EXTRACT FROM THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

These figures were taken from the consolidated financial statements of Comer Industries Spa for the year 2016, submitted to the shareholders' meeting and shared with said meeting on April 27, 2017. For detailed information, see the full version duly deposited in accordance with the law at the Milan Chamber of Commerce.

CONSOLIDATED BALANCE SHEET

thousand euros

ASSETS	12/31/16	12/31/15
NON-CURRENT ASSETS		
Tangible fixed assets	52,338	48,723
Intangible fixed assets	4,693	4,174
Investments	3	3
Tax assets and deferred tax receivables	7,545	9,608
Other long-term loans	2,200	4,400
Other long-term debtors	3,301	3,517
Total	**70,080**	**70,425**
CURRENT ASSETS		
Stocks	76,408	73,991
Trade receivables	68,482	71,604
Other short-term debtors	3,977	5,130
Current tax assets	9,581	15,031
Other short-term loans	2,200	2,200
Cash and cash equivalents	10,737	17,360
Total	**171,385**	**185,316**
TOTAL ASSETS	**241,466**	**255,741**

LIABILITIES AND SHAREHOLDERS' EQUITY	12/31/16	12/31/15
SHARE CAPITAL AND RESERVES		
Issued capital	10,000	10,000
Other reserves	16,690	60,489
Accumulated profits/(losses)	44,610	43,134
- Retained earnings	*37,950*	*30,111*
- Profit/(loss) for the year	*6,659*	*13,023*
Total	**71,299**	**113,623**
MINORITY INTERESTS	-	-
TOTAL SHAREHOLDERS' EQUITY	**71,299**	**113,623**
NON-CURRENT LIABILITIES		
Long-term loans	11,681	16,603
Tax liabilities and deferred taxes	1,196	3,823
Post-employment benefits	10,117	9,870
Long-term provisions	703	721
Total	**23,697**	**31,017**
CURRENT LIABILITIES		
Trade payables	69,583	69,806
Other short-term creditors	10,805	10,657
Current tax liabilities	5,286	5,825
Short-term loans	14,442	23,166
Short-term financial derivatives	320	34
Other short-term financial creditors	44,000	-
Short-term provisions	2,033	1,613
Total	**146,469**	**111,101**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**241,466**	**255,741**

CONSOLIDATED INCOME STATEMENT

thousand euros

CONSOLIDATED INCOME STATEMENT	12/31/16	12/31/15
Revenues from sales and services rendering	**303,747**	**327,633**
of which relating to assets held for sale	*-*	*6,061*
Other operating revenues	2,428	4,636
Variation in stock of finshed and semi-finished goods and work in progress	2,417	12,607
Cost of purchases	(184,761)	(221,032)
Personnel costs	(65,559)	(65,638)
Other operating charges	(36,307)	(36,074)
Allowance for bad debts	(240)	(416)
Depreciation/amortisation	(11,887)	(11,280)
OPERATING PROFIT (EBIT)	**9,837**	**10,436**
Net finance income/(charges)	581	(1,309)
Losses from discontinued operations	-	6,400
Pre-tax profit	**10,417**	**15,527**
Income taxes	(3,758)	(2,841)
Income taxes on gain from discontinued operations	-	337
NET PROFIT/(LOSS)	**6,659**	**13,023**
of which pertaining to minority interests	**-**	**-**
of which pertaining to the Group	**6,659**	**13,023**
Earnings/(loss) per share (in euro)	0.67	1.30
Diluted earnings/(loss) per share (in euro)	0.67	1.30

thousand euros

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	12/31/16	12/31/15
Net profit/(loss)	**6,659**	**13,023**
Accounting for exchange risk hedge derivatives recorded under the Cash Flow Hedge Method		
- Adjustment for recognition of CFH reserve for the year	(208)	-
- Adjustment for recognition of loss in income statement for the CFH reserve in the prior year	-	-
IAS 19.93A actuarial gain/(loss)	(254)	30
Profit/(loss) generated by variations in conversion reserve (foreign companies)	408	3,503
	(54)	**3,533**
Related taxes	71	(9)
Consolidated comprehensive net profit/(loss) attributable to Group	**6,676**	**16,547**

CONSOLIDATED CASH FLOW STATEMENT

PRESENTED IN ACCORDANCE WITH THE IAS 7 INDIRECT METHOD

thousand euros

	12/31/16	12/31/15
A) OPERATING ACTIVITIES		
Operating profit	**9,837**	**10,436**
ADJUSTMENTS TO RECONCILE THE OPERATING PROFIT WITH CASH FLOWS		
Amortisation/depreciation	11,887	11,280
Net losses/(gains) from sales of tangible fixed assets	-	-
Net losses/(gains) from sales of intangible fixed assets	-	-
Write-downs	240	416
Staff severance indemnity allocation	2,619	2,615
Deferred/prepaid taxes	-	-
Exchange gains and losses	837	(1,308)
CHANGES IN WORKING CAPITAL		
Stocks	(2,417)	12,607
Trade receivables	2,882	580
Other assets	7,729	731
Other receivables	1,153	577
Trade payables	(223)	(8,979)
Other liabilities	(3,044)	(9,454)
Changes in provisions for risks and charges net of write-downs	402	(2,196)
FINANCE INCOME AND INCOME TAX ON THE INCOME OF THE PERIOD		
Finance income from cash management	254	790
Income taxes on the income of the period	(3,758)	(2,841)
A - Cash flow provided by operating activities	**28,398**	**15,254**
B) INVESTING ACTIVITIES		
Net investments/divestments of:		
- tangible fixed assets net of capital contribution	(14,901)	(12,531)
- intangible fixed assets net of capital contribution	(1,659)	(1,743)
- intangible fixed assets relating to assets held for sale	-	1,476
- financial liabilities from divestments	-	-
- conversion effect on fixed assets and decreases during the year	564	(430)
- cash flow relating to assets held for sale	2,200	-
B - Net cash flow provided by investing activities	**(13,796)**	**(13,228)**
C) FINANCING ACTIVITIES		
Repayments of short- and long-term loans	(16,104)	(8,662)
New short- and long-term loans	2,458	21,969
Changes in fair value hedging contracts	286	-
Changes in capital and reserves	17	3,524
Dividends paid in the period	(5,000)	(5,000)
Variation in employee severance indemnity	(2,372)	(3,109)
Interest payable and finance costs net of investment discounting back charges	(510)	(991)
C - Net cash flows from financing activities	**(21,225)**	**7,731**
VARIATION IN CASH AND CASH EQUIVALENTS (A+B+C)	**(6,623)**	**9,757**
Opening balance of cash and cash equivalents	**17,360**	**7,266**
Closing balance of cash and cash equivalents	**10,737**	**17,360**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

thousand euros

	Share capital	Share premium reserve	Other reserves: Revaluation reserve	Other reserves: Legal reserve	Other reserves: Extraordinary reserve	Other reserves: Conversion reserve	Other reserves: FTA reserve	Other reserves: CFH reserve	Other reserves: Consolidation reserve	Profits/(losses) carried forward	Profit/(loss) for the year	Total shareholders' equity
Shareholders' equity as at 12/31/2013	**10,000**	**-**	**-**	**2,000**	**62,471**	**(2,720)**	**(5,575)**	**-**	**3,543**	**20,336**	**11,693**	**101,748**
Dividend distribution	-	-	-	-	(7,500)	-	-	-	-	(5,000)	-	(12,500)
Allocation of 2013 profit	-	-	-	-	23	-	-	-	-	11,670	(11,693)	-
Components of overall result	-	-	-	-	-	-	-	-	-	-	-	-
- IAS 19.93A - Actuarial gain	-	-	-	-	-	-	-	-	-	(466)	-	(466)
- Changes in conversion reserve	-	-	-	-	-	4,744	-	-	-	-	-	4,744
2014 Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	8,550	8,550
Shareholders' equity as at 12/31/2014	**10,000**	**-**	**-**	**2,000**	**54,994**	**2,024**	**(5,575)**	**-**	**3,543**	**26,540**	**8,550**	**102,076**
Dividend distribution	-	-	-	-	-	-	-	-	-	(5,000)	-	(5,000)
Allocation of 2014 profit	-	-	-	-	-	-	-	-	-	8,550	(8,550)	-
Components of overall result	-	-	-	-	-	-	-	-	-	-	-	-
- IAS 19.93A - Actuarial gain	-	-	-	-	-	-	-	-	-	21	-	21
- Changes in conversion reserve	-	-	-	-	-	3,503	-	-	-	-	-	3,503
2015 Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	13,023	13,023
Shareholders' equity as at 12/31/2015	**10,000**	**-**	**-**	**2,000**	**54,994**	**5,527**	**(5,575)**	**-**	**3,543**	**30,111**	**13,023**	**113,623**
Dividend distribution	-	-	-	-	(44,000)	-	-	-	-	(5,000)	-	(49,000)
Allocation of 2015 profit	-	-	-	-	-	-	-	-	-	13,023	(13,023)	-
Components of overall result	-	-	-	-	-	-	-	(208)	-	-	-	(208)
- IAS 19.93A - Actuarial gain	-	-	-	-	-	-	-	-	-	(183)	-	(183)
- Changes in conversion reserve	-	-	-	-	-	408	-	-	-	-	-	408
2016 Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	6,659	6,659
Shareholders' equity as at 12/31/2016	**10,000**	**-**	**-**	**2,000**	**10,994**	**5,935**	**(5,575)**	**(208)**	**3,543**	**37,950**	**6,659**	**71,299**

GENERAL INFORMATION

Comer Industries Spa is an Italian company, with registered offices in Milan in Via E. Toti, 2 and administrative offices in Via Magellano, 27 in Reggiolo (RE), registered in the Business Register at no. 07210440157 with share capital 10,000,000 euros fully paid-in, and Taxpayers' Code no. 07210440157.

The Group designs and produces advanced engineering systems and mechatronic solutions for power transmissions, supplied to important manufacturers of agricultural and industrial machinery. Comer Industries Spa is structured into five operating units specialized by product families spread over eight production sites in the provinces of Reggio Emilia, Modena, Mantua and Matera. Key international markets are managed through owned subsidiaries in France, Germany, Great Britain, United States, China, Brazil and India, in order of constitution.

In accordance with art. 2497 bis of the Italian Civil Code, during the 2016 financial year Comer Industries Spa was subject to management and coordination by Finregg Spa with headquarters in Milan, Via E. Toti, 2, share capital of 2.9 million euros fully paid-up, Business Register and Tax Code no. 00243540200, while today it is managed and coordinated by the new majority shareholder, Eagles Oak Srl, with headquarters in Modena, Viale del Sagittario, 5, share capital of 2.0 million euros fully paid-up, Modena Business Register and Tax Code no. 03699500363, which acquired control on February 24, 2017 by virtue of an asymmetrical non-proportional demerger in accordance with art. 2506 of the Italian Civil Code.

The consolidated financial statements as at December 31, 2016 were approved by the Board of Directors on March 27, 2017.

CONSOLIDATION SCOPE

The scope of consolidation at December 31, 2016 includes the parent company and the following subsidiaries:

Name	Registered offices	Currency	Share capital	% of control 2016	Parent company
Comer Industries Spa	Milan - Italy	KEUR	10,000	Holding	Finregg Spa
Comer GmbH	Pfullendorf - Germany	KEUR	205	100	Comer Industries Spa
Comer Industries Inc.	Charlotte (NC) - USA	KUSD	13,281	100	Comer Industries Spa
Comer Industries U.K. Ltd.	Leicester - United Kingdom	KGBP	265	100	Comer Industries Spa
Comer Industries Sarl	Serris - France	KEUR	305	99.9	Comer Industries Spa
Comer Industries Components Srl	Matera - Italy	KEUR	7,125	100	Comer Industries Spa
Comer Industries (Shaoxing) Co. Ltd.	Shaoxing - PRC	KEUR	6,720	100	Comer Industries Spa
Comer Industries do Brasil Ltda.	Limeira (SP) - Brasil	KBRL	6,112	75 25	Comer Industries Spa Comer Industries Inc.
Comer Industries India Pvt. Ltd.	Bangalore - India	KINR	145,090	95 5	Comer Industries Spa Comer Industries Components Srl

As a result of the aforementioned demerger, at the date of the preparation of the financial statements, 75% of Comer Industries Spa's share capital was held by Eagles Oak Srl, 15% by Finregg Spa and the remainder by financial investors. On March 30, 2016, the share capital of Comer Industries India Pvt. Ltd. increased by INR 75 million, equivalent to 1 million euros, in order to re-balance its financial position following the loss for the year.
There have not been any other changes in the consolidation of the Group during the year.
With regards to the summary of economic-asset/liability relations with related parties of the Group, reference should be made to the details in the report on operations.

ACCOUNTING STANDARDS ADOPTED

Relevant accounting standards

The Comer Industries Group adopted International Accounting Standards and International Financial Reporting Standards (IFRS) as of 2007, with the transition date to IFRS effective January 1, 2006.

Continuing these principles, the consolidated financial statements as at December 31, 2016, were therefore drawn up according to the IAS/IFRS adopted by the European Union.
The consolidated financial statements are presented in thousands of euro. The financial statements are prepared on a cost basis, except for financial instruments that are measured at fair value.
The preparation of the financial statements in accordance with IFRS requires judgements, estimates and assumptions that have an effect on the assets, liabilities, income and expenses. The actual results may differ from the results obtained using these estimates.
The accounting policies have been applied consistently in all Group companies and for all periods presented.

PRINCIPLES OF CONSOLIDATION

Subsidiaries

Companies are defined subsidiaries when the parent company has the authority, directly or indirectly, to conduct business so as to obtain benefits from such activities. In defining control, consideration is also given to potential voting rights that can currently be freely exercised or converted. These potential voting rights are not taken into account for the purposes of the consolidation process upon allocation to minority shareholders of the results of operations and the share of capital and reserves they are entitled to.

The financial statements of subsidiaries are consolidated from the date on which the Group gains control and de-consolidated from the date that this controlling interest ceases.
The acquisition of subsidiaries is recorded under the so-called purchase method. The purchase cost is the current value of the assets purchased, shares issued or liabilities undertaken at the acquisition date. Any acquisition cost in excess of the Group's share of the fair value of net assets purchased is recorded under balance sheet assets as goodwill (full goodwill method). Any negative goodwill is recorded under the income statement on the acquisition date.
The costs relating to the acquisitions as of 2010, in compliance with the revised IFRS 3 standard, are expensed in the acquiring company's income statement for the period.
The global integration method is adopted for the consolidation of subsidiaries, involving undertaking the total amount of assets and liabilities and all costs and revenues, irrespective of the extent of the Group's interest. The book value of consolidated equity investments is therefore offset against any relative capital and reserves. The shares of capital and reserves and profits pertaining to minority shareholders are shown separately under a specific capital and reserve item and on a separate line of the consolidated income statement.

Related companies

Related companies are those companies over which the Group has considerable influence but in which it does not exercise any control over the management. The consolidated financial statements include the accrued share of the profits and losses of related companies, measured using the equity method from the date on which any such significant influence on operation started until its termination. Similar to that described above for the subsidiaries, the acquisition of related companies is also recorded under the purchase method; in this case, any acquisition cost in excess of the Group's share of the fair value of net assets acquired is included in the value of the equity investment.

Transactions eliminated as part of the consolidation process

Intercompany balances and profits and losses resulting from intercompany transactions are eliminated in the consolidated financial statements. Profits arising from intercompany transactions with associated companies are eliminated as part of the valuation of the equity investment using the equity method. Intercompany losses are eliminated only if there is evidence that these were realized in detriment to third parties.

INDUSTRY-RELATED INFORMATION

At present, the Group, not being subject to the obligation, has decided not to present industry-related information on a voluntary basis.

TREATMENT OF FOREIGN CURRENCY TRANSACTIONS

Foreign currencies transactions

The functional currency and reporting currency adopted by Comer Industries Group is the euro. Transactions in foreign currencies are converted into euro on the basis of the exchange rate at the transaction date. The monetary assets and liabilities are converted at the exchange rate on the balance sheet date. Any exchange rate differences arising out of conversion are recognized in the income statement. Non-monetary assets and liabilities measured at historical cost are converted at the exchange rate at the transaction date. The monetary assets and liabilities measured under fair value are converted into euro at the exchange rate on the date the fair value was determined.

Conversion of financial statements drawn up in foreign currencies

The assets and liabilities of companies based in non-EU countries, including adjustments arising from the consolidation process, relating to goodwill and fair value adjustments arising from the acquisition of a non-EU company, are converted at the exchange rate prevailing on the closing date of the balance sheet. Revenues and costs of these com-

panies are converted at the average exchange rate for the period, closest to the exchange rates on the dates on which the individual transactions took place. Foreign exchange differences arising from the conversion process are recorded directly in a special provision under capital and reserve called the conversion reserve.
Below is the table with the exchange rates applied for the conversion of financial statements:

Currency	Average exchange 2016	Exchange rate 12/31/16	Average exchange 2015	Exchange rate 12/31/15
Euro vs. US dollar (USD)	1.107	1.054	1.109	1.088
Euro vs. UK Sterling (GBP)	0.819	0.856	0.725	0.733
Euro vs. Chinese Yuan (CNY)	7.35	7.32	6.97	7.06
Euro vs. Brazilian Reais (BRL)	3.85	3.43	3.70	4.31
Euro vs. Indian Rupee (INR)	74.37	71.59	71.19	72.02

PROPERTY, PLANT AND EQUIPMENT

Owned fixed assets

Property, plant and equipment are measured at historical cost and are reported net of depreciation (see following paragraph "Depreciation") and impairment losses. The cost of fixed assets manufactured internally includes materials, direct labor and a share of indirect manufacturing costs. The cost of fixed assets, whether purchased externally or manufactured internally, includes incidental costs directly chargeable and necessary to operate the asset and, when relevant and subject to contractual obligations, the current value of the estimated cost for the dismantling and removal of fixed assets.
Financial charges relating to specific loans used for the acquisition of tangible fixed assets are charged to the income statement on an accruals basis. According to the provisions of IAS 20, any capital grants obtained as a result of investment incentives granted by the public administration are deducted from the historical cost of any related capitalized fixed assets, when put into operation.
No fixed assets are available for sale.

Fixed assets under finance leases

Assets held under finance lease agreements are shown in the consolidated financial statements under the "financial method" set forth in IAS 17. Based on the latter, under which these transactions are equivalent to a purchase of fixed assets and simultaneous assumption of a loan, the value of assets held under finance lease agreements is shown under tangible fixed assets and subject to a depreciation process compliant with the criteria indicated above, while any residual debt in terms of the principal amount of future instalments is shown under liabilities as "Trade payables". Financial charges related to such loans are charged to the income statement together with the depreciation and amortization.

Subsequent costs

The costs of replacing certain parts of the fixed assets are capitalized when it is probable that these costs will result in future economic benefits and can be reliably measured. All other costs, including the costs of maintenance and repairs, are attributed to the income statement as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis and on the estimated useful life of fixed assets and their residual possible use. Land is not depreciated. The estimated useful life results in the following depreciation rates by homogeneous category:

Buildings	2.5-3%
Light construction, general and specific plants	10-15.5%
Equipment, models and molds	20-25%
Furniture and furnishings	12%
Electronic office equipment	18-20%
Motor vehicles and internal transport	20-25%

The estimated useful life of assets is revised annually and any changes in rates, where necessary, are made prospectively.
For assets purchased and/or that became operational during the year, depreciation is calculated using the rates set out above, but adapted pro-rata temporis to any such set-up date.

OTHER INTANGIBLE FIXED ASSETS

Research and development costs

The costs of research with the aim of acquiring new technical knowledge are charged in the income statement when incurred.
The development costs incurred for the creation of new products, versions, accessories or new production processes are capitalized when these costs can be reliably determined; when these products, versions or processes are technically and commercially feasible; when the expected volumes and realization values indicate that the costs incurred for development will generate future economic benefits and when the resources to complete the development project exist.
The capitalized cost includes the materials and the mere cost of direct labor. Other development costs are charged to the income statement when incurred. The capitalized development costs are measured at cost, net of accumulated amortization (see following paragraph "Incidental financing costs") and impairment losses.

Other intangible fixed assets

Other intangible fixed assets, which all have finite useful lives, are measured at cost and are recorded net of accumulated amortization (see following paragraph "Incidental financing costs") and impairment losses.
The use of software licenses is amortized over their period of use (3-5 years).
The costs incurred internally for the creation of trademarks or goodwill are charged to the income statement when incurred.

Subsequent costs

Subsequent costs incurred for intangible fixed assets are capitalized only if they increase the future financial benefits of the specific capitalized fixed asset, otherwise they are charged in the income statement as incurred.

Incidental financing costs

The incidental financing costs are recorded as a reduction of loans at the time of their issuance.

Amortization

Amortization is charged to the income statement on a straight-line basis based on the estimated useful life of the capitalized fixed assets. The estimated useful lives are as follows:

Patents and trademarks	5 years
Development costs	3-5 years
Licensing of software	5 years

The useful life is reviewed annually and any changes in rates, where necessary, are made prospectively.

IMPAIRMENT OF ASSETS

The book values of the assets, except for stocks, financial assets regulated by IAS 39 and deferred tax assets, are subject to review at the balance sheet date, in order to determine if any impairment indicators exist. If the assessment reveals the presence of such indicators, the estimated realizable value of the asset is calculated in the manner indicated below. Please note that the estimated realizable value of goodwill and intangible fixed assets not yet used is estimated at least once per year, or more frequently if events indicate the possibility of a loss of value.

A tangible asset or intangible asset suffers an impairment if it is not able to recover the book value at which the asset is recorded in the financial statements through the use or sale thereof. The purpose of the verification (impairment test) provided by IAS 36, is to ensure that tangible and intangible fixed assets are not carried at a value higher than their realizable value, consisting of the net realizable value or value in use, whichever is higher.

Value in use is the current value of future cash flows expected to be derived from the asset or the cash-generating unit to which the asset belongs. Expected cash flows are discounted using a pre-tax discount that reflects the current market estimate of the cost of money reported at the time and risks specific to the asset. If the book value is higher than the realizable value, the assets or cash-generating unit to which they belong are written down to reflect the realizable value. These impairment losses are recognized in the income statement.

If the conditions that led to the impairment cease to exist, the assets previously written down are proportionally reversed until reaching at most the value that the assets would have had in the absence of previous impairments, net of amortization calculated on the historical cost. Reinstatements of values are recorded in the income statement.

The goodwill value previously written down can never be reinstated.

EQUITY INVESTMENTS

Equity investments in associated companies, except for those held for sale, are measured using the equity method, as required by IAS 28.

If impairment with respect to the amount determined using the above method is detected at the balance sheet date, the equity investment is written down accordingly.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, bank and postal deposits and securities with an original maturity of less than three months.

CURRENT FINANCIAL ASSETS, RECEIVABLES AND OTHER ASSETS

Current financial assets, trade receivables and other current assets (excluding derivative financial instruments) are accounted for on the basis of the acquisition cost, including incidental costs, at the time of their initial entry.

As far as financial assets and liabilities are concerned, it is stressed that the Group has no assets available for sale as it respects the objective and subjective classification requisites of these financial instruments as "held to maturity" or:
- financial instruments held all have a defined maturity date and give rise to fixed or determinable payments;
- the Company has the definite intention of retaining such instruments until maturity, and has the economic, financial and legal capacity to hold them to maturity, to assure sustainable use and stable investments.

Therefore, these financial instruments are measured under the amortized cost method.
Receivables due within the customary commercial terms, or that bear interest at market rates, are not discounted back but are recorded at cost (coinciding with their nominal value), net of an allowance for doubtful receivables, and are shown as a direct reduction of the payables themselves to bring the valuation thereof in line with the presumed realizable value. Accounts receivable with due date beyond customary commercial terms are initially recorded at fair value and subsequently at amortized cost using the effective interest rate method, net of any impairment losses.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments subscribed for hedging purposes; however, in cases in which the derivative financial instruments do not meet all the conditions applicable to hedge accounting as per IAS 39, the changes in fair value of these instruments are recorded in the income statement as financial charges and/or income.
Therefore, the derivative financial instruments are recorded in compliance with the hedge accounting regulations when the hedge ratio is formally designated and documented at the beginning of the hedge; when it is presumed that the hedge is highly effective; when the effectiveness can be reliably measured and the hedge itself is highly effective during the designated periods.
The fair value of derivative financial instruments against exchange risks (forward) is their market value on the closing date of accounts, which coincides with the discounted market value of the forward.
The accounting method for derivative financial instruments varies depending on whether or not the conditions and requirements of IAS 39 are met.

Cash flow hedges

In the case of a derivative financial instrument for which the hedging ratio to variations in cash flows generated by an asset or liability or a future transaction (underlying hedged item) believed to be highly probable and that could affect the income statement is formally documented, the effective portion, originating from the adjustment of the derivative financial instrument to the fair value, is charged directly to a reserve under "Capital and reserves". When the underlying hedged cash flow occurs, any such reserve is removed from capital and reserves and assigned to the income statement as "Operating charges and revenues", while any non-effective portion or overhedging portion is immediately allocated to the income statement as "Financial charges and/or income".
When a hedging instrument reaches maturity, is sold or exercised, or the Company changes the relationship with the underlying hedged item, and the forecast transaction, though it has yet to take place, is still considered likely, the resulting profits or losses originating from the adjustment of the financial instrument to the fair value remain under "Capital and reserves" and are charged to income statement when the transaction takes place as described above. If the probability of the underlying transaction occurring is no longer likely, the related profits or losses from the derivative contract, originally recorded under "Capital and reserves", are immediately charged to the income statement.

Hedges of monetary assets and liabilities (fair value hedges)

Where a derivative financial instrument is used to hedge changes in value of monetary assets or liabilities already recorded in the financial statements that could affect the income statement, profits and losses related to changes in fair value of the derivative financial instruments are immediately recorded in the income statement. Likewise, the profits and losses relating to the hedged item modify the carrying amount of any such item and are recorded in the profit and loss account.

STOCKS

Stocks are recorded, in each homogeneous category, at the purchase cost, including incidental and production costs and the corresponding net realizable or market value at year-end, whichever is lowest. The cost is determined according to the weighted average cost method.
As far as goods manufactured by the Company (semi-finished, work in progress and finished goods) are concerned, the cost of production includes all directly chargeable costs (raw materials, consumables, energy utilities, direct labor) and the cost of manufacturing (indirect labor, depreciation, etc.) in the amount reasonably attributable to the products.
Any stock impairment risks are hedged by the relevant stock depreciation allowance recorded as an adjustment to the corresponding assets item. Amounts thus obtained do not differ significantly from current costs on the closing date of accounts.

INTEREST-BEARING FINANCIAL PAYABLES

The Group retains financial instruments classified as "held to maturity" or retained to expiry and therefore all interest-bearing financial liabilities are valued as per the amortized cost method; the difference between this value and the settlement value is charged to the income statement during the term of the loan based on the amortization schedule.

LIABILITIES FOR EMPLOYEE BENEFITS

Defined contribution plans

The Group participates in public or privately defined contribution pension schemes on a mandatory, contractual or voluntary basis. The payment of contributions fulfils the Group's obligation towards its employees. The contributions are costs recognized in the period in which they are due.

Defined benefit plans for employees

The defined employee benefit plans are payable on or after the termination of the period of employment in the Group. These mainly include the severance indemnities which are calculated separately for each plan using actuarial methods to estimate the amount of future benefit accrued to employees during the year and in previous years. The resulting benefit is discounted and recorded net of the fair value of any related assets. The interest rate used to calculate the present value of the obligation was determined in accordance with para. 78 IAS 19, of the Iboxx Corporate A index with duration 10+ determined at the date of valuation. To this end, the yield for a duration comparable to the overall duration of the worker's covered by the assessment was chosen.
In the case of increases in plan benefits, the portion of the increase relating to the previous employment period is charged to the income statement on a straight line basis over the period in which the related rights will be acquired. If the rights are acquired immediately, the increase is immediately recorded in the income statement.
The expected present value of benefits payable in the future related to the length of employment in the current period, conceptually similar to the accrued share of the employee severance indemnity, is classified under "Personnel costs" in the income statement while the implicit financial charges are reclassified in the applicable financial section.

INCOME TAXES

Income taxes recognized in the income statement include current and deferred taxes. Income taxes are generally charged to the income statement, unless they relate to items recognized directly under "Capital and reserves". In this case, the income taxes are also charged directly to "Capital and reserves", as a variation to the amount recorded.
Current taxes are taxes calculated by applying the tax rate in effect on the balance sheet date and adjustments to prior year taxes to taxable income.
Deferred taxes are calculated using the so-called liability method on timing differences between the amount of assets and liabilities recorded in the consolidated financial statements and the corresponding values recognized for tax

purposes. Deferred taxes are calculated according to the designated method of reversal of timing differences, on the basis of realistic estimates of financial charges resulting from the application of the tax legislation in force at the date in which the financial statements were prepared.
Deferred tax assets are recognized only if it is probable that sufficient taxable income will be generated in future years to realize these deferred taxes.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and charges of a specific nature and certain or likely existence, the amount and date of occurrence of which are not known at the close of the period. Provisions are recognized when the existence of a pending liability arising from a past event is probable; when it is likely that the obligation will probably be burdensome; when the amount of the obligation can be reliably estimated.
Provisions are recorded at the value reflecting the best estimate of the amount the Company would reasonably pay to settle the obligation or transfer it to third parties at the end of the period.
The costs that the Group expects to incur to carry out restructuring plans are recorded in the financial year the Company formally defines the plan and the interested parties have a valid expectation that the restructuring will happen.
The provisions are periodically updated to reflect any variations in estimates of costs and realization times. Revisions of the provision estimates are charged in the same income statement item that had previously held the provision.
The notes to the consolidated financial statements illustrate the contingent liabilities consisting of:

- possible, but not probable, obligations arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the company;
- present obligations arising from past events the amount of which cannot be reasonably estimated or the fulfilment of which will probably not be burdensome.

CURRENT FINANCIAL LIABILITIES, TRADE PAYABLES AND OTHER PAYABLES

Trade payables and other payables, which mature within the normal commercial terms, are not discounted and are recognized at cost (identified by nominal value) reflecting their settlement value.
Current financial liabilities include the short-term portion of borrowings, including payables for cash advances and other financial liabilities. Financial liabilities are measured at amortized cost.

REVENUES

Revenues from sales of goods and services

Revenues from sales of assets are charged in the income statement when the risks and benefits of ownership are substantially transferred to the buyer. Income for services provided is recognized in the income statement based on the percentage of progress on the balance sheet date.

Government grants

Government grants are recorded when there is reasonable certainty that they will be granted and if the Group has met all the conditions necessary to obtain them. Operating grants received for costs incurred are systematically charged to the income statement in the same periods in which the related costs are recorded.
The capital grants are deducted from the book value of the asset concerned as required by IAS 20.

COSTS

Rental and operating leases

The rental and operating leasing fees are charged to the income statement on an accruals basis.

Financial leasing charges

The financial income and charges are recognized in the share capital reduction of the debt as well as the interest portion in the income statement, following the financial method required by IAS 17.

Financial income and charges

The financial income and charges are reported on an accrual basis based on the interest accrued to the net value of the related financial assets and liabilities by applying the effective interest rate. The financial income and charges include gains and losses on exchange and gains and losses on derivative instruments that must be recognized in the income statement if they fail to meet the requirements to be considered hedging.

USE OF ESTIMATES

The preparation of the consolidated financial statements requires that the directors apply accounting standards and methods that, in certain circumstances, are based on difficult and subjective valuations and estimates based on past experience and assumptions which are from time to time considered reasonable and realistic depending on the relative circumstances. The application of these estimates and assumptions affect the amounts reported in the schedules forming the financial statements, such as the statement of financial position, the income statement and the cash flow statement, as well as the information provided. The final values of the accounting items for which these estimates and assumptions were used may differ from those reported in the financial statements due to uncertainties regarding the assumptions and the conditions on which the estimates are based. Estimates and assumptions are reviewed periodically and the effects of each variation recognized in the period in which the estimate is revised if the revision affects only the current period, or even in subsequent periods if the revision affects the current period and those in the future. The financial statement items which, more than others, require a greater degree of discretion by the directors when making estimates and for which a change underlying the assumptions used could have a significant impact on the financial statements are: “Goodwill”, “Deferred taxes”, “Allowance for doubtful accounts” and “Provisions for risks”.

CORPORATE INFORMATION

During 2016 Comer Industries India Pvt. Ltd. began operating, generating a turnover of around 4.2 million euros.

NOTES TO THE BALANCE SHEET

Tangible fixed assets

The movements in technical fixed assets and the related accumulated depreciation during 2016 are described in the following tables, which show the values with a separate indication of contributions received in the capital account, as a reduction of the investment value:

thousand euros

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and other equipment	Other assets	Tangible fixed assets in progress	Total
01/01/15	**8,925**	**22,785**	**9,708**	**1,960**	**2,568**	**45,946**
Increases	638	5,420	4,439	1,080	1,751	13,328
Capital grants for fixed assets in progress	(26)	(641)	(130)	-	-	(797)
Decreases	-	-	-	-	-	-
Depreciation	(347)	(4,433)	(4,541)	(1,068)	-	(10,389)
Reclassifications	10	951	379	-	(1,340)	-
Reclassifications to assets held for sales	-	-	-	-	-	-
Conversion differences	318	247	(2)	72	-	635
12/31/15	**9,518**	**24,330**	**9,853**	**2,044**	**2,979**	**48,723**
Increases	392	3,695	6,079	1,437	3,298	14,901
Capital grants for fixed assets in progress	-	-	-	-	-	-
Decreases	-	(103)	(72)	(136)	-	(311)
Depreciation	(372)	(5,043)	(4,798)	(796)	-	(11,009)
Reclassifications	-	1,502	232	-	(1,734)	-
Reclassifications of assets held for sales	-	-	-	-	-	-
Conversion differences	109	(114)	6	33	-	34
12/31/16	**9,647**	**24,267**	**11,300**	**2,582**	**4,543**	**52,338**

Investments in tangible fixed assets of 14,901 thousand euros, equal to approximately 5% of sales, mainly refer to the parent company, Comer Industries Spa (around 10.8 million euros), Comer Industries Components Srl (2.2 million euros) and the equipping of the new Indian production plant (on which around 800 thousand euros have been invested). With reference to investments in the parent company, mention should be made of acquisition of two new horizontal machining centers, HCN Nexus 10800 and 6800, a DMG Mori Seiki integrated workspace facility and AGV automatic transfer systems at the Matera plant, as well as the acquisition of test benches, industrial tools, molds and dies, cutting machines and other equipment in preparation for the development of new products. With regards to fixed assets under construction, reference should be made to the heat treatment line and the 280 CX Gleason bevel gear cutting machine at the Reggiolo plants, which will come into operation presumably within the first half-year of 2017. Increases in the “Land and buildings” heading refer to improvements made to buildings owned by the Group.
For more information, please refer to the report on operations.

INTANGIBLE FIXED ASSETS AND GOODWILL

The variations in intangible fixed assets are shown below, indicating values net of government capital grants:

thousand euros

	Goodwill	Development and certification costs	Trademarks and know-how	License and trademark concessions	Other intangible fixed assets	Intangible fixed assets in progress	Total
01/01/15	**-**	**607**	**19**	**1,460**	**98**	**1,375**	**3,558**
Increases	-	58	16	717	13	939	1,743
Decreases	-	-	-	-	-	(220)	(220)
Amortisation	-	(312)	(15)	(561)	(3)	-	(891)
Reclassifications	-	230	-	23	-	(253)	-
Reclassifications to assets held for sales	-	-	-	-	-	-	-
Conversion differences	-	-	-	6	(21)	(1)	(15)
12/31/15	**-**	**583**	**20**	**1,645**	**87**	**1,840**	**4,174**
Increases	-	62	3	1,043	-	551	1,659
Decreases	-	-	-	-	-	(274)	(274)
Amortisation	-	(312)	(5)	(555)	(6)	-	(878)
Reclassifications	-	768	-	175	56	(1,000)	(1)
Reclassifications of assets held for sale	-	-	-	-	-	-	-
Conversion differences	-	-	-	(3)	19	(3)	13
12/31/16	**-**	**1,101**	**18**	**2,305**	**155**	**1,114**	**4,693**

Intangible fixed assets are broken down as follows:

Development and approval costs and intangible fixed assets in progress

These capitalizations are mainly related to internal orders associated with the development of new products on the basis of specific requests and different versions made directly by customers. During the period intangible fixed assets in progress and not in progress have been capitalized for a total value of development costs of 551 thousand euros; 274 thousand euros however represent the decreases for waived projects. These projects meet the requirements of paragraph 57 of IAS 38, as the Group analyzed the technical feasibility of the same, as well as the intention to complete the project, to introduce new products on the market and the availability of technical and financial resources, as well as a reliable identification of own costs. These expenses are amortized on the basis of the probable useful life generally estimated to be 3 to 5 years, depending on the sector they are intended for.

Trademarks and know-how

The increase for the period is due to the capitalization of the costs of trademark registration of “Comer Industries” in emerging countries. The decrease in the period is due to amortization.

Concessions, licenses and patents

The increase for the period amounts to 1,105 thousand euros and is mainly due to investments for SAP Business Object licenses, SAP localization licenses and costs at the Indian subsidiary, the PLM project regarding new product development traceability, external information technology activities for upgrading SAP management upon the ECC EHP8 release on HANA and finally, the acquisition of VMWare licenses for the MES project, linked to the Industry 4.0 program.

DEFERRED TAX ASSETS

The details are as follows:

thousand euros

	12/31/16	12/31/15
Tax credit on assets Italian Decree Law 91/2014	82	165
Tax credit in litigation (IRAP)	-	11
Tax credits beyond next year (Italian Law 296/2006)	329	329
Credit for IRES reimbursement of IRAP (Legislative Decree 201/2011)	1,468	1,468
VAT 2011/2013 reimbursement	631	484
Subtotal tax assets	**2,510**	**2,457**
Prepaid tax credits beyond next year	3,298	5,293
Prepaid tax credits within next year	1,737	1,858
Subtotal deferred tax assets	**5,035**	**7,151**
Tax assets and deferred tax receivables	**7,545**	**9,608**

The long-term receivables from tax authorities consist of the long-term portion of the tax credit pursuant to Italian Legislative Decree 91/2014 and Law 190/2014 for investments in new capital equipment, the tax credit for research incentives ex Law 296/06 art. 1 paragraphs 280 to 283 and the IRES reimbursement for IRAP non-deductibility of personnel costs and similar expenses (art. 2.1, quater, Italian Decree Law no. 201 dated December 6, 2015).

As regards the IRES credit, please note that in February and March 2015 Comer Industries Spa and Comer Industries Components Srl submitted an application for a value added tax refund and, therefore, this amount was accounted for on an accrual basis according to the instructions in Assonime (Circular no. 1 of January 15, 2015). The repayment is due to the failure to deduct the portion of IRAP related to employees from the IRES tax base for the years 2007-2008-2010-2011, net of utilization for 2009, for which the Italian government has so far not yet provided indications on the method and the recovery time.

The tax receivable for the requested VAT reimbursement in 2011 was reclassified to long-term, as it is not expected to occur this year.

The balance of deferred tax assets is significantly lower than the previous year due to the recovery of losses in Comer Industries Inc. and Comer Industries do Brasil Ltda. brought forward, but especially as a result of the scrapping of the “no-moving” warehouse at the Chinese subsidiary, which has also generated a loss brought forward to be recovered in the next five years. The Group expects to be able to begin the recovery of these losses already in 2017.

For the detailed breakdown of this item please refer to the table below:

thousand euros

Prepaid taxes by company	12/31/16 Timing differences	12/31/16 Tot. prepaid taxes	12/31/15 Timing differences	12/31/15 Tot. prepaid taxes	2016 (Used) provided
Inventory obsolescence provision Comer Industries Spa	1,601	447	1,857	540	(93)
Provision for guarantees and/or contractual risks Comer Industries Spa	2,011	561	1,468	461	100
Trademark Comer Industries Spa	2,518	703	2,800	791	(88)
Agents' leaving indemnity Comer Industries Spa	691	193	721	201	(8)
Adjustments for entries in foreign currencies Comer Industries Spa	151	36	121	33	3
Provision for taxed credits Comer Industries Spa	807	194	711	183	11
Deferred variable salary Comer Industries Spa	109	26	75	21	5
Goodwill Indumec/Tecnostile from 10 to 18 years Comer Industries Spa	78	22	208	63	(41)
Risk provision Comer Industries Spa	11	3	20	6	(3)
IRES from IRAP for personnel costs 2004-2006 Comer Industries Spa	-	-	83	23	(23)
Contributions/taxes and others Comer Industries Spa	11	3	146	46	(43)
Uniform capitalization Comer Industries Inc.	378	146	265	98	48
Provision for taxed credits Comer Industries Inc.	102	40	216	80	(40)
Inventory obsolescence provision Comer Industries Inc.	243	94	232	86	8
Deferred salary Comer Industries Inc.	-	-	280	104	(104)
Long-term incentive bonus + MBO Comer Industries Inc.	-	-	75	28	(28)
Other sundry Comer Industries Inc.	301	126	129	48	78
Previous losses Comer Industries Inc.	-	-	2,055	760	(760)
Previous losses Comer Industries do Brasil Ltda.	-	-	191	65	(65)
Currency adjustment Comer Industries do Brasil Ltda.	140	48	362	123	(75)
Inventory obsolescence provision Comer Industries do Brasil Ltda.	169	58	-	-	-
Bad debt provision Comer Industries do Brasil Ltda. and others	133	45	41	14	31
Inventory obsolescence provision Comer Industries Components Srl	717	200	873	254	(54)
IRAP on labour cost + IRAP 10% IRES	-	-	8	2	(2)
Deductible contributions/taxes and others by date Comer Industries Components Srl	23	6	15	4	2
Bad debt provision Comer Industries (Shaoxing) Co. Ltd.	-	-	544	136	(136)
Inventory obsolescence provision Comer Industries (Shaoxing) Co. Ltd.	797	199	5,811	1,453	(1,254)
Temporary differences depreciation Comer Industries (Shaoxing) Co. Ltd.	23	6	40	10	(4)
Previous losses Comer Industries (Shaoxing) Co. Ltd.	1,749	437	-	-	437
Bonuses and other sundry Comer Industries (Shaoxing) Co. Ltd.	163	41	80	21	20
Previous losses Comer India Pvt. Ltd.	136	46	136	46	-
Total prepaid assets by company	**13,061**	**3,678**	**19,563**	**5,700**	**(2,080)**
PREPAID TAXES FROM IAS EFFECTS ON INDIVIDUAL COMPANIES					
Other IAS impacts Comer Industries Spa	625	174	474	379	(205)
IAS impacts Comer Industries Components Srl	228	64	354	106	(43)
Total prepaid taxes from IAS transition	**853**	**238**	**828**	**485**	**(247)**
DEFERRED TAX ASSETS ON CONSOLIDATION TRANSACTIONS					
Stock profit elimination by Italy	4,069	1,119	3,089	966	153
Total prepaid taxes on consolidation	**4,069**	**1,119**	**3,089**	**966**	**153**
Total prepaid taxes recorded	**-**	**5,035**	-	**7,151**	**(2,174)**

OTHER LONG-TERM RECEIVABLES

thousand euros

	12/31/16	12/31/15
Receivables from La Fondiaria insurance	360	383
Receivables from Basilicata Region	2,040	2,040
Receivables from Emilia Romagna Region	500	657
Deposits for foreign rents	256	-
Receivables from Insurance company	-	336
Other sundry including guarantee deposits	145	101
Other long-term debtors	**3,301**	**3,517**

The amounts owed by La Fondiaria relate to an insurance policy covering a portion of the pension indemnity accrued by employees.
The credit of 500 thousand euros represents the residual portion, not yet collected, of the contribution pursuant to Italian Law Decree no. 1178 of July 8, 2016 issued by the Emilia Romagna region for the recovery of production efficiency following the earthquake in May 2012.
The net amount recorded in the balance sheet (as a result of the difference between the accrued receivable and the liability to the region for the amount collected until December 31), equivalent to 2,040 thousand euros, has been recorded in the accounts following the approval of the business development plan, with special regional resolution no. 954 of June 8, 2015.
The total value of the grant accrued as at December 31, 2016 for the project is reported below, divided according to the following categories of assets to which it refers:

thousand euros

Appropriation asset	12/31/16
Land and buildings	1,723
Plant and machinery	2,235
Fixtures and fittings, tools and other equipment	1,070
Other assets	72
Total	**5,100**

Other long-term debtors refer to guarantee deposits primarily for real estate in rental agreements and consumption. The deposit paid during the period to the lessors of the leased property in India is shown separately.

STOCKS

The changes are as follows:

thousand euros

	01/01/16	Net changes/ increases	Other changes	Conversion differences	12/31/16
Raw materials and packaging	15,879	1,412	-	(108)	17,183
Raw materials and consumable obsolescence provision	-	-	-	-	-
Raw materials, consumables and packaging	**15,879**	**1,412**	**-**	**(108)**	**17,183**
Semi-processed	41,071	(8,228)	-	37	32,880
Semi-processed obsolescence provision	(5,756)	4,959	-	-	(797)
Semi-processed	**35,315**	**(3,269)**	**-**	**37**	**32.083**
Finished products and goods for resale	25,889	4,055	(980)	994	29,957
Finished goods obsolescence provision	(3,092)	305		(29)	(2,816)
Finished goods	**22,797**	**4,360**	**(980)**	**965**	**27,141**
Stocks	**73,991**	**2,502**	**(980)**	**894**	**76,408**

The increase in stock, of around 2.4 million euros (+3.2%), is attributable for around 1 million euros to the impact of the conversion of stocks of finished products at subsidiaries as well as the production start-up of the Indian subsidiary. Again, during the 2016 financial year, particular attention was paid to the management of inventories, with the aim of achieving levels of efficiency in the management of net working capital and, consequently, improving the Company's net debt.
As at December 31, 2016, the value of intercompany profits not yet realized with third parties amounted to a total of 4,069 thousand euros (against 3,089 thousand euros as at December 31, 2015) before tax estimated at a total of 1,119 thousand euros (966 thousand euros as at December 31, 2015) recorded under deferred tax assets. The item "Other changes", in relation to the finished products category, reflects the impact of that count on the financial year. The decrease in the adjustment from the prior year is primarily attributable to the decrease in intercompany stock at the American subsidiaries.
The stocks of finished products and goods are stated net of an allowance for stock obsolescence for a total amount of 3,613 thousand euros. The decrease in the period is attributable to the phasing-out in China and Italy of products no longer useable in the production cycle.

TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

The changes are as follows:

thousand euros

	01/01/16	Net change	Conversion differences	12/31/16
Short-term receivables from customers	74,192	(3,765)	122	70,549
Bad debt provision	(2,588)	501	20	(2,067)
Trade debtors	**71,604**	**(3,265)**	**142**	**68,482**
Advances paid to suppliers	128	(80)	-	48
Receivables from Basilicata Region	-	-	-	-
Regional receivable for R&D	184	(184)	-	-
Receivables from social security institutions	385	566	-	951
Prepayments	1,346	(266)	-	1,080
Trade receivables from suppliers	2,076	(1,005)	-	1,071
Other short-term debtors	1,011	(184)	-	827
Other short-term debtors	**5,130**	**(1,153)**	**-**	**3,977**

The balance of "Trade receivables" is influenced by cyclical variability and has been affected by the fall in the annual turnover.
During the year, the Group has released provisions set aside in previous years linked to programmed payment plans that provided for discounts applicable only upon final settlement. Despite strong tensions associated with the markets in southern Europe, the Group has not registered significant levels of doubtful debts. The average collection days were stable compared to the previous year.
Trade receivables for transactions with the affiliate Vimi Fasteners Spa amount to 186 thousand euros (255 thousand euros in the previous year) and with the holding company Finregg Spa for 44 thousand euros in relation to consultancy for administrative services.
"Trade receivables from suppliers" refer, for approximately 1.1 million euros, to supplies from the Chinese market invoiced in the month of December 2015 for goods not yet owned by Comer Industries Spa, pursuant to the contractual terms of surrender.
Note that there are no trade receivables due after five years.

CURRENT TAX ASSETS

The changes are as follows:

thousand euros

	01/01/16	Net change	12/31/16
Italian and foreign VAT	12,994	(5,320)	7,674
Tax credit tangible assets Italian Decree Law 91/2014	82	-	82
Tax credit tangible assets Italian Law 190/2014	-	-	140
Prepaid taxes on 2008/2009/2010 IRAP appeal	184	(58)	126
Current taxes	1,623	(263)	1,359
Customs reimbursement for exports and sundry	148	52	200
Current tax assets	**15,031**	**(5,590)**	**9,581**

The current VAT credit of 7.6 million euros is attributable to the parent company Comer Industries Spa for 1.6 million euros and to the subsidiary Comer Industries Components Srl for further 5.6 million euros. The remaining part of VAT refers to payables to the tax authorities generated mainly by the Indian subsidiary and, to a lesser extent, by the Chinese and Brazilian subsidiaries.

Comer Industries Spa has collected 4.5 million euros in the first quarter of 2016 in the form of credit outstanding with reference to the VAT return relating to the 2010-2011 financial periods.

Comer Industries Components Srl expects to collect all the VAT credit by the end of the 2017 financial year, being the amount shown on the 2016 VAT return submitted in February 2017.

The “Prepaid taxes on 2008/2009/2010 IRAP appeal” item refers to a deposit paid in relation to the dispute with the Italian Tax Authority regarding IRAP findings on the 2009-2010 audits, deemed illegitimate. In relation to the dispute regarding the 2008 financial year, in 2016 Comer Industries Spa received a favorable ruling by the Tax Tribunal of first instance and, as a result, the Tax Authority has provided for the reimbursement of 124 thousand euros of the deposit, while requesting an integration for 2009 and 2010 (for a total amount of 66 thousand euros).

The tax credit for 1,359 thousand euros represents the excess of advances paid with respect to current taxes calculated on the profit generated during the year mainly by Comer Industries Inc. and Comer Industries (Shaoxing) Co. Ltd.

FINANCIAL ASSETS AND LIABILITIES, GUARANTEES

Net debt at the end of the period, calculated according to CESR (Committee of European Securities Regulator) indications, amounts to 55.3 million euros.

The breakdown and movements compared to the previous year are shown below:

thousand euros

Description	01/01/16	Decrease	Increase	12/31/16	*Notes*
Other medium/long-term financial receivables	(4,400)	2,200	-	(2,200)	*Cash equivalents*
Other short-term financial receivables	(2,200)	2,200	(2,200)	(2,200)	*Cash equivalents*
Cash and cash equivalents	(17,354)	9,442	(2,825)	(10,737)	*Cash*
Short-term loans	23,166	(9,182)	458	14,442	*Bank borrowing*
Medium/long-term loans	16,603	(6,922)	2,000	11,681	*Bank amortizing*
Total bank loans	39,769	**(16,104)**	**2,458**	**26,123**	
Short-term derivative financial instruments	34	-	-	321	
Other short-term loans	-	-	44,000	44,000	
Total net debt	**15,849**	**(2,262)**	**41,433**	**55,307**	

The financial assets and liabilities, broken down by the categories identified by IAS 39, are summarized in the following table:

thousand euros

	At fair value recognized in income statement	Loans and receivables	Total book value
FINANCIAL ASSETS AS AT 12/31/16			
Trade receivables	-	68,482	68,482
Other short-term debtors	-	3,977	3,977
Current tax assets	-	9,581	9,581
Other short-term loans	-	2,200	2,200
Short-term derivatives	-	-	-
Cash and cash equivalents	-	10,737	10,737
FINANCIAL LIABILITIES AS AT 12/31/16			
Long-term loans	-	(11,681)	(11,681)
Trade payables	-	(69,583)	(69,583)
Other short-term creditors	-	(10,805)	(10,805)
Current tax liabilities	-	(5,286)	(5,286)
Short-term derivatives	(321)	-	(321)
Short-term loans	-	(14,442)	(14,442)
Total	**(321)**	**(16,819)**	**(17,140)**

The total book values reported are substantially similar to the fair value of assets and liabilities previously reported.

OTHER SHORT-TERM AND LONG-TERM FINANCIAL RECEIVABLES

During the financial year 2015, Co.Bo.Wheels Srl was sold to Bonfiglioli Riduttori Spa. The payment will be deferred until 2018. The receivable yet to be collected amounts to 4.4 million euros, of which 2.2 million euros after 2017, while the short-term amount recorded (2.2 million euros) was collected in January 2017.

Breakdown of short-term financial receivables

thousand euros

	Currency	Yeld	Book value 01/01/16	Variation	Book value 12/31/16	Book value (in local currency) 12/31/16
Financial receivable Bonfiglioli Riduttori Spa	EUR	5%	2,200	-	2,200	2,200
Total short-term financial receivable			**2,200**	**-**	**2,200**	**2,200**

Short-term derivative financial instruments

The variation in short-term derivative financial instruments is shown below:

thousand euros

	Notional value 12/31/16	Notional value 12/31/15	Fair value 12/31/16
Short-term derivatives on exchange rates with positive fair value	-	-	-
Short-term derivatives on exchange rates with negative fair value	19,816	3,644	(321)
Net value of financial instruments	**19,816**	**3,644**	**(321)**
Short-term derivatives on exchange rates with negative fair value	-	-	-
Total rate hedging	**-**	**-**	**-**
Net value of financial instruments	**19,816**	**3,644**	**(321)**

Cash and cash equivalents

The value of 10,737 thousand euros should be compared with 17,360 thousand euros recorded last year. The difference is due to timing of collections and payments and should be analyzed by combining cash and cash equivalents of certain companies with the payables to banking institutions of other companies.

The amounts reported can be readily turned into cash and are subject to an insignificant value variation risk. It is believed that the carrying value of "Cash and cash equivalents" approximates their fair value at the balance sheet date. Further information can be found in the cash flow statement and in the table below.

thousand euros

	Currency	Indexing	Book value 01/01/16	Variation	Book value 12/31/16	Nominal value (in local currency) 01/01/16
Cash and cash equivalents	USD	Lib 1	7,598	(4,237)	3,361	46,854
Cash and cash equivalents	EUR	Eur 1	2,951	1,077	4,028	4,028
Cash and cash equivalents	GBP	Lib 1	1,690	(1,110)	580	497
Cash and cash equivalents	R$		480	170	650	2,230
Cash and cash equivalents	CNY	PBC	4,641	(2,523)	2,118	15,503
Total cash and cash equivalents			**17,360**	**(6,623)**	**10,737**	**-**

Short-term loans and current portion of medium/long-term loans

The item includes interest-bearing bank loans.

The amount of 14,442 thousand euros should be compared with 23,166 thousand euros recorded in the previous year. The decrease of 8 million euros is proportional to the variation in cash and cash equivalents and is attributable to a timing situation at the end of the year.

Furthermore, note that the credit lines, all at variable rates, chiefly refer to revocable short-term advances, with maturity conventionally set at one-year renewable and the current portion of medium/long-term loans.

During 2016, bond issues previously subscribed have been fully repaid.

thousand euros

	Currency	Indexing	Book value 01/01/16	Variation	Book value 12/31/16	Nominal value (in foreign currency) 01/01/16
Current accounts overdraft and advance accounts with banks	EUR	Eur1 +0.50%	15,113	(5,850)	9,263	9,263
Bank overdraft Comer Components Srl Banco Popolare	EUR	Eur1 +0.50%	-	458	458	458
Unicredit loan medium/long-term current portion	EUR	Eur3 +1.10%	-	-	-	-
Mediocredito Italiano loan medium/long-term current portion	EUR	Eur3 +1%	-	-	-	-
Intesa loan medium/long-term current portion	EUR	Eur6 +0.85%	600	600	1,200	1,200
BPER loan medium/long-term current portion	EUR	Eur6 +0.70%	1,008	(503)	505	505
UBI loan medium/long-term current portion	EUR	Eur3 +1.70%	-	-	-	-
UBI loan medium/long-term current portion	EUR	Eur3 +0.85%	-	847	847	847
Mediocredito Italiano loan (Comer Industries Components Srl)	EUR	Eur1 +0.45%	622	-	622	622
Deutsche Bank Shanghai loan	CNY	PBC flat	-	-	-	-
FTB loan	USD	Lib1 +1.50%	-	-	-	-
Bond	EUR	TUS +3%	2,066	(2,066)	-	-
Total short-term loans (excluding intercompany)			**20,546**	**(6,104)**	**14,442**	**-**
Finregg loan	EUR	Eur1 +0.90%	2,620	(2,620)	-	-
Total short-term loans			**23,166**	**(8,724)**	**14,442**	**-**

Long-term loans

This item includes the “held to maturity” financial instruments with a defined maturity that give rise to fixed or determinable payments. The Group has the intention and the relative economic and financial capacity to retain these instruments until maturity.

The book value of medium/long-term financial liabilities is close to their fair value.

The amount of 11,681 thousand euros should be compared with 16,603 thousand euros recorded in the previous year. New loans were stipulated in order to rebalance the medium/long-term impact on the total bank debt and no covenant was released.

As indicated for the previous financial year, the composition of borrowing and that of equity proves that non-current assets are abundantly covered, which assures stability and confidence as far as sources of finance are concerned.

Further information can be obtained from the specific table provided below.

thousand euros

	Currency	Indexing	Book value 01/01/16	Variation	Book value 12/31/16	Nominal value (in foreign currency) 01/01/16
Intesa loan medium/long-term non current portion	EUR	Eur6 +0.85%	3,400	(1,200)	2,200	2,200
BPER loan medium/long-term non current portion	EUR	Fixed 0.40%	-	2,000	2,000	2,000
BPER loan medium/long-term non current portion	EUR	Eur6 +0.70%	840	(504)	336	336
Mediocredito Italiano loan (Comer Industries Components Srl)	EUR	Eur1 +1.50%	2,800	(622)	2,178	2,178
BP loan (Comer Industries Components Srl)	EUR	Eur3 +1.10%	2,263	(749)	1,514	1,514
Intesa loan medium/long-term (Comer Industries Components Srl)	EUR	Eur3 +0.85%	2,100	(800)	1,300	1,300
Unicredit loan medium/long-term non current portion	EUR	Eur3 +1.30%	2,200	(2,200)	-	-
Bond	EUR	TUS +3%	-	-	-	-
Total medium/long-term loans			**16,603**	**(4,922)**	**11,681**	**-**

Reported below is the breakdown of bank loans by nature, divided into short and medium/long-term, existing as at December 31, 2016:

thousand euros

	Balance 01/01/16	New disbursement (repayments)	Balance 12/31/16 euro	< 1 year euro	> 1 year euro	Of which > 5 years	Maturity
Intesa San Paolo loan	2,500	(400)	2,100	800	1,300	-	12/31/18
Mediocredito Italiano loan	3,422	(622)	2,800	622	2,178	-	06/15/21
Banco Popolare loan	3,000	(739)	2,261	747	1,514	-	12/31/19
Intesa San Paolo loan	4,000	(600)	3,400	1,200	2,200	-	12/31/18
UBI Banca loan	3,000	-	3,000	847	2,153	-	01/28/20
BPER loan	848	(677)	171	171	-	-	02/20/17
BPER loan	1,000	(331)	669	333	336	-	11/09/18
Unicredit loan	2,200	(2,200)	-	-	-	-	10/31/17
BPER loan	-	2,000	2,000	-	2,000	-	07/28/20
Total	**19,970**	**(3,569)**	**16,401**	**4,720**	**11,681**	**-**	

Commitments and guarantees

Guarantees amount to 51,152 thousand euros (56,504 thousand euros in 2015) and consist of Comer Industries Spa commitments in the total amount of 33,068 thousand euros, of which 18,100 thousand euros to the subsidiary Comer Industries Components Srl, 4,508 thousand euros to Comer Industries (Shaoxing) Co. Ltd. and 1,727 thousand euros to Comer Industries India Ltd.

Comer Industries Components Srl has itself issued guarantees in favor of the Reggio Emilia VAT office for 18,084 thousand euros, in relation to VAT reimbursement.

The following are complete details of the system of commitments and risks for the Group:

thousand euros

Guarantees to third parties	Notes	Expiry	12/31/16 Amount	12/31/15 Amount
GUARANTEES GRANTED BY COMER INDUSTRIES SPA				
Surety to Reggio Emilia VAT office for Comer Industries Spa		11/15/18	3,500	3,500
Surety to Reggio Emilia VAT office for Comer Industries Spa		12/31/18	3,135	3,135
Surety to Reggio Emilia VAT office for Comer Industries Spa		12/31/18	2,001	2,001
Patronage letter to Intesa San Paolo for loan to Comer Industries (Shaoxing) Co. Ltd.	(*)	revocable	4,508	4,674
Surety in favour of Atradius for Comer Industries Components Srl	(**)	05/29/16	-	6,619
Surety in favour of Intesa for Comer Industries Components Srl	(**)	12/31/18	2,100	2,500
Banco Pop. di Verona - BSGSP for loan to Comer Industries Components Srl	(**)	revocable	16,000	15,000
Banca Nazionale del Lavoro for loan to Comer Industries India Pvt. Ltd.	(***)	09/30/17	1,727	-
Other sundry		04/30/17	97	30
GUARANTEES GRANTED BY COMER INDUSTRIES COMPONENTS SRL				
Surety to Reggio Emilia VAT office for Comer Industries Components Srl		07/31/17	8,404	8,404
Surety to Reggio Emilia VAT office for Comer Industries Components Srl		08/20/16	-	6,200
Surety to Reggio Emilia VAT office for Comer Industries Components Srl		05/31/19	5,400	-
Surety to Reggio Emilia VAT office for Comer Industries Components Srl		08/28/17	4,280	4,280
Surety to Consorzio Sviluppo		01/31/15	-	161
Total guarantees to third parties			**51,152**	**56,504**

Guarantees received from third parties	Expiry	12/31/16 Ammontare	12/31/15 Ammontare
Comer Industries Components Srl from MPS for ProjectGroup	04/01/16	-	44
Comer Industries Spa from Gleason	12/31/16	133	-
Comer Industries Spa from Ipsen	07/15/17	1,575	-
Comer Industries Spa from Apicom	10/27/17	126	-
Total guarantees received from third parties		**1,834**	**44**

(*) for guarantees granted by Comer Industries Spa in favor of Comer Industries (Shaoxing) Co. Ltd.
(**) for guarantees granted by Comer Industries Spa in favor of Comer Industries Components Srl
(***) for guarantees granted by Comer Industries Spa in favor of Comer Industries India Ltd.

The Group has no commitments to leasing companies.

Capital and reserves

The share capital of the parent company consists of 10,000,000 shares with nominal value of 1 euro each, fully subscribed and paid in. During the current financial year, no transactions were carried out on the capital reserve account items. Other reserves include:

thousand euros

Other reserves	12/31/16	12/31/15
Legal reserve	2,000	2,000
Available extraordinary reserves	10,994	54,994
Consolidation reserve	3,543	3,543
FTA reserve (First Time Adoption IAS/IFRS)	(5,575)	(5,575)
Conversion reserve	5,935	5,527
CFH (Cash Flow Hedge) reserve	(208)	-
Total other reserves	**16,689**	**60,489**

Information regarding the distribution of the reserves can be found in the notes to the financial statements of the parent company Comer Industries Spa.

Please note that the legal reserve of the parent company Comer Industries Spa has already reached the limits provided for under art. 2430 of the Italian Civil Code.

The increase in the translation reserve of 0.5 million euros is chiefly due to the appreciation of the US dollar and the Brazilian real against the euro as at December 31 of each year. The cash flow hedge reserve contains the amount, at fair value, of the portion of hedges made on cash flows in foreign currency, considered effective according to the provisions of IAS 38, for which a suitable effectiveness test will be carried out. The value is shown net of deferred taxation.

Reconciliation between the amount of capital and reserves and the result of operations shown in the financial statements of the parent company Comer Industries Spa drawn up in compliance with the Italian accounting standards as at December 31, 2016 and the amounts reported in the consolidated financial statements, drawn up in compliance with international standards, on the same date is as follows:

thousand euros

	Sharehol-ders' equity 12/31/16	Profit/(loss) for year 12/31/16	Capital and reserves 12/31/15	Profit/(loss) for year 12/31/15
Italian GAAP statutory shareholders' equity of Comer Industries Spa	**80,618**	**5,928**	**79,770**	**6,018**
Dividends distributed	(49,000)	-	(5,000)	-
Italian GAAP statutory shareholders' equity of Comer Industries Spa	**31,618**	**5,928**	**74,770**	**6,018**
Effects of revised IAS 19 actuarial losses net of tax effect Comer Industries Spa	(1,411)	-	(1,284)	-
IAS/IFRS effects on parent company financial statements	1,929	(313)	2,242	(1,001)
IAS/IFRS statutory shareholders' equity of Comer Industries Spa	**32,136**	**5,615**	**75,728**	**5,017**
Differences in adjusted capital and reserves of consolidated equity investments and their book value in parent company's financial statements net of IAS/IFRS effects	99,613	5,718	93,895	8,215
Write-off of intercompany dividends	(62,961)	(3,847)	(59,114)	(1,500)
Cash flow hedge IAS 38 Comer Industries (Shaoxing) Co. Ltd.	(128)	-	-	-
Write-off of exchange difference for non-cash items in foreign currencies - IAS 21	6,000	-	5,592	-
Effects of revised IAS 19 actuarial losses net of tax effect Comer Industries Components Srl	(337)	-	(281)	-
Recognition in income statement of exchange differences on discontinued operations, deferred to the conversion reserve	(66)	-	(66)	-
Subsidiary equity contribution to the parent company	**42,121**	**1,871**	**40,026**	**6,715**
Write-off of unrealised intercompany profits with third parties net of related tax effects	***(2,958)***	***(827)***	***(2,131)***	***1,291***
Minority capital and reserves	-	-	-	-
Total IAS/IFRS shareholders' equity	**71,299**	**6,659**	**113,623**	**13,023**

During the current financial year, Comer Industries Spa resolved upon and distributed dividends to its parent company Finregg Spa for the total amount of 5 million euros. In addition, there was an extraordinary distribution, equal to 44 million euros, resolved on December 2, 2016 but paid on February 15, 2017, corresponding to the transfer of control as already referred to.
Actuarial losses from recalculating the employee severance indemnity for the year 2016 have been reported after changes in the reserves for retained earnings (as required by the revised IAS 19.93A) and amounted to 254 thousand euros. Net of the related tax effect, they adjust the consolidated net assets total by 183 thousand euros. The differences in equity of individual subsidiaries, originating from the application of the IAS/IFRS standards, have been recognized in their equity contribution, net of any write-downs.
The item "Write-off of unrealized intercompany profits" includes the derecognition of the margin on intercompany sales, the goods whereof were still unsold in stock at the purchasing subsidiaries at year-end.
All the effects of the above are shown net of the related taxes.

DEFERRED TAX LIABILITIES

thousand euros

Tax liabilities and deferred taxes	12/31/16	12/31/15
Payable to tax authorities for previous years' taxes (non-current portion)	290	2,575
Subtotal tax liabilities	**290**	**2,575**
Deferred tax credits beyond next year	844	1,232
Deferred tax credits within next year	63	16
Subtotal tax liabilities	**907**	**1,248**
Tax liabilities and deferred taxes	**1,197**	**3,823**

The item reports the portion of the debt payable to the tax authorities after the next financial year related to the assessment for the years 2003-2009, prorated according to the law.

The deferred taxes are related to the tax effect of timing differences between the profit and loss for the year for statutory purposes of each company and any associated taxable income.
The amounts so defined are detailed in the following table:

thousand euros

Deferred tax liabilities by company	Timing differencies 12/31/16	Total deferred taxes 12/31/16	Timing differencies 12/31/15	Total deferred taxes 12/31/15	(Used) provided 2016
Difference at full tax rate - pro rata for new assets acquired and made operational in 2008 Comer Industries Spa	34	8	41	13	(5)
Adjustment entries in foreign currencies Comer Industries Spa	250	60	26	8	52
CFH reserve	(233)	(63)	-	-	-
Gain/loss on fixed assets	-	-	25	9	(9)
Depreciation/amortisation Comer Industries Inc.	1,465	527	1,136	420	107
Other sundry	-	-	15	5	(5)
Total deferred taxes	**1,516**	**532**	**1,243**	**455**	**141**

Deferred tax liabilities arising from transition to IAS individual companies	Timing differencies 12/31/16	Total deferred taxes 12/31/16	Timing differencies 12/31/15	Total deferred taxes 12/31/15	(Used) provided 2016
Deferred taxes on business combination					
IAS impacts Comer Industries Spa	1,343	375	2,395	752	(377)
IAS impacts Comer Components Srl	-	-	133	42	(42)
Total deferred taxes	**1,343**	**375**	**2,528**	**794**	**(419)**
Total in financial statement		**907**		**1,248**	**(279)**

POST-EMPLOYMENT BENEFITS

Variations in the provision were as follows:

thousand euros

	12/31/16	12/31/15
Opening balance	**9,870**	**10,364**
Utilisations for resignations and prepayments	(848)	(830)
Settlement of complementary pension schemes and treasury fund	(1,811)	(2,220)
Appropriation in the current year	2,619	2,615
IAS 19 recalculation effects for the year (before taxes)	287	(59)
Closing balance	**10,117**	**9,870**

The economic effects of the period, compared with the prior year, are summarized in the following:

thousand euros

	12/31/16	12/31/15	Posted to the income statement
Current service cost	(120)	(153)	Personnel costs
Actuarial losses/(gain)	254	(30)	Total income statement (profits carried forward)
Financial charges	153	124	Finance costs
Tax effect on income statement	(9)	9	Income taxes
Tax effect on balance sheet	(71)	9	Total income statement (profits carried forward)
Total effect	**207**	**(40)**	

The employee severance indemnity refers to employee benefits governed by the rules and regulations in force in Italy and recorded in the financial statements of Italian companies.

The Group, on the basis of actuarial valuations and interpretations available on the closing date of accounts, adopted the following distinctions:

- employee severance indemnity instalments accruing as from January 1, 2007: considered a "Defined contribution plan" in the case of both the option for complementary social security schemes as well as the option for the treasury fund of the National Security Institution (INPS). The accounting treatment is therefore the same as that in place for other types of contribution payments;
- employee severance indemnity provision as at December 31, 2006: remains a "Defined benefit plan" for which actuarial calculations must be made, although, compared to the calculations made to date (and reflected in the financial statements for the year ending December 31, 2006), excludes the component relating to future salary increases.

Liabilities for defined benefit plans have been determined on the basis of the following Group actuarial assumptions with value scales from 2016 to 2021:

Actuarial assumptions	Meas. unit	12/31/16	12/31/15
Discount rate	%	1.21	1.79
Expected percentage of employees who resign prior to retirement (turnover)	%	4.0	4.0
Increase in annual cost of living rate	%	1.5-2.0	1.5-2.0
Employee severance indemnity annual increase rate	%	2.625-3.0	2.625-3.0

In accordance with new regulations of IAS 19, the values of the employee severance indemnity fund that would have been obtained by changing the above actuarial assumptions are as follows:

thousand euros

Sensitivity analysis on the main valuation parameters for the employee severance indemnity provision as at 12/31/2016 Variations	Actualised employee severance indemnity provision
Turnover rate +1.0%	10,054
Turnover rate -1.0%	10,183
Increase in annual cost of living rate +0.25%	10,280
Increase in annual cost of living rate -0.25%	9,954
Discount rate +0.25%	9,876
Discount rate -0.25%	10,365

The positive effect of the period amounting to 40 thousand euros, net of the tax impact, is reflected primarily in the actuarial gain accrued as a result of the increase in the discount rate, from 1.79% to 1.21%, as a result of the recovery in the Iboxx Corporate A index representing the bond yields with a duration of 10+ years.
The composition of personnel by category, based on average data, is as follows:

Contractual category	Average number for 2016	Average number for 2015
Executives	27	27
Managers and clerical staff	459	451
Labourers	827	806
Total	**1,313**	**1,284**

As at December 31, 2016, the Group headcount was 1,318 compared to 1,240 as at December 31, 2015, including temporary workers (96 on December 31, 2016 compared to 29 in the previous financial year). The Indian subsidiary has an average workforce of 33 people. This is the main reason for the growth in the average number of staff in the period.

SHORT AND LONG-TERM PROVISIONS

The provisions include:

thousand euros

	12/31/16	12/31/15
Provision for product warranty risks	2,033	1,551
Provision for legal expenses	-	42
Provision for order completion	-	20
Short-term provisions	**2,033**	**1,613**
Supplementary agents indemnity fund	692	721
Other provisions for risks and charges	11	-
Long-term provisions	**703**	**721**

The "Provision for product warranty risks" mainly includes the cost estimate for repairs of products sold by Comer Industries Spa that did not conform to expectations. Generic provision decrease in porportion to lower volumes sold during the year, but this decrease was more than offset by a number of provisions for specific positions at the end of the period.

The "Provision for legal expenses" represents the charges for professional services in connection with pending litigation.

The "Supplementary agents indemnity fund" includes provisions for reimbursements recognized in the event of termination of the agency relationship, quantified according to the methods indicated in the collective economic agreement of March 20, 2002 for the regulation of agency relations and commercial representation in the industrial sectors and cooperation.

TRADE PAYABLES AND OTHER SHORT-TERM PAYABLES

Trade payables

The balance of 69,583 thousand euros includes advance payments to suppliers and is aligned with the previous year, consistent with the management of stocks. The balance as at December 31, 2016 also includes 1.1 million euros in invoices from Chinese suppliers for goods not yet delivered and trade payables related to supply transactions with the affiliate Vimi Fasteners Spa amounting to 484 thousand euros (347 thousand euros in the previous year).

No new leasing contracts were entered into during the current financial year. There are no liabilities with maturity beyond 5 years.

Other short-term payables

The balance amounting to 10,805 thousand euros includes amounts due to employees for services accrued and not paid as at the year-end closing. The decrease during the year is mainly due to the policy of drawing down accrued holidays and reducing liabilities on performance bonuses and annual bonuses. Finally, it should be noted that the directors are attributed a severance indemnity for a value of 2.5 million euros fully covered by an insurance policy. This value is shown in this heading net of the credit for an identical amount of insurance payable to the Company.

Current tax liabilities

The detail for this item is provided below:

thousand euros

	12/31/16	12/31/15
Tax balance for current taxes	992	-
Taxes for IRPEF withholdings	1,822	1,973
Other taxes due for withholdings and VAT for foreign companies	2,285	3,852
Payable to tax authorities for previous years' taxes (current portion)	187	-
Current tax liabilities	**5,286**	**5,825**

At the end of the year there were liabilities with tax authorities for current taxes for Comer Industries Spa, Comer Industries Components Srl and the European subsidiaries.
The amount owed to the tax authorities for IRPEF is adjusted to the consolidated tax burden percentage.
The "Liability to the tax authorities for prior years" pertains to the share to be paid during the year 2016, related to the tax disputes that were settled for 2003-2006 and 2007-2009.

NOTES TO OPERATING INCOME

Revenues from sales and services

Revenues are as follows:

thousand euros

	12/31/16	12/31/15
Sales of goods and products	303,614	327,388
Rendering of services	133	245
Revenues from sales and services rendering	**303,747**	**327,633**

The breakdown of revenues by geographic region is as follows:

thousand euros

	12/31/16	12/31/15
Asia Pacific	17,595	12,758
Emea	182,792	197,204
Latin America	11,639	6,018
North America	91,721	111,653
Total turnover by geographic area	**303,747**	**327,633**

Comer Industries Spa closed the 2016 financial year with a decline of 7.29% in total revenues, which amounted to 303.8 million euros, mainly due to the cyclical decline in the agricultural sector (after years of strong growth).
In a scenario of sharp decline in the sector, the downturn in business revenue is less than the market contraction: agricultural and industrial key accounts, who are leading global machinery manufacturers, saw a double-digit reduction in sales in 2016, particularly in North and South America. For Comer Industries Spa, the negative effect of the economic scenario was mitigated by the strategy of global market coverage and diversification over the five product lines, which was launched in recent years.

The wind sector achieved satisfactory growing results compared to 2015.
Changes in average exchange rates over the year had a positive impact of 1.4 million euros, mainly driven by the devaluation of the Canadian dollar, the British sterling and the Chinese yuan. Turnover, net of the currency impact, would have been 305.2 million euros (-6.8% compared to the previous year).
The Group maintained its high level of exports of manufactured goods also in 2016: turnover generated outside Italy corresponds to 86.7% of the total, while the sales in non-European markets stand at 42.9%, with strong performance in the North American market (30% of total sales).

OTHER OPERATING REVENUES

The breakdown of other operating income is as follows:

thousand euros

	12/31/16	12/31/15
Recoupment of manufacturing and services costs	966	2,193
Sales of scraps	546	486
Recoupment of expenses for training courses	-	52
Capital gains, photovoltaic reimbursement	129	169
Government grants for research, innovation	-	429
Capitalised costs net of disposal costs	277	329
Customs duty reimbursement	46	118
Proceeds on insurance indemnities	41	394
Other income and revenues	423	466
Total other income and revenues	**2,428**	**4,636**

The sales of scrap and chip materials as well as the recovery of the cost of customizing products and tooling from the customers are, on the whole, in line with the production trend.
The costs capitalized during the period for development projects of industrial products amounted to 551 thousand euros and are stated net of costs for projects abandoned in the period, which amounted to 274 thousand euros.

PERSONNEL COSTS

The personnel cost has remained stable compared to the previous year. This figure, however, has been affected by the start-up of the Indian subsidiary. On a like-for-like basis, this figure would be lower by around 1.5% compared to the previous year. The average per capita personnel cost declined 2.4% compared to the previous year, also thanks to the use of social support measures.

OTHER OPERATING COSTS AND WRITE-DOWN

The item "Other operating costs" includes indirect charges associated with turnover, production and the corporate organizational structure such as rentals, utilities, leases and maintenance, insurance expenses, sales commissions, expenses related to product quality.
The values under this item are similar to the previous year.
"Write-downs" include provisions for bad debts for the year, before any uses.
As required by Article 149-duodecies of the Issuer Regulation amended by Consob Resolution no. 15915 of May 3, 2007 published in the Official Gazette no. 111 of May 15, 2007 (SO 115), the remuneration for the year 2016 for services

provided by the independent auditors E&Y Spa to the Group are as follows:
- parent company audit assignment 59,000 euros;
- subsidiaries audit assignment 109,500 euros.
Other independent auditors:
- other subsidiaries audit assignment 33,500 euros.
These fees are included in “Other operating costs”.

OPERATING RESULT

The operating result achieved, in absolute terms, is equivalent to 9,837 thousand euros, corresponding to 3.23% of the consolidated turnover, an apparent improvement compared to 3.18% for the previous year. If, however, the extraordinary write-downs in 2015 (net of which the operating result would have been equal to 4.3% of turnover) are excluded, there would be a fall in profitability of around 1.07%. This result is attributable to the fall in volumes and the low flexibility of fixed costs (such as personnel and services) but also to the investment linked to the opening of a new market such as the Indian market, from which benefits are expected in future financial periods. In autumn 2016 the Group drew up and presented an industrial development plan that focuses on improving volumes and profitability.
For more information, please refer to the report on operations.

NET FINANCIAL INCOME/(CHARGES)

The details are as follows:

thousand euros

	12/31/16	12/31/15
Profit on fair value hedging transactions as at 12/31	(88)	(34)
Exchange gain/(loss)	925	(1,274)
Exchange gains and losses	**837**	**(1,308)**
Banking interest income	1	79
Interest income from parent companies	5	17
Interest deferred payment sale of investments	231	327
Interest on late VAT refund	5	343
Other commercial interest	12	24
Total finance income from cash management	**254**	**790**
Interest expense charged by tax authorities	-	(136)
Interest expense charged by parent companies	(1)	(2)
Interest on advances, loans and other short-term banking items	(134)	(271)
Interest on mortgages and medium/long-term loans	(201)	(194)
Interest expense for discounting staff severance indemnity	(153)	(124)
Interest and charges on bond issues	(21)	(64)
Total finance charges from cash management	**(510)**	**(791)**
Net interest and other finance charges	**(256)**	**(1)**
Balance of cash management	**581**	**(1,309)**

Exchange gains and losses

The balance for exchange management is the result of trends in currency markets (US dollar, Canadian dollar, British sterling and the Brazilian real in particular) and represents the greater amount collected on receivables in euro held by the English subsidiary and in Canadian dollars held by the parent company Comer Industries Spa, as well as on receivables in dollars held by the Chinese subsidiary.
The loss of 88 thousand euros, recorded as "Fair value on hedging transactions", is the result of the assessment as at December 31, 2016 of hedging transactions considered ineffective.

Interest and other net financial charges

The liabilities for interest on loans and financing both long and short-term has decreased due to the decrease in the average debt of the Group to the bank system and is more relevant in a market that is experiencing financial conditions and rate spreads still moderately less favorable than the rest of Europe.
For more information or analysis in relation to the net financial position, please refer to the report on operations.

INCOME TAXES

The total tax burden amounts to 3,758 thousand euros, including current income taxes of 1,731 thousand euros (2,072 thousand euros in 2015), taxes for previous financial periods for 131 thousand euros (mainly attributable to the American subsidiary) and the net cost for deferred taxes of 1,896 thousand euros.
The consolidated tax burden, net of non-recurring costs, was 34.81% as at December 31, 2016, while for 2015 it was 31.12% (calculated net of proceeds from divested operations). This increase is mainly attributable to the loss of the ACE (Economic Growth Assistance) contribution, due to the distribution of extraordinary dividends. In order to better understand the reconciliation between the tax burden recognized in the financial statements and the theoretical tax burden, the following explanatory table is provided wherein the IRAP is not considered as this, being a tax with a tax base different from income before taxes, would generate distortions between one year and another. The reconciliation was therefore determined with reference to the single IRES tax rate in force in Italy, equal to 27.5%, applied in 2016 to income before taxes.

thousand euros

	12/31/16	12/31/15
Consolidated pre-tax profit	10,417	15,527
Hypothetical parent company tax rate	27.50%	27.50%
Hypothetical income taxes on the income of the period	**2,865**	**4,270**
Tax effect of permanent differences for Italian companies	34	887
Effect from foreign tax rates that differ from theoretical Italian tax rate	353	21
Tax effect on gain from disposal of assets	-	(2,097)
Tax effect of taxing dividends from consolidated companies	178	21
Bonus tax credit Italian Legislative Decree 91/2014	(25)	(23)
Tax effect of tax subsidies for Italian companies ACE	(175)	(606)
Tax effect receivable for R&D Italian Law 190/2014 art.1c.35	(140)	(50)
Tax effect overdepreciations (Italian Law 208/2015)	(196)	(131)
IRES impact from IRAP for personnel costs (Italian Legislative Decree 201/2011)	(37)	(311)
Taxes from previous years	131	-
Impact of reduced corporate income tax rate deferred with respect to hypothetical rate	261	155
Other effects	45	(134)
Income taxes on the income of the period recorded in the financial statements, excluding IRAP	**3,293**	**2,003**
Current IRAP	**465**	**501**
Income taxes on the income of the period recorded in the financial statements (current, deferred)	**3,758**	**2,504**

EARNINGS PER SHARE

At the bottom of the income statement, the earnings/(loss) per share is reported, determined according to that manner provided in IAS 33, as summarized below:

amounts in euro

	12/31/16	12/31/15
Consolidated profit for the year pertaining to parent company shareholders	6,659,111	13,023,000
Average number of outstanding share	10,000,000	10,000,000
Profit per basic share for the current year in euro	**0.67**	**1.30**

Diluted earnings per share is equal to the base earnings per share, as the parent company holds no potential shares originating from warrants or shares conditional on stock option plans.

Reggiolo, 27 March 2017

The Chairman of the Board of Directors
(Fabio Storchi)

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS ENDED 31 DECEMBER 2016

Dear Shareholders,

the 2016 Comer Industries S.p.A Consolidated Financial Statements was submitted to us together with the Board of Directors Report.
It is compliant with the [...] International Accounting Standards issued by the International Accounting [...] Standards Board (IASB) and adopted by the European Union, even if the Board of Directors Report was drafted together with the 2016, Individual Financial Statements,.
Our activity was aimed at verifying the correctness and appropriateness of the information contained in the Consolidated Financial Statements and in the Board of Directors' report for the year 2016, since Ernst & Young S.p.A. (the Auditors) is in charge with the statutory audit of the accounts. Our supervisory activity was performed in compliance with the best practice of statutory auditors' principles drawn up by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CPA). and was particularly focused on:

- Verifying the existence and the skills, within the Comer organisational structure, of a function responsible for the transactions with the subsidiaries;

- The analysis of the Group composition and the of the relation by and between the subsidiaries, in order to determine the consolidation area;

- Obtaining the information on the activities performed by the subsidiaries and on the most relevant economic and financial transactions performed inside the company group, through the information received by Comer Industries' Directors and by the Auditors.According to these principles, we made reference to the rules governing the drafting of the Consolidated Financial Statements.

We ascertained:

- The use of correct procedures for the identification of the consolidation area and the adoption of principles of subsidiaries' consolidation, compliant with the IFRSs, effective 1, January 2016;

- The full compliance of the financial statements and of the Directors' report with the rules and principles concerning their formation;

- The adequacy of the organization of the parent company regarding with the collection of information inside the consolidation procedures; the compliance with the consolidation principles with reference to the elimination of the intercompany revenues and expenses, as well as of receivables and payables;

- The consistency of the Board of Directors' Group Report in connection with the data and the results of the Consolidated Financial Statements, that gives a wide reporting on the Group economic and financial performance and on the risks to which the Group is subject, as well as on the significant events occurred after the financial year closing, which did not affect the 2016 Financial Statements.

We have verified the consolidation area, examined the consolidation principles and the compliance with the applied evaluation criteria.
The documentation and the information obtained do not show deviations from the relevant laws concerning the drafting of the Consolidated Financial Statements.
In our opinion, the Consolidated Financial Statement properly represents the financial situation and the economic result of the Group for the year 2016.
The Consolidated Financial Statements and the Directors' Report are consistent.
We discussed with the Auditors with regard to the controls performed to issue our Report and their Report.
With this regard, the Auditor communicated to us they foresee to release their Report, according to article 14 of the 39/2010 D.L, on April 12, 2017, when they shall state that the Consolidated Financial Statements give a *true* and fair view of the assets and liabilities, of the financial position of the Comer Group at December 31, 2016, as well as of the profit and loss and the Cash Flow Statements for the year, in compliance with the International Financial Reporting Standards adopted by the European Union.
Given the above, The Board of Statutory Auditors invites the Shareholders' Meeting to take appropriate resolution on the result achieved.

Reggiolo (RE)
April 12, 2017

EY S.p.A.
Via Massimo D'Azeglio, 34
40123 Bologna

Tel: +39 051 278311
Fax: +39 051 236666
ey.com

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Comer Industries S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Comer Industries S.p.A., which comprise the balance sheet as at 31 December 2016, the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and explanatory notes of the consolidated financial statement.

Directors' responsibility for the consolidated financial statements

The Directors of Comer Industries S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Comer Industries S.p.A. as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Opinion on the consistency of the Management Report with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Management Report with the consolidated financial statements. The Directors of Comer Industries S.p.A. are responsible for the preparation of the Management Report in accordance with the applicable laws and regulations. In our opinion the Management Report is consistent with the consolidated financial statements of Comer Industries S.p.A. as at 31 December 2016.

Bologna, 12 April 2017

EY S.p.A.
Signed by: Gianluca Focaccia, partner

This report has been translated into the English language solely for the convenience of international readers.

comer industries

COORDINATION
Corporate Communication
Comer Industries Spa

GRAPHIC DESIGN AND LAYOUT
Industree Spa
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