

**GEFRAN GROUP
INTERIM REPORT AS AT
30 SEPTEMBER 2013**

Contents

GEFRAN GROUP – INTERIM REPORT AS AT 30 SEPTEMBER 2013

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1. GEFRAN GROUP'S CORPORATE BOARDS

Board of Directors

Chairman and Chief Executive Officer	Ennio Franceschetti
Chief Executive Officer	Alfredo Sala
Vice-Chairman	Romano Gallus
Executive Director	Maria Chiara Franceschetti
Director	Giovanna Franceschetti
Director	Andrea Franceschetti
Director	Cesare Vecchio
Director	Daniele Piccolo
Director	Marco Agliati

Board of Auditors

Chairman	Eugenio Ballerio
Statutory auditor	Enrico Broli
Statutory auditor	Ernesto Bino
Deputy auditor	Rossella Rinaldi
Deputy auditor	Guido Ballerio

Internal control committee

- Cesare Vecchio
- Daniele Piccolo
- Marco Agliati

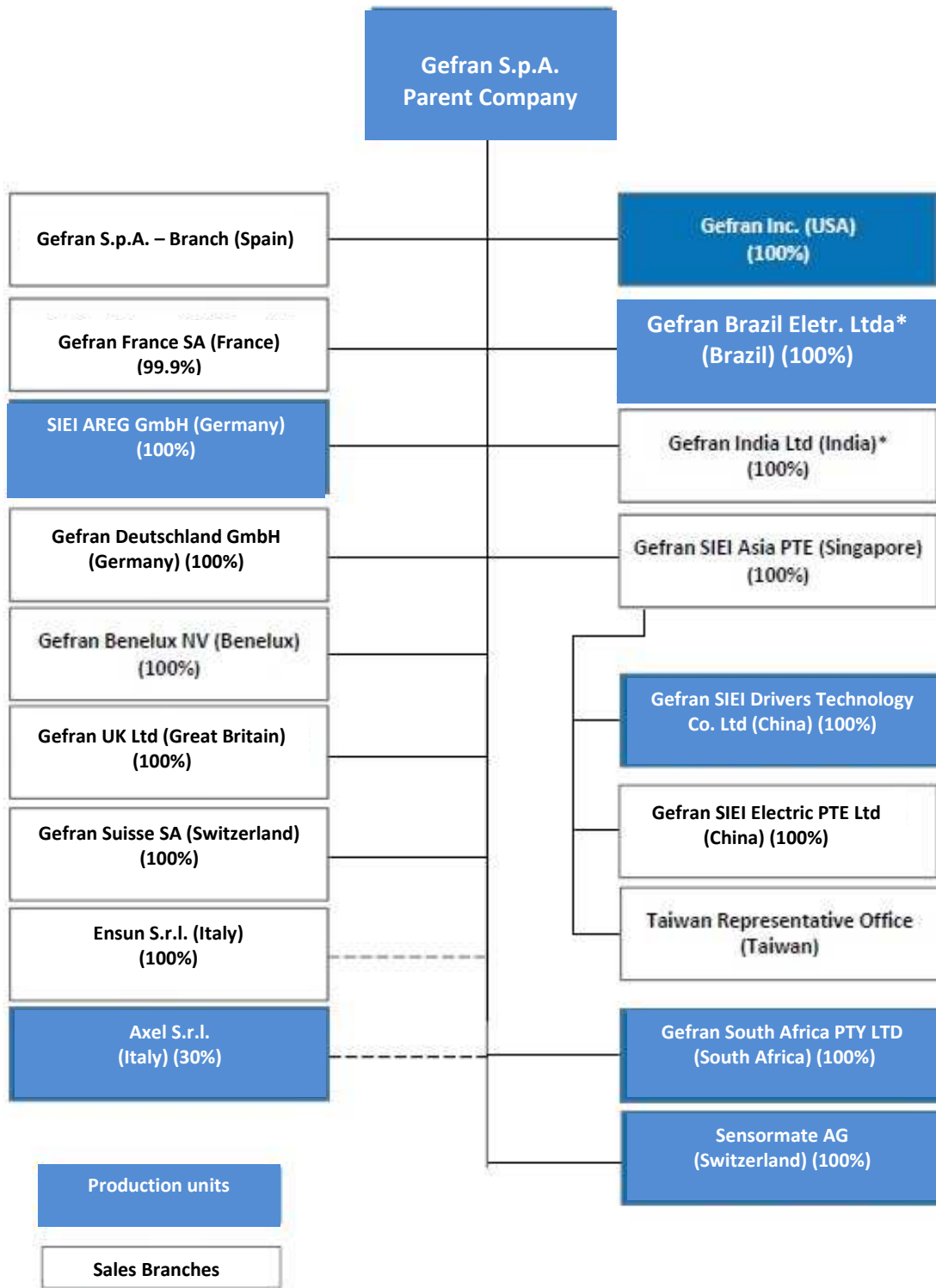
Remuneration Committee

- Daniele Piccolo
- Romano Gallus
- Cesare Vecchio

Independent Auditors

BDO S.p.A.

2. GEFRAN GROUP’S STRUCTURE



(*) Gefran India and Gefran Brazil held indirectly through Gefran UK

3. ALTERNATIVE PERFORMANCE INDICATORS

In addition to the schemes and conventional financial indicators required by the IFRS, this report contains some reclassified schemes and alternative performance indicators, which help make a better assessment of the Group's economic and financial management. However, these schemes and indicators should not be construed as a substitute for the conventional indicators contemplated under the IFRS.

The alternative performance indicators used in the notes to the income statement are described below:

- **Value added:** the direct margin resulting from revenues, including direct material, including other production costs, such as personnel costs, services and sundry costs;
- **EBITDA:** defined as the gross operating result before amortisation, depreciation and impairments. The purpose of this indicator is to present the Group's operating profitability net of the main non-monetary items.

The following alternative indicators are used in the notes to the reclassified balance sheet/cash flows:

- **Net fixed assets:** the algebraic sum of the following items in the balance sheet/ cash flows schedule
 - Goodwill
 - Intangible assets
 - Property, plant, machinery and equipment
 - Equity investments recognised using the equity method
 - Equity investments in other companies
 - Receivables and other non-current assets
 - Prepaid taxes
- **Working capital:** the algebraic sum of the following items in the balance sheet/cash flows:
 - Inventories
 - Trade receivables
 - Trade payables
 - Other current assets
 - Tax receivables
 - Current provisions
 - Tax payables
 - Other liabilities
- **Net invested capital:** the algebraic sum of fixed assets, working capital and provisions;
- **Financial debt (Net financial indebtedness):** the algebraic sum of the following items:
 - Medium/long-term financial liabilities
 - Short-term financial liabilities
 - Financial liabilities for derivatives
 - Financial assets for derivatives
 - Cash on hand and short-term financial receivables

4. KEY CONSOLIDATED ECONOMIC, EQUITY, FINANCIAL AND OPERATING FIGURES

Group's key economic figures

(€,000)	30 September 2013		30 September 2012		3 rd quarter 2013		3 rd quarter 2012	
Revenues	94,688	100.0%	97,700	100.0%	32,127	100.0%	32,755	100.0%
Gross operating margin (EBITDA)	94,245	100.0%	n/d		31,684	100.0%	n/d	
Adjusted gross operating margin (EBITDA) *	6,099	6.4%	5,517	5.6%	2,557	8.0%	2,727	8.3%
Operating income (EBIT)	5,985	6.4%	n/d		2,443	7.7%	n/d	
Adjusted operating income (EBIT) *	784	0.8%	317	0.3%	717	2.2%	1,007	3.1%
	673	0.7%	n/d		606	1.9%	n/d	
Pre-tax result	(1,166)	-1.2%	(531)	-0.5%	(227)	-0.7%	662	2.0%
Group's net result for the year	(2,084)	-2.2%	(600)	-0.6%	(597)	-1.9%	728	2.2%

(*) excluding Sensormate AG's results from the date of consolidation to the closing date of this interim report

Group's key financial and equity figures

(€,000)	30 September 2013	31 December 2012
Net invested capital	100,343	98,359
Consolidated shareholders' equity	70,025	72,454
Net financial position	(30,318)	(25,905)
Operating cash flow	4,979	13,360
Investments	7,695	7,413

The scope of consolidation as at 30 September 2013 changed compared to that of 31 December 2012, following the acquisition of a 30% stake in Axel S.r.l. and the remaining 40% stake in Gefran South Africa (Pty) Ltd (formerly Gefran – Enertronica SA), and a 100% stake in Sensormate AG. Compared to the situation as at 30 September 2012, the change in the scope of consolidation refers to the acquisition of a 30% stake in Axel S.r.l., a 100% stake in Gefran South Africa (Pty) Ltd (formerly Gefran – Enertronica SA) and a 100% in Sensormate AG.

This interim report as at 30 September 2013 was approved by the board meeting held on 13th November 2013.

5. PERFORMANCE OF THE GROUP IN THE THIRD QUARTER 2013

(€,000)	QIII	QIII	2013/2012 change	
	2013	2012	value	%
a Revenues	32,127	32,755	(628)	-1.9%
b Consumption of materials and products	13,228	14,038	(810)	-5.8%
c Value added (a-b)	18,899	18,717	182	1.0%
d Other operating costs	6,370	6,410	(40)	-0.6%
e Personnel costs	10,596	10,058	538	5.3%
F Increases for in-factory works	624	478	146	30.5%
g Gross operating margin - EBITDA (c-d-e+f+g)	2,557	2,727	(170)	-6.2%
h Amortisation, depreciation and impairments	1,840	1,720	120	7.0%
l Operating income - EBIT (g-h)	717	1,007	(290)	-28.8%
L (Losses) gains from financial assets/liabilities	(754)	(345)	(409)	118.6%
m (Losses) gains from equity investments using the equity method	(190)	0	(190)	--
n Pre-tax result for the period (i+-l+-m)	(227)	662	(889)	-134.3%
o Taxes	(370)	66	(436)	-660.6%
p Result including minority interest (n+-o)	(597)	728	(1,325)	-182.0%
q Minority interest result	0	0	0	--
R Net result for the Group (p+-q)	(597)	728	(1,325)	-182.0%

Revenues in the 3rd quarter of 2013 amounted to €32,127 thousand, inclusive of €443 thousand pertaining to Sensormate AG. Excluding Sensormate AG, revenues came to €31,684 thousand, down €1,071 thousand (-3.3%) on 2012.

The 3rd quarter 2013 results were influenced by lower sales of photovoltaic products, which amounted to €632 thousand, down €2,639 thousand (-80.7%) compared to €3,271 thousand in QIII 2012; not counting the situation in the photovoltaic market, the sales of industrial products increased considerably (6.8%), compared to the same period in 2012, thus confirming the positive trend that started in QII 2013.

The order portfolio in the 3rd quarter totalled €29,520 thousand, compared to €31,532 thousand in the same period of 2012. The €2,012 thousand decrease in orders is mainly due to the negative results in the photovoltaic sector (€-3,627 thousand). Not considering the photovoltaic component, orders for industrial products increased by 5.5% compared to the same period in 2012.

The table below shows a breakdown of revenues by geographical area for the 3rd quarter of 2013, compared to the same period of 2012.

(€,000)	QIII	%	QIII	%	2013/2012 change	
	2013		2012		value	%
Italy	7,853	24.4%	10,295	31.4%	(2,442)	-23.7%
European Union	6,595	20.5%	6,766	20.7%	(171)	-2.5%
Non-EU countries in Europe	1,793	5.6%	1,397	4.3%	396	28.3%
North America	2,458	7.7%	3,260	10.0%	(802)	-24.6%
South America	1,321	4.1%	1,226	3.7%	95	7.7%
Asia	11,969	37.3%	9,489	29.0%	2,480	26.1%
Rest of the world	138	0.4%	322	1.0%	(184)	-57.1%
Total	32,127	100.0%	32,755	100.0%	(628)	-1.9%

A breakdown of **revenues by geographical area** show the same positive results recorded in QII in Asia (+26.1%), where QI negative differentials were recovered, due mainly to the upturn in the lift sector. A positive trend was also recorded in South America (+7.7%) (+10.3% in QII) compared to the 3rd quarter of 2012.

Growth in non-EU countries in Europe was affected by the consolidation of Sensormate AG, which accounted for €443 thousand turnover in this area. Not considering Sensormate AG's contribution, revenues in non-EU countries in Europe came to €1,350 thousand, in line with the figure in the same period of 2012.

In Italy, sales of industrial products at the end of the 3rd quarter amounted to €205 thousand (+2.9%, compared to the same period of 2012), while sales of products for the photovoltaic business dropped sharply by €2,647 thousand (-81.1%). The combined effect of these two factors led to an overall decrease of €2,442 thousand compared to the 3rd quarter of 2012 (-23.7%).

North America ended the quarter down 24.6% on the same period of 2012, especially with regard to the drives business, where end customers placed orders at the end of 2012 to build up their stocks, but reduced their stocks during 2013.

Revenues in the European Union decreased by 2.5% compared to QIII 2012 and the figure for the rest of the world decreased by €184 thousand (-57.1%).

A breakdown of **revenues by business area** shows an increase of €891 thousand (+10%) for sensors, inclusive of the €443 thousand contribution from Sensormate AG. Not counting Sensormate AG, revenues in the sensor business were equal to €9,380 thousand, up €448 thousand (+5.0%) on QIII 2012. Revenues for drives and automation components decreased by €1,816 thousand (-10.4%) and €215 thousand (-2.8%), respectively.

The table below summarises the economic result by business area in the 3rd quarter of 2013 and shows a comparison with the same period in 2012.

	3 rd quarter 2013					3 rd quarter 2012				
	Revenues	EBITDA	% on revenues	EBIT	% on revenues	Revenues	EBITDA	% on revenues	EBIT	% on revenues
(€,000)										
Automation components	7,489	126	1.7%	(242)	-5.4%	7,704	296	3.8%	(142)	-1.8%
Sensors	9,823	2,478	25.2%	1,953	19.9%	8,932	2,155	24.1%	1,674	18.7%
Drives	15,585	(48)	-0.3%	(834)	-5.4%	17,401	277	1.6%	(524)	-3.0%
Elisions	(770)					(1,282)				
Total	32,127	2,557	8.0%	717	2.2%	32,755	2,728	8.3%	1,008	3.1%

Value added in the 3rd quarter of 2013 was equal to €18,899 thousand (58.8% of revenues). Not counting Sensormate AG, added value amounted to €18,566 thousand (58.6% of revenues), an increase of 1.5 percentage points on revenues, thanks to increased selling prices and savings on the purchase of raw materials.

The decrease in revenues had a €628 thousand impact on value added, while the increase in the margin improved value added by €477 thousand.

Gross operating margin (EBITDA) in QIII/2013 was positive at €2,557 thousand, equal to 8.0% of revenues. Excluding Sensormate AG and non-recurring accruals for €400 thousand, EBITDA came to €2,843 thousand (9.0% of revenues), up €116 thousand (+4.3%) on QIII/2012. This improvement was due to a decrease in other non-recurring charges, compared to the same period in 2012, as a result of decreased costs for subcontracted work, following in-house processing of some operations and increased internal production efficiency.

Personnel expenses in QIII/2013 came to €10,596 thousand, compared to €10,058 thousand in the same period of 2012, an increase of €538 thousand associated with the increase in the number of employees at a Group level.

Capitalised work amounted to €624 thousand (€478 thousand in QIII/2012), referring almost entirely to product development costs incurred and capitalised during the 3rd quarter of 2013.

The **operating result** in QIII/2013 was positive at €717 thousand and includes €111 thousand relating to Sensormate AG and €541 thousand non-recurring charges arising from the impairment of intangible assets with a definite life and from an accrual for legal disputes. Excluding the impact of these two components, the operating result is equal to €1,147 thousand, up €140 thousand (+13.9%) on the same period in 2012. The reason for the trend in operating result are the same as those given for EBITDA.

Net financial charges in QIII/2013 totalled €754 thousand, compared to €344 thousand in QIII/2012. Financial charges connected with medium/long-term borrowings amounted to 433 thousand, an increase of €121 thousand on the QIII/2012 figure, due mainly to an increase in medium/long-term financial borrowings. Exchange valuation differences were negative at €321 thousand, compared to +€32 thousand in QIII/2012.

Charges from valuing shareholdings using the equity method came to €190 thousand. They pertain to the pro-rata negative result of the associated company Elettropiemme S.r.l., which is controlled by Ensun S.r.l.

Taxes in QIII/2013 were negative at €370 thousand, compared to €64 thousand in the positive in the same period of 2012. They comprise:

- €686 thousand net current assets payable (€465 thousand in QIII/2012). The tax burden for the period is attributable to IRAP owed by the parent company Gefran S.p.A. and local taxes levied abroad on the positive results of the Group's foreign companies;
- €316 thousand prepaid taxes receivable (€530 thousand receivable in QIII/2012). This item mainly includes prepaid taxes recognised to Gefran S.p.A.'s negative taxable amount for the period.

The **Group's net operating result** in QIII/2013 was negative at €597 thousand and includes €96 thousand profit from Sensormate AG, further than non-recurring charges for €541 thousand. Excluding Sensormate AG and the non-recurring component, the Group's net result is negative at €152 thousand, down €880 thousand on QIII/2012.

6. GROUP'S BUSINESS TREND AS AT 30 SEPTEMBER 2013

(<i>€</i> ,000)	30 Sept. 2013	30 Sept. 2012	2013/2012 change	
			value	%
a Revenues	94,688	97,700	(3,012)	-3.1%
b Consumption of materials and products	37,659	40,472	(2,813)	-7.0%
c Value added (a-b)	57,029	57,228	(199)	-0.3%
d Other operating costs	18,305	20,139	(1,834)	-9.1%
e Personnel costs	34,471	33,324	1,147	3.4%
f Increases for in-factory work	1,846	1,752	94	5.4%
g Gross operating margin - EBITDA (c-d-e+f)	6,099	5,517	582	10.5%
h Amortisation, depreciation and impairments	5,315	5,200	115	2.2%
i Operating income - EBIT (g-h)	784	317	467	147.3%
l Gains (losses) from financial assets/liabilities	(1,536)	(848)	(688)	81.1%
m Gains (losses) from equity investments using the equity method	(414)	0	(414)	--
n Pre-tax result for the period (i+l+m)	(1,166)	(531)	(635)	119.6%
o Taxes	(918)	(69)	(849)	1230.4%
p Result including minority interest (n+o)	(2,084)	(600)	(1,484)	247.3%
q Minority interest result	0	0	0	--
r Net result for the Group (p+q)	(2,084)	(600)	(1,484)	247.3%

Revenues as at 30 September 2013 amounted to €94,688 thousand and include €433 thousand relating to Sensormate AG and €320 thousand non-recurring items relating to government subsidies received by the Chinese subsidiary as incentives for research and development activities granted to technology companies. Net of non-recurring items, revenues came to €93,925 thousand, down by €3,755 thousand (-3.9%) compared to the same period in 2012.

In the first nine months of 2013, sales of industrial products increased by 4.2%, compared to the same period in 2012, while sales of components for the photovoltaic sector declined sharply, by 74.8%, down from €8,953 thousand in September 2012 to €2,254 thousand in September 2013.

Orders received in the first nine months of the year amounted to €91,709 thousand (€96,932 thousand as at 30 September 2012), and the order portfolio at the end of September 2013 amounted to €26,880 thousand, against €21,813 thousand at the end of September 2012.

The table below shows revenues by geographical area as at 30 September 2013 and a comparison with the previous period in 2012.

(<i>€</i> ,000)	2013		2012		2013/2012 change	
	value	%	value	%	value	%
Italy	25,879	27.3%	32,454	33.2%	(6,575)	-20.3%
European Union	21,255	22.4%	20,870	21.4%	385	1.8%
Non-EU countries in Europe	4,514	4.8%	4,172	4.3%	342	8.2%
North America	7,351	7.8%	8,955	9.2%	(1,604)	-17.9%
South America	4,259	4.5%	4,021	4.1%	238	5.9%
Asia	30,859	32.6%	26,419	27.0%	4,440	16.8%
Rest of the world	571	0.6%	809	0.8%	(238)	-29.4%
Total	94,688	100.0%	97,700	100.0%	(3,012)	-3.1%

A breakdown of **revenues by geographical area** shows significant growth in Asia (+16.8%), the European Union (+1.8%) and South America (+5.9%), but a downturn in the other areas, especially Italy (-20.3%) and North America (-17.9%).

Growth in non-EU countries in Europe was influenced by the consolidation of Sensormate AG, which accounted for €443 thousand turnover in this area. Excluding this figure, revenues in this area total €4,071 thousand, down slightly (2.4%) compared to the same period in 2012.

Asia performed better in QII and QIII 2013 compared to September 2012, mainly due to a recovery in the lift market.

The Italian market felt the impact of the decline in the sales of products in the photovoltaic sector, while the trend in sales of industrial products is in line with the 2012 figures.

The decline in revenues in North America, which mainly involved the drives business in QIII/2013, is expected to be offset by revenues in the last quarter of the year since the number of orders received is increasing.

A breakdown of **revenues by business area** shows an increase of €1,484 thousand (+5.2%) for sensors. Excluding Sensormater AG, revenues for sensors were equal to €29,365 thousand, an increase of €1,041 thousand (+3.7%) on 30 September 2012. A breakdown of revenues by business area shows a decrease of €1,343 thousand (-5.4%) for automation components and of €5,061 thousand for drives (-10.4% compared to 30 September 2012, -11.1% net of non-recurring revenues). The decrease in the drives business involved products for the photovoltaic sector, while products for industrial applications increased by 4.1%, compared to QIII/2012.

The situation in the photovoltaic sector also influenced revenues from the automation component business, which assembles components for the drives business. Excluding drives, revenues for automation components increased by 3%.

The table below summarizes the economic situation by business area as at 30 September 2013 and gives a comparison with the same period in 2012.

	2013					2012				
	Revenues	EBITDA	% on revenues	EBIT	% on revenues	Revenues	EBITDA	% on revenues	EBIT	% on revenues
<i>(€,000)</i>										
Automation components	23,501	288	1.2%	(1,099)	-4.7%	24,844	454	1.8%	(907)	-3.7%
Sensors	29,808	7,238	24.3%	5,725	19.2%	28,324	6,622	23.4%	5,168	18.2%
Drives	43,691	(1,427)	-3.3%	(3,840)	-8.8%	48,752	(1,559)	-3.2%	(3,944)	-8.1%
Elisions	(2,312)					(4,220)				
Total	94,688	6,099	6.4%	784	0.8%	97,700	5,517	5.6%	317	0.3%

Value added as at 30 September 2013 came to €57,029 thousand, equal to 60.2% of revenues, inclusive of €334 thousand relating to the consolidation of Sensormate AG and €320 thousand non-recurring income. Excluding this impact, value added amounted to €56,376 thousand, a decrease of €852 thousand (-1.5%) compared to the same period in 2012, giving a 1.4 percentage incidence on revenues, thanks to the increase in selling prices and savings on the purchase of raw materials.

The decrease in revenues had a €2,266 thousand impact on value added, while the improvement in margin increased value added by €1,414 thousand.

Gross Operating Margin (EBITDA) as at 30 September 2013 was positive at €6,099 thousand (6.4% of revenues) and includes €114 thousand relating to Sensormate AG, €320 thousand non-recurring income and €687 non-recurring charges, of which €287 thousand personnel expenses (€112 thousand in QIII/2012) and €400 thousand other operating costs. Excluding these components, EBITDA amounted to

€6,352 thousand (6.8% of revenues), an increase of €723 thousand (+12.8%) on 30 September 2012, inclusive of non-recurring charges. Below are the main changes occurring.

- Other operating charges as at 30 September 2013 amounted to €17,905 thousand, compared to €20,139 thousand as at 30 September 2012, a decline of €2,234 thousand. This reduction was mainly the result of decreased costs for subcontracted work, following the in-house processing of some operations and increased internal production efficiency, and a decrease in advertising and trade fair costs.

The sum of €654 thousand was allocated to the provision for bad debts in the period, compared to €572 thousand as at 30 September 2012, an increase of €82 thousand.

- Value added as at 30 September 2013 improved compared to QIII/2012 in terms of percentage incidence on revenues, which increased from 58.6% in the first nine months of 2012 to 60.2% as at 30 September 2013. This improvement was due to a better mix of products sold and savings on the purchase of materials used in production.
- Personnel costs rose by €811 thousand (+2.4%) as the result of a 14 unit increase in the workforce compared to 30 September 2012.
- Capitalised work increased from €1,752 thousand as at September 2012 to €1,846 thousand, mainly concerning product development costs incurred and capitalised during the first nine months of the year.

The **operating result** as at 30 September 2013 was positive at €784 thousand, which includes €+111 thousand pertaining to Sensormate AG and €-508 thousand pertaining to non-recurring charges. Excluding both effects, the operating result comes to €1,181 thousand an increase of €864 thousand compared to 30 September 2012. The reasons for the trend in operating result are the same as those provided for EBITDA. This item also includes €141 thousand non-recurring impairment of intangible assets with a definite life.

Net financial charges in the first nine months of 2013 came to €1,536 thousand, compared to €848 thousand as at 30 September 2012, an increase of €688 thousand. Financial charges connected with medium/long-term borrowings amounted to €1,285 thousand as at 30 September 2013, compared to €1,045 thousand in the same period of 2012. This difference is due mainly to a €17,476 thousand increase in medium/long-term financial borrowings compared to 30 September 2012, as well as a slight increase in spreads on new loans taken out during the last 12 months. Net exchange losses amounted to €438 thousand (positive at €37 thousand in QIII/2012).

Charges arising from valuing shareholdings using the equity method came to €414 thousand and pertain to the portion of the negative operating result for the associated company Elettropiemme S.r.l., which is controlled by Ensun S.r.l.

Income taxes were negative at €918 thousand, compared to the positive €69 thousand amount as at 30 September 2012, and can be broken down as follows:

- €1,665 thousand current taxes payable (€1,140 thousand as at 30 September 2012). The tax burden for the period is attributable to IRAP owed by the parent company Gefran S.p.A. and local taxes levied abroad on the positive results of the Group's foreign companies;
- €747 thousand deferred taxes (€1,071 thousand as at 30 September 2012). This item mainly comprises prepaid taxes recognised to Gefran S.p.A.'s negative taxable amount for the period.

The **Group's net operating result** as at 30 September 2013 was negative at €2,084 thousand (€-600 thousand as at 30 September 2012). Excluding Sensormate AG and non-recurring items consolidation effect, the net result for the Group amounts to €1,672 thousand.

7. RECLASSIFIED CONSOLIDATED BALANCE SHEET

The Gefran Group's reclassified consolidated balance sheet as at 30 September 2013 is shown in the table below.

GEFRAN GROUP	30 Sept. 2013	%	31 Dec. 2012	%
(€,000)				
Intangible assets	15,646	15.6	12,238	12.4
Tangible assets	42,559	42.4	43,813	44.5
Financial assets	9,353	9.3	8,571	8.7
Net fixed assets	67,558	67.3	64,622	65.7
Inventories	26,565	26.5	24,489	24.9
Trade receivables	41,974	41.8	42,525	43.2
Trade payables	(19,047)	(19.0)	(17,405)	(17.7)
Other current receivables/payables	(8,594)	(8.6)	(7,133)	(7.3)
Working capital	40,898	40.8	42,476	43.2
Provisions for contingencies and liabilities	(2,073)	(2.1)	(2,740)	(2.8)
Provision for deferred taxes	(751)	(0.7)	(810)	(0.8)
Employee benefits	(5,289)	(5.3)	(5,189)	(5.3)
Net invested capital	100,343	100.0	98,359	100.0
Shareholders' equity	70,025	69.8	72,454	73.7
Medium/long-term loans	31,082	31.0	20,316	20.7
Short-term loans	21,148	21.1	22,297	22.7
Financial liabilities for derivatives	504	0.5	834	0.8
Financial assets for derivatives	(150)	(0.1)	(52)	(0.1)
Liquid assets and short-term financial receivables	(22,266)	(22.2)	(17,490)	(17.8)
Financial liabilities related to operating activities	30,318	30.2	25,905	26.3
Total sources of financing	100,343	100.0	98,359	100.0

Net invested capital as at 30 September 2013 came to €100,343 thousand and includes the effect of Sensormate AG consolidation, the main contribution of which was €3,254 thousand goodwill. Excluding this effect, net invested capital totalled €96,847 thousand, down €1,512 thousand on 31 December 2012. This difference is mainly due to a €1,786 thousand reduction in current assets and a €667 thousand reduction in provisions.

Working capital as at 30 September 2013 totalled €40,898 thousand, compared to €42,476 thousand as at 31 December 2012, an overall decrease of €1,578 thousand. Inventories rose by €2,076 thousand, offset partly by a €551 thousand decrease in trade receivables and a €1,642 thousand increase in trade payables. Other assets and liabilities rose by €1,461 thousand.

Shareholders' equity as at 30 September 2013 came to €70,025 thousand (€72,454 thousand as at 31 December 2012). The difference was due, in addition to the result for the period, to the change in the reserve for profit brought forward and adjustment to the reporting currencies for the subsidiaries' net assets, which are expressed in local currency, giving a negative effect of €684 thousand.

The **net financial position** as at 30 September 2013 was negative at €30,318 thousand, €4.413 thousand worse compared to 31 December 2012.

A breakdown is given in the table below.

Description	30/09/2013	31/12/2012	Change
(€,000)			
Cash and cash equivalents	22,266	17,490	4,776
Short-term financial liabilities	(21,148)	(22,297)	1,149
Financial liabilities for derivatives	(504)	(834)	330
Financial assets for derivatives	150	52	98
(indebtedness)/short-term available funds	764	(5,589)	6,353
Long-term financial liabilities	(31,082)	(20,316)	(10,766)
(indebtedness)/medium/long-term available funds	(31,082)	(20,316)	(10,766)
Net financial position	(30,318)	(25,905)	(4,413)

The change is mainly the result of positive cash flows from ordinary operations (€4,979 thousand) more than absorbed by €7,824 thousand investments (€4,441 thousand technical and €3.383 thousand financial investments).

Net financial indebtedness comprises €764 thousand short-term available funds and €31,082 thousand medium/long-term loans. The purpose of taking out loans in the last twelve months was to fund the acquisition of Sensormate AG and increase the Group's debt position from short- to long-term. At the end of September 2012 net financial indebtedness amounted to €31,0026 thousand, of which €14,568 thousand short-term and €16,434 thousand long-term.

For further details, please refer to Note 14 in this interim report.

8. CONSOLIDATED CASH FLOW

The table below shows the Gefran Group's consolidated cash flow as at 30 September 2013.

(€,000)	30 Sept. 2013	30 Sept. 2012
A) OPENING CASH AND CASH EQUIVALENTS	17,490	12,945
B) CASH FLOW GENERATED BY (USED IN) OPERATING ACTIVITIES IN THE PERIOD:	4,979	5,241
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES	(7,824)	(4,126)
D) FREE CASH FLOW (B+C)	(2,845)	1,115
E) CASH FLOW GENERATED BY (USED IN) FUNDING ACTIVITIES	7,996	(5,653)
Exchange differences on translation of cash and cash equivalents	(375)	(40)
F) NET CHANGE IN CASH AND CASH EQUIVALENTS	4,776	(4,578)
G) CLOSING CASH AND CASH EQUIVALENTS	22,266	8,367

Free cash flow (generated by current operations excluding financial operations) was negative at €2,845 thousand, and includes €146 thousand negative flows resulting from the consolidation of Sensormate AG and €2,920 thousand fee paid for the acquisition of Sensormate AG, net of cash and cash equivalents resulting from the transaction.

Discounting these effects, free cash flow is positive at €221 thousand, compared to €1,115 thousand as at 30 September 2012, the decline mainly being accounted for by €778 thousand investments.

Current operations in 2013 have generated a cash flow of €4,979 thousand, mainly the result of a €4,862 improvement on gross cash flows (€2,997 thousand as at 30 September 2012) and a €117 thousand improvement in working capital (€2,244 thousand as at 30 September 2012).

Technical and financial investments, net of divestments, absorbed €7,824 thousand, compared to €4,126 thousand as at 30 September 2012. A breakdown is given below.

- Technical investments, net of divestments, came to €4,322 thousand, compared to €5,171 thousand as at 30 September 2012. Technical investments have continued in 2013 and also investments in intangible assets, mainly by the parent company, the total being €3,096 thousand.
- Equity investments came to €535 thousand: €273 thousand for the acquisition of 30% of the share capital of Axel S.r.l., a €150 thousand increase in shareholder loan to cover a future capital increase for Ensun S.r.l. and €101 thousand subscription of a Colombera S.p.A. capital increase. In 2012, Ensun S.r.l. disbursed €985 thousand as part of a loan repayment.
- During the first nine months of the year, mainly in the third quarter, the Group acquired 100% of the share capital of Sensormate AG, and paid up €2,920 thousand, and the remaining 40% of the share capital of Gefran South Africa (Pty) Ltd for €47 thousand.

In the first nine months of 2013, new loans totalling €24,000 thousand were taken out and €15,338 thousand was repaid on existing loans.

9. INVESTMENTS

Investments in tangible and intangible assets as at 30 September 2013 amounted to €7,695 thousand (€5,490 thousand as at 30 September 2012).

The main investments in tangible assets were made by Gefran S.p.A. for the amount of €1,471 thousand, of which €773 thousand for machinery and equipment used in production, €465 thousand for building repairs and €233 thousand for office equipment.

Investments in subsidiaries mainly involved Gefran South Africa (Pty) Ltd for starting up the new factory (€196 thousand), and Gefran Inc. for machinery (€191 thousand). Investments in other subsidiaries totalled €400 thousand.

Investments in intangible assets include capitalisation of €1,625 thousand costs sustained for developing new products and €3,254 thousand goodwill associated with the acquisition of 100% Sensormate AG.

A breakdown of investments is shown in the table below.

(€,000)	30/09/2013	30/09/2012
Intangible assets	5,437	2,142
Tangible assets	2,258	3,348
Total	7,695	5,490

Tangible and intangible **assets** as at 30 September 2013 (including work in progress) totalled €58,205 thousand, of which €15,646 thousand intangible assets and €42,559 thousand tangible assets.

(€,000)	30/09/2013	31/12/2012
Intangible assets	15,646	12,238
Tangible assets	42,559	43,813
Total	58,205	56,051

10. RESULTS BY BUSINESS AREA

The following subsections contain comments on the trend for the individual business areas.

For a correct interpretation of the economic figures related to each business area, it must be noted that:

- ◆ the figures of a business area are the sum of income and charges of the parent company Gefran S.p.A. and the Group's subsidiaries;
- ◆ the economic figures of each business are shown gross of inter-business transactions;
- ◆ the costs of the corporate structure, which are chargeable to Gefran S.p.A., have been allocated to the various business areas either based on actual use, whenever possible, or shared using economic and technical criteria.

The figures are compared with those in the same period in the previous year.

10.1 SENSORS

Key financial figures

An overview of the key economic figures is given in the table below.

(€,000)	2013	2012	2013/2012 change		QIII	QIII	2013/2012 change	
			value	%	2013	2012	value	%
Revenues	29,808	28,324	1,484	5.2%	9,823	8,932	891	10.0%
Gross operating margin	7,238	6,622	616	9.3%	2,478	2,155	323	15.0%
% on revenues	2.3%	23.4%			25.2%	24.1%		
Operating income	5,725	5,168	557	10.8%	1,953	1,674	279	16.7%
% on revenues	19.2%	18.2%			19.9%	18.7%		

The 2013 figures include the consolidation of Sensormate AG.

Business trend

Figures for the sensor business are influenced by the acquisition of Sensormate AG in the third quarter of 2013. Not counting the €433 thousand contribution of Sensormate AG, revenues come to €29,365 thousand, up 3.7% compared to 30 September 2012.

The €1,484 thousand growth in revenues involved virtually all the traditional product lines, especially the melt, industrial pressure and magnetostrictive families. With regard to a breakdown by sales area, the drop in sales in the United States (-6.3%) and India (-9.3%) was absorbed by a significant increase in International Sales (+14.4%) and in Brazil (+12.1%), Asia (+2.8%) and Germany (+6%).

A comparison of quarters shows that sales in QIII/2013 amount to €9,823 thousand, an increase of €891 thousand (+10%), inclusive of €443 thousand contribution pertaining to Sensormate AG. Not counting Sensormate AG, sensor business revenues come to €9,380 thousand, up €448 thousand (+5.0%) on QIII/2012, due mainly to a significant increase in sales in Italy and Germany.

Gross Operating Margin (EBITDA) as at 30 September 2013 came to €7,238 thousand, which includes the €114 thousand contribution for the consolidation of Sensormate AG and non-recurring charges for €198 thousand. Not counting this contribution, EBITDA comes to €7,322 thousand, up €700 thousand on the same period of 2012 (€6,622 thousand). Sales volumes increased significantly, as did the percentage incidence of value added, thanks to greater savings on raw materials purchases in the first nine months of 2013. The improvement due to increasing volumes and value added more than offset the increase in costs, mainly personnel costs in the industrial and commercial areas as the result of marketing activities put in place to develop this business. Other operating charges decreased, especially in the industrial area.

The operating result as at 30 September 2013 came to €5,725 thousand, equal to 19.2% of revenues. Not counting Sensormate AG and non-recurring items, the operating result comes to €5,862 thousand, compared to €5,168 thousand the previous year, equal to 18.2% of revenues. Amortisation and depreciation in the first nine months of 2013 was slightly lower than in the same period of 2012.

QIII/2013 figures are also very positive, a sharp improvement on QIII/2012. Gross Operating Margin amounts to €2,478 thousand, also excluding Sensormate AG and non-recurring items (€2,155 thousand in QIII/2012) and the operating result is equal to €2,006 thousand (€1,674 thousand in QIII/2012).

Orders received as at 30 September 2013 amounted to €29,779 thousand, up from €28,434 thousand as at 30 September 2012. The order portfolio at the end of September 2013 came to €4,276 thousand (€4,030 thousand as at 30 September 2012).

Investments

As at 30 September 2013, the Group invested €1,146 thousand in the sensor business, of which €877 thousand concerned the plant in Provaglio d'Iseo for the re-layout of the building, the purchase of new production equipment and R&D activities.

Goodwill for the acquisition of Sensormate AG was allocated entirely to the business sector for €3,254 thousand.

Compared to the same period in 2012, investments decreased by €557, since major investments were made in 2012 in the new production of pressure sensor and the move of the Technological Park.

10.2 COMPONENTS FOR AUTOMATION

Key financial figures

An overview of the key economic figures is given in the table below.

(€,000)	2013	2012	2013/2012 change value	%	QIII 2013	QIII 2012	2013/2012 change value	%
Revenues	23,501	24,844	(1,343)	-5.4%	7,489	7,704	(215)	-2.8%
Gross operating margin	288	454	(166)	-36.6%	126	296	(170)	-57.4%
% on revenues	1.2%	1.8%			1.7%	3.8%		
Operating income	(1,099)	(907)	(192)	21.2%	(402)	(142)	(260)	183.1%
% on revenues	-4.7%	-3.7%			-5.4%	-1.8%		

Business trend

As at 30 September 2013, revenues amounted to €23,501 thousand, down €1.343 thousand compared to the same period of 2012, as a result of a decrease in the assembling of products for the photovoltaic sector, an activity carried out on behalf of the Drives business.

Revenues from sales to the market increased by 3%, involving mainly the family of Solutions and Systems (+22%). Revenues from third parties increased by €352 compared to QIII/2012. The increment is due mainly to the families of Solutions and Systems and Static Units

A breakdown of sales by geographical area shows an increase of 26% and 13% in International Sales and Asian countries, respectively, by the parent company for the period. Sales in North America and Latin America remained stable, while in the European market they declined slightly (-10% for France and -15% in Germany). Gefran S.p.A. showed an improvement trend in QIII/2013 compared to QIII/2012, in the wake of the positive result achieved in QII/2013.

Gross Operating Margin (EBITDA) as at 30 September 2013 came to €288 thousand and include non-recurring charges for €294 thousand. Excluding non-recurring charges, EBITDA came to €582 thousand, higher than the figure in the same period of 2012 (€454 thousand).

The operating result as at 30 September 2013 remained at the same level as in QIII/2012. The improvement in value added, as the result of increased savings on purchases, offset the decrease in sales volumes.

With reference to QIII/ 2013, the operating result was in the negative at €162 thousand, compared to €-142 thousand in QIII/2012. The decrease is mainly attributable to an increase in personnel expenses compared to the same period of 2012.

Orders received as at 30 September 2013 amounted to €23,252 thousand, compared to €20,843 thousand as at 30 September 2012. The order portfolio amounted to €2,762 thousand, up 35%, compared to QIII/2013.

Investments

Almost all the investments in tangible assets went to the production units in Provaglio (€451 thousand), namely to equipment used for the production of new products. Building work for the new meeting room was also completed during the period.

Capitalised investment costs in the period amounted to €576 thousand, related to the new gCube Performa platforms and the new range of regulators.

10.3 DRIVES

Key financial figures

An overview of the key economic figures is given in the table below.

(€,000)	2013	2012	2013/2012 change value	%	QIII 2013	QIII 2012	2013/2012 change value	%
Revenues	43,691	48,752	(5,061)	-10.4%	15,585	17,401	(1,816)	-10.4%
Gross operating margin	(1,427)	(1,559)	132	-8.5%	(48)	277	(325)	-117.3%
% on revenues	-3.3%	-3.2%			-0.3%	1.6%		
Operating income	(3,840)	(3,944)	104	-2.6%	(834)	(524)	(310)	59.2%
% on revenues	-8.8%	-8.1%			-5.4%	-3.0%		

Business trend

Revenues as at 30 September 2013 amounted to €43,691 thousand, down €5,061 thousand (-10.4%) on the same period of 2012. The figure also includes €320 thousand non-recurring revenues relating to government subsidies received by the Chinese subsidiary as R&D incentives recognised to technological companies. Net of non-recurring items, overall revenues came to €43,371 thousand, down 11% compared to the same period of 2012.

Revenues declined mainly with drives for use in the photovoltaic sector (€-6,699 thousand), while the sales of drives for industrial applications increased by 3.7%. This improvement mainly involved the Asian and the Italian market.

Inverter for use in the renewable energy sector discounted the end of the fifth energy account and the uncertainty regarding new incentive policies in Italy.

Gross Operating Margin (EBITDA) as at 30 September 2013 in the drives business was negative at €1,427 thousand and include overall positive non-recurring items for €125 thousand. Excluding non-recurring items, EBITDA is in the negative at €1.552 thousand, in line with the same period of 2012, despite the decrease in turnover. Cost-cutting measures were put in place during the period and will continue for the rest of the year.

The operating result in the first nine months of 2013, excluding non-recurring items, was negative at €3,954 thousand, similar to the figure as at 30 September 2012 (€3,944 thousand). Amortisation of drives in the first nine months of 2013 increased by €31 thousand, compared to the same period in 2012. The third quarter of 2013 ended in the negative again (€-697 thousand), though with a smaller loss than that in the first two quarters of 2013.

Orders received in the first six months of the year amounted to €38,678 thousand, compared to €47,655 thousand as at 30 September 2012. This decline mainly involves products for the photovoltaic sector, which recorded a decrease of €9,219 thousand compared to 30 September 2012. The order portfolio at 30 September 2013 amounted to €18,419 thousand, compared to €14,537 thousand as at 30 September 2012.

Investments

Technical investments in the period mainly referred to the purchase of new production equipment at the Gerenzano (€623 thousand) and the Shanghai (€83 thousand) factories.

During the first nine months of 2013, research and development costs were capitalised for €680 thousand and were related to new ADL300 Lift products, industrial ADV inverters and Radius string inverters for alternative energy.

11. WORKFORCE

As at 30 September 2013 the Group's total workforce consisted of 892 units, compared to 878 as at 30 September 2012, of which 15 with a fixed-term contract.

Compared to 31 December 2012 (877 units), the number of employees increased by 15, namely:

- ◆ 98 new people were hired, 2 executives, 44 office workers and 52 factory workers;
- ◆ 83 left the group, namely 3 executives, 44 office workers and 36 factory workers.

The change mainly involved the companies in Asia.

12. TRANSACTIONS WITH RELATED PARTIES

An analysis of transactions with related parties is detailed under note 20 in the explanatory notes.

13. FACTS OF NOTE OCCURRING IN THE THIRD QUARTER OF 2013

- On 4 July 2013 Gefran S.p.A. finalized the acquisition of 100% of the shares in Sensormate AG. The cost of the acquisition was SwFr 4.2 million (equal to around €3.4 million), plus the net Sensormate AG's financial position of SwFr 85 thousand (equal to €69 thousand). The amount will be paid in three instalments: the first portion of SwFr 3 million (equal to around €2.9 million) plus the net financial position were paid on 4 July 2013; the second and third instalments of SwFr 0.6 million will be paid three and five years after the date of the agreement.

14. FACTS OF NOTE OCCURRING AFTER THE 2013 THIRD QUARTER CLOSING DATE

- On 7 October 2013, Gefran's Turkish branch, Gefran Middle East Ltd Sti, was established in Istanbul, the aim being to expand worldwide sales coverage and provide qualified and efficient technical service to local customers. The new company will become operational in the fourth quarter of 2013.

15. EXPECTED BUSINESS DEVELOPMENTS AND PROSPECTS

During the third quarter of 2013, global demand showed signs of renewed dynamism. The macroeconomic forecasts of leading international institutes point to 2014 as the year of the start of recovery in Europe after the recession period, and better growth in the global economy.

In the first nine months of 2013, despite the difficult scenario, especially in the domestic market, the Gefran Group recorded a positive growth in turnover and margins in the core business of products for industrial applications, thus offsetting the decrease in sales of photovoltaic inverters. Gefran is beginning to see the first results of the investments made in support of its sales network abroad and product development in 2012 and 2013. Considering the good level of its order portfolio for industrial products, this trend is expected to continue in the fourth quarter. The outlook for photovoltaic inverters remains uncertain.

In the light of the situation described, and taking into account the current state of the macroeconomic context, total revenues for 2013 are expected to be in line with those for 2012. With regard to the economic results, the Group still aims to improve its EBITDA margin by about two percentage points compared to 2012.

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2013**

1. CONDENSED INTERIM INCOME STATEMENT

(€,000)	note	QIII		progressive as at 30 September	
		2013	2012	2013	2012
Revenues from products sold		32,101	32,667	94,219	97,437
Other operating income and revenues		26	88	469	263
TOTAL REVENUES		32,127	32,755	94,688	97,700
Variation in inventories		926	(727)	2,431	1,119
Cost of raw materials and accessories		(14,154)	(13,311)	(40,090)	(41,591)
Costs for services		(5,776)	(6,215)	(17,324)	(19,300)
Sundry operating charges		(967)	(100)	(857)	(434)
Sundry operating income		464	68	530	167
Personnel costs		(10,596)	(10,058)	(34,471)	(33,324)
Capitalised work		624	478	1,846	1,752
Impairment of trade and other receivables	13	(91)	(163)	(654)	(572)
Amortisation		(716)	(601)	(1,963)	(1,895)
Depreciation		(1,124)	(1,119)	(3,352)	(3,305)
OPERATING RESULT		717	1,007	784	317
Gains from financial assets	10	196	11	622	658
Losses from financial liabilities	10	(950)	(356)	(2,158)	(1,506)
Gains (losses) from equity investments using the equity method	10	(190)	0	(414)	0
PRE-TAX RESULT		(227)	662	(1,166)	(531)
Current taxes	11	(686)	(465)	(1,665)	(1,140)
Deferred taxes	11	316	531	747	1,071
TOTAL TAXES		(370)	66	(918)	(69)
RESULT FOR THE PERIOD		(597)	728	(2,084)	(600)
Attributable to:					
Group		(597)	728	(2,084)	(600)
Minority interest		0	0	0	0

2. CONSOLIDATED AGGREGATE INCOME STATEMENT

<i>(€,000)</i>	<i>note</i>	2013	QIII 2012	progressive as at 30 September	
				2013	2012
RESULT FOR THE PERIOD		(597)	728	(2,084)	(600)
change in non-current assets					
- investments in other companies		43	4	13	5
- securities and financial assets available for sale	14	93	(159)	427	(159)
- MTM cash flow hedging derivatives		(795)	(215)	(684)	(215)
overall tax effect		(25)	44	(25)	33
Total changes net of tax effect		(684)	(326)	(269)	(336)
Overall result for the period		(1,281)	402	(2,353)	(936)

3. CONDENSED STATEMENT OF FINANCIAL POSITION AND EQUITY

(€,000)	note	30 Sept. 2013	31 Dec. 2012
NON-CURRENT ASSETS			
Goodwill	12	6,912	3,705
Intangible assets		8,734	8,533
Land, buildings, plant, machinery and equipment		42,559	43,813
Equity investments values using the equity method		1,026	1,011
Equity investments in other companies		2,172	2,053
Receivables and other non-current assets		77	77
Deferred tax assets	11	6,078	5,430
TOTAL NON-CURRENT ASSETS		67,558	64,622
CURRENT ASSETS			
Inventories	13	26,565	24,489
Trade receivables	13	41,974	42,525
Other assets		2,315	1,709
Tax receivables		1,974	2,866
Cash and cash equivalents	14	22,266	17,490
Financial derivatives	14	150	52
TOTAL CURRENT ASSETS		95,244	89,131
TOTAL ASSETS		162,802	153,753
SHAREHOLDERS' EQUITY			
Share capital		14,400	14,400
Reserves		48,504	47,564
Profit brought forward		7,121	10,589
Total Group's shareholders' equity		70,025	72,553
Shareholders' equity of Minority interest		-	(99)
TOTAL SHAREHOLDERS' EQUITY	15	70,025	72,454
NON-CURRENT LIABILITIES			
LONG-TERM FINANCIAL BORROWINGS	14	31,082	20,316
Personnel benefits		5,289	5,189
Non-current provisions	16	909	1,477
Deferred taxes	11	751	810
TOTAL NON-CURRENT LIABILITIES		38,031	27,792
CURRENT LIABILITIES			
Short-term bank borrowings	14	21,148	22,297
Trade payables	13	19,047	17,405
Financial liabilities for derivatives	14	504	834
Current provisions	16	1,164	1,263
Tax payables		2,867	2,646
Other liabilities		10,016	9,062
TOTAL CURRENT LIABILITIES		54,746	53,507
TOTAL LIABILITIES		92,377	81,299
TOTAL EQUITY AND LIABILITIES		162,802	153,753

4. CONSOLIDATED CONDENSED CASH FLOW

(€,000)	note	30 Sept. 2013	30 Sept. 2012
A) OPENING CASH AND CASH EQUIVALENTS			
		17,490	12,945
B) CASH GENERATED FROM (USED FOR) OPERATIONS IN THE PERIOD:			
Profit/loss for the period		(2,084)	(600)
Amortisation		5,315	5,200
(Gain) loss from the disposal of non-current assets		(19)	(93)
Net result from financial operations		1,950	848
Change in the provision for contingencies and liabilities		(967)	(721)
Change in other assets and liabilities		974	(537)
Change in deferred taxes		(707)	(1,100)
Change in trade receivables		551	2,928
Change in inventories		(2,076)	(1,099)
Change in trade payables		1,642	415
TOTAL		4,979	5,241
C) CASH FLOW GENERATED FROM (USED FOR) INVESTMENT ACTIVITIES			
Investments in:			
- Real estate, plant and machinery and intangible assets	18	(4,441)	(5,490)
- Equity interest and securities		(535)	979
- Takeovers net of acquired cash	17	(2,967)	0
- Loans receivables		0	52
Disposal of non-current assets		119	333
TOTAL		(7,824)	(4,126)
D) FREE CASH FLOW (B+C)		(2,845)	1,115
E) CASH FLOW GENERATED FROM (USED FOR) INVESTMENT ACTIVITIES			
Newly taken-out long-term loans		24,000	3,000
Repayment of long-term loans		(15,338)	(4,957)
Increase(decrease) in current long-term loans		955	(322)
Interest received (paid)		(1,056)	(801)
Change in equity reserves		(565)	(430)
Dividends paid		0	(2,143)
TOTAL		7,996	(5,653)
Exchange translation differences on cash on hand		(375)	(40)
F) NET CHANGE IN CASH FLOW		4,776	(4,578)
G) CLOSING CASH AND CASH EQUIVALENTS		22,266	8,367

5. CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Description (€,000)	Share capital	Capital reserves	Fair value valuation reserve	Consolidation reserve	Currency translation reserve	Other reserves	Retained profit/(losses)	Profit/(loss) of the period	Group's Total shareholders' equity	Shareholders' equity di Minority interest	Total shareholders' equity
Balance as at 1 January 2012	14,280	21,926	(66)	11,767	1,040	10,647	7,120	8,270	74,984		74,984
Allocation of the 2011 result											
- Other reserves and provisions				3,852		378	4,040	(8,270)	0		0
- Dividends							(2,143)		(2,143)		(2,143)
Income/(expenses) recognised to Equity			(39)						(39)		(39)
Disposal of own shares									0		0
Translation reserve movement					(480)				(480)		(480)
Other movements	120			(329)		(572)	427		(354)	(1)	(355)
Operating result for 2012								586	586	(98)	488
Balance as at 31 December 2012	14,400	21,926	(105)	15,290	560	10,453	9,444	586	72,554	(99)	72,455
Allocation of the 2012 result											
- Other reserves and provisions				146			440	(586)	0		0
- Dividends									0		0
Income/(expenses) recognised to Equity			428	(134)		(56)			238		238
Disposal of own shares									0		0
Translation reserve movement				119	(802)	0			(683)		(683)
Other movements				436		0	(436)		0	99	99
Operating result for 2013								(2,084)	(2,084)		(2,084)
Balance as at 30 September 2013	14,400	21,926	323	15,857	(242)	10,397	9,448	(2,084)	70,025	0	70,025

6. CONSOLIDATED INCOME STATEMENT

Pursuant to Consob resolution no. 15519 of 27 July 2006

(€,'000)	2013	2012
Revenues from products sold	94,219	97,437
<i>of which non-recurring</i>	320	
<i>of which related parties</i>	24	29
Other operating income and revenues	469	263
TOTAL REVENUES	94,688	97,700
Change in inventories	2,431	1,119
Cost for raw materials and accessories	(40,090)	(41,591)
Costs for services	(17,324)	(19,300)
<i>of which related parties</i>	(76)	(85)
Sundry operating charges	(857)	(434)
<i>of which non-recurring</i>	(400)	
Sundry operating income	530	167
Personnel costs	(34,471)	(33,324)
<i>of which non-recurring</i>	(287)	(112)
Capitalised work	1,846	1,752
Provisions	(654)	(572)
Doubtful receivables and others	(1,963)	(1,895)
Amortisation	(141)	
Depreciation	(3,352)	(3,305)
OPERATING RESULT	784	317
Gains from financial assets	622	658
Gains from financial assets	(2,158)	(1,506)
(Losses) gains from equity investments using the equity method	(414)	0
PRE-TAX RESULT	(1,166)	(531)
Current taxes	(1,665)	(1,140)
Deferred taxes	747	1,071
TOTAL TAXES	(918)	(69)
RESULT FOR THE PERIOD	(2,084)	(600)

7. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND EQUITY

Pursuant to Consob resolution no. 15519 of 27 July 2006

(€,000)	30 Sept. 2013	31 Dec. 2012
NON-CURRENT ASSETS		
Goodwill	6,912	3,705
Intangible assets	8,734	8,533
Land, buildings, plant, machinery and equipment	42,559	43,813
<i>of which related parties:</i>	222	440
Equity investments valued using the equity method	1,026	1,011
Equity investments in other companies	2,172	2,053
Receivables and other non-current assets	77	77
Deferred tax assets	6,078	5,430
TOTAL NON-CURRENT ASSETS	67,558	64,622
CURRENT ASSETS		
Inventories	26,565	24,489
Trade receivables	41,974	42,525
<i>of which related parties:</i>	8	25
Other assets	2,315	1,709
Tax receivables	1,974	2,866
Cash and cash equivalents	22,266	17,490
Financial derivatives	150	52
TOTAL CURRENT ASSETS	95,244	89,131
TOTAL ASSETS	162,802	153,753
SHAREHOLDERS' EQUITY		
Share capital	14,400	14,400
Reserves	48,504	47,564
Profit brought forward	7,121	10,589
Total Group's shareholders' equity	70,025	72,553
Minority interest shareholders' equity	-	(99)
TOTAL SHAREHOLDERS' EQUITY	70,025	72,454
NON-CURRENT LIABILITIES		
Long-term borrowings	31,082	20,316
Personnel benefits	5,289	5,189
Non-current provisions	909	1,477
Deferred tax liabilities	751	810
TOTAL NON-CURRENT LIABILITIES	38,031	27,792
CURRENT LIABILITIES		
Short-term bank borrowings	21,148	22,297
Trade payables	19,047	17,405
<i>of which related parties:</i>	119	124
Financial liabilities for derivatives	504	834
Current provisions	1,164	1,263
Tax payables	2,867	2,646
Other liabilities	10,016	9,062
TOTAL CURRENT LIABILITIES	54,746	53,507
TOTAL LIABILITIES	92,377	81,299
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	162,802	153,753

SPECIFIC EXPLANATORY NOTES

NOTE 1 – GENERAL INFORMATION

Gefran S.p.A. is established and located in Provaglio d’Iseo (BS), Italy, registered office at 74 Via Sebina.

NOTE 2 – FORMAT AND CONTENT

The Interim Report ending on 30 September 2013 was drawn up in accordance with the International Financial Reporting standards IAS 34, endorsed by art. 154-ter of the Consolidated Financial Act.

The Interim Report closing on 30 September 2013 does not contain all the supplementary information required for the yearly financial report, and should be read in conjunction with the Group’s consolidated financial statements as at 31 December 2012.

The Interim Report for the period ending on 30 September 2013 was prepared on the basis of the accounts as at 30 September 2013 kept by the parent company Gefran S.p.A. and its subsidiaries in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

The interim financial report, which was prepared on a consolidated basis, incorporates the financial statements and supplementary information required to draw up the consolidated explanatory notes prepared by the boards of directors of each subsidiary. Such statements were prepared according to the same valuation criteria as those adopted by the parent company, or they were adjusted at the consolidation stage.

The Interim Report was not subject to any audit review.

The currency adopted in this Interim Report is the Euro, which is the Group’s functional currency.

The Interim Report as at 30 September 2013 was approved by the Board of Directors at the meeting held on 13 November 2013.

NOTE 3 – CHANGE IN THE SCOPE OF CONSOLIDATION

The consolidation area as at 30 September 2013 changed compared to that of 31 December 2012, following acquisition of a 30% stake in Axel S.r.l., the remaining 40% stake in Gefran South Africa (Pty) Ltd (formerly Gefran – Enertronica SA), and a 100% stake in Sensormate AG. Compared to the situation as at 30 September 2012, the change in the scope of consolidation refers to the acquisition of a 30% stake in Axel S.r.l., a 100% stake in Gefran South Africa (Pty) Ltd (formerly Gefran – Enertronica SA) and a 100% stake in Sensormate AG.

NOTE 4 – CONSOLIDATION POLICIES AND ACCOUNTING METHODS

The valuation criteria adopted in the preparation of the interim report as at 30 September 2013 are consistent with the accounting policies adopted in the preparation of the consolidated financial statements as at 31 December 2012.

In line with the requirements of documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010, issued jointly by the Bank of Italy, CONSOB and ISVAP, it is highlighted that the Gefran Group’s interim report was drawn up in accordance with the going-concern assumption. The difficult economic scenario does not in fact generate uncertainties likely to affect the Group’s ability to function in the future as an operating entity. This is because the Group has a history of profitable operations and easy access to financial resources. There are currently and prospectively no financial, economic or business indicators suggesting uncertainties with regard to business continuity.

With reference to CONSOB Communication no. DEM/11070007 of 5 August 2011, it is also noted that the Group does not hold in portfolio any sovereign debt securities issued by central or local governments or government agencies, and is therefore not exposed to risks deriving from market fluctuations.

The schedules used in the interim report reflect in summary those of the 31 December 2012 financial statements. This interim report does not include all the information required for annual financial reports and should be read in conjunction with the annual financial statements for the year ending 31 December 2012. Significant transactions with related parties and non-recurrent items were highlighted in separate financial statement schedules, as requested by CONSOB resolution no. 15519 of 27 July 2006.

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

NOTE 5 – FINANCIAL RISK MANAGEMENT

As specified in the Yearly Financial Report as at 31 December 2012, the Group manages its capital structure and adjust it according to the circumstances to adequately support its business and maximize value for the shareholders. The Group also aims to maintain over time a solid credit rating and capital ratios that are consistent with its asset structure. No changes were made to the Group's objectives, policies and procedures in the first nine months of 2013, compared to the year ending 31 December 2012.

The Gefran Group is exposed to the following financial risks: market risks (interest rate risk and currency risk), liquidity risk and credit risk. The Company monitors the financial risks associated with its own activities and those of its subsidiaries. The financial risks to which the Gefran Group is exposed did not change significantly compared to the year ended on 31 December 2012.

NOTE 6 – CHANGE IN THE CONSOLIDATION PRINCIPLE

As the result of the early adoption on 1st January 2012 of IFRS 11, which requires a retrospective application, the financial statements for the year 2011 and the 2012 interim reports were re-determined consistently with the principle adopted for 2012. In particular, Ensun S.r.l., which was consolidated integrally, has now been consolidated using the equity method.

The consolidated income statement for the nine months of 2012 was also adjusted following the adoption of IFRS 11. The changes are minimal (less than €62 thousand) and mainly involved operating costs (less than €15 thousand) that are recognised in the adjusted income statement by applying IFRS 11 (consolidation of the Ensun Group using the equity method).

NOTE 7 – NON-RECURRING INCOME (CHARGES)

Description	Revenues	Other operating costs	Personnel expenses	Amortisation, depreciation and impairments	Total
<i>(€,000)</i>					
Non-recurring income	320				320
Non-recurring charges		(400)	(287)	(141)	(828)
Total non-recurring income (charges)	320	(400)	(287)	(141)	(508)
Total in the financial statements	94.688	(18.305)	(34.471)	(5.315)	
Incidence	0,34%	2,19%	0,83%	2,65%	

Revenues comprise €320 thousand non-recurring income for government grants received by the Chinese subsidiary and concerning research and development incentives for technological companies. As at 30 September 2012 there were no non-recurring revenues.

Non-recurring charges refer to:

- Personnel expenses, namely personnel turnover, which involved some member companies. As at 30 September 2013, non-recurring charges amounted to €287 thousand (€112 thousand as at 30 September 2012);
- €141 thousand impairment losses relating to intangible assets of a definite life;
- the provision for Legal disputes, which was increased of €400 thousand to reflect the charges for the settlement of pending disputes.

NOTE 8 – INFORMATION BY BUSINESS AREA

Based on the elements the management uses to make operating decisions and allocate resources to the different segments, Gefran has identified the following three business areas:

- Sensors for industrial use, with a full range of products for the measurement of four physical properties: temperature, pressure, position and force. Following the acquisition of Sensormate SA, the range of products includes loading cells for injection moulding, a basic component in the press industry. The Group produces about two thirds of its sales abroad and has production facilities in Italy, USA and China. Primary sensor elements are produced in Italy and the Group offers a calibration service approved in Italy for temperature, pressure and relative humidity measurements.
- Automation components for use in electronic instruments, with three product lines: electronic regulators, static units and advanced automation (industrial PCs, HMIs, PLCs and I/O modules). The Group exports over half of its turnover and the main production plant is located in Italy, in addition to the Brazilian plant for sales to the Latin American market.
- Drives for use in the field of electric motor control for speed regulation in AC, DC and brushless motors. A new range of inverters for photovoltaic installations (Radius) was launched in 2010. The Group exports about 66% of its turnover and has production plants in Italy, Germany and China.

Economic figures by business area

As at 30 September 2013

(€,000)	Sensors	Automation components	Drives	Elisions	Total
Revenues from the trade	29,351	21,841	43,497		94,689
<i>Inter-segment revenues</i>	457	1,660	194	(2,311)	-
Revenues	29,808	23,501	43,691	(2,311)	94,689
Gross Operating Margin	7,238	288	(1,427)		6,500
Operating result	5,725	(1,099)	(3,840)		784

As at 30 September 2012

(€,000)	Sensors	Automation components	Drives	Elisions	Total
Revenues from the trade	28,048	21,157	48,495		97,700
<i>Inter-segment revenues</i>	276	3,687	257	(4,220)	-
Revenues	28,324	24,844	48,752	(4,220)	97,700
Gross Operating Margin	6,622	454	(1,559)		5,517
Operating result	5,168	(907)	(3,944)		317

Inter-segment sales are recognised at the transfer prices, which are substantially in line with the market prices.

Balance sheet figures by business area

GEFRAN GROUP	30 Sept. 2013	Sensors	Automation components	Drives	Not broken down	Total
<i>(€,000)</i>						
Intangible assets	15,646	8,457	2,741	4,448	-	15,646
Tangible assets	42,559	11,314	12,105	19,140	-	42,559
Financial assets	9,353				9,353	9,353
Net fixed assets	67,558	19,771	14,846	23,588	9,353	67,558
Inventories	26,565	4,474	5,161	16,930	-	26,565
Trade receivables	41,974	10,502	9,213	22,259	-	41,974
Trade payables	(19,047)	(3,878)	(4,346)	(10,823)	-	(19,047)
Other current receivables/(payables)	(8,594)	(3,144)	(2,849)	(1,989)	(612)	(8,594)
Working capital	40,898	7,954	7,179	26,377	(612)	40,898
Provisions for contingencies and liabilities	(2,073)				(2,073)	(2,073)
Provision for deferred taxes	(751)				(751)	(751)
Employee benefits	(5,289)	(1,610)	(1,881)	(1,798)	-	(5,289)
Net invested capital	100,343	26,115	20,144	48,167	5,917	100,343
Shareholders' equity	70,025	-	-	-	70,025	70,025
Medium/long-term financial loans	31,082				31,082	31,082
Short-term bank borrowings	21,148				21,148	21,148
Financial liabilities for derivatives	504				504	504
Financial derivatives	(150)				(150)	(150)
Cash on hand and short-term financial receivables	(22,266)				(22,266)	(22,266)
Financial liabilities related to operating activities	30,318	-	-	-	30,318	30,318
Total sources of funding	100,343	-	-	-	100,343	100,343

GRUPPO GEFRAN	31 Dec. 2012	Sensors	Automation components	Drives	Not broken down	Total
<i>(€,000)</i>						
Intangible assets	12,238	5,034	2,370	4,834		12,238
Tangible assets	43,813	11,770	12,413	19,630		43,813
Financial assets	8,571				8,571	8,571
Net fixed assets	64,622	16,804	14,783	24,464	8,571	64,622
Inventories	24,489	4,342	4,342	15,805		24,489
Trade receivables	42,525	9,068	8,228	25,229		42,525
Trade payables	(17,405)	(3,529)	(4,301)	(9,575)		(17,405)
Other current receivables/(payables)	(7,133)	(2,571)	(2,560)	(2,241)	239	(7,133)
Working capital	42,476	7,310	5,709	29,218	239	42,476
Provisions for contingencies and liabilities	(2,740)				(2,740)	(2,740)
Provision for deferred taxes	(810)				(810)	(810)
Employee benefits	(5,189)	(1,593)	(1,863)	(1,733)		(5,189)
Net invested capital	98,359	22,521	18,629	51,949	5,260	98,359
Shareholders' equity	72,454	-	-	-	72,454	72,454
Medium/long-term financial loans	20,316				20,316	20,316
Short-term bank borrowings	22,297				22,297	22,297
Financial liabilities for derivatives	834				834	834
Financial derivatives	(52)				(52)	(52)
Cash on hand and short-term financial receivables	(17,490)				(17,490)	(17,490)
Financial liabilities related to operating activities	25,905	-	-	-	25,905	25,905
Total sources of funding	98,359	-	-	-	98,359	98,359

NOTE 9 – BUSINESS COMBINATIONS

On 4 July 2013 Gefran S.p.A. finalized the acquisition of 100% of the shares in Sensormate AG, for the overall amount of €3,471 thousand, of which €2,920 thousand paid on the date of the transaction, while the remaining portion will be paid in two instalments three and five years after the date of the agreement, subject to the occurrence of certain events.

(€,000)	
Value of acquisition (A)	3,471
Fair value of net assets acquired (B)	217
Goodwill (A)-(B)	3,254
Sums paid up for the acquisition	2,989
Cash available in the acquired company	(69)
Cash flows from acquisition	2,920

A breakdown of temporary fair values of acquired assets/liabilities is given in the table below.

Description	Fair Value
(€,000)	
Intangible assets	1
Tangible assets	73
Cash and cash equivalents	69
Inventories	130
Trade receivables	114
Trade payables	(30)
Other assets/liabilities	(101)
Provision for contingencies and liabilities	(41)
Net acquired assets	217

The Group recognised the business combination temporarily, reserving the right to complete the cost allocation method within twelve months of the acquisition date.

NOTE 10 – GAINS AND LOSSES FROM FINANCIAL ASSETS AND LIABILITIES

Gains from financial assets came to €622 thousand, compared to €658 thousand as at 30 September 2012. A breakdown is shown in the table below.

Description	2013	2012	change
<i>(€,000)</i>			
from cash management	119	41	78
from other non-operating income	68	119	(51)
exchange gains	239	438	(199)
exchange valuation differences	196	60	136
Total	622	658	(36)

Losses from financial liabilities amounted to €2,158 thousand, compared to €1,506 thousand as at 30 September 2012. A breakdown is shown in the table below.

Description	2013	2012	change
<i>(€,000)</i>			
Medium/long-term interest	(1,140)	(913)	(227)
Medium/long-term interest	(82)	(160)	78
Factoring interest and commissions	(42)	(23)	(19)
Other non-operating charges	(21)	51	(72)
Exchange losses	(535)	(451)	(84)
Exchange valuation differences	(338)	(10)	(328)
Total	(2,158)	(1,506)	(652)

Financial charges rose by €652 thousand and are mainly due to increased long-term financial liabilities and exchange differences generated by the fluctuations of the ratio of the euro currency to the US dollar and the depreciation of the Indian rupee and the Brazilian Real. Medium/long-term interests include €300 thousand interest payable referring to IRS contracts as at 30 September 2013, compared to €232 thousand as at 30 September 2012.

The balance of exchange differences is negative at €438 thousand, compared to €+37 thousand in the same period of 2012, and is due mainly to EUR/USD, EUR/INR and EUR/BRL currency translations.

NOTE 11 – INCOME TAXES

This item was negative at €918 thousand, compared to €-69 thousand in the same period of 2012. A breakdown is shown in the table below.

Description	2013	2012
<i>(€,000)</i>		
Current taxes		
Ires– corporate income tax	-	-
Irap– regional business tax	(559)	(532)
Foreign taxes	(1,106)	(608)
Total income taxes	(1,665)	(1,140)
Deferred taxes		
Deferred tax liabilities	54	160
Deferred tax assets	693	911
Total deferred taxes	747	1,071
Total taxes	(918)	(69)

Current taxes payable, equal to €1,665 thousand (€1,140 thousand as at 30 September 2012), are attributable to the regional business tax owed by the parent company Gefran S.p.A. and foreign local taxes on the positive results achieved by the group's foreign companies.

Deferred taxes, equal to €747 thousand (€1,071 thousand as at 30 September 2012), mainly include Gefran S.p.A.'s deferred tax assets recognised on the negative taxable amount for the period.

The net balance of prepaid tax assets and deferred tax liabilities is shown in the table below.

Description	30/09/2013	31/12/2012
<i>(€,000)</i>		
Deferred tax assets	6,078	5,430
Deferred tax liabilities	(751)	(810)
Balance	5,327	4,620

A breakdown of prepaid tax assets and deferred tax liabilities is given in the table below.

Description	31/12/2012	Recognised to income statement	Recognised to shareholder's equity	Exchange differences	30/09/2013
(€,000)					
Deferred tax assets					
Inventory impairment	914	118	-	-	1,032
Trade receivable impairment	685	(18)	-	-	667
Deductible losses to be brought forward	2,389	1,060	-	(30)	3,419
Exchange rate differences	25	(24)	-	-	1
Write-off on unrealised margins on inventories	764	(53)	-	-	711
Provision for product warranty risk	201	(5)	-	-	196
Provision for sundry risks	430	(385)	-	7	52
Fair value hedging	22	-	(22)	-	-
Total deferred tax assets	5,430	693	(22)	(23)	6,078
Deferred tax liabilities					
Severance indemnity allowance	190	-	-	-	190
Fair value securities valuation reserve	-	-	9	-	9
Exchange rate differences	57	(56)	-	-	1
Other deferred taxes payable	563	2	-	(14)	551
Total deferred tax liabilities	810	(54)	9	(14)	751
Net total	4,620	747	(31)	(9)	5,327

NOTE 12 – GOODWILL AND OTHER INDEFINITE-LIFE ASSETS

As at 30 September 2013 *goodwill* amounted to €6,912 thousand. A breakdown of this item is shown in the table below.

Description	31/12/2012	Increase	Decrease	Exchange differences	30/09/2013
(€,000)					
Gefran S.p.A.	140	-	-	-	140
Gefran France SA	1,310	-	-	-	1,310
Gefran India	43	-	-	(6)	37
Gefran Inc.	2,212	-	-	(41)	2,171
Sensormate AG	-	3,254	-	-	3,254
	3,705	3,254	-	(47)	6,912

The main change refers to Sensormate AG. More details are provided in Note 9 “Business combinations”.

NOTE 13 – CURRENT ASSETS

Current assets amounted to €49,492 thousand as at 30 September 2013, compared to €49,609 thousand as at 31 December 2012. The situation is detailed in the table below.

Description	30/09/2013	31/12/2012	Change
<i>(€,000)</i>			
Inventories	26,565	24,489	2,076
Trade receivables	41,974	42,525	(551)
Trade payables	(19,047)	(17,405)	(1,642)
Net amount	49,492	49,609	(117)

The figures as at 30 September 2013 are influenced by the values originating from the consolidation of Sensormate AG, equal to €353 thousand. Excluding this value, the Group's current assets comes to €49,139 thousand, down €470 thousand compared to 31 December 2012.

Inventories as at 30 September 2013 came to €26,565 thousand, up €2,076 thousand compared to the 31 December 2012 figure. This difference is mainly related to the drives business, which increased by €1,125 thousand, and to the automation components, which increased by €819 thousand.

Trade receivables totalled €41,974 thousand, down €551 thousand compared to 31 December 2012. This difference is due to decreased revenues in the first nine months of the year and a careful credit policy.

Trade receivables were adjusted to their estimated realizable value through the allocation to a specific provision for bad debts calculated on the basis of individual debtors. As at 30 September 2013 this provision was a prudent estimate of the current risk. Details are given in the table below.

	31/12/2012	Increase	Decrease	Change in the scope of consolidation	Other movements	30/09/2013
<i>(€,000)</i>						
Provision for bad debts	3,755	654	(731)	24	(58)	3,644

The decrease includes the utilisation of the provisions for unrecoverable receivables.

Trade payables as at 30 September 2013 totalled €19,047 thousand, up €1.642 thousand compared to 31 December 2012. This difference is partly due to the increase in inventories and subsequent increase of purchases, and partly to the policy put in place by the Buying Office, aiming at extending the conditions of payment.

NOTE 14 – NET FINANCIAL POSITION

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

Description (€,000)	30/09/2013	31/12/2012	Change
Cash and cash equivalents	22,266	17,490	4,776
Financial derivatives	150	52	98
Long-term financial liabilities	(31,082)	(20,316)	(10,766)
Short-term bank borrowings	(21,148)	(22,297)	1,149
Financial liabilities for derivatives	(504)	(834)	330
Total	(30,318)	(25,905)	(4,413)

The table below shows a breakdown of the net financial position by due date.

Description (€,000)	30/09/2013	31/12/2012	Change
A. Cash on hand	41	38	3
B. Cash on bank deposits	21,206	17,001	4,205
Term deposits – less than 3 months	1,019	451	568
C. Securities held for trading	1,019	451	568
D. Cash and cash equivalents (A) + (B) + (C)	22,266	17,490	4,776
Financial liabilities for derivatives	(504)	(834)	330
Financial derivatives	150	52	98
E. Hedging derivatives fair value	(354)	(782)	428
F. Current portion of short-term bank borrowings	(13,699)	(15,803)	2,104
G. Other Short-term bank borrowings	(7,449)	(6,494)	(955)
H. Total Short-term bank borrowings (F) + (G)	(21,148)	(22,297)	1,149
I. Total short-term liabilities(E) + (H)	(21,502)	(23,079)	1,577
J. Net short-term financial liabilities (I) + (D)	764	(5,589)	6,353
L. Long-term financial liabilities	(31,082)	(20,316)	(10,766)
M. Net financial indebtedness (J) + (L)	(30,318)	(25,905)	(4,413)
<i>of which to minority interest:</i>	<i>(30,318)</i>	<i>(25,905)</i>	<i>(4,413)</i>

Net financial indebtedness as at 30 September 2013 came to €30,318 thousand, up €4,413 thousand on the 31 December 2012 figure. This difference mainly originated from positive cash flows from technical investments (€4,441 thousand) and acquisitions net of acquired cash (€2,967 thousand), mitigated by cash generated by operations in the period (€4,979 thousand).

As at 30 September 2013 net short-term financial assets came to €764 thousand, compared to a liability of €5,589 thousand at the end of December 2012, up €6,353 thousand. The difference is mainly due to €4,776 thousand increase in cash deposits and €1,577 thousand short-term bank borrowings.

Long-term financial liabilities increased by €10,766 thousand, as a result of new loans taken out for a total of €24,000 thousand, the long-term portion of which amounts to €18,932 thousand, the short-term reclassification of the €6,101 thousand portion previously recognised as long-term, and €2,065 thousand repayments.

The new loans taken out responds to the need to fund the recent acquisition of Sensormate AG and the needs to extend the maturity period of short-term liabilities, thus lengthening the loan repayment plans.

Cash and cash equivalents

Cash and cash equivalents amounted to €22,266 thousand as at 30 September 2013, up €4,776 thousand compared to 31 December 2012.

Description (€,000)	30/09/2013	31/12/2012	Change
Cash on bank deposits	21,206	17,001	4,205
Cash on hand	41	38	3
Term deposits – less than 3 months	1,019	451	568
Total	22,266	17,490	4,776

Cash and cash equivalents as at 30 September 2013 include the amount of €73 thousand referring to the consolidation of Sensormate AG.

The technical forms of utilisation as at 30 September 2013, are detailed as follows:

- Maturities: available on demand.
- Counterparty risk: bank deposits are with primary credit institutions.
- Country risk: bank deposits are held in the countries where the Group's member companies are located.

Short-term bank borrowings

This item decreased by €1,149 thousand compared to the 2012 year-end figure. A breakdown is shown in the table below.

Description (€,000)	30/09/2013	31/12/2012	Change
Intesa S.Paolo	667	1,334	(667)
Centrobanca	1,463	1,463	-
UBI - Banca	-	1,032	(1,032)
BNL	1,000	1,000	-
Unicredit	1,231	1,231	-
UBI - Banca	-	486	(486)
Mediocredito	-	5,000	(5,000)
Deutsche Bank	600	600	-
Unicredit	2,689	2,644	45
Cred. Bergamasco	486	513	(27)
Mediocredito	667	500	167
Banco di Brescia	1,105	-	1,105
Banca Pop. Sondrio	953	-	953
Banca Intesa	667	-	667
Cred. Bergamasco	709	-	709
Banca Intesa	462	-	462
Unicredit	1,000	-	1,000
Bank current overdrafts	6,510	5,564	946
Factoring	776	730	46
Lease agreements	106	135	(29)
Other liabilities	57	65	(8)
Total	21,148	22,297	(1,149)

Bank overdraft increased by €946 thousand and relates almost entirely to Gefran S.p.A.

This item is characterised by:

- the utilisation of credit facilities payable on demand, at an annual interest rate of 3-5%;
- the utilisation of credit facilities from trade receivables (factoring), repayable on maturity at the annual interest rate of 0.7-2.2%.

Long-term financial liabilities

Long-term financial liabilities increased by €10,766 thousand, as detailed in the table below.

Description (€,000)	30/09/2013	31/12/2012	Change
Intesa S.Paolo	-	333	(333)
Centrobanca	5,854	7,318	(1,464)
UBI - Banca	-	789	(789)
BNL	750	1,500	(750)
Unicredit	923	1,846	(923)
UBI - Banca	-	1,276	(1,276)
Deutsche Bank	1,500	1,950	(450)
Unicredit	-	1,356	(1,356)
Cred. Bergamasco	1,123	1,448	(325)
Mediocredito	2,000	2,500	(500)
Banco di Brescia	4,895	-	4,895
Banca Pop. Sondrio	2,047	-	2,047
Banca Intesa	3,333	-	3,333
Cred. Bergamasco	2,119	-	2,119
Banca Intesa	2,538	-	2,538
Unicredit	4,000	-	4,000
Total	31,082	20,316	10,766

The main changes relate to the stipulation of new loans in the first half of 2013 and early repayments for €2,065 thousand.

The loans listed in the table are taken out under variable-rate agreements entered into by Gefran S.p.A. The main characteristics are given in the table below.

Bank	Disbursed amount	Date of signing	Balance as at 2012	of which within 12 months	of which over 12 months	Interest rate	Maturity	Repayment method
(€,000)								
Intesa - S.Paolo	€6,000	29/04/09	667	667	-	3m Euribor + 1.45%	31/03/14	quarterly
Centrobanca	€10,976	04/09/08	7,317	1,463	5,854	6m Euribor + 0.85%	01/10/18	half-yearly
BNL	€4,000	30/04/11	1,750	1,000	750	3m Euribor + 1.20%	13/04/15	quarterly
Unicredit	€4,000	24/06/11	2,154	1,231	923	3m Euribor + 1.10%	30/06/15	quarterly
Deutsche Bank	€3,000	09/03/12	2,100	600	1,500	3m Euribor + 3.60%	31/03/17	quarterly
Unicredit	€4,000	12/10/12	2,689	2,689	-	3m Euribor + 3.00%	12/04/14	half-yearly
Cred. Bergamasco	€2,000	06/11/12	1,609	486	1,123	3m Euribor + 3.80%	31/10/16	monthly
Mediocredito	€3,000	16/11/12	2,667	667	2,000	3m Euribor + 3.90%	30/09/17	quarterly
Banco di Brescia	€6,000	31/05/13	6,000	1,105	4,895	3m Euribor + 3.90%	31/05/18	quarterly
Banca Pop. Sondrio	€3,000	11/06/13	3,000	953	2,047	3m Euribor + 4.50%	31/07/16	quarterly
Mediocredito	€4,000	26/06/13	4,000	667	3,333	3m Euribor + 3.70%	31/05/18	quarterly
Cred. Bergamasco	€3,000	18/06/13	2,828	709	2,119	3m Euribor + 4.20%	30/06/17	monthly
Banca Intesa	€3,000	27/06/13	3,000	462	2,538	3m Euribor + 3.95%	27/06/18	quarterly
Unicredit	€5,000	27/09/13	5,000	1,000	4,000	3m Euribor + 2.60%	30/09/18	quarterly
Total			44,781	13,699	31,082			

The loan taken out on 4th September 2008 with Centrobanca S.p.A. is guaranteed by a €36 million mortgage on the property in Via Cave and Via Stazione Vecchia in Provaglio d'Iseo.

The €6 million loan taken out with UBI-Banca on 31 May 2013 is subject to a financial covenant based on a consolidated debt-to-equity ratio not exceeding 0.7. If this value is exceeded, the spread will be increased by 0.4 percentage points. The risk of this event occurring is considered highly unlikely. Moreover, a *negative pledge* clause is provided in this loan agreement.

The €3 million loan taken out on 27th June 2013 with Banca Intesa is subject to financial covenants based on a consolidated debt-to-equity ratio not exceeding 0.7 and a debt-to-EBITDA ratio not exceeding 3.5. The risk of exceeding the ratios stipulated in said covenants is considered highly unlikely. If both covenants are exceeded, the lending entity will have the faculty to request for the loan to be repaid immediately. A *negative pledge* clause is also provided in this loan agreement.

Hedging derivative instruments

In order to mitigate the financial risk associated with variable-rate loans, which could occur in the event of an increase in the Euribor, the Group decided to hedge variable-rate loans by putting in place the IRS (Interest Rate Swap) contracts specified below.

Bank	Notional principal amount	Date of signing	Notional as at 30 Sept. 2013	Derivative	Fair Value 30 Sept. 2013	Long position rate	Short position rate
<i>(€ ,000)</i>							
Intesa - S.Paolo	€6,000	29/04/09	667	IRS	(5)	Fixed 2.35%	3m Euribor
Centrobanca	€9,550	31/03/10	7,317	IRS	(378)	Fixed 3.11%	6m Euribor
BNL	€4,000	30/04/11	1,750	IRS	(41)	Fixed 2.63%	3m Euribor
Unicredit	€4,000	24/06/11	2,154	IRS	(47)	Fixed 2.51%	3m Euribor
Deutsche Bank	€3,000	09/03/12	2,100	IRS	(33)	Fixed 1.34%	3m Euribor
Total financial liabilities for derivatives – interest rate risk					(504)		

The Group also stipulated interest rate cap contracts (CAPs) as detailed in the table below.

Bank	Notional principal amount	Date of signing	Notional as at 30 Sept. 2013	Derivative	Fair Value 30 Sept. 2013	Long position rate	Short position rate
<i>(€ ,000)</i>							
Unicredit	€ 3,000	16/11/12	2,689	CAP	18	Strike Price 0,45%	3m Euribor
Credito Bergamasco	€ 2,000	06/11/12	1,609	CAP	3	Strike Price 1,00%	3m Euribor
Unicredit	€ 6,000	04/06/13	6,000	CAP	53	Strike Price 0,75%	6m Euribor
Intesa	€ 3,000	27/06/13	3,000	CAP	25	Strike Price 0,75%	3m Euribor
Mediocredito	€ 4,000	12/06/13	4,000	CAP	32	Strike Price 0,75%	3m Euribor
BNL	€ 3,000	20/06/13	3,000	CAP	8	Strike Price 0,40%	3m Euribor
Credito Bergamasco	€ 3,000	20/06/13	2,828	CAP	11	Strike Price 0,75%	3m Euribor
Total financial assets for derivatives – interest rate risk					150		

All the contracts described above are recognised at their fair value:

	as at 30 September 2013		al 31 December 2012	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
<i>(€ ,000)</i>				
Currency risk	0	0	32	0
Interest rate risk	150	(504)	20	(834)
Total cash flow hedge	150	(504)	52	(834)

Credit lines

In order to support current operations, the Group has different credit lines granted by banks and other financial institutions, mainly in the form of loans for advances on invoices, cash flexibility and mixed loans for a comprehensive sum of €50,195 thousand. As at 30 September 2013 overall utilisation of these credit lines totalled €7,254 thousand, with a residual available amount of €42,941 thousand.

NOTE 15 – SHAREHOLDERS' EQUITY

A breakdown of this item is detailed in the table below.

Description	30/09/2013	31/12/2012	Change
<i>(€ ,000)</i>			
Equity interest attributable to the Group	70,025	72,553	(2,528)
Minority interest	-	(99)	99
Net amount	70,025	72,454	(2,429)

The Group's shareholders' equity decreased by €2,429 thousand, compared to the figure at the end of 2012, due mainly to the negative operating result for the period (€2,084 thousand), income recognised to shareholders' equity (€415 thousand) and the movements of the translation reserve (€-684 thousand).

The parent company's share capital amounts to €14,400 thousand, divided into 14,400,000 ordinary shares, of a nominal value of €1 each.

As at 30 September 2013, the parent company Gefran S.p.A. held 152,758 treasury shares, equal to 1.06% of the share capital. At the end of 2012, the number of treasury shares held was 131,462, equal to 0.91% of the share capital.

The company did not issue convertible bonds.

For details on the movements in the equity reserves during the year, please refer to the changes to the shareholders' equity schedule.

The movements in the fair value security evaluation reserve are summarised in the table below.

Description	30/09/2013	31/12/2012	Change
<i>(€,000)</i>			
Balance as at 1 st January	(47)	(65)	18
Shares in Italian common investment funds	-	-	-
UBI-Banca shares	(4)	6	(10)
Woojin Selex (Korea) shares	17	22	(5)
Theoretical fiscal effect	(4)	(10)	6
Net amount	(38)	(47)	9

The movements in the fair value derivative evaluation reserve are summarised in the table below

Description	30/09/2013	31/12/2012	Change
<i>(€,000)</i>			
Balance as at 1 st January	(58)	-	(58)
Change in derivative fair value	427	(79)	506
Theoretical fiscal effect	(21)	21	(42)
Net amount	348	(58)	406

NOTE 16 – PROVISIONS FOR CURRENT AND NON-CURRENT RISKS

Provisions for non-current risks decreased by €568 thousand, compared to the 31 December 2012 figure, as detailed in the table below.

Description	30/09/2013	31/12/2012	Changes
<i>(€,000)</i>			
For legal disputes	641	464	177
Other provisions	268	1.013	(745)
Total	909	1.477	(568)

The item Legal disputes includes the provision set aside for liabilities relating to the settlement of pending disputes regarding claims from customers, some of our employees and distributors.

The item Other provisions refers to Gefran S.p.A. and the main decrease is due to the provisions for tax risk for both the utilisation and recognition to the income statement of the unutilized portion of €445 thousand, following the positive issue of the dispute with the Inland Revenue.

The provision for current risks as at 30 September 2013 came to €1,164 thousand, virtually the same as at 31 December 2012 (€1,263 thousand), as detailed in the table below.

Description	30/09/2013	31/12/2012	Change
<i>(€,000)</i>			
FISC	29	29	-
Product warranty	1,132	1,230	(98)
Others	3	3	-
Total	1,164	1,263	(98)

NOTE 17 – EQUITY INVESTMENTS EXPRESSED IN THE STATEMENT OF CASH FLOWS

As at 30 September 2013 equity investments totalled €2,967 thousand, of which €2,920 thousand relating to 100% acquisition of Sensormate AG and €47 thousand 40% acquisition of Gefran South Africa PTY Ltd.

NOTE 18 – INVESTMENTS IN NON-CURRENT ASSETS EXPRESSED IN THE STATEMENT OF CASH FLOWS

These are investments made during the period for the amount of €7,695 thousand, net of purchases that did not entail any change in the cash flows and consolidation goodwill already included in the sum paid for the acquisition of equity investments. The table reconciles the investments included in the statement of cash flows compared to those recognised in the balance sheet.

Description	30/09/2013	30/09/2012
<i>(€,000)</i>		
Increases in intangible assets	5,437	2,142
Increases in tangible assets	2,258	3,348
Total investment recognised in the balance sheet	7,695	5,490
Goodwill from consolidation	(3,254)	-
Total investments recognised in the statement of cash flows	4,441	5,490

NOTE 19 – GUARANTEES GRANTED, COMMITMENTS AND CONTINGENT LIABILITIES**Guarantees granted**

As at 30 September 2013 the Group had pledged guarantees on third parties' or subsidiaries' liabilities or commitments for €16,436 thousand, the same figure recognised as at 31 December 2012, as detailed in the table below.

Description	2013	2012
<i>(€,000)</i>		
Credito Bergamasco	100	100
Ubi Leasing	11,836	11,836
Banca Passadore	3,500	3,500
Banco di Brescia	1,000	1,000
Total	16,436	16,436

Two bank guarantees were granted to UBI Leasing for a total of €11,836 thousand, expiring in 2029, to pledge financial obligations undertaken by BS Energia and BS Energia 2 S.r.l. for the installation of photovoltaic systems

The bank guarantee issued in favour of Banca Passadore and that in favour of Banco di Brescia pledges the Ensun S.r.l.'s credit line.

Legal proceedings and other disputes

The parent company and some of its subsidiaries are involved in various legal proceedings and disputes. It is, however, improbable that the issue of such proceedings will give rise to a significant liability for which provisions have not been already set aside.

Commitments

For more details on the commitments, please refer to the comments in the explanatory notes to the half-yearly financial report as at 30 June 2013. As at 30 September 2013 no significant changes occurred.

NOTE 20 – RELATED PARTIES

Pursuant to revised IAS 24, details of related party transactions are given below for the first nine months of 2013 and the corresponding period in 2012.

Group's intercompany transactions are part of the normal management of the business and the typical business of each entity involved and are carried out on commercial terms that are normal in the respective reference markets. The Group did not carry out any unusual and/or abnormal transactions that may have a significant impact on its economic, equity and financial situation

On 12 November 2010, the Board of Directors of Gefran S.p.A. adopted the regulations governing related party transactions published in the company's website www.gefran.com, under Corporate Governance.

The operations carried out with related parties are part of the normal management of the typical business.

Below are details of the transactions carried out with other related parties:

- Elettropiemme S.r.l., a company controlled by Ensun S.r.l., in which Ennio Franceschetti (CEO of Gefran S.p.A.) holds the office of chairman.
- Climat S.r.l., a company in which the director and member is a relative of Maria Chiara Franceschetti (director of Gefran S.p.A.)

It must be noted that the above relations have a non-material impact on the Group's economic and financial structure, and can be summarised in the following tables.

Companies	Costs and charges		Revenues and income	
	2013	2012	2013	2012
<i>(€ ,000)</i>				
Elettropiemme S.r.l.	4	0	24	27
Climat S.r.l.	72	85	0	2

Companies	Receivables and other assets		Payables and other liabilities	
	30/09/2013	31/12/2012	30/09/2013	31/12/2012
<i>(€ ,000)</i>				
Elettropiemme S.r.l.	134	25	97	0
Climat S.r.l.	96	440	22	124

In accordance with group's internal regulations, transactions with related parties of an amount below €50 thousand are not reported, since this amount was determined as threshold identifying significant transactions.

NOTE 21 – ADDITIONAL INFORMATION

Pursuant to the provisions of art. 70, subsection 8, and art. 71, subsection 1-bis of Consob's Issuers' Regulations, the Board of Directors resolved to exercise the option to derogate from their obligations to publish informative documents required in connection with operations of significant mergers, spin-offs, capital increases by contribution in kind, acquisitions and disposals.

Provaglio d'Iseo, 13 November 2013

For the Board of Directors

The Chairman

Ennio Franceschetti

The Chief Executive Officer

Alfredo Sala

DECLARATION BY THE EXECUTIVE OFFICER RESPONSIBLE FOR THE PREPARATION OF THE CORPORATE ACCOUNTING DOCUMENTS

**Declaration under art. 154-bis, subsection 2
of Legislative Decree no. 58 of 24 February 1998 n. 58 (“Finance Consolidated Act”)**

I, the undersigned Fausta Coffano, executive officer in charge of drawing up the accounting documents of Gefran S.p.A., hereby declare, pursuant to subsection 2 of art. 154-bis of the Consolidated Finance Act, that the information contained in this Interim Report as at 30 September 2013 corresponds to the documentary evidence and the company’s books and accounting records.

Provaglio d’Iseo, 13 November 2013

The Executive Officer Responsible for
the preparation of the corporate accounting
documents

Fausta Coffano

CONSOLIDATED INCOME STATEMENT ANALYSIS BY QUARTER

(€,000)	QI			QII			QIII			YEAR	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
a Revenues	28,426	28,256	34,135	36,689	32,127	32,755	94,688	97,700			
b Consumption of materials and products	10,023	10,479	14,409	15,955	13,228	14,038	37,660	40,472			
c Value added (a-b)	18,403	17,777	19,726	20,734	18,899	18,717	57,029	57,228			
d Other operating costs	6,037	6,581	5,896	7,148	6,370	6,410	18,305	20,139			
e Personnel costs	11,719	11,453	12,155	11,813	10,596	10,058	34,471	33,324			
f Increases for in-factory works	560	623	661	650	624	478	1,846	1,752			
g Gross operating margin - EBITDA (c-d-e+f)	1,207	366	2,336	2,423	2,557	2,727	6,099	5,517			
h Amortisation, depreciation and impairments	1,775	1,718	1,701	1,762	1,840	1,720	5,315	5,200			
i Operating income - EBIT (g-h)	(568)	(1,352)	635	661	717	1,007	784	317			
l (Losses) gains from financial assets/liabilities	(121)	(306)	(662)	(198)	(754)	(345)	(1,536)	(848)			
m (Losses) gains from equity investments using the equity method	(125)	0	(99)	0	(190)	0	(414)	0			
n Pre-tax result for the period (i+l+m)	(814)	(1,658)	(126)	463	(227)	662	(1,166)	(531)			
o Taxes	(302)	185	(246)	(318)	(370)	66	(918)	(69)			
p Result including minority interest (n+o)	(1,116)	(1,473)	(372)	145	(597)	728	(2,084)	(600)			
q Minority interest result	(120)	0	120	0	0	0	0	0			
r Net result for the Group (p+q)	(996)	(1,473)	(492)	145	(597)	728	(2,084)	(600)			

ANNEXES

ANNEXE 1 – EXCHANGE RATES USED FOR TRANSLATION OF FIGURES EXPRESSED IN A FOREIGN CURRENCY

Exchange rates of the end of the period

Currencies	30 September 2013	31 December 2012	30 September 2012
Swiss Franc	1.2338	1.2072	1.2099
Pound Sterling	0.8417	0.8161	0.7981
US Dollar	1.3348	1.3194	1.2930
Brazilian Real	3.0345	2.7036	2.6232
Chinese Renminbi	8.1690	8.2207	8.1261
Indian Rupee	85.2678	72.5600	68.3480
South African Rand	13.3287	11.1727	10.7125

Average exchange rates in the period

Currencies	QIII/2013	2012	QIII/2012
Swiss Franc	1.2315	1.2053	1.2044
Pound Sterling	0.8522	0.8111	0.8123
US Dollar	1.3177	1.2856	1.2817
Brazilian Real	2.7898	2.5098	2.4562
Chinese Renminbi	8.1240	8.1095	8.1104
Indian Rupee	75.6927	68.6315	68.0750
South African Rand	12.4950	11.3179	n/a

ANNEXE 2 – COMPANIES CONSOLIDATED USING THE INTEGRAL METHOD

Name	Registered office	Country	Currency	Share capital	Investor company	% held directly
Gefran UK Ltd	Telford	United Kingdom	GBP	4,096,000	Gefran S.p.A.	100.00
Gefran Deutschland GmbH	Seligenstadt	Germany	EUR	365,000	Gefran S.p.A.	100.00
Siei Areg GmbH	Pleidelsheim	Germany	EUR	150,000	Gefran S.p.A.	100.00
Gefran Suisse S.A.	Oberbüren	Switzerland	CHF	50,000	Gefran S.p.A.	100.00
Gefran France S.A.	Lyon	France	EUR	800,000	Gefran S.p.A.	99.99
Gefran Benelux Nv	Geel	Belgium	EUR	344,000	Gefran S.p.A.	100.00
Gefran Inc	Charlotte	United States	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Elettroelettronica Ltda	Sao Paolo	Brazil	REAL	450,000	Gefran S.p.A.	99.90
					Gefran UK	0.10
Gefran India Private Ltd	Pune	India	INR	100,000,000	Gefran S.p.A.	95.00
					Gefran UK	5.00
Gefran Siei Asia Pte Ltd	Singapore	Singapore	USD	4,086,000	Gefran S.p.A.	100.00
Gefran Siei Drives Technology Pte Ltd	Shanghai	China (People's Republic)	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric Pte Ltd	Shanghai	China (People's Republic)	RMB	1,005,625	Gefran Siei Asia	100.00
Gefran South Africa (Pty) Ltd	Milnerton City	Rep. of South Africa	ZAR	2,000,100	Gefran S.p.A.	100.00
Sensormate AG	Aadorf	Switzerland	CHF	100,000	Gefran S.p.A.	100.00

ANNEXE 3 – COMPANIES CONSOLIDATED USING THE EQUITY METHOD

Name	Registered office	Country	Currency	Share capital	Investor company	% held directly
Ensun S.r.l.	Brescia	Italy	EUR	30,000	Gefran S.p.A.	50.00
BS Energia 2 S.r.l.	Rodengo Saiano	Italy	EUR	10,000	Ensun S.r.l.	30.00
Elettropiemme S.r.l.	Trento	Italy	EUR	70,000	Ensun S.r.l.	50.00
Axel S.r.l.	Dandolo	Italy	EUR	26,008	Gefran S.p.A.	30.00

ANNEXE 4 – COMPANIES AVAILABLE FOR SALE

Name	Registered office	Country	Currency	Share capital	Investor company	% held directly
Colombera S.p.A.	Iseo	Italy	EUR	6,838,186	Gefran S.p.A.	16.20
Woojin Machinery Co Ltd	Seoul	South Korea	WON	3,200,000,000	Gefran S.p.A.	2.00
UBI Banca S.c.p.A.	Bergamo	Italy	EUR	2,254,368,000	Gefran S.p.A.	n/s
Inn. Tec. S.r.l.	Brescia	Italy	EUR	918,493	Gefran S.p.A.	12.87
Sei Sistemi S.r.l.	Imola	Italy	EUR	51,480	Gefran S.p.A.	16.00