GEFRAN GROUP

HALF-YEARLY

REPORT

AT 30 JUNE 2014

CONTENTS

HALF-YEARLY REPORT AT 30 JUNE 2014

1. CORPORATE BODIES

Board of Directors

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

Board of Statutory Auditors

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

Control and Risks Committee

- Cesare Vecchio
- Marco Agliati
- Monica Vecchiati

Remuneration Committee

- Romano Gallus
- Daniele Piccolo
- Cesare Vecchio

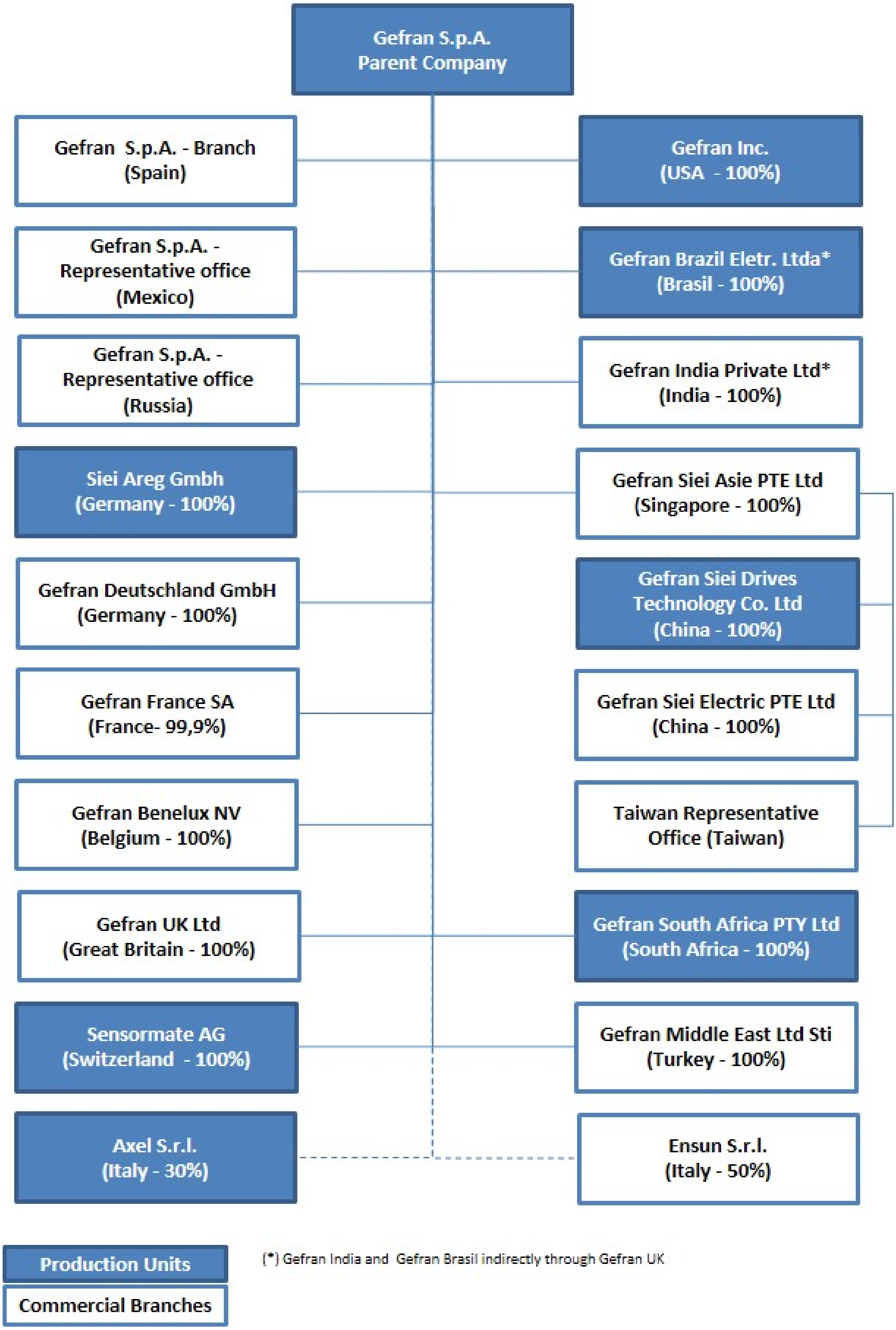
External auditor

BDO S.p.A.

On 26 April 2007, the ordinary shareholders' meeting of Gefran S.p.A. engaged auditing firm BDO S.p.A. to audit the separate annual and interim financial statements of Gefran S.p.A., as well as the consolidated annual and interim financial statements of the Gefran Group for a period of nine years until the approval of the financial statements for 2015, in accordance with Legislative Decree 39/2010.

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

2. STRUCTURE OF THE GEFRAN GROUP



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

3. ALTERNATIVE PERFORMANCE INDICATORS

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

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

- **Added value**: the direct margin resulting from revenues, including only direct material, gross of other production costs, such as personnel costs, services and other sundry costs;
- **EBITDA**: operating result before depreciation, amortisation and write-downs. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items;
- **Adjusted net profit**: net profit before non-recurring income and charges, items valued at fair value, the effects of derivatives on exchange and interest rates, and the related tax effect.

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

- **Net fixed assets:** the algebraic sum of the following items in the statement of financial position:
    - Goodwill
    - Intangible assets
    - Property, plant, machinery and tools
    - Equity investments valued at equity
    - Equity investments in other companies
    - Receivables and other non-current assets
    - Deferred tax assets
- **Working capital:** the algebraic sum of the following items in the statement of financial position:
    - Inventories
    - Trade receivables
    - Trade payables
    - Other assets
    - Tax receivables
    - Current provisions
    - Tax payables
    - Other liabilities
- **Net invested capital:** the algebraic sum of fixed assets, working capital and provisions;
- **Financial debt (net financial position)**: the algebraic sum of the following items:
    - Medium- to long-term financial payables
    - Short-term financial payables
    - Financial liabilities for derivatives
    - Financial assets for derivatives
    - Cash and cash equivalents and short-term financial receivables

4. GEFRAN GROUP ACTIVITIES

The Gefran Group operates in three main business areas: industrial sensors, automation components and drives for the electronic control of electric motors. It also operates in a secondary business, producing inverters for photovoltaic systems.

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

Sensors

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

Gefran sets itself apart through its leadership in technology. It produces primary components internally and boasts a comprehensive product range that is unique worldwide. In certain product families, Gefran is world leader. The sensors business generates 78% of its revenues abroad.

Automation components

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

Gefran sets itself apart with its expertise in hardware and software acquired in over thirty years of experience. Gefran is one of the main Italian manufacturers in these product lines, and generates around 48% of its sales through exports.

Drives

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

Through the integration of advanced capabilities and flexible hardware and software configurations , Gefran provides advantageous solutions for customers and target markets, optimising both technology and costs. The drives business generates 76% of its revenues abroad.

Photovoltaic

The photovoltaic business produces inverters and complete cabinet-mounted systems for the management of photovoltaic energy.

The Gefran range consists of string inverters, typical of roof-top applications, and centralised inverters, for large-scale generation plants. Multi in-line inverters can be installed in cabinets, complete with MV/BV transmitters and levers.

5. SUMMARY OF GROUP PERFORMANCE

Gefran closed the first half of 2014 with revenues of EUR 62,105 thousand, in line with the first half of 2013. The core business of products for industrial applications (sensors, components, drives) posted an increase in revenues from the market of 1.4% versus the first half of 2013; even with the Group having decided to concentrate on its core business, sales of products in the photovoltaic business contracted significantly, from EUR 1,643 thousand in the first half of 2013 to EUR 364 thousand in the first half of 2014.

Revenues are in line with the 2014-2016 business plan presented to the financial community on 25 March 2014, despite the negative impact of the translation of financial statements into euro resulting from the strengthening of the euro against the Group's other functional currencies (particularly against the US dollar, the Indian rupee and the Brazilian real). This had a negative impact both in relation to the first half of 2013 and in relation to the business plan.

In June 2014, Gefran sold all the activities of Accredited Calibration Laboratory 011 (LAT 011), which mainly operates in the calibration of instruments to measure temperature, pressure and relative humidity, for EUR 1,450 thousand. The sale is part of Gefran's strategy to focus on its core industrial business. This will lead to a specialisation of divisions and staff, and will see investment geared towards activities generating higher volumes and added value for the Group.

As part of the measures put in place to pursue the objectives of the business plan, Parent Company Gefran S.p.A. launched a project to overhaul its internal structure, and allocated personnel restructuring costs of EUR 1,200 thousand: the objective is to optimise its structures and improve efficiency, particularly in relation to indirect costs and staff functions.

EBITDA came in at EUR 4,200 thousand in the first half of 2014, with the EBITDA margin at 6.8%, up by more than a percentage point compared with the same period of 2013 and in line with the business plan, according to which the benefits resulting from sales growth and cost-cutting measures are expected to be greater in the second half of the year.

As also anticipated in the interim financial statements to 31 March 2014, net debt increased owing to the measures on working capital put in place in the first few months of the current year. In the second half of the year, with the completion of the measures currently being taken, the Group expects to close 2014 with figures in line with the business plan.

In the first half, the Group continued to develop its business through investment in tangible and intangible assets totalling EUR 2,887 thousand (EUR 2,852 thousand at 30 June 2013).

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

Group income statement highlights

(EUR /000)	1H 2014		1H 2013		2Q 2014		2Q 2013	
Revenues	62,105	100.0%	62,561	100.0%	32,279	100.0%	34,134	100.0%
EBITDA	4,200	6.8%	3,543	5.7%	2,400	7.4%	2,335	6.8%
EBIT	682	1.1%	67	0.1%	662	2.1%	634	1.9%
Profit (loss) before tax	(17)	0.0%	(940)	-1.5%	381	1.2%	(126)	-0.4%
Net profit (loss)	(1,332)	-2.1%	(1,488)	-2.4%	(48)	-0.1%	(491)	-1.4%

Group statement of financial position highlights

(EUR /000)	30 June 2014	31 December 2013
Net invested capital	90,084	87,426
Net working capital	40,231	38,618
Shareholders' equity	61,610	63,059
Net debt	(28,474)	(24,367)

(EUR /000)	30 June 2014	30 June 2013
Operating cash flow	(1,671)	5,462
Capital expenditure	2,887	2,852

7. GROUP BUSINESS PERFORMANCE IN THE SECOND QUARTER OF 2014

	(EUR /000)	2Q 2014			2Q 2013			Chg '14-'13	
		Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec. Carrying	%
a	Revenues	32,279		32,279	34,134		34,134	(1,855)	-5.4%
b	Consumption of materials and products	11,946		11,946	14,409		14,409	(2,463)	-17.1%
c	Added value (a-b)	20,333	0	20,333	19,725	0	19,725	608	3.1%
d	Other operating costs	6,296	1,383	4,913	5,896		5,896	400	6.8%
e	Personnel costs	12,368	(1,200)	13,568	11,868	(287)	12,155	500	4.2%
f	Increases for internal work	548		548	661		661	(113)	-17.1%
g	EBITDA (c-d-e+f)	2,217	(183)	2,400	2,622	287	2,335	(405)	-15.4%
h	Depreciation, amortisation and impairments	1,738		1,738	1,701		1,701	37	2.2%
i	EBIT (g-h)	479	(183)	662	921	287	634	(442)	-48.0%
l	Gains (losses) from financial assets/liabilities	(325)		(325)	(661)		(661)	336	-50.8%
m	Gains (losses) from shareholdings valued at equity	44		44	(99)		(99)	143	-144.4%
n	Profit (loss) before tax (i+-l+-m)	198	(183)	381	161	287	(126)	37	23.0%
o	Taxes	(429)		(429)	(246)		(246)	(183)	74.4%
p	Profit (loss) including minority interests (n+-o)	(231)	(183)	(48)	(85)	287	(372)	(146)	171.8%
q	Profit (loss) pertaining to minority interests	0		0	119		119	(119)	-100.0%
r	Group net profit (loss) (p+-q)	(231)	(183)	(48)	(204)	287	(491)	(27)	13.2%

Revenues totalled EUR 32,279 thousand in the second quarter of 2014, including EUR 371 thousand relating to Sensormate AG. Stripping out Sensormate AG, revenues were EUR 31,908 thousand, a decrease of EUR 2,226 thousand from the same period in 2013.

In the second quarter of 2014, sales of industrial products totalled EUR 32,144 thousand, a decrease of EUR 1,590 thousand from the second quarter of 2013.

Sales volumes expressed in their respective currencies are in line with forecasts, but the ongoing strength of the euro against the Group's other functional currencies had a negative impact on sales, both compared with the second quarter of 2013 and in relation to the business plan. Applying the exchange rates of the second quarter of 2013 to the volumes of the second quarter of 2014, overall, consolidated sales would have been EUR 793 thousand higher.

New orders in the second quarter totalled EUR 37,297 thousand, compared with EUR 33,653 thousand in the same quarter of 2013 and EUR 34,104 thousand in the first quarter of 2014, up EUR 3,644 thousand (+11%) and EUR 3,193 thousand (+9%) respectively.

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

(EUR /000)	2Q 2014	%	2Q 2013	%	Chg '14-'13 value	%
Italy	8,724	27.0%	8,576	25.1%	148	1.7%
European Union	7,087	22.0%	6,952	20.4%	135	1.9%
Europe non-EU	1,507	4.7%	1,534	4.5%	(27)	-1.8%
North America	2,628	8.1%	2,178	6.4%	450	20.7%
South America	1,463	4.5%	1,591	4.7%	(128)	-8.0%
Asia	10,533	32.6%	13,169	38.6%	(2,636)	-20.0%
Rest of the World	337	1.0%	134	0.4%	203	151.5%
Total	32,279	100.0%	34,134	100.0%	(1,855)	-5.4%

The breakdown by **geographical region** shows significant growth in North America (+20.7% versus the same period of 2013) and in the Rest of the World, and positive results in the European Union and Italy (+1.9% and +1.7% respectively), while the other regions registered declines versus the same period of the previous year.

For Italy, the quarter closed with growth of EUR 148 thousand from the second quarter of 2013 (+1.7%). The result is even better considering the industrial market alone, and stripping out the negative performance of the photovoltaic business: excluding this specific product, sales of industrial products grew by 4.8% compared with the second quarter of 2013.

In Asia, the decline from the same period of 2013 was also due to the partial filling of an important lift order in China, which drove revenues in the first quarter.

EU revenues came in at EUR 7,087 thousand in the second quarter of 2014, up EUR 135 thousand compared with the second quarter of 2013.

North America closed the quarter with growth of 20.7% compared with the same period of 2013, mainly as a result of drive sales. Although the overall result was highly satisfactory, the exchange rate effect also had a negative impact on results for North America: revenues for the quarter expressed in USD were up 27.6% on the same period of 2013.

In South America, second-quarter revenues, expressed in local currency, grew by 3.5% versus the same period of 2013; this growth was however cancelled out by the translation of the Brazilian subsidiary's financial statements into euro: owing to the weakness of the Brazilian real, sales in South America contracted by 8.0% in the quarter versus the same period last year.

The table below summarises the results by business area in the second quarter of 2014 and shows a comparison with the same period of the previous year:

	2Q 2014					2Q 2013				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
(EUR /000)										
Sensors	11,535	3,825	33.2%	3,331	28.9%	10,147	2,589	25.5%	2,111	20.8%
Automation components	7,465	(184)	-2.5%	(633)	-8.5%	8,426	130	1.5%	(284)	-3.4%
Drives	14,015	(348)	-2.5%	(1,027)	-7.3%	16,311	743	4.6%	51	0.3%
Photovoltaic	135	(893)	-661.5%	(1,009)	-747.4%	400	(1,127)	-281.8%	(1,244)	-311.0%
Eliminations	(871)					(1,150)				
Total	32,279	2,400	7.4%	662	2.1%	34,134	2,335	6.8%	634	1.9%

A breakdown of **revenues by business area** shows growth for the sensors business of EUR 1,388 thousand (+13.7%), including the contribution of EUR 371 thousand from Sensormate AG. Stripping out Sensormate AG, revenues for the sensors business still increased from the second quarter of 2013, by EUR 1,017 thousand (+10.0%). Revenues of the automation components business, at EUR 7,465 thousand, contracted by 11.4% from the same period of 2013, mainly owing to the fall in revenues of the Solutions and Systems product family. The drives business posted revenues of EUR 14,015 thousand, down 14.1% from the second quarter of 2013 owing to the contraction in the industrial and brushless inverter market. Finally, in the same period, the photovoltaic business generated revenues of EUR 135 thousand, a reduction of 66.3%.

Added value totalled EUR 20,333 thousand (63.0% of revenues) in the second quarter, and included the impact of Sensormate AG (EUR 251 thousand). Excluding the impact of Sensormate, added value was EUR 20,082 thousand, an increase on the second quarter of 2013 in both absolute terms and as a percentage of revenues, rising from 57.8% in the second quarter of 2013 to 62.9% in the same period of

2014. The decline in revenues had an impact on added value of EUR 1,168 thousand, which was more than offset by the improvement in margins of EUR 1,776 thousand.

Other operating costs were EUR 4,913 thousand in the second quarter of 2014 (EUR 5,896 thousand in the same period of 2013), and include non-recurring income of EUR 1,383 thousand resulting from the capital gain from the sale of the calibration laboratory. Stripping out non-recurring items, other operating costs totalled EUR 6,296 thousand, up EUR 400 thousand compared with the second quarter of 2013, and were 19.5% as a percentage of sales.

Labour costs for the quarter totalled EUR 13,568 thousand, compared with EUR 12,155 thousand in the same period of 2013. Labour costs included non-recurring charges of EUR 1,200 thousand (EUR 287 thousand in the second quarter of 2013), resulting from personnel restructuring provisions made by the Parent Company. Stripping out non-recurring components, personnel costs were EUR 12,368 thousand, an increase of EUR 500 thousand from the same period of 2013, mainly due to the increase in headcount, which had an impact of EUR 282 thousand, resulting from the acquisition of Sensormate and the establishment of the new subsidiaries in South Africa and Turkey.

Increases for internal work totalled EUR 548 thousand (EUR 661 thousand in the second quarter of 2013), and related almost exclusively to product development costs incurred and capitalised during the second quarter of 2014.

EBITDA was EUR 2,400 thousand in the second quarter (EUR 2,335 thousand in the second quarter of 2013), equivalent to 7.4% of revenues (6.8% in 2013), and included positive non-recurring items of EUR 183 thousand (negative in the amount of EUR 287 thousand in the second quarter of 2013). Stripping out the contribution of non-recurring items, second-quarter EBITDA was EUR 2,217 thousand (6.9% of revenues), a decrease of EUR 405 thousand versus the second quarter of 2013, owing to volumes that led to lower absorption of fixed costs.

EBIT in the second quarter of 2014 came out at EUR 662 thousand, compared with EUR 634 thousand in the same period of 2013. Stripping out the abovementioned impact of non-recurring items, EBIT was EUR 479 thousand, versus EUR 921 thousand in the second quarter of 2013. The reasons behind the EBIT performance were the same as those relating to EBITDA.

Losses from financial assets/liabilities were EUR 325 thousand in the second quarter of 2014, an improvement (EUR 336 thousand, equal to a 50.8% drop) compared with the same period of 2013, almost wholly due to an improved exchange rate trend in the second quarter of 2014 versus the same period the previous year. They included financial charges relating to Group debt of EUR 433 thousand, financial income of EUR 44 thousand and the positive balance of EUR 64 thousand resulting from differences in currency transactions.

Gains from equity investments valued at equity were positive at EUR 44 thousand (negative in the amount of EUR 99 thousand in the second quarter of 2013), and mainly relate to the pro-rata result of the Ensun S.r.l. Group.

Taxes were negative in the second quarter of 2014, at EUR 429 thousand, compared with a negative EUR 246 thousand in the same period of the previous year. They broke down as follows:

- negative current taxes, at EUR 597 thousand (EUR 424 thousand in the second quarter of 2013). The tax burden for the period is attributable to IRAP due from Parent Company Gefran S.p.A., for an amount broadly in line with the previous year, and the taxes of the Group’s foreign subsidiaries, in proportion to their respective positive results, which registered growth particularly in China and Germany;
- positive deferred taxes, at EUR 168 thousand (EUR 178 thousand in the second quarter of 2013).

The **Group net loss** was EUR 48 thousand in the second quarter, and included the non-recurring items mentioned above of EUR 183 thousand. Stripping out non-recurring items, the Group net loss was EUR 231 thousand, compared with a loss of EUR 204 thousand in the second quarter of 2013.

8. GROUP PERFORMANCE TO 30 JUNE 2014

The main income statement items and comments are shown below.

	(EUR /000)	1H 2014 Excl. non-rec.	1H 2014 Incl. non-rec.	1H 2014 Final	1H 2013 Excl. non-rec.	1H 2013 Incl. non-rec.	1H 2013 Final	Chg '14-'13 Excl. non-rec. Value	Chg '14-'13 Excl. non-rec. %
a	Revenues	61,775	(330)	62,105	62,241	(320)	62,561	(466)	-0.7%
b	Consumption of materials and products	22,510		22,510	24,432		24,432	(1,922)	-7.9%
c	Added value (a-b)	39,265	(330)	39,595	37,809	(320)	38,129	1,456	3.9%
d	Other operating costs	12,235	1,383	10,852	11,933		11,933	302	2.5%
e	Personnel costs	24,439	(1,200)	25,639	23,587	(287)	23,874	852	3.6%
f	Increases for internal work	1,096		1,096	1,221		1,221	(125)	-10.2%
g	EBITDA (c-d-e+f)	3,687	(513)	4,200	3,510	(33)	3,543	177	5.0%
h	Depreciation, amortisation and impairments	3,518		3,518	3,476		3,476	42	1.2%
i	EBIT (g-h)	169	(513)	682	34	(33)	67	135	397.1%
l	Gains (losses) from financial assets/liabilities	(724)		(724)	(783)		(783)	59	-7.5%
m	Gains (losses) from shareholdings valued at equity	25		25	(224)		(224)	249	-111.2%
n	Profit (loss) before tax (i+-l+-m)	(530)	(513)	(17)	(973)	(33)	(940)	443	-45.5%
o	Taxes	(1,315)		(1,315)	(548)		(548)	(767)	140.0%
p	Profit (loss) including minority interests (n+-o)	(1,845)	(513)	(1,332)	(1,521)	(33)	(1,488)	(324)	21.3%
q	Profit (loss) pertaining to minority interests	0		0	0		0	0	n.a.
r	Group net profit (loss) (p+-q)	(1,845)	(513)	(1,332)	(1,521)	(33)	(1,488)	(324)	21.3%

Revenues totalled EUR 62,105 thousand at 30 June 2014, and included EUR 654 thousand relating to Sensormate AG and EUR 330 thousand (EUR 320 thousand in 2013) for non-recurring amounts resulting from government funds awarded to the Chinese subsidiary (incentives for research and development granted to technology companies). Stripping out these two contributions, revenues were EUR 61,121 thousand, down EUR 1,120 thousand (1.7%) compared with the first half of 2013.

The Group's industrial core business (sensors, components and drivers) registered growth in revenues of EUR 823 thousand (+1.4%) compared with the first half of 2013. The contraction in revenues in the first half is therefore entirely due to the performance of the photovoltaic business, whose revenues fell by EUR 1,279 thousand from the same period of 2013.

New orders in the first half were EUR 71,401 thousand, up from EUR 62,189 thousand in the first half of 2013 (+15%) and from EUR 54,622 thousand in the second half of 2013 (+31%). Growth in orders on a half-year basis also generated an increase in the backlog, which advanced from EUR 18,075 thousand in December 2013 to the current EUR 26,899 thousand.

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

(EUR /000)	1H 2014	%	1H 2013	%	Chg '14-'13 value	%
Italy	17,858	28.8%	18,026	28.8%	(168)	-0.9%
European Union	14,682	23.6%	14,660	23.4%	22	0.2%
Europe non-EU	2,801	4.5%	2,721	4.3%	80	2.9%
North America	5,195	8.4%	4,893	7.8%	302	6.2%
South America	2,625	4.2%	2,938	4.7%	(313)	-10.7%
Asia	17,877	28.8%	18,890	30.2%	(1,013)	-5.4%
Rest of the World	1,067	1.7%	433	0.7%	634	146.4%
Total	62,105	100.0%	62,561	100.0%	(456)	-0.7%

A breakdown of revenues by **geographical region** shows growth in the European Union (+0.2%), non-EU European countries (2.9%), North America (+6.2%) and the Rest of the World (+146.4%).

In Italy, revenues from the sale of industrial products registered growth of EUR 464 thousand (+2.7%), despite the unfavourable macroeconomic environment; the decrease versus the first half of 2013 was EUR 168 thousand, owing to sales of products for the photovoltaic business, which fell in the first half of 2014 by EUR 632 thousand (-63.4%).

Asia registered a drop in revenues of 5.4% from the first half of 2013. This result was however affected by a negative exchange rate effect, which had an impact in particular on the Indian and Chinese subsidiaries: in fact, both associates registered growth in revenues compared with the same period of 2013, if expressed in local currency, with increases of 3.3% and 2.3% respectively., overall in line with business plan forecasts. The translation into euro of their respective financial statements had a negative impact of EUR 453 thousand compared with the figures resulting from the exchange rates in force in the first half of 2013.

South America registered a drop of 10.7% in revenues compared with the first half of 2013. As already stated in the section on the second quarter, revenues for the first half expressed in local currency grew by 1.3% compared with the same period of 2013.

The table below summarises the results by business area to 30 June 2014 and shows a comparison with the previous year:

	1H 2014					1H 2013				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
(EUR /000)										
Sensors	22,559	6,373	28.3%	5,375	23.8%	19,985	4,759	23.8%	3,772	18.9%
Automation components	15,438	143	0.9%	(759)	-4.9%	16,012	164	1.0%	(697)	-4.4%
Drives	25,650	(871)	-3.4%	(2,256)	-8.8%	27,757	550	2.0%	(850)	-3.1%
Photovoltaic	365	(1,445)	-395.9%	(1,678)	-459.7%	1,642	(1,930)	-117.5%	(2,158)	-131.4%
Eliminations	(1,907)					(2,835)				
Total	62,105	4,200	6.8%	682	1.1%	62,561	3,543	5.7%	67	0.1%

A breakdown of revenues by **business area** shows growth for the sensors business of EUR 2,574 thousand (+12.9%); stripping out Sensormate AG, revenues of the sensors business totalled EUR 21,905 thousand, an increase of EUR 1,920 thousand (9.6%) from the first half of 2013. Revenues of the automation components business, at EUR 15,438 thousand, contracted by EUR 574 thousand (3.6%) from the same period of 2013, mainly owing to the fall in revenues of the Solutions and Systems product family. The drives business posted revenues of EUR 25,650 thousand, down 7.6% from the first half of 2013 owing to the contraction in the industrial and brushless inverter market. Finally, in the same period, the photovoltaic business posted a decline in revenues of EUR 1,277 thousand.

Added value was EUR 39,595 thousand at 30 June 2014 (EUR 38,129 thousand at 30 June 2013), equivalent to 63.8% of revenues, up 2.9 points from the 2013 figure (60.9% of revenues). Added value was boosted by Sensormate AG’s positive contribution of EUR 434 thousand and the non-recurring revenues mentioned above of EUR 330 thousand. Stripping out these, added value was EUR 38,831 thousand, representing an improvement versus June 2013 both as a percentage of sales (63.5% versus 60.7% in June 2013) and in absolute terms (up EUR 1,022 thousand from the same period of 2013). This improvement, which came despite the contraction in volumes, which had a negative impact on added value of EUR 291 thousand, was achieved thanks to savings on raw material purchases and an improvement in margins and the mix of products sold, which had a positive impact of EUR 1,757 thousand.

Other operating costs were EUR 10,852 thousand in the first half of 2014 (EUR 11,933 thousand in the same period of 2013), and include non-recurring income of EUR 1,383 thousand resulting from the capital gain from the sale of the calibration laboratory. Stripping out non-recurring items, other operating costs totalled EUR 12,235 thousand, up EUR 302 thousand compared with the first half of 2013, and 19.8% as a percentage of sales.

Personnel costs were EUR 25,639 thousand at 30 June 2014 (EUR 23,874 thousand at 30 June 2013) and include the non-recurring charges mentioned above of Parent Company Gefran S.p.A. totalling EUR 1,200 thousand (EUR 287 thousand at 30 June 2013). Stripping out non-recurring components, personnel costs were EUR 24,439 thousand, an increase of EUR 852 thousand from the same period of 2013, due to the increase in headcount following the acquisition of Sensormate and the establishment of the new subsidiaries in South Africa and Turkey, which had an overall impact of EUR 554 thousand.

Increases for internal work were EUR 1,096 thousand at 30 June 2014, versus EUR 1,221 thousand at 30 June 2013. The item almost exclusively relates to the portion of development costs incurred in the period and capitalised, in accordance with IFRS.

EBITDA totalled EUR 4,200 thousand in the first half of 2014 (versus EUR 3,543 thousand in the first half of 2013), and included non-recurring items of EUR 513 thousand (EUR 33 thousand in the same period of 2013). Stripping out non-recurring components, EBITDA increased by EUR 177 thousand to EUR 3,687 thousand, and was equivalent to 6% of revenues, compared with 5.6% in the first half of 2013.

The increase in EBITDA was mainly due to growth in added value owing to improved sales profitability, which offset growth in other operating costs and personnel costs.

Depreciation, amortisation and impairments at 30 June 2014 totalled EUR 3,518 thousand (EUR 3,476 thousand at 30 June 2013), an increase on the first half of 2013 of 1.2%, which reflects the contribution to the operating result of the higher investments made over previous years.

EBIT was EUR 682 thousand in the first half of 2014, versus EUR 67 thousand in the same period of 2013. It included the non-recurring components mentioned above totalling EUR 513 thousand (EUR 33 thousand at 30 June 2013), excluding which the figure was EUR 169 thousand, up from EUR 34 thousand in the first half of 2013. The reasons behind the EBIT performance were the same as those commented on under EBITDA.

Charges from financial assets/liabilities were EUR 724 thousand at 30 June 2014, from EUR 783 thousand at 30 June 2013. They included:

- financial income of EUR 89 thousand (EUR 113 thousand in the first half of 2013);
- financial charges, mainly relating to medium-/long-term loans, of EUR 846 thousand (EUR 779 thousand in the first half of 2013);
- differences on currency transactions, positive at EUR 33 thousand, compared with a negative figure of EUR 117 thousand in the first half of 2013.

Gains from equity investments valued at equity mainly relate to the positive pro-rata result of the Ensun S.r.l. Group.

Taxes were negative at EUR 1,315 thousand, compared with a negative amount of EUR 584 thousand in the first half of 2013. The tax burden for the period comprised:

- current taxes of EUR 1,060 thousand (EUR 979 thousand at 30 June 2013). The tax burden for the period is attributable to IRAP due from the Parent Company Gefran S.p.A. and local taxes due from foreign Group companies;

- deferred tax assets and liabilities, negative at EUR 255 thousand (positive at EUR 431 thousand in the first half of 2013), mainly owing to the reversal in the first half of provisions with deferred deductibility registered in the Parent Company accounts.

The **Group net loss** was EUR 1,332 thousand in the first half of 2014, compared with a net loss of EUR 1,488 thousand in the first half of 2013.

Stripping out all non-recurring items, overall positive at EUR 513 thousand (EUR 33 thousand in the first half of 2013), the Group net loss was EUR 1,845 thousand.

9. RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

The reclassified consolidated statement of financial position of the Gefran Group at 30 June 2014 is shown below.

GEFRAN GROUP *(EUR /000)*	30/06/14	%	31/12/13	%
Intangible assets	15.533	17.2	15.403	17.6
Tangible fixed assets	41.451	46.0	42.267	48.3
Financial assets	10.450	11.6	10.504	12.0
Net fixed assets	67.434	74.9	68.174	78.0
Inventories	23,856	26.5	22,071	25.2
Trade receivables	38,735	43.0	37,765	43.2
Trade payables	(22,360)	(24.8)	(21,218)	(24.3)
Other assets/liabilities	(8,309)	(9.2)	(9,430)	(10.8)
Working capital	31,922	35.4	29,188	33.4
Provisions for risks and future liabilities	(3,246)	(3.6)	(3,870)	(4.4)
Deferred tax provisions	(790)	(0.9)	(785)	(0.9)
Employee benefits	(5,236)	(5.8)	(5,281)	(6.0)
Net invested capital	90,084	100.0	87,426	100.0
Shareholders' equity	61,610	68.4	63,059	72.1
Medium- to long-term financial payables	23,030	25.6	28,478	32.6
Short-term financial payables	20,802	23.1	20,608	23.6
Financial liabilities for derivatives	436	0.5	489	0.6
Financial assets for derivatives	(35)	(0.0)	(168)	(0.2)
Cash and cash equivalents and short-term financial receivables	(15,759)	(17.5)	(25,040)	(28.6)
Net debt relating to operations	28,474	31.6	24,367	27.9
Total sources of financing	90,084	100.0	87,426	100.0

Net fixed assets at 30 June 2014 were EUR 67,434 thousand, compared with EUR 68,174 thousand at 31 December 2013. The decrease of EUR 740 thousand from 31 December 2013 was mainly due to the effect of depreciation and amortisation in the period of EUR 3,518 thousand and the release of deferred tax assets of EUR 235 thousand, offset by investments in the period of EUR 2,887 thousand.

Working capital at 30 June 2014 was EUR 31,922 thousand, compared with EUR 29,188 thousand at 31 December 2013, an overall increase of EUR 2,734 thousand owing to the combined effect of the increases in inventories (EUR 1,785 thousand), trade receivables (EUR 970 thousand) and other assets/liabilities (EUR 1,121 thousand), partially offset by higher trade payables of EUR 1,142 thousand.

The growth in inventories registered in the first half was due to goodwill relating to the logistics project, which, with a view to improving services to customers, requires an increase in high-rotation product inventories and at the same time a reduction in low-rotation inventories; the new stock code management system will come on stream in the second half of the year, and is expected to improve inventory rotation.

With reference to receivables from customers, the Group is currently reclassifying its customers and revising payment terms, which will lead to a shared classification of all customers according to reference market, with a view to reducing average payment days from customers at Group level.

Net invested capital at 30 June 2014 totalled EUR 90,084 thousand, up EUR 2,658 thousand from 31 December 2013. This was mainly due to growth in working capital of EUR 2,734 thousand.

Shareholders' equity at 30 June 2014 stood at EUR 61,610 thousand (EUR 63,059 thousand at 31 December 2013). The change versus 31 December 2013 was chiefly due to the recognition for the loss for the period.

Net debt at 30 June 2014 was EUR 28,474 thousand, up EUR 4,107 thousand from 31 December 2013, and breaks down as follows:

Description *(EUR /000)*	**30/06/2014**	**31/12/2013**	**Change**
Cash and cash equivalents	15,759	25,040	(9,281)
Short-term financial payables	(20,802)	(20,608)	(194)
Financial liabilities for derivatives	(436)	(489)	53
Financial assets for derivatives	35	168	(133)
(Debt)/short-term cash and cash equivalents	(5,444)	4,111	(9,555)
Non-current bank debt	(23,030)	(28,478)	5,448
(Debt)/medium-/long-term cash and cash equivalents	(23,030)	(28,478)	5,448
Net debt	(28,474)	(24,367)	(4,107)

The change in net debt versus 31 December 2013 was mainly due to negative cash flows from ordinary operations of EUR 1,671 thousand and cash burn generated by investment activities of EUR 1,573 thousand.

Net debt comprises short-term debt of EUR 5,444 thousand and medium-/long-term debt of EUR 23,030 thousand. Debt of EUR 7,053 thousand was repaid over the period, and no new medium-/long-term loans were taken out.

10. CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement of the Gefran Group at 30 June 2014 is shown below.

(EUR /000)	**30/06/14**	**30/06/13**
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	25,040	17,490
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:	(1,671)	5,462
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES	(1,573)	(3,162)
D) FREE CASH FLOW (B+C)	(3,244)	2,300
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES	(5,993)	6,771
Exchange translation differences on cash at hand	(44)	(39)
F) NET CHANGE IN CASH AT HAND	(9,281)	9,032
A) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	15,759	26,522

The increase in working capital generated negative cash flow of EUR 2,734 thousand in the first half of 2014, owing to the combined effect of the increase in inventories of EUR 1,785 thousand, in trade receivables of EUR 970 thousand, in other assets/liabilities of EUR 1,121 thousand, partially offset by growth in trade payables of EUR 1,142 thousand.

Technical investments, net of divestments, totalled EUR 2,887 thousand, in line with the same period of 2013. The sale of the LAT calibration laboratory generated EUR 1,340 thousand. Total cash flow resulting from investment activities was negative at EUR 1,573 thousand.

Free cash flow (operating cash flow excluding investment activities) was negative at EUR 3,244 thousand, compared with EUR 2,300 thousand in 2013, a drop of EUR 5,544 thousand mainly owing to the increase in working capital, as commented on above.

Over the first half of 2014, the Group did not take out any new medium- or long-term loans; in the same period, it repaid portions of existing loans totalling EUR 7,053 thousand.

11. INVESTMENTS

Gross technical **investments** conducted in the first half of 2014 amounted to EUR 2,887 thousand, versus EUR 2,852 thousand in the same period of 2013, and related to:

- investments in production plant and equipment of EUR 957 thousand in the Group's Italian factories, in the Chinese factory of subsidiary Gefran Siei Drives Technology (EUR 153 thousand), in Gefran Siei Asia (EUR 114 thousand) and finally EUR 136 thousand in other Group subsidiaries;
- investments to upgrade the industrial buildings of the Parent Company, which totalled approximately EUR 68 thousand;
- the capitalisation of costs incurred in the period for new product development, totalling EUR 980 thousand;
- other investments in intangible assets, relating to management software licences and the development of ERP SAP, of EUR 479 thousand.

(EUR /000)	**At 30/06/2014**	**At 30/06/13**
Intangible assets	1,459	1,391
Tangible assets	1,428	1,461
Total	2,887	2,852

Investments are broken down by individual business area below.

(EUR /000)	**Sensors**	**Components**	**Drives**	**Photovoltaic**	**Total**
Intangible assets	351	625	483	0	1,459
Tangible assets	431	506	491	0	1,428
Total	782	1,131	974	0	2,887

12. RESULTS BY BUSINESS AREA

The following sections comment on the performance of the individual business areas.

At the end of 2013, the photovoltaic segment was spun off from the drives business, and its representation in the accounts was subsequently adjusted. In accordance with IFRS 8.29, all corresponding information from prior periods, including interim periods, has been restated in order to ensure the data is perfectly comparable and understandable.

To ensure a correct interpretation of figures relating to individual activities, it should be noted that:

- the business represents the sum of revenues and related costs both of the Parent Company Gefran S.p.A. and Group subsidiaries;
- the figures for each business are provided gross of internal trade between different businesses;
- corporate structure costs, which pertain to Gefran S.p.A., are fully allocated to the businesses, where possible, and quantified according to actual use; they are otherwise divided according to economic-technical criteria.

12.1) SENSORS

Summary results

The key figures are summarised in the table below.

(EUR /000)	2014	2013	Chg '14 - '13 value	Chg '14 - '13 %	2Q 2014	2Q 2013	Chg '14 - '13 value	Chg '14 - '13 %
Revenues	22,559	19,985	2,574	12.9%	11,535	10,147	1,388	13.7%
EBITDA	6,373	4,759	1,614	33.9%	3,825	2,589	1,236	47.7%
% of revenues	*28.3%*	*23.8%*			*33.2%*	*25.5%*		
EBIT	5,375	3,772	1,603	42.5%	3,331	2,111	1,220	57.8%
% of revenues	*23.8%*	*18.9%*			*28.9%*	*20.8%*		

2014 figures include the consolidation of Sensormate AG, which became part of the Group in July 2013.

Business performance

The figures for the sensors business were affected by the acquisition of Sensormate AG in the third quarter of 2013. Stripping out the contribution of Sensormate AG, equal to EUR 654 thousand, revenues of the business totalled EUR 21,905 thousand, a rise of 9.6% versus 30 June 2013. These revenues were affected by a negative exchange rate effect (mainly the US dollar, Indian rupee and Brazilian real) of EUR 572 thousand versus 30 June 2013.

Revenues grew by EUR 2,574 thousand from the previous year: the positive trend in Melt and Industrial Pressure sensors was confirmed, and the Position product family also recorded significant growth. By sales region, the Asia area registered a sharp increase (+40.3%). Italy (+10.2%) and the EU area (+10.1%) also registered growth on the previous year.

Revenues were also higher (+1.9%) than set out in the business plan.

EBITDA was EUR 6,373 thousand at 30 June 2014, or EUR 6,444 thousand stripping out the consolidation of Sensormate AG. Excluding this component, EBITDA advanced by EUR 1,685 thousand versus the same period in the previous year, when it was EUR 4,759 thousand. Growth in sales volumes was greater than growth in costs, because production equipment that had been subject to investment in previous years reached its optimal operational capacity, which increased production efficiency. In the second quarter of 2014, the Group registered a non-recurring capital gain of EUR 1,383 thousand from the sale of the LAT 011 calibration laboratory. Non-recurring charges of EUR 300 thousand were also provisioned for staff restructuring, for the portion relating to the sensors business.

EBIT came in at EUR 5,375 thousand for the first half of 2014, equivalent to 23.8% of revenues. Excluding Sensormate AG, it was EUR 5,482 thousand, compared with EUR 3,772 thousand (18.9% of revenues) for the second quarter of 2013. Net of non-recurring items, EBIT for the sensors business was EUR 4,292 thousand (19% of revenues), up EUR 520 thousand compared with the same period of the previous year.

New orders totalled EUR 22,751 thousand at 30 June 2014, up from EUR 20,270 thousand at 30 June 2013. The backlog was also higher than the previous year (+31.6%).

Investments

At 30 June 2014, Group investments in the sensors business amounted to EUR 782 thousand, of which EUR 431 thousand related to intangible assets (mainly research & development and the allocation to the business of development costs for the new sales force management programme and ERP SAP), and EUR 352 thousand to tangible assets (the purchase of new production and office equipment).

12.2) AUTOMATION COMPONENTS

Summary results

The key figures are summarised in the table below.

(EUR /000)	2014	2013	Chg '14 - '13 value	Chg '14 - '13 %	2Q 2014	2Q 2013	Chg '14 - '13 value	Chg '14 - '13 %
Revenues	15,438	16,012	(574)	-3.6%	7,465	8,426	(961)	-11.4%
EBITDA	143	164	(21)	-12.8%	(184)	130	(314)	-241.5%
% of revenues	*0.9%*	*1.0%*			*-2.5%*	*1.5%*		
EBIT	(759)	(697)	(62)	8.9%	(633)	(284)	(349)	122.9%
% of revenues	*-4.9%*	*-4.4%*			*-8.5%*	*-3.4%*		

Business performance

Revenues totalled EUR 15,438 thousand at 30 June 2014, down by EUR 574 thousand versus the same period of 2013. Stripping out the exchange rate effect, negative at EUR 165 thousand, revenues would have been EUR 27 thousand higher than in the same period of 2013. Product assembly activities for other businesses increased, while revenues from the market were lower than in the same period the previous year.

Market revenues dropped by 5.6%, which notably affected the Solutions and Systems product family. The positive growth trend continues for the Static Units product family (+31.8%).

Broken down by geographical region, the decrease in the period was registered in the International Sales area and partly on the European market. The Italian and German areas were the exceptions, with percentage increases of 8% and 26% respectively. The South American market saw revenues grow by 3.4% in local currency compared with the previous year. The weakness of the Brazilian real, however, lead to a contraction in revenues, which came in at EUR 932 thousand compared with EUR 1,070 thousand in the first half of 2013.

EBITDA was positive at EUR 143 thousand in the first half of 2014, and included non-recurring restructuring costs of EUR 300 thousand. Stripping out non-recurring items, EBITDA was positive at EUR 443 thousand, an increase of EUR 279 thousand from the first half of 2013.

EBIT came out lower than in the same period of 2013, but included non-recurring restructuring costs of EUR 300 thousand. Without this effect, EBIT advanced by EUR 238 thousand versus June 2013: despite the drop in volumes, added value improved in the first half of 2014, owing to a better product and country mix.

With reference to the second quarter of 2014, EBIT was negative at EUR 633 thousand, a decline of EUR 349 thousand. Without restructuring costs, there was a difference of EUR 49 thousand between the 2014 figure and that for the previous year, thanks to the improvement in added value both in percentage terms (+3.5%) and absolute terms (increase of EUR 153 thousand versus the same period of 2013).

New orders totalled EUR 13,723 thousand at 30 June 2014, versus EUR 16,490 thousand at 30 June 2013. The backlog was EUR 2,510 thousand, compared with EUR 3,813 thousand at 30 June 2013.

Investments

Investments totalled EUR 1,131 thousand in the first quarter of 2014, divided between tangible assets (EUR 505 thousand) and intangible assets (EUR 626 thousand).

Almost all investments in tangible assets were made in the Italian production divisions in Provaglio d'Iseo (EUR 474 thousand), particularly for equipment to be used in the production of the new range of regulators.

Capitalised development costs totalled EUR 491 thousand in the period, and related to the new automation platforms and the new range of regulators. Development costs for ERP SAP and the new sales force management programme were allocated to the business in the amount of EUR 131 thousand.

12.3) DRIVES

Summary results

The key figures are summarised in the table below.

(EUR /000)	2014	2013	Chg '14 - '13 value	Chg '14 - '13 %	2Q 2014	2Q 2013	Chg '14 - '13 value	Chg '14 - '13 %
Revenues	25,650	27,757	(2,107)	-7.6%	14,015	16,311	(2,296)	-14.1%
EBITDA	(871)	550	(1,421)	-258.4%	(348)	743	(1,091)	-146.8%
% of revenues	*-3.4%*	*2.0%*			*-2.5%*	*4.6%*		
EBIT	(2,256)	(850)	(1,406)	165.4%	(1,027)	51	(1,078)	-2113.7%
% of revenues	*-8.8%*	*-3.1%*			*-7.3%*	*0.3%*		

Business performance

Revenues totalled EUR 25,650 thousand at 30 June 2014, down by EUR 2,107 thousand in the same period of 2013 (-7.6%). Revenues also included non-recurring amounts of EUR 330 thousand (EUR 320 thousand in the first half of 2013) relating to government funds awarded to the Chinese subsidiary in respect of incentives for research and development granted to technology companies. Excluding non-recurring items, total revenues were EUR 25,320 thousand.

Revenues in the drives business were lower mainly in the industrial and brushless inverter product families, where they decreased by EUR 1,232 thousand compared with the same period of 2013: this decline was registered wholly on the Italian and Asian markets. In addition, there was a significant contraction in the sales of semi-finished goods for the photovoltaic business, of EUR 1,124 thousand versus the first six months of 2013. The fall in revenues was partially offset by the increases registered on converters (+8.3%) and lift inverters (3.0%).

EBITDA was negative at EUR 871 thousand at 30 June 2014, and included non-recurring charges due to the Parent Company's corporate restructuring plan totalling EUR 350 thousand; stripping out this effect, EBITDA was negative at EUR 521 thousand, compared with a positive figure of EUR 550 thousand in the first half of 2013. During the first half of the year, the Group launched a cost structure reorganisation and review, as set out in the business plan.

EBIT was negative at EUR 2,256 thousand in the first half of 2014, a decline of EUR 1,406 thousand on the result from the prior-year period, following depreciation and amortisation in line with the same period of 2013. Not taking into account the amount allocated to the corporate restructuring plan, EBIT was negative at EUR 1,906 thousand in the first half of 2014.

New orders in the first six months of the year totalled EUR 34,621 thousand, versus EUR 24,603 thousand in the same period of 2013; new orders were also higher in the second quarter of 2014 than in the same period last year (EUR 18,677 thousand versus EUR 14,774 thousand). Lift products made the strongest contribution to the sharp increase, with growth of EUR 9,831 thousand versus the first half of 2013. The backlog at 30 June 2014 was EUR 34,621 thousand, up EUR 10,039 thousand from June 2013.

Investments

Investments totalled EUR 973 thousand in the first half of the year, divided between technical investments of EUR 491 thousand and investments in intangible assets of EUR 482 thousand.

Technical investments mainly related to the automated warehouse and the purchase of new production equipment for the Gerenzano and Shanghai plants, while increases in intangible assets concerned the allocation to the business of development costs for ERP SAP and the new sales force management programme.

Capitalised research and development costs totalled EUR 317 thousand in the first half of 2014, and related to new products for the industrial sector, particularly plastic applications, and for the lift sector.

12.4) PHOTOVOLTAIC

Summary results

The key figures are summarised in the table below.

(EUR /000)	2014	2013	Chg '14 - '13 value	Chg '14 - '13 %	2Q 2014	2Q 2013	Chg '14 - '13 value	Chg '14 - '13 %
Revenues	365	1,642	(1,277)	-77.8%	135	400	(265)	-66.3%
EBITDA	(1,445)	(1,930)	485	-25.1%	(893)	(1,127)	234	-20.8%
% of revenues	*-395.9%*	*-117.5%*			*-661.5%*	*-281.8%*		
EBIT	(1,678)	(2,158)	480	-22.2%	(1,009)	(1,244)	235	-18.9%
% of revenues	*-459.7%*	*-131.4%*			*-747.4%*	*-311.0%*		

Business performance

Revenues totalled EUR 365 thousand at 30 June 2014, down sharply by EUR 1,277 thousand versus the same period of 2013 (-77.8%). Revenues were mainly generated through the provision of technical assistance services.

EBITDA was negative at EUR 1,445 thousand in the second quarter of 2014, and included non-recurring charges relating to the Parent Company's corporate restructuring plan of EUR 250 thousand; stripping out this effect, EBDITA was negative at EUR 1,195 thousand.

New orders totalled EUR 302 thousand in the first half of the year.

Investments

No investment were made in the first half of the year.

13. RESEARCH AND DEVELOPMENT

Research and development is concentrated in the Provaglio d'Iseo and Gerenzano sites in Italy. In the design department, it is focused on new products, and in production engineering, it is dedicated to the improvement and innovation of existing processes and products.

The **Sensors** business dedicates research to the following lines:

- Melt pressure/ IMPACT. Innovations were introduced to improve product performance and optimise manufacturing processes. This is intended to both improve performance and simplify the phases of the production process, guaranteeing the possibility of increasing volumes produced;
- magnetostrictive sensors. A project was launched to develop the Profibus interface for the IK and MK product families. At the same time, basic product technology continues to be improved: magnetostrictive signal measurement solutions to increase the performance of sensors in terms of temperature range and maximum attainable lengths;
- industrial pressure: to make the product compatible with the requirements of the mobile hydraulic market, a project was launched to integrate automotive connectors on the KS product family.

Research and development in the **Automation components and systems** area focused on the following product types:

- instrumentation: the development of the series of medium-band 650 and 1250 thermoregulators was completed. The products were presented to the market at the SPS/IPC/DRIVES Italia show in May 2014; final qualification and certification is in progress, along with the development of new advanced functions. The range of thermoregulators will be completed by the new 1350 device, the project phase of which has recently been launched;
- power control: the range of GS/GTS/GZ/GTZ was completed with the introduction of new functions (AC command input, load voltage 600 Vac, load interrupt diagnostics). The Xtra series of power controllers (equipped with electronic protection against current surges) was completely developed and can now be fully produced by the assembly divisions. The development of the new communication functions on the IR24 multichannel controller is being completed: Modbus communication is already available and the Profinet fieldbus is in the certification phase;
- automation: the development of the I/O card with CANopen communication combined with the GCube Fit distributed automation system and dedicated to the automation of small extruders. The GCube Performa automation platform was completed, with the related development environment software GF_Project VX (compact solution with scalable performance to cover mid-/top-range automation needs for the plastics market). The development of two new I/O cards and a machine control keyboard was launched to complete the Gcube Performa automation platform.

Development in the **Drives** area focused on the following products:

- industrial drives: the new inverter with water cooling is being developed, the first power sizes were fully designed and presented at the SPS/IPC/DRIVES Italia show, while the rest of the product range is currently in the advanced design phase. A family of compact rectifiers and a family of regenerative high-power inverters (the FFE series) were developed for applications in the metal market;
- lift drives: the AVGL product family was optimised. Two new power sizes were introduced: 22 kW (development completed) and 30kW (being developed), and nine control cards were designed to further improve product performance. The ADL300 family was also enriched with new functions to manage further types of engine and encoder, making the product even more competitive both on the European and Chinese markets.

14. WORKFORCE

At 30 June 2014, Group headcount was 882, including 15 staff with a fixed-term contract, to replace temporarily absent staff or to undertake projects.

The change in headcount versus 31 December 2013 was as follows:

- 58 people were hired, comprising 30 office workers and 28 manual workers;
- 73 people left the Group, comprising two managers/directors, 48 office workers and 23 manual workers.

Changes mainly concerned the Chinese subsidiary.

15. STRATEGY

With a business portfolio specialised by product and technology, Gefran competes in the high potential markets of the industrial automation sector.

Its strategy for the next three years is to concentrate investment in product development and in commercial initiatives in application sectors in which the Group has a competitive advantage, enjoys a reputation that matches those of its leading competitors, and can leverage on its knowledge of customers’ production processes and their supply channels.

This means selecting products, markets and applications that have the best opportunities for profitable growth by making economies of scale in production, research and development and in distribution processes. Following the investment of the last few years, the technical production structure is today able to support this growth.

The first way to increase sales volumes is to increase share in markets already served by existing products. Secondly, growth in volumes can be obtained by extending the market served through applications related to those in which Gefran is already well positioned (particularly the plastics market for sensors and automation components, and the lift market for drives). The priority is to ensure that factories and distribution structures have sufficient economies of scale with existing products, then find a profitable balance with extending the range of products and technologies.

To implement its strategies effectively, Gefran will gear its organisational structure, work processes and staff know-how to greater specialisation by product line. At the same time, the logistics and distribution structures will be focused on increasing efficiency and the level of service through specific commercial policies by product-channel-market.

The improvement in profitability requires strategic objectives that are differentiated by business, and Gefran plans to implement its strategy through both external growth and internal growth via key measures and projects.

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

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

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

Risk factors that can be forecast for the next few months of 2014 are analysed below, divided by external and internal risk.

16.1) EXTERNAL RISKS

Market risks

Risks associated with the general economic conditions and market trends

The global economic recovery unfortunately remains lacklustre and uneven, with conflicting signals making it difficult to identify an objective turning point.

In the US, the highly expansionary monetary policy is continuing to improve the unemployment rate, which has returned to 2008 levels, and favour growth in wages and corporate earnings, but first-quarter GDP contracted by 4% y/y.

In the eurozone, the weak growth estimates are subject to increasingly likely downside risks after the disappointing industrial production figures registered in May by the main economies, led by Germany, in addition to high unemployment (11.7% in April) and the constant credit squeeze by banks, generating further uncertainty. However, fixed investment is expected to remain vibrant in the next few quarters, with the machinery and equipment component expanding, thanks to improved confidence, the normalisation of foreign demand and a gradual improvement in domestic demand.

Despite positive forecasts on the investment cycle, the weakness of the macroeconomic signals that have been seen to date necessitate cautious estimates for the months to come on the Group’s reference market.

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

Risks associated with the market structure and competitive pressure

Gefran operates on open, unregulated markets that are not protected by any tariff barriers, regulated regime or public concession, with the exception of the photovoltaic business, which is partly linked to incentive policies implemented by local governments. The markets are highly competitive in terms of product quality, innovation, price competitiveness, product reliability and customer service to machinery manufacturers.

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

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

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

The Gefran Group believes that it can adapt its cost structure to any unforeseen contraction in sales volumes, but any lag in this regard would have a negative impact on the Group's economic and financial situation.

Contextual risks

Exchange rate risk

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

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

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

Interest rate risk

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

These variable-rate loans expose the Company to a risk associated with interest rate volatility, known as the cash flow risk. To limit exposure to this risk, the Parent Company puts in place derivative hedging contracts, specifically Interest Rate Swaps (IRS), which convert the variable rate to a fixed rate, or Interest Rate Caps, which set the maximum interest rate, thereby reducing the risk originating from interest rate volatility.

The potential rise in interest rates, from the lows of the last few years, is a possible risk factor for the next few quarters, although this is limited by hedging contracts.

Risks associated with fluctuations in commodity prices

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

Changes in basic commodity prices (e.g. oil, minerals, etc.) have little impact on the Group's results.

Risks associated with changes in the regulatory framework

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

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

Strategic risks

Risks associated with the implementation of the Group's strategy

The Gefran Group's ability to improve profitability and achieve its targeted margins depends, among other things, on its success in implementing its strategy. Its strategy is based on sustainable growth, partly achieved by selecting investments that lead to growth in margins.

The Company plans to implement its strategy by concentrating available resources on growing its core industrial business, favouring growth in strategic products that guarantee volumes, and in which the Group is technological and market leader. Gefran is making changes to its organisational structure, work processes and staff know-how to increase specialisation in research, marketing and sales by product and by application. It is putting in place measures to improve efficiency and service levels in its logistics and distribution structures, and to optimise commercial policies by product, channel and market.

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

Country risks

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

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

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

16.2) INTERNAL RISKS

Operating risks

Risks associated with relations with suppliers

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

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

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

Risks associated with product development, management and quality

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

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

However, in the event that the insurance cover and risk provisions did not prove sufficient, the Group's results could be negatively affected. In addition, the Group's involvement in this type of dispute and any ruling against it therein could expose the Group to reputational damage, which also has potential consequences for the Group's results and financial position.

Risks associated with operations at industrial facilities

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

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

Risks associated with human resources

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

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

Financial risks

Risks associated with funding requirements

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

Gefran's capital structure is strong; the Group has own funds of EUR 61.9 million, versus overall liabilities of EUR 89.2 million; medium/long-term debt is consolidated and does not require restructuring, while short-term net cash flow is negative at EUR 5.4 million. In the first six months of 2014, the Parent Company did not take out any medium- to long-term loans, but made loan repayments of EUR 7.5 million. The remaining loans were negotiated at variable rates, determined by the Euribor plus a fixed spread, which may not however be greater than 450 bps. Two of these loans, whose remaining value as of June 2014 was EUR 7.6 million, contain covenants. At 30 June 2014, the Group was in compliance with these clauses.

At present, there are no negative indicators that would suggest the Group will in the future have difficulties in drawing down new loans or renewing existing loans at conditions that are worse than those available on the market.

Liquidity risk

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

Credit risk

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

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

Legal compliance risks

Ethical risks

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

Gefran has also effectively adopted the Organisation and Management Model pursuant to Legislative Decree 231/2001. The Group believes that this is not only a regulatory obligation but also a source of growth and wealth generation, and has therefore fully restructured its activities and internal procedures in order to prevent the offences set out in this regulation from occurring. The Supervisory Committee established by the Board of Directors performs its duties regularly and professionally, guaranteed by the presence of an internal company officer and two external professionals, one an expert in business and international law and the other with a good knowledge of administration and control systems.

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

Legal risks and product liability

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

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

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

Risks associated with intellectual property rights

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

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

17. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2014

- On 17 February 2014, the Board of Directors of Gefran S.p.A. announced that Alfredo Sala plans to resign as chief executive from the expiry of the Board of Directors' mandate. Alfredo Sala has been at the helm of Gefran since 2004, and has therefore completed his third mandate as Chief Executive Officer.
- On 25 March 2014, during the STAR event of the Italian Stock Exchange, Gefran presented its 2014-2016 business plan, approved at the Board of Directors' meeting of 12 March 2014. The plan targets sustainable growth, partly by selecting investments that boost margins. The business plan targets annual average sales growth of 12.5%, cautious for 2014 and more significant in 2015 and 2016, when the results will benefit more significantly from the measures implemented in 2014. The sales target for 2016 stands at EUR 180 million. The plan also sets a Group EBITDA margin target of more than 16% and a minimum EBIT margin of 12%. Finally, it sets a three-year free cash flow target of EUR 30 million, and an investment level in line with the past.
- On 29 April 2014, the ordinary shareholders' meeting of Gefran S.p.A. voted to:
    - approve the 2013 financial statements and cover the loss for the year of EUR 7,414 thousand through the use of available reserves;
    - appoint the following as members of the Board of Directors for the three-year period 2014–2016: Ennio Franceschetti, Romano Gallus, Maria Chiara Franceschetti, Giovanna Franceschetti, Andrea Franceschetti, Cesare Vecchio, Daniele Piccolo, Marco Agliati and Monica Vecchiati;
    - authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares for a period of 18 months from the date of the shareholders' meeting.

  The shareholders also expressed a favourable opinion of the general Group remuneration policy adopted by Gefran, pursuant to article 123-ter of the TUF.
- The new Board of Directors met after the shareholders' meeting, and appointed Ennio Franceschetti as Chairman and Managing Director, Romano Gallus as Deputy Chairman and Maria Chiara Franceschetti as Chief Executive Officer. Within the Board of Directors, Cesare Vecchio, Monica Vecchiati and Marco Agliati were appointed to the Control and Risks Committee, and Daniele Piccolo and Cesare Vecchio to the Remuneration Committee.
- During the meeting, it was checked that the members of the newly-appointed board meet independence requirements. Non-executive directors Marco Agliati, Daniele Piccolo, Monica Vecchiati and Cesare Vecchio stated that they met independence requirements. Executive directors are Ennio Franceschetti, Maria Chiara Franceschetti, Giovanna Franceschetti and Andrea Franceschetti, while Romano Gallus is a non-independent, non-executive director.
- On 16 June 2014, Gefran Suisse SA merged into Sensormate AG, with retroactive effect for tax purposes from 1 January 2014. Sensormate AG conducts all the activities carried out by Gefran Suisse SA before the merger and takes on all the obligations pertaining to the merged company, which legally ceased to exist from the merger date.
- On 6 June 2014, an agreement was signed with the unified union representatives of the Parent Company, which sets out plans to place employees in CIGS (special wages guarantee fund) and a redundancy management plan providing outplacement support. In connection with the agreement, S.p.A. provisioned restructuring costs of EUR 1,200 thousand.
- On 30 June 2014, Gefran sold all the activities of Accredited Calibration Laboratory 011 (LAT 011), which mainly operates in the calibration of instruments to measure temperature, pressure and relative humidity, to Trescal for EUR 1,450 thousand. The sale is part of Gefran's strategy to focus on its core industrial business. This will lead to a heavy specialisation of divisions and staff, and will see investment geared towards activities generating higher volumes and added value for the Group.

18. SIGNIFICANT EVENTS SINCE THE END OF THE FIRST HALF OF 2014

On 31 July 2014, Gefran S.p.A. sold its 16% stake in SEI Sistemi S.r.l. for EUR 700 thousand, which was paid in full by the purchasers on the same date.

19. OUTLOOK FOR THE CURRENT YEAR

The global economic recovery unfortunately remains lacklustre and uneven, with conflicting signals making it difficult to identify an objective turning point.

In the US, the highly expansionary monetary policy is continuing to improve the unemployment rate, which has returned to 2008 levels, and favour growth in wages and corporate earnings, while first-quarter GDP grew by 4%.

In the eurozone, the weak growth estimates are subject to increasingly likely downside risks after the disappointing industrial production figures registered in May by the main economies, led by Germany, in addition to high unemployment (11.7% in April) and the constant credit squeeze by banks. However, fixed investment is expected to remain vibrant in the next few quarters, with the machinery and equipment component expanding, thanks to improved confidence, the normalisation of foreign demand and a gradual improvement in domestic demand.

Despite positive forecasts on the investment cycle and company confidence, the strengthening of the European currency is a concrete threat to exports from Italy also for Gefran, since excluding Asian production, most of the Group’s manufacturing is conducted at its Italian plants. In addition, exchange rate volatility could have an impact on Group earnings and sales.
The order backlog at the end of June was higher than at the same time last year, and has trended decidedly upwards in the last eight weeks: there are positive signs in particular from the North American market and businesses with high added value. Foreign markets continue to drive Gefran’s growth: the Company is therefore committed to adopting a model based on regional management that coordinates specialised vertical sales structures, following the guidelines set out in the business plan.

In the absence, therefore, of events that cannot currently be forecast, revenues are expected to grow in 2014 compared with last year, and the EBITDA margin is seen at around 6%-7%.

The Group will continue to focus on controlling costs and the determinants of net working capital, investing sufficiently to support further growth in operations and at the same time maintaining a net financial position in line with the business plan.

Finally, Gefran remains focused on its objective to dispose of the photovoltaic business: following contacts with the counterparties involved in the acquisition, evaluations are in progress regarding the first expressions of interest.

20. DEALINGS WITH RELATED PARTIES

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

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

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

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

- **First part**: definitions (related parties, significant and insignificant transactions, intercompany, ordinary, of negligible amount, etc.);
- **Second part**: procedures to approve significant and insignificant transactions, exemptions;
- **Third part**: disclosure obligations.

See note 45 of the Notes to the Consolidated Financial Statements for details on transactions with related parties. The procedure in question was updated in 2012 in order to improve some of the definitions contained therein.

Provaglio d'Iseo, 1 August 2014

For the Board of Directors

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

CONSOLIDATED FINANCIAL STATEMENTS

21. STATEMENT OF PROFIT/(LOSS)

		2Q		Progressive as at 30 June	
(EUR /000)	*note*	**2014**	**2013**	**2014**	**2013**
Revenues from product sales		32,215	34,105	61,650	62,118
Other operating revenues and income		64	29	455	443
TOTAL REVENUES		**32,279**	**34,134**	**62,105**	**62,561**
Change in inventories		733	(117)	1,713	1,504
Costs of raw materials and accessories		(12,679)	(14,292)	(24,223)	(25,936)
Service costs		(5,872)	(5,743)	(11,456)	(11,545)
Miscellaneous management costs		(93)	(197)	(301)	(329)
Other operating income		1,403	461	1,403	505
Personnel costs		(13,568)	(12,155)	(25,639)	(23,874)
Increases for internal work		548	661	1,096	1,221
Impairment of trade and other receivables		(351)	(417)	(498)	(564)
Amortisation		(675)	(586)	(1,352)	(1,247)
Depreciation		(1,063)	(1,115)	(2,166)	(2,229)
EBIT		**662**	**634**	**682**	**67**
Gains from financial assets	13	349	184	591	425
Losses from financial liabilities	13	(674)	(845)	(1,315)	(1,208)
Gains (losses) from shareholdings valued at equity	14	44	(99)	25	(224)
PROFIT (LOSS) BEFORE TAX		**381**	**(126)**	**(17)**	**(940)**
Current taxes	15	(597)	(424)	(1,060)	(979)
Deferred taxes	15	168	178	(255)	431
TOTAL TAXES		**(429)**	**(246)**	**(1,315)**	**(548)**
NET PROFIT (LOSS) FOR THE PERIOD		**(48)**	**(372)**	**(1,332)**	**(1,488)**

Attributable to:					
Group		(48)	(491)	(1,332)	(1,488)
Third parties		0	119	0	0

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

		2Q		Progressive as at 30 June	
(Euro)	*note*	2014	2013	2014	2013
NET PROFIT (LOSS) FOR THE PERIOD		**(48)**	**(372)**	**(1,332)**	**(1,488)**
Items that will not subsequently be reclassified in the income statement for the year					
Items that will or could subsequently be reclassified in the income statement for the year					
- conversion of foreign companies' financial statements		392	(945)	(66)	111
- equity investments in other companies		4	(66)	47	(30)
- fair value of cash flow hedging derivatives		(59)	230	(80)	334
- overall tax effect		0	22	0	0
Total changes, net of tax effect		**337**	**(759)**	**(99)**	**415**
Comprehensive result for the period		**289**	**(1,131)**	**(1,431)**	**(1,073)**

23. STATEMENT OF FINANCIAL POSITION

	note	30/06/14	31/12/13
NON-CURRENT ASSETS			
Goodwill	16	5,593	5,574
Intangible assets	17	9,940	9,829
Property, plant, machinery and tools	19	41,451	42,267
Equity investments valued at equity		915	891
Equity investments in other companies		2,415	2,267
Receivables and other non-current assets		122	113
Deferred tax assets	15	6,998	7,233
TOTAL NON-CURRENT ASSETS		**67,434**	**68,174**
CURRENT ASSETS			
Inventories	20	23,856	22,071
Trade receivables	20	38,735	37,765
Other assets		3,030	2,378
Tax receivables		2,411	955
Cash and cash equivalents	21	15,759	25,040
Financial assets for derivatives	21	35	168
TOTAL CURRENT ASSETS		**83,826**	**88,377**
TOTAL ASSETS		**151,260**	**156,551**
SHAREHOLDERS' EQUITY			
Share capital		14,400	14,400
Reserves		48,542	57,145
Profit/(loss) for the year		(1,332)	(8,486)
Total Group Shareholders' Equity		**61,610**	**63,059**
Shareholders' equity of minority interests		-	-
TOTAL SHAREHOLDERS' EQUITY	22	**61,610**	**63,059**
NON-CURRENT LIABILITIES			
Non-current financial payables	21	23,030	28,478
Employee benefits		5,236	5,281
Non-current provisions	24	2,034	2,625
Deferred tax provisions	15	790	785
TOTAL NON-CURRENT LIABILITIES		**31,090**	**37,169**
CURRENT LIABILITIES			
Short-term financial payables	21	20,802	20,608
Trade payables	20	22,360	21,218
Financial liabilities for derivatives	21	436	489
Current provisions	24	1,212	1,245
Tax payables		3,166	3,307
Other liabilities		10,584	9,456
TOTAL CURRENT LIABILITIES		**58,560**	**56,323**
TOTAL LIABILITIES		**89,650**	**93,492**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**151,260**	**156,551**

24. CONSOLIDATED CASH FLOW STATEMENT

(EUR /000)	*note*	**30/06/14**	**30/06/13**
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		25,040	17,490
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:			
Net profit (loss) for the period		(1,332)	(1,488)
Depreciation/amortisation		3,518	3,476
Capital losses (gains) on the sale of non-current assets		(1,393)	(18)
Net result from financial operations		699	1,007
Change in provisions for risks and future liabilities		(669)	(898)
Change in other assets and liabilities		(1,121)	1,254
Change in deferred taxes		240	(440)
Change in trade receivables		(970)	1,233
Change in inventories		(1,785)	(1,603)
Change in trade payables		1,142	2,939
TOTAL		(1,671)	5,462
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets		(2,887)	(2,852)
- Equity investments and securities		(101)	(428)
- Acquisitions net of acquired cash		0	0
- Financial receivables		(9)	0
Disposal of non-current assets		1,424	118
TOTAL		(1,573)	(3,162)
D) FREE CASH FLOW (B+C)		(3,244)	2,300
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables		0	19,000
Repayment of financial payables		(7,053)	(13,107)
Increase (decrease) in current financial payables		1,929	1,371
Interest received (paid)		(854)	(479)
Change in shareholders' equity reserves		(15)	(14)
Dividends paid		0	0
TOTAL		(5,993)	6,771
Exchange translation differences on cash at hand		(44)	(39)
F) NET CHANGE IN CASH AT HAND		(9,281)	9,032
A) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		15,759	26,522

25. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Description (EUR/.000)	**Share capital**	**Capital reserves**	**Fair value measurement reserve**	**Consolidation reserve**	**Currency translation reserve**	**Other reserves**	**Retained profit /(loss)**	**Profit/(loss) for the year**	**Group Total shareholders' equity**	**Shareholders' equity of minority interests**	**Total shareholders' equity**
Balance at 1 January 2013	14,400	21,926	(105)	15,290	560	10,452	9,443	586	72,553	(99)	72,454
Destination of 2012 profit											
- Other reserves and provisions				146			440	(586)	0		0
- Dividends									0		0
Income/(expenses) recognised at equity			445	(177)		(96)			172		172
Change in translation reserve				119	(1,299)				(1,180)		(1,180)
Other changes				436		(379)	(57)		0	99	99
2013 profit								(8,486)	(8,486)		(8,486)
Balance at 31 December 2013	14,400	21,926	340	15,814	(739)	9,977	9,826	(8,486)	63,059	0	63,059
Destination of 2013 profit											
- Other reserves and provisions				(1,072)		(255)	(7,159)	8,486	0		0
- Dividends									0		0
Income/(expenses) recognised at equity			(34)						(34)		(34)
Change in translation reserve					(66)				(66)		(66)
Other changes			1			(17)	(1)		(17)		(17)
2014 profit								(1,332)	(1,332)		(1,332)
Balance at 30 June 2014	14,400	21,926	307	14,742	(805)	9,705	2,666	(1,332)	61,610	0	61,610

26. CONSOLIDATED INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION 15519 OF 27 JULY 2006

		progressive as at 30 June	
(EUR /000)	*note*	**2014**	**2013**
Revenues from product sales		61,650	62,118
of which: non-recurring	*11*	*330*	320
of which: related parties	*26*	*39*	*23*
Other operating revenues and income		455	443
TOTAL REVENUES		**62,105**	**62,561**
Change in inventories		1,713	1,504
Costs of raw materials and accessories		(24,223)	(25,936)
Service costs		(11,456)	(11,545)
of which: related parties	*26*	*(80)*	*(97)*
Miscellaneous management costs		(301)	(329)
Other operating income		1,403	505
of which: non-recurring	*11*	*1,383*	0
Personnel costs		(25,639)	(23,874)
of which: non-recurring	*11*	*(1,200)*	(287)
Increases for internal work		1,096	1,221
Impairment of trade and other receivables		(498)	(564)
Amortisation		(1,352)	(1,247)
Depreciation		(2,166)	(2,229)
EBIT		**682**	**67**
of which: non-recurring	*11*	*513*	*33*
Gains from financial assets		591	425
Losses from financial liabilities		(1,315)	(1,208)
Losses (gains) from shareholdings valued at equity		25	(224)
PROFIT (LOSS) BEFORE TAX		**(17)**	**(940)**
of which: non-recurring	*11*	*513*	*33*
Current taxes		(1,060)	(979)
Deferred taxes		(255)	431
TOTAL TAXES		**(1,315)**	**(548)**
NET PROFIT (LOSS) FOR THE PERIOD		**(1,332)**	**(1,488)**
of which: non-recurring	*11*	*513*	*33*
Attributable to:			
Group		(1,332)	(1,488)
Third parties		0	0

27. CONSOLIDATED STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION 15519 OF 27 JULY 2006

(EUR/.000)		note	30/06/14	31/12/13
NON-CURRENT ASSETS				
Goodwill			5,593	5,574
Intangible assets			9,940	9,829
	of which: non-recurring		*-*	*(141)*
	of which: related parties	*26*	*30*	*91*
Property, plant, machinery and tools			41,451	42,267
	of which: related parties	*26*	*23*	*232*
Equity investments valued at equity			915	891
Equity investments in other companies			2,415	2,267
Receivables and other non-current assets			122	113
Deferred tax assets			6,998	7,233
TOTAL NON-CURRENT ASSETS			**67,434**	**68,174**
CURRENT ASSETS				
Inventories			23,856	22,071
	of which: non-recurring		*-*	*(966)*
Trade receivables			38,735	37,765
	of which: non-recurring		*-*	*(3,161)*
	of which: related parties	*26*	*13*	*15*
Other assets			3,030	2,378
Tax receivables			2,411	955
Cash and cash equivalents			15,759	25,040
Financial assets for derivatives			35	168
TOTAL CURRENT ASSETS			**83,826**	**88,377**
TOTAL ASSETS			**151,260**	**156,551**
SHAREHOLDERS’ EQUITY				
Share capital			14,400	14,400
Reserves			48,542	57,145
Profit/(loss) for the year			(1,332)	(8,486)
Total Group Shareholders’ Equity			**61,610**	**63,059**
Shareholders’ equity of minority interests			-	-
TOTAL SHAREHOLDERS’ EQUITY			**61,610**	**63,059**
NON-CURRENT LIABILITIES				
Non-current financial payables			23,030	28,478
Employee benefits			5,236	5,281
Non-current provisions			2,034	2,625
	of which: non-recurring		*-*	*2,150*
Deferred tax provisions			790	785
TOTAL NON-CURRENT LIABILITIES			**31,090**	**37,169**
CURRENT LIABILITIES				
Current financial payables			20,802	20,608
Trade payables			22,360	21,218
	of which: related parties	*26*	*63*	*102*
Financial liabilities for derivatives			436	489
Current provisions			1,212	1,245
Tax payables			3,166	3,307
Other liabilities			10,584	9,456
TOTAL CURRENT LIABILITIES			**58,560**	**56,323**
TOTAL LIABILITIES			**89,650**	**93,492**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES			**151,260**	**156,551**

NOTES TO THE ACCOUNTS

1. General information

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

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

2. Form and content

The Company prepared this document in accordance with the international accounting standards (IFRS) issued by the IASB and approved by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002, and in particular IAS 34 – Interim Financial Reporting. Pursuant to the options provided for by IAS 34, the Group has chosen to publish condensed information in the consolidated half-yearly financial statements.

In preparing these condensed half-yearly financial statements, the same accounting criteria were applied as in the preparation of the consolidated financial statements for the year ending 31 December 2013.

The information reported in the half-yearly financial statements must be read in conjunction with the consolidated financial statements for the year ending 31 December 2013, prepared in accordance with IFRS.

These condensed half-yearly financial statements are consolidated on the basis of the income statement and statement of financial position figures of Gefran S.p.A. and its subsidiaries relating to the first six months of 2014, prepared in accordance with international accounting standards. These accounting statements were prepared using valuation criteria in line with those of the Parent Company, or adjusted owing to consolidation.

These condensed half-yearly financial statements are subject to a "limited audit" by BDO S.p.A., which was mandated to audit the Company's accounts at the shareholders' meeting of 26 April 2007.

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

3. Change in the basis of consolidation

The basis of consolidation at 30 June 2014 was unchanged versus that at 31 December 2013.

Compared with the situation at 30 June 2013, however, the basis of consolidation changed following the acquisition of 100% of Sensormate AG and the establishment of the new 100%-owned Turkish subsidiary Gefran Middle East Ltd Sti.

4. Consolidation policies and accounting methods

The valuation criteria adopted for the preparation of these condensed half-yearly financial statements at 30 June 2014 are the same as those adopted in preparing the consolidated financial statements for the year ending 31 December 2013.

In line with the requirements of documents 2 of 6 February 2009 and 4 of 3 March 2010, issued jointly by the Bank of Italy, Consob and ISVAP, note that the Gefran Group's condensed half-yearly financial statements were prepared on the assumption that the Group is a going concern.

With reference to CONSOB Communication DEM/11070007 of 5 August 2011, it is also noted that the Group does not hold in its portfolio any bonds issued by central or local governments or government agencies, and is therefore not exposed to risks generated by market fluctuations.

The schedules used in the condensed half-yearly financial statements reflect in summary those contained in the financial statements for the year ending 31 December 2013. This condensed half-yearly financial statements do not include all the information required for annual financial statements, and should be read in conjunction with the annual financial statements for the year ending 31 December 2013. Significant transactions with related parties and non-recurring items have been detailed in separate schedules, as required by Consob resolution 15519 of 27 July 2006.

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

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

There are no relevant issues.

6. Accounting standards, amendments and interpretations applicable from 1 January 2014 relating to relevant issues for the Group

There are no relevant issues.

7. Accounting standards, amendments and interpretations applicable from 1 January 2014 relating to issues not currently relevant for the Group

On 16 December 2011, the IASB published a number of amendments to IAS 32 - Financial instruments: presentation), clarifying how certain criteria for offsetting financial assets and liabilities, as set out in IAS 32, should be applied. The amendments must be applied retrospectively for financial years beginning on or after 1 January 2014.

On 29 May 2013, the IASB issued an amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets, which governs the disclosure to be made concerning the recoverable amount of assets that have undergone a fall in value, if this amount is based on fair value net of sales costs. The amendments must be applied retrospectively from financial years beginning from 1 January 2014. It may also be applied in advance if the entity has already applied IFRS 13.

On 27 June 2013, the IASB published a number of minor amendments to IAS 39 - Financial instruments: Recognition and Measurement, entitled "Novation of derivatives and continuation of hedge accounting". The changes allow the continued use of hedge accounting in the event that a derivative, designated as a hedge, is novated following the application of laws or regulations in order to replace the original counterparty to guarantee the fulfilment of the obligation taken on, provided certain conditions are met. This amendment will also be made in IFRS 9 – Financial instruments. These amendments must be applied retrospectively for financial years beginning from 1 January 2014.

On 20 May 2013, the IASB issued IFRIC 21 - Levies, an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 provides clarification on when an entity must recognise a liability for the payment of levies imposed by the government, except those already governed by other standards (e.g. IAS 12 – Income Taxes). IAS 37 establishes criteria for the recognition of a liability, one of which is the existence of the current obligation pertaining to the company resulting from a past event (known as the obligating event). The interpretation clarifies that the obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation. IFRIC 21 must be applied for financial years beginning from 1 January 2014.

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

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

On 21 November 2013, the IASB published some minor amendments to IAS 19 – Employee Benefits, entitled “Defined Benefit Plans: Employee Contributions”. These amendments concern the simplification of the accounting treatment of contributions to defined benefit plans made by employees or third parties in specific cases. The amendments are applicable retrospectively for financial years beginning after 1 July 2014, and early adoption is permitted.

On 12 November 2009, the IASB published the standard IFRS 9 – Financial Instruments; this standard was reissued in October 2010 and amended in November 2013. The standard concerns both the classification, recognition and evaluation of financial assets and liabilities, and hedge accounting. On these issues, it is intended to replace IAS 39 – Financial Assets: Recognition and Measurement. With the amendments of November 2013, as well as other changes, the IASB has eliminated the obligatory first-time adoption date for the standard, previously set at 1 January 2015. This date will be reintroduced with the publication of a complete standard, upon conclusion of the IFRS 9 project.

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

On 12 December 2013, the IASB issued a series of changes to IFRS (“Annual improvements to IFRSs – 2010-2012 Cycle”) that concerned the following standards:

- IFRS 2: Share-based payments;
- IFRS 3: Business Combinations;
- IFRS 8: Operating Segments;
- IFRS 13: Fair Value Measurement;
- IAS 7: Statement of cash flows;
- IAS 16/IAS 38: Property, Plant and Equipment - Intangible Assets;
- IAS 24: Related Party Disclosures.

On 12 December 2013, the IASB issued a series of changes to IFRS (“Annual improvements to IFRSs – 2011-2013 Cycle”) that concerned the following standards:

- IFRS 1: First-time Adoption of International Financial Reporting Standards;
- IFRS 3: Business Combinations;
- IFRS 13: Fair Value Measurement;
- IAS 40: Investment Property.

The changes will be applicable from 1 July 2014.

On 6 May 2014, the IASB issued some amendments to IFRS 11 – Joint Arrangements: Acquisitions of interests in Joint Operations, providing new guidance on how to account for acquisitions of interests in joint operations that constitute a business. The amendments are applicable retrospectively for annual accounting periods beginning on or after 1 January 2016. Early adoption is permitted.
On 12 May 2014, the IASB issued an amendment to IAS 16 – Property, Plant and Equipment, and to IAS 38 – Intangible Assets. The IASB clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate, as the revenue generated by an activity that include the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, may be rebutted in certain limited circumstances. These changes are effective for annual accounting periods beginning on or after 1 January 2016. Early adoption is permitted.
On 28 May 2014, the IASB issued IFRS 15 – Revenue from contracts with customers. The standard replaces specific sector regulations, and will require issuers of all sectors and countries to use the new five-phase model to record revenue from contracts with customers. The standard is applicable for annual accounting periods beginning after 1 January 2017, and requires full or limited retrospective application.

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

The preparation of the condensed half-yearly financial statements and the notes to the accounts required the use of estimates and assumptions, both in determining certain assets and liabilities, and in valuing potential assets and liabilities. The estimates and assumptions made are based on past experience and other relevant factors. These estimated figures may therefore not be fully confirmed by future events.

Estimates and assumptions are reviewed periodically, and the effects of each change are immediately reflected in the financial statements.

In light of the current macroeconomic environment, which continues to be destabilised by the current recession, estimates were based on assumptions relating to the future and are highly uncertain. It is therefore possible that even significant changes will have to be made next year to the figures subject to these evaluations if the results differ from the estimates made in these half-yearly financial statements to 30 June 2014. Estimated figures relate to provisions for risks and future liabilities, bad debt provisions and other impairment provisions, with particular reference to inventory evaluations, depreciation and amortisation, employee benefits and deferred tax assets, as well as the evaluation of goodwill and research and development costs.

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

Determining the value in use requires an estimate of the cash flows that the company expects the CGU to generate, and the calculation of an appropriate discount rate.

As described in more detail in note 18 below, the main uncertainties that could affect this estimate concern the assumptions made regarding the trend in expected cash flows, the discount rate (WACC) and the growth rate (g). In the first half of 2014, the management carefully checked that there were no indicators of goodwill impairment in any of the CGUs.

The management does not consider that stock market capitalisation or other evaluation criteria such as market multiples can represent the Group's value, given the market's instability and the low volumes traded. The management therefore placed particular emphasis on the estimate of the Group's value in use, as described in more detail in note 18.

10. Financial instruments: disclosures pursuant to IFRS 7

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

Exchange rate risks

The Group is exposed to the risk of fluctuations in exchange rates in relation to commercial transactions and the cash held in currencies other than the euro, the Group's functional currency. Around 40% of sales are denominated in a different currency. Specifically, the Group is most exposed to the following exchange rates:

a. EUR/USD to the tune of approximately 20%, related to the commercial transactions of Parent Company Gefran S.p.A. and subsidiaries Gefran Siei Asia and Gefran Inc.;
b. EUR /CNY to the tune of approximately 15%, related to the Chinese operating company Gefran Siei Drives Technology;
c. the remainder is divided between EUR/BRL, EUR/GBP, EUR/CHF, EUR/INR, EUR/ZAR, USD/CNY and EUR/TRL.

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

Sensitivity to a hypothetical, unfavourable and immediate change of 10% in exchange rates, with other variables remaining unchanged, would have an impact on the fair value of financial assets and liabilities held in a currency other than the functional currency of approximately EUR 1,017 thousand at 30 June 2014 (approximately EUR 257 thousand at 30 June 2013).

Description	30/06/2014		30/06/2013	
(EUR /000)	-5%	+5%	-5%	+5%
US dollar	(227)	227	(18)	18
Chinese renminbi	(306)	306	(110)	110
Total	(533)	533	(128)	128

Description	30/06/2014		30/06/2013	
(EUR /000)	-10%	+10%	-10%	+10%
US dollar	(433)	433	(37)	37
Chinese renminbi	(584)	584	(220)	220
Total	(1.017)	1.017	(257)	257

At 30 June, the Group had no hedging transactions in place.

Interest rate risk

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

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

The table below shows a sensitivity analysis of the impact that an interest rate increase/decrease of 100 basis points would have on the consolidated net profit/(loss), comparing interest rates at 30 June 2014 and 30 June 2013, while keeping other variables unchanged.

Description	30/06/2014		30/06/2013	
(EUR /000)	-1%	1%	-1%	1%
(Euro)	180	(55)	(76)	(47)
Total	**180**	**(55)**	**(76)**	**(47)**

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

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

The table below shows the carrying value at 30 June 2014, broken down by maturity, of the Group's financial instruments exposed to the interest rate risk:

Variable rate	<1 year	1-5 years	>5 years	Total
(EUR /000)				
Loans due	10,833	23,030	-	33,863
Other accounts payable	624	-	-	624
Account overdrafts	9,269	-	-	9,269
Leases	39	37	-	76
Total liabilities	20,765	23,067	-	43,832
Cash in current accounts	15,610	-	-	15,610
Other cash	103			103
Total assets	15,713	-	-	15,713
Total variable rate	**(5,052)**	**(23,067)**	**0**	**(28,119)**

Unlike net financial position figures, the amounts shown in the table above do not include the fair value of derivatives (negative at EUR 401 thousand) or cash on hand (positive at EUR 46 thousand).

Liquidity risk

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

The Group's Administration and Finance Department monitors forecasts on the use of the Group's liquidity reserves based on expected cash flows.

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

Description		2014	2013	changes
(EUR /000)				
Cash and cash equivalents		46	32	14
Cash in bank deposits		15,610	24,582	(8,972)
Term deposits – less than 3 months		103	426	(323)
	Total liquidity	**15,759**	**25,040**	**(9,281)**
Multiple mixed credit lines		19,454	20,202	(748)
Cash flexibility credit lines		8,475	8,675	(200)
Invoice factoring credit lines		4,590	9,213	(4,623)
	Total credit lines available	**32,519**	**38,090**	**(5,571)**
Total liquidity available		48,278	63,130	(14,852)

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

	Note	Level 1	Level 2	Level 3	Total
(EUR /000)					
Available-for-sale assets valued at fair value:					
Equity investments valued at fair value with a balancing item in other overall profit/(loss)		362	-	1,947	2,309
Hedging transactions		-	35	-	35
Total assets		362	35	1947	2344
Hedging transactions		-	436	-	436
Total liabilities		-	436	-	436

Credit risk

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

In light of the current financial crisis, the Group has adopted a policy of monitoring outstanding receivables, a measure made necessary given the possible deterioration of certain receivables, the decline in credit rating reliability and the lack of liquidity on the market.

The process of devaluation, carried out in accordance with the Group's procedures, establishes that credit positions are devalued in percentage terms based on the overdue period of time; individual trade positions for which there is objective evidence of insolvency are also impaired.

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

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

At 30 June 2014, gross trade receivables totalling EUR 43,342 thousand (EUR 43,378 thousand at 31 December 2013) included EUR 5,121 thousand (EUR 6,739 thousand at 31 December 2012) related to receivables subject to individual impairment; of the remaining amount, the sum overdue by less than two months was EUR 4,858 thousand (EUR 6,682 thousand at 31 December 2013), while that overdue by more than two months was EUR 5,331 thousand (EUR 5,844 thousand at 31 December 2013).

Risk of change in raw material prices

The Group's exposure to price risk is minimal. Purchases of materials and components subject to fluctuations in raw material prices are not significant. The purchase costs of the main components are usually set with counterparties for the full year, and reflected in the budget.

The Group has in place structured and formalised governance systems that it uses to regularly analyse its margins. Commercial operations are coordinated by business area, so as to monitor sales and manage discounts.

Fair value of financial instruments

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

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

Description	carrying value 2014	2013	fair value 2014	2013
(EUR /000)				
Financial investments				
Cash and cash equivalents	46	32	46	32
Cash in bank deposits	15,610	24,582	15,610	24,582
Securities held for trading	103	426	103	426
Financial assets for derivatives	35	168	35	168
Total financial assets	**15,794**	**25,208**	**15,794**	**25,208**
Financial liabilities				
Short-term bank debt	(10,833)	(12,438)	(10,833)	(12,438)
Current portion of long-term debt	(9,269)	(7,598)	(9,269)	(7,598)
Financial liabilities for derivatives	(436)	(489)	(436)	(489)
Factoring	(611)	(458)	(611)	(458)
Leasing	(76)	(97)	(76)	(97)
Other financial payables	(13)	(17)	(13)	(17)
Non-current financial debt	(23,030)	(28,478)	(23,030)	(28,478)
Total financial liabilities	**(44,268)**	**(49,575)**	**(44,268)**	**(49,575)**
Total net financial position	**(28,474)**	**(24,367)**	**(28,474)**	**(24,367)**

11. Non-recurring income (charges)

Description	Revenues from product sales	Personnel costs	Other operating income	Total
(EUR /000)				
Non-recurring income	330		1,383	1,713
Non-recurring charges		(1,200)		(1,200)
Total non-recurring income (charges)	**330**	**(1,200)**	**1,383**	**513**
Income statement total	**61,650**	**(25,639)**	**1,403**	
Incidence	0.54%	4.68%	98.57%	

Revenues include non-recurring income of EUR 330 thousand, relating to government funds awarded to the Chinese subsidiary in respect of incentives for research and development granted to technology companies; at 30 June 2013, these contributions were EUR 320 thousand.

Non-recurring personnel costs relate entirely to a provision for restructuring costs made by Parent Company Gefran S.p.A.. At 30 June 2013, non-recurring charges included under personnel costs were EUR 287 thousand.

Other non-recurring operating income, of EUR 1,383 thousand, resulted from the capital gain from the sale of calibration laboratory 011 (LAT 011) recorded by Gefran S.p.A..

12. Information by business area

Primary segment – sector of activity

The organisational structure of the Gefran Group is divided into four areas of activity: sensors, automation components, drives and the photovoltaic business.

The economic trends and the main investments are covered in the Report on Operations.

Figures by business area

At 30 June 2014

(EUR /000)	**Sensors**	**Components**	**Drives**	**Photovoltaic**	**eliminations**	**Total**
Market revenues	22,310	14,111	25,319	365		62,105
Intersegment revenues	*249*	*1,327*	*331*	*0*	*(1,907)*	*0*
Revenues	22,559	15,438	25,650	365	(1,907)	62,105
EBITDA	6,373	143	(871)	(1,445)		4,200
EBIT	5,375	(759)	(2,256)	(1,678)		682

At 30 June 2013

(EUR /000)	**Sensors**	**Components**	**Drives**	**Photovoltaic**	**eliminations**	**Total**
Market revenues	19,645	14,956	26,318	1,642		62,561
Intersegment revenues	*340*	*1,056*	*1,439*	*0*	*(2,835)*	*0*
Revenues	19,985	16,012	27,757	1,642	(2,835)	62,561
EBITDA	4,759	164	550	(1,930)		3,543
EBIT	3,772	(697)	(850)	(2,158)		67

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

Statement of financial position figures by business area

GEFRAN GROUP *(EUR /000)*	30/06/14	Sensors	Components	Drives	Photovoltaic	Not divided	Total
Intangible assets	15,533	8,136	3,128	2,685	1,584		15,533
Tangible fixed assets	41,451	10,897	12,009	18,135	410		41,451
Financial assets	10,450					10,450	10,450
Net fixed assets	67,434	19,033	15,137	20,820	1,994	10,450	67,434
Inventories	23,856	5,007	4,954	13,195	700		23,856
Trade receivables	38,735	10,910	7,814	18,932	1,079		38,735
Trade payables	(22,360)	(4,960)	(4,995)	(11,958)	(447)		(22,360)
Other assets/liabilities	(8,309)	(2,306)	(2,181)	(2,788)	(276)	(758)	(8,309)
Working capital	31,922	8,651	5,592	17,381	1,056	(758)	31,922
Provisions for risks and future liabilities	(3,246)	(441)	(367)	(1,261)	(661)	(516)	(3,246)
Deferred tax provisions	(790)					(790)	(790)
Employee benefits	(5,236)	(1,561)	(1,853)	(1,551)	(271)		(5,236)
Net invested capital	90,084	25,682	18,509	35,389	2,118	8,386	90,084
Shareholders’ equity	61,610	-	-	-	-	61,610	61,610
Medium- to long-term financial payables	23,030					23,030	23,030
Short-term financial payables	20,802					20,802	20,802
Financial liabilities for derivatives	436					436	436
Financial assets for derivatives	(35)					(35)	(35)
Cash and cash equivalents and short-term financial receivables	(15,759)					(15,759)	(15,759)
Net debt relating to operations	28,474	-	-	-	-	28,474	28,474
Total sources of financing	90,084	-	-	-	-	90,084	90,084

GEFRAN GROUP *(EUR /000)*	31/12/13	Sensors	Components	Drives	Photovoltaic	Not divided	Total
Intangible assets	15,403	8,113	2,891	2,650	1,749	-	15,403
Tangible fixed assets	42,267	11,174	12,078	18,537	478	-	42,267
Financial assets	10,504					10,504	10,504
Net fixed assets	68,174	19,287	14,969	21,187	2,227	10,504	68,174
Inventories	22,071	4,543	4,427	12,259	842	-	22,071
Trade receivables	37,765	8,884	7,718	19,582	1,581	-	37,765
Trade payables	(21,218)	(4,277)	(4,881)	(11,495)	(565)	-	(21,218)
Other assets/liabilities	(9,430)	(2,817)	(2,415)	(1,860)	(405)	(1,933)	(9,430)
Working capital	29,188	6,333	4,849	18,486	1,453	(1,933)	29,188
Provisions for risks and future liabilities	(3,870)	(99)	(130)	(817)	(2,315)	(509)	(3,870)
Deferred tax provisions	(785)					(785)	(785)
Employee benefits	(5,281)	(1,606)	(1,880)	(1,527)	(268)	-	(5,281)
Net invested capital	87,426	23,915	17,808	37,329	1,097	7,277	87,426
Shareholders’ equity	63,059					63,059	63,059
Medium- to long-term financial payables	28,478					28,478	28,478
Short-term financial payables	20,608					20,608	20,608
Financial liabilities for derivatives	489					489	489
Financial assets for derivatives	(168)					(168)	(168)
Cash and cash equivalents and short-term financial receivables	(25,040)					(25,040)	(25,040)
Net debt relating to operations	24,367	-	-	-		24,367	24,367
Total sources of financing	87,426	-	-	-		87,426	87,426

13. Gains and losses from financial assets/liabilities

"Gains from financial assets" totalled EUR 591 thousand, versus EUR 425 thousand in the first half of 2013, and break down as follows:

Description	2014	2013	change
(EUR /000)			
Income from cash management	36	65	(29)
Other financial income	53	48	5
Exchange rate gains	313	127	186
Currency valuation differences	189	185	4
Total	591	425	166

"Losses from financial assets" totalled EUR 1,315 thousand, up from EUR 1,208 thousand in the first half of 2013, and break down as follows:

Description	2014	2013	change
(EUR /000)			
Medium-/long-term interest	(745)	(678)	(67)
Short-term interest	(60)	(53)	(7)
Factoring interest and fees	(24)	(32)	8
Other financial charges	(17)	(16)	(1)
Exchange rate losses	(307)	(170)	(137)
Currency valuation differences	(162)	(259)	97
Total	(1,315)	(1,208)	(107)

The growth in financial charges registered in 2014 is mainly due to higher average short-term debt in the first half of 2014 compared with the first half of 2013.

The balance of differences on exchange transactions is positive at EUR 33 thousand, an improvement of EUR 150 thousand compared with the figure for the same period of 2013. The improvement registered in 2014 is mainly due to the partial recovery of the Indian rupee and the Brazilian real against the euro; compared with the values recorded in the first half of 2013, the two currencies gained ground against the euro, although remain weak.

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

Description	2014	2013	change
(EUR /000)			
Result of companies valued at equity	25	(224)	249
Total	25	(224)	249

Gains from equity investments valued at equity were EUR 25 thousand, and mainly related to the positive result of the Ensun Group, accrued in particular in the second half of 2014.

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

The item “taxes” was negative at EUR 1,315 thousand; this compares with a negative balance of EUR 548 thousand at 30 June 2013, and breaks down as follows:

Description	2014	2013
(EUR /000)		
Current taxes		
IRAP (corporate income tax)	(263)	(402)
Foreign taxes	(797)	(577)
Total current taxes	(1,060)	(979)
Deferred taxes		
Deferred tax liabilities	1	(110)
Deferred tax assets	(256)	541
Total deferred taxes	(255)	431
Total taxes	(1,315)	(548)

Current taxes mainly grew owing to the increase in the taxes paid by the Group’s foreign subsidiaries.

Deferred tax assets, negative at EUR 256 thousand (positive at EUR 541 thousand in the first half of 2013), mainly related to the reversal in the first half of provisions for deferred tax deductibility registered in the previous year.

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

Description *(EUR /000)*	31/12/2013	Posted to the income statement	Recognised in shareholders’ equity	Exchange rate differences	30/06/2014
Deferred tax assets					
Devaluation of inventories	1,324	81		-	1,405
Impairment of trade receivables	1,157	(284)		-	873
Deductible losses to be brought forward	3,151	1		11	3,163
Exchange rate differences	-	7		-	7
Elimination of unrealised margins on inventories	646	105		-	751
Provision for product warranty risk	197	4		-	201
Provision for sundry risks	758	(170)		10	598
Total deferred tax assets	7,233	(256)	-	21	6,998
Deferred tax liabilities					
Discounting of end-of-service payment fund	(149)	-		-	(149)
Currency valuation differences	(4)	1		-	(3)
Other deferred tax liabilities	(632)	-		(6)	(638)
Total deferred tax liabilities	(785)	1	-	(6)	(790)
Net total	6,448	(255)	-	15	6,208

16. Goodwill and other intangible assets with an indefinite life

"Goodwill" totalled EUR 5,593 thousand at 30 June 2014, and breaks down as follows:

Description	31/12/2013	Increases	Decreases	Exchange rate differences	30/06/2014
(EUR /000)					
Gefran S.p.A.	140	-	-	-	140
Gefran France SA	1,310	-	-	-	1,310
Gefran India	37	-	-	2	39
Gefran Inc.	2,133	-	-	17	2,150
Sensormate AG	1,954	-	-	-	1,954
	5,574	-	-	19	5,593

The change of EUR 19 thousand i entirely due to exchange rate differences recorded in the first half of 2014.

As set out under note 18 below, the figures shown above were subject to an impairment test, which did not reveal any permanent loss in value.

17. Intangible assets with a finite life

"Intangible assets" exclusively comprises assets with a finite life, and increased from EUR 9,829 thousand at 31 December 2013 to EUR 9,940 thousand at 30 June 2014. The movements during the period are shown below.

Description	31/12/2013	Increases	Decreases	Other changes	30/06/2014
(EUR /000)					
Development costs	13,629	-	-	432	14,061
Intellectual property rights	4,778	59	(15)	161	4,983
Assets in progress and payments on account	2,190	1,383	(8)	(483)	3,082
Other assets	6,049	17	-	(84)	5,982
Total	26,646	1,459	(23)	26	28,108

Description	Accum. Amort. at 31/12/2013	Increases	Decreases	Other changes	Accum. Amort. at 30/06/2014
Development costs	8,592	982	-	1	9,575
Intellectual property rights	3,697	185	(13)	102	3,971
Other assets	4,528	185	-	(91)	4,622
Total	16,817	1,352	(13)	12	18,168

Description	Net value at 31/12/2013	Net value at 30/06/2014	changes
(EUR /000)			
Development costs	5,037	4,486	(551)
Intellectual property rights	1,081	1,012	(69)
Assets in progress and payments on account	2,190	3,082	892
Other assets	1,521	1,360	(161)
Total	9,829	9,940	111

Development costs

This item includes development costs capitalised in previous years and in the first six months of 2014, relating to the costs incurred for the following activities:

- EUR 968 thousand relating to new lines of contactless position sensors, melt sensors and pressure sensors;
- EUR 998 thousand relating to lines of components in the Gcube family, GF_Project, new GFW static units;
- EUR 1,049 thousand relating to the new range of drives;
- EUR 1,471 thousand relating to inverters for alternative energies.

These assets have a useful life of five years, and passed the impairment tests described in note 18. Development costs for alternative energies were not written down, since the photovoltaic segment is to be sold.

Intellectual property rights

This item exclusively comprises the costs incurred to purchase the company information system management programmes and the use of licences for third-party software. These assets have a useful life of three years.

Assets in progress and payments on account

This item includes payments on account made to suppliers to purchase software programmes and licences expected to be delivered during the next year.

It also includes EUR 2,261 thousand in development costs, the benefits of which will be recognised on the income statement from the following year, as a result of which they have not been amortised. They relate to sensors (EUR 326 thousand), components (EUR 1,363 thousand) and drives (EUR 572 thousand). No amount pertaining to this item was allocated to the photovoltaic business.

Other assets

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

These assets have a useful life of five years.

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

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

The table below shows the carrying value of goodwill and R&D costs at 30 June 2014 and 30 June 2013:

Description	Year	Development costs	Goodwill	Total
(EUR /000)				
Sensors	**2014**	968	5,414	6,382
	2013	721	3,538	4,259
Components	**2014**	998	140	1,138
	2013	1,061	140	1,201
Drives	**2014**	1,050	39	1,089
	2013	2,476	40	2,516
Photovoltaic	**2014**	1,470	-	1,470
	2013	-	-	-
Total	**2014**	**4,486**	**5,593**	**10,079**
	2013	**4,258**	**3,718**	**7,976**

In preparing assessments and reviewing impairment indicators, the management took into consideration the relationship between stock exchange capitalisation and carrying value, among other things. At 30 June 2014, the Gefran Group's market capitalisation was EUR 55.3 million, slightly less than consolidated shareholders' equity. This situation indicates a potential impairment, but the management considers that, in light of market trends and the macroeconomic environment, the Parent Company's market capitalisation does not fully reflect all of the Group's distinctive features, such as patents, research and know-how.

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

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

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

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

Description	Carrying value 30/06/2014	Reference BU	Reference CGU	Explicit forecast	Terminal Value	WACC (%)	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
(EUR /000)									
Gefran S.p.A. (Spanish branch)	140	Components	Spanish branch	2014 - 2016	15 years	7.6%	2.7%	5.0%	33.0%
Gefran France S.A.	1,310	Sensors	Gefran France	2014 - 2016	15 years	6.8%	1.6%	5.5%	33.0%
Gefran India	39	Drives	Gefran India	2014 - 2016	15 years	12.5%	8.8%	7.5%	30.0%
Gefran Inc.	2,150	Sensors	Gefran Inc.	2014 - 2016	15 years	6.9%	2.5%	5.0%	34.0%
Sensormate AG	1,954	Sensors	Sensormate AG	2014 - 2016	15 years	7.0%	0.7%	5.5%	27.5%
Goodwill	**5,593**								
Magnetostrictive position	184	Sensors	Sensors	2014 - 2018	-	6.5%	2.7%	5.0%	33.0%
Melt pressure	491	Sensors	Sensors	2014 - 2018	-	6.5%	2.7%	5.0%	33.0%
Industrial pressure	290	Sensors	Sensors	2014 - 2018	-	6.5%	2.7%	5.0%	33.0%
Other	3	Sensors	Sensors	2014 - 2018	-	6.5%	2.7%	5.0%	33.0%
Total Sensors	***968***				-				
Software	448	Components	Components	2014 - 2018	-	6.5%	2.7%	5.0%	33.0%
Static units	168	Components	Components	2014 - 2018	-	6.5%	2.7%	5.0%	33.0%
Solutions and systems	241	Components	Components	2014 - 2018	-	6.5%	2.7%	5.0%	33.0%
Other	141	Components	Components	2014 - 2018	-	6.5%	2.7%	5.0%	33.0%
Total Components	***998***				-				
Lifts	221	Drives	Drives	2014 - 2018	-	6.5%	2.7%	5.0%	33.0%
Regenerative lifts	381	Drives	Drives	2014 - 2018	-	6.5%	2.7%	5.0%	33.0%
Industrial	448	Drives	Drives	2014 - 2018	-	6.5%	2.7%	5.0%	33.0%
Total Drives	***1,050***								
Photovoltaic inverters	1,470	Photovoltaic	Photovoltaic	2014 - 2018	-	6.5%	2.7%	5.0%	33.0%
Total Photovoltaic	***1,470***								
Development costs	**4,486**								
Total	**10,079**								

Explicit forecast cash flows for 2014-2016, deriving from the business plan approved by the Parent Company's Board of Directors, are taken into account in determining value in use.

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

Impairment tests for research and development costs were conducted considering a time horizon equal to their useful life. Forecasts for financial years were extracted on the basis of the 2014-2016 plan, with estimated growth rates in line with the growth trends of the approved plan.

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

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

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

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

For the Group impairment test, the yield of 10-year Italian BTP government bonds at June 2014 was used as the risk-free rate, equal to 2.74% (4.1% at 31 December 2013). This followed a comparative analysis conducted in December 2013 between BTP yields and the rate obtained from the weighting of government bond yields in the countries in which the individual CGUs are located on the revenues generated by the Group in the related countries. The analysis showed that 10-year BTP yields provide an effective approximation of the Group's risk-free rate, although this includes a greater country risk premium than, for example, German government bonds.

The market risk premium is equal to the additional historical performance premium required for the equity compared to the government bonds of a virtuous country (source: market consensus), while the specific risk premium is an additional premium, intended, among other things, to combine in the valuation the most likely cash flows indicated by management and the expected average flows.

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

The financial structure used represents the Group's target structure, valid for all CGUs; using the current financial structure, the WACC would be 6.50% (7.61% at 31 December 2013), with a change within the already tested sensitivity range.

The discount rate applied was determined net of the tax breaks resulting from the Parent Company's debt (post-tax WACC).

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

The recoverable amount 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 2014 budget and 2015-2016 plan approved by the Parent Company's management. The impairment test of the above assets did not reveal any loss of value.

An impairment test sensitivity analysis shows that the break-even WACC, i.e. the discount rate that would bring the value in use into line with the carrying value, is significantly higher than the current discount rate. In light of this, the carrying values of goodwill and development costs recognised in the financial statements can confidently be considered appropriate.

19. Tangible assets

"Property, plant, equipment and machinery" fell from EUR 42,267 thousand at 31 December 2013 to EUR 41,451 thousand at 30 June 2014. Movements are shown in the table below.

Description	31/12/2013	Increases	Decreases	Other changes	30/06/2014
(EUR /000)					
Land	4,473	-	-	2	4,475
Industrial buildings	38,736	77	(26)	12	38,799
Plant and machinery	35,643	163	(36)	846	36,616
Industrial and commercial equipment	19,346	282	(202)	959	20,385
Other assets	12,608	306	(61)	(1,476)	11,377
Assets in progress and payments on account	424	600	-	(365)	659
Total	111,230	1,428	(325)	(22)	112,311

Description	Accum. Depreciation at 31/12/2013	Increases	Decreases	Other changes	Accum. Depreciation at 30/06/2014
(EUR /000)					
Industrial buildings	13,325	449	(4)	23	13,793
Plant and machinery	27,540	950	(36)	432	28,886
Industrial and commercial equipment	17,550	486	(190)	746	18,592
Other assets	10,548	281	(54)	(1,186)	9,589
Total	68,963	2,166	(284)	15	70,860

Description	Net value at 31/12/2013	Net value at 30/06/2014	changes
(EUR /000)			
Land	4,473	4,475	2
Industrial buildings	25,411	25,006	(405)
Plant and machinery	8,103	7,730	(373)
Industrial and commercial equipment	1,796	1,793	(3)
Other assets	2,060	1,788	(272)
Assets in progress and payments on account	424	659	235
Total	42,267	41,451	(816)

These assets were not subject to any impairment in the first half of 2014, while fluctuations in exchange rates had a negative impact of approximately EUR 24 thousand.

Decreases in the first half of 2014 were partly due to the sale of the LAT 011 calibration laboratory, for EUR 175 thousand as a decrease in the historical cost and for EUR 162 thousand as a fall in accumulated depreciation. The decrease in the "industrial buildings" item was due to the partial repayment of planning fees for the building in via Pascoli in Gerenzano, following the conclusion of the renovation project. The Parent Company also sold other fully-depreciated industrial machinery and equipment, for EUR 35 thousand and EUR 44 thousand respectively.

20. Net working capital

Net working capital totalled EUR 40,231 thousand at 30 June 2014, compared with EUR 38,618 thousand at 31 December 2013, and breaks down as follows:

Description	30/06/2014	31/12/2013	changes
(EUR /000)			
Inventories	23,856	22,071	1,785
Trade receivables	38,735	37,765	970
Trade payables	(22,360)	(21,218)	(1,142)
Net amount	40,231	38,618	1,613

The increase in net working capital was due to the rise in inventories of EUR 1,785 thousand and in trade receivables of EUR 970 thousand, partly offset by a fall of EUR 1,142 thousand in trade payables.

As stated previously in the Interim Report on Operations to 31 March 2014, the growth in inventories registered in the first half was due to goodwill relating to the logistics project, which, with a view to improving services to customers, requires an increase in high-rotation product inventories and a reduction in low-rotation inventories at the same time; the new inventory code management system will come on stream in the second half of the year, and is expected to improve inventory rotation.

Trade receivables were EUR 38,735 thousand, an increase of EUR 970 thousand versus 31 December 2013.

With reference to receivables from customers, the Group is currently reviewing all its payment conditions, which will lead to a shared classification of all customers according to reference market, with a view to reducing average collection days from customers at Group level.

In addition, in the first half of the year, EUR 2,630 thousand was transferred on a non-recourse basis to a factoring company (EUR 2,344 thousand to 31 December 2013).

Receivables were adjusted to their estimated realisable value through the provision of a specific allowance calculated on the basis of an examination of individual debtor positions. The provision at 30 June 2014 represents a prudential estimate of the current risk, and registered the following changes:

	31/12/2013	Increases	Decreases	Change in basis of consol.	Other changes	30/06/2014
(EUR /000)						
Provision for doubtful receivables	5,613	498	(1,526)	0	22	4,607

Decreases include the use of the provision to cover losses on unrecoverable receivables.

Trade payables were EUR 22,360 thousand, an increase of EUR 1,142 thousand versus 31 December 2013. This increase was partly due to the increase in inventories, with a consequent increase in purchases, and partly due to the policies adopted by the Purchasing Department to lengthen payment terms.

21. Net financial position

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

Description *(EUR /000)*	30/06/2014	31/12/2013	changes
Cash and cash equivalents	15,759	25,040	(9,281)
Financial assets for derivatives	35	168	(133)
Non-current financial payables	(23,030)	(28,478)	5,448
Current financial payables	(20,802)	(20,608)	(194)
Financial liabilities for derivatives	(436)	(489)	53
Total	(28,474)	(24,367)	(4,107)

The following table breaks down the net financial position by maturity:

Description *(EUR /000)*	30/06/2014	31/12/2013	changes
A. Cash on hand	31	32	(1)
B. Cash in bank deposits	15,625	24,582	(8,957)
Term deposits – less than 3 months	103	426	(323)
C. Securities held for trading	103	426	(323)
D. Cash And cash equivalents (A) + (B) + (C)	15,759	25,040	(9,281)
Financial liabilities for derivatives	(436)	(489)	53
Financial assets for derivatives	35	168	(133)
E. Fair value hedging derivatives	(401)	(321)	(80)
F. Current portion of long-term debt	(10,833)	(12,438)	1,605
G. Other short-term financial payables	(9,969)	(8,170)	(1,799)
H. Total current financial payables (F) + (G)	(20,802)	(20,608)	(194)
I. Total current payables (E) + (H)	(21,203)	(20,929)	(274)
J. Net short-term financial debt (I) + (D)	(5,444)	4,111	(9,555)
L. Non-current financial debt	(23,030)	(28,478)	5,448
M. Net financial debt (J) + (L)	(28,474)	(24,367)	(4,107)
Of which to minorities:	*(28,474)*	*(24,367)*	*(4,107)*

Net debt at 30 June 2014 was EUR 28,474 thousand, up by EUR 4,107 thousand from 31 December 2013. This change was mainly due to negative cash flows from ordinary operations (EUR 1,671 thousand) and cash burn generated by investment activities (EUR 1,573 thousand).

Short-term debt increased by EUR 274 thousand, and is due to the reduction of the current portion of medium-/long-term debt totalling EUR 1,605 thousand, owing to the repayment of outstanding loans not related to raising new loans, offset by the increase in other current financial payables of EUR 1,799 thousand. Other current financial payables chiefly increased as a result of “Current overdrafts”, which related almost entirely to Gefran S.p.A. and were due to advance payments on flows from abroad and the use of cash on bills subject to verification.

The increase in net working capital generated a cash burn of EUR 1,613 thousand. This result compares with positive cash flow of EUR 2,569 thousand generated in the first six months of 2013.

Free cash flow after investment activities was negative at EUR 3,244 thousand, a fall of EUR 5,544 thousand compared with the positive figure of EUR 2,300 thousand in 2013, mainly owing to the increase in net working capital.

Long-term debt contracted by EUR 5,448 thousand, owing to the reclassification under short-term of the current portions of outstanding loans, detailed below.

Cash and cash equivalents

Cash and cash equivalents totalled EUR 15,759 thousand at 30 June 2014, compared with EUR 25,040 thousand at 31 December 2013:

Description *(EUR /000)*	30/06/2014	31/12/2013	changes
Cash in bank deposits	15,610	24,582	(8,972)
Cash	31	32	(1)
Term deposits – less than 3 months	103	426	(323)
Other cash	15	-	15
Total	15,759	25,040	(9,281)

The technical forms used at 30 June 2014 are shown below:

- Maturities: payable on demand.
- Counterparty risk: deposits are made at leading banks.
- Country risk: deposits are held in countries in which Group companies have their registered offices.

Current financial payables

Current financial payables were EUR 20,802 thousand at 30 June 2014, versus EUR 20,608 thousand at 31 December 2013.

Description *(EUR /000)*	30/06/2014	31/12/2013	changes
Intesa S.Paolo loan	-	333	(333)
Centrobanca loan	1,463	1,463	-
BNL loan	1,000	1,000	-
Unicredit loan	1,231	1,231	-
Deutsche Bank loan	600	600	-
Unicredit loan	-	1,356	(1,356)
Cred. Bergamasco loan	500	490	10
Mediocredito loan	667	667	-
Banco di Brescia loan	1,142	1,120	22
Banca Pop. Sondrio loan	985	961	24
Banca Intesa loan	889	889	-
Cred. Bergamasco loan	729	713	16
Banca Intesa loan	627	615	12
Unicredit (SACE) loan	1,000	1,000	-
Current overdrafts	9,269	7,598	1,671
Factoring	611	458	153
Leasing	76	97	(21)
Other payables	13	17	(4)
Total	20,802	20,608	194

The change relating to “Current overdrafts”, up EUR 1,671 thousand, related almost entirely to Gefran S.p.A. and is due to advance payments on flows from abroad and the use of cash on bills subject to clearance.

Current debt relates almost entirely to Gefran S.p.A. and has the following characteristics:

- for use of credit lines payable on demand, the overall annual interest rate is in the 2.8%-5.7% range;
- for use of credit facilities on trade receivables, repayable on the maturity of these receivables, the overall annual interest rate is in the 0.7%-1.2% range;

The “factoring” item, which increased by EUR 153 thousand, comprises payables to factoring companies, for the payment extension period from the original maturity of the debt contract with certain suppliers, for which the Parent Company has accepted on-recourse assignment.

Non-current financial payables

Non-current financial payables fell by EUR 5,448 thousand, and break down as follows:

Description *(EUR /000)*	**30/06/2014**	**31/12/2013**	**changes**
Centrobanca loan	5,123	5,854	(731)
BNL loan	-	500	(500)
Unicredit loan	-	615	(615)
Deutsche Bank loan	1,050	1,350	(300)
Cred. Bergamasco loan	747	1,000	(253)
Mediocredito loan	1,500	1,833	(333)
Banco di Brescia loan	3,754	4,335	(581)
Banca Pop. Sondrio loan	1,304	1,805	(501)
Banca Intesa loan	2,666	3,111	(445)
Cred. Bergamasco loan	1,570	1,940	(370)
Banca Intesa loan	2,066	2,385	(319)
Unicredit (SACE) loan	3,250	3,750	(500)
Total	23,030	28,478	(5,448)

Changes in the first half relate entirely to the reclassification of portions of loans previously included under long-term loans as short-term loans.

The loans listed in the table are all variable-rate contracts stipulated by Gefran S.p.A., and have the following characteristics:

Bank *(EUR /000)*	Amount disbursed (/000)	Signing date	Balance at 30/06/14	Of which within 12 months	Of which over 12 months	Interest rate	Maturity	Repayment method
Centrobanca	EUR 10,976	04/09/08	6,586	1,463	5,123	Euribor 6m + 0.85%	01/10/18	half-yearly
BNL	EUR 4,000	30/04/11	1,000	1,000	-	Euribor 3m + 1.20%	13/04/15	quarterly
Unicredit	EUR 4,000	24/06/11	1,231	1,231	-	Euribor 3m + 1.10%	30/06/15	quarterly
Deutsche Bank	EUR 3,000	09/03/12	1,650	600	1,050	Euribor 3m + 3.60%	31/03/17	quarterly
Cred. Bergamasco	EUR 2,000	06/11/12	1,247	500	747	Euribor 3m + 3.80%	31/10/16	monthly
Mediocredito	EUR 3,000	16/11/12	2,167	667	1,500	Euribor 3m + 3.90%	30/09/17	quarterly
Banco di Brescia	EUR 6,000	31/05/13	4,896	1,142	3,754	Euribor 3m + 3.90%	31/05/18	quarterly
Banca Pop. Sondrio	EUR 3,000	11/06/13	2,289	985	1,304	Euribor 3m + 4.50%	31/07/16	quarterly
Mediocredito	EUR 4,000	26/06/13	3,555	889	2,666	Euribor 3m + 3.70%	31/05/18	quarterly
Cred. Bergamasco	EUR 3,000	18/06/13	2,299	729	1,570	Euribor 3m + 4.20%	30/06/17	monthly
Banca Intesa	EUR 3,000	27/06/13	2,693	627	2,066	Euribor 3m + 3.95%	27/06/18	quarterly
Unicredit (SACE)	EUR 5,000	27/09/13	4,250	1,000	3,250	Euribor 3m + 2.60%	30/09/18	quarterly
Total			33,863	10,833	23,030			

For the amounts due within 12 months, EUR 5,400 thousand will be payable by the end of 2014. In the first half of this year, the Group repaid a total of EUR 7,053 thousand from the principal.

Two of the loans listed above are governed by covenants:

1) the EUR 6,000 thousand UBI-Banco di Brescia loan taken out on 31 May 2013, is subject to the following covenant:

    - consolidated debt to equity ratio of ≤ 0.7.

    Termination clauses are triggered in the event that this value is exceeded. The loan agreement also includes a negative pledge clause.

2) the EUR 3,000 thousand Banca Intesa loan, taken out on 27 June 2013, is subject to two financial covenants:

    - consolidated debt to equity ratio of ≤ 0.7.
    - consolidated debt to EBITDA ratio of ≤ 3.5.

    If both ratios are exceeded, the lending bank will have the right to request early repayment or increase the interest rate by two percentage points. The loan agreement also includes a negative pledge clause.

The Administration, Finance and Control Department is responsible for checking these contractual restrictions every quarter. Given that the ratios calculated on data to 30 June 2014 have been respected overall, the loans were classified in the maturities table according to their contractual maturities

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

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

Hedging derivatives

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

Bank	Notional principal	Signing date	Notional at 30/06/2014	Derivative	Fair Value at 30/06/2014	Long position rate	Short position rate
(EUR /000)							
Centrobanca	EUR 9,550	31/03/10	6,586	IRS	(363)	Fixed 3.11%	Euribor 6m
BNL	EUR 4,000	30/04/11	1,000	IRS	(15)	Fixed 2.63%	Euribor 3m
Unicredit	EUR 4,000	24/06/11	1,231	IRS	(26)	Fixed 2.51%	Euribor 3m
Deutsche Bank	EUR 3,000	09/03/12	1,650	IRS	(32)	Fixed 1.34%	Euribor 3m
Total financial liabilities for derivatives – interest rate risk					**(436)**		

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

Bank	Notional principal	Signing date	Notional at 30/06/2014	Derivative	Fair Value at 30/06/2014	Long position rate	Short position rate
(EUR /000)							
Unicredit	EUR 3,000	16/11/12	2,167	CAP	3	Strike Price 0.45%	Euribor 3m
Credito Bergamasco	EUR 2,000	06/11/12	1,247	CAP	1	Strike Price 1.00%	Euribor 3m
Unicredit	EUR 6,000	04/06/13	4,896	CAP	10	Strike Price 0.75%	Euribor 6m
Intesa	EUR 3,000	27/06/13	2,693	CAP	3	Strike Price 0.75%	Euribor 3m
Mediocredito	EUR 4,000	12/06/13	3,555	CAP	4	Strike Price 0.75%	Euribor 3m
BNL	EUR 3,000	20/06/13	2,289	CAP	1	Strike Price 0.40%	Euribor 3m
Credito Bergamasco	EUR 3,000	20/06/13	2,299	CAP	3	Strike Price 0.75%	Euribor 3m
Unicredit	EUR 5,000	15/10/13	4,250	CAP	10	Strike Price 0.60%	Euribor 3m
Total financial assets for derivatives – interest rate risk					**35**		

All the contracts described above are booked at fair value:

	at 30 June 2014		at 31 December 2013	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
(EUR /000)				
Exchange rate risk	-	-	15	-
Interest rate risk	35	(436)	153	(489)
Total Cash flow hedge	**35**	**(436)**	**168**	**(489)**

All derivatives have been subject to effectiveness tests, which were positive.

In order to support its operations, the Group has various credit lines granted by banks and other financial institutions available, mainly in the form of loans for advances on invoices, cash flexibility and mixed loans for a total of EUR 42,380 thousand. Overall use of these lines at 30 June 2014 totalled EUR 9,856 thousand, with a residual available amount of EUR 32,524 thousand. No fees are due in the event that these lines are not used.

22. Shareholders' equity

Group shareholders' equity fell compared with 31 December 2013 by EUR 1,449 thousand, mainly owing to the loss registered for the period (EUR 1,332 thousand) and a negative change of EUR 66 thousand in the translation reserve.

Share capital was EUR 14,400 thousand, divided into 14,400,000 ordinary shares, with a nominal value of EUR 1 each. The Company did not issue convertible bonds.

At 30 June 2014, Parent Company Gefran S.p.A. held 173,165 own shares, equal to 1.02% of the share capital; at the end of 2013, it held 167,520 own shares, equal to 1.16% of the share capital.

For details on the movements in equity reserves during the year, see the table showing Changes in shareholders' equity.

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

Description	**30/06/2014**	**31/12/2013**	**changes**
(EUR /000)			
Balance at 1 January	(41)	(47)	6
UBI – Banca shares	22	(15)	37
Woojin Selex (Korea) shares	25	10	15
Theoretical tax effect	-	11	(11)
Net amount	6	(41)	47

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

Description	**30/06/2014**	**31/12/2013**	**changes**
(EUR /000)			
Balance at 1 January	381	(58)	439
Change in fair value of derivatives	(80)	460	(540)
Theoretical tax effect	-	(21)	21
Net amount	301	381	(80)

23. Earnings per share

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

Description	**2014**	**2013**
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group *(EUR /000)*	(1,332)	(1,488)
- Average no. of ordinary shares *(no./000,000)*	14	14
- Basic earnings per ordinary share	(0.093)	(0.104)
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group *(EUR /000)*	(1,332)	(1,488)
- Average no. of ordinary shares *(no./000,000)*	14	14
- Basic earnings per ordinary share	(0.093)	(0.104)
average number of ordinary shares	14,313,418	14,258,285

24. Current and non-current provisions

"Non-current provisions" fell by EUR 1,791 thousand compared with 31 December 2013, and break down as follows:

Description	30/06/2014	31/12/2013	changes
(EUR /000)			
Gefran S.p.A. risk provisions			
- for restructuring	1,200	-	-
- for legal disputes	477	2,275	(1,798)
- other provisions	85	85	-
Gefran Brasil risk provisions			
- for legal disputes	265	258	7
Gefran France risk provisions			
- for legal disputes	7	7	0
Total	2,034	2,625	(1,791)

"Legal disputes" includes the provisions made for liabilities related to the settlement of pending disputes regarding claims from customers, some employees and distributors. "Other provisions" pertaining to Gefran S.p.A. include amounts set aside to cover tax risks. "Restructuring" refers to non-recurring provisions made by the Parent Company.

"Current provisions" totalled EUR 1,212 thousand at 30 June 2014, a decrease of EUR 33 thousand versus 31 December 2013, and break down as follows:

Description	30/06/2014	31/12/2013	changes
(EUR /000)			
FISC	31	31	-
Product warranty	1,178	1,211	(33)
Other provisions	3	3	-
Total	1,212	1,245	(33)

25. Guarantees granted, commitments and other contingent liabilities

Guarantees granted

At 30 June 2014, the Group had granted guarantees on the liabilities and commitments of third parties or subsidiaries of EUR 11,145 thousand, as shown in the table below:

Description	2014	2013
(EUR /000)		
Credito Bergamasco	100	100
UBI Leasing	3,255	6,435
BNL	250	250
Banca Intesa	2,250	2,250
Banca Passadore	3,500	3,500
Banco di Brescia	1,790	1,790
Total	11,145	14,325

A guarantee in favour of UBI Leasing was issued for a total of EUR 3,255 thousand, expiring in 2029, to guarantee financial requirements for the construction of photovoltaic plants by BS Energia 2 S.r.l..

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

The amount of EUR 2,250 thousand in favour of Banca Intesa relates to a simple letter of patronage issued to guarantee the credit lines of Elettropiemme S.r.l..

Legal proceedings and disputes

The Parent Company and certain subsidiaries are involved in various legal proceedings and disputes. It is however considered unlikely that the resolution of these disputes will generate significant liabilities for which provisions have not already been made.

Commitments

See the notes to the accounts of the annual financial statements for the year ending 31 December 2013 for a more detailed analysis. There were no significant changes at 30 June 2014.

26. Dealings with related parties

In accordance with IAS 24, information relating to dealings with related parties for 2014 and the previous year is provided below.

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

On 12 November 2010, the Board of Directors of Gefran S.p.A. adopted the regulations governing transactions with related parties, published in the “Corporate Governance" section of the Company’s website www.gefran.com.

Transactions with related parties are part of the Group’s normal business management and typical activity.

Dealings with other related parties are as follows:

- Elettropiemme S.r.l., a subsidiary of Ensun S.r.l., in which Ennio Franceschetti (Chairman and Managing Director of Gefran S.p.A.) is chairman.
- Climat S.r.l., a company in which the director and member is a relative of Maria Chiara Franceschetti (CEO of Gefran S.p.A.).
- Axel S.r.l., a company in which the Group has a 30% stake and in which Adriano Chinello (director with strategic responsibilities of Gefran S.p.A.) is a member of the Board of Directors.

These dealings, summarised below, have no material impact on the Group's economic and financial structure.

Company	**Costs and Charges**		**Revenues and income**	
	2014	**2013**	**2014**	**2013**
(EUR /000)				
Elettropiemme S.r.l.	2	4	34	17
Climat S.r.l.	59	69	2	0
Axel S.r.l.	19	n/a	3	n/a

Company	**Receivables and other assets**		**Payables and other liabilities**	
	30/06/2014	**31/12/2013**	**30/06/2014**	**31/12/2013**
(EUR /000)				
Elettropiemme S.r.l.	13	137	2	0
Climat S.r.l.	23	103	30	56
Axel S.r.l.	30	96	31	46

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

27. Other information

Pursuant to article 70, paragraph 8, and article 71, paragraph 1-bis of Consob's Issuers' Regulation, the Board of Directors decided to take advantage of the option to derogate from the obligations to publish the information documents prescribed in relation to significant mergers, spin-offs, capital increases through contribution in kind, acquisitions and disposals.

Provaglio d'Iseo, 1 August 2014

For the Board of Directors

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

CONSOLIDATED INCOME STATEMENT ANALYSIS BY QUARTER

	(EUR /000)	1Q		2Q		3Q	4Q	Financial year	
		2014	2013	2014	2013	2013	2013	2014	2013
a	Revenues	29,826	28,426	32,279	34,135	32,127	33,680	62,105	128,368
b	Consumption of materials and products	10,564	10,023	11,946	14,409	13,228	14,830	22,510	52,489
c	Added value (a-b)	19,262	18,403	20,333	19,726	18,899	18,850	39,595	75,879
d	Other operating costs	5,939	6,037	4,913	5,896	6,370	12,570	10,852	30,872
e	Personnel costs	12,071	11,719	13,568	12,155	10,596	11,249	25,639	45,720
f	Increases for internal work	548	560	548	661	624	555	1,096	2,401
g	EBITDA (c-d-e+f)	1,800	1,207	2,400	2,336	2,557	(4,414)	4,200	1,688
h	Depreciation, amortisation and impairments	1,780	1,775	1,738	1,701	1,840	1,805	3,518	7,122
i	EBIT (g-h)	20	(568)	662	635	717	(6,219)	682	(5,434)
l	Gains (losses) from financial assets/liabilities	(399)	(121)	(325)	(662)	(754)	(489)	(724)	(2,026)
m	Losses (gains) from shareholdings valued at equity	(19)	(125)	44	(99)	(190)	(135)	25	(549)
n	Profit (loss) before tax (i+-l+-m)	(398)	(814)	381	(126)	(227)	(6,843)	(17)	(8,009)
o	Taxes	(886)	(302)	(429)	(246)	(370)	441	(1,315)	(477)
p	Profit (loss) including minority interests (n+-o)	(1,284)	(1,116)	(48)	(372)	(597)	(6,402)	(1,332)	(8,486)
q	Profit (loss) pertaining to minority interests	0	(120)	0	120	0	0	0	0
r	Group net profit (loss) (p+-q)	(1,284)	(996)	(48)	(492)	(597)	(6,402)	(1,332)	(8,486)

CONSOLIDATED INCOME STATEMENT EXCLUDING NON-RECURRING ITEMS ANALYSIS BY QUARTER

	(EUR /000)	1Q		2Q		3Q	4Q	Financial year	
		2014	2013	2014	2013	2013	2013	2014	2013
a	Revenues	29,496	28,107	32,279	34,134	32,127	33,680	61,775	128,048
b	Consumption of materials and products	10,564	10,023	11,946	14,409	13,228	13,864	22,510	51,523
c	Added value (a-b)	18,932	18,084	20,333	19,725	18,899	19,816	39,265	76,525
d	Other operating costs	5,939	6,037	6,296	5,896	5,970	7,463	12,235	25,365
e	Personnel costs	12,071	11,719	12,368	11,868	10,596	11,249	24,439	45,433
f	Increases for internal work	548	560	548	661	624	555	1,096	2,401
g	EBITDA (c-d-e+f)	1,470	888	2,217	2,622	2,957	1,659	3,687	8,128
h	Depreciation, amortisation and impairments	1,780	1,775	1,738	1,701	1,699	1,805	3,518	6,981
i	EBIT (g-h)	(310)	(887)	479	921	1,258	(146)	169	1,147
l	Gains (losses) from financial assets/liabilities	(399)	(122)	(325)	(661)	(754)	(489)	(724)	(2,026)
m	Losses (gains) from shareholdings valued at equity	(19)	(125)	44	(99)	(190)	(135)	25	(549)
n	Profit (loss) before tax (i+-l+-m)	(728)	(1,134)	198	161	314	(770)	(530)	(1,428)
o	Taxes	(886)	(302)	(429)	(246)	(370)	441	(1,315)	(477)

ANNEXES

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

End-of-period exchange rates

Currency	30 June 2014	31 December 2013	30 June 2013
Swiss franc	1.2156	1.2276	1.2338
Pound sterling	0.8015	0.8337	0.8572
US dollar	1.3658	1.3791	1.3080
Brazilian real	3.0002	3.2576	2.8899
Chinese renminbi	8.4722	8.3491	8.0280
Indian rupee	82.2023	85.3660	77.7210
South African rand	14.4597	14.5660	13.0704
Turkish lira	2.8969	2.9605	n/a

Average exchange rates in the period

Currency	1H 2014	2013	1H 2013
Swiss franc	1.2214	1.2309	1.2299
Pound sterling	0.8214	0.8493	0.8512
US dollar	1.3705	1.3285	1.3142
Brazilian real	3.1495	2.8669	2.6688
Chinese renminbi	8.4517	8.1655	8.1294
Indian rupee	83.2930	77.8753	72.3070
South African rand	14.6763	12.8308	12.1233
Turkish lira	2.9675	2.5329	n/a

b) List of companies included in the scope of consolidation

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Gefran UK Ltd	Telford	UK	GBP	4,096,000	Gefran S.p.A.	100.00
Gefran Deutschland Gmbh	Seligenstadt	Germany	EUR	365,000	Gefran S.p.A.	100.00
Siei Areg Gmbh	Pleidelsheim	Germany	EUR	150,000	Gefran S.p.A.	100.00
Gefran France S.A.	Lyon	France	EUR	800,000	Gefran S.p.A.	99.99
Gefran Benelux Nv	Geel	Belgium	EUR	344,000	Gefran S.p.A.	100.00
Gefran Inc	Charlotte	US	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Elettroel. Ltda	Sao Paolo	Brazil	REAL	450,000	Gefran S.p.A.	99.90
					Gefran UK	0.10
Gefran India Private Ltd	Pune	India	INR	100,000,000	Gefran S.p.A.	95.00
					Gefran UK	5.00
Gefran Siei Asia Pte Ltd	Singapore	Singapore	USD	4,086,000	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Pte Ltd	Shanghai	People's Rep. of China	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric Pte Ltd	Shanghai	People's Rep. of China	RMB	1,005,625	Gefran Siei Asia	100.00
Gefran South Africa (Pty) Ltd	Milnerton City	South Africa	ZAR	2,000,100	Gefran S.p.A.	100.00
Sensormate AG	Aadorf	Switzerland	CHF	100,000	Gefran S.p.A.	100.00
Gefran Middle East Ltd Sti	Istanbul	Turkey	TRL	100,000	Gefran S.p.A.	100.00

c) List of companies consolidated at equity

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Ensun S.r.l.	Brescia	Italy	EUR	30,000	Gefran S.p.A.	50.00
Bs Energia 2 S.r.l.	Rodengo Saiano	Italy	EUR	10,000	Ensun S.r.l.	30.00
Elettropiemme S.r.l.	Trento	Italy	EUR	70,000	Ensun S.r.l.	50.00
Axel S.r.l.	Dandolo	Italy	EUR	26,008	Gefran S.p.A.	30.00

d) List of other subsidiaries

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
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
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
UBI Banca S.c.p.A.	Bergamo	Italy	EUR	2,254,368,000	Gefran S.p.A.	n/s

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

Certification of consolidated financial statements pursuant to article 81-ter of Consob regulation 1197 of 14 May 1999 as amended

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

- the adequacy, with respect to the Company's characteristics,

  and

- the effective application of the administrative and accounting procedures applied in the preparation of the condensed half-yearly financial statements in the first half of 2014.

There are no significant events to report in this regard.

They further certify that:

1. the condensed half-yearly financial statements:

- were prepared in accordance with applicable international accounting standards recognised in the European Union pursuant to EC Parliament and Council Regulation 1606/2002 of 19 July 2002;
- correspond to entries made in accounting ledgers and records;
- provide a true and accurate representation of the financial situation of the issuer and all companies included in the scope of consolidation.

2. The Report on Operations contains a reliable analysis of operating performance and results and of the condition of the issuer and all companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Provaglio d'Iseo, 1 August 2014

Chief Executive Officer	The Director responsible for preparing the company's accounting statements
Signed Maria Chiara Franceschetti	***Signed Fausta Coffano***

EXTERNAL AUDITORS' REPORT