GEFRAN GROUP

SEMI-ANNUAL FINANCIAL REPORT

AS AT 30 JUNE 2017

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CORPORATE BODIES

Board of Directors

Chairman	Ennio Franceschetti
Vice-chairman	Maria Chiara Franceschetti
Chief Executive Officer	Alberto Bartoli
Director	Giovanna Franceschetti
Director	Andrea Franceschetti
Director	Daniele Piccolo (*)
Director	Monica Vecchiati (*)
Director	Mario Benito Mazzoleni (*)
Director	Romano Gallus

Board of Statutory Auditors

Chairman	Marco Gregorini
Standing Auditor	Primo Ceppellini
Standing Auditor	Roberta Dell'Apa
Deputy Auditor	Guido Ballerio
Deputy Auditor	Rossella Rinaldi

Internal Control Committee

- Daniele Piccolo
- Monica Vecchiati
- Mario Benito Mazzoleni

Remuneration Committee

- Romano Gallus
- Daniele Piccolo
- Monica Vecchiati

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 annual financial statements of Gefran S.p.A., as well as the consolidated annual and interim financial statements of the Gefran Group for a period of nine years until the approval of the financial statements for 2024, in accordance with Italian Legislative Decree 39/2010.

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

KEY CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION FIGURES

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

Group income statement highlights

(EUR /000)	30 June 2017		30 June 2016		2Q 2017		2Q 2016	
Revenues	65,050	100.0%	59,662	100.0%	32,772	100.0%	30,138	100.0%
EBITDA	9,058	13.9%	4,626	7.8%	4,762	14.5%	2,912	9.7%
Earnings before interest and taxes (EBIT)	6,091	9.4%	1,512	2.5%	3,289	10.0%	1,355	4.5%
Profit (loss) before tax	5,023	7.7%	846	1.4%	2,464	7.5%	1,528	5.1%
Result from operating activities	4,443	6.8%	55	0.1%	2,635	8.0%	1,253	4.2%
Result from assets held for sale	0	0.0%	486	0.8%	0	0.0%	0	0.0%
Group net profit (loss)	4,443	6.8%	541	0.9%	2,635	8.0%	1,253	4.2%

Group income statement highlights, excluding non-recurring components

(EUR /000)	30 June 2017		30 June 2016		2Q 2017		2Q 2016	
Revenues	65,050	100.0%	59,141	100.0%	32,772	100.0%	30,138	100.0%
EBITDA	9,379	14.4%	6,144	10.4%	4,762	14.5%	3,059	10.1%
Earnings before interest and taxes (EBIT)	6,412	9.9%	3,030	5.1%	3,289	10.0%	1,502	5.0%
Profit (loss) before tax	5,344	8.2%	2,364	4.0%	2,464	7.5%	1,675	5.6%
Result from operating activities	4,764	7.3%	1,573	2.7%	2,635	8.0%	1,400	4.6%
Result from assets held for sale	0	0.0%	486	0.8%	0	0.0%	0	0.0%
Group net profit (loss)	4,764	7.3%	2,059	3.5%	2,635	8.0%	1,400	4.6%

Group statement of financial position highlights

(EUR /000)	30 June 2017	31 December 2016
Invested capital from operations	76,502	78,612
Net working capital	28,985	35,754
Shareholders' equity	68,126	66,908
Net debt (financial position)	(9,590)	(12,918)

(EUR /000)	30 June 2017	30 June 2016
Operating cash flow	10,491	8,679
Investments	2,724	1,563

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 the IFRS.

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

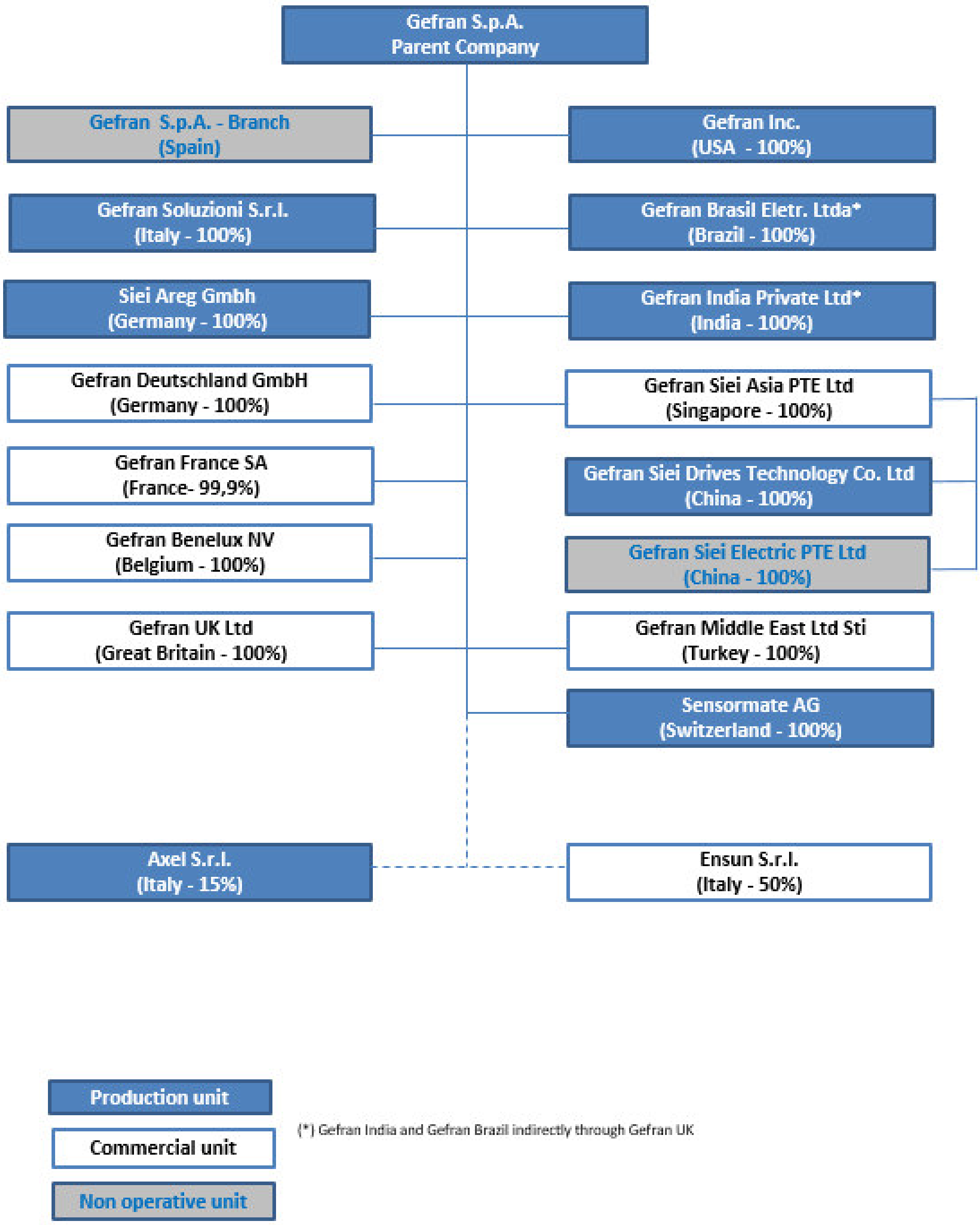
- **Added value**: the direct margin resulting from revenues, including only direct material, gross of other production costs, such as personnel costs, services and other sundry costs;
- **EBITDA**: operating result before depreciation, amortisation and write-downs. The purpose of this indicator is to 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**: 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

REPORT ON OPERATIONS

1. STRUCTURE OF THE GEFRAN GROUP



2. 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.

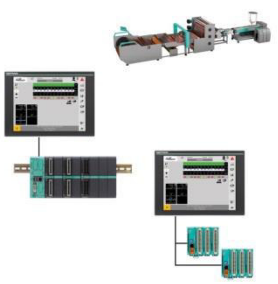
The Group offers a complete range of products and tailored turnkey solutions in numerous automation sectors. 71% of its revenues are generated abroad.

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 two thirds 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 68% of its revenues abroad.

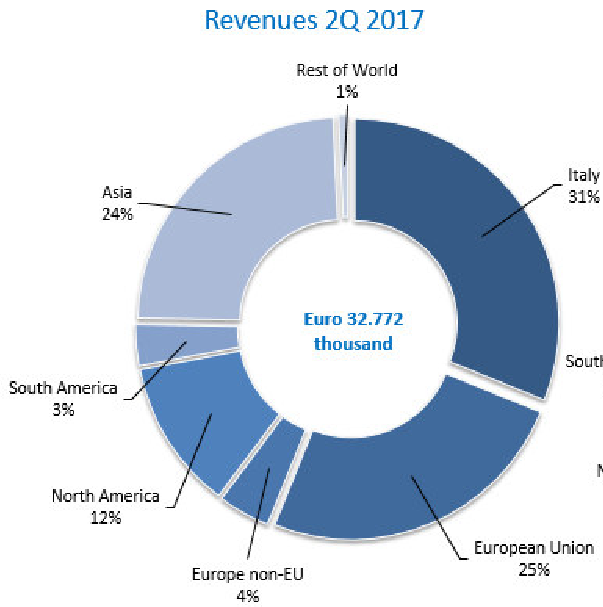
3. GEFRAN CONSOLIDATED RESULTS

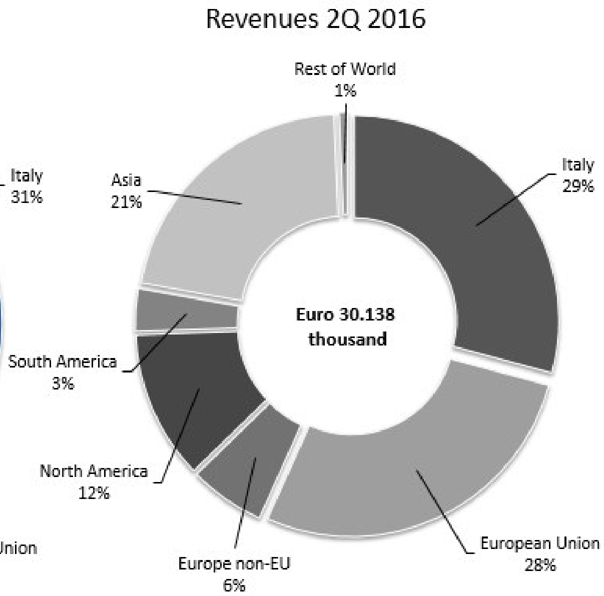
3.1. CONSOLIDATED INCOME STATEMENT OF THE QUARTER

		2Q 2017			2Q 2016			2017-2016 Chg.	
	(EUR /000)	Excl. non-rec.	Incl.. non-rec.	Final	Excl. non-rec.	Incl.. non-rec.	Final	Excl. non rec. Value	%
a	Revenues	32,772		32,772	30,138		30,138	2,634	8.7%
b	Increases for internal work	142		142	292		292	(150)	51.4%
c	Consumption of materials and products	11,446		11,446	10,526		10,526	920	8.7%
d	Added Value (a+b-c)	21,468		21,468	19,904		19,904	1,564	7.9%
e	Other operating costs	5,744		5,744	5,628		5,628	116	2.1%
f	Personnel costs	10,962		10,962	11,217	(147)	11,364	(255)	2.3%
g	EBITDA (d-e-f)	4,762		4,762	3,059	147	2,912	1,703	55.7%
h	Depreciation, amortisation and impairments	1,473		1,473	1,557		1,557	(84)	5.4%
i	EBIT (g-h)	3,289		3,289	1,502	147	1,355	1,787	119.0%
l	Gains (losses) from financial assets/liabilities	(756)		(756)	139		139	(895)	643.9%
m	Gains (losses) from shareholdings valued at equity	(69)		(69)	34		34	(103)	302.9%
n	Profit (loss) before tax (i±l±m)	2,464		2,464	1,675	147	1,528	789	47.1%
o	Taxes	171		171	(275)		(275)	446	162.2%
p	Result from operating activities (n±o)	2,635	0	2,635	1,400	147	1,253	1,235	88.2%
q	Result from assets held for sale	0		0	0		0	0	
r	Group net profit (loss) (p±q)	2,635	0	2,635	1,400	147	1,253	1,235	88.2%

For the second quarter of 2017, **revenues** were EUR 32,772 thousand, an increase of EUR 2,634 thousand or 8.7% on the same period in 2016, thanks to the positive results registered in all the geographic areas the Group operates in, with the exception of the European Union and non-EU Europe, which decreased in the quarter.

The table below shows the breakdown of revenues for the quarter by geographic area:





The breakdown by **area geographic** shows significant revenue growth in Asia (+21.2%) and Italy (+16%), while sales in non-EU Europe (-25.3%) and EU Europe (-1.4%) decrease.

The table below shows the breakdown of revenues by business area in the second quarter of 2017 and a comparison with the same period of the previous year:

(EUR /000)	2Q 2017		2Q 2016		Change 2017-2016	
	value	%	value	%	value	%
Sensors	15,218	46.4%	12,669	42.0%	2,549	20.1%
Automation components	9,362	28.6%	8,495	28.2%	867	10.2%
Drives	9,377	28.6%	9,842	32.7%	(465)	-4.7%
Eliminations	(1,185)	-3.6%	(868)	-2.9%	(317)	36.5%
Total	**32,772**	**100%**	**30,138**	**100%**	**2,634**	**9%**

EBITDA in the second quarter was EUR 4,762 thousand (EUR 2,912 thousand in the second quarter of 2016) and was equal to 14.5% of revenues (9.7% in 2016), up therefore by EUR 1,850 thousand compared with the second quarter of 2016, mainly due to the increase in revenues and overall increase in margins achieved, only partially offset by inventory write-downs, up by EUR 834 thousand, and capitalisations, down by EUR 150 thousand.

Excluding non-recurring items recorded in 2016, EBITDA for the second quarter of 2017 improved by EUR 1,703 thousand compared to the same period of the previous year.

EBIT for the second quarter of 2017 was positive at EUR 3,289 thousand or 10% of revenues, compared to an EBIT of EUR 1,355 thousand or 4.5% of revenues in the second quarter of 2016, with an increase of EUR 1,934 thousand.

Excluding the non-recurring items already mentioned recorded in 2016, EBIT for the second quarter of 2017 was EUR 1,787 thousand more compared to the same period of 2016.

Group net profit of the second quarter of 2017 was EUR 2,635 thousand, compared to a profit of EUR 1,253 thousand in the same period of 2016, with an improvement of EUR 1,382 thousand.

The improvement was due to the higher EBIT achieved, equal to 1,934 thousand euros, partially offset by the net result from financial operations, which in the second quarter of 2017 was negative overall and equal to EUR 756 thousand , a decrease of EUR 895 thousand compared to the second quarter 2016.

3.2. YTD CONSOLIDATED INCOME STATEMENT

The main income statement items and comments are shown below.

	(EUR /000)	30 June 2017 Excl. non-rec.	Incl. non-rec.	Final	30 June 2016 Excl. non-rec.	Incl. non-rec.	Final	2017-2016 Chg. Excl. non rec value.	%
a	Revenues	65,050		65,050	59,141	(521)	59,662	5,909	10.0%
b	Increases for internal work	310		310	700		700	(390)	55.7%
c	Consumption of materials and products	22,567		22,567	20,065		20,065	2,502	12.5%
d	Added Value (a+b-c)	42,793		42,793	39,776	(521)	40,297	3,017	7.6%
e	Other operating costs	11,328		11,328	11,191		11,191	137	1.2%
f	Personnel costs	22,086	(321)	22,407	22,441	(2,039)	24,480	(355)	1.6%
g	EBITDA (d-e-f)	9,379	321	9,058	6,144	1,518	4,626	3,235	52.7%
h	Depreciation, amortisation and impairments	2,967		2,967	3,114		3,114	(147)	4.7%
i	EBIT (g-h)	6,412	321	6,091	3,030	1,518	1,512	3,382	111.6%
l	Gains (losses) from financial assets/liabilities	(993)		(993)	(622)		(622)	(371)	59.6%
m	Gains (losses) from shareholdings valued at equity	(75)		(75)	(44)		(44)	(31)	70.5%
n	Profit (loss) before tax (i±l±m)	5,344	321	5,023	2,364	1,518	846	2,980	126.1%
o	Taxes	(580)		(580)	(791)		(791)	211	26.7%
p	Result from operating activities (n±o)	4,764	321	4,443	1,573	1,518	55	3,191	202.9%
q	Result from assets held for sale	0		0	486		486	(486)	100.0%
r	Group net profit (loss) (p±q)	4,764	321	4,443	2,059	1,518	541	2,705	131.4%

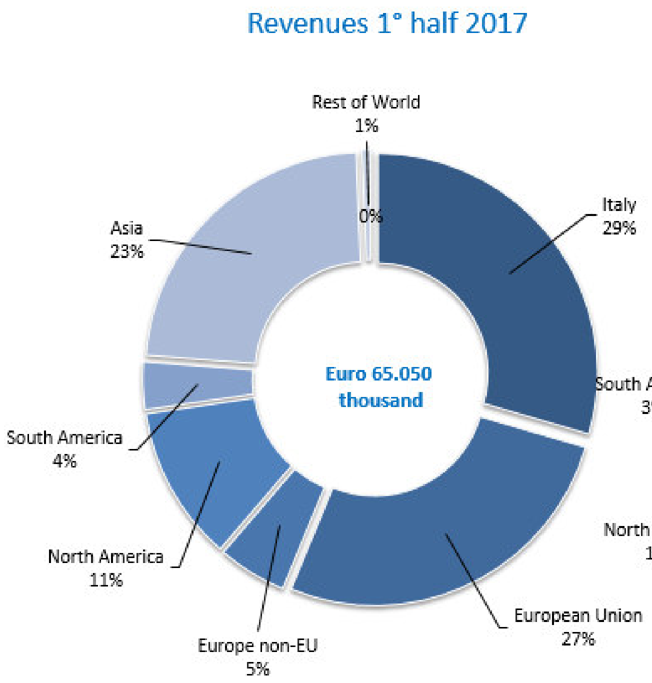
Revenues in the first half of 2017 amounted to EUR 65,050 thousand, up compared to the same period of 2016 mainly due to the positive results recorded in almost all markets, and particularly in Asia, Italy, the European Union and South America, mainly generated by the sensor and automation component business areas. The growth was also influenced by exchange rates, which had a positive effect overall of EUR 359 thousand.

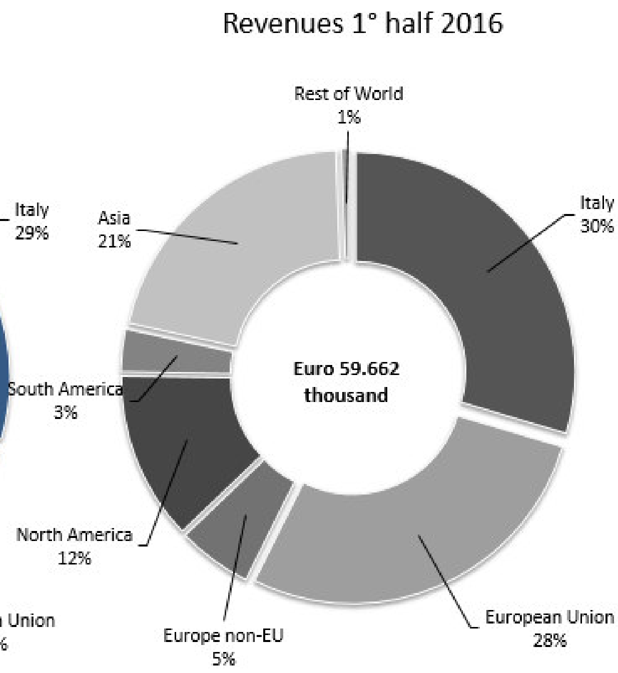
Revenues for the first half of 2016 included government grants recorded by the Chinese branch, equal to EUR 521 thousand, relating to incentives for research and development granted to technology companies; net of these grants, growth in the first half 2017 amounted to 10%.

New orders in the first half totalled EUR 68,669 thousand, up by EUR 2,518 thousand (+3.8%) compared to the first half of 2016. The positive trend in order growth continued, mainly due to the positive performance of the sensor business.

The table and chart below show the breakdown of revenues by geographic area:

(EUR /000)	30 June 2017 value	%	30 June 2016 value	%	Chg. 2017-2016 value	%
Italy	19,184	29.5%	17,649	29.6%	1,535	8.7%
European Union	17,390	26.7%	16,567	27.8%	823	5.0%
Europe non-EU	3,296	5.1%	3,274	5.5%	22	0.7%
North America	7,434	11.4%	7,416	12.4%	18	0.2%
South America	2,276	3.5%	1,875	3.1%	401	21.4%
Asia	15,052	23.1%	12,567	21.1%	2,485	19.8%
Rest of the World	418	0.6%	314	0.5%	104	33.1%
Total	**65,050**	**100%**	**59,662**	**100%**	**5,388**	**9.0%**





In the breakdown by **geographic area,** all areas grew, particularly Asian markets, Italy and the European Union. North America also recovered, whose decrease in the first quarter was due to a delay in order taking.

The table below shows the breakdown of revenues by business area as at 30 June 2017 and a comparison with the same period of the previous year:

(EUR /000)	30 June 2017		30 June 2016		2017-2016 Chg.	
	value	%	value	%	value	%
Sensors	29,942	46.0%	25,237	42.3%	4,705	18.6%
Automation components	18,667	28.7%	16,484	27.6%	2,183	13.2%
Drives	18,599	28.6%	19,536	32.7%	(937)	-4.8%
Eliminations	(2,158)	-3.3%	(1,595)	-2.7%	(563)	35.3%
Total	**65,050**	**100%**	**59,662**	**100%**	**5,388**	**9.0%**

The breakdown of **revenues by business area** in the first half of 2017 shows growth, compared to the same period of 2016, in the sensor business and automation component business of EUR 4,705 thousand (+18.6%) and EUR 2,183 thousand (+13.2%), respectively. Drives were down, with revenues decreasing by EUR 937 thousand (-4.8%), also due to government grants received in the first half of 2016, without which revenues would have decreased by EUR 416 thousand (-2.1%).

Added value in the first half amounted to EUR 42,793 thousand (65.8% of revenues), an increase of EUR 2,496 thousand compared to the same period of 2016, thanks to the increase in volumes and margins, which generated an improvement in added value of EUR 4,357 thousand, partially offset by the increase in provisions for inventory write-downs of EUR 1,471 thousand. Added value as a percentage was down compared to the same period in 2016 (-1.8%).

Other operating costs in the first half of 2017 amounted to EUR 11,328 thousand, in line with the first half of 2016 in absolute value and with a declining percentage of revenues (from 18.8% in the first half of 2016 to the current 17.4%).

Personnel costs in the first six months of 2017 amounted to EUR 22,407 thousand compared to EUR 24,480 thousand in the same period of 2016; this item includes non-recurring negative components amounting to EUR 321 thousand in the first half of 2017, relating to the last part of the Group's reorganisation process starting in 2016, compared to non-recurring items recorded in the first half of 2016 amounting to EUR 2,039 thousand. Net of these components, the labour cost in the first six months of 2017 was in line with the same period of 2016.

EBITDA in the first half amounted to EUR 9,058 thousand, up by EUR 4,432 thousand compared to the same period of 2016 and equivalent to 13.9% of revenues (7.8% in the first half of 2016), owing to the combined effect of increased revenues and margins.

Excluding the non-recurring items illustrated above, EBITDA for the first half of 2017 amounted to EUR 9,379 thousand (14.4% of revenues) compared to the first half of 2016 amounting to EUR 6,144 thousand (10.4% of revenues) with a growth of EUR 3,235 thousand.

EBIT for the first half of 2017 was positive at EUR 6,091 thousand (9.4% of revenues), compared with EUR 1,512 thousand in the same period of 2016 (2.5% of revenues).

EBIT for the first half of 2017, excluding the aforementioned non-recurring items, amounted to EUR 6,412 thousand, compared to the EBIT of the same period of 2016 of EUR 3,030, with growth of EUR 3,382 thousand.

Net financial charges for the first half of 2017 amounted to EUR 993 thousand, an increase of EUR 371 thousand compared with the first half of 2016, when they amounted to EUR 622 thousand. They include financial charges relating to Group debt of EUR 294 thousand (EUR 461 thousand as at 30 June 2016), financial income of EUR 53 thousand and the negative balance of EUR 752 thousand resulting from differences in currency transactions (this was a negative amount of EUR 221 thousand in the first half of 2016).

Charges from shareholdings valued at equity were EUR 75 thousand (again negative and amounting to EUR 44 thousand in the first half of 2016), and mainly relate to the portion of the result of the Ensun Group.

Taxes were negative in the amount of EUR 580 thousand in the first half of 2017, compared to a negative figure of EUR 791 thousand in the same period of the previous year. They comprise negative current taxes of EUR 1,261 thousand (EUR 898 thousand in the first half of 2016) and positive deferred taxes amounting to EUR 681 thousand (positive in the amount of EUR 107 thousand in the first half of 2016). The increase in current taxes is mainly attributable to the positive result achieved by the Parent Company, while the change in positive deferred taxes is due to the recognition of deferred tax assets in the Parent Company and in the subsidiary Gefran France.

The **result from operating activities** in the first half of 2017 was positive in the amount of EUR 4,443 thousand, compared to a positive result of EUR 55 thousand in the same period of 2016.

Excluding all non-recurring items, the result from operating activities was EUR 4,764 thousand , compared with the positive result of EUR 1,573 thousand in the first half of 2016.

The **result from assets held for sale** in the first half of 2017 is zero, compared with a positive result of EUR 486 thousand in the same period of 2016, which included the effects of the sale of the business unit relating to the distribution of sensors and automation components in the Iberian Peninsula to a Spanish distributor.

Group net profit in the first half of 2017 was EUR 4,443 thousand, compared to a profit of EUR 541 thousand in the same period of 2016.

Excluding all non-recurring items, net profit was EUR 4,764 thousand , compared with the positive result of EUR 2,059 thousand in the first half of 2016.

3.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The reclassified consolidated statement of financial position of the Gefran Group as at 30 June 2017 is shown below.

GEFRAN GROUP	30 June 2017		31 December 2016	
(EUR /000)	value	%	value	%
Intangible assets	13,356	17.2	14,353	18.0
Tangible assets	37,127	47.8	36,931	46.3
Financial assets	11,068	14.2	10,176	12.7
Net non-current assets	61,551	79.2	61,460	77.0
Inventories	20,673	26.6	21,589	27.0
Trade receivables	30,531	39.3	30,745	38.5
Trade payables	(22,219)	(28.6)	(16,580)	(20.8)
Other assets/liabilities	(6,376)	(8.2)	(9,925)	(12.4)
Working capital	22,609	29.1	25,829	32.4
Provisions for risks and future liabilities	(2,088)	(2.7)	(2,460)	(3.1)
Deferred tax provisions	(960)	(1.2)	(1,005)	(1.3)
Employee benefits	(4,610)	(5.9)	(5,212)	(6.5)
Invested capital from operations	76,502	98.4	78,612	98.5
Invested capital from assets held for sale	1,214	1.6	1,214	1.5
Net invested capital	**77,716**	**100.0**	**79,826**	**100.0**
Shareholders' equity	68,126	87.7	66,908	83.8
Non-current financial payables	11,359	14.6	16,045	20.1
Current financial payables	17,301	22.3	17,134	21.5
Financial liabilities for derivatives	65	0.1	220	0.3
Financial assets for derivatives	(3)	(0.0)	(4)	(0.0)
Non-current financial assets	(181)	(0.2)	-	-
Cash and cash equivalents and current financial receivables	(18,951)	(24.4)	(20,477)	(25.7)
Net debt relating to operations	9,590	12.3	12,918	16.2
Total sources of financing	**77,716**	**100.0**	**79,826**	**100.0**

Net non-current assets at 30 June 2017 were EUR 61,551 thousand, compared with EUR 61,460 thousand at 31 December 2016. The main changes were as follows:

- intangible assets registered an overall decrease of EUR 997 thousand. This includes increases for new investments (EUR 112 thousand), the capitalisation of development costs (EUR 297 thousand), as well as decreases due to amortisation for the period (EUR 1,160 thousand) and negative exchange rate effects (EUR 246 thousand).
- tangible assets increased by EUR 196 thousand compared with 31 December 2016. they include investments in the period (EUR 2,315), offset by amortisation (EUR 1,807 thousand), plus negative exchange differences (EUR 311 thousand);
- financial fixed assets as at 30 June 2017 amounted to EUR 11,068 thousand, up by EUR 812 thousand compared to the figure as at 31 December 2016, mainly due to the re-measurement

of equity investments in other companies stated at fair value (equal to EUR 369 thousand) and recognition of deferred tax assets (for a total of EUR 703 thousand).

Operating capital was EUR 22,609 thousand at 30 June 2017, compared with EUR 25,829 thousand at 31 December 2016, disclosing an overall decrease of EUR 3,220 thousand. The main changes were as follows:

- inventories went from EUR 21,589 thousand in December 2016 to the current EUR 20,673 thousand, with a decrease of EUR 916 thousand; the change is attributable to the adjustment of the reserve for inventory write-downs carried out in the first half of 2017 and equal to a total of EUR 2,589 thousand;
- trade receivables totalled EUR 30,531 thousand, a decrease of EUR 214 thousand compared to 31 December 2016, mainly owing to the reduction in the average collection days from customers, together with a decrease in the incidence of the payment delays compared with the contractual conditions;
- trade payables amounted to EUR 22,219 thousand and rose by EUR 5,639 thousand compared to 31 December 2016, 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 6,376 thousand as at 30 June 2017, were down by EUR 3,549 thousand compared to 31 December 2016 (EUR 9,925 thousand as at 31 December 2016). The decrease was mainly due to the payment of incentives and payables to employees of the Parent Company Gefran S.p.A..

Provisions for risks and future liabilities were EUR 2,088 thousand, an decrease of EUR 372 thousand with respect to 31 December 2016. These include provisions for legal disputes in progress and miscellaneous risks. The change mainly refers to changes in the legal disputes and product warranty provisions.

Shareholders' equity at 30 June 2017 came to EUR 68,126 thousand, compared with EUR 66,908 thousand at 31 December 2016. The increase was generated by the positive result for the period of EUR 4,443 thousand, the effect of the sale of own shares for EUR 1,129 thousand and the increase in the fair value measurement reserve of EUR 528 thousand, partially absorbed by the distribution of dividends amounting to EUR 3,596 thousand and by the negative change in the conversion reserve of EUR 1,335 thousand.

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

(EUR /000)	30 June 2017		31 December 2016	
	Shareholders' equity	Result for the period	Shareholders' equity	Result for the period
Parent Company shareholders' equity and operating result	**60,023**	**6,905**	**55,059**	**8,196**
Shareholders' equity and operating result of the consolidated companies	33,842	(35)	37,634	605
Elimination of the carrying value of consolidated investments	(27,886)	0	(27,887)	1,252
Goodwill	3,740	0	3,779	0
Elimination of the effects of transactions carried out between consolidated companies	(1,593)	(2,427)	(1,677)	(6,105)
Group share of shareholders' equity and operating result	**68,126**	**4,443**	**66,908**	**3,948**
Minorities' share of shareholders' equity and operating result	0			
Shareholders' equity and operating result	**68,126**	**4,443**	**66,908**	**3,948**

Net debt at 30 June 2017 amounted to EUR 9,590 thousand, disclosing an improvement of EUR 3,328 thousand compared with 31 December 2016.

Net financial debt comprises short-term cash and cash equivalents of EUR 1,588 thousand and medium-/long-term debt of EUR 11,178 thousand.

The change in the net debt is mainly due to the positive cash flow of typical operations (EUR 10,491 thousand) and to the sale of treasury shares (EUR 1,129 thousand), partially mitigated by the distribution of dividends (EUR 3,596 thousand), by net flows from investing activities (EUR 2,628 thousand) and by payment of current taxes (EUR 1,167 thousand).

The breakdown is as follows:

(EUR /000)	**30 June 2017**	**31 December 2016**	**Changes**
Cash and cash equivalents and current financial receivables	18,951	20,477	(1,526)
Current financial payables	(17,301)	(17,134)	(167)
Financial liabilities for derivatives	(65)	(220)	155
Financial assets for derivatives	3	4	(1)
(Debt)/short-term cash and cash equivalents	**1,588**	**3,127**	**(1,539)**
Non-current financial assets	181	-	181
Non-current financial payables	(11,359)	(16,045)	4,686
(Debt)/medium-/long-term cash and cash equivalents	**(11,178)**	**(16,045)**	**4,867**
Net debt (financial position)	**(9,590)**	**(12,918)**	**3,328**

The Gefran Group **consolidated cash flow statement** as at 30 June 2017 shows cash absorption of EUR 1,526 thousand, compared to an absorption of EUR 4,254 thousand for the first half of 2016. The change was as follows:

(EUR /000)	**30 June 2017**	**30 June 2016**
A) Cash and cash equivalents at the start of the period	20,477	24,602
B) Cash flow generated by (used in) operations in the period	10,491	8,679
C) Cash flow generated by (used in) investment activities	(2,628)	(1,554)
D) Free Cash Flow (B+C)	7,863	7,125
E) Cash flow generated by (used in) financing activities	(8,895)	(11,833)
F) Cash flow from continuing operations (D+E)	(1,032)	(4,708)
G) Cash flow from assets held for sale	0	626
H) Currency translation differences on cash at hand	(494)	(172)
I) Net change in cash at hand (F+G+H)	(1,526)	(4,254)
J) Cash and cash equivalents at the end of the period (A+I)	18,951	20,348

The cash flow from operations for the period was positive at EUR 10,491 thousand. Specifically, operations in the first half of 2017, net of the inflow of provisions, amortisation and depreciation and financial items, generated cash of EUR 4,662 thousand, while the decrease in working capital in the same period, net of the exchange rate effect, generated a positive cash flow of EUR 5,829 thousand, mainly due to the effect of the increase in trade receivables of EUR 5,753 thousand.

Technical investments amounted to EUR 2,724 thousand, an increase of EUR 1,161 thousand compared to EUR 1,563 thousand in the first half of 2016.

Free cash flow (operating cash flow excluding investment activities) was a positive EUR 7,863 thousand, compared to a positive figure of EUR 7,125 thousand for the first half of 2016, an improvement of EUR 738 thousand therefore; the greater cash flow generated by operations in the half year was partially absorbed by higher investments.

Financing activities absorbed cash amounting to EUR 8,895 thousand, principally for repayment of instalments due on outstanding loans (EUR 5,193 thousand), distribution of 2016 dividends (EUR 3,596 thousand) and payment of current taxes (EUR 1,167 thousand), partly offset by the sale of treasury shares (EUR 1,129 thousand). In the first half of 2016, financing activities absorbed a total of EUR 11,833 thousand in cash, for repayment of loan instalments falling due (EUR 6,049 thousand) and reduction in short-term debt (EUR 4,664 thousand).

4. INVESTMENTS

Gross technical **investments** made in the first half of 2017 amounted to EUR 2,724 thousand (EUR 1,563 thousand in the first half of 2016), and related to:

- Investments in production plant and equipment in the Parent Company Gefran S.p.A. amounting to EUR 1,928 thousand and related to specific projects, such as renewal of a production line in the automation components division (EUR 1,069 thousand) and upgrading of the production departments in the sensor division (EUR 487 thousand for the renewal of various production lines and EUR 260 thousand for increasing production capacity);
- investments to upgrade the industrial buildings of the Parent Company amounting to approximately EUR 142 thousand;
- renewal of electronic office equipment of the Parent Company amounting to approximately EUR 54 thousand;
- investments for the purchase of new equipment in the Italian subsidiary Gefran Soluzioni S.r.l. amounting to EUR 94 thousand for process optimisation;
- investments in the manufacturing plant of the subsidiary Gefran Brazil amounting to EUR 37 thousand and in other Group subsidiaries for a total of EUR 59 thousand;
- the capitalisation of costs incurred in the period for new product development, totalling EUR 297 thousand;
- other investments in intangible assets, relating to management software licences, amounting to EUR 112 thousand.

The investments are summarised below by type:

(EUR /000)	as at 30 June 2017	as at 30 June 2016
Intangible assets	409	859
Tangible assets	2,315	704
Total	2,724	1,563

Investments are summarised by individual business area below:

(EUR /000)	Sensors	Components	Drives	Total
Intangible assets	65	269	75	409
Tangible assets	842	1,370	103	2,315
Total	907	1,639	178	2,724

5. 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;
- central division costs, which pertain to Gefran S.p.A., are fully allocated to the businesses, where possible, and quantified according to actual use; otherwise, they are allocated according to economic-technical criteria.

5.1. SENSORS

Summary of results

The key economic figures are summarised in the table below.

(EUR /000)	30 June 2017	30 June 2016	Chg. 2017 - 2016		2Q 2017	2Q 2016	Change 2017 - 2016	
			value	%			value	%
Revenues	29,942	25,237	4,705	18.6%	15,218	12,669	2,549	20.1%
EBITDA	8,521	6,678	1,843	27.6%	4,750	3,359	1,391	41.4%
% of revenues	*28.5%*	*26.5%*			*31.2%*	*26.5%*		
Earnings before interest and taxes (EBIT)	7,362	5,576	1,786	32.0%	4,176	2,801	1,375	49.1%
% of revenues	*24.6%*	*22.1%*			*27.4%*	*22.1%*		

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

(EUR /000)	30 June 2017		30 June 2016		Chg. 2017 - 2016	
	value	%	value	%	value	%
Italy	6,546	21.9%	5,304	21.0%	1,242	23.4%
Europe	9,965	33.3%	9,286	36.8%	679	7.3%
America	5,312	17.7%	4,921	19.5%	391	7.9%
Asia	8,013	26.8%	5,635	22.3%	2,378	42.2%
Rest of the World	106	0.4%	91	0.4%	15	16.5%
Total	**29,942**	**100%**	**25,237**	**100%**	**4,705**	**18.6%**

Business performance

Business revenues at 30 June 2017 were equal to EUR 29,942 thousand, an improvement over 30 June 2016 of EUR 4,705 thousand or 18.6%. These revenues were also influenced by exchange rates, which had a positive impact of EUR 251,000 compared with 30 June 2016.

Revenues by product line show growth in all business lines, particularly in the Position Transducer (+20.5%), Industrial Pressure (+45%) and Melt (+9.5%) families.

Compared with the first half of 2016, sales increased in Asia (42.2%), in Europe (+7.3%) and in Italy (+23.4%). Also in the US market there was significant growth (+7.9%), influenced moreover by favourable exchange rates.

With reference to the second quarter, revenues came in at EUR 15,218 thousand, up +20.1% from the figure of EUR 12,669 thousand registered in the same period of the previous year.

EBITDA was EUR 8,521 thousand as at 30 June 2017, an increase of EUR 1,843 thousand compared to the previous year when it was EUR 6,678 thousand. The growth is attributable to the increase in sales volumes and improved margins, partly offset by the consequent increase in operating costs.

EBIT as at 30 June 2017 was EUR 7,362 thousand, equal to 24.6% of revenues, compared to EBIT of EUR 5,576 thousand in the first half of 2016 (22.1% of revenues), with a positive change of EUR 1,786 thousand.

Comparing the figures by quarter, EBIT relating to the second quarter of 2017 came to EUR 4,176 thousand and corresponds to 27.4% of sales, compared with EBIT of EUR 2,801 thousand equal to 22.1% of sales in the second quarter of 2016.

Investments

As at 30 June 2017, the Group's investments in the Sensors business amounted to EUR 907 thousand. These are broken down into investments in intangible assets of EUR 65 thousand and investments in tangible assets of EUR 842 thousand, of which EUR 793 thousand in the Parent Company, linked to the expansion of production lines aimed at increasing production capacity, as well as renewal of workshop and assembly equipment.

5.2. AUTOMATION COMPONENTS

Summary of results

The key economic figures are summarised in the table below.

(EUR /000)	30 June 2017	30 June 2016	Chg. 2017-2016 value	Chg. 2017-2016 %	2Q 2017	2Q 2016	Change 2017 - 2016 value	Change 2017 - 2016 %
Revenues	**18,667**	**16,484**	2,183	13.2%	**9,362**	**8,495**	867	10.2%
EBITDA	**2,529**	**680**	1,849	271.9%	**1,633**	**803**	830	103.3%
% of revenues	*13.5%*	*4.1%*			*17.4%*	*9.5%*		
Earnings before interest and taxes (EBIT)	**1,642**	**(253)**	1,895	-749.0%	**1,194**	**340**	854	251.1%
% of revenues	*8.8%*	*-1.5%*			*12.8%*	*4.0%*		

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

(EUR /000)	30 June 2017 value	30 June 2017 %	30 June 2016 value	30 June 2016 %	2017-2016 Chg. value	2017-2016 Chg. %
Italy	8,958	48.0%	8,243	50.0%	715	8.7%
Europe	5,103	27.3%	4,446	27.0%	657	14.8%
America	2,177	11.7%	2,114	12.8%	63	3.0%
Asia	2,349	12.6%	1,594	9.7%	755	47.4%
Rest of the World	80	0.4%	87	0.5%	(7)	-8.0%
Total	**18,667**	**100%**	**16,484**	**100%**	**2,183**	**13.2%**

Business performance

Revenues totalled EUR 18,667 thousand at 30 June 2017, up by EUR 2,183 thousand compared to the first half of 2016 (+13.2%). All product families were up.

As regards the breakdown by geographic area, sales increased in the EU area and in the South American market, which also benefited from the exchange rate effect. On the other hand, sales declined in the North American market.

The first half 2017 results include negative non-recurring items amounting to EUR 101 thousand related to provisions for personnel restructurings, while the same period of the previous year included again negative non-recurring items amounting to EUR 816 thousand.

EBITDA at 30 June 2017 was positive at EUR 2,529 thousand, up by EUR 1,849 thousand compared to 30 June 2016, thanks to higher sales volumes.

EBIT was positive and amounted To Eur 1,642 thousand (+8.8% of revenues), higher than the 2016 figure by EUR 1,895 thousand.

In the second quarter of 2017, revenues amounted to EUR 9,362 thousand, up 10.2% compared to the same period of 2016. EBITDA exceeded the same period of the previous year by EUR 830 thousand and EBIT by EUR 854 thousand.

Investments

Investments totalled EUR 1,639 thousand in the first half of 2017, and included intangible (EUR 269 thousand) and tangible assets (EUR 1,370 thousand).

Intangible investments in the period mainly related to capitalised development costs of EUR 222 thousand, referring to the new range of regulators and power controllers.

As regards tangible investments in the business, these were mainly made by the Italian headquarters (EUR 1,250 thousand) and mainly aimed at the implementation of a new assembly line as well as works to upgrade the buildings.

5.3. DRIVES

Summary of results

The key economic figures are summarised in the table below.

(EUR /000)	**30 June 2017**	**30 June 2016**	**2017-2016 Chg.** value	**%**	**2Q 2017**	**2Q 2016**	**2017 – 2016 Chg.** value	**%**
Revenues	**18,599**	**19,536**	(937)	-4.8%	**9,377**	**9,842**	(465)	-4.7%
EBITDA	**(1,992)**	**(2,732)**	740	-27.1%	**(1,621)**	**(1,250)**	(371)	29.7%
% of revenues	*-10.7%*	*-14.0%*			*-17.3%*	*-12.7%*		
Earnings before interest and taxes (EBIT)	**(2,913)**	**(3,811)**	898	-23.6%	**(2,081)**	**(1,786)**	(295)	16.5%
% of revenues	*-15.7%*	*-19.5%*			*-22.2%*	*-18.1%*		

The breakdown of revenues by geographical region is as follows:

(EUR /000)	**30 June 2017** value	**%**	**30 June 2016** value	**%**	**2017-2016 Chg.** value	**%**
Italy	5,918	31.8%	5,637	28.9%	281	5.0%
Europe	5,701	30.7%	6,368	32.6%	(667)	-10.5%
America	2,050	11.0%	2,375	12.2%	(325)	-13.7%
Asia	4,707	25.3%	5,045	25.8%	(338)	-6.7%
Rest of the World	223	1.2%	111	0.6%	112	100.9%
Total	**18,599**	**100%**	**19,536**	**100%**	**(937)**	**-4.8%**

Business performance

Revenues totalled EUR 18,599 thousand at 30 June 2017, down by EUR 937 thousand (-4.8%) compared to the first half of 2016. Revenues in the first half 2016 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. Net of the non-recurring portion, 2017 revenues decreased by 2.2% compared with the same period of 2016.

There was a decrease in sales of Lift family products, for lifting applications, mainly in the Asian subsidiaries. On the other hand, the trend in Industrial Inverters and custom products was positive.

Regarding the geographic areas, the positive trend in sales growth in Italy (+5.0%) was confirmed, while other Group markets were down.

The first half 2017 results include negative non-recurring items amounting to EUR 119 thousand related to provisions for personnel restructurings, while the same period of the previous year included again negative non-recurring items amounting to EUR 326 thousand.

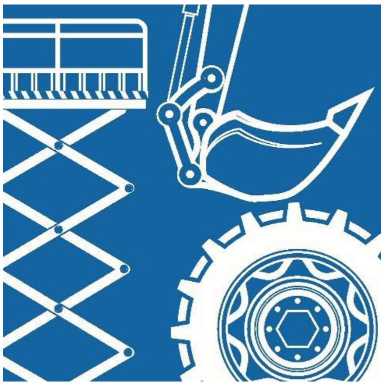
EBITDA at 30 June 2017 was negative at EUR 1,992 thousand, abut with an improvement of EUR 740 thousand compared to 30 June 2016. Net of all non-recurring effects, 2017 EBITDA was still negative at EUR 1,873 thousand, an improvement of EUR 533 thousand compared to the same period of the previous year, due to the reduction in operating costs following the organisational restructuring completed in the first half of 2017.

The EBIT loss of EUR 2,913 thousand for the first six months of 2017 is compared again to a loss of EUR 3,811 thousand in the same period of 2016, recording an improvement of EUR 898 thousand.

Investments

Investments in the first half of 2017 amounted to EUR 178 thousand, divided into intangible assets (EUR 75 thousand) and technical investments (EUR 103 thousand), dedicated mainly to the implementation and purchase of new manufacturing equipment, as well as works for upgrading of the Gerenzano plant and that of the German subsidiary Siei Areg.

6. RESEARCH AND DEVELOPMENT



The Gefran Group invests significant financial and human resources in product research and development. About 6% of sales were invested in these activities in the first half of 2017, considered to be strategic to maintain high technological and innovative levels in the products, and to ensure the competitiveness required by the market.

Research and development is concentrated in Italy, in the laboratories in Provaglio d'Iseo and Gerenzano. It is carried out 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.

The cost of technical personnel involved in the activities, consultancy and materials used is fully charged to the income statement, except for costs capitalised for the year that meet the requirements of IAS 38. Costs identified for capitalisation according to the above requirements are indirectly suspended by a revenue entry under a specific income statement item: *"Increases for internal work"*.

In the **sensors** business, research focused on the following products:

- melt sensors: the proprietary *thick film on steel* technology was applied to this sensor family for high temperature pressure measurements. It replaces the traditional glued extensometer and ensures the user greater product reliability in the long term;
- magnetostrictive sensors: work was carried out on the evolution of the *ONDA* technology which, once developed, will be applied to the entire product range. The expected benefits are related to metrological performance that will make the product suitable to be applied on a broader spectrum of machinery;
- force sensors for electrical plastic injection machines: development of products for force measurements in so-called*FEMs* (*Full Electric Machines*), custom products made starting from a significant set of technical and technological skills that are part of the company's know how. The product range has been completed with the development of a signal amplifier with advanced performance to meet the expectations of the most advanced customers in this field.

In the area of **automation components**, research & development activities focused on

For the instruments range:

- the development of the 2850T, 3850T graphic controllers with particularly advanced features and in line with the application requirements of furnaces, autoclaves, climate chambers, thermal treatments and sterilisation.
- the development and subsequent FM certification of a range of 650L/1250L interceptor indicators that will have North America as their target market;
- the customisation of the regulator range for an important customer that will serve as a primary entry point for the growth of this product family in the French market.

For the power controller range:

- completion of development of 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 development of highly customised products for IR lamp management for applications in the glass and plastics field.

For automation platforms, work is in progress on the evolution and update of the Firmware (linked to the use of the new Atom Bay Trail CPU) and of the communication protocols with a view to IoT-industry 4.0 (OPC UA-MQTT). In addition, expansion of the product range for injection machines is in progress with a specific HW + SW proposal derived from existing products.

Development activities in the **drives** area are focused on both the standard product ranges (industrial and civil lifting) as well as on important "custom" projects. Specifically:

- the main industrial lines have been subjected to the implementation of new application functionalities, primarily for the metal and energy efficiency sector;

- on the Lift lines, the effort focused mainly on developing software solutions for the Asian market and to comply with plant safety standards.

During the half year, technological analysis of the new control platforms and simultaneous feasibility study of the new HW and mechanical structures was initiated.

The collaboration in place with an American multinational kicked off the R&D project dedicated to the technological optimisation of the inverter-regenerative power supply range. This partnership will also engage Gefran at the production level for the next three years.

Finally, last June, the "I-MECH" project, established by the European Community and funded by the Ministry of Education, Universities and Research, concerning research and innovation of Motion Control applied to Mechatronics solutions officially got underway: in this context Gefran, specifically with the Drive & Motion Division, is playing a leading role in collaboration with universities, research institutions and leading European companies.

7. HUMAN RESOURCES

Workforce

As at 30 June 2017, the Group headcount was 724, including 5 staff with fixed-term contracts (contracts to replace temporarily absent staff or to undertake specific projects).

The change in headcount over the half year was marked by an overall turnover rate within the Group of 7.4%, which breaks down as follows:

- 24 people joined the Group, including 4 manual workers and 20 clerical staff;
- 30 people left the Group, including 2 manual workers, 25 clerical staff and 3 managers/executives.

8. 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.

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. By means of Board resolution dated 04 August 2016, the Company adopted the Organisational Model, prepared in accordance with Confindustria guidelines, and which meets the need to constantly update the Company’s corporate governance system. The Company's corporate governance structure is based in turn on the recommendations and regulations set out in the "Code of Conduct for Listed Companies" promoted by Borsa Italiana S.p.A., with which the Company complies.

The company has also identified the relevant corporate entities for the purposes of the internal control and risk management system:

- the **Risk Control Committee** (RCC), which has the task of supporting, with an adequate preliminary investigation activity, evaluations and decisions of the Board of Directors regarding the internal control and risk management system, as well as of verifying the proper application of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- the **Executive Director in charge of the internal risk control system**, with the task of identifying the main corporate risks, implementing the risk management guidelines and verifying their adequacy;
- the **Manager In Charge**, who is attributed the direct supervision of the control model pursuant to Law 262/2005 and of the related administrative and accounting procedures, in connection with the constant updating of the same;
- the **Internal Audit**, function with the task of verifying, both continuously as well as in relation to specific requirements and in compliance with international standards, the operation and appropriateness of the internal control and risk management system, via an audit plan approved by the Board of Directors which is based on a structured analysis of the main risks.

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.

The external and internal risk factors are nevertheless analysed below, classified according to the risk families identified as follows:

External risks;

(a) Market risks;
(b) Contextual risks.

Internal risks:

(c) Strategic risks;
(d) Operating risks;

(e) Financial risks;
(f) Legal compliance risks.

8.1. EXTERNAL RISKS

(a) Market risks

Risks associated with the general economic conditions and market trends

Despite a temporary drop in global GDP growth during the first quarter of 2017, global economic growth remained buoyant at the beginning of the year and the main indicators show that global growth will recover in the short term. Financial markets remain coherent with expectations of improvement of global growth in the short term, supported by monetary policies that remain accommodating.

The macroeconomic prospects for 2017 for Italy are for growth revised upwards, estimated at around 1.4%, mainly driven by domestic demand, both in consumption as well as expansion of investments.

Overall, the risks for the expansion of the global economy mainly derive from the continuation of the uncertainty of the financial conditions in some areas and the manifestation and spread of protectionist stimulus, as well as from the possible turbulence in emerging economies.

The Gefran Group operates through subsidiaries in international markets; this widespread geographic presence enables the Group to mitigate the effects of any recessionary phases. Diversification of the markets where the Group operates and the products it offers reduces exposure to the cyclical trends of some markets. However, the possibility that these trends may have a significant impact on the Group's operations and economic and financial situation, which at present can not be gauged, cannot be ruled out.

Risks associated with the market structure and competitive pressure

Gefran operates on open, unregulated markets that are not protected by any tariff barriers, regulated regime or public concession. The markets are highly competitive in terms of product quality, innovation, price competitiveness, product reliability and customer service to machinery manufacturers.

The Group competes with extremely stiff competition: operators 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 derives from 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 sufficiently ample, quick or consistent with a possible fall in prices, thereby negatively affecting its economic and financial situation.

(b) 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 Euro Zone. 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 Swiss franc, 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, the Group first and foremost exploits the so-called natural hedging, seeking to level out the incoming and outgoing flows on all the currencies other than the Group's reporting currency; furthermore, Gefran evaluates and possibly establishes hedging transactions on the main currencies, by means of entering into 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 been taken out by the Parent Company Gefran S.p.A., which supports the subsidiaries' financial requirements, also through cash pooling.

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

Country risk

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

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

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

8.2. INTERNAL RISKS

(c) 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, which can be achieved through investments and projects for products, applications and geographical markets, that 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 continues to make 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.

(d) 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.

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 infrastructures 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.

(e) 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 67.7 million versus overall liabilities of EUR 70.8 million. In 2017, the Parent Company did not enter into new medium/long-term loan agreements. With regard to the outstanding agreements, they are all characterised by floating rate debt, determined by the Euribor plus a fixed spread which in the last two years has not however been greater than 200 bps. Some of these outstanding loan agreements, whose remaining value as of 30 June 2017 was EUR 15.9 million, contain clauses which involve the observance of financial/economic requirements (covenants). At 30 June 2017, these clauses had been observed.

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.

(f) 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.

9. SIGNIFICANT EVENTS DURING THE YEAR

- On 30 January 2017, the cancellation of the subsidiary Gefran South Africa (Pty) Ltd., already in liquidation, became effective.

- The administrative procedure to close the sales office in Russia was completed on 31 March 2017.

- On 20 April 2017, the ordinary shareholders' meeting of Gefran S.p.A. voted to:
  - Approve the Financial Statements for 2016 and to distribute a dividend of EUR 0.25 per share;
  - Appoint the following as members of the Board of Directors for the three-year period 2017–2019: Ennio Franceschetti, Maria Chiara Franceschetti, Giovanna Franceschetti, Andrea Franceschetti, Alberto Bartoli, Daniele Piccolo, Monica Vecchiati, Mario Benito Mazzoleni and Romano Gallus;
  - 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 (finance consolidation act).

- At the end of the Shareholders' Meeting, the new Board of Directors met and appointed Ennio Franceschetti Chairman and Managing Director, Maria Chiara Franceschetti, Vice-Chairman and Alberto Bartoli Chief Executive Officer. Board of Directors' members Daniele Piccolo, Monica Vecchiati and Mario Benito Mazzoleni were appointed members of the Control and Risk Committee, and Romano Gallus, Daniele Piccolo and Monica Vecchiati were appointed members of the Remuneration Committee.

- At the Board of Directors' meeting the independence requirements of the newly-appointed Board were also verified. The non-executive directors Daniele Piccolo, Monica Vecchiati and Mario Benito Mazzoleni declared they were in possession of the independence requirements. The executive directors are Ennio Franceschetti, Maria Chiara Franceschetti, Giovanna Franceschetti, Andrea Franceschetti and Alberto Bartoli, while Romano Gallus is a non-independent, non-executive director.

- On 12 June 2017, the Parent Company Gefran S.p.A. signed a contract with a major international lift construction group; the agreement provides for the supply of inverters for the American market, with a total value of approx. EUR 23 million and a duration of 3 years.

10. SIGNIFICANT EVENTS AFTER YEAR END

- The operational procedure to close the sales office in Mexico was completed on 21 July 2017.

- On 26 July 2017, the Parent Company Gefran S.p.A. formalised the sale of 50% of the shares of Axel S.r.l., equal to 15% of the total.

11. OUTLOOK

The global economy continues to show encouraging signs of constant improvement, albeit not yet fully in line with expectations, thus positively impacting the dynamics of international trade and the trend of manufacturing activities and investments in the long term. The international context is interesting and Gefran, while remaining cautious in certain markets, has maintained the expectations for the first quarter of this year, achieving excellent results also in the second quarter. The Group also envisages a good second half, consistent with the first six months of 2017.

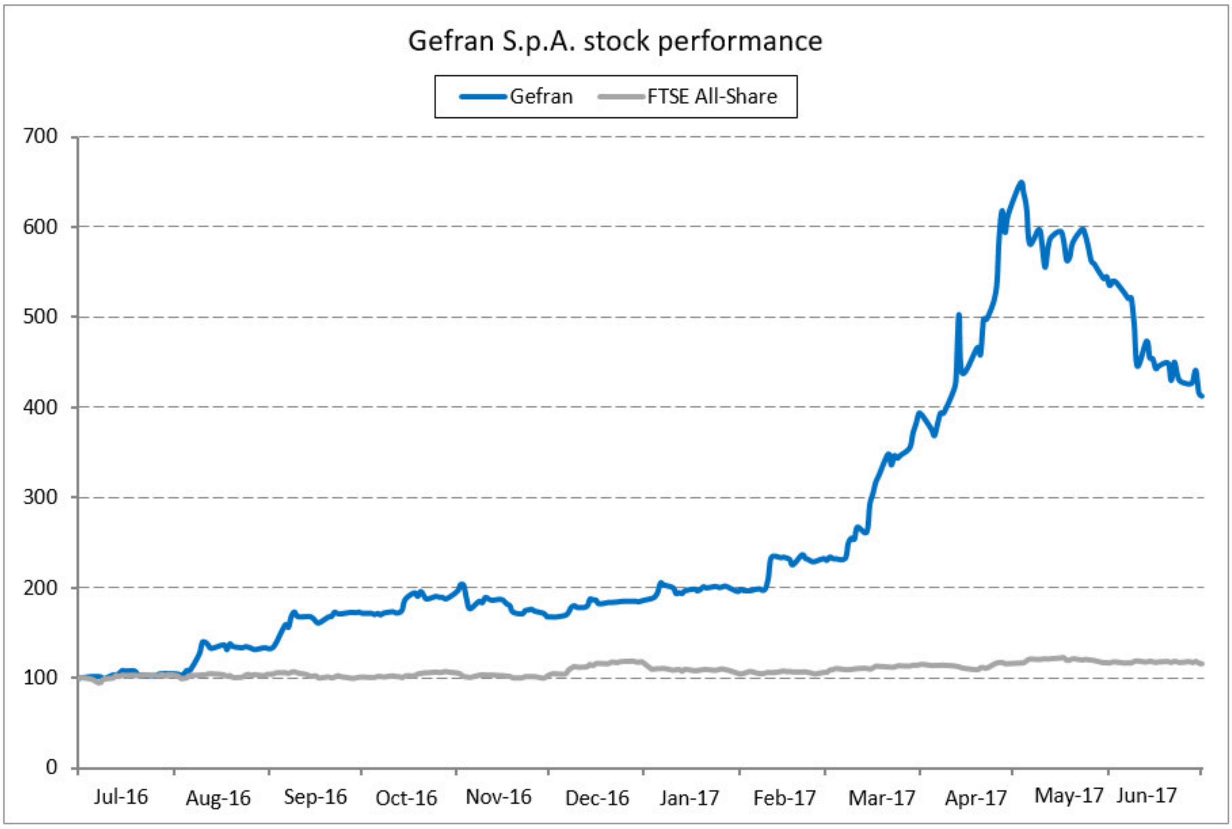
In the absence of events not currently foreseeable, revenues in line with the announced objectives and margins slightly above forecasts are confirmed.

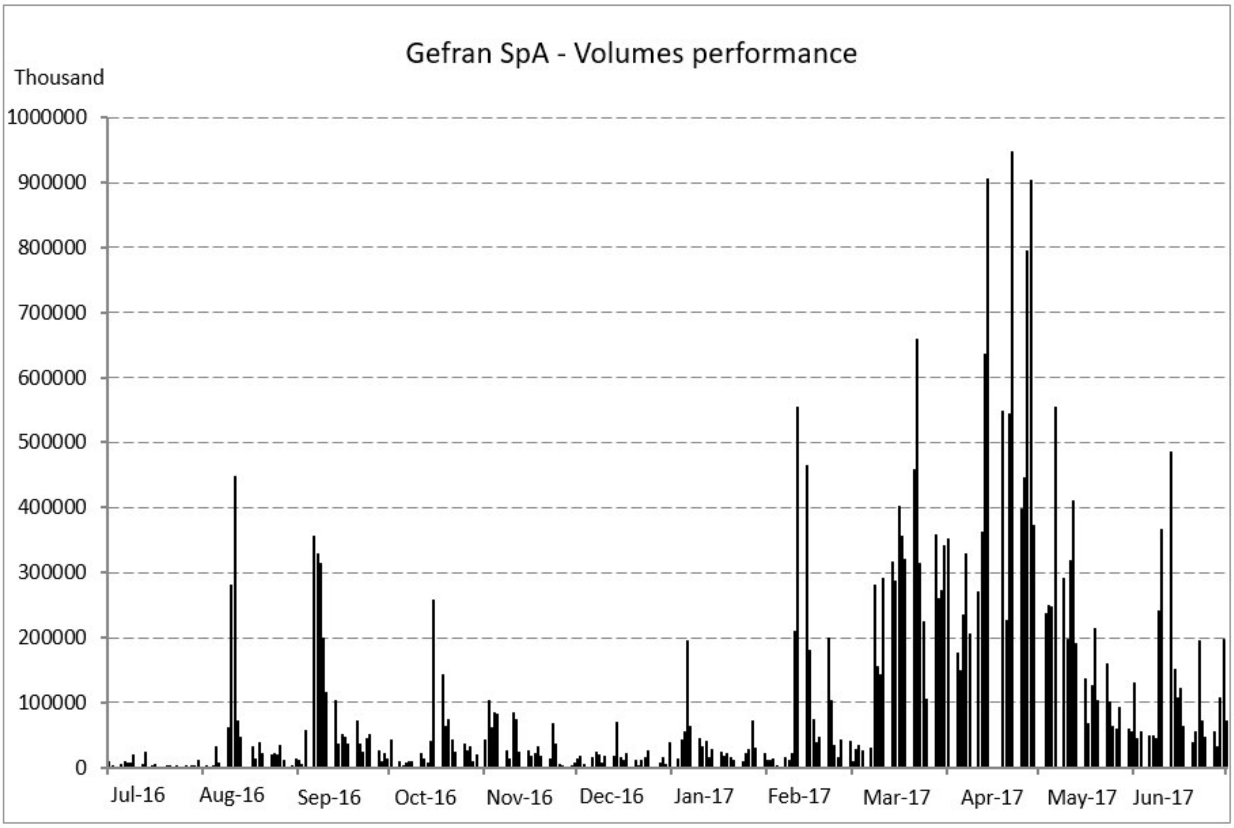
12. OWN SHARES AND SHARE PRICE PERFORMANCE

During the first six months of 2017, 227,394 own shares were sold fat an average selling price of EUR 4.96.

As at 30 June 2017 Gefran S.p.A. did not hold any own shares in its portfolio and at the reporting date the situation is unchanged.

With reference to the share price performance, below we summarize the trend and trading volume in the last 12 months:





13. DEALINGS WITH RELATED PARTIES

During its meeting on 12 November 2010, the Gefran Board of Directors approved the "*Regulation for transactions with related parties*" in application of Consob resolution No. 17221 dated 12 March 2010. This regulation is published in the "*Investor Relation*" section of the website www.gefran.com.

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

- ensuring the essential and procedural transparency and probity of transactions with related parties;
- providing directors and statutory auditors with an appropriate assessment, decision-making and control tool regarding transactions with related parties.

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

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

See note 24 of the Notes to the Consolidated Interim 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.

14. DEROGATION FROM THE OBLIGATIONS TO PUBLISH THE INFORMATION DOCUMENTS

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.

CONSOLIDATED FINANCIAL STATEMENTS

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

(EUR /000)	notes	2Q 2017	2Q 2016	progressive as at 30 June 2017	progressive as at 30 June 2016
Revenues from product sales		32,410	30,031	64,554	58,784
of which related parties	*24*	*61*	*0*	*61*	*0*
Other revenues and income		362	107	496	878
of which non-recurring:		*0*	*0*	*0*	*521*
Increases for internal work		142	292	310	700
TOTAL REVENUES		**32,914**	**30,430**	**65,360**	**60,362**
Change in inventories		(95)	(436)	(395)	253
Costs of raw materials and accessories		(11,351)	(10,090)	(22,172)	(20,318)
Service costs		(5,531)	(5,313)	(10,877)	(10,534)
of which related parties	*24*	*(47)*	*(63)*	*(75)*	*(91)*
Miscellaneous management costs		(36)	(173)	(274)	(384)
Other operating income		16	4	69	56
Personnel costs	*19*	(10,962)	(11,364)	(22,407)	(24,480)
of which non-recurring:		*0*	*(147)*	*(321)*	*(2,039)*
Impairment of trade and other receivables		(193)	(146)	(246)	(329)
Amortisation	*20*	(581)	(579)	(1,160)	(1,144)
Depreciation	*20*	(892)	(978)	(1,807)	(1,970)
EBIT		**3,289**	**1,355**	**6,091**	**1,512**
of which non-recurring:		*0*	*(147)*	*(321)*	*(1,518)*
Gains from financial assets	*21*	370	614	836	718
Losses from financial liabilities	*21*	(1,126)	(475)	(1,829)	(1,340)
Losses (gains) from shareholdings value at equity		(69)	34	(75)	(44)
PROFIT (LOSS) BEFORE TAX		**2,464**	**1,528**	**5,023**	**846**
of which non-recurring:		*0*	*(147)*	*(321)*	*(1,518)*
Current taxes	*22*	(508)	(442)	(1,261)	(898)
Deferred taxes	*22*	679	167	681	107
TOTAL TAXES		**171**	**(275)**	**(580)**	**(791)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**2,635**	**1,253**	**4,443**	**55**
of which non-recurring:		*0*	*(147)*	*(321)*	*(1,518)*
Net profit (loss) from assets held for sale		0	0	0	486
of which non-recurring:		*0*	*0*	*0*	*0*
NET PROFIT (LOSS) FOR THE PERIOD		**2,635**	**1,253**	**4,443**	**541**
of which non-recurring:		*0*	*(147)*	*(321)*	*(1,518)*
Attributable to:					
Group		2,635	1,253	4,443	541
Third parties		0	0	0	0

Earnings per share (Euro)	note	2Q 2017	2Q 2016	progressive as at 30 June 2017	progressive as at 30 June 2016
Basic earnings per ordinary share	*17*	0.31	0.04	0.31	0.04
Diluted earnings per ordinary share	*17*	0.31	0.04	0.31	0.04

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

(EUR /000)	*note*	2Q 2017	2Q 2016	progressive as at 30 June 2017	progressive as at 30 June 2016
NET PROFIT (LOSS) FOR THE YEAR		**2,635**	**1,253**	**4,443**	**541**
Items that will or could subsequently be reclassified in the income statement for the period					
- conversion of foreign companies' financial statements		(1,173)	157	(1,335)	(823)
- equity investments in other companies	*16*	131	(16)	369	(59)
- fair value of cash flow hedging derivatives	*16*	52	(44)	159	(65)
- Other changes in the consolidation reserve		0	(6)		0
Total changes, net of tax effect		**(990)**	**91**	**(807)**	**(947)**
Comprehensive result for the period		**1,645**	**1,344**	**3,636**	**(406)**
Attributable to:					
Group		1,645	1,344	3,636	(406)
Third parties		0	0	0	0

3. STATEMENT OF FINANCIAL POSITION

(EUR /000)	*notes*	**30 June 2017**	**31 December 2016**
NON-CURRENT ASSETS			
Goodwill	*11*	5,879	6,093
Intangible assets	*12*	7,477	8,260
Property, plant, machinery and tools	*13*	37,127	36,931
of which related parties	*24*	*81*	*105*
Shareholdings valued at equity		976	1,051
Equity investments in other companies		2,325	1,956
Receivables and other non-current assets		93	148
Deferred tax assets	*22*	7,674	7,021
Non-current financial assets	*15*	181	-
TOTAL NON-CURRENT ASSETS		**61,732**	**61,460**
CURRENT ASSETS			
Inventories	*14*	20,673	21,589
Trade receivables	*14*	30,531	30,745
of which related parties	*24*	*74*	*51*
Other receivables and assets		5,013	3,512
Current tax receivables	*22*	783	734
Cash and cash equivalents	*15*	18,951	20,477
Financial assets for derivatives	*15*	3	4
TOTAL CURRENT ASSETS		**75,954**	**77,061**
ASSETS HELD FOR SALE		**1,214**	**1,214**
TOTAL ASSETS		**138,900**	**139,735**
SHAREHOLDERS' EQUITY			
Share capital	*16*	14,400	14,400
Reserves	*16*	49,283	48,560
Profit/(loss) for the period	*16*	4,443	3,948
Total Group Shareholders' Equity	***16***	**68,126**	**66,908**
Shareholders' equity of minority interests	*16*	-	-
TOTAL SHAREHOLDERS' EQUITY		**68,126**	**66,908**
NON-CURRENT LIABILITIES			
Non-current financial payables	*15*	11,359	16,045
Employee benefits		4,610	5,212
Non-current provisions	*18*	686	1,317
Deferred tax provisions	*22*	960	1,005
TOTAL NON-CURRENT LIABILITIES		**17,615**	**23,579**
CURRENT LIABILITIES			
Current financial payables	*15*	17,301	17,134
Trade payables	*14*	22,219	16,580
of which related parties	*24*	*129*	*38*
Financial liabilities for derivatives	*15*	65	220
Current provisions	*18*	1,402	1,143
Current tax payables	*22*	1,101	1,348
Other payables and liabilities		11,071	12,823
TOTAL CURRENT LIABILITIES		**53,159**	**49,248**
TOTAL LIABILITIES		**70,774**	**72,827**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**138,900**	**139,735**

4. CONSOLIDATED CASH FLOW STATEMENT

(EUR /000)	*note*	**30 June 2017**	**30 June 2016**
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**20,477**	**24,602**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:			
Net profit (loss) for the year		4,443	541
Depreciation/amortisation	*20*	2,967	3,114
Capital (gains) losses on the sale of *Non-current assets*		(40)	87
Capital (gains) losses on the sale of *Assets held for sale*		0	(486)
Net result from financial operations	*21*	1,068	666
Taxes	*22*	1,261	898
Change in provisions for risks and future liabilities	*18*	(960)	1,248
Change in other assets and liabilities		(3,392)	(591)
Change in deferred taxes	*22*	(685)	(122)
Change in trade receivables	*14*	(320)	1,560
of which related parties	*24*	*(23)*	*2*
Change in inventories	*14*	396	(276)
Change in trade payables	*14*	5,753	2,040
of which related parties	*24*	*91*	*52*
TOTAL		**10,491**	**8,679**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	*12.13*	(2,724)	(1,563)
of which related parties	*24*	*(81)*	*(81)*
- Equity investments and securities		0	0
- Acquisitions net of acquired cash		0	0
- Financial receivables		55	0
Disposal of non-current assets		41	9
TOTAL		**(2,628)**	**(1,554)**
D) FREE CASH FLOW (B+C)		**7,863**	**7,125**
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	*15*	0	0
Repayment of financial payables	*15*	(5,193)	(6,049)
Increase (decrease) in current financial payables	*15*	674	(4,664)
Taxes (paid)	*22*	(1,167)	(356)
Interest (paid)	*21*	(285)	(516)
Sale of own shares	*16*	1,129	0
Change in shareholders' equity reserves	*16*	(457)	(248)
Dividends paid	*16*	(3,596)	0
TOTAL		**(8,895)**	**(11,833)**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**(1,032)**	**(4,708)**
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE		**-**	**626**
H) Currency translation differences on cash at hand		(494)	(172)
I) NET CHANGE IN CASH AT HAND (F+G+H)		**(1,526)**	**(4,254)**
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)		**18,951**	**20,348**

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR/000)	*Note*	Share capital	Capital reserves	Consolidation reserve	Other reserves	Retained profit /(loss)	*overall EC reserves* Fair value measurement reserve	Currency translation reserve	Other reserves	Profit/(Loss) for the period	Group Total shareholders' equity	Shareholders' equity of minority interests	Total shareholders' equity
Balances as at 1 January 2016		14,400	21,926	14,373	9,567	3,052	(259)	5,336	(643)	(4,769)	62,984	0	62,984
Destination of 2015 profit													
- Other reserves and provisions	*16*			(3,423)		(1,346)				4,769	0		0
- Dividends	*16*										0		0
Income/(expenses) recognised at equity	*16*			72			194		(16)		250		250
Change in translation reserve	*16*							(260)	(2)		(262)		(262)
Other changes	*16*				(12)						(12)		(12)
2016 profit/loss	*16*									3,948	3,948		3,948
Balance as at 31 December 2016		14,400	21,926	11,022	9,555	1,706	(65)	5,076	(661)	3,948	66,908	0	66,908
Destination of 2016 profit													
- Other reserves and provisions	*16*			(4,094)		8,042				(3,948)	0		0
- Dividends	*16*					(3,596)					(3,596)		(3,596)
Income/(expense) recognised at equity	*16*						528				528		528
Change in translation reserve	*16*							(1,335)		0	(1,335)		(1,335)
Other changes	*16*			(105)	696	587					1,178		1,178
2017 profit/loss	*16*									4,443	4,443		4,443
Balance as at 30 June 2017		14,400	21,926	6,823	10,251	6,739	463	3,741	(661)	4,443	68,126	0	68,126

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 2017 was approved by the Board of Directors on 03 August 2017, which authorised its publication.

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

2. Form and content

The 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 have adopted international accounting standards, with the exception of some minor Italian and foreign companies, whose financial statements have been restated for the consolidated financial statements of the Group to bring them into line with IAS/IFRS standards.

The independent audit of the semi-annual financial report was conducted by PricewaterhouseCoopers S.p.A.

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

3. Accounting schedules

The Gefran Group has adopted:

- a statement of financial position, according to which assets and liabilities are separated into current and non-current categories;
- a statement of profit (loss) for the period, in which costs are classified by nature;
- a statement of profit (loss) for the period 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 No. 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. Change in the scope of consolidation

The scope of consolidation at 30 June 2017 is different compared to both that of 31 December 2016 and that of 30 June 2016 and since, on 30 June 2017, cancellation of the subsidiary Gefran South Africa (Pty) Ltd., already in liquidation, became effective.

5. Consolidation principles and valuation criteria

The valuation criteria adopted for the preparation of this semi-annual financial report as at 30 June 2017 are the same as those adopted in preparing the annual financial report for the year ended 31 December 2016.

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 semi-annual financial report of the Gefran Group was prepared on the assumption that the Group is a going concern.

With reference to Consob Communication DEM/11070007 of 5 August 2011, it is also noted that the Group does not hold in its portfolio any bonds issued by central or local governments or government agencies, and is therefore not exposed to risks generated by market fluctuations. The consolidated interim 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 No. 0092543 dated 3 December 2015, it is hereby revealed that in the Report on operations the guidelines of the ESMA (ESMA/2015/1415) were followed with regard to the information aimed at ensuring the comparability, reliability and comprehensibility of the Alternative Performance Indicators.

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 for Gefran and currently an assessment is being carried out of the impacts on the financial statements reporting of application of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from contracts with customers” both of the latter coming into force as from 1 January 2018.

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

6. Accounting standards, amendments and interpretations applicable from 1 January 2017

There are no cases identified which are applicable as from 1 January 2017.

7. Accounting standards, amendments and interpretations not yet applicable or not yet in force

At the reporting date, furthermore, the following standards are not yet applicable or not yet in force:

- In May 2014, the IASB and the FASB jointly published the standard IFRS 15 “Revenues from contracts with customers”. This standard proposes to improve the disclosure on revenues and their comparability between the various sets of financial statements. The new standard is applicable retrospectively, for the annual accounting periods beginning on or after 1 January 2018. Gefran has not opted for early application, although permitted;
- On 24 July 2014, the IASB finalised the project for the review of the accounting standard regarding financial instruments with the release of the complete version of IFRS 9 “Financial instruments”. In detail, the new provisions of IFRS 9: (i) change the classification and measurement model for the financial assets; (ii) introduce a new way of writing down the financial assets, which takes into account the expected losses (so-called expected credit losses); (iii) change the provisions concerning hedge accounting. The provisions of IFRS 9 are effective as from the accounting periods beginning on or after 1 February 2018. Gefran has not opted for early application, although permitted;
- In January 2016, the IASB published IFRS 16 “Leasing”. This new standard will replace the current IAS 17. The main change concerns the recognition in the accounts by the lessees which, on the basis of IAS 17, were obliged to make a distinction between a financial lease (on balance sheet) and an operating lease (off balance sheet). By means of IFRS 16, the accounting treatment of the operating lease will be placed on the same footing as a financial lease. The IASB envisaged the optional exemption for certain lease agreements with a low value and which are short-term. This standard will be applicable as from 1 January 2019. Early application will be possible if IFRS 15 “Revenues from contracts with customers” is adopted at the same time.
- In June 2016, the IASB issued an amendment to IFRS 2 “Share-based payments”. These amendments clarify how to recognise certain share-based payments. Said amendments will be applicable as from 1 January 2018;
- In September 2016, the IASB issued an amendment to IFRS 4 “Insurance contracts” relating to the application of IFRS 9 “Financial instruments” in relation to the subject of insurance agreements. Said amendments will be applicable as from 1 January 2018;
- In December 2016, the IASB issued IFRIC 22 “Foreign currency transactions and advance consideration”. The standard defines the exchange rate to be used to report foreign currency transactions for which payment or collection is made in advance, and will be applicable as from 1 January 2018;
- In December 2016, the IABS issued amendments to IAS 40 “Investment property”, with the aim of regulating transfers to and from investment property. Particular consideration is given to whether a property under construction or development can be transferred from inventory to investment property, when there has been an evident change in use. This standard is applicable as from 1 January 2018;
- within the sphere of the annual improvement process for the standards, the IASB has published the Annual amendments to the IFRS 2014-2016. This amendments supplement and partially change the existing standards and concern:
  (i) IFRS 12 "Disclosure of interests in other entities";
  (ii) IFRS 1 "First-time adoption of International Financial Reporting Standards";
  (iii) IAS 28 “Investments in affiliates and joint ventures”;
- in may 2017 the IABS issued the new IFRS 17 standard "Insurance contracts", which regulates the accounting treatment of insurance contracts. This standard will replace the IFRS 4 and will apply from 1 January 2021.

In addition, the approval process for the following principles that are not yet applicable has not yet been completed:

- In February 2016, the IASB issued an amendment to IAS 12 "Income taxes". These amendments clarify how to recognise deferred tax assets relating to debt instruments valued at fair value. Said amendments will be applicable as from 1 January 2017;
- in February 2016, the IASB issued an amendment to IAS 7 "Disclosure on cash flow statement". 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. Said amendments will be applicable as from 1 January 2017.

The Group will adopt these new standards, amendments and interpretations on the basis of the envisaged date of application, and will assess the potential impacts.

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

In drafting this Semi-Annual Report, in accordance with the IAS/IFRS standards, the Group makes use of estimates and assumptions to assess certain items. These are not based on historical experience and uncertain assumptions, but on realistic data, assessed regularly and, if necessary, updated, with effect on the income statement for the period and for future periods. The uncertainty inherent in these assessment estimates may lead to misalignment between the estimates made and the actual effects of the estimated events on the financial statements.
Below are the processes that require management to perform assessment estimates, and with regard to which a change in the underlying conditions could have a significant impact on the consolidated financial data:

Provision for inventory write-down

Inventories are stated as the lower between the cost of purchase (measured using the weighted average cost method) and the net realisable value. The provision for inventory write-down is necessary in order to adjust the value of inventories to the estimated realisable value: inventory composition is analysed for slow-moving stocks, with the aim of assessing a prudent provision that reflects any obsolescence of same.

Provision for doubtful receivables

The provision for doubtful receivables reflects management's estimates regarding the recoverability of receivables from customers. Management's assessment is based on experience and on an analysis of situations with a known or probable risk of non-collection.

Goodwill and intangible assets with a definite life

These are periodically subject to evaluation through the impairment test, with the aim of determining their present value and accounting for any differences in value; for details, see the specific sections of the notes to the financial statements.

Employee benefits

The provision for the post-employment benefit reserve is posted to the financial statements and annually reviewed by external actuaries, taking into account assumptions regarding the discount rate, inflation and demographic assumptions; for details, see the specific section of the notes to the financial statements.

Deferred tax assets

The recoverability of deferred tax assets is periodically evaluated, based on the results achieved and on the business plans prepared by management.

Current and non-current provisions

Provisions are made for risks of a legal and fiscal nature to represent the risk of a negative outcome. The amount of the provisions posted to the financial statements in relation to these risks represents management's best estimate at that time. This estimate entails the adoption of assumptions that depend on factors that may change over time and that could, therefore, have a significant effect on the current estimates made by management in preparing the Group's consolidated financial statements.

9. Financial instruments: supplementary disclosure pursuant to IFRS 7

The Group’s activities are exposed to different 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 28% of sales are denominated in a different currency. Specifically, the Group is most exposed to the following exchange rates:

- EUR /RMB to the tune of 10%, mainly related to the Chinese operating company Gefran Siei Drives Technology;
- EUR/USD to the tune of 9%, mainly related to the commercial transactions of Parent Company Gefran S.p.A. and the subsidiary Gefran Inc.;
- the remainder is divided among 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 exchange rate 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 2017		30 June 2016	
(EUR /000)	-5%	+5%	-5%	+5%
Chinese renminbi	10	(9)	(14)	13
US dollar	19	(17)	(13)	12
Total	29	(26)	(27)	25

Description	30 June 2017		30 June 2016	
(EUR /000)	-10%	+10%	-10%	+10%
Chinese renminbi	20	(16)	(30)	25
US dollar	40	(33)	(28)	23
Total	60	(49)	(58)	48

The sensitivity to a hypothetical and unexpected change of the most significant exchange rates of 5% and 10% on the net profit for the period is shown below:

Description	30 June 2017		30 June 2016	
(EUR /000)	-5%	+5%	-5%	+5%
Chinese renminbi	(65)	58	(14)	14
US dollar	29	(27)	51	(47)
Total	(36)	31	37	(33)

Description	30 June 2017		30 June 2016	
(EUR /000)	-10%	+10%	-10%	+10%
Chinese renminbi	(136)	112	(30)	26
US dollar	62	(51)	109	(89)
Total	(74)	61	79	(63)

Finally, the sensitivity to a hypothetical and unexpected change of the most significant exchange rates of 5% and 10% on shareholders' equity is shown below:

Description	30 June 2017		30 June 2016	
(EUR /000)	-5%	+5%	-5%	+5%
Chinese renminbi	2,109	713	818	(739)
US dollar	43	(513)	325	(294)
Total	2,152	200	1,143	(1,033)

Description	30 June 2017		30 June 2016	
(EUR /000)	-10%	+10%	-10%	+10%
Chinese renminbi	2,923	111	1,726	(1,411)
US dollar	367	(753)	685	(561)
Total	3,290	(642)	2,411	(1,972)

Interest rate risk

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

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

The table below shows a sensitivity analysis of the impact that an interest rate increase/decrease of 100 basis points would have on the consolidated net profit/(loss), comparing interest rates at 30 June 2017 and 30 June 2016, while keeping other variables unchanged.

(EUR /000)	**2017**		**2016**	
	-100	100	-100	100
EUR	15	(43)	(188)	52
Total	**15**	**(43)**	**(188)**	**52**

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

The net liabilities considered in this analysis include floating-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 2017, broken down by maturity, of the Group's financial instruments exposed to the interest rate risk:

Floating rate	**<1 year**	**1-5 years**	**>5 years**	**Total**
(EUR /000)				
Loans due	9,350	11,359	-	20,709
Other accounts payable	23	-	-	23
Account overdrafts	7,928	-	-	7,928
Cash pooling current account overdrafts	-	-	-	-
Leases	-	-	-	-
Total liabilities	**17,301**	**11,359**	**-**	**28,660**
Cash in current accounts	18,855	-	-	18,855
Other cash	-			-
Cash in cash pooling current accounts	-	-	-	-
Total assets	**18,855**	**-**	**-**	**18,855**
Total variable rate	**1,554**	**(11,359)**	**-**	**(9,805)**

Unlike net debt figures, the amounts shown in the table above do not include the fair value of derivatives (negative for EUR 62 thousand), deferred financial income (for EUR 181 thousand) or cash on hand (positive for EUR 96 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 available on the reference dates:

Description	2017	2016	changes
(EUR /000)			
Cash and cash equivalents	96	86	10
Cash in bank deposits	18,855	20,388	(1,533)
Term deposits – less than 3 months	-	3	(3)
Total liquidity	**18,951**	**20,477**	**(1,526)**
Multiple mixed credit lines	15,283	15,000	283
Cash flexibility credit lines	8,835	8,785	50
Invoice factoring credit lines	12,589	12,934	(345)
Total credit lines available	**36,708**	**36,719**	**(11)**
Total liquidity available	**55,659**	**57,196**	**(1,537)**

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

	Note	Level 1	Level 2	Level 3	Total
(EUR /000)					
Available-for-sale assets valued at fair value:					
Shareholdings valued at fair value with a balancing item in other overall profit/(loss)		882	-	1,443	2,325
Hedging transactions		-	3	-	3
Total assets		**882**	**3**	**1,443**	**2,328**
Hedging transactions		-	(65)	-	(65)
Total liabilities		**-**	**(65)**	**-**	**(65)**

Level 1: Fair values represented by the prices - listed in active markets (unadjusted) - of financial instruments identical to those being valued that may be accessed at the measurement date. These prices are defined as mark-to-market inputs as they provide a fair value measurement based directly on official market prices, therefore without the need for any modification or adjustment.

Level 2: Fair values determined using evaluation techniques based on variables that may be observed in active markets, which in this case include the evaluation of interest rate hedging and of foreign exchange hedging. As with the Level 1 inputs, the reference value is mark-to-market, i.e. the evaluation method whereby the value of a financial instrument or contract is systematically adjusted according to the current market prices.

Level 3: Fair values determined using evaluation techniques based on variables that may not be observed, and in particular the values of equity investments in other companies that are not listed on international markets whose value has not suffered overall changes compared to 31 December 2016.

Below is 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, for the first half 2016:

	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 has adopted a policy of monitoring outstanding receivables, a measure made necessary given the possible deterioration of certain receivables, the decline in credit rating reliability and the lack of liquidity on the market. The process of devaluation, carried out in accordance with the Group's procedures, establishes that credit positions are devalued in percentage terms based on the overdue period of time; individual trade positions for which there is objective evidence of insolvency are also impaired.

The Gefran Group has established formal procedures for customer credit and credit collection through the credit 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.

At 30 June 2017, gross trade receivables totalled EUR 34,986 thousand (EUR 35,129 thousand at 31 December 2016), and included EUR 2,123 thousand (EUR 2,632 thousand at 31 December 2016) related to receivables subject to individual impairment; of the remaining amount, the sum overdue by less than two months was EUR 2,691 thousand (EUR 2,238 thousand at 31 December 2016), while that overdue by more than two months was EUR 6,749 thousand (EUR 6,569 thousand at 31 December 2016).

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		fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	96	86	96	86
Cash in bank deposits	18,855	20,388	18,855	20,388
Securities held for trading	-	3	-	3
Financial assets for derivatives	3	4	3	4
Non-current financial assets	181	-	181	-
Total financial assets	**19,135**	**20,481**	**19,135**	**20,481**
Financial liabilities				
Current portion of long-term debt	(9,350)	(9,857)	(9,350)	(9,857)
Short-term bank debt	(7,928)	(7,226)	(7,928)	(7,226)
Financial liabilities for derivatives	(65)	(220)	(65)	(220)
Factoring	(15)	(43)	(15)	(43)
Other financial payables	(8)	(8)	(8)	(8)
Non-current financial debt	(11,359)	(16,045)	(11,359)	(16,045)
Total financial liabilities	**(28,725)**	**(33,399)**	**(28,725)**	**(33,399)**
Total net debt	**(9,590)**	**(12,918)**	**(9,590)**	**(12,918)**

10. Information by business area

10.1. 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

(EUR /000)	30 June 2017					30 June 2016				
	Revenues	EBITDA	% of revenues	EBIT	% of revenues	Revenues	EBITDA	% of revenues	EBIT	% of revenues
Sensors	29,942	8,521	28.5%	7,362	24.6%	25,237	6,678	26.5%	5,576	22.1%
Automation components	18,667	2,529	13.5%	1,642	8.8%	16,484	680	4.1%	(253)	-1.5%
Drives	18,599	(1,992)	-10.7%	(2,913)	-15.7%	19,536	(2,732)	-14.0%	(3,811)	-19.5%
Eliminations	(2,158)					(1,595)				
Total	65,050	9,058	13.9%	6,091	9.4%	59,662	4,626	7.8%	1,512	2.5%

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)	Sen sors	Compo nents	Dri ves	Not divided	30 June 2017	Sen sors	Compo nents	Dri ves	Not divided	31 December 2016
Intangible assets	7,924	2,725	2,707		13,356	8,472	2,901	2,980		14,353
Tangible assets	10,143	11,213	15,771		37,127	10,196	10,282	16,453		36,931
Financial assets				11,068	11,068				10,176	10,176
Net non-current assets	**18,067**	**13,938**	**18,478**	**11,068**	**61,551**	18,668	13,183	19,433	10,176	61,460
Inventories	5,045	3,845	11,783		20,673	4,565	3,543	13,481		21,589
Trade receivables	11,363	8,143	11,025		30,531	9,279	7,652	13,814		30,745
Trade payables	(7,688)	(6,201)	(8,330)		(22,219)	(5,193)	(4,449)	(6,938)		(16,580)
Other assets/liabilities	(2,831)	(2,348)	(1,703)	506	(6,376)	(3,467)	(2,593)	(2,496)	(1,369)	(9,925)
Working capital	**5,889**	**3,439**	**12,775**	**506**	**22,609**	5,184	4,153	17,861	(1,369)	25,829
Provisions for risks and future liabilities	(833)	(223)	(813)	(218)	(2,088)	(937)	(297)	(965)	(261)	(2,460)
Deferred tax provisions				(960)	(960)				(1,005)	(1,005)
Employee benefits	(1,511)	(2,031)	(1,068)		(4,610)	(1,556)	(2,230)	(1,426)		(5,212)
Invested capital from operations	**21,612**	**15,123**	**29,372**	**10,396**	76,502	21,359	14,809	34,903	7,541	78,612
Invested capital from assets held for sale	**-**	**-**	**-**	**1,214**	**1,214**	-	-	-	1,214	1,214
Net invested capital	**21,612**	**15,123**	**29,372**	**11,610**	**77,716**	21,359	14,809	34,903	8,755	79,826
Shareholders' equity				**68,126**	**68,126**				66,908	66,908
Non-current financial payables				11,359	11,359				16,045	16,045
Current financial payables				17,301	17,301				17,134	17,134
Financial liabilities for derivatives				65	65				220	220
Financial assets for derivatives				(3)	(3)				(4)	(4)
Cash and cash equivalents and current financial receivables				(18,951)	(18,951)				(20,477)	(20,477)
Net debt relating to operations	**-**	**-**	**-**	**9,771**	**9,771**	-	-	-	12,918	12,918
Total sources of financing	**-**	**-**	**-**	**77,897**	**77,897**	-	-	-	79,826	79,826

10.2. Secondary segment - revenues by geographic region

Geographic region	30 June 2017	30 June 2016	Change	%
(EUR /000)				
Italy	19,000	17,344	1,656	9.5%
European Union	17,340	16,524	816	4.9%
Europe non-EU	3,295	3,268	27	0.8%
North America	7,210	7,416	(206)	-2.8%
South America	2,276	1,875	401	21.4%
Asia	15,015	12,043	2,972	24.7%
Rest of the World	418	314	104	33.1%
Total	**64,554**	**58,784**	**5,770**	**9.8%**

10.3. Secondary segment - investments by geographic region

Geographic region	30 June 2017		30 June 2016	
	intangible assets and goodwill	tangible assets	intangible assets and goodwill	tangible assets
(EUR/000)				
Italy	391	2,218	858	552
European Union	0	31	0	13
Europe non-EU	9	5	1	11
North America	4	9	0	4
South America	0	37	0	67
Asia	4	14	0	57
Rest of the World	1	1	0	0
Total	409	2,315	859	704

10.4. Secondary segment - non-current assets by geographic region

Geographic region	30 June 2017	31 December 2016	Change	%
(EUR /000)				
Italy	47,748	46,547	1,201	2.6%
European Union	2,250	2,118	132	6.2%
Europe non-EU	2,597	2,703	(106)	-3.9%
North America	4,024	4,410	(386)	-8.8%
South America	343	364	(21)	-5.8%
Asia	4,770	5,318	(548)	-10.3%
Rest of the World	0	0	0	n.s.
Total	**61,732**	**61,460**	**272**	**0%**

11. Goodwill

"Goodwill" totalled EUR 5,879 thousand at 30 June 2017, a decrease of EUR 214 thousand compared with 31 December 2016, and breaks down as follows:

(EUR /000)	31 December 2016	Increases	Decreases	Exchange rate differences	30 June 2017
Gefran France SA	1,310	-	-	-	1,310
Gefran India	44	-	-	(1)	43
Gefran Inc.	2,785	-	-	(213)	2,572
Sensormate AG	1,954	-	-	-	1,954
	6,093	-	-	(214)	5,879

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

The carrying values of goodwill is shown below.

Description	Year	Goodwill France	Goodwill India	Goodwill USA	Goodwill Switzerland	Total
(EUR /000)						
Sensors	2017	1,310		2,572	1,954	5,836
	2016	1,310	-	2,785	1,954	6,049
Drives	2017		43			43
	2016	-	44	-		44
Total	**2017**	**1,310**	**43**	**2,572**	**1,954**	**5,879**
	2016	**1,310**	**44**	**2,785**	**1,954**	**6,093**

The main assumptions that management uses to calculate the value in use of the cash generating unit regard the discount rate (WACC) and the long-term growth rate, as well as the cash flows deriving from the Group Plan.

In preparing the condensed consolidated interim financial statements, impairment tests are performed on goodwill values in the presence of any impairment indicators.

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 2017, the market capitalisation was higher than the Group's shareholders' equity:

Moreover, the improvement in the main economic indicators recorded in the first half of 2017 in all Group businesses, as well as the forecast for the second half, confirms the absence of internal or external impairment indicators.

12. Intangible assets

"Intangible assets" exclusively comprises assets with a definite life, and decreased from EUR 8,260 thousand at 31 December 2016 to EUR 7,477 thousand at 30 June 2017. The changes during the period are shown below.

Historical cost	**31 December 2016**	**Increases (*)**	**Decreases**	**Reclassifications**	**Exchange rate effect**	**30 June 2017**
(EUR /000)						
Development costs	16,716	-	-	66	-	16,782
Intellectual property rights	1,669	59	(3)	4,034	(35)	5,724
Assets in progress and payments on account	836	344	-	(213)	-	967
Other assets	7,404	6	-	109	(28)	7,491
Total	26,625	409	(3)	3,996	(63)	30,964

Accumulated amortisation	**31 December 2016**	**Increases**	**Decreases**	**Reclassifications**	**Exchange rate effect**	**30 June 2017**
(EUR /000)						
Development costs	11,981	749	-	-	-	12,730
Intellectual property rights	736	164	(3)	3,996	(26)	4,867
Other assets	5,648	247	-	-	(5)	5,890
Total	18,365	1,160	(3)	3,996	(31)	23,487

Net value	**31 December 2016**	**30 June 2017**	**Changes**
(EUR /000)			
Development costs	4,735	4,052	(683)
Intellectual property rights	933	857	(76)
Assets in progress and payments on account	836	967	131
Other assets	1,756	1,601	(155)
Total	8,260	7,477	(783)

(*) include EUR 298 thousand arising from capitalisation of internal costs.

This is the table of changes related to the first half of 2016:

Historical cost	**31 Dec 2015**	**Increases**	**Decreases**	**Reclassifications**	**Exchange rate effect**	**30 June 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)	12	(19)	7,115
Total	29,389	859	(53)	1	(52)	30,144

Accumulated amortisation	**31 Dec 2015**	**Increases**	**Decreases**	**Reclassifications**	**Exchange rate effect**	**30 June 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 Dec 2015	30 June 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)

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

- EUR 1,176 thousand relating to new lines for mobile hydraulics, melt sensors (IJ and MJ), pressure transducers (KS) and contactless linear position transducers (ONDA and RK);
- EUR 1,648 thousand to component lines for the new range of regulators, GFW; GF Project VX, G Cube Performa and G Cube Fit;
- EUR 1,241 thousand relating to the new range of ADV 200 drives, lift and power supplies.

These assets are considered to have a useful life of 5 years.

Intellectual property rightsexclusively comprises the costs incurred to purchase the company IT system management programmes and the use of licences for third-party software. These assets have a useful life of three years.

Assets in progress and payments on account includes payments on account made to suppliers to purchase software programmes and licences expected to be delivered during the next year; it also includes EUR 797 thousand in development costs, the benefits of which will be recognised on the income statement from the following year, allocated to sensors (EUR 30 thousand), components (EUR 476 thousand) and drives (EUR 290 thousand).

Other assets includes almost all the costs incurred by Parent Company Gefran S.p.A. to implement ERP SAP/R3, Business Intelligence (BW), Customer Relationship Management (CRM) and management software in previous years and in the current year. These assets have a useful life of five years.

13. Property, plant, machinery and tools

"*Property, plant, equipment and tools*" increased from EUR 36,931 thousand at 31 December 2016 to EUR 37,127 thousand at 30 June 2017. The changes are shown in the table below:

Historical cost	31 December 2016	Increases (*)	Decreases	Reclassifications	Exchange rate effect	30 June 2017
(EUR /000)						
Land	4,535	-	-	-	(20)	4,515
Industrial buildings	39,826	6	(2)	25	(268)	39,587
Plant and machinery	37,336	189	(1,129)	90	(377)	36,109
Industrial and commercial equipment	19,488	212	(10)	61	(56)	19,695
Other assets	8,171	99	(336)	20	(142)	7,812
Assets in progress and payments on account	531	1,809	-	(192)	(4)	2,144
Total	109,887	2,315	(1,477)	4	(867)	109,862

Accumulated amortisation	31 December 2016	Increases	Decreases	Reclassifications	Exchange rate effect	30 June 2017
(EUR /000)						
Industrial buildings	16,313	462	(2)	-	(93)	16,680
Plant and machinery	31,518	766	(1,129)	5	(296)	30,864
Industrial and commercial equipment	17,906	402	(9)	-	(51)	18,248
Other assets	7,219	177	(336)	(1)	(116)	6,943
Total	72,956	1,807	(1,476)	4	(556)	72,735

Net value	31 December 2016	30 June 2017	Changes
(EUR /000)			
Land	4,535	4,515	(20)
Industrial buildings	23,513	22,907	(606)
Plant and machinery	5,818	5,245	(573)
Industrial and commercial equipment	1,582	1,447	(135)
Other assets	952	869	(83)
Assets in progress and payments on account	531	2,144	1,613
Total	36,931	37,127	196

(*) include EUR 12 thousand arising from capitalisation of internal costs.

This is the table of changes related to the first half of 2016:

Historical cost	31 Dec 2015	Increases	Decreases	Reclassifications	Exchange rate effect	30 June 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)	(93)	(42)	11,368
Assets in progress and payments on account	546	111	(2)	(346)	1	310
Total	117,010	704	(255)	(1)	(389)	117,069

Accumulated amortisation	31 Dec 2015	Increases	Decreases	Reclassifications	Exchange rate effect	30 June 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 Dec 2015	30 June 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)

These assets were not subject to any impairment in the first half of 2017, while fluctuations in exchange rates had a negative impact of approximately EUR 311 thousand.

The biggest changes during the year related to:

- investments in plant and production equipment for EUR 2,077 thousand in Italian plants and EUR 96 thousand in the Group's other subsidiaries;
- investments to upgrade the plants of the Parent Company, which totalled approximately EUR 142 thousand.

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

14. Net working capital

Net working capital totalled EUR 28,985 thousand, compared to EUR 35,754 thousand as at 31 December 2016, and breaks down as follows:

(EUR /000)	**30 June 2017**	**31 December 2016**	**changes**
Inventories	20,673	21,589	(916)
Trade receivables	30,531	30,745	(214)
Trade payables	(22,219)	(16,580)	(5,639)
Net amount	**28,985**	**35,754**	**(6,769)**

The value of the "inventories" at 30 June 2017 is equal to EUR 20,673 thousand, down by EUR 916 thousand with respect to 31 December 2016. The balance breaks down as follows:

(EUR /000)	**30 June 2017**	**31 December 2016**	**changes**
Raw materials, consumables and supplies	14,527	13,734	793
Provision for raw materials	*(6,444)*	*(4,660)*	(1,784)
Work in progress and semi-finished products	7,737	6,678	1,059
Provision for work in progress	*(1,313)*	*(1,040)*	(273)
Finished products and goods	9,342	9,845	(503)
Provision for finished products	*(3,176)*	*(2,968)*	(208)
Total	**20,673**	**21,589**	**(916)**

The decrease in the inventories is mainly attributable to the allocations made during the year to the obsolete and slow-moving inventories provision, essentially recorded to adjust the stock of raw materials for the drive business.

In the first half of 2017, allocations amounted to EUR 2,589 thousand (EUR 1,118 thousand in the first half of 2016).

Trade receivables totalled EUR 30,531 thousand, a decrease of EUR 214 thousand compared to 31 December 2016, thanks to the reduction in the average collection days for receivables at Group level and the decrease in the incidence of the payment delays compared with the contractual conditions; they are made up as follows:

(EUR /000)	**30 June 2017**	**31 December 2016**	**changes**
Receivables from customers	34,986	35,129	(143)
Provision for doubtful receivables	*(4,455)*	*(4,384)*	(71)
Net amount	**30,531**	**30,745**	**(214)**

This includes receivables subject to recourse factoring transferred to a leading factoring company, by the Parent Company, for a total amount of EUR 30 thousand (EUR 44 thousand as at 31 December 2016). During the first half of 2017, no receivables were sold without recourse to factoring companies (EUR 5,053 thousand during 2016).

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 2017 represents an accurate estimate of the current risk, and registered the following changes:

(EUR /000)	**31 December 2016**	**Provisions**	**Use**	**Release**	**Exchange rate effect**	**30 June 2017**
Provision for doubtful receivables	**4,384**	**246**	**(27)**	**0**	**(148)**	**4,455**

Changes in the provision at 30 June 2016 were by contrast as follows:

(EUR /000)	**31 Dec 2015**	**Provisions**	**Use**	**Release**	**Exchange rate effect**	**30 June 2016**
Provision for doubtful receivables	**3,812**	**329**	**(97)**	**(21)**	**(68)**	**3,955**

Uses include coverage of the provision to cover losses on unrecoverable receivables. The Group monitors the situation of the receivables most at risk, also initiating the appropriate legal action. The carrying value of trade receivables is considered to approximate to their fair value.

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

"*Trade payables*" amounted to EUR 22,219 thousand and increased by EUR 5,639 thousand compared to 31 December 2016, when they amounted to EUR 16,580 thousand. The breakdown is as follows:

(EUR /000)	**30 June 2017**	**31 December 2016**	**changes**
Payables to suppliers	16,716	12,531	4,185
Payables to suppliers for invoices to be received	5,122	3,912	1,210
Payments on account received from customers	381	137	244
Total	**22,219**	**16,580**	**5,639**

15. Net debt (financial position)

The table below shows a breakdown of the net debt:

(EUR /000)	**30 June 2017**	**31 December 2016**	**Changes**
Cash and cash equivalents and current financial receivables	18,951	20,477	(1,526)
Financial assets for derivatives	3	4	(1)
Non-current financial assets	181	-	181
Non-current financial payables	(11,359)	(16,045)	4,686
Current financial payables	(17,301)	(17,134)	(167)
Financial liabilities for derivatives	(65)	(220)	155
Total	**(9,590)**	**(12,918)**	**3,328**

The following table breaks down the net debt by maturity:

(EUR /000)	**30 June 2017**	**31 December 2016**	**Changes**
A. Cash	21	24	(3)
B. Cash in bank deposits	18,930	20,450	(1,520)
Term deposits – less than 3 months	-	3	(3)
C. Securities held for trading	-	3	(3)
D. Cash And cash equivalents (A) + (B) + (C)	**18,951**	**20,477**	**(1,526)**
Financial liabilities for derivatives	(65)	(220)	155
Financial assets for derivatives	3	4	(1)
E. Fair value hedging derivatives	(62)	(216)	154
F. Current portion of long-term debt	(9,350)	(9,857)	507
G. Other current financial payables	(7,951)	(7,277)	(674)
H. Total current financial payables (F) + (G)	**(17,301)**	**(17,134)**	**(167)**
I. Total current payables (E) + (H)	**(17,363)**	**(17,350)**	**(13)**
J. Net current financial debt (I) + (D)	**1,588**	**3,127**	**(1,539)**
L. Non-current financial assets	**181**	**0**	**181**
M. Non-current financial debt	**(11,359)**	**(16,045)**	**4,686**
N. Net financial debt (J) + (L) + (M)	**(9,590)**	**(12,918)**	**3,328**
Of which to minorities:	*(9,590)*	*(12,918)*	*3,328*

Net debt as at 30 June 2017 was negative and equal to EUR 9,590 thousand, an improvement of EUR 3,328 thousand over the figure as at 31 December 2016.

The change in net debt was mainly due to positive cash flows from ordinary operations (EUR 10,491 thousand), partially mitigated by investments (EUR 2,724 thousand) and by the distribution of dividends (EUR 3,596 thousand).

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

Cash and cash equivalents amounted to EUR 18,951 thousand at 30 June 2017, compared with a balance of EUR 20,477 thousand at 31 December 2016. The composition is as follows:

(EUR /000)	30 June 2017	31 December 2016	changes
Cash in bank deposits	18,855	20,388	(1,533)
Cash	21	24	(3)
Term deposits – less than 3 months	-	3	(3)
Other cash	75	62	13
Total	**18,951**	**20,477**	**(1,526)**

The technical forms used as at 30 June 2017 are shown below:

- maturities: payable on presentation;
- counterparty risk: deposits are made care of leading banks;
- country risk: deposits are held in countries in which Group companies have their registered offices.

The balance of **Current financial payables** at 30 June 2017 increased by EUR 167 thousand compared to 31 December 2016 and is broken down as follows:

(EUR /000)	30 June 2017	31 December 2016	changes
Current portion of debt	9,350	9,857	(507)
Current overdrafts	7,928	7,226	702
Factoring	15	43	(28)
Other payables	8	8	-
Total	**17,301**	**17,134**	**167**

The current portion of loans decreased by EUR 507 thousand compared to December 2016, including a decrease of EUR 5,193 thousand in relation to the reimbursements envisaged by the repayment plans of the individual loans, and an increase of EUR 4,686 thousand due to the recognition of the portions of loans whose maturity is envisaged in the next 12 months under short-term.

The "factoring" item, which decreased by EUR 28 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 2017 totalled EUR 7,928 thousand, compared to a balance as at 31 December 2016 of EUR 7,226 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 annual 2.5%-5.7% range;
- for use of credit facilities on trade receivables, repayable on the maturity of these receivables, the overall annual interest rate is in the annual 0.5%-1.0% range.

Non-current financial payables break down as follows:

Bank	30 June 2017	31 December 2016	changes
Centrobanca	732	1,456	(724)
Banco di Brescia	-	657	(657)
Unicredit SACE	250	750	(500)
Banco di Brescia	320	702	(382)
BNL	1,000	1,333	(333)
Banca Pop. Sondrio	582	964	(382)
Unicredit	700	900	(200)
Unicredit	2,000	2,000	-
Banca Pop. Emilia Romagna	1,775	2,283	(508)
Mediocredito	4,000	5,000	(1,000)
Total	**11,359**	**16,045**	**(4,686)**

The change concerns the transfer from *"Non-current financial payables"* to *"Current financial payables"* of the portions of loans with expected maturity in the next 12 months.

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

Bank	Amount disbursed (€/000)	Signing date	Balance as at 30 June 2017	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
Centrobanca	EUR 10,976	04/09/2008	2,195	1,463	732	Euribor 6m + 0.85%	01/10/2018	half-yearly
Banco di Brescia	EUR 6,000	31/05/2013	1,300	1,300	-	Euribor 3m + 3.90%	31/05/2018	quarterly
Unicredit SACE	EUR 5,000	27/09/2013	1,250	1,000	250	Euribor 3m + 2.60%	30/09/2018	quarterly
Banco di Brescia	EUR 3,000	28/11/2014	1,082	762	320	Euribor 3m + 1.75%	30/11/2018	monthly
BNL	EUR 3,000	19/12/2014	1,667	667	1,000	Euribor 6m + 1.35%	18/12/2019	half-yearly
Banca Pop. Sondrio	EUR 3,000	23/12/2014	1,344	762	582	Euribor 3m + 2.00%	22/12/2018	quarterly
Unicredit	EUR 2,000	19/02/2015	1,100	400	700	Euribor 3m + 2.10%	29/02/2020	quarterly
Unicredit	EUR 2,000	19/02/2015	2,000	0	2,000	Euribor 3m + 2.50%	28/02/2019	bullet
Banca Pop. Emilia Romagna	EUR 4,000	06/08/2015	2,771	996	1,775	Euribor 3m + 1.25%	03/02/2020	quarterly
Mediocredito	EUR 10,000	07/08/2015	6,000	2,000	4,000	Euribor 3m + 1.35%	30/06/2020	quarterly
Total			**20,709**	**9,350**	**11,359**			

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:

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

- consolidated net financial debt to equity ratio of ≤ 0.7.

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

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

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

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

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

- consolidated net financial debt to equity ratio of ≤ 0.75;
- Shareholders' Equity and Total Assets > 30%.

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

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

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

e) 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 financial debt to EBITDA ratio of ≤ 3.5.

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

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

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

A number of outstanding loan contracts include other covenants, in line with market practices, that place limits on the possibility of issuing new real guarantees and conducting extraordinary transactions.

The Administration, Finance and Control Department is responsible for checking these contractual restrictions every quarter: the ratios calculated on the data at 30 June 2017 are fully observed and the loans have been distributed in the table of the maturities according to the forms originally envisaged by the agreements.

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 3 thousand as at 30 June 2017, and consist of the positive fair value recorded at the end of the half year of certain CAP contracts entered into by the Parent Company to hedge interest rate risks. **Financial liabilities for derivatives** totalled EUR 65 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 floating-rate loans, which could arise in the event of an increase in the Euribor, the Group decided to hedge its variable rate loans through *Interest Rate Cap contracts*, as set out below:

Bank *(Euro/000)*	Notional principal	Signing date	Notional as at 30 June 2017	Derivative	Fair Value as at 30 June 2017	Long position rate	Short position rate
Unicredit	EUR 6,000	04/06/2013	1,300	CAP	0	Strike Price 0.75%	Euribor 6m
Unicredit	EUR 5,000	15/10/2013	1,250	CAP	0	Strike Price 0.60%	Euribor 3m
Banco di Brescia	EUR 3,000	28/11/2014	1,082	CAP	0	Strike Price 0.10%	Euribor 3m
BNL	EUR 3,000	19/12/2014	1,667	CAP	1	Strike Price 0.20%	Euribor 6m
Unicredit	EUR 2,000	19/02/2015	1,344	CAP	1	Strike Price 0.10%	Euribor 3m
Unicredit Bullet	EUR 2,000	19/02/2015	1,100	CAP	1	Strike Price 0.10%	Euribor 3m
Total financial assets for derivatives – interest rate risk					**3**		

The Group has also taken out IRS (*Interest Rate Swap) contracts*, as set out in the table below:

Bank *(Euro/000)*	Notional principal	Signing date	Notional as at 30 June 2017	Derivative	Fair Value as at 30 June 2017	Long position rate	Short position rate
Centrobanca	EUR 9,550	31/03/2010	2,195	IRS	(43)	Fixed 3.11%	Euribor 6m
Banca Pop. Emilia Romagna	EUR 4,000	01/10/2015	2,771	IRS + Floor	(20)	Fixed 0.15%	Euribor 3m
Intesa	EUR 10,000	05/10/2015	6,000	IRS	(2)	Fixed 0.16%	Euribor 3m
Total financial liabilities for derivatives – interest rate risk					**(65)**		

All the contracts described above are booked at fair value:

(Euro/000)	as at 30 June 2017		as at 31 December 2016	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Exchange rate risk	0	0	0	(5)
Interest rate risk	3	(65)	4	(215)
Total cash flow hedge	**3**	**(65)**	**4**	**(220)**

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 44,639 thousand. Overall use of these lines as at 31 December 2016 totalled EUR 7,818 thousand, with a residual available amount of EUR 36,821 thousand.

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

16. Shareholders' equity

Group consolidated *Shareholders' equity* at 30 June 2017 amounted to EUR 68,126 thousand and increased compared with 31 December 2016 by EUR 1,218 thousand, mainly due to the profit for the period of EUR 4,443 thousand, offset by the distribution of 2016 dividends and by the decrease in the other equity reserves.

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

As at 30 June 2017, Gefran S.p.A. did not hold any own shares, while as at 31 December 2016, own shares were 227,394, or 1.58% 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 *"Fair value measurement reserve"* are shown in the table below:

(EUR /000)	**30 June 2017**	**31 December 2016**	**changes**
Balance at 1 January	151	(10)	161
UBI Banca S.p.A. shares	18	(57)	75
Woojin Plaimm Co Ltd shares	351	218	133
Net amount	**520**	**151**	**369**

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

(EUR /000)	**30 June 2017**	**31 December 2016**	**changes**
Balance at 1 January	(216)	(249)	33
Change in fair value of derivatives	159	33	126
Net amount	**(57)**	**(216)**	**159**

17. Earnings per share

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

	2017	2016
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group *(EUR /000)*	4,443	541
- Average No. of ordinary shares *(No./000,000)*	14.32	14.17
- Basic earnings per ordinary share	0.310	0.038
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group *(EUR /000)*	4,443	541
- Average No. of ordinary shares *(No./000,000)*	14.32	14.17
- Basic earnings per ordinary share	0.310	0.038
Average number of ordinary shares	**14,324,202**	**14,174,560**

18. Current and non-current provisions

"Non-current provisions" decreased by EUR 631 thousand compared with 31 December 2016, and break down as follows:

(EUR /000)	31 December 2016	Provisions	Use	Release	Exchange rate effect	30 June 2017
Gefran S.p.A. risk provisions						
- for legal disputes	1,030	-	(555)	(50)	-	425
- other provisions	85	-	-	-	-	85
Gefran Brasil risk provisions						
- for legal disputes	3	-	-	-	-	3
Gefran France risk provisions						
- for restructuring	96	119	(213)	-	-	2
Gefran Gmbh risk provisions						
- for restructuring	103	201	(133)	-	-	171
Gefran Siei Drives Technology risk provisions						
- for restructuring	-	61	(60)	-	(1)	-
Total	**1,317**	**381**	**(961)**	**(50)**	**(1)**	**686**

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 1,402 thousand at 30 June 2017, up by EUR 259 thousand compared with 31 December 2016, and break down as follows:

(EUR /000)	31 December 2016	Provisions	Use	Release	Exchange rate effect	30 June 2017
FISC	124	34	-	-	-	158
Product warranty	1,019	401	(163)	-	(14)	1,244
Total	**1,143**	**435**	**(163)**	**0**	**(14)**	**1,402**

The item referring to anticipated charges for repairs of products under warranty increased mainly due to the adjustment of the provision during the year based on the needs arising.

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

19. Personnel costs

"Personnel costs" totalled EUR 22,407 thousand, down EUR 2,073 thousand compared to the first half of 2016, and are broken down as follows:

Description	30 June 2017	30 June 2016	change
(EUR /000)			
Salaries and wages	16,574	16,827	(253)
Social security contributions	4,448	4,558	(110)
Post-employment benefit reserve	897	996	(99)
Other costs	488	2,099	(1,611)
Total	**22,407**	**24,480**	**(2,073)**

The decrease in the period reflects the positive effect of the significant reorganisation of the Group subsidiaries and of Gefran S.p.A., initiated in 2016 and completed in the first quarter of 2017; the restructuring costs arising from the operation are recognised under *"Other costs"*.

The average number of Group employees in 2017 is shown below:

	30 June 2017	30 June 2016	changes
Managers	19	19	-
Clerical staff	465	517	(52)
Manual workers	244	254	(10)
Total	**728**	**790**	**(62)**

The precise number at 30 June 2017 is 724 units, down compared to 30 June 2016 by 45 units. For more information, see the "Human Resources" section of the Report on Operations.

20. Depreciation/amortisation

This item amounts to EUR 2,967 thousand, essentially unchanged from the previous year.

Description	30 June 2017	30 June 2016	change
(EUR /000)			
Amortisation	1,160	1,144	16
Depreciation	1,807	1,970	(163)
Total	2,967	3,114	(147)

The breakdown of depreciation and amortisation by business is summarised in the table below:

Description	30 June 2017	30 June 2016	changes
(EUR /000)			
Sensors	1,159	1,102	57
Automation components	887	933	(46)
Drives	921	1,079	(158)
Total	2,967	3,114	(147)

21. Gains (losses) from financial assets/liabilities

"Gains (losses) from financial assets/liabilities" had a negative overall balance of EUR 993 thousand, compared with a negative balance in the first half of 2016 of EUR 622 thousand; they are broken down as follows:

Description	30 June 2017	30 June 2016	change
(EUR /000)			
Cash management			
Income from cash management	21	26	(5)
Other financial income	32	34	(2)
Medium-/long-term interest	(258)	(407)	149
Short-term interest	(16)	(17)	1
Factoring interest and fees	(1)	(21)	20
Other financial charges	(19)	(16)	(3)
Total income (charges) from cash management	**(241)**	**(401)**	**160**
Currency transactions			
Exchange rate gains	778	158	620
Positive currency valuation differences	5	500	(495)
Exchange rate losses	(813)	(481)	(332)
Negative currency valuation differences	(722)	(398)	(324)
Total other income (charges) from currency transactions	**(752)**	**(221)**	**(531)**
Gains (losses) from financial assets/liabilities	**(993)**	**(622)**	**(371)**

Total income and charges from cash management had a negative balance and amounted to EUR 241 thousand, an improvement of EUR 160 thousand compared with the first half of 2016. The change is mainly attributable to the reduction in financial interest charges registered in 2017 and is mainly due to the downsizing of the medium/long-term debt, which at 30 June 2016 amounted to EUR 31,706 thousand compared with the current EUR 20,709 thousand.

The balance of the differences on currency transactions was negative at EUR 752 thousand, compared with a still negative value of EUR 221 thousand in the first half of 2016. The negative result for 2017 was mainly due to the appreciation of the Euro against the major currencies affecting the Group. Currency management of 2017 is to be compared with the better result, albeit also negative, of 2016, generated primarily by the appreciation recorded by Euro against the major sensitive currencies of the Group, with the exception the Brazilian Real.

22. Income taxes, deferred tax assets and deferred tax liabilities, current tax receivables and payables

The "*Taxes*" item was negative at EUR 580 thousand; this compares with a negative balance of EUR 791 thousand in the first half of 2016, and breaks down as follows:

(EUR /000)	**30 June 2017**	**30 June 2016**	**change**
Current taxes			
IRES (corporate income tax)	(64)	(36)	(28)
IRAP (regional production tax)	(408)	(95)	(313)
Foreign taxes	(789)	(767)	(22)
Total current taxes	**(1,261)**	**(898)**	**(363)**
Deferred taxes			
Deferred tax liabilities	(22)	28	(50)
Deferred tax assets	703	79	624
Total deferred tax liabilities	**681**	**107**	**574**
Total taxes	**(580)**	**(791)**	**211**

Current taxes were up by EUR 363 thousand compared with the same period in 2016 mainly due to the recognition of the IRES and IRAP taxable amounts in the Parent Company, which can be offset only in part by prior tax losses, in accordance with current legislation.

Deferred tax assets are mainly held by Gefran S.p.A. and the subsidiary Gefran France, which in the first half of 2017 recognised deferred tax assets calculated on prior tax losses, as a result of the update of the estimated recoverability of the same.

The table below shows a breakdown of deferred tax assets and deferred tax liabilities for the first half of 2017:

(EUR /000)	31 December 2016	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	30 June 2017
Deferred tax assets					
Devaluation of inventories	1,358	314		-	1,672
Impairment of trade receivables	362	33		-	395
Deductible losses to be brought forward	3,617	525		(23)	4,119
Exchange rate differences	8	1		-	9
Elimination of unrealised margins on inventories	534	(87)		-	447
Provision for product warranty risk	204	61		-	265
Provision for sundry risks	938	(144)	-	(27)	767
Total deferred tax assets	7,021	703	-	(50)	7,674
Deferred tax liabilities					
Currency valuation differences	-	(19)		-	(19)
Other deferred tax liabilities	(1,005)	(3)		67	(941)
Total deferred tax liabilities	(1,005)	(22)	-	67	(960)
Net total	6,016	681	-	17	6,714

The table below shows a breakdown of deferred tax assets and deferred tax liabilities for the first half of 2016:

(EUR /000)	31 Dec 2015	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	30 June 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

Below is a summary of “*Current tax receivables*”:

Description	30 June 2017	31 December 2016	change
(EUR /000)			
IRES (corporate income tax)	75	0	75
IRAP (regional business tax)	153	0	153
Foreign tax receivables	555	734	(179)
Total	**783**	**734**	**49**

“Current tax payables” " totalled EUR 1,101 thousand at 30 June 2017, down by EUR 247 thousand compared to 31 December 2016, and break down as follows:

Description	30 June 2017	31 December 2016	change
(EUR /000)			
IRES (corporate income tax)	351	406	(55)
IRAP (regional business tax)	307	277	30
Foreign tax payables	443	665	(222)
Total	**1,101**	**1,348**	**(247)**

23. Guarantees granted, commitments and other contingent liabilities

25.1. Guarantees granted

At 30 June 2017, the Group had granted guarantees on payables or commitments of third parties or subsidiaries for EUR 10,558 thousand, substantially in line with the figure for 31 December 2016, as summarised in the table below:

(EUR /000)	2017	2016
Ubi Leasing	5,918	5,918
BNL	-	2
Banca Intesa	1,100	1,100
Banca Passadore	2,750	2,750
Banco di Brescia	790	790
Total	10,558	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 liability at 30 June 2017 guaranteed by this surety amounts to EUR 2,787 thousand (EUR 2,907 thousand at 31 December 2016).

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

The amount of EUR 1,100 thousand in favour of Banca Intesa relates to a simple letter of patronage issued to guarantee the credit lines of Elettropiemme S.r.l.

25.2. 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.

25.3. Commitments

The main operating lease contracts relate to property rentals, electronic equipment and company vehicles. At the reporting date, the payments still owed by the Group on irrevocable operating leases amounted to EUR 2,332 thousand, all falling due within the next five years.

24. Dealings with related parties

In accordance with IAS 24, information relating to dealings with related parties for the first half of 2017 and the same period of 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 websitewww.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 of Gefran S.p.A.) is Chairman and Giovanna Franceschetti (Executive Director of Gefran S.p.A.) is Director.
- Climat S.r.l.: a company in which the director and shareholder is a relative of Maria Chiara Franceschetti (Vice-Chairman of Gefran S.p.A.);
- Ensun S.r.l., a company in which Ennio Franceschetti (Chairman of Gefran S.p.A.) is Chairman, and Giovanna Franceschetti (Executive Director of Gefran S.p.A.) is Director.
- BS Energia 2 S.r.l., a subsidiary of Ensun S.r.l.: a company in which Giovanna Franceschetti (Executive Director of Gefran S.p.A.) is Director;
- Francesco Franceschetti Elastomeri S.r.l.: a company in which Ennio Franceschetti (Chairman 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:

(EUR /000)	**Climat S.r.l.**	**Francesco Franceschetti elastomeri S.r.l.**	**Total**
Revenues from product sales			
2016	0	0	**0**
2017	0	61	**61**

(EUR /000)	Climat S.r.l.	Francesco Franceschetti elastomeri S.r.l.	Total
Service costs			
2016	-91	0	**-91**
2017	-75	0	**-75**

(EUR /000)	Climat S.r.l.	Francesco Franceschetti elastomeri S.r.l.	Total
Property, plant, machinery and tools			
2016	105	0	**105**
2017	81	0	**81**
Trade receivables			
2016	0	51	**51**
2017	0	74	**74**
Trade payables			
2016	38	0	**38**
2017	129	0	**129**

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.

With regard to dealings with subsidiaries, Parent Company Gefran S.p.A. provided technical, administrative and management services as well as royalties to Group operating subsidiaries amounting to around EUR 1.2 million, governed by specific contracts.

The Gefran Group provides a Group cash pooling service, partly through a "Zero Balance" service, which involves all the European subsidiaries.

None of the subsidiaries holds shares of the Parent Company or held them during the period.

The executives with strategic responsibilities are the executive members of the Board of Directors, the General Manager of the Sensors and Components Business Unit, the Manager of the Subsidiaries Siei Areg, Gefran France, Gefran UK and Gefran Benelux, as well as and the managers with strategic responsibilities, the latter represented by the CFO/Financial Reporting Officer and by the General Manager of the Chinese subsidiary Gefran Siei Drives Technology Co Ltd..

Provaglio d'Iseo, 03 August 2017

On behalf of the Board of Directors

The Chairman

Ennio Franceschetti

Chief Executive Officer

Alberto Bartoli

ANNEXES

1. Consolidated income statement by quarter

	(EUR /000)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	TOT 2016	Q1 2017	Q2 2017	TOT 2017
a	Revenues	29,524	30,138	28,905	30,763	**119,330**	32,278	32,772	**65,050**
b	Increases for internal work	408	292	179	240	**1,119**	168	142	**310**
c	Consumption of materials and products	9,539	10,526	10,416	11,245	**41,726**	11,121	11,446	**22,567**
d	Added Value (a+b-c)	20,393	19,904	18,668	19,758	**78,723**	21,325	21,468	**42,793**
e	Other operating costs	5,563	5,628	5,688	5,173	**22,052**	5,584	5,744	**11,328**
f	Personnel costs	13,116	11,364	10,009	10,858	**45,347**	11,445	10,962	**22,407**
g	EBITDA (d-e-f)	1,714	2,912	2,971	3,727	**11,324**	4,296	4,762	**9,058**
h	Depreciation, amortisation and impairments	1,557	1,557	1,560	1,535	**6,209**	1,494	1,473	**2,967**
i	EBIT (g-h)	157	1,355	1,411	2,192	**5,115**	2,802	3,289	**6,091**
l	Gains (losses) from financial assets/liabilities	(761)	139	(378)	177	**(823)**	(237)	(756)	**(993)**
m	Gains (losses) from shareholdings valued at equity	(78)	34	59	(10)	**5**	(6)	(69)	**(75)**
n	Profit (loss) before tax (i±l±m)	(682)	1,528	1,092	2,359	**4,297**	2,559	2,464	**5,023**
o	Taxes	(516)	(275)	(632)	588	**(835)**	(751)	171	**(580)**
p	Result from operating activities (n±o)	(1,198)	1,253	460	2,947	**3,462**	1,808	2,635	**4,443**
q	Result from assets held for sale	486	0	0	0	**486**	0	0	**0**
r	Group net profit (loss) (p±q)	(712)	1,253	460	2,947	**3,948**	1,808	2,635	**4,443**

2. Consolidated income statement by quarter – excluding non-recurring items

	(EUR /000)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	TOT 2016	Q1 2017	Q2 2017	TOT 2017
a	Revenues	29,003	30,138	28,905	30,609	**118,655**	32,278	32,772	**65,050**
b	Increases for internal work	408	292	179	240	**1,119**	168	142	**310**
c	Consumption of materials and products	9,539	10,526	10,416	11,245	**41,726**	11,121	11,446	**22,567**
d	Added Value (a+b-c)	19,872	19,904	18,668	19,604	**78,048**	21,325	21,468	**42,793**
e	Other operating costs	5,563	5,628	5,688	5,173	**22,052**	5,584	5,744	**11,328**
f	Personnel costs	11,224	11,217	10,009	11,033	**43,483**	11,124	10,962	**22,086**
g	EBITDA (d-e-f)	3,085	3,059	2,971	3,398	**12,513**	4,617	4,762	**9,379**
h	Depreciation, amortisation and impairments	1,557	1,557	1,560	1,535	**6,209**	1,494	1,473	**2,967**
i	EBIT (g-h)	1,528	1,502	1,411	1,863	**6,304**	3,123	3,289	**6,412**
l	Gains (losses) from financial assets/liabilities	(761)	139	(378)	177	**(823)**	(237)	(756)	**(993)**
m	Gains (losses) from shareholdings valued at equity	(78)	34	59	(10)	**5**	(6)	(69)	**(75)**
n	Profit (loss) before tax (i±l±m)	689	1,675	1,092	2,030	**5,486**	2,880	2,464	**5,344**
o	Taxes	(516)	(275)	(632)	588	**(835)**	(751)	171	**(580)**
p	Result from operating activities (n±o)	173	1,400	460	2,618	**4,651**	2,129	2,635	**4,764**
q	Result from assets held for sale	486	0	0	0	**486**	0	0	**0**
r	Group net profit (loss) (p±q)	659	1,400	460	2,618	**5,137**	2,129	2,635	**4,764**

3. Exchange rates used to convert the financial statements of foreign companies

End-of-period exchange rates

Currency	30 June 2017	31 December 2016	30 June 2016
Swiss franc	1.0930	1.0739	1.0867
Pound sterling	0.8793	0.8562	0.8265
US dollar	1.1412	1.0541	1.1102
Brazilian real	3.7600	3.4305	3.5898
Chinese renminbi	7.7385	7.3202	7.3755
Indian rupee	73.7445	71.5935	74.9603
Turkish lira	4.0134	3.7072	3.2060

Average exchange rates in the period

Currency	2017	2016	2Q 2017	2Q 2016
Swiss franc	1.0764	1.0902	1.0835	1.0961
Pound sterling	0.8601	0.8189	0.8603	0.7869
US dollar	1.0825	1.1066	1.1003	1.1293
Brazilian real	3.4393	3.8616	3.5331	3.9642
Chinese renminbi	7.4417	7.3496	7.5494	7.3783
Indian rupee	71.1244	74.3553	70.9498	75.5477
Turkish lira	3.9379	3.3427	3.9389	3.2701

4. List of companies included in the scope of consolidation

Name	Registered office	Country	Currency	Share capital	Investing company	% 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	USA	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Elettroel. Ltda	Sao Paolo	Brazil	REAL	450,000	Gefran S.p.A.	99.90
					Gefran UK	0.10
Gefran India Private Ltd	Pune	India	INR	100,000,000	Gefran S.p.A.	95.00
					Gefran UK	5.00
Gefran Siei Asia Pte Ltd	Singapore	Singapore	EUR	3,359,369	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Pte Ltd	Shanghai	China (People's Rep.)	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric Pte Ltd	Shanghai	China (People's Rep.)	RMB	1,005,625	Gefran Siei Asia	100.00
Sensormate AG	Aadorf	Switzerland	CHF	100,000	Gefran S.p.A.	100.00
Gefran Middle East Ltd Sti	Istanbul	Turkey	TRY	1,030,000	Gefran S.p.A.	100.00
Gefran Soluzioni S.r.l.	Provaglio d'Iseo	Italy	EUR	100,000	Gefran S.p.A.	100.00

5. List of companies consolidated at equity

Name	Registered office	Country	Currency	Share capital	Investing 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

6. List of other investee companies

Name	Registered office	Country	Currency	Share capital	Investing 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

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION 11971 OF 14 MAY 1999, AS AMENDED AND SUPPLEMENTED.

The undersigned **Alberto Bartoli**, in his capacity as Chief Executive Officer, and **Fausta Coffano**, in her capacity as Financial reporting Officer of Gefran S.p.A. hereby certify, with due regard for the provisions of Article 154 bis, paragraphs 3 and 4, of Legislative Decree No. 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 2017.

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, 03 August 2017

Chief Executive Officer	The Director responsible for preparing the accounting and corporate documents
Alberto Bartoli	***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 2017, 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 2017 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.

Brescia, 4 August 2017

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