

**GEFRAN GROUP**  
**INTERIM FINANCIAL STATEMENTS**  
**AS AT 30 SEPTEMBER 2016**



## CONTENTS

1.	CORPORATE BODIES .....	4
2.	ALTERNATIVE PERFORMANCE INDICATORS .....	5
3.	STRUCTURE OF THE GEFRAN GROUP .....	6
4.	SUMMARY OF GROUP PERFORMANCE .....	7
5.	KEY CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION FIGURES.....	8
6.	GROUP PERFORMANCE IN THE THIRD QUARTER OF 2016.....	9
7.	GROUP PERFORMANCE AS AT 30 SEPTEMBER 2016.....	12
8.	RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016.....	16
9.	CONSOLIDATED CASH FLOW STATEMENT.....	19
10.	INVESTMENTS.....	20
11.	OPERATING ASSETS HELD FOR SALE.....	21
12.	RESULTS BY BUSINESS AREA.....	22
	12.1) BUSINESS SENSORS .....	22
	12.2) AUTOMATION COMPONENTS .....	24
	12.3) DRIVES .....	26
13.	HUMAN RESOURCES.....	28
14.	SIGNIFICANT EVENTS IN THE THIRD QUARTER OF 2016 .....	28
15.	SIGNIFICANT EVENTS FOLLOWING THE END OF THE THIRD QUARTER OF 2016.....	28
16.	OUTLOOK.....	28
17.	DEALINGS WITH RELATED PARTIES .....	29
18.	STATEMENT OF PROFIT/(LOSS) .....	33
19.	STATEMENT OF PROFIT/(LOSS) AND OTHER ITEMS OF COMPREHENSIVE INCOME .....	34
20.	STATEMENT OF FINANCIAL POSITION .....	35
21.	CONSOLIDATED CASH FLOW STATEMENT.....	36
22.	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY .....	37
23.	SPECIFIC EXPLANATORY NOTES.....	39
24.	DECLARATION OF THE DIRECTOR RESPONSIBLE FOR CORPORATE FINANCIAL REPORTING .....	61

## 1. CORPORATE BODIES

### Board of Directors

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

### Board of Statutory Auditors

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

### Internal Control Committee

- Cesare Giovanni Vecchio
- Marco Mario Agliati
- Monica Vecchiati

### Remuneration Committee

- Romano Gallus
- Daniele Piccolo
- Cesare Giovanni Vecchio

### External auditor

PricewaterhouseCoopers S.p.A.

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

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

## 2. ALTERNATIVE PERFORMANCE INDICATORS

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

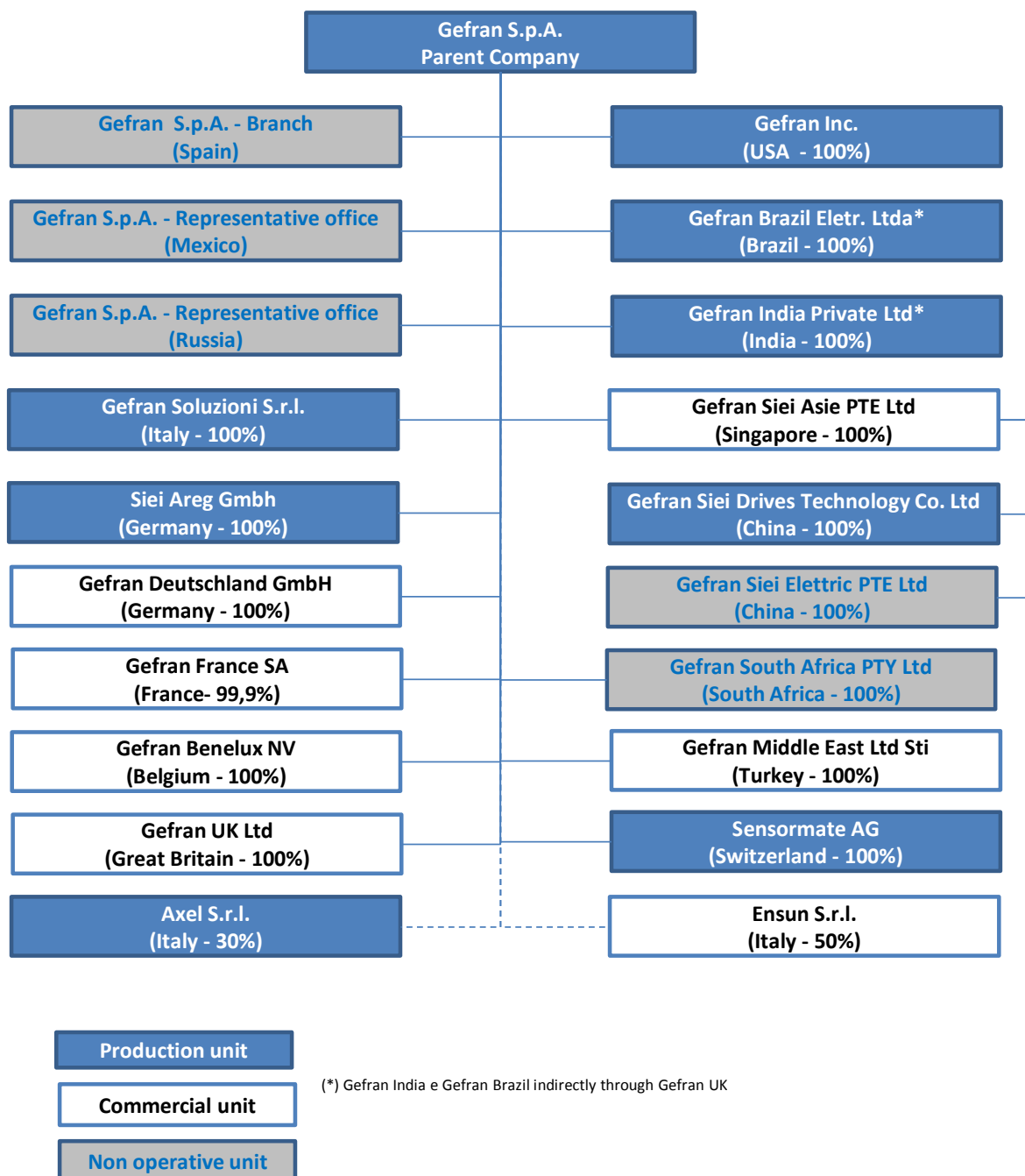
Specifically, the alternative indicators used in the notes to the income statement are:

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

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

- **Net non-current assets:** the algebraic sum of the following items in the statement of financial position:
  - Goodwill
  - Intangible assets
  - Property, plant, machinery and tools
  - Equity investments valued at equity
  - Equity investments in other companies
  - Receivables and other non-current assets
  - Deferred tax assets
- **Operating capital:** the algebraic sum of the following items in the statement of financial position:
  - Inventories
  - Trade receivables
  - Trade payables
  - Other assets
  - Tax receivables
  - Current provisions
  - Tax payables
  - Other liabilities
- **Net invested capital:** the algebraic sum of fixed assets, operating capital and provisions;
- **Net debt (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. STRUCTURE OF THE GEFRAN GROUP



#### 4. SUMMARY OF GROUP PERFORMANCE

The Gefran Group posted revenues of EUR 88,567 thousand in the first nine months of 2016, up 2.2% from the same period of the previous year. Revenue trends by geographical region were marked by growth in Italy (+4.8%), the European Union (+4.1%), North America (+3.1%) and the rest of the world (+14.7%).

From a business standpoint, there was an increase in sensors (+2.4%), automation components (+5.8%) and sales of drives were stable (+0.1%) as at 30 September 2016.

New order figures in the third quarter of 2016, amounting to EUR 28,707 thousand, was up compared to 2015. The progressive new order figure was also positive as at 30 September 2016, up 4.8% over the 2015 figure. The backlog as at 30 September 2016 totalled EUR 21,459 thousand, an increase of EUR 3,468 compared to the figure of the same period of 2015, as a result of an upturn in orders.

In line with the business plan that affected all the companies of the Group, the reorganisation of internal processes made the structure more efficient, reducing the employee numbers and related costs, and also decreased the use of resources in the form of services and management costs.

A procedure for redundancies was formally opened by the Parent Company in February, involving a total of 55 employees against which a total of EUR 1,700 thousand in restructuring costs was allocated. The restructuring can be considered to have been completed by 30 September 2016, with identification of all the people to be made redundant who agreed to dismissal, and which will be formalised in December 2016. An extraordinary redundancy fund was set up as a welfare measure to back the plan for the period between April and December 2016.

EBITDA stood at 8.6% of revenues, and EBIT at 3.3%; both ratios were negatively influenced by the impact of the non-recurring components of EUR 1,518 thousand, without which they would have amounted to 10.4% and 5.0% of revenues respectively.

Net debt amounted to EUR 16,122 thousand, an improvement of EUR 8,756 thousand compared to the figure as at 31 December 2015 since the Group returned to profit, reduced working capital, also as a percentage of revenue.

As noted in the semi-annual financial report as at 30 June 2016, during the second quarter, all the letters of "Waiver" relating to the loans for which, as at 31 December 2015, the terms of the financial covenant related to the ratio between net debt and EBITDA had not been complied with were formalised. All the banks involved gave notice of their waiver to request early repayment.

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

On 5 August 2016, Gefran signed the definitive agreement to sell its photovoltaic businesses to an Indian company. In accordance with the terms of the agreement, the know how will be transferred under a licence contract to manufacture and sell string inverters, the main Gefran photovoltaic product, for consideration of EUR 400 thousand plus royalties for each product sold. There is also a purchase option for the other products that comprise the Gefran photovoltaic range of products at a price of a further EUR 800 thousand, to be exercised within 4 months from receipt of the materials in India.

Finally, during the first nine months, the Group invested EUR 2,048 thousand in tangible and intangible assets (EUR 3,484 thousand in the same period of 2015).

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

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

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

### Group income statement highlights

(EUR /000)	30 Sept 2016		30 Sept 2015		3Q 2016		3Q 2015	
Revenues	88,567	100.0%	86,624	100.0%	28,905	100.0%	26,759	100.0%
EBITDA	7,597	8.6%	3,260	3.8%	2,971	10.3%	523	2.0%
EBIT	2,923	3.3%	(1,468)	-1.7%	1,411	4.9%	(1,008)	-3.8%
Profit (loss) before tax	1,938	2.2%	(2,605)	-3.0%	1,091	3.8%	(2,300)	-8.6%
Result from operating activities	515	0.6%	(3,941)	-4.5%	459	1.6%	(2,707)	-10.1%
Profit (loss) from assets held for sale	486	0.5%	(187)	-0.2%	0	0.0%	0	0.0%
Group net profit (loss)	1,001	1.1%	(4,128)	-4.8%	459	1.6%	(2,707)	-10.1%

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

(EUR /000)	30 Sept 2016		30 Sept 2015		3Q 2016		3Q 2015	
Revenues	88,046	100.0%	86,624	100.0%	28,905	100.0%	26,759	100.0%
EBITDA	9,115	10.4%	3,260	3.8%	2,971	10.3%	523	2.0%
EBIT	4,441	5.0%	(1,468)	-1.7%	1,411	4.9%	(1,008)	-3.8%
Profit (loss) before tax	3,456	3.9%	(2,605)	-3.0%	1,091	3.8%	(2,300)	-8.6%
Result from operating activities	2,033	2.3%	(3,941)	-4.5%	459	1.6%	(2,707)	-10.1%
Profit (loss) from assets held for sale	486	0.6%	(187)	-0.2%	0	0.0%	0	0.0%
Group net profit (loss)	2,519	2.9%	(4,128)	-4.8%	459	1.6%	(2,707)	-10.1%

### Group statement of financial position highlights

(EUR /000)	30 September 2016		31 December 2015	
Invested capital from operations	77,999		86,508	
Net working capital	34,986		40,166	
Shareholders' equity	63,091		62,984	
Net debt	(16,122)		(24,878)	

(EUR /000)	30 September 2016		30 September 2015	
Operating cash flow	11,920		2,513	
Investments	2,048		3,484	



## 6. GROUP PERFORMANCE IN THE THIRD QUARTER OF 2016

(EUR /000)	3Q 2016			3Q 2015			2016-2015 Chg.	
	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec. Value.	%
A Revenues	28,905	0	28,905	26,759	0	26,759	2,146	8.0%
B Increases for internal work	179		179	376		376	(197)	-52.4%
C Consumption of materials and products	10,416		10,416	9,026		9,026	1,390	15.4%
D Added value (a+b-c)	18,668	0	18,668	18,109	0	18,109	559	3.1%
E Other operating costs	5,688		5,688	6,846		6,846	(1,158)	-16.9%
F Personnel costs	10,009	0	10,009	10,740	0	10,740	(731)	-6.8%
G EBITDA (d-e-f)	2,971	0	2,971	523	0	523	2,448	468.1%
H Depreciation, amortisation and impairment	1,560		1,560	1,531		1,531	29	1.9%
I EBIT (g-h)	1,411	0	1,411	(1,008)	0	(1,008)	2,419	-240.0%
L Gains (losses) from financial assets/liabilities	(378)		(378)	(1,343)		(1,343)	965	-71.9%
m Gains (losses) from shareholdings value at equity	59		59	51		51	8	15.7%
n Profit (loss) before tax (i±±m)	1,092	0	1,092	(2,300)	0	(2,300)	3,392	-147.5%
o Taxes	(632)		(632)	(407)		(407)	(225)	55.3%
p Result from operating activities (n±o)	460	0	460	(2,707)	0	(2,707)	3,167	-117.0%
q Profit (loss) from assets held for sale	0		0	0		0	0	
r Group net profit (loss) (p±q)	460	0	460	(2,707)	0	(2,707)	3,167	-117.0%

For the third quarter of 2016, **revenues** were EUR 28,905 thousand, an increase of EUR 2,146 thousand on the same period of 2015 (+0.8%), mainly thanks to the positive results in Italy and the European Union, especially in automation components.

New orders in the third quarter totalled EUR 28,707 thousand, up by EUR 998 thousand (+3.6%) compared to the third quarter of 2015. The recovery in orders is mainly due to the positive performance of the automation components business, up 15.9% compared to the third quarter of 2015.

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

(EUR /000)	3Q 2016		3Q 2015		2016-2015 Chg.	
	value	%	value	%	value	%
Italy	8,455	29.3%	7,188	26.9%	1,267	17.6%
European Union	7,991	27.6%	7,223	27.0%	768	10.6%
Non-EU Europe	1,515	5.2%	1,585	5.9%	(70)	-4.4%
North America	3,247	11.2%	3,423	12.8%	(176)	-5.1%
South America	1,039	3.6%	894	3.3%	145	16.2%
Asia	6,479	22.4%	6,287	23.5%	192	3.1%
Rest of the World	179	0.6%	159	0.6%	20	12.6%
<b>Total</b>	<b>28,905</b>	<b>100%</b>	<b>26,759</b>	<b>100%</b>	<b>2,146</b>	<b>8%</b>

The breakdown by **geographical region** shows double-figure growth in Italy in the third quarter (+17.6%), South America (+16.2%) and in the European Union (+10.6%). Asia also recorded growth (+3.1%) and the Rest of the World compared to the third quarter of 2015, while the other reference markets were down.

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

(EUR /000)	3Q 2016					3Q 2015				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
Sensors	11,821	3,239	27.4%	2,668	22.6%	11,156	2,611	23.4%	2,089	18.7%
Automation components	7,650	736	9.6%	287	3.8%	6,313	(161)	-2.6%	(647)	-10.2%
Drives	10,375	(1,004)	-9.7%	(1,544)	-14.9%	9,752	(1,927)	-19.8%	(2,450)	-25.1%
Eliminations	(941)					(462)				
<b>Total</b>	<b>28,905</b>	<b>2,971</b>	<b>10.3%</b>	<b>1,411</b>	<b>4.9%</b>	<b>26,759</b>	<b>523</b>	<b>2.0%</b>	<b>(1,008)</b>	<b>-3.8%</b>

The breakdown of **revenues by business area** shows growth over the same period of 2015 that involved all businesses, amounting to EUR 665 thousand (+6.0%) for the sensors, EUR 1,337 thousand (+21.2%) for the automation components, and EUR 623 thousand (+6.4%) for drives, respectively.

The **added value** of the third quarter of EUR 18,668 thousand (64.6% of revenues) fell by 3.1 percentage points compared to the third quarter of 2015 due to the growth in the percentage of raw materials on sales (from 33.7% of the third quarter of 2015 to the current 36.0%) and the decrease of the capitalisation of costs for research and development, down by EUR 197 thousand compared to the same period of 2015. Growth in revenues generated an increase in added value of EUR 1,373 thousand, the decrease in margins eroded added value of EUR 617 thousand, whereas the reduction on the capitalisation of development costs had a negative impact on added value of EUR 197 thousand.

**Other operating costs** totalled EUR 5,688 thousand in the third quarter of 2016, decreasing by EUR 1,158 thousand (equal to 16.9%) compared to the third quarter of 2015. This saving was achieved thanks to an increased efficiency as a result of the reorganisation of the Group's processes. As a percentage of revenues, these costs therefore fell from 25.6% in the third quarter of 2015 to the current figure of 19.7%.

**Personnel costs** amounted to EUR 10,009 thousand in the third quarter of 2016 compared to EUR 10,740 thousand in the same period of 2015; the reduction of EUR 731 thousand mainly reflects the benefits of the significant reorganisation of the Group subsidiaries and of Gefran S.p.A.; as at 30 September 2016, the number of employees decreased by 39 resources compared to December 2015, and by 70 compared to 30 September 2015, in particular in the Parent Company.

**EBITDA** of the third quarter amounted to EUR 2,971 thousand, up by EUR 2,448 thousand compared to the same period of 2015 and equivalent to 10.3% of revenues (2.0% in the third quarter of 2015), owing to the combined effect of increases in revenues and savings achieved on the other operating costs and on personnel costs.

**EBIT** was positive in the third quarter of 2016, and amounted to EUR 1,411 thousand, compared to a negative EBIT of EUR 1,008 thousand for the same period of 2015.

**Net financial charges** were EUR 378 thousand in the third quarter of 2016, compared to net financial charges of EUR 1,343 thousand in the third quarter of 2015. They include financial charges relating to Group debt of EUR 190 thousand (EUR 310 thousand as at 30 September 2015), financial income of EUR 12 thousand and the negative balance of EUR 200 thousand resulting from differences in currency transactions (this was a negative amount of EUR 1,076 thousand in the third quarter of 2015).

**Gains from equity investments valued at equity** were EUR 59 thousand (EUR 51 thousand in the third quarter of 2015), and mainly relate to the portion of positive result of the Ensun S.r.l. Group.

**Taxes** were negative in the amount of EUR 632 thousand in the third quarter of 2016, compared to a negative figure of EUR 407 thousand in the same period of the previous year. They comprise negative current taxes of EUR 669 thousand (EUR 225 thousand in the third quarter of 2015), almost entirely attributable to taxes of the Parent Company Gefran S.p.A. and positive deferred taxes amounting to EUR 37 thousand (negative in the amount of EUR 152 thousand in the third quarter of 2015).

The **result from operating activities** in the third quarter of 2016 was positive in the amount of EUR 460 thousand, compared to a negative figure of EUR 2,707 thousand in the same period of 2015.

The **result from assets held for sale** in the third quarter of 2016 was EUR 0, equal to the third quarter of 2015. 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 third quarter result includes income amounting to EUR 400 thousand from the contract of sale of the manufacturing licence and sale of the string inverters to an Indian group, stated net of the costs incurred by Gefran for the sale, estimated as at 30 September as EUR 400 thousand, with a net profit from the sale of EUR 0.

The **Group net profit** in the third quarter of 2016 amounted to EUR 460 thousand, compared to a loss of EUR 2,707 thousand in the same period of 2015.

**7. GROUP PERFORMANCE AS AT 30 SEPTEMBER 2016**

The main income statement items and comments are shown below.

(EUR /000)	30 September 2016			30 September 2015			2016-2015 Chg.	
	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec. Value	%
a Revenues	88,046	(521)	88,567	86,624	0	86,624	1,422	1.6%
b Increases for internal work	879		879	1,359		1,359	(480)	-35.3%
c Consumption of materials and products	30,481		30,481	28,831		28,831	1,650	5.7%
d Added value (a+b-c)	58,444	(521)	58,965	59,152	0	59,152	(708)	-1.2%
e Other operating costs	16,879		16,879	19,914		19,914	(3,035)	-15.2%
f Personnel costs	32,450	(2,039)	34,489	35,978	0	35,978	(3,528)	-9.8%
g EBITDA (d-e-f)	9,115	1,518	7,597	3,260	0	3,260	5,855	179.6%
h Depreciation, amortisation and impairment	4,674		4,674	4,728		4,728	(54)	-1.1%
i EBIT (g-h)	4,441	1,518	2,923	(1,468)	0	(1,468)	5,909	-402.5%
l Gains (losses) from financial assets/liabilities	(1,000)		(1,000)	(1,263)		(1,263)	263	-20.8%
m Gains (losses) from shareholdings value at equity	15		15	126		126	(111)	-88.1%
n Profit (loss) before tax (i±l±m)	3,456	1,518	1,938	(2,605)	0	(2,605)	6,061	-232.7%
o Taxes	(1,423)		(1,423)	(1,336)		(1,336)	(87)	6.5%
p Result from operating activities (n±o)	2,033	1,518	515	(3,941)	0	(3,941)	5,974	-151.6%
q Profit (loss) from assets held for sale	486		486	(187)		(187)	673	-359.9%
r Group net profit (loss) (p±q)	2,519	1,518	1,001	(4,128)	0	(4,128)	6,647	-161.0%

**Revenues** in the first nine months of 2016 totalled EUR 88,567 thousand, compared to EUR 86,624 thousand in the same period of 2015. Revenues in 2016 included government funds recorded by the Chinese subsidiary, equal to EUR 521 thousand, relating to incentives for research and development granted to technology companies. If those government funds are not included, revenues would have increased by EUR 1,422 thousand (+1.6%), mainly due to the growth recorded in Italy and the European Union.

New orders in the first nine months amounted to EUR 94,868 thousand, up by 4.8% compared to new orders in the same period of 2015. The backlog amounted to EUR 21,459 thousand, which is in line with the figure recorded in June 2016 (EUR 21,740 thousand) and up 19.3% on the figure recorded as at 30 September 2015. New orders increased for all the individual Group businesses; more specifically, the position transducers (+6%) and the industrial pressure sensors (+15.7%) in the sensor business, the power controller section (+47.8%), in the automation component business and the industrial inverter section (+8%) in the drive business.

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

(EUR /000)	30 September 2016		30 September 2015		2016-2015 Chg.	
	value	%	value	%	value	%
Italy	26,104	29.6%	24,903	28.7%	1,201	4.8%
European Union	24,558	27.9%	23,601	27.2%	957	4.1%
Non-EU Europe	4,789	5.4%	4,797	5.5%	(8)	-0.2%
North America	10,663	12.1%	10,341	11.9%	322	3.1%
South America	2,914	3.3%	3,231	3.7%	(317)	-9.8%
Asia	19,046	21.6%	19,321	22.3%	(275)	-1.4%
Rest of the World	493	0.6%	430	0.5%	63	14.7%
<b>Total</b>	<b>88,567</b>	<b>101%</b>	<b>86,624</b>	<b>100%</b>	<b>1,943</b>	<b>2%</b>

The breakdown by **geographical region** shows that there was growth in revenues in Italy (+4.8% compared to the same period in 2015), the European Union (+4.1%), North America (+3.1%) and the rest of the world (+14.7%), while the other reference markets were down.

Sales in the South American market decreased by EUR 317 thousand compared to the first nine months of 2015 due to the negative performance of the Brazilian Real against the Euro, without which effect, sales in the area would have been substantially in line with the same period of 2015.

Revenues in Asia as at 30 September 2016 totalled EUR 19,046 thousand, compared to revenues of EUR 19,321 thousand in the same period of 2015. Sales in this area were negatively affected by exchange rate trends in the Indian rupee and the Chinese renminbi against the Euro, which had an overall impact of EUR 150 thousand on the revenues for the first nine months of 2016 and without which effect, the negative variation would have been less (-0.6%).

Results by business area as at 30 September 2016 and a comparison with the previous year are shown below.

(EUR /000)	30 September 2016					30 September 2015				
	Revenue s	EBITD A	% of revenue s	EBIT	% of revenue s	Revenue s	EBITD A	% of revenue s	EBIT	% of revenue s
Sensors	37,058	9,917	26.8%	8,244	22.2%	36,202	8,736	24.1%	7,166	19.8%
Automation components	24,134	1,416	5.9%	34	0.1%	22,807	54	0.2%	(1,475)	-6.5%
Drives	29,911	(3,736)	-12.5%	(5,355)	-17.9%	29,878	(5,530)	-18.5%	(7,159)	-24.0%
Eliminations	(2,536)					(2,263)				
<b>Total</b>	<b>88,567</b>	<b>7,597</b>	<b>8.6%</b>	<b>2,923</b>	<b>3.3%</b>	<b>86,624</b>	<b>3,260</b>	<b>3.8%</b>	<b>(1,468)</b>	<b>-1.7%</b>

The breakdown of **revenues by business area** shows growth in all businesses of the Group. The sensors business increased revenues by EUR 856 thousand compared to September 2015 (+2.4%) thanks to the positive performance of the contactless transducer, force transducer and industrial pressure sections. The automation components increased revenues by EUR 1,327 thousand (+5.8% compared to the same period in 2015), with an especially significant increase in the power control product categories. On the other hand, revenues from the drive business are substantially in line with the same period of the previous year, but include the previously mentioned non-recurring government grants of EUR 521 thousand, without which the business would have fallen slightly (-1.6%) compared to 2015.

**Added value** as at 30 September was EUR 58,965 thousand (66.6% of revenues), a decrease compared to the first nine months of 2015 both in absolute terms (EUR 187 thousand), and as a percentage to revenues (-1.7%). This decrease in added value is due to the significant write-down of EUR 783 thousand in the drive business stock of the Chinese subsidiary, lower sales margins of EUR 198 thousand and the decrease in capitalised research and development costs of EUR 480 thousand, only partially offset by the positive effect of an increase in volumes equal to EUR 1,274 thousand.

Not including the non-recurring income from government incentives granted to the Chinese subsidiary, amounting to EUR 521 thousand, the added value was EUR 58,444 thousand for the first nine months of 2016 (66.4% of revenues), compared to EUR 59,152 thousand of the same period of 2015.

**Other operating costs** amounted to EUR 16,879 thousand as at 30 September 2016 (EUR 19,914 thousand in the same period of 2015), a decrease of EUR 3,035 thousand (-15.2%); these savings were achieved through improved efficiency following the reorganisation of the Group processes and especially in Gefran S.p.A. As a percentage of revenues, these costs therefore fell from 23.0% in the first nine months of 2015 to the current figure of 19.1%.

**Personnel costs** amounted to EUR 34,489 thousand in the first nine months of 2016 compared to EUR 35,978 thousand in the same period of 2015; the decrease of EUR 1,489 thousand reflects the positive effect of the significant reorganisation of the Group subsidiaries and of Gefran S.p.A. The benefits as at 30 September 2016 exceed the effects of non-recurring restructuring costs, borne by the Parent Company Gefran S.p.A. for winding-up the Spanish branch (EUR 192 thousand), starting the redundancy procedures for 55 employees in the Italian factories (EUR 1,700 thousand), and by the German and Chinese branches (EUR 147 thousand) for targeted restructuring.

Not including these non-recurring components, negative in the amount of EUR 2,039 thousand, personnel costs amounted to EUR 32,450 thousand, down EUR 3,528 thousand compared to 30 September 2015 amounting to 36.9% of revenues, 4.7 percentage points lower than the figure for the same period of 2015.

**EBITDA** amounted to EUR 7,597 thousand as at 30 September 2016 (EUR 3,260 thousand in the same period of 2015), equal to 8.6% of revenues, up by EUR 4,337 thousand compared to the same period of 2015 in absolute terms and by 4.8 points as a percentage of revenues.

Excluding the non-recurring components, negative as a whole and equal to EUR 1,518 thousand, EBITDA for the first nine months of 2016 amounted to EUR 9,115 thousand (10.4% of revenues), up compared to the same period in 2015 both in absolute terms (EUR 5,855 thousand), and in relation to the percentage to revenues (6.6 percentage points compared to 3.8% in 2015).

**EBIT** as at 30 September 2016 was positive in the amount of EUR 2,923 thousand (3.3% as a percentage of revenues) against a negative EBIT of EUR 1,468 thousand in the same period of 2015.

Excluding the above-mentioned non-recurring negative components of EUR 1,518 thousand, EBIT amounted to EUR 4,441 thousand, equal to 5.0% of revenues, an improvement of EUR 5,909 thousand over the first nine months of 2015. The EBIT performance mirrored the dynamics of the EBITDA performance.

**Net financial charges** were EUR 1,000 thousand as at 30 September 2016, compared to net financial charges of EUR 1,263 thousand for the same period of 2015. They include financial charges relating to Group debt of EUR 651 thousand (EUR 1,033 thousand as at 30 September 2015), financial income of EUR 72 thousand (EUR 132 thousand as at 30 September 2015) and the negative balance of the differences in currency transactions of EUR 421 thousand (this was a negative amount of EUR 244 thousand in the same period of 2015).

**Gains from equity investments valued at equity** were EUR 15 thousand (EUR 126 thousand in the first nine months of 2015), and mainly relate to the portion of the profit of the Ensun S.r.l. Group.

**Taxes** were negative and amounted to EUR 1,423 thousand as at 30 September 2016, compared with EUR 1,336 thousand in the same period of 2015. They comprise negative current taxes of EUR 1,567 thousand (EUR 552 thousand in the same period of 2015), mainly attributable to the recognition of IRES (corporate income tax and IRAP (regional production tax in the Parent Company Gefran S.p.A. and positive deferred taxes of EUR 144 thousand (negative and amounting to EUR 321 thousand in the same period of 2015), originating mainly from Gefran S.p.A. and the Chinese subsidiary Gefran Siei Drives Technology Co. Ltd.

The **result from operating activities** as at 30 September 2016 was positive in the amount of EUR 515 thousand, compared to a negative figure of EUR 3,941 thousand in the same period of 2015.

Excluding all the above-mentioned non-recurring components, the result from operating activities was positive in the amount of EUR 2,033 thousand and with 2.3% as a percentage of revenues, an improvement of EUR 5,974 thousand compared to 30 September 2015.

The **profit from assets held for sale** was EUR 486 thousand as at 30 September 2016. It includes the result from the sale of the branch relating to the distribution of sensors and automation components in Spain/Portugal to a Spanish distributor for EUR 486 thousand, and the net effect of the contract to sell the manufacturing licence and sale of string invertors to an Indian group, amounting to EUR 0. The

income amounting to EUR 400 thousand from the contract of sale of the manufacturing licence are stated net of the costs incurred by Gefran for the sale, estimated as at 30 September as EUR 400 thousand. This figure compares to a negative result of EUR 187 thousand in 2015, which included the net result from operations in the photovoltaic sector.

**Group net profit** was EUR 1,001 thousand, compared to a loss of EUR 4,128 thousand as at 30 September 2015.

Excluding the non-recurring components, the result for the first nine months of 2016 was a profit of EUR 2,519 thousand, an improvement compared to the same period of 2015 of EUR 6,647 thousand.

## 8. RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

The reclassified consolidated statement of financial position of the Gefran Group as at 30 September 2016 is shown below.

(EUR /000)	GEFRAN GROUP		30 September		31 December 2015	
	value	%	value	%	value	%
Intangible assets	14,387	18.2	15,126	17.2		
Tangible assets	37,110	46.8	39,389	44.8		
Financial assets	8,458	10.7	8,202	9.3		
<b>Net fixed assets</b>	<b>59,955</b>	<b>75.7</b>	<b>62,717</b>	<b>71.4</b>		
Inventories	23,432	29.6	22,674	25.8		
Trade receivables	31,131	39.3	34,023	38.7		
Trade payables	(19,577)	(24.7)	(16,531)	(18.8)		
Other assets/liabilities	(7,676)	(9.7)	(8,246)	(9.4)		
<b>Working capital</b>	<b>27,310</b>	<b>34.5</b>	<b>31,920</b>	<b>36.3</b>		
Provisions for risks and future liabilities	(3,063)	(3.9)	(1,856)	(2.1)		
Deferred tax provisions	(820)	(1.0)	(868)	(1.0)		
Employee benefits	(5,383)	(6.8)	(5,405)	(6.2)		
<b>Invested capital from operations</b>	<b>77,999</b>	<b>98.5</b>	<b>86,508</b>	<b>98.5</b>		
<b>Invested capital from assets held for sale</b>	<b>1,214</b>	<b>1.5</b>	<b>1,354</b>	<b>1.5</b>		
<b>Net invested capital</b>	<b>79,213</b>	<b>100.0</b>	<b>87,862</b>	<b>100.0</b>		
<b>Shareholders' equity</b>	<b>63,091</b>	<b>79.6</b>	<b>62,984</b>	<b>71.7</b>		
Non-current financial payables	18,508	23.4	10,879	12.4		
Current financial payables	12,930	16.3	38,352	43.7		
Financial liabilities for derivatives	251	0.3	274	0.3		
Financial assets for derivatives	(3)	(0.0)	(25)	(0.0)		
Cash and cash equivalents and current financial receivables	(15,564)	(19.6)	(24,602)	(28.0)		
<b>Net debt relating to operations</b>	<b>16,122</b>	<b>20.4</b>	<b>24,878</b>	<b>28.3</b>		
<b>Total sources of financing</b>	<b>79,213</b>	<b>100.0</b>	<b>87,862</b>	<b>100.0</b>		

Net **non-current assets** as at 30 September 2016 amounted to EUR 59,955 thousand, compared to EUR 62,717 thousand as at 31 December 2015. The main changes were as follows:

- intangible assets registered an overall decrease of EUR 739 thousand. This includes increases for new investments (EUR 217 thousand), the capitalisation of development costs (EUR 862 thousand), as well as decreases due to amortisation for the period (EUR 1,743 thousand) and negative exchange rate effects on goodwill and other intangible assets (EUR 75 thousand);
- tangible assets decreased by EUR 2,279 thousand compared to 31 December 2015. Depreciation totalled EUR 2,931 thousand, in addition to which there were net decreases for disposals (EUR 104 thousand) and negative exchange rate differences (EUR 213 thousand), partly offset by investments for the period (EUR 969 thousand);
- financial fixed assets as at 30 September 2016 amounted to EUR 8,458 thousand, up by EUR 256 thousand compared to the figure as at 31 December 2015, mainly due to the re-measurement of equity investments in other companies stated at fair value for EUR 123 thousand, the increase in deferred tax assets of EUR 90 thousand and other movements for a total of EUR 43 thousand.



**Operating capital** was EUR 27,310 thousand as at 30 September 2016, compared to EUR 31,920 thousand as at 31 December 2015, an overall decrease of EUR 4,610 thousand. The main changes were as follows:

- Inventories increased by EUR 758 thousand, from EUR 22,674 thousand in December 2015 to the current figure of EUR 23,432 thousand. The most significant changes include a write-down of inventories of the Chinese subsidiary GSDT, of EUR 783 thousand, offset by an increase in inventories recorded in the Parent Company Gefran S.p.A. of EUR 1,787 thousand;
- Trade receivables totalled EUR 31,131 thousand, a decrease of EUR 2,892 thousand compared to 31 December 2015, mainly owing to a reduction in the average number of days to collect money from customers, and a reduction in the percentage of delayed payments with respect to the contractual terms;
- Trade payables amounted to EUR 19,577 thousand and rose by EUR 3,046 thousand compared to 31 December 2015, thanks to the increase in average number of days to pay suppliers, especially in the Parent Company Gefran S.p.A.;
- Other net assets and liabilities, negative in the amount of EUR 7,676 thousand as at 30 September 2016, were down by EUR 570 thousand compared to the previous year (EUR 8,246 thousand as at 31 December 2015).

**Provisions for risks and liabilities** were EUR 3,063 thousand, an increase over 31 December 2015 of EUR 1,207 thousand, for allocation of the restructuring provision of the Parent Company Gefran S.p.A., with the residual value amounting to EUR 1,359 thousand as at 30 September 2016.

The **shareholders' equity** as at 30 September 2016 was EUR 63,091 thousand, compared to EUR 62,984 thousand as at 31 December 2015. The increase was generated by the positive result for the period of EUR 1,001 thousand, and the increase in the fair value reserve of EUR 128 thousand, partially absorbed by the negative change in the conversion reserve of EUR 1,011 thousand and other reserves of EUR 11 thousand.

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

<i>(EUR /000)</i>	<b>30/09/2016</b>		<b>31/12/2015</b>	
	Shareholders' equity	Result for the year	Shareholders' equity	Result for the year
Parent Company shareholders' equity and operating result	53,507	6,692	46,698	(1,346)
Shareholders' equity and operating result of the consolidated companies	36,598	309	43,029	7,226
Elimination of the carrying value of consolidated investments	(29,139)	0	(29,143)	152
Goodwill	3,663	0	3,663	0
Elimination of the effects of transactions conducted between	(1,538)	(6,000)	(1,263)	(10,801)
<b>Group share of shareholders' equity and operating result</b>	<b>63,091</b>	<b>1,001</b>	<b>62,984</b>	<b>(4,769)</b>
Minorities' share of shareholders' equity and operating result	-	-	-	-
<b>Shareholders' equity and operating result</b>	<b>63,091</b>	<b>1,001</b>	<b>65,980</b>	<b>(224)</b>

**Net debt** as at 30 September 2016 was negative and equal to EUR 16,122 thousand, an improvement of EUR 8,756 thousand over the figure as at 31 December 2015. It breaks down as follows:

(EUR /000)	30 September 2016	31 December 2015	Changes
Cash and cash equivalents and current financial receivables	15,564	24,602	(9,038)
Current financial payables	(12,930)	(38,352)	25,422
Financial liabilities for derivatives	(251)	(274)	23
Financial assets for derivatives	3	25	(22)
<b>(Debt)/short-term cash and cash equivalents</b>	<b>2,386</b>	<b>(13,999)</b>	<b>16,385</b>
Non-current financial payables	(18,508)	(10,879)	(7,629)
<b>(Debt)/medium-/long-term cash and cash equivalents</b>	<b>(18,508)</b>	<b>(10,879)</b>	<b>(7,629)</b>
<b>Net debt</b>	<b>(16,122)</b>	<b>(24,878)</b>	<b>8,756</b>

Net debt comprises short-term cash and cash equivalents of EUR 2,386 thousand and medium-/long-term debt of EUR 18,508 thousand.

With reference to the short-term cash and cash equivalents, as at 31 December 2015, the financial covenant relative to the ratio between net debt and EBITDA, as provided in some of the existing loan agreements, had not been complied with; this is why, as at 31 December 2015, the portions of medium/long term debt - relating to loans that did not comply with the terms of the above-mentioned covenant - were reclassified under short term debt. The reclassified debt amounted to EUR 15,032 thousand as at 31 December 2015.

However, during the second quarter of 2016, Gefran formalised the letters of waiver with all the banks involved, where they gave notice of their intention to waive the right to request early repayment. Moreover, the checks on contractual restrictions updated to the figures of 30 September 2016 show that the ratios of the financial covenants have been complied with; for these reasons, and starting with the semi-annual financial report as at 30 June 2016, the loans that had not complied with their covenants as at 31 December 2015 were recorded as financial payables, in accordance with the repayment plans provided by contract.

The change in the net debt figure is mainly due to the positive cash flow from ordinary operations (EUR 11,920 thousand), partially offset by the investment flows (EUR 2,057 thousand), and the negative impact of the change in the shareholders' equity reserve (EUR 1,107 thousand).

## 9. CONSOLIDATED CASH FLOW STATEMENT

The Gefran Group consolidated cash flow statement as at 30 September 2016 shows a negative net change in cash at hand of EUR 9,038 thousand, compared to a positive change of EUR 1,960 thousand for the same period of 2015. The change was as follows.

(EUR /000)	30 September 2016	30 September 2015
A) Cash and cash equivalents at the start of the period	24,602	20,732
B) Cash flow generated by (used in) operations in the period	11,920	2,513
C) Cash flow generated by (used in) investment activities	(2,057)	(3,443)
D) Free Cash Flow (B+C)	9,863	(930)
E) Cash flow generated by (used in) financing activities	(19,281)	2,508
F) Cash flow from continuing operations (d+e)	(9,418)	1,578
G) Cash flow from operating assets held for sale	626	0
H) Currency translation differences on cash at hand	(246)	382
I) Net change in cash at hand (F+G+H)	(9,038)	1,960
J) Cash and cash equivalents at the end of the period (A+I)	15,564	22,692

Cash flow generated by operations was positive in the amount of EUR 11,920 thousand in the period; specifically, operations in the first nine months of the year, net of the inflow of provisions, amortisation and depreciation and financial items, generated cash of EUR 6,740 thousand, while the decrease in working capital in the same period generated positive cash flow of EUR 5,180 thousand, owing to the effect of the reduction in trade receivables of EUR 2,892 thousand and the increase in trade payables of EUR 3,046 thousand, partially offset by the increase in inventories of EUR 758 thousand.

Technical and financial investments, net of divestments, totalled EUR 2,057 thousand, compared to investments of EUR 3,443 thousand in the first nine months of 2015; in particular, financial investments generated a negative cash flow of EUR 9 thousand (positive in the amount of EUR 41 thousand as at 30 September 2015).

The technical investments amounted to EUR 2,048 thousand, a fall of EUR 1,436 thousand from the figure of EUR 3,484 thousand of 30 September 2015.

Free cash flow (operating cash flow excluding investment activities) was a positive EUR 9,863 thousand, compared to a negative figure of EUR 930 thousand as at 30 September 2015; this was an improvement of EUR 10,793 thousand thanks to the improvement of the cash flow generated by operations.

The loans absorbed EUR 19,281 thousand in cash, mainly for repayment of the loan instalments falling due (EUR 8,994 thousand) and the reduction in short-term financial liabilities (EUR 8,798 thousand). On the other hand, in the same period of 2015, loans contributed a total of EUR 2,508 thousand in cash due to taking out new loans (EUR 18,000 thousand), after repayments in the period (EUR 14,642 thousand) and the reduction in short-term financing (EUR 1,349 thousand).

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

## 10. INVESTMENTS

Gross technical **investments** made in the first nine months of 2016 amounted to EUR 2,048 thousand (EUR 3,484 thousand as at 30 December 2015), and relate to:

- investments in production plant and equipment of EUR 705 thousand in the Group's Italian factories, in the factories of the subsidiary Gefran India (EUR 62 thousand) and Gefran Brazil (EUR 93 thousand) and EUR 44 thousand in other Group subsidiaries;
- investments to upgrade the industrial buildings of the Parent Company of approximately EUR 65 thousand;
- the capitalisation of costs incurred in the period for new product development, totalling EUR 862 thousand;
- other investments in intangible assets, relating to management software licences and the development of ERP SAP, of EUR 217 thousand.

(EUR /000)	As at 30 September	As at 30 September
Intangible assets	1,079	1,921
Tangible assets	969	1,563
<b>Total</b>	<b>2,048</b>	<b>3,484</b>

Investments are broken down by individual business area below:

(EUR /000)	Sensors	Components	Drives	Total
Intangible assets	340	517	222	1,079
Tangible assets	604	257	108	969
<b>Total</b>	<b>944</b>	<b>774</b>	<b>330</b>	<b>2,048</b>

The investments are summarised below in accordance with the geographical region:

Geographical region	30 September 2016		30 September 2015	
	tangible assets	intangible assets and	tangible assets	intangible assets and goodwill
(EUR/000)				
Italy	773	1,078	1,354	1,815
European Union	13	0	45	1
Non-EU Europe	12	1	12	1
North America	4	0	10	0
South America	93	0	26	2
Asia	70	0	116	102
Rest of the World	4	0	0	0
<b>Total</b>	<b>969</b>	<b>1,079</b>	<b>1,563</b>	<b>1,921</b>

## 11. OPERATING ASSETS HELD FOR SALE

The operating assets held for sale include the assets related to the know-how of the photovoltaic business.

The financial impacts that can be specifically attributed to the photovoltaic business in the first nine months of 2016 relate to the contract for the transfer of the manufacturing licence and sale of the string invertors to an Indian group; this gave revenues of EUR 400 thousand with the costs incurred to support the sale amounting to the same figure, and so the net result of the sale amounted to EUR 0. As at 30 September 2015, the impact was negative, amounting to EUR 187 thousand.

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

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

## 12. 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.

### 12.1) BUSINESS SENSORS

#### Summary of results

The key figures are summarised in the table below.

(EUR /000)	30 Sept '16	30 Sept '15	2016-2015 value	Chg. %	3Q 2016	3Q 2015	2016-2015 value	Chg. %
Revenues	37,058	36,202	856	2.4%	11,821	11,156	665	6.0%
EBITDA	9,917	8,736	1,181	13.5%	3,239	2,611	628	24.1%
% of revenues	26.8%	24.1%			27.4%	23.4%		
EBIT	8,244	7,166	1,078	15.0%	2,668	2,089	579	27.7%
% of revenues	22.2%	19.8%			22.6%	18.7%		

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

	Italy	Europe	America	Asia	Rest of World
Revenues (€/000,000)	7.4	13.5	7.0	9.0	0.2
% of total	20%	36%	19%	24%	0%

#### Business performance

Revenues for the business amounted to EUR 37,058 thousand as at 30 September 2016, an increase of EUR 856 thousand compared to the figure of 30 September 2015. These revenues were influenced by exchange rate fluctuations compared to 30 September 2015 which had a negative impact of EUR 525 thousand, without which, revenues would have been 3.8% higher than 2015.

Revenues by line of product: there was significant growth in contactless transducers (+15.1%) and force transducers (+22.7%) compared to the same period of 2015.

As at 30 September 2016, there was an increase in sales in Asia (+12.1%) and in the European Union (+2.3%), while there was a significant reduction in sales in South America (-16.1%), mainly due to the negative effect of exchange rate fluctuations between the Brazilian real and the Euro, which had a 10.6% effect.

With reference to the third quarter, revenues amounted to EUR 11,821 thousand, up 6.0% from the figure of EUR 11,156 thousand registered in the same period of 2015.

EBITDA was EUR 9,917 thousand as at 30 September 2016, an increase of EUR 1,181 thousand (+13.5%) compared to the first nine months of 2015 when it was EUR 8,736 thousand. There were non-recurring items in the first nine months of 2016 related to costs and allocations to the staff restructuring provision amounting to EUR 376 thousand; excluding these components, EBITDA was up by EUR 1,557 thousand with an increase in the margin due to the growth in volumes and especially to the reduction in operating management costs, due to the reorganisation of processes and of the structure.

EBIT as at 30 September 2016 was EUR 8,244 thousand, equal to 22.2% of revenues, compared to EBIT of EUR 7,166 thousand in the same period of 2015 (19.8% of revenues), with a positive change of EUR 1,078 thousand. EBIT improved by EUR 1,454 thousand compared to the same period of 2015 if the non-recurring items recorded in the first nine months of 2016 are not included.

Comparing the figures by quarter, EBIT was EUR 2,668 thousand in the third quarter of 2016, and corresponds to 22.6% of sales; this compares with an EBIT of EUR 2,089 thousand (+27.7% on the 2015 figure).

The new orders figure was positive as at 30 September 2016, up EUR 1,953 thousand compared to the same period of 2015, as well as the backlog, also up by EUR 1,044 thousand.

### Investments

The Group had invested EUR 944 thousand in the sensors business as at 30 September 2016, breaking down into EUR 340 thousand in investments in intangible assets and EUR 604 thousand in investments in tangible assets.

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

The bulk of investments in tangible assets were made in the Parent Company (EUR 493 thousand) to update office equipment, adjust production lines in order to improve production processes, upgrade the lines used for the new range of products recently launched on the market, and for maintenance work on the building.

## 12.2) AUTOMATION COMPONENTS

### Summary of results

The key figures are summarised in the table below.

(EUR /000)	30 Sept '16	30 Sept '15	2016-2015 Chg.		3Q 2016	3Q 2015	2016 - 2015 Chg.	
			value	%			value	%
Revenues	24,134	22,807	1,327	5.8%	7,650	6,313	1,337	21.2%
EBITDA	1,416	54	1,362	2522.2%	736	(161)	897	-557.1%
% of revenues	5.9%	0.2%			9.6%	-2.6%		
EBIT	34	(1,475)	1,509	-102.3%	287	(647)	934	-144.4%
% of revenues	0.1%	-6.5%			3.8%	-10.2%		

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

	Italy	Europe	America	Asia	Rest of World
Revenues (€/000,000)	12.1	6.4	3.2	2.3	0.1
% of total	50%	27%	13%	10%	0%

### Business performance

Revenues amounted to EUR 24,134 thousand as at 30 September 2016, up by 5.8% compared to the same period of 2015. More especially, there was positive performance in the power control section, up 36.8% compared to the same period of the previous year.

With respect to the breakdown by geographical region, sales on the North American market are up by 44%; on the other hand, revenues from the South American market were down by EUR 251 thousand compared to September 2015, also as a result of foreign currency fluctuations that had a negative impact on the business of EUR 114 thousand.

The 2016 results include non-recurring items relating to staff restructuring costs of EUR 809 thousand.

EBITDA was positive in the amount of EUR 1,416 thousand (5.9% of revenues) as at 30 September 2016, an increase of EUR 1,362 thousand compared to 30 September 2015; the 2016 EBITDA was a positive EUR 2,225 thousand (9.2% of revenues) if the non-recurring items mentioned above are not included, up by EUR 2,171 thousand compared to the same period of the previous year.

EBIT was positive in the amount of EUR 34 thousand, up EUR 1,509 thousand compared to the first half of 2015; excluding the above-mentioned non-recurring items for 2016, EBIT was a positive EUR 843 thousand (3.5% of revenues) and improved by EUR 2,318 thousand compared to the same period of 2015.

In the third quarter of 2016, revenues were EUR 7,650 thousand, up 21.2% compared to the same period of 2015. EBITDA amounted to EUR 736 thousand (9.6% of revenues) and EBIT amounted to EUR 287 thousand (3.8% of revenues). EBIT was positively affected by a reduction in labour costs of EUR 393 thousand compared to the previous quarter, and a reduction in operating costs of EUR 140 thousand.

New orders as at 30 September 2016 were higher than the same period of the previous year by EUR 855 thousand; the backlog as at 30 September 2016 amounted to EUR 3,660 thousand, up by EUR 458 thousand compared to the EUR 3,202 thousand of the same period of 2015.



## Investments

Investments totalled EUR 774 thousand in 2016, and included intangible assets (EUR 517 thousand) and tangible assets (EUR 257 thousand).

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

As regards investments in intangible assets, capitalised development costs totalled EUR 421 thousand in the period, and related to the new regulator and power control ranges.

## 12.3) DRIVES

### Summary of results

The key figures are summarised in the table below.

(EUR /000)	30 Sept '16	30 Sept '15	2016-2015 Chg.		3Q 2016	3Q 2015	2016 - 2015 Chg.	
			value	%			value	%
Revenues	<b>29,911</b>	<b>29,878</b>	33	0.1%	<b>10,375</b>	<b>9,752</b>	623	6.4%
EBITDA	<b>(3,736)</b>	<b>(5,530)</b>	1,794	-32.4%	<b>(1,004)</b>	<b>(1,927)</b>	923	-47.9%
<i>% of revenues</i>	<b>-12.5%</b>	<b>-18.5%</b>			<b>-9.7%</b>	<b>-19.8%</b>		
EBIT	<b>(5,355)</b>	<b>(7,159)</b>	1,804	-25.2%	<b>(1,544)</b>	<b>(2,450)</b>	906	-37.0%
<i>% of revenues</i>	<b>-17.9%</b>	<b>-24.0%</b>			<b>-14.9%</b>	<b>-25.1%</b>		

The breakdown of revenues by geographical region is as follows:

	Italy	Europe	America	Asia	Rest of World
Revenues (€/000,000)	8.9	9.6	3.5	7.8	0.2
% of total	30%	32%	12%	26%	1%

### Business performance

Revenues as at 30 September 2016 amounted to EUR 29,911 thousand, in line with the first nine months of 2015. Revenues in the period included non-recurring amounts of EUR 521 thousand relating to government funds awarded to the Chinese subsidiary as incentives for research and development granted to technology companies. Excluding non-recurring revenues, revenues fell by EUR 488 thousand (-1.6%). This reduction is almost entirely attributable to sales dynamics of lift family products for lift applications in the Asian subsidiaries. On the other hand, the trend in new-generation industrial inverters (+18.0%) and Brushless (+42.7%) was positive, albeit with less significant absolute values.

Revenues of the third quarter significantly increased (+6.4%), reflecting the improvement in new orders compared to the same period of 2015.

With respect to breakdown by geographical region, as at 30 September 2016, Europe (+11.6%) and Italy (+6.0%) posted positive results, also confirmed by the performance in the third quarter of the year in the two markets, also increasing by 15.4% and 36.0% respectively compared to the same period of 2015. At the end of the third quarter of 2016, growth in these two areas fully offset the negative performance in Asia as at 30 September 2016, related to the above-mentioned trends in product sales of the Lift section by the Chinese subsidiary.

EBITDA was a negative EUR 3,736 thousand (12.5% of revenues) in the first nine months of 2016, but improved by EUR 1,794 thousand (+32.4%) compared to the same period in 2015, when it was a negative EUR 5,530 thousand. The first nine months of 2016 include negative non-recurring components as a whole, and amounted to EUR 326 thousand, comprising research and development grants (EUR 521 thousand) and costs for personnel restructuring of EUR 847 thousand, mainly relating to the Parent Company Gefran S.p.A. and the Spanish branch.

Excluding the non-recurring components, EBITDA was up by EUR 2,120 thousand compared to 30 September 2015, especially thanks to the reduction in personal and service costs, obtained thanks to the improvement of internal processes.

The EBIT loss of EUR 5,355 thousand of 30 September 2016 compares with a loss of EUR 7,159 thousand in the same period of 2015. Not including the non-recurring items, EBIT recorded a loss and amounted to EUR 5,029 thousand, up by EUR 2,130 thousand compared to 30 September 2015.

New order figures for the first nine months of 2016 increased by 4.7% compared to 30 September 2015; Lift products in particular in the euro area drove the order portfolio.

### **Investments**

Investments totalled EUR 330 thousand in 2016.

Technical investments amounted to EUR 108 thousand, and were mainly dedicated to the manufacturing of new production equipment for the Gerezano plant and to start the new production line in Gefran India.

The increases in intangible assets amounted to EUR 222 thousand, and chiefly related to the capitalisation of development costs of EUR 174 thousand for the new industrial sector and lift sector products.

### 13. HUMAN RESOURCES

As at 30 September 2016, the Group headcount was 770, including 9 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 17.53%, which breaks down as follows:

- 48 people joined the Group, including 14 manual workers, 32 clerical staff and 2 managers/executives;
- 87 people left the Group, including 13 manual workers, 71 clerical staff and 3 managers/executives.

### 14. SIGNIFICANT EVENTS IN THE THIRD QUARTER OF 2016

- On 5 August 2016, Gefran signed the definitive agreement to transfer its photovoltaic businesses to the Indian company, Rishabh Instruments.  
In accordance with the terms of the agreement, the know how will be transferred under a licence contract to manufacture and sell the string inverters, Gefran's main photovoltaic product. The sale was made for consideration of EUR 400 thousand.  
The agreement also provides for payment to Gefran of royalties for each product sold by the Indian company for a period of 7 years.  
Rishabh may also exercise a purchase option for the other Gefran products in the photovoltaic sector (APV Cabinets, APV Centralized Inverters, APV-S String Inverters and String Boxes). Rishabh will pay a further EUR 800 thousand in order to exercise said option. The agreement also provides for payment to Gefran of royalties for the products sold by the Indian company.
- The administrative procedure to close the sales office in Seoul in South Korea was also completed on 15 August 2016.

### 15. SIGNIFICANT EVENTS FOLLOWING THE END OF THE THIRD QUARTER OF 2016

Nothing to report.

### 16. OUTLOOK

In a context of weak global growth and a macroeconomic scenario that includes slightly improving emerging economies, but marked by uncertainty in advanced economies, the Gefran Group has delivered a positive quarter in line with the trends begun at the end of the previous financial year.

There are positive signals from the Italian market where Gefran recorded +4.8% growth, and European markets, but there is also uncertainty in geographical regions suffering from geopolitical tension and fed by conflicts in the Middle East, the threat of terrorism, and fears that political developments in advanced countries could lead to the erection of trade barriers.

The financial indicators were positive as a whole for Gefran in the first nine months of the year; this shows that the group has achieved equilibrium, and serves to justify the strategy put in place.

Both new order and backlog trends indicate that sales and profit margins should deliver positive results in upcoming quarters.

In the absence of anything occurring outside the group's control, consolidated revenues should be around EUR 118 million, with the EBITDA margin and EBIT at around 9% and 4% respectively.

## 17. DEALINGS WITH RELATED PARTIES

From the analysis of the transactions concluded with related parties, please see note 14 of the notes to the accounts.

Provaglio d'Iseo, 10 November 2016

For the Board of Directors

Chairman

**Ennio Franceschetti**

Chief Executive Officer

**Maria Chiara Franceschetti**



# **CONSOLIDATED FINANCIAL STATEMENTS**





**18. STATEMENT OF PROFIT/(LOSS)**

(EUR /000)	notes	3Q		progressive as at 30 September	
		2016	2015	2016	2015
Revenues from product sales		28,729	26,686	87,513	86,309
<i>of which: related parties</i>		62	4	100	111
Other operating revenues and income		176	73	1,054	315
<i>of which: non-recurring</i>		0	0	521	0
Increases for internal work		179	376	879	1,359
<b>TOTAL REVENUES</b>		<b>29,084</b>	<b>27,135</b>	<b>89,446</b>	<b>87,983</b>
<i>of which: non-recurring</i>		0	0	521	0
Change in inventories		813	(425)	1,067	3,005
		(11,229)			
Costs of raw materials and accessories		)	(8,601)	(31,548)	(31,836)
Service costs		(4,998)	(5,833)	(15,532)	(17,891)
<i>of which: related parties</i>		(88)	(75)	(271)	(147)
Miscellaneous management costs		(234)	(618)	(618)	(1,067)
Other operating income		3	5	59	57
		(10,009)	(10,740)		
Personnel costs		)	)	(34,489)	(35,978)
<i>of which: non-recurring</i>		0	0	(2,039)	0
Impairment of trade and other receivables		(459)	(400)	(788)	(1,013)
Amortisation		(600)	(489)	(1,743)	(1,593)
Depreciation		(960)	(1,042)	(2,931)	(3,135)
<b>EBIT</b>		<b>1,411</b>	<b>(1,008)</b>	<b>2,923</b>	<b>(1,468)</b>
<i>of which: non-recurring</i>		0	0	(1,518)	0
Gains from financial assets		185	12	902	2,913
Losses from financial liabilities		(563)	(1,355)	(1,902)	(4,176)
Losses (gains) from shareholdings value at equity		59	51	15	126
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>1,092</b>	<b>(2,300)</b>	<b>1,938</b>	<b>(2,605)</b>
<i>of which: non-recurring</i>		0	0	(1,518)	0
Current taxes		(669)	(255)	(1,567)	(1,015)
Deferred taxes		37	(152)	144	(321)
<b>TOTAL TAXES</b>		<b>(632)</b>	<b>(407)</b>	<b>(1,423)</b>	<b>(1,336)</b>
<b>PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>460</b>	<b>(2,707)</b>	<b>515</b>	<b>(3,941)</b>
<i>of which: non-recurring</i>		0	0	(1,518)	0
Net profit (loss) from assets held for sale		0	0	486	(187)
<i>of which: non-recurring</i>		0	0	0	0
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		<b>460</b>	<b>(2,707)</b>	<b>1,001</b>	<b>(4,128)</b>
<i>of which: non-recurring</i>		0	0	(1,518)	0
Attributable to:					
Group		460	(2,707)	1,001	(4,128)
Third parties		0	0	0	0

(Euro)	note	3Q		progressive as at 30 September	
		2016	2015	2016	2015
Basic earnings per ordinary share		0.07	(0.29)	0.07	(0.29)
Diluted earnings per ordinary share		0.07	(0.29)	0.07	(0.29)

## 19. STATEMENT OF PROFIT/(LOSS) AND OTHER ITEMS OF COMPREHENSIVE INCOME

<i>(EUR /000)</i>	<i>note</i>	3Q 2016	2015	progressive as at 30 September	
		2016	2015	2016	2015
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		460	(2,707)	1,001	(4,128)
<b>Items that will not subsequently be reclassified in the income statement for the period</b>					
- revaluation of employee benefits: IAS 19		0	0	0	0
- overall tax effect		0	0	0	0
<b>Items that will or could subsequently be reclassified in the income statement for the period</b>					
- conversion of foreign companies' financial statements		(188)	(552)	(1,011)	2,054
- equity investments in other companies		186	(45)	127	(10)
- Fair value of cash flow hedging derivatives		66	40	1	143
- Other changes in the consolidation reserve		0	0		
<b>Total changes, net of tax effect</b>		64	(557)	(883)	2,187
<b>Comprehensive result for the period</b>		524	(3,264)	118	(1,941)

## 20. STATEMENT OF FINANCIAL POSITION

(EUR /000)	notes	30 September 2016	31 December 2015
<b>NON-CURRENT ASSETS</b>			
Goodwill		5,849	5,904
Intangible assets		8,538	9,222
	<i>of which: related parties</i>	24	30
Property, plant, machinery and tools		37,110	39,389
	<i>of which: related parties</i>	27	227
Shareholdings valued at equity		1,061	1,046
Equity investments in other companies		1,923	1,800
Receivables and other non-current assets		143	115
Deferred tax assets		5,331	5,241
<b>TOTAL NON-CURRENT ASSETS</b>		<b>59,955</b>	<b>62,717</b>
<b>CURRENT ASSETS</b>			
Inventories		23,432	22,674
Trade receivables		31,131	34,023
	<i>of which: related parties</i>	2	4
Other receivables and assets		4,415	3,159
Receivables for current taxes		720	758
Cash and cash equivalents		15,564	24,602
Financial assets for derivatives		3	25
<b>TOTAL CURRENT ASSETS</b>		<b>75,265</b>	<b>85,241</b>
<b>ASSETS HELD FOR SALE</b>		<b>1,214</b>	<b>1,354</b>
<b>TOTAL ASSETS</b>		<b>136,434</b>	<b>149,312</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		14,400	14,400
Reserves		47,690	53,353
Profit/(loss) for the period		1,001	(4,769)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>63,091</b>	<b>62,984</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current financial payables		18,508	10,879
Employee benefits		5,383	5,405
Non-current provisions		1,737	555
Deferred tax provisions		820	868
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>26,448</b>	<b>17,707</b>
<b>CURRENT LIABILITIES</b>			
Current financial payables		12,930	38,352
Trade payables		19,577	16,531
	<i>of which: related parties</i>	104	52
Financial liabilities for derivatives		251	274
Current provisions		1,326	1,301
Payables for current taxes		1,046	335
Other payables and liabilities		11,765	11,828
<b>TOTAL CURRENT LIABILITIES</b>		<b>46,895</b>	<b>68,621</b>
<b>TOTAL LIABILITIES</b>		<b>73,343</b>	<b>86,328</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>136,434</b>	<b>149,312</b>

## 21. CONSOLIDATED CASH FLOW STATEMENT

<i>(EUR /000)</i>	<i>note</i>	<b>30 September 2016</b>	<b>30 September 2015</b>
<b>A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>			
		24,602	20,732
<b>B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:</b>			
Net profit (loss) for the period		1,001	(4,128)
Depreciation/amortisation		4,674	4,728
Capital losses (gains) on the sale of non-current assets		89	(1)
Capital losses (gains) on the sale of assets held for sale		(486)	0
Net result from financial operations		985	1,137
Change in provisions for risks and future liabilities		1,185	(467)
Change in other assets and liabilities		(570)	(1,112)
Change in deferred taxes		(138)	266
Change in trade receivables		2,892	6,881
Change in inventories		(758)	(3,386)
Change in trade payables		3,046	(1,405)
<b>TOTAL</b>		<b>11,920</b>	<b>2,513</b>
<b>C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES</b>			
Investments in:			
- Property, plant & equipment and intangible assets		(2,048)	(3,484)
- Equity investments and securities		4	0
- Acquisitions net of acquired cash		0	0
- Financial receivables		(28)	0
Disposal of non-current assets		15	41
<b>TOTAL</b>		<b>(2,057)</b>	<b>(3,443)</b>
<b>D) FREE CASH FLOW (B+C)</b>			
		9,863	(930)
<b>E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES</b>			
New financial payables		0	18,000
Repayment of financial payables		(8,994)	(14,642)
Increase (decrease) in current financial payables		(8,799)	(1,349)
Interest received (paid)		(710)	(1,015)
Change in shareholders' equity reserves		(778)	1,514
Dividends paid		0	0
<b>TOTAL</b>		<b>(19,281)</b>	<b>2,508</b>
<b>F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)</b>			
		(9,418)	1,578
<b>G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE</b>			
		626	-
<b>H) Currency translation differences on cash at hand</b>			
		(246)	382
<b>I) NET CHANGE IN CASH AT HAND (F+G+H)</b>			
		(9,038)	1,960
<b>J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)</b>			
		15,564	22,692

**22. 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 period	Group Total shareholders' equity	Shareholders' equity of minority interests	Total shareholders' equity
Balance as at 1 January 2015	14,400	21,926	(350)	14,767	2,990	9,101	3,369	(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 as at 31 December 2015	14,400	21,926	(259)	14,373	5,336	8,924	3,052	(4,769)	62,984	0	62,984
Destination of 2015 profit											
- Other reserves and provisions				(3,423)			(1,346)	4,769	0		0
- Dividends									0		0
Income/(expenses) recognised at equity			128						128		128
Change in translation reserve					1	(1,011)	(1)		(1,011)		(1,011)
Other changes						(11)			(11)		(11)
2016 profit								1,001	1,001		1,001
Balances as at 30 June 2016	14,400	21,926	(131)	10,951	4,325	8,912	1,706	1,001	63,091	0	63,091



# NOTES TO THE ACCOUNTS





## 1. General information

Gefran S.p.A. is incorporated and located at via Sebina 74, Provaglio d'Iseo (BS). The Group's main activities are described in the Report on Operations.

These interim financial statements as at 30 September 2016 were approved by the meeting of the Board of Directors held on 10 November 2016, which authorised their publication.

## 2. Form and content

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

In preparing these interim financial statements, the same accounting criteria were applied as in the preparation of the financial statements for the year ending 31 December 2015. The interim financial statements for the quarter ending 30 September 2016 do not contain all the additional information required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ending 31 December 2015, prepared in accordance with IFRS.

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

These interim financial statements for the quarter ending 30 September 2016 are consolidated on the basis of the income statement and statement of financial position figures of Gefran S.p.A. and its subsidiaries relating to the first nine months of 2016, prepared in accordance with international accounting standards. These accounting statements were prepared using valuation criteria in line with those of the Parent Company, or adjusted owing to consolidation.

Interim financial statements are not subject to an audit.

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

## 3. Consolidation principles and valuation criteria

The valuation criteria adopted for the preparation of these interim financial statements as at 30 September 2016 are the same as those adopted in preparing the annual financial statements for the year ending 31 December 2015.

In line with the requirements of document no. 2 of 6 February 2009 issued jointly by the Bank of Italy, Consob and ISVAP, the Gefran Group's interim financial statements were prepared on the assumption that the Group is a going concern. As at 31 December 2015, the financial covenant referring to the ratio between the net debt and the EBITDA, as provided in certain existing loan agreements, was not complied with. This is why in the annual financial statements as at 31 December 2015 the medium/long term debt portions - relating to loans that did not comply with the terms of the above-mentioned covenant - were reclassified under short term debt.

In the second quarter of 2016, all the banks involved sent Gefran a formal letter of waiver, informing it that they would waive their right to request early repayment. Moreover, the lines of credit made available by banks and other credit institutions were enough to ensure that the Group could operate, and cash flow was also considered to be adequate. Finally, the terms of the financial covenant relating to the ratio between net debt and EBITDA have been complied with according to the checks made on the consolidated figures as at 30 September 2016. This is why the Directors believe - also in view of the approved Business Plan - that the failure to honour the covenants was a highly exceptional event, which is temporary and limited to 2015.

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 historical cost criterion, adjusted as required for the measurement of certain financial instruments.

With reference to Consob Communication 0007780 of 28 January 2016, we note that the impacts of the market conditions on the information disclosed in the financial statements 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" entering into effect on 1 January 2017.

For details on the seasonal nature of the Group's operations, please refer to the attached "Consolidated income statement: analysis by quarter".

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

The scope of consolidation as at 30 September 2016 was different both from that of 31 December 2015 and from that of 30 June 2015 because Ensun S.r.l., 50% owned and consolidated at equity, increased its holding in BS Energia 2 S.r.l. from the 60% held previously to 100% in April 2016.

#### 5. Non-recurring income (charges)

<i>(EUR /000)</i>	<b>Other operating revenues and income</b>	<b>Personnel costs</b>	<b>Total</b>
Non-recurring income	521		521
Non-recurring charges		(2,039)	(2,039)
<b>Total non-recurring income (charges)</b>	<b>521</b>	<b>(2,039)</b>	<b>(1,518)</b>
<b>Income statement total</b>	<b>1,054</b>	<b>(34,489)</b>	
<b>Incidence</b>	<b>49.43%</b>	<b>5.91%</b>	

Revenues include non-recurring income of EUR 521 thousand, relating to government funds awarded to the Chinese subsidiary in respect of incentives for research and development granted to technology companies.

Non-recurring personnel costs relate to provisions for restructuring costs made by the Parent Company Gefran S.p.A. of EUR 1,700 thousand, while the remaining EUR 339 thousand is divided among subsidiaries Gefran Deutschland GmbH, Gefran Siei Drive Technology and the Spanish Branch.

As at 30 September 2015, there were no non-recurring components in the financial statements.

## 6. 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.

Revenues between the various sectors are accounted for at transfer prices, which are in line with market prices.

### Statement of financial position figures by business area

(EUR /000)	30 Sept 2016	Sensors	Components	Drives	Not divided	Total
Intangible assets	14,387	8,371	2,979	3,037		14,387
Tangible assets	37,110	10,153	10,376	16,581		37,110
Financial assets	8,458				8,458	8,458
<b>Net fixed assets</b>	<b>59,955</b>	<b>18,524</b>	<b>13,355</b>	<b>19,618</b>	<b>8,458</b>	<b>59,955</b>
Inventories	23,432	4,724	3,783	14,925		23,432
Trade receivables	31,131	9,604	6,976	14,551		31,131
Trade payables	(19,577)	(6,059)	(5,028)	(8,490)		(19,577)
Other assets/liabilities	(7,676)	(2,729)	(2,393)	(2,051)	(503)	(7,676)
<b>Working capital</b>	<b>27,310</b>	<b>5,540</b>	<b>3,338</b>	<b>18,935</b>	<b>(503)</b>	<b>27,310</b>
Provisions for risks and future liabilities	(3,063)	(422)	(762)	(1,501)	(378)	(3,063)
Deferred tax provisions	(820)				(820)	(820)
Employee benefits	(5,383)	(1,681)	(2,164)	(1,538)		(5,383)
<b>Invested capital from operations</b>	<b>77,999</b>	<b>21,961</b>	<b>13,767</b>	<b>35,514</b>	<b>6,757</b>	<b>77,999</b>
<b>Invested capital from assets held for sale</b>	<b>1,214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,214</b>	<b>1,214</b>
<b>Net invested capital</b>	<b>79,213</b>	<b>21,961</b>	<b>13,767</b>	<b>35,514</b>	<b>7,971</b>	<b>79,213</b>
<b>Shareholders' equity</b>	<b>63,091</b>				<b>63,091</b>	<b>63,091</b>
Non-current financial payables	18,508				18,508	18,508
Current financial payables	12,930				12,930	12,930
Financial liabilities for derivatives	251				251	251
Financial assets for derivatives	(3)				(3)	(3)
Cash and cash equivalents and current financial receivables	(15,564)				(15,564)	(15,564)
<b>Net debt relating to operations</b>	<b>16,122</b>				<b>16,122</b>	<b>16,122</b>
<b>Total sources of financing</b>	<b>79,213</b>				<b>79,213</b>	<b>79,213</b>

<i>(EUR /000)</i>	<b>31 Dec 2015</b>	<b>Sensors</b>	<b>Components</b>	<b>Drives</b>	<b>Not divided</b>	<b>Total</b>
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
Non-current financial payables	10,879				10,879	10,879
Current 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 current 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

### Secondary segment - geographical region

The organisational structure of the Gefran Group is divided into seven significant macro geographical regions: Italy, the European Union, non-EU Europe, North America, South America, Asia and the Rest of the World. The economic trends and the main investments are covered in the Report on Operations.

## 7. Net working capital

Net working capital totalled EUR 34,986 thousand, compared to EUR 40,166 thousand as at 31 December 2015, and breaks down as follows:

(EUR /000)	30 September 2016	31 December 2015	changes
Inventories	23,432	22,674	758
Trade receivables	31,131	34,023	(2,892)
Trade payables	(19,577)	(16,531)	(3,046)
<b>Net amount</b>	<b>34,986</b>	<b>40,166</b>	<b>(5,180)</b>

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

The value of the “inventories” as at 30 September 2016 was EUR 23,432 thousand, up by EUR 758 thousand compared to the amount recorded as at 31 December 2015. The balance breaks down as follows:

(EUR /000)	30 September 2016	31 December 2015	changes
Raw materials, consumables and supplies	14,430	14,362	68
<i>provision for raw materials</i>	<i>(4,071)</i>	<i>(3,229)</i>	<i>(842)</i>
Work in progress and semi-finished products	7,132	5,967	1,165
<i>provision for work in progress</i>	<i>(1,007)</i>	<i>(882)</i>	<i>(125)</i>
Finished products and goods	9,534	8,847	687
<i>provision for finished products</i>	<i>(2,586)</i>	<i>(2,391)</i>	<i>(195)</i>
<b>Total</b>	<b>23,432</b>	<b>22,674</b>	<b>758</b>

The obsolescence and slow moving inventories fund was adjusted according to need, through specific provisions of EUR 1,382 thousand in the first nine months of 2016 (EUR 852 thousand in the same period of 2015).

"Trade receivables" total EUR 31,131 thousand, down by EUR 2,892 thousand compared to 31 December 2015, mainly due to the reduction in average days for collection at the Group level; they break down as follows:

(EUR /000)	30 September 2016	31 December 2015	changes
Receivables from customers due within 12 months	35,518	37,835	(2,317)
<i>Provision for doubtful receivables</i>	<i>(4,387)</i>	<i>(3,812)</i>	<i>(575)</i>
<b>Net amount</b>	<b>31,131</b>	<b>34,023</b>	<b>(2,892)</b>

This includes receivables subject to recourse factoring transferred to a leading factoring company, by the Parent Company, for a total amount of EUR 25 thousand (EUR 55 thousand as at 31 December 2015). In the first nine months of 2016, EUR 5,022 thousand was transferred on a non-recourse basis to factoring companies. There were no new transfers completed in September 2016 (while receivables for a total amount of EUR 2,158 thousand were transferred in December 2015).

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 as at 30 September 2016 represents a prudential estimate of the current risk, and registered the following changes:

(EUR /000)	31/12/2015	Increases	Decreases	Exchange rate	30/09/2016
Provision for doubtful receivables	3,812	788	(118)	(91)	4,387

Changes in the first nine months of 2015 were as follows:

(EUR /000)	31/12/2014	Increases	Decreases	Exchange rate	30/09/2015
Provision for doubtful receivables	3,919	1,013	(1,333)	17	3,616

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

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* were EUR 19,577 thousand, versus EUR 16,531 thousand as at 31 December 2015, an increase of EUR 3,046 thousand, relating to the rise in average payment days to suppliers, especially in the Gefran S.p.A. Parent Company. It breaks down as follows:

(EUR /000)	30 September 2016	31 December 2015	changes
Payables to suppliers	12,666	8,350	4,316
Payables to suppliers for invoices to be received	6,418	7,902	(1,484)
Payments on account received from customers	493	279	214
<b>Total</b>	<b>19,577</b>	<b>16,531</b>	<b>3,046</b>

## 8. Operating assets held for sale

The operating assets held for sale include the assets related to the know-how of the photovoltaic business.

The economic impacts that can be specifically attributed to the photovoltaic business in the first nine months of 2016 amounted to EUR zero, while there was a negative impact of EUR 187 thousand as at 30 September 2015.

More specifically, financial income from the first phase of the agreement to transfer the photovoltaic business amounted to EUR 400 thousand and equals the total costs estimated as required to conclude the sale. No potential revenues from royalties were considered as at 30 September since there is not yet considered to be a basis on which they could be realised.

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

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

## 9. Net debt

The table below shows a breakdown of the net debt:

(EUR /000)	30 September 2016	31 December 2015	Changes
Cash and cash equivalents and current financial receivables	15,564	24,602	(9,038)
Financial assets for derivatives	3	25	(22)
Non-current financial payables	(18,508)	(10,879)	(7,629)
Current financial payables	(12,930)	(38,352)	25,422
Financial liabilities for derivatives	(251)	(274)	23
<b>Total</b>	<b>(16,122)</b>	<b>(24,878)</b>	<b>8,756</b>

The following table breaks down the net debt by maturity:

(EUR /000)	30 September 2016	31 December 2015	Changes
A. Cash	35	29	6
B. Cash in bank deposits	15,529	24,573	(9,044)
Term deposits – less than 3 months	-	-	-
C. Securities held for trading	-	-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>15,564</b>	<b>24,602</b>	<b>(9,038)</b>
Financial liabilities for derivatives	(251)	(274)	23
Financial assets for derivatives	3	25	(22)
E. Fair value hedging derivatives	(248)	(249)	1
F. Current portion of long-term debt	(10,253)	(26,876)	16,623
G. Other current financial payables	(2,677)	(11,476)	8,799
<b>H. Total current financial payables (F) + (G)</b>	<b>(12,930)</b>	<b>(38,352)</b>	<b>25,422</b>
<b>I. Total current payables (E) + (H)</b>	<b>(13,178)</b>	<b>(38,601)</b>	<b>25,423</b>
<b>J. Net current financial debt (I) + (D)</b>	<b>2,386</b>	<b>(13,999)</b>	<b>16,385</b>
L. Non-current financial debt	(18,508)	(10,879)	(7,629)
<b>M. Net financial debt (J) + (L)</b>	<b>(16,122)</b>	<b>(24,878)</b>	<b>8,756</b>
<i>Of which to minorities:</i>	<i>(16,122)</i>	<i>(24,878)</i>	<i>8,756</i>

Net debt as at 30 September 2016 was negative and equal to EUR 16,122 thousand, an improvement of EUR 8,756 thousand over the figure as at 31 December 2015. Please see the Report on Operations for further details on changes in financial operations during the year.

**Cash and cash equivalents** amounted to EUR 15,564 thousand as at 30 September 2016, down by EUR 9,038 thousand compared to the balance as at 31 December 2015:

(EUR /000)	30 September 2016	31 December 2015	changes
Cash in bank deposits	15,245	24,533	(9,288)
Cash	35	29	6
Other cash	284	40	244
<b>Total</b>	<b>15,564</b>	<b>24,602</b>	<b>(9,038)</b>

The technical forms used as at 30 September 2016 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.

**Current financial payables** as at 30 September 2016 decreased by EUR 25,422 thousand compared to 2015 and break down as follows:

(EUR /000)	30 September 2016	31 December 2015	changes
Current portion of debt	10,253	26,876	(16,623)
Current overdrafts	2,640	11,187	(8,547)
Factoring	29	265	(236)
Leasing	-	16	(16)
Other payables	8	8	-
<b>Total</b>	<b>12,930</b>	<b>38,352</b>	<b>(25,422)</b>

The current portion of debt decreased by EUR 25,422 thousand compared to December 2015, mainly due to the reclassification from “current financial payables” to “non-current financial payables” of portions of loans, falling due after the next 12 months, which as at 31 December 2015 did not comply with the terms of covenant related to the ratio between shareholders' equity and EBITDA. This reclassification was made thanks to the formalisation of the letters of waiver with all the banks involved, where they gave notice of their intention to waive the right to request early repayment. The value of that reclassification, net of the repayments made on the reclassified amounts as at 31 December 2015, amounted to EUR 11,925 thousand as at 30 September 2016.

The current portion of debt decreased also by EUR 8,994 thousand owing to the repayments envisaged by the repayment plan of each loan, whereas it increased by EUR 4,296 thousand due to the reclassification from “non-current financial payables” to “current financial payables” of the portions of loans due to mature in the next 12 months.

The financial covenants were verified as at 30 September 2016 and are fully compliant.

The "factoring" item, which decreased by EUR 236 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.

Bank overdrafts as at 30 September 2016 totalled EUR 2,640 thousand, compared to a balance as at 31 December 2015 of EUR 11,187 thousand. The item relates almost entirely to Gefran S.p.A. and has the following characteristics:

- for use of credit lines payable on demand, the overall annual interest rate is in the annual 2.5%-5.7% range;



- for use of credit facilities on trade receivables, repayable on the maturity of these receivables, the overall annual interest rate is in the annual 0.5%-1.0% range.

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

Bank	30 September 2016	31 December 2015	changes
Centrobanca	1,463	2,927	(1,464)
Deutsche Bank	-	150	(150)
Banco di Brescia	1,299	1,930	(631)
Cred. Bergamasco	-	404	(404)
Unicredit SACE	1,000	1,750	(750)
Banco di Brescia	892	-	892
BNL	1,666	2,000	(334)
Banca Pop. Sondrio	1,155	1,718	(563)
Unicredit	1,000	-	1,000
Unicredit	2,000	-	2,000
Banca Pop. Emilia Romagna	2,533	-	2,533
Mediocredito	5,500	-	5,500
<b>Total</b>	<b>18,508</b>	<b>10,879</b>	<b>7,629</b>

The main changes concern the reclassification from current to non-current of loans that as at 31 December 2015 do not comply with the terms of the financial covenant of the Net Debt to EBITDA ratio of EUR 11,925 thousand (EUR 15,032 thousand as at 31 December 2015) and the reclassification from “non-current financial payables” to “current financial payables” of EUR 4,296 thousand of the portions of loans the maturity of which is expected in the next 12 months.

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 as at 30 September 2016	Of which within 12 months	Of which after 12 months	Interest rate	Maturity	Repayment method
Centrobanca	EUR	04/09/08	2,927	1,464	1,463	Euribor 6m +	01/10/18	half-yearly
Deutsche Bank	EUR 3,000	09/03/12	300	300	-	Euribor 3m +	31/03/17	quarterly
Cred. Bergamasco	EUR 2,000	06/11/12	90	90	-	Euribor 3m +	31/10/16	monthly
Banco di Brescia	EUR 6,000	31/05/13	2,547	1,248	1,299	Euribor 3m +	31/05/18	quarterly
Cred. Bergamasco	EUR 3,000	18/06/13	602	602	-	Euribor 3m +	30/06/17	monthly
Unicredit SACE	EUR 5,000	27/09/13	2,000	1,000	1,000	Euribor 3m +	30/09/18	quarterly
Banco di Brescia	EUR 3,000	28/11/14	1,646	754	892	Euribor 3m +	30/11/18	monthly
BNL	EUR 3,000	19/12/14	2,333	667	1,666	Euribor 6m +	18/12/19	half-yearly
Banca Pop. Sondrio	EUR 3,000	23/12/14	1,905	750	1,155	Euribor 3m +	22/12/18	quarterly
Unicredit	EUR 2,000	19/02/15	1,400	400	1,000	Euribor 3m +	29/02/20	quarterly
Unicredit	EUR 2,000	19/02/15	2,000	-	2,000	Euribor 3m +	28/02/19	bullet
Banca Pop. Emilia	EUR 4,000	06/08/15	3,511	978	2,533	Euribor 3m +	03/02/20	quarterly
Mediocredito	EUR	07/08/15	7,500	2,000	5,500	Euribor 3m +	30/06/20	quarterly
<b>Total</b>			<b>28,761</b>	<b>10,253</b>	<b>18,508</b>			

The loan granted by Centrobanca is guaranteed by a EUR 36 million mortgage on properties in Provaglio d'Iseo.

Seven of the loans listed above are governed by covenants, specifically:

- 1) the EUR 6,000 thousand UBI-Banco di Brescia loan taken out on 31 May 2013, is subject to the following covenant:
  - consolidated net debt to equity ratio of  $\leq 0.7$ .

Termination clauses are triggered in the event that this value is exceeded.

- 2) the EUR 3,000 UBI-Banco di Brescia loan, taken out on 28 November 2014, is subject to two financial covenants:

- consolidated net debt to equity ratio of  $\leq 0.7$ ;
- consolidated net debt to EBITDA ratio of  $\leq 3.5$ .

If the ratios are exceeded, the lending bank will have the right to request early repayment.

- 3) the EUR 3,000 thousand BNL loan, taken out on 19 December 2014, is subject to two financial covenants:

- consolidated net debt to equity ratio of  $\leq 0.7$ ;
- consolidated Equity and Total Assets  $> 30\%$ .

If both ratios are exceeded, the lending bank will have the right to request early repayment.

- 4) The two Unicredit loans, taken out on 19 February 2015 for a total of EUR 4,000 thousand, are subject to two financial covenants:

- consolidated net debt to equity ratio of  $\leq 0.7$ ;
- consolidated net debt to EBITDA ratio of  $\leq 3.0$ .

If the ratios are exceeded, the lending bank will have the right to request early repayment.

- 5) the Banca Popolare Emilia Romagna loan of EUR 4,000 thousand, taken out on 6 August 2015, is subject to the financial covenant:

- consolidated net debt to EBITDA ratio of  $\leq 3.5$ .

If the ratio is exceeded, the lending bank will have the right to request early repayment.

- 6) the Mediocredito loan of EUR 10,000 thousand, taken out on 7 August 2015, is subject to the financial covenants:

- consolidated net debt to equity ratio of  $\leq 0.7$ ;
- consolidated net debt to EBITDA ratio of  $\leq 3.5$ .

If the ratios are exceeded, the lending bank will have the right to request early repayment.

A number of outstanding loan contracts include other covenants, in line with market practices, that place limits on the possibility of issuing new real guarantees and conducting extraordinary transactions.

As at 31 December 2015, the terms of the financial covenant relating to the ratio between net debt and Ebitda established in certain loan contracts had not been complied with; this explains why as at 31 December 2015 the medium/long term debt portions relating to loans that did not comply with the terms of the above-mentioned covenant were reclassified under short term debt. The reclassified debt amounted to EUR 15,032 thousand as at 31 December 2015.

However, during the second quarter of 2016, Gefran formalised the letters of waiver with all the banks involved, where they gave notice of their intention to waive the right to request early repayment.

The Administration, Finance and Control Department is responsible for checking these contractual restrictions every quarter. Since the banks involved in the company's failure to comply with the covenants as at 31 December 2015 agreed to formalise the waivers, and the ratios calculated on the data as at 30 September 2016 are compliant, the loans were classified in the maturities table in accordance with their original contractual maturity dates.

The management considers that the credit lines currently available, as well as the cash flow generated by current operations, will enable Gefran to meet its financial requirements resulting from investment activities, working capital management and repayment of debt at its natural maturity.

**Financial assets for derivatives** totalled EUR 3 thousand as at 30 September 2016, 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 251 thousand, owing to the negative fair value of certain IRS contracts, also entered into by the Parent Company to hedge interest rate risks.

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

Bank (Euro/000)	Notional principal	Signing date	Notional as at 30 September 2016	Derivative	Fair Value as at 30 September 2016	Rate Long position	Rate Short position
Centrobanca	EUR 9,550	31/03/10	2,927	IRS	(98)	Fixed 3.11%	Euribor 6m
Deutsche Bank	EUR 3,000	09/03/12	300	IRS	(2)	Fixed 1.34%	Euribor 3m
Banca Pop. Emilia Romagna	EUR 4,000	01/10/15	3,511	IRS	(45)	Fixed 0.15%	Euribor 3m
Intesa	EUR 10,000	05/10/15	7,500	IRS	(106)	Fixed 0.16%	Euribor 3m
<b>Total financial liabilities for derivatives – interest rate risk</b>					<b>(251)</b>		

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

Bank (Euro/000)	Notional principal	Signing date	Notional as at 30 September 2016	Derivative	Fair Value as at 30 September 2016	Rate Long position	Rate Short position
Credito Bergamasco	EUR 2,000	06/11/12	90	CAP	0	Strike Price 1.00%	Euribor 3m
Unicredit	EUR 6,000	04/06/13	2,547	CAP	0	Strike Price 0.75%	Euribor 6m
Credito Bergamasco	EUR 3,000	20/06/13	602	CAP	0	Strike Price 0.75%	Euribor 3m
Unicredit	EUR 5,000	15/10/13	2,000	CAP	0	Strike Price 0.60%	Euribor 3m
Banco di Brescia	EUR 3,000	28/11/14	1,646	CAP	0	Strike Price 0.10%	Euribor 3m
BNL	EUR 3,000	19/12/14	2,333	CAP	1	Strike Price 0.20%	Euribor 6m
Unicredit	EUR 2,000	19/02/15	1,905	CAP	1	Strike Price 0.10%	Euribor 3m
Unicredit Bullet	EUR 2,000	19/02/15	1,400	CAP	1	Strike Price 0.10%	Euribor 3m
<b>Total financial assets for derivatives – interest rate risk</b>					<b>3</b>		

All the contracts described above are booked at fair value:

(Euro/000)	as at 30 September 2016		as at 31 December 2015	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	3	(251)	25	(274)
<b>Total cash flow hedge</b>	<b>3</b>	<b>(251)</b>	<b>25</b>	<b>(274)</b>

All derivatives were tested for effectiveness, with positive outcomes.

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 43,852 thousand. Overall use of these lines as at 30 September 2016 totalled EUR 2,628 thousand, with a residual available amount of EUR 41,224 thousand.

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

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

"Gains from financial assets" totalled EUR 902 thousand compared to EUR 2,913 thousand as at 30 September 2015, and break down as follows:

Description	30 September 2016	30 September 2015	change
<i>(EUR /000)</i>			
Income from cash management	31	40	(9)
Other financial income	40	92	(52)
Exchange rate gains	409	1,968	(1,559)
Currency valuation differences	421	813	(392)
Gains from financial assets	1	-	1
<b>Total</b>	<b>902</b>	<b>2,913</b>	<b>(2,011)</b>

"Losses from financial liabilities" amounted to EUR 1,902 thousand, down from EUR 2,274 thousand as at 30 September 2015, and break down as follows:

Description	30 September 2016	30 September 2015	change
<i>(EUR /000)</i>			
Medium-/long-term interest	(581)	(864)	283
Short-term interest	(23)	(92)	69
Factoring interest and fees	(22)	(45)	23
Other financial charges	(25)	(32)	7
Exchange rate losses	(816)	(2,147)	1,331
Currency valuation differences	(435)	(878)	443
Write-down of financial assets	-	(118)	118
<b>Total</b>	<b>(1,902)</b>	<b>(4,176)</b>	<b>2,274</b>

The reduction in the financial interest payable in the first nine months of 2016 is due to the reduction of the spreads agreed on average with the banks for loans taken out starting from the end of 2014 and to the continuous improvement of net debt.

The balance of the differences on the currency transactions has an overall negative value of EUR 421 thousand, compared with a negative value of EUR 244 thousand recorded on 30 September 2015. The worsening in the balance of currency transactions was due to the appreciation - starting from the second half of the previous year - of the euro against the main currencies that the Group is exposed to (especially towards the Chinese renminbi, Turkish lira and Indian rupee). Compared to the average in 2015, the three currencies depreciated by 5.5%, 5.7% and 3.3% respectively against the euro in the first nine months of 2016, resulting in negative exchange rate differences on payables in Euro in portfolio to some foreign subsidiaries.

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

Description	30 September	30 September	change
<i>(EUR /000)</i>			
Result of companies valued at equity	15	126	(111)
<b>Total</b>	<b>15</b>	<b>126</b>	<b>(111)</b>

Gains from equity investments valued at equity were EUR 15 thousand, and mainly related to the positive result of the Ensun Group.

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

The item “taxes” was negative at EUR 1,423 thousand as at 30 September 2016; this compares with a negative balance of EUR 1,336 thousand in the first nine months of 2015, and breaks down as follows:

<i>(EUR /000)</i>	30 September 2016	30 September 2015
<b>Current taxes</b>		
IRES (corporate income tax)	(289)	(11)
IRAP (regional production tax)	(223)	(2)
Foreign taxes	(1,055)	(1,002)
<b>Total current taxes</b>	<b>(1,567)</b>	<b>(1,015)</b>
<b>Deferred taxes</b>		
Deferred tax liabilities	28	(9)
Deferred tax assets	116	(312)
<b>Total deferred taxes</b>	<b>144</b>	<b>(321)</b>
<b>Total taxes</b>	<b>(1,423)</b>	<b>(1,336)</b>

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

The tax burden for the current year comprises the IRES and IRAP mainly due from Gefran S.p.A. With respect to the IRES, the figure is stated net of past tax losses by the company, reducing the tax base for the year to the 80% limit permitted by current tax laws.

Deferred tax assets are positive at EUR 144 thousand, due to the recognition of provisions with deferred deductibility mainly identified in Gefran S.p.A. and in the subsidiary Gefran Siei Drives Technology Co. Ltd.

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

<i>(EUR /000)</i>	31 Dec 2015	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	30 Sept 2016
<b>Deferred tax assets</b>					
Write-down of inventories	1,114	76		-	1,190
Impairment of trade receivables	292	90		-	382
Deductible losses to be brought forward	2,746	1		(26)	2,721
Exchange rate differences	15	(11)		-	4
Elimination of unrealised margins on inventories	648	(95)		-	553
Provision for product warranty risk	202	(1)		-	201
Provision for sundry risks	224	56		-	280
<b>Total deferred tax assets</b>	<b>5,241</b>	<b>116</b>	<b>-</b>	<b>(26)</b>	<b>5,331</b>
<b>Deferred tax liabilities</b>					
Currency valuation differences	(28)	28		-	-
Other deferred tax liabilities	(840)	-		20	(820)
<b>Total deferred tax liabilities</b>	<b>(868)</b>	<b>28</b>	<b>-</b>	<b>20</b>	<b>(820)</b>
<b>Net total</b>	<b>4,373</b>	<b>144</b>	<b>-</b>	<b>(6)</b>	<b>4,511</b>

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

#### Guarantees granted

As at 30 September 2016, the Group granted guarantees on the liabilities and commitments of third parties or subsidiaries for EUR 10,560 thousand, as shown in the table below:

<i>(EUR /000)</i>	2016	2015
Ubi Leasing	5,918	5,918
BNL	2	2
Banca Intesa	1,100	1,100
Banca Passadore	2,750	2,750
Banco di Brescia	790	790
<b>Total</b>	<b>10,560</b>	<b>10,560</b>

A guarantee in favour of UBI Leasing was issued for a total of EUR 5,918 thousand, expiring in 2029, to guarantee financial requirements for the construction of photovoltaic plants by BS Energia 2 S.r.l. The remaining debt on the leasing contract amounts to EUR 2,907 thousand as at 30 September 2016.

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

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

### Legal proceedings and disputes

The Parent Company and certain subsidiaries are involved in 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 and rents amounted to EUR 2,211 thousand; of this amount, EUR 2,091 thousand falls due within the next five years, and the remaining EUR 120 thousand after five years.

## 14. DEALINGS WITH RELATED PARTIES

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

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

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

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

- Elettropiemme S.r.l., a subsidiary of Ensun S.r.l.: a company in which Ennio Franceschetti (Chairman and Chief Executive Officer of Gefran S.p.A.) is chairman and Marco Giacometti (general manager of the Drives business of Gefran S.p.A.) general manager.
- 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 (manager with strategic responsibilities) is a member of the Board of Directors.
- Francesco Franceschetti elastomeri S.r.l.: a company in which Ennio Franceschetti (Chairman and Chief Executive Officer of Gefran S.p.A.) is a member of the Board of Directors.
- Ensun S.r.l., a company in which Ennio Franceschetti (Chairman and Chief Executive Officer of Gefran S.p.A.) is Chairman, and Giovanna Franceschetti is Managing Director (Executive Director of Gefran S.p.A.).

These dealings, summarised below, have no material impact on the Group's economic and financial structure. They are summarised in the following tables:

Company (EUR /000)	Costs and Charges		Revenues and income	
	2016	2015	2016	2015
Elettropiemme S.r.l.	76	0	43	27
Climat S.r.l.	132	103	0	0
Ensun S.r.l.	0	0	52	0
Axel S.r.l.	63	44	4	7
Francesco Franceschetti elastomeri S.r.l.	0	0	1	77
<b>Total</b>	<b>271</b>	<b>147</b>	<b>100</b>	<b>111</b>

Company (EUR /000)	Receivables and other assets		Payables and other liabilities	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Elettropiemme S.r.l.	2	0	17	19
Climat S.r.l.	27	227	60	26
Axel S.r.l.	24	34	27	7
Francesco Franceschetti elastomeri S.r.l.	0	0	0	0
<b>Total</b>	<b>53</b>	<b>261</b>	<b>104</b>	<b>52</b>

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

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

## 15. Other information

Pursuant to article 70, paragraph 8, and article 71, paragraph 1-bis of Consob 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 November 2016

For the Board of Directors

Chairman

**Ennio Franceschetti**

Chief Executive Officer

**Maria Chiara Franceschetti**



## **ANNEXES**

**a) Consolidated income statement by quarter**

(EUR /000)	Q1	Q2	Q3	Q4	TOT	Q1	Q2	Q3	TOT
	2015	2015	2015	2015	2015	2016	2016	2016	2016
a Revenues	30,309	29,556	26,759	28,728	<b>115,352</b>	29,524	30,138	28,905	<b>88,567</b>
b Increases for internal work	503	480	376	390	<b>1,749</b>	408	292	179	<b>879</b>
c Consumption of materials and products	9,810	9,995	9,026	10,475	<b>39,306</b>	9,539	10,526	10,416	<b>30,481</b>
d Added value (a+b-c)	21,002	20,041	18,109	18,643	<b>77,795</b>	20,393	19,904	18,668	<b>58,965</b>
e Other operating costs	6,395	6,673	6,846	5,887	<b>25,801</b>	5,563	5,628	5,688	<b>16,879</b>
f Personnel costs	12,753	12,485	10,740	10,335	<b>46,313</b>	13,116	11,364	10,009	<b>34,489</b>
g EBITDA (d-e-f)	1,854	883	523	2,421	<b>5,681</b>	1,714	2,912	2,971	<b>7,597</b>
h Depreciation, amortisation and impairment	1,601	1,596	1,531	1,583	<b>6,311</b>	1,557	1,557	1,560	<b>4,674</b>
i EBIT (g-h)	253	(713)	(1,008)	838	<b>(630)</b>	157	1,355	1,411	<b>2,923</b>
l Gains (losses) from financial assets/liabilities	1,175	(1,095)	(1,343)	140	<b>(1,123)</b>	(761)	139	(378)	<b>(1,000)</b>
m Gains (losses) from shareholdings value at equity	6	69	51	(7)	<b>119</b>	(78)	34	59	<b>15</b>
n Profit (loss) before tax (i±l±m)	1,434	(1,739)	(2,300)	971	<b>(1,634)</b>	(682)	1,528	1,092	<b>1,938</b>
o Taxes	(229)	(700)	(407)	(1,612)	<b>(2,948)</b>	(516)	(275)	(632)	<b>(1,423)</b>
p Result from operating activities (n±o)	1,205	(2,439)	(2,707)	(641)	<b>(4,582)</b>	(1,198)	1,253	460	<b>515</b>
q Profit (loss) from assets held for sale	(141)	(46)	0	0	<b>(187)</b>	486	0	0	<b>486</b>
r Group net profit (loss) (p±q)	1,064	(2,485)	(2,707)	(641)	<b>(4,769)</b>	(712)	1,253	460	<b>1,001</b>

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

(EUR /000)	Q1	Q2	Q3	Q4	TOT	Q1	Q2	Q3	TOT
	2015	2015	2015	2015	2015	2016	2016	2016	2016
a Revenues	30,309	29,556	26,759	28,728	<b>115,352</b>	29,003	30,138	28,905	<b>88,046</b>
b Increases for internal work	503	480	376	390	<b>1,749</b>	408	292	179	<b>879</b>
c Consumption of materials and products	9,810	9,995	9,026	10,475	<b>39,306</b>	9,539	10,526	10,416	<b>30,481</b>
d Added value (a+b-c)	21,002	20,041	18,109	18,643	<b>77,795</b>	19,872	19,904	18,668	<b>58,444</b>
e Other operating costs	6,395	6,673	6,846	5,887	<b>25,801</b>	5,563	5,628	5,688	<b>16,879</b>
f Personnel costs	12,753	12,485	10,740	10,335	<b>46,313</b>	11,224	11,217	10,009	<b>32,450</b>
g EBITDA (d-e-f)	1,854	883	523	2,421	<b>5,681</b>	3,085	3,059	2,971	<b>9,115</b>
h Depreciation, amortisation and impairment	1,601	1,596	1,531	1,583	<b>6,311</b>	1,557	1,557	1,560	<b>4,674</b>
i EBIT (g-h)	253	(713)	(1,008)	838	<b>(630)</b>	1,528	1,502	1,411	<b>4,441</b>
l Gains (losses) from financial assets/liabilities	1,175	(1,095)	(1,343)	140	<b>(1,123)</b>	(761)	139	(378)	<b>(1,000)</b>
m Gains (losses) from shareholdings value at equity	6	69	51	(7)	<b>119</b>	(78)	34	59	<b>15</b>
n Profit (loss) before tax (i±l±m)	1,434	(1,739)	(2,300)	971	<b>(1,634)</b>	689	1,675	1,092	<b>3,456</b>
o Taxes	(229)	(700)	(407)	(1,612)	<b>(2,948)</b>	(516)	(275)	(632)	<b>(1,423)</b>
p Result from operating activities (n±o)	1,205	(2,439)	(2,707)	(641)	<b>(4,582)</b>	173	1,400	460	<b>2,033</b>
q Profit (loss) from assets held for sale	(141)	(46)	0	0	<b>(187)</b>	486	0	0	<b>486</b>
r Group net profit (loss) (p±q)	1,064	(2,485)	(2,707)	(641)	<b>(4,769)</b>	659	1,400	460	<b>2,519</b>

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

## End-of-period exchange rates

Currency	30 September 2016	31 December 2015	30 September 2015
Swiss franc	1.0876	1.0835	1.0915
Pound sterling	0.8610	0.7340	0.7385
US dollar	1.1161	1.0887	1.1203
Brazilian real	3.6210	4.3117	4.4808
Chinese renminbi	7.4463	7.0608	7.1206
Indian rupee	74.3655	72.0215	73.4805
South African rand	15.5238	16.9530	15.4984
Turkish lira	3.3576	3.1765	3.3903

## Average exchange rates in the period

Currency	3Q 2016	2015	3Q 2015
Swiss franc	1.0936	1.0676	1.0676
Pound sterling	0.8022	0.7260	0.7260
US dollar	1.1158	1.1096	1.1096
Brazilian real	3.9642	3.6916	3.6916
Chinese renminbi	7.3432	6.9730	6.9730
Indian rupee	74.8991	71.1752	71.1752
South African rand	16.7020	14.1528	14.1528
Turkish lira	3.2756	3.0219	3.0219

## d) List of companies included in the scope of consolidation

Name	Registered office	Country	Currency	Share capital	Investing company	% direct ownership
Gefran UK Ltd	Uxbridge	UK	GBP	4,096,000	Gefran S.p.A.	100.00
Gefran Deutschland Gmbh	Seligenstadt	Germany	EUR	365,000	Gefran S.p.A.	100.00
Siei Areg GmbH	Pleidelsheim	Germany	EUR	150,000	Gefran S.p.A.	100.00
Gefran France S.A.	Lyon	France	EUR	800,000	Gefran S.p.A.	99.99
Gefran Benelux Nv	Geel	Belgium	EUR	344,000	Gefran S.p.A.	100.00
Gefran Inc.	Winchester	USA	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Eletroel. Ltda	Sao Paolo	Brazil	REAL	450,000	Gefran S.p.A. Gefran UK	99.90 0.10
Gefran India Private Ltd.	Pune	India	INR	100,000,000	Gefran S.p.A. Gefran UK	95.00 5.00
Gefran Siei Asia Pte Ltd	Singapore	Singapore	EUR	3,359,369	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Pte Ltd	Shanghai	China (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. 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

## e) List of companies consolidated at equity

Name	Registered office	Country	Currency	Share capital	Investing company	% of direct ownership
Ensun S.r.l.	Brescia	Italy	EUR	30,000	Gefran S.p.A.	50
Bs Energia 2 S.r.l.	Rodengo Saiano	Italy	EUR	1,000,000	Ensun S.r.l.	50
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

## f) List of other subsidiaries

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

## 24. DECLARATION OF THE DIRECTOR RESPONSIBLE FOR CORPORATE FINANCIAL REPORTING

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

The undersigned, **Fausta Coffano**, the Director responsible for corporate financial reporting, hereby declares, pursuant to paragraph 2, article 154-bis of the TUF, that the information contained in these interim financial statements as at 30 September 2016 accurately represents the figures contained in the Group’s accounting records.

Provaglio d’Iseo, 10 November 2016

The Director responsible for corporate  
financial reporting

**Fausta Coffano**

**GEFRAN GROUP**  
**INTERIM FINANCIAL STATEMENTS**  
**AS AT 30 SEPTEMBER 2016**



## CONTENTS

1.	CORPORATE BODIES .....	4
2.	ALTERNATIVE PERFORMANCE INDICATORS .....	5
3.	STRUCTURE OF THE GEFRAN GROUP .....	6
4.	SUMMARY OF GROUP PERFORMANCE .....	7
5.	KEY CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION FIGURES.....	8
6.	GROUP PERFORMANCE IN THE THIRD QUARTER OF 2016.....	9
7.	GROUP PERFORMANCE AS AT 30 SEPTEMBER 2016.....	12
8.	RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016.....	16
9.	CONSOLIDATED CASH FLOW STATEMENT.....	19
10.	INVESTMENTS.....	20
11.	OPERATING ASSETS HELD FOR SALE.....	21
12.	RESULTS BY BUSINESS AREA.....	22
	12.1) BUSINESS SENSORS .....	22
	12.2) AUTOMATION COMPONENTS .....	24
	12.3) DRIVES .....	26
13.	HUMAN RESOURCES.....	28
14.	SIGNIFICANT EVENTS IN THE THIRD QUARTER OF 2016 .....	28
15.	SIGNIFICANT EVENTS FOLLOWING THE END OF THE THIRD QUARTER OF 2016.....	28
16.	OUTLOOK.....	28
17.	DEALINGS WITH RELATED PARTIES .....	29
18.	STATEMENT OF PROFIT/(LOSS) .....	33
19.	STATEMENT OF PROFIT/(LOSS) AND OTHER ITEMS OF COMPREHENSIVE INCOME .....	34
20.	STATEMENT OF FINANCIAL POSITION .....	35
21.	CONSOLIDATED CASH FLOW STATEMENT.....	36
22.	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY .....	37
23.	SPECIFIC EXPLANATORY NOTES.....	39
24.	DECLARATION OF THE DIRECTOR RESPONSIBLE FOR CORPORATE FINANCIAL REPORTING .....	61



## 1. CORPORATE BODIES

### Board of Directors

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

### Board of Statutory Auditors

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

### Internal Control Committee

- Cesare Giovanni Vecchio
- Marco Mario Agliati
- Monica Vecchiati

### Remuneration Committee

- Romano Gallus
- Daniele Piccolo
- Cesare Giovanni Vecchio

### External auditor

PricewaterhouseCoopers S.p.A.

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

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

## 2. ALTERNATIVE PERFORMANCE INDICATORS

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

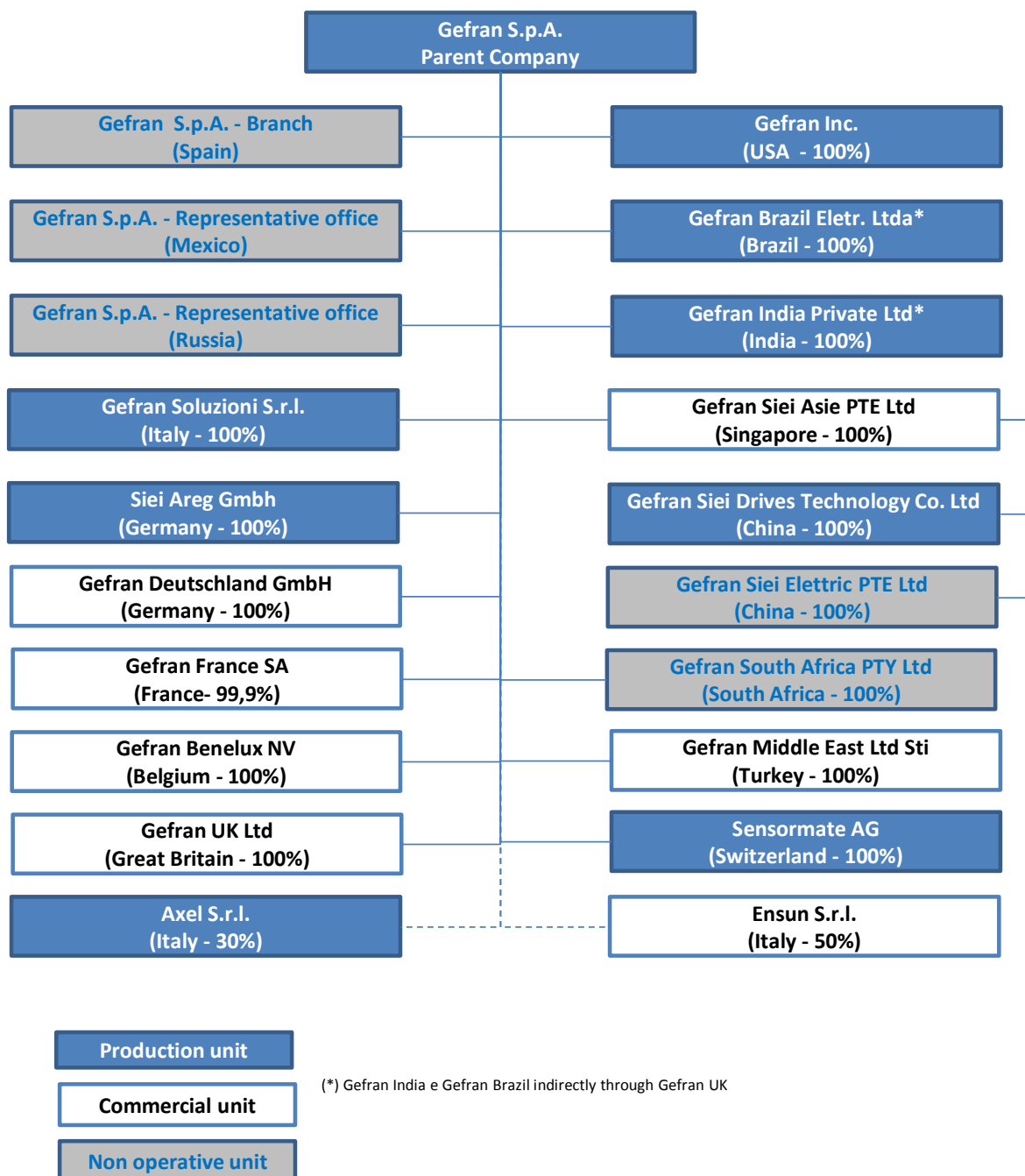
Specifically, the alternative indicators used in the notes to the income statement are:

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

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

- **Net non-current assets:** the algebraic sum of the following items in the statement of financial position:
  - Goodwill
  - Intangible assets
  - Property, plant, machinery and tools
  - Equity investments valued at equity
  - Equity investments in other companies
  - Receivables and other non-current assets
  - Deferred tax assets
- **Operating capital:** the algebraic sum of the following items in the statement of financial position:
  - Inventories
  - Trade receivables
  - Trade payables
  - Other assets
  - Tax receivables
  - Current provisions
  - Tax payables
  - Other liabilities
- **Net invested capital:** the algebraic sum of fixed assets, operating capital and provisions;
- **Net debt (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. STRUCTURE OF THE GEFRAN GROUP



#### 4. SUMMARY OF GROUP PERFORMANCE

The Gefran Group posted revenues of EUR 88,567 thousand in the first nine months of 2016, up 2.2% from the same period of the previous year. Revenue trends by geographical region were marked by growth in Italy (+4.8%), the European Union (+4.1%), North America (+3.1%) and the rest of the world (+14.7%).

From a business standpoint, there was an increase in sensors (+2.4%), automation components (+5.8%) and sales of drives were stable (+0.1%) as at 30 September 2016.

New order figures in the third quarter of 2016, amounting to EUR 28,707 thousand, was up compared to 2015. The progressive new order figure was also positive as at 30 September 2016, up 4.8% over the 2015 figure. The backlog as at 30 September 2016 totalled EUR 21,459 thousand, an increase of EUR 3,468 compared to the figure of the same period of 2015, as a result of an upturn in orders.

In line with the business plan that affected all the companies of the Group, the reorganisation of internal processes made the structure more efficient, reducing the employee numbers and related costs, and also decreased the use of resources in the form of services and management costs.

A procedure for redundancies was formally opened by the Parent Company in February, involving a total of 55 employees against which a total of EUR 1,700 thousand in restructuring costs was allocated. The restructuring can be considered to have been completed by 30 September 2016, with identification of all the people to be made redundant who agreed to dismissal, and which will be formalised in December 2016. An extraordinary redundancy fund was set up as a welfare measure to back the plan for the period between April and December 2016.

EBITDA stood at 8.6% of revenues, and EBIT at 3.3%; both ratios were negatively influenced by the impact of the non-recurring components of EUR 1,518 thousand, without which they would have amounted to 10.4% and 5.0% of revenues respectively.

Net debt amounted to EUR 16,122 thousand, an improvement of EUR 8,756 thousand compared to the figure as at 31 December 2015 since the Group returned to profit, reduced working capital, also as a percentage of revenue.

As noted in the semi-annual financial report as at 30 June 2016, during the second quarter, all the letters of "Waiver" relating to the loans for which, as at 31 December 2015, the terms of the financial covenant related to the ratio between net debt and EBITDA had not been complied with were formalised. All the banks involved gave notice of their waiver to request early repayment.

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

On 5 August 2016, Gefran signed the definitive agreement to sell its photovoltaic businesses to an Indian company. In accordance with the terms of the agreement, the know how will be transferred under a licence contract to manufacture and sell string inverters, the main Gefran photovoltaic product, for consideration of EUR 400 thousand plus royalties for each product sold. There is also a purchase option for the other products that comprise the Gefran photovoltaic range of products at a price of a further EUR 800 thousand, to be exercised within 4 months from receipt of the materials in India.

Finally, during the first nine months, the Group invested EUR 2,048 thousand in tangible and intangible assets (EUR 3,484 thousand in the same period of 2015).

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

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

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

### Group income statement highlights

(EUR /000)	30 Sept 2016		30 Sept 2015		3Q 2016		3Q 2015	
Revenues	88,567	100.0%	86,624	100.0%	28,905	100.0%	26,759	100.0%
EBITDA	7,597	8.6%	3,260	3.8%	2,971	10.3%	523	2.0%
EBIT	2,923	3.3%	(1,468)	-1.7%	1,411	4.9%	(1,008)	-3.8%
Profit (loss) before tax	1,938	2.2%	(2,605)	-3.0%	1,091	3.8%	(2,300)	-8.6%
Result from operating activities	515	0.6%	(3,941)	-4.5%	459	1.6%	(2,707)	-10.1%
Profit (loss) from assets held for sale	486	0.5%	(187)	-0.2%	0	0.0%	0	0.0%
Group net profit (loss)	1,001	1.1%	(4,128)	-4.8%	459	1.6%	(2,707)	-10.1%

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

(EUR /000)	30 Sept 2016		30 Sept 2015		3Q 2016		3Q 2015	
Revenues	88,046	100.0%	86,624	100.0%	28,905	100.0%	26,759	100.0%
EBITDA	9,115	10.4%	3,260	3.8%	2,971	10.3%	523	2.0%
EBIT	4,441	5.0%	(1,468)	-1.7%	1,411	4.9%	(1,008)	-3.8%
Profit (loss) before tax	3,456	3.9%	(2,605)	-3.0%	1,091	3.8%	(2,300)	-8.6%
Result from operating activities	2,033	2.3%	(3,941)	-4.5%	459	1.6%	(2,707)	-10.1%
Profit (loss) from assets held for sale	486	0.6%	(187)	-0.2%	0	0.0%	0	0.0%
Group net profit (loss)	2,519	2.9%	(4,128)	-4.8%	459	1.6%	(2,707)	-10.1%

### Group statement of financial position highlights

(EUR /000)	30 September 2016		31 December 2015	
Invested capital from operations	77,999		86,508	
Net working capital	34,986		40,166	
Shareholders' equity	63,091		62,984	
Net debt	(16,122)		(24,878)	

(EUR /000)	30 September 2016		30 September 2015	
Operating cash flow	11,920		2,513	
Investments	2,048		3,484	

## 6. GROUP PERFORMANCE IN THE THIRD QUARTER OF 2016

(EUR /000)	3Q 2016			3Q 2015			2016-2015 Chg.	
	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec. Value.	%
A Revenues	28,905	0	28,905	26,759	0	26,759	2,146	8.0%
B Increases for internal work	179		179	376		376	(197)	-52.4%
C Consumption of materials and products	10,416		10,416	9,026		9,026	1,390	15.4%
D Added value (a+b-c)	18,668	0	18,668	18,109	0	18,109	559	3.1%
E Other operating costs	5,688		5,688	6,846		6,846	(1,158)	-16.9%
F Personnel costs	10,009	0	10,009	10,740	0	10,740	(731)	-6.8%
G EBITDA (d-e-f)	2,971	0	2,971	523	0	523	2,448	468.1%
H Depreciation, amortisation and impairment	1,560		1,560	1,531		1,531	29	1.9%
I EBIT (g-h)	1,411	0	1,411	(1,008)	0	(1,008)	2,419	-240.0%
L Gains (losses) from financial assets/liabilities	(378)		(378)	(1,343)		(1,343)	965	-71.9%
m Gains (losses) from shareholdings value at equity	59		59	51		51	8	15.7%
n Profit (loss) before tax (i±±m)	1,092	0	1,092	(2,300)	0	(2,300)	3,392	-147.5%
o Taxes	(632)		(632)	(407)		(407)	(225)	55.3%
p Result from operating activities (n±o)	460	0	460	(2,707)	0	(2,707)	3,167	-117.0%
q Profit (loss) from assets held for sale	0		0	0		0	0	
r Group net profit (loss) (p±q)	460	0	460	(2,707)	0	(2,707)	3,167	-117.0%

For the third quarter of 2016, **revenues** were EUR 28,905 thousand, an increase of EUR 2,146 thousand on the same period of 2015 (+0.8%), mainly thanks to the positive results in Italy and the European Union, especially in automation components.

New orders in the third quarter totalled EUR 28,707 thousand, up by EUR 998 thousand (+3.6%) compared to the third quarter of 2015. The recovery in orders is mainly due to the positive performance of the automation components business, up 15.9% compared to the third quarter of 2015.

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

(EUR /000)	3Q 2016		3Q 2015		2016-2015 Chg.	
	value	%	value	%	value	%
Italy	8,455	29.3%	7,188	26.9%	1,267	17.6%
European Union	7,991	27.6%	7,223	27.0%	768	10.6%
Non-EU Europe	1,515	5.2%	1,585	5.9%	(70)	-4.4%
North America	3,247	11.2%	3,423	12.8%	(176)	-5.1%
South America	1,039	3.6%	894	3.3%	145	16.2%
Asia	6,479	22.4%	6,287	23.5%	192	3.1%
Rest of the World	179	0.6%	159	0.6%	20	12.6%
<b>Total</b>	<b>28,905</b>	<b>100%</b>	<b>26,759</b>	<b>100%</b>	<b>2,146</b>	<b>8%</b>

The breakdown by **geographical region** shows double-figure growth in Italy in the third quarter (+17.6%), South America (+16.2%) and in the European Union (+10.6%). Asia also recorded growth (+3.1%) and the Rest of the World compared to the third quarter of 2015, while the other reference markets were down.

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

(EUR /000)	3Q 2016					3Q 2015				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
Sensors	11,821	3,239	27.4%	2,668	22.6%	11,156	2,611	23.4%	2,089	18.7%
Automation components	7,650	736	9.6%	287	3.8%	6,313	(161)	-2.6%	(647)	-10.2%
Drives	10,375	(1,004)	-9.7%	(1,544)	-14.9%	9,752	(1,927)	-19.8%	(2,450)	-25.1%
Eliminations	(941)					(462)				
<b>Total</b>	<b>28,905</b>	<b>2,971</b>	<b>10.3%</b>	<b>1,411</b>	<b>4.9%</b>	<b>26,759</b>	<b>523</b>	<b>2.0%</b>	<b>(1,008)</b>	<b>-3.8%</b>

The breakdown of **revenues by business area** shows growth over the same period of 2015 that involved all businesses, amounting to EUR 665 thousand (+6.0%) for the sensors, EUR 1,337 thousand (+21.2%) for the automation components, and EUR 623 thousand (+6.4%) for drives, respectively.

The **added value** of the third quarter of EUR 18,668 thousand (64.6% of revenues) fell by 3.1 percentage points compared to the third quarter of 2015 due to the growth in the percentage of raw materials on sales (from 33.7% of the third quarter of 2015 to the current 36.0%) and the decrease of the capitalisation of costs for research and development, down by EUR 197 thousand compared to the same period of 2015. Growth in revenues generated an increase in added value of EUR 1,373 thousand, the decrease in margins eroded added value of EUR 617 thousand, whereas the reduction on the capitalisation of development costs had a negative impact on added value of EUR 197 thousand.

**Other operating costs** totalled EUR 5,688 thousand in the third quarter of 2016, decreasing by EUR 1,158 thousand (equal to 16.9%) compared to the third quarter of 2015. This saving was achieved thanks to an increased efficiency as a result of the reorganisation of the Group's processes. As a percentage of revenues, these costs therefore fell from 25.6% in the third quarter of 2015 to the current figure of 19.7%.

**Personnel costs** amounted to EUR 10,009 thousand in the third quarter of 2016 compared to EUR 10,740 thousand in the same period of 2015; the reduction of EUR 731 thousand mainly reflects the benefits of the significant reorganisation of the Group subsidiaries and of Gefran S.p.A.; as at 30 September 2016, the number of employees decreased by 39 resources compared to December 2015, and by 70 compared to 30 September 2015, in particular in the Parent Company.

**EBITDA** of the third quarter amounted to EUR 2,971 thousand, up by EUR 2,448 thousand compared to the same period of 2015 and equivalent to 10.3% of revenues (2.0% in the third quarter of 2015), owing to the combined effect of increases in revenues and savings achieved on the other operating costs and on personnel costs.

**EBIT** was positive in the third quarter of 2016, and amounted to EUR 1,411 thousand, compared to a negative EBIT of EUR 1,008 thousand for the same period of 2015.

**Net financial charges** were EUR 378 thousand in the third quarter of 2016, compared to net financial charges of EUR 1,343 thousand in the third quarter of 2015. They include financial charges relating to Group debt of EUR 190 thousand (EUR 310 thousand as at 30 September 2015), financial income of EUR 12 thousand and the negative balance of EUR 200 thousand resulting from differences in currency transactions (this was a negative amount of EUR 1,076 thousand in the third quarter of 2015).

**Gains from equity investments valued at equity** were EUR 59 thousand (EUR 51 thousand in the third quarter of 2015), and mainly relate to the portion of positive result of the Ensun S.r.l. Group.

**Taxes** were negative in the amount of EUR 632 thousand in the third quarter of 2016, compared to a negative figure of EUR 407 thousand in the same period of the previous year. They comprise negative current taxes of EUR 669 thousand (EUR 225 thousand in the third quarter of 2015), almost entirely attributable to taxes of the Parent Company Gefran S.p.A. and positive deferred taxes amounting to EUR 37 thousand (negative in the amount of EUR 152 thousand in the third quarter of 2015).

The **result from operating activities** in the third quarter of 2016 was positive in the amount of EUR 460 thousand, compared to a negative figure of EUR 2,707 thousand in the same period of 2015.

The **result from assets held for sale** in the third quarter of 2016 was EUR 0, equal to the third quarter of 2015. 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 third quarter result includes income amounting to EUR 400 thousand from the contract of sale of the manufacturing licence and sale of the string inverters to an Indian group, stated net of the costs incurred by Gefran for the sale, estimated as at 30 September as EUR 400 thousand, with a net profit from the sale of EUR 0.

The **Group net profit** in the third quarter of 2016 amounted to EUR 460 thousand, compared to a loss of EUR 2,707 thousand in the same period of 2015.



**7. GROUP PERFORMANCE AS AT 30 SEPTEMBER 2016**

The main income statement items and comments are shown below.

(EUR /000)	30 September 2016			30 September 2015			2016-2015 Chg.	
	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec. Value	%
a Revenues	88,046	(521)	88,567	86,624	0	86,624	1,422	1.6%
b Increases for internal work	879		879	1,359		1,359	(480)	-35.3%
c Consumption of materials and products	30,481		30,481	28,831		28,831	1,650	5.7%
d Added value (a+b-c)	58,444	(521)	58,965	59,152	0	59,152	(708)	-1.2%
e Other operating costs	16,879		16,879	19,914		19,914	(3,035)	-15.2%
f Personnel costs	32,450	(2,039)	34,489	35,978	0	35,978	(3,528)	-9.8%
g EBITDA (d-e-f)	9,115	1,518	7,597	3,260	0	3,260	5,855	179.6%
h Depreciation, amortisation and impairment	4,674		4,674	4,728		4,728	(54)	-1.1%
i EBIT (g-h)	4,441	1,518	2,923	(1,468)	0	(1,468)	5,909	-402.5%
l Gains (losses) from financial assets/liabilities	(1,000)		(1,000)	(1,263)		(1,263)	263	-20.8%
m Gains (losses) from shareholdings value at equity	15		15	126		126	(111)	-88.1%
n Profit (loss) before tax (i±l±m)	3,456	1,518	1,938	(2,605)	0	(2,605)	6,061	-232.7%
o Taxes	(1,423)		(1,423)	(1,336)		(1,336)	(87)	6.5%
p Result from operating activities (n±o)	2,033	1,518	515	(3,941)	0	(3,941)	5,974	-151.6%
q Profit (loss) from assets held for sale	486		486	(187)		(187)	673	-359.9%
r Group net profit (loss) (p±q)	2,519	1,518	1,001	(4,128)	0	(4,128)	6,647	-161.0%

**Revenues** in the first nine months of 2016 totalled EUR 88,567 thousand, compared to EUR 86,624 thousand in the same period of 2015. Revenues in 2016 included government funds recorded by the Chinese subsidiary, equal to EUR 521 thousand, relating to incentives for research and development granted to technology companies. If those government funds are not included, revenues would have increased by EUR 1,422 thousand (+1.6%), mainly due to the growth recorded in Italy and the European Union.

New orders in the first nine months amounted to EUR 94,868 thousand, up by 4.8% compared to new orders in the same period of 2015. The backlog amounted to EUR 21,459 thousand, which is in line with the figure recorded in June 2016 (EUR 21,740 thousand) and up 19.3% on the figure recorded as at 30 September 2015. New orders increased for all the individual Group businesses; more specifically, the position transducers (+6%) and the industrial pressure sensors (+15.7%) in the sensor business, the power controller section (+47.8%), in the automation component business and the industrial inverter section (+8%) in the drive business.

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

(EUR /000)	30 September 2016		30 September 2015		2016-2015 Chg.	
	value	%	value	%	value	%
Italy	26,104	29.6%	24,903	28.7%	1,201	4.8%
European Union	24,558	27.9%	23,601	27.2%	957	4.1%
Non-EU Europe	4,789	5.4%	4,797	5.5%	(8)	-0.2%
North America	10,663	12.1%	10,341	11.9%	322	3.1%
South America	2,914	3.3%	3,231	3.7%	(317)	-9.8%
Asia	19,046	21.6%	19,321	22.3%	(275)	-1.4%
Rest of the World	493	0.6%	430	0.5%	63	14.7%
<b>Total</b>	<b>88,567</b>	<b>101%</b>	<b>86,624</b>	<b>100%</b>	<b>1,943</b>	<b>2%</b>

The breakdown by **geographical region** shows that there was growth in revenues in Italy (+4.8% compared to the same period in 2015), the European Union (+4.1%), North America (+3.1%) and the rest of the world (+14.7%), while the other reference markets were down.

Sales in the South American market decreased by EUR 317 thousand compared to the first nine months of 2015 due to the negative performance of the Brazilian Real against the Euro, without which effect, sales in the area would have been substantially in line with the same period of 2015.

Revenues in Asia as at 30 September 2016 totalled EUR 19,046 thousand, compared to revenues of EUR 19,321 thousand in the same period of 2015. Sales in this area were negatively affected by exchange rate trends in the Indian rupee and the Chinese renminbi against the Euro, which had an overall impact of EUR 150 thousand on the revenues for the first nine months of 2016 and without which effect, the negative variation would have been less (-0.6%).

Results by business area as at 30 September 2016 and a comparison with the previous year are shown below.

(EUR /000)	30 September 2016					30 September 2015				
	Revenue s	EBITD A	% of revenue s	EBIT	% of revenue s	Revenue s	EBITD A	% of revenue s	EBIT	% of revenue s
Sensors	37,058	9,917	26.8%	8,244	22.2%	36,202	8,736	24.1%	7,166	19.8%
Automation components	24,134	1,416	5.9%	34	0.1%	22,807	54	0.2%	(1,475)	-6.5%
Drives	29,911	(3,736)	-12.5%	(5,355)	-17.9%	29,878	(5,530)	-18.5%	(7,159)	-24.0%
Eliminations	(2,536)					(2,263)				
<b>Total</b>	<b>88,567</b>	<b>7,597</b>	<b>8.6%</b>	<b>2,923</b>	<b>3.3%</b>	<b>86,624</b>	<b>3,260</b>	<b>3.8%</b>	<b>(1,468)</b>	<b>-1.7%</b>

The breakdown of **revenues by business area** shows growth in all businesses of the Group. The sensors business increased revenues by EUR 856 thousand compared to September 2015 (+2.4%) thanks to the positive performance of the contactless transducer, force transducer and industrial pressure sections. The automation components increased revenues by EUR 1,327 thousand (+5.8% compared to the same period in 2015), with an especially significant increase in the power control product categories. On the other hand, revenues from the drive business are substantially in line with the same period of the previous year, but include the previously mentioned non-recurring government grants of EUR 521 thousand, without which the business would have fallen slightly (-1.6%) compared to 2015.

**Added value** as at 30 September was EUR 58,965 thousand (66.6% of revenues), a decrease compared to the first nine months of 2015 both in absolute terms (EUR 187 thousand), and as a percentage to revenues (-1.7%). This decrease in added value is due to the significant write-down of EUR 783 thousand in the drive business stock of the Chinese subsidiary, lower sales margins of EUR 198 thousand and the decrease in capitalised research and development costs of EUR 480 thousand, only partially offset by the positive effect of an increase in volumes equal to EUR 1,274 thousand.

Not including the non-recurring income from government incentives granted to the Chinese subsidiary, amounting to EUR 521 thousand, the added value was EUR 58,444 thousand for the first nine months of 2016 (66.4% of revenues), compared to EUR 59,152 thousand of the same period of 2015.

**Other operating costs** amounted to EUR 16,879 thousand as at 30 September 2016 (EUR 19,914 thousand in the same period of 2015), a decrease of EUR 3,035 thousand (-15.2%); these savings were achieved through improved efficiency following the reorganisation of the Group processes and especially in Gefran S.p.A. As a percentage of revenues, these costs therefore fell from 23.0% in the first nine months of 2015 to the current figure of 19.1%.

**Personnel costs** amounted to EUR 34,489 thousand in the first nine months of 2016 compared to EUR 35,978 thousand in the same period of 2015; the decrease of EUR 1,489 thousand reflects the positive effect of the significant reorganisation of the Group subsidiaries and of Gefran S.p.A. The benefits as at 30 September 2016 exceed the effects of non-recurring restructuring costs, borne by the Parent Company Gefran S.p.A. for winding-up the Spanish branch (EUR 192 thousand), starting the redundancy procedures for 55 employees in the Italian factories (EUR 1,700 thousand), and by the German and Chinese branches (EUR 147 thousand) for targeted restructuring.

Not including these non-recurring components, negative in the amount of EUR 2,039 thousand, personnel costs amounted to EUR 32,450 thousand, down EUR 3,528 thousand compared to 30 September 2015 amounting to 36.9% of revenues, 4.7 percentage points lower than the figure for the same period of 2015.

**EBITDA** amounted to EUR 7,597 thousand as at 30 September 2016 (EUR 3,260 thousand in the same period of 2015), equal to 8.6% of revenues, up by EUR 4,337 thousand compared to the same period of 2015 in absolute terms and by 4.8 points as a percentage of revenues.

Excluding the non-recurring components, negative as a whole and equal to EUR 1,518 thousand, EBITDA for the first nine months of 2016 amounted to EUR 9,115 thousand (10.4% of revenues), up compared to the same period in 2015 both in absolute terms (EUR 5,855 thousand), and in relation to the percentage to revenues (6.6 percentage points compared to 3.8% in 2015).

**EBIT** as at 30 September 2016 was positive in the amount of EUR 2,923 thousand (3.3% as a percentage of revenues) against a negative EBIT of EUR 1,468 thousand in the same period of 2015.

Excluding the above-mentioned non-recurring negative components of EUR 1,518 thousand, EBIT amounted to EUR 4,441 thousand, equal to 5.0% of revenues, an improvement of EUR 5,909 thousand over the first nine months of 2015. The EBIT performance mirrored the dynamics of the EBITDA performance.

**Net financial charges** were EUR 1,000 thousand as at 30 September 2016, compared to net financial charges of EUR 1,263 thousand for the same period of 2015. They include financial charges relating to Group debt of EUR 651 thousand (EUR 1,033 thousand as at 30 September 2015), financial income of EUR 72 thousand (EUR 132 thousand as at 30 September 2015) and the negative balance of the differences in currency transactions of EUR 421 thousand (this was a negative amount of EUR 244 thousand in the same period of 2015).

**Gains from equity investments valued at equity** were EUR 15 thousand (EUR 126 thousand in the first nine months of 2015), and mainly relate to the portion of the profit of the Ensun S.r.l. Group.

**Taxes** were negative and amounted to EUR 1,423 thousand as at 30 September 2016, compared with EUR 1,336 thousand in the same period of 2015. They comprise negative current taxes of EUR 1,567 thousand (EUR 552 thousand in the same period of 2015), mainly attributable to the recognition of IRES (corporate income tax and IRAP (regional production tax in the Parent Company Gefran S.p.A. and positive deferred taxes of EUR 144 thousand (negative and amounting to EUR 321 thousand in the same period of 2015), originating mainly from Gefran S.p.A. and the Chinese subsidiary Gefran Siei Drives Technology Co. Ltd.

The **result from operating activities** as at 30 September 2016 was positive in the amount of EUR 515 thousand, compared to a negative figure of EUR 3,941 thousand in the same period of 2015.

Excluding all the above-mentioned non-recurring components, the result from operating activities was positive in the amount of EUR 2,033 thousand and with 2.3% as a percentage of revenues, an improvement of EUR 5,974 thousand compared to 30 September 2015.

The **profit from assets held for sale** was EUR 486 thousand as at 30 September 2016. It includes the result from the sale of the branch relating to the distribution of sensors and automation components in Spain/Portugal to a Spanish distributor for EUR 486 thousand, and the net effect of the contract to sell the manufacturing licence and sale of string invertors to an Indian group, amounting to EUR 0. The

income amounting to EUR 400 thousand from the contract of sale of the manufacturing licence are stated net of the costs incurred by Gefran for the sale, estimated as at 30 September as EUR 400 thousand. This figure compares to a negative result of EUR 187 thousand in 2015, which included the net result from operations in the photovoltaic sector.

**Group net profit** was EUR 1,001 thousand, compared to a loss of EUR 4,128 thousand as at 30 September 2015.

Excluding the non-recurring components, the result for the first nine months of 2016 was a profit of EUR 2,519 thousand, an improvement compared to the same period of 2015 of EUR 6,647 thousand.

## 8. RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

The reclassified consolidated statement of financial position of the Gefran Group as at 30 September 2016 is shown below.

(EUR /000)	GEFRAN GROUP		30 September		31 December 2015	
	value	%	value	%	value	%
Intangible assets	14,387	18.2	15,126		17.2	
Tangible assets	37,110	46.8	39,389		44.8	
Financial assets	8,458	10.7	8,202		9.3	
<b>Net fixed assets</b>	<b>59,955</b>	<b>75.7</b>	<b>62,717</b>		<b>71.4</b>	
Inventories	23,432	29.6	22,674		25.8	
Trade receivables	31,131	39.3	34,023		38.7	
Trade payables	(19,577)	(24.7)	(16,531)		(18.8)	
Other assets/liabilities	(7,676)	(9.7)	(8,246)		(9.4)	
<b>Working capital</b>	<b>27,310</b>	<b>34.5</b>	<b>31,920</b>		<b>36.3</b>	
Provisions for risks and future liabilities	(3,063)	(3.9)	(1,856)		(2.1)	
Deferred tax provisions	(820)	(1.0)	(868)		(1.0)	
Employee benefits	(5,383)	(6.8)	(5,405)		(6.2)	
<b>Invested capital from operations</b>	<b>77,999</b>	<b>98.5</b>	<b>86,508</b>		<b>98.5</b>	
<b>Invested capital from assets held for sale</b>	<b>1,214</b>	<b>1.5</b>	<b>1,354</b>		<b>1.5</b>	
<b>Net invested capital</b>	<b>79,213</b>	<b>100.0</b>	<b>87,862</b>		<b>100.0</b>	
<b>Shareholders' equity</b>	<b>63,091</b>	<b>79.6</b>	<b>62,984</b>		<b>71.7</b>	
Non-current financial payables	18,508	23.4	10,879		12.4	
Current financial payables	12,930	16.3	38,352		43.7	
Financial liabilities for derivatives	251	0.3	274		0.3	
Financial assets for derivatives	(3)	(0.0)	(25)		(0.0)	
Cash and cash equivalents and current financial receivables	(15,564)	(19.6)	(24,602)		(28.0)	
<b>Net debt relating to operations</b>	<b>16,122</b>	<b>20.4</b>	<b>24,878</b>		<b>28.3</b>	
<b>Total sources of financing</b>	<b>79,213</b>	<b>100.0</b>	<b>87,862</b>		<b>100.0</b>	

Net **non-current assets** as at 30 September 2016 amounted to EUR 59,955 thousand, compared to EUR 62,717 thousand as at 31 December 2015. The main changes were as follows:

- intangible assets registered an overall decrease of EUR 739 thousand. This includes increases for new investments (EUR 217 thousand), the capitalisation of development costs (EUR 862 thousand), as well as decreases due to amortisation for the period (EUR 1,743 thousand) and negative exchange rate effects on goodwill and other intangible assets (EUR 75 thousand);
- tangible assets decreased by EUR 2,279 thousand compared to 31 December 2015. Depreciation totalled EUR 2,931 thousand, in addition to which there were net decreases for disposals (EUR 104 thousand) and negative exchange rate differences (EUR 213 thousand), partly offset by investments for the period (EUR 969 thousand);
- financial fixed assets as at 30 September 2016 amounted to EUR 8,458 thousand, up by EUR 256 thousand compared to the figure as at 31 December 2015, mainly due to the re-measurement of equity investments in other companies stated at fair value for EUR 123 thousand, the increase in deferred tax assets of EUR 90 thousand and other movements for a total of EUR 43 thousand.

**Operating capital** was EUR 27,310 thousand as at 30 September 2016, compared to EUR 31,920 thousand as at 31 December 2015, an overall decrease of EUR 4,610 thousand. The main changes were as follows:

- Inventories increased by EUR 758 thousand, from EUR 22,674 thousand in December 2015 to the current figure of EUR 23,432 thousand. The most significant changes include a write-down of inventories of the Chinese subsidiary GSDT, of EUR 783 thousand, offset by an increase in inventories recorded in the Parent Company Gefran S.p.A. of EUR 1,787 thousand;
- Trade receivables totalled EUR 31,131 thousand, a decrease of EUR 2,892 thousand compared to 31 December 2015, mainly owing to a reduction in the average number of days to collect money from customers, and a reduction in the percentage of delayed payments with respect to the contractual terms;
- Trade payables amounted to EUR 19,577 thousand and rose by EUR 3,046 thousand compared to 31 December 2015, thanks to the increase in average number of days to pay suppliers, especially in the Parent Company Gefran S.p.A.;
- Other net assets and liabilities, negative in the amount of EUR 7,676 thousand as at 30 September 2016, were down by EUR 570 thousand compared to the previous year (EUR 8,246 thousand as at 31 December 2015).

**Provisions for risks and liabilities** were EUR 3,063 thousand, an increase over 31 December 2015 of EUR 1,207 thousand, for allocation of the restructuring provision of the Parent Company Gefran S.p.A., with the residual value amounting to EUR 1,359 thousand as at 30 September 2016.

The **shareholders' equity** as at 30 September 2016 was EUR 63,091 thousand, compared to EUR 62,984 thousand as at 31 December 2015. The increase was generated by the positive result for the period of EUR 1,001 thousand, and the increase in the fair value reserve of EUR 128 thousand, partially absorbed by the negative change in the conversion reserve of EUR 1,011 thousand and other reserves of EUR 11 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)	30/09/2016		31/12/2015	
	Shareholders' equity	Result for the year	Shareholders' equity	Result for the year
Parent Company shareholders' equity and operating result	53,507	6,692	46,698	(1,346)
Shareholders' equity and operating result of the consolidated companies	36,598	309	43,029	7,226
Elimination of the carrying value of consolidated investments	(29,139)	0	(29,143)	152
Goodwill	3,663	0	3,663	0
Elimination of the effects of transactions conducted between	(1,538)	(6,000)	(1,263)	(10,801)
<b>Group share of shareholders' equity and operating result</b>	<b>63,091</b>	<b>1,001</b>	<b>62,984</b>	<b>(4,769)</b>
Minorities' share of shareholders' equity and operating result	-	-	-	-
<b>Shareholders' equity and operating result</b>	<b>63,091</b>	<b>1,001</b>	<b>65,980</b>	<b>(224)</b>

**Net debt** as at 30 September 2016 was negative and equal to EUR 16,122 thousand, an improvement of EUR 8,756 thousand over the figure as at 31 December 2015. It breaks down as follows:

(EUR /000)	30 September 2016	31 December 2015	Changes
Cash and cash equivalents and current financial receivables	15,564	24,602	(9,038)
Current financial payables	(12,930)	(38,352)	25,422
Financial liabilities for derivatives	(251)	(274)	23
Financial assets for derivatives	3	25	(22)
<b>(Debt)/short-term cash and cash equivalents</b>	<b>2,386</b>	<b>(13,999)</b>	<b>16,385</b>
Non-current financial payables	(18,508)	(10,879)	(7,629)
<b>(Debt)/medium-/long-term cash and cash equivalents</b>	<b>(18,508)</b>	<b>(10,879)</b>	<b>(7,629)</b>
<b>Net debt</b>	<b>(16,122)</b>	<b>(24,878)</b>	<b>8,756</b>

Net debt comprises short-term cash and cash equivalents of EUR 2,386 thousand and medium-/long-term debt of EUR 18,508 thousand.

With reference to the short-term cash and cash equivalents, as at 31 December 2015, the financial covenant relative to the ratio between net debt and EBITDA, as provided in some of the existing loan agreements, had not been complied with; this is why, as at 31 December 2015, the portions of medium/long term debt - relating to loans that did not comply with the terms of the above-mentioned covenant - were reclassified under short term debt. The reclassified debt amounted to EUR 15,032 thousand as at 31 December 2015.

However, during the second quarter of 2016, Gefran formalised the letters of waiver with all the banks involved, where they gave notice of their intention to waive the right to request early repayment. Moreover, the checks on contractual restrictions updated to the figures of 30 September 2016 show that the ratios of the financial covenants have been complied with; for these reasons, and starting with the semi-annual financial report as at 30 June 2016, the loans that had not complied with their covenants as at 31 December 2015 were recorded as financial payables, in accordance with the repayment plans provided by contract.

The change in the net debt figure is mainly due to the positive cash flow from ordinary operations (EUR 11,920 thousand), partially offset by the investment flows (EUR 2,057 thousand), and the negative impact of the change in the shareholders' equity reserve (EUR 1,107 thousand).

## 9. CONSOLIDATED CASH FLOW STATEMENT

The Gefran Group consolidated cash flow statement as at 30 September 2016 shows a negative net change in cash at hand of EUR 9,038 thousand, compared to a positive change of EUR 1,960 thousand for the same period of 2015. The change was as follows.

(EUR /000)	30 September 2016	30 September 2015
A) Cash and cash equivalents at the start of the period	24,602	20,732
B) Cash flow generated by (used in) operations in the period	11,920	2,513
C) Cash flow generated by (used in) investment activities	(2,057)	(3,443)
D) Free Cash Flow (B+C)	9,863	(930)
E) Cash flow generated by (used in) financing activities	(19,281)	2,508
F) Cash flow from continuing operations (d+e)	(9,418)	1,578
G) Cash flow from operating assets held for sale	626	0
H) Currency translation differences on cash at hand	(246)	382
I) Net change in cash at hand (F+G+H)	(9,038)	1,960
J) Cash and cash equivalents at the end of the period (A+I)	15,564	22,692

Cash flow generated by operations was positive in the amount of EUR 11,920 thousand in the period; specifically, operations in the first nine months of the year, net of the inflow of provisions, amortisation and depreciation and financial items, generated cash of EUR 6,740 thousand, while the decrease in working capital in the same period generated positive cash flow of EUR 5,180 thousand, owing to the effect of the reduction in trade receivables of EUR 2,892 thousand and the increase in trade payables of EUR 3,046 thousand, partially offset by the increase in inventories of EUR 758 thousand.

Technical and financial investments, net of divestments, totalled EUR 2,057 thousand, compared to investments of EUR 3,443 thousand in the first nine months of 2015; in particular, financial investments generated a negative cash flow of EUR 9 thousand (positive in the amount of EUR 41 thousand as at 30 September 2015).

The technical investments amounted to EUR 2,048 thousand, a fall of EUR 1,436 thousand from the figure of EUR 3,484 thousand of 30 September 2015.

Free cash flow (operating cash flow excluding investment activities) was a positive EUR 9,863 thousand, compared to a negative figure of EUR 930 thousand as at 30 September 2015; this was an improvement of EUR 10,793 thousand thanks to the improvement of the cash flow generated by operations.

The loans absorbed EUR 19,281 thousand in cash, mainly for repayment of the loan instalments falling due (EUR 8,994 thousand) and the reduction in short-term financial liabilities (EUR 8,798 thousand). On the other hand, in the same period of 2015, loans contributed a total of EUR 2,508 thousand in cash due to taking out new loans (EUR 18,000 thousand), after repayments in the period (EUR 14,642 thousand) and the reduction in short-term financing (EUR 1,349 thousand).

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



## 10. INVESTMENTS

Gross technical **investments** made in the first nine months of 2016 amounted to EUR 2,048 thousand (EUR 3,484 thousand as at 30 December 2015), and relate to:

- investments in production plant and equipment of EUR 705 thousand in the Group's Italian factories, in the factories of the subsidiary Gefran India (EUR 62 thousand) and Gefran Brazil (EUR 93 thousand) and EUR 44 thousand in other Group subsidiaries;
- investments to upgrade the industrial buildings of the Parent Company of approximately EUR 65 thousand;
- the capitalisation of costs incurred in the period for new product development, totalling EUR 862 thousand;
- other investments in intangible assets, relating to management software licences and the development of ERP SAP, of EUR 217 thousand.

(EUR /000)	As at 30 September	As at 30 September
Intangible assets	1,079	1,921
Tangible assets	969	1,563
<b>Total</b>	<b>2,048</b>	<b>3,484</b>

Investments are broken down by individual business area below:

(EUR /000)	Sensors	Components	Drives	Total
Intangible assets	340	517	222	1,079
Tangible assets	604	257	108	969
<b>Total</b>	<b>944</b>	<b>774</b>	<b>330</b>	<b>2,048</b>

The investments are summarised below in accordance with the geographical region:

Geographical region	30 September 2016		30 September 2015	
	tangible assets	intangible assets and	tangible assets	intangible assets and goodwill
(EUR/000)				
Italy	773	1,078	1,354	1,815
European Union	13	0	45	1
Non-EU Europe	12	1	12	1
North America	4	0	10	0
South America	93	0	26	2
Asia	70	0	116	102
Rest of the World	4	0	0	0
<b>Total</b>	<b>969</b>	<b>1,079</b>	<b>1,563</b>	<b>1,921</b>

## 11. OPERATING ASSETS HELD FOR SALE

The operating assets held for sale include the assets related to the know-how of the photovoltaic business.

The financial impacts that can be specifically attributed to the photovoltaic business in the first nine months of 2016 relate to the contract for the transfer of the manufacturing licence and sale of the string invertors to an Indian group; this gave revenues of EUR 400 thousand with the costs incurred to support the sale amounting to the same figure, and so the net result of the sale amounted to EUR 0. As at 30 September 2015, the impact was negative, amounting to EUR 187 thousand.

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

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

## 12. 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.

### 12.1) BUSINESS SENSORS

#### Summary of results

The key figures are summarised in the table below.

(EUR /000)	30 Sept '16	30 Sept '15	2016-2015 Chg.		3Q 2016	3Q 2015	2016-2015 Chg.	
			value	%			value	%
Revenues	37,058	36,202	856	2.4%	11,821	11,156	665	6.0%
EBITDA	9,917	8,736	1,181	13.5%	3,239	2,611	628	24.1%
% of revenues	26.8%	24.1%			27.4%	23.4%		
EBIT	8,244	7,166	1,078	15.0%	2,668	2,089	579	27.7%
% of revenues	22.2%	19.8%			22.6%	18.7%		

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

	Italy	Europe	America	Asia	Rest of World
Revenues (€/000,000)	7.4	13.5	7.0	9.0	0.2
% of total	20%	36%	19%	24%	0%

#### Business performance

Revenues for the business amounted to EUR 37,058 thousand as at 30 September 2016, an increase of EUR 856 thousand compared to the figure of 30 September 2015. These revenues were influenced by exchange rate fluctuations compared to 30 September 2015 which had a negative impact of EUR 525 thousand, without which, revenues would have been 3.8% higher than 2015.

Revenues by line of product: there was significant growth in contactless transducers (+15.1%) and force transducers (+22.7%) compared to the same period of 2015.

As at 30 September 2016, there was an increase in sales in Asia (+12.1%) and in the European Union (+2.3%), while there was a significant reduction in sales in South America (-16.1%), mainly due to the negative effect of exchange rate fluctuations between the Brazilian real and the Euro, which had a 10.6% effect.

With reference to the third quarter, revenues amounted to EUR 11,821 thousand, up 6.0% from the figure of EUR 11,156 thousand registered in the same period of 2015.

EBITDA was EUR 9,917 thousand as at 30 September 2016, an increase of EUR 1,181 thousand (+13.5%) compared to the first nine months of 2015 when it was EUR 8,736 thousand. There were non-recurring items in the first nine months of 2016 related to costs and allocations to the staff restructuring provision amounting to EUR 376 thousand; excluding these components, EBITDA was up by EUR 1,557 thousand with an increase in the margin due to the growth in volumes and especially to the reduction in operating management costs, due to the reorganisation of processes and of the structure.

EBIT as at 30 September 2016 was EUR 8,244 thousand, equal to 22.2% of revenues, compared to EBIT of EUR 7,166 thousand in the same period of 2015 (19.8% of revenues), with a positive change of EUR 1,078 thousand. EBIT improved by EUR 1,454 thousand compared to the same period of 2015 if the non-recurring items recorded in the first nine months of 2016 are not included.

Comparing the figures by quarter, EBIT was EUR 2,668 thousand in the third quarter of 2016, and corresponds to 22.6% of sales; this compares with an EBIT of EUR 2,089 thousand (+27.7% on the 2015 figure).

The new orders figure was positive as at 30 September 2016, up EUR 1,953 thousand compared to the same period of 2015, as well as the backlog, also up by EUR 1,044 thousand.

### Investments

The Group had invested EUR 944 thousand in the sensors business as at 30 September 2016, breaking down into EUR 340 thousand in investments in intangible assets and EUR 604 thousand in investments in tangible assets.

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

The bulk of investments in tangible assets were made in the Parent Company (EUR 493 thousand) to update office equipment, adjust production lines in order to improve production processes, upgrade the lines used for the new range of products recently launched on the market, and for maintenance work on the building.

## 12.2) AUTOMATION COMPONENTS

### Summary of results

The key figures are summarised in the table below.

(EUR /000)	30 Sept '16	30 Sept '15	2016-2015 Chg.		3Q 2016	3Q 2015	2016 - 2015 Chg.	
			value	%			value	%
Revenues	24,134	22,807	1,327	5.8%	7,650	6,313	1,337	21.2%
EBITDA	1,416	54	1,362	2522.2%	736	(161)	897	-557.1%
% of revenues	5.9%	0.2%			9.6%	-2.6%		
EBIT	34	(1,475)	1,509	-102.3%	287	(647)	934	-144.4%
% of revenues	0.1%	-6.5%			3.8%	-10.2%		

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

	Italy	Europe	America	Asia	Rest of World
Revenues (€/000,000)	12.1	6.4	3.2	2.3	0.1
% of total	50%	27%	13%	10%	0%

### Business performance

Revenues amounted to EUR 24,134 thousand as at 30 September 2016, up by 5.8% compared to the same period of 2015. More especially, there was positive performance in the power control section, up 36.8% compared to the same period of the previous year.

With respect to the breakdown by geographical region, sales on the North American market are up by 44%; on the other hand, revenues from the South American market were down by EUR 251 thousand compared to September 2015, also as a result of foreign currency fluctuations that had a negative impact on the business of EUR 114 thousand.

The 2016 results include non-recurring items relating to staff restructuring costs of EUR 809 thousand.

EBITDA was positive in the amount of EUR 1,416 thousand (5.9% of revenues) as at 30 September 2016, an increase of EUR 1,362 thousand compared to 30 September 2015; the 2016 EBITDA was a positive EUR 2,225 thousand (9.2% of revenues) if the non-recurring items mentioned above are not included, up by EUR 2,171 thousand compared to the same period of the previous year.

EBIT was positive in the amount of EUR 34 thousand, up EUR 1,509 thousand compared to the first half of 2015; excluding the above-mentioned non-recurring items for 2016, EBIT was a positive EUR 843 thousand (3.5% of revenues) and improved by EUR 2,318 thousand compared to the same period of 2015.

In the third quarter of 2016, revenues were EUR 7,650 thousand, up 21.2% compared to the same period of 2015. EBITDA amounted to EUR 736 thousand (9.6% of revenues) and EBIT amounted to EUR 287 thousand (3.8% of revenues). EBIT was positively affected by a reduction in labour costs of EUR 393 thousand compared to the previous quarter, and a reduction in operating costs of EUR 140 thousand.

New orders as at 30 September 2016 were higher than the same period of the previous year by EUR 855 thousand; the backlog as at 30 September 2016 amounted to EUR 3,660 thousand, up by EUR 458 thousand compared to the EUR 3,202 thousand of the same period of 2015.

## Investments

Investments totalled EUR 774 thousand in 2016, and included intangible assets (EUR 517 thousand) and tangible assets (EUR 257 thousand).

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

As regards investments in intangible assets, capitalised development costs totalled EUR 421 thousand in the period, and related to the new regulator and power control ranges.

## 12.3) DRIVES

### Summary of results

The key figures are summarised in the table below.

(EUR /000)	30 Sept '16	30 Sept '15	2016-2015 Chg.		3Q 2016	3Q 2015	2016 - 2015 Chg.	
			value	%			value	%
Revenues	29,911	29,878	33	0.1%	10,375	9,752	623	6.4%
EBITDA	(3,736)	(5,530)	1,794	-32.4%	(1,004)	(1,927)	923	-47.9%
% of revenues	-12.5%	-18.5%			-9.7%	-19.8%		
EBIT	(5,355)	(7,159)	1,804	-25.2%	(1,544)	(2,450)	906	-37.0%
% of revenues	-17.9%	-24.0%			-14.9%	-25.1%		

The breakdown of revenues by geographical region is as follows:

	Italy	Europe	America	Asia	Rest of World
Revenues (€/000,000)	8.9	9.6	3.5	7.8	0.2
% of total	30%	32%	12%	26%	1%

### Business performance

Revenues as at 30 September 2016 amounted to EUR 29,911 thousand, in line with the first nine months of 2015. Revenues in the period included non-recurring amounts of EUR 521 thousand relating to government funds awarded to the Chinese subsidiary as incentives for research and development granted to technology companies. Excluding non-recurring revenues, revenues fell by EUR 488 thousand (-1.6%). This reduction is almost entirely attributable to sales dynamics of lift family products for lift applications in the Asian subsidiaries. On the other hand, the trend in new-generation industrial inverters (+18.0%) and Brushless (+42.7%) was positive, albeit with less significant absolute values.

Revenues of the third quarter significantly increased (+6.4%), reflecting the improvement in new orders compared to the same period of 2015.

With respect to breakdown by geographical region, as at 30 September 2016, Europe (+11.6%) and Italy (+6.0%) posted positive results, also confirmed by the performance in the third quarter of the year in the two markets, also increasing by 15.4% and 36.0% respectively compared to the same period of 2015. At the end of the third quarter of 2016, growth in these two areas fully offset the negative performance in Asia as at 30 September 2016, related to the above-mentioned trends in product sales of the Lift section by the Chinese subsidiary.

EBITDA was a negative EUR 3,736 thousand (12.5% of revenues) in the first nine months of 2016, but improved by EUR 1,794 thousand (+32.4%) compared to the same period in 2015, when it was a negative EUR 5,530 thousand. The first nine months of 2016 include negative non-recurring components as a whole, and amounted to EUR 326 thousand, comprising research and development grants (EUR 521 thousand) and costs for personnel restructuring of EUR 847 thousand, mainly relating to the Parent Company Gefran S.p.A. and the Spanish branch.

Excluding the non-recurring components, EBITDA was up by EUR 2,120 thousand compared to 30 September 2015, especially thanks to the reduction in personal and service costs, obtained thanks to the improvement of internal processes.

The EBIT loss of EUR 5,355 thousand of 30 September 2016 compares with a loss of EUR 7,159 thousand in the same period of 2015. Not including the non-recurring items, EBIT recorded a loss and amounted to EUR 5,029 thousand, up by EUR 2,130 thousand compared to 30 September 2015.

New order figures for the first nine months of 2016 increased by 4.7% compared to 30 September 2015; Lift products in particular in the euro area drove the order portfolio.

### **Investments**

Investments totalled EUR 330 thousand in 2016.

Technical investments amounted to EUR 108 thousand, and were mainly dedicated to the manufacturing of new production equipment for the Gerezano plant and to start the new production line in Gefran India.

The increases in intangible assets amounted to EUR 222 thousand, and chiefly related to the capitalisation of development costs of EUR 174 thousand for the new industrial sector and lift sector products.



### 13. HUMAN RESOURCES

As at 30 September 2016, the Group headcount was 770, including 9 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 17.53%, which breaks down as follows:

- 48 people joined the Group, including 14 manual workers, 32 clerical staff and 2 managers/executives;
- 87 people left the Group, including 13 manual workers, 71 clerical staff and 3 managers/executives.

### 14. SIGNIFICANT EVENTS IN THE THIRD QUARTER OF 2016

- On 5 August 2016, Gefran signed the definitive agreement to transfer its photovoltaic businesses to the Indian company, Rishabh Instruments.  
In accordance with the terms of the agreement, the know how will be transferred under a licence contract to manufacture and sell the string inverters, Gefran's main photovoltaic product. The sale was made for consideration of EUR 400 thousand.  
The agreement also provides for payment to Gefran of royalties for each product sold by the Indian company for a period of 7 years.  
Rishabh may also exercise a purchase option for the other Gefran products in the photovoltaic sector (APV Cabinets, APV Centralized Inverters, APV-S String Inverters and String Boxes). Rishabh will pay a further EUR 800 thousand in order to exercise said option. The agreement also provides for payment to Gefran of royalties for the products sold by the Indian company.
- The administrative procedure to close the sales office in Seoul in South Korea was also completed on 15 August 2016.

### 15. SIGNIFICANT EVENTS FOLLOWING THE END OF THE THIRD QUARTER OF 2016

Nothing to report.

### 16. OUTLOOK

In a context of weak global growth and a macroeconomic scenario that includes slightly improving emerging economies, but marked by uncertainty in advanced economies, the Gefran Group has delivered a positive quarter in line with the trends begun at the end of the previous financial year.

There are positive signals from the Italian market where Gefran recorded +4.8% growth, and European markets, but there is also uncertainty in geographical regions suffering from geopolitical tension and fed by conflicts in the Middle East, the threat of terrorism, and fears that political developments in advanced countries could lead to the erection of trade barriers.

The financial indicators were positive as a whole for Gefran in the first nine months of the year; this shows that the group has achieved equilibrium, and serves to justify the strategy put in place.

Both new order and backlog trends indicate that sales and profit margins should deliver positive results in upcoming quarters.

In the absence of anything occurring outside the group's control, consolidated revenues should be around EUR 118 million, with the EBITDA margin and EBIT at around 9% and 4% respectively.

## **17. DEALINGS WITH RELATED PARTIES**

From the analysis of the transactions concluded with related parties, please see note 14 of the notes to the accounts.

Provaglio d'Iseo, 10 November 2016

For the Board of Directors

Chairman

**Ennio Franceschetti**

Chief Executive Officer

**Maria Chiara Franceschetti**



# **CONSOLIDATED FINANCIAL STATEMENTS**



## 18. STATEMENT OF PROFIT/(LOSS)

(EUR /000)	notes	3Q		progressive as at 30 September	
		2016	2015	2016	2015
Revenues from product sales		28,729	26,686	87,513	86,309
<i>of which: related parties</i>		62	4	100	111
Other operating revenues and income		176	73	1,054	315
<i>of which: non-recurring</i>		0	0	521	0
Increases for internal work		179	376	879	1,359
<b>TOTAL REVENUES</b>		<b>29,084</b>	<b>27,135</b>	<b>89,446</b>	<b>87,983</b>
<i>of which: non-recurring</i>		0	0	521	0
Change in inventories		813	(425)	1,067	3,005
		(11,229)			
Costs of raw materials and accessories		)	(8,601)	(31,548)	(31,836)
Service costs		(4,998)	(5,833)	(15,532)	(17,891)
<i>of which: related parties</i>		(88)	(75)	(271)	(147)
Miscellaneous management costs		(234)	(618)	(618)	(1,067)
Other operating income		3	5	59	57
		(10,009)	(10,740)		
Personnel costs		)	)	(34,489)	(35,978)
<i>of which: non-recurring</i>		0	0	(2,039)	0
Impairment of trade and other receivables		(459)	(400)	(788)	(1,013)
Amortisation		(600)	(489)	(1,743)	(1,593)
Depreciation		(960)	(1,042)	(2,931)	(3,135)
<b>EBIT</b>		<b>1,411</b>	<b>(1,008)</b>	<b>2,923</b>	<b>(1,468)</b>
<i>of which: non-recurring</i>		0	0	(1,518)	0
Gains from financial assets		185	12	902	2,913
Losses from financial liabilities		(563)	(1,355)	(1,902)	(4,176)
Losses (gains) from shareholdings value at equity		59	51	15	126
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>1,092</b>	<b>(2,300)</b>	<b>1,938</b>	<b>(2,605)</b>
<i>of which: non-recurring</i>		0	0	(1,518)	0
Current taxes		(669)	(255)	(1,567)	(1,015)
Deferred taxes		37	(152)	144	(321)
<b>TOTAL TAXES</b>		<b>(632)</b>	<b>(407)</b>	<b>(1,423)</b>	<b>(1,336)</b>
<b>PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>460</b>	<b>(2,707)</b>	<b>515</b>	<b>(3,941)</b>
<i>of which: non-recurring</i>		0	0	(1,518)	0
Net profit (loss) from assets held for sale		0	0	486	(187)
<i>of which: non-recurring</i>		0	0	0	0
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		<b>460</b>	<b>(2,707)</b>	<b>1,001</b>	<b>(4,128)</b>
<i>of which: non-recurring</i>		0	0	(1,518)	0
Attributable to:					
Group		460	(2,707)	1,001	(4,128)
Third parties		0	0	0	0

(Euro)	note	3Q		progressive as at 30 September	
		2016	2015	2016	2015
Basic earnings per ordinary share		0.07	(0.29)	0.07	(0.29)
Diluted earnings per ordinary share		0.07	(0.29)	0.07	(0.29)

## 19. STATEMENT OF PROFIT/(LOSS) AND OTHER ITEMS OF COMPREHENSIVE INCOME

<i>(EUR /000)</i>	<i>note</i>	3Q 2016	2015	progressive as at 30 September	
		2016	2015	2016	2015
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		460	(2,707)	1,001	(4,128)
<b>Items that will not subsequently be reclassified in the income statement for the period</b>					
- revaluation of employee benefits: IAS 19		0	0	0	0
- overall tax effect		0	0	0	0
<b>Items that will or could subsequently be reclassified in the income statement for the period</b>					
- conversion of foreign companies' financial statements		(188)	(552)	(1,011)	2,054
- equity investments in other companies		186	(45)	127	(10)
- Fair value of cash flow hedging derivatives		66	40	1	143
- Other changes in the consolidation reserve		0	0		
<b>Total changes, net of tax effect</b>		64	(557)	(883)	2,187
<b>Comprehensive result for the period</b>		524	(3,264)	118	(1,941)

## 20. STATEMENT OF FINANCIAL POSITION

(EUR /000)	notes	30 September 2016	31 December 2015
<b>NON-CURRENT ASSETS</b>			
Goodwill		5,849	5,904
Intangible assets		8,538	9,222
	<i>of which: related parties</i>	24	30
Property, plant, machinery and tools		37,110	39,389
	<i>of which: related parties</i>	27	227
Shareholdings valued at equity		1,061	1,046
Equity investments in other companies		1,923	1,800
Receivables and other non-current assets		143	115
Deferred tax assets		5,331	5,241
<b>TOTAL NON-CURRENT ASSETS</b>		<b>59,955</b>	<b>62,717</b>
<b>CURRENT ASSETS</b>			
Inventories		23,432	22,674
Trade receivables		31,131	34,023
	<i>of which: related parties</i>	2	4
Other receivables and assets		4,415	3,159
Receivables for current taxes		720	758
Cash and cash equivalents		15,564	24,602
Financial assets for derivatives		3	25
<b>TOTAL CURRENT ASSETS</b>		<b>75,265</b>	<b>85,241</b>
<b>ASSETS HELD FOR SALE</b>		<b>1,214</b>	<b>1,354</b>
<b>TOTAL ASSETS</b>		<b>136,434</b>	<b>149,312</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		14,400	14,400
Reserves		47,690	53,353
Profit/(loss) for the period		1,001	(4,769)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>63,091</b>	<b>62,984</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current financial payables		18,508	10,879
Employee benefits		5,383	5,405
Non-current provisions		1,737	555
Deferred tax provisions		820	868
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>26,448</b>	<b>17,707</b>
<b>CURRENT LIABILITIES</b>			
Current financial payables		12,930	38,352
Trade payables		19,577	16,531
	<i>of which: related parties</i>	104	52
Financial liabilities for derivatives		251	274
Current provisions		1,326	1,301
Payables for current taxes		1,046	335
Other payables and liabilities		11,765	11,828
<b>TOTAL CURRENT LIABILITIES</b>		<b>46,895</b>	<b>68,621</b>
<b>TOTAL LIABILITIES</b>		<b>73,343</b>	<b>86,328</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>136,434</b>	<b>149,312</b>



## 21. CONSOLIDATED CASH FLOW STATEMENT

<i>(EUR /000)</i>	<i>note</i>	<b>30 September 2016</b>	<b>30 September 2015</b>
<b>A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>			
		24,602	20,732
<b>B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:</b>			
Net profit (loss) for the period		1,001	(4,128)
Depreciation/amortisation		4,674	4,728
Capital losses (gains) on the sale of non-current assets		89	(1)
Capital losses (gains) on the sale of assets held for sale		(486)	0
Net result from financial operations		985	1,137
Change in provisions for risks and future liabilities		1,185	(467)
Change in other assets and liabilities		(570)	(1,112)
Change in deferred taxes		(138)	266
Change in trade receivables		2,892	6,881
Change in inventories		(758)	(3,386)
Change in trade payables		3,046	(1,405)
<b>TOTAL</b>		<b>11,920</b>	<b>2,513</b>
<b>C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES</b>			
Investments in:			
- Property, plant & equipment and intangible assets		(2,048)	(3,484)
- Equity investments and securities		4	0
- Acquisitions net of acquired cash		0	0
- Financial receivables		(28)	0
Disposal of non-current assets		15	41
<b>TOTAL</b>		<b>(2,057)</b>	<b>(3,443)</b>
<b>D) FREE CASH FLOW (B+C)</b>			
		9,863	(930)
<b>E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES</b>			
New financial payables		0	18,000
Repayment of financial payables		(8,994)	(14,642)
Increase (decrease) in current financial payables		(8,799)	(1,349)
Interest received (paid)		(710)	(1,015)
Change in shareholders' equity reserves		(778)	1,514
Dividends paid		0	0
<b>TOTAL</b>		<b>(19,281)</b>	<b>2,508</b>
<b>F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)</b>			
		(9,418)	1,578
<b>G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE</b>			
		626	-
<b>H) Currency translation differences on cash at hand</b>			
		(246)	382
<b>I) NET CHANGE IN CASH AT HAND (F+G+H)</b>			
		(9,038)	1,960
<b>J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)</b>			
		15,564	22,692

**22. 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 period	Group Total shareholders' equity	Shareholders' equity of minority interests	Total shareholders' equity
Balance as at 1 January 2015	14,400	21,926	(350)	14,767	2,990	9,101	3,369	(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 as at 31 December 2015	14,400	21,926	(259)	14,373	5,336	8,924	3,052	(4,769)	62,984	0	62,984
Destination of 2015 profit											
- Other reserves and provisions				(3,423)			(1,346)	4,769	0		0
- Dividends									0		0
Income/(expenses) recognised at equity			128						128		128
Change in translation reserve					1	(1,011)	(1)		(1,011)		(1,011)
Other changes						(11)			(11)		(11)
2016 profit								1,001	1,001		1,001
Balances as at 30 June 2016	14,400	21,926	(131)	10,951	4,325	8,912	1,706	1,001	63,091	0	63,091



# NOTES TO THE ACCOUNTS



## 1. General information

Gefran S.p.A. is incorporated and located at via Sebina 74, Provaglio d'Iseo (BS). The Group's main activities are described in the Report on Operations.

These interim financial statements as at 30 September 2016 were approved by the meeting of the Board of Directors held on 10 November 2016, which authorised their publication.

## 2. Form and content

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

In preparing these interim financial statements, the same accounting criteria were applied as in the preparation of the financial statements for the year ending 31 December 2015. The interim financial statements for the quarter ending 30 September 2016 do not contain all the additional information required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ending 31 December 2015, prepared in accordance with IFRS.

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

These interim financial statements for the quarter ending 30 September 2016 are consolidated on the basis of the income statement and statement of financial position figures of Gefran S.p.A. and its subsidiaries relating to the first nine months of 2016, prepared in accordance with international accounting standards. These accounting statements were prepared using valuation criteria in line with those of the Parent Company, or adjusted owing to consolidation.

Interim financial statements are not subject to an audit.

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

## 3. Consolidation principles and valuation criteria

The valuation criteria adopted for the preparation of these interim financial statements as at 30 September 2016 are the same as those adopted in preparing the annual financial statements for the year ending 31 December 2015.

In line with the requirements of document no. 2 of 6 February 2009 issued jointly by the Bank of Italy, Consob and ISVAP, the Gefran Group's interim financial statements were prepared on the assumption that the Group is a going concern. As at 31 December 2015, the financial covenant referring to the ratio between the net debt and the EBITDA, as provided in certain existing loan agreements, was not complied with. This is why in the annual financial statements as at 31 December 2015 the medium/long term debt portions - relating to loans that did not comply with the terms of the above-mentioned covenant - were reclassified under short term debt.

In the second quarter of 2016, all the banks involved sent Gefran a formal letter of waiver, informing it that they would waive their right to request early repayment. Moreover, the lines of credit made available by banks and other credit institutions were enough to ensure that the Group could operate, and cash flow was also considered to be adequate. Finally, the terms of the financial covenant relating to the ratio between net debt and EBITDA have been complied with according to the checks made on the consolidated figures as at 30 September 2016. This is why the Directors believe - also in view of the approved Business Plan - that the failure to honour the covenants was a highly exceptional event, which is temporary and limited to 2015.

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 historical cost criterion, adjusted as required for the measurement of certain financial instruments.

With reference to Consob Communication 0007780 of 28 January 2016, we note that the impacts of the market conditions on the information disclosed in the financial statements 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" entering into effect on 1 January 2017.

For details on the seasonal nature of the Group's operations, please refer to the attached "Consolidated income statement: analysis by quarter".

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

The scope of consolidation as at 30 September 2016 was different both from that of 31 December 2015 and from that of 30 June 2015 because Ensun S.r.l., 50% owned and consolidated at equity, increased its holding in BS Energia 2 S.r.l. from the 60% held previously to 100% in April 2016.

#### 5. Non-recurring income (charges)

<i>(EUR /000)</i>	Other operating revenues and income	Personnel costs	Total
Non-recurring income	521		521
Non-recurring charges		(2,039)	(2,039)
<b>Total non-recurring income (charges)</b>	<b>521</b>	<b>(2,039)</b>	<b>(1,518)</b>
<b>Income statement total</b>	<b>1,054</b>	<b>(34,489)</b>	
<b>Incidence</b>	<b>49.43%</b>	<b>5.91%</b>	

Revenues include non-recurring income of EUR 521 thousand, relating to government funds awarded to the Chinese subsidiary in respect of incentives for research and development granted to technology companies.

Non-recurring personnel costs relate to provisions for restructuring costs made by the Parent Company Gefran S.p.A. of EUR 1,700 thousand, while the remaining EUR 339 thousand is divided among subsidiaries Gefran Deutschland GmbH, Gefran Siei Drive Technology and the Spanish Branch.

As at 30 September 2015, there were no non-recurring components in the financial statements.

## 6. 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.

Revenues between the various sectors are accounted for at transfer prices, which are in line with market prices.

### Statement of financial position figures by business area

(EUR /000)	30 Sept 2016	Sensors	Components	Drives	Not divided	Total
Intangible assets	14,387	8,371	2,979	3,037		14,387
Tangible assets	37,110	10,153	10,376	16,581		37,110
Financial assets	8,458				8,458	8,458
<b>Net fixed assets</b>	<b>59,955</b>	<b>18,524</b>	<b>13,355</b>	<b>19,618</b>	<b>8,458</b>	<b>59,955</b>
Inventories	23,432	4,724	3,783	14,925		23,432
Trade receivables	31,131	9,604	6,976	14,551		31,131
Trade payables	(19,577)	(6,059)	(5,028)	(8,490)		(19,577)
Other assets/liabilities	(7,676)	(2,729)	(2,393)	(2,051)	(503)	(7,676)
<b>Working capital</b>	<b>27,310</b>	<b>5,540</b>	<b>3,338</b>	<b>18,935</b>	<b>(503)</b>	<b>27,310</b>
Provisions for risks and future liabilities	(3,063)	(422)	(762)	(1,501)	(378)	(3,063)
Deferred tax provisions	(820)				(820)	(820)
Employee benefits	(5,383)	(1,681)	(2,164)	(1,538)		(5,383)
<b>Invested capital from operations</b>	<b>77,999</b>	<b>21,961</b>	<b>13,767</b>	<b>35,514</b>	<b>6,757</b>	<b>77,999</b>
<b>Invested capital from assets held for sale</b>	<b>1,214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,214</b>	<b>1,214</b>
<b>Net invested capital</b>	<b>79,213</b>	<b>21,961</b>	<b>13,767</b>	<b>35,514</b>	<b>7,971</b>	<b>79,213</b>
<b>Shareholders' equity</b>	<b>63,091</b>				<b>63,091</b>	<b>63,091</b>
Non-current financial payables	18,508				18,508	18,508
Current financial payables	12,930				12,930	12,930
Financial liabilities for derivatives	251				251	251
Financial assets for derivatives	(3)				(3)	(3)
Cash and cash equivalents and current financial receivables	(15,564)				(15,564)	(15,564)
<b>Net debt relating to operations</b>	<b>16,122</b>				<b>16,122</b>	<b>16,122</b>
<b>Total sources of financing</b>	<b>79,213</b>				<b>79,213</b>	<b>79,213</b>



<i>(EUR /000)</i>	<b>31 Dec 2015</b>	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
Non-current financial payables	10,879				10,879	10,879
Current 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 current 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

### Secondary segment - geographical region

The organisational structure of the Gefran Group is divided into seven significant macro geographical regions: Italy, the European Union, non-EU Europe, North America, South America, Asia and the Rest of the World. The economic trends and the main investments are covered in the Report on Operations.

## 7. Net working capital

Net working capital totalled EUR 34,986 thousand, compared to EUR 40,166 thousand as at 31 December 2015, and breaks down as follows:

(EUR /000)	30 September 2016	31 December 2015	changes
Inventories	23,432	22,674	758
Trade receivables	31,131	34,023	(2,892)
Trade payables	(19,577)	(16,531)	(3,046)
<b>Net amount</b>	<b>34,986</b>	<b>40,166</b>	<b>(5,180)</b>

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

The value of the “inventories” as at 30 September 2016 was EUR 23,432 thousand, up by EUR 758 thousand compared to the amount recorded as at 31 December 2015. The balance breaks down as follows:

(EUR /000)	30 September 2016	31 December 2015	changes
Raw materials, consumables and supplies	14,430	14,362	68
<i>provision for raw materials</i>	<i>(4,071)</i>	<i>(3,229)</i>	<i>(842)</i>
Work in progress and semi-finished products	7,132	5,967	1,165
<i>provision for work in progress</i>	<i>(1,007)</i>	<i>(882)</i>	<i>(125)</i>
Finished products and goods	9,534	8,847	687
<i>provision for finished products</i>	<i>(2,586)</i>	<i>(2,391)</i>	<i>(195)</i>
<b>Total</b>	<b>23,432</b>	<b>22,674</b>	<b>758</b>

The obsolescence and slow moving inventories fund was adjusted according to need, through specific provisions of EUR 1,382 thousand in the first nine months of 2016 (EUR 852 thousand in the same period of 2015).

"Trade receivables" total EUR 31,131 thousand, down by EUR 2,892 thousand compared to 31 December 2015, mainly due to the reduction in average days for collection at the Group level; they break down as follows:

(EUR /000)	30 September 2016	31 December 2015	changes
Receivables from customers due within 12 months	35,518	37,835	(2,317)
<i>Provision for doubtful receivables</i>	<i>(4,387)</i>	<i>(3,812)</i>	<i>(575)</i>
<b>Net amount</b>	<b>31,131</b>	<b>34,023</b>	<b>(2,892)</b>

This includes receivables subject to recourse factoring transferred to a leading factoring company, by the Parent Company, for a total amount of EUR 25 thousand (EUR 55 thousand as at 31 December 2015). In the first nine months of 2016, EUR 5,022 thousand was transferred on a non-recourse basis to factoring companies. There were no new transfers completed in September 2016 (while receivables for a total amount of EUR 2,158 thousand were transferred in December 2015).

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 as at 30 September 2016 represents a prudential estimate of the current risk, and registered the following changes:

(EUR /000)	31/12/2015	Increases	Decreases	Exchange rate	30/09/2016
Provision for doubtful receivables	3,812	788	(118)	(91)	4,387

Changes in the first nine months of 2015 were as follows:

(EUR /000)	31/12/2014	Increases	Decreases	Exchange rate	30/09/2015
Provision for doubtful receivables	3,919	1,013	(1,333)	17	3,616

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

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* were EUR 19,577 thousand, versus EUR 16,531 thousand as at 31 December 2015, an increase of EUR 3,046 thousand, relating to the rise in average payment days to suppliers, especially in the Gefran S.p.A. Parent Company. It breaks down as follows:

(EUR /000)	30 September 2016	31 December 2015	changes
Payables to suppliers	12,666	8,350	4,316
Payables to suppliers for invoices to be received	6,418	7,902	(1,484)
Payments on account received from customers	493	279	214
<b>Total</b>	<b>19,577</b>	<b>16,531</b>	<b>3,046</b>

## 8. Operating assets held for sale

The operating assets held for sale include the assets related to the know-how of the photovoltaic business.

The economic impacts that can be specifically attributed to the photovoltaic business in the first nine months of 2016 amounted to EUR zero, while there was a negative impact of EUR 187 thousand as at 30 September 2015.

More specifically, financial income from the first phase of the agreement to transfer the photovoltaic business amounted to EUR 400 thousand and equals the total costs estimated as required to conclude the sale. No potential revenues from royalties were considered as at 30 September since there is not yet considered to be a basis on which they could be realised.

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

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

## 9. Net debt

The table below shows a breakdown of the net debt:

(EUR /000)	30 September 2016	31 December 2015	Changes
Cash and cash equivalents and current financial receivables	15,564	24,602	(9,038)
Financial assets for derivatives	3	25	(22)
Non-current financial payables	(18,508)	(10,879)	(7,629)
Current financial payables	(12,930)	(38,352)	25,422
Financial liabilities for derivatives	(251)	(274)	23
<b>Total</b>	<b>(16,122)</b>	<b>(24,878)</b>	<b>8,756</b>

The following table breaks down the net debt by maturity:

(EUR /000)	30 September 2016	31 December 2015	Changes
A. Cash	35	29	6
B. Cash in bank deposits	15,529	24,573	(9,044)
Term deposits – less than 3 months	-	-	-
C. Securities held for trading	-	-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>15,564</b>	<b>24,602</b>	<b>(9,038)</b>
Financial liabilities for derivatives	(251)	(274)	23
Financial assets for derivatives	3	25	(22)
E. Fair value hedging derivatives	(248)	(249)	1
F. Current portion of long-term debt	(10,253)	(26,876)	16,623
G. Other current financial payables	(2,677)	(11,476)	8,799
<b>H. Total current financial payables (F) + (G)</b>	<b>(12,930)</b>	<b>(38,352)</b>	<b>25,422</b>
<b>I. Total current payables (E) + (H)</b>	<b>(13,178)</b>	<b>(38,601)</b>	<b>25,423</b>
<b>J. Net current financial debt (I) + (D)</b>	<b>2,386</b>	<b>(13,999)</b>	<b>16,385</b>
L. Non-current financial debt	(18,508)	(10,879)	(7,629)
<b>M. Net financial debt (J) + (L)</b>	<b>(16,122)</b>	<b>(24,878)</b>	<b>8,756</b>
<i>Of which to minorities:</i>	<i>(16,122)</i>	<i>(24,878)</i>	<i>8,756</i>

Net debt as at 30 September 2016 was negative and equal to EUR 16,122 thousand, an improvement of EUR 8,756 thousand over the figure as at 31 December 2015. Please see the Report on Operations for further details on changes in financial operations during the year.

**Cash and cash equivalents** amounted to EUR 15,564 thousand as at 30 September 2016, down by EUR 9,038 thousand compared to the balance as at 31 December 2015:

(EUR /000)	30 September 2016	31 December 2015	changes
Cash in bank deposits	15,245	24,533	(9,288)
Cash	35	29	6
Other cash	284	40	244
<b>Total</b>	<b>15,564</b>	<b>24,602</b>	<b>(9,038)</b>

The technical forms used as at 30 September 2016 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.

**Current financial payables** as at 30 September 2016 decreased by EUR 25,422 thousand compared to 2015 and break down as follows:

(EUR /000)	30 September 2016	31 December 2015	changes
Current portion of debt	10,253	26,876	(16,623)
Current overdrafts	2,640	11,187	(8,547)
Factoring	29	265	(236)
Leasing	-	16	(16)
Other payables	8	8	-
<b>Total</b>	<b>12,930</b>	<b>38,352</b>	<b>(25,422)</b>

The current portion of debt decreased by EUR 25,422 thousand compared to December 2015, mainly due to the reclassification from "current financial payables" to "non-current financial payables" of portions of loans, falling due after the next 12 months, which as at 31 December 2015 did not comply with the terms of covenant related to the ratio between shareholders' equity and EBITDA. This reclassification was made thanks to the formalisation of the letters of waiver with all the banks involved, where they gave notice of their intention to waive the right to request early repayment. The value of that reclassification, net of the repayments made on the reclassified amounts as at 31 December 2015, amounted to EUR 11,925 thousand as at 30 September 2016.

The current portion of debt decreased also by EUR 8,994 thousand owing to the repayments envisaged by the repayment plan of each loan, whereas it increased by EUR 4,296 thousand due to the reclassification from "non-current financial payables" to "current financial payables" of the portions of loans due to mature in the next 12 months.

The financial covenants were verified as at 30 September 2016 and are fully compliant.

The "factoring" item, which decreased by EUR 236 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.

Bank overdrafts as at 30 September 2016 totalled EUR 2,640 thousand, compared to a balance as at 31 December 2015 of EUR 11,187 thousand. The item relates almost entirely to Gefran S.p.A. and has the following characteristics:

- for use of credit lines payable on demand, the overall annual interest rate is in the annual 2.5%-5.7% range;

- for use of credit facilities on trade receivables, repayable on the maturity of these receivables, the overall annual interest rate is in the annual 0.5%-1.0% range.

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

Bank	30 September 2016	31 December 2015	changes
Centrobanca	1,463	2,927	(1,464)
Deutsche Bank	-	150	(150)
Banco di Brescia	1,299	1,930	(631)
Cred. Bergamasco	-	404	(404)
Unicredit SACE	1,000	1,750	(750)
Banco di Brescia	892	-	892
BNL	1,666	2,000	(334)
Banca Pop. Sondrio	1,155	1,718	(563)
Unicredit	1,000	-	1,000
Unicredit	2,000	-	2,000
Banca Pop. Emilia Romagna	2,533	-	2,533
Mediocredito	5,500	-	5,500
<b>Total</b>	<b>18,508</b>	<b>10,879</b>	<b>7,629</b>

The main changes concern the reclassification from current to non-current of loans that as at 31 December 2015 do not comply with the terms of the financial covenant of the Net Debt to EBITDA ratio of EUR 11,925 thousand (EUR 15,032 thousand as at 31 December 2015) and the reclassification from “non-current financial payables” to “current financial payables” of EUR 4,296 thousand of the portions of loans the maturity of which is expected in the next 12 months.

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 as at 30 September 2016	Of which within 12 months	Of which after 12 months	Interest rate	Maturity	Repayment method
Centrobanca	EUR	04/09/08	2,927	1,464	1,463	Euribor 6m +	01/10/18	half-yearly
Deutsche Bank	EUR 3,000	09/03/12	300	300	-	Euribor 3m +	31/03/17	quarterly
Cred. Bergamasco	EUR 2,000	06/11/12	90	90	-	Euribor 3m +	31/10/16	monthly
Banco di Brescia	EUR 6,000	31/05/13	2,547	1,248	1,299	Euribor 3m +	31/05/18	quarterly
Cred. Bergamasco	EUR 3,000	18/06/13	602	602	-	Euribor 3m +	30/06/17	monthly
Unicredit SACE	EUR 5,000	27/09/13	2,000	1,000	1,000	Euribor 3m +	30/09/18	quarterly
Banco di Brescia	EUR 3,000	28/11/14	1,646	754	892	Euribor 3m +	30/11/18	monthly
BNL	EUR 3,000	19/12/14	2,333	667	1,666	Euribor 6m +	18/12/19	half-yearly
Banca Pop. Sondrio	EUR 3,000	23/12/14	1,905	750	1,155	Euribor 3m +	22/12/18	quarterly
Unicredit	EUR 2,000	19/02/15	1,400	400	1,000	Euribor 3m +	29/02/20	quarterly
Unicredit	EUR 2,000	19/02/15	2,000	-	2,000	Euribor 3m +	28/02/19	bullet
Banca Pop. Emilia	EUR 4,000	06/08/15	3,511	978	2,533	Euribor 3m +	03/02/20	quarterly
Mediocredito	EUR	07/08/15	7,500	2,000	5,500	Euribor 3m +	30/06/20	quarterly
<b>Total</b>			<b>28,761</b>	<b>10,253</b>	<b>18,508</b>			

The loan granted by Centrobanca is guaranteed by a EUR 36 million mortgage on properties in Provaglio d'Iseo.

Seven of the loans listed above are governed by covenants, specifically:

- 1) the EUR 6,000 thousand UBI-Banco di Brescia loan taken out on 31 May 2013, is subject to the following covenant:
  - consolidated net debt to equity ratio of  $\leq 0.7$ .

Termination clauses are triggered in the event that this value is exceeded.

- 2) the EUR 3,000 UBI-Banco di Brescia loan, taken out on 28 November 2014, is subject to two financial covenants:

- consolidated net debt to equity ratio of  $\leq 0.7$ ;
- consolidated net debt to EBITDA ratio of  $\leq 3.5$ .

If the ratios are exceeded, the lending bank will have the right to request early repayment.

- 3) the EUR 3,000 thousand BNL loan, taken out on 19 December 2014, is subject to two financial covenants:

- consolidated net debt to equity ratio of  $\leq 0.7$ ;
- consolidated Equity and Total Assets  $> 30\%$ .

If both ratios are exceeded, the lending bank will have the right to request early repayment.

- 4) The two Unicredit loans, taken out on 19 February 2015 for a total of EUR 4,000 thousand, are subject to two financial covenants:

- consolidated net debt to equity ratio of  $\leq 0.7$ ;
- consolidated net debt to EBITDA ratio of  $\leq 3.0$ .

If the ratios are exceeded, the lending bank will have the right to request early repayment.

- 5) the Banca Popolare Emilia Romagna loan of EUR 4,000 thousand, taken out on 6 August 2015, is subject to the financial covenant:

- consolidated net debt to EBITDA ratio of  $\leq 3.5$ .

If the ratio is exceeded, the lending bank will have the right to request early repayment.

- 6) the Mediocredito loan of EUR 10,000 thousand, taken out on 7 August 2015, is subject to the financial covenants:

- consolidated net debt to equity ratio of  $\leq 0.7$ ;
- consolidated net debt to EBITDA ratio of  $\leq 3.5$ .

If the ratios are exceeded, the lending bank will have the right to request early repayment.

A number of outstanding loan contracts include other covenants, in line with market practices, that place limits on the possibility of issuing new real guarantees and conducting extraordinary transactions.

As at 31 December 2015, the terms of the financial covenant relating to the ratio between net debt and Ebitda established in certain loan contracts had not been complied with; this explains why as at 31 December 2015 the medium/long term debt portions relating to loans that did not comply with the terms of the above-mentioned covenant were reclassified under short term debt. The reclassified debt amounted to EUR 15,032 thousand as at 31 December 2015.

However, during the second quarter of 2016, Gefran formalised the letters of waiver with all the banks involved, where they gave notice of their intention to waive the right to request early repayment.

The Administration, Finance and Control Department is responsible for checking these contractual restrictions every quarter. Since the banks involved in the company's failure to comply with the covenants as at 31 December 2015 agreed to formalise the waivers, and the ratios calculated on the data as at 30 September 2016 are compliant, the loans were classified in the maturities table in accordance with their original contractual maturity dates.

The management considers that the credit lines currently available, as well as the cash flow generated by current operations, will enable Gefran to meet its financial requirements resulting from investment activities, working capital management and repayment of debt at its natural maturity.

**Financial assets for derivatives** totalled EUR 3 thousand as at 30 September 2016, 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 251 thousand, owing to the negative fair value of certain IRS contracts, also entered into by the Parent Company to hedge interest rate risks.

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

Bank (Euro/000)	Notional principal	Signing date	Notional as at 30 September 2016	Derivative	Fair Value as at 30 September 2016	Rate Long position	Rate Short position
Centrobanca	EUR 9,550	31/03/10	2,927	IRS	(98)	Fixed 3.11%	Euribor 6m
Deutsche Bank	EUR 3,000	09/03/12	300	IRS	(2)	Fixed 1.34%	Euribor 3m
Banca Pop. Emilia Romagna	EUR 4,000	01/10/15	3,511	IRS	(45)	Fixed 0.15%	Euribor 3m
Intesa	EUR 10,000	05/10/15	7,500	IRS	(106)	Fixed 0.16%	Euribor 3m
<b>Total financial liabilities for derivatives – interest rate risk</b>					<b>(251)</b>		

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

Bank (Euro/000)	Notional principal	Signing date	Notional as at 30 September 2016	Derivative	Fair Value as at 30 September 2016	Rate Long position	Rate Short position
Credito Bergamasco	EUR 2,000	06/11/12	90	CAP	0	Strike Price 1.00%	Euribor 3m
Unicredit	EUR 6,000	04/06/13	2,547	CAP	0	Strike Price 0.75%	Euribor 6m
Credito Bergamasco	EUR 3,000	20/06/13	602	CAP	0	Strike Price 0.75%	Euribor 3m
Unicredit	EUR 5,000	15/10/13	2,000	CAP	0	Strike Price 0.60%	Euribor 3m
Banco di Brescia	EUR 3,000	28/11/14	1,646	CAP	0	Strike Price 0.10%	Euribor 3m
BNL	EUR 3,000	19/12/14	2,333	CAP	1	Strike Price 0.20%	Euribor 6m
Unicredit	EUR 2,000	19/02/15	1,905	CAP	1	Strike Price 0.10%	Euribor 3m
Unicredit Bullet	EUR 2,000	19/02/15	1,400	CAP	1	Strike Price 0.10%	Euribor 3m
<b>Total financial assets for derivatives – interest rate risk</b>					<b>3</b>		

All the contracts described above are booked at fair value:

(Euro/000)	as at 30 September 2016		as at 31 December 2015	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	3	(251)	25	(274)
<b>Total cash flow hedge</b>	<b>3</b>	<b>(251)</b>	<b>25</b>	<b>(274)</b>

All derivatives were tested for effectiveness, with positive outcomes.



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 43,852 thousand. Overall use of these lines as at 30 September 2016 totalled EUR 2,628 thousand, with a residual available amount of EUR 41,224 thousand.

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

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

"Gains from financial assets" totalled EUR 902 thousand compared to EUR 2,913 thousand as at 30 September 2015, and break down as follows:

Description	30 September 2016	30 September 2015	change
<i>(EUR /000)</i>			
Income from cash management	31	40	(9)
Other financial income	40	92	(52)
Exchange rate gains	409	1,968	(1,559)
Currency valuation differences	421	813	(392)
Gains from financial assets	1	-	1
<b>Total</b>	<b>902</b>	<b>2,913</b>	<b>(2,011)</b>

"Losses from financial liabilities" amounted to EUR 1,902 thousand, down from EUR 2,274 thousand as at 30 September 2015, and break down as follows:

Description	30 September 2016	30 September 2015	change
<i>(EUR /000)</i>			
Medium-/long-term interest	(581)	(864)	283
Short-term interest	(23)	(92)	69
Factoring interest and fees	(22)	(45)	23
Other financial charges	(25)	(32)	7
Exchange rate losses	(816)	(2,147)	1,331
Currency valuation differences	(435)	(878)	443
Write-down of financial assets	-	(118)	118
<b>Total</b>	<b>(1,902)</b>	<b>(4,176)</b>	<b>2,274</b>

The reduction in the financial interest payable in the first nine months of 2016 is due to the reduction of the spreads agreed on average with the banks for loans taken out starting from the end of 2014 and to the continuous improvement of net debt.

The balance of the differences on the currency transactions has an overall negative value of EUR 421 thousand, compared with a negative value of EUR 244 thousand recorded on 30 September 2015. The worsening in the balance of currency transactions was due to the appreciation - starting from the second half of the previous year - of the euro against the main currencies that the Group is exposed to (especially towards the Chinese renminbi, Turkish lira and Indian rupee). Compared to the average in 2015, the three currencies depreciated by 5.5%, 5.7% and 3.3% respectively against the euro in the first nine months of 2016, resulting in negative exchange rate differences on payables in Euro in portfolio to some foreign subsidiaries.

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

Description	30 September	30 September	change
<i>(EUR /000)</i>			
Result of companies valued at equity	15	126	(111)
<b>Total</b>	<b>15</b>	<b>126</b>	<b>(111)</b>

Gains from equity investments valued at equity were EUR 15 thousand, and mainly related to the positive result of the Ensun Group.

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

The item “taxes” was negative at EUR 1,423 thousand as at 30 September 2016; this compares with a negative balance of EUR 1,336 thousand in the first nine months of 2015, and breaks down as follows:

<i>(EUR /000)</i>	30 September 2016	30 September 2015
<b>Current taxes</b>		
IRES (corporate income tax)	(289)	(11)
IRAP (regional production tax)	(223)	(2)
Foreign taxes	(1,055)	(1,002)
<b>Total current taxes</b>	<b>(1,567)</b>	<b>(1,015)</b>
<b>Deferred taxes</b>		
Deferred tax liabilities	28	(9)
Deferred tax assets	116	(312)
<b>Total deferred taxes</b>	<b>144</b>	<b>(321)</b>
<b>Total taxes</b>	<b>(1,423)</b>	<b>(1,336)</b>

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

The tax burden for the current year comprises the IRES and IRAP mainly due from Gefran S.p.A. With respect to the IRES, the figure is stated net of past tax losses by the company, reducing the tax base for the year to the 80% limit permitted by current tax laws.

Deferred tax assets are positive at EUR 144 thousand, due to the recognition of provisions with deferred deductibility mainly identified in Gefran S.p.A. and in the subsidiary Gefran Siei Drives Technology Co. Ltd.

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

<i>(EUR /000)</i>	31 Dec 2015	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	30 Sept 2016
<b>Deferred tax assets</b>					
Write-down of inventories	1,114	76		-	1,190
Impairment of trade receivables	292	90		-	382
Deductible losses to be brought forward	2,746	1		(26)	2,721
Exchange rate differences	15	(11)		-	4
Elimination of unrealised margins on inventories	648	(95)		-	553
Provision for product warranty risk	202	(1)		-	201
Provision for sundry risks	224	56		-	280
<b>Total deferred tax assets</b>	<b>5,241</b>	<b>116</b>	<b>-</b>	<b>(26)</b>	<b>5,331</b>
<b>Deferred tax liabilities</b>					
Currency valuation differences	(28)	28		-	-
Other deferred tax liabilities	(840)	-		20	(820)
<b>Total deferred tax liabilities</b>	<b>(868)</b>	<b>28</b>	<b>-</b>	<b>20</b>	<b>(820)</b>
<b>Net total</b>	<b>4,373</b>	<b>144</b>	<b>-</b>	<b>(6)</b>	<b>4,511</b>

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

#### Guarantees granted

As at 30 September 2016, the Group granted guarantees on the liabilities and commitments of third parties or subsidiaries for EUR 10,560 thousand, as shown in the table below:

<i>(EUR /000)</i>	2016	2015
Ubi Leasing	5,918	5,918
BNL	2	2
Banca Intesa	1,100	1,100
Banca Passadore	2,750	2,750
Banco di Brescia	790	790
<b>Total</b>	<b>10,560</b>	<b>10,560</b>

A guarantee in favour of UBI Leasing was issued for a total of EUR 5,918 thousand, expiring in 2029, to guarantee financial requirements for the construction of photovoltaic plants by BS Energia 2 S.r.l. The remaining debt on the leasing contract amounts to EUR 2,907 thousand as at 30 September 2016.

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

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

### Legal proceedings and disputes

The Parent Company and certain subsidiaries are involved in 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 and rents amounted to EUR 2,211 thousand; of this amount, EUR 2,091 thousand falls due within the next five years, and the remaining EUR 120 thousand after five years.

## 14. DEALINGS WITH RELATED PARTIES

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

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

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

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

- Elettropiemme S.r.l., a subsidiary of Ensun S.r.l.: a company in which Ennio Franceschetti (Chairman and Chief Executive Officer of Gefran S.p.A.) is chairman and Marco Giacometti (general manager of the Drives business of Gefran S.p.A.) general manager.
- 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 (manager with strategic responsibilities) is a member of the Board of Directors.
- Francesco Franceschetti elastomeri S.r.l.: a company in which Ennio Franceschetti (Chairman and Chief Executive Officer of Gefran S.p.A.) is a member of the Board of Directors.
- Ensun S.r.l., a company in which Ennio Franceschetti (Chairman and Chief Executive Officer of Gefran S.p.A.) is Chairman, and Giovanna Franceschetti is Managing Director (Executive Director of Gefran S.p.A.).

These dealings, summarised below, have no material impact on the Group's economic and financial structure. They are summarised in the following tables:

Company (EUR /000)	Costs and Charges		Revenues and income	
	2016	2015	2016	2015
Elettropiemme S.r.l.	76	0	43	27
Climat S.r.l.	132	103	0	0
Ensun S.r.l.	0	0	52	0
Axel S.r.l.	63	44	4	7
Francesco Franceschetti elastomeri S.r.l.	0	0	1	77
<b>Total</b>	<b>271</b>	<b>147</b>	<b>100</b>	<b>111</b>

Company (EUR /000)	Receivables and other assets		Payables and other liabilities	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Elettropiemme S.r.l.	2	0	17	19
Climat S.r.l.	27	227	60	26
Axel S.r.l.	24	34	27	7
Francesco Franceschetti elastomeri S.r.l.	0	0	0	0
<b>Total</b>	<b>53</b>	<b>261</b>	<b>104</b>	<b>52</b>

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

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

## 15. Other information

Pursuant to article 70, paragraph 8, and article 71, paragraph 1-bis of Consob 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 November 2016

For the Board of Directors

Chairman

**Ennio Franceschetti**

Chief Executive Officer

**Maria Chiara Franceschetti**

## **ANNEXES**

**a) Consolidated income statement by quarter**

(EUR /000)	Q1	Q2	Q3	Q4	TOT	Q1	Q2	Q3	TOT
	2015	2015	2015	2015	2015	2016	2016	2016	2016
a Revenues	30,309	29,556	26,759	28,728	<b>115,352</b>	29,524	30,138	28,905	<b>88,567</b>
b Increases for internal work	503	480	376	390	<b>1,749</b>	408	292	179	<b>879</b>
c Consumption of materials and products	9,810	9,995	9,026	10,475	<b>39,306</b>	9,539	10,526	10,416	<b>30,481</b>
d Added value (a+b-c)	21,002	20,041	18,109	18,643	<b>77,795</b>	20,393	19,904	18,668	<b>58,965</b>
e Other operating costs	6,395	6,673	6,846	5,887	<b>25,801</b>	5,563	5,628	5,688	<b>16,879</b>
f Personnel costs	12,753	12,485	10,740	10,335	<b>46,313</b>	13,116	11,364	10,009	<b>34,489</b>
g EBITDA (d-e-f)	1,854	883	523	2,421	<b>5,681</b>	1,714	2,912	2,971	<b>7,597</b>
h Depreciation, amortisation and impairment	1,601	1,596	1,531	1,583	<b>6,311</b>	1,557	1,557	1,560	<b>4,674</b>
i EBIT (g-h)	253	(713)	(1,008)	838	<b>(630)</b>	157	1,355	1,411	<b>2,923</b>
l Gains (losses) from financial assets/liabilities	1,175	(1,095)	(1,343)	140	<b>(1,123)</b>	(761)	139	(378)	<b>(1,000)</b>
m Gains (losses) from shareholdings value at equity	6	69	51	(7)	<b>119</b>	(78)	34	59	<b>15</b>
n Profit (loss) before tax (i±l±m)	1,434	(1,739)	(2,300)	971	<b>(1,634)</b>	(682)	1,528	1,092	<b>1,938</b>
o Taxes	(229)	(700)	(407)	(1,612)	<b>(2,948)</b>	(516)	(275)	(632)	<b>(1,423)</b>
p Result from operating activities (n±o)	1,205	(2,439)	(2,707)	(641)	<b>(4,582)</b>	(1,198)	1,253	460	<b>515</b>
q Profit (loss) from assets held for sale	(141)	(46)	0	0	<b>(187)</b>	486	0	0	<b>486</b>
r Group net profit (loss) (p±q)	1,064	(2,485)	(2,707)	(641)	<b>(4,769)</b>	(712)	1,253	460	<b>1,001</b>

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

(EUR /000)	Q1	Q2	Q3	Q4	TOT	Q1	Q2	Q3	TOT
	2015	2015	2015	2015	2015	2016	2016	2016	2016
a Revenues	30,309	29,556	26,759	28,728	<b>115,352</b>	29,003	30,138	28,905	<b>88,046</b>
b Increases for internal work	503	480	376	390	<b>1,749</b>	408	292	179	<b>879</b>
c Consumption of materials and products	9,810	9,995	9,026	10,475	<b>39,306</b>	9,539	10,526	10,416	<b>30,481</b>
d Added value (a+b-c)	21,002	20,041	18,109	18,643	<b>77,795</b>	19,872	19,904	18,668	<b>58,444</b>
e Other operating costs	6,395	6,673	6,846	5,887	<b>25,801</b>	5,563	5,628	5,688	<b>16,879</b>
f Personnel costs	12,753	12,485	10,740	10,335	<b>46,313</b>	11,224	11,217	10,009	<b>32,450</b>
g EBITDA (d-e-f)	1,854	883	523	2,421	<b>5,681</b>	3,085	3,059	2,971	<b>9,115</b>
h Depreciation, amortisation and impairment	1,601	1,596	1,531	1,583	<b>6,311</b>	1,557	1,557	1,560	<b>4,674</b>
i EBIT (g-h)	253	(713)	(1,008)	838	<b>(630)</b>	1,528	1,502	1,411	<b>4,441</b>
l Gains (losses) from financial assets/liabilities	1,175	(1,095)	(1,343)	140	<b>(1,123)</b>	(761)	139	(378)	<b>(1,000)</b>
m Gains (losses) from shareholdings value at equity	6	69	51	(7)	<b>119</b>	(78)	34	59	<b>15</b>
n Profit (loss) before tax (i±l±m)	1,434	(1,739)	(2,300)	971	<b>(1,634)</b>	689	1,675	1,092	<b>3,456</b>
o Taxes	(229)	(700)	(407)	(1,612)	<b>(2,948)</b>	(516)	(275)	(632)	<b>(1,423)</b>
p Result from operating activities (n±o)	1,205	(2,439)	(2,707)	(641)	<b>(4,582)</b>	173	1,400	460	<b>2,033</b>
q Profit (loss) from assets held for sale	(141)	(46)	0	0	<b>(187)</b>	486	0	0	<b>486</b>
r Group net profit (loss) (p±q)	1,064	(2,485)	(2,707)	(641)	<b>(4,769)</b>	659	1,400	460	<b>2,519</b>

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

## End-of-period exchange rates

Currency	30 September 2016	31 December 2015	30 September 2015
Swiss franc	1.0876	1.0835	1.0915
Pound sterling	0.8610	0.7340	0.7385
US dollar	1.1161	1.0887	1.1203
Brazilian real	3.6210	4.3117	4.4808
Chinese renminbi	7.4463	7.0608	7.1206
Indian rupee	74.3655	72.0215	73.4805
South African rand	15.5238	16.9530	15.4984
Turkish lira	3.3576	3.1765	3.3903

## Average exchange rates in the period

Currency	3Q 2016	2015	3Q 2015
Swiss franc	1.0936	1.0676	1.0676
Pound sterling	0.8022	0.7260	0.7260
US dollar	1.1158	1.1096	1.1096
Brazilian real	3.9642	3.6916	3.6916
Chinese renminbi	7.3432	6.9730	6.9730
Indian rupee	74.8991	71.1752	71.1752
South African rand	16.7020	14.1528	14.1528
Turkish lira	3.2756	3.0219	3.0219



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

Name	Registered office	Country	Currency	Share capital	Investing company	% direct ownership
Gefran UK Ltd	Uxbridge	UK	GBP	4,096,000	Gefran S.p.A.	100.00
Gefran Deutschland GmbH	Seligenstadt	Germany	EUR	365,000	Gefran S.p.A.	100.00
Siei Areg GmbH	Pleidelsheim	Germany	EUR	150,000	Gefran S.p.A.	100.00
Gefran France S.A.	Lyon	France	EUR	800,000	Gefran S.p.A.	99.99
Gefran Benelux Nv	Geel	Belgium	EUR	344,000	Gefran S.p.A.	100.00
Gefran Inc.	Winchester	USA	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Eletroel. Ltda	Sao Paolo	Brazil	REAL	450,000	Gefran S.p.A. Gefran UK	99.90 0.10
Gefran India Private Ltd.	Pune	India	INR	100,000,000	Gefran S.p.A. Gefran UK	95.00 5.00
Gefran Siei Asia Pte Ltd	Singapore	Singapore	EUR	3,359,369	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Pte Ltd	Shanghai	China (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. 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

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

Name	Registered office	Country	Currency	Share capital	Investing company	% of direct ownership
Ensun S.r.l.	Brescia	Italy	EUR	30,000	Gefran S.p.A.	50
Bs Energia 2 S.r.l.	Rodengo Saiano	Italy	EUR	1,000,000	Ensun S.r.l.	50
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

**f) List of other subsidiaries**

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

## 24. DECLARATION OF THE DIRECTOR RESPONSIBLE FOR CORPORATE FINANCIAL REPORTING

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

The undersigned, **Fausta Coffano**, the Director responsible for corporate financial reporting, hereby declares, pursuant to paragraph 2, article 154-bis of the TUF, that the information contained in these interim financial statements as at 30 September 2016 accurately represents the figures contained in the Group’s accounting records.

Provaglio d’Iseo, 10 November 2016

The Director responsible for corporate  
financial reporting

**Fausta Coffano**