GEFRAN GROUP

HALF-YEARLY

REPORT

AT 30 JUNE 2015

CONTENTS

1. CORPORATE BODIES

Board of Directors

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

Board of Statutory Auditors

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

Internal Control Committee

- Cesare Giovanni Vecchio
- Marco Mario Agliati
- Monica Vecchiati

Remuneration Committee

- Romano Gallus
- Daniele Piccolo
- Cesare Giovanni Vecchio

External auditor

BDO Italia 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.

With effect from July 24th 2015, BDO S.p.A. has sold its auditing business branch in favour of BDO Italia S.p.A., the assignment of auditing conferred by Gefran S.p.A. will continue with BDO Italia SpA.

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

2. ALTERNATIVE PERFORMANCE INDICATORS

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

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

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

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

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

3. 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.

The Group offers a complete range of products and tailored turnkey solutions in numerous automation sectors. 70% 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 79% 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.

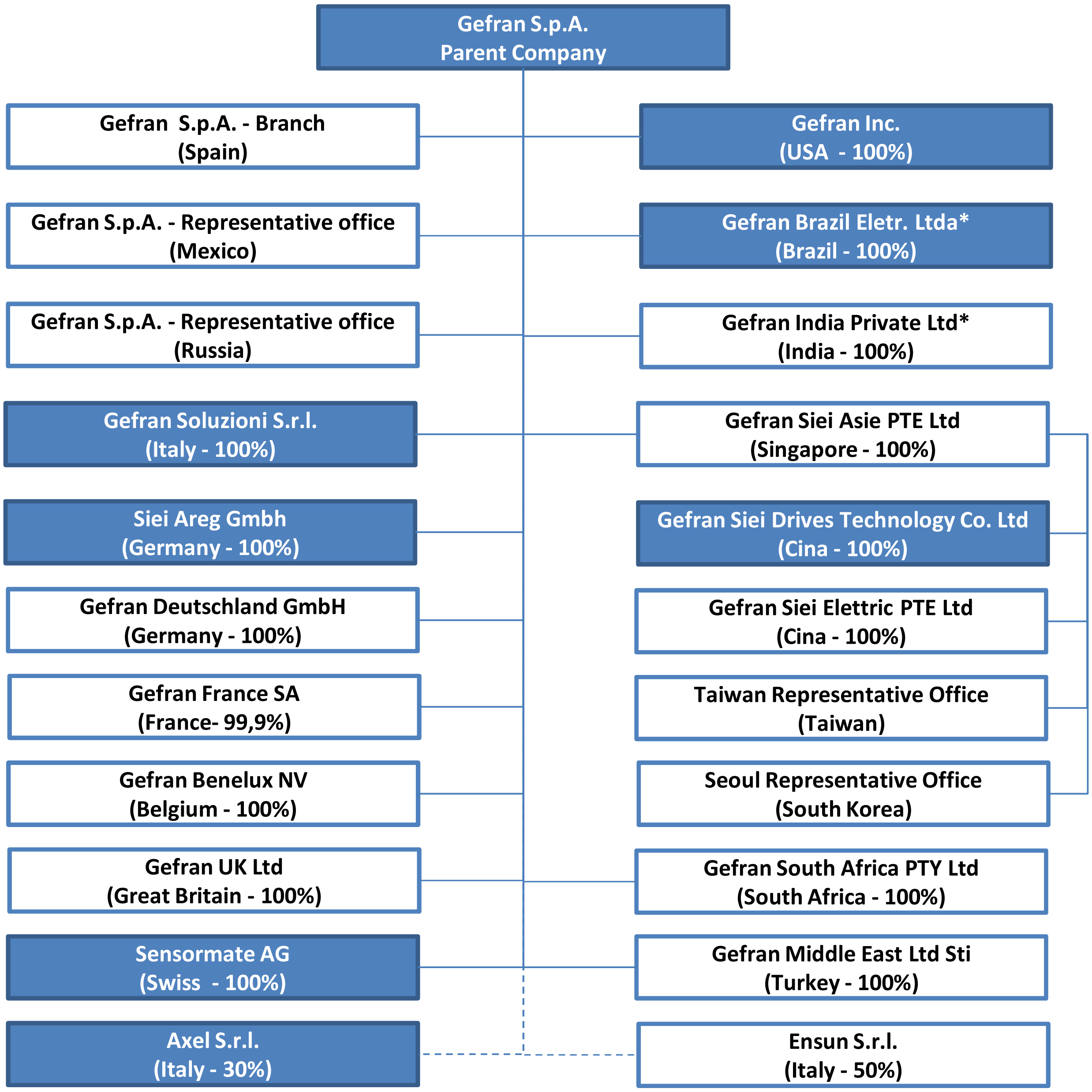
Gefran sets itself apart with its expertise in hardware and software acquired in over thirty years of experience. Gefran is one of the main Italian manufacturers in these product lines, and generates around half of its sales through exports.

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 lift 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 70% of its revenues abroad.

4. STRUCTURE OF THE GEFRAN GROUP



Production Units

Commercial Branches

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

5. SUMMARY OF GROUP PERFORMANCE

The first half of 2015 closed with revenues of EUR 59,865 thousand, a decrease of 3.0% compared with the same period of 2014, wholly registered in the second quarter of 2015.

The breakdown of revenues by geographical region shows positive results in North America, the European Union and non-EU Europe, again driven by growth in Germany and the US. Italy also returned to growth (+1.3%), mainly on the back of the positive trend in the sales of sensors and automation components.

In the second quarter, the Asia region registered a contraction in revenues in the lifts market (drives business).

The impact of the lower revenues in this business, in the two Asian affiliates, had a negative impact on the whole Group's results, and in particular, as stated above, on the drives business, which until now has posted excellent results in this region.
In China, lower revenues in addition to a slowdown in new orders of products for lift applications, were due to a combination of two factors: the change under way in the business model of the lifts sector (which requires products with a different kind of technology than previously) and China's low level of economic growth.
Results in the sensors and automation components businesses in these affiliates were however in line with expectations.

Revenues by business line show growth in sensors and automation components (+11% and +6.8% respectively) and a significant contraction in drives (21.5%), for which Asia is the largest market.

Despite the contraction registered in revenues, the Group's added value rose by 1.6% compared with the first half of 2014, thanks to the improvement in the mix of products sold; the EBITDA margin was 4.6%, while EBIT was negative at EUR 460 thousand.

The second quarter of 2015 saw the completion of the spin-off of the systems area from Gefran S.p.A., with the establishment of Gefran Soluzioni S.r.l. in April. The new company operates independently from the rest of the Group, and is focused on the systems integrator market, managing customers with a greater level of service and post-sales support, while ensuring that application know-how is kept within the Gefran Group.

The new representative office in South Korea was opened in June 2015. The office, located in Seoul, is intended to strengthen the Group's presence on the Korean market, and boost its growth.

Finally, in the first half of 2015, the Group invested EUR 2,736 thousand (EUR 2,887 thousand in the same period of 2014) in tangible and intangible assets.

Net debt came out at EUR 29,527 thousand; although still higher than the figure at 31 December 2014, this is lower than at 31 March 2015, when it was EUR 31,439 thousand. Net working capital was EUR 44,480 thousand at 30 June 2015, higher than the figure at 31 December 2014, but significantly lower than the EUR 48,533 thousand recorded at 31 March 2015.

6. KEY CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION FIGURES

Group income statement highlights

(EUR/000)	1H 2015		1H 2014		2Q 2015		2Q 2014	
Revenues	59,865	100.0%	61,740	100.0%	29,556	100.0%	32,144	100.0%
EBITDA	2,737	4.6%	5,645	9.1%	883	3.0%	3,293	10.2%
EBIT	(460)	-0.8%	2,360	3.8%	(713)	-2.4%	1,671	5.2%
Profit (loss) before tax	(305)	-0.5%	1,661	2.7%	(1,739)	-5.9%	1,390	4.3%
Result from operating activities	(1,234)	-2.1%	346	0.6%	(2,439)	-8.3%	961	3.0%
Profit (loss) from assets held for sale	(187)	-0.3%	(1,678)	-2.7%	(46)	-0.2%	(1,009)	-3.1%
Group net profit (loss)	(1,421)	-2.4%	(1,332)	-2.2%	(2,485)	-8.4%	(48)	-0.1%

Group income statement highlights, excluding non-recurring components

(EUR/000)	1H 2015		1H 2014		2Q 2015		2Q 2014	
Revenues	59,865	100.0%	61,410	100.0%	29,556	100.0%	32,144	100.0%
EBITDA	2,737	4.6%	4,882	7.9%	883	3.0%	2,860	8.9%
EBIT	(460)	-0.8%	1,597	2.6%	(713)	-2.4%	1,238	3.9%
Profit (loss) before tax	(305)	-0.5%	898	1.5%	(1,739)	-5.9%	957	3.0%
Result from operating activities	(1,234)	-2.1%	(417)	-0.7%	(2,439)	-8.3%	528	1.6%
Profit (loss) from assets held for sale	(187)	-0.3%	(1,428)	-2.3%	(46)	-0.2%	(759)	-2.4%
Group net profit (loss)	(1,421)	-2.4%	(1,845)	-3.0%	(2,485)	-8.4%	(231)	-0.7%

Group statement of financial position highlights

(EUR/000)	30 June 2015	31 December 2014
Net invested capital	93,709	90,471
Net working capital	44,480	43,494
Shareholders' equity	67,109	65,980
Net financial position	(29,527)	(27,605)

(EUR/000)	30 June 2015	30 June 2014
Operating cash flow	(1,469)	(846)
Investments	2,736	2,887

7. GROUP BUSINESS PERFORMANCE IN THE SECOND QUARTER OF 2015

	(EUR/000)	2Q 2013 2015			2Q 2013 2014			Chg 2015-2014	
		Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec. Value	%
a	Revenues	29,556		29,556	32,144		32,144	(2,588)	-8.1%
b	Consumption of materials and products	9,995		9,995	11,875		11,875	(1,880)	-15.8%
c	Added value (a-b)	19,561	0	19,561	20,269	0	20,269	(708)	-3.5%
d	Other operating costs	6,673		6,673	5,929	1,383	4,546	744	12.5%
e	Personnel costs	12,485		12,485	12,028	(950)	12,978	457	3.8%
f	Increases for internal work	480		480	548		548	(68)	-12.4%
g	EBITDA (c-d-e+f)	883	0	883	2,860	(433)	3,293	(1,977)	-69.1%
h	Depreciation, amortisation and impairments	1,596		1,596	1,622		1,622	(26)	-1.6%
i	EBIT (g-h)	(713)	0	(713)	1,238	(433)	1,671	(1,951)	-157.6%
l	Gains (losses) from financial assets/liabilities	(1,095)		(1,095)	(325)		(325)	(770)	236.9%
m	Gains (losses) from shareholdings value at equity	69		69	44		44	25	56.8%
n	Profit (loss) before tax (i+-l+-m)	(1,739)	0	(1,739)	957	(433)	1,390	(2,696)	-281.7%
o	Taxes	(700)		(700)	(429)		(429)	(271)	63.2%
p	Result from operating activities (n+-o)	(2,439)	0	(2,439)	528	(433)	961	(2,967)	Ns.
q	Profit (loss) from assets held for sale	(46)		(46)	(759)	250	(1,009)	713	-93.9%
r	Group net profit (loss) (p+-q)	(2,485)	0	(2,485)	(231)	(183)	(48)	(2,254)	Ns.

Revenues totalled EUR 29,556 thousand in the second quarter of 2015, down by EUR 2,588 thousand versus the same period of 2014 (-8.1%), mainly owing to the contraction registered on the Asian market; this was only partly offset by growth in other geographical regions (Italy, Europe and North America), which together registered revenue performances that were 14% higher than in the second quarter of last year.

New orders in the second quarter totalled EUR 32,386 thousand, compared with EUR 37,297 thousand in the second quarter of 2014. The fall in orders, of EUR 4,911 thousand, is due to the trend on the Chinese drives market described above.

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

(EUR/000)	2Q 2015	%	2Q 2014	%	Chg 2015-2014 value	%
Italy	9,088	30.7%	8,589	26.7%	499	5.8%
European Union	8,215	27.8%	7,087	22.0%	1,128	15.9%
Europe non-EU	1,632	5.5%	1,507	4.7%	125	8.3%
North America	3,675	12.4%	2,628	8.2%	1,047	39.8%
South America	1,125	3.8%	1,463	4.6%	(338)	-23.1%
Asia	5,650	19.1%	10,533	32.8%	(4,883)	-46.4%
Rest of the World	171	0.6%	337	1.0%	(166)	-49.3%
Total	**29,556**	**100%**	**32,144**	**100%**	**(2,588)**	**-8%**

By **geographical region**, revenues posted significant growth in North America (+39.8% versus the same period of 2014), the European Union (+15.9%) - which benefited from growth across all the main markets, particularly Germany (+16%) - and non-EU Europe (+8.3%), which saw significant growth in revenues in Switzerland, through affiliate Sensormate.

In Italy, the Group closed the quarter with an increase of EUR 499 thousand compared with the second quarter of 2014 (+5.8%).

The table below summarises the results by business area in the second quarter of 2015 and shows a comparison with the same period of the previous year:

	2Q 2015					2Q 2014				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
(EUR/000)										
Sensors	12,446	3,093	24.9%	2,573	20.7%	11,535	3,825	33.2%	3,331	28.9%
Automation components	8,239	117	1.4%	(387)	-4.7%	7,465	(184)	-2.5%	(633)	-8.5%
Drives	9,744	(2,327)	-23.9%	(2,899)	-29.8%	14,015	(348)	-2.5%	(1,027)	-7.3%
Eliminations	(873)					(871)				
Total	29,556	883	3.0%	(713)	-2.4%	32,144	3,293	10.2%	1,671	5.2%

The breakdown of **revenues by business area** shows an increase in sales of sensors (+7.9%) and automation components (+10.4%) compared with the second quarter of 2014, but a contraction in sales registered in the drives business, which were down 30.5% versus the same period of 2014. For sensors, the increase of EUR 911 thousand was driven by the positive performance of the melt (+17.4%) and Sensormate force transducer product families (+71.2%), as well as growth for the contactless transducer product family. The automation components business also registered growth in revenues in the quarter, of EUR 774 thousand, owing in particular to the positive trend in the sales of the programmable automation product family (PC and PLC, remote I/O).

Added value was EUR 19,561 thousand in the second quarter, or 66.2% as a percentage of revenues, up by three points compared with the second quarter of 2014. In absolute terms, added value fell by EUR 708 thousand: the contraction in revenues had a negative impact of EUR 1,713 thousand, while the improvement in margins had a positive impact of EUR 1,005 thousand.

Other operating costs totalled EUR 6,673 thousand in the second quarter of 2015, from EUR 4,546 thousand in the same period of 2014. The increase of EUR 2,127 thousand from the second quarter of 2014 was affected by the non-recurring capital gain of EUR 1,383 thousand registered in the second quarter of 2014 from the sale of the SIT division, without which the increase would have been EUR 744 thousand, owing to higher expenses to develop the business.

Personnel costs were EUR 12,485 thousand in the second quarter of 2015, compared with EUR 12,978 thousand in the same period of 2014. The figure for the second quarter of 2014 includes non-recurring costs of EUR 950 thousand relating to the restructuring of parent Company Gefran S.p.A.. Stripping out non-recurring components, personnel costs grew by EUR 457 thousand versus the same period of 2014.

Increases for internal work totalled EUR 480 thousand for the quarter, compared with EUR 548 thousand in the second quarter of 2014. The item mainly relates to the portion of development costs incurred in the period and capitalised, in accordance with IFRS.

EBITDA came in at EUR 883 thousand in the second quarter, compared with a figure of EUR 3,293 thousand in the same period of 2014. The fall of EUR 2,410 thousand is clearly due to lower revenues in the drives business on the Asian market, as described above.

Stripping out non-recurring components, EBITDA for the quarter was EUR 883 thousand (equivalent to 3.0% of revenues), compared with EBITDA of EUR 2,860 thousand in the second quarter of 2014.

EBIT was positive at EUR 713 thousand in the second quarter of 2015, compared with EUR 1,671 thousand in the same period of 2014. The reasons behind the EBIT performance are similar to those relating to EBITDA.

Net financial charges were EUR 1,095 thousand in the second quarter, compared with EUR 325 thousand in the second quarter of 2014, an increase of EUR 770 thousand, mainly owing to the negative impact of exchange rate differences over the period. This item includes financial charges relating to Group debt of EUR 365 thousand, financial income of EUR 48 thousand and the negative balance of EUR 778 thousand resulting from differences in currency transactions.

Gains from **equity investments valued at equity** were EUR 69 thousand (EUR 44 thousand in the second quarter of 2014), and mainly relate to the pro-rata result of the Ensun S.r.l. Group.

Taxes were negative in the amount of EUR 700 thousand in the second quarter of 2015, compared with a negative figure of EUR 429 thousand in the same period of the previous year. They comprise negative current taxes of EUR 482 thousand (EUR 597 thousand in the second quarter of 2014), almost entirely attributable local taxes due from foreign subsidiaries, and negative deferred taxes amounting to EUR 218 thousand (positive in the amount of EUR 168 thousand in the second quarter of 2014), originating from the reversal of deferred tax assets booked by the Parent Company Gefran S.p.A. in previous years.

The **result from operating activities** in the second quarter of 2015 was negative in the amount of EUR 2,439 thousand, compared with a positive figure of EUR 961 thousand in the second quarter of 2014 (positive at EUR 528 thousand stripping out the non-recurring components of the same period of 2014).

The **loss from assets held for sale** in the second quarter of 2015 was EUR 46 thousand, compared with a loss of EUR 1,009 thousand in the second quarter of 2014 (a loss of EUR 759 thousand, stripping out the non-recurring components of last year). The item includes the net result from operations in the photovoltaic sector, after these were restated in accordance with IFRS 5, following the directors' decision to sell the business.

The **Group posted a net loss** of EUR 2,485 thousand, compared with a loss of EUR 48 thousand in the same period of 2014 (a loss of EUR 231 thousand stripping out the non-recurring components of the second quarter of 2014 mentioned above).

8. GROUP PERFORMANCE TO 30 JUNE 2015

The main income statement items and comments are shown below.

	(EUR/000)	1H 2015 Excl. non-rec.	1H 2015 Incl. non-rec.	1H 2015 Final	1H 2014 Excl. non-rec.	1H 2014 Incl. non-rec.	1H 2014 Final	Chg 2015/14 Excl. non-rec. Value	%
a	Revenues	59,865		59,865	61,410	(330)	61,740	(1,545)	-2.5%
b	Consumption of materials and products	19,805		19,805	22,311		22,311	(2,506)	-11.2%
c	Added value (a-b)	40,060	0	40,060	39,099	(330)	39,429	961	2.5%
d	Other operating costs	13,068		13,068	11,548	1,383	10,165	1,520	13.2%
e	Personnel costs	25,238		25,238	23,765	(950)	24,715	1,473	6.2%
f	Increases for internal work	983		983	1,096		1,096	(113)	-10.3%
g	EBITDA (c-d-e+f)	2,737	0	2,737	4,882	(763)	5,645	(2,145)	-43.9%
h	Depreciation, amortisation and impairments	3,197		3,197	3,285		3,285	(88)	-2.7%
i	EBIT (g-h)	(460)	0	(460)	1,597	(763)	2,360	(2,057)	-128.8%
l	Gains (losses) from financial assets/liabilities	80		80	(724)		(724)	804	-111.0%
m	Gains (losses) from shareholdings value at equity	75		75	25		25	50	200.0%
n	Profit (loss) before tax (i+-l+-m)	(305)	0	(305)	898	(763)	1,661	(1,203)	-134.0%
o	Taxes	(929)		(929)	(1,315)		(1,315)	386	-29.4%
p	Result from operating activities (n+-o)	(1,234)	0	(1,234)	(417)	(763)	346	(817)	195.9%
q	Profit (loss) from assets held for sale	(187)		(187)	(1,428)	250	(1,678)	1,241	-86.9%
r	Group net profit (loss) (p+-q)	(1,421)	0	(1,421)	(1,845)	(513)	(1,332)	424	-23.0%

Revenues totalled EUR 59,865 thousand in the first half of 2015, compared with EUR 61,740 thousand in the first half of 2014, an overall fall of 3.0%; for more details, please see the previous section.

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

(EUR/000)	1H 2015	%	1H 2014	%	Chg 2015-2014 value	%
Italy	17,715	29.6%	17,493	28.3%	222	1.3%
European Union	16,378	27.4%	14,682	23.8%	1,696	11.6%
Europe non-EU	3,212	5.4%	2,801	4.5%	411	14.7%
North America	6,918	11.6%	5,195	8.4%	1,723	33.2%
South America	2,337	3.9%	2,625	4.3%	(288)	-11.0%
Asia	13,034	21.8%	17,877	29.0%	(4,843)	-27.1%
Rest of the World	271	0.5%	1,067	1.7%	(796)	-74.6%
Total	**59,865**	**100%**	**61,740**	**100%**	**(1,875)**	**(0)**

The breakdown of revenues by **geographical region** shows significant growth in North America (+33.2%), the European Union (+11.6%) and non-EU Europe (+14.7%); a marginally positive result was also registered on the domestic market. Revenues fell in South America, and were down significantly in Asia.

In Asia, the 27.1% drop in revenues versus the first half of 2014 was due to a broadly unchanged first quarter compared with the same period of last year, and a 46.4% fall in the second quarter, as described above. Finally, note that the Asia region includes the Chinese and Singapore affiliates (see above for performance), as well as affiliate Gefran India (which sells in India and in Gulf countries), which posted growth of 106% versus the first half of 2014, with revenues up from EUR 1,083 thousand to EUR 2,234 thousand.

Results by business area to 30 June 2015 and a comparison with the previous year are shown below.

	1H 2015					1H 2014				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
(EUR/000)										
Sensors	25,046	6,125	24.5%	5,077	20.3%	22,559	6,373	28.3%	5,375	23.8%
Automation components	16,494	215	1.3%	(828)	-5.0%	15,438	143	0.9%	(759)	-4.9%
Drives	20,126	(3,603)	-17.9%	(4,709)	-23.4%	25,650	(871)	-3.4%	(2,256)	-8.8%
Eliminations	(1,801)					(1,907)				
Total	59,865	2,737	4.6%	(460)	-0.8%	61,740	5,645	9.1%	2,360	3.8%

The breakdown of **revenues by business area** shows growth in the sensors business of EUR 2,487 thousand (+11.0%), chiefly thanks to the performance of the melt product family and synergies in the distribution of Sensormate products. Revenues generated by the automation components business, totalling EUR 16,494 thousand, grew by EUR 1,056 thousand (+6.8%) compared with the same period of 2014, particularly owing to sales of power controllers and I/O remotes. The drives business posted a fall of 21.5% in revenues to EUR 20,126 thousand, wholly due to the lower revenues figure for the Asia region, as described above.

Added value was EUR 40,060 thousand at 30 June 2015 (EUR 39,429 thousand at 30 June 2014), equivalent to 66.9% of revenues, up 3.1 points from the figure for the first half of 2014 (63.9% of revenues). This improvement, which came despite the contraction in volumes that absorbed added value of EUR 1,255 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 1,886 thousand.

Stripping out non-recurring components, which had a positive impact of EUR 330 thousand at 30 June 2014, growth in added value versus the same period of the previous year was EUR 961 thousand (2.5%).

Other operating costs totalled EUR 13,068 thousand at 30 June 2015, compared with EUR 10,165 thousand at 30 June 2014 (EUR 11,548 thousand, stripping out non-recurring income of EUR 1,383 thousand from the capital gain following the sale of the calibration laboratory). Stripping out non-recurring components in the first half of 2014 therefore, other operating costs rose by EUR 1,520 thousand, owing to expenses incurred for advertising and trade shows, research and staff training.

Personnel costs were EUR 25,238 thousand in the first half of 2015, equivalent to 42.2% of revenues, compared with EUR 24,715 thousand in the first half of 2014 (40.0% of revenues). The figure for the first half of 2014 includes non-recurring costs of EUR 950 thousand relating to the restructuring of parent Company Gefran S.p.A.. Stripping out non-recurring components, personnel costs grew by EUR 1,473 thousand versus the same period of 2014.

Increases for internal work were EUR 983 thousand at 30 June 2015, versus EUR 1,096 thousand at 30 June 2014. The item mainly relates to the portion of development costs incurred in the period and capitalised, in accordance with IFRS.

EBITDA was positive at EUR 2,737 thousand at 30 June 2015, a decrease of EUR 2,908 thousand from EUR 5,645 thousand at 30 June 2014, with an EBITDA margin of 4.6%.

The fall in EBITDA was due to the contraction in added value, caused by the fall in volumes together with the increase in personnel costs and other operating costs.

Depreciation, amortisation and impairments totalled EUR 3,197 thousand at 30 June 2015, a decrease of 2.7% on the same period of the previous year (EUR 3,285 thousand at 30 June 2014).

EBIT was negative at EUR 460 thousand in the first half of 2015, compared with a positive result of EUR 2,360 thousand in the first half of 2014. The reasons for this performance are the same as commented on under EBITDA.

Income from financial assets/liabilities was EUR 80 thousand in the first half of 2015, versus charges of EUR 724 thousand in the same period of the previous year, and include:

- financial income of EUR 89 thousand (the same amount as recorded at 30 June 2014);
- financial charges, mainly relating to medium/long-term loans, of EUR 723 thousand (EUR 846 thousand in the first half of 2014), down thanks to the reduction in medium-/long-term debt and the improved spreads granted by banks for the new loans taken out in the fourth quarter of 2014 and in 2015;
- positive differences on currency transactions of EUR 832 thousand, compared with EUR 33 thousand in the first half of 2014.
- the impact of the write-down of a stake held by Parent Company Gefran S.p.A. for EUR 118 thousand.

Gains from shareholdings valued at equity were EUR 75 thousand, an improvement of EUR 50 thousand compared with the amount recorded in the first half of 2014. This rise mainly relates to the pro-rata result of the Ensun S.r.l. Group.

Taxes were negative at EUR 929 thousand at 30 June 2015, compared with a negative figure of EUR 1,315 thousand in 2014. The tax burden for the period comprises:

- current taxes of EUR 760 thousand (EUR 1,060 thousand at 30 June 2014). Th tax burden for the period is mainly attributable to the local taxes of the Group's foreign subsidiaries;
- deferred tax assets and liabilities, negative at EUR 169 thousand (negative in the amount of EUR 255 thousand at 30 June 2014), mainly originating from the reversal of deferred tax assets booked by the Parent Company Gefran S.p.A. in previous years.

The **result from operating activities** in the first half of 2015 was negative in the amount of EUR 1,234 thousand, compared with a positive figure of EUR 346 thousand in the first half of 2014 (negative at EUR 417 thousand stripping out non-recurring components, which at 30 June 2014, had an overall positive impact of EUR 763 thousand).

The **loss from assets held for sale** was EUR 187 thousand in the first half of 2015, an improvement of EUR 1,491 thousand compared with the figure for the same period of 2014. This result was generated by the management of the photovoltaic segment, following the Board of Director's decision to sell the business.

The **Group net loss** was EUR 1,421 thousand in the first half of 2015, compared with a net loss of EUR 1,332 thousand in the same period of 2014.

Stripping out all non-recurring components (overall positive at EUR 513 thousand in the first half of 2014), the Group net loss was EUR 1,421 thousand, an improvement of EUR 424 thousand on the figure of EUR 1,845 thousand in the first half of the previous year.

9. RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

The reclassified consolidated statement of financial position of the Gefran Group at 30 June 2015 is shown below.

(EUR/000)	30/06/2015	%	31/12/2014	%
Intangible assets	15,265	15.8	14,690	15.7
Tangible assets	40,549	42.0	40,997	43.8
Financial assets	9,177	9.5	9,213	9.8
Net fixed assets	64,991	67.3	64,900	69.3
Inventories	23,532	24.4	19,104	20.4
Trade receivables	41,040	42.5	42,232	45.1
Trade payables	(20,092)	(20.8)	(17,842)	(19.1)
Other assets/liabilities	(7,862)	(8.1)	(9,485)	(10.1)
Operating capital	36,618	37.9	34,009	36.3
Provisions for risks and future liabilities	(1,839)	(1.9)	(2,067)	(2.2)
Deferred tax provisions	(820)	(0.8)	(760)	(0.8)
Employee benefits	(5,241)	(5.4)	(5,611)	(6.0)
Invested capital from operations	93,709	97.0	90,471	96.7
Invested capital from assets held for sale	2,927	3.0	3,114	3.3
Net invested capital	**96,636**	**100.0**	**93,585**	**100.0**
Shareholders' equity	67,109	69.4	65,980	70.5
Medium- to long-term financial payables	24,065	24.9	25,959	27.7
Short-term financial payables	28,380	29.4	22,061	23.6
Financial liabilities for derivatives	261	0.3	343	0.4
Financial assets for derivatives	(47)	(0.0)	(26)	(0.0)
Cash and cash equivalents and short-term financial receivables	(23,132)	(23.9)	(20,732)	(22.2)
Net debt relating to operations	29,527	30.6	27,605	29.5
Total sources of financing	**96,636**	**100.0**	**93,585**	**100.0**

Net **non-current assets** at 30 June 2015 were EUR 64,991 thousand, broadly in line with the figure of EUR 64,900 thousand at 31 December 2014. The main movements were as follows:

- intangible assets registered an overall increase of EUR 575 thousand. This includes increases for new investments (EUR 479 thousand), the capitalisation of development costs (EUR 983 thousand), as well as decreases due to amortisation for the period (EUR 1,104 thousand) and positive exchange rate effects on goodwill and other intangible assets (EUR 217 thousand).
- tangible assets decreased by EUR 448 thousand versus 31 December 2014. Depreciation totalled EUR 2,093 thousand, in addition to which there were net decreases for disposals (EUR 132 thousand), partly offset by investments over the period (EUR 1,274 thousand) and positive exchange rate differences (EUR 503 thousand).
- financial assets totalled EUR 9,177 thousand at 30 June 2015 (EUR 9,213 thousand at 31 December 2014), a decrease of EUR 36 thousand, mainly due to the trend in deferred tax assets (down EUR 57 thousand).

Operating capital was EUR 36,618 thousand at 30 June 2015, compared with EUR 34,009 thousand at 31 December 2014, an overall increase of EUR 2,609 thousand. The main changes were as follows:

- inventories rose by EUR 4,428 thousand, from EUR 19,104 thousand at 31 December 2014 to EUR 25,532 thousand at 30 June 2015, mainly owing to the increased stock in the drives business in the Chinese affiliate;
- trade receivables totalled EUR 41,040 thousand, a decrease of EUR 1,192 thousand at 31 December 2014, owing to both the fall in average payment days at Group level, and in particular at Parent Company Gefran S.p.A., and the fall in revenues;
- trade payables were EUR 20,092 thousand, versus EUR 17,842 thousand at 31 December 2014, an increase of EUR 2,250 thousand, relating to the rise in average payment days to suppliers compared with 31 December 2014, particularly in Asia;
- other net assets and liabilities, negative at EUR 7,862 thousand at 30 June 2015, fell by EUR 1,623 thousand versus 31 December 2014 (EUR 9,485 thousand).

Provisions for risks and future liabilities were EUR 1,839 thousand, a decrease of EUR 228 thousand from 31 December 2014. These include provisions for legal disputes in progress and other funds for miscellaneous risks. The decrease is due to the use of allocations, including non-recurring, made in the previous year, particularly by the Parent Company.

Shareholders' equity at 30 June 2015 was EUR 67,109 thousand, compared with EUR 65,980 thousand at 31 December 2014. The increase is mainly due to the translation of subsidiaries' shareholders' equity figures expressed in local currency into the presentation currency, which had a positive effect of EUR 2,606 thousand on the translation reserve.

Net debt at 30 June 2015 was EUR 29,527 thousand, up by EUR 1,922 thousand from 31 December 2014.

It breaks down as follows:

(EUR/000)	**30/06/2015**	**31/12/2014**	**Change**
Cash and cash equivalents	23,132	20,732	2,400
Current financial payables	(28,380)	(22,061)	(6,319)
Financial liabilities for derivatives	(261)	(343)	82
Financial assets for derivatives	47	26	21
(Debt)/short-term cash and cash equivalents	**(5,462)**	**(1,646)**	**(3,816)**
Non-current bank debt	(24,065)	(25,959)	1,894
(Debt)/medium-/long-term cash and cash equivalents	**(24,065)**	**(25,959)**	**1,894**
Net financial position	**(29,527)**	**(27,605)**	**(1,922)**

Net debt comprises short-term debt of EUR 5,462 thousand and medium-/long-term debt of EUR 24,065 thousand. Debt of EUR 6,246 thousand has been repaid in 2015, and new medium-/long-term loans have been taken out in the amount of EUR 4,000 thousand.

Partly owing to the difficulties encountered on the Asian market, net debt came out at EUR 29,527 thousand; although still higher than the figure at 31 December 2014, this is lower than at 31 March 2015, when it was EUR 31,439 thousand.

The change in the net debt figure is mainly due to negative cash flow from ordinary operations (EUR 1,469 thousand) and from technical investments (EUR 2,629 thousand), stripping out the positive impact of the change in the shareholders' equity reserve (EUR 2,550 thousand).

10. CONSOLIDATED CASH FLOW STATEMENT

The Gefran Group's consolidated cash flow statement at 30 June 2015 show a positive net change in cash at hand of EUR 2,400 thousand, compared with a negative change of EUR 9,281 thousand in the first half of 2014. The change was as follows:

(EUR/000)	**30/06/2015**	**30/06/2014**
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	20,732	25,040
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:	(1,469)	(846)
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES	(2,629)	(1,573)
D) FREE CASH FLOW (B+C)	(4,098)	(2,419)
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES	5,942	(5,993)
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)	1,844	(8,412)
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE	0	(825)
H) Exchange translation differences on cash at hand	556	(44)
I) NET CHANGE IN CASH AT HAND (F+G+H)	2,400	(9,281)
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)	23,132	15,759

Cash flow generated by operations was negative in the amount of EUR 1,469 thousand in the period; specifically, operations in the first half of 2015, net of the inflow of provisions, amortisation and depreciation and financial items, absorbed cash of EUR 483 thousand, while the increase in operating capital in the same period generated negative cash flow of EUR 986 thousand, owing to the increase in inventories of EUR 4,428 thousand, only partially offset by the decrease in trade receivables of EUR 1,192 thousand and the increase in trade payables of EUR 2,250 thousand.

Technical and financial investments, net of divestments, totalled EUR 2,629 thousand, compared with net investments of EUR 1,573 thousand in the first half of 2014.
Specifically, financial investments in the first half of 2015 generated a positive cash flow of EUR 107 thousand, compared with a positive EUR 1,314 thousand in the same period of 2014, which included the effect of the sale of the LAT 11 calibration centre, which generated resources of EUR 1,240 thousand.
Technical investments fell from EUR 2,887 thousand in the first half of 2014 to EUR 2,736 thousand.

Free cash flow (operating cash flow excluding investment activities) was negative at EUR 4,098 thousand, compared with a negative figure of EUR 2,419 thousand in the same period of 2014, a drop of EUR 1,679 thousand, mainly owing to the increase in working capital and positive flows generated by the sale of the LAT 11 laboratory in the first half of 2014.

Financing activities in the first half of 2015 generated resources of EUR 5,942 thousand, having absorbed a total of EUR 5,993 thousand in the first half of 2014, mainly owing to the increase in short-term debt, the taking out of new loans (EUR 4,000 thousand in the first half of 2015 versus no new loans in the first half of 2014), and the reduction in payments for instalments due (EUR 6,246 thousand in the first half of 2015 versus EUR 7,053 thousand in the same period of 2014).

11. INVESTMENTS

Gross technical **investments** conducted in the first half of 2015 amounted to EUR 2,736 thousand, versus EUR 2,887 thousand in the same period of 2014, and related to:

- investment in production plant and equipment of EUR 908 thousand in the Group's Italian plants, and of EUR 181 thousand in other subsidiaries;
- investments to upgrade the industrial buildings of the Parent Company, which totalled approximately EUR 185 thousand;
- the capitalisation of costs incurred in the period for new product development, totalling EUR 928 thousand;
- other investments in intangible assets, relating to management software licences and the development of ERP SAP, of EUR 534 thousand.

(EUR/000)	**At 30/06/2015**	**At 30/06/2014**
Intangible assets	1,462	1,459
Tangible assets	1,274	1,428
Total	2,736	2,887

The investments made to 30 June 2014 shown here do not take into account those of the photovoltaic business, which has been restated under assets held for sale, in accordance with IFRS 5. Since no investments were made relating to the photovoltaic business in the first half of 2014, total investments in the first half of 2014 were EUR 2,887 thousand, as in the already-published interim financial statements to 30 June 2014.

Investments are broken down by individual business area below.

(EUR/000)	**Sensors**	**Components**	**Drives**	**Total**
Intangible assets	388	477	597	1,462
Tangible assets	771	225	278	1,274
Total	1,159	702	875	2,736

12. OPERATING ASSETS HELD FOR SALE

As a result of the Group's strategy, which aims to focus on its core industrial business, the Board of Directors approved the start of negotiations to sell the photovoltaic division. From the annual financial statements for the year ending 31 December 2014, the results of the photovoltaic business are therefore represented in the Group's income statement separately in the line “Net profit (loss) from assets held for sale”, below the profit (loss) from continuing operations.

To facilitate understanding of the performance of this sector over the year, a summary of its results is provided below, shown according to the restatement table used to show the results of Gefran's businesses:

(EUR/000)	2015	2014	chg. 2015- 2014		2Q 2015	2Q 2014	chg. 2015 -2014	
			value	%			value	%
Revenues	0	365	(365)	-100.0%	0	135	(135)	-100.0%
EBITDA	(187)	(1,445)	1,258	-87.1%	(46)	(893)	847	-94.8%
% of revenues	*N/A*	*-395.9%*			*N/A*	*-661.5%*		
EBIT	(187)	(1,678)	1,491	-88.9%	(46)	(1,009)	963	-95.4%
% of revenues	*N/A*	*-459.7%*			*N/A*	*-747.4%*		

13. RESULTS BY BUSINESS AREA

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

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

- the business represents the sum of revenues and related costs both of the Parent Company Gefran S.p.A. and Group subsidiaries;
- the figures for each business are provided gross of internal trade between different businesses;
- 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.

13.1) SENSORS

Summary results

The key figures are summarised in the table below.

(EUR/000)	2015	2014	chg. 2015-2014 value	chg. 2015-2014 %	2Q 2015	2Q 2014	chg. 2015-2014 value	chg. 2015-2014 %
Revenues	25,046	22,559	2,487	11.0%	12,446	11,535	911	7.9%
EBITDA	6,125	6,373	(248)	-3.9%	3,093	3,825	(732)	-19.1%
% of revenues	*24.5%*	*28.3%*			*24.9%*	*33.2%*		
EBIT	5,077	5,375	(298)	-5.5%	2,573	3,331	(758)	-22.8%
% of revenues	*20.3%*	*23.8%*			*20.7%*	*28.9%*		

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

	Italy	Europe	America	Asia	Rest of World
Revenues *(€/000.000)*	5.2	9.4	4.9	5.4	0.1
% of total	21%	38%	20%	22%	0%

Business performance

Revenues for the business totalled EUR 25,046 thousand to 30 June 2015, an increase of 11% versus 30 June 2014. Growth in revenues versus the same period of 2014 was EUR 2,487 thousand: the positive trend was confirmed in all product families; sales of melt, Sensormate force transducer and pressure products increased in particular, thanks to the consolidation of the range and the launch of new products on the market.

By sales region, the Americas (+26%), Asia (+19.3%), Europe (+12.4%) and Italy (+2.5%) all registered significant growth.

Revenues were positively affected by exchange rate effects (mainly the US dollar, Indian rupee and Chinese renminbi), which had a total impact on cumulative revenues of EUR 1,181 thousand versus 30 June 2014, of which EUR 694 thousand was due to the US dollar.

In the second quarter, revenues came in at EUR 12,446 thousand, up 7.9% from the figure of EUR 11,535 thousand registered in the same quarter of 2014, thanks to improvements in the Americas, Europe and Asia.

The results of the first half of 2014 included some non-recurring items, particularly the capital gain of EUR 1,383 thousand on the sale of the LAT 011 calibration laboratory, and provisions for staff restructuring of EUR 300 thousand. Stripping out these items, 2014 EBITDA was EUR 5,290 thousand, and EBIT 4,292 thousand.

EBITDA at 30 June 2015 was EUR 6,125 thousand, a decrease of EUR 248 thousand versus the same period of the previous year, when it was EUR 6,373 thousand including the non-recurring items mentioned above; excluding these extraordinary items, EBITDA advanced by EUR 835 thousand, on the back of the consistent increase in revenues and the improvement in added value, thanks to the optimisation of production efficiency and the strengthening of the structure.

EBIT at 30 June 2015 was EUR 5,077 thousand, with the EBIT margin at 20.3%, compared with EUR 5,375 thousand (margin at 23.8%) in 2014. Stripping out the extraordinary items registered in 2014, EBIT improved by EUR 785 thousand.

Comparing the figures by quarter, EBIT was EUR 2,573 thousand in the second quarter, with the EBIT margin at 20.7%, up from 14.4% excluding the non-recurring items registered in 2014.

The new orders figure was positive at 30 June 2015, and up from the same period of 2014.

Investments

The Group invested EUR 1,159 thousand in the Sensors business to 30 June 2015, which breaks down as EUR 388 thousand in intangible assets, and EUR 771 thousand in tangible assets.

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

The bulk of investments in tangible assets was made in the Parent Company (EUR 709 thousand), and related in particular to adjustments to workshop equipment, the upgrading of certain current production lines, and the preparation of new production lines for new products currently being designed.

13.2) AUTOMATION COMPONENTS

Summary results

The key figures are summarised in the table below.

(EUR/000)	2015	2014	chg. 2015-2014 value	chg. 2015-2014 %	2Q 2015	2Q 2014	chg. 2015-2014 value	chg. 2015-2014 %
Revenues	16,494	15,438	1,056	6.8%	8,239	7,465	774	10.4%
EBITDA	215	143	72	50.3%	117	(184)	301	-163.6%
% of revenues	*1.3%*	*0.9%*			*1.4%*	*-2.5%*		
EBIT	(828)	(759)	(69)	9.1%	(387)	(633)	246	-38.9%
% of revenues	*-5.0%*	*-4.9%*			*-4.7%*	*-8.5%*		

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

	Italy	Europe	America	Asia	Rest of World
Revenues *(€/000.000)*	8.3	4.6	1.9	1.6	0.1
% of total	50%	28%	12%	10%	1%

Business performance

Revenues totalled EUR 16,494 thousand at 30 June 2015, an increase of EUR 1,056 thousand (6.8%) versus the same period of 2014. Looking at market revenues by product family, programmable automation (+21.1%), power control (+15.8%) and instruments (+1.1%) products all registered growth.

The breakdown by geographical region shows sales growth in the EU, where France and Benelux registered growth of 20.6% and 10.3% respectively; sales also increased on the North American market (+42.2%), and in Asia (+49.4%). Sales in Italy were down slightly on the same period of the previous year (-0.6%).

These revenues were positively impacted by exchange rate trends, particularly the US dollar and Chinese renminbi, which improved the value of sales to June 2015 by EUR 313 thousand versus June 2014.

The results of the second half of 2014 shown for comparison purposes included non-recurring items for staff restructuring costs of EUR 300 thousand. Stripping out these items, 2014 EBITDA was EUR 443 thousand, and EBIT was negative at 459 thousand.

EBITDA for the first half of 2015 came in at EUR 215 thousand, an increase of EUR 72 thousand compared with the same period of 2014; stripping out the extraordinary items mentioned above, 2015 EBITDA fell by EUR 228 thousand.

EBIT was negative at EUR 828 thousand (-5.0% of revenues), a fall of EUR 69 thousand on the same period of 2014; excluding the above-mentioned non-recurring items for 2014, EBIT declined by EUR 369 thousand; despite growth in revenues, added value was down, mainly owing to the different mix of products sold and higher raw materials costs, driven by the strengthening of the dollar against the euro.

In the second quarter of 2015, revenues were EUR 8,239 thousand, up 10.4% versus the same period of 2014. Stripping out the non-recurring items registered in 2014, EBITDA was in line with the same period of the previous year, while EBIT was EUR 54 thousand lower.

The figure for new orders was positive, and higher than at 30 June 2014.

Investments

Investments totalled EUR 703 thousand in 2015, divided between tangible assets (EUR 477 thousand) and intangible assets (EUR 226 thousand).

Investments in tangible assets in the business were mainly focused on the Italian site in Provaglio d'Iseo (EUR 200 thousand), with a significant portion allocated to equipment to be used in the production of the new range of regulators and building work.

As regards investments in intangible assets, capitalised development costs totalled EUR 298 thousand in the period, and related to the new automation platforms and the new range of regulators.

13.3) DRIVES

Summary results

The key figures are summarised in the table below.

(EUR/000)	2015	2014	chg. 2015-2014 value	%	2Q 2015	2Q 2014	chg. 2015 -2014 value	%
Revenues	20,126	25,650	(5,524)	-21.5%	9,744	14,015	(4,271)	-30.5%
EBITDA	(3,603)	(871)	(2,732)	313.7%	(2,327)	(348)	(1,979)	568.7%
% of revenues	*-17.9%*	*-3.4%*			*-23.9%*	*-2.5%*		
EBIT	(4,709)	(2,256)	(2,453)	108.7%	(2,899)	(1,027)	(1,872)	182.3%
% of revenues	*-23.4%*	*-8.8%*			*-29.8%*	*-7.3%*		

The breakdown of revenues by geographical region is as follows:

	Italy	Europe	America	Asia	Rest of World
Revenues *(€/000.000)*	6.0	5.8	2.6	5.7	-
% of total	30%	29%	13%	28%	0%

Business performance

Revenues totalled EUR 20,126 thousand at 30 June 2015, down by EUR 5,524 thousand (-21.5%) in the same period of 2014. Revenues last year also included non-recurring amounts 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. Excluding non-recurring revenues, revenues fell by EUR 5,194 thousand (-20.5%).

96% of this reduction (equal to EUR 4,990 thousand) was attributable of the fall in sales of lift family products (for lift applications) in Asia, while the remainder relates to orders for which delivery has been postponed. The trend in industrial inverters (+6.9%) and converters (+6.8%) was positive, however.

By geographical region, Asia (-49.6%) registered a sharp fall, while the US (+40.9%), and Europe (+12.0%) posted positive trends.

In the second quarter, revenues came in at EUR 9,744 thousand, down 30.5% from the figure of EUR 14,015 thousand registered in the same quarter of 2014. Asia had the biggest impact on this negative result.

EBITDA was negative at EUR 3,603 thousand in the quarter ending 30 June 2015, a decrease of EUR 2,732 thousand versus last year. This fall was due entirely to the lower revenues figure. Stripping out non-recurring revenues, EBITDA in the first half of 2015 was EUR 3,273 thousand lower than in the first half of 2014.

In the first half of 2015, the Group recorded an EBIT loss of EUR 4,709 thousand, compared with a loss of EUR 2,256 thousand in the same period of 2014. Stripping out the non-recurring revenues of 2014, the EBIT figure declined by EUR 2,123 thousand.

The performances of the Asian affiliates led not only to a significant drop in revenues, but also to a slowdown in new orders in the second quarter of 2015. In light of these events, the order backlog at 30 June 2015 was 37% lower than in the same period of 2014.

Investments

Investments totalled EUR 875 thousand in the first half of 2015, divided between technical investments of EUR 278 thousand and investments in intangible assets of EUR 597 thousand.

Technical investments mainly related to the production of new moulds and the purchase of production equipment for the Gerenzano and Shanghai plants, while increases in intangible assets chiefly concerned the capitalisation of development costs of EUR 352 thousand relating to new products for the industrial sector, particularly for applications in plastics, and for the hoist & crane sector, and for industrial inverters with water cooling technology.

14. RESEARCH AND DEVELOPMENT

Research and development is concentrated in Italy, in the laboratories in Provaglio d'Iseo and Gerenzano. It is conducted within the design department, with a separation between research and development concerning new products and production engineering targeting the improvement and innovation of existing products.

In **sensors**, research and development was focused on the new family of sensors dedicated to the mobile hydraulic market segment.
The following product development projects were launched in this area:

- development of the range of contactless rotary angle sensors: for measuring the angle of rotation of moving parts, using contactless measurement technology;
- development of the range of inclination sensors, to measure the tilt angle of vehicles and platforms;
- completion of the range of mobile hydraulic pressure (KH) and position (RK5) sensors with the CAN OPEN versions.

The **automation components and systems** business continued to develop the range of advanced automation components.

For the instruments range:

- the development of the new series of medium-band 1350 temperature controllers was completed, also with some special versions customised for OEM customers;
- the development of the news series of 850, 1650 and 1850 high-band temperature controllers was launched, for advanced thermal treatment applications (furnaces, autoclaves, metal tempering).

For the power controller range:

- the development of the IR24 multi-channel power controller with standard Modbus and Profinet communication was completed, and the product then launched on the market;
- the development of the new ranges of GFW power controllers with current levels 400A and 600A was launched to extend their use to high-power applications.

For automation platforms:

- the development was launched of the GCube Performa automation platform with Ethercat master communication interface, high-performance standard protocol that allows for the integration of third-party drives and equipment;
- the renewal of the range of PC GF_VEDO ML and GF_VEDO EV panels was launched.

Development in the **drives** area focused on industrial applications and lifts.
For industrial drives, activity focused on the plastics sector, concluding the projects already under way and completing the range of products with a specific solution for hybrid injection machines.

Specifically:

- the release on the market of the complete range of water-cooled inverters (LC) was completed;
- the AXV300 product, with new power supplies, was installed on full electric plastic injection machines;
- the development of the ADP200, a product dedicated to hybrid machines with servo pump, was completed: it was then introduced onto the market and installed at the facilities of some key customers. Product localisation at the Chinese plant is being completed, and production is planned in both the Gerenzano and Shanghai sites.

For lift Drives, activity focused on the completion of products dedicated to developing the Chinese market, and the project for the mid-range product for the European market (VDL200) was launched.

Finally, the first half of the year was also subject to a specific cost-cutting project on “lift products”: it involved the Group's main suppliers, was completed in June, and will make the Group more competitive on the market.

15. HUMAN RESOURCES

At 30 June 2015, Group headcount was 860, including 12 staff with a fixed-term contract, to replace temporarily absent staff or to undertake projects.

The change in headcount over the year was marked by an overall turnover rate within the Group of 17%, which breaks down as follows:

- 80 people joined the Group, including 24 manual workers, 55 clerical staff and one manager/executive;
- 68 people left the Group, including 26 manual workers and 42 clerical staff.

16. STRATEGY

Despite putting in place the measures and projects set out in the business plan, in the first half of the year, the Gefran Group's results were below expectations, which has led to a temporary slowdown in the recovery plan launched by the company.

Two of the Group's businesses (sensors and automation components) performed in line with expectations, but the drives business experienced problems owing to the fact that Asia is its largest market, and registered a decline in revenues for the second consecutive quarter.

As a reaction to the situation described above, the company has put in place various changes in terms of organisation, to safeguard the projects and investments implemented to date: although the Asian subsidiaries will register slower growth than planned, this market remains an extremely interesting one, given its intrinsic potential for the next few years.

The two phenomena that have contributed to the crisis - on the one hand, lower government investment in construction, and on the other, the change in the lifts business model for the type of product adopted – are being dealt with through the changes that Gefran has been introducing since last year, with a new line of products for lifts, production of which was moved to the Shanghai plant in July.

In the meantime, the Group will press on with projects and sales initiatives for sensors and automation components.

Ensuring the factories and distribution structures of core products have sufficient economies of scale remains a priority: the Group's focus on business and division specialisation today represents the strategy pursued both at corporate level and in all Group affiliates. All management is focused on ensuring the profitability of the Group and each of its individual businesses.

17. 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.

To this end, on 13 February 2008, the Board of Directors voted to adopt an Organisation, Management and Control model (the "Organisational Model") to prevent the offences under Legislative Decree 231/01 from being committed.

This model was subsequently updated in light of changes to the law mentioned above. With Board resolution of 14 May 2014, the Company adopted the Organisational Model, prepared in accordance with Confindustria guidelines, and which meets the need to constantly update the Company's corporate governance system. The Company's corporate governance structure is based in turn on the recommendations and regulations set out in the "Code of Conduct for Listed Companies" promoted by Borsa Italiana S.p.A., with which the Company complies.

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 2015 are analysed below, divided by external and internal risk.

17.1) EXTERNAL RISKS

Market risks

Risks associated with the general economic conditions and market trends

The global environment is finally favourable to the Italian economy, despite the worldwide slowdown and the risk of Greece defaulting. The main factors favouring the recovery are the weakening of the euro, the sharp fall in energy costs, the further decline in interest rates and the strengthening of domestic demand throughout Europe. The main macroeconomic forecasts also agree that the "factors driving the recovery in Italy and the rest of Europe are unlikely to reverse soon" (Confindustria).

However, in the global context, certain factors are less positive than expected. First of all, the momentum of the main economies has eased, slowing world trade, while the situation in Greece is destabilising the whole of the EU area, with consequences that are difficult to forecast.

The global slowdown that has taken place since the beginning of the year should however be temporary: in the first quarter of the year, adverse weather, port strikes and problems in the mining industry slowed the US recovery, although the first signs of an upturn were seen in the second quarter.

The Gefran Group operates through subsidiaries in many international markets, particularly China and the US, 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. 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 extremely competitive operators, some of which are large groups that may have 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 the Gefran Group’s activities will depend on its capacity to focus its efforts on specific industrial sectors, concentrating on resolving technological problems and on 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.

Although the Gefran Group believes that it can adapt its cost structure to a contraction in sales volumes, it may not be able to reduce costs in line with the possible fall in prices, which would have a negative impact on its 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, mainly the US dollar, the Chinese renminbi, the Brazilian real, the Indian rupee, the Turkish lira and the UK pound; production areas in the US and China mainly 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 reached in the period under review, is a possible risk factor for the next few quarters, although this is limited by hedging contracts.

Risks associated with fluctuations in commodity prices

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

The Group is exposed to changes in basic commodity prices (e.g. oil, minerals, etc.) to a small extent, given the product cost component related to these materials is very limited.

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 there 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, Turkey and Russia. 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.

17.2) 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, the Company has taken out insurance policies that it considers sufficient to protect itself from the risks resulting from this liability. 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 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 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.

Gefran has also implemented a disaster recovery system designed to restore the systems, data and infrastructure necessary for the Company's operations in the event of a serious emergency, in order to mitigate its possible impact.

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 67.1 million, versus overall liabilities of EUR 93.0 million; medium/long-term debt is consolidated and does not require restructuring. In 2015, the Parent Company took out medium- to long-term loans with leading banks totalling EUR 4.0 million. These loans were negotiated at variable rates, determined by the Euribor plus a fixed spread, which may not however be greater than 200 bps. Some of these outstanding loans, whose remaining value as of 30 June 2015 was EUR 12.3 million, contain covenants. At 30 June 2015, 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, leading to certain improvements in terms and conditions registered in the first half of 2015, and the confirmation of the 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 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 being committed. The Supervisory Board 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 an excellent 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.

18. SIGNIFICANT EVENTS DURING THE YEAR

- On 17 February 2015, the Gefran S.p.A. Board of Directors gave its final approval to the spin-off from Gefran S.p.A. of the activities of the systems area, forming a new wholly-owned subsidiary.
  The newly-formed company, Gefran Soluzioni S.r.l., currently has 29 employees, and is autonomous in terms of research and development, sales and operations. It designs and manufactures automation panels, and provides support and spare parts to customers.
  The operation was borne from the need to implement a competitive operational/organisational model on the systems Integrators market, where the principles underlying orders are very different from those related to the Company's other business lines. The focus will enable customers to be provided with higher levels of service and post-sales support, while maintaining application know-how within the Gefran Group.
- On 1 April 2015, Gefran S.p.A. conferred the division in Provaglio d'Iseo to the newly-formed Gefran Soluzioni S.r.l., owned by the same and active in the production of systems and industrial automation panels. The transfer included goods, assets and liabilities, for a net asset value of EUR 1,002 thousand.
- On 29 April 2015, the ordinary shareholders' meeting of Gefran S.p.A. voted to:
  - approve the 2014 financial statements and cover the loss for the year of EUR 224 thousand through the use of available reserves;
  - appoint the following as members of the Board of Statutory Auditors for the three-year period 2015–2017: Marco Gregorini, Alessandra Zunino de Pignier and Primo Ceppellini, with Guido Ballerio and Rossella Rinaldi as deputy auditors;
  - 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.
- On 18 June 2015, Gefran opened a new representative office in South Korea. The new office, located in the outskirts of Seoul, is intended to strengthen the Group's presence on the Korean market, and boost its growth.

19. SIGNIFICANT EVENTS AFTER 31 DECEMBER 2014

Nothing to report.

20. OUTLOOK

At macroeconomic level, the first half of 2015 closed with positive signs from the US economy, which seems definitively to have taken off again after the problems of the first quarter. This recovery favours global trade, which has begun to grow. Concerns over emerging countries remain. Specifically, the sharp fall on the Chinese stock exchange (Shanghai has shed more than 20% since the bubble burst in mid-June) does not support the macroeconomic environment. The recession in Brazil is deepening, while it seems to be easing in Russia, with forecasts of a return to growth in the second half of 2015.

Growth in the eurozone is consolidating, thanks to continued favourable international conditions: energy costs remain low, and will fall further with the return of Iranian oil to the market; the exchange rate with the dollar remains favourable, and the Fed's launch of monetary policy normalisation will compress it further; meanwhile, the purchase of securities by the ECB will keep interest rates at their lows.

The Italian economy is also showing signs of progress, by more than expected at the end of 2014. Production, revenues and orders rose in the first half of the year, chiefly driven by domestic demand, as also evidenced by growth in imports. Employment also seems to be recovering, strengthening household spending and confidence.

In the environment described above, over the whole year, the Gefran Group will make up only part of the contraction in revenues recorded on the Asian market, and confirm the performance expected on the domestic, European and US markets.

Finally, the South American market is suffering as a result of the current political and economic uncertainty: Brazil is experiencing a significant crisis, and the macroeconomic environment, to which the unfavourable Brazilian real/euro exchange rate is linked, is placing a real limit on volume growth for Gefran, which nevertheless has been able to maintain positive levels of profitability.

With the current order backlog and the trends in Asia described above, the Group will only manage to make up part of the ground lost in the first half of the year.

In the absence, therefore, of events that cannot currently be forecast, revenues are expected to fall in 2015 compared with 2014, and the EBITDA margin is seen at around 7%.

21. 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 resolution 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>

- **Part one**: definitions (related parties, significant and insignificant transactions, intercompany, ordinary, of negligible amount, etc.);
- **Part two**: procedures to approve significant and insignificant transactions, exemptions;
- **Part three**: 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, 6 August 2015

For the Board of Directors

Chairman

Ennio Franceschetti

Chief Executive Officer

Maria Chiara Franceschetti

CONSOLIDATED FINANCIAL STATEMENTS

22. STATEMENT OF PROFIT/(LOSS) FOR THE YEAR

GEFRAN GROUP		2Q		progressive as at 30 June	
(EUR/000)	*note*	2015	2014	2015	2014
Revenues from product sales		29,419	32,080	59,623	61,285
Other operating revenues and income		137	64	242	455
TOTAL REVENUES		**29,556**	**32,144**	**59,865**	**61,740**
Change in inventories		(25)	699	3,430	1,713
Costs of raw materials and accessories		(9,970)	(12,574)	(23,235)	(24,024)
Service costs		(6,183)	(5,543)	(12,058)	(10,827)
Miscellaneous management costs		(233)	(87)	(449)	(288)
Other operating income		74	1,403	52	1,403
Personnel costs		(12,485)	(12,978)	(25,238)	(24,715)
Increases for internal work		480	548	983	1,096
Impairment of trade and other receivables		(331)	(319)	(613)	(453)
Amortisation		(547)	(589)	(1,104)	(1,178)
Depreciation		(1,049)	(1,033)	(2,093)	(2,107)
EBIT		**(713)**	**1,671**	**(460)**	**2,360**
Gains from financial assets		176	349	2,901	591
Losses from financial liabilities		(1,271)	(674)	(2,821)	(1,315)
Losses (gains) from shareholdings value at equity		69	44	75	25
PROFIT (LOSS) BEFORE TAX		**(1,739)**	**1,390**	**(305)**	**1,661**
Current taxes		(482)	(597)	(760)	(1,060)
Deferred taxes		(218)	168	(169)	(255)
TOTAL TAXES		**(700)**	**(429)**	**(929)**	**(1,315)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(2,439)**	**961**	**(1,234)**	**346**
Net profit (loss) from assets held for sale		(46)	(1,009)	(187)	(1,678)
NET PROFIT (LOSS) FOR THE PERIOD		**(2,485)**	**(48)**	**(1,421)**	**(1,332)**
Attributable to:					
Group		(2,485)	(48)	(1,421)	(1,332)
Third parties		0	0	0	0

Earnings per share		2Q		progressive as at 30 June	
(Euro)	*note*	2015	2014	2015	2014
Basic earnings per ordinary share		(0.10)	(0.09)	(0.10)	(0.09)
Diluted earnings per ordinary share		(0.10)	(0.09)	(0.10)	(0.09)

23. STATEMENT OF PROFIT/(LOSS) FOR THE YEAR AND OTHER ITEMS OF COMPREHENSIVE INCOME

		2Q		progressive as at 30 June	
(Euro)	*note*	2015	2014	2015	2014
NET PROFIT (LOSS) FOR THE PERIOD		**(2,485)**	**(48)**	**(1,421)**	**(1,332)**
Items that will not subsequently be reclassified in the income statement for the year					
- revaluation of employee benefits: IAS 19				0	0
- overall tax effect				0	
Items that will or could subsequently be reclassified in the income statement for the year					
- conversion of foreign companies' financial statements		(1,436)	392	2,606	(66)
- equity investments in other companies		(42)	4	35	47
- fair value of cash flow hedging derivatives		43	(59)	103	(80)
Total changes, net of tax effect		**(1,435)**	**337**	**2,744**	**(99)**
Comprehensive result for the period		**(3,920)**	**289**	**1,323**	**(1,431)**

24. STATEMENT OF FINANCIAL POSITION

	note	30/06/2015	31/12/2014
NON-CURRENT ASSETS			
Goodwill		5,985	5,814
Intangible assets		9,280	8,876
Property, plant, machinery and tools		40,549	40,997
Shareholdings values at equity		1,002	927
Equity investments in other companies		1,812	1,870
Receivables and other non-current assets		116	112
Deferred tax assets		6,247	6,304
TOTAL NON-CURRENT ASSETS		**64,991**	**64,900**
CURRENT ASSETS			
Inventories		23,532	19,104
Trade receivables		41,040	42,232
Other assets		2,773	2,688
Tax receivables		1,691	2,148
Cash and cash equivalents		23,132	20,732
Financial assets for derivatives		47	26
Financial receivables from subsidiaries		-	-
TOTAL CURRENT ASSETS		**92,215**	**86,930**
ASSETS HELD FOR SALE		**2,927**	**3,114**
TOTAL ASSETS		**160,133**	**154,944**
SHAREHOLDERS' EQUITY			
Share capital		14,400	14,400
Reserves		54,130	51,804
Profit/(loss) for the year		(1,421)	(224)
Total Group Shareholders' Equity		**67,109**	**65,980**
TOTAL SHAREHOLDERS' EQUITY		**67,109**	**65,980**
NON-CURRENT LIABILITIES			
Non-current financial payables		24,065	25,959
Employee benefits		5,241	5,611
Non-current provisions		538	664
Deferred tax provisions		820	760
TOTAL NON-CURRENT LIABILITIES		**30,664**	**32,994**
CURRENT LIABILITIES			
Current financial payables		28,380	22,061
Financial payables to subsidiaries		-	-
Trade payables		20,092	17,842
Financial liabilities for derivatives		261	343
Current provisions		1,301	1,403
Tax payables		1,191	3,795
Other liabilities		11,135	10,526
TOTAL CURRENT LIABILITIES		**62,360**	**55,970**
TOTAL LIABILITIES		**93,024**	**88,964**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**160,133**	**154,944**

25. CONSOLIDATED CASH FLOW STATEMENT

(EUR/000)	*note*	30/06/2015	30/06/2014
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**20,732**	**25,040**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:			
Net profit (loss) for the period		(1,421)	(1,332)
Depreciation/amortisation		3,197	3,285
Capital losses (gains) on the sale of non-current assets		0	(1,393)
Net result from financial operations		(155)	699
Change in provisions for risks and future liabilities		(598)	(669)
Change in other assets and liabilities		(1,623)	(1,121)
Change in deferred taxes		117	240
Change in trade receivables		1,192	(970)
Change in inventories		(4,428)	(727)
Change in trade payables		2,250	1,142
TOTAL		**(1,469)**	**(846)**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets		(2,736)	(2,887)
- Equity investments and securities		(25)	(101)
- Acquisitions net of acquired cash		0	0
- Financial receivables		0	(9)
Disposal of non-current assets		132	1,424
TOTAL		**(2,629)**	**(1,573)**
D) FREE CASH FLOW (B+C)		**(4,098)**	**(2,419)**
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables		4,000	0
Repayment of financial payables		(6,246)	(7,053)
Increase (decrease) in current financial payables		6,825	1,929
Interest received (paid)		(631)	(854)
Change in shareholders' equity reserves		1,994	(15)
Dividends paid		0	0
TOTAL		**5,942**	**(5,993)**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**1,844**	**(8,412)**
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE		**-**	**(825)**
H) Exchange translation differences on cash at hand		556	(44)
I) NET CHANGE IN CASH AT HAND (F+G+H)		**2,400**	**(9,281)**
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)		**23,132**	**15,759**

26. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR /000)	Share capital	Capital reserves	Fair value measurement reserve	Consolidation reserve	Currency translation reserve	Other reserves	Retained profit /(loss)	Profit/(loss) for the year	Group Total shareholders' equity	Shareholders' equity of minority interests	Total shareholders' equity
Balance at 1 January 2014	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			12	25		(549)			(512)		(512)
Change in translation reserve					3,729				3,729		3,729
Other changes						(72)			(72)		(72)
2014 profit								(224)	(224)		(224)
Balance at 31 December 2014	14,400	21,926	352	14,767	2,990	9,101	2,667	(224)	65,980	0	65,980
Destination of 2014 profit											
- Other reserves and provisions							(224)	224	0		0
- Dividends									0		0
Income/(expenses) recognised at equity			138						138		138
Change in translation reserve					2,606				2,606		2,606
Other changes				(143)		(51)			(194)		(194)
2015 profit								(1,421)	(1,421)		(1,421)
Balance at 31 December 2015	14,400	21,926	490	14,624	5,596	9,050	2,443	(1,421)	67,109	0	67,109

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

	progressive as at 30 June	
(EUR/000)	**2015**	**2014**
Revenues from product sales	59,623	61,285
of which: non-recurring	*0*	*330*
of which: related parties	*107*	*39*
Other operating revenues and income	242	455
TOTAL REVENUES	**59,865**	**61,740**
Change in inventories	3,430	1,713
Costs of raw materials and accessories	(23,235)	(24,024)
Service costs	(12,058)	(10,827)
of which: related parties	*(72)*	*(80)*
Miscellaneous management costs	(449)	(288)
Other operating income	52	1,403
of which: non-recurring	*0*	*1,383*
Personnel costs	(25,238)	(24,715)
of which: non-recurring	*0*	*(950)*
Increases for internal work	983	1,096
Provisions	0	0
Impairment of trade and other receivables	(613)	(453)
Amortisation	(1,104)	(1,178)
Depreciation	(2,093)	(2,107)
EBIT	**(460)**	**2,360**
of which: non-recurring	*0*	*763*
Gains from financial assets	2,901	591
Losses from financial liabilities	(2,821)	(1,315)
Losses (gains) from shareholdings value at equity	75	25
PROFIT (LOSS) BEFORE TAX	**(305)**	**1,661**
of which: non-recurring	*0*	*763*
Current taxes	(760)	(1,060)
Deferred taxes	(169)	(255)
TOTAL TAXES	**(929)**	**(1,315)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(1,234)**	**346**
of which: non-recurring	*0*	*763*
Net profit (loss) from assets held for sale	(187)	(1,678)
of which: non-recurring	*0*	*(250)*
NET PROFIT (LOSS) FOR THE PERIOD	**(1,421)**	**(1,332)**
of which: non-recurring	*0*	*513*
Attributable to:		
Group	(1,421)	(1,332)
Third parties	0	0

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

(EUR/000)	30/06/2015	31/12/2014
NON-CURRENT ASSETS		
Goodwill	5,985	5,814
Intangible assets	9,280	8,876
of which: related parties	*8*	*70*
Property, plant, machinery and tools	40,549	40,997
of which: related parties	*93*	*77*
Shareholdings values at equity	1,002	927
Equity investments in other companies	1,812	1,870
Receivables and other non-current assets	116	112
Deferred tax assets	6,247	6,304
TOTAL NON-CURRENT ASSETS	**64,991**	**64,900**
CURRENT ASSETS		
Inventories	23,532	19,104
Trade receivables	41,040	42,232
of which: related parties	*16*	*6*
Other assets	2,773	2,688
Tax receivables	1,691	2,148
Cash and cash equivalents	23,132	20,732
Financial assets for derivatives	47	26
TOTAL CURRENT ASSETS	**92,215**	**86,930**
ASSETS HELD FOR SALE	**2,927**	**3,114**
TOTAL ASSETS	**160,133**	**154,944**
SHAREHOLDERS’ EQUITY		
Share capital	14,400	14,400
Reserves	54,130	51,804
Profit/(loss) for the year	(1,421)	(224)
TOTAL SHAREHOLDERS’ EQUITY	**67,109**	**65,980**
NON-CURRENT LIABILITIES		
Non-current financial payables	24,065	25,959
Employee benefits	5,241	5,611
Non-current provisions	538	664
Deferred tax provisions	820	760
TOTAL NON-CURRENT LIABILITIES	**30,664**	**32,994**
CURRENT LIABILITIES		
Current financial payables	28,380	22,061
Trade payables	20,092	17,842
of which: related parties	*120*	*128*
Financial liabilities for derivatives	261	343
Current provisions	1,301	1,403
Tax payables	1,191	3,795
Other liabilities	11,135	10,526
TOTAL CURRENT LIABILITIES	**62,360**	**55,970**
TOTAL LIABILITIES	**93,024**	**88,964**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**160,133**	**154,944**

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

These consolidated half-yearly financial statements of the Gefran Group were prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

They comprise the financial statements of Gefran S.p.A., of its subsidiaries and of the direct and indirect affiliates, which have been approved by their respective Boards of Directors. The consolidated companies have adopted international accounting standards, with the exception of some minor Italian and foreign companies, whose financial statements have been restated for the consolidated financial statements of the Group to bring them into line with IAS/IFRS standards.

The independent audit of the financial statements was conducted by BDO Italia S.p.A..

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

3. Accounting schedules

The Gefran Group produces:

- a statement of financial position, based on which assets and liabilities are classified separately as current and non-current;
- a statement of profit (loss) for the year, in which costs are classified by nature;
- a statement of profit (loss) for the year and other items of comprehensive income, which shows income and charges posted directly to shareholders' equity, net of tax effects;
- a cash flow statement prepared using the indirect method, through which pre-tax profit is shown net of the effects of non-monetary transactions, any deferral or provision of previous or future operating collections or payments, and revenue or cost items relating to cash flows resulting from investments or financial activities.

With reference to Consob resolution 15519 of 27 July 2006, amounts referring to transactions with related parties and non-recurring items are shown separately from the relevant items in the statement of financial position and income statement.

4. Consolidation principles and valuation criteria

The valuation criteria adopted for the preparation of these condensed half-yearly financial statements at 30 June 2015 are the same as those adopted in preparing the consolidated financial statements for the year ending 31 December 2014.

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 2014. These 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 2014. 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.

With reference to Consob communication 0003907 of 19 January 2015, the information required and in particular details on external information and the sensitivity analysis have been added under note 19 "Verification of impairment of goodwill and intangible assets with a finite life relating to R&D activities".

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

5. Change in the scope of consolidation

The scope of consolidation at 30 June 2015 was different from that at 31 December 2014 and at 30 June 2014 owing to the spin-off of Gefran Soluzioni S.r.l. from Gefran S.p.A.. The change did not have a real impact on the consolidated figures of the Group, as Gefran Soluzioni is a wholly-owned subsidary of Gefran S.p.A., and was created from a spin-off of part of the Parent Company.

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

There are no relevant issues.

7. Accounting standards, amendments and interpretations applicable from 1 January 2015 relating to relevant issues for the Group

There are no relevant issues.

8. Accounting standards, amendments and interpretations applicable from 1 January 2015 relating to issues not currently relevant for the Group

The following accounting standards and amendments were adopted by the Gefran Group from 1 January 2015 for the preparation of these interim financial statements:

on 17 December 2014, the amendment to IAS 19 - Employee Benefits: defined contribution plans, was approved, based on which the contributions relating to defined benefit plans, due from the employee or from third parties, may be recorded as a reduction to the service cost in the period in which the employee's services are rendered, provided that these contributions are made under the following conditions: (i) they are set out in the formal terms and conditions of the plan, (ii) they are related to the service provided by the employee, and (iii) they are independent of the employee's number of years of service (e.g. the contributions are based on a fixed percentage of their salary or a fixed amount for the whole period of work related to the employee's age). The change is effective from financial years beginning on or after 1 February 2015. The adoption of these amendments did not have any effect on these financial statements.

The documents “IFRS - Annual Improvements Cycle 2010-2012” and “IFRS - Annual Improvements Cycle 2011–2013” were approved on 17 and 18 December 2014 respectively. They contain amendments, largely of a technical and editorial nature, to the main international accounting standards. The amendments to the standards set out in “IFRS - Annual Improvements Cycle 2011–2013” are effective from financial years beginning on or after 1 January 2015; conversely, the amendments set out in “IFRS - Annual Improvements Cycle 2010-2012”are effective from financial years beginning on or after 1 February 2015. The adoption of these amendments did not have any effect on these financial statements.

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

As of the date of these half-yearly report, the competent bodies of the European Union have not yet concluded the approval process necessary for the adoption of the following accounting standards, amendments and interpretations:

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. At present, the application of the new standard is not expected to have any impact on the Gefran Group.

On 28 May 2014, the IASB issued the standard IFRS 15 - Revenue from Contracts with Customers, which requires companies to recognise revenues when the control of assets or services is transferred to customers in an amount that reflects consideration that the company expects to receive in exchange for these goods and services. To achieve this aim, the new revenue recognition model defines a five-step process. The new standard also requires further additional information regarding the nature, amount, timing and uncertainty of revenue and cash flows resulting from contracts with customers. Application of this new standard is mandatory for annual reporting periods beginning on or after 1 January 2017. Early adoption is permitted. The Gefran Group is assessing how to implement this standard and the impact that it will have on its consolidated financial statements.

On 24 July 2014, the IASB published the standard IFRS 9 – Financial Instruments. The series of amendments introduced by the new standard includes the introduction of a logical approach for the classification and measurement of financial instruments, based on cash flow characteristics and the business model in which an asset is held, as well as a single impairment model for financial assets based on expected losses, and a substantially reformed model for hedge accounting. The new standard will be applied retrospectively from 1 January 2018, and early adoption is permitted.

On 30 January 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts. 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 Gefran Group.

On 11 December 2013, the IASB published the Annual Improvements to IFRSs - 2012-2014 Cycle. This is a series of amendments to IFRSs, in response to issues that emerged in 2012-2014. Four standards are affected by the amendments: IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 - Financial Instruments: Disclosures, IAS 19 - Employee Benefits and IAS 34 - Interim Financial Reporting. These amendments will come into force from 1 January 2016, but may be applied in advance. These amendments will not have a significant impact on the Gefran Group.

On 18 December 2014, the IASB published the document "*Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*" which clarified the following aspects relating to investment entities:

- consolidation of intermediate investment entities: if an entity qualifies as an investment entity, it must measure its subsidiaries at fair value and consolidate the subsidiary entities that provide services relating to the investment activities.
- exemption from preparing consolidated financial statements for intermediate investment entities: an intermediate parent entity that is a subsidiary of an investment entity does not have to prepare its own consolidated financial statements if it meets the criteria set out under IFRS 10.10.
- valuation at equity of a shareholding in an investment entity: the change to IAS 28 clarified that the valuation at equity of a shareholding in an investment entity may be conducted using the figures of the subsidiary and therefore maintaining the measurement at fair value of the investments held by the subsidiary.

These amendments will be applied retrospectively from financial years beginning 1 January 2016. Early adoption is permitted, provided that the IASB document has been approved by the European Union.

On 18 December 2014, the IASB published the document "*Disclosure initiative (Amendments to IAS 1)*". This document clarified the following aspects relating to financial reporting:

- emphasis on the materiality of additional information to the financial statements: it has been explicitly clarified that non-material disclosures must not be provided even if expressly requested by a specific IFRS;
- order of notes to the accounts: a specific order is no longer provided for, and therefore companies may also decide to present notes for each individual financial statement item, commenting on the content and change of the period together with the description of the accounting standard applied for this specific item;

- aggregation/disaggregation of financial statement items: it was specifically clarified that: financial statement items must be disaggregated in order to provide clearer information to users of the financial statements; that provided for as a minimum content in IAS 1 may be aggregated if considered not material; the sub-totals in financial statement schedules must comply with specific criteria and; the other components of the statement of comprehensive income relating to affiliates and joint ventures valued at equity must be presented in aggregate, and subdivided based on whether or not they will be subsequently restated as profit or loss for the year.

These changes must be applied to financial statements from the years beginning on or after 1 January 2016. Early adoption is permitted, provided that the IASB document has been approved by the European Union.

On 11 September 2014, the IASB published the exposure draft "*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*". With the amendment to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures, the IASB clarified that an entity must recognise in profit(loss) for the year 100% of the economic effects resulting from loss of control, only if the object transferred to a joint venture or affiliate complies with the definition of "business" set out under IFRS 3 - Business Combinations. If it does not comply with the definition of "business", the transferring entity must recognise in the profit(loss) for the year only the economic effects relating to other investors in the affiliate or joint venture.

These changes will be applicable prospectively from financial statements for years beginning on (or after) 1 January 2016, but in January 2015, the IASB decided to postpone the date it will come into force, having identified a number of inconsistencies with certain sections of IAS 28. The changes required to resolve these inconsistencies will be analysed in the project "Elimination of gains or losses arising from transactions between an entity and its associate or joint venture". Following the IASB's decision, the European Union blocked the approval process, pending the publication of the new document with the new effective date.

On 12 August 2014, the IASB published "*Equity Method in Separate Financial Statements (Amendments to IAS 27)*". With the change to IAS 27 - Separate Financial Statements, the IASB introduced the option to measure shareholdings in subsidiaries, affiliates or joint ventures, in the separate financial statements, using the equity method. This option, previously precluded, is now offered in addition to the two other options still available: measurement at cost or fair value, in accordance with IAS 39 or IFRS 9.

The option of using the equity method for all or some categories of shareholdings must be applied in the separate financial statements retrospectively. This amendment is due to come into force for financial statements for years beginning on or after 1 January 2016.

On 30 June 2014, the IASB published "*Bearer plants (Amendments to IAS 16 and IAS 41)*", establishing that bearer plants for which there are annual harvests must be accounted for according to the requirements of IAS 16 and no longer IAS 41. Therefore, in accordance with IAS 16, these biological assets may be valued at cost, and no longer have to be valued at fair value net of sales costs as per IAS 41. Within IAS 16, the entity may however also use the revaluation method, measuring these assets at fair value. These amendments only apply to plants used to produce seasonal fruit, and may not be applied to plants that will be sold ("living plants") or subject to a harvest as agricultural products (e.g. trees for the production of timber). These amendments will be applied retrospectively from financial years beginning on or after 1 January 2016. This standard will not be relevant for the Gefran Group.

10. 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 recession that has just ended, estimates were based on assumptions relating to the future and are uncertain. It is therefore possible that even significant changes will have to be made next year to the condensed half-yearly financial statement figures subject to these evaluations if the results differ from the estimates made in these financial statements to 30 June 2015. 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 19 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 2015, 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 19.

11. Operating assets held for sale (photovoltaic business)

In application of IFRS 5 - Non-current assets held for sale and discontinued operations, the income statement, statement of financial position and cash flow figures relating to the photovoltaic business for the first half of 2015 and 2014 were presented respectively under the items “Net profit (loss) from assets held for sale”, “Assets held for sale” and “Cash flow from operating assets held for sale”. The income statement, statement of financial position and cash flow statement originally published by the Gefran Group for the first half of 2014 have been restated to comply with the accounting standard mentioned above.

With regard to the remaining asset values, booked under "Assets held for sale" in the amount of EUR 2,927 thousand at 30 June 2015, the management considers these amounts to be fully recoverable.

The tables below show the statements of reconciliation of the income statement and cash flow statement to 30 June 2014.

RECONCILIATION OF JUNE 2014 INCOME STATEMENT IN APPLICATION OF IFRS 5

(EUR/000)	2014 Approved	Adjustments	2014 Adjusted
Revenues from product sales	61,650	(365)	61,285
Other operating revenues and income	455	0	455
TOTAL REVENUES	**62,105**	**(365)**	**61,740**
Change in inventories	1,713	0	1,713
Costs of raw materials and accessories	(24,223)	199	(24,024)
Service costs	(11,456)	629	(10,827)
Miscellaneous management costs	(301)	13	(288)
Other operating income	1,403	0	1,403
Personnel costs	(25,639)	924	(24,715)
Increases for internal work	1,096	0	1,096
Provisions	0	0	0
Impairment of trade and other receivables	(498)	45	(453)
Amortisation	(1,352)	174	(1,178)
Depreciation	(2,166)	59	(2,107)
EBIT	**682**	**1,678**	**2,360**
Gains from financial assets	591	0	591
Losses from financial liabilities	(1,315)	0	(1,315)
Losses (gains) from shareholdings value at equity	25	0	25
PROFIT (LOSS) BEFORE TAX	**(17)**	**1,678**	**1,661**
Current taxes	(1,060)	0	(1,060)
Deferred taxes	(255)	0	(255)
TOTAL TAXES	**(1,315)**	**0**	**(1,315)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(1,332)**	**1,678**	**346**
Net profit (loss) from assets held for sale	0	(1,678)	(1,678)
NET PROFIT (LOSS) FOR THE PERIOD	**(1,332)**	**0**	**(1,332)**

RECONCILIATION OF 2014 CASH FLOW STATEMENT IN APPLICATION OF IFRS 5

(EUR/000)	2014 June Approved	Adjustments	2014 June Adjusted
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**25,040**	**-**	**25,040**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:			
Net profit (loss) for the period	(1,332)	0	(1,332)
Depreciation/amortisation	3,518	(233)	3,285
Capital losses (gains) on the sale of non-current assets	(1,393)	0	(1,393)
Net result from financial operations	699	0	699
Change in provisions for risks and future liabilities	(669)	0	(669)
Change in other assets and liabilities	(1,121)	0	(1,121)
Change in deferred taxes	240	0	240
Change in trade receivables	(970)	0	(970)
Change in inventories	(1,785)	1,058	(727)
Change in trade payables	1,142	0	1,142
TOTAL	**(1,671)**	**825**	**(846)**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	(2,887)	0	(2,887)
- Equity investments and securities	(101)	0	(101)
- Acquisitions net of acquired cash	0	0	0
- Financial receivables	(9)	0	(9)
Disposal of non-current assets	1,424	0	1,424
TOTAL	**(1,573)**	**-**	**(1,573)**
D) FREE CASH FLOW (B+C)	**(3,244)**	**825**	**(2,419)**
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	0	0	0
Repayment of financial payables	(7,053)	0	(7,053)
Increase (decrease) in current financial payables	1,929	0	1,929
Interest received (paid)	(854)	0	(854)
Change in shareholders' equity reserves	(15)	0	(15)
Dividends paid	0	0	0
TOTAL	**(5,993)**	**-**	**(5,993)**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)	**(9,237)**	**825**	**(8,412)**
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE	**-**	**(825)**	**(825)**
H) Exchange translation differences on cash at hand	(44)	0	(44)
I) NET CHANGE IN CASH AT HAND (F+G+H)	**(9,281)**	**-**	**(9,281)**
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)	**15,759**	**-**	**15,759**

12. 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 Department 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:

- EUR/USD to the tune of 12%, related to the commercial transactions of Parent Company Gefran S.p.A. and subsidiaries Gefran Siei Asia and Gefran Inc.;
- EUR /RMB to the tune of 20%, related to the Chinese operating company Gefran Siei Drives Technology;
- the remainder is divided between EUR/BRL, EUR/GBP, EUR/CHF, EUR/INR, EUR/ZAR 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 944 thousand at 31 December 2014 (approximately EUR 818 thousand at 31 December 2013).

Description	2015		2014	
(EUR/000)	-5%	+5%	-5%	+5%
Chinese renminbi	123	(123)	(227)	227
US dollar	52	(52)	(306)	306
Total	175	(175)	(533)	533

Description	2015		2014	
(EUR/000)	-10%	+10%	-10%	+10%
Chinese renminbi	246	(246)	(433)	433
US dollar	104	(104)	(584)	584
Total	350	(350)	(1,017)	1,017

At 30 June 2015, the Group had no currency hedges 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 2015 and 30 June 2014, while keeping other variables unchanged.

(EUR/000)	**30/06/2015**		**30/06/2014**	
	-100	100	-100	100
Euro	(231)	74	(180)	55
Total	**(231)**	**74**	**(180)**	**55**

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 2015, 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	11,235	24,065	-	35,300
Other accounts payable	648	-	-	648
Account overdrafts	16,460	-	-	16,460
Leases	37	-	-	37
Total liabilities	**28,380**	**24,065**	**-**	**52,445**
Cash in current accounts	23,097	-	-	23,097
Total assets	**23,097**	**-**	**-**	**23,097**
Total variable rate	**(5,283)**	**(24,065)**	**-**	**(29,348)**

Unlike net financial position figures, the amounts shown in the table above do not include the fair value of derivatives (negative at EUR 214 thousand) or cash on hand (positive at EUR 35 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	2015	2014	changes
(EUR/000)			
Cash and cash equivalents	35	79	(44)
Cash in bank deposits	23,097	20,653	2,444
Total liquidity	**23,132**	**20,732**	**2,400**
Multiple mixed credit lines	21,000	21,000	-
Cash flexibility credit lines	8,385	8,385	-
Invoice factoring credit lines	12,195	12,184	11
Total credit lines available	**41,580**	**41,569**	**11**
Total liquidity available	**64,712**	**62,301**	**2,411**

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:					
Shareholdings valued at fair value with a balancing item in other overall profit/(loss)		364	-	1,448	1,812
Foreign exchange forward transactions		-	-	-	-
Hedging transactions		-	47	-	47
Total assets		**364**	**47**	**1,448**	**1,859**
Hedging transactions		-	261	-	261
Total liabilities		**-**	**261**	**-**	**261**

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 a leading factoring company by transferring the insolvency risk.

At 30 June 2015, gross trade receivables totalled EUR 44,359 thousand (EUR 46,151 thousand at 31 December 2014), and included EUR 2,743 thousand (EUR 4,143 thousand at 31 December 2014) related to receivables subject to individual impairment; of the remaining amount, the sum overdue by less than two months was EUR 4,739 thousand (EUR 8,502 thousand at 31 December 2014), while that overdue by more than two months was EUR 14,061 thousand (EUR 7,969 thousand at 31 December 2014).

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:

	carrying value		fair value	
(EUR/000)	**2015**	**2014**	**2015**	**2014**
Financial investments				
Cash and cash equivalents	35	79	35	79
Cash in bank deposits	23,097	20,653	23,097	20,653
Securities held for trading	-	-	-	-
Financial assets for derivatives	47	26	47	26
Total financial assets	**23,179**	**20,758**	**23,179**	**20,758**
Financial liabilities				
Short-term bank debt	(11,235)	(11,587)	(11,235)	(11,587)
Current portion of long-term debt	(16,460)	(10,116)	(16,460)	(10,116)
Financial liabilities for derivatives	(261)	(343)	(261)	(343)
Factoring	(640)	(292)	(640)	(292)
Leasing	(37)	(57)	(37)	(57)
Other financial payables	(8)	(9)	(8)	(9)
Non-current financial debt	(24,065)	(25,959)	(24,065)	(25,959)
Total financial liabilities	**(52,706)**	**(48,363)**	**(52,706)**	**(48,363)**
Total net financial position	**(29,527)**	**(27,605)**	**(29,527)**	**(27,605)**

13. Information by business area

Primary segment – sector of activity

The organisational structure of the Gefran Group is divided into three areas of activity: Sensors, Automation components and Drives. The economic trends and the main investments are covered in the Report on Operations.

Figures by business area

	1H 2015					1H 2014				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
(EUR/000)										
Sensors	25,046	6,125	24.5%	5,077	20.3%	22,559	6,373	28.3%	5,375	23.8%
Automation components	16,494	215	1.3%	(828)	-5.0%	15,438	143	0.9%	(759)	-4.9%
Drives	20,126	(3,603)	-17.9%	(4,709)	-23.4%	25,650	(871)	-3.4%	(2,256)	-8.8%
Eliminations	(1,801)					(1,907)				
Total	59,865	2,737	4.6%	(460)	-0.8%	61,740	5,645	9.1%	2,360	3.8%

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

Statement of financial position figures by business area

(EUR/000)	30/06/2015	Sensors	Components	Drives	Not divided	Total
Intangible assets	15,265	8,632	3,277	3,356		15,265
Tangible assets	40,549	10,935	11,256	18,358		40,549
Financial assets	9,177				9,177	9,177
Net fixed assets	**64,991**	**19,567**	**14,533**	**21,714**	**9,177**	**64,991**
Inventories	23,532	4,743	3,886	14,903		23,532
Trade receivables	41,040	11,929	8,498	20,613		41,040
Trade payables	(20,092)	(5,652)	(4,497)	(9,943)		(20,092)
Other assets/liabilities	(7,862)	(2,942)	(2,605)	(2,816)	501	(7,862)
Operating capital	**36,618**	**8,078**	**5,282**	**22,757**	**501**	**36,618**
Provisions for risks and future liabilities	(1,839)	(280)	(44)	(943)	(573)	(1,839)
Deferred tax provisions	(820)			-	(820)	(820)
Employee benefits	(5,241)	(1,595)	(2,051)	(1,595)		(5,241)
Invested capital from operations	**93,709**	**25,770**	**17,720**	**41,933**	**8,285**	**93,709**
Invested capital from assets held for sale	**2,927**	**-**	**-**	**-**	**2,927**	**2,927**
Net invested capital	**96,636**	**25,770**	**17,720**	**41,933**	**11,212**	**96,636**
Shareholders' equity	**67,109**				**67,109**	**67,109**
Medium- to long-term financial payables	24,065				24,065	24,065
Short-term financial payables	28,380				28,380	28,380
Financial liabilities for derivatives	261				261	261
Financial assets for derivatives	(47)				(47)	(47)
Cash and cash equivalents and short-term financial receivables	(23,132)				(23,132)	(23,132)
Net debt relating to operations	**29,527**	**-**	**-**	**-**	**29,527**	**29,527**
Total sources of financing	**96,636**	**-**	**-**	**-**	**96,636**	**96,636**

(EUR/000)	**31/12/2014**	**Sensors**	**Components**	**Drives**	**Not divided**	**Total**
Intangible assets	14,690	8,392	3,269	3,029		14,690
Tangible assets	40,997	10,677	11,633	18,687		40,997
Financial assets	9,213				9,213	9,213
Net fixed assets	**64,900**	**19,069**	**14,902**	**21,716**	**9,213**	**64,900**
Inventories	19,104	4,534	3,937	10,633		19,104
Trade receivables	42,232	10,091	7,338	24,803		42,232
Trade payables	(17,842)	(4,461)	(4,133)	(9,248)		(17,842)
Other assets/liabilities	(9,485)	(2,587)	(2,428)	(2,823)	(1,647)	(9,485)
Operating capital	**34,009**	**7,577**	**4,714**	**23,365**	**(1,647)**	**34,009**
Provisions for risks and future liabilities	(2,067)	(252)	(55)	(1,123)	(637)	(2,067)
Deferred tax provisions	(760)			-	(760)	(760)
Employee benefits	(5,611)	(1,699)	(2,201)	(1,711)		(5,611)
Invested capital from operations	**90,471**	**24,695**	**17,360**	**42,247**	**6,169**	**90,471**
Invested capital from assets held for sale	**3,114**	**-**	**-**	**-**	**3,114**	**3,114**
Net invested capital	**93,585**	**24,695**	**17,360**	**42,247**	**9,283**	**93,585**
Shareholders' equity	**65,980**				**65,980**	**65,980**
Medium- to long-term financial payables	25,959				25,959	25,959
Short-term financial payables	22,061				22,061	22,061
Financial liabilities for derivatives	343				343	343
Financial assets for derivatives	(26)				(26)	(26)
Cash and cash equivalents and short-term financial receivables	(20,732)				(20,732)	(20,732)
Net debt relating to operations	**27,605**	**-**	**-**	**-**	**27,605**	**27,605**
Total sources of financing	**93,585**	**-**	**-**	**-**	**93,585**	**93,585**

Secondary segment - revenues by geographical region

(EUR/000)	**1H 2015**	**%**	**1H 2014**	**%**	**Chg 2015-2014 value**	**%**
Italy	17,715	29.6%	17,493	28.3%	222	1.3%
European Union	16,378	27.4%	14,682	23.8%	1,696	11.6%
Europe non-EU	3,212	5.4%	2,801	4.5%	411	14.7%
North America	6,918	11.6%	5,195	8.4%	1,723	33.2%
South America	2,337	3.9%	2,625	4.3%	(288)	-11.0%
Asia	13,034	21.8%	17,877	29.0%	(4,843)	-27.1%
Rest of the World	271	0.5%	1,067	1.7%	(796)	-74.6%
Total	**59,865**	**100%**	**61,740**	**100%**	**(1,875)**	**-3%**

Secondary segment - investments by geographical region

Geographical region	1H 2015 tangible assets	1H 2015 intangible assets and goodwill	1H 2014 tangible assets	1H 2014 intangible assets and goodwill
(EUR /000)				
Italy	1,089	1,365	1,020	1,407
European Union	42	0	41	6
Europe non-EU	11	1	39	30
North America	0	0	29	0
South America	20	2	13	9
Asia	112	94	274	7
Rest of the World	0	0	12	0
Total	1,274	1,462	1,428	1,459

14. Gains and losses from financial assets/liabilities

"Gains from financial assets" totalled EUR 2,901 thousand, versus EUR 591 thousand in the first half of 2014, and break down as follows:

Description	1H 2015	1H 2014	change
(EUR/000)			
income from cash management	28	36	(8)
other financial income	61	53	8
exchange rate gains	1,000	313	687
currency valuation differences	1,812	189	1,623
Total	**2,901**	**591**	**2,310**

Currency valuation differences and exchange rate gains, totalling EUR 2,812 thousand, are the result of the strengthening of the euro over the first half of the year, particularly against the US dollar and the Chinese renminbi.

"Losses from financial liabilities" totalled EUR 2,821 thousand, up from EUR 1,315 thousand at 30 June 2014, and break down as follows:

Description	1H 2015	1H 2014	change
(EUR/000)			
medium-/long-term interest	(600)	(745)	145
short-term interest	(74)	(60)	(14)
factoring interest and fees	(25)	(24)	(1)
other financial charges	(24)	(17)	(7)
exchange rate losses	(1,600)	(307)	(1,293)
currency valuation differences	(380)	(162)	(218)
write-downs of financial assets	(118)	-	(118)
Total	**(2,821)**	**(1,315)**	**(1,506)**

The reduction in financial charges registered in the first half of 2015 is due to the decrease in medium-/long-term debt, and the favourable trend in interest rates, as well as the improvement in the average spread of new loans taken out.

Write-downs of financial assets include the effect of the write-down of the shareholding held in Inn.Tec S.r.l. worth EUR 118 thousand, as a result of the company going into liquidation.

The balance of differences on currency transactions is positive at EUR 832 thousand, compared with a positive figure of EUR 33 thousand in the first half of 2014. The improvement in the balance of currency differences is mainly due to the strengthening of the euro in the first half of 2015 against the main currencies to which the Group is exposed, particularly against the US dollar and the Chinese renminbi.

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

Description	1H 2015	1H 2014	change
(EUR/000)			
Result of companies valued at equity	75	25	50
Total	**75**	**25**	**50**

Gains from shareholdings valued at equity were EUR 75 thousand, and mainly related to the positive result of the Ensun Group.

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

The item "*taxes*" was negative at EUR 929 thousand; this compares with a negative balance of EUR 1,315 thousand in the first half of 2014, and breaks down as follows:

(EUR/000)	1H 2015	1H 2014
Current taxes		
IRES (corporate income tax)	(5)	-
IRAP (regional production tax)	(1)	(263)
Foreign taxes	(754)	(797)
Total current taxes	**(760)**	**(1,060)**
Deferred taxes		
Deferred tax liabilities	5	1
Deferred tax assets	(174)	(256)
Total deferred tax liabilities	**(169)**	**(255)**
Total taxes	**(929)**	**(1,315)**

As the cost of employees on permanent contracts can be fully deducted for IRAP purposes, as introduced by the 2015 Stability Law, IRAP for the year for Parent Company Gefran S.p.A. was reduced to zero.

Current taxes relating to the Group's foreign subsidiaries remain broadly unchanged versus the first half of 2014.

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

(EUR/000)	31/12/2014	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	30/06/2015
Deferred tax assets					
Devaluation of inventories	1,219	48		-	1,267
Impairment of trade receivables	666	(236)		-	430
Deductible losses to be brought forward	3,128	85		96	3,309
Exchange rate differences	22	25		-	47
Elimination of unrealised margins on inventories	789	20		8	817
Provision for product warranty risk	205	12		-	217
Provision for sundry risks	275	(128)		13	160
Total deferred tax assets	6,304	(174)	-	117	6,247
Deferred tax liabilities					
Currency valuation differences	(5)	5		-	-
Other deferred tax liabilities	(755)	-		(65)	(820)
Total deferred tax liabilities	(760)	5	-	(65)	(820)
Net total	5,544	(169)	-	52	5,427

17. Goodwill and other intangible assets with an indefinite life

"Goodwill" totalled EUR 5,985 thousand at 30 June 2015, an increase of EUR 171 thousand compared with 31 December 2014, and breaks down as follows:

(EUR/000)	31/12/2014	Increases	Decreases	Exchange rate differences	30/06/2015
Gefran S.p.A.	140	-	-	-	140
Gefran France SA	1,310	-	-	-	1,310
Gefran India	41	-	-	3	44
Gefran Inc.	2,369	-	-	168	2,537
Sensormate AG	1,954	-	-	-	1,954
	5,814	-	-	171	5,985

As set out under note 19 below, the figures shown above were subject to an impairment test, which did not reveal any permanent loss in value.

18. Intangible assets with a finite life

"Intangible assets" exclusively comprises assets with a finite life, and increased from EUR 8,876 thousand at 31 December 2014 to EUR 9,280 thousand at 30 June 2015. The movements during the period are shown below.

Historical cost	31/12/2014	Increases	Decreases	Other changes	30/06/2015
(EUR/000)					
Development costs	13,307	-	-	-	13,307
Intellectual property rights	5,155	212	-	42	5,409
Assets in progress and payments on account	2,309	1,122	-	(437)	2,994
Other assets	6,153	128	-	476	6,757
Total	26,924	1,462	-	81	28,467

Accumulated amortisation	31/12/2014	Increases	Decreases	Other changes	30/06/2015
(EUR/000)					
Development costs	9,074	717	-	-	9,791
Intellectual property rights	4,145	157	-	24	4,326
Other assets	4,829	230	-	11	5,070
Total	18,048	1,104	-	35	19,187

Net value	31/12/2014	30/06/2015	changes
(EUR/000)			
Development costs	4,233	3,516	(717)
Intellectual property rights	1,010	1,083	73
Assets in progress and payments on account	2,309	2,994	685
Other assets	1,324	1,687	363
Total	8,876	9,280	404

Development costs include the capitalisation of costs incurred for the following activities:

- EUR 993 thousand relating to new lines for melt sensors, pressure transducers (KS) and contactless linear position transducers (MK–IK and RK);
- EUR 2,077 thousand to component lines for the new range of regulators, GF Project VX, G Cube Performa and G Cube Fit;
- EUR 506 thousand relating to the new range of ADV 200 drives, lift and power supplies;

These assets are considered to have a useful life of five years, and were subject to impairment tests (as described in note 19), with positive results.

Intellectual property rights exclusively comprises the costs incurred to purchase the company IT 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 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 2,196 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 473 thousand), Components (EUR 304 thousand) and Drives (EUR 1,419 thousand).

Other assets 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.

19. 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 carrying value of goodwill and R&D costs are shown below.

Description	Year	Development costs	Goodwill	Total
(EUR/000)				
Sensors	**2015**	1,406	5,801	7,207
	2014	1,111	5,633	6,744
Components	**2015**	2,382	140	2,522
	2014	2,417	140	2,557
Drives	**2015**	1,924	44	1,968
	2014	705	41	746
Total	**2015**	**5,712**	**5,985**	**11,697**
	2014	**4,233**	**5,814**	**10,047**

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 2015, Gefran's market capitalisation was lower 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 usedetermined 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 30/06/2015	Reference BU	Reference CGU	Explicit forecast	Terminal Value	WACC (%)	Risk free (%)	Risk free (%)	Theoretical tax rate (%)
(EUR/000)									
Gefran S.p.A. (Spanish branch)	140	Components	Spanish branch	2015 - 2017	15 years	6.2%	2.3%	5.0%	33.0%
Gefran France S.A.	1,310	Sensors	Gefran France	2015 - 2017	15 years	5.8%	1.2%	5.5%	33.0%
Gefran India	44	Drives	Gefran India	2015 - 2017	15 years	11.7%	7.9%	7.5%	30.0%
Gefran Inc.	2,537	Sensors	Gefran Inc.	2015 - 2017	15 years	6.2%	2.3%	5.0%	34.0%
Sensormate AG	1,954	Sensors	Sensormate AG	2015 - 2017	15 years	5.4%	0.1%	5.5%	27.5%
Goodwill	**5,985**								
Magnetostrictive position	249	Sensors	Sensors	2015 - 2019	-	6.0%	2.3%	5.0%	31.4%
Melt pressure	462	Sensors	Sensors	2015 - 2019	-	6.0%	2.3%	5.0%	31.4%
Industrial pressure	482	Sensors	Sensors	2015 - 2019	-	6.0%	2.3%	5.0%	31.4%
Other	213	Sensors	Sensors	2015 - 2019	-	6.0%	2.3%	5.0%	31.4%
Total Sensors	***1,406***				-				
Software	487	Components	Components	2015 - 2019	-	6.0%	2.3%	5.0%	31.4%
Static units	162	Components	Components	2015 - 2019	-	6.0%	2.3%	5.0%	31.4%
Solutions and systems	1,070	Components	Components	2015 - 2019	-	6.0%	2.3%	5.0%	31.4%
Regulators	608	Components	Components	2015 - 2019	-	6.0%	2.3%	5.0%	31.4%
Other	55	Components	Components	2015 - 2019	-	6.0%	2.3%	5.0%	31.4%
Total Components	***2,382***				-				
Lifts	445	Drives	Drives	2015 - 2019	-	6.0%	2.3%	5.0%	31.4%
Regenerative lifts	478	Drives	Drives	2015 - 2019	-	6.0%	2.3%	5.0%	31.4%
Industrial	1,001	Drives	Drives	2015 - 2019	-	6.0%	2.3%	5.0%	31.4%
Total Drives	***1,924***								
Development costs	**5,712**								
Total	**11,697**								

Explicit forecast cash flows for the three-year period 2015 - 2017 are taken into account in determining value in use, for which the first half of 2015 was aligned with the actual results, while the second half of the current year and subsequent years are taken from the budget plan approved by the Parent Company's management, which was reviewed following the final results to 30 June 2015.

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 2015-2017 plan, with estimated growth rates in line with the growth trends of the approved plan, with cash flows reviewed based on final data to June 2015.

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, 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 2015 was used as the risk-free rate, equal to 2.3%. The comparative analysis 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, equal to 2.6%, showed that the yield of 10-year Italian BTP provides 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 addition 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 to combine in the valuation the most likely cash flows indicated by management and the expected average flows. The value used to calculate the WACC is 5.0%, as in 2014, since, although various macroeconomic analyses (sources: KPMG, EY, Value Walk, IESE Business School) identify for Italy (and more generally for Europe) a market risk premium value of between 5.40% and 6.30%, history teaches us that the value is around 4.00% (50-year average).

With regard to the Parent Company Beta, the available value (source: Reuters) is 0.89, while in the calculation of the WACC, the 2014 value of 1.08 was confirmed, since the management considers it preferable not to update it in order not to obtain further gains on the discount rate, which would fall to 5.40%.

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 6.03%, 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 budget, appropriately reconsidered, were projected without assuming any future growth.

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 1.5%, significantly higher than the current discount rate. Even in a worst case scenario, in which the cash flows generated by new products at consolidated level fall, the break-even WACC would be 10% and still much higher than the discount rate calculated at present.

The recoverable amount of goodwill was determined according to the calculation of the value in use, which used projections of the three-year cash flow based on the 2015-2017 budget approved by the

Parent Company's management. The impairment test of the above assets did not reveal any lasting loss of value.

A sensitivity analysis showing the break-even g rates and WACCs in a "steady case" scenario is provided below:

Description	"g" rate %	WACC	A	B
(EUR/000)				
Goodwill - *STEADY CASE*				
Gefran S.p.A. (Spanish branch)	0.0%	6.2%	-10.6%	19.6%
Gefran France S.A.	0.0%	5.8%	-13.9%	28.0%
Gefran India	0.0%	11.7%	-23.4%	57.0%
Gefran Inc.	0.0%	6.2%	-9.3%	16.5%
Sensormate AG	0.0%	5.4%	-12.3%	24.1%

A = *g rate* % of break-even point with stable WACC

B = WACC % of break-even point with stable g rate

Based on the impairment test of the Group's consolidated figures, the carrying value of the goodwill recorded on the financial statements can be considered reasonable, with a good degree of confidence. However, taking into account that the implementation of the budget implies a certain degree of uncertainty, it was considered preferable to prepare a more cautious analysis (*worst case*) that completely excludes cash flows from new products, and also projects an additional loss in value of 3% on existing products.

A sensitivity analysis showing the break-even g rates and WACCs in a worst case scenario is provided below:

Description	"g" rate %	WACC	A	B
Goodwill - *WORST CASE*				
Gefran S.p.A. (Spanish branch)	0.0%	6.2%	-2.0%	7.7%
Gefran France S.A.	0.0%	5.8%	-5.2%	10.5%
Gefran India	0.0%	11.7%	-22.9%	34.0%
Gefran Inc.	0.0%	6.2%	-3.4%	8.9%
Sensormate AG	0.0%	5.4%	-9.4%	16.2%

A = *g rate* % of break-even point with stable WACC

B = WACC % of break-even point with stable g rate

The recoverable amount of development costs was determined according to the calculation of the value in use, which used projections of the three-year cash flow based on the 2015-2017 budget approved by the Parent Company's management. Tables with the break-even point WACCs (at a constant growth rate of 0.0%) and the break-even point g rate (at a constant discount rate of 6.0%) are shown below.

A sensitivity analysis of development costs showing the break-even g rates and WACCs in a steady case scenario is provided below:

Description	"g" rate %	WACC	A	B
Development costs - STEADY CASE				
Sensors				
Magnetostrictive position	0.0%	6.0%	-165.4%	37.7%
Melt pressure	0.0%	6.0%	-184.8%	40.9%
Industrial pressure	0.0%	6.0%	-149.9%	35.2%
Components				
Software	0.0%	6.0%	-105.0%	25.1%
Static units	0.0%	6.0%	-163.5%	36.5%
Solutions and systems	0.0%	6.0%	-9.1%	6.9%
Regulators	0.0%	6.0%	-107.6%	27.5%
Drives				
Lifts	0.0%	6.0%	-168.0%	39.4%
Regenerative lifts	0.0%	6.0%	-161.8%	36.5%
Industrial	0.0%	6.0%	-199.9%	44.3%

A = *g rate* % of break-even point with stable WACC

B = WACC % of break-even point with stable g rate

The analysis shows that the change in the discount rate and the growth rate must reach unrealistic values for the value in use to fall below the carrying amount. Consequently, the worst case scenario analysis was not conducted, as it was not considered relevant for most products.

A simulation of greater stress (defined as the "worst case") was conducted on lift products and the industrial products of the Drives business, as correlated results show a higher degree of uncertainty. Although the projects of three-year cash flows were reduced by 33% and 16% respectively, the break-even “g” and WACC rates were of no concern, as shown in the table below.

Description	"g" rate %	WACC	A	B
Development costs - WORST CASE				
Drives				
Lifts	0.0%	6.0%	-76.2%	23.2%
Industrial	0.0%	6.0%	-160.2%	36.2%

A = *g rate* % of break-even point with stable WACC

B = WACC % of break-even point with stable g rate

The above analyses show that, both in stable conditions and in situations worse that those forecast, regardless of the change in the discount rate and the growth rate, the recoverable amount of goodwill is not critical. However, the directors will systematically monitor final income statement and statement of financial position data of the CGUs to assess the need to adjust forecasts and promptly reflect any further write-downs.

20. Property, plant, equipment and tools

“*Property, plant, equipment and tools*” fell from EUR 40,997 thousand at 31 December 2014 to EUR 40,549 thousand at 30 June 2015. Movements are shown in the table below:

Historical cost	31/12/2014	Increases	Decreases	Other changes	30/06/2015
(EUR/000)					
Land	4,500	-	-	20	4,520
Industrial buildings	39,267	25	-	304	39,596
Plant and machinery	37,641	59	(173)	810	38,337
Industrial and commercial equipment	21,108	479	(30)	198	21,755
Other assets	11,382	87	(28)	138	11,579
Assets in progress and payments on account	479	624	(91)	(381)	631
Total	114,377	1,274	(322)	1,089	116,418

Accumulated amortisation	31/12/2014	Increases	Decreases	Other changes	30/06/2015
(EUR/000)					
Industrial buildings	14,347	466	-	57	14,870
Plant and machinery	30,095	875	(135)	555	31,390
Industrial and commercial equipment	19,157	478	(30)	(139)	19,466
Other assets	9,781	274	(25)	113	10,143
Total	73,380	2,093	(190)	586	75,869

Net value	31/12/2014	30/06/2015	changes
(EUR/000)			
Land	4,500	4,520	20
Industrial buildings	24,920	24,726	(194)
Plant and machinery	7,546	6,947	(599)
Industrial and commercial equipment	1,951	2,289	338
Other assets	1,601	1,436	(165)
Assets in progress and payments on account	479	631	152
Total	40,997	40,549	(448)

These assets were not subject to any impairment in 2014, while fluctuations in exchange rates had a positive impact of approximately EUR 503 thousand.

The most significant movements in the first half concerned Gefran S.p.A, specifically:

- investments in production plant and equipment of EUR 908 thousand in the Group's Italian factories, in the Chinese factory of subsidiary Gefran Siei Drives Technology (EUR 83 thousand), and EUR 98 thousand in other Group subsidiaries;
- investments to upgrade the industrial buildings of the Parent Company, which totalled approximately EUR 185 thousand;

Buildings owned by the Group are mortgages for a total amount of approximately EUR 36 million, with loans obtained from the banks for the properties in Provaglio d'Iseo.

21. Net working capital

Net working capital totalled EUR 44,480 thousand, compared with EUR 43,494 thousand at 31 December 2014, and breaks down as follows:

(EUR/000)	30/06/2015	31/12/2014	changes
Inventories	23,532	19,104	4,428
Trade receivables	41,040	42,232	(1,192)
Trade payables	(20,092)	(17,842)	(2,250)
Net amount	**44,480**	**43,494**	**986**

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

At 30 June 2015, "inventories" totalled EUR 23,532 thousand, an increase of EUR 4,428 thousand from 31 December 2014. This breaks down as follows:

(EUR/000)	30/06/2015	31/12/2014	changes
Raw materials, supplies and consumer goods	13,614	11,195	2,419
provision for raw materials	*(2,784)*	*(2,653)*	(131)
Work in progress and semi-finished goods	5,433	4,983	450
provision for work in progress	*(622)*	*(575)*	(47)
Finished and semi-finished products	9,638	7,616	2,022
provision for finished products	*(1,747)*	*(1,462)*	(285)
Total	**23,532**	**19,104**	**4,428**

The increase in inventories versus 31 December 2014 is mainly due to growth in the Drives business in China mentioned above, which triggered growth in raw materials, semi-finished and finished products.

The obsolescence and slow moving inventories fund was adjusted according to need, through specific provisions of EUR 293 thousand in the first half of 2015 (EUR 292 thousand in the same period of 2014).

"*Trade receivables*" decreased by EUR 1,192 thousand in the first half, and break down as follows:

(EUR/000)	30/06/2015	31/12/2014	changes
Receivables from customers due within 12 months	44,359	46,151	(1,792)
Provision for doubtful receivables	(3,319)	(3,919)	600
Net amount	**41,040**	**42,232**	**(1,192)**

This includes receivables subject to recourse factoring transferred to a leading factoring company, by the Parent Company, for a total amount of EUR 208 thousand (EUR 131 thousand at 31 December 2014).

The lower trade receivables figure is due to the reduction in average payment days from customers at Group level, together with the effect of the lower revenues registered in the period. Over the year, EUR 3,657 thousand was transferred on a non-recourse basis to factoring companies, of which EUR 1,953 thousand was in June 2015 (EUR 2,630 thousand in June 2014).

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 2015 represents a prudential estimate of the current risk, and registered the following changes:

(EUR/000)	31/12/2014	Increases	Decreases	Other changes	30/06/2015
					-
Provision for doubtful receivables	**3,919**	**743**	**(1,343)**	**0**	**3,319**

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

The Group is monitoring the situation of the receivables most at risk, and also initiating appropriate legal action. The carrying value of trade receivables is considered to approximate to their fair value.

There is no significant concentration of sales to individual customers: this phenomenon remains below 10% of Group revenues.

"Trade payables" were EUR 20,092 thousand at 30 June 2015, an increase of EUR 2,250 thousand compared with 31 December 2014, as shown below:

(EUR/000)	30/06/2015	31/12/2014	changes
payables to suppliers	12,894	12,149	745
payables to suppliers for invoices to be received	6,931	5,488	1,443
advances received from customers	267	205	62
Total	**20,092**	**17,842**	**2,250**

The growth in trade payables is mainly due to an increase in average payment days to suppliers.

22. Net financial position

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

(EUR/000)	30/06/2015	31/12/2014	changes
Cash and cash equivalents	23,132	20,732	2,400
Financial assets for derivatives	47	26	21
Non-current financial payables	(24,065)	(25,959)	1,894
Current financial payables	(28,380)	(22,061)	(6,319)
Financial liabilities for derivatives	(261)	(343)	82
Total	**(29,527)**	**(27,605)**	**(1,922)**

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

(EUR/000)	30/06/2015	31/12/2014	changes
A. Cash on hand	33	26	7
B. Cash in bank deposits	23,099	20,706	2,393
C. Securities held for trading	-	-	-
D. Cash And cash equivalents (A) + (B) + (C)	**23,132**	**20,732**	**2,400**
Financial liabilities for derivatives	(261)	(343)	82
Financial assets for derivatives	47	26	21
E. Fair value hedging derivatives	(214)	(317)	103
F. Current portion of long-term debt	(11,235)	(11,587)	352
G. Other short-term financial payables	(17,145)	(10,474)	(6,671)
H. Total current financial payables (F) + (G)	**(28,380)**	**(22,061)**	**(6,319)**
I. Total current payables (E) + (H)	**(28,594)**	**(22,378)**	**(6,216)**
J. Net short-term financial debt (I) + (D)	**(5,462)**	**(1,646)**	**(3,816)**
L. Non-current financial debt	**(24,065)**	**(25,959)**	**1,894**
M. Net financial debt (J) + (L)	**(29,527)**	**(27,605)**	**(1,922)**
Of which to minorities:	*(29,527)*	*(27,605)*	*(1,922)*

Net debt at 30 June 2015 was EUR 29,527 thousand, down by EUR 1,922 thousand from 31 December 2014. The change is mainly due to negative cash flow from ordinary operations (EUR 1,469 thousand) and from technical investments (EUR 2,629 thousand), stripping out the positive impact of the change in the translation reserve (EUR 2,550 thousand).

Although still higher than the figure for 31 December 2014, partly owing to the problems experienced on the Asian market, net debt is down on the figure for 31 March 2015, when it was EUR 31,439 thousand.

Please see the Report on Operations for more details on financial operations management.

Short-term debt increased by EUR 3,816 thousand, mainly owing to the greater use of available credit lines and technical forms of short-term financing compared with the previous year.

Free cash flow after investment activities was negative at EUR 4,098 thousand, compared with a negative figure of EUR 2,419 thousand in the same period of 2014; this decrease of EUR 1,679 thousand was mainly owing to the increase in operating capital and the absence of the positive flows generated by investment management in the first half of 2014, as shown in the Report on Operations.

Long-term debt contracted by EUR 1,894 thousand, owing to the reclassification under short-term of the current portions of outstanding loans, partially offset by new loans taken out in the period, detailed below.

Cash and cash equivalents totalled EUR 23,132 thousand at 30 June 2015, an increase of EUR 2,400 thousand versus 31 December 2014:

(EUR/000)	**30/06/2015**	**31/12/2014**	**changes**
Cash in bank deposits	23,097	20,653	2,444
Cash	33	26	7
Other cash	2	53	(51)
Total	**23,132**	**20,732**	**2,400**

The technical forms used 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 increased by EUR 6,319 thousand versus 2014, and break down as follows:

(EUR/000)	**30/06/2015**	**31/12/2014**	**changes**
Current portion of debt	11,235	11,587	(352)
Current overdrafts	16,460	10,116	6,344
Factoring	640	292	348
Leasing	37	57	(20)
Other payables	8	9	(1)
Total	**28,380**	**22,061**	**6,319**

The main changes for the year concern the increase in short-term bank debt, which at 30 June 2015, showed an overdraft of EUR 16,460 thousand, compared with EUR 10,116 thousand at 31 December 2014.

The item relates almost entirely to Gefran S.p.A. and has the following characteristics:

- for use of credit lines payable on demand, the overall annual interest rate is in the 2.5%-5.8% range;
- for use of credit facilities on trade receivables, repayable on the maturity of these receivables, the overall annual interest rate is in the 0.5%-2.1% range;

Factoring payables, which increased by EUR 348 thousand, comprise 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 break down as follows:

(EUR/000)	30/06/2015	31/12/2014	changes
Centrobanca	3,659	4,393	(734)
Deutsche Bank	450	750	(300)
Cred. Bergamasco	224	488	(264)
Mediocredito	833	1,165	(332)
Banco di Brescia	2,548	3,158	(610)
Banca Pop. Sondrio	266	792	(526)
Mediocredito	1,778	2,222	(444)
Cred. Bergamasco	801	1,190	(389)
Banca Intesa	1,403	1,738	(335)
Unicredit SACE	2,250	2,750	(500)
Banco di Brescia	1,833	2,206	(373)
BNL	2,417	2,833	(416)
Banca Pop. Sondrio	2,089	2,274	(185)
Unicredit	1,514	-	1,514
Unicredit	2,000	-	2,000
Total	**24,065**	**25,959**	**(1,894)**

The main changes relate to the repayment set out in the amortisation schedule of individual loans totalling EUR 6,246 thousand, the drawing down of new loans of EUR 4,000 thousand, of which EUR 3,514 thousand is included under non-current financial payables, while the remainder is included under current financial payables.

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

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

    - consolidated debt to equity ratio of ≤ 0.7.

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

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.

3) the EUR 3,000 UBI-Banco di Brescia loan, taken out on 28 November 2014, 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.

4) the EUR 3,000 thousand BNL loan, taken out on 19 December 2014, 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.

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

   - consolidated debt to equity ratio of ≤ 0.7.
   - consolidated debt to EBITDA ratio of ≤ 3,5 (≤ 3.0 from the second year).

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

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 2015 have been respected overall, the loans were classified in the maturities table according to their contractual maturities A number of outstanding loan contracts contain other covenants, in line with market practices, that place limits on the possibility of issuing new real guarantees and conducting extraordinary transactions.

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 d'Iseo.

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

Bank	Amount disbursed (€/000)	Signing date	Balance at 30 June 2015	Of which within 12 months	Of which over 12 months	Interest rate	Maturity	Repayment method
Centrobanca	EUR 10,976	04/09/2008	5,122	1,463	3,659	Euribor 6m + 0.85%	01/10/2018	half-yearly
Deutsche Bank	EUR 3,000	09/03/2012	1,050	600	450	Euribor 3m + 3.60%	31/03/2017	quarterly
Cred. Bergamasco	EUR 2,000	06/11/2012	745	521	224	Euribor 3m + 3.80%	31/10/2016	monthly
Mediocredito	EUR 3,000	16/11/2012	1,500	667	833	Euribor 3m + 3.90%	30/09/2017	quarterly
Banco di Brescia	EUR 6,000	31/05/2013	3,745	1,197	2,548	Euribor 3m + 3.90%	31/05/2018	quarterly
Banca Pop. Sondrio	EUR 3,000	11/06/2013	1,301	1,035	266	Euribor 3m + 4.50%	31/07/2016	quarterly
Mediocredito	EUR 4,000	26/06/2013	2,667	889	1,778	Euribor 3m + 3.70%	31/05/2018	quarterly
Cred. Bergamasco	EUR 3,000	18/06/2013	1,566	765	801	Euribor 3m + 4.20%	30/06/2017	monthly
Banca Intesa	EUR 3,000	27/06/2013	2,061	658	1,403	Euribor 3m + 3.95%	27/06/2018	quarterly
Unicredit SACE	EUR 5,000	27/09/2013	3,250	1,000	2,250	Euribor 3m + 2.60%	30/09/2018	quarterly
Banco di Brescia	EUR 3,000	28/11/2014	2,573	740	1,833	Euribor 3m + 1.35%	30/11/2018	monthly
BNL	EUR 3,000	19/12/2014	3,000	583	2,417	Euribor 6m + 1.35%	18/12/2019	half-yearly
Banca Pop. Sondrio	EUR 3,000	23/12/2014	2,820	731	2,089	Euribor 3m + 2.00%	22/12/2018	quarterly
Unicredit	EUR 2,000	19/02/2015	1,900	386	1,514	Euribor 3m + 1.60%	29/02/2020	quarterly
Unicredit	EUR 2,000	19/02/2015	2,000	-	2,000	Euribor 3m + 2.00%	28/02/2019	bullet
Total			**35,300**	**11,235**	**24,065**			

Financial assets for derivatives totalled EUR 47 thousand at 30 June 2015, and consist of the positive fair value recorded at the end of the financial year of certain CAP contracts entered into by the Parent Company to hedge interest rate risks. **Financial liabilities for derivatives** totalled EUR 261 thousand, owing to the negative fair value of certain IRS contracts, also entered into by the Parent Company to hedge interest rate risks.

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

Bank *(EUR /000)*	Notional principal	Signing date	Notional at 30 June 2015	Derivative	Fair Value at 30 June 2015	Long position rate	Short position rate
Centrobanca	EUR 9,550	31/03/2010	5,122	IRS	(247)	Fixed 3.11%	Euribor 6m
Deutsche Bank	EUR 3,000	09/03/2012	1,050	IRS	(14)	Fixed 1.34%	Euribor 3m
Total financial liabilities for derivatives – interest rate risk					**(261)**		

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

Bank *(EUR /000)*	Notional principal	Signing date	Notional at 30 June 2015	Derivative	Fair Value at 30 June 2015	Long position rate	Short position rate
Unicredit	EUR 3,000	16/11/2012	1,500	CAP	0	Strike Price 0.45%	Euribor 3m
Credito Bergamasco	EUR 2,000	06/11/2012	745	CAP	0	Strike Price 1.00%	Euribor 3m
Unicredit	EUR 6,000	04/06/2013	3,745	CAP	2	Strike Price 0.75%	Euribor 6m
Intesa	EUR 3,000	27/06/2013	2,061	CAP	1	Strike Price 0.75%	Euribor 3m
Mediocredito	EUR 4,000	12/06/2013	2,667	CAP	1	Strike Price 0.75%	Euribor 3m
BNL	EUR 3,000	20/06/2013	1,301	CAP	0	Strike Price 0.40%	Euribor 3m
Credito Bergamasco	EUR 3,000	20/06/2013	1,566	CAP	0	Strike Price 0.75%	Euribor 3m
Unicredit	EUR 5,000	15/10/2013	3,250	CAP	2	Strike Price 0.60%	Euribor 3m
Banco di Brescia	EUR 3,000	28/11/2014	2,573	CAP	7	Strike Price 0.10%	Euribor 3m
BNL	EUR 3,000	19/12/2014	3,000	CAP	16	Strike Price 0.20%	Euribor 6m
Unicredit	EUR 2,000	19/02/2015	1,900	CAP	7	Strike Price 0.10%	Euribor 3m
Unicredit Bullet	EUR 2,000	19/02/2015	2,000	CAP	11	Strike Price 0.10%	Euribor 3m
Total financial assets for derivatives – interest rate risk					**47**		

All the contracts described above are booked at fair value:

	at 30 June 2015		at 31 December 2014	
(EUR /000)	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Exchange rate risk	-	-	-	-
Interest rate risk	47	(261)	26	(343)
Total cash flow hedge	**47**	**(261)**	**26**	**(343)**

All derivatives were tested for effectiveness, with positive outcomes.

In order to support its operations, the Group has various credit lines granted by banks and other financial institutions available, mainly in the form of loans for advances on invoices, cash flexibility and mixed loans for a total of EUR 41,580 thousand. Overall use of these lines at 30 June 2015 totalled EUR 14,165 thousand, with a residual available amount of EUR 27,415 thousand.

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

23. Shareholders' equity

Group shareholders' equity increased compared with 31 December 2014 by EUR 1,129 thousand, mainly owing to the increase of EUR 2,606 thousand in the translation reserve at 30 June 2015.

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 2015, Parent Company Gefran S.p.A. held 204,592 own shares, equivalent to 1,42% of the share capital; at the end of 2014, the number of own shares held was 189,874, 1.32% of the share capital.

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

(EUR/000)	**30/06/2015**	**31/12/2014**	**changes**
Balance at 1 January	(33)	(41)	8
UBI – Banca shares	20	17	3
Woojin Selex (Korea) shares	15	(9)	24
Net amount	**2**	**(33)**	**35**

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

(EUR/000)	**30/06/2015**	**31/12/2014**	**changes**
Balance at 1 January	385	381	4
Change in fair value of derivatives	103	4	99
Net amount	**488**	**385**	**103**

24. Earnings per share

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

	2015	**2014**
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group *(EUR /000)*	(1,421)	(1,332)
- Average no. of ordinary shares *(no./000,000)*	14.20	14.23
- Basic earnings per ordinary share	(0.100)	(0.094)
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group *(EUR /000)*	(1,421)	(1,332)
- Average no. of ordinary shares *(no./000,000)*	14.20	14.23
- Basic earnings per ordinary share	(0.100)	(0.094)
average number of ordinary shares	**14,201,542**	**14,226,835**

25. Current and non-current provisions

"Non-current provisions" fell by EUR 126 thousand compared with 31 December 2014, and break down as follows:

(EUR/000)	30/06/2015	31/12/2014	changes
Gefran S.p.A. risk provisions			
- for restructuring	-	61	(61)
- for legal disputes	222	265	(43)
- other provisions	85	85	-
Gefran Brasil risk provisions			
- for legal disputes	224	246	(22)
Gefran France risk provisions			
- for legal disputes	7	7	-
Total	**538**	**664**	**(126)**

The item "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, while "restructuring" includes the remaining portion of non-recurring provisions made by parent Company Gefran S.p.A..

"Current provisions" totalled EUR 1,301 thousand at 30 June 2015, compared with funds of EUR 1,403 thousand at 31 December 2014, and break down as follows:

(EUR/000)	30/06/2015	31/12/2014	changes
FISC	161	161	-
Product warranty	1,137	1,239	(102)
Other provisions	3	3	-
Total	**1,301**	**1,403**	**(102)**

The item relating to repair charges for products under guarantee mainly decreased owing to the adjustment of the provision during the year; at the end of the year, a check was conducted to ensure that the provision was appropriate, with a positive outcome.

The provision was EUR 273 thousand, and is in line with the volume of revenues and the regularity with which events have historically occurred.

The "end-of-employment indemnity to be paid to agents" mainly reflects the value of the charge pending on subsidiary Gefran Deutschland GmbH, for ongoing contractual changed with a number of agents.

26. Disposal of non-current assets shown in the cash flow statement

This was EUR 132 thousand, compared with EUR 1,424 thousand in the first half of 2014. While the cash flow in the first half of 2015 was wholly due to the sale of certain technical assets, in the first half of 2014, it was mainly generated by the sale of the LAT 11 calibration laboratory.

27. Guarantees granted, commitments and other contingent liabilities

Guarantees granted

At 30 June 2015, the Group had granted guarantees on the liabilities and commitments of third parties or subsidiaries for EUR 7,785 thousand, a decrease of EUR 889 thousand on the figure for 31 December 2014, as shown in the table below:

(EUR/000)	**2015**	**2014**
UBI Leasing	3,143	3,180
BNL	2	4
Banca Intesa	1,100	1,110
Banca Passadore	2,750	3,500
Banco di Brescia	790	880
Total	7,785	8,674

A guarantee in favour of UBI Leasing was issued for a total of EUR 3,143 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 1,100 thousand in favour of Banca Intesa relates to a simple letter of patronage issued to guarantee the credit lines of Elettropiemme S.r.l..

Legal proceedings and disputes

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

Commitments

The main operating lease contracts relate to property rentals, electronic equipment and company vehicles. As of the reporting date, the rents still owed by the Group in respect of irrevocable operating lease contracts was EUR 2,670 thousand; of this amount, EUR 2,580 thousand falls due within the next five years, and the remaining EUR 120 thousand after five years.

28. 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.: a company in which Ennio Franceschetti (Chairman and Chief Executive Officer 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 Adriano Chinello (director with strategic responsibilities) is a member of the Board of Directors.
- Francesco Franceschetti elastomeri S.r.l.: a company in which Ennio Franceschetti (Chairman and Chief Executive Officer of Gefran S.p.A.) is a member of the Board of Directors.

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

Company	**Costs and Charges**		**Revenues and income**	
(EUR/000)	**2015**	**2014**	**2015**	**2014**
Elettropiemme S.r.l.	0	2	23	34
Climat S.r.l.	55	59	0	2
Axel S.r.l.	17	19	7	3
Francesco Franceschetti elastomeri S.r.l.	0	N/A	77	N/A
Total	**72**	**80**	**107**	**39**

Company	**Receivables and other assets**		**Payables and other liabilities**	
(EUR/000)	**30/06/2015**	**31/12/2014**	**30/06/2015**	**31/12/2014**
Elettropiemme S.r.l.	8	6	0	3
Climat S.r.l.	93	77	105	100
Axel S.r.l.	16	70	15	25
Francesco Franceschetti elastomeri S.r.l.	0	N/A	0	N/A
Total	**117**	**153**	**120**	**128**

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.

29. 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, 06 August 2015

For the Board of Directors

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

CONSOLIDATED INCOME STATEMENT ANALYSIS BY QUARTER

Consolidated income statement by quarter

	(EUR/000)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	TOT 2014	Q1 2015	Q2 2015	TOT 2015
a	Revenues	29,596	32,144	31,801	36,086	**129,627**	30,309	29,556	**59,865**
b	Consumption of materials and products	10,436	11,875	12,960	14,444	**49,715**	9,810	9,995	**19,805**
c	Added value (a-b)	19,160	20,269	18,841	21,642	**79,912**	20,499	19,561	**40,060**
d	Other operating costs	5,619	4,546	5,069	6,582	**21,816**	6,395	6,673	**13,068**
e	Personnel costs	11,737	12,978	10,800	11,866	**47,381**	12,753	12,485	**25,238**
f	Increases for internal work	548	548	529	596	**2,221**	503	480	**983**
g	EBITDA (c-d-e+f)	2,352	3,293	3,501	3,790	**12,936**	1,854	883	**2,737**
h	Depreciation, amortisation and impairments	1,663	1,622	1,637	1,433	**6,355**	1,601	1,596	**3,197**
i	EBIT (g-h)	689	1,671	1,864	2,357	**6,581**	253	(713)	**(460)**
l	Gains (losses) from financial assets/liabilities	(399)	(325)	496	(458)	**(686)**	1,175	(1,095)	**80**
m	Gains (losses) from shareholdings value at equity	(19)	44	21	(10)	**36**	6	69	**75**
n	Profit (loss) before tax (i+-l+-m)	271	1,390	2,381	1,889	**5,931**	1,434	(1,739)	**(305)**
o	Taxes	(886)	(429)	(531)	(1,333)	**(3,179)**	(229)	(700)	**(929)**
p	Result from operating activities (n+-o)	(615)	961	1,850	556	**2,752**	1,205	(2,439)	**(1,234)**
q	Profit (loss) from assets held for sale	(669)	(1,009)	(513)	(785)	**(2,976)**	(141)	(46)	**(187)**
r	Group net profit (loss) (p+-q)	(1,284)	(48)	1,337	(229)	**(224)**	1,064	(2,485)	**(1,421)**

Consolidated income statement by quarter – excluding non-recurring items

	(EUR/000)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	TOT 2014	Q1 2015	Q2 2015	TOT 2015
a	Revenues	29,266	32,144	31,801	35,711	**128,922**	30,309	29,556	**59,865**
b	Consumption of materials and products	10,436	11,875	12,960	14,444	**49,715**	9,810	9,995	**19,805**
c	Added value (a-b)	18,830	20,269	18,841	21,267	**79,207**	20,499	19,561	**40,060**
d	Other operating costs	5,619	5,929	5,069	6,582	**23,199**	6,395	6,673	**13,068**
e	Personnel costs	11,737	12,078	10,800	11,743	**46,358**	12,753	12,485	**25,238**
f	Increases for internal work	548	548	529	596	**2,221**	503	480	**983**
g	EBITDA (c-d-e+f)	2,022	2,810	3,501	3,538	**11,871**	1,854	883	**2,737**
h	Depreciation, amortisation and impairments	1,663	1,622	1,637	1,433	**6,355**	1,601	1,596	**3,197**
i	EBIT (g-h)	359	1,188	1,864	2,105	**5,516**	253	(713)	**(460)**
l	Gains (losses) from financial assets/liabilities	(399)	(325)	496	(458)	**(686)**	1,175	(1,095)	**80**
m	Gains (losses) from shareholdings value at equity	(19)	44	21	(10)	**36**	6	69	**75**
n	Profit (loss) before tax (i+-l+-m)	(59)	907	2,381	1,637	**4,866**	1,434	(1,739)	**(305)**
o	Taxes	(886)	(429)	(531)	(1,333)	**(3,179)**	(229)	(700)	**(929)**
p	Result from operating activities (n+-o)	(945)	478	1,850	304	**1,687**	1,205	(2,439)	**(1,234)**
q	Profit (loss) from assets held for sale	(669)	(709)	(513)	(785)	**(2,676)**	(141)	(46)	**(187)**
r	Group net profit (loss) (p+-q)	(1,614)	(231)	1,337	(481)	**(989)**	1,064	(2,485)	**(1,421)**

ANNEXES

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

End-of-period exchange rates

Currency	30 June 2015	31 December 2014	30 June 2014
Swiss franc	1.0413	1.2024	1.2156
Pound sterling	0.7114	0.7789	0.8015
US dollar	1.1189	1.2141	1.3658
Brazilian real	3.4699	3.2207	3.0002
Chinese renminbi	6.9366	7.5358	8.4722
Indian rupee	71.1873	76.7190	82.2023
South African rand	13.6416	14.0353	14.4597
Turkish lira	2.9953	2.8320	2.8969

Average exchange rates in the period

Currency	1H 2015	2014	1H 2014
Swiss franc	1.0565	1.2146	1.2214
Pound sterling	0.7324	0.8064	0.8214
US dollar	1.1159	1.3288	1.3705
Brazilian real	3.3077	3.1228	3.1495
Chinese renminbi	6.9411	8.1883	8.4517
Indian rupee	70.1224	81.0689	83.2930
South African rand	13.2991	14.4065	14.6763
Turkish lira	2.8620	2.9070	2.9675

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	Uxbridge	UK	GBP	4,096,000	Gefran S.p.A.	100.00
Gefran Deutschland Gmbh	Seligenstadt	Germany	EUR	365,000	Gefran S.p.A.	100.00
Siei Areg GmbH	Pleidelsheim	Germany	EUR	150,000	Gefran S.p.A.	100.00
Gefran France S.A.	Lyon	France	EUR	800,000	Gefran S.p.A.	99.99
Gefran Benelux Nv	Geel	Belgium	EUR	344,000	Gefran S.p.A.	100.00
Gefran Inc	Winchester	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	EUR	3,359,369	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Pte Ltd	Shanghai	China (People's Rep.)	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric Pte Ltd	Shanghai	China (People's Rep.)	RMB	1,005,625	Gefran Siei Asia	100.00
Gefran South Africa (Pty) Ltd	Milnerton City	Rep. South Africa	ZAR	2,000,100	Gefran S.p.A.	100.00
Sensormate AG	Aadorf	Switzerland	CHF	100,000	Gefran S.p.A.	100.00
Gefran Middle East Ltd. Sti	Istanbul	Turkey	TRL	100,000	Gefran S.p.A.	100.00
Gefran Soluzioni S.r.l.	Provaglio d'Iseo	Italy	EUR	100,000	Gefran S.p.A.	100.00

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	8,098,958	Gefran S.p.A.	16.56
Woojin Machinery Co Ltd	Seoul	South Korea	WON	3,200,000,000	Gefran S.p.A.	2.00
Inn. Tec. S.r.l.	Brescia	Italy	EUR	918,493	Gefran S.p.A.	12.87
UBI Banca S.c.p.A.	Bergamo	Italy	EUR	2,254,368,000	Gefran S.p.A.	n/s

30. 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 consolidated financial statements in the first half of 2015.

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, 06 August 2015

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

EXTERNAL AUDITORS' REPORT

Tel: +39 02 58.20.10
Fax: +39 02 58.20.14.03
www.bdo.it

Viale Abruzzi n. 94
20131 Milano

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Stockholders of
GEFRAN S.p.A.

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of GEFRAN S.p.A. and its subsidiaries (the GEFRAN Group) as of 30 June 2015, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. The directors GEFRAN S.p.A. are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a fullscope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of the GEFRAN Group as of 30 June 2015 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Other issues

The consolidated financial statements for the year ended 31 December 2014 and the consolidated condensed interim financial statements for the period ended June 30, 2014 were respectively audited and reviewed by BDO S.p.A., on March 27, 2015, expressed an unmodified opinion on the consolidated financial statements, and on August 1, 2014, expressed a conclusion without modification on the interim financial statements.

Brescia, August 6, 2015

BDO Italia S.p.A.

Signed by Pasquale Errico
(Partner)

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