GEFRAN GROUP

SEMI-ANNUAL FINANCIAL REPORT

AS AT 30 JUNE 2016

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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

PricewaterhouseCoopers S.p.A.

On 21 April 2016, the ordinary shareholders' meeting of Gefran S.p.A. engaged auditing firm PricewaterhouseCoopers S.p.A. to audit the separate financial annual report and the semi-annual financial report of Gefran S.p.A., as well as the consolidated financial annual report and semi-annual financial report of the Gefran Group for a period of nine years until the approval of the 2024 financial statements, in accordance with Legislative Decree 39/2010.

(*) 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 reclassified 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
- **Working capital**: the algebraic sum of the following items in the statement of financial position:
    - Inventories
    - Trade receivables
    - Trade payables
    - Other assets
    - Tax receivables
    - Current provisions
    - Tax payables
    - Other liabilities
- **Net invested capital**: the algebraic sum of fixed assets, 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 of position, pressure, force and temperature - which are used in many industrial sectors.

Gefran stands out for its technological leadership. 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 80% 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.

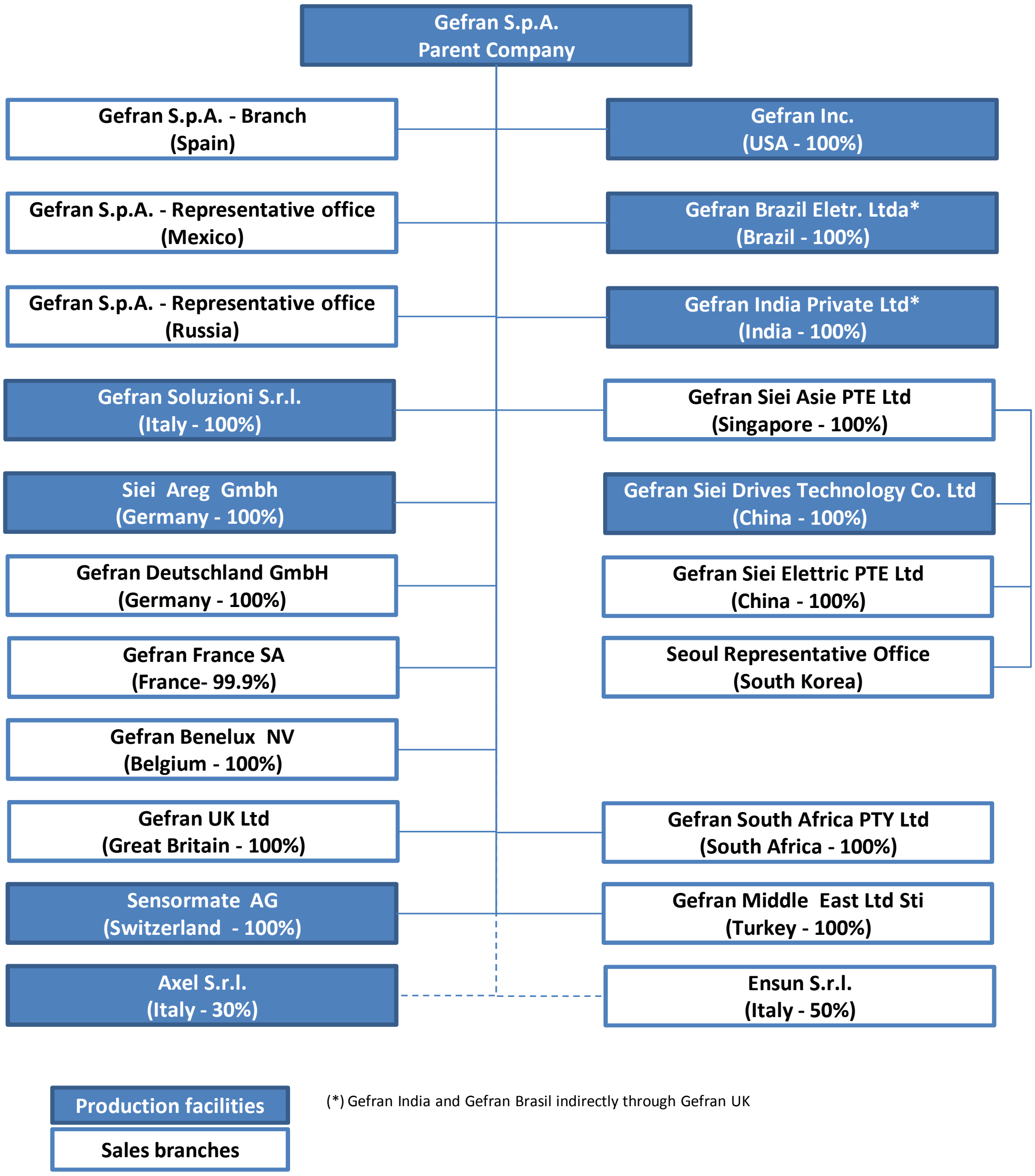
Gefran sets itself apart with its expertise in hardware and software acquired in over thirty years of experience. Gefran is one of the main Italian manufacturers in these product lines, and generates around half of its sales through exports.

Drives

The drives business develops products and solutions to regulate speed and control AC, DC and brushless electric motors. Products (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 71% of its revenues abroad.

4. STRUCTURE OF THE GEFRAN GROUP



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

5. SUMMARY OF GROUP PERFORMANCE

The first half of 2016 closed with revenues of EUR 59,662 thousand, in line with the same period of the previous year. Revenue performance in the last three quarters has shown signs of recovery, confirming a reversal of general trends starting from the fourth quarter of 2015.

The new orders figure was positive at EUR 33,483 thousand in the second quarter of 2016, an increase both on the previous quarter and on the same period of 2015. The backlog as at 30 June 2016 totalled EUR 21,740 thousand, an increase of EUR 4,063 compared to the figure of the same period of 2015, supported by the upturn in orders.

Compared to the first half of 2015, the performance of the sensor business slightly increased (+0.8%), sales of automation components were stable whereas there was a reduction in the sales of drives (-2.9%).

In line with the business plan that affected all the companies of the Group, the reorganisation of internal processes made the structure more efficient, reducing the number of employees and their cost, as well as a decreased use of resources in the form of services.

EBITDA stood at 7.8% of revenues, and EBIT at 2.5%; both ratios were negatively influenced by the impact of the non-recurring components during the half-year of EUR 1,518 thousand, and without which they would have been 10.4% and 5.1% of revenues respectively.

Net debt amounted to EUR 18,484 thousand, an improvement of EUR 6,394 thousand compared to the figure as at 31 December 2015, thanks to the return to profit of the Group as well as to the reduction in working capital, also as EBIT margin.

During the second quarter, all the letters of “Waiver” relating to the loans for which, as at 31 December 2015, the terms of the financial covenant related to the ratio between net debt and EBITDA had not been complied with were formalised. All the banks involved informed of the waiver to request early repayment.

A procedure for redundancies was formally opened by the Parent Company in February, involving a total of 55 employees against which a total of EUR 1,700 thousand in restructuring costs was allocated .

On 21 March 2016, negotiations were completed on the sale of the company branch involved in the distribution of automation sensors and components in Spain/Portugal, sold to a Spanish distributor who had been a former customer of Gefran, for a gross payment of EUR 650 thousand.

Moreover, negotiations for the sale of the photovoltaic division continued in the first half-year. Their conclusion was further postponed.

Finally, during the first half-year, the Group invested in tangible and intangible assets of EUR 1,563 thousand (EUR 2,736 thousand in the first half of 2015).

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

The reclassifications of the financial statements, made in accordance with the standard IFRS 5 "Non-current assets held for sale and discontinued operations"- relating to the decisions made regarding the sale of the photovoltaic division and the company branch involved in the distribution of automation sensors and components in Spain/Portugal - were applied retrospectively, also to the figures for the first half of 2015.

The amounts shown below only refer to continuing operations, unless otherwise specified.

Group income statement highlights

(EUR/000)	30 June 2016		30 June 2015		2Q 2016		2Q 2015	
Revenues	59,662	100.0%	59,865	100.0%	30,138	100.0%	29,556	100.0%
EBITDA	4,626	7.8%	2,737	4.6%	2,912	9.7%	883	3.0%
EBIT	1,512	2.5%	(460)	-0.8%	1,355	4.5%	(713)	-2.4%
Profit (loss) before tax	846	1.4%	(305)	-0.5%	1,528	5.1%	(1,739)	-5.9%
Result from operating activities	55	0.1%	(1,234)	-2.1%	1,253	4.2%	(2,439)	-8.3%
Profit (loss) from assets held for sale	486	0.8%	(187)	-0.3%	0	0.0%	(46)	-0.2%
Group net profit (loss)	541	0.9%	(1,421)	-2.4%	1,253	4.2%	(2,485)	-8.4%

Group income statement highlights, excluding non-recurring components

(EUR/000)	30 June 2016		30 June 2015		2Q 2016		2Q 2015	
Revenues	59,141	100.0%	59,865	100.0%	30,138	100.0%	29,556	100.0%
EBITDA	6,144	10.4%	2,737	4.6%	3,059	10.1%	883	3.0%
EBIT	3,030	5.1%	(460)	-0.8%	1,502	5.0%	(713)	-2.4%
Profit (loss) before tax	2,364	4.0%	(305)	-0.5%	1,675	5.6%	(1,739)	-5.9%
Result from operating activities	1,573	2.7%	(1,234)	-2.1%	1,400	4.6%	(2,439)	-8.3%
Profit (loss) from assets held for sale	486	0.8%	(187)	-0.3%	0	0.0%	(46)	-0.2%
Group net profit (loss)	2,059	3.5%	(1,421)	-2.4%	1,400	4.6%	(2,485)	-8.4%

Group statement of financial position highlights

(EUR/000)	30 June 2016	31 December 2015
Invested capital from operations	79,837	86,508
Net working capital	36,185	40,166
Shareholders' equity	62,567	62,984
Net debt	(18,484)	(24,878)

(EUR/000)	30 June 2016	30 June 2015
Operating cash flow	8,638	(1,469)
Investments	1,563	2,736

7. GROUP PERFORMANCE IN THE SECOND QUARTER OF 2016

	(EUR/000)	2Q 2016 Excl. non-rec.	2Q 2016 Incl. non-rec.	2Q 2016 Final	2Q 2015 Excl. non-rec.	2Q 2015 Incl. non-rec.	2Q 2015 Final	2016-2015 Chg. Excl. non-rec. Value	%
a	Revenues	30,138		30,138	29,556		29,556	582	2.0%
b	Increases for internal work	292		292	480		480	(188)	-39.2%
c	Consumption of materials and products	10,526		10,526	9,995		9,995	531	5.3%
d	Added value (a+b-c)	19,904	0	19,904	20,041	0	20,041	(137)	-0.7%
e	Other operating costs	5,628		5,628	6,673		6,673	(1,045)	-15.7%
f	Personnel costs	11,217	(147)	11,364	12,485		12,485	(1,268)	-10.2%
g	EBITDA (d-e-f)	3,059	147	2,912	883	0	883	2,176	246.4%
h	Depreciation, amortisation and impairment	1,557		1,557	1,596		1,596	(39)	-2.4%
i	EBIT (g-h)	1,502	147	1,355	(713)	0	(713)	2,215	-310.7%
l	Gains (losses) from financial assets/liabilities	139		139	(1,095)		(1,095)	1,234	-112.7%
m	Gains (losses) from shareholdings value at equity	34		34	69		69	(35)	-50.7%
n	Profit (loss) before tax (i±l±m)	1,675	147	1,528	(1,739)	0	(1,739)	3,414	-196.3%
o	Taxes	(275)		(275)	(700)		(700)	425	-60.7%
p	Result from operating activities (n±o)	1,400	147	1,253	(2,439)	0	(2,439)	3,839	-157.4%
q	Profit (loss) from assets held for sale	0		0	(46)		(46)	46	-100.0%
r	Group net profit (loss) (p±q)	1,400	147	1,253	(2,485)	0	(2,485)	3,885	-156.3%

For the second quarter of 2016, **revenues** were EUR 30,138 thousand, an increase of EUR 582 thousand or 2.0% on the same period of 2015, mainly thanks to the recovery registered on the Asian market.

New orders in the second quarter totalled EUR 33,483 thousand, up by EUR 1,097 thousand (+3.4%) compared to the second quarter of 2015. The recovery recorded by the orders is mainly due to the positive performances of sensors, up 10.3% compared to the second quarter of 2015.

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

(EUR/000)	2Q 2016	%	Q2 2015	%	2016-2015 Chg. value	%
Italy	8,793	29.2%	9,088	30.7%	(295)	-3.2%
European Union	8,301	27.5%	8,215	27.8%	86	1.0%
Non-EU Europe	1,805	6.0%	1,632	5.5%	173	10.6%
North America	3,541	11.7%	3,675	12.4%	(134)	-3.6%
South America	1,011	3.4%	1,125	3.8%	(114)	-10.1%
Asia	6,484	21.5%	5,650	19.1%	834	14.8%
Rest of the World	203	0.7%	171	0.6%	32	18.7%
Total	**30,138**	**100%**	**29,556**	**100%**	**582**	**2%**

In the breakdown by **geographical region,** we point out (compared to the second quarter of 2015, the +14.8% in Asia, the +10.6% in non-EU Europe and the +18.7% in the rest of the world. Europe was slightly higher than last year in terms of revenues, while the other reference markets were down.

In Italy, the Group closed the quarter with a decline of EUR 295 thousand compared to the second quarter of 2015 (-3.2%).

The table below summarises the results by business area in the second quarter of 2016 and shows a comparison with the same period of the previous year:

	2Q 2016					2Q 2015				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
(EUR/000)										
Sensors	12,669	3,359	26.5%	2,801	22.1%	12,446	3,093	24.9%	2,573	20.7%
Automation components	8,495	803	9.5%	340	4.0%	8,239	117	1.4%	(387)	-4.7%
Drives	9,842	(1,250)	-12.7%	(1,786)	-18.1%	9,744	(2,327)	-23.9%	(2,899)	-29.8%
Eliminations	(868)					(873)				
Total	30,138	2,912	9.7%	1,355	4.5%	29,556	883	3.0%	(713)	-2.4%

The breakdown of **revenues by business area** shows a growth compared to the same period of 2015 that affected all businesses, amounting to EUR 256 thousand (+3.1%) for Automation components, EUR 223 thousand (+1.8%) for sensors and EUR 98 thousand (+1.0%) for drives, respectively.

The **added value** of the second quarter of EUR 19,904 thousand (66.0% of revenues) fell slightly compared to the second quarter of 2015 (-0.7%) despite growth in revenues, due to the growth in the incidence on sales of raw materials (from 33.8% of the second quarter of 2015 to the current 34.9%) and to the decrease at the same time of the capitalisation of costs for research and development, down by EUR 188 thousand compared to the same period of 2015. Growth in revenues generated an increase in added value of EUR 379 thousand, the decrease in margins eroded added value of EUR 328 thousand whereas the reduction on the capitalisation of development costs had a negative impact on added value of EUR 188 thousand.

Other operating costs totalled EUR 5,628 thousand in the second quarter of 2016, decreasing by EUR 1,045 thousand (equal to 15.7%) compared to the second quarter of 2015. This saving was achieved thanks to an increased efficiency as a result of the reorganisation of the Group's processes. As a percentage of revenues, these costs therefore fell from 22.6% in the second quarter of 2015 to the current figure of 18.7%.

Personnel costs amounted to EUR 11,364 thousand in the second quarter of 2016 compared to EUR 12,485 thousand in the same period of 2015; decreasing by EUR 1,121 thousand, it mainly reflects the benefits of the significant reorganisation of the Group subsidiaries and of Gefran S.p.A.; as at 30 June 2016, the number of employees decreased by 40 resources compared to December 2015, reaching 91 compared to 30 June 2015, in particular in the Parent Company.

Personnel costs in the second quarter of 2016 included non-recurring restructuring costs of EUR 147 thousand, resulting from specific measures put in place in the Group's German and Chinese subsidiaries; without these charges, personnel costs for the quarter were EUR 11,217 thousand, with 37.2% as a percentage of revenues, improving by 5 points compared to 42.2% of the same period of 2015.

EBITDA of the second quarter amounted to EUR 2,912 thousand, up by EUR 2,029 thousand compared to the same period of 2015 and equivalent to 9.7% of revenues (3.0% in the second quarter of 2015), owing to the combined effect of increases in revenues and savings achieved on the other operating costs and on personnel costs.

Excluding the non-recurring components, EBITDA for the second quarter of 2016 was EUR 3,059 thousand (equivalent to 10.1% of revenues).

EBIT was positive in the second quarter of 2016, and amounted to EUR 1,355 thousand, compared to a negative EBIT of EUR 713 thousand for the same period of 2015.

Excluding the already mentioned negative non-recurring components of EUR 147 thousand, EBIT for the fourth quarter was EUR 1,502 thousand, an improvement of EUR 2,215 thousand compared to the same period of 2015.

Net financial charges were EUR 139 thousand in the second quarter of 2016, compared to net financial charges of EUR 1,095 thousand in the second quarter of 2015. They include financial charges relating to Group debt of EUR 207 thousand, financial income of EUR 34 thousand and the positive balance of EUR 312 thousand resulting from differences in currency transactions (this was a negative amount of EUR 778 thousand in the second quarter of 2015).

Gains from equity investments valued at equity were EUR 34 thousand (EUR 69 thousand in the second quarter of 2015), and mainly relate to the portion of positive result of the Ensun S.r.l. Group.

Taxes were negative in the amount of EUR 275 thousand in the second quarter of 2016, compared to a negative figure of EUR 700 thousand in the same period of the previous year. They comprise negative current taxes of EUR 442 thousand (EUR 482 thousand in the second quarter of 2015), almost entirely attributable to local taxes due from foreign subsidiaries, and positive deferred taxes amounting to EUR 167 thousand (negative in the amount of EUR 218 thousand in the second quarter of 2015).

The **result from operating activities** in the second quarter of 2016 was positive in the amount of EUR 1,253 thousand, compared to a negative figure of EUR 2,439 thousand in the same period of 2015.

Excluding non-recurring components, the result from operating activities of the quarter was positive in the amount of EUR 1,400 thousand, equivalent to 4.6% of revenues, an improvement of EUR 3,839 thousand compared to the second quarter of 2015.

The **result from assets held for sale** in the second quarter of 2016 was EUR 0, compared to a loss of EUR 46 thousand in the second quarter of 2015. 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 net profit** of the second quarter of 2016 was EUR 1,253 thousand, compared to a loss of EUR 2,485 thousand in the same period of 2015.

Excluding non-recurring components, Group net profit of the second quarter of 2016 was EUR 1,400 thousand.

8. GROUP PERFORMANCE AS AT 30 JUNE 2016

The main income statement items and comments are shown below.

	(EUR/000)	30-Jun-16			30-Jun-15			2016-2015 Chg.	
		Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec.	Incl. non-rec.	Final	Excl. non-rec. Value	%
a	Revenues	59,141	(521)	59,662	59,865		59,865	(724)	-1.2%
b	Increases for internal work	700		700	983		983	(283)	-28.8%
c	Consumption of materials and products	20,065		20,065	19,805		19,805	260	1.3%
d	Added value (a+b-c)	39,776	(521)	40,297	41,043	0	41,043	(1,267)	-3.1%
e	Other operating costs	11,191		11,191	13,068		13,068	(1,877)	-14.4%
f	Personnel costs	22,441	(2,039)	24,480	25,238		25,238	(2,797)	-11.1%
g	EBITDA (d-e-f)	6,144	1,518	4,626	2,737	0	2,737	3,407	124.5%
h	Depreciation, amortisation and impairment	3,114		3,114	3,197		3,197	(83)	-2.6%
i	EBIT (g-h)	3,030	1,518	1,512	(460)	0	(460)	3,490	-758.7%
l	Gains (losses) from financial assets/liabilities	(622)		(622)	80		80	(702)	-877.5%
m	Gains (losses) from shareholdings value at equity	(44)		(44)	75		75	(119)	-158.7%
n	Profit (loss) before tax (i±l±m)	2,364	1,518	846	(305)	0	(305)	2,669	-875.1%
o	Taxes	(791)		(791)	(929)		(929)	138	-14.9%
p	Result from operating activities (n±o)	1,573	1,518	55	(1,234)	0	(1,234)	2,807	-227.5%
q	Profit (loss) from assets held for sale	486		486	(187)		(187)	673	-359.9%
r	Group net profit (loss) (p±q)	2,059	1,518	541	(1,421)	0	(1,421)	3,480	-244.9%

Revenues in the first half of 2016 totalled EUR 59,662 thousand, compared to EUR 59,865 thousand in the same period of 2015. Revenues for the first half of 2016 included government funds recorded by the Chinese subsidiary, equal to EUR 521 thousand, relating to incentives for research and development granted to technology companies. Excluding these government funds, the decrease in revenues amounted to EUR 724 thousand (-1.2%) and was entirely due to the unfavourable exchange-rate trend in Asia and South America, net of which revenues are in line with the first half of 2015.

New orders in the first half-year amounted to EUR 66,161 thousand, up by EUR 3,317 thousand (+5.3%) compared to new orders of the first half of 2015. The backlog amounted to EUR 21,740 thousand, up by 23% compared to the figure recorded as at 30 June 2015. New orders also increased for all businesses of the Group; more specifically, in contactless position transducers for the Sensor business, in the family of power controllers for the Automation component business and in products for the Lift sector of Drive business.

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

(EUR/000)	1H 2016	%	1H 2015	%	2016-2015 Chg. value	%
Italy	17,649	29.6%	17,715	29.6%	(66)	-0.4%
European Union	16,567	27.8%	16,378	27.4%	189	1.2%
Non-EU Europe	3,274	5.5%	3,212	5.4%	62	1.9%
North America	7,416	12.4%	6,918	11.6%	498	7.2%
South America	1,875	3.1%	2,337	3.9%	(462)	-19.8%
Asia	12,567	21.1%	13,034	21.8%	(467)	-3.6%
Rest of the World	314	0.5%	271	0.5%	43	15.9%
Total	**59,662**	**100%**	**59,865**	**100%**	**(203)**	**-0.3%**

The breakdown by **geographical region** shows that there was significant growth in North America (+7.2% compared to the same period in 2015), in the European Union (+1.2%), the Non-EU Europe (+1.9%), and the rest of the world (+15.9%), stable in Italy (-0.4%), while the other reference markets were down.

Sales in the South American market decreased by EUR 462 thousand compared to the first half of 2015 and were adversely affected by the trend of the Brazilian Real against the Euro, which had a negative impact on revenues of the half-year of EUR 386 thousand, net of which sales in the area would have shown a less significant decrease (-3.3%).

Revenues in Asia as at 30 June 2016 totalled EUR 12,567 thousand, compared to revenues of EUR 13,034 thousand in the same period of 2015. Sales in this area were negatively affected by the trends in exchange rates, which had an overall impact of EUR 425 thousand on half-year revenues.

Results by business area as at 30 June 2016 and a comparison with the previous year are shown below.

	30 June 2016					30 June 2015				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
(EUR/000)										
Sensors	25,237	6,678	26.5%	5,576	22.1%	25,046	6,125	24.5%	5,077	20.3%
Automation components	16,484	680	4.1%	(253)	-1.5%	16,494	215	1.3%	(828)	-5.0%
Drives	19,536	(2,732)	-14.0%	(3,811)	-19.5%	20,126	(3,603)	-17.9%	(4,709)	-23.4%
Eliminations	(1,595)					(1,801)				
Total	59,662	4,626	7.8%	1,512	2.5%	59,865	2,737	4.6%	(460)	-0.8%

The breakdown of **revenues by business** shows a slight increase in the Sensor business by 0.8%, stable revenues in the automation component business and a 2.9% decrease in Drives.

Added value was EUR 40,297 thousand (67.5% of revenues) in the first half-year, a decrease compared to the first half of 2015 both in absolute terms (EUR 746 thousand), and as a percentage (-1.0%). This decrease in added value is due to the decrease in revenues of EUR 135 thousand, lower margins of EUR 329 thousand and decrease in capitalised research and development costs of EUR 283 thousand.

Not including the non-recurring income from government incentives granted to the Chinese subsidiary, amounting to EUR 521 thousand, the added value was EUR 39,776 thousand for the first half of 2016 (67.3% of revenues), compared to EUR 41,043 thousand of the same period of 2015.

Other operating costs amounted to EUR 11,191 thousand in the first half of 2016 (EUR 13,068 thousand in the same period of 2015), a decrease of EUR 1,877 thousand (-14.4%); these savings were achieved through improved efficiency following the reorganisation of the Group processes and especially in Gefran S.p.A. As a percentage of revenues, these costs therefore fell from 21.8% in the first half of 2015 to the current figure of 18.8%.

Personnel costs amounted to EUR 24,480 thousand in the first half of 2016 compared to EUR 25,238 thousand in the same period of 2015; the decrease of EUR 758 thousand reflects the positive effect of the significant reorganisation of the Group subsidiaries and of Gefran S.p.A. The benefits of this semi-annual report exceed the effects of non-recurring restructuring costs, borne by the Parent Company Gefran S.p.A. for winding-up the Spanish branch (EUR 192 thousand), opening the procedure for redundancies of 55 employees in the Italian factories (EUR 1,700 thousand) and by the German and Chinese branches (EUR 147 thousand) for targeted restructuring.

Not including these non-recurring components, negative in the amount of EUR 2,039 thousand, personnel costs amounted to EUR 22,441 thousand, down EUR 2,797 thousand compared to the first half of 2015 and with an EBITDA margin of 37.9%, 4.2 percentage points lower than the figure of the first half of 2015.

EBITDA amounted to EUR 4,626 thousand in the first half-year (EUR 2,737 thousand in the same period of 2015), equal to 7.8% of revenues, increasing by EUR 1,889 thousand compared to the same period of 2015 in absolute terms and by 3.2 points as a percentage of revenues.

Excluding the non-recurring components, EBITDA for the first half of 2016 was EUR 6,144 thousand (equivalent to 10.4% of revenues), up compared to the same period in 2015 both in absolute terms (EUR 3,407 thousand) and in relation to the percentage to revenues (5.8 percentage points).

EBIT for the first half of 2016 was positive in the amount of EUR 1,512 thousand against a negative EBIT of EUR 460 thousand of the same period of 2015.

Excluding the above-mentioned non-recurring negative components of EUR 1,518 thousand, EBIT amounted to EUR 3,030 thousand, an improvement of EUR 3,490 thousand over the first half of 2015. The EBIT performance mirrored the dynamics of the EBITDA performance.

Net financial charges were EUR 622 thousand in the first half of 2016, compared to net financial charges of EUR 80 thousand in the same period of 2015. They include financial charges relating to Group debt of EUR 461 thousand (EUR 723 thousand as at 30 June 2015), financial income of EUR 60 thousand (EUR 89 thousand as at 30 June 2015) and the negative balance of EUR 221 thousand resulting from differences in currency transactions (this was a positive amount of EUR 832 thousand in the first half of 2015).

Losses from shareholdings valued at equity were EUR 44 thousand (positive and amounting to EUR 75 thousand in the first half of 2015), and mainly relate to the portion of negative result of the Ensun S.r.l. Group.

Taxes as at 30 June 2016 were negative and amounted to EUR 791 thousand, compared to EUR 929 thousand in the first-half of 2015. They comprise negative current taxes of EUR 898 thousand (EUR 760 thousand in the first half of 2015), mainly attributable to the local taxes of the foreign subsidiaries, and positive deferred taxes of EUR 107 thousand (negative and amounting to EUR 169 thousand in the same period of 2015), originating mainly from Gefran S.p.A. and the Chinese subsidiary Gefran Siei Drives Technology Co. Ltd.

The **result from operating activities** in the first half of 2016 was positive in the amount of EUR 55 thousand, compared to a negative figure of EUR 1,234 thousand in the first half of 2015.

Excluding all the above-mentioned non-recurring components, the result from operating activities was positive in the amount of EUR 1,573 thousand and with 2.7% as a percentage of revenues, an improvement of EUR 2,807 thousand compared to the first half of 2015.

The **profit from assets held for sale** was EUR 486 thousand in the first-half of 2016. It includes the result from the sale of the branch relating to the distribution of Automation Sensors and Components in Spain/Portugal to a Spanish distributor, compared to a negative result of EUR 187 thousand in the first half of 2015, which included the net result from operations in the photovoltaic sector.

Group net profit was EUR 541 thousand, compared to a loss of EUR 1,421 thousand in the first half of 2015.

Excluding the non-recurring components, the result for the first half of 2016 was a profit of EUR 2,059 thousand, an improvement compared to the same period of 2015 of EUR 3,480 thousand.

9. RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

The reclassified consolidated statement of financial position of the Gefran Group as at 30 June 2016 is shown below.

GEFRAN GROUP *(EUR/000)*	30-Jun-16	%	31-Dec-15	%
Intangible assets	14,784	18.2	15,126	17.2
Tangible assets	37,856	46.7	39,389	44.8
Financial assets	8,193	10.1	8,202	9.3
Net fixed assets	60,833	75.1	62,717	71.4
Inventories	22,766	28.1	22,674	25.8
Trade receivables	31,926	39.4	34,023	38.7
Trade payables	(18,507)	(22.8)	(16,531)	(18.8)
Other assets/liabilities	(7,861)	(9.7)	(8,246)	(9.4)
Working capital	28,324	34.9	31,920	36.3
Provisions for risks and future liabilities	(3,036)	(3.7)	(1,856)	(2.1)
Deferred tax provisions	(824)	(1.0)	(868)	(1.0)
Employee benefits	(5,460)	(6.7)	(5,405)	(6.2)
Invested capital from operations	79,837	98.5	86,508	98.5
Invested capital from assets held for sale	1,214	1.5	1,354	1.5
Net invested capital	**81,051**	**100.0**	**87,862**	**100.0**
Shareholders' equity	62,567	77.2	62,984	71.7
Medium- to long-term financial payables	20,717	25.6	10,879	12.4
Short-term financial payables	17,801	22.0	38,352	43.7
Financial liabilities for derivatives	320	0.4	274	0.3
Financial assets for derivatives	(6)	(0.0)	(25)	(0.0)
Cash and cash equivalents and short-term financial receivables	(20,348)	(25.1)	(24,602)	(28.0)
Net debt relating to operations	18,484	22.8	24,878	28.3
Total sources of financing	**81,051**	**100.0**	**87,862**	**100.0**

Net **non-current assets** as at 30 June 2016 amounted to EUR 60,833 thousand, compared to EUR 62,717 thousand as at 31 December 2015. The main changes were as follows:

- intangible assets registered an overall decrease of EUR 342 thousand. This includes increases for new investments (EUR 161 thousand), the capitalisation of development costs (EUR 698 thousand), as well as decreases due to amortisation for the period (EUR 1,144 thousand) and negative exchange rate effects on goodwill and other intangible assets (EUR 57 thousand).
- Tangible assets decreased by EUR 1,533 thousand compared to 31 December 2015. Depreciation totalled EUR 1,970 thousand, in addition to which there were net decreases for disposals (EUR 95 thousand) and negative exchange rate differences (EUR 171 thousand), partly offset by investments for the period (EUR 703 thousand).
- Financial assets totalled EUR 8,193 thousand as at 30 June 2016, broadly in line with the figure for 31 December 2015 (EUR 8,202 thousand).

Operating capital was EUR 28,324 thousand as at 30 June 2016, compared to EUR 31,920 thousand as at 31 December 2015, an overall decrease of EUR 3,596 thousand. The main changes were as follows:

- Inventories, broadly in line with the figure of December 2015, amounted to EUR 22,766 thousand. The most significant changes include, on the one hand, a write-down of inventories of the Chinese subsidiary GSDT, offset by an increase in inventories recorded in the Parent Company Gefran S.p.A.;
- Trade receivables totalled EUR 31,926 thousand, a decrease of EUR 2,097 thousand compared to 31 December 2015, mainly owing to the fewer average days for collection;
- Trade payables amounted to EUR 18,507 thousand and rose by EUR 1,976 thousand compared to 31 December 2015, thanks to the rise in average payment days of suppliers, especially in the Parent Company Gefran S.p.A.;
- Other net assets and liabilities, negative in the amount of EUR 7,861 thousand as at 30 June 2016, were down by EUR 385 thousand compared to the previous year (EUR 8,246 thousand as at 31 December 2015).

Provisions for risks and liabilities were EUR 3,036 thousand, an increase over 31 December 2015 of EUR 1,180 thousand for allocation of the restructuring provision for the Parent Company Gefran S.p.A., with the residual value amounting to EUR 1,443 thousand as at 30 June 2016.

The **shareholders' equity** as at 30 June 2016 was EUR 62,567 thousand, compared to EUR 62,984 thousand as at 31 December 2015. The decrease is generated by the negative change in the translation reserve of EUR 823 thousand, valuation allowance at fair value of EUR 124 thousand and other reserves of EUR 11 thousand, partially absorbed by the positive result for the year of EUR 541 thousand.

The table below shows a reconciliation between the Parent Company's shareholders' equity and operating result and those of the consolidated financial statements:

	30/06/2016		31/12/2015	
(EUR/000)	Shareholders' equity	Result for the year	Shareholders' equity	Result for the year
Parent Company shareholders' equity and operating result	52,355	5,793	46,698	(1,346)
Shareholders' equity and operating result of the consolidated companies	37,288	836	43,029	7,226
Elimination of the carrying value of consolidated investments	(29,140)	0	(29,143)	152
Goodwill	3,663	0	3,663	0
Elimination of the effects of transactions conducted between consolidated companies	(1,600)	(6,087)	(1,263)	(10,801)
Group share of shareholders' equity and operating result	62,567	541	62,984	(4,769)
Minorities' share of shareholders' equity and operating result	-	-	-	-
Shareholders' equity and operating result	62,567	541	62,984	(4,769)

Net debt as at 30 June 2016 was negative and equal to EUR 18,484 thousand, EUR 6,394 thousand better than the figure as at 31 December 2015.

It breaks down as follows:

(EUR/000)	30/06/2016	31/12/2015	Changes
Cash and cash equivalents	20,348	24,602	(4,254)
Current financial payables	(17,801)	(38,352)	20,551
Financial liabilities for derivatives	(320)	(274)	(46)
Financial assets for derivatives	6	25	(19)
(Debt)/short-term cash and cash equivalents	**2,233**	**(13,999)**	**16,232**
Non-current bank debt	(20,717)	(10,879)	(9,838)
(Debt)/medium-/long-term cash and cash equivalents	**(20,717)**	**(10,879)**	**(9,838)**
Net debt	**(18,484)**	**(24,878)**	**6,394**

Net debt comprises short-term cash and cash equivalents of EUR 2,233 thousand and medium-/long-term debt of EUR 20,717 thousand.

With reference to the short-term cash and cash equivalents, as at 31 December 2015, the financial covenant relative to the ratio between net debt and EBITDA, as provided in some of the existing loan agreements, had not been complied with; this is why, as at 31 December 2015, the portions of medium/long term debt - relating to loans that did not comply with the terms of the above-mentioned covenant - were reclassified under short term debt. The reclassified debt amounted to EUR 15,032 thousand as at 31 December 2015.

However, during the second quarter of 2016, Gefran formalised with all the banks involved the letters of "waiver" with which they informed of the waiver to request early repayment. Moreover, the checks of the contractual restrictions updated to the figures as at 30 June 2016 show that the ratio of the financial covenants have been complied with; for these reasons, the loans that as at 31 December 2015 have not complied with their covenants were recorded as financial payables, in accordance with the repayment plans provided by contract.

The change in the net debt figure is mainly due to negative cash flow from ordinary operations (EUR 8,638 thousand) and from technical investments (EUR 1,554 thousand), stripping out the positive impact of the change in the shareholders' equity reserve (EUR 735 thousand).

10. CONSOLIDATED CASH FLOW STATEMENT

The Gefran Group consolidated cash flow statement as at 30 June 2016 shows a negative net change in cash at hand of EUR 4,254 thousand, compared to a positive change of EUR 2,400 thousand in the first half of 2015. The change was as follows.

(EUR/000)	**30-Jun-2016**	**30-Jun-2015**
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	24,602	20,732
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:	8,638	(1,469)
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES	(1,554)	(2,629)
D) FREE CASH FLOW (B+C)	7,084	(4,098)
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES	(11,792)	5,942
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)	(4,708)	1,844
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE	626	0
H) Currency translation differences on cash at hand	(172)	556
I) NET CHANGE IN CASH AT HAND (F+G+H)	(4,254)	2,400
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)	20,348	23,132

Cash flow generated by operations was positive in the amount of EUR 8,638 thousand in the period; specifically, operations in the first half of the year, net of the inflow of provisions, amortisation and depreciation and financial items, generated cash of EUR 4,657 thousand, while the decrease in working capital in the same period generated positive cash flow of EUR 3,981 thousand, owing to the effect of the reduction in trade receivables of EUR 2,097 thousand and the increase in trade payables of EUR 1,976 thousand.

Technical and financial investments, net of divestments, totalled EUR 1,554 thousand, compared to investments of EUR 2,629 thousand in the first half of 2015; in particular, financial investments generated a positive cash flow of EUR 9 thousand (positive in the amount of EUR 107 thousand as at 30 June 2015).
The technical investments amounted to EUR 1,563 thousand, a fall of EUR 1,173 thousand from the figure of EUR 2,736 thousand of 30 June 2015.

Free cash flow (operating cash flow excluding investment activities) was a positive EUR 7,084 thousand, compared to a negative figure of EUR 4,098 thousand for the first half of 2015; this was an improvement of EUR 11,182 thousand, thanks to the improvement of the cash flow generated by operations.

The loans absorbed EUR 11,792 thousand in cash, mainly for repayment of the loan instalments falling due (EUR 6,049 thousand) and the reduction in short-term financial liabilities (EUR 4,664 thousand). On the other hand, in the same period of 2015, loans contributed a total of EUR 5,942 thousand in cash due to taking out new loans (EUR 4,000 thousand), and more use of short-term financing (EUR 6,825 thousand).

The cash flow from operating assets held for sale was a positive amount of EUR 626 thousand, due to the sale of the company branch involved in the distribution of automation sensors and components in Spain/Portugal, finalised on 21 March 2016.

11. INVESTMENTS

Gross technical **investments** made in the first half of 2016 amounted to EUR 1,563 thousand (EUR 2,736 thousand as at 30 June 2015), and related to:

- investments in production plant and equipment of EUR 510 thousand in the Group's Italian factories, in the factories of the subsidiary Gefran India (EUR 54 thousand) and Gefran Brazil (EUR 67 thousand) and EUR 32 thousand in other Group subsidiaries;
- investments to upgrade the industrial buildings of the Parent Company of approximately EUR 41 thousand;
- the capitalisation of costs incurred in the period for new product development, totalling EUR 698 thousand;
- other investments in intangible assets, relating to management software licences and the development of ERP SAP, of EUR 161 thousand.

(EUR/000)	As at 30/06/2016	As at 30/06/2015
Intangible assets	859	1,462
Tangible assets	704	1,274
Total	1,563	2,736

Investments are broken down by individual business area below:

(EUR/000)	Sensors	Components	Drives	Total
Intangible assets	282	385	192	859
Tangible assets	487	154	63	704
Total	769	539	255	1,563

12. OPERATING ASSETS HELD FOR SALE

The operating assets held for sale include the assets related to the photovoltaic business know-how, with the terms of the sale currently being established.

The economic impact that can be specifically attributed to the photovoltaic business in the first-half of 2016 was not established, while there was a negative impact of EUR 187 thousand as at 30 June 2015.

The company branch relating to the distribution of the sensors and components for automation in Spain/Portugal, stated at EUR 140 thousand under assets held for sale as at 31 December 2015, was sold to a Spanish distributor on 21 March 2016, as part of the sales contract of the Group's assets in Spain/Portugal, implementing the decision by the Board of Directors to sell the aforementioned branch and the consequent winding-up of the Spanish branch.

The net result from the sale of the company branch involved in the distribution of automation sensors and components in Spain/Portugal was a positive amount of EUR 486 thousand.

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;
- the central operations 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)	30-Jun-16	30-Jun-15	2016-2015 Chg. value	%	2Q 2016	2Q 2015	2016-2015 Chg. value	%
Revenues	25,237	25,046	191	0.8%	12,669	12,446	223	1.8%
EBITDA	6,678	6,125	553	9.0%	3,359	3,093	266	8.6%
% of revenues	*26.5%*	*24.5%*			*26.5%*	*24.9%*		
EBIT	5,576	5,077	499	9.8%	2,801	2,573	228	8.9%
% of revenues	*22.1%*	*20.3%*			*22.1%*	*20.7%*		

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

	Italy	Europe	America	Asia	Rest of World
Revenues *(€/000.000)*	5.3	9.3	4.9	5.6	0.1
% of total	21%	37%	19%	22%	0%

Business performance

Revenues for the business amounted to EUR 25,237 thousand as at 30 June 2016, an increase of EUR 191 thousand compared to the figure of 30 June 2015. These revenues were negatively affected by exchange rate fluctuations, amounting to EUR 457 thousand compared to 30 June 2015.

Revenues by line of product: there was significant growth in contactless transducers (+12.3%) and force transducers (+18%) compared to the first half of 2015.

As at 30 June 2016, there was an increase in sales in North America (+7%) and in Asia (+4%), while there was a significant reduction in sales in South America (-24%), mainly due to the negative effect of exchange rate fluctuations.

With reference to the second quarter, revenues came in at EUR 12,669 thousand, up 1.8% from the figure of EUR 12,446 thousand registered in the same quarter of 2015.

EBITDA was EUR 6,678 thousand as at 30 June 2016, an increase of EUR 553 thousand (+9%) compared to the previous year when it was EUR 6,125 thousand. There were certain non-recurring items in the first half of 2016 related to allocations to the staff restructuring provision amounting to EUR 376 thousand; excluding these components, EBITDA was up by EUR 929 thousand with an increase in the margin due to the growth in volumes and especially to the reduction in operating management costs, due to the reorganisation of processes and of the structure.

EBIT as at 30 June 2016 was EUR 5,576 thousand, equal to 22.1% of revenues, compared to EBIT of EUR 5,077 thousand in the first half of 2015 (20.3% of revenues), with a positive change of EUR 499 thousand. Not including the non-recurring items recorded in the first half of 2016, EBIT improved by EUR 875 thousand compared to the second quarter of 2015.

Comparing the figures by quarter, EBIT was EUR 2,801 thousand in the second quarter of 2016, and corresponds to 22.1% of sales, up 8.9% on the figure for the same period in 2015.

The new orders figure was positive as at 30 June 2016, up EUR 1,346 thousand compared to the first half of 2015, as well as the backlog, up EUR 1,300 thousand.

Investments

The Group invested EUR 769 thousand in the sensors business as at 30 June 2016, breaking down into EUR 282 thousand in investments in intangible assets and EUR 487 thousand in investments in tangible assets.

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

The bulk of investments in tangible assets were made in the Parent Company (EUR 399 thousand) to carry out the maintenance works of the building and especially to adjust workshop equipment and the current production lines in order to improve the production processes and develop lines for the new range of products recently launched on the market.

13.2) AUTOMATION COMPONENTS

Summary results

The key figures are summarised in the table below.

(EUR/000)	30-Jun-16	30-Jun-15	2016-2015 Chg. value	2016-2015 Chg. %	2Q 2016	2Q 2015	2016-2015 Chg. value	2016-2015 Chg. %
Revenues	16,484	16,494	(10)	-0.1%	8,495	8,239	256	3.1%
EBITDA	680	215	465	216.3%	803	117	686	586.3%
% of revenues	*4.1%*	*1.3%*			*9.5%*	*1.4%*		
EBIT	(253)	(828)	575	69.4%	340	(387)	727	187.9%
% of revenues	*-1.5%*	*-5.0%*			*4.0%*	*-4.7%*		

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

	Italy	Europe	America	Asia	Rest of World
Revenues *(€/000.000)*	8.3	4.4	2.1	1.6	0.1
% of total	50%	27%	13%	10%	1%

Business performance

Revenues totalled EUR 16,484 thousand as at 30 June 2016, in line with the first half of 2015. More especially, there was a positive performance in the power control family, up 32.8% compared to the same period of the previous year.

The breakdown by geographical region shows a 55% increase in the sales on the North American market. On the other hand, revenues from the South American market were down by EUR 314 thousand compared to the first half of 2015, also as a result of foreign currency fluctuations that had a negative impact on the business of EUR 140 thousand.

The results of the first half of 2016 include non-recurring items relating to staff restructuring costs of EUR 809 thousand.

EBITDA was positive in the amount of EUR 680 thousand as at 30 June 2016, an increase of EUR 465 thousand compared to 30 June 2015; not including the non-recurring items mentioned above, the 2016 EBITDA was positive (EUR 1,489 thousand), up by EUR 1,274 thousand compared to the same period of the previous year.

EBIT was negative in the amount of EUR 253 thousand, up EUR 575 thousand compared to the first half of 2015; excluding the above-mentioned non-recurring items for 2016, EBIT was a positive EUR 556 thousand and improved by EUR 1,384 thousand compared to the same period of 2015.

In the second quarter of 2016, revenues were EUR 8,495 thousand, up 3.1% compared to the same period of 2015; EBITDA was higher than the second quarter of 2015 by EUR 686 thousand.

New orders were higher than the same period of the previous year as at 30 June 2016 by EUR 365 thousand; the backlog as at 30 June 2016 amounted to EUR 3,685 thousand, up by EUR 725 thousand compared to EUR 2,960 thousand of the same period of 2015.

Investments

Investments totalled EUR 539 thousand in 2016, and included intangible assets (EUR 385 thousand) and tangible assets (EUR 154 thousand).

Investments in tangible assets in the business were mainly focused on the Italian facilities and allocated to equipment to be used for the new range of regulators and for building upgrading work.

As regards investments in intangible assets, capitalised development costs totalled EUR 314 thousand in the period, and related to the new regulator and power control ranges.

13.3) DRIVES

Summary results

The key figures are summarised in the table below.

(EUR/000)	30-Jun-16	30-Jun-15	2016-2015 Chg. value	2016-2015 Chg. %	2Q 2016	2Q 2015	2016-2015 Chg. value	2016-2015 Chg. %
Revenues	19,536	20,126	(590)	-2.9%	9,842	9,744	98	1.0%
EBITDA	(2,732)	(3,603)	871	24.2%	(1,250)	(2,327)	1,077	46.3%
% of revenues	*-14.0%*	*-17.9%*			*-12.7%*	*-23.9%*		
EBIT	(3,811)	(4,709)	898	19.1%	(1,786)	(2,899)	1,113	38.4%
% of revenues	*-19.5%*	*-23.4%*			*-18.1%*	*-29.8%*		

The breakdown of revenues by geographical region is as follows:

	Italy	Europe	America	Asia	Rest of World
Revenues *(€/000.000)*	5.6	6.4	2.4	5.0	0.1
% of total	29%	33%	12%	26%	1%

Business performance

Revenues totalled EUR 19,536 thousand as at 30 June 2016, down by EUR 590 thousand (-2.9%) compared to the first half of 2015. Revenues in the first half of 2016 also included non-recurring amounts of EUR 521 thousand relating to government funds awarded to the Chinese subsidiary as incentives for research and development granted to technology companies. Excluding non-recurring revenues, revenues fell by EUR 1,111 thousand (-5.5%). This reduction is almost entirely attributable to sales dynamics of lift family products for lift applications in the Asian subsidiaries. On the other hand, the trend in new-generation industrial inverters (+16.5%) and Brushless (+38.3%) was positive, albeit on less significant absolute values .

Revenues of the second quarter slightly increased (+1.0%), reflecting the increase in new orders compared to last year.

With respect to breakdown by geographic region, as at 30 June 2016, Europe (+10.3%) posted positive results. With reference to the second quarter of the year, there was a 23.6% increase in Asia compared to the same period of 2015. As at 30 June 2016, the positive trend in Europe (+10.3%) did not fully offset the impact of the decrease in the Chinese affiliate of the first and second quarter of 2016 as a whole.

EBITDA was a negative EUR 2,732 thousand as at 30 June 2016, but improved by EUR 871 thousand (+24.2%) compared to the same period in 2015, when it was a negative EUR 3,603 thousand. There were non-recurring items in the first half of 2016 related to costs allocated for staff restructuring amounting to EUR 854 thousand and to revenues for government grants for research and development amounting to EUR 521 thousand; excluding these components, EBITDA was up by EUR 1,204 thousand compared to the first half of 2015, especially thanks to the reduction in personal and service costs, obtained thanks to the improvement of internal processes.

The EBIT loss of EUR 3,811 thousand for the first half of 2016 is compared to a loss of EUR 4,709 thousand in the same period of 2015. Not including the non-recurring items, EBIT improved by EUR 1,231 thousand.

New order figures for the first six months of 2016 increased by 7.3% compared to 30 June 2015. The order portfolio was boosted by the lift products in the Eurozone.

Investments

Investments totalled EUR 255 thousand in 2016, divided between technical investments of EUR 63 thousand and investments in intangible assets of EUR 192 thousand.

Technical investments were mainly dedicated to the manufacturing of new production equipment for the Gerenzano plant and to start the new production line in Gefran India.

The increases in intangible assets chiefly related to the capitalisation of development costs of EUR 158 thousand for the new industrial sector and lift sector products.

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 the **Sensors** business, research focused on the following products:

- Rotation sensors: the "E1" European certification - which allows to apply the products also in applications with strictly automotive requirements - was obtained.
- Inclination sensors: using sensitive MEMS elements, a range of inclination sensors was developed for applications in the mobile hydraulics sector, including those for earth-moving machines and aerial platforms.
- Unravel position sensors: the development of a family of position sensors was completed, based on the unravelling of a loop of wire, used mainly in vehicles that belong to the mobile hydraulic sector.
- Magnetostrictive and industrial pressure position sensors, with "Can Open" outputs *CAN SAE J1939*: specific field bus for automotive applications.

Research and development in the **Automation components and systems** focused on

- The development of the new series of 850, 1650 and 1850 medium-high band temperature controllers for thermal treatment applications, preview of the products at the SPS/IPC/Drives Italia fair in May 2016.
- The development of the new graphic controllers 2850T, 3850T with particularly advanced features and in line with the application requirements of furnaces, autoclaves, climate chambers, thermal treatments and sterilisation.
- The new ranges of GFW power controllers with current levels 400A and 600A are currently being developed to extend their use to high-power applications. The products will be presented in October 2016 during the European Congress HK (Cologne) on technologies for the heat treatment market.
- The project for the renewal of the range of PC GF_VEDO ML and GF_VEDO EV panels was completed. The preview of the new eVIEW series terminals was presented at the SPS/IPC/Drives Italia fair (May 2016).

Development in the **Drives** area focused on industrial products (servodrives, on specific products for wellness applications and great powers in medium voltage), on products intended for residential lifting:

- The main functions of the servo drive EXV300-EV were revised, both HW and SW, to meet the demands for increased performance in the field of FEM (Full Electric Machine) plastic moulding.
- In the Lift, for products intended for the Far East market, the adjustments to the new compulsory safety regulations are being developed, .

15. HUMAN RESOURCES

As at 30 June 2016, the Group headcount was 769, including 4 staff with fixed-term contracts (contracts to replace temporarily absent staff or to undertake specific projects).

The change in headcount over the year was marked by an overall turnover rate within the Group of 14.45%, which breaks down as follows:

- 34 people joined the Group, including 12 manual workers, 20 clerical staff and 2 managers/executives;
- 74 people left the Group, including 11 manual workers, 60 clerical staff and 3 managers/executives.

16. STRATEGY

The Group's performance during the first half-year returned positive thanks to the strict application of the guidelines of the plan - prepared for the current year - the purpose of which was to recover profitability. The arrangements and organisational models put in place ensured the strict control of compliance with strategies and actions to be taken, in line with the business volumes recorded in previous years.

Focusing on the most profitable products and applications remained a priority for the Group starting from the Drives business that, while not yet expressing margins, improved its performance in the second quarter and reported a significant increase in new orders.

The sensors and automation components business consolidated a structure that ensured profitability despite the lack of growth, recorded specifically on the South American market, also as a result of foreign currency fluctuations.

Growth in revenues in the coming months and changes next year will be supported by significant investments that were started, intended for innovative equipment and technological production lines that enhance the efficiency and production capacity of the new product ranges launched on the market during the first half-year.

In the coming months, in the light of the current global macroeconomic and political framework, there are many uncertainties in foreign markets: nevertheless, the internationalisation of the Gefran Group will continue to be strengthened. China and India are the two geographical regions in expansion in which sales development activities integrating the moved production are underway.

Among the best performing strategic markets, in addition to the North American market, the countries of the Arab world will be those potentially most interesting and on which specific business development actions are in progress.

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 11 February 2016, the Company updated 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 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 macroeconomic outlook was strongly affected by the outcome of the consultative referendum of 23 June in the United Kingdom, which - by expressing an opinion altogether in favour of the so-called “Brexit” - produced a situation never experienced in the European integration process, which is considered a source of uncertainty and risk for the world economy by the IMF.

From the end of the first quarter, the euro strengthened against the Pound Sterling (+7.4%), but depreciated against the US dollar (-3.2%) and, as reported by the macroeconomic bulletin of the Bank of Italy, its nominal effective exchange rate remained practically unchanged.

In Italy, economic activity stepped up, albeit slightly, at the beginning of 2016, driven more by household spending than investments. As for the other main European countries, growth was however curbed by the slowdown of foreign trade. The country's GDP continued to expand also in the second quarter of 2016, but at a more moderate pace than in the first.

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 the 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 and is not currently measurable.

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 reduction in sales volumes, the risk is that said reduction in the cost structures will not be enough or in line with a possible fall in prices, thereby negatively affecting 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. In order to manage the exchange risk resulting from future commercial transactions and the recording of assets and liabilities in foreign currencies, first of all the Group uses the so-called "natural hedging", trying to level the inflows and outflows on all currencies other than the Group's functional currency; Moreover, Gefran evaluates and if necessary puts in place hedging transactions on the main 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 currently reached, 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. Group strategy is based on sustainable growth, achieved through investments and projects for products, applications and geographical markets, which lead to growth in profitability.

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.

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 risk

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;
- 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; it has own funds of EUR 62.6 million versus overall liabilities of EUR 79.3 million. During the first half of 2016, the Parent company did not take out new medium- to long-term loans. With regard to existing loans, they were all negotiated at variable rates, determined by the Euribor plus a fixed spread, which in the last two years was never greater than 200 bps. Some of these outstanding loans, whose remaining value as of 30 June 2016 was EUR 22.9 million, contain covenants. As at 30 June 2016, the Group was in compliance with these clauses.

The directors believe that the failure to comply with the terms of the covenants occurred as at 31 December 2015 was highly exceptional, and limited to the year 2015, in the light of the approved Business Plan, which provides continued improvement in net debt on the one hand, and in the recovery of profitability through an increase in revenues on the other, but especially, constant cost reduction, also thanks to the process of reorganisation of operational processes that began in 2015 in the foreign subsidiaries and will conclude in 2016.

During the second quarter of 2016, the banks involved formalised the letters of “waiver” with which they informed of the waiver to request early repayment.

Liquidity risk

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

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.

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 also effectively adopted the Organisation and Management Model pursuant to Legislative Decree no. 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 PERIOD

- On 13 January 2016, Gefran announced that it had reached a framework agreement for the sale to a leading Indian group involved in the design and production of measurement and control instruments, of all the rights relating to the photovoltaic product technology.
- On 12 February 2016, Gefran notified the trade union organisations of the Parent Company, in accordance with articles 4 and 24 of Law no. 223 of 23 July 1991, of its intention to start the redundancy process for a total of 55 employees.
- On 7 March 2016, the subsidiary, Gefran Siei Asia, completed the closure of the representative office in Taiwan.
- On 21 March 2016, Gefran finalised the sale of the company branch involved in the distribution of automation sensors and components in Spain/Portugal to a Spanish distributor. Payment for the transaction, paid upon agreement of the contract, amounted to EUR 650 thousand.
- On 20 April 2016, Unicredit S.p.A., the main bank involved in obtaining the waiver, gave Gefran a formal letter of "Waiver", informing it of its willingness to waive its right to request early repayment.
- On 21 April 2016, the ordinary shareholders' meeting of Gefran S.p.A. voted to:
    - approve the 2015 financial statements and cover the loss for the year of EUR 1,346 thousand through the use of available reserves;
    - engage the Independent auditors, PricewaterhouseCoopers S.p.A., to carry out the auditing for the years 2016-2024;
    - 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 5 May 2016, Banca Popolare dell'Emilia Romagna sent Gefran a formal letter of "Waiver" informing it that it would waive its right to request early repayment.
- On 11 May 2016, Banco di Brescia sent Gefran a formal letter of "Waiver" informing it that it would waive its right to request early repayment.
- On 10 June 2016, Mediocredito Italiano S.p.A. sent Gefran a formal letter of "Waiver" informing it that it would waive its right to request early repayment.

19. SIGNIFICANT EVENTS AFTER PERIOD END

Nothing to report.

20. OUTLOOK

The macroeconomic outlook was affected by the outcome of the consultative referendum of 23 June in the United Kingdom, which - by expressing an opinion in favour of the so-called “Brexit” - produced a situation never experienced in the European integration process, considered a source of uncertainty and risk for the world economy by the IMF.

From the end of the first quarter, the euro strengthened against the Pound Sterling (+7.4%), but depreciated against the US dollar (-3.2%) and, as reported by the macroeconomic bulletin of the Bank of Italy, its nominal effective exchange rate remained practically unchanged.

In Italy, economic activity stepped up, albeit slightly, at the beginning of 2016, driven more by household spending than investments. As for the other main European countries, growth was however curbed by the slowdown of foreign trade. The country's GDP continued to expand also in the second quarter of 2016, but at a more moderate pace than in the first.

In this context, the Gefran Group improved performance over the past three quarters - excluding the non-recurring components - and made gains on all economic and financial ratios indicating that it has chosen the right path to recovery.

New orders and backlog were higher than in the same period in 2015 for all product lines: a positive sign and a good opportunity for growth in volumes ensuring the factories economies of scale functional to production efficiency.

The South American market is the most difficult to interpret at the time: having brought the company to a break-even represents, at the time, the first step towards a potential relaunch that will however depend on the well-known situation of Brazil.

The signs from North America and Europe were positive, there was a positive “turn around” in the Chinese affiliate (Asian market) that revealed interesting market opportunities in the Sensors business.

The outlook for the coming months confirms the specialisation of foreign sales structures: the model put in place will support growth in strategic markets specifically for each line of business.

In Italy, prospects seem to be positive, albeit revenues decreased in the second quarter.

Moreover, negotiation are still running for the sale of the photovoltaic business, the conclusion of which are envisaged in the third quarter of 2016.

All-in-all, the forecast communicated for the current year remained unchanged: in the absence of any unexpected events, consolidated revenues should be 8% higher than the previous year, with the EBITDA margin expected to be around 8% of revenues and EBIT around 3.5%.

21. OWN SHARES

During the first half of 2016, Parent Company Gefran S.p.A. continued to purchase own shares following the guidelines set out in the plan approved by the Shareholders' Meeting of 21 April 2016, which authorised the purchase and sale of own shares up to the maximum legal limit of 10% of issued shares, for a period of 18 months from the date of the Shareholders' Meeting.

Gefran S.p.A. purchased 7,659 shares at an average price of EUR 1.4975 per share in the first half of 2016. As at 30 June 2016, Gefran S.p.A. held 227,394 shares (1.58% of the capital) with an average book value of EUR 3.5819 per share. As at the date of this report, Gefran S.p.A. owns 227,394 shares, equivalent to 1.58% of the capital, at an average book value of EUR 3.5819 per share.

Brokerage on Gefran's shares by the specialist Intermonte takes place regularly.

22. DEALINGS WITH RELATED PARTIES

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

The regulation is based on the following general principles:

- 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.

The regulation is structured as follows:

- **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 42 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, 4 August 2016

For the Board of Directors

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

CONSOLIDATED FINANCIAL STATEMENTS

23. STATEMENT OF PROFIT/(LOSS) FOR THE PERIOD

		2Q		progressive as at 30 June	
(EUR/000)	*notes*	**2016**	**2015**	**2016**	**2015**
Revenues from product sales		30,031	29,419	58,784	59,623
of which: related parties:	*25*	*4*	*21*	*38*	*107*
Other operating revenues and income		107	137	878	242
of which: non-recurring:	*10*	*0*	*0*	*521*	*0*
Increases for internal work		292	480	700	983
TOTAL REVENUES		**30,430**	**30,036**	**60,362**	**60,848**
Change in inventories		(436)	(25)	253	3,430
Costs of raw materials and accessories		(10,090)	(9,970)	(20,318)	(23,235)
Service costs		(5,313)	(6,183)	(10,534)	(12,058)
of which: related parties:	*25*	*(125)*	*(31)*	*(183)*	*(72)*
Miscellaneous management costs		(173)	(233)	(384)	(449)
Other operating income		4	74	56	52
Personnel costs		(11,364)	(12,485)	(24,480)	(25,238)
of which: non-recurring:	*10*	*(147)*	*0*	*(2,039)*	*0*
Impairment of trade and other receivables		(146)	(331)	(329)	(613)
Amortisation		(579)	(547)	(1,144)	(1,104)
Depreciation		(978)	(1,049)	(1,970)	(2,093)
EBIT		**1,355**	**(713)**	**1,512**	**(460)**
of which: non-recurring:		*(147)*	*0*	*(1,518)*	*0*
Gains from financial assets	*21*	614	176	718	2,901
Losses from financial liabilities	*21*	(475)	(1,271)	(1,340)	(2,821)
Losses (gains) from shareholdings value at equity	*22*	34	69	(44)	75
PROFIT (LOSS) BEFORE TAX		**1,528**	**(1,739)**	**846**	**(305)**
of which: non-recurring:		*(147)*	*0*	*(1,518)*	*0*
Current taxes	*23*	(442)	(482)	(898)	(760)
Deferred taxes	*23*	167	(218)	107	(169)
TOTAL TAXES		**(275)**	**(700)**	**(791)**	**(929)**
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,253**	**(2,439)**	**55**	**(1,234)**
of which: non-recurring:		*(147)*	*0*	*(1,518)*	*0*
Net profit (loss) from assets held for sale	*16*	0	(46)	486	(187)
of which: non-recurring:		*0*	*0*	*0*	*(300)*
NET PROFIT (LOSS) FOR THE PERIOD		**1,253**	**(2,485)**	**541**	**(1,421)**
of which: non-recurring:		*(147)*	*0*	*(1,518)*	*(300)*
Attributable to:					
Group		1,253	(2,485)	541	(1,421)
Third parties		0	0	0	0

Earnings per share		2Q		progressive as at 30 June	
(Euro)	*note*	**2016**	**2015**	**2016**	**2015**
Basic earnings per ordinary share	*19*	0.04	(0.10)	0.04	(0.10)
Diluted earnings per ordinary share	*19*	0.04	(0.10)	0.04	(0.10)

24. STATEMENT OF PROFIT/(LOSS) FOR THE PERIOD AND OTHER ITEMS OF COMPREHENSIVE INCOME

		2Q		progressive as at 30 June	
(Euro)	*note*	**2016**	**2015**	**2016**	**2015**
NET PROFIT (LOSS) FOR THE PERIOD		**1,253**	**(2,485)**	**541**	**(1,421)**
Items that will not subsequently be reclassified in the income statement for the year					
Items that will or could subsequently be reclassified in the income statement for the year					
- conversion of foreign companies' financial statements		157	(1,436)	(823)	2,606
- equity investments in other companies	*18*	(16)	(42)	(59)	35
- Fair value of cash flow hedging derivatives	*18*	(44)	43	(65)	103
- Other changes in the consolidation reserve		(6)	0	0	
Total changes, net of tax effect		**91**	**(1,435)**	**(947)**	**2,744**
Comprehensive result for the period		**1,344**	**(3,920)**	**(406)**	**1,323**

25. STATEMENT OF FINANCIAL POSITION

(EUR/000)	notes	30-Jun-16	31-Dec-15
NON-CURRENT ASSETS			
Goodwill	12	5,860	5,904
Intangible assets	13	8,924	9,222
of which: related parties:	25	24	30
Property, plant, machinery and tools	14	37,856	39,389
of which: related parties:	25	27	227
Shareholdings valued at equity	-	1,002	1,046
Equity investments in other companies	-	1,741	1,800
Receivables and other non-current assets	-	138	115
Deferred tax assets	23	5,312	5,241
TOTAL NON-CURRENT ASSETS		**60,833**	**62,717**
CURRENT ASSETS	-		
Inventories	15	22,766	22,674
Trade receivables	15	31,926	34,023
of which: related parties:	25	2	4
Other receivables and assets	-	4,010	3,160
Receivables for current taxes	-	756	757
Cash and cash equivalents	17	20,348	24,602
Financial assets for derivatives	17	6	25
TOTAL CURRENT ASSETS		**79,812**	**85,241**
ASSETS HELD FOR SALE	16	**1,214**	**1,354**
TOTAL ASSETS		**141,859**	**149,312**
SHAREHOLDERS' EQUITY	-		
Share capital	-	14,400	14,400
Reserves	-	47,626	53,353
Profit/(loss) for the period	-	541	(4,769)
Total Group Shareholders' Equity	-	**62,567**	**62,984**
Shareholders' equity of minority interests	-	-	-
TOTAL SHAREHOLDERS' EQUITY	18	**62,567**	**62,984**
NON-CURRENT LIABILITIES	-		
Non-current financial payables	17	20,717	10,879
Employee benefits	-	5,460	5,405
Non-current provisions	20	1,731	555
Deferred tax provisions	23	824	868
TOTAL NON-CURRENT LIABILITIES		**28,732**	**17,707**
CURRENT LIABILITIES			
Current financial payables	17	17,801	38,352
Trade payables	15	18,507	16,531
of which: related parties:	25	104	52

Financial liabilities for derivatives	*17*	320	274
Current provisions	*20*	1,305	1,301
Payables for current taxes	-	534	335
Other payables and liabilities	-	12,093	11,828
TOTAL CURRENT LIABILITIES		**50,560**	**68,621**
TOTAL LIABILITIES		**79,292**	**86,328**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**141,859**	**149,312**

26. CONSOLIDATED CASH FLOW STATEMENT

(EUR/000)	*note*	**30-Jun-2016**	**30-Jun-2015**
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**24,602**	**20,732**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:			
Net profit (loss) for the period		541	(1,421)
Depreciation/amortisation		3,114	3,197
Capital losses (gains) on the sale of non-current assets		87	0
Capital losses (gains) on the sale of assets held for sale		(486)	0
Net result from financial operations		666	(155)
Change in provisions for risks and future liabilities		1,235	(598)
Change in other assets and liabilities		(385)	(1,623)
Change in deferred taxes		(115)	117
Change in trade receivables		2,097	1,192
Change in inventories		(92)	(4,428)
Change in trade payables		1,976	2,250
TOTAL		**8,638**	**(1,469)**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets		(1,563)	(2,736)
- Equity investments and securities		0	(25)
- Acquisitions net of acquired cash		0	0
- Financial receivables		0	0
Disposal of non-current assets		9	132
TOTAL		**(1,554)**	**(2,629)**
D) FREE CASH FLOW (B+C)		**7,084**	**(4,098)**
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables		0	4,000
Repayment of financial payables		(6,049)	(6,246)
Increase (decrease) in current financial payables		(4,664)	6,825
Interest received (paid)		(516)	(631)
Change in shareholders' equity reserves		(563)	1,994
Dividends paid		0	0
TOTAL		**(11,792)**	**5,942**

F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)	**(4,708)**	**1,844**
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE	**626**	**-**
H) Currency translation differences on cash at hand	(172)	556
I) NET CHANGE IN CASH AT HAND (F+G+H)	**(4,254)**	**2,400**
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)	**20,348**	**23,132**

27. 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
Balances as at 1 January 2015	14,400	21,926	(350)	14,767	2,990	9,101	3,369	(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			91	(319)		(95)			(323)		(323)
Change in translation reserve					2,346				2,346		2,346
Other changes				(75)		(82)	(93)		(250)		(250)
2015 profit								(4,769)	(4,769)		(4,769)
Balances as at 31 December 2015	14,400	21,926	(259)	14,373	5,336	8,924	3,052	(4,769)	62,984	0	62,984
Destination of 2015 profit											
- Other reserves and provisions				(3,423)			(1,346)	4,769	0		0
- Dividends									0		0
Income/(expenses) recognised at equity			(124)						(124)		(124)
Change in translation reserve					(823)				(823)		(823)
Other changes						(11)			(11)		(11)
2016 profit								541	541		541
Balances as at 30 June 2016	14,400	21,926	(383)	10,950	4,513	8,913	1,706	541	62,567	0	62,567

NOTES TO THE ACCOUNTS

1. General information

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

The semi-annual financial report of the Gefran Group for the period ended 30 June 2016 was approved by the Board of Directors on 4 August 2016, which authorised its publication.

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

2. Form and content

The consolidated semi-annual financial report of the Gefran Group was prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

It comprises the financial statements of Gefran S.p.A., of its subsidiaries and of the direct and indirect affiliates, approved by their respective Boards of Directors. The consolidated companies adopted international accounting standards, with the exception of some minor Italian and foreign companies, whose financial statements were 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 PricewaterhouseCoopers 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 this semi-annual financial report as at 30 June 2016 are the same as those adopted in preparing the consolidated financial statements for the year ended 31 December 2015.

In line with the requirements of document 2 of 6 February 2009, issued jointly by the Bank of Italy, Consob and ISVAP, note that this condensed semi-annual financial report of the Gefran Group was prepared on the assumption that the Group is a going concern. At 31 December 2015, the financial covenant referring to the ratio between the net debt and the EBITDA, as provided in certain existing loan agreements, was not complied with. This is why in the annual financial statements as at 31 December 2015 the medium/long term debt portions - relating to loans that did not comply with the terms of the above-mentioned covenant - were reclassified under short term debt.

Before 30 June 2016, all the banks involved sent Gefran a formal letter of "Waiver" informing it that it would waive its right to request early repayment. Moreover, the lines of credit made available by banks and other credit institutions were enough to ensure that the Group could operate, and cash flow was also considered to be adequate. Finally, the terms of the financial covenant relating to the ratio between net debt and EBITDA have been complied with according to the checks made on the consolidated figures as at 30 June 2016. This is why the Directors believe - also in view of the approved Business Plan - that the failure to honour the covenants was a highly exceptional event, which is temporary and limited to 2015.

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 consolidated financial statements were prepared using the general historical cost criterion, adjusted as required for the measurement of certain financial instruments.

With reference to Consob Communication 0003907 of 19 January 2015, note 29 ("Verification of impairment of goodwill and intangible assets with a finite life relating to R&D activities") includes the required information, and specifically refers to the external information and to the sensitivity analysis.

With reference to Consob Communication 0007780 of 28 January 2016, we note that the impacts of the market conditions on the information disclosed in the financial statements were included in the Directors' Report on Operations. It is furthermore noted that the application of IFRS 13 "Fair Value Measurement" does not involve any significant changes in the financial statement items of Gefran and currently an assessment is being carried out of the impacts on the financial statements of application of

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers" entering into effect on 1 January 2018.

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 as at 30 June 2016 was different both from that of 31 December 2015 and from that of 30 June 2015 because Ensun S.r.l., 50% owned and consolidated at equity, in April 2016 increased from 60% to 100% in the equity investment held in BS Energia 2 S.r.l.

6. Accounting standards, amendments and interpretations applicable from 1 January 2016

As from 1 January 2016, some amendments introduced by the international accounting standards and interpretations were applied, none of which affected the Group significantly. The main changes are shown below:

- IAS 16 and IAS 38 “*Clarification of Acceptable Methods of Depreciation and Amortisation*”: the amendments consider inappropriate the adoption of a method of depreciation/amortisation based on revenues. Limited to intangible assets, this indication is considered a rebuttable presumption that can be overcome only upon the occurrence of any of the following circumstances: (i) the right to use an intangible asset is related to the achievement of a prearranged threshold of revenues to be produced; or (ii) when it can be shown that the achievement of revenues and the use of the asset's economic benefits are highly correlated.
- IFRS 11 "Joint Arrangements: Acquisitions of interests in Joint Operations": the amendments provide 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.
- IAS 27 Revised “Separate Financial Statements”: the amendment applicable effective as from 1 January 2016, allows an entity to use the net equity method to recognise in the separate financial statements investments in subsidiaries, joint ventures and associates.
- Annual amendments to IFRS 2012-2014: the amendments concern:
  (i) IFRS 5 "Non-current assets held for sale and discontinued operations”;
  (ii) IFRS 7 "Financial instruments: disclosures”;
  (iii) IAS 19 “Employee benefits”;
  (iv) IAS 34 "Interim financial reporting”.

  With regard to the first point, the amendment clarifies that the financial statement figures must not be restated when an asset or group of assets available for sale is reclassified as “held for distribution”, or vice versa.

  With reference to IFRS 7, the amendment at issue establishes that, if an entity transfers a financial asset on terms that allow the “derecognition” of the asset itself, the information concerning the involvement of the entity itself in the transferred assets is requested.

  The proposed amendment to IAS 19 clarifies that, in determining the discounting rate of the bonds following the termination of employment, the currency of the bonds rather than the State in which they arise is important.

  The proposed amendment to IAS 34 requires the indication of cross-references between the data reported in the interim financial statements and the information related to them.
- IAS 1 “Presentation of Financial Statements”: the amendment to the standard under examination intends to provide clarifications on the aggregation or disaggregation of financial

statement items if their amount is significant or “material”. In particular, the amendment to the standard requires not to aggregate financial statement items having different characteristics or to disaggregate financial statement items making the reporting and reading of the financial statements difficult. Moreover, the amendment shows that it is necessary to present headers, partial results and additional items, also by disaggregating the items listed in paragraph 54 (Statement of Financial Position) and 82 (Income Statement) of IAS 1, when such presentation is significant in order to understand the financial position, the results of the operations and of the cash flows of the entity.

7. Accounting standards, amendments and interpretations not yet applicable

At the date of these Financial statements, the competent bodies of the European Union have not yet concluded the approval process necessary for the adoption of the following accounting standards and amendments:

- In May 2014, IASB and FASB published jointly IFRS 15 “Revenue from Contracts with Customers”. The aim of this standard is to improve disclosure of revenue and their comparability among the different financial statements. The new amendment is applicable retrospectively for annual accounting periods beginning on or after 1 January 2018. Early adoption is permitted.
- On 24 July 2014, IASB finalised the draft revision of the accounting standard on financial instruments with the issue of the full version of IFRS 9 “Financial Instruments”. In particular, the new provisions of IFRS 9: (i) amend the classification and measurement model of the financial assets; (ii) introduce a new write-down method of financial assets, which takes account of expected credit losses; and (iii) amend the provisions on hedge accounting. The provisions of IFRS 9 are effective from financial years beginning on or after 1 January 2018.
- On 18 December 2014, IASB amended IFRS 10 “Consolidated financial statements”, and IAS 28 “Investments in associates and joint ventures”. With regard to the first point, the amendment clarifies that the exemption of the presentation of the consolidated financial statements applies to a parent company in turn controlled by an investment company, when the latter measures all its subsidiaries at fair value. With regard to IAS 28, this standard was amended with regard to equity investments held in subsidiaries or joint ventures that are “investment entities”: these equity investments can be measured at equity or at fair value. These amendments are applicable from 1 January 2016.
- In January 2016, IASB published IFRS 16 "Leases”. This new standard will replace the current IAS 17. The main change concerns the recognition by lessees that, based on IAS 17, were required to make a distinction between a finance lease (in-statement of financial position) and an operating lease (off-statement of financial position). With IFRS 16, the accounting treatment of the operating lease will be treated as the finance lease. The IASB envisaged the optional exemption for some low-value and short-term lease agreements.
  This standard will be applicable from 1 January 2019. Early application will be possible if IFRS 15 “Revenue from Contracts with Customers” will be jointly adopted with it.
- In February 2016, IASB issued an amendment to IAS 12 “Income taxes”. These amendments clarify how to recognise deferred tax assets relating to debt instruments measured at fair value. These amendments will be applicable from 1 January 2017.
- In February 2016, IASB issued an amendment to IAS 7 “Disclosure on Statement of cash flows”. These amendments to IAS 7 introduce an additional disclosure that will allow users of the financial statements to evaluate changes in liabilities arising from financing activities. These amendments will be applicable from 1 January 2017.
- In June 2016, IASB issued an amendment to IFRS 2 “Share-based payments”. These amendments clarify how to recognise certain share-based payments. These amendments will be applicable from 1 January 2018.

The Group will adopt these new standards, amendments and interpretations, based on the expected date of application, and will assess their potential impacts when these will be approved by the European Union.

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

The preparation of the simplified semi-annual financial report required the use of estimates and assumptions, both in determining certain assets and liabilities and in measuring contingent 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.

Due to the current macroeconomic environment, destabilised by the still unforeseeable effects deriving from the result of the referendum of 21 June in Great Britain that established the so-called "Brexit", estimates were based on assumptions relating to the future and are highly uncertain. It is therefore possible that even significant changes will have to be made next year to the measured financial statement figures, if the results differ from the estimates made in the simplified semi-annual financial report as at 30 June 2016. 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.

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 2016, 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.

9. Financial instruments: disclosures pursuant to IFRS 7

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

Exchange rate risks

The Group is exposed to the risk of fluctuations in exchange rates in relation to commercial transactions and the cash held in currencies other than the euro, the Group's functional currency. Around 29% 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 10%, mainly related to the commercial transactions of Parent Company Gefran S.p.A. and the subsidiary Gefran Inc.;
- EUR /RMB to the tune of 11%, mainly related to the Chinese operating company Gefran Siei Drives Technology;
- the remainder is divided between EUR/BRL, EUR/GBP, EUR/CHF, EUR/INR, 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.

The sensitivity to a hypothetical and unexpected change of the exchange rates of 5% and 10% in the fair value of the financial statement assets and liabilities is shown below:

Description	**30 June 2016**		**30 June 2015**	
(EUR/000)	-5%	+5%	-5%	+5%
Chinese renminbi	(14)	13	123	(123)
US dollar	(13)	12	52	(52)
Total	(27)	25	175	(175)

Description	**30 June 2016**		**30 June 2015**	
(EUR/000)	-10%	+10%	-10%	+10%
Chinese renminbi	(30)	25	246	(246)
US dollar	(28)	23	104	(104)
Total	(58)	47	350	(350)

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 393 thousand as at 30 June 2016 (approximately EUR 662 thousand as at 31 December 2015).

As at 30 June 2016, the Group had no hedging transactions in place.

Interest rate risk

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

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

The table below shows a sensitivity analysis of the impact that an interest rate increase/decrease of 100 basis points would have on the consolidated net profit/(loss), comparing interest rates as at 30 June 2016 and 30 June 2015, while keeping other variables unchanged.

(EUR/000)	2016		2015	
	-100	100	-100	100
Euro	-	(68)	231	(74)
Total	**-**	**(68)**	**231**	**(74)**

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, 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 as at 30 June 2016, broken down by maturity, of the Group's financial instruments exposed to the interest rate risk:

Variable rate	<1 year	1-5 years	>5 years	Total
(EUR/000)				
Loans due	10,989	20,717	-	31,706
Other accounts payable	113	-	-	113
Account overdrafts	6,695	-	-	6,695
Leases	16	-	(12)	4
Total liabilities	**17,813**	**20,717**	**(12)**	**38,518**
Cash in current accounts	20,029	-	-	20,029
Other cash	-			-
Total assets	**20,029**	**-**	**-**	**20,029**
Total variable rate	**2,216**	**(20,717)**	**12**	**(18,489)**

Unlike net debt figures, the amounts shown in the table above do not include the fair value of derivatives (all-in-all negative at EUR 314 thousand) or cash on hand (positive at EUR 319 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	2,016	2015	changes
(EUR/000)			
Cash and cash equivalents	319	69	250
Cash in bank deposits	20,029	24,533	(4,504)
Total liquidity	**20,348**	**24,602**	**(4,254)**
Multiple mixed credit lines	17,655	21,000	(3,345)
Cash flexibility credit lines	8,785	8,385	400

Invoice factoring credit lines	10,895	12,184	(1,289)
Total credit lines available	**37,335**	**41,569**	**(4,234)**
Total liquidity available	**57,683**	**66,171**	**(8,488)**

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:

	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)	352	-	1,448	1,800
Hedging transactions	-	6	-	6
Total assets	**352**	**6**	**1,448**	**1,806**
Hedging transactions	-	320	-	320
Total liabilities	**-**	**320**	**-**	**320**

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.

The Group 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 initially devalued in percentage terms based on the overdue period of time; therefore, individual trade positions are measured to identify the real possibility of recovery and the consequent write-down.

The Gefran Group has established formal procedures for customer credit and credit collection through the Administration and Finance 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 2016, gross trade receivables totalled EUR 35,881 thousand (EUR 37,835 thousand as at 31 December 2015), and included EUR 11,538 thousand (EUR 2,226 thousand as at 31 December 2015) related to receivables subject to individual impairment; of the remaining amount, the sum overdue by less than two months was EUR 2,548 thousand (EUR 4,136 thousand as at 31 December 2015), while that overdue by more than two months was EUR 1,924 thousand (EUR 11,541 thousand as at 31 December 2015).

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 debt, comparing fair value and carrying value:

(EUR/000)	carrying value 2016	carrying value 2015	fair value 2016	fair value 2015
Financial investments				
Cash and cash equivalents	319	69	319	69
Cash in bank deposits	20,029	24,533	20,029	24,533
Financial assets for derivatives	6	25	6	25
Total financial assets	**20,354**	**24,627**	**20,354**	**24,627**
Financial liabilities				
Current portion of long-term debt	(10,989)	(26,876)	(10,989)	(26,876)
Short-term bank debt	(6,695)	(11,187)	(6,695)	(11,187)
Financial liabilities for derivatives	(320)	(274)	(320)	(274)
Factoring	(105)	(265)	(105)	(265)
Leasing	(4)	(16)	(4)	(16)
Other financial payables	(8)	(8)	(8)	(8)
Non-current financial debt	(20,717)	(10,879)	(20,717)	(10,879)
Total financial liabilities	**(38,838)**	**(49,505)**	**(38,838)**	**(49,505)**
Total net debt	**(18,484)**	**(24,878)**	**(18,484)**	**(24,878)**

10. Non-recurring income (charges)

(EUR/000)	Revenues from product sales	Personnel costs	Total
Non-recurring income	521		521
Non-recurring charges		(2,039)	(2,039)
Total non-recurring income (charges)	**521**	**(2,039)**	**(1,518)**
Income statement total	**58,784**	**(24,480)**	
Incidence	0.89%	8.33%	

Revenues include non-recurring income of EUR 521 thousand, relating to government funds awarded to the Chinese subsidiary in respect of incentives for research and development granted to technology companies.

Non-recurring personnel costs relate to provisions for restructuring costs made by the Parent Company Gefran S.p.A. of EUR 1,700 thousand, while the remaining EUR 339 thousand is divided among subsidiaries Gefran Deutschland GmbH, Gefran Siei Drive Technology and the Spanish Branch.

As at 30 June 2015, there were no non-recurring components in the financial statements.

11. 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

	30 June 2016					30 June 2015				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
(EUR/000)										
Sensors	25,237	6,678	26.5%	5,576	22.1%	25,046	6,125	24.5%	5,077	20.3%
Automation components	16,484	680	4.1%	(253)	-1.5%	16,494	215	1.3%	(828)	-5.0%
Drives	19,536	(2,732)	-14.0%	(3,811)	-19.5%	20,126	(3,603)	-17.9%	(4,709)	-23.4%
Eliminations	(1,595)					(1,801)				
Total	59,662	4,626	7.8%	1,512	2.5%	59,865	2,737	4.6%	(460)	-0.8%

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-Jun-16	Sensors	Components	Drives	Not divided	Total
Intangible assets	14,784	8,523	3,063	3,198		14,784
Tangible assets	37,856	10,432	10,511	16,913		37,856
Financial assets	8,193				8,193	8,193
Net fixed assets	**60,833**	**18,955**	**13,574**	**20,111**	**8,193**	**60,833**
Inventories	22,766	4,578	3,458	14,730		22,766
Trade receivables	31,926	9,170	6,063	16,693		31,926
Trade payables	(18,507)	(5,735)	(4,764)	(8,008)		(18,507)
Other assets/liabilities	(7,861)	(2,723)	(2,401)	(2,203)	(534)	(7,861)
Working capital	**28,324**	**5,290**	**2,356**	**21,212**	**(534)**	**28,324**
Provisions for risks and future liabilities	(3,036)	(417)	(776)	(1,536)	(308)	(3,036)
Deferred tax provisions	(824)			-	(824)	(824)
Employee benefits	(5,460)	(1,661)	(2,177)	(1,622)		(5,460)
Invested capital from operations	**79,837**	**22,167**	**12,977**	**38,165**	**6,527**	**79,837**
Invested capital from assets held for sale	**1,214**	**-**	**-**	**-**	**1,214**	**1,214**
Net invested capital	**81,051**	**22,167**	**12,977**	**38,165**	**7,741**	**81,051**
Shareholders' equity	**62,567**				**62,567**	**62,567**
Medium- to long-term financial payables	20,717				20,717	20,717

Short-term financial payables	17,801				17,801	17,801
Financial liabilities for derivatives	320				320	320
Financial assets for derivatives	(6)				(6)	(6)
Cash and cash equivalents and short-term financial receivables	(20,348)				(20,348)	(20,348)
Net debt relating to operations	**18,484**	**-**	**-**	**-**	**18,484**	**18,484**
Total sources of financing	**81,051**	**-**	**-**	**-**	**81,051**	**81,051**

(EUR/000)	**31-Dec-15**	**Sensors**	**Components**	**Drives**	**Not divided**	**Total**
Intangible assets	15,126	8,631	3,116	3,379		15,126
Tangible assets	39,389	10,692	10,913	17,784		39,389
Financial assets	8,202				8,202	8,202
Net fixed assets	62,717	19,323	14,029	21,163	8,202	62,717
Inventories	22,674	4,130	3,630	14,914		22,674
Trade receivables	34,023	9,932	6,514	17,577		34,023
Trade payables	(16,531)	(4,781)	(4,157)	(7,593)		(16,531)
Other assets/liabilities	(8,246)	(2,373)	(2,122)	(2,295)	(1,456)	(8,246)
Working capital	31,920	6,908	3,865	22,603	(1,456)	31,920
Provisions for risks and future liabilities	(1,856)	(316)	(47)	(903)	(591)	(1,856)
Deferred tax provisions	(868)			-	(868)	(868)
Employee benefits	(5,405)	(1,655)	(2,168)	(1,582)		(5,405)
Invested capital from operations	86,508	24,260	15,679	41,281	5,287	86,508
Invested capital from assets held for sale	1,354	-	-	-	1,354	1,354
Net invested capital	87,862	24,260	15,679	41,281	6,641	87,862
Shareholders' equity	62,984				62,984	62,984
Medium- to long-term financial payables	10,879				10,879	10,879
Short-term financial payables	38,352				38,352	38,352
Financial liabilities for derivatives	274				274	274
Financial assets for derivatives	(25)				(25)	(25)
Cash and cash equivalents and short-term financial receivables	(24,602)				(24,602)	(24,602)
Net debt relating to operations	24,878	-	-	-	24,878	24,878
Total sources of financing	87,862	-	-	-	87,862	87,862

Secondary segment - revenues by geographical region

Geographical region	**1H 2016**	**1H 2015**	**changes**	**%**
(EUR/000)				
Italy	17,344	17,574	(230)	-1.3%
European Union	16,524	16,312	212	1.3%
Non-EU Europe	3,268	3,201	67	2.1%
North America	7,416	6,918	498	7.2%
South America	1,875	2,337	(462)	-19.8%
Asia	12,043	13,010	(967)	-7.4%
Rest of the World	314	271	43	15.9%
Total	**58,784**	**59,623**	**(839)**	**-1%**

Secondary segment - investments by geographical region

Geographical region	30 June 2016 tangible assets	30 June 2016 intangible assets and goodwill	30 June 2015 tangible assets	30 June 2015 intangible assets and goodwill
(EUR/000)				
Italy	552	858	1,089	1,365
European Union	13	0	42	0
Non-EU Europe	11	1	11	1
North America	4	0	0	0
South America	67	0	20	2
Asia	57	0	112	94
Rest of the World	0	0	0	0
Total	704	859	1,274	1,462

12. Goodwill and other intangible assets with an indefinite life

"*Goodwill*" totalled EUR 5,860 thousand as at 30 June 2016, a decrease of EUR 44 thousand compared to 31 December 2015, fully linked to the exchange-rate effects and breaks down as follows:

(EUR/000)	31/12/2015	Increases	Decreases	Exchange rate differences	30/06/2016
Gefran France SA	1,310	-	-	-	1,310
Gefran India	44	-	-	(2)	42
Gefran Inc.	2,596	-	-	(42)	2,554
Sensormate AG	1,954	-	-	-	1,954
	5,904	-	-	(44)	5,860

The goodwill acquired following business combinations was allocated to specific CGUs for the purpose of impairment testing.

The carrying values of goodwill are shown below.

Description	Year	Goodwill France	Goodwill India	Goodwill USA	Goodwill Switzerland	Total
(EUR/000)						
Sensors	**2016**	1,310	-	2,554	1,954	5,818
	2015	1,310	-	2,596	1,954	5,860
Drives	**2016**	-	42	-	-	42
	2015	-	44	-	-	44
Total	**2016**	**1,310**	**42**	**2,554**	**1,954**	**5,860**
	2015	**1,310**	**44**	**2,596**	**1,954**	**5,904**

In examining the possible impairment indicators and in developing its evaluations, the management took into account, among other things, also the relation between the market capitalisation and the carrying value of the Group Shareholders' Equity. At 30 June 2016, the market capitalisation was lower than the Group's shareholders' equity: this situation indicates a potential impairment. However, the management considers that, in light of the current financial market trends and the macroeconomic environment, the Parent Company's market capitalisation does not fully reflect the potentials of some Group's distinctive features, such as patents, research and know-how.

As part of the analysis on the recoverability of the values of goodwill, in accordance with the main instructions of IAS 36, the values in use of the Group and of the CGU mentioned above, at which the tested assets were allocated, were determined. This exercise was based on discounted future cash flows generated by the CGU being analysed, appropriately discounted using the rates that reflect the risk.

Goodwill for CGU France, USA and Switzerland is attributed to the sensor business unit, goodwill for CGU India is attributed to the drive business unit. For impairment testing purposes, all goodwill is examined on the basis of data from the specific CGUs of reference, corresponding to subsidiaries operating in the above-mentioned geographical areas.

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

Description	Net invested capital 30/06/2016	Net invested capital 31/12/2015	Explicit forecast	WACC (%)	Value in use 30/06/2016	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
(EUR/000)								
Consolidated	81,051	87,862	2016 - 2018	8.2%	224,439	2.5%	6.3%	28.3%

Description	Carrying value 30/06/2016	Carrying value 31/12/2015	Explicit forecast	WACC (%)	Value in use 30/06/2016	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
(EUR/000)								
France	1,310	1,310	2016 - 2018	6.5%	6,994	0.5%	6.3%	33.3%
India	42	44	2016 - 2018	10.9%	5,175	7.4%	6.3%	30.0%
USA	2,554	2,596	2016 - 2018	7.4%	28,743	1.9%	6.3%	35.0%
Switzerland	1,954	1,954	2016 - 2018	5.9%	11,772	-0.3%	6.3%	16.0%
Total	**5,860**	**5,904**						

In determining the value in use, the specific cash flows related to the 2016 – 2018 period deriving from the Group Plan were considered, as well as the terminal value, which represents the ability to generate cash flows beyond the horizon of explicit forecast.

The main assumptions used by the management to calculate value in use concern the discount rate (WACC) and the long-term growth rate (g), owing to the assumptions reflected in the change in prices and sales volumes and the cost trend expected in the Group Plan.

The discount rate used to discount the future cash flows is the weighted average cost of capital or also WACC, which is determined as the weighted average of the cost of equity and of the cost of borrowed capital, net of tax effects.

In order to determine it, market parameters such as Beta - coefficient expressing the risk that characterises the particular enterprise compared to the financial market in general - and the financial structure of reference derived from calculations developed by Professor Aswath Damodaran, one of the main world experts of business evaluations, were used.

The return on risk-free assets was benchmarked to the yield on government bonds of countries in which the Group and the CGU operate.

The market risk premium represents the additional return requested by a risk-adverse investor, compared to the return obtainable from risk-free assets: it is due to the difference between the normalised long-term return of the stock exchange and the rate of risk-free assets.

To determine the terminal value, the adopted long-term growth rate of cash flows was defined as a function of the expected inflation levels in the various geographical areas where the Group operates, with reference to estimates of international organisations.

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 17.9%, significantly higher than the current discount rate.

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 2016-2018 Plan approved by the management. The impairment test of the above assets did not reveal any lasting loss of value.

The following is a sensitivity analysis showing the "g" and "WACC" break even rates in a "steady case "scenario”:

Description	**"g" rate %**	**WACC %**	**A**	**B**
(EUR/000)				
Goodwill - *STEADY CASE*				
Gefran France Sa	1.3%	6.5%	-6.1%	30.0%
Gefran India	5.5%	10.9%	-1.3%	35.5%
Gefran Inc.	2.4%	7.4%	-5.2%	33.0%
Sensormate AG	1.0%	5.9%	-5.2%	21.0%

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

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

Taking into account that the implementation of the Plan implies a certain degree of uncertainty, even if - based on the impairment tests - both the Group's consolidated figures and the carrying value of the goodwill recorded in the financial statements can be considered reasonable, with a good degree of confidence, a "stress test" was carried out.

In this scenario, a “worst case” version was prepared, in which flows from new products have been completely excluded in the 2016 – 2018 Plan, a 3% deterioration of added value on the products existing in the same period was assumed, and the growth rate was zeroed in nominal terms (negative in real terms in the presence of inflation), both for Consolidated figures and for goodwill.

In case of impairment test on the Group's Consolidated figures, the break-even WACC would be 12% and still higher than the discount rate used. Also in the “worst case” impairment activities of the four goodwill, the break-even WACC would be significantly higher than their respective discount rate, and specifically France 24%, India 24%, USA 31% and Switzerland 17%.

The above analyses show that, both in stable conditions and in situations worse that those forecast, the recoverable amount of goodwill is not critical, also considering the change in the discount rate and the growth rate.

However, the directors will systematically monitor the final statement of financial position and income statement data for the CGUs to determine whether they need to adjust their forecasts and to reflect on the possibility of further write-downs in a timely manner.

13. Intangible assets with a finite life

"*Intangible assets*" exclusively comprises assets with a finite life, and decreased from EUR 9,222 thousand as at 31 December 2015 to EUR 8,924 thousand as at 30 June 2016. The movements during the period are shown below.

Historical cost	31/12/2015	Increases	Decreases	Reclassifications	Exchange rate effect	30/06/2016
(EUR/000)						
Development costs	14,676	174	-	746	(22)	15,574
Intellectual property rights	5,617	57	(14)	36	(11)	5,685
Assets in progress and payments on account	1,972	591	-	(793)	-	1,770
Other assets	7,124	37	(39)	11	(18)	7,115
Total	29,389	859	(53)	0	(51)	30,144

Accumulated amortisation	31/12/2015	Increases	Decreases	Reclassifications	Exchange rate effect	30/06/2016
(EUR/000)						
Development costs	10,434	750	-	-	(9)	11,175
Intellectual property rights	4,474	173	(13)	-	(17)	4,617
Other assets	5,259	221	(39)	-	(13)	5,428
Total	20,167	1,144	(52)	-	(39)	21,220

Net value	31/12/2015	30/06/2016	changes
(EUR/000)			
Development costs	4,242	4,399	157
Intellectual property rights	1,143	1,068	(75)
Assets in progress and payments on account	1,972	1,770	(202)
Other assets	1,865	1,687	(178)
Total	9,222	8,924	(298)

This is the table of changes related for 2015:

Historical cost	31/12/2014	Increases	Decreases	Reclassifications	Exchange rate effect	30/06/2015
(EUR/000)						
Development costs	13,307	-	-	-	-	13,307
Intellectual property rights	5,155	212	(1)	10	33	5,409
Assets in progress and payments on account	2,309	1,122	-	(438)	1	2,994
Other assets	6,153	128	-	428	47	6,756
Total	26,924	1,462	(1)	0	81	28,466

Accumulated amortisation	31/12/2014	Increases	Decreases	Reclassifications	Exchange rate effect	30/06/2015
(EUR/000)						
Development costs	9,074	717	-	-	-	9,791
Intellectual property rights	4,145	157	(1)	-	24	4,325
Other assets	4,829	230	-	-	11	5,070
Total	18,048	1,104	(1)	-	35	19,186

Net value	31/12/2014	30/06/2015	changes
(EUR/000)			
Development costs	4,233	3,516	(717)
Intellectual property rights	1,010	1,084	74
Assets in progress and payments on account	2,309	2,994	685
Other assets	1,324	1,686	362
Total	8,876	9,280	404

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

- EUR 1,396 thousand relating to new lines for Mobile automation, melt sensors, pressure transducers (KS) and contactless linear position transducers (MK–IK and RK);
- EUR 1,591 thousand to component lines for the new range of regulators, GF Project VX, G Cube Performa and G Cube Fit;
- EUR 1,412 thousand relating to the new range of ADV 200 drives, lift and power supplies.

These assets are believed to have a useful life of five years.

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 3 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 1,355 thousand in development costs, the benefits of which will be recognised on the income statement from the following year and, as a result of which they have not been amortised. They relate to sensors (EUR 150 thousand), components (EUR 733 thousand) and drives (EUR 472 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 5 years.

14. Property, plant, machinery and tools

"Property, plant, machinery and tools" fell from EUR 39,389 thousand as at 31 December 2015 to EUR 37,856 thousand as at 30 June 2016. Movements are shown in the table below:

Historical cost	31/12/2015	Increases	Decreases	Reclassifications	Exchange rate effect	30/06/2016
(EUR/000)						
Land	4,526	-	-	-	(5)	4,521
Industrial buildings	39,669	80	-	-	(76)	39,673
Plant and machinery	38,799	132	(52)	382	(222)	39,039
Industrial and commercial equipment	21,951	309	(113)	56	(45)	22,158
Other assets	11,519	72	(88)	(92)	(43)	11,368

Assets in progress and payments on account	546	111	(2)	(346)	1	310
Total	117,010	704	(255)	0	(390)	117,069

Accumulated depreciation	31/12/2015	Increases	Decreases	Reclassifications	Exchange rate effect	30/06/2016
(EUR/000)						
Industrial buildings	15,324	466	-	-	13	15,803
Plant and machinery	32,132	804	(45)	50	(167)	32,774
Industrial and commercial equipment	19,946	464	(48)	-	(36)	20,326
Other assets	10,219	236	(67)	(50)	(28)	10,310
Total	77,621	1,970	(160)	-	(218)	79,213

Net value	31/12/2015	30/06/2016	changes
(EUR/000)			
Land	4,526	4,521	(5)
Industrial buildings	24,345	23,870	(475)
Plant and machinery	6,667	6,265	(402)
Industrial and commercial equipment	2,005	1,832	(173)
Other assets	1,300	1,058	(242)
Assets in progress and payments on account	546	310	(236)
Total	39,389	37,856	(1,533)

This is the table of changes related to the first half of 2015:

Historical cost	31/12/2014	Increases	Decreases	Reclassifications	Exchange rate effect	30/06/2015
(EUR/000)						
Land	4,500	-	-	-	20	4,520
Industrial buildings	39,267	25	-	5	299	39,596
Plant and machinery	37,641	59	(173)	270	540	38,337
Industrial and commercial equipment	21,108	479	(30)	106	92	21,755
Other assets	11,382	87	(28)	-	138	11,579
Assets in progress and payments on account	479	624	(91)	(385)	4	631
Total	114,377	1,274	(322)	0	1,089	116,418

Accumulated depreciation	31/12/2014	Increases	Decreases	Reclassifications	Exchange rate effect	30/06/2015
(EUR/000)						
Industrial buildings	14,347	466	-	-	57	14,870
Plant and machinery	30,095	875	(135)	219	336	31,390
Industrial and commercial equipment	19,157	478	(30)	(219)	80	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 the first half of 2016, while fluctuations in exchange rates had a net negative impact of approximately EUR 171 thousand.

The biggest changes during the year related to in particular:

- investment in production plant and equipment of EUR 510 thousand in the Group's Italian plants, and of EUR 153 thousand in the Group's other subsidiaries;
- investments to upgrade the industrial buildings of the Parent Company of approximately EUR 41 thousand;

Mortgages on owned buildings amounted to around EUR 36 million, for bank loans relating to property in Provaglio d'Iseo.

15. Net working capital

Net working capital totalled EUR 36,185 thousand, compared to EUR 40,166 thousand as at 31 December 2015, and breaks down as follows:

(EUR/000)	**30/06/2016**	**31/12/2015**	**changes**
Inventories	22,766	22,674	92
Trade receivables	31,926	34,023	(2,097)
Trade payables	(18,507)	(16,531)	(1,976)
Net amount	**36,185**	**40,166**	**(3,981)**

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

As at 30 June 2016, "inventories" totalled EUR 22,766 thousand, largely in line with the value recorded as at 31 December 2015. The balance breaks down as follows:

(EUR/000)	**30/06/2016**	**31/12/2015**	**changes**
Raw materials, consumables and supplies	13,913	14,362	(449)
Provision for raw materials	*(4,067)*	*(3,229)*	(838)
Work in progress and semi-finished products	6,694	5,967	727
Provision for work in progress	*(975)*	*(882)*	(93)
Finished products and goods	9,776	8,847	929
Provision for finished products	*(2,575)*	*(2,391)*	(184)
Total	**22,766**	**22,674**	**92**

The obsolescence and slow moving inventories fund was adjusted according to need, through specific provisions of EUR 783 thousand in the first half of 2016 (EUR 293 thousand in the same period of 2015).

"*Trade receivables*" total EUR 31,926 thousand, down by EUR 2,097 thousand compared to 31 December 2015, thanks to the fewer average days for collection at the Group level and are broken down as follows:

(EUR/000)	**30/06/2016**	**31/12/2015**	**changes**
Receivables from customers due within 12 months	35,881	37,835	(1,954)

Provision for doubtful receivables	(3,955)	(3,812)	(143)
Net amount	**31,926**	**34,023**	**(2,097)**

This includes receivables subject to recourse factoring transferred to a leading factoring company, by the Parent Company, for a total amount of EUR 95 thousand (EUR 55 thousand as at 31 December 2015). Over the half-year, EUR 5,022 thousand was transferred on a non-recourse basis to factoring companies, of which EUR 2,879 thousand was in June 2016 (EUR 2,158 thousand in December 2015).

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 as at 30 June 2016 represents a prudential estimate of the current risk, and registered the following changes:

(EUR/000)	31/12/2015	Increases	Decreases	Exchange rate effect	30/06/2016
Provision for doubtful receivables	**3,812**	**329**	**(118)**	**(68)**	**3,955**

Changes in the first half of 2015 were as follows:

(EUR/000)	31/12/2014	Increases	Decreases	Exchange rate effect	30/06/2015
Provision for doubtful receivables	**3,919**	**743**	**(1,263)**	**(80)**	**3,319**

Decreases include the use of the provision to cover losses on unrecoverable receivables. The Group monitors the situation with regard to the riskiest receivables and also takes appropriate legal action. The carrying value of trade receivables is considered to approximate to their fair value.

It should be noted that there is no significant concentration of sales made to individual customers: these sales continue to account for less than 10% of Group revenues.

Trade payables were EUR 18,507 thousand, versus EUR 16,531 thousand as at 31 December 2015, an increase of EUR 1,976 thousand, relating to the rise in average payment days to suppliers, especially in the Gefran S.p.A. Parent Company. It breaks down as follows:

(EUR/000)	30/06/2016	31/12/2015	changes
payables to suppliers	13,289	8,350	4,939
payables to suppliers for invoices to be received	4,891	7,902	(3,011)
payments on account received from customers	327	279	48
Total	**18,507**	**16,531**	**1,976**

16. Operating assets held for sale

The operating assets held for sale include the assets related to the photovoltaic business know-how, with the terms of the sale currently being established.

The economic impact that can be specifically attributed to the photovoltaic business in the first-half of 2016 was not established, while there was a negative impact of EUR 187 thousand as at 30 June 2015.

The company branch relating to the distribution of the sensors and components for automation in Spain/Portugal, stated at EUR 140 thousand under assets held for sale as at 31 December 2015, was sold to a Spanish distributor on 21 March 2016, as part of the sales contract of the Group's assets in Spain/Portugal, implementing the decision by the Board of Directors to sell the aforementioned branch and the consequent winding-up of the Spanish branch.

The net result from the sale of the company branch involved in the distribution of automation sensors and components in Spain/Portugal was a positive amount of EUR 486 thousand.

17. Net debt

The table below shows a breakdown of the net debt:

(EUR/000)	**30/06/2016**	**31/12/2015**	**changes**
Cash and cash equivalents	20,348	24,602	(4,254)
Financial assets for derivatives	6	25	(19)
Non-current financial payables	(20,717)	(10,879)	(9,838)
Current financial payables	(17,801)	(38,352)	20,551
Financial liabilities for derivatives	(320)	(274)	(46)
Total	**(18,484)**	**(24,878)**	**6,394**

The following table breaks down the net debt by maturity:

(EUR/000)	**30/06/2016**	**31/12/2015**	**changes**
A. Cash	29	29	-
B. Cash in bank deposits	20,319	24,573	(4,254)
Term deposits – less than 3 months	-	-	-
C. Securities held for trading	-	-	-
D. Cash And cash equivalents (A) + (B) + (C)	**20,348**	**24,602**	**(4,254)**
Financial liabilities for derivatives	(320)	(274)	(46)
Financial assets for derivatives	6	25	(19)
E. Fair value hedging derivatives	(314)	(249)	(65)
F. Current portion of long-term debt	(10,989)	(26,876)	15,887
G. Other current financial payables	(6,812)	(11,476)	4,664
H. Total current financial payables (F) + (G)	**(17,801)**	**(38,352)**	**20,551**
I. Total current payables (E) + (H)	**(18,115)**	**(38,601)**	**20,486**
J. Net current financial debt (I) + (D)	**2,233**	**(13,999)**	**16,232**
L. Non-current financial debt	**(20,717)**	**(10,879)**	**(9,838)**
M. Net financial debt (J) + (L)	**(18,484)**	**(24,878)**	**6,394**
Of which to minorities:	*(18,484)*	*(24,878)*	*6,394*

Net debt as at 30 June 2016 was EUR 18,484 thousand, up by EUR 6,394 thousand from 31 December 2015. This change in the net debt figure is mainly due to positive cash flows from ordinary operations

(EUR 8,638 thousand), partially offset by technical investments (EUR 1,554 thousand) and by the negative impact from the change in the shareholders' equity reserve (EUR 735 thousand).

Please see the Report on Operations for further details on changes in financial operations during the year.

The free cash flow after the investment operations is positive by EUR 7,084 thousand compared to a negative flow of EUR 4,098 thousand in the first half of 2015, and thus it has improved by EUR 11,182 thousand, both due to the reduction of capital in the year and due to the cash flow from operations, the dynamics of which were illustrated above.

Cash and cash equivalents amounted to EUR 20,348 thousand as at 30 June 2016, down by EUR 4,254 thousand compared to the balance as at 31 December 2015:

(EUR/000)	**30/06/2016**	**31/12/2015**	**changes**
Cash in bank deposits	20,029	24,533	(4,504)
Cash	29	29	-
Term deposits – less than 3 months	-	-	-
Other cash	290	40	250
Total	**20,348**	**24,602**	**(4,254)**

The technical forms used as at 30 June 2016 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 as at 30 June 2016 decreased by EUR 20,551 thousand compared to 2015 and break down as follows:

(EUR/000)	**30/06/2016**	**31/12/2015**	**changes**
Current portion of debt	10,989	26,876	(15,887)
Current overdrafts	6,695	11,187	(4,492)
Factoring	105	265	(160)
Leasing	4	16	(12)
Other payables	8	8	-
Total	**17,801**	**38,352**	**(20,551)**

The current portion of debt decreased by EUR 12,964 thousand compared to December 2015 due to the reclassification from “current financial payables” to “non-current financial payables” of portions of loans, falling due after the next 12 months, which as at 31 December 2015 did not comply with the terms of covenant related to the ratio between shareholders' equity and EBITDA. This reclassification was made thanks to the compliance with the above-mentioned covenant as at 30 June 2016 and thanks to the formalisation of the letter of “Waiver” with all the banks involved, informing of the waiver to the right to request early repayment. As at 31 December 2015, this reclassification amounted to Euro 15,032 thousand.

The current portion of debt decreased also by EUR 6,049 thousand owing to the repayments envisaged by the redemption plan of each loan, whereas it increased by EUR 3,126 thousand due to the reclassification from “non-current financial payables” to “current financial payables” of the portions of loans the maturity of which is expected in the next 12 months.

The "factoring" item, which decreased by EUR 160 thousand, comprises payables to factoring companies, for the payment extension period from the original maturity of the payable with certain suppliers, for which the Parent Company has accepted non-recourse assignment.

Bank overdrafts as at 30 June 2016 totalled EUR 6,695 thousand, compared to a balance as at 31 December 2015 of EUR 11,187 thousand. 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 2.6%-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 0.6%-0.9% range;

The **non-current financial payables** break down as follows:

(EUR/000)	30/06/2016	31/12/2015	changes
Centrobanca	2,195	2,927	(732)
Deutsche Bank	-	150	(150)
Banco di Brescia	1,299	1,930	(631)
Cred. Bergamasco	-	404	(404)
Unicredit SACE	1,250	1,750	(500)
Banco di Brescia	1,082	-	1,082
BNL	1,666	2,000	(334)
Banca Pop. Sondrio	1,343	1,718	(375)
Unicredit	1,100	-	1,100
Unicredit	2,000	-	2,000
Banca Pop. Emilia Romagna	2,782	-	2,782
Mediocredito	6,000	-	6,000
Total	**20,717**	**10,879**	**9,838**

The main changes concern the reclassification from current to non-current of loans that as at 31 December 2015 do not comply with the terms of the financial covenant of the Net Debt to EBITDA ratio of EUR 12,964 thousand (EUR 15,032 thousand as at 31 December 2015) and the reclassification from "non-current financial payables" to "current financial payables" of EUR 3,126 thousand of the portions of loans the maturity of which is expected in the next 12 months.

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 as at 30 June 2016	Of which within 12 months	Of which over 12 months	Interest rate	Maturity	Repayment method
Centrobanca	EUR 10,976	04/09/08	3,659	1,464	2,195	Euribor 6m + 0.85%	01/10/18	half-yearly
Deutsche Bank	EUR 3,000	09/03/12	450	450	-	Euribor 3m + 3.60%	31/03/17	quarterly
Cred. Bergamasco	EUR 2,000	06/11/12	223	223	-	Euribor 3m + 3.80%	31/10/16	monthly
Banco di Brescia	EUR 6,000	31/05/13	2,547	1,248	1,299	Euribor 3m + 3.90%	31/05/18	quarterly
Banca Pop. Sondrio	EUR 3,000	11/06/13	266	266	-	Euribor 3m + 4.50%	31/07/16	quarterly
Cred. Bergamasco	EUR 3,000	18/06/13	799	799	-	Euribor 3m + 4.20%	30/06/17	monthly
Unicredit SACE	EUR 5,000	27/09/13	2,250	1,000	1,250	Euribor 3m + 2.60%	30/09/18	quarterly
Banco di Brescia	EUR 3,000	28/11/14	1,833	751	1,082	Euribor 3m + 1.75%	30/11/18	monthly
BNL	EUR 3,000	19/12/14	2,333	667	1,666	Euribor 6m + 1.35%	18/12/19	half-yearly
Banca Pop. Sondrio	EUR 3,000	23/12/14	2,090	747	1,343	Euribor 3m + 2.00%	22/12/18	quarterly
Unicredit	EUR 2,000	19/02/15	1,500	400	1,100	Euribor 3m + 2.10%	29/02/20	quarterly
Unicredit	EUR 2,000	19/02/15	2,000	-	2,000	Euribor 3m + 2.50%	28/02/19	bullet
Banca Pop. Emilia Romagna	EUR 4,000	06/08/15	3,756	974	2,782	Euribor 3m + 1.25%	03/02/20	quarterly

Mediocredito	EUR 10,000	07/08/15	8,000	2,000	6,000	Euribor 3m + 1.35%	30/06/20	quarterly
Total			**31,706**	**10,989**	**20,717**			

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

Seven 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 net debt to equity ratio of ≤ 0.7.

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

2) the EUR 3,000 UBI-Banco di Brescia loan, taken out on 28 November 2014, is subject to two financial covenants:

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

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

3) the EUR 3,000 thousand BNL loan, taken out on 19 December 2014, is subject to two financial covenants:

- consolidated net debt to equity ratio of ≤ 0.7;
- consolidated Equity and Total Assets > 30%.

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

4) 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 net debt to equity ratio of ≤ 0.7;
- consolidated net debt to EBITDA ratio of ≤ 3.0.

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

5) the Banca Popolare Emilia Romagna loan of EUR 4,000 thousand, taken out on 6 August 2015, is subject to the financial covenant:

- consolidated net debt to EBITDA ratio of ≤ 3.5.

If the ratio is exceeded, the lending bank will have the right to request early repayment.

6) the Mediocredito loan of EUR 10,000 thousand, taken out on 7 August 2015, is subject to the financial covenants:

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

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

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.

As at 31 December 2015, the terms of the financial covenant relating to the ratio between net debt and Ebitda established in certain loan contracts had not been complied with; this explains why at 31 December 2015 the medium/long term debt portions relating to loans that did not comply with the terms of the above-mentioned covenant were reclassified under short term debt. The reclassified debt amounted to EUR 15,032 thousand as at 31 December 2015.

However, during the second quarter of 2016, Gefran formalised with all the banks involved the letters of “Waiver” with which the banks informed of the waiver to request early repayment; please see paragraph 21 of the Directors' Report on Operations - Significant Events during the year - for more details on the dates of formalisation of the letters of “Waiver” and the banks involved.

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 2016 have been respected overall, the loans were classified in the maturities table according to their contractual maturities.

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

Financial assets for derivatives totalled EUR 6 thousand as at 30 June 2016, 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. The **financial liabilities for derivatives** totalled EUR 320 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 as at 30 June 2016**	**Derivative**	**Fair Value as at 30 June 2016**	**Long position rate**	**Short position rate**
Centrobanca	EUR 9,550	31/03/10	3,659	IRS	(145)	Fixed 3.11%	Euribor 6m
Deutsche Bank	EUR 3,000	09/03/12	450	IRS	(4)	Fixed 1.34%	Euribor 3m
Banca Pop. Emilia Romagna	EUR 4,000	01/10/15	3,756	IRS	(50)	Fixed 0.15%	Euribor 3m
Intesa	EUR 10,000	05/10/15	8,000	IRS	(121)	Fixed 0.16%	Euribor 3m
Total financial liabilities for derivatives – interest rate risk					**(320)**		

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

Bank *(EUR/000)*	Notional principal	Signing date	Notional as at 30 June 2016	Derivative	Fair Value as at 30 June 2016	Long position rate	Short position rate
Credito Bergamasco	EUR 2,000	06/11/12	223	CAP	0	Strike Price 1.00%	Euribor 3m
Unicredit	EUR 6,000	04/06/13	2,547	CAP	0	Strike Price 0.75%	Euribor 6m
BNL	EUR 3,000	20/06/13	266	CAP	0	Strike Price 0.40%	Euribor 3m
Credito Bergamasco	EUR 3,000	20/06/13	799	CAP	0	Strike Price 0.75%	Euribor 3m
Unicredit	EUR 5,000	15/10/13	2,250	CAP	0	Strike Price 0.60%	Euribor 3m
Banco di Brescia	EUR 3,000	28/11/14	1,833	CAP	1	Strike Price 0.10%	Euribor 3m
BNL	EUR 3,000	19/12/14	2,333	CAP	2	Strike Price 0.20%	Euribor 6m
Unicredit	EUR 2,000	19/02/15	1,500	CAP	1	Strike Price 0.10%	Euribor 3m
Unicredit Bulllet	EUR 2,000	19/02/15	2,000	CAP	2	Strike Price 0.10%	Euribor 3m
Total financial assets for derivatives – interest rate risk					**6**		

All the contracts described above are booked at fair value:

(EUR/000)	as at 30 June 2016		as at 31 December 2015	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	6	(320)	25	(274)
Total cash flow hedge	**6**	**(320)**	**25**	**(274)**

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 43,887 thousand. Overall use of these lines as at 30 June 2016 totalled EUR 6,553 thousand, with a residual available amount of EUR 37,334 thousand.

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

18. Shareholders' equity

Group shareholders' equity decreased by EUR 417 thousand compared to 31 December 2015, mainly due to the change in translation reserve of EUR 823 thousand, partially offset by the profit for the year of EUR 541 thousand.

Share capital was EUR 14,400 thousand, divided into 14,400,000 ordinary shares, with a nominal value of EUR 1 each.

As at 30 June 2016, Gefran S.p.A held 227,394 own shares, or 1.58%, while as at 31 December 2015, own shares were 219,735, or 1.53% of the share capital.

The Company did not issue convertible bonds.

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

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

(EUR/000)	**30/06/2016**	**31/12/2015**	**changes**
Balance as at 1 January	(10)	(33)	23
UBI – Banca shares	(59)	4	(63)
Woojin Selex (Korea) shares	-	19	(19)
Net amount	**(69)**	**(10)**	**(59)**

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

(EUR/000)	**30/06/2016**	**31/12/2015**	**changes**
Balance as at 1 January	(249)	(317)	68
Change in fair value of derivatives	(65)	68	(133)
Net amount	**(314)**	**(249)**	**(65)**

19. Earnings per share

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

	2016	**2015**
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group *(EUR/000)*	541	(1,421)
- Average no. of ordinary shares *(no./000,000)*	14.17	14.20
- Basic earnings per ordinary share	0.038	(0.100)
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group *(EUR/000)*	541	(1,421)
- Average no. of ordinary shares *(no./000,000)*	14.17	14.20
- Basic earnings per ordinary share	0.038	(0.100)
average number of ordinary shares	**14,174,560**	**14,201,542**

20. Current and non-current provisions

"*Non-current provisions*" rose by EUR 1,176 thousand compared to 31 December 2015, and break down as follows:

(EUR/000)	31/12/2015	Increases	Decreases	Exchange rate effect	30/06/2016
Gefran S.p.A. risk provisions					
- for restructuring	-	1,700	(257)	-	1,443
- for legal disputes	374	-	(194)	-	180
- other provisions	85	-	-	-	85
Gefran Brasil risk provisions					
- for legal disputes	3	-	-	-	3
Gefran France risk provisions					
- for legal disputes	7	-	-	-	7
GSDT risk provisions					
- for legal disputes	86	-	(71)	(2)	13
Total	**555**	**1,700**	**(522)**	**(2)**	**1,731**

The table of comparison with the changes of the first half of 2015 is shown below:

(EUR/000)	31/12/2014	Increases	Decreases	Exchange rate effect	30/06/2015
Gefran S.p.A. risk provisions					
- for restructuring	61	-	(61)	-	-
- for legal disputes	265	-	(43)	-	222
- other provisions	85	-	-	-	85
Gefran Brasil risk provisions					
- for legal disputes	246	-	(22)	-	224
Gefran France risk provisions					
- for legal disputes	7	-	-	-	7
Total	**664**	**0**	**(126)**	**0**	**538**

The "restructuring" item refers to the residual amount of the provision made by Gefran S.p.A. for a total of EUR 1,700 thousand to open a procedure for redundancies involving a total of 55 employees as per the trade union agreement made on 29 February 2016.

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.

"*Current provisions*" totalled EUR 1,305 thousand as at 30 June 2016, substantially unchanged compared to 31 December 2015, and break down as follows:

(EUR/000)	31/12/2015	Increases	Decreases	Exchange rate effect	30/06/2016
FISC	163	-	(15)	-	148
Product warranty	1,135	192	(159)	(14)	1,154
Other provisions	3	-	-	-	3
Total	**1,301**	**192**	**(174)**	**(14)**	**1,305**

The table of comparison with the changes of the first half of 2015 is shown below:

(EUR/000)	31/12/2014	Increases	Decreases	Exchange rate effect	30/06/2015
FISC	161	-	-	-	161
Product warranty	1,239	221	(372)	49	1,137
Other provisions	3	-	-	-	3
Total	**1,403**	**221**	**(372)**	**49**	**1,301**

The item referring to anticipated charges for repairs of products under warranty increased mainly due to the adjustment of the provision during the year; at year-end, the adequacy of the provision was checked, with a positive outcome.

The "FISC" item mainly includes contractual treatments existing at the Gefran Deutschland GmbH branch.

21. Gains and losses from financial assets/liabilities

"*Gains from financial assets*" totalled EUR 718 thousand compared to EUR 2,901 thousand as at 30 June 2015, and break down as follows:

Description	1H 2016	1H 2015	change
(EUR/000)			
income from cash management	26	28	(2)
other financial income	34	61	(27)
Exchange rate gains	158	1,000	(842)
currency valuation differences	500	1,812	(1,312)
Total	**718**	**2,901**	**(2,183)**

"Losses from financial liabilities" amounted to EUR 1,340 thousand, down from EUR 2,821 thousand in the first half of 2015, and break down as follows:

Description	1H 2016	1H 2015	change
(EUR/000)			
medium-/long-term interest	(407)	(600)	193
short-term interest	(17)	(74)	57
factoring interest and fees	(21)	(25)	4
other financial charges	(16)	(24)	8
Exchange rate losses	(481)	(1,600)	1,119
currency valuation differences	(398)	(380)	(18)
write-down of financial assets	-	(118)	118
Total	**(1,340)**	**(2,821)**	**1,481**

The reduction in the financial interest payable in the first half of 2016 is due to the reduction of the spreads agreed on average with the banks for loans taken out starting from the end of 2014 and to the continuous improvement of net debt.

The balance of differences in currency transactions was a negative amount of EUR 221 thousand, which compares with a positive amount of EUR 832 thousand in the first half of 2015. The worsening in the balance of currency transactions was due to the appreciation - starting from the second half of the previous year - of the euro against the main currencies that the Group is exposed to (the Brazilian real, Turkish lira and Indian rupee). Compared to the average in 2015, the three currencies depreciated by

12.0%, 7.8% and 5.3% respectively against the euro in the first half of 2016, resulting in negative exchange rate differences on payables in Euro in portfolio to some foreign subsidiaries.

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

Description	2016	2015	change
(EUR/000)			
Result of companies valued at equity	(44)	75	(119)
Total	**(44)**	**75**	**(119)**

Expenses from equity investments measured at equity were EUR 44 thousand, and mainly related to the negative result of the Ensun Group.

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

The "*Taxes*" item as at 30 June 2016 was negative at EUR 791 thousand; this compares with a negative balance of EUR 929 thousand in the first half of 2015, and breaks down as follows:

(EUR/000)	1H 2016	1H 2015
Current taxes		
IRES (corporate income tax)	(36)	(5)
IRAP (regional production tax)	(95)	(1)
Foreign taxes	(767)	(754)
Total current taxes	**(898)**	**(760)**
Deferred taxes		
Deferred tax liabilities	28	5
Deferred tax assets	79	(174)
Total deferred tax liabilities	**107**	**(169)**
Total taxes	**(791)**	**(929)**

The tax burden for the period is mainly attributable to the local taxes of the Group's foreign subsidiaries.

Deferred tax assets are positive at EUR 79 thousand, due to the recognition of provisions with deferred deductibility mainly identified in Gefran S.p.A. and in the subsidiary Gefran Siei Drives Technologyes Co. Ltd.

See the Report on Operations for more details on deferred tax assets and liabilities.

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

(EUR/000)	31/12/2015	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	30/06/2016
Deferred tax assets					
Devaluation of inventories	1,114	60	-	-	1,174
Impairment of trade receivables	292	66	-	-	358
Deductible losses to be brought forward	2,746	2	-	(23)	2,725
Exchange rate differences	15	(13)	-	-	2
Elimination of unrealised margins on inventories	648	(110)	-	16	554
Provision for product warranty risk	202	1	-	-	203
Provision for sundry risks	224	73	-	(1)	296
Total deferred tax assets	5,241	79	-	(8)	5,312
Deferred tax liabilities					
Currency valuation differences	(28)	28	-	-	-
Other deferred tax liabilities	(840)	-	-	16	(824)
Total deferred tax liabilities	(868)	28	-	16	(824)
Net total	4,373	107	-	8	4,488

The following diagram represents the changes in deferred tax assets and deferred tax liabilities in the first half of 2015:

(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

24. Guarantees granted, commitments and other contingent liabilities

Guarantees granted

At 30 June 2016, the Group granted guarantees on the liabilities and commitments of third parties or subsidiaries for EUR 10,560 thousand, as shown in the table below:

(EUR/000)	**2016**	**2015**
Ubi Leasing	5,918	3,180
BNL	2	4
Banca Intesa	1,100	1,100
Banca Passadore	2,750	2,750
Banco di Brescia	790	790
Total	10,560	10,560

A guarantee in favour of UBI Leasing was issued for a total of EUR 5,918 thousand, expiring in 2029, to guarantee financial requirements for the construction of photovoltaic plants by BS Energia 2 S.r.l., the residual debt of the lease taken out with UBI Leasing amounted to EUR 2,947 thousand as at 30 June 2016.

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

The amount of EUR 1,110 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 leases relate to building rental, electronic equipment and company cars. As at the reporting date, the payments still owed by the Group for irrevocable operating leases amounted to EUR 1,949 thousand; of this amount, EUR 1,829 thousand falls due within the next five years, and the remaining EUR 120 thousand after five years.

25. Dealings with related parties

In accordance with IAS 24, information relating to dealings with related parties for the first half of 2016 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 and Marco Giacometti (general manager of the Drives business of Gefran S.p.A.) general manager.
- 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. They are summarised in the following tables:

Company	**Costs and Charges**		**Revenues and income**	
(EUR/000)	**2016**	**2015**	**2016**	**2015**
Elettropiemme S.r.l.	45	0	38	23
Climat S.r.l.	91	55	0	0
Axel S.r.l.	47	17	0	7
Francesco Franceschetti elastomeri S.r.l.	0	0	0	77
Total	**183**	**72**	**38**	**107**

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Company	**Receivables and other assets**		**Payables and other liabilities**	
(EUR/000)	**30/6/2016**	**31/12/2015**	**30/6/2016**	**31/12/2015**
Elettropiemme S.r.l.	2	0	17	19
Climat S.r.l.	27	227	60	26
Axel S.r.l.	24	34	27	7
Francesco Franceschetti elastomeri S.r.l.	0	0	0	0
Total	**53**	**261**	**104**	**52**

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.

The key people were identified as the members of the executive Board of Directors, the two General Managers of the business units and the managers with key responsibilities, who are represented by the

CFO and the Authorised Manager, the Marketing Manager and R&D Manager of a business unit, the General Manager of the Chinese subsidiary Gefran Siei Drives Technology Co. Ltd. and the Manager in charge of the European subsidiaries.

26. Other information

Pursuant to article 70, paragraph 8, and article 71, paragraph 1-bis of Consob 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, 4 August 2016

For the Board of Directors

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

ANNEXES

a) Consolidated income statement by quarter

	(EUR/000)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	TOT 2015	Q1 2016	Q2 2016	TOT 2016
a	Revenues	30,309	29,556	26,759	28,728	**115,352**	29,524	30,138	**59,662**
b	Increases for internal work	503	480	376	390	**1,749**	408	292	**700**
c	Consumption of materials and products	9,810	9,995	9,026	10,475	**39,306**	9,539	10,526	**20,065**
d	Added value (a+b-c)	21,002	20,041	18,109	18,643	**77,795**	20,393	19,904	**40,297**
e	Other operating costs	6,395	6,673	6,846	5,887	**25,801**	5,563	5,628	**11,191**
f	Personnel costs	12,753	12,485	10,740	10,335	**46,313**	13,116	11,364	**24,480**
g	EBITDA (d-e-f)	1,854	883	523	2,421	**5,681**	1,714	2,912	**4,626**
h	Depreciation, amortisation and impairment	1,601	1,596	1,531	1,583	**6,311**	1,557	1,557	**3,114**
i	EBIT (g-h)	253	(713)	(1,008)	838	**(630)**	157	1,355	**1,512**
l	Gains (losses) from financial assets/liabilities	1,175	(1,095)	(1,343)	140	**(1,123)**	(761)	139	**(622)**
m	Gains (losses) from shareholdings value at equity	6	69	51	(7)	**119**	(78)	34	**(44)**
n	Profit (loss) before tax (i±l±m)	1,434	(1,739)	(2,300)	971	**(1,634)**	(682)	1,528	**846**
o	Taxes	(229)	(700)	(407)	(1,612)	**(2,948)**	(516)	(275)	**(791)**
p	Result from operating activities (n±o)	1,205	(2,439)	(2,707)	(641)	**(4,582)**	(1,198)	1,253	**55**
q	Profit (loss) from assets held for sale	(141)	(46)	0	0	**(187)**	486	0	**486**
r	Group net profit (loss) (p±q)	1,064	(2,485)	(2,707)	(641)	**(4,769)**	(712)	1,253	**541**

b) Consolidated income statement by quarter – excluding non-recurring items

	(EUR/000)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	TOT 2015	Q1 2016	Q2 2016	TOT 2016
a	Revenues	30,309	29,556	26,759	28,728	**115,352**	29,003	30,138	**59,141**
b	Increases for internal work	503	480	376	390	**1,749**	408	292	**700**
c	Consumption of materials and products	9,810	9,995	9,026	10,475	**39,306**	9,539	10,526	**20,065**
d	Added value (a+b-c)	21,002	20,041	18,109	18,643	**77,795**	19,872	19,904	**39,776**
e	Other operating costs	6,395	6,673	6,846	5,887	**25,801**	5,563	5,628	**11,191**
f	Personnel costs	12,753	12,485	10,740	10,335	**46,313**	11,224	11,217	**22,441**
g	EBITDA (d-e-f)	1,854	883	523	2,421	**5,681**	3,085	3,059	**6,144**
h	Depreciation, amortisation and impairment	1,601	1,596	1,531	1,583	**6,311**	1,557	1,557	**3,114**
i	EBIT (g-h)	253	(713)	(1,008)	838	**(630)**	1,528	1,502	**3,030**
l	Gains (losses) from financial assets/liabilities	1,175	(1,095)	(1,343)	140	**(1,123)**	(761)	139	**(622)**
m	Gains (losses) from shareholdings value at equity	6	69	51	(7)	**119**	(78)	34	**(44)**
n	Profit (loss) before tax (i±l±m)	1,434	(1,739)	(2,300)	971	**(1,634)**	689	1,675	**2,364**
o	Taxes	(229)	(700)	(407)	(1,612)	**(2,948)**	(516)	(275)	**(791)**
p	Result from operating activities (n±o)	1,205	(2,439)	(2,707)	(641)	**(4,582)**	173	1,400	**1,573**
q	Profit (loss) from assets held for sale	(141)	(46)	0	0	**(187)**	486	0	**486**
r	Group net profit (loss) (p±q)	1,064	(2,485)	(2,707)	(641)	**(4,769)**	659	1,400	**2,059**

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

End-of-period exchange rates

Currency	30 June 2016	31 December 2015	30 June 2015
Swiss franc	1.0867	1.0835	1.0413
Pound sterling	0.8265	0.7340	0.7114
US dollar	1.1102	1.0887	1.1189
Brazilian real	3.5898	4.3117	3.4699
Chinese renminbi	7.3755	7.0608	6.9366
Indian rupee	74.9603	72.0215	71.1873
South African rand	16.4461	16.9530	13.6416
Turkish lira	3.2060	3.1765	2.9953

Average exchange rates in the period

Currency	2Q 2016	2015	2Q 2015
Swiss franc	1.0960	1.0676	1.0565
Pound sterling	0.7785	0.7260	0.7324
US dollar	1.1155	1.1096	1.1159
Brazilian real	4.1349	3.6916	3.3077
Chinese renminbi	7.2937	6.9730	6.9411
Indian rupee	74.9776	71.1752	70.1224
South African rand	17.2038	14.1528	13.2991
Turkish lira	3.2588	3.0219	2.8620

d) 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 Paulo	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 (PRC)	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric PTE Ltd	Shanghai	China (PRC)	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

e) 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
Bs Energia 2 S.r.l.	Rodengo Saiano	Italy	EUR	1,000,000	Ensun S.r.l.	50
Elettropiemme S.r.l.	Trento	Italy	EUR	70,000	Ensun S.r.l.	50
Axel S.r.l.	Dandolo	Italy	EUR	26,008	Gefran S.p.A.	30

f) 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
UBI Banca S.c.p.A.	Bergamo	Italy	EUR	2,254,368,000	Gefran S.p.A.	n/s

29. DECLARATION OF THE DIRECTOR RESPONSIBLE FOR CORPORATE FINANCIAL REPORTING

Certification of consolidated financial statements pursuant to article 81-ter of Consob regulation 11971 of 14 May 1999, as subsequently amended and supplemented.

The undersigned **Maria Chiara Franceschetti**, as Chief Executive Officer, and **Fausta Coffano**, as Director responsible for corporate financial reporting 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 2016.

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 Regulation (EC) No. 1606/2002 of the European Parliament and of the Council 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, 4 August 2016

Chief Executive Officer	The Director responsible for corporate financial reporting
Maria Chiara Franceschetti	***Fausta Coffano***

EXTERNAL AUDITORS' REPORT

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
GEFRAN SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of GEFRAN SpA and its subsidiaries (the GEFRAN Group)] as of 30 June 2016, comprising the statement of profit/(loss) for the period, the statement of profit/(loss) for the period and other items of comprehensive income, the statement of financial position, the consolidated cash flow statement, the statement of changes in shareholders' equity and related notes. The directors of GEFRAN SpA 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 full-scope 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 accompanying consolidated condensed interim financial statements of the GEFRAN Group as of 30 June 2016 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 aspects

The consolidated financial statements as of and for the year ended 31 December 2015 and the consolidated condensed interim financial statements for the period ended 30 June 2016 were audited and reviewed, respectively, by other auditors, who on 24 March 2016 expressed an unqualified opinion on the consolidated financial statements, and on 6 August 2015 expressed an unqualified conclusion on the consolidated condensed interim financial statements.

Brescia, 5 August 2016

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers