GEFRAN GROUP

HALF-YEARLY FINANCIAL REPORT

AT 30 June 2019

SUMMARY

CORPORATE BODIES

Board of Directors

Honorary Chairman	Ennio Franceschetti
Chairman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairman	Giovanna Franceschetti

CEO	Alberto Bartoli
Director	Romano Gallus
Director	Mario Benito Mazzoleni (*)
Director	Daniele Piccolo (*)
Director	Monica Vecchiati (*)

Board of Statutory Auditors

Chairman	Marco Gregorini
Standing Auditor	Primo Ceppellini
Standing Auditor	Roberta Dell'Apa
Deputy Auditor	Guido Ballerio
Deputy Auditor	Luisa Anselmi

Control and Risks Committee

- Daniele Piccolo
- Mario Benito Mazzoleni
- Monica Vecchiati

Appointments and Remuneration Committee

- Daniele Piccolo
- Romano Gallus
- Monica Vecchiati

External auditor

PricewaterhouseCoopers S.p.A.

On 21 April 2016, the ordinary shareholders' meeting of Gefran S.p.A. engaged the external auditor PricewaterhouseCoopers S.p.A. to audit the separate annual financial report of Gefran S.p.A., as well as the consolidated annual and half-yearly financial reports of the Gefran Group for a period of nine years until the approval of the financial statements report 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

(Euro / 000)	**30 June 2019**		**30 June 2018**		**2Q 2019**		**2Q 2018**	
Revenues	72,099	100.0%	70,260	100.0%	36,126	100.0%	35,543	100.0%
EBITDA	10,735	14.9%	11,210	16.0%	4,466	12.4%	5,433	15.3%
EBIT	5,376	7.5%	8,122	11.6%	2,398	6.6%	3,871	10.9%
Profit (loss) before tax	5,508	7.6%	7,618	10.8%	2,113	5.8%	3,723	10.5%
Result from operating activities	4,029	5.6%	4,936	7.0%	1,481	4.1%	2,326	6.5%
Net profit (loss) from assets held for sale	-	0.0%	(875)	-1.2%	-	0.0%	(461)	-1.3%
Group net profit (loss)	4,029	5.6%	4,061	5.8%	1,481	4.1%	1,865	5.2%

Group statement of financial position highlights

(Euro / 000)	**30 June 2019**	**31 December 2018**
Invested capital from operations	89,042	77,335
Net working capital	34,506	32,055
Shareholders’ equity	72,116	72,814
Net financial position	(16,926)	(4,521)

(Euro / 000)	**30 June 2019**	**30 June 2018**
Operating cash flow	5,293	7,220
Investments	8,632	4,826

ALTERNATIVE PERFORMANCE INDICATORS

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

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

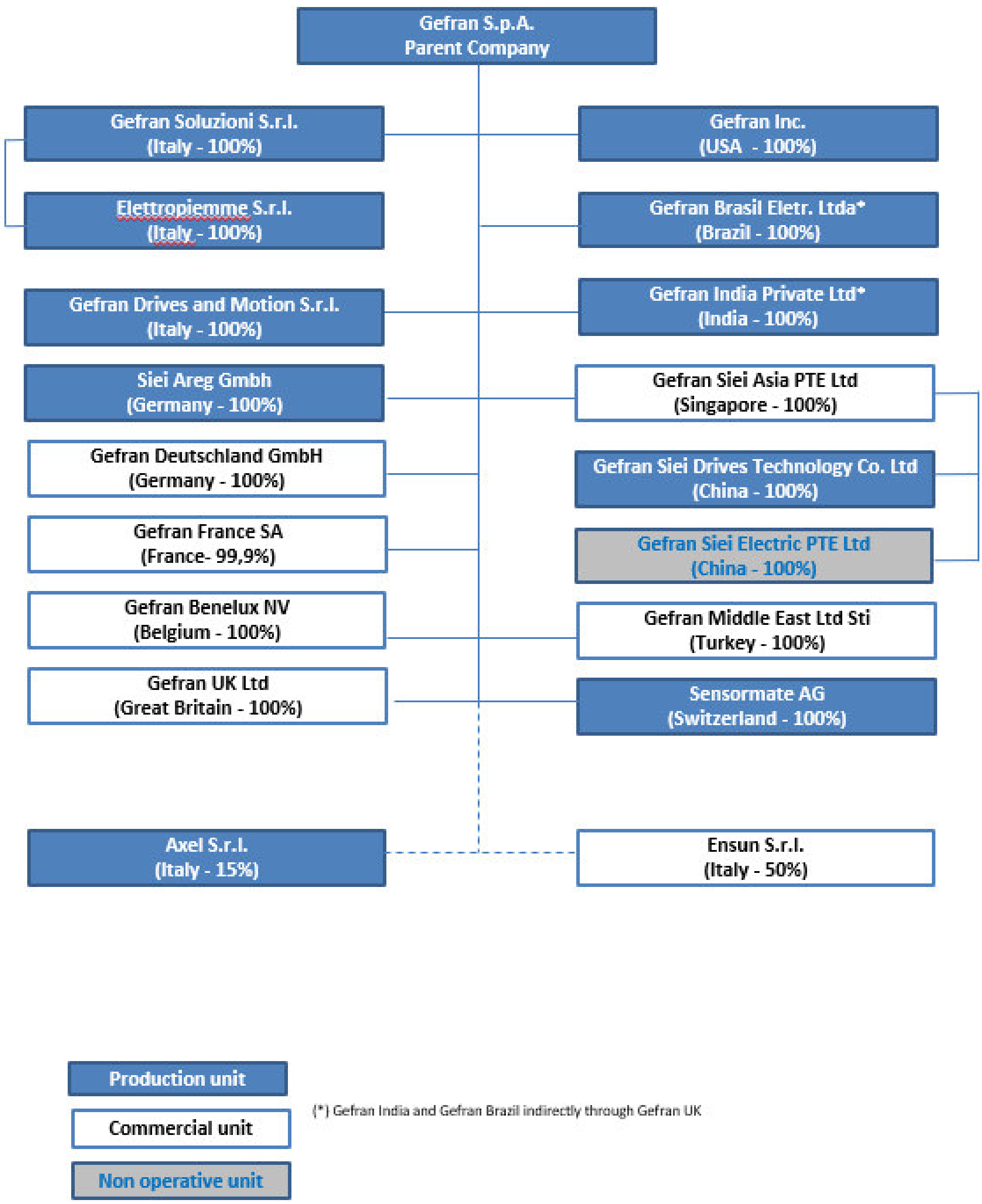
- **Added value**: the direct margin resulting from revenues, including only direct material, gross of other production costs, such as personnel costs, services and other miscellaneous costs;
- **EBITDA**: this is EBIT before depreciation, amortisation and impairment. The purpose of this indicator is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

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

- **Net non-current assets**: the algebraic sum of the following items in the statement of financial position:
    - Goodwill
    - Intangible assets
    - Property, plant, machinery and tools
    - Shareholdings valued at equity
    - Equity investments in other companies
    - Receivables and other non-current assets
    - Deferred tax assets
- **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 net fixed assets, working capital and provisions;
- **Net financial position**: the algebraic sum of the following items:
    - Medium/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 motion control for the electronic control of electric motors.

The Group offers a complete range of products and tailored turnkey solutions in numerous automation sectors. Just under 70% of its revenues are generated abroad.

Sensors

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

Gefran stands out for its technological leadership. It produces primary components internally and boasts a comprehensive product range that is unique worldwide. In certain product families, Gefran is world leader. The sensors business generates about 80% of its revenues abroad.

Automation components

The automation components business is divided into 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 45% of its revenues through exports.

Motion control

The motion control 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 motion control business generates about 70% of its revenues abroad.

3. GEFRAN CONSOLIDATED RESULTS

On 23 January 2019 Gefran Soluzioni S.r.l., a subsidiary of Gefran S.p.A., purchased 100% of the shares in Elettropiemme S.r.l. The Group's net profit (loss) for the current period, illustrated and commented on below, also reflect the purchase of the company.

3.1. CONSOLIDATED INCOME STATEMENT OF THE QUARTER

The following table shows the operating results for the second quarter, reclassified and compared with those of the previous period:

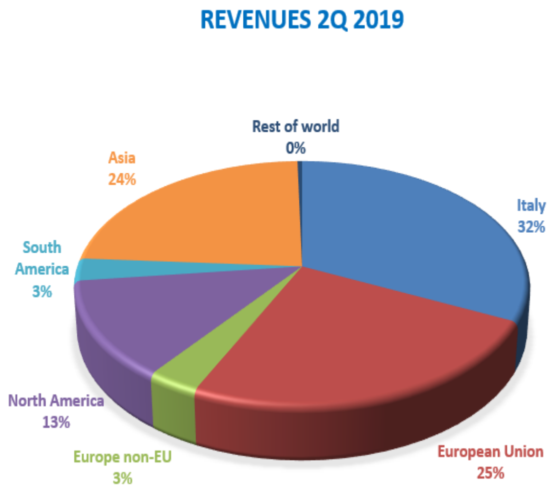
	(Euro / 000)	2Q 2019 Total	2Q 2018 Total	Change 2019-2018 Value	%
a	Revenues	36,126	35,543	583	1.6%
b	Increases for internal work	628	256	372	145.3%
c	Consumption of materials and products	12,908	12,629	279	2.2%
d	Added value (a+b-c)	23,846	23,170	676	2.9%
and	Other operating costs	6,152	6,308	(156)	-2.5%
f	Personnel costs	13,228	11,429	1,799	15.7%
g	EBITDA (d-e-f)	4,466	5,433	(967)	-17.8%
h	Depreciation, amortisation and impairment	2,068	1,562	506	32.4%
i	EBIT (g-h)	2,398	3,871	(1,473)	-38.1%
l	Gains (losses) from financial assets/liabilities	(302)	(91)	(211)	-231.9%
m	Gains (losses) from shareholdings valued at equity	17	(57)	74	129.8%
n	Profit (loss) before tax (i±l±m)	2,113	3,723	(1,610)	-43.2%
o	Taxes	(632)	(1,397)	765	54.8%
p	Result from operating activities (n±o)	1,481	2,326	(845)	-36.3%
q	Net profit (loss) from assets held for sale	-	(461)	461	100.0%
r	Group net profit (loss) (p±q)	1,481	1,865	(384)	-20.6%

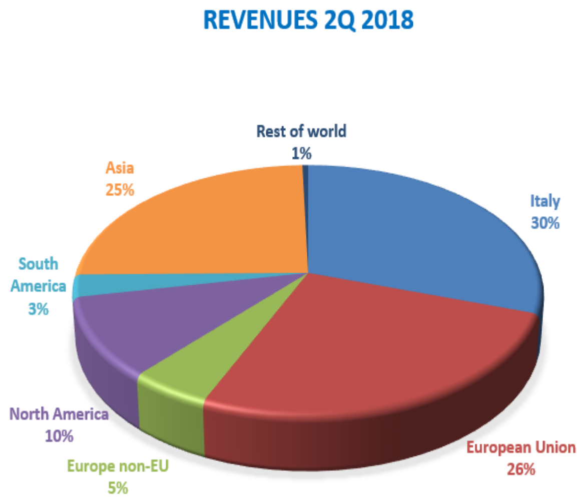
Revenues for the second quarter of 2019 were 36,126 thousand Euro, compared with 35,543 thousand Euro in the same period the previous year, revealing a growth of 583 thousand Euro (+1.6%). The aforementioned acquisition contributed a total of 1,896 thousand Euro to the increase in revenues. Without this effect, revenues in the second quarter would be down 1,313 thousand Euro over the same period in the previous year (-3.7%). The shrinkage applies to all business units and reflects global uncertainty in the geographical regions in which the Group works.

Orders collected in the second quarter of 2019 were about 4.6% down over the second quarter of 2018. The addition to the Group of Elettropiemme S.r.l. has had a positive impact on orders received in the quarter, which would be 8.7% lower than the second quarter of the previous year if this effect were not taken into consideration. The drop took place primarily in the motion control and sensors business units.

The following table shows revenues by geographical region:

(Euro / 000)	2Q 2019 value	2Q 2019 %	2Q 2018 value	2Q 2018 %	Change 2019-2018 value	Change 2019-2018 %
Italy	11,622	32.2%	10,723	30.2%	899	8.4%
European Union	8,938	24.7%	9,355	26.3%	(417)	-4.5%
Europe non-EU	1,200	3.3%	1,781	5.0%	(581)	-32.6%
North America	4,654	12.9%	3,695	10.4%	959	26.0%
South America	1,065	2.9%	1,029	2.9%	36	3.5%
Asia	8,512	23.6%	8,799	24.8%	(287)	-3.3%
Rest of the World	135	0.4%	161	0.5%	(26)	-16.1%
Total	**36,126**	**100%**	**35,543**	**100%**	**583**	**1.6%**





The breakdown of revenues by **geographical region** shows strong growth in North America (+26%): the favourable trend in the exchange rate has a positive impact, but even if we eliminate this effect, the growth recorded is still significant (+24.1%); sales in South America increased (+3.5%), while there was a contraction in non-EU Europe (-32.6%). The growth recorded in Italy, equal to +8.4%, was due to the change in the scope of the consolidation, without which there would have been a decrease in sales compared to the second quarter of 2018 (-8.3%).

The table below shows the breakdown of revenues by business area in the second quarter of 2019 and a comparison with the same period of the previous year:

(Euro / 000)	2Q 2019 value	2Q 2019 %	2Q 2018 value	2Q 2018 %	Change 2019-2018 value	Change 2019-2018 %
Sensors	15,744	43.6%	16,352	46.0%	(608)	-3.7%
Automation components	11,207	31.0%	10,174	28.6%	1,033	10.2%
Motion control	10,626	29.4%	10,661	30.0%	(35)	-0.3%
Eliminations	(1,451)	-4.0%	(1,644)	-4.6%	193	-11.7%
Total	**36,126**	**100%**	**35,543**	**100%**	**583**	**1.6%**

The breakdown of **revenues by business area** in the second quarter of 2019 reveals shrinkage of sales in the sensors business (-3.7%), while motion control remained largely unchanged (-0.3%). Sales increased for the automation components business (+10.2%), where the increase was due to the revenues of the newly acquired Elettropiemme S.r.l., without which the business's sales would have been lower than in the same period of the previous year (-8.5%).

EBITDA for the second quarter of 2019 was positive at 4,466 thousand Euro (5,433 thousand Euro for the same period in 2018) and amounted to 12.4% of revenues (15.3% of revenues in the previous period), an increase of 967 thousand Euro in absolute value. The addition of Elettropiemme S.r.l. to the Group had a positive impact on EBITDA (262 thousand Euro); if this addition is not taken into account, the figure for the second quarter of 2018 would be down to 1,229 thousand Euro. The drop in revenues and consequently added value, along with increased personnel costs, are the key elements determining the reduction in EBITDA.

The item **depreciation, amortisation and impairment** amounts to 2,068 thousand in the second quarter of 2019, as compared to 1,562 thousand Euro in the second quarter of 2018, revealing an increase of 506 thousand Euro. The increase is primarily linked with investment in previous periods, with the addition of a number of factors that arose in the quarter:

- the effects of application of the new accounting standard IFRS16, with an impact of 230 thousand Euro, details of which are supplied in a specific note in this Report;
- the recent acquisition of Elettropiemme S.r.l., which contributes 72 thousand Euro to the increase in this item.

EBIT in the second quarter of 2019 is positive by 2,398 thousand Euro (6.6% of revenues), as compared to an EBIT of 3,871 thousand Euro in the second quarter of 2018, a drop of 1,473 thousand Euro. Without the positive effect of the addition of Elettropiemme S.r.l. to the Group, which amounts to 190 thousand Euro, EBIT for the quarter would be 2,208 thousand Euro, 1,663 thousand Euro less than in the same period of the previous year. The change is primarily a result of the change in EBITDA described above.

The **net profit (loss) from assets held for sale** in the second quarter of 2019 was zero, while the figure for the same period in the previous year was negative for EUR 461 thousand and related to the adjustment of the value of assets held for sale relating to the know-how of the photovoltaic business to their estimated realisable value.

The Group's **net profit** in the second quarter of 2019 amounts to 1,481 thousand Euro, compared to a net profit of 1,865 thousand Euro in the second quarter of 2018, a drop of 384 thousand Euro. Without taking into account the positive effect of the addition of Elettropiemme S.r.l. to the Group, equal to 86 thousand Euro, net profit for the second quarter of 2019 would be 470 thousand Euro less than in the second quarter of 2018.

3.2. PROGRESSIVE CONSOLIDATED INCOME STATEMENT

The main income statement items and comments are shown below.

	(Euro / 000)	30 June 2019 Total	30 June 2018 Total	Change 2019-2018 Value	%
a	Revenues	72,099	70,260	1,839	2.6%
b	Increases for internal work	1,263	621	642	103.4%
c	Consumption of materials and products	25,115	24,134	981	4.1%
d	Added value (a+b-c)	48,247	46,747	1,500	3.2%
and	Other operating costs	11,905	12,373	(468)	-3.8%
f	Personnel costs	25,607	23,164	2,443	10.5%
g	EBITDA (d-e-f)	10,735	11,210	(475)	-4.2%
h	Depreciation, amortisation and impairment	5,359	3,088	2,271	73.5%
i	EBIT (g-h)	5,376	8,122	(2,746)	-33.8%
l	Gains (losses) from financial assets/liabilities	(127)	(410)	283	69.0%
m	Gains (losses) from shareholdings valued at equity	259	(94)	353	375.5%
n	Profit (loss) before tax (i±l±m)	5,508	7,618	(2,110)	-27.7%
o	Taxes	(1,479)	(2,682)	1,203	44.9%
p	Result from operating activities (n±o)	4,029	4,936	(907)	-18.4%
q	Net profit (loss) from assets held for sale	-	(875)	875	100.0%
r	Group net profit (loss) (p±q)	4,029	4,061	(32)	-0.8%

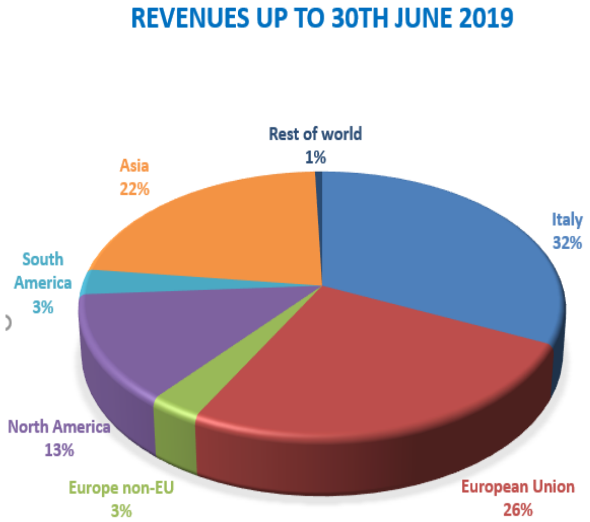
Revenues for the first half of 2019 were 72,099 thousand Euro, compared with 70,260 thousand Euro in the same period the previous year, revealing a growth of 1,839 thousand Euro (+2.6%). The acquisition of Elettropiemme S.r.l. contributed a total of 2,870 thousand Euro to the increase in revenues. Without this effect, revenues would be down 1,031 thousand Euro over the same period in the previous year (-1.5%). The overall drop in revenues in all business areas and in the principal geographical regions in which the Group operates reflects the situation of global economic uncertainty. Revenues from motion control were the only ones to increase, due to increased sales of products for industrial applications and custom orders.

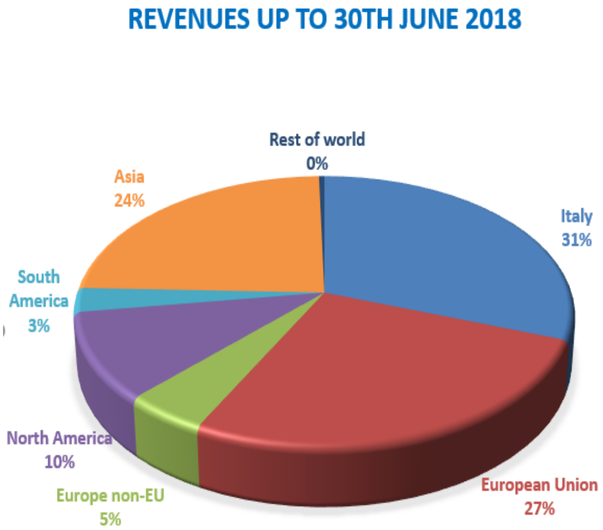
The drop in the Group's revenues was partly due to shrinkage of sales through the distribution channel and directly to end users, only partially compensated by increased sales to OEMs.

Orders collected in the first six months of 2019 are in line with the figure for the same period in 2018 (+0.4%), while the order portfolio is grown by about 3.2% since 30 June 2018. The addition of Elettropiemme S.r.l to the Group had a positive impact, without which 4% less orders would have been collected in the first half of 2019 compared to the same period in the previous year, primarily focused on the motion control and sensors businesses.

The following table shows revenues by geographical region:

(Euro / 000)	30 June 2019		30 June 2018		Change 2019-2018	
	value	%	value	%	value	%
Italy	23,086	32.0%	21,476	30.6%	1,610	7.5%
European Union	18,526	25.7%	18,909	26.9%	(383)	-2.0%
Europe non-EU	2,238	3.1%	3,357	4.8%	(1,119)	-33.3%
North America	9,467	13.1%	7,329	10.4%	2,138	29.2%
South America	2,224	3.1%	2,025	2.9%	199	9.8%
Asia	16,164	22.4%	16,882	24.0%	(718)	-4.3%
Rest of the World	394	0.5%	282	0.4%	112	39.7%
Total	**72,099**	**100%**	**70,260**	**100%**	**1,839**	**2.6%**





The breakdown of revenues by **geographical region**' shows strong growth in North America (+29.2%): the favourable trend in the exchange rate has a positive impact, but even if we eliminate this effect, the growth recorded is still significant (+23.6%); sales in South America increased (+9.8%), while there was a contraction in non-EU Europe (-33.3%). The growth recorded in Italy, equal to +7.5%, was due to the change in the scope of the consolidation, without which there would have been a decrease in sales compared to the first half of 2018 (-5.2%).

Below is a breakdown of revenues by business area as of 30 June 2019 in comparison with the first half of the previous year:

(Euro / 000)	30 June 2019		30 June 2018		Change 2019-2018	
	value	%	value	%	value	%
Sensors	31,030	43.0%	32,483	46.2%	(1,453)	-4.5%
Automation components	22,248	30.9%	20,234	28.8%	2,014	10.0%
Motion control	21,721	30.1%	20,522	29.2%	1,199	5.8%
Eliminations	(2,900)	-4.0%	(2,979)	-4.2%	79	-2.7%
Total	**72,099**	**100%**	**70,260**	**100%**	**1,839**	**2.6%**

The breakdown of **revenues by business area** for the first six months of 2019 reveals growth in the motion control business line (+5.8%) in connection with products for industrial applications and custom orders. On the other hand, sales in the sensors business line contracted (-4.5%), mainly in the Asian, European and Italian markets. There was growth in the automation components business line (+10%), where the increase represents the revenues of the newly acquired company Elettropiemme S.r.l., without which sales in this business line would have been lower than in the first half of the previous year (-4.2%).

Increases for internal work at 30 June 2019 came to 1,263 thousand Euro, compared with 621 thousand Euro at 30 June 2018. The item primarily represents the portion of development costs borne in the period and capitalised, worth 1,228 thousand Euro (482 thousand Euro in the first half of 2018).

Added value in the first half of 2019 amounts to 48,247 thousand Euro (46,747 thousand Euro as of 30 June 2018), corresponding to 66.9% of revenues, an increase over the same period in the previous year (66.5%). The entry of Elettropiemme S.r.l. into the Group contributed to the increase in added value, net of which the figure for the first three months would be in line with the first half of the previous year.

Other operating costs as of 30 June 2019 total 11,905 thousand Euro, 468 thousand Euro lower than on the same date in the previous year in absolute terms. The percentage of revenues represented by other operating costs is also down, from 17.6% in the first half of 2018 to 16.5% in the first half of 2019. The principal changes over the figure for the same period in 2018 are listed below:

- 323 thousand Euro increase due to the addition of Elettropiemme S.r.l. to the Group;
- 478 thousand Euro drop in the cost of use of third-party assets due to application of the new accounting standard IFRS16, which sees the transfer of lease payments for the period.

Personnel costs as of 30 June 2019 equal 25,607 thousand Euro (35.5% of revenues), as compared to 23,164 thousand Euro as of 30 June 2018 (33% of revenues), a 2,443 thousand Euro increase. The higher cost reflects the addition to the Group of Elettropiemme S.r.l. (321 thousand Euro), which had 41 active employees as of the date of acquisition, and the hiring of new employees in the Group also contributes to personnel costs. The average number of employees has grown from 746 in the first half of 2018 to 800 in the first half of 2019.

EBITDA for the first half of 2019 was positive at 10,735 thousand Euro (11,210 thousand Euro in the first half of 2018) and amounted to 14.9% of revenues (16% of revenues in the previous period), a drop of 475 thousand Euro in absolute value since the previous year. The addition of Elettropiemme S.r.l. to the Group brought an increase of 385 thousand Euro, without which EBITDA would have been 860 thousand Euro lower than in the first half of 2018. The drop is attributable to shrinkage of sales volumes and increased personnel costs in the period.

Depreciation, amortisation and impairment as of 30 June 2019 totalled 5,359 thousand Euro, as compared to 3,088 thousand Euro in the first half of 2018, a 2,271 thousand Euro increase. The increase is primarily a result of:

- the effects of application of the new accounting standard IFRS16, representing 443 thousand Euro, details of which are supplied in a specific note to this Report;
- the recent purchase of Elettropiemme S.r.l., which contributes 119 thousand Euro to the increase in this item;
- entry of loss of value of assets totalling 1,531 thousand Euro. The investment plan in the sensors business line includes expansion of production lines and requires large new spaces to support the expansion of business. The Group originally planned to adapt an existing building, but in-depth analysis revealed that the building was incapable of guaranteeing sufficient technological and energy performance and long-term sustainability. It was therefore decided that the existing building would be demolished and a new one constructed that would be more practical and, above-all, in the vanguard in terms of technology and energy efficiency. The work will be completed by the end of the current year, with the goal of being fully operational by the beginning of 2020.

EBIT in the first half of 2019 was positive by 5,376 thousand Euro (7.5% of revenues), as compared to an EBIT of 8,122 thousand Euro in the first half of 2018, a 2,746 thousand Euro drop. The change reflects the effects of loss of value of the asset described above, totalling 1,531 thousand Euro, compensated by EBIT contributed by the addition of Elettropiemme S.r.l. to the Group, amounting to 266 thousand Euro.
Without these effects, EBIT in the period would total 6,641 thousand Euro, 1,481 thousand Euro less than in the first six months of 2018, primarily as a result of increased personnel costs.

Charges from financial assets/liabilities in the first six months of 2019 totalled 127 thousand Euro (410 thousand Euro as of 30 June 2018) and include:

- financial income of Euro 44 thousand (Euro 123 thousand in the first half of 2018);
- financial charges linked with the Group's indebtedness, totalling 201 thousand Euro, down since the first six months of 2018, when this item totalled 225 thousand Euro;
- the positive result of differences in foreign currency transactions, totalling 48 thousand Euro, compared with a negative result of 308 thousand Euro in the first half of 2018;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 18 thousand Euro.

Income from shareholdings valued at equity equals 259 thousand Euro, up from the figure of 94 thousand Euro in the first half of 2018. The change was mainly due to the adjustment of the value of the Ensun Group S.r.l., following the sale of 100% of the shares in Elettropiemme S.r.l.

Taxes were, on the whole, negative by 1,479 thousand Euro (2,682 thousand Euro as of 30 June 2018). The reduction in taxes is proportionate to the lower profit of the subsidiaries and the Parent Company, and may be broken down as follows:

- negative current taxes of 1,015 thousand Euro (negative by 1,959 thousand Euro as of 30 June 2018), linked to the economic results of Group companies in the period;
- deferred tax assets and deferred taxes, which were on the whole negative by 464 thousand Euro (negative by 753 thousand Euro as of 30 June 2018); this item primarily includes the release to the income statement of advance taxes registered on fiscal losses, in view of the net profit for the period.

Result from operating activities as of 30 June 2019 is positive by 4,029 thousand Euro, while the figure for the first six months of 2018 was positive by 4,936 thousand Euro. Net of the positive effect of the addition to the Group of Elettropiemme S.r.l., worth 151 thousand Euro, and the loss of value of the assets described above, worth 1,531 thousand Euro, the result from operating activities in the first half of 2019 would be 5,409 thousand Euro, 473 thousand Euro higher than the figure for the first half of the previous year.

The **net profit (loss) from assets held for sale** in the first half of 2019 was zero, while the figure for the same period in the previous year was negative by 875 thousand Euro and related to the adjustment of the amount of assets held for sale relating to the know-how of the photovoltaic business to their estimated realisable value, net of the applicable taxes.

Group net profit as of 30 June 2019 amounts to 4,029 thousand Euro, largely in line with the net profit of 4,061 thousand Euro in the first six months of 2018. Without taking into account the positive impact of the addition of Elettropiemme S.r.l. to the Group, worth 151 thousand Euro, the net profit for the first half of 2019 would be 3,878 thousand Euro, 183 thousand Euro lower than the figure for the same period in the previous year.

3.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Gefran Group's reclassified consolidated balance sheet at 30 June 2019 is shown below.

(Euro / 000)	30 June 2019		31 December 2018	
	value	%	value	%
Intangible assets	13,059	14.7	12,376	16.0
Tangible assets	44,892	50.4	38,955	50.4
Other non-current assets	10,261	11.5	9,801	12.7
Net non-current assets	68,212	76.6	61,132	79.0
Inventories	26,802	30.1	22,978	29.7
Trade receivables	33,808	38.0	29,808	38.5
Trade payables	(26,104)	(29.3)	(20,731)	(26.8)
Other assets/liabilities	(5,611)	(6.3)	(9,027)	(11.7)
Working capital	28,895	32.5	23,028	29.8
Provisions for risks and future liabilities	(2,407)	(2.7)	(1,674)	(2.2)
Deferred tax provisions	(706)	(0.8)	(627)	(0.8)
Employee benefits	(4,952)	(5.6)	(4,524)	(5.8)
Invested capital from operations	89,042	100.0	77,335	100.0
Net invested capital	**89,042**	**100.0**	**77,335**	**100.0**
Shareholders' equity	72,116	81.0	72,814	94.2
Non-current financial payables	26,130	29.3	11,864	15.3
Current financial payables	13,198	14.8	10,817	14.0
Financial payables for IFRS 16 leases (current and non-current)	2,535	2.8	-	-
Financial liabilities for derivatives (current and non-current)	300	0.3	28	0.0
Financial assets for derivatives (current and non-current)	(3)	(0.0)	(19)	(0.0)
Other non-current financial investments	(122)	(0.1)	(126)	(0.2)
Cash and cash equivalents and current financial receivables	(25,112)	(28.2)	(18,043)	(23.3)
Net debt relating to operations	16,926	19.0	4,521	5.8
Total sources of financing	**89,042**	**100.0**	**77,335**	**100.0**

Net non-current assets at 30 June 2019 were EUR 68,212 thousand, compared with EUR 61,132 thousand at 31 December 2018. This figure includes the effect of consolidation of Elettropiemme S.r.l., which leads to an overall increase in the value of this item of 1,142 thousand Euro, due to net intangible and tangible assets (worth 7 thousand Euro and 233 thousand Euro, respectively) and other fixed assets totalling 539 thousand Euro, plus additional intangible assets totalling 363 thousand Euro, determined by assessment of *Purchase Price Allocation* (PPA) in line with application of IFRS 3, details of which are given in section *9 "Business combinations"* of the notes to the financial statements. The main changes were as follows:

- intangible assets registered an overall increase of 683 thousand Euro. The change includes increases due to capitalisation of development costs (1,228 thousand Euro), entry of intangible assets following *Purchase Price Allocation* of Elettropiemme S.r.l. (363 thousand Euro) and new investments (153 thousand Euro), as well as decreases attributable to depreciation/amortisation in the period (1,085 thousand Euro);

- tangible assets increased by Euro 5,937 thousand compared with 31 December 2018. Investment in the first six months of 2019, which totalled 6,888 thousand Euro, is partially compensated by depreciation/amortisation in the period (2,216 thousand Euro) and loss of value entered (1,531 thousand Euro); this item also includes the value of rights to use assets entered under accounting standard IFRS16 (3,118 thousand Euro) and the corresponding depreciation/amortisation (527 thousand Euro), plus net tangible assets resulting from the acquisition of Elettropiemme S.r.l. (233 thousand Euro);
- other non-current assets totalled EUR 10,261 thousand at 30 June 2019 (9,801 thousand Euro at 31 December 2018), a decrease of 460 thousand Euro. This change is primarily due to deferred tax assets of the newly purchased company Elettropiemme S.r.l., totalling 536 thousand Euro, a 301 thousand Euro decrease in deferred tax assets recorded in the first six months of 2019 and adaptation of the value of shareholdings valued at equity, positive by 259 thousand Euro.

Working capital as of 30 June 2019 totals Euro 28,895 thousand, as compared to Euro 23,028 thousand on 31 December 2018, revealing an overall increase of 5,867 thousand Euro, including 1,086 thousand Euro attributable to the acquisition of Elettropiemme S.r.l.. The main changes were as follows:

- inventories grew from 22,978 thousand Euro on 31 December 2018 to 26,802 thousand Euro on 30 June 2019; the 3,824 thousand Euro increase includes 1,065 thousand Euro pertaining to Elettropiemme S.r.l., purchased at the end of January; the increase in inventories is attributable to raw materials stocks and to increased stocks of semi-products and finished products for responding to customers' requirements;
- trade receivables amount to 33,808 thousand Euro, up 4,000 thousand Euro over 31 December 2018, including 1,758 thousand Euro deriving from the above-mentioned acquisition;
- trade payables amount to 26,104 thousand Euro, an increase of 5,373 thousand Euro compared to 31 December 2018, of which 1,659 thousand Euro relates to trade payables acquired from Elettropiemme S.r.l.; they reflect the increase in purchases, both of materials for inventories and for technical investments made during the first half of 2019;
- other net assets and liabilities, negative overall by 5,611 thousand Euro as of 30 June 2019 (negative by 9,027 thousand Euro as of 31 December 2018). They include payables to employees and social security institutions and receivables and payables for direct and indirect taxes. The change over 31 December 2018, totalling 3,416 thousand Euro, primarily reflects an increase in V.A.T. credits.

Provisions for risks and future liabilities were 2,407 thousand Euro, an increase of 733 thousand Euro compared with 31 December 2018. This item includes funds for legal disputes in progress and various risks, and includes risks and charges acquired with Elettropiemme S.r.l. totalling 816 thousand Euro.

Employee benefits amounted to 4,952 thousand Euro, compared with 4,524 thousand Euro at 31 December 2018; the change mainly relates to the acquisition of Elettropiemme S.r.l.

Shareholders' equity as of 30 June 2019 amounts to 72,116 thousand Euro, compared to 72,814 thousand Euro on 31 December 2018, a 698 thousand Euro drop. The change was primarily a result of the net profit for the period, totalling 4,029 thousand Euro, absorbed by distribution of 4,599 thousand Euro in dividends in May 2019.

Below is a reconciliation of the Parent Company's shareholders' equity and result for the period with the figures appearing in the consolidated financial statements for the first half of 2019:

(Euro / 000)	30 June 2019 Shareholders' equity	30 June 2019 Result for the period
Parent Company shareholders' equity and operating result	**63,463**	**4,555**
Shareholders' equity and operating result of the consolidated companies	53,117	2,274
Elimination of the carrying value of consolidated investments	(46,562)	-
Goodwill	3,741	-
Elimination of the effects of transactions conducted between consolidated companies	(1,643)	(2,800)
Group share of shareholders' equity and operating result	**72,116**	**4,029**
Minorities' share of shareholders' equity and operating result	-	-
Shareholders' equity and operating result	**72,116**	**4,029**

Net financial position as of 30 June 2019 is negative by 16,926 thousand Euro, which is 12,405 thousand Euro higher than at the end of 2018, when it was on the whole negative by 4,521 thousand Euro.

This change in net financial position was mainly due to positive cash flows from ordinary operations (5,293 thousand Euro), absorbed by technical investments in the period (8,269 thousand Euro), distribution of dividends (4,599 thousand Euro) and the net effect of the acquisition of Elettropiemme S.r.l. (231 thousand Euro), and payment of taxes (336 thousand Euro); in addition, there was the negative effect of the application of IFRS 16, which led to a worsening of net financial position (2,535 thousand Euro).

It breaks down as follows:

(Euro / 000)	30 June 2019	31 December 2018	Change
Cash and cash equivalents and current financial receivables	25,112	18,043	7,069
Current financial payables	(13,198)	(10,817)	(2,381)
Current financial payables for IFRS 16 leases	(1,038)	-	(1,038)
Current financial liabilities for derivatives	(21)	(28)	7
Current financial investments for derivatives	-	19	(19)
(Debt)/short-term cash and cash equivalents	**10,855**	**7,217**	**3,638**
Non-current financial payables	(26,130)	(11,864)	(14,266)
Non-current financial payables for IFRS 16 leases	(1,497)	-	(1,497)
Non-current financial liabilities for derivatives	(279)	-	(279)
Non-current financial investments for derivatives	3	-	3
Other non-current financial investments	122	126	(4)
(Debt)/medium-/long-term cash and cash equivalents	**(27,781)**	**(11,738)**	**(16,043)**
Net financial position	**(16,926)**	**(4,521)**	**(12,405)**

Net financial debt comprises short-term cash and cash equivalents of 10,855 thousand Euro and medium-/long-term debt of 27,781 thousand Euro.

Three new loans were taken out in the first half of 2019, two by the Parent Company Gefran S.p.A., worth 10,000 thousand Euro each, without financial covenants and at a variable interest rate, with a spread of 1.05% and 1% respectively. The third loan was taken out by the Group's US branch, in an amount corresponding to 1,780 thousand Euro (2 million US dollars), with a spread of 2.5%.

3.4. CONSOLIDATED CASH FLOW STATEMENT

The Gefran Group's **consolidated cash flow statement** at 30 June 2019 shows a negative net change in cash on hand of 7,069 thousand Euro, compared to a negative change of 8,482 thousand Euro in the first half of 2018.

The change was as follows:

(Euro / 000)	**30 June 2019**	**30 June 2018**
A) Cash and cash equivalents at the start of the period	18,043	24,006
B) Cash flow generated by (used in) operations in the period	5,293	7,220
C) Cash flow generated by (used in) investment activities	(8,475)	(4,836)
D) Free cash flow (B+C)	(3,182)	2,384
E) Cash flow generated by (used in) financing activities	10,358	(10,873)
F) Cash flow from continuing operations (D+E)	7,176	(8,489)
G) Cash flow from assets held for sale	-	-
H) Exchange rate translation differences on cash at hand	(107)	7
I) Net change in cash at hand (F+G+H)	7,069	(8,482)
J) Cash and cash equivalents at the end of the period (A+I)	25,112	15,524

The cash flow from operations in the period was positive by 5,293 thousand Euro; operations in the first six months of 2019, following elimination of the effect of provisions, depreciation/amortisation and financial items, generated 11,365 thousand Euro in cash (12,656 thousand Euro in the same period of the previous year), while the net change in other assets and liabilities in the same period absorbed 3,831 thousand Euro in funds (1,820 thousand Euro in the first half of 2018) and the increase in working capital absorbed 2,190 thousand Euro in funds (3,489 thousand Euro in the first six months of 2018).

Technical investment absorbed 8,269 thousand Euro in cash, 3,443 thousand Euro more than the 4,826 thousand Euro absorbed in the first half of 2018. In the first three months of 2019 the acquisition of Elettropiemme S.r.l., net of the cash acquired, absorbed resources totalling 231 thousand Euro. Free cash flow (operative cash flow minus investment) is negative by 3,182 thousand Euro, while it was positive by 2,384 thousand Euro in the first half of 2018, a 5,566 thousand Euro drop primarily attributable to increased investment.

Loans generated a total of 10,358 thousand Euro in cash, primarily through three new loans taken out, totalling 21,485 thousand Euro; while payment of dividends on the profits earned (4,599 thousand Euro), reimbursement of instalments of existing loans falling due (3,883 thousand Euro), a decrease in short-term financial debt (1,539 thousand Euro), payment of financial debts on leasehold contracts (571 thousand Euro) and taxes paid (336 thousand Euro) absorbed resources.

Financing absorbed a total of 10,873 thousand Euro in the first half of 2018, primarily for payment of dividends (5,040 thousand Euro), reimbursement of instalments falling due on existing loans (5,086 thousand Euro), and payment of taxes (2,852 thousand Euro, including 1,817 thousand Euro for foreign taxes on previous years), partially compensated by an increase in short-term net financial debt (2,000 thousand Euro).

4. INVESTMENTS

Gross technical **investments** made in the first six months of 2019 amounted to 8,632 thousand Euro (4,826 thousand Euro as of 30 June 2018), and relate to:

- investments in buildings belonging to foreign Group subsidiaries totalling 3,662 thousand Euro, mainly relating to the new building purchased by the US subsidiary; the investment, relating to a building about three times larger than the current one to which Gefran Inc's activities will be transferred, is part of the subsidiary's industrial and commercial development plan, and will allow the Group to strengthen its presence on the North American market;
- investments to upgrade the industrial buildings of the Group's Italian plants, amounting to 855 thousand Euro, including 681 thousand Euro in the Parent Company's plants;
- investment of 2,028 thousand Euro in production and laboratory plant and equipment in the Group's Italian factories and 93 thousand Euro in other Group subsidiaries;
- investments related to the renewal of electronic office machines and IT system equipment in the Parent Company amounting to 78 thousand Euro and 131 thousand Euro in the Group's subsidiaries;
- investments in miscellaneous equipment in the Group's subsidiaries amounting to 41 thousand Euro;
- capitalisation of costs incurred in the period for new product development, totalling 1,228 thousand Euro;
- entry of other intangible assets worth 363 thousand Euro linked with the purchase of Elettropiemme S.r.l. and assessment of *Purchase Price Allocation* (PPA);
- other investments in intangible assets totalling Euro 153 thousand, for management software licences and SAP ERP development.

The investments are summarised below by type:

(Euro / 000)	**at 30 June 2019**	**at 30 June 2018**
Intangible assets	1,744	711
Tangible assets	6,888	4,115
Total	8,632	4,826

The investments are summarised by business area below:

(Euro / 000)	**Sensors**	**Automation components**	**Motion control**	**Total**
Intangible assets	453	814	477	1,744
Tangible assets	4,851	1,191	846	6,888
Total	5,304	2,005	1,323	8,632

5. ASSETS HELD FOR SALE

Net profit (loss) from assets held for sale in the first half of 2019 is zero.

In the 2018 financial year, assets relating to photovoltaic business know-how were classified among the operating assets held for sale. The economic impacts specifically attributable to this business recorded in the first half of 2018, negative and amounting to 875 thousand Euro, relate to adjustment of the amount of these assets to the estimated realisable value.

6. RESULTS BY BUSINESS AREA

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

Note that the results of the newly purchased Elettropiemme S.r.l. are included in figures for the automation components business line.

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

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

6.1. SENSORS

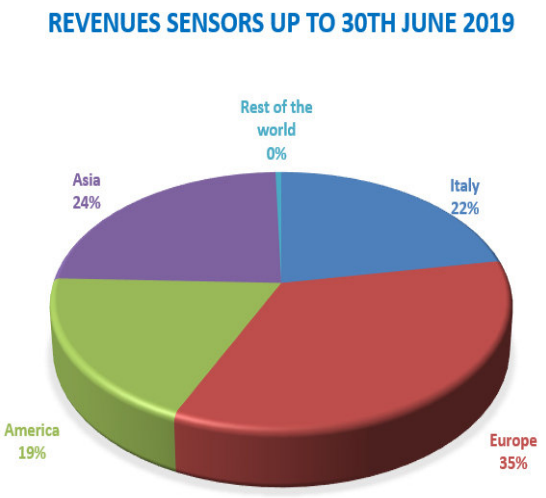
Summary results

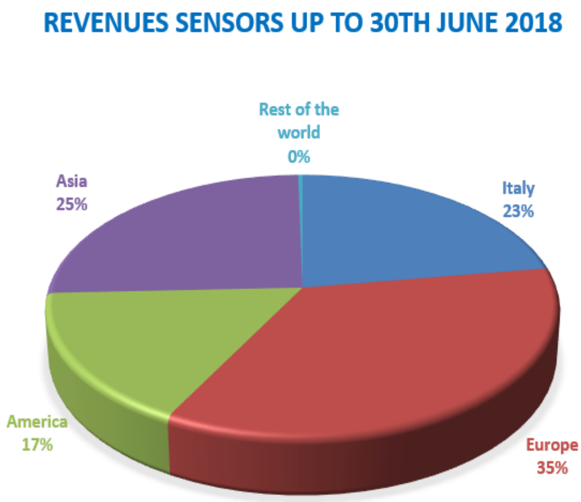
The table below shows the key economic figures.

(Euro / 000)	**30 June 2019**	**30 June 2018**	**Change 2019 - 2018 value**	**%**	**2Q 2019**	**2Q 2018**	**Change 2019 - 2018 value**	**%**
Revenues	**31,030**	**32,483**	(1,453)	-4.5%	**15,744**	**16,352**	(608)	-3.7%
EBITDA	**7,945**	**10,165**	(2,220)	-21.8%	**3,712**	**4,927**	(1,215)	-24.7%
% of revenues	*25.6%*	*31.3%*			*23.6%*	*30.1%*		
EBIT	**4,865**	**8,957**	(4,092)	-45.7%	**2,822**	**4,310**	(1,488)	-34.5%
% of revenues	*15.7%*	*27.6%*			*17.9%*	*26.4%*		

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

(Euro / 000)	30 June 2019		30 June 2018		Change 2019 - 2018	
	value	%	value	%	value	%
Italy	6,875	22.2%	7,322	22.5%	(447)	-6.1%
Europe	10,737	34.6%	11,437	35.2%	(700)	-6.1%
America	5,843	18.8%	5,391	16.6%	452	8.4%
Asia	7,433	24.0%	8,228	25.3%	(795)	-9.7%
Rest of the World	142	0.5%	105	0.3%	37	35.2%
Total	**31,030**	**100%**	**32,483**	**100%**	**(1,453)**	**-4.5%**





Business performance

Revenues from this business line in the first half of 2019 total 31,030 thousand Euro, 1,453 thousand Euro (-4.5%) less than in the first half of 2018. The business has seen shrinkage of its markets in Asia (-9.7%), in Europe (-6.1%) and in Italy (-6.1%); when it comes to product lines, sales are down in the Position and Industrial Pressure Sensor lines, while sales of Mobile Hydraulic and Magnetostrictive sensors are higher than in the previous year.

Orders received in the first half of 2019, worth 32,342 thousand Euro, were down over the first half of the previous year (-3.3%), when they amounted to 33,435 thousand Euro; the order backlog as of 30 June 2019 is also down over 30 June 2018 (-1.6%).

In the second quarter of 2019 revenues amounted to 15,744 thousand Euro, down 3.7% over the same period in 2018, when they came to 16,352 thousand Euro.

EBITDA as of 30 June 2019 was 7,945 thousand Euro, down 2,220 thousand Euro (-21.8%) over 30 June 2018, when it was 10,165 thousand Euro. The negative change in EBITDA was due to the decrease in volumes and the lower margins achieved and an increase in operating costs compared to the first half of 2018.

EBIT at 30 June 2019 was 4,865 thousand Euro, equal to 15.7% of revenues, compared to EBIT of 8,957 thousand Euro in the first half of 2018 (27.6% of revenues), a negative change of 4,092 thousand Euro (-45.7%). The reduction of the value of real estate has a negative impact on EBIT for the first half of 2019 equal to 1,531 thousand Euro, entered to adapt carrying value to fair value. The investment plan in the

sensors business line includes expansion of production lines and requires large new spaces to support the expansion of business. The Group originally planned to adapt an existing building, but in-depth analysis revealed that the building was incapable of guaranteeing sufficient technological and energy performance and long-term sustainability. It was therefore decided that the existing building would be demolished and a new one constructed that would be more practical and, above-all, in the vanguard in terms of technology and energy efficiency. The work will be completed by the end of the current year, with the goal of being fully operational by the beginning of 2020.
Without this effect, EBIT as of 30 June 2019 would be 6,396 thousand Euro, 20.6% of revenues.

Comparing the figures by quarter, EBIT in the second quarter of 2019 came to Euro 2,822 thousand, corresponding to 17.9% of revenues, compared with an EBIT of Euro 4,310 thousand, equal to 26.4% of revenues, in the second quarter of 2018.

Investments

The Group invested a total of 5,304 thousand Euro in the sensors business in the first half of 2019, including 453 thousand Euro invested in intangible assets, 408 thousand Euro of which represented research and development of new products.

Increases in tangible assets totalled 4,851 thousand Euro, including 1,097 thousand Euro in the Parent Company, primarily due to the purchase of production equipment for increasing the capacity and efficiency of its production (574 thousand Euro), and for adapting buildings (483 thousand Euro). Investments in the Group's subsidiaries amounted to 3,754 thousand Euro, most of which was connected with the US subsidiary's purchase of a new building for development of its business on the North American market and for increasing its productive capacity.

6.2. AUTOMATION COMPONENTS

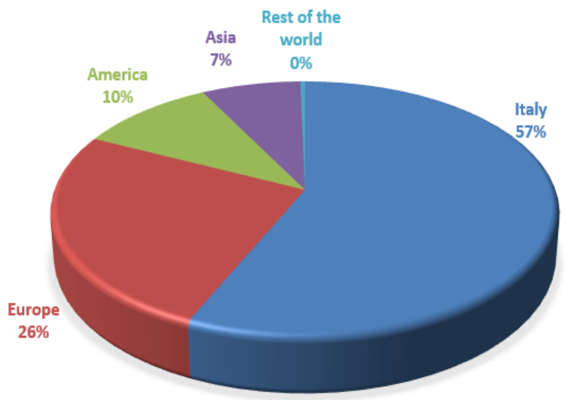
Summary results

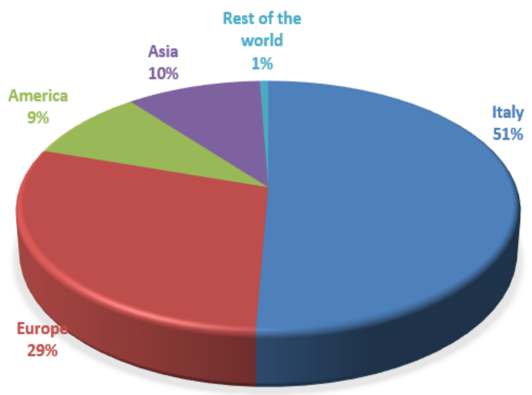
The table below shows the key economic figures.

(Euro / 000)	**30 June 2019**	**30 June 2018**	**Change 2019-2018**		**2Q 2019**	**2Q 2018**	**Change 2019 - 2018**	
			value	**%**			**value**	**%**
Revenues	**22,248**	**20,234**	2,014	10.0%	**11,207**	**10,174**	1,033	10.2%
EBITDA	**2,523**	**2,438**	85	3.5%	**1,126**	**1,205**	(79)	-6.6%
% of revenues	*11.3%*	*12.0%*			*10.0%*	*11.8%*		
EBIT	**1,304**	**1,456**	(152)	-10.4%	**473**	**714**	(241)	-33.8%
% of revenues	*5.9%*	*7.2%*			*4.2%*	*7.0%*		

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

(Euro / 000)	30 June 2019		30 June 2018		Change 2019-2018	
	value	%	value	%	value	%
Italy	12,600	56.6%	10,255	50.7%	2,345	22.9%
Europe	5,686	25.6%	5,944	29.4%	(258)	-4.3%
America	2,260	10.2%	1,875	9.3%	385	20.5%
Asia	1,626	7.3%	2,032	10.0%	(406)	-20.0%
Rest of the World	76	0.3%	128	0.6%	(52)	-40.6%
Total	**22,248**	**100%**	**20,234**	**100%**	**2,014**	**10.0%**





Business performance

Revenues totalled 22,248 thousand Euro as of 30 June 2019, up 10% compared with the first half of 2018. These include revenues contributed to the business line by the newly added company Elettropiemme S.r.l., totalling 2,879 thousand Euro, without which revenues in the first half of 2019 would be 19,378 thousand Euro, 856 thousand Euro lower than the first half of 2018. The shrinkage is limited to Italy (-5.1%) and the Asian market (-20%), partially compensated by good performance registered in America (+20.5%).

Orders received in the first six months of 2019 total 20,524 thousand Euro, 19.3% more than the figure for the first half of 2018, and the order backlog, worth 5,975 thousand Euro, is also higher than on 30 June 2018 (60%). Elettropiemme S.r.l. contributes 3,222 thousand Euro to the increase in orders collected and 1,787 thousand Euro to the order backlog in this business line.

Revenues in the second quarter of 2018 amount to 11,207 thousand Euro, 10.2% higher than in the second quarter of 2018, when they amounted to 10.174 thousand Euro. The change is a result of addition to the Group of Elettropiemme S.r.l., without which the revenues for the quarter would be 863 thousand Euro lower than in the corresponding period in 2018 (-8.5%).

EBITDA as of 30 June 2019 is positive by 2,523 thousand Euro (11.3% of revenues), 85 thousand Euro higher than in the first six months of 2018 (+3.5%). The purchase of the company described above contributes 385 thousand Euro to EBITDA, which would have been 300 thousand Euro less than in the first half of 2018 without this acquisition. The decrease is a result of shrinkage of sales volumes and lower added value.

EBIT as of 30 June 2019 is positive by 1,304 thousand Euro, lower than the figure for the same period in the previous year, which was 1,456 thousand Euro. The addition of Elettropiemme S.r.l. to the Group contributes 266 thousand Euro to the increase in the Group's EBIT, and without this contribution the figure for the first half of 2019 would be 1,038 thousand Euro, 418 thousand Euro lower than the same period in 2018.

Comparison by quarters reveals that EBIT was positive in the second quarter of 2019 by EUR 473 thousand. This may be compared with a positive EBIT of 714 thousand Euro in the second quarter of 2018. Without taking into account the effect generated by the addition of Elettropiemme S.r.l. to the Group, EBIT for the quarter would be 283 thousand Euro, lower than the figure for the second quarter of 2018, which was 431 thousand Euro.

Investments

Investments in the first half of 2019 totalled 2,005 thousand Euro. 814 thousand Euro of these represented investments in intangible assets, including 365 thousand Euro in capitalisation of development costs pertaining to the new range of regulators and power controllers and 363 thousand Euro following the acquisition of Elettropiemme S.r.l., linked with entry of other intangible assets as determined by assessment of Purchase Price Allocation (PPA), details of which are reported in the section entitled *9 "Business combinations"* in the notes to the financial statements. Investment in tangible assets totalled 1,191 thousand Euro, including 1,142 thousand Euro invested in Italian plants, destined primarily for renewal of machinery and equipment used in production lines (894 thousand Euro) and adaptation of buildings (198 thousand Euro).

6.3. MOTION CONTROL

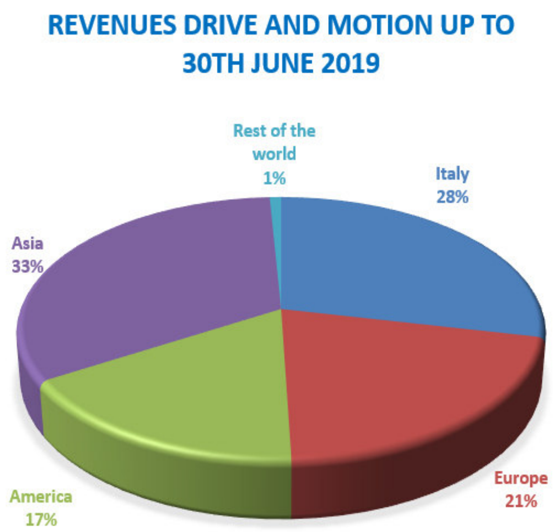
Summary results

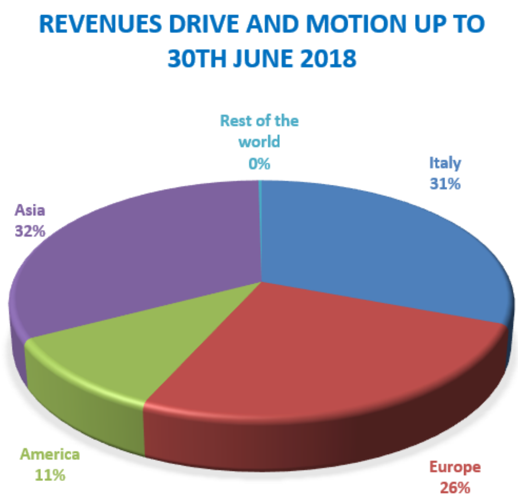
The table below shows the key economic figures.

(Euro / 000)	**30 June 2019**	**30 June 2018**	**Change 2019-2018 value**	**%**	**2Q 2019**	**2Q 2018**	**Change 2019 - 2018 value**	**%**
Revenues	**21,721**	**20,522**	1,199	5.8%	**10,626**	**10,661**	(35)	-0.3%
EBITDA	**267**	**(1,393)**	1,660	119.2%	**(372)**	**(699)**	327	46.8%
% of revenues	*1.2%*	*-6.8%*			*-3.5%*	*-6.6%*		
EBIT	**(793)**	**(2,291)**	1,498	65.4%	**(897)**	**(1,153)**	256	22.2%
% of revenues	*-3.7%*	*-11.2%*			*-8.4%*	*-10.8%*		

The breakdown of revenues by geographical region is as follows:

(Euro / 000)	30 June 2019		30 June 2018		Change 2019-2018	
	value	%	value	%	value	%
Italy	6,173	28.4%	6,294	30.7%	(121)	-1.9%
Europe	4,570	21.0%	5,364	26.1%	(794)	-14.8%
America	3,650	16.8%	2,167	10.6%	1,483	68.4%
Asia	7,152	32.9%	6,648	32.4%	504	7.6%
Rest of the World	176	0.8%	49	0.2%	127	259.2%
Total	**21,721**	**100%**	**20,522**	**100%**	**1,199**	**5.8%**





Business performance

Revenues in the first half of 2019 amount to 21,721 thousand Euro, 1,199 thousand Euro higher (+5.8%) than the same period in 2018. Growth was concentrated in America (+68.4%) and Asia (+7.6%), mainly thanks to products for industrial applications and custom orders. Sales in Europe dropped (-14.8%).

Orders received in the first six months of 2019 amount to 20,826 thousand Euro, and, in comparison with the same period in the previous year, are down by 8.6%, primarily in Italy, Europe and North America.

In the second quarter of 2018 revenues totalled 10,626 thousand Euro, in line with the same period in 2018 (-0.3%), when they totalled 10,661 thousand Euro.

EBITDA at 30 June 2019 was positive at 267 thousand Euro (1.2% of revenues). This may be compared with a negative figure of 1,393 thousand Euro for the previous year (-6.8% of revenues). The increase in sales volumes, lower provisions for impairment of inventory and the improved margins achieved contributed to the improvement in EBITDA compared to the previous period.

EBIT as of 30 June 2019 is negative by 793 thousand Euro, as compared to a negative EBIT of 2,291 thousand Euro for the same period in the previous year, an improvement of 1,498 thousand Euro. Growth is generated by increased sales volumes and lower provisions for impairment of inventory.

In the comparison by quarters, the EBIT of the motion control business for the second quarter of 2019 is negative by Euro 897 thousand (-8.4% of revenues), compared with an EBIT in the same period in 2018 which was negative by Euro 1,153 thousand (-10.8% of revenues), an improvement of Euro 256 thousand.

Investments

Investments in the first six months of 2019 total 1,323 thousand Euro, including 846 thousand Euro in investment in tangible and dedicated assets primarily connected with renewal of production equipment and improvement of the efficiency of production (559 thousand Euro), as well as adaptation of the Gerenzano building (174 thousand Euro).

Increases in intangible assets amounted to Euro 477 thousand and concerned the capitalisation of development costs (Euro 455 thousand) relating to new products for the industrial sector and the lifting sector.

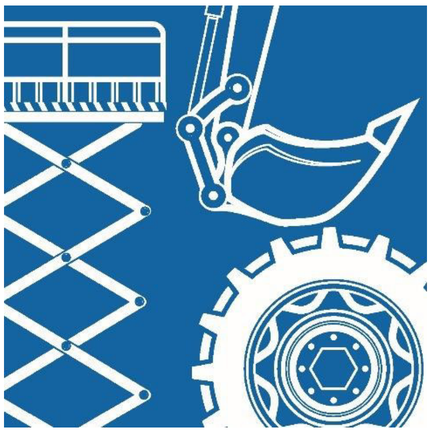
7. RESEARCH AND DEVELOPMENT

The Gefran Group invests significant financial and human resources in product research and development. In the first half of 2019, about 5% of revenues were invested in these activities, which are considered strategic to maintain high technological and innovative levels in products and ensure the competitiveness required by the market.

Research and development activity is concentrated in Italy, in the laboratories in Provaglio d'Iseo and Gerenzano. It is carried out within the technical department, with a separation between research and development into new products and production engineering aimed at improving existing products with new innovations.

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 future increasingly lies in knowing how to produce GREEN sensors that use NaK and oil as transmission fluids and in the IMPACT line, where measurements are made without using any filling fluid. New work on product development is directed toward implementation of Industry 4.0 communication protocols and obtaining functional safety certification for sensors with transmission fluid and sensors in the IMPACT line, with the goal of accessing new market sectors;
- magnetostrictive sensors: the launch of the new HYPERWAVE family was completed with the start of production of the *plus* and *advanced* versions that complete the range, in addition to the *general* version introduced at the beginning of January 2019. Drawing on the features of the new sensitive element and a set of configurations optimizing the price to performance ratio, the HYPERWAVE series qualifies the product for new broader market sectors;
- pressure sensors: automation and improvement of production processes, in terms of both the technology of construction of primary elements and sensor assembly and calibration, continued

with the goal of guaranteeing a rapid response to the demands of the market, also in view of a significant increase in volumes;

- force sensors for electrical machinery for injection of plastic materials: work continues on development of products for measurement of force in so-called "FEMs" (Full Electric Machines), oriented toward introduction of advanced wireless signal transmission and communication technology (Industry 4.0), which offers superior benefits for product users. These are innovative products made using an important set of technical skills combining the company's legacy of know-how with the most recent trends in communication technologies. Dedicated new calibration and control devices were also designed and launched, permitting a better response to the demands of the market.

In the field of **automation components**, research and development in instrumentation which began in 2018 focused on development of products with advanced features that conform to the requirements of the "AMS2750E" (Aerospace Material Specification) standard "*AMS2750E*" (Aerospace Material Specification).

For the power controller range, work focused on:

- development of products featuring predictive diagnostics and reduced energy consumption (Industry 4.0), with a view to developing products which are ethically sustainable and in the vanguard in terms of energy efficiency and tracking and anticipating the growing focus on environmental issues;
- development of regulation algorithms for controlling impedance of non-linear loads (IR lamps).

Development activities in the **motion control** business focused on both the standard product ranges (industrial and non-industrial lifting) and on custom projects. Specifically:

- a new line of inverters for non-industrial lifting is being developed (an evolution of the current ADL300);
- development of new custom inverters for TechnoGym is being completed (STIWI, to replace the ALEwin range);
- study of a function for water treatment (solar pumps) has been completed;

- creation of an application for management of "flying shears" has been completed and passed testing on the premises of a number of clients on the Italian market.

R&D, in agreement with Purchasing Management, continued work on projects begun in 2018 directed at identification of new solutions in response to the difficulty of obtaining electronic components on the market, with the twin goals of offering customers a guarantee of product quality and availability while reducing exposure to such exogenous solutions.

Lastly, work continues on the "I-MECH" project set up by the European Community and co-financed by the Italian Ministry of Education, Universities and Research, concerned with research and innovation in motion control as applied to Mechatronics solutions: project definiton and development is currently underway.

8. HUMAN RESOURCES

Workforce

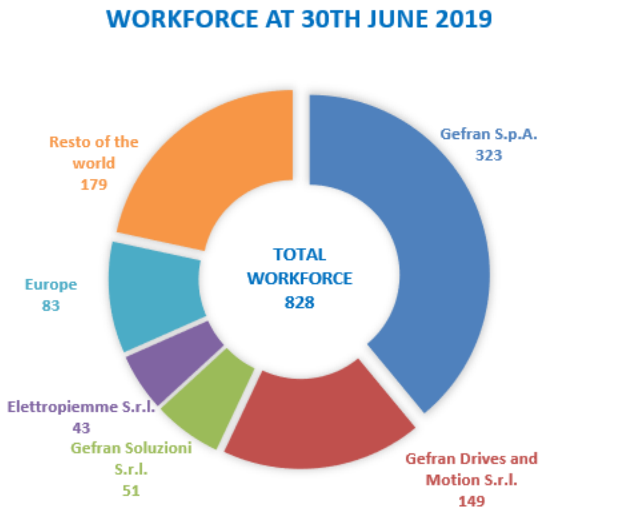
At 30 June 2019 the Group's workforce numbered 828, an increase of 57 over the end of 2018 and of 66 compared with 30 June 2018.

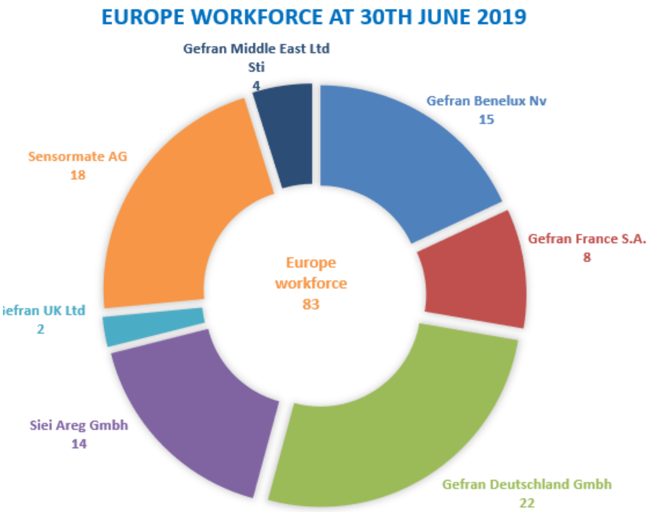
It should be noted that the figures relating to personnel changes in the first half shown above include the effect of the entry into the Group of the newly acquired Elettropiemme S.r.l., which at the time of the acquisition had a workforce of 41 employees, 31 of whom were manual workers and 10 clerical staff.

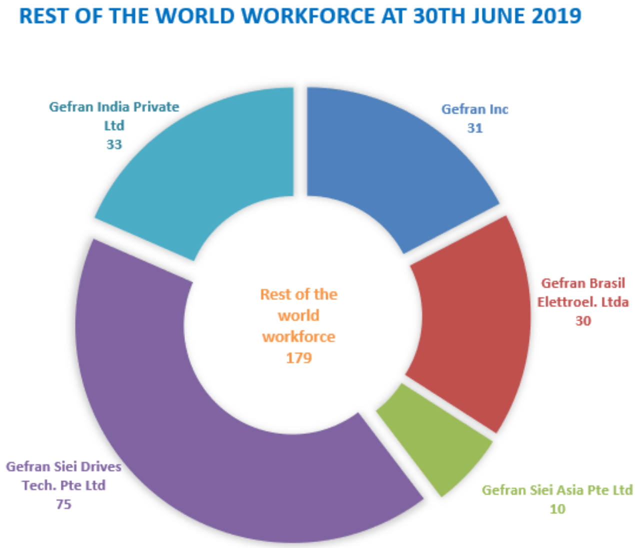
The variation represents an overall Group employee turnover rate of 18.4%, or 13.3% if the effect of the acquisition described above is not taken into account.

Changes in the first half of 2019 may be broken down as follows:

- Elettropiemme S.r.l. brought 41 new people into the group, including 31 manual workers and 10 clerical staff;
- 61 people joined the Group, including 23 manual workers and 38 clerical staff;
- 45 people left the Group, including 17 manual workers and 28 clerical staff.







9. 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.

Analysis of risk factors and assessment of their impact is the pre-requisite for creation of value in the organisation. The ability to handle risk properly helps the Company approach strategic decisions and policies conscientiously and confidently, and helps prevent a negative impact on corporate and business targets.

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. The Organisational Model was updated under a resolution passed by the Board of Directors on 13 November 2018, based on the Confindustria Guidelines, in response to the need for continuous update of the corporate governance system, the structure of which was based in turn on the recommendations and regulations in the ”Code of Conduct for Listed Companies” promoted by Borsa Italiana S.p.A., with which the Company complies.

The relevant corporate entities for the purposes of the internal control and risk management system have been identified:

- the **Risk Control Committee** (RCC), which has the task of supporting, with adequate preliminary investigation activity, evaluations and decisions of the Board of Directors regarding the internal control and risk management system, as well as of checking 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 checking their adequacy;
- the **Executive in charge of the financial reporting**, who has 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 checking, 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.

In recent years Gefran has progressively approached the concepts of Risk Assessment and Risk Management with the aim of developing a process of periodic risk identification, assessment and management. Starting in 2017, Gefran has taken advantage of the occasion to reinforce its governance model and implement Risk Assessment promoting proactive risk management in support of the company’s principal decision-making processes, identifying any areas requiring special attention and focus.

This Risk Assessment process allows the Board of Directors and Management to evaluate risk scenarios with a potential to compromise achievement of strategic goals in an informed manner and adopt additional tools for mitigating or managing significant exposure.

Risk Assessment is extended to all types of risk/opportunity of potential significance for the Group, represented in the Risk Model - shown in the figure below - dividing internal and external risk areas characterising Gefran's business model into eight families:

- **External Risks**: risks deriving from factors beyond the company's control, such as macroeconomic context and changes in the regulatory and/or market scenario;
- **Financial Risks**: connected with the availability of funding, credit and cash management, and/or volatility of key market variables (e.g. commodity prices, interest rates, exchange rates);
- **Strategic Risks**: risks connected with the company's strategic decisions regarding product portfolio, extraordinary operations, innovation, etc. which could influence the Group's performance;
- **Governance and Integrity Risks**: risks connected with Group/Company governance or professional behaviour which is unethical, fails to conform to the company's ethical policy and could expose the Group to sanctions and undermine its reputation on the market;
- **Operating Risks and Reporting Risks**: risks connected with the efficacy/efficiency of company processes, with negative consequences for the company's performance and operations, and/or connected with the possibility that planning, reporting and control processes may not be sufficient to assist management with strategic decision-making and/or monitoring of the business;
- **Legal and Compliance Risks**: risks pertaining to handling of legal and contractual aspects and compliance with national, international and trade rules and regulations applicable to the company.
- **IT Risks**: Risks connected with the adequacy of the company's information systems for supporting the current and/or future requirements of the business in terms of infrastructure, data integrity, access and/or availability of data and information systems;
- **Risks associated with human resources**: Risks connected with the management and development of the skills and resources necessary for the company's business (e.g. selection, training, retention, internal communications) and with trade union relations.

The eight risk families analysed are schematically represented below:

1. External Risks			
1.01	Macroeconomic context	1.02	Instability in Emerging Economies where the Group produces or sells its products
1.03	Catastrophic Events / Business Interruption	1.04	Evolution of laws, regulations and industry standards
1.05	Competition		

2. Financial Risks			
2.01	Volatility of raw materials' prices	2.02	Business / financial counterparts
2.03	Exchange rate	2.04	Interest rate
2.05	Liquidity	2.06	Availability of capital / debt-reimbursement capability

3. Strategic Risks			
3.01	Sustainability of Businesses (e.g. Motion / Automation)	3.02	Investment decisions / M&A
3.03	Product portfolio	3.04	Product / Process Innovation
3.05	Effectiveness of medium-long term strategies	3.06	Effectiveness of extraordinary transactions
3.07	Strategic planning		

4. Governance and Integrity Risks			
4.01	Resistance to change	4.02	Integrity of behaviors / frauds
4.03	Proxies and Powers	4.04	R&R (roles and responsibilities) / SoD
4.05	Management and government of foreign branches		

5. Operating and Reporting Risks			
5.01	Adequacy / saturation of production capacity	5.02	Incorrect / inefficient production planning
5.03	Obsolescence of plants / machineries	5.04	Quality of products / Recall
5.05	Storage obsolescence	5.06	Dependence on contractors / critical suppliers
5.07	Reliability of supplier portfolio	5.08	Ineffectiveness of sales channels
5.09	Pricing ineffectiveness	5.10	Budget, planning and reporting
5.11	Dependence on critical clients	5.12	Transfer Pricing
5.13	Order execution risk	5.14	Partitioning of suppliers

6. Legal and Compliance Risks			
6.01	Protection of the exclusiveness of the relationship	6.02	Litigation
6.03	Contractual Risks	6.04	Adaptation to H&S legislation
6.05	Adaptation to environmental legislation	6.06	Adaptation to labor legislation
6.07	Adaptation to 262 Italian Law / financial reporting	6.08	Adaptation to 231 Italian Law Decree / Anticorruption
6.09	Adaptation to fiscal legislation	6.10	Adaptation to privacy legislation
6.11	Adaptation to industry legislation (ex. ISO)		

7. IT Risks			
7.01	IT & Data Security (Cybersecurity and SoD)	7.02	Business Continuity / Disaster Recovery
7.03	Data & IT Governance	7.04	IT Infrastructure
7.05	Web domain		

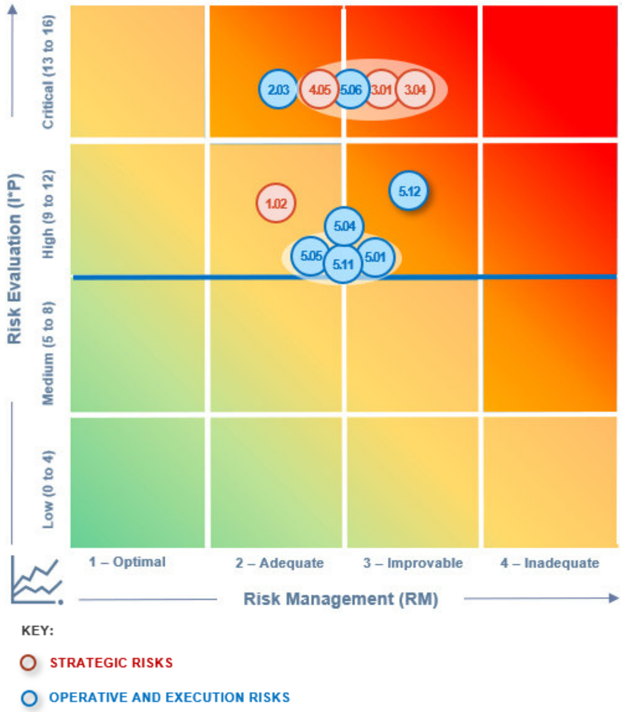
8. Risks connected to Human Resources			
8.01	Attraction and Retention	8.02	Professional development and compensation
8.03	Generational change	8.04	Industrial Relations
8.05	Dependence on key figures	8.06	Poor communication between the first managerial lines
8.07	Timeliness of communications relating to organizational changes	8.08	Average age of employees

Management involved in the Risk Assessment process must use a clearly defined shared methodology to measure and assess specific risk events in terms of the probability of them actually occurring, their impact and the degree of adequacy of the existing risk management system, according to the following definitions:

- **probability** of a certain event occurring within the time horizon of the Plan, measured on the basis of a scale from improbable/remote risk (1) to highly probable (4);
- **impact:** estimate of the average between economic-financial impact on EBIT, damage to HSE and image, and repercussions for operations, within the time range assessed, measured on the basis of a scale ranging from irrelevant (1) to critical (4);
- **level of risk management:** degree of maturity and efficiency of the company's risk management systems and processes, measured on the basis of a scale from optimal (1) to inadequate (4).

The results of measurement of risk exposure analysed are then represented in the so-called Heat Map, a 4x4 matrix which, combined with the variables in subject, provides an immediate overview of risk events considered particularly significant.

The main risks identified and assessed through Risk Assessment are then described and discussed with all bodies concerned with internal control and risk management and with the Board of Directors. The overview of the risks the Group is exposed to allows the Board of Directors and Management to reflect on the group's propensity for risk and identify risk management strategies to be adopted, or assess which risks and priorities are considered to require implementation, improvement or optimisation actions, or simple monitoring of exposure over time.



Adoption of a certain risk management strategy depends, however, on the nature of the risk event identified, and therefore, in the case of:

- **external risks beyond the Group's control**, it will be possible to implement tools supporting assessment of risk scenarios in the event that the risk should arise, defining possible plans of action for mitigation of impact (e.g. ongoing control, stress tests on the business plan, stipulation of insurance policies, disaster recovery plans, etc.);
- **risks that may be partially addressed by the Group**, it will be possible to intervene through risk transfer, monitoring of specific risk indicators, hedging, etc.;
- **internal risks that may be addressed by the Group**, as these risks are inherent in the Group's business, it will be possible to implement targeted actions for risk prevention and minimisation of impact through implementation of an appropriate internal control system with monitoring and auditing.

The Risk Assessment process conducted in 2018 involved 13 company contact people representing the Parent Company and subsidiaries.

Based on the economic and cash flows achieved in the last few years and available funds as of 30 June 2019, there are currently no significant uncertainties that raise significant doubts as to the company's ability to continue to operate as a going concern.

External and internal risk factors are analysed below, classified according to the risk families identified above:

(a) External Risks;
(b) Financial Risks;
(c) Strategic Risks;
(d) Governance Risks and Integrity Risks;
(e) Operating Risks and Reporting Risks;
(f) Legal Risks and Compliance Risks;
(g) Risks associated with human resources.

Note that, with reference to IT risk, the risk management processes currently implemented by the Group do not reveal any particular risks relating to the adequacy of information systems, in terms of infrastructure, data integrity, or the security of the systems and applications used.

9.1. EXTERNAL RISKS

Risks associated with the general economic conditions and market trends

Growth remains constant on the world scene, subject to the effects of a slowdown in investment and in demand for consumer goods in advanced and emerging economies, and global economic activity which is on the whole weaker than expected. The International Monetary Fund recently revised its estimate of global prospects for growth in the current year downward, estimated at 3.2%, while the rate for the year 2020 is estimated at 3.5%. Global prospects continue to be affected by risks potentially linked with tension in international trade negotiations and the consequent slowdown of business in China. On the financial scene, deterioration of growth prospects and the propensity of the principal central banks to reduce interest rates have compromised long-term performance in the advanced economies.

According to the International Monetary Fund's forecasts, updated to July, Italy will grow 0.1% in 2019.

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 cannot 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 if sales volumes decrease, the risk is that such a reduction in the cost structures will not be sufficiently large, quick or consistent with a possible fall in prices, thereby negatively affecting its economic and financial situation.

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, 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 laws or regulations could entail substantial costs to adapt the product characteristics or even temporary suspension 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 aimed at identifying and preventing 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.
This does not exclude the possibility of residual environmental risks which have not been adequately identified and covered.

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 economic and financial results.

9.2. Financial risks

Exchange rate risk

As a global operator, the Gefran Group is exposed to market risks stemming from exchange rate fluctuations in the currencies 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 various geographical regions outside the Eurozone. This organisational structure generates 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, Brazil, India, Switzerland and China mainly serve their local markets, with flows in the same currency.

Exchange rate 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 rate risk resulting from future commercial transactions and the recording of assets and liabilities in foreign currencies, the Group first and foremost exploits so-called natural hedging, seeking to level out the incoming and outgoing flows on all the currencies other than the Group’s functional currency; furthermore, Gefran evaluates and if necessary establishes hedging transactions on the main currencies, by means of the Parent Company signing futures contracts. However, since the Company prepares its consolidated half-yearly 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 interest rate risk to which the Group is exposed mainly originates from medium-/long-term financial payables. 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 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 (CAP), 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 mainly involves mechanical, electronic and assembly processes, exposure to energy price fluctuations 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 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 Euro 72.1 million versus overall liabilities of Euro 90.1 million. In 2019, the Parent Company took out two new medium- to long-term loans in the amount of EUR 10 million each. Moreover, in the first half of 2019 the US subsidiary signed a three-year loan agreement at a variable interest rate, in the amount of 1.8 million (2 million US dollars).

All existing contracts signed with the Parent Company are for loans with variable interest rates, determined by the Euribor rate plus an average spread of under 120 bps in the last two years. Some of these outstanding loans, whose remaining value at 30 June 2019 was Euro 3.1 million, contain covenants. At 30 June 2019, the Group was fully in compliance with these clauses.

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 on hand are sufficient in relation to the Group’s operations and growth forecasts. Lines of credit granted by banks were subject to an annual review in the second half of the year, leading to the essential 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 total revenues. Supply agreements are normally long-term, because Gefran products form part of the customer’s product design, and they are incorporated into 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 credit risk.

The Group grants its customers deferred payment conditions, which vary according to the market practices in individual countries. All customers' solvency is regularly 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.

9.3. 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 investment and projects for products, applications and geographical markets, that lead to growth in profitability.

Gefran 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.

Risks connected with delays in product and process innovation

Gefran operates in a sector that is strongly influenced by technological innovation. The Group's approach to innovation is often customer-driven. Inadequate or delayed product and process innovation to anticipate and/or influence customers' demands could have negative repercussions, causing the company to miss opportunities and sacrifice market share and/or revenues.

The impact of this risk would increase if one or more competitors should propose business models and/or technologies which are more innovative than Gefran's.

In order to mitigate the impact of this risk, the Gefran Group has invested in software introducing new controls in production and processes, through reorganisation of production flows, and in human resources, with the addition of specialised figures focusing on the areas of innovation and innovative technological trends.

9.4. GOVERNANCE AND INTEGRITY 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 for external stakeholders. The Group believes that ethics in business management must be pursued alongside financial growth, and the Code is therefore an explicit point of reference for everyone working with the Company.

Gefran has also effectively adopted an 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 an external professional with excellent knowledge of administration and control systems.

The Group conducts the bulk of its business with private customers, which 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.

9.5. OPERATING RISKS AND REPORTING 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 - could have a detrimental effect on the Group's operations and results, at least in the short term, until the supplier can be replaced, or the product modified.

Risks associated with product development, management and quality

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

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

However, should 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 production stoppages at one or more of its plants, due, for example, to machinery breakdowns, revocation or disputes regarding permits or licences from public authorities (e.g. following changes in the law), strikes or manpower shortages, natural disasters, major disruptions to the supply of raw materials or energy, sabotage or attack.

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

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

Moreover, periodic oscillation of demand, making effective production planning difficult, and demand in excess of its productive capacity could cause Gefran to miss out on opportunities and/or lose revenues.

To mitigate this risk, Gefran has come up with plans for investment in plant and machinery, aiming for digitalisation, expansion and reorganisation of its productive spaces and hiring of new employees. If necessary, moreover, the company can shift production to another plant thanks to use of the same bill of materials and uniform production processes.

9.6. LEGAL AND COMPLIANCE RISKS

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, Gefran 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, should 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 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.

9.7. RISKS ASSOCIATED WITH HUMAN RESOURCES

Risks associated with human resources

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

The Group’s success depends to a large extent on the ability of its executive directors and other managers to manage the Group and its Sectors effectively, and on the quality, technical and managerial ability and motivation of its human resources, also with the aim of attracting and retaining talent and skills; initiatives such as FLY and WELLFRAN were started in 2017 with this goal in mind.

10. SIGNIFICANT EVENTS DURING THE FIRST HALF OF THE YEAR

- On 23 January 2019 Gefran Soluzioni S.r.l., a Gefran S.p.a. subsidiary, purchased 100% of the shares in Elettropiemme S.r.l. for a payment of 900 thousand Euro, paid on that date, without resort to loans. The company was owned by Ensun S.r.l., which was 50% owned by Gefran S.p.A..

- On 03 May 2019, the Ordinary Shareholders’ Meeting of Gefran S.p.A. voted to:
    - Approve the Financial Statements for the financial year 2018 and distribute a dividend of Euro 0.32 per share;

- 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.

11. SIGNIFICANT EVENTS AFTER THE END OF THE FIRST HALF OF 2019

Nothing to report.

12. OUTLOOK

The international macroeconomic outlook sees a slowdown of global economic activity which was already evident in the last part of 2018 and continued in the first half of 2019. This is determined by a combination of factors which have also had an impact on prospects for growth: slowdown of investment and demand for consumer goods in both the advanced and emerging economies, continued risks linked with tension in international trade negotiations and a consequent slowdown of business in China. On the financial scene, deterioration of growth prospects and the propensity of the principal central banks to reduce interest rates have compromised long-term performance in the advanced economies.

The International Monetary Fund revised its forecasts for world economic growth in 2019 downward in the month of July, from 3.3% to 3.2%, while the forecast for 2020 was reduced from 3.6% to 3.5%.

A slowdown in growth is expected in the Euro area, estimated at 1.3% in 2019, settling at 1.6% in 2020 (0.1 percentage point higher than the April estimates). In this context, the International Monetary Fund emphasises that growth is negatively impacted by a number of economies, including Germany, France and Italy: weak foreign and domestic demand, with a negative impact on investment, and uncertain fiscal prospects are the negative factors identified. According to the forecast, growth in the Euro area could, however, improve in the second half of 2019 and continue into 2020 if temporary factors such as the drop in registration of automobiles in German and French street protests should be resolved.

Italy's prospects for growth in 2019 have also been revised downwards, and are now estimated at 0.1%, 0.8% for the year 2020.

The second quarter showed signs of weakness in terms of both revenues and orders received. Despite this, primarily thanks to Elettropiemme's contribution, the Group expects to close the year 2019 with higher revenues than 2018 and EBITDA margins in line with those of the previous year.

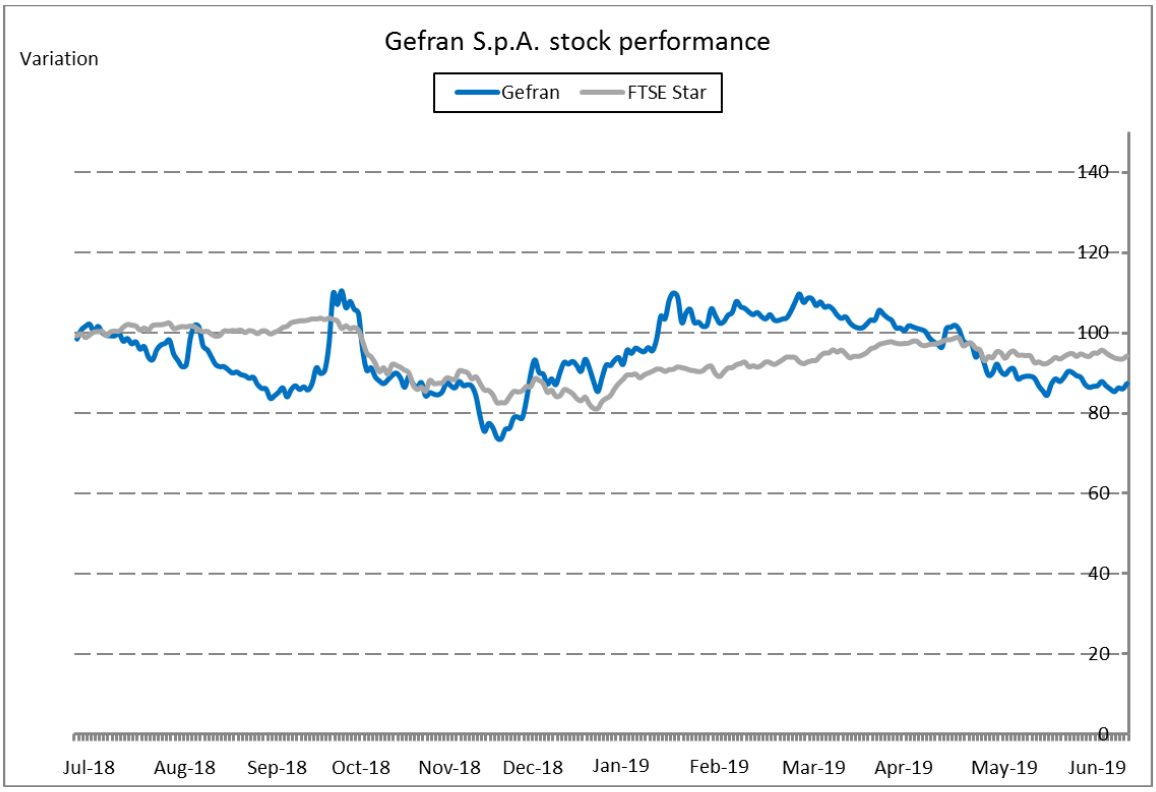
The Group will continue to investment human and technical capital without slowing down, in line with its three-year plan.

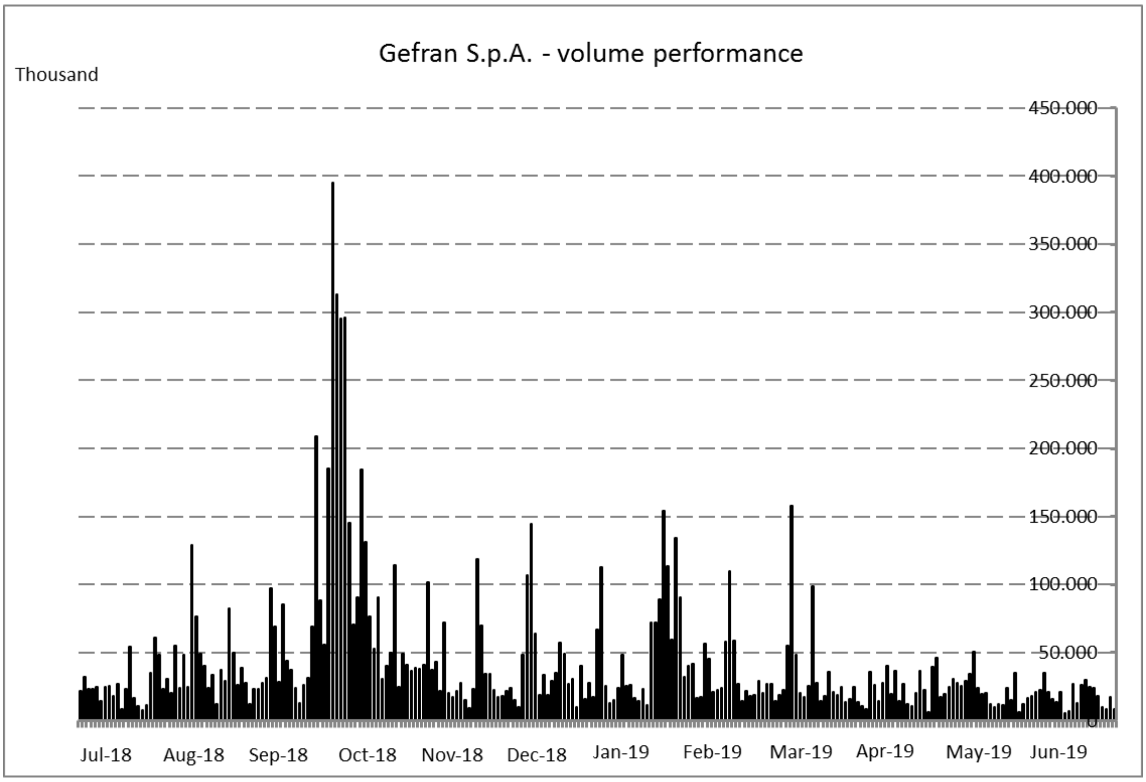
13. OWN SHARES AND STOCK PERFORMANCE

As of 30 June 2019, Gefran S.p.A. held 27,220 shares (0.19% of the total) with an average book value of Euro 5.7246 per share, all purchased in the fourth quarter of 2018. No own shares were bought or sold during the first three half of 2019. As of the date of this report the situation was unchanged.

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

Below we summarise the performance of the stock and volumes traded in the last 12 months:





14. 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. The regulation was published in the "*Governance*" section of the company's web site, available at https://www.gefran.com/it/governance.

The procedure in question was updated by the Board of Directors on 3 August 2017 to bring the content in line with current regulations, specifically the entry into force of the "Market Abuse" regulation, EU 596/2014.

The regulation is based on the following general principles:

- 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.

The regulation is structured as follows:

- **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 paragraph 31 of the Notes to the Consolidated Half-yearly Financial Statements for details on transactions with related parties.

15. DEROGATION FROM THE OBLIGATIONS TO PUBLISH THE INFORMATION DOCUMENTS

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

CONSOLIDATED FINANCIAL STATEMENTS

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

(Euro / 000)	*Notes*	2Q 2019	2Q 2018	progressive as at 30 June 2019	progressive as at 30 June 2018
Revenues from product sales	*22*	36,012	35,485	71,766	70,055
of which related parties:	*31*	*-*	*43*	*-*	*43*
Other revenues and income	*23*	114	58	333	205
Increases for internal work		628	256	1,263	621
TOTAL REVENUES		**36,754**	**35,799**	**73,362**	**70,881**
Change in inventories	*16*	333	378	2,917	3,247
Costs of raw materials and accessories	*24*	(13,241)	(13,007)	(28,032)	(27,381)
Service costs	*25*	(6,456)	(6,366)	(12,156)	(12,110)
of which related parties:	*31*	*(38)*	*(78)*	*(81)*	*(121)*
Miscellaneous management costs		(313)	(161)	(496)	(428)
Other operating income		631	12	638	14
Personnel costs	*26*	(13,228)	(11,429)	(25,607)	(23,164)
Impairment/reversal of trade and other receivables	*16*	(14)	207	109	151
Amortisation and impairment of intangible assets	*27*	(558)	(591)	(1,085)	(1,184)
Depreciation and impairment of tangible assets	*27*	(1,230)	(971)	(3,747)	(1,904)
Depreciation/amortisation total usage rights	*27*	(280)	-	(527)	-
EBIT		**2,398**	**3,871**	**5,376**	**8,122**
Gains from financial assets	*28*	36	394	485	602
Losses from financial liabilities	*28*	(338)	(485)	(612)	(1,012)
(Losses) gains from shareholdings valued at equity		17	(57)	259	(94)
PROFIT (LOSS) BEFORE TAX		**2,113**	**3,723**	**5,508**	**7,618**
Current taxes	*29*	(363)	(1,071)	(1,015)	(1,929)
Deferred tax assets and liabilities	*29*	(269)	(326)	(464)	(753)
TOTAL TAXES		**(632)**	**(1,397)**	**(1,479)**	**(2,682)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**1,481**	**2,326**	**4,029**	**4,936**
Net profit (loss) from assets held for sale	*17*	-	(461)	-	(875)
NET PROFIT (LOSS) FOR THE YEAR		**1,481**	**1,865**	**4,029**	**4,061**
Attributable to:					
Group		1,481	1,865	4,029	4,061
Third parties		-	-	-	-

Earnings per share *(Euro)*	*note*	2Q 2019	2Q 2018	progressive as at 30 June 2019	progressive as at 30 June 2018
Basic earnings per ordinary share	*20*	0.28	0.28	0.28	0.28
Diluted earnings per ordinary share	*20*	0.28	0.28	0.28	0.28

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

(Euro / 000)		2Q		progressive as at 30 June	
	note	**2019**	**2018**	**2019**	**2018**
NET PROFIT (LOSS) FOR THE YEAR		**1,481**	**1,865**	**4,029**	**4,061**
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period					
- conversion of foreign companies' financial statements	*19*	(487)	343	128	172
- equity investments in other companies	*19*	(33)	(99)	(32)	(194)
- fair value of cash flow hedging derivatives	*19*	(168)	(12)	(222)	9
Total changes, net of tax effect		**(688)**	**232**	**(126)**	**(13)**
Comprehensive result for the period		**793**	**2,097**	**3,903**	**4,048**
Attributable to:					
Group		793	2,097	3,903	4,048
Third parties		-	-	-	-

3. STATEMENT OF FINANCIAL POSITION

(Euro / 000)	*Notes*	**30 June 2019**	**31 December 2018**
NON-CURRENT ASSETS			
Goodwill	*12*	5,884	5,868
Intangible assets	*13*	7,175	6,508
Property, plant, machinery and tools	*14*	42,339	38,955
of which related parties:	*31*	*368*	*919*
Usage rights	*15*	2,553	-
Shareholdings valued at equity		1,275	1,016
Equity investments in other companies		1,751	1,790
Receivables and other non-current assets		88	83
Deferred tax assets	*29*	7,147	6,912
Non-current financial investments for derivatives	*18*	3	-
Other non-current financial investments		122	126
TOTAL NON-CURRENT ASSETS		**68,337**	**61,258**
CURRENT ASSETS			
Inventories	*16*	26,802	22,978
Trade receivables	*16*	33,808	29,808
Other receivables and assets		7,456	3,561
Current tax receivables	*29*	712	1,510
Cash and cash equivalents	*18*	25,112	18,043
Current financial investments for derivatives	*18*	-	19
TOTAL CURRENT ASSETS		**93,890**	**75,919**
TOTAL ASSETS		**162,227**	**137,177**
SHAREHOLDERS' EQUITY			
Share capital	*19*	14,400	14,400
Reserves	*19*	53,687	50,263
Profit/(loss) for the year	*19*	4,029	8,151
Total Group Shareholders' Equity		**72,116**	**72,814**
Shareholders' equity of minority interests	*19*	-	-
TOTAL SHAREHOLDERS' EQUITY		**72,116**	**72,814**
NON-CURRENT LIABILITIES			
Non-current financial payables	*18*	26,130	11,864
Non-current financial payables for IFRS 16 leases	*18*	1,497	-
Non-current financial liabilities for derivatives	*18*	279	-
Employee benefits		4,952	4,524
Non-current provisions	*21*	917	250
Deferred tax provisions	*29*	706	627
TOTAL NON-CURRENT LIABILITIES		**34,481**	**17,265**
CURRENT LIABILITIES			
Current financial payables	*18*	13,198	10,817
Current financial payables for IFRS 16 leases	*18*	1,038	-
Trade payables	*16*	26,104	20,731
of which related parties:	*31*	*344*	*313*
Current financial liabilities for derivatives	*18*	21	28
Current provisions	*22*	1,490	1,424
Current tax payables	*29*	1,053	1,653
Other payables and liabilities		12,726	12,445
TOTAL CURRENT LIABILITIES		**55,630**	**47,098**
TOTAL LIABILITIES		**90,111**	**64,363**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**162,227**	**137,177**

4. CONSOLIDATED CASH FLOW STATEMENT

(Euro / 000)	*note*	**30 June 2019**	**30 June 2018**
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**18,043**	**24,006**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:			
Net profit (loss) for the period	*20*	4,029	4,061
Depreciation, amortisation and impairment	*27*	5,359	3,088
Provisions (Releases)	*16.21*	1,059	2,176
Capital (gains) losses on the sale of non-current assets	*13.14*	(17)	23
Impairment of assets held for sale	*17*	-	1,214
Net result from financial operations	*28*	(114)	504
Taxes	*29*	1,010	1,590
Change in provisions for risks and future liabilities	*21*	(479)	(880)
Change in other assets and liabilities		(3,831)	(1,820)
Change in deferred taxes	*29*	467	753
Change in trade receivables	*16*	(2,838)	(3,808)
of which related parties:	*31*	*-*	*35*
Change in inventories	*16*	(3,584)	(4,602)
Change in trade payables	*16*	4,232	4,921
of which related parties:	*31*	*31*	*125*
TOTAL		**5,293**	**7,220**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	*13.14*	(8,269)	(4,826)
of which related parties:	*31*	*(368)*	*(468)*
- Equity investments and securities		-	3
- Acquisitions net of acquired cash	*9*	(231)	-
- Financial receivables		(2)	5
Disposal of non-current assets	*13.14*	27	(18)
TOTAL		**(8,475)**	**(4,836)**
D) FREE CASH FLOW (B+C)		**(3,182)**	**2,384**
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	*18*	21,485	-
Repayment of financial payables	*18*	(3,883)	(5,086)
Increase (decrease) in current financial payables	*18*	(1,539)	2,000
Outgoing cash flow due to IFRS 16	*18*	(571)	-
Taxes paid	*29*	(336)	(2,852)
Interest paid	*28*	(376)	(261)
Interest received	*28*	177	123
Change in shareholders' equity reserves	*19*	-	243
Dividends paid	*19*	(4,599)	(5,040)
TOTAL		**10,358**	**(10,873)**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**7,176**	**(8,489)**
H) Exchange rate translation differences on cash at hand	*18*	(107)	7
I) NET CHANGE IN CASH AT HAND (F+G+H)		**7,069**	**(8,482)**
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)		**25,112**	**15,524**

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Euro / 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 year	Group Total shareholders' equity	Shareholders' equity of minority interests	Total shareholders' equity
Balances at 1 January 2018		14,400	21,926	6,971	10,251	6,735	189	3,125	(551)	6,864	69,911	-	69,911
Destination of 2017 profit	*19*												
- Other reserves and provisions	*19*			(1,583)		8,448				(6,864)	-		-
- Dividends	*19*					(5,040)					(5,040)		(5,040)
Income/(expenses) recognised at equity	*19*			(21)			(201)		151		(71)		(71)
Change in translation reserve	*19*							18			18		18
Other changes	*19*			1	(156)						(155)		(155)
2018 profit	*19*									8,151	8,151		8,151
Balances at 31 December 2018		14,400	21,926	5,368	10,095	10,143	(12)	3,143	(400)	8,151	72,814	-	72,814
Destination of 2018 profit	*19*												
- Other reserves and provisions	*19*			521		7,630				(8,151)	-		-
- Dividends	*19*					(4,599)					(4,599)		(4,599)
Income/(expenses) recognised at equity	*19*						(254)				(254)		(254)
Change in translation reserve	*19*							128			128		128
Other changes	*19*				(2)						(2)		(2)
2019 profit	*19*									4,029	4,029		4,029
Balances at 30 June 2019		14,400	21,926	5,889	10,093	13,174	(266)	3,271	(400)	4,029	72,116	-	72,116

SPECIFIC EXPLANATORY NOTES TO THE ACCOUNTS

1. General information

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

The half-yearly financial report of the Gefran Group for the period ending on 30 June 2019 was approved by the Board of Directors on 6 August 2019, authorizing its publication.

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

2. Form and content

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

They comprise the financial statements of Gefran S.p.A., of its subsidiaries and of the direct and indirect affiliates, approved by their respective Boards of Directors. The consolidated companies adopted international accounting standards, with the exception of a number of companies whose financial statements were restated for the Group's consolidated financial statements 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 half-yearly financial statements are presented in Euro (EUR), the functional currency of most Group companies. Unless otherwise stated, all amounts are expressed in thousands of euros.

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

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

4. Consolidation principles and valuation criteria

The consolidation principles and valuation criteria adopted in the preparation of these Half-yearly Financial Statements as of 30 June 2019 are the same as the accounting standards applied to the preparation of the 31 December 2018 Annual Financial Report.

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 half-yearly 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 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 impact of market conditions on the information in the financial statements was included in the Directors' Report on Operations. We also note that the application of IFRS 13 “Fair value measurement” does not involve significant changes to items in the financial statements for Gefran.

5. Change in the scope of consolidation

The scope of consolidation at 30 June 2019 differed from that at 30 June 2018, and 31 December 2018, in that on 23 January 2019 Gefran Soluzioni S.r.l., a subsidiary of Gefran S.p.A., completed the acquisition of 100% of the shares in Elettropiemme S.r.l.. The company was owned by Ensun S.r.l., which was 50% owned by Gefran S.p.A..

Note that, in the diagrams appearing in the notes to the financial statements regarding movements in this item, shown below, the column “*Change in the scope of consolidation*” represents the effect of the change in this item following acquisition of the company Elettropiemme S.r.l., described above.

The establishment of Gefran Drives and Motion S.r.l. in 2018, 100% owned by Gefran S.p.A., modified the perimeter of consolidation compared to 30 June 2018, but not the scope of consolidation, as the new company's assets, liabilities and business were contributed by Gefran S.p.A..

6. Accounting standards, amendments and interpretations not yet applicable

There are no such cases applicable to the Group as of the date of this Half-yearly Financial Report.

7. Application of new standard IFRS 16 as of 1 January 2019

In 2018, the competent bodies of the European Union completed the approval process necessary for the adoption of *IFRS 16 "Leasing".* This new standard replaces the previous 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 finance lease (recognised in accordance with the discounted cash flow method) and an operating lease (recognised on a straight-line basis). With IFRS 16, the accounting treatment of operating leases will be placed on the same footing as finance leases. This standard will be applicable from 1 January 2019 and the early application was possible together with the adoption of IFRS 15 "Revenues from contracts with customers".

The Group has decided to apply the new standard starting on 1 January 2019, on the basis of what is known as the *modified retrospective approach,* in which the value of the assets is equal to the value of the financial liabilities; moreover, as permitted by the IASB, practical expedients have been used such as exclusion of contracts with a residual duration of less than 12 months or contracts for which the fair value of the asset is calculated to fall under the conventional threshold of 5 thousand American Dollars (modest unitary value).

In the second quarter of 2018 the company set up a team to analyse the various technological solutions available for prompt, correct implementation of this principle, selecting the one best suited to the Group's requirements and subsequently calculating its economic and financial impact.

In the fourth quarter of 2018, after completing development of the software application, the company conducted a detailed analysis of all the contracts signed by all Group companies in effect as of 31 December 2018.

One hundred and ninety active contracts were analysed, for rental of vehicles, machinery, industrial equipment and electronic office machines, as well as rental of real estate; on the basis of the value and duration described above, as of 1 January 2019 119 of these are subject to application of IFRS 16; of the 71 contracts excluded from the scope of application, 63 contracts had a duration of less than 12 months, while for the remaining 8 contracts, the fair value calculated for the asset subject to the contract is of modest unitary value.

The assets which are the subject of these contracts were entered:

- in non-current tangible assets, under "*Usage rights*";
- in Net Financial Position, the corresponding financial payable will give origin to "*Financial payables for leasing under IFRS 16*" classified as either current (within the year) or non-current (beyond the year).

In assessment of the fair value and useful lifespan of the assets which are the subject of the contracts subject to application of IFRS 16, the following factors were taken into consideration:

- the amount of the periodic lease or rental fee, as defined in the contract and revalued where applicable;
- initial accessory costs, if specified in the contract;
- final restoration costs, if specified in the contract;
- the number of remaining instalments;
- implicit interest, where not stated in the contract, is estimated on the basis of the average rates for the Group's debt.

The impact of application of the principle, described in detail in the paragraphs below, was assessed with application of the interest rates in effect on 31 December 2018.

The value of "*Usage rights*" calculated as of 1 January 2019 is Euro 2,254 thousand, broken down as follows:

(Euro / 000)	**1 January 2019**
Real estate	1,121
Vehicles	1,011
Electronic office machines	-
Machinery and equipment	122
Total usage rights	**2,254**

Moreover, the value of "*Financial payables for leasing under IFRS 16*" totalling 2,254 thousand Euro may be broken down as follows by due date:

(Euro / 000)	**1 January 2019**
Current financial payables	1,035
Non-current financial payables	1,219
Net financial debt	**2,254**

Analysis of the impact of IFRS 16 was completed with assessment of changes in the statement of consolidated profit/(loss) for the year, considering the entire useful lifespan of the contracts analysed.

With reference to the year 2019, only, the item "*Depreciation of usage rights*", included under "*Depreciation*", will increase by a total of 836 thousand Euro, as detailed below:

(Euro / 000)	**31 December 2019**
Real estate	381
Vehicles	405
Electronic office machines	-
Machinery and equipment	50
Total depreciation	**836**

"Service costs", which included all leasing and rental fees until 2018, will decrease by a total of 873 thousand Euro.

"Losses from financial liabilities", which will include the more specific item *"Interest on financial debts for leasing under IFRS 16",* will increase by a total of 26 thousand Euro.

The effects of application of IFRS 16 on the consolidated financial statements are shown below, and specifically:

- The consolidated statement of financial position showing values as of 1 January 2019 only;
- The statement of consolidated profit/(loss) for the year shows the values for all years included in the useful lifespan of contracts in effect as of 31 December 2018, in which "Service costs" will be reduced (shown in the statement with a positive sign), while "Depreciation" and "Losses from financial liabilities" will be increased (shown in the statement with negative signs).

Consolidated statement of financial position

(Euro / 000)	Consolidated 1 January 2019	IFRS 16	Consolidated 1 January 2019 with IFRS16
NON-CURRENT ASSETS			
Goodwill	5,868		5,868
Intangible assets	6,508		6,508
Property, plant, machinery and tools	38,955	2,254	41,209
Shareholdings valued at equity	1,016		1,016
Equity investments in other companies	1,790		1,790
Receivables and other non-current assets	83		83
Deferred tax assets	6,912		6,912
Non-current financial investments	126		126
TOTAL NON-CURRENT ASSETS	**61,258**	**2,254**	**63,512**
CURRENT ASSETS			
Inventories	22,978		22,978
Trade receivables	29,808		29,808
Other receivables and assets	3,561		3,561
Current tax receivables	1,510		1,510
Cash and cash equivalents	18,043		18,043
Financial assets for derivatives	19		19
TOTAL CURRENT ASSETS	**75,919**	**-**	**75,919**
TOTAL ASSETS	**137,177**	**2,254**	**139,431**
SHAREHOLDERS' EQUITY			
Share capital	14,400		14,400
Reserves	50,263		50,263
Profit/(loss) for the year	8,151		8,151
Total Group Shareholders' Equity	**72,814**	**-**	**72,814**
Shareholders' equity of minority interests			
TOTAL SHAREHOLDERS' EQUITY	**72,814**	**-**	**72,814**
NON-CURRENT LIABILITIES			
Non-current financial payables	11,864	1,219	13,083
Employee benefits	4,524		4,524
Non-current provisions	250		250
Deferred tax provisions	627		627
TOTAL NON-CURRENT LIABILITIES	**17,265**	**1,219**	**18,484**
CURRENT LIABILITIES			
Current financial payables	10,817	1,035	11,852
Trade payables	20,731		20,731
Financial liabilities for derivatives	28		28
Current provisions	1,424		1,424
Current tax payables	1,653		1,653
Other payables and liabilities	12,445		12,445
TOTAL CURRENT LIABILITIES	**47,098**	**1,035**	**48,133**
TOTAL LIABILITIES	**64,363**	**2,254**	**66,617**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**137,177**	**2,254**	**139,431**

Consolidated statement of profit/(loss) for the year

(Euro / 000)	2019	2020	2021	2022	2023	2024	2025	2026
Revenues from product sales								
Other revenues and income								
Increases for internal work								
TOTAL REVENUES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Change in inventories								
Costs of raw materials and accessories								
Service costs	873	663	386	234	86	33	33	(0)
Miscellaneous management costs								
Other operating income								
Personnel costs								
Impairment/reversal of trade and other receivables								
Amortisation and impairment of intangible assets								
Depreciation and impairment of tangible assets	(836)	(663)	(375)	(227)	(83)	(31)	(31)	(6)
EBIT	**37**	**(1)**	**11**	**7**	**3**	**1**	**1**	**(7)**
Gains from financial assets								
Losses from financial liabilities	(26)	(15)	(7)	(3)	(1)	(1)	(0)	0
(Losses) gains from shareholdings valued at equity								
PROFIT (LOSS) BEFORE TAX	**11**	**(16)**	**4**	**4**	**2**	**1**	**1**	**(7)**
Current taxes								
Deferred tax assets and liabilities								
TOTAL TAXES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**11**	**(16)**	**4**	**4**	**2**	**1**	**1**	**(7)**
Net profit (loss) from assets held for sale								
NET PROFIT (LOSS) FOR THE YEAR	**11**	**(16)**	**4**	**4**	**2**	**1**	**1**	**(7)**

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

In drafting the financial statements and the explanatory notes to the accounts, in accordance with the IAS/IFRS principles, the Group makes use of estimates and assumptions to assess certain items. These are based on historical experience and uncertain but realistic assumptions, 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:

<u>Provision for impairment of inventory</u>

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 impairment of inventory 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 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.

Regarding the introduction of IFRS 9, and particularly the new method for impairment of financial investments, starting on 1 January 2018 the Group revised its method for determination of the reserve to be used for coverage of losses on receivables, taking into account the losses expected throughout the life of the receivable, as required by the new standard, with no significant impact on the result for the period or on equity resulting from application of IFRS 9.

Goodwill and intangible assets with a finite 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 and non-competition agreements

The provision for the post-employment benefit reserve and the provision for non-competition agreements are 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.

Assets held for sale

Non-current assets classified as held for sale are measured in accordance with IFRS 5 at the lower of their carrying value and their fair value minus selling costs. The economic effect of these assets also includes taxation.

9. Business combinations

On 23 January 2019 Gefran Soluzioni S.r.l., a Gefran S.p.a. subsidiary, purchased 100% of the shares in Elettropiemme S.r.l. for a payment of 900 thousand Euro, paid on that date, without resort to loans. The company was owned by Ensun S.r.l., which was 50% owned by Gefran S.p.A..

(Euro / 000)	**30 June 2019**
Financial outlay for the acquisition	900
Cash present in the acquired company	669
Negative cash flow from acquisition	**231**

Net assets acquired amount to 537 thousand Euro, and may be broken down as follows:

(Euro / 000)	**30 June 2019**
Intangible assets	7
Property, plant, machinery and tools	233
Receivables and other non-current assets	3
Deferred tax assets	536
Inventories	838
Trade receivables	1,040
Other receivables and assets	138
Current tax receivables	5
Cash and cash equivalents	669
Non-current financial payables	(307)
Employee benefits	(311)
Non-current provisions	(825)
Trade payables	(1,129)
Current tax payables	(10)
Other payables and liabilities	(350)
Net value acquired	**537**

This determines the greater value paid, equal to 363 thousand Euro, leading to a consolidation difference:

(Euro / 000)	**30 June 2019**
Acquisition value (A)	900
Fair value of net assets acquired (B)	537
Greater value paid (AB)	**363**

In the second quarter of 2019 Purchase Price Allocation (“PPA”) was completed by an independent company. The results were approved by the Gefran S.p.A. Board of Directors, which presented its assessment and the theories underlying it. Details of the Purchase Price Allocation are summed up in the table below:

(Euro / 000)	30 June 2019
Greater value paid	**363**
Customer relations	363
Total non-current assets allocated	**363**
Goodwill	**0**

10. 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 market unpredictability and is intended to minimise the potential negative impact 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 in the Purchasing function as regards 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 financial derivatives and other 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 exchange rate risk in relation to commercial transactions and cash held in currencies other than the euro, the Group's functional currency. Around 27% of sales are denominated in a different currency. Specifically, the Group is most exposed to the following exchange rates:

- EUR/USD about 9%, primarily in relation to the trade of an Italian subsidiary operating in various countries, Gefran Drives and Motion S.r.l., and the foreign subsidiaries Gefran Inc. (operating in the United States), Gefran Siei Drives Technology and Gefran Siei Asia (operating on the Asian market);
- Euro/RMB to the tune of 8%, mainly related to the Chinese operating company Gefran Siei Drives Technology;
- the remainder is divided between Euro/BRL, Euro/GBP, Euro/CHF, Euro/INR and Euro/TRL.

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:

(Euro / 000)	30 June 2019		30 June 2018	
	-5%	+5%	-5%	+5%
Chinese renminbi	5	(5)	4	(4)
US dollar	62	(56)	1	(1)
Total	67	(61)	5	(5)

(Euro / 000)	30 June 2019		30 June 2018	
	-10%	+10%	-10%	+10%
Chinese renminbi	11	(9)	8	(7)
US dollar	132	(108)	3	(2)
Total	143	(117)	11	(9)

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

(Euro / 000)	**30 June 2019**		**30 June 2018**	
	-5%	+5%	-5%	+5%
Chinese renminbi	-	-	(40)	36
US dollar	18	(16)	61	(55)
Total	18	(16)	21	(19)

(Euro / 000)	**30 June 2019**		**30 June 2018**	
	-10%	+10%	-10%	+10%
Chinese renminbi	-	-	(84)	69
US dollar	38	(31)	128	(105)
Total	38	(31)	44	(36)

The sensitivity to a hypothetical and unexpected change of the most significant exchange rates of 5% and 10% in the fair value of the shareholders' equity is shown below:

(Euro / 000)	**30 June 2019**		**30 June 2018**	
	-5%	+5%	-5%	+5%
Chinese renminbi	524	(474)	510	(461)
US dollar	372	(336)	400	(362)
Total	896	(810)	910	(823)

(Euro / 000)	**30 June 2019**		**30 June 2018**	
	-10%	+10%	-10%	+10%
Chinese renminbi	1,107	(905)	1,076	(880)
US dollar	785	(642)	844	(691)
Total	1,892	(1,547)	1,920	(1,571)

Interest rate risk

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

The Group's Administration and Finance Department monitors exposure to 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 2019 and 30 June 2018, while keeping other variables unchanged.

(Euro / 000)	**30 June 2019**		**30 June 2018**	
	-100	100	-100	100
Euro	150	(205)	(25)	(48)
US dollar	(18)	18	-	-
Total	**132**	**(187)**	**(25)**	**(48)**

The potential impacts described above have been calculated on the basis of the net liabilities representing the most significant part of the Group's debt as of the date of this Half-yearly Financial Report and calculating, on the basis of this amount, the effect on net financial charges of a change in the annual interest rate.

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

The table below shows the carrying value at 30 June 2019, broken down by maturity, of the Group's financial instruments exposed to the interest rate risk:

(Euro / 000)	**<1 year**	**1-5 years**	**>5 years**	**Total**
Loans due	11,004	26,130	-	37,134
Financial payables due to leasing under IFRS 16	1,038	1,452	45	2,535
Other accounts payable	11	-	-	11
Account overdrafts	2,183	-	-	2,183
Total liabilities	**14,236**	**27,582**	**45**	**41,863**
Cash in current accounts	25,075	-	-	25,075
Total assets	**25,075**	**-**	**-**	**25,075**
Total variable rate	**10,839**	**(27,582)**	**(45)**	**(16,788)**

Unlike net financial position figures, the amounts shown in the table above do not include the fair value of derivatives (negative at 297 thousand Euro), cash on hand (positive at 37 thousand Euro) or deferred financial income (positive at 122 thousand Euro).

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 reserves of cash and cash equivalents based on expected cash flows. The table below shows the amount of reserves of cash and cash equivalents available on the reference dates:

(Euro / 000)	30 June 2019	31 December 2018	Change
Cash and cash equivalents	37	32	5
Cash in bank deposits	25,075	18,011	7,064
Term deposits – less than 3 months	-	-	-
Total liquidity	**25,112**	**18,043**	**7,069**
Multiple mixed credit lines	26,122	16,799	9,323
Cash flexibility credit lines	3,005	5,360	(2,355)
Invoice factoring credit lines	8,308	11,583	(3,275)
Total credit lines available	**37,435**	**33,742**	**3,693**
Total liquidity available	**62,547**	**51,785**	**10,762**

Note that the increase in the value of available lines of credit primarily pertains to the incorporation of 2 banking relationships in the year 2019 of the company EPM, and an increase in available cash and cash equivalents due to two new loans.

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:

(Euro / 000)	Level 1	Level 2	Level 3	Total
Available-for-sale assets valued at fair value:				
Shareholdings valued at fair value with a balancing item in other overall profit/(loss)	307	-	1,444	1,751
Hedging transactions	-	3	-	3
Total assets	**307**	**3**	**1,444**	**1,754**
Hedging transactions	-	(300)	-	(300)
Foreign exchange forward transactions	-	-	-	-
Total liabilities	**-**	**(300)**	**-**	**(300)**

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, the overall value of which has not changed compared to 31 December 2018.

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 of 2018:

(Euro / 000)	Level 1	Level 2	Level 3	Total
Available-for-sale assets valued at fair value:				
Shareholdings valued at fair value with a balancing item in other overall profit/(loss)	365	-	1,444	1,809
Hedging transactions	-	37	-	37
Total assets	**365**	**37**	**1,444**	**1,846**
Hedging transactions	-	(46)	-	(46)
Foreign exchange forward transactions	-	-	-	-
Total liabilities	**-**	**(46)**	**-**	**(46)**

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 impairment process conducted on the basis of the Group's procedures requires receivables to be written down by a percentage which depends on the time range of the outstanding receivable, in view of past experience in specific lines of business and geographical regions, as required by IFRS 9.

Below are the values of gross trade receivables at 30 June 2019 and 31 December 2018:

(Euro / 000)	Total value	Not overdue	Overdue by up to 2 months	Overdue by 2 to 6 months	Overdue by 6 to 12 months	Overdue by more than 12 months	Receivables individually written down
Gross trade receivables at 30 June 2019	36,238	29,394	2,833	1,556	61	990	1,404
Gross trade receivables at 31 December 2018	32,214	26,652	2,752	494	61	914	1,341

The Gefran Group has established formal procedures for customer credit and credit collection through the credit department and in partnership with leading external law firms. 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.

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

Fair value of financial instruments

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

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

(Euro / 000)	carrying value		fair value	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Financial assets				
Cash and cash equivalents	37	32	37	32
Cash in bank deposits	25,075	18,011	25,075	18,011
Securities held for trading	-	-	-	-
Financial assets for derivatives	3	19	3	19
Non-current financial investments	122	126	122	126
Total financial assets	**25,237**	**18,188**	**25,237**	**18,188**
Financial liabilities				
Current portion of long-term debt	(11,004)	(7,069)	(11,004)	(7,069)
Short-term bank debt	(2,183)	(3,727)	(2,183)	(3,727)
Financial liabilities for derivatives	(300)	(28)	(300)	(28)
Factoring	(11)	(21)	(11)	(21)
Payables due to leasing contracts under IFRS 16	(2,535)	-	(2,535)	-
Other financial payables	-	-	-	-
Non-current financial debt	(26,130)	(11,864)	(26,130)	(11,864)
Total financial liabilities	**(42,163)**	**(22,709)**	**(42,163)**	**(22,709)**
Total net financial position	**(16,926)**	**(4,521)**	**(16,926)**	**(4,521)**

11. Information by business area

Primary segment – sector of activity

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

Figures by business area

	(Euro / 000)	Sensors	Automation components	Motion control	Eliminations	Not divided	30 June 2019
a	Revenues	31,030	22,248	21,721	(2,900)		72,099
b	Increases for internal work	430	369	464	-		1,263
c	Consumption of materials and products	7,685	8,359	11,971	(2,900)		25,115
d	**Added value (a+b-c)**	**23,775**	**14,258**	**10,214**		**-**	**48,247**
and	Other operating costs	5,396	3,202	3,307	-		11,905
f	Personnel costs	10,434	8,533	6,640	-		25,607
g	**EBITDA (d-e-f)**	**7,945**	**2,523**	**267**		**-**	**10,735**
h	Depreciation, amortisation and impairment	3,080	1,219	1,060	-		5,359
i	**EBIT (g-h)**	**4,865**	**1,304**	**(793)**		**-**	**5,376**
l	Gains (losses) from financial assets/liabilities					(127)	(127)
m	Gains (losses) from shareholdings valued at equity					259	259
n	**Profit (loss) before tax (i±l±m)**	**4,865**	**1,304**	**(793)**		**132**	**5,508**
o	Taxes					(1,479)	(1,479)
p	**Result from operating activities (n±o)**	**4,865**	**1,304**	**(793)**		**(1,347)**	**4,029**
q	Net profit (loss) from assets held for sale					-	-
r	**Group net profit (loss) (p±q)**	**4,865**	**1,304**	**(793)**		**(1,347)**	**4,029**

	(Euro / 000)	Sensors	Automation components	Motion control	Eliminations	Not divided	30 June 2018
a	Revenues	32,483	20,234	20,522	(2,979)		70,260
b	Increases for internal work	183	230	208	-		621
c	Consumption of materials and products	7,613	7,136	12,364	(2,979)		24,134
d	Added value (a+b-c)	25,053	13,328	8,366		-	46,747
and	Other operating costs	5,763	3,145	3,465	-		12,373
f	Personnel costs	9,125	7,745	6,294	-		23,164
g	EBITDA (d-e-f)	10,165	2,438	(1,393)		-	11,210
h	Depreciation, amortisation and impairment	1,208	982	898	-		3,088
i	EBIT (g-h)	8,957	1,456	(2,291)		-	8,122
l	Gains (losses) from financial assets/liabilities					(410)	(410)
m	Gains (losses) from shareholdings valued at equity					(94)	(94)
n	Profit (loss) before tax (i±l±m)	8,957	1,456	(2,291)		(504)	7,618
o	Taxes					(2,682)	(2,682)
p	Result from operating activities (n±o)	8,957	1,456	(2,291)		(3,186)	4,936
q	Net profit (loss) from assets held for sale					(875)	(875)
r	Group net profit (loss) (p±q)	8,957	1,456	(2,291)		(4,061)	4,061

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

Statement of financial position figures by business area

(Euro / 000)	Sensors	Components	Motion control	Not divided	30 June 2019	Sensors	Components	Motion control	Not divided	31 December 2018
Intangible assets	7,913	2,346	2,800		13,059	7,408	2,341	2,627		12,376
Tangible assets	14,712	13,541	16,639		44,892	11,667	11,503	15,785		38,955
Other non-current assets				10,261	10,261				9,801	9,801
Net non-current assets	**22,625**	**15,887**	**19,439**	**10,261**	**68,212**	19,075	13,844	18,412	9,801	61,132
Inventories	6,792	5,550	14,460		26,802	6,040	4,014	12,924		22,978
Trade receivables	10,997	9,892	12,919		33,808	10,205	7,828	11,775		29,808
Trade payables	(7,899)	(8,646)	(9,559)		(26,104)	(6,780)	(5,827)	(8,124)		(20,731)
Other assets/liabilities	(3,529)	(2,924)	(2,438)	3,280	(5,611)	(3,803)	(3,020)	(2,311)	107	(9,027)
Working capital	**6,361**	**3,872**	**15,382**	**3,280**	**28,895**	5,662	2,995	14,264	107	23,028
Provisions for risks and future liabilities	(786)	(975)	(465)	(182)	(2,407)	(973)	(72)	(469)	(160)	(1,674)
Deferred tax provisions				(706)	(706)				(627)	(627)
Employee benefits	(1,270)	(2,030)	(1,652)		(4,952)	(1,247)	(1,742)	(1,535)		(4,524)
Invested capital from operations	**26,930**	**16,754**	**32,704**	**12,653**	89,042	22,517	15,025	30,672	9,121	77,335
Invested capital from assets held for sale	-	-	-	-	-	-	-	-	-	-
Net invested capital	**26,930**	**16,754**	**32,704**	**12,653**	**89,042**	22,517	15,025	30,672	9,121	77,335
Shareholders' equity				**72,116**	**72,116**				72,814	72,814
Non-current financial payables				26,130	26,130				11,864	11,864
Current financial payables				13,198	13,198				10,817	10,817
Financial payables for IFRS 16 leases (current and non-current)				2,535	2,535				-	-
Financial liabilities for derivatives (current and non-current)				300	300				28	28
Financial assets for derivatives (current and non-current)				(3)	(3)				(19)	(19)
Other non-current financial investments				(122)	(122)				(126)	(126)
Cash and cash equivalents and current financial receivables				(25,112)	(25,112)				(18,043)	(18,043)
Net debt relating to operations	-	-	-	**16,926**	**16,926**	-	-	-	4,521	4,521
Total sources of financing	-	-	-	**89,042**	**89,042**	-	-	-	77,335	77,335

Secondary segment - geographical region

Revenues by geographical region

(Euro / 000)	30 June 2019	30 June 2018	Change	%
Italy	22,874	21,363	1,511	7.1%
European Union	18,525	18,900	(375)	-2.0%
Europe non-EU	2,234	3,352	(1,118)	-33.4%
North America	9,407	7,284	2,123	29.1%
South America	2,224	2,025	199	9.8%
Asia	16,108	16,849	(741)	-4.4%
Rest of the World	394	282	112	39.7%
Total	**71,766**	**70,055**	**1,711**	**2.4%**

Investments by geographical region

(Euro / 000)	30 June 2019		30 June 2018	
	intangible assets and goodwill	tangible assets	intangible assets and goodwill	tangible assets
Italy	1,742	3,010	705	3,590
European Union	-	44	6	31
Europe non-EU	-	8	-	45
North America	-	3,591	-	35
South America	2	79	-	94
Asia	-	156	-	320
Rest of the World	-	-	-	-
Total	1,744	6,888	711	4,115

Non-current assets by geographical region

(Euro / 000)	30 June 2019	31 December 2018	Change	%
Italy	48,509	46,277	2,229	4.8%
European Union	2,892	2,295	597	26.0%
Europe non-EU	2,750	2,443	307	12.6%
North America	7,696	4,105	3,591	87.5%
South America	540	486	54	11.1%
Asia	5,950	5,652	298	5.3%
Rest of the World	-	-	-	n.s.
Total	**68,337**	**61,258**	**7,076**	**12%**

12. Goodwill

"*Goodwill*" totalled Euro 5,884 thousand as at 30 June 2019, an increase of 16 thousand Euro compared to 31 December 2018, entirely due to the effect of exchange rate differences, as shown below:

(Euro / 000)	31 December 2018	Increases	Decreases	Exchange rate differences	30 June 2019
Gefran France SA	1,310	-	-	-	1,310
Gefran India	40	-	-	1	41
Gefran Inc.	2,564	-	-	15	2,579
Sensormate AG	1,954	-	-	-	1,954
	5,868	-	-	16	5,884

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

The carrying values of goodwill are shown below.

(Euro / 000)	Year	Goodwill France	Goodwill India	Goodwill USA	Goodwill Switzerland	Total
Sensors	2019	1,310	-	2,579	1,954	5,843
	2018	1,310	-	2,564	1,954	5,828
Motion control	2019	-	41	-	-	41
	2018	-	40	-	-	40
Total	**2019**	**1,310**	**41**	**2,579**	**1,954**	**5,884**
	2018	**1,310**	**40**	**2,564**	**1,954**	**5,868**

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 possible impairment indicators and developing its evaluations, the Company's management took into account, among other things, the relation between the market capitalisation and carrying value of the Group's Shareholders' Equity.

As of 30 June 2019 there were no indicators of impairment, either internal or external.

13. Intangible assets

"Intangible assets" exclusively comprise assets with a finite life, and increased from 6,508 thousand Euro on 31 December 2018 to 7,175 thousand Euro on 30 June 2019. The changes during the period are shown below:

Historical cost	31 December 2018	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 June 2019
(Euro / 000)							
Development costs	17,871	-	-	-	-	-	17,871
Intellectual property rights	7,099	91	-	47	147	3	7,387
Assets in progress and payments on account	1,647	1,261	-	(156)	-	-	2,752
Other assets	9,634	392	-	124	111	4	10,265
Total	36,251	1,744	-	15	258	7	38,275

Accumulated amortisation	31 December 2018	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 June 2019
(Euro / 000)							
Development costs	15,019	687	-	-	-	-	15,706
Intellectual property rights	6,333	160	-	17	147	3	6,660
Other assets	8,391	238	-	-	104	1	8,734
Total	29,743	1,085	-	17	251	4	31,100

Net value	31 December 2018	30 June 2019	Change
(Euro / 000)			
Development costs	2,852	2,165	(687)
Intellectual property rights	766	727	(39)
Assets in progress and payments on account	1,647	2,752	1,105
Other assets	1,243	1,531	288
Total	6,508	7,175	667

This is the table of changes related to the first half of 2018:

Historical cost	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2018
(Euro / 000)						
Development costs	17,760	-	-	-	-	17,760
Intellectual property rights	6,787	112	(17)	73	(8)	6,947
Assets in progress and payments on account	372	566	-	(92)	1	847
Other assets	9,384	33	-	57	5	9,479
Total	34,303	711	(17)	38	(2)	35,033

Accumulated amortisation	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2018
(Euro / 000)						
Development costs	13,489	773	-	(13)	-	14,249
Intellectual property rights	6,032	159	(17)	-	(5)	6,169
Other assets	7,930	252	-	13	-	8,195
Total	27,451	1,184	(17)	-	(5)	28,613

Net value	31 December 2017	30 June 2018	Change
(Euro / 000)			
Development costs	4,271	3,511	(760)
Intellectual property rights	755	778	23
Assets in progress and payments on account	372	847	475
Other assets	1,454	1,284	(170)
Total	6,852	6,420	(432)

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

- 460 thousand Euro relating to new lines for mobile hydraulics, melt sensors, pressure transducers (KS) and contactless linear position transducers (MK–IK and RK);
- 980 thousand Euro for component lines for the new range of regulators and static units, GF Project VX, G Cube Performa and G Cube Fit;
- 725 thousand Euro relating to the new range of lift inverters.

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

Intellectual property rights exclusively comprise the costs incurred to purchase the company IT system management programs 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 include payments on account made to suppliers to purchase software programs and licences expected to be delivered during the next year, and purchase of patents for technologies currently being developed. This item also includes 2,446 thousand Euro in development costs, 737 thousand Euro of which pertain to the automation components business, 689 thousand Euro to the sensors business and 1,020 thousand Euro to the motion control business, the benefits of which will not be reflected in the income statement until subsequent years, which have not therefore been amortised.

The item **other assets** includes almost all the costs incurred by the 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. The increases in the historical cost in the first half of the year, totalling 392 thousand Euro, include entry of other intangible assets totalling 363 thousand Euro following the acquisition of Elettropiemme S.r.l. and the corresponding assessment of *Purchase Price Allocation* (PPA), as described in note *9 "Business combinations"*. These assets have a useful life of five years.

The increases in the historic value of *"Intangible assets"*, worth 1,744 thousand Euro in the first half of 2019, include 1,253 thousand Euro linked with capitalization of internal costs (equal to 481 thousand Euro in the same period in the previous year).

14. Property, plant, machinery and tools

"*Property, plant, equipment and tools*" increased from 38,955 thousand Euro on 31 December 2018 to 42,339 thousand Euro on 30 June 2019. The changes are shown in the table below:

Historical cost	31 December 2018	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 June 2019
(Euro / 000)							
Land	4,514	602	-	-	-	(3)	5,113
Industrial buildings	41,041	2,341	(1,531)	451	235	14	42,551
Plant and machinery	40,008	1,378	(343)	1,326	10	52	42,431
Industrial and commercial equipment	19,277	200	(118)	81	163	8	19,611
Other assets	6,958	262	(188)	33	325	17	7,407
Assets in progress and payments on account	2,131	2,105	-	(1,890)	-	1	2,347
Total	113,929	6,888	(2,180)	1	733	89	119,460

Accumulated depreciation	31 December 2018	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 June 2019
(Euro / 000)							
Industrial buildings	19,953	637	-	-	132	14	20,736
Plant and machinery	31,507	1,027	(341)	34	10	37	32,274
Industrial and commercial equipment	17,899	346	(117)	-	125	7	18,260
Other assets	5,615	206	(182)	(35)	234	13	5,851
Total	74,974	2,216	(640)	(1)	501	71	77,121

Net value	31 December 2018	30 June 2019	Change
(Euro / 000)			
Land	4,514	5,113	599
Industrial buildings	21,088	21,815	727
Plant and machinery	8,501	10,157	1,656
Industrial and commercial equipment	1,378	1,351	(27)
Other assets	1,343	1,556	213
Assets in progress and payments on account	2,131	2,347	216
Total	38,955	42,339	3,384

This is the table of changes related to the first half of 2018:

Historical cost	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2018
(Euro / 000)						
Land	4,503	-	-	-	7	4,510
Industrial buildings	39,541	877	-	24	20	40,462
Plant and machinery	37,825	850	(6)	1,074	48	39,791
Industrial and commercial equipment	19,764	278	(8)	178	8	20,220
Other assets	7,858	535	(55)	31	4	8,373
Assets in progress and payments on account	1,940	1,575	-	(1,345)	2	2,172
Total	111,431	4,115	(69)	(38)	89	115,528

Accumulated depreciation	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2018
(Euro / 000)						
Industrial buildings	19,000	470	-	-	(4)	19,466
Plant and machinery	31,463	889	(5)	-	51	32,398
Industrial and commercial equipment	18,443	382	(8)	-	10	18,827
Other assets	6,962	163	(51)	-	13	7,087
Total	75,868	1,904	(64)	-	70	77,778

Net value	31 December 2017	30 June 2018	Change
(Euro / 000)			
Land	4,503	4,510	7
Industrial buildings	20,541	20,996	455
Plant and machinery	6,362	7,393	1,031
Industrial and commercial equipment	1,321	1,393	72
Other assets	896	1,286	390
Assets in progress and payments on account	1,940	2,172	232
Total	35,563	37,750	2,187

It should be noted that during the first quarter of 2019 impairment was applied for losses in value on buildings totalling 1,531 thousand Euro, pertaining t a property belonging to the Parent Company which was demolished because it was incapable of guaranteeing sufficient technological and energy performance; a new building in the vanguard of technology will be completed by the end of 2019 to permit expansion of the production lines of the sensors business line. There was no impairment due to loss of value in the first half of 2018.

The change in the exchange rate had a positive impact of EUR 19 thousand. The addition to the Group of Elettropiemme S.r.l. leads to an increase in gross tangible assets of 733 thousand Euro (a net increase of 232 thousand Euro), as shown in the “Change scope of consolidation” column.

Moreover, particularly significant movements in the half concern:

- investment of Euro 2,028 thousand in production plant and equipment in the Group's Italian plants, and of Euro 93 thousand in other subsidiaries;
- investment in adaptation of the industrial buildings in the Group’s Italian plants totalling about 855 thousand Euro and 3,662 thousand Euro in foreign subsidiaries, primarily pertaining to the purchase of a new building in the US branch;
- investment in renewal of the pool of electronic office machines and IT systems 209.

The increases in the historic value of *“Buildings, plant and machinery and equipment”*, worth 6,888 thousand Euro in the first six months of 2019, include 10 thousand Euro linked with capitalization of internal costs (equal to 140 thousand Euro in the first half of 2018).

15. Usage rights

The item "*Usage rights*" refers to the recording of the value of the assets covered by the lease contracts, according to the accounting standard IFRS16. For further details on the method of application of the standard, reference should be made to the specific notes "*Application of the new IFRS 16 standard as of 1 January 2019*".

The value of "*Usage rights*" as of 30 June 2019 amounts to 2,553 thousand Euro, and shows the following changes:

Historical cost	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 June 2019
(Euro / 000)								
Real estate	-	1,121	-	-	-	557	(31)	1,647
Vehicles	-	1,011	298	(7)	-	-	(7)	1,295
Electronic office machines	-	-	-	-	-	-	-	-
Machinery and equipment	-	122	16	-	-	-	-	138
Total	-	2,254	314	(7)	-	557	(38)	3,080

Accumulated depreciation	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 June 2019
(Euro / 000)								
Real estate	-	-	273	-	-	-	1	274
Vehicles	-	-	227	(1)	-	-	-	226
Electronic office machines	-	-	-	-	-	-	-	-
Machinery and equipment	-	-	27	-	-	-	-	27
Total	-	-	527	(1)	-	-	1	527

Net value	31 December 2018	30 June 2019	Change
(Euro / 000)			
Real estate	-	1,373	1,373
Vehicles	-	1,069	1,069
Electronic office machines	-	-	-
Machinery and equipment	-	111	111
Total	-	2,553	2,553

16. Net working capital

Net working capital totals 34,506 thousand Euro, compared to 32,055 thousand Euro on 31 December 2018, and breaks down as follows:

(Euro / 000)	30 June 2019	31 December 2018	Change
Inventories	26,802	22,978	3,824
Trade receivables	33,808	29,808	4,000
Trade payables	(26,104)	(20,731)	(5,373)
Net amount	**34,506**	**32,055**	**2,451**

The value of **inventories** as of 30 June 2019 is equal to 26,802 thousand Euro, up by 3,824 thousand Euro over 31 December 2018.

The balance breaks down as follows:

(Euro / 000)	30 June 2019	31 December 2018	Change
Raw materials, consumables and supplies	15,259	13,648	1,611
provision for impairment of raw materials	*(3,207)*	*(2,903)*	(304)
Work in progress and semi-finished products	9,351	7,598	1,753
Provision for impairment of work in progress	*(929)*	*(710)*	(219)
Finished products and goods for resale	8,063	6,944	1,119
Provision for impairment of finished products	*(1,735)*	*(1,599)*	(136)
Total	**26,802**	**22,978**	**3,824**

The acquisition of Elettropiemme S.r.l., for a net value of EUR 1,065 thousand, consisting of gross inventories of 1,266 thousand Euro and the related provision for obsolescence and slow-moving stocks of 201 thousand Euro, contributes to the increase in inventories. If this effect is not taken into consideration, the increase in inventories amounts to 2,759 thousand Euro, attributable to increased raw material stocks and an increase in semi-products and finished products to better respond to customers' requirements.

Excluding the effect described above relating to the acquisition of Elettropiemme S.r.l., the economic impact of the increased inventories amounts to EUR 2,689 thousand, as the average exchange rate for the year is used for the economic recording of events.

The provision for obsolescence and slow moving inventories was adjusted according to need in the first half of 2019 through specific provisions totalling 667 thousand Euro (as compared to 1,355 thousand Euro in the same period in 2018). Movement in the provision in the first six months of 2019 is shown below:

(Euro / 000)	31 December 2018	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	30 June 2019
Provision for impairment of inventory	**5,212**	**667**	**(223)**	**-**	**201**	**14**	**5,871**

Changes in the provision at 30 June 2018 were by contrast as follows:

(Euro / 000)	31 December 2017	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	30 June 2018
Provision for impairment of inventory	**7,039**	**1,454**	**(174)**	**(99)**	**-**	**(22)**	**8,198**

Trade receivables amount to 33,808 thousand Euro, as compared to 29,808 thousand Euro as of 31 December 2018, an increase of 4,000 thousand Euro, including 1,758 thousand Euro attributable to the addition to the Group of Elettropiemme S.r.l.; the item may be broken down as follows:

(Euro / 000)	30 June 2019	31 December 2018	Change
Receivables from customers	36,238	32,214	4,024
Provision for doubtful receivables	*(2,430)*	*(2,406)*	(24)
Net amount	**33,808**	**29,808**	**4,000**

This includes receivables subject to recourse factoring which the Parent Company has transferred to a leading factoring company for a total amount of 18 thousand Euro (36 thousand Euro as of 31 December 2018).

Receivables were adjusted to their estimated realisable value through a specific provision for doubtful receivables, calculated on the basis of an examination of individual debtor positions and taking into account past experience in each specific line of business and geographical region, as required by IFRS 9. The provision as at 30 June 2019 represents a prudential estimate of the current risk, and registered the following changes:

(Euro / 000)	31 December 2018	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	30 June 2019
Provision for doubtful receivables	**2,406**	**66**	**(28)**	**(175)**	**149**	**12**	**2,430**

Changes in the provision at 30 June 2018 were by contrast as follows:

(Euro / 000)	31 December 2017	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	30 June 2018
Provision for doubtful receivables	**2,902**	**161**	**(279)**	**(312)**	**-**	**(27)**	**2,445**

The value of use of the fund includes amounts covering losses on unrecoverable receivables. The Group monitors the situation of the receivables most at risk and initiates 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**" came to 26,104 thousand Euro, compared with 20,731 thousand Euro as of 31 December 2018.

It breaks down as follows:

(Euro / 000)	30 June 2019	31 December 2018	Change
Payables to suppliers	21,832	16,793	5,039
Payables to suppliers for invoices to be received	3,758	3,544	214
Payments on account received from customers	514	394	120
Total	**26,104**	**20,731**	**5,373**

The increase in trade payables is attributable to investments in the first half of 2019 and the increase in materials for inventory, as well as the effect of acquisition of Elettropiemme S.r.l., as described above.

17. Net financial position

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

(Euro / 000)	30 June 2019	31 December 2018	Change
Cash and cash equivalents and current financial receivables	25,112	18,043	7,069
Financial investments for derivatives	3	19	(16)
Other non-current financial investments	122	126	(4)
Non-current financial payables	(26,130)	(11,864)	(14,266)
Non-current financial payables for IFRS 16 leases	(1,497)	-	(1,497)
Current financial payables	(13,198)	(10,817)	(2,381)
Current financial payables for IFRS 16 leases	(1,038)	-	(1,038)
Financial liabilities for derivatives	(300)	(28)	(272)
Total	**(16,926)**	**(4,521)**	**(12,405)**

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

(Euro / 000)	30 June 2019	31 December 2018	Change
A. Cash on hand	35	26	9
B. Cash in bank deposits	25,077	18,017	7,060
D. Cash and cash equivalents (A) + (B)	**25,112**	**18,043**	**7,069**
Current financial liabilities for derivatives	(21)	(28)	7
Current financial assets for derivatives	-	19	(19)
E. Fair value current hedging derivatives	(21)	(9)	(12)
F. Current portion of long-term debt	(11,004)	(7,069)	(3,935)
G. Other current financial payables	(3,232)	(3,748)	516
H. Total current financial payables (F+G)	**(14,236)**	**(10,817)**	**(3,419)**
I. Total current payables (E+H)	**(14,257)**	**(10,826)**	**(3,431)**
J. Net current financial debt (I) + (D)	**10,855**	**7,217**	**3,638**
Non-current financial liabilities for derivatives	(279)	-	(279)
Non-current financial investments for derivatives	3	-	3
K. Fair value non-current hedging derivatives	(276)	-	(276)
L. Non-current financial debt	(27,627)	(11,864)	(15,763)
M. Other non-current financial investments	122	126	(4)
N. Net non-current financial debt (K) + (L) + (M)	**(27,781)**	**(11,738)**	**(16,043)**
O. Net financial debt (J) + (N)	**(16,926)**	**(4,521)**	**(12,405)**
of which to minorities:	*(16,926)*	*(4,521)*	*(12,405)*

Net financial position as of 30 June 2019 is negative by 16,926 thousand Euro, which is 12,405 thousand Euro higher than at the end of 2018, when it was on the whole negative by 4,521 thousand Euro.

This change in net financial position was mainly due to positive cash flows from ordinary operations (5,293 thousand Euro), absorbed by technical investments in the period (8,269 thousand Euro), distribution of dividends (4,599 thousand Euro) the net effect of the acquisition of Elettropiemme S.r.l. (231 thousand Euro), and payment of taxes (336 thousand Euro); in addition, there was the negative effect of the application of IFRS 16, which led to a worsening of net financial position (2,535 thousand Euro).

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

Cash and cash equivalents amounted to Euro 25,112 thousand at 30 June 2019, compared with Euro 18,043 thousand at 31 December 2018.

It breaks down as follows:

(Euro / 000)	**30 June 2019**	**31 December 2018**	**Change**
Cash in bank deposits	25,075	18,011	7,064
Cash	35	26	9
Other cash	2	6	(4)
Total	**25,112**	**18,043**	**7,069**

The technical forms used as at 30 June 2019 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 2019 increased by EUR 2,381 thousand compared with 2018, and breaks down as follows:

(Euro / 000)	**30 June 2019**	**31 December 2018**	**Change**
Current portion of debt	11,004	7,069	3,935
Current overdrafts	2,183	3,727	(1,544)
Factoring	11	21	(10)
Total	**13,198**	**10,817**	**2,381**

"Factoring", which decreased by 10 thousand Euro over the amount in 2018, comprises payables to factoring companies, for the payment extension period following the original maturity of payables with certain suppliers, for which the Parent Company has accepted non-recourse assignment.

Bank overdrafts at 30 June 2019 totalled 2,183 thousand Euro, compared to a balance at 31 December 2018 of 3,727 thousand Euro. The item relates almost entirely to Gefran S.p.A. and its Chinese subsidiary, 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 0.5%-0.7% range.

Non-current financial payables break down as follows:

Bank *(Euro/000)*	30 June 2019	31 December 2018	Change
Banca Pop. Emilia Romagna	-	255	(255)
Mediocredito	-	1,000	(1,000)
Unicredit	3,000	3,600	(600)
BNL	2,500	3,000	(500)
Banca Pop. Emilia Romagna	3,510	4,009	(499)
Mediocredito	7,778	-	7,778
BNL	8,000	-	8,000
Intesa	170	-	170
Unicredit S.p.A. - New York Branch	1,172	-	1,172
Total	**26,130**	**11,864**	**14,266**

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

Bank *(Euro / 000)*	Amount disbursed	Signing date	Balance at 30 June 2019	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
drawn up by Gefran S.p.A. (IT)								
BNL	3,000 Euro	19/12/2014	333	333	-	Euribor 6m + 1.35%	18/12/2019	half-yearly
Banca Pop. Emilia Romagna	4,000 Euro	06/08/2015	765	765	-	Euribor 3m + 1.25%	03/02/2020	quarterly
Mediocredito	10,000 Euro	07/08/2015	2,000	2,000	-	Euribor 3m + 1.35%	30/06/2020	quarterly
Unicredit	6,000 Euro	14/11/2017	4,200	1,200	3,000	Euribor 3m + 0.90%	30/11/2022	quarterly
BNL	5,000 Euro	23/11/2017	3,500	1,000	2,500	Euribor 3m + 0.85%	23/11/2022	quarterly
Banca Pop. Emilia Romagna	5,000 Euro	28/11/2018	4,505	995	3,510	Euribor 3m + 0.75%	30/11/2023	quarterly
Mediocredito	10,000 Euro	28/03/2019	10,000	2,222	7,778	Euribor 3m + 1.05%	31/12/2023	quarterly
BNL	10,000 Euro	29/04/2019	10,000	2,000	8,000	Euribor 3m + 1%	29/04/2024	quarterly
entered into by Elettropiemme S.r.l. (IT)								
Intesa	200 Euro	23/09/2015	13	13	-	Euribor 3m + 3.00%	23/09/2019	quarterly
Intesa	300 Euro	29/01/2018	207	37	170	Euribor 3m + 1.00%	28/01/2022	quarterly
entered into by Gefran Inc. (US)								
Unicredit S.p.A. - New York Branch	1,780 Euro	29/03/2019	1,611	439	1,172	Libor 3m + 2.50%	29/03/2022	quarterly
Total			**37,134**	**11,004**	**26,130**			

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

a) the 3,000 thousand Euro BNL loan taken out on 19 December 2014 and falling due in 2019 is subject to two financial covenants:

- consolidated net financial debt to shareholders’ equity ratio of ≤ 0.7;
- Shareholders' Equity and Total Consolidated Assets > 30%.

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

b) the Banca Popolare Emilia Romagna loan of 4,000 thousand Euro, 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.

c) the Mediocredito loan of 10,000 thousand Euro, 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 releasing new real guarantees and conducting extraordinary transactions.

The Administration, Finance and Control Director is responsible for checking these contractual restrictions every quarter: the ratios calculated on the data at 30 June 2019 are fully observed and the loans have been distributed in the table of the maturities according to the forms originally envisaged by the agreements.

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 investments for derivatives totalled 3 thousand Euro at 30 June 2019 and consist of the positive fair value recorded at the year-end of certain CAP contracts entered into by the Parent Company to hedge interest rate risks. **Financial liabilities for derivatives** totalled 300 thousand Euro, 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 2019	Derivative	Fair Value at 30 June 2019	Long position rate	Short position rate
BNL	3,000 Euro	19/12/2014	333	CAP	-	Strike Price 0.20%	Euribor 6m
Unicredit	6,000 Euro	14/11/2017	4,200	CAP	2	Strike Price 0%	Euribor 3m
BNL	5,000 Euro	23/11/2017	3,500	CAP	1	Strike Price 0%	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 2019	Derivative	Fair Value at 30 June 2019	Long position rate	Short position rate
Banca Pop. Emilia Romagna	4,000 Euro	01/10/2015	765	IRS + Floor	(11)	Fixed 0.15%	Euribor 3m
Intesa	10,000 Euro	05/10/2015	2,000	IRS	(10)	Fixed 0.16%	Euribor 3m
Intesa	10,000 Euro	29/03/2019	10,000	IRS	(113)	Fixed 0%	Euribor 3m
BNL	10,000 Euro	29/04/2019	10,000	IRS	(115)	Fixed 0.05%	Euribor 3m
Unicredit	5,000 Euro	24/06/2019	4,505	IRS	(51)	Fixed -0.1%	Euribor 3m
Total financial liabilities for derivatives – interest rate risk					**(300)**		

At 30 June 2019, no derivatives have been taken out to hedge exchange rate risk.

All the contracts described above are booked at fair value:

(Euro / 000)	at 30 June 2019 Positive fair value	at 30 June 2019 Negative fair value	at 31 December 2018 Positive fair value	at 31 December 2018 Negative fair value
Interest rate risk	3	(300)	19	(28)
Total cash flow hedge	**3**	**(300)**	**19**	**(28)**

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 invoice factoring credit lines, cash flexibility and mixed credit lines for a total of 39,478 thousand Euro. Overall use of these lines at 30 June 2019 totalled 2,043 thousand Euro, with a residual available amount of 37,435 thousand Euro.

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

The balance of **Financial payables for IFRS 16 leases (current and non-current)** at 30 June 2019 amounted to 2,535 thousand Euro and complies with the IFRS16, applied by the Group from 1 January 2019, which requires the recording of financial payables corresponding to the value of the usage rights recorded under non-current assets. Financial liabilities under IFRS 16 leases are classified on the basis of maturity as current liabilities (within one year), amounting to 1,038 thousand Euro, and non-current liabilities (beyond one year), amounting to 1,497 thousand Euro. Changes in this item are detailed below:

(Euro / 000)	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 June 2019
Financial payables due to leases under IFRS 16	**-**	**2,254**	**332**	**(570)**	**-**	**557**	**(38)**	**2,535**

18. Shareholders’ equity

Consolidated *“Shareholders’ equity”* breaks down as follows:

(Euro / 000)	30 June 2019	31 December 2018	Change
Portion pertaining to the Group	72,116	72,814	(698)
Portion pertaining to third-party interests	-	-	-
Net amount	**72,116**	**72,814**	**(698)**

The Group’s share of shareholders’ equity as of 30 June 2019 is 72,116 thousand Euro, down 698 thousand Euro since 31 December 2018. The change was primarily a result of the net profit for the period, totalling 4,029 thousand Euro, absorbed by distribution of 4,599 thousand Euro in dividends in May 2019.

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

As of 31 December 2018 Gefran S.p.A. held 27,220 shares, representing 0.2% of the total number; the situation is unchanged as of 30 June 2019. The Company has not issued convertible bonds.

For details on the changes in equity reserves during the year, see the schedule showing changes in shareholders' equity.

Changes in the “Fair value measurement reserve” are shown in the table below:

(Euro / 000)	30 June 2019	31 December 2018	Change
Balance at 1 January	(15)	198	(213)
UBI Banca S.p.A. shares	(2)	(18)	16
Woojin Plaimm Co Ltd shares	(37)	(198)	161
Tax effect	7	3	4
Net amount	**(47)**	**(15)**	**(32)**

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

(Euro / 000)	30 June 2019	31 December 2018	Change
Balance at 1 January	3	(9)	12
Change in fair value of derivatives	(291)	15	(306)
Tax effect	69	(3)	72
Net amount	**(219)**	**3**	**(222)**

19. Earnings per share

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

	30 June 2019	30 June 2018
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group *(Euro/000)*	4,029	4,061
- Average No. of ordinary shares *(No./000,000)*	14.37	14.40
- Basic earnings per ordinary share	0.280	0.282
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group *(Euro/000)*	4,029	4,061
- Average no. of ordinary shares *(no./000,000)*	14.37	14.40
- Basic earnings per ordinary share	0.280	0.282
Average number of ordinary shares	**14,372,780**	**14,400,000**

20. Current and non-current provisions

"Non-current provisions" registered an increase of 667 thousand Euro over 31 December 2018, primarily as a result of the addition of Elettropiemme S.r.l. to the Group. Movements may be broken down as follows:

(Euro / 000)	31 December 2018	Provisions	Uses	Releases	Change in scope of consolidation	Exchange rate differences	30 June 2019
Gefran S.p.A. risk provisions							
- other provisions	85	-	(3)	(72)	-	-	10
Gefran France risk provisions							
- for restructuring	64	34	(59)	-	-	-	39
Gefran GmbH risk provisions							
- for restructuring	-	84	(32)	-	-	-	52
Sensormate risk provisions							
- for restructuring	101	-	(101)	-	-	-	-
Gefran Elettropiemme S.r.l. risk provision							
- other provisions	-	-	(9)	-	825	-	816
Gefran Drives and Motion S.r.l. risk provision							
- for legal disputes	-	24	(24)	-	-	-	-
Total	**250**	**142**	**(228)**	**(72)**	**825**	**-**	**917**

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.

The balance of *"Current provisions"* was 1,490 thousand Euro as of 30 June 2019, up by 66 thousand Euro compared with 31 December 2018, and may be broken down as follows:

(Euro / 000)	31 December 2018	Provisions	Uses	Releases	Change in scope of consolidation	Exchange rate differences	30 June 2019
FISC	69	10	-	-		-	79
Product warranty	1,330	186	(134)	-		4	1,386
Other provisions	25	-	-	-		-	25
Total	**1,424**	**196**	**(134)**	**0**	**0**	**4**	**1,490**

The item *"Product warranty"*, worth 1,386 thousand Euro, represents the expected cost of repairs to products under warranty, up 56 thousand Euro over 31 December 2018; at the end of the period the congruity of this provision was checked with positive results.

The item *"FISC"* primarily includes existing contractual treatments by the German susbidiary Siei Areg.

21. Revenues from product sales

"Revenues from product sales" in the first half of 2019 amount to 71,766 thousand Euro, up 1,711 thousand over the first six months of 2018. The following table provides a breakdown of sales and service revenues by business:

(Euro / 000)	30 June 2019	30 June 2018	Change	%
Sensors	30,725	32,221	(1,496)	-4.6%
Automation components	19,691	17,634	2,057	11.7%
Motion control	21,350	20,200	1,150	5.7%
Total	**71,766**	**70,055**	**1,711**	**2.4%**

The amount shown under total revenues includes revenues from services totalling 1,849 thousand Euro (1,673 thousand Euro in the first half of 2018); see the Report on Operations for comments on the performance of the various businesses and geographical regions.

22. Other operating revenues and income

"Other operating revenues and income" total Euro 333 thousand, as compared with revenues of 205 thousand Euro in the first half of 2018, as shown in the following table:

(Euro / 000)	30 June 2019	30 June 2018	Change	%
Recovery of company canteen expenses	20	19	1	5.3%
Insurance reimbursements	1	19	(18)	n.s.
Rental income	125	21	104	n.s.
Fees	1	0	1	n.s.
Government grants	55	33	22	66.7%
Other income	131	113	18	15.9%
Total	**333**	**205**	**128**	**62%**

The most significant changes involve the Parent Company's *"Rental income"*, 104 thousand Euro higher.

23. Costs of raw materials and accessories

"Costs of raw materials and accessories" came to Euro 28,032 thousand, compared with Euro 27,381 thousand at 30 June 2018. They break down as:

(Euro / 000)	30 June 2019	30 June 2018	Change
Raw materials and accessories	28,032	27,381	651

24. Service costs

"Service costs" amount to 12,156 thousand Euro, largely aligned with the figure for the first half of 2018, when they amounted to 12,110 thousand Euro.

They are broken down as follows:

(Euro / 000)	30 June 2019	30 June 2018	Change
Services	11,646	11,153	493
Use of third-party assets	510	957	(447)
Total	**12,156**	**12,110**	**46**

It should be noted that the reduction in costs for the use of third-party assets was due to the application of IFRS 16. For further details on the method of application of the standard, reference should be made to the specific notes "*Application of the new IFRS 16 standard as of 1 January 2019*".

25. Personnel costs

"Personnel costs" totalled Euro 25,607 thousand, up Euro 2,443 thousand compared to 30 June 2018, and are broken down as follows:

(Euro / 000)	30 June 2019	30 June 2018	Change
Salaries and wages	19,367	17,689	1,678
Social security contributions	4,841	4,336	505
Post-employment benefit reserve	1,180	986	194
Other costs	219	153	66
Total	**25,607**	**23,164**	**2,443**

The increase is attributable to the arrival of new Group employees and the addition to the Group of Elettropiemme S.r.l., which had 41 employees at the time of purchase (43 as of 30 June 2019).

"Social security contributions" include costs for defined contribution plans for management (Previndai pension plan) amounting to 25 thousand Euro (26 thousand Euro at 30 June 2018).

The item *"Other costs"*, up by 66 thousand Euro, includes, among other items, restructuring costs resulting from reorganisation of the Group's subsidiaries.

The average number of Group employees in the first half is shown below:

	30 June 2019	30 June 2018	Change
Managers	16	16	-
Clerical staff	514	481	33
Manual workers	270	249	21
Total	**800**	**746**	**54**

The average number of employees grew by 54 over the first half of 2018; the precise number at 30 June 2019 was 828, an increase of 57 over 31 December 2018 and 66 compared to 31 March 2018.

26. Depreciation, amortisation and impairment

This item totals 6,359 thousand Euro, as compared to 3,088 thousand Euro for the first six months of 2018. These items include:

(Euro / 000)	30 June 2019	30 June 2018	Change
Intangible assets	1,085	1,184	(99)
Tangible assets	3,747	1,904	1,843
Usage rights	527	-	527
Total	5,359	3,088	2,271

The change mainly relates to the adjustment to the fair value of buildings made during the first half of 2019, of 1,531 thousand Euro, entirely allocated to the sensors business.
The investment plan in the sensors business line includes expansion of production lines and requires large new spaces to support the expansion of business. The Group originally planned to adapt an existing building, but in-depth analysis revealed that the building was incapable of guaranteeing sufficient technological and energy performance and long-term sustainability. It was therefore decided that the existing building would be demolished and a new one constructed that would be more practical and, above-all, in the vanguard in terms of technology and energy efficiency. The work will be completed by the end of the current year, with the goal of being fully operational by the beginning of 2020.

Also, from 1 January 2019 depreciation/amortisation linked with usage rights, totalling 527 thousand Euro, was recorded in accordance with IFRS 16. For further details on the method of application of the standard, reference should be made to the specific notes "*Application of the new IFRS 16 standard as of 1 January 2019*".

The breakdown of the item *"Depreciation, amortisation and impairment"* by business line is shown in the table below:

(Euro / 000)	30 June 2019	30 June 2018	Change
Sensors	3,080	1,208	1,872
Automation components	1,219	982	237
Motion control	1,060	898	162
Total	5,359	3,088	2,271

27. Gains (losses) from financial assets/liabilities

The item had a negative balance of 127 thousand Euro, compared with a negative balance of 410 thousand Euro in the first six months of 2018.

They break down as:

(Euro / 000)	**30 June 2019**	**30 June 2018**	**Change**
Cash management			
Income from cash management	20	21	(1)
Other financial income	24	102	(78)
Medium-/long-term interest	(106)	(127)	21
Short-term interest	(46)	(8)	(38)
Factoring interest and fees	(21)	1	(22)
Other financial charges	(28)	(91)	63
Total income (charges) from cash management	**(157)**	**(102)**	**(55)**
Currency transactions			
Exchange gains	133	171	(38)
Positive currency valuation differences	308	308	-
Exchange losses	(185)	(411)	226
Negative currency valuation differences	(208)	(376)	168
Total other income (charges) from currency transactions	**48**	**(308)**	**356**
Other			
Interest on financial payables due to leasing under IFRS 16	(18)	-	(18)
Total other financial income (charges)	**(18)**	**-**	**(18)**
Gains (losses) from financial assets/liabilities	**(127)**	**(410)**	**283**

The item *"Cost of cash management"* decreased by a total of 55 thousand Euro over 30 June 2018 as a result of the drop in other financial income and reduction of financial interest payable resulting from shrinkage of average spreads on loans.

The balance of the differences on the currency transactions has a positive value of 48 thousand Euro, compared with a negative value of 308 thousand Euro recorded on 30 June 2018. The change is a result of the dynamics of the Euro in relation to the principal sensitive currencies used by the Group.

28. Income tax, deferred tax assets and deferred tax liabilities

The "Taxes" item was negative by 1,479 thousand Euro; this compares with a negative balance of 2,343 thousand Euro in the first half of 2018, and breaks down as follows:

(Euro / 000)	30 June 2019	30 June 2018	Change
Current taxes			
IRES (corporate income tax)	(243)	(383)	140
IRAP (regional production tax)	(207)	(307)	100
Foreign taxes	(565)	(900)	335
Total current taxes	**(1,015)**	**(1,590)**	**575**
Deferred tax assets and liabilities			
Deferred tax liabilities	(75)	26	(101)
Deferred tax assets	(389)	(779)	390
Total deferred tax assets and liabilities	**(464)**	**(753)**	**289**
Total taxes	**(1,479)**	**(2,343)**	**864**
of which:			
Allocated to assets held for sale	-	339	(339)
Relating to the operative part	(1,479)	(2,682)	1,203
Total taxes	**(1,479)**	**(2,343)**	**864**

Current taxes for the first half of 2019 were on the whole down by 575 thousand Euro compared to the same period in the previous year. The change is attributable to a decrease in the economic results of the Parent Company and its subsidiaries.

Deferred taxes, which were on the whole negative by 464 thousand Euro, originated with use of deferred tax assets entered among the Parent Company's previous fiscal losses.

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

The table below shows a breakdown of deferred tax assets and deferred tax liabilities for the first half of 2019:

(Euro / 000)	31 December 2018	Posted to the income statement	Recognised in shareholders' equity	Change scope of consolidation	Exchange rate differences	30 June 2019
Deferred tax assets						
Devaluation of inventories	1,120	121	-	-	2	1,243
Impairment of trade receivables	359	(23)	-	-	1	337
Impairment of assets	535	-	-	-	-	535
Deductible losses to be brought forward	3,845	(655)	-	536	10	3,736
Exchange rate balance	4	(4)	-	-	-	-
Elimination of unrealised margins on inventories	518	142	-	-	-	660
Provision for product warranty risk	282	20	-	-	-	302
Provision for miscellaneous risks	247	10	(2)	-	-	255
Fair value hedging	2	-	77	-	-	79
Total deferred tax assets	6,912	(389)	75	536	13	7,147
Deferred tax liabilities						
Exchange valuation differences	(4)	8	(1)	-	-	3
Other deferred tax liabilities	(623)	(83)	-	-	(3)	(709)
Total deferred tax liabilities	(627)	(75)	(1)	-	(3)	(706)
Net total	6,285	(464)	74	536	10	6,441

The table below shows a breakdown of deferred tax assets and deferred tax liabilities for the first half of 2018:

(Euro / 000)	31 December 2017	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	30 June 2018
Deferred tax assets					
Impairment of inventories	1,436	363	-	4	1,803
Impairment of trade receivables	417	(68)	-	1	350
Impairment of assets	535	-	-	-	535
Deductible losses to be brought forward	5,091	(1,158)	-	12	3,945
Exchange rate balance	-	9	-	-	9
Elimination of unrealised margins on inventories	444	57	-	-	501
Provision for product warranty risk	285	33	-	-	318
Provision for miscellaneous risks	356	(15)	-	-	341
Fair value hedging	3	-	(3)	-	-
Total deferred tax assets	8,567	(779)	(3)	17	7,802
Deferred tax liabilities					
Exchange valuation differences	(10)	10	-	-	-
Other deferred tax liabilities	(637)	16	2	(13)	(632)
Total deferred taxes	(647)	26	2	(13)	(632)
Net total	7,920	(753)	(1)	4	7,170

29. Guarantees granted, commitments and other contingent liabilities

29.1. Guarantees granted

At 30 June 2019, the Group had granted guarantees on payables or commitments of third parties or subsidiaries totalling 5,660 thousand Euro, down from the figure for 31 December 2018, as summarised in the table below:

(Euro / 000)	30 June 2019	31 December 2018
Ubi Leasing	-	5,918
Banca Intesa	1,100	1,100
Banca Passadore	2,750	2,750
Banco di Brescia	790	790
Banca Pop. Emilia Romagna	1,020	1,020
Total	5,660	11,578

In the first half of 2019 the guarantee in favour of UBI leasing which was in effect on 31 December 2018, worth a total of 5,918 thousand Euro, to guarantee financial requirements for construction of photovoltaic systems by BS Energia 2 S.r.l., was revoked. In view of revocation of this guarantee, a pledge was granted on the company's shares.

The sureties issued to Banca Passadore and Banco di Brescia both cover the credit facilities of Ensun S.r.l. The residual liability at 30 June 2019 guaranteed by the Banca Passadore surety amounts to 750 thousand Euro (2,150 thousand Euro as of 31 December 2018).

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

The guarantee released in favour of Banca Popolare Emilia Romagna with an 18-month term, worth 1,020 thousand Euro, guarantees Gefran Drives and Motion S.r.l.'s lines of credit.

29.2. 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.

29.3. Commitments

The principal contracts in effect concern rental of real estate, electronic machinery and company vehicles. As of the date of this report, the amount of commitments for the Group's outstanding fees payable under these contracts totals 1,341 thousand Euro, all falling due within the next five years, pertaining to contracts not falling within the perimeter of application of IFRS 16.

30. Dealings with related parties

In accordance with IAS 24, information relating to the Group's dealings with related parties for the first half of 2019 and the same period of the previous year is provided below.

In compliance with Consob resolution no. 17221 of 12 March 2010, the Gefran S.p.A. Board of Directors of Gefran S.p.A. has adopted the Regulations governing transactions with related parties, the current version of which was approved on 3 August 2017 and may be consulted online at https://www.gefran.com/it/governance , in the "Governance" area.

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. There were no atypical or unusual transactions.

Noting that the economic and equity effects of consolidated infragroup transactions are eliminated in the consolidation process, the most significant dealings with related parties are listed below. These dealings have no material impact on the Group's economic and financial structure. They are summarised in the following tables:

(Euro / 000)	Elettropiemme S.r.l.	Climat S.r.l.	Total
Revenues from product sales			
2018	43	-	43
2019	-	-	-
Service costs			
2018	(25)	(96)	(121)
2019	-	(81)	(81)

(Euro / 000)	Elettropiemme S.r.l.	Climat S.r.l.	Total
Property, plant, machinery and tools			
2018	-	919	919
2019	-	368	368
Trade receivables			
2018	-	-	-
2019	-	-	-
Trade payables			
2018	19	294	313
2019	-	344	344

(*) Elettropieme S.r.l. joined the Gefran Group on 23.01.2019 as a subsidiary of Gefran Soluzioni S.r.l.; only items pertaining to the first half of 2018 are therefore shown.

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

In relations with its subsidiaries, the Parent Company Gefran S.p.A. has provided technical and administrative/management services and paid royalties on behalf of the Group's operative subsidiaries totalling 1.8 million Euro under specific contracts (1.3 million Euro as of 30 June 2018).

Gefran S.p.A. 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.

Persons of strategic importance have been identified as members of the executive Board of Directors of Gefran S.p.A. and of other Group companies, as well as executives with strategic responsibilities, generally identified as the General Manager of the sensors and components Business Unit and the Group's CFO.

Provaglio d'Iseo, 06 August 2019

For the Board of Directors

Chairman	Chief Executive Officer
Maria Chiara Franceschetti	**Alberto Bartoli**

ANNEXES

1. Consolidated income statement by quarter

	(Euro / 000)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	TOT 2018	Q1 2019	Q2 2019	TOT 2019
a	Revenues	34,717	35,543	30,820	34,491	**135,571**	35,973	36,126	**72,099**
b	Increases for internal work	365	256	278	526	**1,425**	635	628	**1,263**
c	Consumption of materials and products	11,505	12,629	10,523	12,585	**47,242**	12,207	12,908	**25,115**
d	Added value (a+b-c)	23,577	23,170	20,575	22,432	**89,754**	24,401	23,846	**48,247**
and	Other operating costs	6,065	6,308	5,587	5,839	**23,799**	5,753	6,152	**11,905**
f	Personnel costs	11,735	11,429	10,769	11,964	**45,897**	12,379	13,228	**25,607**
g	EBITDA (d-e-f)	5,777	5,433	4,219	4,629	**20,058**	6,269	4,466	**10,735**
h	Depreciation, amortisation and impairment	1,526	1,562	1,613	1,614	**6,315**	3,291	2,068	**5,359**
i	EBIT (g-h)	4,251	3,871	2,606	3,015	**13,743**	2,978	2,398	**5,376**
l	Gains (losses) from financial assets/liabilities	(319)	(91)	(419)	328	**(501)**	175	(302)	**(127)**
m	Gains (losses) from shareholdings valued at equity	(37)	(57)	49	(10)	**(55)**	242	17	**259**
n	Profit (loss) before tax (i±l±m)	3,895	3,723	2,236	3,333	**13,187**	3,395	2,113	**5,508**
o	Taxes	(1,285)	(1,397)	(853)	(626)	**(4,161)**	(847)	(632)	**(1,479)**
p	Result from operating activities (n±o)	2,610	2,326	1,383	2,707	**9,026**	2,548	1,481	**4,029**
q	Net profit (loss) from assets held for sale	(414)	(461)	0	0	**(875)**	0	0	**0**
r	Group net profit (loss) (p±q)	2,196	1,865	1,383	2,707	**8,151**	2,548	1,481	**4,029**

2. Exchange rates used to translate the financial statements of foreign companies

End-of-period exchange rates

Currency	30 June 2019	31 December 2018
Swiss franc	1.1105	1.1269
Pound sterling	0.8966	0.8945
US dollar	1.1380	1.1450
Brazilian real	4.3511	4.4440
Chinese renminbi	7.8185	7.8751
Indian rupee	78.5240	79.7298
Turkish lira	6.5655	6.0588

Average exchange rates in the period

Currency	2019	2018	2Q 2019	2Q 2018
Swiss franc	1.1294	1.1549	1.1264	1.1744
Pound sterling	0.8736	0.8848	0.8749	0.8761
US dollar	1.1298	1.1815	1.1239	1.1922
Brazilian real	4.3407	4.3087	4.4046	4.2925
Chinese renminbi	7.6670	7.8074	7.6721	7.6050
Indian rupee	79.1182	80.7277	78.1634	79.8680
Turkish lira	6.3543	5.6986	6.6007	5.2192

3. List of companies included in the scope of consolidation

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Gefran UK Ltd	Warrington	UK	GBP	4,096,000	Gefran S.p.A.	100.00
Gefran Deutschland GmbH	Seligenstadt	Germany	Euro	365,000	Gefran S.p.A.	100.00
Siei Areg GmbH	Pleidelsheim	Germany	Euro	150,000	Gefran S.p.A.	100.00
Gefran France S.A.	Saint-Priest	France	Euro	800,000	Gefran S.p.A.	99.99
Gefran Benelux NV	Geel	Belgium	Euro	344,000	Gefran S.p.A.	100.00
Gefran Inc.	Winchester	US	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Elettroel. Ltda	Sao Paolo	Brazil	BRL	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	Euro	3,359,369	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Pte Ltd	Shanghai	China (PRC)	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric Pte Ltd	Shanghai	China (PRC)	RMB	1,005,625	Gefran Siei Asia	100.00
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	Euro	100,000	Gefran S.p.A.	100.00
Gefran Drives and Motion S.r.l.	Gerenzano	Italy	Euro	10,000	Gefran S.p.A.	100.00
Elettropiemme S.r.l.	Trento	Italy	Euro	70,000	Gefran Soluzioni S.r.l.	100.00

4. List of companies consolidated at equity

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Ensun S.r.l.	Brescia	Italy	Euro	30,000	Gefran S.p.A.	50
BS Energia 2 S.r.l.	Rodengo Saiano	Italy	Euro	1,000,000	Ensun S.r.l.	50
Axel S.r.l.	Dandolo	Italy	Euro	26,008	Gefran S.p.A.	15

5. List of other subsidiaries

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Colombera S.p.A.	Iseo	Italy	Euro	8,098,958	Gefran S.p.A.	16.56
Woojin Plaimm Co Ltd	Seoul	South Korea	KRW	3,200,000,000	Gefran S.p.A.	2.00
UBI Banca S.p.A.	Bergamo	Italy	Euro	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

The undersigned **Alberto Bartoli**, in his capacity as Chief Executive Officer, and **Fausta Coffano**, in her capacity as Executive in charge of financial reporting of Gefran S.p.A. hereby certify, with due regard for the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree 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 2019.

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, 06 August 2019

Legal Representative and Chief Executive Director	Executive in charge of financial reporting
Alberto Bartoli	***Fausta Coffano***

EXTERNAL AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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 2019, 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 2019 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, 7 August 2019

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