GEFRAN GROUP'S

HALF-YEARLY FINANCIAL REPORT

AS AT 30 JUNE 2013

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GEFRAN GROUP – HALF-FINANCIAL REPORT AS AT 30 JUNE 2013

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 Officer	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

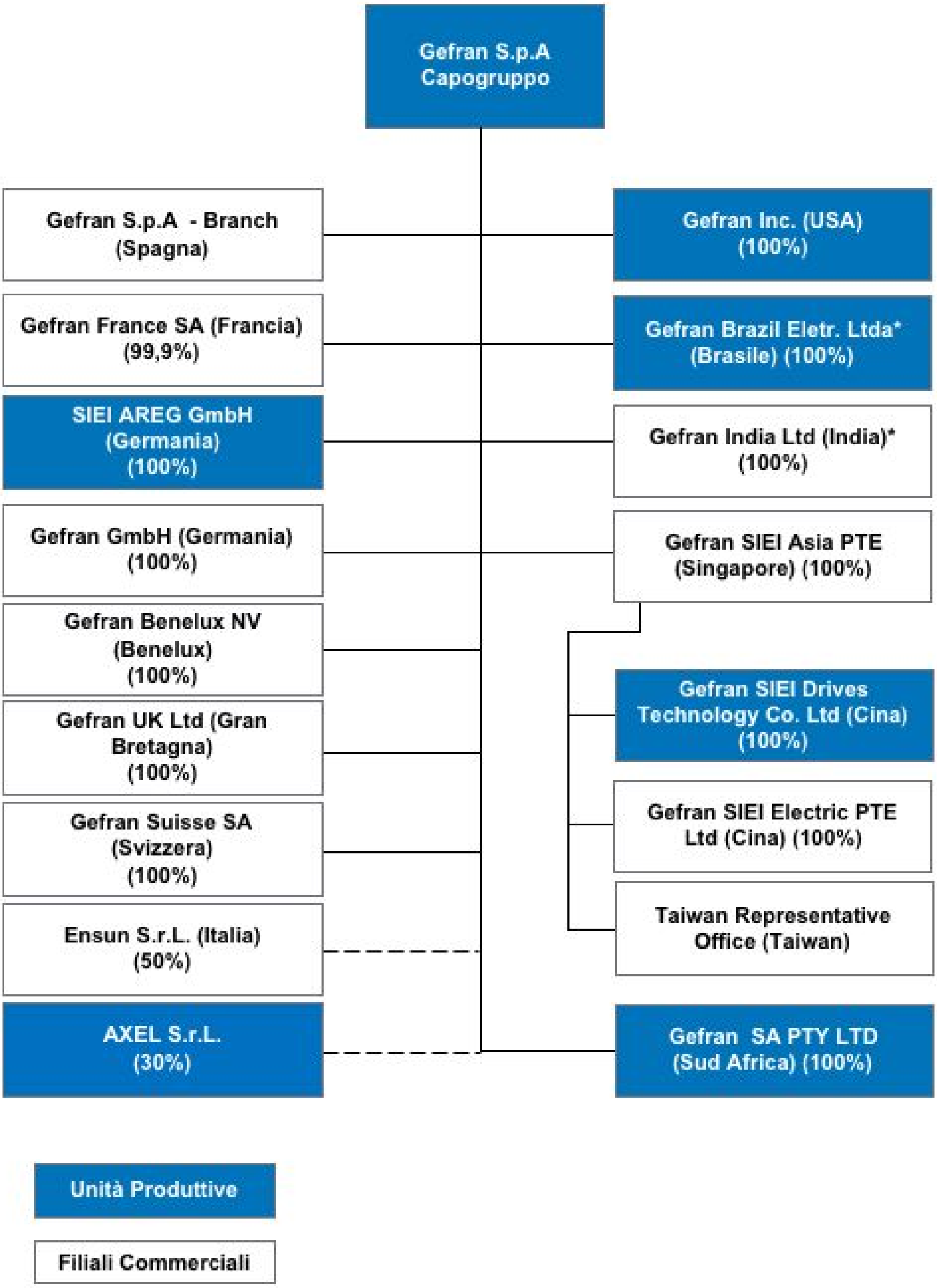
Remuneration Committee

- Daniele Piccolo
- Romano Gallus
- Cesare Vecchio

Auditing Firm

BDO S.p.A.

2. GEFRAN GROUP'S STRUCTURE



(*) Gefran India and Gefran Brazil held indirectly by 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, FINANCIAL AND EQUITY FIGURES

Group's key economic figures

2013		2012		(€,000)	Q/II 2013		Q/II 2012	
62,561	100.0%	64,945	100.0%	Revenues	34,135	100.0%	36,689	100.0%
3,543	5.7%	2,789	4.3%	Gross operating margin (EBITDA)	2,336	6.8%	2,423	6.6%
67	0.1%	(691)	-1.1%	Operating income (EBIT)	635	1.9%	661	1.8%
(940)	-1.5%	(1,195)	-1.8%	Pre-tax result	(126)	-0.4%	463	1.3%
(1,488)	-2.4%	(1,328)	-2.0%	Group's net operating result	(492)	-1.4%	145	0.4%

Group's key financial-equity figures

(€,000)	30 June 2013	31 December 2012
Net invested capital	95,390	98,359
Shareholders' equity	71,588	72,454
Net financial indebtedness	(23,802)	(25,905)
Operating cash flow	5,462	13,360
Investments	2,852	7,413

The consolidation area as at 30 June 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 SA (formerly Gefran – Enertronica SA), and compared to that of 30 June 2012, following the acquisition of a 30% stake in Axel S.r.l. and 100% in Gefran SA (formerly Gefran – Enertronica SA).

This half-yearly financial report was approved by the Board of Directors at the meeting held on 2nd August 2013.

5. GEFRAN GROUP ACTIVITIES

The activity of the Gefran Group mainly involves three highly synergic areas of business: industrial sensors, components for automation and drives for the electronic control of electric motors and photovoltaic systems.

The Group offers a full range of products and bespoke turnkey solutions for use in numerous industrial automation sectors. Exports account for 71% of turnover.

Sensors

This area offers a full range of products for measuring four physical parameters - temperature, pressure, position and force, which are used in many industrial sectors.

With its Accredited Calibration Laboratory LAT011 (Accredia), Gefran can offer its customers a nationally approved calibration service that is guaranteed for measuring the temperature, pressure and relative humidity.

Gefran stands out due to its technological leadership. It produces all the primary components and boasts an exclusive comprehensive product range. For certain families of product, it is a worldwide leader. In the sensor business, exports account for two thirds of turnover.

Automation components

This area mainly revolves around three product lines: electronic controllers, static switches and evolved automation products (PCs for industrial use, operator interfaces, PLCs and I/O modules). These components are widely used in the control of industrial processes. Gefran also engineers and produces custom turnkey solutions thanks to a close cooperation between the company and the customer during the stages of design and production.

Gefran stands out due to its hardware and software know-how acquired in over thirty years of experience. Gefran is one of the main Italian manufacturers of these product lines and sales abroad account for around half of its turnover.

Drives

This business covers the development of products and technology for speed regulation of AC, DC and brushless motors. Products such as inverters, armature converters and servo-drives ensure high performance in terms of system dynamics and precision. These products are designed for numerous applications, including elevators, cranes, metal rolling, paper-making, plastics, glass and metal production in general.

This area also covers the production of inverters and complete systems for the photovoltaic energy sector.

The integration of advanced capabilities and flexible HW and SW configurations facilitates forefront application solutions for customers and target markets and optimises both technology and costs.

Over 60% of turnover originates overseas, mainly in Asia and the United States.

6. GROUP'S BUSINESS TREND IN THE SECOND QUARTER OF 2013

	(€,000)	Q/II 2013	Q/II 2012	2013/2012 change value	%
a	Revenues	34,135	36,689	(2,554)	-7.0%
b	Consumable materials and products	14,409	15,955	(1,546)	-9.7%
c	Value added (a-b)	19,726	20,734	(1,008)	-4.9%
d	Other operating costs	5,896	7,148	(1,252)	-17.5%
e	Personnel costs	12,155	11,813	342	2.9%
f	Capitalised work	661	650	11	1.7%
g	Gross operating margin - EBITDA (c-d-e+f+-g)	2,336	2,423	(87)	-3.6%
h	Amortisation, depreciation and impairments	1,701	1,762	(61)	-3.5%
i	Operating income - EBIT (g-h)	635	661	(26)	-3.9%
l	Gains (losses) from financial assets/liabilities	(662)	(198)	(464)	234.3%
m	Gains (losses) from equity investments using the equity method	(99)	0	(99)	- -
n	Pre-tax result (i+-l+-m)	(126)	463	(589)	-127.2%
o	Taxes	(246)	(318)	72	-22.6%
p	Result including minority interest (n+-o)	(372)	145	(517)	-356.6%
q	Minority interest result	120	0	120	- -
r	Group's net operating result (p+-q)	(492)	145	(637)	-439.3%

Revenues as at 30 June 2013 amounted to €34,135 thousand, down on the same period in 2012 (€2,554 thousand, equal to -7.0%). Revenues in the first quarter of 2013 totalled €28,426 thousand, in line with the same period of 2012.

The decrease in the first half revenues is due to the sales of PV inverters, which were € 4.1 million lower than the previous year. Net of this figure, revenues from products for industrial applications are up 6.3% compared to Q2 2012.

Order portfolio in the second quarter totalled €33,653 thousand as against €31.241 thousand the second quarter of 2012.

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

(€,000)	Q/II 2013	%	Q/II 2012	%	2013/2012 change value	%
Italy	8,576	25.1%	13,477	36.7%	(4,901)	-36.4%
EU countries	6,953	20.4%	7,125	19.4%	(172)	-2.4%
Non-EU countries in Europe	1,534	4.5%	1,342	3.7%	192	14.3%
North America	2,178	6.4%	2,705	7.4%	(527)	-19.5%
South America	1,591	4.7%	1,442	3.9%	149	10.3%
Asia	13,169	38.6%	10,271	28.0%	2,898	28.2%
Rest of the World	134	0.4%	327	0.9%	(193)	-59.0%
Total	34,135	100.0%	36,689	100.0%	(2,554)	-7.0%

A breakdown of **revenues by business area** shows significant growth for Asia (+28.2%), where previous quarter's negative differentials were recovered, due mainly to the upturn in the lift sector. A positive trend was also recorded in non-EU countries in Europe (+14.3%) and South America (+10.3%), compared to the second quarter of 2012.

The other areas showed a decrease in the second quarter of 2013 compared to the same period in 2012.

As to the Italian market, revenues decreased by €4,901 thousand in the quarter compared to QII 2012 (-36.4%): the above described dynamics related to the sales of photovoltaic products mainly involved Italy.

North America ended the quarter with a -19.5%, in line with the results of the same period in 2012 period, namely for the drives business, where at the end of 2012 the end customers placed order to build up their stocks, while in QI and QII 2013 they reduced their stocks.

Revenues in the European Union decreased by 2.4% compared to QII 2012, while the figure in the rest of the world decreased by €193 thousand (-59%).

A breakdown of **Revenues by business area** shows an increase of €296 thousand (+3%) for sensors, €3,525 thousand (-17.7%) for drives and €725 thousand (-7.9%) for automation components.

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

(€,000)	Q/II 2013 Revenues	EBITDA	% on revenues	EBIT	% on revenues	Q/II 2012 Revenues	EBITDA	% on revenues	EBIT	% on revenues
Automation components	8,425	(22)	-0.3%	(434)	-5.2%	9,150	413	4.5%	(55)	-0.6%
Sensors	10,148	2,611	25.7%	2,132	21.0%	9,852	2,019	20.5%	1,526	15.5%
Drives	16,366	(253)	-1.5%	(1,063)	-6.5%	19,891	(9)	0.0%	(810)	-4.1%
Elisions	(804)					(2,204)				
Total	34,135	2,336	6.8%	635	1.9%	36,689	2,423	6.6%	661	1.8%

Gross operating margin (EBITDA) in QII/2013 was positive and amounted to €2,336 thousand. This figure includes €287 thousand non-recurring charges (€112 in QII/2012). Excluding non-recurring charges, EBITDA would be positive at €2,623 thousand (equal to 7.7% of revenues), compared to €2,535 thousand EBITDA in QII/2012 (equal to 6.9% of revenues), giving an increase of 3.5%.

A significant decrease in other operating charges (- 17.5%) was achieved compared to the same period in 2012, mainly due to decreased costs for subcontracted work, following in-house processing of some operations and increased internal production efficiency.

During the period, €417 thousand were allocated to the provision for bad debts (€242 thousand in the same period in 2012), up €174 thousand compared to QII/2012

Value added, down in absolute terms (€-1,008 thousand) compared to QII/2012, increased (+1.3%) as a percentage incidence on revenues, from 56.5% in QII/2012 to 57.8% in QII/2013, obtained thanks to the increase in selling prices and the savings on purchases of raw materials.The drop in revenues affected value added by €1,476 thousand, while the increased margin improved the value added by €468 thousand.

Personnel costs in QII/2013 amounted to €12,155 thousand, compared to €11,813 thousand in the same period in 2012. Net of non-recurring charges, personnel costs totalled €11,868 thousand, up €167 thousand compared to the same period in 2012, reflecting the additional cost deriving from the increased number of employees in the Group.

Capitalised work amounted to €661 thousand (€650 thousand in QII/2012) and relates almost entirely to product development costs sustained and capitalised during the second quarter of the year.

The **operating result** in QII/2013, including non-recurring charges, was positive at €635 thousand, in line with the positive operating result of QII/2012 (€661 thousand). The reasons of this improvement are the same as those explained for the EBITDA. The operating result also reflects €61 thousand increase in amortisation and depreciation compared to the same period in 2012.

Net financial charges in QII/2013 totalled €662 thousand, compared to €198 thousand in QII/2012. Financial charges connected with medium/long-term borrowings amounted to 372 thousand, an increase of €161 thousand on the QII/2012 figure, due mainly to the increase in medium/long-term financial borrowings compared. Moreover, exchange valuation differences were negative at €290 thousand, compared to +€13 thousand in QII/2012.

Charges from valuing shareholdings using the equity method came to €99 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 QII/2013 were negative at €500,000, compared to €100,000 in the negative as at 30 June 2012.

Taxes in QII 2013 were negative at €246 thousand, compared to €318 thousand in the negative in the same period in 2012. They comprise:

- €424 thousand current taxes payable (€867 thousand in QII/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;
- €178 thousand prepaid taxes receivable (€549 thousand receivable in QII/2012). This item mainly includes prepaid taxes recognised to Gefran S.p.A.'s negative taxable amount in the period.

Following 100% takeover of Gefran Enetronica SA in QII/2013, the result for this company entirely pertains to the Gefran Group, hence the **minority interest result** in QII/2013 includes €120 thousand loss attributable to minority interests for QI/2013.

The **Group's net operating result** in QII/2013 was negative at €492 thousand (positive at €145 thousand in QII/2012).

7. GROUP'S BUSINESS TREND AS AT 30 JUNE 2013

	(€,000)	30 June 2013	30 June 2012	2013/2012 change value	%
a	Revenues	62,561	64,945	(2,384)	-3.7%
b	Consumable materials and products	24,432	26,434	(2,002)	-7.6%
c	Value added ((a-b)	38,129	38,511	(382)	-1.0%
d	Other operating costs	11,933	13,729	(1,796)	-13.1%
e	Personnel costs	23,874	23,266	608	2.6%
f	Capitalised work	1,221	1,273	(52)	-4.1%
g	Gross operating margin - EBITDA (c-d-e+f+-g)	3,543	2,789	754	27.0%
h	Amortisation, depreciation and impairments	3,476	3,480	(4)	-0.1%
i	Operating income - EBIT (g-h)	67	(691)	758	-109.7%
l	Gains (losses) from financial assets/liabilities	(783)	(504)	(279)	55.4%
m	Gains (losses) from equity investments using the equity method	(224)	0	(224)	- -
n	Pre-tax result (i+-l+-m)	(940)	(1,195)	255	-21.3%
o	Taxes	(548)	(133)	(415)	312.0%
p	Result including minority interest (n+-o)	(1,488)	(1,328)	(160)	12.0%
q	Minority interest result	0	0	0	- -
r	Group's net operating result (p+-q)	(1,488)	(1,328)	(160)	12.0%

Revenues as at 30 June 2013 amounted to €62,561 thousand, down by €2,384 thousand on the same period in 2012. Revenues in the first half of 2013 also include €320 thousand non-recurring items related to government subsidies received by the Chinese subsidiary concerning incentives for research and development activities granted to technology companies. Net of non-recurring items, revenues came to €62,241 thousand, down by €2,704 thousand compared to the same period in 2012.

The first half of 2013 was negatively affected by the decrease in sales of photovoltaic products, which during the first half of 2013 amounted to € 1.606 million, a decrease of Euro 4.06 million, equal to 71.5%, compared to the first half of 2012. Excluding this impact, sales of industrial products were up 2.8%.

Orders received in the first half of the year amounted to €62,189 thousand (€65,447 thousand as at 30 June 2012), while the order portfolio at the end of June 2013 amounted to €29,478 thousand, against €22,999 thousand at the end of June 2012.

The table below shows revenues by geographical area for the first half of 2013 and a comparison with the previous period in 2012.

(€,000)	2013	%	2012	%	2013/2012 change value	%
Italy	18,026	28.8%	22,159	34.1%	(4,133)	-18,7%
EU countries	14,660	23.4%	14,104	21.7%	556	3,9%
Non-EU countries in Europe	2,721	4.3%	2,775	4.3%	(54)	-1,9%
North America	4,893	7.8%	5,695	8.8%	(802)	-14,1%
South America	2,938	4.7%	2,795	4.3%	143	5,1%
Asia	18,890	30.2%	16,930	26.1%	1,960	11,6%
Rest of the World	433	0.7%	487	0.7%	(54)	-11,1%
Total	62,561	100.0%	64,945	100.0%	(2,384)	-3,7%

A breakdown of **revenues by geographical area** shows a significant growth in Asia (+11.6%), the European Union (+3.9%) and South America (+5.1%), but a downturn in the other areas, especially Italy (-18.7%) and North America (-14.1%).

As regards Asia, the recovery compared to the first half of 2012 occurred mainly in the second quarter of 2013, thanks to the growth in the lift sector.

The Italian market felt the impact of the decline in the sales of products for the photovoltaic sector, while the sales of industrial products were in line with the figure in the first half of 2012.

The decline in revenues in North America, which mainly involved the drives business in QII/2013, is expected to be offset by revenues in the second half of the year since the orders received have increased.

The growth in revenues in the European Union is also influenced by the sales of products for the photovoltaic sector in Slovenia, where in the first half of 2013 the commercial initiatives put in place in 2012 to promote this business abroad started to produce their effects.

A breakdown of **revenues by business area** shows an increase of €593 thousand (+3.1%) for sensors and a decrease of €1,128 thousand (-6.6%) for automation components and €3,245 thousand for drives (-10.4% compared to -11.4% in the first half of 2012, net of non-recurring revenues).

The decrease in revenues is due to the business drives products for the photovoltaic industry, while on products for industrial applications, the growth rate was 2.5%.

The specific dynamics of the photovoltaic industry will also impact on revenues of the business components for automation, which makes assembly on behalf of the drives business; excluding these activities, the revenues of the business components show an increase of 2%.

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

	2013					2012				
	Revenues	EBITDA	% on revenues	EBIT	% on revenues	Revenues	EBITDA	% on revenues	EBIT	% on revenues
(€,000)										
Automation components	16,012	162	1.0%	(697)	-4.4%	17,140	158	0.9%	(765)	-4.5%
Sensors	19,985	4,760	23.8%	3,772	18.9%	19,392	4,467	23.0%	3,494	18.0%
Drives	28,106	(1,379)	-4.9%	(3,008)	-10.7%	31,351	(1,836)	-5.9%	(3,420)	-10.9%
Elisions	(1,542)					(2,938)				
Total	62,561	3,543	5.7%	67	0.1%	64,945	2,789	4.3%	(691)	-1.1%

Gross operating margin (EBITDA) as at 30 June 2013 was positive and amounted to €3,543 thousand, compared to €2,789 thousand EBITDA in the first half of 2012, showing a €754 thousand increase (+27%). EBITDA in the first half of 2012 includes €320 thousand non-recurring earnings and €287 thousand non-recurring charges under personnel costs (€112 thousand in the first half of 2012) and related to staff turnover. Excluding non-recurring earnings and charges, EBITDA would be positive at €3,510 thousand (equal to 5.6% of revenues), compared to €2,901 thousand EBITDA in the first half of 2012 (equal to 4.5% of revenues), showing a €609 thousand (+21.0%) increase.

Improvement in EBITDA, net of non-recurring earnings and charges, amounted to €609 thousand compared to the same period in 2012, and relates to:

- a reduction in other operating charges: in the first half of 2013 this item amounted to €11,933 thousand, compared to €13,729 thousand in the first half of 2013, showing a €1,796 thousand decrease. This difference mainly relates to costs for subcontracted work following in-house manufacture of some operations and increased internal production efficiency, reduced advertising and fair trade costs. €564 thousand were also allocated in the period to the provision for bad debts. In the first half of 2012, this item amounted to €409 thousand, showing a €155 thousand increase compared to the same period in 2012;

- value added as at 30 June 2013 improved compared to the same period in 2012, as the percentage incidence on revenues increased by 59.3% in the first half of 2012 to 60.7% in the first half of 2013. This improvement is due to a better product mix sold and savings achieved in the purchase on the materials used in the production cycles;

- personnel costs, recognised net of non-recurring charges, increased by €433 thousand (+1.9%), reflecting the additional cost resulting from the increase in the number of employees (+11), compared to the first half of 2012;

- capitalised work amounted to €1,221 thousand (€1,273 thousand as at 30 June 2012) and related almost entirely to product development costs sustained and capitalised during the first half of 2013.

The **operating result** as at 30 June 2013, including non-recurring earnings and charges, was positive at €67 thousand compared to a negative result of €691 thousand in the first half of 2012. The €758 thousand improvement reflects the events described above regarding EBITDA and also accumulated amortisation and depreciation that are substantially in line with the figures of the same period in 2012.

Net financial charges in the first half of 2013 came to €783 thousand, compared to €504 thousand as at 30 June 2012, the €279 thousand increase being due mainly to exchange valuation differences, which were negative at €-116 thousand in the first half of 2013, compared to +€69 thousand in the same period of 2012. Financial charges connected with medium/long-term borrowings amounted to €665 thousand as at 30 June 2013, compared to €573 thousand in the same period in 2012. This difference is due mainly to a €11,295 thousand increase in medium/long-term financial borrowings compared to June 2012, as well as a slight increase in spreads on new loans taken out during the last 12 months.

Charges from valuing shareholdings using the equity method came to €224 thousand and pertain to the pro-rata of the negative operating result of the associated company Elettropiemme S.r.l., which is controlled by Ensun S.r.l.

Taxes were negative at €548 thousand, compared to €133 thousand in the negative as at 30 June 2012. They comprise:

- €979 thousand current taxes payable (€1,056 thousand as at 30 June 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;
- €431 thousand prepaid taxes receivable (€923 thousand as at 30 June 2012). This item mainly included prepaid taxes recognised to Gefran S.p.A.'s negative taxable amount in the period.

The **Group's net operating result** in the first half of 2013 amounted to €-1,488 thousand (€-1,328 thousand in the first half of 2012),

8. RECLASSIFIED CONSOLIDATED BALANCE SHEET

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

GEFRAN GROUP *(€,000)*	30 June 2013	%	31 Dec 2012	%
Intangible assets	12,388	13.0	12,238	12.4
Tangible assets	43,005	45.1	43,813	44.5
Financial assets	9,157	9.6	8,571	8.7
Net fixed assets	64,550	67.7	64,622	65.7
Inventories	26,092	27.4	24,489	24.9
Intangible assets	41,292	43.3	42,525	43.2
Tangible assets	(20,344)	(21.3)	(17,405)	(17.7)
Other non-current assets	(8,387)	(8.8)	(7,133)	(7.3)
Working capital	38,653	40.5	42,476	43.2
Provisions for contingencies and liabilities	(1,802)	(1.9)	(2,740)	(2.8)
Provision for deferred taxes	(782)	(0.8)	(810)	(0.8)
Employee benefits	(5,229)	(5.5)	(5,189)	(5.3)
Net invested capital	95,390	100.0	98,359	100.0
Shareholders' equity	71,588	75.0	72,454	73.7
Medium/long-term financial loans	29,612	31.0	20,316	20.7
Short-term bank borrowings	20,265	21.2	22,297	22.7
Financial liabilities for derivatives	621	0.7	834	0.8
Financial derivatives	(174)	(0.2)	(52)	(0.1)
Cash on hand and short-term financial receivables	(26,522)	(27.8)	(17,490)	(17.8)
Financial liabilities related to operating activities	23,802	25.0	25,905	26.3
Total sources of funding	95,390	100.0	98,359	100.0

Net invested capital as at 30 June 2013 came to €95,390 thousand, showing a net decrease of €2,969 thousand compared to 31 December 2012. This difference is due mainly to a reduction in the working capital.

Net invested capital as at 30 June 2013, equal to €95,390 thousand, was down €2,969 thousand on 31 December 2012. This difference is due mainly to a reduction in working capital.

Working capital as at 30 June 2013 totalled €38,653 thousand, compared to €42,476 thousand as at 31 December 2012, showing an overall decrease of €3,823 thousand. Inventories rose by €1,603 thousand, partly offset by a €1,233 thousand drop in trade receivables and a €2,939 thousand increase in trade payables. Other assets and liabilities rose by €1,254 thousand.

Shareholders' equity as at 30 June 2013 came to €71,588 thousand (€72,454 thousand as at 31 December 2012). The difference compared to 31 December 2012 is 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, which gave a positive effect of €209 thousand.

Net financial indebtedness as at 30 June 2013 came to €23,802 thousand, up €2,103 thousand compared to 31 December 2012.

The table below shows the main cash flows.

Description *(€,000)*	**30/06/2013**	**31/12/2012**	**Change**
Cash and cash equivalents	26,522	17,490	9,032
Short-term bank borrowings	(20,265)	(22,297)	2,032
Financial liabilities for derivatives	(621)	(834)	213
Financial derivatives	174	52	122
Short-term financial liabilities/assets	5,810	(5,589)	11,399
Long-term bank borrowings	(29,612)	(20,316)	(9,296)
Medium/long-term financial liabilities/assets	(29,612)	(20,316)	(9,296)
Net cash flows	(23,802)	(25,905)	2,103

The difference is mainly the result of positive cash flows from ordinary operations (€5,462 thousand), partly absorbed by technical investments (€-3,162 thousand).

This item comprises €5,810 thousand short-term available funds and €29,600 thousand medium/long-term loans. The purpose of taking out loans in the last twelve months has been to increase the Group's debt position. At the end of June 2012 net financial indebtedness amounted to €34,286 thousand, of which €15,571 thousand short-term and €18,715 thousand long-term.

For further details, please refer to Note 21 in this half-yearly financial report.

9. CONSOLIDATED CASH FLOW

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

(€,000)	**30 June 2013**	**30 June 2012**
A) OPENING CASH AND CASH EQUIVALENTS	17,490	12,945
B) CASH GENERATED FROM (USED FOR) OPERATIONS IN THE PERIOD	5,462	(33)
C) GENERATED CASH FLOW FROM (USED FOR) INVESTMENT ACTIVITIES	(3,162)	(3,031)
D) FREE CASH FLOW (B+C)	2,300	(3,064)
E) CASH FLOW GENERATED FROM (USED FOR) FINANCING ACTIVITIES	6,771	(2,465)
CASH CURRENCY FLUCTUATIONS	(39)	36
F) NET CHANGE IN CASH FLOW	9,032	(5,493)
G) CLOSING CASH AND CASH EQUIVALENTS	26,522	7,452

Current operations generated €5,462 thousand cash flow, due mainly to improved gross cash flow for €2,893 thousand (€929 thousand in the first half of 2012) and a €2.569 thousand increase in working capital (€-962 thousand as at 30 June 2012).

Activities associated with technical and financial investments, net of divestments, absorbed €3,162 thousand resources, compared to €3,031 thousand in the first half of 2012.

Technical investments amounted to €2,852 thousand compared to €4,333 thousand as at 30 June 2012. Since the start of 2013, the Group has continued to invest in tangible and intangible assets, including capitalisation of research and development projects, mainly at the parent company, where total investments amounted to €1,112 thousand. For further details, please refer to subsection 9 in this report.

In the first half of 2013, equity investments amounted to €428 thousand, due mainly to the acquisition of 30% stake in Axel S.r.l., totalling €273 thousand and the increase in subscribed capital in view of a €155 thousand future capital increase in Ensun S.r.l. During the first half of 2012, Ensun S.r.l. refunded a portion of this loan (€985 thousand).

Free cash flow (operating cash flow net of funding activities) amounted to €2,300 thousand, compared to €-3,064 thousand in the first half of 2012, giving an improvement of €5,364 thousand, due mainly to improved cash flows generated by operating activities for €5,495 thousand, partly mitigated by the increase in investments made in the first half of 2013, compared to €131 thousand in the same period in 2012, net of the €985 thousand loan repayment received from Ensun S.r.l.

New loans were also taken out in the first half of the year totalling €19,000 thousand and existing loans were repaid for a total of €13,107 thousand.

10. INVESTMENTS

Investments in tangible and intangible assets as at 30 June 2013 amounted to €2,852 thousand (€4,333 thousand as at 30 June 2012).

The main investments in tangible assets were made by Gefran S.p.A. for the amount of €724 thousand, of which €234 thousand for machinery and equipment used in production, €330 thousand for buildings and €160 thousand for office equipment.

Investments in subsidiaries mainly involved Gefran SA (formerly Gefran – Enertronica SA) for starting up the new factory (€200 thousand), and Gefran Inc. for machinery (€185 thousand), while investments in other subsidiaries totalled €352 thousand.

Investments in intangible assets included capitalisation of costs sustained in the first half of the year for developing new products for a total amount of €1,112 thousand.

A breakdown of investments is shown in the table below.

(€,000)	**As at 30/06/2013**	**As at 30/06/2012**
Intangible assets	1,391	1,503
Tangible assets	1,461	2,830
Total	2,852	4,333

Total tangible and intangible **assets** as at 30 June 2013 (including work in progress) totalled €55,393 thousand, of which €12,388 thousand intangible assets and €43,005 thousand tangible assets.

(€,000)	**As at 30/06/2013**	**Al 31/12/2012**
Intangible assets	12,388	12,238
Tangible assets	43,005	43,813
Total	55,393	56,051

11. 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.

11.1 SENSORS

Condensed economic figures

The key economic figures are summarised in the table below.

(€,000)	2013	2012	2013/2012 change value	%	Q/II 2013	Q/II 2012	2013/2012 change value	%
Revenues	19,985	19,392	593	3.1%	10,148	9,852	296	3.0%
Gross operating margin (EBITDA)	4,760	4,467	293	6.6%	2,611	2,019	592	29.3%
% on revenues	*23.8%*	*23.0%*			*25.7%*	*20.5%*		
Operating income (EBIT)	3,772	3,494	278	8.0%	2,132	1,526	606	39.7%
% on revenues	*18.9%*	*18.0%*			*21.0%*	*15.5%*		

Business trend

Turnover as at 30 June 2013 increased by 3.1% compared to the same period in 2012. The €593 thousand increase involved all the product lines, namely the melt sensors and potentiometers. A breakdown by geographical area shows a decrease of sales in Italy (-4.2%) and the United States (-6.3%), which was offset by a considerable increase in international sales (+15.3%), Brazil (+10.7%), Asia (+2.8%) and Germany (+2.5%).

Compared to previous quarters, sales in QII/2013 increased compared to the same period in 2012 (€+296 thousand) and the first quarter of 2013 (€+311 thousand), thanks to a significant increase of sales in the Asian area.

Gross operating margin (EBITDA) as at 30 June 2013 was positive at €4,760 thousand, an improvement of €293 thousand compared to €4,467 thousand in the same period of 2012. The increase in volumes was significant and also the percentage incidence in value added improved as a result of increased savings in the purchase of raw materials in first half of 2013, and reduced variable costs in the Asian subsidiaries. The improvement in volumes and value added balanced an increase in costs, mainly personnel costs in the industrial and commercial areas for commercial activities put in place to develop business activities, while other operating charges decreased in the industrial area.

Operating income as at 30 June 2013 amounted to €3,772 thousand, equal to 18.9% of revenues, compared to the figure of €3,494 thousand (18% of revenues) in the first half of 2012. Amortisation and depreciation in the first half of 2013 are in line with the figures of the same period in 2012.

QII/2013 figures are also very positive and clearly improving compared to the same period in 2012. Gross operating margin for 2013 came to €2,611 thousand as against €2,019 thousand in 2012 and operating income for 2013 came to €2,132 thousand compared to €1,526 thousand in the previous year.

Orders received during the first half of the year amounted to €20,270 thousand, up compared to €19,980 thousand in the same period in 2012. At the end of June 2013, the order portfolio amounted to about €4,957 thousand, compared to €4,985 thousand at the end of June.

Investments

In the first half of 2013, the Group invested €779 thousand in the sensor business, of which €528 thousand concerned the plant in Provaglio d'Iseo and covered the re-layout of the production areas, the purchase of new production equipment and R&D activities.

Compared to the same period in 2012, less investments were made for €497 thousand, since major investments were made in 2012 in the new pressure sensors production line and the move of the Technological Park.

11.2 COMPONENTS FOR AUTOMATION

Overview of key economic figures

The key economic figures are summarised in the table below.

(€,000)	2013	2012	2013/2012 change value	%	QII 2013	QII 2012	2013/2012 change value	%
Revenues	16,012	17,140	(1,128)	-6.6%	8,425	9,150	(725)	-7.9%
Gross operating margin (EBITDA)	162	158	4	2.5%	(22)	413	(435)	-105.3%
% on revenues	*1.0%*	*0.9%*			*-0.3%*	*4.5%*		
Operating income (EBIT)	(697)	(765)	68	-8.9%	(434)	(55)	(379)	686.9%
% on revenues	*-4.4%*	*-4.5%*			*-5.2%*	*-0.6%*		

Business trend

As at 30 June 2013, revenues amounted to €16,012 thousand, down €1,128 thousand compared to the same period in 2012, the decline mainly involving the assembly of photovoltaic products for the drive business area.

Revenues from sales to the market increased by 2%, involving mainly the family of Solutions and Systems. Revenues from third parties in QII increased by €691 thousand compared to the same period in 2012. The increment is due mainly to the families of Solutions and Systems and Static Units.

A breakdown by geographical area shows an increase in international sales and Asian countries by the parent company in the first half of the year, giving a percentage increase of 27% and 7%, respectively. Sales in North America and Latin America remained stable, while in the European market they declined slightly (-10% for France and -25% in Germany). Gefran S.p.A. showed an improvement trend in QII/2013 compared to QII/2012.

Gross operating margin (EBITDA) in the first half of 2013 came to €162 thousand, in absolute terms in line with the figure in the same period of 2012 (€158 thousand).

Notwithstanding the decrease in volumes, the operating income as at 30 June 2013, though at €-697 thousand, improved by €68 thousand on the 2012 figure. The improvement was due to an increase in value added, which was achieved by generating increased saving on purchases. The Group's cost-reducing policy started in QI/2013 continued throughout QII. Operating costs in the industrial area decreased compared to the first half of 2012.

With reference to QII/2013, the operating income was in the negative at €-434 thousand, compared to €-55 thousand in QII/2012. The difference is mainly attributable to a decrease in value added due to a different country mix and product mix.

Orders received as at 30 June 2013 amounted to €16,940 thousand, compared to €14,887 thousand in the first half of 2012. The order portfolio amounted to €3,812 thousand, compared to €3,138 thousand at the end of June 2012, with a growth of 21%.

Investments

Almost all the investments in tangible assets went to the production bays in Provaglio (€231 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 €395 thousand, related to the new gCube Performa platforms and the new range of regulators.

11.3 DRIVES

Overview of key economic figures

The key economic figures are summarised in the table below.

(€,000)	2013	2012	2013/2012 change value	%	Q/II 2013	Q/II 2012	2013/2012 change value	%
Revenues	28,106	31,351	(3,245)	-10.4%	16,366	19,891	(3,525)	-17.7%
Gross operating margin (EBITDA)	(1,379)	(1,836)	457	-24.9%	(253)	(9)	(244)	2648.2%
% on revenues	*-4.9%*	*-5.9%*			*-1.5%*	*0.0%*		
Operating income (EBIT)	(3,008)	(3,420)	412	-12.0%	(1,063)	(810)	(253)	31.2%
% on revenues	*-10.7%*	*-10.9%*			*-6.5%*	*-4.1%*		

Business trend

Revenues as at 30 June 2013 amounted to €28,106 thousand, down €3,245 thousand (-10%) on the same period in 2012. The figure also comprises €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 revenues, overall revenues amounted to €27,786 thousand, down 11% compared to the same period in 2012.

The business drives reduces revenues because of the products for the photovoltaic industry (€ -4.06 million) while the growth on products for industrial is 2.5%; this improvement is mainly achieved in the Asian markets and Italian.

In particular, the inverter for renewable energy pays for the end of the fifth feed-in tariff and the uncertainty about the new incentive policies in Italy.

Gross operating margin (EBITDA) in the first half of 2013 regarding the drive business was negative at €1,379 thousand, though €457 thousand higher than in the same period of 2012 notwithstanding the decline in revenues. In the first half of 2013 cost-reducing policies were put in place and will continue throughout the year.

Operating income in the first half of 2013 was negative at €3,008 thousand, though improving by €412 thousand, compared to the result in the first half of 2012. Amortisation and depreciation in the first half of 2013 for drives increased by €45 thousand, compared to the same period in 2012.

The second quarter of 2013 ended in the negative again (€-1,063 thousand), though with a smaller loss than that in the first quarter of 2013.

Orders received in the first six months of the year amounted to €25,429 thousand, compared to €30,580 thousand in the first half of 2012. The order portfolio at 30 June 2013 amounted to €20,706 thousand, higher than the €14,877 thousand portfolio at the end of June 2012.

Investments

Technical investments in the period mainly referred to the purchase of new production equipment at the Gerenzano (€279 thousand) and the Shanghai (€69 thousand) factories.

During the first six months of 2013, research and development costs were capitalised for €526 thousand and were related to new ADL300 Lift products, industrial ADV inverters and Radius string inverters.

12. RESEARCH AND DEVELOPMENT

The Gefran Group devotes a large amount of financial and human resources to product research and development. In the first half of 2013, it invested about 7% of turnover in R&D, a percentage typical of technologically advanced businesses, which consider product evolution the key factor in future growth. Gefran considers it a priority to maintain the high level of investments that has characterised previous years.

Research and development mainly takes place in the laboratories in Provaglio d'Iseo and Gerenzano in Italy. This activity is organised in the design department and is divided into two areas - R&D for new products and production engineering devoted to improving and innovating existing products.

Research activities in the **Sensor** business mainly focused on products in the Melt ranges (the development of a new package for IMPACT sensors and extension of the range with the addition of PL "c" certified versions), magnetorestrictive sensors (ONDA technology applied to the new ONPP sensors), high-temperature pressure (testing of new KS products).

The **Automation components and systems** area continued to develop the range of advanced automation components. More specifically,

- the introduction of new fieldbus connectivity options on GTF, GFW and GFX4-IR power controllers, and the addition of new versions to extend the field of application and new markets (electronic fuse, 690V power supply);
- the launch in the instrumentation range of the 450 regulator and the start of a new series of 650/1250/1350 and 850/1650/1850 thermoregulators that renew the range and introduce innovative functions;
- With regard to automation platforms, completion of the automation system distributed by GCube Modula and ongoing development of the GCube Performa automation system, a compact solution with scalable performance designed to meet mid/top range automation requirements.

In the first half of 2013, development activities in the **Drives** area focused on the following projects:

- the creation in the Lift sector of a new ADL300 product (already on the market) and the Integrated Lift inverter for the Chinese market;
- completion and forthcoming marketing of the Stringa Radius three-phase inverter (capacities 10kW to 20kW with various power configuration and MPPT options) for the photovoltaic sector, and implementation of a network interface code for South Africa.

13. WORKFORCE

As at 30 June 2013 the Group's total workforce consisted of 883 units, comparred to 872 units as at 30 June 2012, of which 17 with a fixed-term contract.

Compared to the 31 December 2012 figure, the number of employees increased by 6, namely:

- 68 new people were hired, 1 executive, 26 office workers and 41 factory workers;
- 62 left the group, namely 2 executives, 34 office workers and 26 factory workers.

The change mainly involved the companies in Asia.

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

In the normal course of its business activities. the Gefran Group is exposed to various financial or non-financial risk factors that could have a significant impact on its economic and financial situation. The Group adopts specific procedures for the management of risk factors likely to affect the business result.

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

Risk factors expected for the next 2013 months are analysed below, divided by type of risk.

Risks associated with the general economic conditions and global financial markets

In the first half of 2013, the economic context in which the Gefran Group operates suffered a further shrinkage, especially in Italy and the euro zone, with a +2.1% estimated 2013 growth in world GDP, on a par with the 2012 growth. Global expenditure for machinery and equipment by businesses showed the second consecutive drop, a factor that greatly influences the economic and financial results of the Group, which mainly supplies automation components and systems to industrial machinery manufacturers.

Despite downsizing of the intensity of the sovereign debt crisis, it is still difficult to predict a clear turnaround in the dynamics of the main macroeconomic variables, indicative of the economic recovery.

The Gefran Group operates through subsidiaries in many international markets, particularly China, the United States, Brazil and India, and in numerous European countries, Germany fore and foremost. This widespread global presence enables the Group to mitigate the effects of economic recession, which mainly hit Italy and other countries in the euro zone. Diversification of the markets where the Group operates and the products it offers reduces exposure to the cyclical trends in some markets, but the fact that they may have a significant impact on the Group's operations and economic and financial situation cannot be ruled out.

Risks associated with currency fluctuations

The Gefran Group operates in numerous markets worldwide and is therefore exposed to market risks stemming from exchange rate fluctuations in the currency of the various countries.

Exposure to the currency risk is linked to the presence of production activities concentrated in Italy and commercial activities in numerous countries outside the euro zone. Such an organisational structure generates export flows in currencies other than the currency in the place of production, mainly the US dollar. The production areas in the USA and China serve the local market, with flows in the same currency.

The exchange risk arises when future transactions or assets and liabilities already entered in the balance sheet are recorded in a currency other than that of the country where the company launching the operation is located. Hedging transactions concerning the main currencies, under fixed term contracts with the parent company, are carried out in order to manage the exchange risk deriving from future commercial transactions and the recording of assets and liabilities in foreign currencies. However, since the company draws up its consolidated financial statements in euro, fluctuations in the exchange rates used to convert the subsidiaries' book figures originally expressed in a foreign currency can affect the Group's economic and financial situation and its equity.

Risk associated with fluctuations in interest rates

Changes in interest rates affect the market value of the Group's assets and liabilities and net financial charges. The interest rate risk to which the Group is exposed mainly originates from long-term loans. The Group is exposed almost exclusively to fluctuations in the Euro rate, since bank loans were mainly contracted by the parent company Gefran S.p.A., which also supports its subsidiaries financially by means, among other means, of cash pooling.

These variable rate loans expose the Company to a risk associated with the volatility of interest rates, the so-called cash-flow risk. To limit exposure to this risk, the parent company stipulates hedging contracts and derivatives of the Interest Rate Swap (IRS) type, which convert the variable rate to a fixed rate, or Interest Rate Cap, and establish the maximum rate of interest, thereby reducing the risk originating from interest rate volatility.

The potential rise in interest rates, from the minimum levels of previous years, is a risk factor for the coming quarters, although limited by existing hedging contracts.

Risks associated with changes in the regulatory framework

Since the Group makes and distributes electronic components for electrical applications, it is subject to numerous legal and regulatory requirements in the various countries in which it operates and to the national and international technical standards applying to companies operating in the same industry and to the products handled by the Group.

Any changes in legislation or regulations could entail high costs for adapting the product characteristics or even temporary suspensions of the sale of some products, which would significantly affect revenues.

The Group places great importance on health and safety provisions.

The Group's activities do not include the manufacture and processing of materials or components to an extent that would generate a significant risk of pollution or environmental damage.

The Group has implemented a series of controls and monitoring to detect and prevent any potential increase in this risk. It has also taken out an insurance policy to cover potential liabilities arising from environmental damage to third parties.

The Group feels, however, that are still some residual environmental risks that have not been adequately identified and hedged.

The enactment of other regulations that apply to the Group, or its products, or changes in the regulations currently applying to the sectors in which the Group operates, even at an international level, could force the Group to adopt more rigorous standards or limit its freedom of action in its areas of activity. These factors could entail costs for adapting the production facilities or product characteristics.

Risks associated with implementation of the corporate business policy

The Gefran Group's ability to improve its profitability and achieve the predicted margins depends, among other things, on how successfully its implements its corporate business policy. The Group's strategy is based on increasing its market share in the various countries in which it already operates or there are considered to be significant business development opportunities, increasing its market share for high-value-added products, developing industrial organisation in support of the strategy, continuously improving the structure of variable costs, and continuing to research and develop new products and processes in support of new products and new markets.

Gefran intends to implement this strategy by means of internal growth and external developments. As things stand, it is not possible to guarantee that the strategy will be implemented as and when scheduled.

Country risks

A significant portion of the Group's production and marketing activities is conducted outside the European Union, mainly in Asia, the USA and Brazil. The Group is exposed to risks connected with its global operations, including:

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

Unfavourable political and economic developments in the countries in which the Group operates could have a negative impact – the extent varying with the country – on the Group's prospects and business, and its economic and financial performance.

Risks associated with suppliers

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

The majority of raw materials purchased consists of mechanical and electromechanical parts which are easily sourced on the market. As a result, the Group does not rely on very large or strategic suppliers that would represent an operating risk if they were to face problems (whether internal or external to the supplier company) or in the event of a dispute.

Electronic components - mainly microprocessors, power semi-conductor devices and memory chips - are purchased from leading global producers. All these companies are reliable suppliers, but it cannot be ruled out that if they fall into difficulty, in terms of quality, availability or delivery times, this would have a detrimental effect on the Group's business and economic/financial results at least in the short term, until such time as the supplier can be replaced or the product modified.

Risks associated with product development, management and quality

Our value chain spans all business activities, including R&D, production, marketing, sales and technical

assistance. Deficiencies or mistakes in any of these processes can compromise product quality and potentially affect the Group's financial or economic performance.

Risks associated with operations at the production units

Gefran is an industrial group, which means it is potentially exposed to the risk of production stoppage at one or more of its plants, due for instance to machinery breakdowns, revocation or contestation of permits or licences by public authorities (e.g. following changes in the law), strikes or absence of the workforce, natural disasters, major disruptions in the supply of raw materials or energy, sabotage or attack.

No significant interruptions of business have occurred in recent years. Future disruption cannot be ruled out, however, and if it occurs for lengthy periods, the Group's economic and financial situation could be adversely affected if the damage exceeds the insured amount.

Risks associated with funding requirements

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

Gefran's capital structure is strong; the Group has €71.6 m own means and €92.3 m overall liabilities; medium/long-term indebtedness is consolidated and does not require restructuring measures and short-term net cash flow is positive. In the first months of 2013, the parent company entered into medium/long-term loan agreements with primary banks, totalling €19 m. These loans were negotiated at variable rates, determined by the Euribor rate plus a fixed spread, but never exceeding 450 base points. Only some of these loan agreements contain clauses requiring compliance with economic/financial requirements (covenants), which, as things stand now, are highly improbable to be exceeded.

Credit risk

The Group has business relations with a large number of customers. Customer concentration is not high, since no customer accounts for more than 10% of overall turnover. Supply agreements are normally durable in that Gefran products form part of the customer's product project as they are incorporated in the end product and have a significant influence on performance.

The Group grants its customers deferred payment conditions, which vary with market customs in the different countries. Each customer's solvency is constantly monitored and any risks are covered periodically by appropriate provisions. Despite these precautions, under certain market conditions some customers may not be able to generate sufficient cash flow or lack access to sufficient sources of funding, so they may delay or fell to honour their obligations. Worsening of the ongoing economic crisis has led to a significant increase in risks associated with the solvency of the company's customers, which sometimes may affect the financial results.

Legal risks and product liability

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

As is customary in the industry, the Group has taken out adequate insurance policies to cover this kind of risks. It has also set up a specific product warranty provision allocated based on turnover and statistical data.

However, if the insurance coverage and risk provisions are inadequate, the Group's financial situation could be affected. In addition, the Group's involvement in this kind of litigation and possible negative outcomes could damage the Group's reputation, which would in turn affect its economic and financial situation.

15. RELATIONS WITH RELATED PARTIES

An analysis of the transactions with related parties is detailed under the note 25 of the explanatory notes.

16. FACTS OF NOTE OCCURRING IN THE FIRST HALF OF 2013

- On 21 February 2013 Gefran underwrote a capital increase in Axel S.r.l., a company that manufactures and distributes application software for industrial automation, and supplies software advisory services for embedded systems, such as software development activities for real-time multitasking systems. Axel has long been a partner of the Gefran Group in the development of software solutions mounted on Gefran products. The purpose of the acquisition of a stake in this company is to strengthen its relationship with a key supplier. Following the increase of the Axel share capital, Gefran holds a 30% stake in the company. The investment amounted to €273 thousand. Axel S.r.l. ended the first half of 2013 with revenues totalling €260 thousand and virtually broke even.

- On 22 April 2013, Gefran S.p.A.'s general assembly resolved to

    - approve the 2012 financial statements and brought forward the €440 thousand operating result for the year;

    - appoint as director Daniele Piccolo, formerly co-opted at the meeting held on 1 October 2012;

    - authorise the board of directors to purchase up to 1,440,000 treasury shares for 18 months from the date of the general assembly.

- The general assembly also expressed a favourable opinion on Section 1 of the Remuneration Report.

- On 25 June 2013, Gefran S.p.A. underwrote the acquisition of the remaining 40% stake in Gefran SA (formerly Gefran – Enertronica SA). Following this transaction, Gefran will hold 100% of the company.

17. FACTS OF NOTE OCCURRING AFTER THE 2013 FIRST HALF-YEAR CLOSING DATE

On 4 July 2013 Gefran S.p.A. perfected the acquisition of 100% stake in Sensormate AG, a Swiss company specialised in the development, manufacture and sale of industrial sensors. Sensormate AG is based in Switzerland and designs and manufacture high-precision charging cells for injection moulding, products for which it has numerous registered patents. In 2012 the company's turnover amounted to about €1.5 m, the Ebit margin being 14%. The overall consideration for the acquisition was CHF 4.2m (equal to about €3.4m) plus Sensormate's net cash flows on the closing date. The price will the paid in three instalments: the first, amounting to CHF 3.6 m (equal to about €2.9 m) plus net cash flow was paid on 4 July 2013, the second and third instalments will be paid in the third and fifth year from the date of the agreement. Payment of the second instalment is subordinate to the presence in the company of the current founder and seller at the end of the third year from the closing date.

18. EXPECTED BUSINESS DEVELOPMENTS AND PROSPECTS

Recent developments have shown that the global economy, though still in difficulty, is still **a**t a very delicate stage on the road towards stabilisation, making the possibility of recovery more realistic.

Despite an acceleration in the United States during the first quarter of 2013, economic activity in the Eurozone shrank for the sixth time in a row and investment spending continued to decline as the result of reduced spending on equipment and machinery, means of transport and building.

In emerging markets, many economies, especially China, Brazil and India, have begun to show more or less marked signs of stagnation that could slow the global recovery.

Despite the very difficult market conditions, especially on the Italian market, in the first half of 2013 Gefran results improved thanks to the growth in sales of products for the manufacturing industry (sensors, automation, motion control), improvement in sales margins and control of operating and purchase costs. This trend has offset the drastic drop in sales of inverters for photovoltaic plants, whose operating and business costs continue to affect the income statement, despite insufficient volumes.

The order backlog at the end of June 2013, which is composed almost exclusively of orders for products for the manufacturing industry, is significantly higher than 2012 and therefore allows to expect moderate growth in turnover in the second half of the year.

The outlook for sales of inverters for photovoltaic plants in Italy and abroad however remains uncertain. In South Africa the forecast of consistent revenues moves to 2014, given the timing of the REIPP Government program on plants.

In the light of the dynamics detected and taking into account the current state of the macroeconomic environment, it is expected that the year 2013 will see growth in total revenues compared to 2012 will be realized only if the year, also revenues from PV inverters. With regard to the financial results, the Group still retains the goal of an improvement in EBITDA margin from one to three percentage points compared to 2012, as measured by revenue, considering revenues from solar products and the contribution of the Sensormate second half.

Since the global situation is still quite weak, the Group will continue to pay great attention to the control of costs and maintain firm control of net working capital, achieving an adequate level of investment to support further development of technologies and products, with a special focus on products with higher value added and countries with the greatest growth prospects, in order to increase volumes and be ready to seize any further business opportunities.

This is the philosophy behind the recent acquisition of Sensormate AG, which, thanks to its products, will enable the Group to strengthen its position in the market of injection moulding machines for plastics in the second half of the year.

CONSOLIDATED ACCOUNTING SCHEDULES AS AT 30 JUNE 2013

1. CONDENSED INTERIM INCOME STATEMENT

		Q/II		progressive as at 30 June	
(€,000)	*note*	**2013**	**2012**	**2013**	**2012**
REVENUES from products sold		34,105	36,604	62,118	64,769
Other operating income and revenues		29	84	443	175
Total REVENUES		**34,134**	**36,688**	**62,561**	**64,944**
Variation in inventories		(117)	(1,258)	1,504	1,846
Cost of raw materials and accessories		(14,292)	(14,697)	(25,936)	(28,280)
Costs for services		(5,743)	(6,872)	(11,545)	(13,085)
Sundry operating charges		(197)	(40)	(329)	(334)
Sundry operating income		461	8	505	99
Personnel costs		(12,155)	(11,812)	(23,874)	(23,265)
Capitalised work		661	650	1,221	1,273
Impairment of trade and other receivables		(417)	(243)	(564)	(409)
Amortisation		(586)	(663)	(1,247)	(1,294)
Depreciation		(1,115)	(1,099)	(2,229)	(2,186)
Gross operating margin		**634**	**662**	**67**	**(691)**
Gains from financial assets	*14*	184	601	425	646
Losses from financial liabilities	*14*	(845)	(799)	(1,208)	(1,150)
(Losses) gains from equity investments using the equity method		(99)	0	(224)	0
PRE-TAX RESULT		**(126)**	**464**	**(940)**	**(1,195)**
Current taxes	*15*	(424)	(866)	(979)	(1,056)
Deferred taxes	*15*	178	548	431	923
Total TAXES		**(246)**	**(318)**	**(548)**	**(133)**
RESULT FOR THE PERIOD		**(372)**	**146**	**(1,488)**	**(1,328)**
Attributable to:					
Group		(491)	146	(1,488)	(1,328)
Minority interest		119	0	0	0

Earnings per share		Q/II		progressive as at 30 June	
(€,000)	*note*	**2013**	**2012**	**2013**	**2012**
Earning/(loss) per ordinary share	*16*	(0.104)	(0.093)	(0.104)	(0.093)
Earning/(loss) per ordinary share, diluted	*16*	(0.104)	(0.093)	(0.104)	(0.093)

2. CONSOLIDATED AGGREGATE INCOME STATEMENT

		Q/II		progressive as at 30 June	
(€,000)	*note*	**2013**	**2012**	**2013**	**2012**
RESULT FOR THE PERIOD		**(372)**	**146**	**(1,488)**	**(1,328)**
change in non-current assets					
- investments in other companies	*22*	(66)	(80)	(30)	1
- securities and financial assets available for sale	*22*	0	(41)	0	0
- MTM cash flow hedging derivatives	*22*	230	0	334	0
- translation of foreign companies' financial statements		(945)	570	111	0
overall tax effect	*22*	22	11	0	(11)
Total changes net of tax effect		**(759)**	**460**	**415**	**(10)**
Overall result for the period		**(1,131)**	**606**	**(1,073)**	**(1,338)**

3. CONDENSED STATEMENT OF FINANCIAL POSITION AND EQUITY

(€,000)	*note*	**30 June 2013**	**31 Dec 2012**
NON-CURRENT ASSETS			
Goodwill	*17*	3,718	3,705
Intangible assets	*18*	8,670	8,533
Land. buildings. plant. machinery and equipment		43,005	43,813
Equity investments values using the equity method		1,215	1,011
Equity investments in other companies		2,023	2,053
Receivables and other non-current assets		77	77
Deferred taxes		5,842	5,430
TOTAL NON-CURRENT ASSETS		**64,550**	**64,622**
CURRENT ASSETS			
Inventories	*20*	26,092	24,489
Trade receivables	*20*	41,292	42,525
Other assets		2,352	1,709
Tax receivables		2,893	2,866
Cash and cash equivalents	*21*	26,522	17,490
Financial derivatives	*21*	174	52
TOTAL CURRENT ASSETS		**99,325**	**89,131**
TOTAL ASSETS		**163,875**	**153,753**
SHAREHOLDERS' EQUITY			
Share capital		14,400	14,400
Reserves		48,459	47,564
Profit brought forward		8,729	10,589
Total Group's shareholders' equity		**71,588**	**72,553**
Shareholders' equity di Minority interest		-	(99)
TOTAL SHAREHOLDERS' EQUITY	*22*	**71,588**	**72,454**
NON-CURRENT LIABILITIES			
LONG-TERM FINANCIAL BORROWINGS	*21*	29,612	20,316
Personnel benefits		5,229	5,189
Non-current provisions	*23*	555	1,477
Deferred taxes		782	810
TOTAL NON-CURRENT LIABILITIES		**36,178**	**27,792**
CURRENT LIABILITIES			
Short-term bank borrowings	*21*	20,265	22,297
Trade payables	*20*	20,344	17,405
Financial liabilities for derivatives	*21*	621	834
Current provisions	*23*	1,247	1,263
Tax payables		3,490	2,646
Other liabilities		10,142	9,062
TOTAL CURRENT LIABILITIES		**56,109**	**53,507**
TOTAL LIABILITIES		**92,287**	**81,299**
TOTAL EQUITY AND LIABILITIES		**163,875**	**153,753**

4. CONSOLIDATED CONDENSED CASH FLOW

(€,000)	**30 June 2013**	**30 June 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	(1,488)	(1,328)
Amortisation	3,476	3,480
(Gain) loss from the disposal of non-current assets	(18)	(79)
Net result from financial operations	1,007	504
Change related to operating lease transactions	(898)	(342)
Change in other assets and liabilities	1.254	(631)
Change in deferred taxes	(440)	(675)
Change related to operating lease transactions	1,233	823
Change in trade receivables	(1,603)	(2,044)
Change in trade payables	2,939	259
TOTAL	5,462	(33)
C) CASH FLOW GENERATED FROM (USED FOR) INVESTMENT ACTIVITIES		
Investments in:		
- Real estate, plant and machinery and intangible assets	(2,852)	(4,333)
- Holdings	(428)	985
- Securities	0	0
- Loans receivable	0	0
Disposal of non-current assets	118	317
TOTAL	(3,162)	(3,031)
D) FREE CASH FLOW (B+C)	2,300	(3,064)
E) CASH FLOW GENERATED FROM (USED FOR) INVESTMENT ACTIVITIES		
Newly taken-out long-term loans	19,000	3,000
Repayment of long-term loans	(13,107)	(3,544)
Increase(decrease) in current long-term loans	1,371	657
Interest received (paid)	(479)	(506)
Change in equity reserves	(14)	71
Dividends paid	0	(2,143)
TOTAL	6,771	(2,465)
Cash currency fluctuations	(39)	36
F) NET CHANGE IN CASH FLOW	9,032	(5,493)
G) CLOSING CASH AND CASH EQUIVALENTS	26,522	7,452

5. CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Description (Euro/.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**	**Minority interest**	**Total shareholders's 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
Destination profit 2011											
- 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)
Treasury share elimination									0		0
Translation reserve movement					(480)				(480)		(480)
Other movements	120			(329)		(573)	427		(355)	(1)	(356)
Profit 2012								586	586	(98)	488
Balance as at 31 December 2012	14,400	21,926	(105)	15,290	560	10,452	9,444	586	72,553	(99)	72,454
Profit 2012 allocation											
- Other reserves and provisions				146			440	(586)	0		0
- Dividends									0		0
Income/(expenses) recognised to Equity			305	150		(43)			412		412
Treasury share elimination									0		0
Translation reserve movement				(98	209	0			111		111
Other movements				436		0	(436)		0		0
Profit 2013								(1,488)	(1,488)	99	(1,389)
Balance as at 31 March 2013	14,400	21,926	200	15,924	769	10,410	9,448	(1,488)	71,589	0	71,589

6. CONSOLIDATED INCOME STATEMENT

Pursuant to Consob resolution no. 15519 of 27 July 2006

(€,000)		Note	1st half-year 2013	1st half-year 2012
Revenues from products sold			62,118	64,769
	of which non-recurring	*12*	*320*	
	of which related parties	*25*	*23*	*23*
Other operating income and revenues			443	175
TOTAL REVENUES			**62,561**	**64,944**
Change in inventories			1,504	1,846
Cost for raw materials and accessories			(25,936)	(28,280)
Costs for services			(11,545)	(13,085)
	of which related parties	*25*	*(97)*	*(72)*
Sundry operating charges			(329)	(334)
Sundry operating income			505	99
Personnel costs			(23,874)	(23,265)
	of which non-recurring	*12*	*(287)*	(112)
Capitalised work			1,221	1,273
Provisions			0	0
Doubtful receivables and others			(564)	(409)
Amortisation			(1,247)	(1,294)
Depreciation			(2,229)	(2,186)
Gross operating margin			**67**	**(691)**
Gains from financial assets			425	646
Gains from financial assets			(1,208)	(1,150)
(Losses) gains from equity investments using the equity method			(224)	0
PRE-TAX RESULT			**(940)**	**(1,195)**
Current taxes			(979)	(1,056)
Deferred taxes			431	923
TOTAL TAXES			**(548)**	**(133)**
PROFIT FOR THE PERIOD			**(1,488)**	**(1,328)**
Attributable to:				
Group			(1,488)	(1,328)
Minority interest			0	0

7. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND EQUITY

Pursuant to Consob resolution no. 15519 of 27 July 2006

(€,000)	***Note***	**30 June 2013**	**31 Dec 2012**
NON-CURRENT ASSETS			
Goodwill		3,718	3,705
Intangible assets		8,670	8,533
Land, buildings, plant, machinery and equipment		43,005	43,813
of which related parties	*25*	*115*	*440*
Equity investments in subsidiaries		-	-
Equity investments valued using the equity method		1,215	1,011
Investments in other companies		2,023	2,053
Receivables and other non-current assets		77	77
Prepaid taxes		5,842	5,430
TOTAL NON-CURRENT ASSETS		**64,550**	**64,622**
CURRENT ASSETS			
Inventories		26,092	24,489
Trade receivables		41,292	42,525
of which related parties	*25*	*70*	*25*
Other assets		2,352	1,709
Tax receivables		2,893	2,866
Cash and cash equivalents		26,522	17,490
Financial derivatives		174	52
TOTAL CURRENT ASSETS		**99,325**	**89,131**
TOTAL ASSETS		**163,875**	**153,753**
SHAREHOLDERS' EQUITY			
Share capital		14,400	14,400
Reserves		48,459	47,564
Profit brought forward		8,729	10,589
TOTAL SHAREHOLDERS' EQUITY		**71,588**	**72,553**
Shareholders' equity di Minority interest		-	(99)
TOTAL CURRENT LIABILITIES		**71,588**	**72,454**
NON-CURRENT LIABILITIES			
Long-term financial liabilities		29,612	20,316
Personnel benefits		5,229	5,189
Non-current provisions		555	1,477
Deferred taxes		782	810
TOTAL NON-CURRENT LIABILITIES		**36,178**	**27,792**
CURRENT LIABILITIES			
Short-term bank borrowings		20,265	22,297
Trade payables		20,344	17,405
of which related parties	*25*	*155*	*124*
Financial liabilities for derivatives		621	834
Current provisions		1,247	1,263
Tax payables		3,490	2,646
Other liabilities		10,142	9,062
TOTAL CURRENT LIABILITIES		**56,109**	**53,507**
TOTAL LIABILITIES		**92,287**	**81,299**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**163,875**	**153,753**

SPECIFIC
EXPLANATORY NOTES

NOTE 1 – GENERAL INFORMATION

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

NOTE 2 – FORMAT AND CONTENT

The Gefran Group's condensed half-yearly financial statements ending on 30 June 2013 were drawn up in accordance with the International Financial Reporting standards IAS 34, endorsed by art. 154-ter of the Consolidated Financial Act.

The consolidated interim financial statements were consolidated on the basis of half-yearly economic and equity situations of Gefran S.p.A. and its subsidiaries for the first six months of 2013, and were drawn up in accordance with the international accounting standards. These finacial accounts have been prepared on accounting policies that are consistent with those adopted by the parent company or have been adjusted during consolidation.

This interim business report underwent a limited audit conducted by BDO S.p.A., which was assigned the task by general assembly resolution passed on 26 April 2007.

The currency adopted in this interim financial report is the Euro, which is the Group's functional currency.

This interim business report as at 30 June 2013 was approved by board of directors' resolution passed on 2nd August 2013, which also authorised its publication.

NOTE 3 – CHANGE IN THE CONSOLIDATION AREA

The consolidation area as at 30 June 2013 changed compared to that of 31 December 2012, following acquisition of a 30% stake in Axel S.r.l. and the remaining 40% stake in Gefran SA (formerly Gefran – Enertronica SA), and to the situation as at 30 June 2012, following acquisition of a 30% stake in Axel S.r.l. and 100% in Gefran SA (formerly Gefran – Enertronica SA).

NOTE 4 – CONSOLIDATION POLICIES AND ACCOUNTING METHODS

The accounting policies adopted in the preparation of the condensed interim financial statements as at 30 June 2013 are consistent with the accounting principles 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 consolidated financial statements were 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 condensed half-yearly financial statements reflect in summary those of the 31 December 2012 financial reports.

This condensed half-yearly financial statements do 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 parites 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 – KEY VALUATION CHOICES IN APPLYING ACCOUNTING POLICIES AND UNCERTAINTY FACTORS IN MAKING ESTIMATES

The preparation of a condensed half-yearly financial report and notes involves a series of estimates and assumptions in determining certain assets and liabilities and valueing potential assets and liabilities. The estimates and assumptions are based on past experience and other relevant factors.

Future events could, therefore, not fully confirm the estimates.

The estimates and assumptions are reviewed periodically and the effects of any variation are recorded immediately in the financial statements.

Due to the current macroeconomic scenario, which is still destabilised by the effects of the current recession, the estimates were based on future-related assumptions characterised by a high degree of uncertainty. So, if next year's financial results differ from the estimates in the condensed interim financial statements as at 30 June 2013, it may be necessary to make significant adjustments to the figures in the financial statements. Estimates refer to the provision for bad debts and other impairment provisions, with particular reference to inventory assessments, amortisation and depreciation, employee benefits and deferred taxes, as well as the valuation of goodwill and research and development costs in non current assets.

In order to determine the existence of goodwill impairments and the capitalisation of development costs, it is necessary to estimate the value in use of the cash-generating unit (CGU) to which the goodwill is allocated or the value in use of the project.

Determination of the value in use requires an estimate of the cash flows the company expects to be produced by the CGU, and calculation of an appropriate discounting rate.

As explained in Note 19, the main uncertainties that could effect this estimate concern the assumptions made in developing expected cash flows, the discounting rate (WACC) and the growth rate (g).

In developing its assessments, management focused on the Group's estimated value in use, since it did not feel that stock exchange capitalisation of the parent company or valuation criteria such as market multiples could represent the value of the Group, due to market instability and the low volumes traded. In particular, the market listing of the parent company's shares may not entirely reflect some of the Group's distinctive elements, as explained in full in Note 19.

The Group periodically reviews the book value of intangible assets to ascertain whether they are recognised at a value not exceeding the recoverable value.

As regards goodwill and definite-life assets, these are assessed half-yearly, even in the absence of facts and circumstances requiring a revision.

In order to determine whether there are any impairment indicators in all cash-generation units, management placed particular emphasis on the performance of final data in the first half of 2013, compared to the estimates used in the impairment test as at 31 December 2012, and conducted an analysis of the interest rate trend for assessing its impact on the discount rate (WACC) estimate to be applied to the expected cash flows. The impairment test did not show any need for write-downs.

Further details are provided in Note 19.

NOTE 6 – ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS NOT YET IN FORCE BUT ALREADY ADOPTED BY THE GROUP

No early application of these principles was opted.

NOTE 7 – ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS EFFECTIVE SINCE 1ST JANUARY 2013 REGARDING CASES THAT ARE RELEVANT FOR THE GROUP

The group has adopted early application of the following principles for the year 2012:

- IFRS 10 – Consolidated financial statements
- IFRS 11 – Partnership agreements
- IFRS 12 – Additional disclosure of interests in other entities.

As a conseguence of this decision, a retrospective application was effected since 1st January 2012.

Please refer to Note 11 herein for further details.

On 12 May 2011, the IASB issued accounting principle IFRS 10 – Consolidated Financial Statements, which will supersede SIC-12 Consolidation – Special Purpose Entities (vehicles) and parts of IAS 27 – Consolidated and Separate Financial Statements, which will be renamed Separate Financial Statements and will regulate the accounting of interests in such entities. The new principle starts from the existing principles and identifies the concept of control as the determining factor for the purpose of consolidating an entity in the parent company's consolidated financial statements. It also provides guidelines for determining the existence of control when this is difficult to ascertain. The principle must be applied retrospectively from 1 January 2013.

On 12 May 2011, the IASB issued accounting principle IFRS 11 – Joint Arrangements, which will supersede IAS 31 – Joint Ventures – and the SIC 13 - Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The new principle provides the criteria for identifying joint arrangements based on rights and obligations deriving from the agreements rather than on their legal form, and establishes the equity method as the only method for recognising holdings in jointly controlled entities to the consolidated financial statements. The principle must be applied retrospectively from 1 January 2013.

Following the issuance of the principle, the IAS 28 – Investments in associates – was amended to incorporate within its scope of application, as from its effective date, investments in joint ventures.

On 12 May 2011, the IASB issued accounting principle IFRS 12 – Disclosure of interests in other entities, which forms a complete new principle on additional information to provide for each type of investment, including investments in subsidiaries, joint arrangements, associates, special purpose entities and other non-consolidated vehicle entities. The principle must be applied retrospectively from 1 January 2013.

NOTE 8 – ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS EFFECTIVE SINCE 1ST JANUARY 2013, RELATING TO CASES CURRENTLY NOT RELEVANT TO THE GROUP.

On 12 May 2011, the IASB issued IFRS 13 - Fair value measurement, which explains how to determine the fair value for accounting purposes and applies to all IFRS principles that require or allow fair value measurement or the disclosure based on fair value. The principle must be applied retrospectively as from 1 January 2013.

On 17 May 2012, the IASB issued a series of amendments to the IFRS principles ("Improvement to IFRSs – 2009-2011"), which will have to be applied retrospectively on 1 January 2013. Below are details of the amendments that could entail a change in the presentation, recognition and valuation of the items in the financial statements. The list does not include those which will only determine terminological or editorial changes having a minimum effect in accounting terms, and ones affecting principles or interpretations that do not apply to the Gefran Group, namely:

- IAS 1 – Presentation of Financial Statements: this amendment clarifies the methods for presenting comparative information when an entity modifies its accounting principles, makes a retrospective re-presentation, reclassification or discloses equity information over and above what is required by the principle.

- IAS 16 – Property, Plant and Equipment: this amendment explains that spare parts and replacement equipment must only be capitalised if they come under the definition "property, plant and equipment", otherwise they must be classified as Inventory.

- IAS 32 – Financial Instruments: Presentation: this amendment eliminates an inconsistency between IAS 12 – Income Taxes and IAS 32 – Tax Effect of Distributions to Holders of Equity Instruments, and establishes that taxes must be recognised to the income statement in as far as the distribution refers to income generated by operations originally recorded in the income statement.

On 16 June 2011, the IASB issued an amendment to IAS 19 – Employee Benefits - which eliminates the option to defer the recognition of actuarial gains and losses, known as the "corridor" method, and requires disclosure in the balance sheet and cash flow statement of the deficit or surplus of the provision and recognition to the income statement of cost components linked to work performance and net financial charges, as well as actuarial gains/(losses) deriving from the re-assessment of assets and liabilities under Other overall gains/(losses). In addition the return on assets included under net financial charges will have to be calculated on the liability discount rate and not on the expected return. The amendment also introduces other new information to be provided in the Notes to the financial statements, and it must be applied retrospectively from the financial year starting 1 January 2013. The Gefran Group does not apply the corridor method, so there will be no changes.

On 16 December 2011, the IASB issued some amendments to IFRS 7 – Financial Instruments: Disclosure. One amendment requires disclosure of the effects or potential effect of offsetting financial assets and liabilities on the balance sheet and cash flow statement.

On 13 March 2012, the IASB issued a few amendments to IFRS 1 for first-time adopters who had received government grants at non-market conditions (interest-free, without time limit).

On 28 June 2012, the IASB published a document entitled Consolidated Financial Statements. Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). In addition, the Board modified IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 - Disclosure of Interests in Other Entities was further modified.

The amendments will be effective, together with the reference principles, for annual periods as from 1st January 2013, unless an early application was opted (it must be noted that no early application is allowed by now since these principles have not yet been endorsed by the European Union).

On 19 October 2011, IFRIC Interpretation 20 was issued – Stripping costs in the production phase of a surface mine.

NOTE 9 – ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS NOT YET IN FORCE AND NOT EARLY ADOPTED BY THE GROUP OR ENDORSED BY THE EUROPEAN UNION.

On the closing date of this half-yearly report, the compentent bodies of the European Union had not yet completed the endorsement process required for the adoption of the following accounting policies and amendments:

On 12 November 2009, the IASB published IFRS 9 – Financial instruments, and the consequent amendment to IFRS 7 was published on 16 December 2011 and later amended.

This principle, which will be effective retrospectively since 1 January 2015, is the first part of a process by stages, the purpose of which is to replace IAS 39 completely and introduce new criteria for classifying and valuing financial assets and liabilities. In particular, for financial assets the new principle uses a single approach based on methods for managing financial instruments and on the characteristics of contractual cash flows from the same financial assets, in order to determine the valuation criterion and replace all the rules of IAS 39. For financial liabilities, the main amendment concerns the recognition of changes in the fair value of a financial liability designated as valued at the fair value in the income statement, when this is due to a change in the creditworthiness of the liability. According to the new principle, these changes must be recognised to Other overall gains/(losses) and will no longer be recognised to the income statement.

On 16 December 2011, the IASB issued some amendments to IAS 32 – Financial Instruments: Presentation to clarify the application of certain criteria for offsetting financial assets and liabilities in IAS 32. The amendments must be applied retrospectively for financial years starting on or after 1st January 2014.

On 16 December 2011, the IASB issued some amendments to IFRS 7 – Financial Instruments: Disclosure. One amendment requires disclosure of the effects or potential effect of offsetting financial assets and liabilities on the balance sheet and cash flow statement.

On 31 October 2012, the IASB issued some amendments to IFRS 10, IFRS 12 and IAS 27, which will become effective on 1st January 2014.

On 18 January 2013, the IASB published Exposure Draft 2013/1 “Recoverable Amount Disclosures for Non-Financial Assets – (Proposed Amendments to IAS 36)”. The IASB proposes the amendments included in the ED 2013/1 to be applied retrospectively to annual reporting periods beginning on or after 1st January 2014.

On 28 February 2013, the IASB published Exposure Draft 2013/2 “Novation of Derivatives and Continuation of hedge Accounting – (Proposed Amendments to IAS 39)”. The IASB does not propose a specific effective date but it recognises the possibility of early application.

On 31 May 2012, the IFRS IC published Draft IFRIC Interpretation DI/2012/1 “Levies Charged by Public Authorities on Entities that Operate in a Specific Market”.

On 31 May 2012, the IFRS IC published Draft IFRIC Interpretation DI/2012/2 “Put Options Written on Non-controlling Interests”.

On 3 May 2012, as part of annual projects aimed at providing limited improvements to existing international accounting standards, the IASB published, Exposure Draft 2012/1 “Annual Improvements to IFRSs: 2010-2012 Cycle”. The expected effective date of these proposals, if approved, will be for the periods beginning on or after 1st January 2014 , with the possibility of early application.

NOTE 10 – FINANCIAL INSTRUMENTS: DISCLOSURE PURSUANT TO IFRS 7

As stated in the yearly financial report as at 31 December 2012, the Group manages its capital structure and modifies it according to the circumstances in order to adequately support its operations and maximize the value to the benefit of the shareholders. The Group also aims at maintaining a solid credit rating over time and capital ratios that are consistent with its asset structure. No changes were made to the business purpose, policies and procedures during the first six months of 2013, compared to the year ended on 31 December 2012. The financial risks to which the Gefran Group is exposed did not undergo significant changes compared to the financial year ended on 31 December 2012.

The Group’s operations are exposed to various kinds of risk: market risk (including interest rate and currency risks), credit risk and liquidity risk. The Group monitors the financial risks associated with its operations and those of its subsidiaries. The financial risks to which the Gefran Group is exposed did not undergo significant changes compared to the year ended 31 December 2012.

Currency risk

The Group is exposed to the risk of fluctuation of foreign currency exchange rates associated with commercial transactions and liquidity held in a currency other than the Group’s functional currency (Euro). Nearly 40% of sales are expressed in a different currency, and the main exchange rates affecting the Group are:

a. EUR/USD accounting for 15%, related to commercial transactions of the parent company Gefran S.p.A. and its subsidiaries Gefran Siei Asia and Gefran Inc.;

b. EUR /CNY accounting for 16%, related to the Chinese company Gefran Siei Drives Technology;

c. the remaining part is related to EUR/BRL, EUR/GBP, EUR/CHF, EUR/INR, EUR/ZAR, USD/CNY.

The Group hedges some of its foreign currency transactions by negotiating derivatives (currency forward purchase and sale), the due dates of which coincide with the terms of the hedged transaction, in order to maximize its effectiveness. The main currency risk hedging activity is performed through forward exchange option selling and buying transactions.

As at 30 June 2013, the Group had no hedging transactions. It had 12% of its foreign currency sales hedged, and the losses generated in the period are not significant.

The potential loss resulting from a hypothetical, unfavourable and instantaneous change of 10% in the exchange rates, while keeping the other variables unchanged, would have an impact on the fair value of financial assets and liabilities expressed in a currency other than the functional currency of approximately €144 thousand as at 30 June 2013 (approx. €327 thousand as at 31 December 2012).

Description	June 2013		December 2012	
(€,000)	-5%	+5%	-5%	+5%
Euro	59	(59)	(5)	5
Chinese renminbi	(110)	110	(38)	38
US dollar	(18)	18	(121)	121
Total	(69)	69	(164)	164

Description	June 2013		December 2012	
(€,000)	-10%	+10%	-10%	+10%
Euro	113	(113)	(9)	9
Chinese renminbi	(220)	220	(76)	76
US dollar	(37)	37	(243)	243
Total	(144)	144	(327)	327

Interest risks

The Group's exposure to the interest rate risk is mainly associated with long-term financial liabilities. These are variable-rate loans that expose the Group to a risk associated with the volatility of interest rates, the so-called cash-flow risk. To limit exposure to this risk, the Group uses derivative instruments by stipulating interest rate swap (IRS) and interest rate CAP contracts.

The Group's Management, Administration and Finance monitor the exposure to the risk associated with fluctuations in the interest rate and propose appropriate hedging strategies to minimize exposure within the limits defined and agreed upon by the Group's policies, with recourse to derivative contracts, as required.

The table below shows a sensitivity analysis of the impact that an interest rate increase/decrease of 100 basis points would have on the consolidated net profit/(loss), compared to the interest rates at 30 June 2013 and 31 December 2012, while keeping the other variables unchanged.

Description	2013		2012	
(€,000)	-100	+100	-100	+100
Euro	(76)	(47)	(65)	40
Total	**(76)**	**(47)**	**(65)**	**40**

The potential impacts shown above are calculated by taking as reference the net liabilities that represent the most significant portion of the Group's debt on the closing date of this interim financial report, and measuring, on such amount, the effect on the net financial liability charges resulting from the change in the interest rates on an annual basis.

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

The table below shows the book value as at 31 December 2013, broken down by maturity of the Group's financial instruments exposed to the interest rate risk.

Variable rate	<1 yeat	1-5 years	>5 years	Total
(€,000)				
Loans payable	11,400	28,880	732	42,012
Other accounts payable	973	-	-	973
Bank overdrafts	6,718	-	-	6,718
Leasing	38	76	-	114
Total liabilities	19,129	28,956	732	49,817
Cash on bank current accounts	25,867	-	-	25,867
Cash on hand	37	-	-	37
Total receivable	25,904	-	-	25,904
Total variable interest rate	**6,775**	**(28,956)**	**(732)**	**(23,913)**

Unlike in the net cash flow statement, the figures shown in the above table exclude the fair value of derivative instruments (negative at €447 thousand).

Liquidity risk

Prudent management of the liquidity risk arising from the Group's normal operations requires the maintenance of an appropriate level of cash on hand and short-term securities, and also the availability of funds obtainable via a suitable amount of committed credit lines.

The Group's Administration and Finance monitor the forecast utilisation of the liquidity resources available on the basis of the expected cash flows.

The table below shows the amount of liquidity reserves on the reference dates.

Description	2013	2012	Change
(€,000)			
Cash on hand	37	38	(1)
Cash on bank deposits	25,867	17,001	8,866
Term deposits - less than 3 months	618	451	167
Total liquidity	**26,522**	**17,490**	**9,032**
Multiple mixed credit lines	26,466	30,695	(4,229)
Cash flexibility credit lines	5,475	5,735	(260)
Invoice factoring credit lines	8,858	8,960	(102)
Total credit lines available	**40,799**	**45,390**	**(4,591)**
Total liquidity available	67,321	62,880	4,441

In completion of financial risk reporting, below is a reconciliation of classes of financial assets and liabilities, as identified in the Group's balance sheet and cash flow statement, and types of financial assets and liabilities identified on the basis of IFRS7 requirements.

	Level 1	Level 2	Level 3	Total
(€,000)				
Assets valued at fair value available for sale:				
Interests valued at fair value with overall profit/(losses) as contra-entry	285	-	1,738	2,023
Forward currency transactions	-	-	-	-
Hedging derivatives	-	174	-	174
Total assets	285	174	1,738	2,197
Hedging derivatives	-	621	-	621
Total liabilities	0	621	0	621

Credit risk

The Gefran Group deals mainly with known, reliable customers. As part of its credit policy, the Group carries out credit level verification procedures for customers who require extended payment terms and new customers. Trade receivables were monitored during the period to reduce late payments and prevent significant losses.

In consideration of the current financial crisis, the Group has adopted a policy of monitoring outstanding receivables, a measure required to prevent possible deterioration of amounts receivable, less reliability of credit merit and widespread lack of liquidity in the market.

The process of devaluation, carried out in accordance with the Group's procedures, envisages that the credit positions are devalued in percentage as a function of the time range of delayed payment. Individual commercial positions for which there is objective evidence of insolvency are also impaired.

The Gefran Group has established formal procedures for hedging receivables from customers and credit collection through the activity of the inhouse legal office and leading independent solicitors. All the procedures put in place aimed to reduce the credit risk. Exposure to other forms of credit, such as financial receivables, is constantly monitored and reviewed monthly or at least quarterly to determine any losses or risks associated with credit recovery.

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

As at 30 June 2013 gross trade receivables, totalling €44,562 thousand (€46,280 thousand as at 31 December 2012) included €8,494 thousand (€7,160 thousand as at 31 December 2012) related to receivables subject to individual impairment; out of the remaining amount, the sum overdue by less than two months came to €4,809 thousand (€6,746 thousand as at 31 December 2012), and that overdue by over two months totalled €4,360 thousand (€7,300 thousand as at 31 December 2012).

Risk associated with fluctuations in the price of raw materials

The Group's exposure to this risk is minimal. Purchases of materials and components subject to fluctuations in the price of raw materials is not significant. The purchase prices of the main components are usually defined by the counterparts for the entire year and are reflected in the budgeting process.

The Group has established well-structured governance systems and periodically analyses its margins. Commercial activities are coordinated according to the reference business area, so as to monitor the sales and discounts.

Fair value of financial instruments

The Group's financial instruments are entered at fair value.

The amount of financial liabilities valued using the amortised cost method is deemed close to the fair value on the closing date.

The table below summarises the Group's net financial indebtedness and provides a comparison between the fair value and the book value:

	book value		fair value	
Description	**2013**	**2012**	**2013**	**2012**
(€,000)				
Financial assets				
Cash on hand	37	38	37	38
Cash on bank deposits	25,867	17,001	25,867	17,001
Securities held for trading	618	451	618	451
Financial derivatives	174	52	174	52
Total financial assets	**26,696**	**17,542**	**26,696**	**17,542**
Financial liabilities				
Short-term bank borrowings	(12,400)	(15,803)	(12,400)	(15,803)
Current portion of long-term bank borrowings	(6,718)	(5,564)	(6,718)	(5,564)
Financial liabilities for derivatives	(621)	(834)	(621)	(834)
Factoring	(973)	(730)	(973)	(730)
Lease agreements	(114)	(135)	(114)	(135)
Other payables	(60)	(65)	(60)	(65)
Long-term financial liabilities	(29,612)	(20,316)	(29,612)	(20,316)
Total financial liabilities	**(50,498)**	**(43,447)**	**(50,498)**	**(43,447)**
Total net cash flows	**(23,802)**	**(25,905)**	**(23,802)**	**(25,905)**

NOTE 11 – CHANGES IN CONSOLIDATION POLICY

Following early adoption on 1 January 2012 of the retrospective application of the IFRS 11 principle, the 2011 financial statements and 2012 interim reports have been revised to make them consistent with the 2012 version. In particular, Ensun S.r.l., which was consolidated using the integral method, is now consolidated using the equity method.

The consolidated income statement of the first half of 2012 was adjusted following the adoption of the IFRS11 principle. The changes are minimal and only affected operating costs (down by €62 thousand) and financial charges (down by €15 thousand), which are recognised in the adjusted income statement by applying the IRFS 11 (consolidation of the Ensun group using the equity method).

NOTE 12 – NON-RECURRING EARNINGS (GHARGES)

Description	**Revenues**	**Personnel costs**	**Total**
(€,000)			
Non-recurring earnings	320		320
Non-recurring charges		(287)	(287)
Total non-recurring earnings (charges)	**320**	**(287)**	**33**
Total	**62,561**	**(23,874)**	
Incidence	0,5%	1,2%	

Revenues include €320 thousand non-recurring earnings, related to government subsidies received by the Group's Chinese subsidiary in the form of incentives for research and development of technological companies. As at 30 June 2012 there was no non-recurring earnings.

Non-recurring charges relate to personnel costs, namely personnel turnover, which involved some member companies. As at 30 June 2013, non-recurring charges amounted to €287 thousand (€112 thousand in the first half of 2012).

NOTE 13 – 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. 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 65% of its turnover and has production plants in Italy, Germany and China.

Economic figures by business area

As at 30 June 2013

(€,000)	Sensors	Automation components	Drives	elisioni	Total
Revenues from the trade	19,985	16,012	28,106		64,103
Inter-segment revenues	*340*	*1,056*	*146*	*-1,542*	*-*
Revenues	20,325	17,068	28,252	-1,542	64,103
Gross operating margin	4,760	162	-1,379		3,543
Gross operating margin	3,772	-697	-3,008		67

As at June2012

(€,000)	Sensors	Automation components	Drives	Elisions	Total
Revenues from the trade	19,191	14,616	31,138		64,945
Inter-segment revenues	*201*	*2,524*	*213*	*-2,938*	*-*
Revenues	19,392	17,140	31,351	-2,938	64,945
Gross operating margin	4,467	158	-1,836		2,789
Gross operating margin	3,494	-765	-3,420		-691

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 *(€,000)*	30 June 2013	Sensors	Automation components	Drives	Non ripartite	Total
Intangible assets	12,388	5,246	2,670	4,472	-	12,388
Tangible assets	43,005	11,442	12,161	19,402	-	43,005
Financial assets	9,157				9,157	9,157
Net fixed assets	64,550	16,688	14,831	23,874	9,157	64,550
Inventories	26,092	4,306	4,556	17,230	-	26,092
Trade receivables	41,292	10,335	9,535	21,422	-	41,292
Trade payables	(20.344)	(4.073)	(4.560)	(11.711)	-	(20.344)
Other current receivables/(payables)	(8.387)	(2.962)	(2.875)	(2.107)	(443)	(8.387)
Net invested capital	38.653	7.606	6.656	24.834	(1.690)	38.653
Provisions for contingencies and liabilities	(1.802)				(1.802)	(1.802)
Provision for deferred taxes	(782)				(782)	(782)
Employee benefits	(5,229)	(1,596)	(1,858)	(1,775)	-	(5,229)
Net invested capital	95,390	22,698	19,629	46,933	6,130	95,390
SHAREHOLDERS' EQUITY	71,588	-	-	-	71,588	71,588
Medium/long-term financial loans	29,612				29,612	29,612
Short-term bank borrowings	20,265				20,265	20,265
Financial liabilities for derivatives	621				621	621
Financial derivatives	(174)				(174)	(174)
Cash on hand and short-term financial receivables	(26,522)				(26,522)	(26,522)
Financial liabilities related to operating activities	23,802	-	-	-	23,802	23,802
Total sources of funding	95,390	-	-	-	95,390	95,390

GEFRAN GROUP *(€,000)*	31 Dec 2012	Sensors	Automation components	Drives	Non ripartite	Total
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	41.213	7.310	5.709	29.218	(1.024)	41.213
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 14 – GAINS AND LOSSES FROM FINANCIAL ASSETS AND LIABILITIES

Gains from financial assets came to €425 thousand, compared to €646 thousand in the first half of 2012. A breakdown is shown in the table below.

Description	2013	2012	Change
(€,000)			
from cash management	65	20	45
from other non-operating income	48	100	(52)
exchange gains	128	425	(297)
exchange valuation differences	184	101	83
Total	425	646	(221)

Losses from financial liabilities amounted to €1,208 thousand, compared to €1,150 thousand in the first half of 2012. A breakdown is shown in the table below.

Description	2013	2012	Change
(€,000)			
Medium/long-term interest	(678)	(555)	(123)
Medium/long-term interest	(53)	(105)	52
Factoring interest and commissions	(32)	(17)	(15)
Other non-operating charges	(16)	(16)	-
Exchange losses	(170)	(394)	224
Exchange valuation differences	(259)	(63)	(196)
Total	(1.208)	(1.150)	(58)

Financial charges increased by €86 thousand and reflect the increase in long-term financial liabilities. They also include periodic payment of €170 thousand interest payable referring to IRS contracts as at 30 June 2013 and €129 thousand in the first half of 2012.

The balance of exchange differences is negative at €117 thousand, compared to a positive figure of €69 thousand in the same period of 2012, due mainly to EUR/USD and EUR/INR currency translations. The difference between the first 2013 half-year profit and the same period in 2012 is mainly due to unrealised currency differences.

NOTE 15 – INCOME TAXES

This item was negative at €548 thousand compared to -€133 thousand in the first half of 2012. A breakdown is shown in the table below.

Description	2013	2012
(€,000)		
Current taxes		
Ires– corporate income tax	-	-
Irap– regional business tax	(402)	(390)
Foreign taxes	(577)	(666)
Total income taxes	(979)	(1,056)
Deferred taxes		
Deferred taxes passive	(110)	11
Deferred taxes	541	912
Total deferred taxes	431	923
Total taxes	(548)	(133)

Current taxes payable, amounting to €979 thousand (€1,056 thousand as at 30 June 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.

Prepaid taxes receivable, amounting to €431 thousand (€923 thousand as at 30 June 2012), mainly include Gefran S.p.A.'s prepaid taxes recognised on the negative taxable amount for the period.

The net balance for prepaid taxes receivable and deferred taxes payable is shown in the table below.

Description	30/06/2013	31/12/2012
(€,000)		
Prepaid taxes receivable	5,842	5,430
Deferred taxes payable	(782)	(810)
Balance	5,060	4,620

The table below shows prepaid taxes receivable and deferred taxes payable.

Description *(€,000)*	31/12/2012	Recognised to income statement	Recognised to equity	Exchange differences	30/06/2013
Prepaid taxes receivable					
Inventory devaluation	914	99		-	1,013
Depreciation for bad debts	685	(9)		-	676
Deductible losses to be brought forward	2,389	788		4	3,181
Exchange rate differences	25	(25)		-	-
Write-off on unrealised margins on inventories	764	(121)		53	696
Provision for product warranty risk	201	(4)		-	197
Provision for sundry risks	430	(351)		-	79
Fair value hedging	22		(22)	-	-
Total prepaid taxes	5,430	377	(22)	57	5,842
Deferred taxes payable					
Severance indemnity allowance	190	-		-	190
Fair value securities valuation reserve	-		21	-	21
Exchange rate differences	57	(54)		-	3
Other deferred taxes payable	563			5	568
Total deferred taxes	810	(54)	21	5	782
Net total	4,620	431	(43)	52	5,060

NOTE 16 – EARNINGS PER SHARE

The table below shows a breakdown of the basic and diluted earnings:

Description	2013	2012
Basic earning per share		
- Earning for the period attributable to the Group *(€,000)*	(1,488)	(1,328)
- Average number of ordinary shares *(,000,000)*	14	14
- Basic earning per ordinary share	(0,104)	(0,093)
Diluted earning/(loss) per share		
- Earning for the period attributable to the Group *(€,000)*	(1,488)	(1,328)
- Average number of ordinary shares *(,000,000)*	14	14
- Basic earning per ordinary share	(0,104)	(0,093)
average number of ordinary shares	14,258,285	14,284,109

NOTE 17 – GOODWILL AND OTHER INDEFINITE-LIFE INTANGIBLE ASSETS

As at 30 June 2013 this item amounted to €3,718 thousand. A breakdown in shown in the table below.

Description	31/12/2012	Increase	Decrease	Exchange differences	30/06/2013
(€,000)					
Gefran S.p.A.	140	-	-	-	140
Gefran France SA	1,310	-	-	-	1,310
Gefran India	43	-	-	(3)	40
Gefran Inc.	2,212	-	-	16	2,228
Total	3,705	-	-	13	3,718

The above figures underwent an impairment test, as described in Note 19 below.

NOTE 18 – INTANGIBLE DEFINITE-LIFE ASSETS

Intangible assets, which only relates to assets of a definite useful economic life, increased from €8,533 thousand as at 31 December 2012 to €8,670 thousand as at 30 June 2013. The movements during the period are set out in the table below.

Description	31/12/2012	Increase	Decrease	Other movements	30/06/2013
(€,000)					
Development costs	11,459	-	-	483	11,942
Intellectual property rights	3,859	96	(1)	31	3,985
Assets under construction, advance payments	2,162	1,275	-	(534)	2,903
Other assets	5,279	20	(1)	8	5,306
Total	22,759	1,391	(2)	(12)	24,136

Description	Accumulated depreciation as at 31/12/2012	Increase	Decrease	Other movements	Accumulated depreciation as at 30/06/2013
(€,000)					
Development costs	6,722	962	-	-	7,684
Intellectual property rights	3,245	160	(1)	(5)	3,399
Other assets	4,259	125	(1)	-	4,383
Total	14,226	1,247	(2)	(5)	15,466

Description	Net value as at 31/12/2012	Value netto as at 30/06/2013	Change
(€,000)			
Development costs	4,737	4,258	(479)
Intellectual property rights	614	586	(28)
Assets under construction, advance payments	2,162	2,903	741
Other assets	1,020	923	(97)
Total	8,533	8,670	137

No impairments were recognised for this item during the first half-year of 2013.

Development costs

This item includes costs incurred for the following activities and capitalised in previous years and in the first half of 2013:

- €721 thousand referring to new lines for the production of contactless position sensors, melt sensors and pressure sensors;
- €1,061 thousand referring to new lines of automatic components in GCube and GF_Project, and the GFW static units;
- €2,476 thousand referring to the new range of drives, of which €1,504 thousand related to inverters for alternative energies.

These assets have an expected useful life of 5 years and passed the impairment test, which was carried out in accordance with the method described in Note 19.

Intellectual property rights

This item only includes the costs incurred for the acquisition of information system management application programmes and the use of licences on third-party software. These assets have a useful life of 3 years.

Work in progress and advances

This item includes advances paid to suppliers for the purchase of software applications and licences, the delivery of which is scheduled in the following year.

It also includes €2,404 thousand development costs, the benefits of which are recognised to the income statement starting from the next year, and they have not been amortised. They are related to sensors (€507 thousand), automation components (€825 thousand) and drives (€1,072 thousand).

Other assets

This item includes almost all the costs incurred by the Gefran S.p.A. in the previous years and the current year for the implementation of the ERP SAP/R3, Business Intelligence (BW), Customer Relationship Management (CRM) and other management software applications.

These assets have a useful life of 5 years.

NOTE 19 – VERIFICATION OF IMPAIRMENT OF GOODWILL AND INTANGIBLE DEFINITE-LIFE ASSETS RELATED TO RESEARCH & DEVELOPMENT

Goodwill acquired following business combinations for the purpose of the impairment test were allocated to the specific Cash Generating Units. Costs related to research & development were tested separately and allocated to the relevant business units.

The table below shows the book value of goodwill and R&D costs.

	Sensors		Automation components		Drives		Total	
Description	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
(€,000)								
Development costs	721	864	1,061	836	2,476	3,037	4,258	4,737
Goodwill	3,538	3,522	140	140	40	43	3,718	3,705
Total	4,259	4,386	1,201	976	2,516	3,080	7,976	8,442

In drawing up its assessments and reviewing its impairment indicators, management took into consideration the relationship between its stock exchange capitalisation and book value. As at 30 June December 2013 the Gefran Group’s market capitalisation was less than the value of the consolidated net equity. This situation points to a potential impairment, but management considers that the parent company’s stock exchange capitalisation does not fully reflect, due to market dynamics and the macroeconomic scenario, some of the Group’s distinctive elements, such as patents, research and know-how.

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

As with the assessment of goodwill and development activities, the *value in use* resulting from the impairment test was defined in accordance with the requirements of IAS 36. This test calculates the salvage value of each research and development activity or each cash-generating unit to which the tested assets are attributed, by means of discounted cash flows produced by the same cash-generating unit or the same activity, by applying a discounting rate that reflects the specific risks.

The table below shows the main assumptions used in carrying out impairment tests.

Description	Book value as at 30/06/2013	Reference BU	Reference CGU	Explicit forecast	Terminal Value	Growth rate (g) (%)	WACC (%)
(€,000)							
Gefran S.p.A. (Spanish branch)	140	Automation components	Branch Spain	2013 - 2015	15 years	0.0%	8.0%
Gefran France SA	1,310	Sensors	Gefran France	2013 - 2015	15 years	0.0%	8.7%
Gefran India	40	Drives	Gefran India	2013 - 2015	15 years	0.0%	11.4%
Gefran Inc.	2,228	Sensors	Gefran Inc,	2013 - 2015	15 years	0.0%	6.4%
Goodwill	3,718						
Magnetostrictive position	241	Sensors	Sensors	2013 - 2018	0	0.0%	7.8%
Melt pressure	183	Sensors	Sensors	2013 - 2018	0	0.0%	7.8%
Industrial pressure	288	Sensors	Sensors	2013 - 2018	0	0.0%	7.8%
Others	9	Sensors	Sensors	2013 - 2018	0	0.0%	7.8%
Total sensors	*721*				*0*		
Software	420	Automation components	Automation components	2013 - 2018	0	0.0%	7.8%
Static units	196	Automation components	Automation components	2013 - 2018	0	0.0%	7.8%
Solutions and systems	203	Automation components	Automation components	2013 - 2018	0	0.0%	7.8%
Others	242	Automation components	Automation components	2013 - 2018	0	0.0%	7.8%
Total automation components	*1,061*				*0*		
Lift	426	Drives	Drives	2013 - 2018	0	0.0%	7.8%
Regenerative lift	546	Drives	Drives	2013 - 2018	0	0.0%	7.8%
Renewable energy sources	1,504	Drives	Drives	2013 - 2018	0	0.0%	7.8%
Total Drives	*2,476*						
Development costs	4,258						
Total	7,976						

Goodwill for Gefran France and Gefran Inc. is attributed to the Sensors business, for the Spanish branch to the Components business and for the subsidiary Gefran India to the Drives business. Goodwill is assessed on the basis of data obtained from the specific CGUs.

Determination of the value in use takes into consideration explicit forecast cash flows for 2013-2015, deriving from the budget and plan approved by the parent company's Board of Directors.

As in the past, the lengths of the explicit forecast periods and finite temporal horizons, as well as the rate of growth (g), are confirmed for all the cash-generating units. The choice to adopt a finite temporal horizon for the implicit forecast period, as in the past, is a cautionary one and is gradually being abandoned by operators in favour of an assessment of a terminal value calculated on an infinite horizon. Determination of the terminal value using an infinite horizon has been applied to the impairment test for the whole Group.

Impairment tests for research and development costs considered a temporal horizon equal to their useful life. Forecasts for the various financial years were calculated according to the 2014-2015 plan, the estimated growth rates being in line with the growth trends of the approved plans.

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

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

- the risk capital cost determined as the performance of risk-free activities, including the country risk implicit in market listings, plus the Beta relating to the parent company's stock (source: Bloomberg), multiplied by the country risk premium and any specific risk premium;
- the cost of the entity's financial liability.

The performance of risk-free activities is assumed to be equal to that of a government security of the country in which the CGU is located, the duration being consistent with the assessment horizon (sources: Bloomberg and Reuters).

The risk premium is equal to the addition historical performance premium required for the equity compared to the government securities of a virtuous country (source: market consensus), whereas the specific risk premium is the additional premium (one of the aims of which being to combine in the valuation the most likely cash flows indicated by management and the expected average flows).

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

The weighted average for the financial structure uses the Group's target structure, which is valid for all the cash-generating units.

The discounting rate applied was determined net of taxes (post-tax).

The financial flow growth rate adopted for the implicit forecast (g) was assumed in nominal terms to be equal to zero (negative in real terms in the presence of inflation), the same as that used in December 2012. Namely, after the explicit forecast period, cash flows for the last year of the plan, appropriately reconsidered, were projected without assuming any future growth.

The salvage value of goodwill and development costs were determined according to the calculation of the value in use, which used projections of the three-year cash flow based on the 2013 budget and 2014-2015 plan approved by company's Management and the Board of Directors. The impairment test of the above assets highlighted no losses of value. An impairment test sensitivity analysis shows that the value in use would exceed the book value, even with an one-percentage point increase in the discounting rate (WACC).

NOTE 20 –CURRENT ASSETS

Current assets amounted to €47,040 thousand as at 30 June 2013, compared to €49,609 thousand as at 31 December 2012. The situation is detailed in the table below.

Description	30/06/2013	31/12/2012	Change
(€,000)			
Inventories	26,092	24,489	1,603
Trade receivables	41,292	42,525	(1,233)
Trade payables	(20,344)	(17,405)	(2,939)
Net amount	47,040	49,609	(2,569)

Inventories as at 30 June 2013 came to €26,092 thousand, up €1,603 thousand compared to the 31 December 2012 figure. This difference is mainly related to the drives business, which increased by €1,425 thousand, namely due to the Chinese subsidiary which, in the first months of 2013 bought material to meet local demand in the central months of the year.

Trade receivables totalled €41,292 thousand, down €1,233 thousand compared to 31 December 2012. This difference is due to decreased revenues in the first half of the year and a careful credit policy. During the first half of 2013, €2,626 thousand (€3,243 thousand as at 31 December 2012) were assigned without recourse to a factoring company.

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

	31/12/2012	Increase	Decrease	Other movements	30/06/2013
(€,000)					
Provision for bad debts	3,755	564	(556)	(17)	3,746

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

Trade payables as at 30 June 2013 totalled €20,344 thousand, up €2,939 thousand on the 31 December 2012 figure. 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 21 – NET CASH FLOWS

The table below shows a breakdown of the net cash flows.

Description (€,000)	30/06/2013	31/12/2012	Change
Cash and cash equivalents	26,522	17,490	9,032
Financial derivatives	174	52	122
Long-term financial liabilities	(29,612)	(20,316)	(9,296)
Short-term bank borrowings	(20,265)	(22,297)	2,032
Financial liabilities for derivatives	(621)	(834)	213
Total	(23,802)	(25,905)	2,103

The table below shows a breakdown of the net cash flows by due date.

Description (€,000)	30/06/2013	31/12/2012	Change
A. Cash on hand	37	38	(1)
B. Cash on bank deposits	25,867	17,001	8,866
Term deposits – less than 3 months	618	451	167
C. Securities held for trading	618	451	167
D. Cash and cash equivalents (A) + (B) + (C)	26,522	17,490	9,032
Financial liabilities for derivatives	(621)	(834)	213
Financial derivatives	174	52	122
E. Hedging derivatives fair value	(447)	(782)	335
F. Current portion of short-term bank borrowings	(12,400)	(15,803)	3,403
G. Other Short-term bank borrowings	(7,865)	(6,494)	(1,371)
H. Total Short-term bank borrowings (F) + (G)	(20,265)	(22,297)	2,032
I. Total short-term liabilities(E) + (H)	(20,712)	(23,079)	2,367
J. Net short-term financial liabilities (I) + (D)	5,810	(5,589)	11,399
L. Long-term financial liabilities	(29,612)	(20,316)	(9,296)
M. Net financial indebtedness (J) + (L)	(23,802)	(25,905)	2,103
of which to minority interest:	*(23,802)*	*(25,905)*	*2,103*

Net financial indebtedness as at 30 June 2013 came to €23,802 thousand, down €2,103 thousand on the 31 December 2012 figure. This difference mainly originated from positive cash flows of the core business (€5,462 thousand) and technical investments made during the period (€3,162 thousand).

As at 30 June 2013, net short-term financial liabilities came to €5,810 thousand, compared €5,589 thousand at the end of December 2012, up €11,399 thousand. The difference is mainly due to €9,032 thousand increase in available cash on bank deposits and €3,403 thousand short-term bank borrowings.

Long-term financial liabilities increased by €9,296 thousand, as a result of new loans taken out for a total of €19,000 thousand, the long-term portion of which amounts to €15,734 thousand, the short-term reclassification of the €4,373 thousand portion previously recognised as long-term, and €2,065 thousand repayments.

The new loans taken out satisfied Gefran's need to postpone short-term due dates, thus lengthening the loan repayment plans.

Cash and cash equivalents

Cash and cash equivalents amounted to €26,522 thousand as at 30 June 2013, up €9,032 thousand on the 31 December 2012 figure.

Description (€,000)	30/06/2013	31/12/2012	Change
Cash on bank deposits	25,867	17,001	8,866
Cash on hand	37	38	(1)
Term deposits – less than 3 months	618	451	167
Total	26,522	17,490	9,032

The technical forms of utilisation as at 30 June 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 increased by €2,032 thousand compared to the 2012 year-end figure. The breakdown of this item is shown in the table below.

Description (€,000)	30/06/2013	31/12/2012	Change
Intesa S.Paolo	1,000	1,334	(334)
Centrobanca	1,466	1,463	3
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	481	513	(32)
Mediocredito	667	500	167
Banco di Brescia	1,104	-	1,104
Banca Pop. Sondrio	711	-	711
Banca Intesa	444	-	444
Cred. Bergamasco	701	-	701
Banca Intesa	306	-	306
Bank current overdrafts	6,718	5,564	1,154
Factoring	973	730	243
Lease agreements	114	135	(21)
Other liabilities	60	65	(5)
Total	20,265	22,297	(2,032)

Bank overdraft increased by €1,154 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 €9,296 thousand, as detailed in the table below.

Description (€,000)	30/06/2013	31/12/2012	Change
Intesa S.Paolo	-	333	(333)
Centrobanca	6,583	7,318	(735)
UBI - Banca	-	789	(789)
BNL	1,000	1,500	(500)
Unicredit	1,231	1,846	(615)
UBI - Banca	-	1,276	(1,276)
Deutsche Bank	1,650	1,950	(300)
Unicredit	-	1,356	(1,356)
Cred. Bergamasco	1,247	1,448	(201)
Mediocredito	2,167	2,500	(333)
Banco di Brescia	4,896	-	4,896
Banca Pop. Sondrio	2,289	-	2,289
Banca Intesa	3,556	-	3,556
Cred. Bergamasco	2,299	-	2,299
Banca Intesa	2,694	-	2,694
Total	29,612	20,316	9,296

The main changes relate to the stipulation of new loans in the first half of 2013 and 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 (€,000)	Disbursed amount (,000)	Date of signing	Balance as at 2012	Of which within 12 months	Of which over 12 months	Interest rate	Maturity	Repayment method
Intesa - S.Paolo	Eur 6,000	29/04/09	1,000	1,000	-	Euribor 3m + 1.45%	31/03/14	quarterly
Centrobanca	Eur 10,976	04/09/08	8,049	1,466	6,583	Euribor 6m + 0.85%	01/10/18	semestrale
BNL	Eur 4,000	30/04/11	2,000	1,000	1,000	Euribor 3m + 1.20%	13/04/15	quarterly
Unicredit	Eur 4,000	24/06/11	2,462	1,231	1,231	Euribor 3m + 1.10%	30/06/15	quarterly
Deutsche Bank	Eur 3,000	09/03/12	2,250	600	1,650	Euribor 3m + 3.60%	31/03/17	quarterly
Unicredit	Eur 4,000	12/10/12	2,689	2,689	-	Euribor 3m + 3.00%	12/04/14	semestrale
Cred. Bergamasco	Eur 2,000	06/11/12	1,728	481	1,247	Euribor 3m + 3.80%	31/10/16	monthly
Mediocredito	Eur 3,000	16/11/12	2,834	667	2,167	Euribor 3m + 3.90%	30/09/17	quarterly
Banco di Brescia	Eur 6,000	31/05/13	6,000	1,104	4,896	Euribor 3m + 3.90%	31/05/18	quarterly
Banca Pop. Sondrio	Eur 3,000	11/06/13	3,000	711	2,289	Euribor 3m + 4.50%	31/07/16	quarterly
Mediocredito	Eur 4,000	26/06/13	4,000	444	3,556	Euribor 3m + 3.70%	31/05/18	quarterly
Cred. Bergamasco	Eur 3,000	18/06/13	3,000	701	2,299	Euribor 3m + 4.20%	30/06/17	monthly
Banca Intesa	Eur 3,000	27/06/13	3,000	306	2,694	Euribor 3m + 3.95%	27/06/18	quarterly
Total			**42,012**	**12,400**	**29,612**			

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

The €6 m 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 m 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 convenants is considered highly unlikely. If both convenants are exceeded, the lending entity will have the faculty to request for the loan to be repaid immediately. A *negative pledge* clause is provided in this loan agreement too.

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 June 2013	Derivative	Fair Value 30 June 2013	Long position rate	Short position rate
(€,000)							
Intesa - S.Paolo	Eur 6.000	29/04/09	1.000	IRS	(11)	Fixed rate2.35%	Euribor 3 months
Centrobanca	Eur 9.550	31/03/10	8.049	IRS	(449)	Fixed rate3.11%	Euribor 6 months
BNL	Eur 4.000	30/04/11	2.000	IRS	(52)	Fixed rate2.63%	Euribor 3 months
Unicredit	Eur 4.000	24/06/11	2.462	IRS	(60)	Fixed rate2.51%	Euribor 3 months
Deutsche Bank	Eur 3.000	09/03/12	2.250	IRS	(49)	Fixed rate1.34%	Euribor 3 months
Total financial liabilities for derivatives – interest rate risk					**(621)**		

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 June 2013	Derivative	Fair Value 30 June 2013	Long position rate	Short position rate
(€,000)							
Unicredit	Eur 3.000	16/11/12	2,689	CAP	24	Strike Price 0.45%	Euribor 3 months
Credito Bergamasco	Eur 2.000	06/11/12	1,728	CAP	3	Strike Price 1.00%	Euribor 3 months
Unicredit	Eur 6.000	04/06/13	6,000	CAP	66	Strike Price 0.75%	Euribor 6 months
Intesa	Eur 3.000	27/06/13	3,000	CAP	30	Strike Price 0.75%	Euribor 3 months
Mediocredito	Eur 4.000	12/06/13	4,000	CAP	38	Strike Price 0.75%	Euribor 3 months
BNL	Eur 3.000	20/06/13	3,000	CAP	13	Strike Price 0.40%	Euribor 3 months
Credito Bergamasco	Eur 3.000	20/06/13	3,000	CAP	0	Strike Price 0.75%	Euribor 3 months
Total financial derivatives – interest rate risk					**174**		

As at 30 June 2013, the Goup also entered into contracts to hedge exchange rate fluctuations for the forward sale of US dollars and cover the currency risk affecting foreign currency transactions.

The contracts are summarised in the tables below:

Bank	Category	Underlying currency	Expiry	Strike price	Fair Value as at 30 June 2013
(€,000)					
Intesa	Currency Swap	Sale 1,000 USD	31/07/13	1.30075	0
Intesa	Currency Swap	Sale 1,000 USD	30/09/13	1.30130	0
Total Financial derivatives – currency risk					**-**

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

	as at 30 June 2013		as at 31 December 2012	
	Positive fair value	**Negative fair value**	**Positive fair value**	**Negative fair value**
(€,000)				
Currency risk	0	0	32	0
Interest rate risk	174	(621)	20	(834)
Total cash flow hedge	**174**	**(621)**	**52**	**(834)**

Credit lines

In order to support ongoing 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 €50,306 thousand. As at 30 June 2013 overall utilisation of these credit lines totalled €9,507 thousand, with a residual available amount of €40,799 thousand.

No commissions are due if the credit lines are not used.

NOTE 22 – SHAREHOLDERS' EQUITY

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

Description	**30/06/2013**	**31/12/2012**	**Change**
(€,000)			
Equity interest attributable to the Group	71,588	72,553	(965)
Minority interest	-	(99)	99
Net amount	71,588	72,454	(866)

Equity interest decreased by €866 thousand, compared to the figure at the end of 2012, due mainly to the negative operating result for the period (€1,488 thousand), payment of dividends to shareholders (€412 thousand) and the movements of the translation reserve (€+111 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 June 2013, the parent company Gefran S.p.A. held 147,156 treasury shares, equal to 1.02% 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 fair value security reserve are summarised in the table below.

Description	**30/06/2013**	**31/12/2012**	**Change**
(€,000)			
Balance as at 1st January	(47)	(65)	18
Shares in Italian common investment funds	-	-	-
UBI-Banca shares	(19)	6	(25)
Woojin Selex (Korea) shares	(11)	22	(33)
Theoretical fiscal effect	21	(10)	31
Net amount	(56)	(47)	(9)

The movements in Fair value derivative reserve are summarised in the table below.

Description	30/06/2013	31/12/2012	Change
(€,000)			
Balance as at 1st January	(58)	-	(58)
Change in derivatives fair value	334	(79)	413
Theoretical fiscal effect	(21)	21	(42)
Net amount	255	(58)	313

NOTE 23 – CURRENT AND NON-CURRENT PROVISIONS

Non-current provisions decreased by €922 thousand, compared to the 31 December 2012 figure, as detailed in the table below:

Description	30/06/2013	31/12/2012	Change
(€,000)			
For legal disputes	241	464	(223)
Other provisions	314	1,013	(699)
Total	**555**	**1,477**	**(922)**

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

The item Other provisions is related to Gefran S.p.A. and the main decrease is due mainly to tax risk provisions for both the utilisation and recognition to the income statement of the unutilized portion of €440 thousand following the favourable settlement of the dispute with the Italian Tax Authority.

Current provisions as at 30 June 2013 came to €1,247 thousand, virtually the same as at 31 December 2012 figure (€1,263 thousand), as detailed in the table below.

Description	30/06/2013	31/12/2012	Change
(€,000)			
FISC	29	29	-
Product warranty	1,215	1,230	(15)
Others	3	3	0
Total	**1,247**	**1,263**	**(15)**

NOTE 24 – GUARANTEES GRANTED, COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees granted

As at 30 June the 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 *(€,000)*	2013	2012
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 expiring in 2029 were granted to UBI Leasing for a total of €11,836 thousand to pledge financial obligations undertaken by BS Energia S.r.l. and BS Energia 2 S.r.l. for the installation of photovoltaic systems.

The bank guarantee issued in favour of Banca Passadore pledges the credit line of BS Energia 2 S.r.l., while that in favour of Banco di Brescia pledges the credit line of Ensun S.r.l..

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 issue of such proceedings will give rise to a significant liability for which provisions have not been already set aside.

Commitments

The main operating lease agreements relate to the rental of property, electronic equipment and company cars. As at 30 June 2013, the amount of fees owed by the Group for irrevocable operating leases was 2,796 thousand, down by €412 thousand compared to the December 2012 figure, of which €2,436 thousand are due within 5 years, the remaining €360 thousand over 5 years.

NOTE 25 – RELATED PARTIES

Pursuant to revised IAS 24, details of related party transactions are given below for the first half 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**
(€,000)				
Elettropiemme S.r.l.	4	0	17	46
Climat S.r.l.	69	99	0	2

Companies	Receivables and other assets		Payables and other liabilities	
	30/06/2013	31/12/2012	30/06/2013	31/12/2012
(€,000)				
Elettropiemme S.r.l.	78	25	41	0
Climat S.r.l.	38	440	107	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 26 – 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, 2nd August 2013

For the Board of Directors

The Chairman

Ennio Franceschetti

The Chief Executive Officer

Alfredo Sala

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

Attestation regarding the consolidated financial statements under art. 81-ter
of CONSOB Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

1. We, the undersigned, **Alfredo Sala**, in my capacity as Chief Executive Officer, and **Valentina Montanari**, in my capacity as executive officer responsible for the preparation of Gefran S.p.A.'s financial statements, hereby state, pursuant to the provisions of art. 154-bis, subsections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy of the organisational structure of the company, and

- the effective application of the administrative and accounting procedures applied in the preparation of the condensed financial statements for the first half of 2013.

2. There were no significant events to be reported in this regard.

3. We also state that:

3.1 the condensed half-yearly report

a. was drawn up in compliance with the International Reporting Standards adopted by the European Union pursuant to EC regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002;

b. reflects the company's records and accounts;

c. provides a truthful and correct representation of the equity, economic and financial situation of the issuer and all the companies included in the consolidation area.

3.2 The interim business report contains a fair review of the major events that have occurred in the first six months of operation and their impact on the condensed half-yearly financial statements, jointly with a description of the main risks and contingencies for the second half of the year. The interim business report also contains a fair review of the information regarding relevant transactions with related parties.

Provaglio d'Iseo, 2nd August 2013

The Managing Director	Executive Officer responsible for the preparation of accounting and business documents
Alfredo Sala	Valentina Montanari

CONSOLIDATED INCOME STATEMENT ANALYSIS BY QUARTER

	(€,000)	QI		QII		QIII	QIV	Year	
		2013	2012	2013	2012	2012	2012	2013	2012
a	Revenues	28,426	28,256	34,135	36,689	32,755	33,815	62,561	131,515
b	Consumable materials and products	10,023	10,479	14,409	15,955	14,038	14,367	24,432	54,839
c	Value added (a-b)	18,403	17,777	19,726	20,734	18,717	19,448	38,129	76,676
d	Other operating charges	6,037	6,581	5,896	7,148	6,409	7,015	11,933	27,153
e	Personnel costs	11,719	11,453	12,155	11,813	10,058	11,000	23,874	44,324
f	Capitalised work	560	623	661	650	479	757	1,221	2,509
g	Gross operating margin - EBITDA (c-d-e+f+-g)	1,207	366	2,336	2,423	2,729	2,190	3,543	7,708
h	Amortisation, depreciation and impairments	1,775	1,718	1,701	1,762	1,720	1,685	3,476	6,885
i	Operating profit - EBIT (g-h)	(568)	(1,352)	635	661	1,009	505	67	823
l	Gains/(losses) from financial assets/liabilities	(121)	(306)	(662)	(198)	(345)	(494)	(783)	(1,343)
m	Gains/(losses) from equity investments using the equity method	(125)	0	(99)	0	0	(284)	(224)	(284)
n	Pre-tax result (i+-l+-m)	(814)	(1,658)	(27)	463	664	(273)	(940)	(804)
o	Taxes	(302)	185	(246)	(318)	64	1,361	(548)	1,292
p	Result including minority interest (n+-o)	(1,116)	(1,473)	(273)	145	728	1,088	(1,488)	488
q	Minority interest result	(120)	0	120	0	0	(98)	0	(98)
r	Group's net operating result (p+-q)	(996)	(1,473)	(393)	145	728	1,186	(1,488)	586

ANNEXES

ANNEXE 1 – EXCHANGE RATES USED FOR THE CONVERSION OF FINANCIAL STATEMENTS EXPRESSED IN A FOREIGN CURRENCY

End-of-period exchange rates

Currency	30 June 2013	31 December 2012	30 June 2012
Swiss franc	1,2338	1,2072	1,2030
Pound sterling	0,8572	0,8161	0,8068
US dollar	1,3080	1,3194	1,2590
Brazilian real	2,8899	2,7036	2,5788
Chinese renminbi	8,0280	8,2207	8,0011
Indian rupie	77,7210	72,5600	70,1200
South African rand	13,0704	11,1727	10,3669

Average exchange rates in the period

Currency	1st half-year 2013	2012	1st half-year 2012
Swiss franc	1,2299	1,2053	1,2048
Pound sterling	0,8512	0,8111	0,8225
US dollar	1,3142	1,2856	1,2968
Brazilian real	2,6688	2,5098	2,4151
Chinese renminbi	8,1294	8,1095	8,1918
Indian rupie	72,3070	68,6315	67,6101
South African rand	12,1233	11,3179	n/a

ANNEXE 2 – COMPANIES CONSOLIDATED USING THE INTEGRAL METHOD

Denominazione	Sede legale	Nazione	Valuta	Capitale sociale	Società partecipante	% di possesso diretta
Gefran UK Ltd	Telford	Regno Unito	GBP	4.096.000	Gefran S.p.A.	100,00
Gefran Deutschland Gmbh	Seligenstadt	Germania	EUR	365.000	Gefran S.p.A.	100,00
Siei Areg Gmbh	Pleidelsheim	Germania	EUR	150.000	Gefran S.p.A.	100,00
Gefran Suisse S.A.	Oberbüren	Svizzera	CHF	50.000	Gefran S.p.A.	100,00
Gefran France S.A.	Lione	Francia	EUR	800.000	Gefran S.p.A.	99,99
Gefran Benelux Nv	Geel	Belgio	EUR	344.000	Gefran S.p.A.	100,00
Gefran Inc	Charlotte	Stati Uniti	USD	1.900.070	Gefran S.p.A.	100,00
Gefran Brasil Elettroelettronica Ltda	Sao Paolo	Brasile	REAL	450.000	Gefran S.p.A.	99,90
					Gefran UK	0,10
Gefran India Pltd	Pune	India	INR		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	Cina (Rep. Pop.)	RMB	28.940.000	Gefran Siei Asia	100,00
Gefran Siei Electric Pte Ltd	Shanghai	Cina (Rep. Pop.)	RMB	1.005.625	Gefran Siei Asia	100,00
Gefran Enertronica SA (Pty) Ltd	Milnerton City	Rep. Del Sudafrica	ZAR	100	Gefran S.p.A.	100,00

ANNEXE 3 – LIST OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD

Description	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		Gefran S.p.A.	30.00

ANNEXE 4 – LIST OF ASSOCIATES AVAILABLE FOR SALE

Description	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