23.

Income tax

Income tax for the period was calculated using an estimate of taxable income. The amount owed to the tax authorities is recorded under tax payables. Taxes paid in excess of the amount due are posted to tax assets.

Current income taxes relating to items posted directly to shareholders' equity are reported directly in shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are determined in relation to temporary differences between the values of assets and liabilities in the financial statements and those recognised for tax purposes. Deferred tax assets are recognised when it is probable that sufficient taxable income is available to allow these assets to be used. Deferred tax liabilities are recognised for all taxable temporary differences.

Tangible assets

Tangible assets are recognised at purchase cost, including accessory costs. The cost of tangible assets is adjusted for depreciation on the basis of a systematic plan, taking into account the remaining possibility of economic use of the assets and also considering their physical wear. Tangible assets are depreciated on a monthly basis from the time of entry into operation until they are sold or derecognised in the financial statements.

If significant parts of tangible assets in use have different useful lives, the components identified are recognised and depreciated separately.

At the time of sale or when no future economic benefits are expected from the use of an asset, it is derecognised in the financial statements, and any gain or loss (calculated as the difference between the selling price and the carrying value) is recognised in the income statement in the year of derecognition.

Costs for maintenance and ordinary repairs are charged to the income statement in the year in which they are incurred.

Extraordinary maintenance costs that entail significant and tangible improvements to plant production capacity or safety or their economically useful lives are capitalised.

Leases

Finance leases, which transfer to the Company substantially all the risks and rewards of ownership of the leased item, are capitalised as tangible assets from the date of inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments. A payable is recognised under liabilities for the same amount, which is then gradually reduced according to the repayment plan for the principal amounts included in the contractually agreed payments. Lease payments are apportioned between principal and interest so as to achieve a constant rate of interest on the remaining balance of the debt (principal). Financial charges are charged to the income statement.

Leased assets are depreciated using the same criteria as for other tangible assets.

Leases where the lessor retains substantially all the typical risks and rewards of ownership are classified as operating leases. The initial negotiation costs incurred for operating leases are regarded as increasing the cost of the leased asset and are recognised over the term of the lease so as to be netted against the revenues generated by the lease. Operating lease payments are charged to the income statement on a straight-line basis throughout the term of the lease agreement.

Research and development costs

Research costs are charged to the income statement at the time that they are incurred. Development costs incurred for a specific project are capitalised when all the following conditions are met:

- the costs can be reliably determined;
- the technical feasibility of the product can be demonstrated;
- the anticipated volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits;
- adequate technical and financial resources are available to complete the development of the project.

Capitalised development costs are depreciated on a systematic basis from the start of production and throughout the estimated life of the product. The carrying value of development costs is reviewed annually, so that a comparative analysis can be performed and any impairment recognised, or more frequently if there are indications during the year of a possible doubt as to the recoverability of the carrying value. All other development costs are recognised in the income statement when they are incurred.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, whereby the identifiable assets, liabilities and contingent liabilities of the acquired company, which meet the conditions for recognition under IFRS 3, are recognised at their present value at the acquisition date. Deferred taxes are then allocated on the adjustments made to the previous carrying values to align them with the present value.

Because of its complexity, application of the acquisition method includes an initial provisional calculation of the value of the assets, liabilities and contingent liabilities acquired, to allow for a first recognition of the transaction in the financial statements of the financial year in which the business combination was carried out. This initial recognition is added to and adjusted within twelve months of the acquisition date.

Changes to the initial consideration due to events or circumstances occurring after the acquisition date are recognised in the statement of profit (loss) for the year.

Goodwill is recognised as the difference between:

- the sum of the consideration transferred, the amount of minority interests (valued combination by combination, or at fair value or in proportion to the amount of identifiable net assets attributable to minorities), the fair value of previously held interests in the acquiree, recognising any resulting gain or loss in the statement of profit (loss) for the year;
- the net value of the identifiable acquired assets and the identifiable assumed liabilities.

The costs connected to the combination are not included in the consideration transferred and are therefore recognised in the statement of profit (loss) for the year. If, when the process of determining the present value of the assets, liabilities and contingent liabilities has been completed, this amount exceeds the acquisition cost, the excess is immediately credited to the income statement.

Goodwill is periodically reviewed to check the prerequisites for recoverability, through a comparison with the fair value or with future cash flows from the underlying investment. For the purposes of the comparative analysis, goodwill acquired in a business combination is allocated, at the acquisition date, to the Group's individual cash-generating units, or to the groups of cash-generating units expected to benefit from the synergies of combination, regardless of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated:

- represents the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets;
- is no bigger than the operating sectors identified based on IFRS 8.

When goodwill is part of a cash-generating unit (group of cash-generating units) and a part of the assets within the unit is sold, the goodwill associated with the asset disposed of is included in the carrying value of the activity to determine the gain or loss on the disposal. Goodwill sold in these circumstances is measured according to the relative values of the asset disposed of and the retained portion of the unit. When the disposal relates to a subsidiary, the difference between the sale price and the net assets, together with cumulative translation differences and residual goodwill, is posted to the income statement.

Asset impairment

IAS 36 requires the impairment testing of tangible and intangible assets and equity investments if there are indicators suggesting that such a problem might exist. In the case of goodwill, other intangible assets with an indefinite life and equity investments, testing takes place at least once a year. The recoverability of the asset is assessed by comparing the carrying value recognised in the financial statements with the greater of the net selling price, if an active market exists, and the value in use of the asset.

Value in use is the discounted value of the expected cash flows from use of the asset, or an aggregation of assets (cash-generating unit), as well as the value expected from disposal at the end of its useful life. The cash generating units have been identified in line with the organisational structure and the Group's business, as homogenous aggregations that generate independent cash flows through the continued use of the assets allocated to them.

Other intangible assets

Other intangible assets acquired or produced internally are recognised as assets in accordance with the provisions of "IAS 38 - Intangible assets", when it is probable that the asset will generate future economic benefits and when the cost of the asset can be reliably determined.

The useful life of an intangible asset may be qualified as finite or indefinite. Intangible assets with finite useful lives are amortised on a straight-line basis for the duration of the expected future sales deriving from the related project (usually 5 years). Useful life is reviewed annually and any changes are applied prospectively.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if there is an indication that the asset may be impaired.

Non-current assets held for sale

Non-current assets classified as held for sale are measured in accordance with IFRS 5 at the lower of their carrying value and their fair value minus selling costs.

Equity investments in subsidiaries and associates

Investments in subsidiaries, associates and joint ventures are accounted for using the cost method and tested periodically for impairment. These tests are carried out at least once a year, or whenever there is evidence of probable impairment of equity investments. The evaluation method used is based on the discounted cash flow, applying the method described under "Asset impairment". If a write-down is necessary, it is charged to the income statement in the year in which the impairment is detected.

Inventories

Inventories are valued at the lower of the acquisition or production cost and the market value. Accessory costs are included in the acquisition cost.

The following cost configuration is used:

- raw materials, supplies, products sold: Weighted average cost
- work in progress: Production cost
- finished and semi-finished products: Production cost

Production cost includes the cost of raw materials, materials, labour and all other direct production expenses, including depreciation and amortisation. Production cost does not include distribution costs. Obsolete or slow-moving inventories are written down according to the possibility of using or realising them.

Trade receivables and payables and other receivables/payables

Receivables are recognised in the financial statements at their presumed realisable value, which comprises the nominal value, adjusted if necessary by specific impairment provisions. Trade receivables have due dates that fall within normal contractual periods (60 to 120 days), and are therefore not discounted. An estimate of the risk of bad debt is made when collection of the full amount is no longer probable. Bad debts are written down when they are identified.

The discounting of receivables from customers through factoring operations (with recourse) is booked by recognising:

- the factored receivable at its nominal value under “trade receivables”;
- the payable for advances received under “current financial payables”.

Receivables factored without recourse are removed from the financial statements when all the risks associated with the sale of the receivable are borne by the factoring company.

Payables are recognised at nominal value. Trade payables have due dates that fall within normal contractual periods (30 to 120 days), and are therefore not discounted.

Financial derivatives

Derivatives are classified as “Hedging derivatives” if the conditions exist for the application of hedge accounting; otherwise, even if undertaken with the intention of managing risk exposure, they are recorded as “Financial assets held for trading”. In line with IAS 39, financial derivatives may be recognised using the methods established for hedge accounting only when the relationship between the derivative and the hedged item is formally documented and the hedge effectiveness is high (effectiveness test). The effectiveness of hedge transactions is documented both at the start of the operation and periodically (at least at each reporting date for the financial statements or interim statements) and measured by comparing changes in the fair value of the hedging instrument with those of the hedged item.

When derivatives hedge the risk of changes in the fair value of hedged instruments (fair value hedges), the derivatives are recognised at fair value and the effects are charged to the income statement. The Gefran Group does not hold derivatives of this kind.

When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedges), changes in the fair value of the derivatives are initially recorded under other components of comprehensive income and are then reclassified from shareholders’ equity to profit (loss) for the year as a reclassification adjustment, in line with the economic effects of the hedged transaction. The change in fair value relating to the ineffective portion is recognised immediately in the income statement for the period. If the derivative is sold or no longer qualifies as an effective hedge against the risk for which it was initiated, or the occurrence of the underlying transaction is no longer regarded as highly probable, the portion of the cash flow hedge reserve relating thereto is immediately reversed to the income statement

The Gefran Group uses financial derivatives such as interest rate swaps (IRS), interest rate caps (CAP) and forward exchange rate sale transactions to hedge the risk of changes in interest rates and exchange rates. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement. Regardless of classification, all derivatives are measured at fair value using valuation techniques based on market data (such as, inter alia, discounted cash flow, the forward exchange rate method and the Black-Scholes formula and its development).

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and demand and short-term bank deposits, which are highly liquid and subject to an insignificant risk of changes in value. It is recognised at nominal value.

Financial liabilities

Payables and financial liabilities are initially recorded at fair value, which broadly coincides with the amount to be paid, net of transaction costs. Purchases and sales of financial liabilities are recognised on the trading date, i.e. the date on which the Group has committed to purchase/sell the liabilities.

Management determines the classification of financial liabilities in the categories set out in IAS 39 and IFRS 7 at the time of their initial recognition. After initial recognition, financial liabilities are valued in relation to their classification within one of the categories defined by IAS 39. More specifically:

- the valuation of "Financial liabilities at fair value through profit or loss" is carried out using the market value at the close of the reporting period; in the case of unlisted instruments (e.g. financial derivatives) it is carried out using valuation techniques based on market data. Gains or losses arising from fair value measurement relating to assets and liabilities held for trading are recognised in the income statement.
- the valuation of "Financial liabilities valued at amortised cost", carried out at amortised cost, in the case of instruments maturing within 12 months uses the nominal value as an approximation of amortised cost.

Payables denominated in foreign currencies are adjusted to year-end exchange rates and gains or losses resulting from the adjustment are recognised in the income statement.

Own shares

Own shares are reported as a reduction in respect of shareholders' equity. The original cost of the own shares and the income generated by any subsequent sales are reported as movements in shareholders' equity.

Provisions for risks and future liabilities

Allocations to provisions for risks and future liabilities take place when the Group has a present obligation (legal or implicit) arising from a past event, it is probable that a financial outlay will take place to meet the obligation and a reliable estimate can be made of the obligation.

Allocations to provisions for risks and future liabilities exceeding one year are discounted only if the effect of discounting is material, at a pre-tax discount rate that reflects current market assessments of the time value of money and, if appropriate, the specific risks associated with the liability. When discounting takes place, the increase in the provision due to the passage of time is recognised as a financial charge.

Employee benefits

The employee severance indemnities (TFR) mandatory for Italian companies pursuant to Law no. 297/1982 is considered a defined benefit plan and is based, among other things, on the working life of employees and the remuneration received by an employee throughout a predetermined period of service. The post-employment benefit reserve is calculated by independent actuaries using the "traditional unit credit" method. The Company has opted to recognise all cumulative actuarial gains and losses both on first-time adoption of IFRS and subsequently.

The costs associated with an increase in the present value of the obligation for the post-employment benefits reserve, resulting from the approach of the time when benefits will be paid, are posted to the statement of comprehensive income.

5. Accounting standards, amendments and interpretations not yet in force, but adopted in advance by the Company

For the analysis, please see note 7 in the explanatory notes to the accounts to the consolidated financial statements.

6. Accounting standards, amendments and interpretations applicable from 1 January 2015 relating to relevant issues for the Company

Please see note 8 in the explanatory notes to the accounts to the consolidated financial statements for this analysis.

7. Accounting standards, amendments and interpretations applicable from 1 January 2015 relating to issues not currently relevant for the Company

For the analysis, please see note 9 in the explanatory notes to the accounts to the consolidated financial statements.

8. Accounting standards, amendments and interpretations not yet in force, and not adopted in advance by the Group or endorsed by the European Union

For the analysis, please see note 10 in the explanatory notes to the accounts to the consolidated financial statements.

9. Main decisions in the application of accounting standards and uncertainties in making estimates

The preparation of the annual financial statements and the notes to the accounts required the use of estimates and assumptions, both in determining certain assets and liabilities, and in valuing potential assets and liabilities. The estimates and assumptions made are based on past experience and other relevant factors. These estimated figures may therefore not be fully confirmed by future events. Estimates and assumptions are reviewed periodically, and the effects of each change are immediately reflected in the financial statements.

In light of the current macroeconomic environment, which continues to be destabilised by the current recession, estimates were based on assumptions relating to the future and are highly uncertain. It is therefore possible that even significant changes will have to be made next year to the figures subject to these evaluations if the results differ from the estimates made in the financial statements at 31 December 2015. Estimated figures relate to provisions for risks and future liabilities, bad debt provisions and other impairment provisions, with particular reference to inventory evaluations, depreciation and amortisation, employee benefits and deferred tax assets, as well as the evaluation of goodwill and research and development costs.

To determine the existence of goodwill impairment and the capitalisation of development costs, it is necessary to estimate the value in use of the cash generating unit (CGU) to which the goodwill is allocated, or the value in use of the project. Determining the value in use requires an estimate of the cash flows that the company expects the CGU to generate, and the calculation of an appropriate discount rate.

As described in more detail in the explanatory notes, the main uncertainties that could affect this estimate concern the assumptions made regarding the trend in expected cash flows, the discount rate (WACC) and the growth rate (g). Throughout 2015, the management carefully checked that there were no indicators of goodwill impairment in any of the CGUs.

10. Operating assets held for sale

In application of IFRS 5 “Non-current assets held for sale and discontinued operations”, the financial position consisting of the goodwill of the business unit that distributes the sensors and components for automation in Spain/Portugal was recognised in the balance sheet as EUR 140 thousand for 2014 and 2015 and was presented under the item “Assets held for sale”, following the decision of the Board of Directors to sell the business unit.

Concurrently, the new developments in the negotiations for the sale of the photovoltaic unit to an Indian group, required the restatement of the inventories dedicated to the business as operating assets, where they are presented for 2015 and 2014.

The statement of financial position originally published by the Gefran Group for 2014 have been restated to comply with the accounting standard mentioned above.

With regard to the remaining asset values, booked under “Assets held for sale” in the amount of EUR 1,354 thousand at 31 December 2015, the management considers these amounts to be fully recoverable.

Following is the statement of reconciliation of the statement of financial positions at 31 December 2014.

	31 Dec 2014 Approved	Adjustments	31 Dec 2014 Adjusted
NON-CURRENT ASSETS			
Goodwill	140,000	(140,000)	-
Intangible assets	7,421,381		7,421,381
Property, plant, machinery and tools	33,999,182		33,999,182
Equity investments in subsidiaries	25,031,326		25,031,326
Shareholdings valued at equity	1,723,705		1,723,705
Equity investments in other companies	1,870,406		1,870,406
Receivables and other non-current assets	56,040		56,040
Deferred tax assets	4,231,993		4,231,993
TOTAL NON-CURRENT ASSETS	**74,474,033**		**74,334,033**
CURRENT ASSETS			
Inventories	9,778,599	1,888,888	11,667,487
Trade receivables	13,645,823		13,645,823
Trade receivables from subsidiaries	14,965,616		14,965,616
Other assets	2,921,966		2,921,966
Tax receivables	1,203		1,203
Cash and cash equivalents	10,802,562		10,802,562
Financial assets for derivatives	26,287		26,287
Financial receivables from subsidiaries	1,630,791		1,630,791
TOTAL CURRENT ASSETS	**53,772,847**		**55,661,735**
ASSETS HELD FOR SALE	**3,095,908**	**(1,748,888)**	**1,347,020**
TOTAL ASSETS	**131,342,788**		**131,342,788**
SHAREHOLDERS' EQUITY			
Share capital	14,400,000		14,400,000
Reserves	34,046,274		34,046,274
Profit/(loss) for the year	(317,524)		(317,524)
TOTAL SHAREHOLDERS' EQUITY	**48,128,750**		**48,128,750**
NON-CURRENT LIABILITIES			
Non-current financial payables	25,958,691		25,958,691
Employee benefits	5,462,090		5,462,090
Non-current provisions	411,363		411,363
Deferred tax provisions	4,612		4,612
TOTAL NON-CURRENT LIABILITIES	**31,836,756**		**31,836,756**
CURRENT LIABILITIES			
Current financial payables	21,056,321		21,056,321
Financial payables to subsidiaries	3,949,572		3,949,572
Trade payables	13,901,463		13,901,463
Trade payables to subsidiaries	1,725,746		1,725,746
Financial liabilities for derivatives	343,778		343,778
Current provisions	662,231		662,231
Tax payables	1,806,965		1,806,965
Other liabilities	7,931,206		7,931,206
TOTAL CURRENT LIABILITIES	**51,377,282**		**51,377,282**
TOTAL LIABILITIES	**83,214,038**		**83,214,038**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**131,342,788**		**131,342,788**

11. Management of financial risks

The Company's assets are exposed to different types of risk: market risk (including exchange rate risks, interest rate risks and price risks), credit risk and liquidity risk. The Company's risk management strategy focuses on the markets' unpredictability and is intended to minimise the potential negative effects on Gefran S.p.A.'s results. Certain types of risk are mitigated through the use of derivatives. Coordination and monitoring of the main financial risks are centralised in the Group's Finance and Administration Department, as well as the Purchasing function as regards the price risk, in close partnership with the Company's operating units. Risk management policies are approved by the Administration, Finance and Control Department, which provides written guidelines for the management of the risks listed above and the use of derivative and non-derivative financial instruments. As part of the sensitivity analyses described below, the effect on the net profit figure and on shareholders' equity is determined gross of the tax effect.

Exchange rate risks

Gefran S.p.A. is exposed to the risk of changes in the EUR/USD exchange rate for business transactions and cash held in a currency other than the functional currency of the Company (euro). Around 10% of sales are denominated in a different currency.

Gefran S.p.A. hedges some of its foreign currency transactions by trading exchange rate derivatives (currency forward purchase and sale), the due dates of which coincide with that of the hedged transaction, in order to maximise its effectiveness. The main currency risk hedging activity is conducted through forward exchange rate option sale and purchase transactions. At 31 December 2015, the Group had no hedging transactions in place.

Sensitivity to a hypothetical, unfavourable and immediate change of 5% and 10% in exchange rates, with other variables remaining unchanged, would have the following impact on the fair value of financial assets and liabilities held in a currency other than the functional currency:

Description	**2015**		**2014**	
(EUR/000)	-5%	+5%	-5%	+5%
US dollar	(64)	58	(37)	37
Total	(64)	58	(37)	37

Description	**2015**		**2014**	
(EUR/000)	-10%	+10%	-10%	+10%
US dollar	(135)	111	(71)	71
Total	(135)	111	(71)	71

Interest rate risk

The interest rate risk to which the Company is exposed mainly originates from long-term loans. These are variable-rate loans. Variable-rate loans expose the Company to a risk associated with interest rate volatility (cash flow risk). The Company uses derivatives to hedge its exposure to interest rate risk, stipulating Interest Rate Swap (IRS) and Interest Rate CAP contracts.

The Group's Administration and Finance Department monitors exposure to the interest rate risk and proposes appropriate hedging strategies to contain exposure within the limits defined and agreed in the internal policies, using derivatives when necessary.

The table below shows a sensitivity analysis of the impact that an interest rate increase/decrease of 100 basis points would have on net operating profit (loss), comparing interest rates at 31 December 2015 and 31 December 2014, while keeping other variables unchanged.

(EUR/000)	2015		2014	
	-100	*100*	*-100*	*100*
Euro	(254)	138	(161)	77
Total	**(254)**	**138**	**(161)**	**77**

The potential impacts shown above are calculated with reference to the net liabilities that account for the most significant portion of Gefran S.p.A.'s debt on the reporting date, and measuring, on this amount, the effect on net financial liability charges resulting from the change in interest rates on an annual basis. The net liabilities considered in this analysis include variable-rate financial assets and liabilities, cash and cash equivalents and derivative financial instruments, the value of which is affected by interest rate fluctuations.

The table below shows the carrying value at 31 December 2015, broken down by maturity, of the Company's financial instruments exposed to interest rate risk:

Variable rate	**<1 year**	**1-5 years**	**>5 years**	**Total**
(EUR/000)				
Loans due	26,876	10,879	-	37,755
Other accounts payable	265	-	-	265
Account overdrafts	10,062	-	-	10,062
Cash pooling current account overdrafts	7,108	-	-	7,108
Leases	16	-	-	16
Total liabilities	**44,327**	**10,879**	**-**	**55,206**
Cash in current accounts	17,533	-	-	17,533
Cash in cash pooling current accounts	1,377	-	-	1,377
Total assets	**18,910**	**-**	**-**	**18,910**
Total variable rate	**(25,417)**	**(10,879)**	**-**	**(36,296)**

Unlike net debt figures, the amounts shown in the table above do not include the fair value of derivatives (negative for EUR 250 thousand).

Liquidity risk

Prudent management of the liquidity risk arising from the Company's normal operations requires an appropriate level of cash on hand and short-term securities to be maintained, as well as the availability of funds obtainable through an appropriate amount of committed credit lines.

The Administration and Finance Department monitors forecasts on the use of the Company's liquidity reserves based on expected cash flows. The table below shows the amount of liquidity reserves on the reference dates:

Description	2015	2014	changes
(EUR/000)			
Cash and cash equivalents	16	15	1
Cash in bank deposits	17,533	10,788	6,745
Total liquidity	**17,549**	**10,803**	**6,746**
Multiple mixed credit lines	22,450	21,000	1,450
Cash flexibility credit lines	8,785	8,385	400
Invoice factoring credit lines	12,624	12,184	440
Total credit lines available	**43,859**	**41,569**	**2,290**
Total liquidity available	**61,408**	**52,372**	**9,036**

To complete disclosure on financial risks, the table below shows a reconciliation of financial asset and liability classes, as identified in the Company's statement of financial position, and the types of financial assets and liabilities identified on the basis of IFRS 7 requirements:

	Note	Level 1	Level 2	Level 3	Total
(EUR/000)					
Available-for-sale assets valued at fair value:					
Shareholdings valued at fair value with a balancing item in other overall profit/(loss)		352	-	1,448	1,800
Foreign exchange forward transactions		-	-	-	-
Hedging transactions		-	25	-	25
Total assets		**352**	**25**	**1,448**	**1,825**
Hedging transactions		-	274	-	274
Total liabilities		**-**	**274**	**-**	**274**

Credit risk

The Company deals mainly with known and reliable customers. Gefran S.p.A.'s credit policy is to subject customers who require extended payment terms and new customers to credit checks. In addition, receivables are monitored over the year to reduce late payments and prevent significant losses.

In light of the current financial crisis, the Company has adopted a policy of monitoring outstanding receivables, a measure made necessary given the possible deterioration of certain receivables, the decline in credit rating reliability and the lack of liquidity on the market.

The process of devaluation, carried out in accordance with the Company's procedures, establishes that credit positions are devalued in percentage terms based on the overdue period of time; individual trade positions for which there is objective evidence of insolvency are also impaired.

Gefran S.p.A. has established formal procedures for customer credit and credit collection through the Administration and Finance Department and in partnership with leading external law offices. All the procedures put in place are intended to reduce credit risk. Exposure to other forms of credit, such as financial receivables, is constantly monitored and reviewed monthly or at least quarterly, in order to determine any losses or recovery-associated risks.

The Company has assigned a portion of its trade receivables to a leading factoring company by transferring the insolvency risk.

Risk of change in raw material prices

The Company's exposure to price risk is minimal. Purchases of materials and components subject to fluctuations in raw material prices are not significant. The purchase costs of the main components are usually set with counterparties for the full year, and reflected in the budget.

Gefran S.p.A. has in place structured and formalised governance systems that it uses to regularly analyse its margins. Commercial operations are coordinated by business area, so as to monitor sales and manage discounts.

Fair value of financial instruments

All financial instruments are recorded in the financial statements at fair value. The amount of financial liabilities valued at amortised cost is considered close to the fair value on the reporting date.

The table below summarises the Group's net debt, comparing fair value and carrying value:

	carrying value		fair value	
(EUR/000)	**2015**	**2014**	**2015**	**2014**
Financial investments				
Cash and cash equivalents	16	15	16	15
Cash in bank deposits	18,910	12,419	18,910	12,419
Securities held for trading	-	-	-	-
Financial assets for derivatives	25	26	25	26
Total financial assets	**18,951**	**12,460**	**18,951**	**12,460**
Financial liabilities				
Current portion of long-term debt	(26,876)	(11,587)	(26,876)	(11,587)
Short-term bank debt	(10,062)	(9,120)	(10,062)	(9,120)
Financial liabilities for derivatives	(275)	(344)	(275)	(344)
Factoring	(265)	(292)	(265)	(292)
Leasing	(16)	(57)	(16)	(57)
Other financial payables	(7,108)	(3,950)	(7,108)	(3,950)
Non-current financial debt	(10,879)	(25,959)	(10,879)	(25,959)
Total financial liabilities	**(55,481)**	**(51,309)**	**(55,481)**	**(51,309)**
Total net debt	**(36,531)**	**(38,849)**	**(36,531)**	**(38,849)**

12. Revenues from sales of products and services

"Revenues" for 2015 total EUR 71,945 thousand compared with EUR 77,299 thousand in 2014. The following table provides a breakdown of sales and service revenues by business and geographical region.

Sector	2015	2014	changes	%
(EUR/000)				
Automation components	18,721	22,149	(3,428)	-15.5%
Sensors	28,574	29,320	(746)	-2.5%
Drives	24,650	25,830	(1,180)	-4.6%
Total	**71,945**	**77,299**	**(5,354)**	**-7%**

Geographical region	2015	2014	changes	%
(EUR/000)				
Italy	30,650	33,946	(3,296)	-9.7%
European Union	17,056	16,164	892	5.5%
Europe non-EU	4,460	4,971	(511)	-10.3%
North America	6,062	5,558	504	9.1%
South America	1,031	2,362	(1,331)	-56.4%
Asia	11,827	12,975	(1,148)	-8.8%
Rest of the World	859	1,323	(464)	-35.1%
Total	**71,945**	**77,299**	**(5,354)**	**-7%**

Total revenues include revenues from service provision of EUR 1,303 thousand (EUR 1,507 thousand in the previous year).

13. Other operating revenues and income

"Other operating revenues and income" amounted to EUR 2,825 thousand, representing a decrease on 31 December 2014 of EUR 158 thousand, as the following table shows:

Description	2015	2014	changes
(EUR/000)			
Royalty income	171	309	(138)
Services to Group companies	2,161	2,511	(350)
Recovery of company canteen expenses	40	44	(4)
Insurance reimbursements	37	0	37
Rental income	110	0	110
Other income	306	119	187
Total	**2,825**	**2,983**	**(158)**

The change in relation to services provided to Group companies is due to lower levels of activity in support of subsidiaries.

14. Costs of raw materials and accessories

"Costs of raw materials and accessories" decreased by EUR 1,418 thousand, from EUR 28,455 thousand in 2014 to EUR 27,036 thousand in 2015.

(EUR/000)	2015	2014	changes
Raw materials and accessories	27,036	28,455	(1,418)

The decrease is mainly due to sales revenues.

15. Service costs

"Service costs" amounted to EUR 14,730 thousand, compared with EUR 14,029 thousand in 2014, and break down as follows:

(EUR/000)	2015	2014	changes
Services	13,560	12,755	805
Use of third-party assets	1,170	1,274	(104)
Total	14,730	14,029	701

The increase is the result of an increase in advertising and marketing expenses.

16. Personnel costs

"*Personnel costs"* amounted to EUR 30,541 thousand, down by EUR 3,415 thousand compared with 2014, and break down as follows:

(EUR/000)	2015	2014	changes
Salaries and wages	22,004	23,584	(1,580)
Social security contributions	6,754	7,245	(491)
Post-employment benefit reserve	1,737	1,851	(114)
Other costs	46	1,276	(1,230)
Total	30,541	33,956	(3,415)

"Social security contributions" includes costs for defined contribution benefit plans for management (Previndai pension plan) of EUR 76 thousand (EUR 84 thousand at 31 December 2014).

The average number of employees in 2015 is shown below:

	2015	2014	changes
Managers	17	18	(1)
Clerical staff	316	342	(26)
Manual workers	195	205	(10)
Total	**528**	**565**	**(37)**

The average number of employees has decreased by 37 persons compared to 2014. The exact number at the end of the year was 513 persons, or 29 less than at 31 December 2014. The personnel that moved to Gefran Soluzioni S.r.l., the newco established from a Gefran S.p.A, business unit, is 29 persons.

17. Other operating income and charges

"*Miscellaneous management costs*" were EUR 2,137 thousand, compared with EUR 684 thousand in 2014, and break down as follows:

(EUR/000)	**2015**	**2014**	**changes**
Capital losses on the sale of assets	(4)	(10)	6
Losses on other receivables	(1,136)	(1)	(1,135)
Other taxes and duties	(498)	(312)	(186)
Membership fees	(171)	(161)	(10)
Miscellaneous	(328)	(200)	(127)
Total	(2,137)	(684)	(1,452)

"Losses on other receivables" refer entirely to the waiver of the trade receivables due from the Gefran South African subsidiary, following the decision to wind up the company.

"*Other operating income*" amounted to EUR 80 thousand, compared with EUR 1,408 thousand in the previous year, and breaks down as follows:

(EUR/000)	**2015**	**2014**	**changes**
Capital gains on the sale of activities	-	1,383	(1,383)
Capital gains on the sale of assets	49	9	40
Collection of doubtful receivables	31	16	15
Total	80	1,408	(1,328)

The amount of the capital gains on disposal of assets in 2014 is due entirely to the disposal of the LAT 11 calibration laboratory.

18. Depreciation/amortisation

Depreciation and amortisation was EUR 5,067 thousand, down EUR 128 thousand compared with EUR 5,195 thousand registered the previous year.

(EUR/000)	**2015**	**2014**	**changes**
Amortisation	1,903	1,984	(81)
Depreciation	3,164	3,211	(48)
Total	5,067	5,195	(128)

19. Gains and losses from financial assets/liabilities

The *"gains from financial assets"* totalled EUR 6,745 thousand, versus EUR 6,172 thousand in 2014, and break down as follows:

Description	2015	2014	change
(EUR/000)			
income from cash management	11	4	7
other financial income	64	90	(26)
exchange rate gains	538	461	77
currency valuation differences	148	136	12
gains from financial assets	-	296	(296)
dividends from equity investments	5,984	5,185	799
Total	**6,745**	**6,172**	**573**

The item includes dividends received by companies in the Gefran Group totalling EUR 5,984 thousand (EUR 5,185 thousand in 2014), paid by Gefran Siei Asia (EUR 4,647 thousand: EUR 3,264 thousand in 2014), Gefran Inc. (EUR 837 thousand: EUR 1,268 thousand in 2014), Gefran Deutschland (EUR 450 thousand: EUR 281 thousand in 2014) and Gefran Benelux (EUR 50 thousand: EUR 100 thousand in 2014).

"Losses from financial assets" totalled EUR 3,151 thousand, compared with EUR 1,925 thousand in 2014, and break down as follows:

Description	2015	2014	change
(EUR/000)			
medium-/long-term interest	(1,090)	(1,376)	286
short-term interest	(98)	(104)	6
interest from subsidiaries	(1)	(2)	1
factoring interest and fees	(56)	(56)	-
other financial charges	(1,116)	(12)	(1,104)
exchange rate losses	(737)	(294)	(443)
currency valuation differences	(53)	(81)	28
Total	**(3,151)**	**(1,925)**	**(1,226)**

The medium/long term financial charges have decreased by EUR 286 thousand, mainly due to the beneficial performance of the Euribor and the reduction of the average spreads applied to the new loans stipulated from the fourth quarter of 2014. This amount also includes periodic payments of interest payable on IRS contracts (EUR 158 thousand).

The other financial charges include the transfer to loss status of the loans to subsidiary Gefran South Africa, of EUR 1,111 thousand, following the liquidation of the company.

The balance of the difference on the currency transactions has a negative value of EUR 104 thousand, compared with a positive value of EUR 222 thousand in 2014. The worsening of the balance of currency transactions is mainly due to the dynamics of the US dollar compared to the Euro.

"Adjustments in the value of non-current assets" were generated by the impairment of the equity investment held in Gefran South Africa and Inn.Tech S.r.l., due to losses of EUR 377 thousand recorded.

Description	2015	2014	change
(EUR/000)			
Gefran Middle East Ltd.	-	(377)	377
Gefran South Africa	(152)	-	(152)
Inn. Tech S.r.l.	(118)	-	(118)
	(270)	**(377)**	**107**

20. Income taxes, deferred tax assets and deferred tax liabilities

"Taxes" item was negative at EUR 759 thousand; this compares with a negative balance of EUR 1,520 thousand in 2014, and breaks down as follows:

(EUR/000)	2015	2014
Current taxes		
IRAP (regional production tax)	-	(561)
Total current taxes	**-**	**(561)**
Deferred taxes		
Deferred tax liabilities	(23)	148
Deferred tax assets	(736)	(1,107)
Total deferred tax liabilities	**(759)**	**(959)**
Total taxes	**(759)**	**(1,520)**

In 2015 there were no current taxes as the cost of employees on permanent contracts can be fully deducted for IRAP purposes, as introduced by the 2015 Stability Law, so that IRAP for the year was reduced to zero.

Current deferred tax assets and liabilities were negative for EUR 759 thousand at 31 December 2015, compared with a negative figure of EUR 1,520 thousand in 2014. The tax burden for the period is composed exclusively of deferred tax assets and liabilities, and is negative by EUR 759 thousand (negative by EUR 959 thousand at 31 December 2014); of these amounts EUR 324 thousand originated from the reversal of deferred tax assets in previous years of EUR 435 thousand and the required adjustment to the IRES rate of 24% for deferred tax assets which are expected to be payable at 31 December 2016.

The reconciliation of income taxes accounted for and theoretical taxes, resulting from the application to profit before tax of the corporate income tax rate in force for the current year (27.5%), is as follows:

(EUR/000)	**2015**	**2014**
Profit (loss) before tax	(587)	1,202
Theoretical income tax	161	(331)
Net effect of permanent differences	(374)	(1,434)
Net effect of temporary deductible and taxable differences	213	1,765
Current taxes	**(0)**	**0**
Income tax – deferred tax assets/liabilities	(761)	(946)
Recognised income taxes (excluding current and deferred IRAP)	**(761)**	**(946)**
IRAP - current taxes	-	(561)
IRAP – deferred tax assets/liabilities	2	(13)
Recognised income taxes (current and deferred)	**(759)**	**(1,520)**

The net effect of the permanent difference mainly refers to dividends received during the year and losses on trade and financial receivables from subsidiary Gefran South Africa.

Deferred tax assets and deferred tax liabilities break down as follows:

(EUR/000)	**31/12/2014**	**Posted to the income statement**	**Recognised in shareholders' equity**	**31/12/2015**
Deferred tax assets				
Devaluation of inventories	1,219	(111)		1,108
Impairment of trade receivables	666	(376)		290
Deductible losses to be brought forward	1,980	(253)		1,727
Exchange rate differences	22	(7)		15
Provision for product warranty risk	205	(6)		199
Provision for sundry risks	140	18	49	207
Fair value hedging	-			-
Total deferred tax assets	4,232	(735)	49	3,546
Deferred tax liabilities				
Discounting of post-employment benefits reserve	-	-		-
Currency valuation differences	(5)	(23)		(28)
Other deferred tax liabilities	-	-		-
Total deferred tax liabilities	(5)	(23)	-	(28)
Net total	4,227	(758)	49	3,518

The IRES tax losses recognised among deferred tax assets refer only to the portion that is regarded as recoverable within the next two financial years.

21. Intangible assets with a finite life

"*Intangible assets*" exclusively comprises assets with a finite life, and increased from EUR 7,421 thousand at 31 December 2014 to EUR 7,771 thousand at 31 December 2015. The changes during the period are shown below:

Historical cost	31/12/2014	Increases	Decreases	Change in basis of consol.	Other changes	31/12/2015
(EUR/000)						
Development costs	13,307	658	-	-	704	14,669
Intellectual property rights	3,585	268	(61)		18	3,810
Assets in progress and payments on account	2,309	848	(10)	-	(1,175)	1,972
Other assets	5,236	504	-	-	444	6,184
Total	24,437	2,278	(71)	-	(9)	26,635

Accumulated amortisation	31/12/2014	Increases	Decreases	Change in basis of consol.	Other changes	31/12/2015
(EUR/000)						
Development costs	9,074	1,360	-	-	-	10,434
Intellectual property rights	3,314	200	(56)		-	3,458
Other assets	4,628	344	-	-	-	4,972
Total	17,016	1,904	(56)	-	-	18,864

Net value	31/12/2014	31/12/2015	changes
(EUR/000)			
Development costs	4,233	4,235	2
Intellectual property rights	271	352	81
Assets in progress and payments on account	2,309	1,972	(337)
Other assets	608	1,212	604
Total	7,421	7,771	350

The development costs include the capitalisation of costs incurred for the following activities:

- EUR 994 thousand relating to new lines for melt sensors, pressure transducers (KS) and contactless linear position transducers (MK–IK and RK);
- EUR 1,906 thousand to component lines for the new range of regulators, GF Project VX, G Cube Performa and G Cube Fit;
- EUR 1,342 thousand relating to the new range of ADV 200 drives, lift and power supplies.

These assets are believed to have a useful life of 5 years and were tested for impairment, with positive results. The testing methods are described in note 28 in the "explanatory notes to the accounts" to the consolidated financial statements.

The intellectual property rights exclusively comprises the costs incurred to purchase the company IT system management programmes and the use of licences for third-party software. These assets have a useful life of 3 years.

The item assets in progress and payments on account includes payments on account made to suppliers to purchase software programmes and licences expected to be delivered during the next year.

It also includes EUR 1,577 thousand in development costs, the benefits of which will be recognised on the income statement from the following year, as a result of which they have not been amortised. They relate to sensors (EUR 503 thousand), components (EUR 418 thousand) and drives (EUR 656 thousand).

The other assets item includes almost all the costs incurred to implement ERP SAP/R3, Business Intelligence (BW), Customer Relationship Management (CRM) and management software in previous years and in the current year. These assets have a useful life of 5 years.

22. Property, plant, machinery and tools

The item *"Property, plant, machinery and tools"* came to EUR 32,616 thousand, compared with EUR 33,999 thousand at 31 December 2014. The change is shown in the table below:

Historical cost	31/12/2014	Increases	Decreases	Other changes	31/12/2015
(EUR/000)					
Land	4,068	-	-	-	4,068
Industrial buildings	34,402	95	(27)	4	34,474
Plant and machinery	31,036	502	(126)	278	31,690
Industrial and commercial equipment	19,269	654	(147)	118	19,894
Other assets	7,994	91	(291)	-	7,794
Assets in progress and payments on account	432	503	-	(392)	543
Total	97,201	1,845	(591)	8	98,463

Accumulated depreciation	31/12/2014	Increases	Decreases	Other changes	31/12/2015
(EUR/000)					
Industrial buildings	12,677	781	(5)	-	13,453
Plant and machinery	25,634	1,260	(125)	-	26,769
Industrial and commercial equipment	17,597	870	(138)	-	18,329
Other assets	7,294	252	(250)	-	7,296
Total	63,202	3,163	(518)	-	65,847

Net value	31/12/2014	31/12/2015	changes
(EUR/000)			
Land	4,068	4,068	-
Industrial buildings	21,725	21,021	(704)
Plant and machinery	5,402	4,921	(481)
Industrial and commercial equipment	1,672	1,565	(107)
Other assets	700	498	(202)
Assets in progress and payments on account	432	543	111
Total	33,999	32,616	(1,383)

No write-downs for impairment took place in 2015.

The biggest changes during the year related to:

- investments in plant and production equipment for EUR 1,578 thousand;
- investments to upgrade industrial buildings for approximately EUR 274 thousand.

Mortgages on owned buildings amounted to around EUR 36 million, for bank loans relating to property in Provaglio d'Iseo.

23. Equity investments in subsidiaries

The item *"Equity investments in subsidiaries"* increased by EUR 860 thousand from EUR 25,031 thousand at 31 December 2014 to EUR 25,892 thousand. The change is due to the establishment of Gefran Soluzioni S.r.l. of EUR 1,012 thousand and the write-down of the investment in Gefran South Africa of EUR 152 thousand. The balance breaks down as follows:

Description *(EUR/000)*	**Shareholding**	**31/12/2015**	**31/12/2014**	**change**
Gefran GmbH (Germany)	100.00%	365	365	-
Gefran Brasil Ltda (Brasil)	100.00%	2,924	2,924	-
Gefran UK Ltd (UK)	100.00%	5,141	5,141	-
Gefran Soluzioni S.r.l. (Italy)	100.00%	1,012	-	1,012
Sensormate AG (Switzerland)	100.00%	4,123	4,123	-
Gefran Benelux Bvba (Belgium)	100.00%	344	344	-
Gefran Inc. (USA)	100.00%	7,848	7,848	-
Gefran France SA (France)	99.00%	4,338	4,338	-
Siei Areg GmbH (Germany)	100.00%	1,032	1,032	-
Gefran Siei Asia Pte (Singapore)	100.00%	2,883	2,883	-
Gefran India Ltd (India)	100.00%	1,722	1,722	-
Gefran Middle East (Turkey)	100.00%	377	377	-
Gefran South Africa SA (South Africa)	100.00%	152	152	-
Adjustment provision		(6,370)	(6,218)	(152)
Total		25,892	25,031	860

The following is a breakdown of the adjustment provision:

Description *(EUR/000)*	**31/12/2015**	**31/12/2014**	**change**
Gefran UK Ltd (UK)	3,841	3,841	-
Gefran France SA (France)	2,000	2,000	-
Gefran Middle East (Turkey)	377	377	-
Gefran South Africa SA (South Africa)	152	0	152
Total	6,370	6,218	152

Pursuant to IAS 36, the amount recognised in the financial statements is reviewed if any indicators of potential impairment appear.

At the end of 2015, impairment testing was performed on the carrying value of the equity investments by comparing this value with the corresponding equity value (enterprise value net of the corresponding net debt), estimated by discounting the cash flows produced by the CGU concerned.

As for the 2014 financial statements, the tests were performed on a finite time scale of three years of explicit forecasts, deriving from the budget and the plan approved by the Board of Directors of the Parent Company, and 15 years of implicit forecasts.

The discount rate used for cash flows (WACC) was analytically calculated for each CGU based on specific key assumptions.
Please see note 28 to the consolidated financial statements for the other main assumptions and parameters used by management for impairment testing.

The final outcome of the impairment testing on the carrying values of the equity investments was an equity value higher than the carrying value; no write-down therefore took place. A sensitivity analysis shows that the break-even WACC, i.e. the discount rate that would bring the value in use into line with the carrying value, is significantly higher than the current discount rate. In light of this, the carrying values recognised in the financial statements can confidently be considered appropriate.

24. Shareholdings valued at equity

"Shareholdings valued at equity" amounted to EUR 1,724 thousand at 31 December 2015, with no change on the previous year. The balance breaks down as follows:

Description	Shareholding	31/12/2015	31/12/2014	change
(EUR/000)				
Ensun S.r.l. (Italy)	50.00%	1,466	1,466	0
Axel S.r.l. (Italy)	30.00%	273	273	0
Adjustment provision		(15)	(15)	0
Total		1,724	1,724	0

25. Equity investments in other companies

The value of the *"Equity investments in other companies"* amounted to EUR 1,800 thousand, down by EUR 70 thousand compared with 31 December 2014. The balance breaks down as follows:

(EUR/000)	Shareholding	31/12/2015	31/12/2014	change
- Colombera S.p.A.	16.56%	1,416	1,416	0
- Woojin Machinery Co. Ltd	2.00%	253	234	19
- Inn. Tec.Srl	12.87%	0	118	(118)
- UBI Banca S.p.A.	ns,	99	95	4
- Other	-	32	7	25
Total		1,800	1,870	(70)

The main change refers to the write-down of the equity investment in Inn.tec S.r.l.

Equity investments are classed as held for sale and are recognised at fair value, deriving from the stock market quotation, for Woojin Machinery Co. Ltd. (Seoul Stock Exchange) and for Ubi Banca S.p.A. (Borsa Italiana). The adjustment provision is due to the fair value adjustment of:

- Woojin Machinery, listed in Seoul (positive adjustment of EUR 94 thousand);
- Ubi Banca (negative adjustment of EUR 104 thousand).

26. Receivables and other non-current assets

"*Receivables and other non-current assets"* stood at EUR 58 thousand, and break down as follows:

Description	31/12/2015	31/12/2014	changes
(EUR/000)			
Cautionary deposits	58	56	2
Total	**58**	**56**	**2**

27. Net working capital

Net working capital totalled EUR 20,320 thousand, compared with EUR 24,652 thousand at 31 December 2014, and breaks down as follows:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Inventories	11,222	11,667	(446)
Trade receivables	11,307	13,646	(2,339)
Trade receivables from subsidiaries	11,722	14,966	(3,243)
Trade payables	(13,437)	(13,901)	464
Trade payables to subsidiaries	(494)	(1,726)	1,232
Net amount	**20,320**	**24,652**	**(4,332)**

Specifically, net working capital generated from relations with subsidiaries was EUR 11,229 thousand, down by EUR 2,011 thousand compared with 2014, while net working capital to third parties came to EUR 9,091 thousand, down EUR 2,321 thousand on the previous year.

The value of "*inventories*" decreased during the year by EUR 445 thousand. The balance breaks down as follows:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Raw materials, consumables and supplies	8,957	9,119	(162)
provision for raw materials	*(2,071)*	*(2,049)*	(22)
Work in progress and semi-finished products	3,598	3,447	151
provision for work in progress	*(770)*	*(749)*	(21)
Finished products and goods	2,587	2,983	(396)
provision for finished products	*(1,079)*	*(1,084)*	5
Total	**11,222**	**11,667**	**(445)**

The reduction in stocks came about due to close internal planning of supplies and production.

Stock-checking plans continued throughout the year, resulting in the disposal of obsolete stocks or stocks not suitable for current market conditions. The effect of this on the income statement was neutralised by the utilisation of dedicated provisions.

"Trade receivables", which decreased by EUR 2,339 thousand during the year, break down as follows:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Receivables from customers due within 12 months	12,586	16,153	(3,567)
Provision for doubtful receivables	(1,279)	(2,507)	1,228
Net amount	**11,307**	**13,646**	**(2,339)**

This includes receivables subject to recourse factoring transferred to a leading factoring company, by the Parent Company, for a total amount of EUR 55 thousand (EUR 131 thousand at 31 December 2014). In addition, during the year, a total of EUR 8,430 thousand in receivables was assigned without recourse to factoring companies, including EUR 2,158 thousand in December 2015 (EUR 3,008 thousand in December 2014).

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 December 2015 represents a prudential estimate of the current risk, and registered the following changes:

(EUR/000)	31/12/2014	Increases	Decreases	31/12/2015
Provision for doubtful receivables	**2,507**	**553**	**(1,781)**	**1,279**

Decreases include the use of the provision to cover losses on unrecoverable receivables. The Company monitors the riskiest receivables and also implements specific legal measures.

The carrying value of trade receivables is considered to approximate to their fair value.

"Trade receivables from subsidiaries" amounted to EUR 11,722 thousand compared with a balance of EUR 14,966 thousand at 31 December 2014. The item relates to receivables from the sale of products and from service contracts carried out by Gefran S.p.A. in favour of the subsidiaries. The carrying value of intercompany receivables is believed to approximate the fair value.

"Trade payables" were down EUR 464 thousand at 31 December 2015 compared with 31 December 2014, as shown below:

(EUR/000)	31/12/2015	31/12/2014	changes
payables to suppliers	5,805	8,613	(2,808)
payables to suppliers for invoices to be received	7,625	5,253	2,372
payments on account received from customers	7	35	(28)
Total	**13,437**	**13,901**	**(464)**

"Trade payables from subsidiaries" amounted to EUR 494 thousand compared with a balance of EUR 1,726 thousand at 31 December 2014. This item refers to payables from the purchases of products and services by the parent company.

The carrying value of trade payables and intercompany trade payables is believed to approximate the fair value.

28. Other current assets

"Other current assets" totalled EUR 1,466 thousand at 31 December 2015, compared with EUR 1,721 thousand at 31 December 2014. The balance breaks down as follows:

(EUR/000)	31/12/2015	31/12/2014	changes
Services and maintenance	297	427	(130)
Receivables from employees	27	30	(3)
Bank transaction fees	377	511	(134)
VAT reimbursements on vehicles LD 258/2006	128	128	0
IRES receivable IRAP non-deductibility	56	56	0
Other	581	569	12
Total	**1,466**	**1,721**	**(255)**

The main decrease during the period was due to the suspension of costs sustained to enter into long-term financing agreements, which are subject to yearly deferral throughout the life of the loan.

The carrying value of other current assets is believed to approximate their fair value.

29. Tax receivables and payables

"Tax receivables" mainly comprise the IRAP and VAT receivable, down by EUR 1,184 thousand in 2015, which breaks down as follows:

(EUR/000)	31/12/2015	31/12/2014	changes
IRES (corporate income tax)	250	0	250
VAT	19	1,203	(1,184)
Total	**269**	**1,203**	**(934)**

"Tax payables" totalled EUR 1,410 thousand at 31 December 2015, down EUR 397 thousand compared with 31 December 2014, and break down as follows:

(EUR/000)	31/12/2015	31/12/2014	changes
VAT payable	86	100	(14)
Withholding income tax	1,291	1,624	(333)
IRAP (regional production tax)	0	50	(50)
Other taxes	33	33	0
Total	**1,410**	**1,807**	**(397)**

The "withholding income tax" item refers to payables to the tax authorities for withholding on salaries for December.

30. Net debt

The table below shows a breakdown of the net debt:

(EUR/000)	31/12/2015	31/12/2014	changes
Cash and cash equivalents	18,926	12,433	6,492
Current financial payables	(44,328)	(25,006)	(19,322)
Financial liabilities for derivatives	(275)	(344)	69
Financial assets for derivatives	25	26	(1)
(Debt)/short-term cash and cash equivalents	**(25,652)**	**(12,890)**	**(12,762)**
Non-current bank debt	(10,879)	(25,959)	15,080
(Debt)/medium-/long-term cash and cash equivalents	**(10,879)**	**(25,959)**	**15,080**
Net debt	**(36,531)**	**(38,849)**	**2,318**

The following table breaks down the net debt by maturity:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
A. Cash on hand	16	15	1
B. Cash in bank deposits	18,910	12,419	6,491
Term deposits – less than 3 months	-	-	-
C. Securities held for trading	-	-	-
D. Cash And cash equivalents (A) + (B) + (C)	**18,926**	**12,434**	**6,492**
Financial liabilities for derivatives	(275)	(344)	69
Financial assets for derivatives	25	26	(1)
E. Fair value hedging derivatives	(250)	(318)	68
F. Current portion of long-term debt	(26,876)	(11,587)	(15,289)
G. Other current financial payables	(17,451)	(13,419)	(4,032)
H. Total current financial payables (F) + (G)	**(44,327)**	**(25,006)**	**(19,321)**
I. Total current payables (E) + (H)	**(44,577)**	**(25,324)**	**(19,253)**
J. Net current financial debt (I) + (D)	**(25,652)**	**(12,890)**	**(12,762)**
L. Non-current financial debt	**(10,879)**	**(25,959)**	**15,080**
M. Net financial debt (J) + (L)	**(36,531)**	**(38,849)**	**2,318**
Of which to minorities:	*(30,799)*	*(36,530)*	*5,731*

The net debt at 31 December 2015 is negative by EUR 36,531 thousand, an improvement over 31 December 2014 of EUR 2,317 thousand. This change essentially originated by the positive cash flows from normal operations (EUR 9,846 thousand) mitigated by the negative flows of the technical investments (EUR 4,798 thousand).

At 31 December 2015 the financial covenant referring to the ratio of the net debt and the EBITDA, as provided in certain existing contracts, was not complied with. For this reason, medium/long term portions of EUR 15,032 thousand which had not fulfilled the requirements of the above mentioned covenant were reclassified under short term.

The forecasts of the net debt and operations indicate that this situation of non-fulfilment of the covenants is an exceptional event limited to 2015 in light of the approved business plan, which provides for continuous improvement of the net debt on the one hand and recovery of profitability through increased income on the other, but above all the continuing decrease of costs, thanks also to the restructuring process which began in 2015 within the foreign subsidiaries and will be concluded in 2016 with the Italian facilities.

The credit institutions indicated their willingness to discuss the current situation, based on the approved financial statements and the 2016-2018 business plan.

The long term debt is down by EUR 15,080 thousand compared to 2014, essentially due to the restatement of loans as short term which at 31 December 2015 did not comply with the terms of the financial covenant, as indicated above.

The **Cash and cash equivalents** amounted to EUR 17,549 thousand at 31 December 2015, up by EUR 6,746 thousand compared with the balance at 31 December 2014:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Cash in bank deposits	17,533	10,788	6,745
Cash	16	15	1
Total	**17,549**	**10,803**	**6,746**

The technical forms used at 31 December 2015 are shown below:

- Maturities: payable on presentation;
- Counterparty risk: deposits are made at leading banks;
- Country risk: the deposits are made in Italy.

The **financial receivables from subsidiaries** refer to the individual debt positions of the subsidiaries, generated by cash transfers, and they have a balance of EUR 1,377 thousand, compared with EUR 1,631 thousand at 31 December 2014.

In the cash flow statement and the breakdown of net debt, this item is classed as *"cash on hand"*.

The **Current financial payables** at 31 December 2015 increased by EUR 16,164 thousand compared with 2014 and break down as follows:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
Current portion of debt	26,876	11,587	15,289
Current overdrafts	10,063	9,120	943
Factoring	265	292	(27)
Leasing	16	57	(41)
Total	**37,220**	**21,056**	**16,164**

The "factoring" item, which decreased by EUR 27 thousand, comprises payables to factoring companies, for the payment extension period from the original maturity of the payable with certain suppliers, for which the Parent Company has accepted non-recourse assignment.

The bank debit balance at 31 December 2015 was EUR 10,063 thousand, compared with EUR 9,120 thousand at 31 December 2014. The item has the following characteristics:

- for use of credit lines payable on demand, the overall annual interest rate is in the 2.5%-5.8% 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%-2.4% range;

The **Financial payables to subsidiaries** at 31 December 2015 total UR 7,108 thousand and relate to the balance of the individual debtor positions of the subsidiaries, generated from transfers to the Parent Company of cash on hand through the cash pooling system for European subsidiaries.

In the cash flow statement and the breakdown of net debt, this item is classed as "*current financial payables*".

The **non-current financial payables** break down as follows:

(EUR/000)	31/12/2015	31/12/2014	changes
Centrobanca	2,927	4,393	(1,466)
Deutsche Bank	150	750	(600)
Cred. Bergamasco	-	488	(488)
Mediocredito	-	1,165	(1,165)
Banco di Brescia	1,930	3,158	(1,228)
Banca Pop. Sondrio	-	792	(792)
Mediocredito	-	2,222	(2,222)
Cred. Bergamasco	404	1,190	(786)
Banca Intesa	-	1,738	(1,738)
Unicredit SACE	1,750	2,750	(1,000)
Banco di Brescia	-	2,206	(2,206)
BNL	2,000	2,833	(833)
Banca Pop. Sondrio	1,718	2,274	(556)
Total	**10,879**	**25,959**	**(15,080)**

The main changes relate to the repayment set out in the amortisation schedule of individual loans totalling EUR 17,791 thousand, the drawing down of new loans of EUR 18,000 thousand, and the reclassification from long to short term of loans that did not fulfil the terms of the covenants at 31 December 2015 of the net debt and EBITDA ratio by EUR 15,032 thousand.

The loan granted by Centrobanca is guaranteed by a EUR 36 million mortgage on properties in Provaglio d'Iseo.

The loans listed in the table are all variable-rate contracts and have the following characteristics:

Bank	Amount disbursed (€/000)	Signing date	Balance at 31 Dec 2015	Of which within 12 months	Of which over 12 months	Interest rate	Maturity	Repayment method
Centrobanca	EUR 10,976	04/09/08	4,390	1,463	2,927	Euribor 6m + 0.85%	01/10/18	half-yearly
Deutsche Bank	EUR 3,000	09/03/12	750	600	150	Euribor 3m + 3.60%	31/03/17	quarterly
Cred. Bergamasco	EUR 2,000	06/11/12	486	486	-	Euribor 3m + 3.80%	31/10/16	monthly
Banco di Brescia	EUR 6,000	31/05/13	3,152	1,222	1,930	Euribor 3m + 3.90%	31/05/18	quarterly
Banca Pop. Sondrio	EUR 3,000	11/06/13	790	790	-	Euribor 3m + 4.50%	31/07/16	quarterly
Cred. Bergamasco	EUR 3,000	18/06/13	1,186	782	404	Euribor 3m + 4.20%	30/06/17	monthly
Unicredit SACE	EUR 5,000	27/09/13	2,750	1,000	1,750	Euribor 3m + 2.60%	30/09/18	quarterly
Banco di Brescia	EUR 3,000	28/11/14	2,204	2,204	-	Euribor 3m + 1.35%	30/11/18	monthly
BNL	EUR 3,000	19/12/14	2,889	889	2,000	Euribor 6m + 1.35%	18/12/19	half-yearly
Banca Pop. Sondrio	EUR 3,000	23/12/14	2,458	740	1,718	Euribor 3m + 2.00%	22/12/18	quarterly
Unicredit	EUR 2,000	19/02/15	1,700	1,700	-	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	9,000	9,000	-	Euribor 3m + 1.35%	30/06/20	quarterly
Total			**37,755**	**26,876**	**10,879**			

The **financial assets for derivatives** totalled EUR 25 thousand at 31 December 2015, and consist of the positive fair value recorded at the end of the financial year of certain CAP contracts entered into by the Parent Company to hedge interest rate risks. The **financial liabilities for derivatives** totalled EUR 275 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 Parent Company decided to hedge its variable-rate loans through IRSs (interest rate swaps), as set out below:

Bank *(EUR /000)*	Notional principal	Signing date	Notional at 31 Dec 2015	Derivative	Fair value at 31 Dec 2015	Long position rate	Short position rate
Centrobanca	EUR 9,550	31/03/10	4,390	IRS	(195)	Fixed 3.11%	Euribor 6m
Deutsche Bank	EUR 3,000	09/03/12	750	IRS	(9)	Fixed 1.34%	Euribor 3m
Banca Pop. Emilia Romagna	EUR 4,000	01/10/15	4,000	IRS	(31)	Fixed 0.15%	Euribor 3m
Intesa	EUR 10,000	05/10/15	9,000	IRS	(40)	Fixed 0.16%	Euribor 3m
Total financial liabilities for derivatives – interest rate risk					**(275)**		

The Group has also taken out interest rate caps (CAPs) as set out in the table below:

Bank *(EUR /000)*	Notional principal	Signing date	Notional at 31 Dec 2015	Derivative	Fair value at 31 Dec 2015	Long position rate	Short position rate
Credito Bergamasco	EUR 2,000	06/11/12	486	CAP	0	Strike Price 1.00%	Euribor 3m
Unicredit	EUR 6,000	04/06/13	3,152	CAP	0	Strike Price 0.75%	Euribor 6m
BNL	EUR 3,000	20/06/13	790	CAP		Strike Price 0.40%	Euribor 3m
Credito Bergamasco	EUR 3,000	20/06/13	1,186	CAP	0	Strike Price 0.75%	Euribor 3m
Unicredit	EUR 5,000	15/10/13	2,750	CAP	1	Strike Price 0.60%	Euribor 3m
Banco di Brescia	EUR 3,000	28/11/14	2,204	CAP	3	Strike Price 0.10%	Euribor 3m
BNL	EUR 3,000	19/12/14	2,889	CAP	7	Strike Price 0.20%	Euribor 6m
Unicredit	EUR 2,000	19/02/15	1,700	CAP	9	Strike Price 0.10%	Euribor 3m
Unicredit Bulllet	EUR 2,000	19/02/15	2,000	CAP	5	Strike Price 0.10%	Euribor 3m
Total financial assets for derivatives – interest rate risk					**25**		

All the contracts described above are booked at fair value:

	at 31 December 2015		at 31 December 2014	
(EUR/000)	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	25	(274)	26	(343)
Total cash flow hedge	**25**	**(274)**	**26**	**(343)**

All derivatives were tested for effectiveness, with positive outcomes.

In order to support its current operations, Gefran 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 43,859 thousand. Overall use of these lines at 31 December 2015 totalled EUR 10,826 thousand, with a residual available amount of EUR 33,034 thousand.

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

31. Shareholders' equity

The "*Shareholders' equity*" at 31 December 2015 totals EUR 46,698 thousand, down by EUR 1,431 thousand compared to 31 December 2014, mainly due to the loss for the year.

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

At 31 December 2015, Gefran S.p.A, held 219,735 own shares or 1.53% while at 31 December 2014, the own shares were 189,874, or 1.32% of the share capital.

The Company did not issue convertible bonds.

The type and purpose of the equity reserves can be summarised as follows:

- the share premium reserve, amounting to EUR 19,046 thousand, which is a capital reserve that includes the amounts received by the Company for the issue of shares at a price higher than their nominal value;
- the legal reserve, amounting to EUR 2,880 thousand, which is supplied by the mandatory allocation of an amount not less than one-twentieth of annual net profits, until an amount equal to one-fifth of the share capital has been reached (which has already occurred);
- the cash flow hedge reserve, which includes effects recognised directly in equity as deriving from the measurement at fair value of derivative financial instruments to hedge cash flows from changes in interest rates and exchange rates, and amounts to EUR 453 thousand;
- the extraordinary reserve (EUR 9,255 thousand), which is recognised under "other reserves";
- own shares, which are deducted from the Company's shareholders' equity (EUR 682 thousand) and are classed under "other reserves";
- the merger surplus reserve (EUR 858 thousand), which was created in 2006 after the merger by incorporation of Siei S.p.A. and Sensori S.r.l. and is included under "other reserves";
- the reserve for conversion to IAS/IFRS (EUR 137 thousand), which is included under "other reserves";
- the employee benefit valuation reserve pursuant to IAS 19 (EUR 644 thousand), which is included under "other reserves".

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)	31/12/2015	31/12/2014	changes
Balance at 1 January	(33)	(41)	8
UBI – Banca shares	4	17	(13)
Woojin Selex (Korea) shares	19	(9)	28
Net amount	**(10)**	**(33)**	**23**

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

(EUR/000)	31/12/2015	31/12/2014	changes
Balance at 1 January	385	381	4
Change in fair value of derivatives	68	4	64
Net amount	**453**	**385**	**68**

Shareholder’s equity breaks down as follows:

(EUR/000)	Amount	Possibility of utilisation	Portion available
Share capital	14,400		
Capital reserves			
Share premium reserve	19,046	A-B-C	19,046
Retained earnings			
- legal reserve	2,880	B	
- extraordinary reserve	9,255	A-B-C	9,255
- IFRS conversion reserve	137		
- reserve for the measurement of securities at fair value	(10)		
- reserve for unrealised exchange rate gains	-		
- cash flow hedging reserve	453		
- IAS 19 reserve	(644)		
- own shares reserve	(682)		
- merger surplus reserve	858	A-B-C	858
- retained earnings/losses	2,350	A-B-C	2,350
Profit/(loss) for the year	(1,346)		
Total	**46,697**		**31,509**

NB: A = for capital increase, B = to hedge losses, C = for distribution to shareholders

32. Employee benefits

Liabilities for “*employee benefits*” showed the following changes:

(EUR/000)	31/12/2014	Increases	Decreases	31/12/2015
Termination benefits	5,462	285	(867)	4,880

The item comprises the post-employment benefits reserve for employees. The change during the year was due to an increase of EUR 285 thousand resulting from the revaluation of the payable existing at 31

December 2015 pursuant to IAS and to disbursements to employees of EUR 511 thousand and the transfer of the business unit to Gefran Soluzioni S.r.l. against EUR 356 thousand.

Pursuant to IAS 19, the post-employment benefit reserve was valued using the "traditional unit credit" method, which breaks down into the following steps:

- any future benefits that might be paid out to each employee registered with the scheme in the event of retirement, death, disability, resignations etc. are projected using a series of financial assumptions. The estimate of future benefits does not include any increases for further service periods accrued or any presumed increase in pay at the valuation date, as any future increases in the post-employment benefit reserve are fully transferred to supplementary pension funds;
- at the valuation date, based on the annual interest rate used and the probability that every benefit has to be effectively paid, the average present value of future benefits is calculated;
- the liability for the Company is defined by identifying, in proportion the length of service accrued, the portion of the *average present value of future benefits* that relates to the service already accrued by the employee at the valuation date;
- based on the liability calculated as per the previous point and the reserve created in the financial statements for Italian statutory purposes, the reserve recognised as valid for IAS purposes is identified.

More specifically, the following assumptions were used:

Demographic assumptions	**Managers**	**Non-managers**
Probability of death	RG 48 mortality tables published by the Italian State General Accounting Department	RG 48 mortality tables published by the Italian State General Accounting Department
Probability of disability	Unisex tables drawn up by the CNR (National Research Council) reduced by 80%	Unisex tables drawn up by the CNR (National Research Council) reduced by 80%
Probability of resignation		
- up to 50 years of age	2.0% in each year	4.0% in each year
- subsequently	Nil	Nil
Probability of retirement	Calculated according to the rules set forth in the Monti-Fornero law.	Calculated according to the rules set forth in the Monti-Fornero law.
Probability of a person of working age of:		
- receiving an early pay-out of the post-employment benefit reserve allocated of 70%	3.0% in each year	3.0% in each year

Financial assumptions	**Managers**	**Non-managers**
Increase in the cost of living	2.0 % annually	2.0 % annually
Discount rate	2.3% annually	2.3 % annually
Pay increase		
- equal to or less than 40 years of age	n/a	n/a
- over 40, but equal to or less than 55 years of age	n/a	n/a
- over 55 years of age	n/a	n/a

According to the sensitivity analysis performed on the financial assumptions used, the effect of a change of one percentage point in the discount rate would result in an actuarial gain of EUR 460 thousand in the event of increase in the interest rate, and would, conversely, result in an actuarial loss of EUR 530 thousand in the event of a decrease in the interest rate.

33. Current and non-current provisions

The *"Non-current provisions"* fell by EUR 48 thousand compared with 31 December 2014, and break down as follows:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
- for restructuring	-	61	(61)
- for legal disputes	374	265	109
- other provisions	85	85	-
Total	**459**	**411**	**48**

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. The item "other provisions" also includes tax risks.

The balance of *"current provisions"* totalled EUR 689 thousand at 31 December 2015, an increase of EUR 27 thousand compared with 31 December 2014, and breaks down as follows:

(EUR/000)	**31/12/2015**	**31/12/2014**	**changes**
FISC	10	8	2
Product warranty	679	654	25
Total	**689**	**662**	**27**

The item refers to anticipated charges for repairs of products under warranty, and increased mainly due to the allocations to the provision during the year; at year-end, the adequacy of the provision was checked, with a positive outcome.

The provision was EUR 289 thousand, and is in line with the volume of revenues and the regularity with which events have historically occurred.

34. Other liabilities

"*Other liabilities*" at 31 December 2015 decreased by EUR 1,817 thousand compared with 31 December 2014 and break down as follows:

(EUR/000)	31/12/2015	31/12/2014	changes
Payables to personnel	2,776	4,380	(1,604)
Social security payables	2,285	2,563	(278)
Accrued interest on loans	130	137	(7)
Payables to directors	32	22	10
Other accruals	156	188	(32)
Other current liabilities	735	641	94
Total	**6,114**	**7,931**	**(1,817)**

The decrease in payables to personnel was mainly due to payables for remuneration, which at 31 December 2014 included the liquidations of staff accruals in progress and incentives for 23 employees who departed in November and December 2014.

35. Guarantees granted, commitments and other contingent liabilities

Guarantees granted

At 31 December 2015, the Group had granted guarantees on the liabilities and commitments of third parties or subsidiaries for EUR 7,785 thousand, a decrease of EUR 889 thousand on the figure for 31 December 2014, as shown in the table below:

(EUR/000)	2015	2014
UBI Leasing	3,143	3,180
BNL	2	4
Banca Intesa	1,100	1,110
Banca Passadore	2,750	3,500
Banco di Brescia	790	880
Total	7,785	8,674

A guarantee in favour of UBI Leasing was issued for a total of EUR 3,143 thousand, expiring in 2029, to guarantee financial requirements for the construction of photovoltaic plants by BS Energia 2 S.r.l..

The guarantees issued to Banca Passadore and Banco di Brescia both cover the credit lines to Ensun S.r.l..

The amount of EUR 1,110 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

Gefran is involved in various legal proceedings and disputes. It is however considered unlikely that the resolution of these disputes will generate significant liabilities for which provisions have not already been made.

Commitments

The main operating leases relate to building rental, electronic equipment and company cars. As at the reporting date, the payments still owed by the Group for irrevocable operating leases amounted to EUR 2,113 thousand; of this amount, EUR 1,993 thousand falls due within the next five years, and the remaining EUR 120 thousand after five years.

36. Dealings with related parties

In accordance with IAS 24, information relating to dealings with related parties for 2015 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.

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 member is a relative of Maria Chiara Franceschetti (CEO of Gefran S.p.A.).
- Axel S.r.l.: a company in which Adriano Chinello (director 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 Gefran's economic and financial structure.

Company	**Costs and Charges**		**Revenues and income**	
(Euro)	**2015**	**2014**	**2015**	**2014**
Elettropiemme S.r.l.	17,478	9,263	33,293	70,231
Climat S.r.l.	114,924	131,419	-	2,304
Axel S.r.l.	49,090	56,480	10,482	3,137
Francesco Franceschetti elastomeri S.r.l.	-	n/a	77,357	n/a
Total	**181,492**	**197,162**	**121,131**	**75,671**

Company	**Receivables and other assets**		**Payables and other liabilities**	
(Euro)	**31/12/2015**	**31/12/2014**	**31/12/2015**	**31/12/2014**
Elettropiemme S.r.l.	-	6,118	12,336	2,510
Climat S.r.l.	227,420	76,600	26,432	99,713
Axel S.r.l.	34,890	69,500	7,000	25,015
Francesco Franceschetti elastomeri S.r.l.	-	n/a	-	n/a
Total	**262,310**	**152,218**	**45,767**	**127,238**

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.

Members of the Board of Directors and the Board of Statutory Auditors and managers with strategic responsibilities were paid the following aggregate remuneration: EUR 1,107 thousand included in personnel costs and EUR 780 thousand included in service costs.

The executives with strategical responsabilities are the executive members of the Board of Directors, the two general managers of the Business Units and the managers with strategic responsibilities, the latter represented in the parent company by the CFO/Financial Reporting Officer and the Marketing and R&D Director of a Business Unit.

Gefran S.p.A.'s relations with subsidiaries and associates are set out in the Company's explanatory notes to individual items in the statement of financial position and the income statement, and mainly pertain to:

- relations in connection with sales of products and services;
- service contracts (communication, legal, corporate, finance and cash, IT, product marketing, personnel management) in favour of subsidiaries;
- relations of a financial nature, represented by current account relations for cash pooling purposes.

All these relations were created in the normal course of operations, taking account of the level of service provided or received and in compliance with procedures to ensure the material correctness of the transaction.

With regard to relations with the subsidiaries, Gefran also rendered technical, administrative and managerial services as well as royalties to the Group's operating subsidiaries for around EUR 2.3 million under specific contracts.

Gefran provides a Group cash pooling service, partly through a "Zero Balance" service, which involves all the European subsidiaries.

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

In 2015, Gefran S.p.A. recognised dividends from subsidiaries of EUR 5,984 thousand.

37. Information pursuant to article 149-duodecies of the Consob Issuers' Regulation

The following table shows fees for 2015 for auditing services and services other than auditing provided by the same auditing company and entities within its network.

Description	Party that provided the service	Fees for 2015
(EUR/000)		
External audit	BDO S.p.A.	112
Certification services	BDO S.p.A.	1
Other services	BDO S.p.A.	-
Total		**113**

38. Events after 31 December 2015

Please see the Report on Operations for the operating performance in early 2016.

39. 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 take advantage of the option to derogate from the obligations to publish the information documents prescribed in relation to significant mergers, spin-offs, capital increases through contribution in kind, acquisitions and disposals.

Provaglio d'Iseo, 10 March 2016

For the Board of Directors

Chairman	Chief Executive Officer
Ennio Franceschetti	**Maria Chiara Franceschetti**

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

Certification of annual financial statements pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999, as subsequently amended and supplemented.

The undersigned **Maria Chiara Franceschetti**, as Chief Executive Officer, and **Fausta Coffano**, as Director in charge of preparing the accounting and corporate documents of Gefran S.p.A. hereby certify, with due regard for the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

- the adequacy, with respect to the Company's characteristics,

  and

- the effective application of the administrative and accounting procedures applied in the preparation of the annual financial statements in the period from 1 January 2015 to 31 December 2015.

There are no significant events to report in this regard.

They further certify that:

1. the annual financial statements at 31 December 2015 of Gefran S.p.A.:

- were prepared in accordance with applicable international accounting standards recognised in the European Union pursuant to EC Parliament and Council Regulation 1606/2002 of 19 July 2002;
- correspond to entries made in accounting ledgers and records;
- provide a true and accurate representation of the financial situation of the issuer and all companies included in the scope of consolidation.

1. The Report on Operations contains a reliable analysis of operating performance and results and of the condition of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Provaglio d'Iseo, 10 March 2016

Signature of the Legal Representative and the Chief Executive Officer	Signature of the Director responsible for preparing the accounting and corporate documents
Signed Maria Chiara Franceschetti	***Signed Fausta Coffano***

EXTERNAL AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS'REPORT IN ACCORDANCE WITH ART. 14 AND 16 OF LEGISLATIVE DECREE N0.39 OF JANUARY 27th,2010

To the shareholders of
GEFRAN S.p.A.

Report of the financial statements

We have audited the accompanying financial statements of GEFRAN S.p.A., which comprise the statement of financial position as of December 31st, 2015, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to art. 11, paragraph 3 of Legislative Decree N0. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of GEFRAN S.p.A. as of December 31st 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05.

Other matters

The financial statements for the year ended December 31st, 2014 were audited by the auditor in charge at the time who expressed an unmodified opinion on those statements on March 27th, 2015.

Report on compliance with other laws and regulation

Opinion on the consistency of the financial statements with the report on operations and of certain information set out on corporate governance and ownership structure

We have performed the procedures required by auditing standard (SA Italia) N0. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in art. 123-bis, paragraph 4 of Legislative Decree N0. 58/98, which are the responsibility of the directors of GEFRAN S.p.A., with the financial statements of GEFRAN S.p.A.. In our opinion, the report on operations and of the information set out in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of GEFRAN S.p.A. as of December 31st 2015.

Brescia, March 24th, 2016

BDO Italia S.p.A.

Signed by Pasquale Errico
(Partner)

This report has been translated into english from the italian original solely for the convenience of international readers

EXTERNAL AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS'REPORT IN ACCORDANCE WITH ART. 14 AND 16 OF LEGISLATIVE DECREE N0.39 OF JANUARY 27th,2010

To the shareholders of
GEFRAN S.p.A.

Report of the consolidated financial statements

We have audited the accompanying consolidated financial statements of GEFRAN S.p.A. and its subsidiaries (the Gefran Group), which comprise the statement of financial position as of December 31st, 2015, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the* consolidated *financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to art. 11, paragraph 3 of Legislative Decree N0. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Iscritta al Registro dei revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013
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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Gefran Group as of December 31st 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05.

Other matters

The consolidated financial statements for the year ended December 31st, 2014 were audited by the auditor in charge at the time who expressed an unmodified opinion on those statements on March 27th, 2015.

Report on compliance with other laws and regulation

Opinion on the consistency of the consolidated financial statements with the report on operations and of certain information set out on corporate governance and ownership structure

We have performed the procedures required by auditing standard (SA Italia) N0. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in art. 123-bis, paragraph 4 of Legislative Decree N0. 58/98, which are the responsibility of the directors of Gefran S.p.A., with the consolidated financial statements of Gefran Group. in our opinion, the report on operations and of the information set out in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Gefran Group as of December 31st 2015.

Brescia, March 24th, 2016

BDO Italia S.p.A.

Signed by Pasquale Errico
(Partner)

This report has been translated into english from the italian original solely for the convenience of international readers

BOARD OF STATUTORY AUDITORS' REPORT TO SHAREHOLDERS MEETING OF GEFRAN S.p.A. PURSUANT TO ART. 153 D.LGS. 24 FEBRUARY 1998, N. 58 (TUF) AND ART. 2429 C.3 C.C.

Dear Shareholders,

In the year ended 31 December 2015, we have carried out supervisory activities in compliance with the Law, aligning our operations with the rules of conduct applied to the Boards of Statutory Auditors of listed companies, issued by the National Council of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), with the recommendations issued by the National Commission for companies and the Stock Exchange (Consob) as regards corporate auditing and the activities of the Board of Statutory Auditors as well as with the guidelines contained in the Code of Conduct issued by the Italian Stock Exchange.

As regards the regulatory auditing tasks, pursuant to Legislative Decree no. 39 of 27 January 2010 (Legislative Decree 39/2010), they have been assigned to the external auditors BDO Italia SpA (formerly BDO SpA) which was appointed by the Shareholders' Meeting of 26 April 2007 for a nine year period, from 2007 to 2015.

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting held on 29 April 2015.

Also pursuant to the recommendations issued by Consob with Communication DEM/1025564 of 6 April 2001, as amended, we wish to inform you and report about the following:

We have monitored the compliance with the Law and with the Articles of Association.

We have attended the meetings of the Board of Directors and specific preparatory meetings about the agenda items, as well as the meetings held by the Control and Risk Committee and the Remuneration Committee, and we have obtained from the Directors periodic information on the general performance of the company, its anticipated evolution, as well as on the most significant business, financial and equity transactions carried out by the Company, and we have ensured that the resolutions issued and implemented were compliant with the Law and the Articles of Association and that they were clearly not imprudent, risky, in potential conflict of interest and in contrast with the resolutions issued by the Shareholders' Meeting or such as to jeopardise the integrity of the company's assets. During the auditing carried out, the existence of atypical and/or unusual transactions did not emerge. In order to execute our mandate, we have analysed the information flows originating from different corporate structures, from the Internal Audit function, outsourced, and we have also conducted auditing on the management of the company and on the external auditors.

The Board of Directors, on 10 March 2016, upon proposal submitted by the Remuneration Committee, has approved the “Annual Remuneration Report”, prepared pursuant to article 123-ter of TUF and in compliance with the provisions of article 6 of the Code of Conduct.

We have monitored the compliance and the correct application of the “Regulations for transactions with related parties” adopted by the Board of Directors on 12 November 2010, pursuant to article 4 of the Consob Regulations, under Resolution no. 17221 of 12 March 2010, as amended.

The Company has prepared the 2015 financial statements according to the international accounting standards (IAS/IFRS). These financial statements were submitted for an audit to be conducted by BDO Italia S.p.A. which issued its Report on 24 March 2016, without any relevant findings or requests for specific disclosures. The financial statements, together with the Directors' Report on Operations, have been made available according to the law and we have no particular observations to report.

The Company has also prepared the 2015 consolidated financial statements of the Gefran Group in compliance with the international accounting standards (IAS/IFRS). These financial statements were submitted for an audit to be conducted by BDO Italia S.p.A. which issued its Report on 24 March 2016, without any relevant findings or requests for specific disclosures.

Among the most relevant transactions reported for 2015, the following, referencing the Directors' Report on Operations for additional details, should be noted:

- Spin-off of the System area and transfer of the business unit to Gefran Soluzioni srl, 100% controlled;

- Discontinuation of the activities of the subsidiary Gefran South Africa.

We have acquired knowledge and we have monitored, within our area of competence, over the appropriateness of the Company's organisational structure, the compliance with the correct administration principles, the alignment with the provisions applicable to the subsidiaries pursuant to article 114, second paragraph, of TUF, by acquiring information from the managers of the company's functions and by meeting with the external auditors.

We have assessed and monitored over the adequacy of the administrative-accounting system, as well as on the reliability thereof, in representing correctly the operational facts; this was accomplished by obtaining information from the Director in charge of preparing the accounting and corporate documents, by reviewing the company's documentation and analysing the results of the work carried out by the external auditors BDO Italia S.p.A.. The CEO and the Director in charge of preparing the accounting and corporate documents have declared, with an appropriate report attached to the 2015 financial statements: a) the adequacy and the actual application of the administrative accounting procedures; b) the compliance of the content of the accounting documents with international accounting standards; c) the consistency of the documents with the results of the accounting ledgers and records and their accuracy in representing correctly the equity, economic and financial position of the Company. A similar declaration is attached to the consolidated financial statements of the Gefran Group.

We have assessed and monitored the adequacy of the internal control system through: a) a review of the report from the Manager of the Internal Audit about the internal control system; b) a review of the reports from the Internal Audit as well as the reporting on the results from monitoring activities; c) the attendance at the meetings of the Control and Risk Committee and the acquisition of related documentation; d) the meetings with the Director in charge of preparing the accounting and corporate documents. Participation in the Control and Risk Committee has allowed the Board of Statutory Auditors to coordinate, together with the Committee itself, the performance of its functions in the capacity of “Internal Control and Auditing Committee” pursuant to article 19 of Legislative Decree 39/2010 and, in particular, to monitor: a) the processes related to financial reporting; b) the efficacy of the internal control system, internal auditing and risk management; c) the regulatory auditing of the accounts; d) all aspects related to the independence of the external auditors.

Based on the activities carried out and considering the evolving nature of the Internal Control System, the Board of Statutory Auditors has expressed an assessment of the overall adequacy of the same and acknowledged, in its capacity as Internal Control and Auditing Committee, that there are no relevant findings to report to the Shareholders' meeting. As regards the provisions of paragraph nine, letter a) of article 17 of Legislative Decree 39/2010, the external auditors BDO Italia S.p.A. have communicated the fees for the auditing of the annual and consolidated financial statements of Gefran S.p.A. at 31 December 2015 and of the Gefran Group, as well as for the limited auditing of the half year reports, for the performance of control activities on the keeping of accounting records and all additional assigned tasks; the fees for these additional tasks (including expenses) amount to EUR 111,000, detailed as follows:

- Review of reporting packages	EUR	110,000

- Fondo Imprese certification EUR 1,000

Furthermore, BDO Italia SpA has communicated that, based on the best available information, keeping into account the regulatory and professional requirements that govern auditing activities, it has maintained in the reference period its own independence and unbiased position toward Gefran SpA and that no changes have occurred concerning the non-existence of incompatible reasons about the situations and the subjects set forth in article 17 of Legislative Decree 39/2010 as well as the articles pursuant to Section I-bis of the Title VI of the Issuers' Regulation adopted with Consob Resolution no. 11971 of 14 May 1999.

We have held periodic meetings with the staff of the external auditors BDO Italia SpA, pursuant to article 150, third paragraph, of TUF and no significant data or information that needs to be included in this Report has emerged. It should also be noted that the external auditors submitted on 24 March 2016, a Report pursuant to the third paragraph of article 19 of Legislative Decree 39/2010, stating that no significant matters nor significant deficiencies in the internal control system in reference to the financial reporting process have emerged during the auditing.

We have monitored the methods applied to the enactment of the Code of Conduct adopted by the Company, in accordance with the Report on Corporate Governance and Ownership Structure approved by the Board of Directors on 10 March 2016. With reference to the specific recommendations, within the area of competence of the Board of Statutory Auditors, please be informed that:

- We have checked the correct application of the criteria and procedures, for the assessment of independence, adopted by the Board of Directors;

- as regards the self-assessment of the independence requirement applied to the members of the Board of Statutory Auditors, we have verified compliance with it initially, after our appointment, and subsequently during the Board of Statutory Auditors meeting of 11 February 2016, using methods compliant with those adopted by the Directors;

- We have observed the provisions set forth in the regulations for the management and the treatment of corporate confidential and privileged information.

Finally, it should be noted that the external auditors has expressed their opinion about consistency, comparing separate and consolidated financial statements, of all information, pursuant to first paragraph, letters c), d), f), l), m) and the second paragraph, letter b) of article 123-bis of TUF, included in the above referenced Report on Corporate Governance and Ownership Structure.

With reference to Legislative Decree no. 231 of 8 June 2001, the Company has adopted, for some time, an organisational and management model, the update of which was approved at the beginning of 2016 and the contents of which are compliant with the best practices. During the year, the Board of Statutory Auditors has always maintained a constant information flow with the members of the Supervisory Body. From the information acquired, no criticalities regarding the correct implementation of the organisational model that would need to be included in this report, have emerged.

We have not received any complaints pursuant to article 2408 of the Italian Civil Code, nor have we any knowledge of facts or claims that need to be brought to the attention of the Shareholders' meeting.

We have verified compliance with the laws concerning the preparation of the separate and consolidated financial statements and the Directors' Report on Operations, both directly and with the assistance of the managers of the company's functions and through information obtained by the external auditors, and we do not have any particular observations to report.

The members of the Board of Statutory Auditors have met the communication requirements applied to the assignment of administration and auditing of Italian corporations, within the time frames and the methods set forth in article 148-bis of TUF and the articles under Section II of Title V-bis of the already mentioned Issuers' Regulation.

During 2015, the Board of Statutory Auditors, appointed on 29 April 2015, has met 10 times and has attended 5 meetings held by the Board of Directors and 5 meetings held by the Control and Risk Committee.

Based on its own activity and on the acquired information, the Board of Statutory Auditors has found no omissions, reprehensible facts, irregularities, or any circumstance that would require reporting to the supervisory body or mentioning in this Report.

The Board of Statutory Auditors, acknowledging the financial statements at 31 December 2015, has no objections regarding the proposal for resolutions submitted by the Board of Directors.

Provaglio d'Iseo, 24 March 2016

For the Board of Statutory Auditors

Chairman

Marco Gregorini