GEFRAN

BEYOND TECHNOLOGY

GEFRAN GROUP HALF-YEARLY FINANCIAL REPORT

AT 30 June 2020

SUMMARY

CORPORATE BODIES

Board of Directors

Honorary Chairman	Ennio Franceschetti
Chairman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairman	Giovanna Franceschetti
Chief Executive Officer	Marcello Perini
Director	Daniele Piccolo (*)
Director	Monica Vecchiati (*)
Director	Cristina Mollis (*)
Director	Giorgio Metta (*)

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

Board of Statutory Auditors

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

Control and Risks Committee

- Monica Vecchiati
- Daniele Piccolo
- Giorgio Metta

Appointments and Remuneration Committee

- Daniele Piccolo
- Monica Vecchiati
- Cristina Mollis

Sustainability Committee

- Giovanna Franceschetti
- Marcello Perini
- Cristina Mollis

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.

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:** 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 investments for derivatives
  - Cash and cash equivalents and short-term financial receivables

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 2020		30 June 2019		2Q 2020		2Q 2019	
Revenues	62,735	100.0%	72,099	100.0%	31,309	100.0%	36,126	100.0%
EBITDA	7,336	11.7%	10,735	14.9%	4,109	13.1%	4,466	12.4%
EBIT	3,321	5.3%	5,376	7.5%	2,091	6.7%	2,398	6.6%
Profit (loss) before tax	2,214	3.5%	5,508	7.6%	1,649	5.3%	2,113	5.8%
Group net profit (loss)	1,139	1.8%	4,029	5.6%	1,060	3.4%	1,481	4.1%

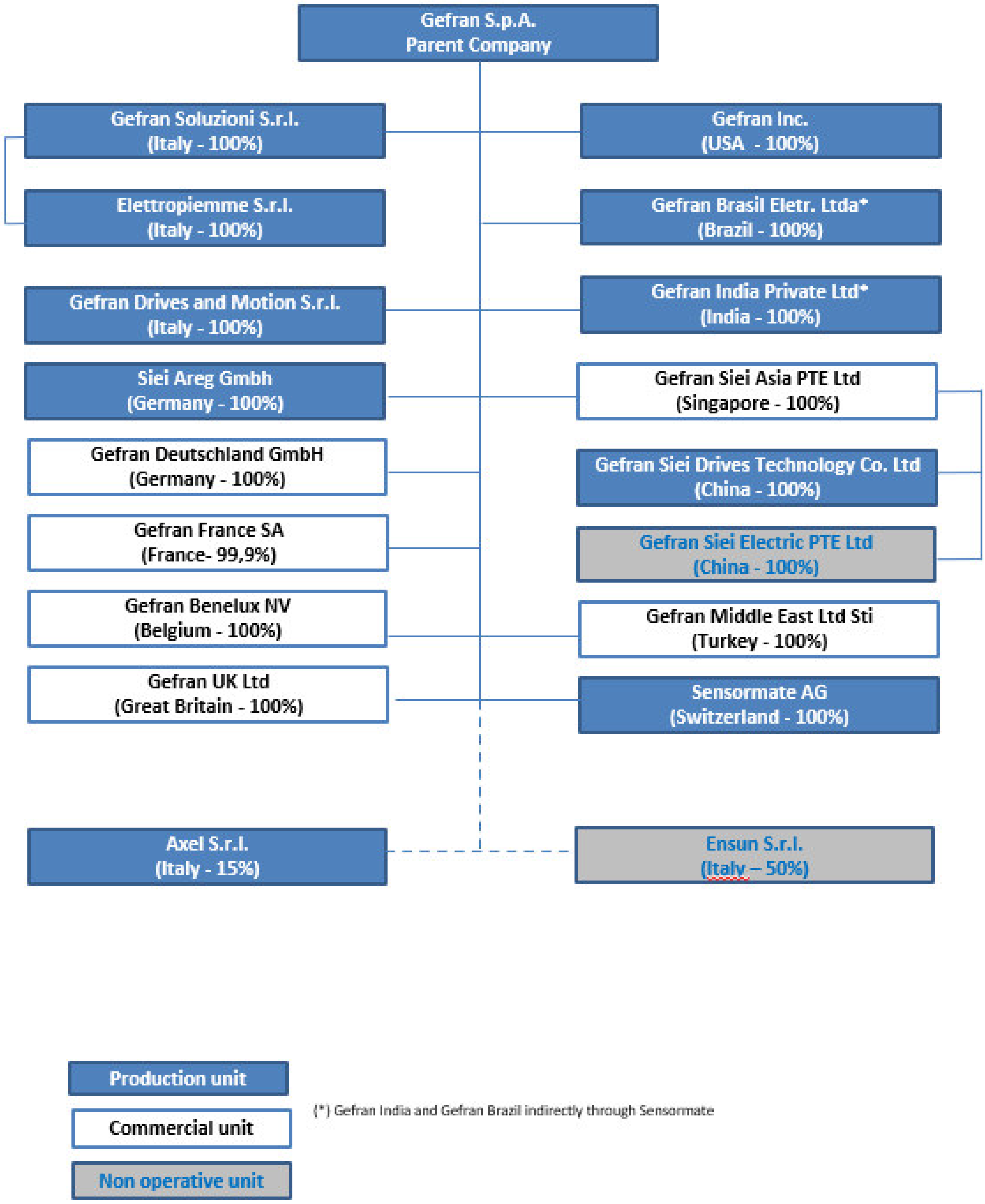
Group statement of financial position highlights

(Euro / 000)	30 June 2020	31 December 2019
Invested capital from operations	89,404	88,331
Net working capital	31,673	28,542
Shareholders' equity	75,845	75,044
Net financial position	(13,559)	(13,287)

(Euro / 000)	30 June 2020	30 June 2019
Operating cash flow	2,951	5,293
Investments	2,927	8,632

REPORT ON OPERATIONS

1. GEFRAN GROUP'S STRUCTURE



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 electronic 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 65% of its revenues abroad.

3. GEFRAN GROUP CONSOLIDATED RESULTS

3.1 CONSOLIDATED INCOME STATEMENT OF THE QUARTER

The following table shows the operating results for the second quarter 2020, reclassified and compared with those of the same previous period.

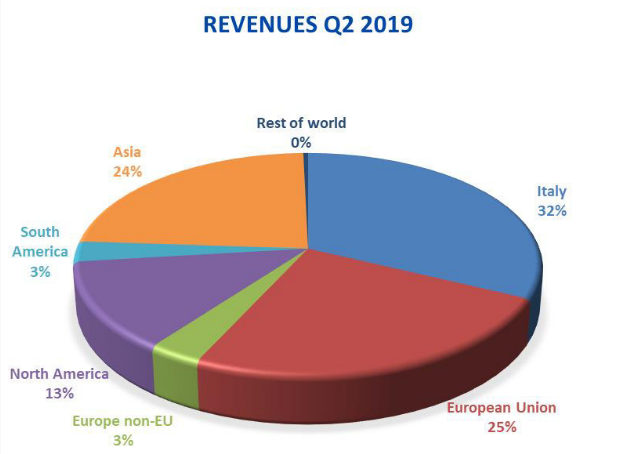
	(Euro / 000)	2Q 2020 Total	2Q 2019 Total	Changes 2020-2019 Value	%
a	Revenues	31,309	36,126	(4,817)	-13.3%
b	Increases for internal work	459	628	(169)	-26.9%
c	Consumption of materials and products	11,237	12,908	(1,671)	-12.9%
d	Added value (a+b-c)	20,531	23,846	(3,315)	-13.9%
e	Other operating costs	4,681	6,152	(1,471)	-23.9%
f	Personnel costs	11,741	13,228	(1,487)	-11.2%
g	EBITDA (d-e-f)	4,109	4,466	(357)	-8.0%
h	Depreciation, amortisation and impairment	2,018	2,068	(50)	-2.4%
i	EBIT (g-h)	2,091	2,398	(307)	-12.8%
l	Gains (losses) from financial assets/liabilities	(439)	(302)	(137)	-45.4%
m	Gains (losses) from shareholdings valued at equity	(3)	17	(20)	n.s.
n	Profit (loss) before tax (i±l±m)	1,649	2,113	(464)	-22.0%
o	Taxes	(589)	(632)	43	6.8%
p	Group net profit (loss)(n±o)	1,060	1,481	(421)	-28.4%

Revenues for the second quarter of 2020 were 31,309 thousand Euro, compared with 36,126 thousand Euro in the same period in the previous year, revealing a drop of 4,817 thousand Euro (-13.3%). As already noted in the first quarter of the year, also in the second quarter the spread of the Coronavirus limited the commercial activities of the Group, leading to a contraction in revenues that involved all the main international markets and extended to all the company's businesses.

The order portfolio for the second quarter of 2020 reveals shrinkage over the same period in 2019 (-15.6%). The motion control business unit registered good performance, collecting orders worth 876 thousand Euro more in the second quarter of 2020 than in the first quarter of the previous year.

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

(Euro / 000)	2Q 2020 value	 %	2Q 2019 value	 %	Changes 2020-2019 value	 %
Italy	10,069	32.2%	11,622	32.2%	(1,553)	-13.4%
European Union	7,366	23.5%	8,938	24.7%	(1,572)	-17.6%
Europe non-EU	1,119	3.6%	1,200	3.3%	(81)	-6.8%
North America	3,787	12.1%	4,654	12.9%	(867)	-18.6%
South America	579	1.8%	1,065	2.9%	(486)	-45.6%
Asia	8,268	26.4%	8,512	23.6%	(244)	-2.9%
Rest of the World	121	0.4%	135	0.4%	(14)	-10.4%
Total	**31,309**	**100%**	**36,126**	**100%**	**(4,817)**	**-13.3%**



The breakdown of revenues by **geographical region** for the second quarter reveals overall shrinkage in all the principal geographical regions in which the Group operates, and specifically: Italy (-13.4%), the European Union (-17.6%), and North and South America (-18.6% and -45.6%, respectively).

The table below shows the breakdown of revenues by business area in the second quarter of 2020 and a comparison with the same period of the previous year:

(Euro / 000)	2Q 2020		2Q 2019		Changes 2020-2019	
	value	%	value	%	value	%
Sensors	14,329	45.8%	15,744	43.6%	(1,415)	-9.0%
Automation components	9,371	29.9%	11,207	31.0%	(1,836)	-16.4%
Motion control	9,124	29.1%	10,626	29.4%	(1,502)	-14.1%
Eliminations	(1,515)	-4.8%	(1,451)	-4.0%	(64)	4.4%
Total	**31,309**	**100%**	**36,126**	**100%**	**(4,817)**	**-13.3%**

The breakdown of revenues by **business area** in the second quarter of 2020 reveals a drop in revenues over the second quarter of 2019 in all the sectors the Group works in: sales of motion control were down by 14.1%, while sales of automation components dropped 16.4%. Revenues from the sensors business were also down (-9%), with shrinkage in Italy, Europe and America, while sales of sensors in Asia increased in the second quarter of 2020 over the same period in the previous year.

Increases for internal work in the second quarter of 2020 amounted to 459 thousand Euro, as compared to 628 thousand Euro in the same period of 2019. This item represents the portion of development costs incurred in the period and capitalised.

Added value in the quarter amounted to 20,531 thousand Euro (23,846 thousand Euro in the second quarter 2019), corresponding to 65.6% of revenues, down -0.4% from the figure in same previous period. The drop in added value, totalling 3,315 thousand Euro, primarily reflects the lower volumes sold.

Other operating costs in the second quarter of 2020 amount to 4,681 thousand Euro, and are 1,471 thousand Euro lower in terms of absolute value than the figure for the same quarter of 2019, representing 15% of revenues (17% in the same quarter of 2019).

Personnel costs in the quarter totalled 11,741 thousand Euro (37.5% of revenues), as compared to 13,228 thousand Euro in the same period of the previous year (36.6% of revenues), a 1,487 thousand Euro drop.

EBITDA for the second quarter of 2020 was positive at 4,109 thousand Euro (4,466 thousand Euro in the same quarter of 2019), and amounted to 13.1% of revenues (12.4% of revenues in the second quarter 2019), a decrease of 357 thousand Euro in absolute value compared to the previous year.
The lower margin in the quarter is primarily a result of shrinkage of sales volumes, only partially offset by reduced operating costs.

The item **depreciation, amortisation and impairment** totalled 2,018 thousand Euro in the quarter, as compared with 2,068 thousand Euro in the same previous period, a 50 thousand Euro drop.

EBIT in the second quarter 2020 is positive at 2,091 thousand Euro (6.7% of revenues), as compared with an EBIT of 2,398 thousand Euro in the same period in 2019 (6.6% of revenues), a 307 thousand Euro drop. The change is linked to the same dynamics illustrated for EBITDA.

Charges from financial assets/liabilities in the second quarter of 2020 total 439 thousand Euro (as compared to 302 thousand Euro of charges in 2019), and include:

- financial income totalling 13 thousand Euro (24 thousand Euro in the second quarter of 2019);
- financial charges linked with the Group's indebtedness, totalling 126 thousand Euro, aligned with the figure of the second quarter 2019, when this item totalled 125 thousand Euro;
- negative result of differences in foreign currency transactions of Euro 315 thousand, as compared to a negative result of Euro 191 thousand in the second quarter of 2019. The change is primarily a result of the exchange rates in effect between the Euro, the Brazilian Real and the Indian Rupee;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 11 thousand Euro (10 thousand Euro in the second quarter of 2019).

Income from shareholdings valued at equity totals 3 thousand Euro, less than the same period in the previous year, when this item totalled 17 thousand Euro.

Taxes were, on the whole, negative for the amount of 589 thousand Euro (on the whole negative for the amount of 632 thousand Euro in the second quarter 2019). It may be broken down as follows:

- negative current taxes of 166 thousand Euro (negative by 363 thousand Euro in second quarter of 2019), linked to the economic results of Group companies in the period;
- deferred tax assets and liabilities, on the whole negative for the amount of 423 thousand Euro (negative for the amount of 269 thousand Euro in the second quarter 2019).

Group net profit in the second quarter of 2020 was 1,060 thousand Euro, compared with again a profit of 1,481 thousand Euro in the second quarter of the previous year, a decrease of 421 thousand Euro.

3.2 PROGRESSIVE CONSOLIDATED INCOME STATEMENT

The following table shows the operating results at 30 June 2020, reclassified and compared with those of the previous period.

Note that 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 consolidated figures for the first half of 2020 include the operating results of Elettropiemme S.r.l. in the first 6 months of the year, while the 2019 figures with which they are compared include the operating results of this company for the months of February to June.

	(Euro / 000)	30 June 2020 Total	30 June 2019 Total	Changes 2020-2019 Value	%
a	Revenues	62,735	72,099	(9,364)	-13.0%
b	Increases for internal work	954	1,263	(309)	-24.5%
c	Consumption of materials and products	22,648	25,115	(2,467)	-9.8%
d	Added value (a+b-c)	41,041	48,247	(7,206)	-14.9%
e	Other operating costs	10,106	11,905	(1,799)	-15.1%
f	Personnel costs	23,599	25,607	(2,008)	-7.8%
g	EBITDA (d-e-f)	7,336	10,735	(3,399)	-31.7%
h	Depreciation, amortisation and impairment	4,015	5,359	(1,344)	-25.1%
i	EBIT (g-h)	3,321	5,376	(2,055)	-38.2%
l	Gains (losses) from financial assets/liabilities	(1,106)	(127)	(979)	n.s.
m	Gains (losses) from shareholdings valued at equity	(1)	259	(260)	n.s.
n	Profit (loss) before tax (i±l±m)	2,214	5,508	(3,294)	-59.8%
o	Taxes	(1,075)	(1,479)	404	27.3%
p	Group net profit (loss)(n±o)	1,139	4,029	(2,890)	-71.7%

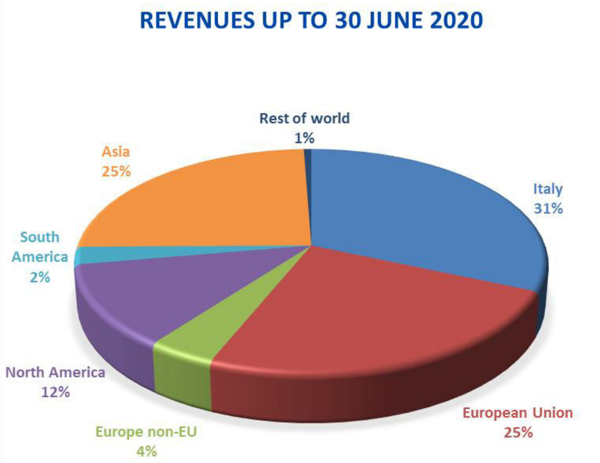
Revenues for the second quarter of 2020 were 62,735 thousand Euro, compared with 72,099 thousand Euro in the same period in the previous year, revealing a drop of 9,364 thousand Euro (-13%).
The Coronavirus pandemic resulted in closure of the Group's Chinese subsidiary in February, followed by closure of the Group's Italian plants in the month of March. In April, other countries were also affected by the lockdown (India and Brazil, for example), limiting the possibility to travel and consequently affecting the activities usually carried out by the commercial network. The Group's main plants are currently operational.
This situation led to shrinkage of revenues on all the world's principal markets and in all the fields of business and geographical regions in which the Group operates.

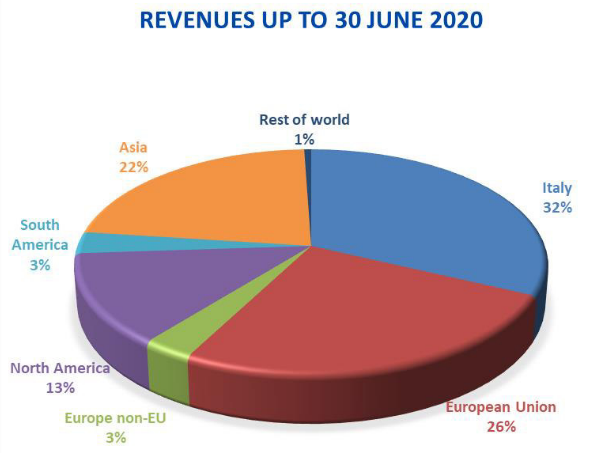
The order portfolio for the first six months of 2020 reveals shrinkage over the same period in 2019 (-7.8%), albeit less dramatic than the drop in revenues. The motion control business unit registered good performance, collecting orders worth 2,242 thousand Euro more in the first half of 2020 than in the first quarter of the previous year (+10.8%).

The order portfolio is up since 31 December 2019 (+12.1%).

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

(Euro / 000)	30 June 2020 value	30 June 2020 %	30 June 2019 value	30 June 2019 %	Changes 2020-2019 value	Changes 2020-2019 %
Italy	19,768	31.5%	23,086	32.0%	(3,318)	-14.4%
European Union	15,483	24.7%	18,526	25.7%	(3,043)	-16.4%
Europe non-EU	2,603	4.1%	2,238	3.1%	365	16.3%
North America	7,494	11.9%	9,467	13.1%	(1,973)	-20.8%
South America	1,587	2.5%	2,224	3.1%	(637)	-28.6%
Asia	15,433	24.6%	16,164	22.4%	(731)	-4.5%
Rest of the World	367	0.6%	394	0.5%	(27)	-6.9%
Total	**62,735**	**100%**	**72,099**	**100%**	**(9,364)**	**-13.0%**





The breakdown of revenues by **geographical region** reveals overall shrinkage in all the principal geographical regions in which the Group operates, and specifically: Italy (-14.4%), the European Union (-16.4%), and North and South America (-20.8% and -28.6%, respectively). On the other hand, revenues increased in non-EU Europe thanks to the healthy performance of the motion control business unit in the region.

The breakdown of business revenue for the first half of 2020 and the comparison with the same period of the previous year is as follows:

(Euro / 000)	30 June 2020 value	30 June 2020 %	30 June 2019 value	30 June 2019 %	Changes 2020-2019 value	Changes 2020-2019 %
Sensors	28,140	44.9%	31,030	43.0%	(2,890)	-9.3%
Automation components	18,412	29.3%	22,248	30.9%	(3,836)	-17.2%
Motion control	18,825	30.0%	21,721	30.1%	(2,896)	-13.3%
Eliminations	(2,642)	-4.2%	(2,900)	-4.0%	258	-8.9%
Total	**62,735**	**100%**	**72,099**	**100%**	**(9,364)**	**-13.0%**

The breakdown of revenues by **business area** in the first half of 2020 reveals a drop in revenues over the first six months of 2019 in all the sectors the Group works in: sales of motion control were down by 13.3%, while sales of automation components dropped 17.2%. Revenues from the sensors business were also down (-9.3%), with shrinkage in Italy, Europe and America, while sales of sensors in Asia increased in the first half of 2020 over the same period in the previous year.

Increases for internal work at 30 June 2020 came to 954 thousand Euro, compared with 1,263 thousand Euro recognised at 30 June 2019. This item represents the portion of development costs incurred in the period and capitalised.

Added value at 30 June 2020 amounted to 41,041 thousand Euro (48,247 thousand Euro at 30 June 2019), corresponding to 65.4% of revenues, down -1.5% from the figure in the first quarter of 2019. The drop in added value, totalling 7,206 thousand Euro, primarily reflects the lower volumes sold.

Other operating costs in the first half of 2020 amount to 10,106 thousand Euro, and are 1,799 thousand Euro lower in terms of absolute value than the figure for the same period of 2019, representing 16.1% of revenues (16.5% in the first half of 2019).

Personnel costs in the first six months of 2020 totalled 23,599 thousand Euro (37.6% of revenues), as compared to 25,607 thousand Euro in the first quarter of the previous year (35.5% of revenues), a 2,008 thousand Euro drop.
The average number of employees has increased from 800 in the first half of 2019 to 821 in the first half of 2020.

EBITDA at 30 June 2020 is positive by 7,336 thousand Euro (10,735 thousand Euro at 30 June 2019), representing 11.7% of revenues (14.9% of revenues in the first half of 2019), down Euro 3,399 thousand over the previous year in absolute terms.
The lower margin is primarily a result of shrinkage of sales volumes, only partially offset by reduced operating costs.

The item **depreciation, amortisation and impairment** totalled 4,015 thousand Euro in the first half of 2020, as compared with 5,359 thousand Euro in the first quarter of 2019, a 1,344 thousand Euro drop. The change is primarily a result of entry of impairment of assets in the sensors business in the first half of 2019 totalling 1,531 thousand Euro, associated with a property that was incapable of guaranteeing sufficient technological and energy performance to be sustainable in the long term. The existing building was demolished in 2019 in order to build a new construction that would be more functional and, above all, more advanced in terms of technological and energy performance. Work was completed in December 2019 and production began in the new building in January 2020.

EBIT at 30 June 2020 is positive at 3,321 thousand Euro (5.3% of revenues), as compared with an EBIT of 5,376 thousand Euro at 30 June 2019 (7.5% of revenues), a 2,055 thousand Euro drop. The change is a result of reduction of added value due to lower sales volumes, only partially offset by lower operating costs and depreciation/amortisation.

Charges from financial assets/liabilities in the first half of 2020 total 1,196 thousand Euro (as compared to 127 thousand Euro of charges in 2019), and include:

- financial income of Euro 31 thousand (Euro 44 thousand in the first half of 2019);
- financial charges linked with the Group's indebtedness, totalling 223 thousand Euro, up compared to the first six months of 2019, when this item totalled 201 thousand Euro;
- negative result of differences in foreign currency transactions of Euro 893 thousand, as compared to a positive result of Euro 48 thousand in the first half of 2019. The change is primarily a result of the exchange rates in effect between the Euro, the Brazilian Real and the Indian Rupee;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 21 thousand Euro (18 thousand Euro in the first six months of 2019).

Charges from shareholdings valued at equity were 1 thousand Euro overall, down from 30 June 2019, when income amounting to 259 thousand Euro was recorded. The positive result in the first half of 2019 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 1,075 thousand Euro (1,479 thousand Euro as of 30 June 2019). The reduction in taxes is proportionate to the lower profit of the Group companies. It may be broken down as follows:

- negative current taxes of 419 thousand Euro (negative by 1,015 thousand Euro as of 30 June 2019), linked to the economic results of Group companies in the period;
- deferred tax assets and liabilities, which were on the whole negative by 656 thousand Euro (negative by 464 thousand Euro as of 30 June 2019); this item primarily includes the release to the income statement of advance taxes registered on fiscal losses.

Group net profit in the first half of 2020 was 1,139 thousand Euro, compared with again a profit of 4,029 thousand Euro in the same period of the previous year, a decrease of 2,890 thousand Euro.

3.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Gefran Group's reclassified consolidated balance sheet at 30 June 2020 is shown below.

(Euro / 000)	30 June 2020		31 December 2019	
	value	%	value	%
Intangible assets	14,607	16.3	13,558	15.3
Tangible assets	46,030	51.5	47,850	54.2
Other non-current assets	7,846	8.8	9,536	10.8
Net non-current assets	68,483	76.6	70,944	80.3
Inventories	24,786	27.7	24,548	27.8
Trade receivables	27,978	31.3	28,931	32.8
Trade payables	(21,091)	(23.6)	(24,937)	(28.2)
Other assets/liabilities	(3,138)	(3.5)	(3,484)	(3.9)
Working capital	28,535	31.9	25,058	28.4
Provisions for risks and future liabilities	(2,130)	(2.4)	(2,171)	(2.5)
Deferred tax provisions	(637)	(0.7)	(647)	(0.7)
Employee benefits	(4,847)	(5.4)	(4,853)	(5.5)
Invested capital from operations	89,404	100.0	88,331	100.0
Net invested capital	**89,404**	**100.0**	**88,331**	**100.0**
Shareholders' equity	75,845	84.8	75,044	85.0
Non-current financial payables	27,206	30.4	21,916	24.8
Current financial payables	15,273	17.1	12,643	14.3
Financial payables for IFRS 16 leases (current and non-current)	2,916	3.3	3,084	3.5
Financial liabilities for derivatives (current and non-current)	279	0.3	169	0.2
Financial assets for derivatives (current and non-current)	(1)	(0.0)	(1)	(0.0)
Other non-current financial investments	(98)	(0.1)	(97)	(0.1)
Cash and cash equivalents and current financial receivables	(32,016)	(35.8)	(24,427)	(27.7)
Net debt relating to operations	13,559	15.2	13,287	15.0
Total sources of financing	**89,404**	**100.0**	**88,331**	**100.0**

Net non-current assets at 30 June 2020 were 68,433 thousand Euro, compared with 70,944 thousand Euro at 31 December 2019. The main changes were as follows:

- intangible assets registered an overall increase of 1,049 thousand Euro. The change includes increases due to capitalisation of development costs (948 thousand Euro) and new investment (1,071 thousand Euro), as well as decreases due to amortisation in the period (978 thousand Euro);
- tangible assets decreased by 1,820 thousand Euro compared with 31 December 2019. Investment in the first half of 2020 (908 thousand Euro) is compensated by depreciation/amortisation in the period (2,399 thousand Euro). The value of usage rights for assets entered as a result of new contracts signed under accounting standard IFRS16 is 510 thousand Euro, compensated by amortisation (638 thousand Euro) and by

decreases due to advance closure of contracts (42 thousand Euro). In addition to this, the item reflects the negative impact of the change in exchange rates, totalling 148 thousand Euro;

- other fixed assets as of 30 June 2020 totalled 7,846 thousand Euro (9,536 thousand Euro at 31 December 2019), a 1,690 thousand Euro drop. This change is due to the adjustment of the value of the equity investments, which was negative overall and equal to 1,033 thousand Euro, in particular linked to the portion of the capital of Ensun Srl reimbursed, as well as the decrease of 654 thousand Euro in deferred tax assets released in the first half of 2020.

Working capital at 30 June 2020 was 28,535 thousand Euro, as compared to 25,058 thousand Euro at 31 December 2019, an overall increase of 3,477 thousand Euro. The main changes were as follows:

- inventories went from 24,548 thousand Euro as at 31 December 2019 to 24,786 thousand Euro as at 30 June 2020; the increase, equal to 238 thousand Euro, mainly concerns raw material stocks, up compared to the end of 2019, since at the beginning of the spread of the pandemic, excess quantities of material critical for production were taken in, in order to avoid risks of interruption in procurement and consequently in the production chain;
- trade receivables totalled 27,978 thousand Euro, down 953 thousand Euro since 31 December 2019; the change is mainly due to shrinkage of sales revenues in the first half; collection days went from 74 at the end of 2019 to 78 as at 30 June 2020
- trade payables totalled 21,091 thousand Euro, 3,846 thousand Euro less than on 31 December 2019. Trade payables at the end of 2019 were a result of purchases of materials for production and above all payables to suppliers for investments in the last quarter of 2019, paid in the first half of 2020. The Parent Company participated in the "I pay my suppliers" initiative of the Industrialists' Association of Brescia, confirming the Group's commitment to fulfilling its duties;
- other net assets and liabilities, negative overall by 3,138 thousand Euro as of 30 June 2020 (negative by 3,484 thousand Euro as of 31 December 2019). They include payables to employees and social security institutions and receivables and payables for direct and indirect taxes. The change in this item over 31 December 2019, totalling 346 thousand Euro, is primarily a result of decreased social security payables and other tax payables.

Provisions for risks and future liabilities were 2,130 thousand Euro, a decrease of 41 thousand Euro from 31 December 2019. The item includes provisions for current legal disputes and various risks, and the change since the end of 2019 is mainly attributable to movements in the product warranty provision.

Employee benefits amount to 4,849 thousand Euro, compared to 4,853 thousand Euro on 31 December 2019.

Shareholders' equity as of 30 June 2020 amounts to 75,845 thousand Euro, compared to 75,044 thousand Euro on 31 December 2019, a 801 thousand Euro increase. The change mainly concerns the positive result for the period, equal to 1,139 thousand Euro, partially offset by the negative impact of 225 thousand Euro generated by changes in the translation reserve.

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 2020:

(Euro / 000)	30 June 2020	
	Shareholders' equity	**Result for the period**
Parent Company shareholders' equity and operating result	**69,234**	**4,281**
Shareholders' equity and operating result of the consolidated companies	50,603	(999)
Elimination of the carrying value of consolidated investments	(46,542)	-
Goodwill	3,749	-
Elimination of the effects of transactions conducted between consolidated companies	(1,199)	(2,143)
Group share of shareholders' equity and operating result	**75,845**	**1,139**
Minorities' share of shareholders' equity and operating result	-	-
Shareholders' equity and operating result	**75,845**	**1,139**

Net financial position as of 30 June 2020 is negative by 13,559 thousand Euro, which is 272 thousand Euro higher than at the end of 2019, when it was on the whole negative by 13,287 thousand Euro.

Net financial debt comprises short-term cash and cash equivalents of 15,605 thousand Euro and medium-/long-term debts of 29,164 thousand Euro.
This item reflects the negative impact of application of accounting standard IFRS16, worth 2,916 thousand Euro at 30 June 2020, of which 1,138 thousand Euro was reclassified in the current part while 1,778 thousand Euro was reclassified in the non-current part (totalling 3,084 thousand Euro at 31 December 2019, including 1,071 thousand Euro reclassified in the current part and 2,013 thousand Euro included in the medium/long term balance).

During the first half of 2020, the Parent Company signed two new loans for a total of 12,000 thousand Euro. Both have variable interest rates and no financial covenants.

The change in the net financial position is essentially due to the positive cash flows generated by ordinary operations (2,951 thousand Euro) and the proceeds from the reimbursement of the portion of capital of the subsidiary Ensun S.r.l.. (1,000 thousand Euro), absorbed by disbursements for technical investments made in the first half of 2020 and the payment of interest, taxes and rental fees (for a total of 4,168 thousand Euro).

This item breaks down as follows:

(Euro / 000)	**30 June 2020**	**31 December 2019**	**Change**
Cash and cash equivalents and current financial receivables	32,016	24,427	7,589
Current financial payables	(15,273)	(12,643)	(2,630)
Current financial payables for IFRS 16 leases	(1,138)	(1,071)	(67)
(Debt)/short-term cash and cash equivalents	**15,605**	**10,713**	**4,892**
Non-current financial payables	(27,206)	(21,916)	(5,290)
Non-current financial payables for IFRS 16 leases	(1,778)	(2,013)	235
Non-current financial liabilities for derivatives	(279)	(169)	(110)
Non-current financial investments for derivatives	1	1	-
Other non-current financial investments	98	97	1
(Debt)/medium-/long-term cash and cash equivalents	**(29,164)**	**(24,000)**	**(5,164)**
Net financial position	**(13,559)**	**(13,287)**	**(272)**

3.4 CONSOLIDATED CASH FLOW STATEMENT

The Gefran Group's **consolidated cash flow statement** at 30 June 2020 shows a negative net change in cash on hand of 7,589 thousand Euro, compared to a positive change of 7,069 thousand Euro in the first half of 2019.

The change was as follows:

(Euro / 000)	**30 June 2020**	**30 June 2019**
A) Cash and cash equivalents at the start of the period	24,427	18,043
B) Cash flow generated by (used in) operations in the period	2,951	5,293
C) Cash flow generated by (used in) investment activities	(1,922)	(8,475)
D) Free cash flow (B+C)	1,029	(3,182)
E) Cash flow generated by (used in) financing activities	6,698	10,358
F) Cash flow from continuing operations (D+E)	7,727	7,176
G) Cash flow from assets held for sale	0	0
H) Exchange rate translation differences on cash at hand	(138)	(107)
I) Net change in cash at hand (F+G+H)	7,589	7,069
J) Cash and cash equivalents at the end of the period (A+I)	32,016	25,112

The cash flow from operations in the period was positive by 2,951 thousand Euro; in particular, operations in the first half of 2020, purged of the effect of provisions, amortisation and depreciation, and financial entries, generated 7,889 thousand Euro in cash (11,365 Euro in the first half of 2019), while the net change in other assets and liabilities in the same period drained 524 thousand Euro of resources (as also in the first half of 2019 for the amount of 3,832 thousand Euro) and management of operating capital absorbed 4,875 thousand Euro in cash (it had eroded 2,190 thousand Euro in cash in the first quarter of 2019).

Financial resources to support technical investments amount to 2,927 thousand Euro, (8,269 thousand Euro in the first half of 2019). In addition, during the first six months of 2020, a portion of the share capital of Ensun S.r.l. amounting to Euro 1,000 thousand was collected; in the first half of 2019, the acquisition of Elettropiemme S.r.l. was completed, which, net of the cash acquired, absorbed resources of 231 thousand Euro.

Free cash flow (operating cash flow excluding investment) was positive by 1,029 thousand Euro, as compared with a negative figure of 3,182 thousand Euro at 30 June 2019.

Financing activities generated cash for a total of 6,698 thousand Euro and compare to the first half of 2019, when they generated cash of 10,358 thousand Euro.

4. INVESTMENTS

Gross technical **investments** in the first half of 2020 totalled 2,927 thousand Euro (8,632 thousand Euro at 30 June 2019) and regarded:

- production and laboratory plant and equipment in the Group's Italian plants totalling 560 thousand Euro (including 206 thousand Euro for production lines in the sensors business unit and 135 thousand Euro for production units in the motion control business unit) and 17 thousand Euro in the Group's other subsidiaries;
- upgrading of the industrial buildings of the Group's Italian plants for the amount of 127 thousand Euro and those of the foreign offices for the amount of 82 thousand Euro;
- renewal of electronic office machines and IT system equipment, amounting to 71 thousand Euro in the Parent Company and 43 thousand Euro in the Group's subsidiaries;
- miscellaneous equipment in the Group's subsidiaries amounting to 9 thousand Euro;
- capitalisation of costs incurred in the period for new product development, totalling 948 thousand Euro;
- other investments in intangible assets totalling Euro 1,071 thousand, regarding patents as well as management software licences and SAP ERP development.

Investments are listed below by type and geographical region:

(Euro / 000)	**at 30 June 2020**	**at 30 June 2019**
Intangible assets	2,019	1,744
Tangible assets	908	6,888
Total	2,927	8,632

(Euro / 000)	**30 June 2020**		**30 June 2019**	
	intangible assets and goodwill	**tangible assets**	**intangible assets and goodwill**	**tangible assets**
Italy	2,012	786	1,742	3,010
European Union	1	30	-	44
Europe non-EU	6	-	-	8
North America	-	11	-	3,591
South America	-	6	2	79
Asia	-	75	-	156
Rest of the World	-	-	-	-
Total	2,019	908	1,744	6,888

Investments in the first half of 2020 are broken down below by business area:

(Euro / 000)	**Sensors**	**Automation components**	**Motion control**	**Total**
Intangible assets	1,040	534	445	2,019
Tangible assets	409	243	256	908
Total	1,449	777	701	2,927

5. RESULTS BY BUSINESS AREA

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

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.

5.1 SENSORS

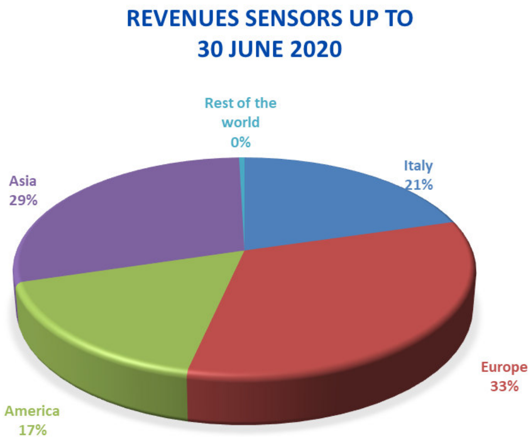
Summary results

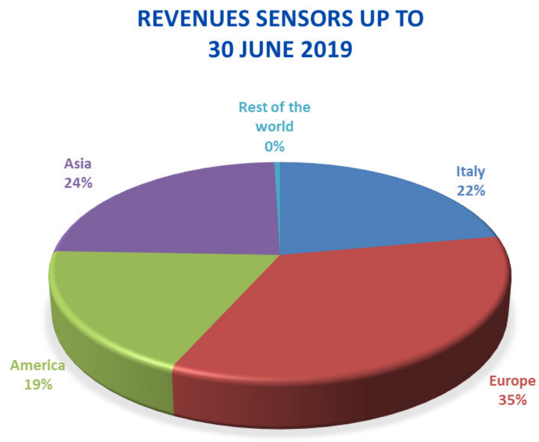
The table below shows the key economic figures.

(Euro / 000)	**30 June 2020**	**30 June 2019**	**Changes 2020 - 2019 value**	**%**	**2Q 2020**	**2Q 2019**	**Changes 2020 - 2019 value**	**%**
Revenues	**28,140**	**31,030**	(2,890)	-9.3%	**14,329**	**15,744**	(1,415)	-9.0%
EBITDA	**6,072**	**7,945**	(1,873)	-23.6%	**3,481**	**3,712**	(231)	-6.2%
% of revenues	*21.6%*	*25.6%*			*24.3%*	*23.6%*		
EBIT	**4,380**	**4,865**	(485)	-10.0%	**2,621**	**2,822**	(201)	-7.1%
% of revenues	*15.6%*	*15.7%*			*18.3%*	*17.9%*		

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

(Euro / 000)	**30 June 2020 value**	**%**	**30 June 2019 value**	**%**	**Changes 2020 - 2019 value**	**%**
Italy	5,769	20.5%	6,875	22.2%	(1,106)	-16.1%
Europe	9,285	33.0%	10,737	34.6%	(1,452)	-13.5%
America	4,744	16.9%	5,843	18.8%	(1,099)	-18.8%
Asia	8,218	29.2%	7,433	24.0%	785	10.6%
Rest of the World	124	0.4%	142	0.5%	(18)	-12.7%
Total	**28,140**	**100%**	**31,030**	**100%**	**(2,890)**	**-9.3%**





Business performance

The business unit's revenues as at 30 June 2020 totalled 28,140 thousand Euro, down by 31,030 thousand Euro (-9.3%) over the figure for the first half of 2019. The shrinkage applies to all geographical areas: Italy (-16.1%), Europe (-13.5%) and America (-18.8%). The Asian market has begun to recover, with an increase in revenues in the first half of 2020 over the same period in the previous year (+10.6%).

Orders received in the first six months of 2020, worth 29,038 thousand Euro, were down over the same period of the previous year (-10.2%), when they amounted to 32,342 thousand Euro; the order backlog as at 30 June 2020 was also down over 30 June 2019 (-8.1%) but an increase compared to 31 December 2019 (+13.2%).

In the second quarter of 2020 revenues amounted to 14,329 thousand Euro, down 9% over the same period in 2019, when they came to 15,744 thousand Euro.

EBITDA amounted to 6,072 thousand Euro at 30 June 2020, 1,873 thousand Euro (-23.6%) lower than on 30 June 2019, when it was 7,945 thousand Euro. The change in EBITDA may be attributed to lower volumes of sale and therefore lower added value, only partially compensated by lower operating costs.

EBIT in the first six months of 2020 amounted to 4,380 thousand Euro, equal to 15.6% of revenues, compared with 4,865 thousand Euro in the same period in the previous year (15.7% of revenues), a drop of 485 thousand Euro (-10%). EBIT in the first half of 2019 includes entry of 1,531 thousand Euro in impairment of a property used by the sensors business unit to adapt its carrying value to fair value. The property in question was unable to guarantee sufficient technological and energy performance to be sustainable in the long run. 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. Work was completed in 2019 and the new plant has been in operation since January 2020.

Without this effect, EBIT at 30 June 2019 would be 9,476 thousand Euro, and the change in EBIT in the first half of 2020 compared to the same period in the previous year would be 3,404 thousand Euro.

Also note that the effect of adoption of accounting standard IFRS16 in the sensors business has resulted in reversal of 263 thousand Euro in leasing fees (218 thousand Euro in the first half of 2019) and entry of amortisation of usage rights worth 261 thousand Euro (200 thousand Euro in the first half of 2019).

Comparing the figures by quarter, EBIT in the second quarter of 2020 came to 2,621 thousand Euro (18.3% of revenues), the figure is compared with the second quarter of 2019 equal to 2,822 thousand Euro (17.9% of revenues).

Investments

Investments in the first six months of the year 2020 totalled 1,449 thousand Euro, including 1,040 thousand Euro in investments in intangible assets, 231 thousand Euro of which was for research and development in new products and 700 thousand Euro linked to patents.

Increases in tangible assets totalled 409 thousand Euro, including 322 thousand Euro invested by the Parent Company, primarily for the purchase of production equipment for increasing the capacity and efficiency of production (206 thousand Euro), as well as for adaptation of new buildings (47 thousand Euro). Investments in the Group's subsidiaries totalled 87 thousand Euro, primarily for the purchase of plant and machinery for production facilities and adaptation of buildings.

5.2 AUTOMATION COMPONENTS

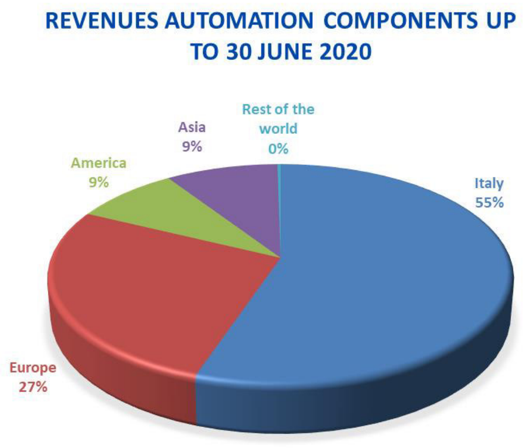
Summary results

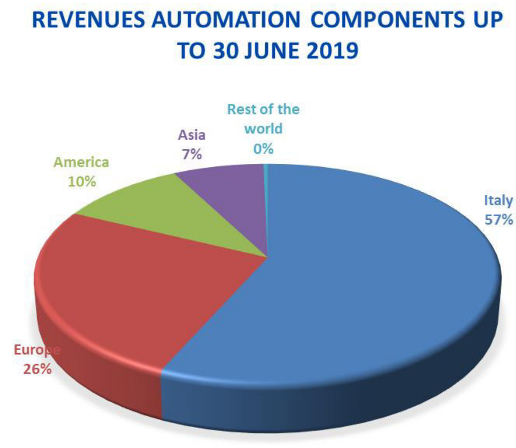
The table below shows the key economic figures.

(Euro / 000)	30 June 2020	30 June 2019	Changes 2020-2019		2Q 2020	2Q 2019	Changes 2020 - 2019	
			value	%			value	%
Revenues	**18,412**	**22,248**	(3,836)	-17.2%	**9,371**	**11,207**	(1,836)	-16.4%
EBITDA	**1,331**	**2,523**	(1,192)	-47.2%	**757**	**1,126**	(369)	-32.8%
% of revenues	*7.2%*	*11.3%*			*8.1%*	*10.0%*		
EBIT	**75**	**1,304**	(1,229)	-94.2%	**125**	**473**	(348)	-73.6%
% of revenues	*0.4%*	*5.9%*			*1.3%*	*4.2%*		

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

(Euro / 000)	30 June 2020		30 June 2019		Changes 2020-2019	
	value	%	value	%	value	%
Italy	10,167	55.2%	12,600	56.6%	(2,433)	-19.3%
Europe	4,965	27.0%	5,686	25.6%	(721)	-12.7%
America	1,565	8.5%	2,260	10.2%	(695)	-30.8%
Asia	1,668	9.1%	1,626	7.3%	42	2.6%
Rest of the World	47	0.3%	76	0.3%	(29)	-38.2%
Total	**18,412**	**100%**	**22,248**	**100%**	**(3,836)**	**-17.2%**





Business performance

Revenues totalled 18,412 thousand Euro at 30 June 2020, down 17.2% compared with the first six months of 2019. Shrinkage is a result of current economic trends, distributed over the geographical areas of most interest to the business unit, particularly Italy (-19.3%), Europe (-12.7%) and America (-30.8%); all product lines in the business unit reveal shrinkage of revenues over the same period in the previous year.

Orders received in the first six months of 2020 total 15,856 thousand Euro, -22.7% less than the figure for the first quarter of the previous year, and the order backlog, worth 4,319 thousand Euro, has also fallen both compared to the figure as at 30 June 2019 (-27.7%) as well as that at 31 December 2019 (-4.6%).

In the second quarter of 2020 revenues amounted to 9,371 thousand Euro, down 16.4% over the same period in 2019, when they came to 11,207 thousand Euro.

EBITDA in the first half of 2020 is positive by 1,331 thousand Euro (7.2% of revenues), 757 thousand Euro lower than the figure for the first half of 2019, due to decreased sales, only partly compensated by lower operating costs.

EBIT at 30 June 2020 was positive at 75 thousand Euro, as compared with a positive EBIT of 1,304 thousand Euro at 30 June 2019. The 1,229 thousand Euro decrease is a result of the dynamics described above: lower volumes of sale and therefore lower added value, only partially compensated by a reduction in operating costs for ordinary management.

Also note that adoption of accounting standard IFRS16 led the automation components business unit to reverse leasing fees of 245 thousand Euro (208 thousand Euro in the first half of 2019) and to enter 237 thousand Euro in amortisation of usage rights (200 thousand Euro in the first half of 2019).

Comparing the figures by quarter, EBIT in the second quarter of 2020 came to 125 thousand Euro (1.3% of revenues), the figure is compared with the second quarter of 2019 equal to 473 thousand Euro (4.2% of revenues).

Investments

Investments in the first six months of 2020 totalled 777 thousand Euro. Investments in intangible assets amounted to 534 thousand Euro, of which 353 thousand Euro were to capitalise the cost of development of the new range of regulators and power controllers.

Investments in tangible assets amounted to 243 thousand Euro, invested in improvement of the Group's Italian production factories, plant and machinery and renewal of electronic office machines and equipment for information systems.

5.3 MOTION CONTROL

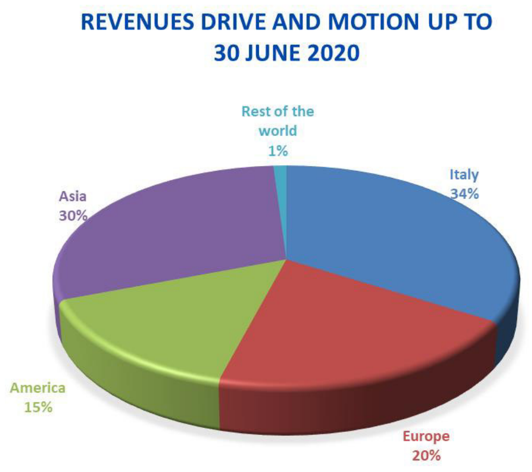
Summary results

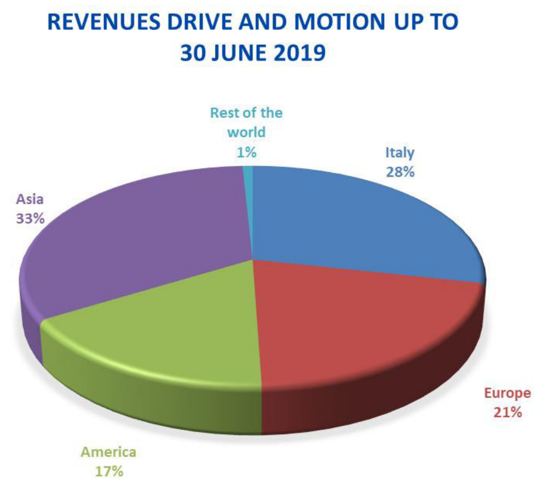
The table below shows the key economic figures.

(Euro / 000)	**30 June 2020**	**30 June 2019**	**Changes 2020-2019**		**2Q 2020**	**2Q 2019**	**Changes 2020 - 2019**	
			value	**%**			**value**	**%**
Revenues	**18,825**	**21,721**	(2,896)	-13.3%	**9,124**	**10,626**	(1,502)	-14.1%
EBITDA	**(67)**	**267**	(334)	-125.1%	**(129)**	**(372)**	243	65.3%
% of revenues	*-0.4%*	*1.2%*			*-1.4%*	*-3.5%*		
EBIT	**(1,134)**	**(793)**	(341)	-43.0%	**(655)**	**(897)**	242	27.0%
% of revenues	*-6.0%*	*-3.7%*			*-7.2%*	*-8.4%*		

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

(Euro / 000)	**30 June 2020**		**30 June 2019**		**Changes 2020-2019**	
	value	**%**	**value**	**%**	**value**	**%**
Italy	6,405	34.0%	6,173	28.4%	232	3.8%
Europe	3,776	20.1%	4,570	21.0%	(794)	-17.4%
America	2,838	15.1%	3,650	16.8%	(812)	-22.2%
Asia	5,609	29.8%	7,152	32.9%	(1,543)	-21.6%
Rest of the World	197	1.0%	176	0.8%	21	11.9%
Total	**18,825**	**100%**	**21,721**	**100%**	**(2,896)**	**-13.3%**





Business performance

Revenues in the first six months of 2020 amount to 18,825 thousand Euro, 2,896 thousand Euro lower (-13.3%) than the same period in the previous year. The contraction is concentrated in America (-22.2%), Asia (-21.6%) and Europe (-17.4%). Good performance was recorded Italy (+3.8%). In terms of products, sales of products dedicated to custom orders and the new Lift lines improved compared to the first half of 2019. On the other hand, the sales volumes of the other lines, in particular industrial applications, decreased.

The order portfolio in the first half of 2020 amounts to 23,067 thousand Euro, down 10.8% over the first six months of 2019, when this item totalled 20,826 thousand Euro. The backlog at 30 June 2020 was also up both on the figure at 30 June 2019 (+59.8%) and on that at 31 December 2019 (+52.2%).

In the second quarter of 2020, motion control revenues amounted to 9,124 thousand Euro, down 14.1% over the same period in 2019, when they came to 10,626 thousand Euro.

EBITDA at 30 June 2019 was negative at EUR 67 thousand (-0.4% of revenues). If compared with the figure for the previous period, which was positive by 267 thousand Euro (1.2% of revenues), a drop of 334 thousand Euro is evident, dictated by lower volumes of sale registered in the first half of 2020, not completely offset by the decrease in operating costs.

EBIT as of 30 June 2020 is negative by 1,134 thousand Euro, as compared to a negative EBIT of 793 thousand Euro for the same period in the previous year, a decrease of 341 thousand Euro. The reduction in operating costs partly recovered the lower added value achieved due to lower sales volumes.

Also note that adoption of accounting standard IFRS16 has allowed the motion control business unit to reverse 139 thousand Euro in leasing fees (137 thousand Euro in the first half of 2019) and enter amortisation of usage rights amounting to 140 thousand Euro (128 thousand Euro in the half quarter of 2019).

Investments

Investments in the first half 2020 amounted to 701 thousand Euro, including 256 thousand Euro invested in tangible assets, primarily for renewal of production equipment and improvement of the efficiency of production (135 thousand Euro).

Increases in intangible assets amounted to 445 thousand Euro and concerned the capitalisation of development costs (364 thousand Euro) relating to new products for the industrial sector and the lifting sector.

6. RESEARCH AND DEVELOPMENT

The Gefran Group invests significant financial and human resources in product research and development. In the first half of 2020, 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 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”.

The **sensors** area focused its research activities in the first half of 2020 on further strengthening Gefran's offer in the certification and connectivity area, focusing on high-end Melt sensors and Magnetostrictive position sensors in the HYPERWAVE range.

With particular regard to Melt sensors, the certification process in the functional safety field was extended to top of the range products, both for the transmission fluid versions as well as for the IMPACT line, with the aim of gaining new market shares in the polymer transformation sector. In addition to the HART protocol and Atex certification, today the HMX, HWX and the new IMPACT HIX family can also benefit from SIL2 and PLd certifications.

The new project developments that will mature in the second half of the year will still concern top-of-the-range products and will be aimed at broadening the geographical focus of certifications, leading to IECEx certification, a prerequisite for obtaining multiple regional certifications, and Factory Mutual (FM) Explosion Proof certification, necessary to compete in the U.S. market.

In terms of processes, the year started with the installation of a system for the production of Melt sensors with NaK filling at the US plant. Moreover, technology transfer was started, which will allow the use of Thick Film sensitive elements in the production of Melt sensors, first in the US production site and then also in that in Shanghai, thus extending to the remote sites the benefits in terms of costs, performance and efficiency linked to this technology, already used in the Italian production lines.

As far as Magnetostrictive sensors are concerned, new product developments were directed towards the implementation of communication protocols with a view to Industry 4.0. In this context, two new series with IO-Link and Profinet communication protocol will join the HYPERWAVE family:

- IO-Link, an industrial point-to-point communication protocol, is now the input solution for Smart sensors. The number of IO-Link nodes in the world is growing strongly (+40%) with 16 million nodes in 2019.

- with superior performance, both in terms of primary performance and data transfer capacity, the new series with Profinet protocol will be at the top of Gefran's magnetostrictive offering; the number of nodes is also growing for Profinet (+25%), with a total of 32.4 million nodes installed in 2019.

Both protocols are expendable in a heterogeneous manner in the industrial machinery market. The RTE (Real Time Ethernet) series will be used for faster and more performing machines. IO-Link is the most economical Smart solution, with advantages in terms of cabling, auto-parameterisation and acyclic data generation, indispensable requirements for Industry 4.0.

Research and development in the field of **automation components** focused on the projects described below.

For the instrumentation range, attention was focused on the development of specific functionalities for alternative sectors to traditional ones (e.g. plastics), such as:

- products with Multi-protocol Fieldbus connectivity functions;
- products with advanced features based on the requirements of CFR21 standard (chemical/pharmaceutical market);
- products with specific HW and SW features, required in the metal heat treatment sector.

For the power controller range, work focused on the development of:

- a new family of SSR static units, with and without power dissipator, characterised by reduced dimensions in order to safeguard the installation spaces in electrical panels, whose dimensions tend to progressively reduce;
- a new product optimised for load control with three-phase transformer;
- introduction of specific algorithms oriented to the management and reduction of energy consumption (Industry 4.0);
- new software functions to preserve the useful life of power loads, reducing the need for maintenance and increasing the operational continuity of machinery and systems.

Development activities in the **motion control** were in two main directions. On the one hand, the development of products in the standard catalogue, enriched with new Industry 4.0 functionalities for connectivity, safety and security, as well as the necessary functional and technological updating; on the other, the implementation of custom products, responding to specific ad hoc technical requirements (so-called job orders) requested by important market leaders in the industrial sector.

More specifically, projects were carried out in the first half of 2020 concerning:

- the job order for a new range of converters for the high power, performance and reliability lift sector;
- the development, again to order, of an inverter for the air conditioning sector (HVAC) with high level performance, reduced electromagnetic emissions and optimised cost;
- the development of a converter dedicated to the metallurgical sector for a specific application (STIRRER, electromagnetic stirrers);
- renewal of the range of continuous converters that will be equipped with cloud, security and maintenance functions to meet the expectations of the main industry operators;
- finalisation and field testing of the new inverter line for civil lifting.

A series of internal activities aimed at the development of new technologies, implemented independently and/or in collaboration with Universities and Research Centres, are also of importance, aimed at improving product performance and the possibility of introducing new functions and services, such as remote support and preventive maintenance.

7. HUMAN RESOURCES

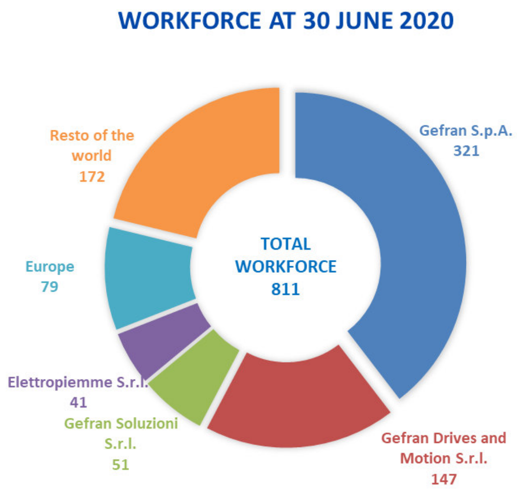
Workforce

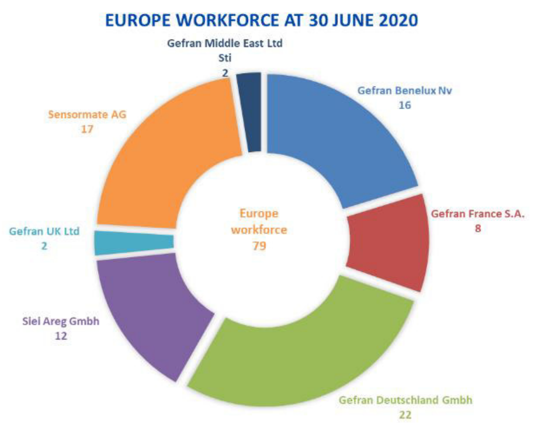
At 30 June 2020 the Group's workforce numbered 811, a decrease of 18 since the end of 2019 and of 17 compared with 30 June 2019.

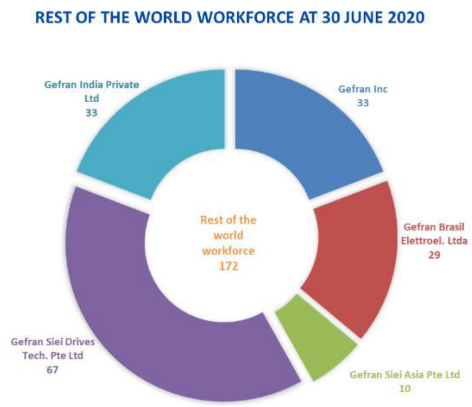
This change marks an overall turnover rate within the Group of 5%.

Changes in the first six months of 2020 were as follows:

- 21 people joined the Group, including 4 manual workers and 17 clerical staff;
- 39 people left the Group, including 9 manual workers, 29 clerical staff and 1 manager.







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

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

Analysis of risk factors and assessment of their impact and probability of occurrence is the pre-requisite for creation of value in the organisation. The ability to respond to risk correctly will help the Company to face corporate and strategic choices with confidence and contribute to prevention of the negative impact on the Company's targets and the Group's business.

The Group adopts specific procedures for management of risk factors that may have an impact on expected results.

On 13 February 2008, the Gefran S.p.A. Board of Directors resolved to adopt an Organisation, Management and Control Model ("Organisational Model") aimed at preventing commission of the crimes identified in Legislative Decree no. 231/01.

The model has been updated periodically in view of the evolution of the legislation and changes to the Company's organisation. The Organisational Model was updated under a resolution passed by the Board of Directors on 13 November 2019, 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.

Company organisations of significance for the purposes of internal auditing and risk management have also 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 responsible for the internal control and risk management system**, with the task of identifying the main corporate risks, implementing the risk management guidelines and checking their adequacy;
- the **Financial Reporting Officer**, 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 identification, assessment and management of the main risks. 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 allows the Board of Directors and Management to consciously assess risk scenarios that could compromise achievement of strategic goals and adopt further instruments capable of mitigating or managing significant exposure to risk, strengthening the Group's Corporate Governance and Internal Auditing System. 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, digital transformation, etc. which could influence the Group's performance;
- **Governance and Integrity Risks**: risks connected with Group/Company governance or with professionally incorrect behaviour which does not conform to the Company's ethical policy and could expose the Group to possible sanctions, undermining 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 management of legal and contractual aspects and conformity to national, international and industry laws and regulations applicable to the Company;
- **IT Risks**: risks connected with the adequacy of information systems for supporting the current and/or future requirements of the business, in terms of infrastructure, integrity, security and availability of data, information and information systems;
- **Human Resources Risks**: risks connected with the retention, availability, management and development of the resources and skills necessary to conduct business and management of trade union relations.

The eight risk families analysed are schematically represented below:

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

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

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

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

5. Operating and Reporting Risks	
Adequacy / saturation of production capacity	Incorrect / inefficient production planning
Obsolescence of plants / machineries	Quality of products / Recall
Storage obsolescence	Dependence on contractors / critical suppliers
Reliability of supplier portfolio	Ineffectiveness of sales channels
Pricing ineffectiveness	Budget, planning and reporting
Dependence on critical clients	Transfer Pricing
Order execution risk	Partitioning of suppliers

6. Legal and Compliance Risks	
Protection of the exclusiveness of the relationship	Litigation
Contractual Risks	Adaptation to H&S legislation
Adaptation to environmental legislation	Adaptation to labor legislation
Adaptation to 262 Italian Law / financial reporting	Adaptation to 231 Italian Law Decree / Anticorruption
Adaptation to fiscal legislation	Adaptation to privacy legislation
Adaptation to industry legislation (ex. ISO)	

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

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

Management involved in the Risk Assessment process must use a clearly defined shared methodology to identify 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** that a certain event may occur within the time horizon of the Plan, measured on the basis of a scale ranging from unlikely/remote (1) to very likely (4);
- **impact**: estimate of the average economic and financial impact on EBIT, damage to HSE and image and repercussions for operations within the time horizon under consideration, measured on the basis of a scale from insignificant (1) to critical (4);
- **level of risk management** or of maturity and efficiency of existing risk management systems and processes, measured on the basis of a scale from optimal (1) to be initiated (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 principal risks detected and assessed through Risk Assessment are described and discussed with all organisations of significance for the purposes of the internal auditing and risk management system 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 2019 involved 11 company contact people representing the Parent Company and subsidiaries.

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 and Integrity risks;
(e) Operating risks and Reporting risks;
(f) Legal and Compliance risks;

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 and availability and the security of systems and applications used. Moreover, with reference to human resources risks, there are no specific risks to be reported, thanks to initiatives undertaken since 2017 and still underway; the reader is referred to section 11 of this Management Report for more details.

There is also no particular risk of personnel being unavailable due to contagion or other personal reasons related to the COVID-19 emergency.

Lastly, on the basis of economic results and cash flows in recent years, as well as available funds as of 30 June 2020, there is believed to be no significant uncertainty as of that date as to the Company's ability to maintain business continuity.

8.1 EXTERNAL RISKS

Risks associated with the general economic conditions and market trends

At the end of June, the global outlook for the current year was reviewed by the International Monetary Fund, which now estimates, net of second-wave Coronavirus risks, a contraction in world GDP of 4.9% (the previous estimate saw growth of 3.2%), while global GDP is expected to grow by 5.4% in 2021 (compared to 5.8% forecast in April). With reference to the Eurozone, the contraction estimated for 2020 is 10.2%, followed by a recovery of 6% in 2021: Italy, in particular, risks a 12.8% decrease, with a rebound of +6.3% in 2021. In this scenario, aggravated by the acceleration of the Covid-19 pandemic which forced many countries to tighten their closure measures, the exception is China, which already in April began to lift the lockdown and for which the International Monetary Fund confirms an overall growth in 2020, albeit at an all-time low (+1%), which accelerates in 2021 (over 8%).

The Gefran Group is present through subsidiaries in international markets and 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.

With reference to the current situation, even though the COVID-19 virus has spread all over the world, the fact that it has affected different countries at different times, so that the resumption of production and commerce has also been staggered, has resulted in different trends in incoming orders and revenues: on the one hand, China has resumed full-swing production while, on the other, other important countries for the Group have slowed down.

As described above, the spread of the pandemic has had a negative impact on Gefran's economic results, including revenues which, in the first half of 2020, were 13% lower than in the same period of 2019; the Group is actively monitoring foreign markets, as it is unable to work on expansion of trade into new markets and fields of application due to the prohibition of travel for its sales network.

However, the possibility that these trends may have a significant impact on the Group's operations and economic and financial situation cannot be ruled out.

Risks associated with the market structure and competitive pressure

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

The Group operates in a very crowded competitive environment: operators which are large groups that may have greater resources or better cost structures, 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 or prices decrease, the risk is that such a reduction in the cost structures will not be sufficiently large and quick, thus 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.

In addition, there is the risk of changes or tightening of the regulatory framework by supranational/national governmental bodies in the countries where Gefran operates that could have an impact on the Group's operating results.

The Group also 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 and Brazil. 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 or those related to the health emergency 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.

8.2 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 financial statements in euros, 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 floating 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 75.8 million versus overall liabilities of Euro 85.6 million. All existing signed contracts are for loans at variable interest rates, determined by the Euribor rate plus an average spread of less than 110 bps in the past two years and do not have clauses that imply compliance with economic and financial requirements (covenants).

During the second quarter of 2020 two new loans were taken out: a new medium/long-term loan with Unicredit of 5 million Euro, without covenants and with a spread of 0.95%, and a second medium/long-term loan with BNL of 7 million Euro, without covenants and with a spread of 1.1%.

As soon as signs of the impact of COVID-19 began to appear, the Group implemented new organisational methods and cost-cutting processes, and began work on an important plan for redefinition of its activities and priorities, suggesting that the Group will be capable of financial expenditure for planned investments and regular operations.

Liquidity risk

With regard to the current situation, as soon as signs of the impact of COVID-19 began to appear, the Group implemented new organisational methods and cost-cutting processes, and began work on an important plan for redefinition of its activities and priorities, suggesting that the Group will be capable of financial expenditure for planned investments and regular operations.

Credit lines and cash on hand are sufficient for the Group's operations and the expected economic outlook. Credit lines granted by banks were subject to a review in the first 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.

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 as required by IFRS 9 and taking into account past experience in each specific line of business and geographical region.

The medical emergency generated by Covid-19 already at the start of 2020 caused a global economic shock, with the result that the Group has conducted analyses assessing the possibility of increased credit risk.

To do this, the Group has developed estimates based on the most accurate information available on past events, current economic conditions and forecasts for the future. The analyses conducted to determine the existence of such a risk have been based primarily on three factors:

- the potential impact of Covid-19 on the economy;
- the support measures governments have implemented;
- the collectibility of credit resulting in the changed risk of customer defaulting.

With reference to the latter point, the Group has conducted its analyses using a risk matrix that takes into account geographical region, industry, and individual customer solvency.

Management considers the forecasts thus generated to be reasonable and sustainable despite the current climate of uncertainty.

8.3 STRATEGIC RISKS

Risks associated with the implementation of the Group's strategy

Gefran's ability to improve profitability and achieve the expected profit margins also depend on successful implementation of 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/process/model 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.

8.4 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 constantly and professionally, guaranteed by the presence of a two professionals with excellent knowledge of administration and process 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.

8.5 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, primarily microprocessors, power semi-conductors and memory chips, are purchased from leading global producers.

During the first half of 2020, the Group promptly set up a task force to identify the location of the plants of suppliers considered critical and, when they were found to be located in areas subject to lockdown, put in place in certain countries as a measure to contain the spread of COVID-19, direct orders for supplies to plants that are still in operation. The Group’s Purchasing Department assessed alternative suppliers to mitigate the risk of interruption of supply, while purchasing the materials necessary to guarantee the business continuity of the Gefran Group’s plants, which suffered no interruptions due to shortages of materials.

Gefran has undertaken to fulfil its commitments to suppliers, paying the amounts due regularly at the agreed due dates, a commitment underlined by participation in the Brescia Industrialists’ Association’s “I pay suppliers” initiative.

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.

The quality of the product and of the process underlying its production is of the utmost importance for the Group and this is evident in the quality function which, over the years, has been increasingly endowed with new resources and skills, at a global level, to ensure the proper supervision of this fundamental aspect.

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 unavailability, 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, even during the current health crisis. 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 implemented a *disaster recovery* system for restoring the systems, data and infrastructures necessary for the Group's work in the event of an emergency and in order to contain its 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.

Health and safety risks

Risk assessment is essential to protect the health and safety of our workers. Gefran is constantly committed to mapping the operating risks that could be manifested in the various company sectors, to define opportunities and actions to minimise them, where possible.

Gefran has implemented all the procedures required to protect its employees' health during the COVID-19 pandemic, taking into account all the official protocols emanated by the governments of the countries where Gefran works. By way of example, with no intention of exhaustively listing the health and hygiene measures implemented on the company's premises and for its employees, a number of actions implemented in Group plants are listed below:

- sanitisation of premises: production facilities in Italy, China and the USA have been subjected to massive sanitisation, and all offices are cleaned and sanitised several times a day;
- distancing: production flows have been changed where necessary to ensure a safe distance between workers, identifying new premises for use as common areas such as cafeterias, dressing rooms, and access to them, organised on the basis of flexible shifts during the course of the day;
- distribution of personal protective equipment (PPE): all Group employees and visitors are supplied with PPE at the entrance to company premises and asked to wear it all the time while on site;
- temperature measurement at the entrance;
- rules of behaviour: specific procedures have been set forth regulating behaviour and processes in conformity with the requirements of the protocols, and employees have been provided with training, affixing signs on Gefran premises informing people of the rules of behaviour to be followed while on the premises.

8.6 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. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2020

- On 6 April 2020 the Gefran S.p.A. Board of Directors withdrew its 12 March 2020 resolution concerning the distribution of dividends on profits earned in 2019.
  The decision was made in view of the significant economic impact of the Covid-19 pandemic, with the goal of limiting financial expenditure and prudentially reinforcing the Group's already solid economic and financial position.

  The Shareholders' Meeting was asked to allocate all of the net profit from the year 2019 (6,221,826 Euro) to retained earnings.

- On 28 April 2020 the Gefran S.p.A. extraordinary shareholders' meeting approved the changes to the company's articles of association proposed by the previous Board of Directors' meeting.

- On 28 April 2020, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:
  - Approve Gefran S.p.A.'s financial statements for the year 2019 and allocate the entire annual profit of Euro 6.2 million to retained earnings;
  - Appoint Ennio Franceschetti as Gefran Honorary Chairman and resolve on appointment of the members of the Board of Directors for the 2020-2022 three-year period: Ennio Franceschetti, Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti, Marcello Perini, Daniele Piccolo, Monica Vecchiati, Cristina Mollis and Giorgio Metta.
  - Authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares with a face value of 1 Euro each, within 18 months from the date of the Shareholders' Meeting.

  In accordance with art. 123-ter of Italy's Consolidated Finance Act (TUF), the shareholders' meeting voted in favour of the Group's 2020 Remuneration Policy and remuneration for the year 2019.

- On 28 April 2020, the new Gefran S.p.A. Board of Directors, which met immediately after the shareholders' meeting, appointed Maria Chiara Franceschetti as its Chairman, Andrea Franceschetti and Giovanna Franceschetti as its Vice Chairmen, and Marcello Perini as CEO.

  The new Board of Directors appointed members Monica Vecchiati, Daniele Piccolo and Giorgio Metta to the Control and Risk Committee, while Daniele Piccolo, Monica Vecchiati and Cristina Mollis were appointed members of the Remuneration Committee.

  The independence requirements of the newly-appointed board were also verified. The non-executive directors Daniele Piccolo, Monica Vecchiati, Cristina Mollis and Giorgio Metta declared they were in possession of the independence requirements. Daniele Piccolo is Lead Independent Director. Ennio Franceschetti, Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti and Marcello Perini are Executive Directors.

- On 27 May 2020, Standing Auditor Primo Ceppellini resigned for personal reasons, with immediate effect. In accordance with the law and the Articles of Association, the office is taken over by Luisa Anselmi, appointed Deputy Auditor by the Shareholders' Meeting of 24 April 2018.

COVID-19 update

The first half of 2020 also saw the global spread of Coronavirus (Covid-19), resulting in the World Health Organisation's declaration of a "global pandemic" in March as the number of countries reporting cases continued to grow. After the first cases of Covid-19 were reported in Asia, starting in January in China, the virus spread in Europe, with the first case officially reported in Italy on 21 February, and progressively spread to the Americas, particularly the United States.

The global health crisis led the governments of the affected countries to introduce increasingly restrictive measures, including limitation of travel, social isolation and suspension of all non-essential forms of production and commerce, with the primary goal of halting the spread of the virus and safeguarding human health.

These exceptional measures, many of which are still in effect today, have undeniably had a significant impact on society and the economy.

Gefran has also suffered the effects of the spread of Covid-19 in the countries where the Group operates, either directly with its own branches or indirectly through customers and suppliers, primarily as a result of the partial or total shutdown of production.

The Group responded with prompt introduction of measures aimed at protecting the safety of its employees and everyone it works with while ensuring business continuity compatibly with government directives. This has led to the definition of specific procedures for behaviour and access to company premises, and to preparation of health and safety protocols.

Synergies have been set up in the Group to respond to the shortage of PPE, ensuring that all employees have access to essential protective devices. In addition, the Group has begun to invest in ensuring the safest possible working conditions for its employees.

A task force was set up to manage the supply chain in order to ensure business continuity, responding to problems with geolocation of suppliers and definition of lockdown zones; there were no interruptions in production attributable to shortages of material in the quarter, and all financial commitments to suppliers were met.

As of the publication of this Financial Report, the Group's main production activities have resumed in all locations, while office staff work partly in the office and partly from home, in order to ensure the necessary social distancing.

The Gefran Group has also resorted to use of the exceptional wages guarantee fund and begun the required procedures for requesting government aid wherever available. In addition, actions are under way aimed at cutting costs and redefining the Group's actions and priorities.

10. SIGNIFICANT EVENTS FOLLOWING THE END OF THE FIRST HALF OF 2020

Nothing to report.

11. OUTLOOK

2020 began on an optimistic note: the International Monetary Fund predicted an increase in global GDP, with 3.3% growth in 2020 and 3.4% growth in 2021. But following the propagation of the COVID-19 virus, these estimates were revised downwards, only minimally at first, followed by much greater reductions over the months that followed.

In the first quarter of the year, the crisis was more severe than expected, and the second quarter saw a further worsening: between April and May, the pandemic accelerated, forcing many countries to take more stringent measures, leaving deep scars on the global economy, public accounts and employment. A second wave of contagion would aggravate the recession, extending it to 2021. In light of this, and net of a second wave, the International Monetary Fund has updated its forecasts for 2020, which now sees a contraction in world GDP of 4.9%, and for 2021, when a recovery of 5.4% is envisaged. China is an exception in this international scenario: according to the International Monetary Fund, the revocation of the lockdown that took place as early as April has made it possible to estimate an overall growth in 2020, even if at record lows (+1%), which will accelerate in 2021 (over 8%). The OECD forecast, on the other hand, is more conservative, according to which China will also see a contraction of 2.6% in 2020.

With reference to the Eurozone, according to the International Monetary Fund, the contraction expected in 2020 is 10.2%, with a rebound of 6% in 2021: Italy risks a decline of 12.8% (+6.3% in 2021), Germany is going towards -7.8% and for the United Kingdom, the decline will be in excess of 10%.

The Gefran Group has felt the effects of the situation ever since the virus first appeared in China and then began to spread to other geographical areas of importance for the Group; it has responded by implementing new organisational methods and, where possible, exploiting the Group's international scope by making up for part of the production lost in the most strongly affected countries with production in other areas where industries have continued operating.

The Group reacted promptly to shrinking demand as a result of the impact of the pandemic by cutting costs and implementing a major review of its actions and priorities. Nevertheless, the global macroeconomic situation, characterised by contrasting signs at present, still presents many uncertainties, such that at present we do not assume that in the second half of 2020 we can achieve the same results as in the same period of 2019, confirming for the current year lower revenues and margins compared to 2019.

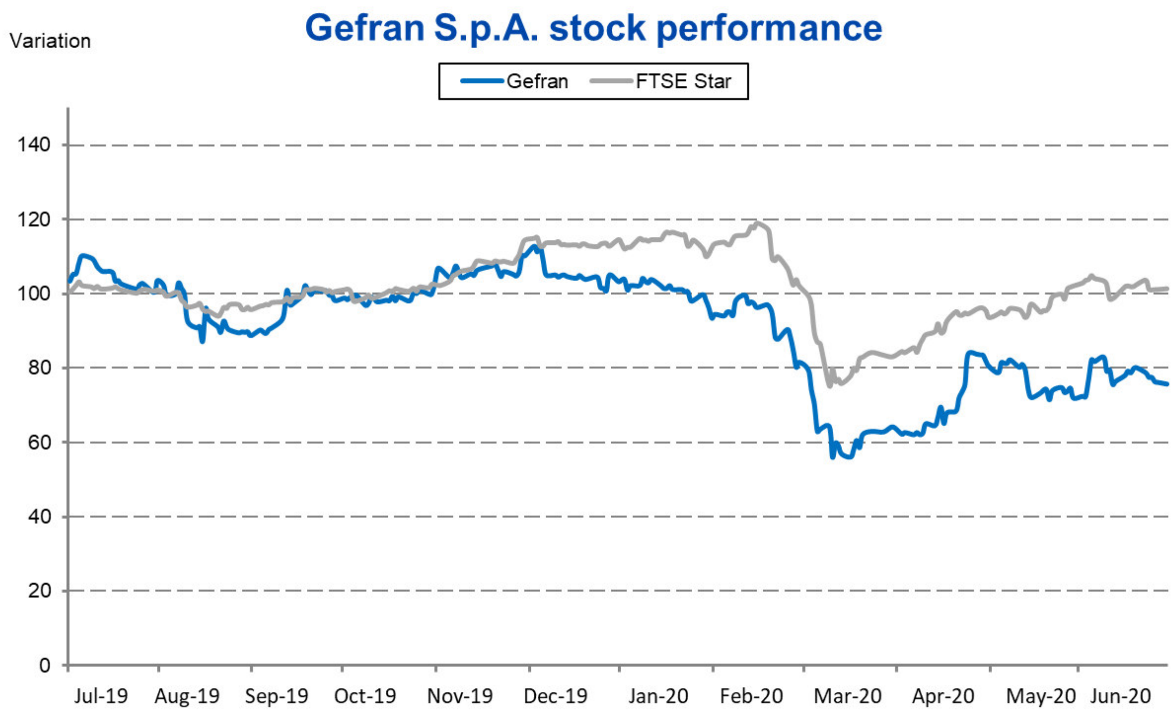
12. OWN SHARES AND STOCK PERFORMANCE

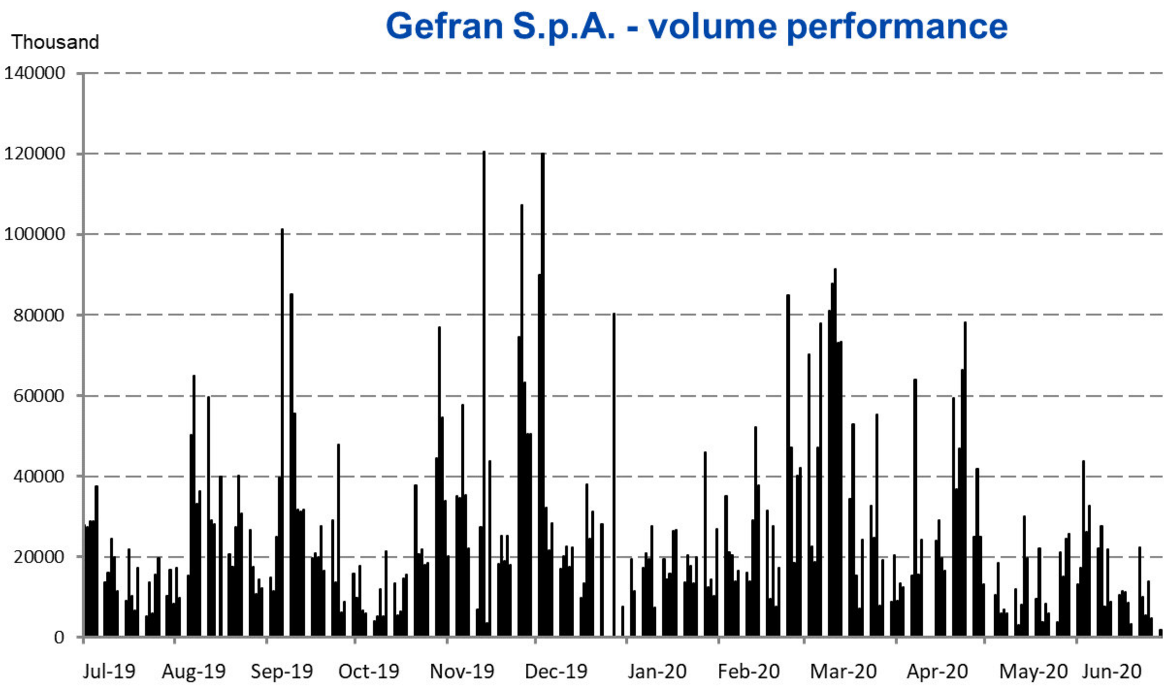
As of 30 June 2020, Gefran S.p.A. held 27,220 shares (0.19% of the total) with an average carrying value of Euro 5.7246 per share, all purchased in the fourth quarter of 2018.

No own shares were bought or sold during the first three half of 2020. 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:





13. DEALINGS WITH RELATED PARTIES

On 12 November 2010, the Gefran Board of Directors approved the “Regulations for transactions with related parties” in application of Consob Resolution no. 17221 of 12 March 2010. These regulations have been published in the “Governance” section of the Company’s internet site, available at *https://www.gefran.com/en/gb/governance*, in the “*Internal dealings*” section.

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 part**: obligation to provide information.

See paragraph 28 of the Notes to the Consolidated Financial Statements for details on transactions with related parties.

14. DEROGATION FROM THE OBLIGATIONS TO PUBLISH THE INFORMATION DOCUMENTS

On 1 October 2012, the Gefran S.p.A. Board of Directors voted to use the option to provide simplified disclosure pursuant to article 70, paragraph 8, and article 71, paragraph 1-*bis*, of Consob Issuer Regulation 11971/1999 as amended.

CONSOLIDATED FINANCIAL STATEMENTS

GEFRAN
BEYOND TECHNOLOGY

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

(Euro / 000)	*Notes*	2Q 2020	2Q 2019	progressive as at 30 June 2020	progressive as at 30 June 2019
Revenues from product sales	*19*	30,746	36,012	61,849	71,766
Other revenues and income	*20*	563	114	886	333
Increases for internal work		459	628	954	1,263
TOTAL REVENUES		**31,768**	**36,754**	**63,689**	**73,362**
Change in inventories	*14*	1,210	333	649	2,917
Costs of raw materials and accessories	*21*	(12,447)	(13,241)	(23,297)	(28,032)
Service costs	*22*	(4,353)	(6,456)	(9,552)	(12,156)
of which related parties:	*28*	*(48)*	*(38)*	*(98)*	*(81)*
Miscellaneous management costs		(225)	(313)	(454)	(496)
Other operating income		3	631	3	638
Personnel costs	*23*	(11,741)	(13,228)	(23,599)	(25,607)
Impairment/reversal of trade and other receivables	*14*	(106)	(14)	(103)	109
Amortisation and impairment of intangible assets	*24*	(509)	(558)	(978)	(1,085)
Depreciation and impairment of tangible assets	*24*	(1,188)	(1,230)	(2,399)	(3,747)
Depreciation/amortisation total usage rights	*24*	(321)	(280)	(638)	(527)
EBIT		**2,091**	**2,398**	**3,321**	**5,376**
Gains from financial assets	*25*	(37)	36	490	485
Losses from financial liabilities	*25*	(402)	(338)	(1,596)	(612)
(Losses) gains from shareholdings valued at equity		(3)	17	(1)	259
PROFIT (LOSS) BEFORE TAX		**1,649**	**2,113**	**2,214**	**5,508**
Current taxes	*26*	(166)	(363)	(419)	(1,015)
Deferred tax assets and liabilities	*26*	(423)	(269)	(656)	(464)
TOTAL TAXES		**(589)**	**(632)**	**(1,075)**	**(1,479)**
NET PROFIT (LOSS) FOR THE YEAR		**1,060**	**1,481**	**1,139**	**4,029**

Attributable to:					
Group		1,060	1,481	1,139	4,029
Third parties		-	-	-	-

Earnings per share *(Euro)*	*Notes*	progressive as at 30 June 2020	progressive as at 30 June 2019
Basic earnings per ordinary share	*17*	0.08	0.28
Diluted earnings per ordinary share	*17*	0.08	0.28

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

(Euro / 000)	*Notes*	2Q 2020	2Q 2019	progressive as at 30 June 2020	progressive as at 30 June 2019
NET PROFIT (LOSS) FOR THE YEAR		**1,060**	**1,481**	**1,139**	**4,029**
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period					
- conversion of foreign companies' financial statements	*16*	(408)	(487)	(225)	128
- equity investments in other companies	*16*	4	(33)	(24)	(32)
- fair value of cash flow hedging derivatives	*16*	(84)	(168)	(91)	(222)
Total changes, net of tax effect		**(488)**	**(688)**	**(340)**	**(126)**
Comprehensive result for the period		**572**	**793**	**799**	**3,903**
Attributable to:					
Group		572	793	799	3,903
Third parties		-	-	-	-

3. STATEMENT OF FINANCIAL POSITION

(Euro / 000)	*Notes*	**30 June 2020**	**31 December 2019**
NON-CURRENT ASSETS			
Goodwill	*10*	5,923	5,917
Intangible assets	*11*	8,684	7,641
Property, plant, machinery and tools	*12*	43,119	44,761
of which related parties:	*28*	*84*	*470*
Usage rights	*13*	2,911	3,089
Shareholdings valued at equity		195	1,196
Equity investments in other companies		1,658	1,690
Receivables and other non-current assets		91	94
Deferred tax assets	*26*	5,902	6,556
Non-current financial investments for derivatives	*15*	1	1
Other non-current financial investments		98	97
TOTAL NON-CURRENT ASSETS		**68,582**	**71,042**
CURRENT ASSETS			
Inventories	*14*	24,786	24,548
Trade receivables	*14*	27,978	28,931
Other receivables and assets		7,144	7,953
Current tax receivables	*26*	913	853
Cash and cash equivalents	*15*	32,016	24,427
TOTAL CURRENT ASSETS		**92,837**	**86,712**
TOTAL ASSETS		**161,419**	**157,754**
SHAREHOLDERS' EQUITY			
Share capital	*16*	14,400	14,400
Reserves	*16*	60,306	53,602
Profit/(loss) for the year	*16*	1,139	7,042
Total Group Shareholders' Equity		**75,845**	**75,044**
Shareholders' equity of minority interests	*16*	-	-
TOTAL SHAREHOLDERS' EQUITY		**75,845**	**75,044**
NON-CURRENT LIABILITIES			
Non-current financial payables	*15*	27,206	21,916
Non-current financial payables for IFRS 16 leases	*15*	1,778	2,013
Non-current financial liabilities for derivatives	*15*	279	169
Employee benefits		4,847	4,853
Non-current provisions	*18*	634	644
Deferred tax provisions	*26*	637	647
TOTAL NON-CURRENT LIABILITIES		**35,381**	**30,242**
CURRENT LIABILITIES			
Current financial payables	*15*	15,273	12,643
Current financial payables for IFRS 16 leases	*15*	1,138	1,071
Trade payables	*14*	21,091	24,937
of which related parties:	*28*	*98*	*120*
Current provisions	*18*	1,496	1,527
Current tax payables	*26*	428	257
Other payables and liabilities		10,767	12,033
TOTAL CURRENT LIABILITIES		**50,193**	**52,468**
TOTAL LIABILITIES		**85,574**	**82,710**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**161,419**	**157,754**

4. CONSOLIDATED CASH FLOW STATEMENT

(Euro / 000)	Notes	30 June 2020	30 June 2019
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**24,427**	**18,043**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:			
Net profit (loss) for the period		1,139	4,029
Depreciation, amortisation and impairment	24	4,015	5,359
Provisions (Releases)	14.18	1,210	1,098
Capital (gains) losses on the sale of non-current assets	11.12	(1)	(17)
Net result from financial operations	25	1,107	(114)
Taxes	26	419	1,010
Change in provisions for risks and future liabilities	18	(194)	(518)
Change in other assets and liabilities		(524)	(3,831)
Change in deferred taxes	26	655	467
Change in trade receivables	14	543	(2,838)
Change in inventories	14	(1,609)	(3,584)
Change in trade payables	14	(3,809)	4,232
of which related parties:	*28*	*(22)*	*31*
TOTAL		**2,951**	**5,293**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	11.12	(2,927)	(8,269)
of which related parties:	*28*	*(84)*	*(368)*
- Equity investments and securities		1,000	-
- Acquisitions net of acquired cash		-	(231)
- Financial receivables		3	(2)
Disposal of non-current assets	11.12	2	27
TOTAL		**(1,922)**	**(8,475)**
D) FREE CASH FLOW (B+C)		**1,029**	**(3,182)**
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	15	11,991	21,485
Repayment of financial payables	15	(5,296)	(3,883)
Increase (decrease) in current financial payables	15	1,244	(1,539)
Outgoing cash flow due to IFRS 16	15	(648)	(571)
Taxes paid	26	(151)	(336)
Interest paid	25	(473)	(376)
Interest received	25	31	177
Dividends paid	16	-	(4,599)
TOTAL		**6,698**	**10,358**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**7,727**	**7,176**
H) Exchange rate translation differences on cash at hand	15	(138)	(107)
I) NET CHANGE IN CASH AT HAND (F+G+H)		**7,589**	**7,069**
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)		**32,016**	**25,112**

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Euro / 000)	Notes	Share capital	Capital reserves	Consolidation reserve	Other reserves	Retained profit /(loss)	overall EC reserves: Fair value measurement reserve	overall EC reserves: Currency translation reserve	overall EC reserves: Other reserves	Profit/(loss) for the year	Group Total shareholders' equity	Shareholders' equity of	Total shareholders' equity
Balance at 1 January 2019		14,400	21,926	5,368	10,095	10,143	(12)	3,143	(400)	8,151	72,814	-	72,814
Destination of 2018 profit													
- Other reserves and provisions	*16*			521	-	7,630				(8,151)	-		-
- Dividends	*16*					(4,599)					(4,599)		(4,599)
Income/ (Expenses) recognised at equity	*16*			(25)			(203)		(210)		(438)		(438)
Change in translation reserve	*16*							221			221		221
Other changes	*16*			-	4						4		4
2019 profit	*16*									7,042	7,042		7,042
Balance at 31 December 2019		14,400	21,926	5,864	10,099	13,174	(215)	3,364	(610)	7,042	75,044	-	75,044
Destination of 2019 profit	*16*												
- Other reserves and provisions	*16*			820	-	6,222				(7,042)	-		-
- Dividends	*16*					-					-		-
Income/ (Expenses) recognised at equity	*16*			-			(115)		-		(115)		(115)
Change in translation reserve	*16*							(225)			(225)		(225)
Other changes	*16*			-	(1)	3					2		2
2020 profit	*16*									1,139	1,139		1,139
Balance at 30 June 2020		14,400	21,926	6,684	10,098	19,399	(330)	3,139	(610)	1,139	75,845	-	75,845

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 ended 30 June 2020 was approved by the Board of Directors on 6 August 2020, which authorised 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 official audit of the half-yearly consolidated financial statements was carried out 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 Euro.

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

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 2020 are the same as the accounting standards applied to the preparation of the 31 December 2019 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 financial statements were prepared using the general historic cost criterion, adjusted as required for the valuation of certain financial instruments.

With reference to Consob Communication 0003907 of 19 January 2015, note 13 "Goodwill and other intangible assets with an indefinite life" includes the required information, and specifically the references to the external information and the sensitivity analysis.

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 as of 30 June 2020 was unchanged compared to 30 June 2019 and 31 December 2019.

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. 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:

Provision for impairment of inventory

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.

8. 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 26% 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 10%, 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 2020**		**30 June 2019**	
	-5%	+5%	-5%	+5%
Chinese renminbi	99	(89)	5	(5)
US dollar	56	(47)	62	(56)
Total	**155**	**(136)**	**67**	**(61)**

(Euro / 000)	**30 June 2020**		**30 June 2019**	
	-10%	+10%	-10%	+10%
Chinese renminbi	208	(170)	11	(9)
US dollar	118	(89)	132	(108)
Total	**326**	**(259)**	**143**	**(117)**

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 2020**		**30 June 2019**	
	-5%	+5%	-5%	+5%
Chinese renminbi	(24)	22	-	-
US dollar	8	(8)	18	(16)
Total	**(16)**	**14**	**18**	**(16)**

(Euro / 000)	**30 June 2020**		**30 June 2019**	
	-10%	+10%	-10%	+10%
Chinese renminbi	(51)	42	-	-
US dollar	18	(14)	38	(31)
Total	**(33)**	**28**	**38**	**(31)**

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 2020**		**30 June 2019**	
	-5%	+5%	-5%	+5%
Chinese renminbi	479	(433)	524	(474)
US dollar	376	(341)	372	(336)
Total	**855**	**(774)**	**896**	**(810)**

(Euro / 000)	**30 June 2020**		**30 June 2019**	
	-10%	+10%	-10%	+10%
Chinese renminbi	1,011	(827)	1,107	(905)
US dollar	795	(650)	785	(642)
Total	**1,806**	**(1,477)**	**1,892**	**(1,547)**

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 2020 and 30 June 2019, while keeping other variables unchanged.

(Euro / 000)	**30 June 2020**		**30 June 2019**	
	-100	100	-100	100
Euro	221	(253)	150	(205)
US dollar	(12)	12	(18)	18
Total	**209**	**(241)**	**132**	**(187)**

The potential impacts reported above have been calculated on the basis of the net liabilities representing the most significant part of the Group's payables as of the date of this annual financial report and calculating the effect of net financial charges on this amount resulting from changes in annual interest rates.

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 2020, 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	10,757	27,206	-	37,963
Financial payables due to leasing under IFRS 16	1,138	1,313	465	2,916
Other accounts payable	(1)	-	-	(1)
Account overdrafts	4,517	-	-	4,517
Total liabilities	**16,411**	**28,519**	**465**	**45,395**
Cash in current accounts	31,987	-	-	31,987
Total assets	**31,987**	**-**	**-**	**31,987**
Total variable rate	**15,576**	**(28,519)**	**(465)**	**(13,408)**

Unlike net financial position figures, the amounts shown in the table above do not include the fair value of derivatives (negative at 278 thousand Euro), cash on hand (positive at 29 thousand Euro) or deferred financial income (positive at 98 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 2020**	**31 December 2019**	**Change**
Cash and cash equivalents	29	157	(128)
Cash in bank deposits	31,987	24,270	7,717
Term deposits – less than 3 months	-	-	-
Total liquidity	**32,016**	**24,427**	**7,589**
Multiple mixed credit lines	23,110	24,749	(1,639)
Cash flexibility credit lines	3,955	3,005	950
Invoice factoring credit lines	8,250	8,323	(73)
Total credit lines available	**35,315**	**36,077**	**(762)**
Total liquidity available	**67,331**	**60,504**	**6,827**

It should be noted that the reduction in credit facilities is the combined result of two opposing factors: on the one hand, credit facilities increased following the opening of a revolving line, while on the other they decreased due to the closure of credit facilities granted on behalf of the subsidiary Ensun S.r.l., following its liquidation in February.

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)	214	-	1,444	1,658
Hedging transactions	-	1	-	1
Total assets	**214**	**1**	**1,444**	**1,659**
Hedging transactions	-	(279)	-	(279)
Total liabilities	**-**	**(279)**	**-**	**(279)**

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 30 June 2019.

Below is a reconciliation of the different classes of financial assets and liabilities, as identified in the Group’s statement of financial position, and types of financial assets and liabilities identified on the basis of the requirements of IFRS7, as of 30 June 2019:

(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)
Total liabilities	**-**	**(300)**	**-**	**(300)**

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.

The medical emergency generated by Covid-19 already at the start of 2020 caused a global economic shock, with the result that the Group has conducted analyses assessing the possibility of increased credit risk, developing estimates based on the best more specific information. The analyses conducted to determine the existence of such a risk have been based primarily on three factors:

- the potential impact of Covid-19 on the economy;
- the support measures governments have implemented;
- the collectibility of credit resulting in the changed risk of customer defaulting.

With reference to the latter point, the Group has conducted its analyses using a risk matrix that takes into account geographical region, industry, and individual customer solvency.

Management considers the forecasts thus generated to be reasonable and sustainable despite the current climate of uncertainty.

Below are the values of gross trade receivables at 30 June 2020 and 31 December 2019:

(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 2020	30,370	24,808	2,552	647	19	860	1,484
Gross trade receivables at 31 December 2019	31,299	25,869	2,502	484	83	944	1,417

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 carrying value:

(Euro / 000)	carrying value 30 June 2020	carrying value 31 December 2019	fair value 30 June 2020	fair value 31 December 2019
Financial assets				
Cash and cash equivalents	29	157	29	157
Cash in bank deposits	31,987	24,270	31,987	24,270
Securities held for trading	-	-	-	-
Financial investments for derivatives	1	1	1	1
Non-current financial investments	98	97	98	97
Total financial assets	**32,115**	**24,525**	**32,115**	**24,525**
Financial liabilities				
Current portion of long-term debt	(10,757)	(9,342)	(10,757)	(9,342)
Short-term bank debt	(4,517)	(3,296)	(4,517)	(3,296)
Financial liabilities for derivatives	(279)	(169)	(279)	(169)
Factoring	1	(5)	1	(5)
Payables due to leasing contracts under IFRS 16	(2,916)	(3,084)	(2,916)	(3,084)
Other financial payables	-	-	-	-
Non-current financial debt	(27,206)	(21,916)	(27,206)	(21,916)
Total financial liabilities	**(45,674)**	**(37,812)**	**(45,674)**	**(37,812)**
Total net financial position	**(13,559)**	**(13,287)**	**(13,559)**	**(13,287)**

9. 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 2020
a	Revenues	28,140	18,412	18,825	(2,642)		62,735
b	Increases for internal work	234	354	366	-		954
c	Consumption of materials and products	7,726	7,185	10,379	(2,642)		22,648
d	**Added value (a+b-c)**	**20,648**	**11,581**	**8,812**		**-**	**41,041**
e	Other operating costs	4,912	2,364	2,830	-		10,106
f	Personnel costs	9,664	7,886	6,049	-		23,599
g	**EBITDA (d-e-f)**	**6,072**	**1,331**	**(67)**		**-**	**7,336**
h	Depreciation, amortisation and impairment	1,692	1,256	1,067	-		4,015
i	**EBIT (g-h)**	**4,380**	**75**	**(1,134)**		**-**	**3,321**
l	Gains (losses) from financial assets/liabilities					(1,106)	(1,106)
m	Gains (losses) from shareholdings valued at equity					(1)	(1)
n	**Profit (loss) before tax (i±l±m)**	**4,380**	**75**	**(1,134)**		**(1,107)**	**2,214**
o	Taxes					(1,075)	(1,075)
p	**Group net profit (loss)(n±o)**	**4,380**	**75**	**(1,134)**		**(2,182)**	**1,139**

	(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
e	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

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)	Sen sors	Automation compo nents	Motion control	Not divided	30 June 2020	Sen sors	Automation compo nents	Motion control	Not divided	31 December 2019
Intangible assets	8,978	2,552	3,077		14,607	8,220	2,394	2,944		13,558
Tangible assets	17,602	12,653	15,775		46,030	18,369	13,191	16,290		47,850
Other non-current assets				7,846	7,846				9,536	9,536
Net non-current assets	**26,580**	**15,205**	**18,852**	**7,846**	**68,483**	26,589	15,585	19,234	9,536	70,944
Inventories	6,460	5,293	13,033		24,786	6,098	5,157	13,293		24,548
Trade receivables	10,474	7,650	9,854		27,978	9,764	8,029	11,138		28,931
Trade payables	(7,276)	(5,889)	(7,926)		(21,091)	(8,564)	(6,738)	(9,635)		(24,937)
Other assets/liabilities	(2,712)	(2,483)	(2,155)	4,212	(3,138)	(3,564)	(2,925)	(2,382)	5,387	(3,484)
Working capital	**6,946**	**4,571**	**12,806**	**4,212**	**28,535**	3,734	3,523	12,414	5,387	25,058
Provisions for risks and future liabilities	(1,012)	(670)	(399)	(49)	(2,130)	(968)	(714)	(440)	(49)	(2,171)
Deferred tax provisions				(637)	(637)				(647)	(647)
Employee benefits	(1,181)	(1,973)	(1,693)		(4,847)	(1,238)	(1,937)	(1,678)		(4,853)
Invested capital from operations	**31,333**	**17,133**	**29,566**	**11,372**	89,404	28,117	16,457	29,530	14,227	88,331
Net invested capital	**31,333**	**17,133**	**29,566**	**11,372**	**89,404**	28,117	16,457	29,530	14,227	88,331
Shareholders' equity	**-**	**-**	**-**	**75,845**	**75,845**				75,044	75,044
Non-current financial payables				27,206	27,206				21,916	21,916
Current financial payables				15,273	15,273				12,643	12,643
Financial payables for IFRS 16 leases (current and non-current)				2,916	2,916				3,084	3,084
Financial liabilities for derivatives (current and non-current)				279	279				169	169
Financial assets for derivatives (current and non-current)				(1)	(1)				(1)	(1)
Other non-current financial investments				(98)	(98)				(97)	(97)
Cash and cash equivalents and current financial receivables				(32,016)	(32,016)				(24,427)	(24,427)
Net debt relating to operations	**-**	**-**	**-**	**13,559**	**13,559**	-	-	-	13,287	13,287
Total sources of financing	**-**	**-**	**-**	**89,404**	**89,404**	-	-	-	88,331	88,331

GEFRAN
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Secondary segment - geographical region

Revenues by geographical region

(Euro / 000)	30 June 2020	30 June 2019	Change	%
Italy	19,374	22,874	(3,500)	-15.3%
European Union	15,077	18,525	(3,448)	-18.6%
Europe non-EU	2,600	2,234	366	16.4%
North America	7,494	9,407	(1,913)	-20.3%
South America	1,587	2,224	(637)	-28.6%
Asia	15,350	16,108	(758)	-4.7%
Rest of the World	367	394	(27)	-6.9%
Total	**61,849**	**71,766**	**(9,917)**	**-13.8%**

Investments by geographical region

(Euro / 000)	30 June 2020		30 June 2019	
	intangible assets and goodwill	tangible assets	intangible assets and goodwill	tangible assets
Italy	2,012	786	1,742	3,010
European Union	1	30	-	44
Europe non-EU	6	-	-	8
North America	-	11	-	3,591
South America	-	6	2	79
Asia	-	75	-	156
Rest of the World	-	-	-	-
Total	2,019	908	1,744	6,888

Non-current assets by geographical region

(Euro / 000)	30 June 2020	31 December 2019	Change	%
Italy	49,409	51,163	(1,754)	-3.4%
European Union	2,779	2,892	(113)	-3.9%
Europe non-EU	3,193	3,306	(113)	-3.4%
North America	7,236	7,274	(38)	-0.5%
South America	444	599	(155)	-25.9%
Asia	5,521	5,808	(287)	-4.9%
Rest of the World	-	-	-	n.s.
Total	**68,582**	**71,042**	**(2,460)**	**-3%**

10. Goodwill

The item "*Goodwill"* amounted to 5,923 thousand Euro on 30 June 2020, as compared to 5,917 thousand Euro on 31 December 2019, and may be broken down as follows:

(Euro / 000)	31 December 2019	Increases	Decreases	Exchange rate differences	30 June 2020
Gefran France SA	1,310	-	-	-	1,310
Gefran India	40	-	-	(2)	38
Gefran Inc.	2,613	-	-	8	2,621
Sensormate AG	1,954	-	-	-	1,954
	5,917	**-**	**-**	**6**	**5,923**

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	2020	1,310	-	2,621	1,954	5,885
	2019	1,310	-	2,613	1,954	5,877
Motion control	2020	-	38	-	-	38
	2019	-	40	-	-	40
Total	**2020**	**1,310**	**38**	**2,621**	**1,954**	**5,923**
	2019	**1,310**	**40**	**2,613**	**1,954**	**5,917**

As part of the analysis on the recoverability of the values of goodwill, in accordance with the main instructions of IAS 36, the values in use in the Group and in the CGU mentioned above, at which the tested assets were allocated, were determined. This exercise was based on the forecast cash flows discounted back, produced by the CGUs subject to analysis, appropriately discounted back by means of the rates which reflect the risk.

Goodwill relating to the France, USA and Switzerland CGUs has been assigned to the sensors business unit, that relating to the India CGU to the motion control business unit. For impairment testing purposes, all goodwill is examined on the basis of data from the specific CGUs, which corresponds to the subsidiary companies operating in the aforesaid geographic regions.

The COVID-19 pandemic and its effects on the global economy have, on the one hand, made it necessary to review impairment tests on goodwill, while on the other hand they have made it very difficult to revise plans for future years. For this reason, when determining value in use, the specific cash flows relating to the period 2020-2022 deriving from the original Group Plan were considered, that the management reviewed and for the moment confirmed, along with terminal value, which represents the ability to generate cash flows beyond the explicit forecast time scale.

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

The rate used for discounting future cash flows is the weighted average cost of capital (WACC), calculated as the weighted average of the cost of own capital and the cost of third-party capital, net of the effect on taxation. In determining it, the risk premium rate was increased by one percent to reflect the effects of the COVID-19 pandemic, while maintaining the other components unvaried.

Also to reflect the macroeconomic effects of the spread of COVID-19, the long-term growth rate (g) has been decreased by one percentage point.

Below is a sensitivity analysis showing the break-even "g" and "wacc" rates in a "steady case" situation:

Description *(Euro /.000)*	**"g" rate %**	**WACC %**	**A**	**B**
Goodwill - STEADY CASE				
France	0.7%	8.0%	-16%	20%
India	2.9%	10.5%	-9%	30%
USA	1.3%	8.1%	-11%	16%
Switzerland	0.2%	7.6%	-2%	9%

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

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

However, the directors will systematically monitor final income statement and statement of financial position data of the CGUs to assess the need to adjust forecasts and promptly reflect any further write-downs.

11. Intangible assets

This item exclusively comprises assets with a finite life, and increased from 7,641 thousand Euro on 31 December 2019 to 8,684 thousand Euro on 30 June 2020. The changes during the period are shown below:

Historical cost	**31 December 2019**	**Increases**	**Decreases**	**Reclassifications**	**Change scope of consolidation**	**Exchange rate differences**	**30 June 2020**
(Euro / 000)							
Development costs	18,867	32	-	437	-	-	19,336
Intellectual property rights	7,546	834	-	255	-	(37)	8,598
Assets in progress and payments on account	2,955	1,030	-	(751)	-	-	3,234
Other assets	10,416	123	(4)	69	-	(8)	10,596
Total	39,784	2,019	(4)	10	-	(45)	41,764

Accumulated depreciation	**31 December 2019**	**Increases**	**Decreases**	**Reclassifications**	**Change scope of consolidation**	**Exchange rate differences**	**30 June 2020**
(Euro / 000)							
Development costs	16,346	573	-	-	-	-	16,919
Intellectual property rights	6,817	192	-	-	-	(34)	6,975
Other assets	8,980	213	(4)	-	-	(3)	9,186
Total	32,143	978	(4)	-	-	(37)	33,080

Net value	**31 December 2019**	**30 June 2020**	**Change**
(Euro / 000)			
Development costs	2,521	2,417	(104)
Intellectual property rights	729	1,623	894
Assets in progress and payments on account	2,955	3,234	279
Other assets	1,436	1,410	(26)
Total	7,641	8,684	1,043

This is the table of changes related to the first half of 2019:

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 depreciation	**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

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

- 887 thousand Euro relating to new lines for mobile hydraulics, pressure transducers (KS KH) and contactless linear position transducers (MK–IK, RK and WP– RK) and melt (I/O LINK);
- 1,119 thousand Euro for component lines for the new range of regulators and static units, GF Project VX, G Cube Performa and G Cube Fit;
- 411 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 comprise the costs incurred to purchase the company IT system management programs and the use of licences for third-party software, as well as patents. In particular, during the first half of 2020, ownership of the 3D Twisted Hall patent was acquired, for an amount of 700 thousand. Euro These assets have a useful life of three years.

Assets in progress and payments on account include payments on account paid to suppliers for the purchase of software programs and licenses due to be delivered in the following year, and for purchase of patents on technologies currently being developed. This item also includes 2,986 thousand Euro in development costs, which include 768 thousand Euro for the automation components business unit, 540 thousand Euro for the sensors business unit, and 1,677 thousand Euro for the motion control business unit, the benefits of which will appear in the income statement for the following year, so that they have not been amortised.

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

The increases in the historic value of *“Intangible assets”*, worth 2,019 thousand Euro in the first half of 2020, include 948 thousand Euro linked with capitalization of internal costs (equal to 1,253 thousand Euro in the same period in the previous year).

12. Property, plant, machinery and tools

This item decreases from 44,761 thousand Euro at 31 December 2019 to 43,119 thousand Euro at 30 June 2020. The changes are shown in the table below:

Historical cost	**31 December 2019**	**Increases**	**Decreases**	**Reclassifications**	**Change scope of consolidation**	**Exchange rate differences**	**30 June 2020**
(Euro / 000)							
Land	5,222	-	-	-	-	2	5,224
Industrial buildings	42,255	32	-	2,040	-	(118)	44,209
Plant and machinery	43,514	232	(188)	2,136	-	(161)	45,533
Industrial and commercial equipment	19,916	172	(9)	174	-	(22)	20,231
Other assets	7,436	88	(8)	66	-	(71)	7,511
Assets in progress and payments on account	4,988	384	-	(4,426)	-	1	947
Total	123,331	908	(205)	(10)	-	(369)	123,655

Accumulated depreciation	**31 December 2019**	**Increases**	**Decreases**	**Reclassifications**	**Change scope of consolidation**	**Exchange rate differences**	**30 June 2020**
(Euro / 000)							
Industrial buildings	20,864	648	-	-	-	(68)	21,444
Plant and machinery	33,285	1,195	(188)	-	-	(103)	34,189
Industrial and commercial equipment	18,524	334	(9)	-	-	(17)	18,832
Other assets	5,897	222	(7)	-	-	(41)	6,071
Total	78,570	2,399	(204)	-	-	(229)	80,536

Net value	31 December 2019	30 June 2020	Change
(Euro / 000)			
Land	5,222	5,224	2
Industrial buildings	21,391	22,765	1,374
Plant and machinery	10,229	11,344	1,115
Industrial and commercial equipment	1,392	1,399	7
Other assets	1,539	1,440	(99)
Assets in progress and payments on account	4,988	947	(4,041)
Total	44,761	43,119	(1,642)

This is the table of changes related to the first half of 2019:

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	1	-	132	13	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	(639)	(1)	501	70	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

No writedowns were applied in the first half of 2020, whereas the first six months of 2019 saw the writedown of buildings due to loss of value worth a total of 1,531 thousand Euro.

The change in the exchange rate had a negative impact of 140 thousand Euro.

The biggest changes during the half year related to:

- investment of 560 thousand Euro in production and laboratory plant and equipment in the Group's Italian factories and 17 thousand Euro in other Group subsidiaries;
- upgrading of the industrial buildings of the Group's Italian plants for the amount of 127 thousand Euro and of foreign plants for the amount of 82 thousand Euro;
- renewal of electronic office machines and IT system equipment, amounting to 71 thousand Euro in the Parent Company and 43 thousand Euro in the Group's subsidiaries;
- miscellaneous equipment in the Group's subsidiaries amounting to 9 thousand Euro.

The increases in the historic value of the item *"Buildings, plant and machinery and equipment"*, worth 908 thousand Euro in the first half of 2020, include 5 thousand Euro linked with capitalization of internal costs (equal to 10 thousand Euro in the first six months of 2019).

13. Usage rights

This item refers to the recording of the value of the assets covered by the lease contracts, according to the accounting standard IFRS16.

The value of "Usage rights" as of 30 June 2020 amounts to 2,911 thousand Euro, and shows the following changes:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 June 2020
(Euro / 000)							
Real estate	2,233	318	(54)	-	-	(1)	2,496
Vehicles	1,801	155	(12)	-	-	(26)	1,918
Machinery and equipment	138	37	-	-	-	-	175
Total	4,172	510	(66)	-	-	(27)	4,589

Accumulated depreciation	31 December 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 June 2020
(Euro / 000)							
Real estate	522	297	(16)	-	-	(10)	793
Vehicles	507	309	(8)	-	-	(10)	798

Machinery and equipment	54	32	-	-	-	1	87
Total	1,083	638	(24)	-	-	(19)	1,678

Net value	**31 December 2019**	**30 June 2020**	**Change**
(Euro / 000)			
Real estate	1,711	1,703	(8)
Vehicles	1,294	1,120	(174)
Machinery and equipment	84	88	4
Total	3,089	2,911	(178)

This is the table of changes related to the first half of 2019:

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

As of 1 January 2020 the Group has a total of 205 contracts in place for leasing of vehicles, machinery, industrial equipment and electronic office machinery, as well as for rental of real estate. As required by the IASB, practical expedients were employed 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 below the conventional threshold of 5 thousand American dollars (of modest unitary value).

On the basis of their value and duration, of the 205 contracts in effect as of 1 January 2020:

- 172 fell within the perimeter of application of IFRS 16;
- 33 were excluded from the perimeter of application of the standard, 25 of which had a term of less than 12 months, while for the 8, the fair value calculated for the asset which is the subject of the contract is of modest unitary value.

The assets analysed here are entered in the financial statements:

- in non-current tangible assets, under "*Usage rights*";
- under Net Financial Position, while the corresponding financial payable originates current (payable within the year) or non-current (payable beyond a year) "*Financial payables for leasing under IFRS 16*" .

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.

A total of 21 new leasing agreements were signed in 2020, 12 of which are subject to application of IFRS 16, and specifically: Of the remaining 9 contracts signed in 2020, excluded from the perimeter of application of the new accounting standard, 8 pertain to contracts with a duration of less than 12 months and one represents a contract regarding goods of modest value.

A total of 37 contracts ended, only 16 of which fell within the perimeter of application of IFRS 16 on the basis of their value and term as specified above, two of which were terminated in advance of their original due date, generating a loss of 1 thousand Euro, entered in the income statement under miscellaneous management costs.

Increases in the historic cost of the item "*Usage rights*" may be summed up as follows:

- real estate, totalling 318 thousand Euro, representing a 4-year extension of one of the company Elettropiemme S.r.l.'s rental contracts, following the Group's takeover of its contracts in 2019 and renewal of the rental contract of the sales office in Singapore;
- vehicles, totalling Euro 155 thousand, representing 7 new vehicle leasing agreements signed by the Group in 2020 upon expiry of previous agreements;
- machinery and equipment totalling 3 thousand Euro, linked with 3 new contracts for rental of uninterrupted power supply units signed in 2020.

Decreases in the historical cost of "*usage rights*" in 2020, totalling 66 thousand Euro, refer to 16 terminated contracts. 2 of these, relating to the rental of company vehicles, were terminated before the expiry date.

14. Net working capital

Net working capital totals 31,673 thousand Euro, compared to 28,542 thousand Euro on 31 December 2019, and breaks down as follows:

(Euro / 000)	**30 June 2020**	**31 December 2019**	**Change**
Inventories	24,786	24,548	238
Trade receivables	27,978	28,931	(953)
Trade payables	(21,091)	(24,937)	3,846
Net amount	**31,673**	**28,542**	**3,131**

The value of **inventories** as of 30 June 2020 is equal to 24,786 thousand Euro, up by 238 thousand Euro over 31 December 2019. The balance breaks down as follows:

(Euro / 000)	**30 June 2020**	**31 December 2019**	**Change**
Raw materials, consumables and supplies	15,396	14,653	743
provision for impairment of raw materials	*(3,915)*	*(3,449)*	(466)
Work in progress and semi-finished products	8,918	8,707	211
Provision for impairment of work in progress	*(1,295)*	*(1,058)*	(237)
Finished products and goods for resale	7,323	7,269	54
Provision for impairment of finished products	*(1,641)*	*(1,574)*	(67)
Total	**24,786**	**24,548**	**238**

Inventories increased by 238 thousand Euro and mainly concern raw material stocks, up compared to the end of 2019, since at the beginning of the spread of the pandemic, excess quantities of material critical for production were taken in, in order to avoid risks of interruption in procurement and consequently in the production chain.

The economic impact of the change in inventories, on the other hand, sees a decrease compared to 31 December 2019 of 649 thousand Euro, since the average exchange rate for the period is used for the economic recognition of events.

The provision for obsolescence and slow moving inventories was adjusted according to need in the first half of 2020 through specific provisions totalling 987 thousand Euro (as compared to 667 thousand Euro in the same period in 2019). The change in the provision in the first six months of 2020 is shown below:

(Euro / 000)	**31 December 2019**	**Provisions**	**Uses**	**Releases**	**Change scope of consolidation**	**Exchange rate differences**	**30 June 2020**
Provision for impairment of inventory	**6,081**	**987**	**(100)**	**(28)**	**-**	**(89)**	**6,851**

The change 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**

Trade receivables amount to 27,978 thousand Euro, compared to 28,931 thousand Euro on 31 December 2019, a 953 thousand Euro increase.

(Euro / 000)	30 June 2020	31 December 2019	Change
Receivables from customers	30,371	31,299	(928)
Provision for doubtful receivables	*(2,393)*	*(2,368)*	(25)
Net amount	**27,978**	**28,931**	**(953)**

This includes receivables subject to recourse factoring which the Parent Company has transferred to a leading factoring company for a total amount of 6 thousand Euro (15 thousand Euro as of 31 December 2019).

The change is related to the decrease in sales revenues recorded in the first half of the year.

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 2020 represents a prudential estimate of the current risk, and registered the following changes:

(Euro / 000)	31 December 2019	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	30 June 2020
Provision for doubtful receivables	**2,368**	**108**	**(20)**	**(5)**	**-**	**(58)**	**2,393**

The table of changes in the first half of 2019 appears below:

(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**

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 21,091 thousand Euro, compared with 24,937 thousand Euro as of 31 December 2019.

This item breaks down as follows:

(Euro / 000)	**30 June 2020**	**31 December 2019**	**Change**
Payables to suppliers	17,189	21,521	(4,332)
Payables to suppliers for invoices to be received	3,479	2,703	776
Payments on account received from customers	423	713	(290)
Total	**21,091**	**24,937**	**(3,846)**

Trade payables totalled 21,091 thousand Euro, down 3,846 thousand Euro since 31 December 2019. Trade payables at the end of 2019 were a result of purchases of materials for production and above all payables to suppliers for investments in the last quarter of 2019, paid in the first quarter of 2020. The Parent Company participated in the “I pay my suppliers” initiative of the Industrialists’ Association of Brescia, confirming the Group’s commitment to fulfilling its duties.

15. Net financial position

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

(Euro / 000)	**30 June 2020**	**31 December 2019**	**Change**
Cash and cash equivalents and current financial receivables	32,016	24,427	7,589
Financial investments for derivatives	1	1	-
Other non-current financial investments	98	97	1
Non-current financial payables	(27,206)	(21,916)	(5,290)
Non-current financial payables for IFRS 16 leases	(1,778)	(2,013)	235
Current financial payables	(15,273)	(12,643)	(2,630)
Current financial payables for IFRS 16 leases	(1,138)	(1,071)	(67)
Financial liabilities for derivatives	(279)	(169)	(110)
Total	**(13,559)**	**(13,287)**	**(272)**

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

(Euro / 000)	**30 June 2020**	**31 December 2019**	**Change**

A. Cash on hand	29	40	(11)
B. Cash in bank deposits	31,987	24,387	7,600
C. Securities held for trading	-	-	-
D. Cash and cash equivalents (A) + (B)	**32,016**	**24,427**	**7,589**
E. Fair value current hedging derivatives	-	-	-
F. Current portion of long-term debt	(10,757)	(9,342)	(1,415)
G. Other current financial payables	(5,654)	(4,372)	(1,282)
H. Total current financial payables (F+G)	**(16,411)**	**(13,714)**	**(2,697)**
I. Total current payables (E+H)	**(16,411)**	**(13,714)**	**(2,697)**
J. Net current financial debt (I) + (D)	**15,605**	**10,713**	**4,892**
Non-current financial liabilities for derivatives	(279)	(169)	(110)
Non-current financial investments for derivatives	1	1	-
E. Fair value non-current hedging derivatives	(278)	(168)	(110)
L. Non-current financial debt	(28,984)	(23,929)	(5,055)
M. Other non-current financial investments	98	97	1
N. Net non-current financial debt (K) + (L) + (M)	**(29,164)**	**(24,000)**	**(5,164)**
O. Net financial debt (J) + (N)	**(13,559)**	**(13,287)**	**(272)**
of which to minorities:	*(13,559)*	*(13,287)*	*(272)*

Net financial position as of 30 June 2020 is negative by 13,559 thousand Euro, which is 272 thousand Euro higher than at the end of 2019, when it was on the whole negative by 13,287 thousand Euro.

The change in the net financial position is essentially due to the positive cash flows generated by ordinary operations (2,951 thousand Euro) and the proceeds from the reimbursement of the portion of capital of the subsidiary Ensun S.r.l.. (1,000 thousand Euro), absorbed by disbursements for technical investments made in the first half of 2020 and the payment of interest, taxes and rental fees (for a total of 4,168 thousand Euro).

The balance of **cash and cash equivalents** amounted to Euro 32,016 thousand at 30 June 2020, compared with Euro 24,427 thousand at 31 December 2019.

This item breaks down as follows:

(Euro / 000)	**30 June 2020**	**31 December 2019**	**Change**
Cash in bank deposits	31,987	24,270	7,717

Cash	29	40	(11)
Other cash	-	117	(117)
Total	**32,016**	**24,427**	**7,589**

The technical forms used as at 30 June 2020 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.

Current financial payables at 30 June 2020 increased by 2,630 thousand Euro over the end of 2019 and break down as follows:

(Euro / 000)	**30 June 2020**	**31 December 2019**	**Change**
Current portion of debt	10,757	9,342	1,415
Current overdrafts	4,517	3,296	1,221
Factoring	(1)	5	(6)
Total	**15,273**	**12,643**	**2,630**

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

Bank overdrafts at 30 June 2020 totalled 4,517 thousand Euro, compared to a balance at 31 December 2019 of 3,296 thousand Euro. The item relates primarily to Gefran S.p.A. and has the following characteristics:

- for use of credit lines payable on demand, the overall annual interest rate is in the annual 2.5%-5.7% range;
- for use of credit facilities on trade receivables, repayable on the maturity of these receivables, the overall annual interest rate is in the 0.5%-0.7% range.

Non-current financial payables break down as follows:

Bank *(Euro/000)*	**30 June 2020**	**31 December 2019**	**Change**
Unicredit	1,800	2,400	(600)
BNL	1,500	2,000	(500)
Banca Pop. Emilia Romagna	2,513	3,012	(499)
Mediocredito	5,556	6,667	(1,111)
BNL	6,000	7,000	(1,000)
Unicredit	3,889	-	3,889
BNL	5,444	-	5,444
Intesa	57	95	(38)
Unicredit S.p.A. - New York Branch	447	742	(295)
Total	**27,206**	**21,916**	**5,290**

The loans listed in the table are all floating-rate contracts and have the following characteristics:

Bank *(Euro /000)*	Amount disbursed	Signing date	Balance at 30 June 2020	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
drawn up by Gefran S.p.A. (IT)								
Unicredit	6,000	14/11/2017	3,000	1,200	1,800	Euribor 3m + 0.90%	30/11/2022	quarterly
BNL	5,000	23/11/2017	2,500	1,000	1,500	Euribor 3m + 0.85%	23/11/2022	quarterly
Banca Pop. Emilia Romagna	5,000	28/11/2018	3,511	998	2,513	Euribor 3m + 0.75%	30/11/2023	quarterly
Mediocredito	10,000	28/03/2019	7,778	2,222	5,556	Euribor 3m + 1.05%	31/12/2023	quarterly
BNL	10,000	29/04/2019	8,000	2,000	6,000	Euribor 3m + 1%	29/04/2024	quarterly
Unicredit	5,000	30/04/2020	5,000	1,111	3,889	Euribor 6m + 0.95%	31/12/2024	half-yearly
BNL	7,000	29/05/2020	7,000	1,556	5,444	Euribor 6m + 1.1%	31/12/2024	half-yearly
entered into by Elettropiemme S.r.l. (IT)								
Intesa	300	29/01/2018	132	75	57	Euribor 3m + 1.00%	28/01/2022	quarterly
entered into by Gefran Inc. (US)								
Unicredit S.p.A. - New York Branch	1,780	29/03/2019	1,042	595	447	Libor 3m + 2.50%	29/03/2022	quarterly
Total			**37,963**	**10,757**	**27,206**			

During the second quarter of 2020 two new loans were taken out: a new medium/long-term loan with Unicredit of 5 million Euro, without covenants and with a spread of 0.95%, and a second medium/long-term loan with BNL of 7 million Euro, without covenants and with a spread of 1.1%.

None of the loans outstanding at 30 June 2020 has clauses requiring compliance with economic and financial requirements (covenants).

Financial assets for derivatives totalled 1 thousand Euro as at 30 June 2020, and consist of the positive fair value recorded at the end of the half year of certain CAP contracts entered into by the Parent Company to hedge interest rate risks.

Financial liabilities for derivatives totalled 279 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 variable rate loans, which could arise in the event of an increase in the Euribor, the Group decided to hedge its variable rate loans through *Interest Rate Cap contracts*, as set out below:

Bank *(Euro/000)*	Notional principal	Signing date	Notional as at 30 June 2020	Derivative	Fair Value at 30 June 2020	Long position rate	Short position rate
Unicredit	6,000	14/11/2017	3,000	CAP	-	Strike Price 0%	Euribor 3m
BNL	5,000	23/11/2017	2,500	CAP	1	Strike Price 0%	Euribor 3m
Total financial assets for derivatives – Interest rate risk					**1**		

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 2020**	**Derivative**	**Fair Value at 30 June 2020**	**Long position rate**	**Short position rate**
Intesa	10,000	29/03/2019	7,778	IRS	(65)	Fixed 0%	Euribor 3m
BNL	10,000	29/04/2019	8,000	IRS	(84)	Fixed 0.05%	Euribor 3m
Unicredit	5,000	24/06/2019	3,511	IRS	(31)	Fixed - 0.1%	Euribor 3m
Unicredit	5,000	30/04/2020	5,000	IRS	(54)	Fixed 0.05%	Euribor 6m - floor - 0.95%
BNL	7,000	29/05/2020	7,000	IRS	(45)	Fixed 0.1%	Euribor 6m - floor - 1.1%
Total financial liabilities for derivatives– Interest rate risk					**(279)**		

At 30 June 2020, 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 2020**		**at 31 December 2019**	
	Positive fair value	**Negative fair value**	**Positive fair value**	**Negative fair value**
Interest rate risk	1	(279)	1	(169)
Total cash flow hedge	**1**	**(279)**	**1**	**(169)**

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 39,830 thousand Euro. Overall use of these lines at 30 June 2020 totalled 4,515 thousand Euro, with a residual available amount of 35,315 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 2020 amounted to 2,916 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 1,138 thousand Euro, and non-current liabilities (beyond one year), amounting to Euros 1,778 thousand Euro.

Changes in this item are detailed below:

(Euro / 000)	31 Dec 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 June 2020
Leasing payables under IFRS 16	3,084	459	(619)	-	-	(8)	2,916
Total	**3,084**	**459**	**(619)**	**-**	**-**	**(8)**	**2,916**

16. Shareholders' equity

Consolidated Shareholders' Equity may be broken down as follows:

(Euro / 000)	30 June 2020	31 December 2019	Change
Portion pertaining to the Group	75,845	75,044	801
Portion pertaining to third-party interests	-	-	-
Net amount	**75,845**	**75,044**	**801**

The Group's portion of Shareholders' Equity at 31 December was EUR 75,845 thousand, up by EUR 801 thousand over 31 December 2019. The most significant changes pertained to the positive annual result, amounting to 1,139 thousand Euro, partially absorbed by the change in the translation reserve of 230 thousand Euro.

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

On 31 December 2019 Gefran S.p.A. held 27,220 shares, representing 0.2% of the total; the situation is the same as 30 June 2020.

The Company has not issued convertible bonds.

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

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

(Euro / 000)	30 June 2020	31 December 2019	Change
Balance at 1 January	(94)	(15)	(79)
UBI Banca S.p.A. shares	-	6	(6)
Woojin Plaimm Co Ltd shares	(32)	(106)	74
Tax effect	8	21	(13)
Net amount	**(118)**	**(94)**	**(24)**

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

(Euro / 000)	**30 June 2020**	**31 December 2019**	**Change**
Balance at 1 January	(121)	3	(124)
Change in fair value of derivatives	(118)	(163)	45
Tax effect	27	39	(12)
Net amount	**(212)**	**(121)**	**(91)**

17. Earnings per share

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

	30 June 2020	**30 June 2019**
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group *(Euro/000)*	1,687	4,029
- Average No. of ordinary shares *(No./000,000)*	14.37	14.373
- Basic earnings per ordinary share	0.117	0.280
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group *(Euro/000)*	1,687	4,029
- Average no. of ordinary shares *(no./000,000)*	14.37	14.37
- Basic earnings per ordinary share	0.117	0.280
Average number of ordinary shares	**14,372,780**	**14,372,780**

18. Current and non-current provisions

"Non-current provisions" decreased by 10 thousand Euro compared with 31 December 2019, and break down as follows:

(Euro / 000)	**31 December 2019**	**Provisions**	**Uses**	**Releases**	**Change in scope of consolidation**	**Exchange rate differences**	**30 June 2020**
Gefran S.p.A. risk provisions							
- other provisions	8	-	-	-	-	-	8
Gefran France risk provisions							
- for restructuring	5	-	-	-	-	-	5
Gefran Elettropiemme S.r.l. risk provision							
- other provisions	631	-	(10)	-	-	-	621
Total	**644**	**-**	**(10)**	**-**	**-**	**-**	**634**

"Current provisions" totalled 1,496 thousand Euro at 30 June 2020, down by 31 thousand Euro compared with 31 December 2019, and break down as follows:

(Euro / 000)	31 December 2019	Provisions	Uses	Releases	Change in scope of consolidation	Exchange rate differences	30 June 2020
FISC	87	-	(4)	-		-	83
Product warranty	1,415	180	(87)	(120)		-	1,388
Other provisions	25	-	-	-		-	25
Total	**1,527**	**180**	**(91)**	**(120)**	**-**	**-**	**1,496**

The item refers to envisaged charges for repairs on products under warranty, equal to 1,388 thousand Euro, down by 27 thousand Euro compared to 31 December 2019; at year-end, the adequacy of the provision was checked, with a positive outcome.

The item "*FISC*" primarily represents existing contractual treatments in the German subsidiary Siei Areg.

19. Revenues from product sales

"Revenues from product sales" totalled 61,849 thousand Euro in the first half of 2020, a decrease of 9,917 Euro thousand compared to the same period in 2019, equal to 13.8%. The following table provides a breakdown of sales and service revenues by business:

(Euro / 000)	30 June 2020	30 June 2019	Changes	%
Sensors	27,786	30,725	(2,939)	-9.6%
Automation components	15,993	19,691	(3,698)	-18.8%
Motion control	18,070	21,350	(3,280)	-15.4%
Total	**61,849**	**71,766**	**(9,917)**	**-13.8%**

The amount shown under total revenues includes revenues from services totalling 1,272 thousand Euro (1,849 thousand Euro in the first six months of 2019); see the Report on Operations for comments on the performance of the various businesses and geographical regions.

20. Other revenues and income

"Other operating revenues and income" total 886 thousand Euro, as compared with revenues of 553 thousand Euro in the first half of 2019, as shown in the following table:

(Euro / 000)	30 June 2020	30 June 2019	Changes	%
Recovery of company canteen expenses	13	20	(7)	-35.0%
Insurance reimbursements	10	1	9	900.0%
Rental income	126	125	1	0.8%
Fees	6	1	5	500.0%
Government grants	483	55	428	778.2%
Other income	248	131	117	89.3%
Total	**886**	**333**	**553**	**166%**

The most significant changes concern the item "*Other income*" (increase of 117 thousand Euro) which includes cross charges for R&D developments specifically requested by customers, and the item "*Government Contributions*" (increase of 428 thousand Euro) which refers to contributions paid to cover the costs of PPE devices purchased as a result of the Covid-19 pandemic (205 thousand Euro), in addition to contributions paid for the *I-Mec* development project, concluded in May 2020, part of the *Horizon 2020* project of the EU and co-financed by the Ministry of Education, Universities and Research.

21. Costs of raw materials and accessories

"*Costs of raw materials and accessories*" amount to 23,297 thousand Euro, as compared to 28,032 thousand Euro at 30 June 2019. They break down as:

(Euro / 000)	**30 June 2020**	**30 June 2019**	**Change**
Raw materials and accessories	23,297	28,032	(4,735)
Total	**23,297**	**28,032**	**(4,735)**

The reduction in purchases of raw materials and accessories reflects a reduction in production volumes, as a result of lower sales.

22. Service costs

"Service costs" in the first half of 2020 amount to 9,552 thousand Euro, lower than the 2019 figure of 12,156 thousand Euro. They are broken down as follows:

(Euro / 000)	**30 June 2020**	**30 June 2019**	**Change**
Services	9,077	11,646	(2,569)
Use of third-party assets	475	510	(35)
Total	**9,552**	**12,156**	**(2,604)**

As a result of transition to accounting standard IFRS 16, "Leases", all leasing agreements have been entered by the "financial method", and so lease fees are no longer entered among operating costs in the income statement, but represent repayment of loans entered at the time of entry of usage rights and interest among the assets in the financial statement.

Lease fees no longer allocated to the income statement under operating costs due to implementation of the new accounting standard amount to 648 thousand Euro (564 thousand Euro in the first half of 2019). Contracts excluded from adoption of IFRS 16 on the basis of the provisions of the standard, for which lease fees continue to be entered in the income statement, resulted in entry of 475 thousand Euro in costs in the first six months of 2020 (as compared to 510 thousand Euro in the first three months of 2019).

With reference to "*Services*", the item sees a decrease of 2,569 thousand Euro in the first half of 2020 compared to the same period in 2019; this is the result of the new organisational procedures, redefinition of activities and priorities and cost containment processes, promptly activated from the very first signs of the COVID-19 pandemic (in particular impact on travel, trade fairs, external work).

23. Personnel costs

"Personnel costs" amounted to 23,599 thousand Euro, down by 2,008 thousand Euro over the figure as at 30 June 2019, which amounted to 25,607 thousand Euro, and break down as follows:

(Euro / 000)	30 June 2020	30 June 2019	Change
Salaries and wages	17,871	19,367	(1,496)
Social security contributions	4,450	4,841	(391)
Post-employment benefit reserve	1,099	1,180	(81)
Other costs	179	219	(40)
Total	**23,599**	**25,607**	**(2,008)**

The decrease derives from the actions taken in response to the spread of the COVID-19 pandemic, and in particular the increased use of holidays and redundancy funds, as well as the reduction in M.B.O. bonuses. (equal to 350 thousand Euro and 446 thousand Euro, respectively). These actions were activated in all Group companies.

"Social security contributions" include costs for defined contribution plans for management (Previndai pension plan) amounting to 29 thousand Euro (25 thousand Euro at 30 June 2019).

The item "*Other costs*", down 40 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 of 2020, as compared with the same period in the previous year, was as follows:

	30 June 2020	30 June 2019	Change
Managers	18	16	2
Clerical staff	524	514	10
Manual workers	279	270	9
Total	**821**	**800**	**21**

The average number of employees grew by 21 over the first half of 2019; the precise number at 30 June 2020 was 811, an decrease of -17 over 30 June 2019 and of -18 compared to the end of the year 2019.

24. Depreciation, amortisation and impairment

These items totalled 4,015 thousand Euro in the first half of 2020, as compared to 5,359 thousand Euro in the first quarter of 2019. These items include:

(Euro / 000)	30 June 2020	30 June 2019	Change
Intangible assets	978	1,085	(107)
Tangible assets	2,399	3,747	(1,348)
Usage rights	638	527	111
Total	4,015	5,359	(1,344)

The change is primarily a result of the item "*Tangible assets*", 1,348 thousand Euro lower than the figure for the first six months of 2019, which included adaptation of buildings to fair value totalling 1,531 thousand Euro, entirely allocated to the sensors business unit.

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. Work was completed and the activities in question were transferred at the end of December 2019. The new plant began operation early in January 2020.

Since 1 January 2019, moreover, the item also includes amortisation of usage rights in accordance with accounting standard IFRS16, totalling 638 thousand Euro in the first half of 2020 (527 thousand Euro in the same period of the previous year).

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

(Euro / 000)	**30 June 2020**	**30 June 2019**	**Change**
Sensors	1,692	3,080	(1,388)
Automation components	1,256	1,219	37
Motion control	1,067	1,060	7
Total	4,015	5,359	(1,344)

25. Gains (losses) from financial assets/liabilities

As at 30 June 2020, the item had a negative balance of 1,106 thousand Euro; this compares with again a negative balance of 127 thousand Euro as at 30 June 2019, and breaks down as follows:

(Euro / 000)	**30 June 2020**	**30 June 2019**	**Change**
Cash management			
Income from cash management	17	20	(3)
Other financial income	14	24	(10)
Medium-/long-term interest	(186)	(106)	(80)
Short-term interest	(19)	(46)	27
Factoring interest and fees	(12)	(21)	9
Other financial charges	(6)	(28)	22
Total income (charges) from cash management	**(192)**	**(157)**	**(35)**
Currency transactions			
Exchange gains	128	133	(5)
Positive currency valuation differences	331	308	23
Exchange losses	(303)	(185)	(118)
Negative currency valuation differences	(1,049)	(208)	(841)
Total other income (charges) from currency transactions	**(893)**	**48**	**(941)**

(Euro / 000)	30 June 2020	30 June 2019	Change
Other			
Interest on financial payables due to leasing under IFRS 16	(21)	(18)	(3)
Total other financial income (charges)	**(21)**	**(18)**	**(3)**
Gains (losses) from financial assets/liabilities	**(1,106)**	**(127)**	**(979)**

The item "*Cost of cash management*" increased by a total of 35 thousand Euro over 30 June 2019 due to increased financial interest payable as a result of new loans taken out in the first half of 2020.

The balance of differences on foreign currency transactions has a negative value of 893 thousand Euro, as compared with a positive value of 48 thousand Euro on 30 June 2019. The change is a result of the dynamics of the Euro in relation to the other currencies managed by the Group.

The item "*Other financial charges*" includes financial charges on financial payables resulting from application of the new accounting standard IFRS 16, worth 21 thousand Euro in the first half of 2020 (18 thousand Euro in the first half of 2019).

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

The item "*Taxes*" was negative at 1,075 thousand Euro; this compares with again a negative balance of 1,479 thousand Euro as at 30 June 2019. The balance breaks down as follows:

(Euro / 000)	30 June 2020	30 June 2019	Change
Current taxes			
IRES (corporate income tax)	(155)	(243)	88
IRAP (regional production tax)	18	(207)	225
Foreign taxes	(282)	(565)	283
Total current taxes	**(419)**	**(1,015)**	**596**
Deferred tax assets and liabilities			
Deferred tax liabilities	11	(75)	86
Deferred tax assets	(667)	(389)	(278)
Total deferred tax assets and liabilities	**(656)**	**(464)**	**(192)**
Total taxes	**(1,075)**	**(1,479)**	**404**
of which:			
Allocated to assets held for sale	-	-	-
Relating to the operative part	(1,075)	(1,479)	404
Total taxes	**(1,075)**	**(1,479)**	**404**

Current taxes for the first half of 2020 were on the whole down by 596 thousand Euro compared to the figure for the first half of 2019. The change is attributable to a decrease in the results of all Group companies.

Deferred taxes, which were on the whole negative by 656 thousand Euro, mainly originated out of use of advance taxes entered on prior tax losses of the Parent Company and its Chinese subsidiary.

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 2020:

(Euro / 000)	31 December 2019	Posted to the income statement	Recognised in shareholders' equity	Change scope of consolidation	Exchange rate differences	30 June 2020
Deferred tax assets						
Impairment of inventories	1,316	153		-	(5)	1,464
Impairment of trade receivables	345	(39)		-	-	306
Impairment of assets	535	-		-	-	535
Deductible losses to be brought forward	3,058	(754)		-	(20)	2,284
Exchange rate balance	3	(3)		-	-	-
Elimination of unrealised margins on inventories	570	(20)		-	-	550
Provision for product warranty risk	322	28		-	-	350
Provision for miscellaneous risks	343	(32)	-	-	-	311
Fair value hedging	64	-	38	-	-	102
Total deferred tax assets	6,556	(667)	38	-	(25)	5,902
Deferred tax liabilities						
Exchange valuation differences	-	(3)	-		-	(3)
Other deferred tax liabilities	(647)	14			(1)	(634)
Total deferred taxes	(647)	11	-	-	(1)	(637)
Net total	5,909	(656)	38	-	(26)	5,265

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						
Impairment 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

(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 liabilities						
Exchange valuation differences	(4)	8	(1)		-	3
Other deferred tax liabilities	(623)	(83)			(3)	(709)
Total deferred taxes	(627)	(75)	(1)	-	(3)	(706)
Net total	6,285	(464)	74	536	10	6,441

27. Guarantees granted, commitments and other contingent liabilities

a) Guarantees granted

At 30 June 2020, the Group had granted guarantees on payables or commitments of third parties or subsidiaries totalling 95 thousand Euro, down from the figure for 31 December 2019, as summarised in the table below:

(Euro / 000)	30 June 2020	31 December 2019
Banca Passadore	-	2,750
Banca Pop. Emilia Romagna	-	1,020
Sandrini Costruzioni	66	66
Sandrini Costruzioni	29	29
Total	95	3,865

As at 31 December 2019, the surety issued in favour of Banca Passadore guaranteed the credit lines of Ensun S.r.l., and was awaiting completion of the release procedures by the bank, as the underlying loan had been completely extinguished as at 31 December 2019. The release procedures were completed during the first half of 2020 and the surety in question was revoked.

The surety issued in favour of Banca Popolare Emilia Romagna in the fourth quarter of 2018 with an 18-month term, worth 1,020 thousand Euro, guaranteed the credit lines of Gefran Drives and Motion S.r.l. The surety in question was revoked during the first half of 2020.

The two sureties issued in favour of Sandrini Costruzioni, totalling 95 thousand Euro, refer to the guarantee for the rental of the industrial building where Elettropiemme S.r.l. carries out its activities.

b) 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.

c) Commitments

The Group has stipulated contracts for rental of buildings and leasing of equipment, electronic machinery and company vehicles. With application of accounting standard IFRS 16, the amount of lease fees remaining payable appears in the financial statement under the items "*Usage rights*"

and "*Financial payables for leasing under IFRS16*", and so the reader is referred to the notes on these topics for more information.
As required under the new accounting standard, some residual existing contracts have been excluded from the perimeter of application as they met the requirements for exclusion; leasing costs for these contracts entered in the income statement amount to 475 thousand Euro for the first half 2020 (510 thousand Euro in the same period of 2019).

At 30 June 2020, the total value of the Group's commitments was 1,237 thousand Euro, for leasing and rental contracts expiring within the next five years, which do not fall within the scope of application of IFRS 16 (equal to 1,341 thousand Euro at 30 June 2019). This value mainly refers to the share of ancillary services relating to contracts subject to IFRS16, as well as contracts for which, based on their value and duration, the above standard has not been applied.

28. Transactions with related parties

In accordance with IAS 24, information relating to the Group's dealings with related parties for the first half of 2020 and the same period of the previous year is provided below.

In compliance with the Consob resolution no. 17221 of 12 March 2010, the Gefran S.p.A. Board of Directors has adopted the Regulation for transactions with related parties, the current version of which was approved on 3 August 2017 and may be consulted on the internet site *https://www.gefran.com/en/gb/governance*, in the section entitled "*Documents and procedures*".

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)	**Climat S.r.l.**	**Total**
Revenues from product sales		
2019	-	**-**
2020	-	**-**
Service costs		
2019	(81)	**(81)**
2020	(98)	**(98)**

(Euro / 000)	**Climat S.r.l.**	**Total**
Property, plant, machinery and tools		
2019	470	**470**
2020	84	**84**
Trade payables		
2019	120	**120**
2020	98	**98**

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 1.6 million Euro under specific contracts (1.8 million Euro as of 30 June 2019).

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 2020

For the Board of Directors

Chairman	Chief Executive Officer
Maria Chiara Franceschetti	**Marcello Perini**

ANNEXES

a) Consolidated income statement by quarter

	(Euro / 000)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	TOT 2019	Q1 2020	Q2 2020	TOT 2020
a	Revenues	35,973	36,126	33,015	35,421	**140,535**	31,426	31,309	**62,735**
b	Increases for internal work	635	628	572	739	**2,574**	495	459	**954**
c	Consumption of materials and products	12,207	12,908	11,702	13,391	**50,208**	11,411	11,237	**22,648**
d	Added value (a+b-c)	24,401	23,846	21,885	22,769	**92,901**	20,510	20,531	**41,041**
e	Other operating costs	5,753	6,152	5,679	6,337	**23,921**	5,425	4,681	**10,106**
f	Personnel costs	12,379	13,228	11,878	11,765	**49,250**	11,858	11,741	**23,599**
g	EBITDA (d-e-f)	6,269	4,466	4,328	4,667	**19,730**	3,227	4,109	**7,336**
h	Depreciation, amortisation and impairment	3,291	2,068	1,976	2,020	**9,355**	1,997	2,018	**4,015**
i	EBIT (g-h)	2,978	2,398	2,352	2,647	**10,375**	1,230	2,091	**3,321**
l	Gains (losses) from financial assets/liabilities	175	(302)	55	(414)	**(486)**	(667)	(439)	**(1,106)**
m	Gains (losses) from shareholdings valued at equity	242	17	31	(110)	**180**	2	(3)	**(1)**
n	Profit (loss) before tax (i±l±m)	3,395	2,113	2,438	2,123	**10,069**	565	1,649	**2,214**
o	Taxes	(847)	(632)	(807)	(741)	**(3,027)**	(486)	(589)	**(1,075)**
p	Group net profit (loss)(n±o)	2,548	1,481	1,631	1,382	**7,042**	79	1,060	**1,139**

b) Exchange rates used to translate the financial statements of foreign companies

End-of-period exchange rates

Currency	30 June 2020	31 December 2019
Swiss franc	1.0651	1.0854
Pound sterling	0.9124	0.8508
US dollar	1.1198	1.1234
Brazilian real	6.1118	4.5157
Chinese renminbi	7.9219	7.8205
Indian rupee	84.6235	80.1870
Turkish lira	7.6761	6.6843

Average exchange rates in the period

Currency	1H 2020	1H 2019	2Q 2020	2Q 2019
Swiss franc	1.0639	1.1127	1.0668	1.1325
Pound sterling	0.8743	0.8773	0.8616	0.8723
US dollar	1.1015	1.1196	1.1023	1.1357
Brazilian real	5.4169	4.4135	4.9111	4.2768
Chinese renminbi	7.7481	7.7339	7.6937	7.6619
Indian rupee	81.6766	78.8501	79.8511	80.0730
Turkish lira	7.1521	6.3574	6.7391	6.1078

c) List of subsidiaries 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.	North Andover	US	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Elettroel. Ltda	Sao Paolo	Brazil	REAL	450,000	Gefran S.p.A.	99.90
					Sensormate AG	0.10
Gefran India Private Ltd	Pune	India	INR	100,000,000	Gefran S.p.A.	95.00
					Sensormate AG	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	14,000,000	Gefran S.p.A.	100.00
Elettropiemme S.r.l.	Trento	Italy	Euro	70,000	Gefran Soluzioni S.r.l.	100.00

d) 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
Axel S.r.l.	Dandolo	Italy	Euro	26,008	Gefran S.p.A.	15

e) 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	WON	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 **Marcello Perini,** 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 2020.

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 **Management Report** includes a reliable analysis of the trends and results of management and of the situation of the issuer and of all the companies included in the scope of consolidation, along with a description of the principal risks and uncertainties to which they are exposed.

Provaglio d'Iseo, 06 August 2020

Chief Executive Officer	Executive in charge of financial reporting
Marcello Perini	**Fausta Coffano**

EXTERNAL AUDITORS' REPORT ON THE HALF-YEARLY 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 2020, 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 2020 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 2020

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