GEFRAN

BEYOND TECHNOLOGY

GEFRAN GROUP

Half-yearly financial report at 30 June 2021

Table of Contents

Corporate Bodies

Board of Directors

Honorary Chairman	Ennio Franceschetti
Chairwoman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairwoman	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 Corporate Governance Code

Board of Statutory Auditors

Chairwoman	Roberta Dell'Apa
Standing auditor	Primo Ceppellini
Standing auditor	Luisa Anselmi
Alternate auditor	Stefano Guerreschi
Alternate auditor	Silvia Bonomelli

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.

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 2021		30 June 2020		2Q 2021		2Q 2020	
Revenues	79,579	100.0%	62,735	100.0%	42,172	100.0%	31,309	100.0%
EBITDA	14,339	18.0%	7,336	11.7%	7,733	18.3%	4,109	13.1%
EBIT	10,295	12.9%	3,321	5.3%	5,720	13.6%	2,091	6.7%
Profit (loss) before tax	10,355	13.0%	2,214	3.5%	5,638	13.4%	1,649	5.3%
Group net profit (loss)	8,054	10.1%	1,139	1.8%	4,355	10.3%	1,060	3.4%

Group statement of financial position highlights

(Euro /000)	30 June 2021	31 December 2020
Invested capital from operations	81,734	81,902
Net working capital	31,582	29,799
Shareholders' equity	83,414	78,179
Net financial position	1,680	(3,723)

(Euro /000)	30 June 2021	30 June 2020
Operating cash flow	13,559	2,951
Investments	2,778	2,927

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 sundry costs;
- **EBITDA**: operating result before depreciation, amortisation and write-downs. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items;
- **EBIT**: operating result before financial 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:

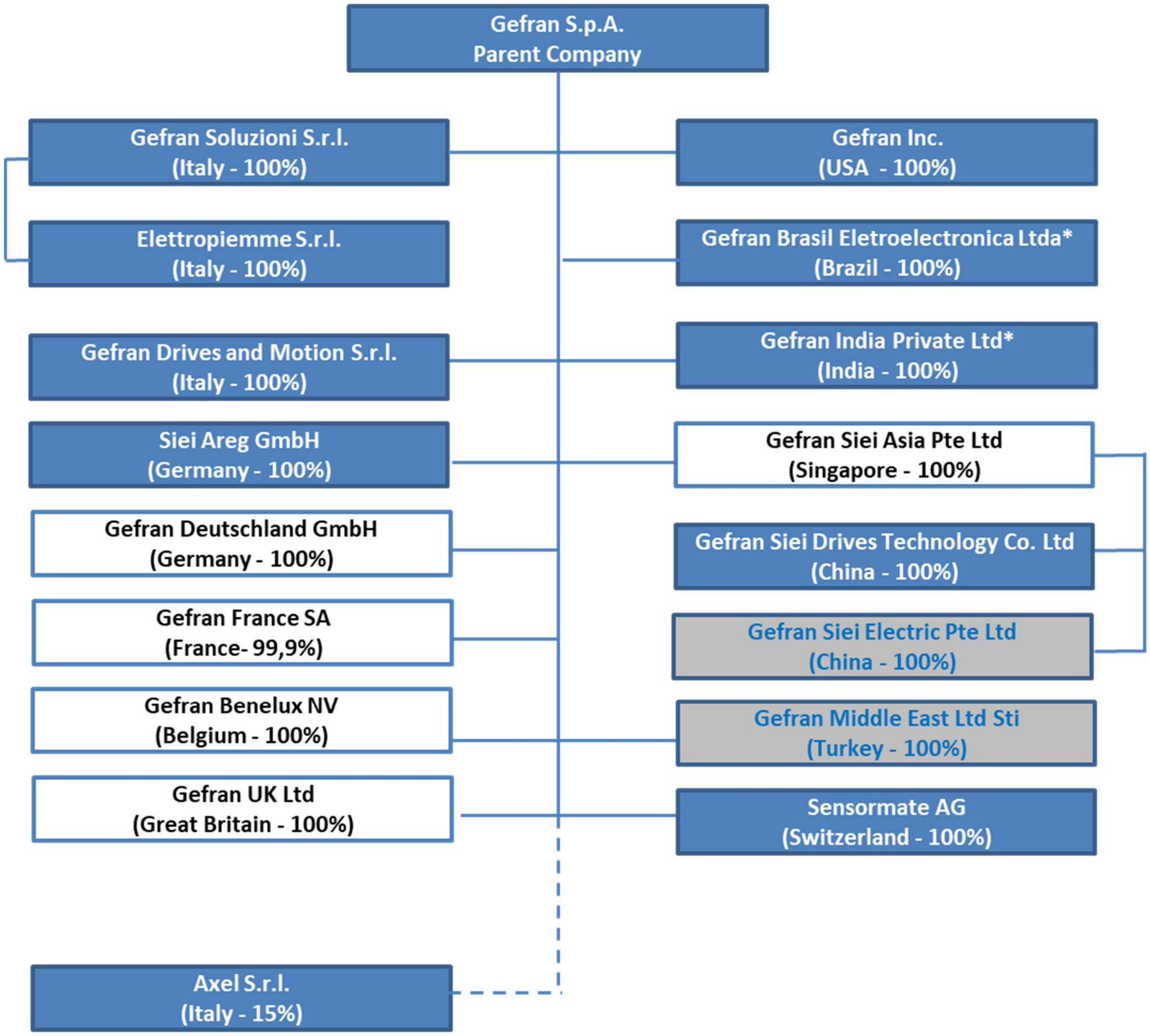
- **Net non-current assets**: the algebraic sum of the following items in the statement of financial position:
    - Goodwill
    - Intangible assets
    - Property, plant, machinery and tools
    - Shareholdings valued at equity
    - Equity investments in other companies
    - Receivables and other non-current assets
    - Deferred tax assets

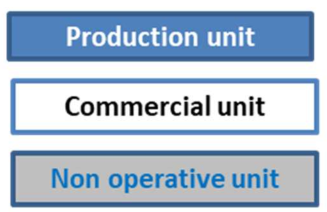
- **Working capital**: the algebraic sum of the following items in the statement of financial position:
    - Inventories
    - Trade receivables
    - Trade payables
    - Other assets
    - Tax receivables
    - Current provisions
    - Tax payables
    - Other liabilities

- **Net invested capital**: the algebraic sum of fixed assets, operating capital and provisions
- **Net debt (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
    - Non-current financial assets
    - Cash and cash equivalents and short-term financial receivables

Report on operations

Group Structure





(*) Gefran India and Gefran Brasil indirectly through Sensormate AG

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. For each of them, it carries out design, production and marketing activities through various sales channels.

The Group offers a complete range of products and tailored turnkey solutions in numerous automation sectors. 68% 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 stands out for 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 40% 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 servo drives) 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.

Gefran consolidated results

Consolidated income statement of the quarter

The income statement for the second quarter of 2021 is shown below, in comparison with the income statement for the same period in the year 2020.

	(Euro /000)	2Q 2021 Total	2Q 2020 Total	Var. 2021-2020 Value	%
a	Revenues	42,172	31,309	10,863	34.7%
b	Increases for internal work	525	459	66	14.4%
c	Consumption of materials and products	15,557	11,237	4,320	38.4%
d	Added Value (a+b-c)	27,140	20,531	6,609	32.2%
e	Other operating costs	6,274	4,681	1,593	34.0%
f	Personnel costs	13,133	11,741	1,392	11.9%
g	EBITDA (d-e-f)	7,733	4,109	3,624	88.2%
h	Depreciation, amortisation and impairment	2,013	2,018	(5)	-0.2%
i	EBIT (g-h)	5,720	2,091	3,629	173.6%
l	Gains (losses) from financial assets/liabilities	(83)	(439)	356	81.1%
m	Gains (losses) from shareholdings valued at equity	1	(3)	4	133.3%
n	Profit (loss) before tax (i±l±m)	5,638	1,649	3,989	n.s.
o	Taxes	(1,283)	(589)	(694)	-117.8%
p	Group net profit (loss) (n±o)	4,355	1,060	3,295	n.s.

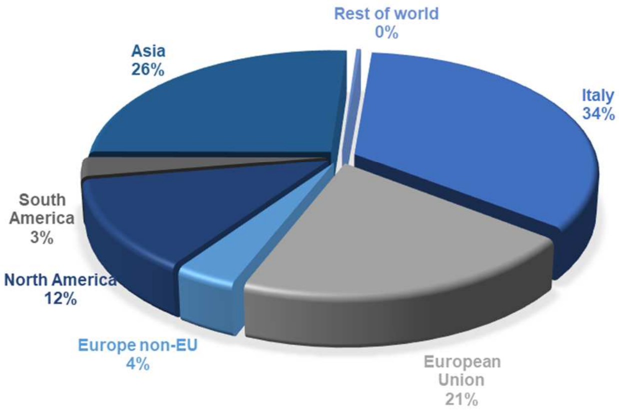
Revenues in the second quarter of 2021 total 42,172 thousand Euro, as compared to 31,309 thousand Euro in the same period of the previous year, an increase of 10,863 thousand Euro (equal to 34.7%), which would be 11,505 thousand Euro (36.7%) net of the negative effect of changes in exchange rates. the second quarter of 2020 was marked by a contraction in revenues, linked to the limitation of the Group's commercial activities following the spread of Covid-19, while in the quarter just ended, the Group was able to fully take advantage of the signs of the economic recovery in progress, making up for the contraction in revenues recorded in 2020 and achieving higher revenues than in the second quarter of 2019 (+16.7%).

Analysing order collection in the second quarter of 2021 compared to the figure for the same period in 2020, an overall increase (+57.1%) was recorded. Growth was recorded in all lines of business, but particularly in the sensors (+78.7%) and automation components (+90.3%) business units, for which the order intake in the second quarter was higher than in the same period in 2020 by 9,380 thousand Euro and 5,420 thousand Euro, respectively. Order intake in the motion control business unit also improved (+15.7%). The second quarter of 2021 saw an increase in order collection even in comparison with the figure for the same period of 2019 (+32.6%), with double-digit growth in all businesses: sensors (+41.5%), automation components (+25.6%) and motion control (+25.7%).

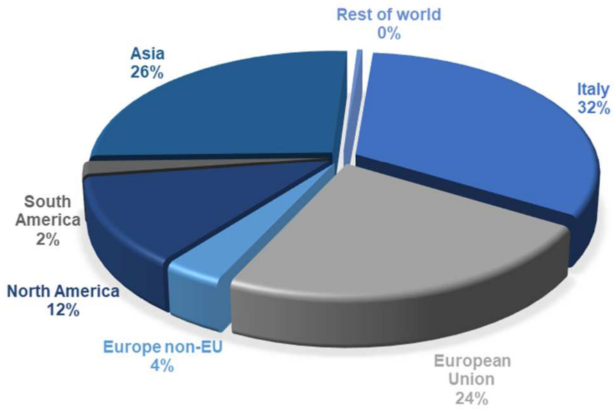
The table below shows a breakdown of revenues in the second quarter by geographical region:

(Euro /000)	2Q 2021		2Q 2020		Var. 2021-2020	
	Value	%	Value	%	Value	%
Italy	14,339	34.0%	10,069	32.2%	4,270	42.4%
European Union	8,719	20.7%	7,366	23.5%	1,353	18.4%
Europe non-EU	1,555	3.7%	1,119	3.6%	436	39.0%
North America	5,326	12.6%	3,787	12.1%	1,539	40.6%
South America	1,134	2.7%	579	1.8%	555	95.9%
Asia	10,967	26.0%	8,268	26.4%	2,699	32.6%
Rest of the world	132	0.3%	121	0.4%	11	9.1%
Total	42,172	100%	31,309	100%	10,863	34.7%

Revenues 2Q 2021



Revenues 2Q 2020



The breakdown of revenues for the quarter by **geographical region** reveals double-digit growth in all the main geographical regions served by the Group, particularly in Italy (+42.4%) and Asia (+32.6%). Revenues also grew in Europe (+21.1%) and the Americas (+48%), the latter area being partially affected by the effect of foreign currency trends, particularly the US dollar and the Brazilian real.

Below is a breakdown of revenues by **business area** in the second quarter of 2021 in comparison with the same period in the previous year:

(Euro /000)	2Q 2021		2Q 2020		Var. 2021-2020	
	Value	%	Value	%	Value	%
Sensors	20,332	48.2%	14,329	45.8%	6,003	41.9%
Automation components	12,241	29.0%	9,371	29.9%	2,870	30.6%
Motion control	11,870	28.1%	9,124	29.1%	2,746	30.1%
Eliminations	(2,271)	-5.4%	(1,515)	-4.8%	(756)	49.9%
Total	42,172	100%	31,309	100%	10,863	34.7%

Revenues increased in all sectors: revenues from sensor products grew by 41.9%, thanks in particular to strong recovery in all geographical regions, and particularly on Asian markets, while revenues from automation components increased by 30.6%, mostly concentrated in Italy. Motion control also rose by 30.1%, due to higher revenues in Italy and America and related to custom orders, as well as products from the industrial range. It should be noted that for all businesses, revenues recorded in the second quarter of 2021, higher than the same quarter of 2020, are also higher than the figure recorded for the second quarter of 2019.

Increases for internal work in the second quarter of 2021 amounted to 525 thousand Euro, an increase of 66 thousand Euro compared with the same period in the previous year. This item represents the cost of development of new products incurred in the period and capitalised.

Added value in the quarter amounted to 27,140 thousand Euro (20,531 thousand Euro in the same quarter in 2020), corresponding to 64.4% of revenues, lower than the figure in the same period of the previous year (-1.2%). Growth in added value, equal to 6,609 thousand Euro overall, is a result of higher revenues, and is only partially offset by lower margins.

Other operating costs in the second quarter of 2021 amount to 6,274 thousand Euro, and have increased in absolute terms by 1,593 thousand Euro over the figure for the second quarter of 2020, representing 14.9% of revenues (15.0% in the same quarter of the previous year). The increase is a result of higher variable costs, linked to the increase in sales volumes, and commercial costs. Other operating costs were aligned with the figure for the second quarter of 2019.

Personnel costs in the quarter, equal to 13,133 thousand Euro, increased by 1,392 thousand Euro compared with the same period in the previous year, when this item amounted to 11,741 thousand Euro. As a percentage of revenues, the ratio was 31.1% (37.5% in the second quarter of 2020). Personnel costs were in line with the figure for the second quarter of 2019, 13,228 thousand Euro.

Gross Operating Margin (EBITDA) in the second quarter of 2021 is positive by 7,733 thousand Euro (4,109 thousand Euro in the same quarter of 2020), corresponding to 18.3% of revenues (13.1% of revenues in 2020), higher than in the same quarter of the previous year by 3,624 thousand Euro. The improvement in EBITDA is due to increased revenues in the period. This compares with a value of EUR 4.466 thousand recorded in the second quarter of 2019 (12.4% of revenues).

The item **depreciation, amortisation and impairment** totalled 2,013 thousand Euro in the quarter, as compared with 2,018 thousand Euro in the previous period, a Euro 5 thousand Euro drop.

EBIT in the second quarter of 2021 is positive by 5,720 thousand Euro (13.6% of revenues), as compared with an EBIT of 2,091 thousand Euros in the same period in 2020 (6.7% of revenues), an increase of 3,629 thousand Euro. As in the case of EBITDA, the change is a result of increased sales. The operating result for the quarter was up by 3,322 thousand Euro compared with the figure in the same quarter of 2019, which amounted to 2,398 thousand Euro.

Income from financial assets/liabilities in the second quarter of 2021 totalled 83 thousand Euro (whereas in the second quarter of 2020 costs totalling 439 thousand Euro were entered), and included:

- financial income totalling 16 thousand Euro (13 thousand Euro in the second quarter of 2020);
- financial charges linked with the Group's indebtedness, totalling 118 thousand Euro, down over the figure for the second quarter of 2020, when this item totalled 126 thousand Euro;
- positive differences on currency transactions, amounting to 30 thousand Euro, compared with the result for the second quarter of the previous year, negative by 315 thousand Euro; the change in the exchange rate of the Euro compared with the Swiss Franc, the Indian rupee and the Brazilian real was particularly affected;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 11 thousand Euro, similar to the second quarter of 2020.

Gains from shareholdings valued using the equity method relate to the results achieved by the subsidiary Axel S.r.l. and amounted to 1 thousand Euro. In the second quarter of 2020, charges totalled 3 thousand Euro.

Taxes had a negative balance of 1,283 thousand Euro in the quarter (as compared to a negative balance of 589 thousand in the second quarter of 2020). This item may be broken down as follows:

- negative current taxes of 1,352 thousand Euro (negative by 166 thousand Euro in the second quarter of 2020); the change reflects the improved results achieved by the Group in the second quarter of 2021 as compared to the same period in the previous year;
- deferred tax assets and liabilities, on the whole positive by 69 thousand Euro (negative by 423 thousand Euro in the second quarter of the previous year).

Group **net profit** in the second quarter of 2021 is positive by 4,355 thousand Euro, as compared to a positive result of 1,060 thousand Euro in the same period in the previous year, a 3,295 thousand Euro increase. The net result for the second quarter of 2021 was up compared with the figure for the same period of 2019, 1,481 thousand Euro (4.1% of revenues), both in absolute terms (+2,874 thousand Euro) and as a percentage of revenues (+6.2%).

Progressive Consolidated Income Statement

The Group's results at 30 June 2021 are shown below, compared with those recorded at 30 June 2020.

		30 June 2021	30 June 2020	Var. 2021-2020	
	(Euro /000)	Total	Total	Value	%
a	Revenues	79,579	62,735	16,844	26.8%
b	Increases for internal work	1,019	954	65	6.8%
c	Consumption of materials and products	28,807	22,648	6,159	27.2%
d	Added Value (a+b-c)	51,791	41,041	10,750	26.2%
e	Other operating costs	11,947	10,106	1,841	18.2%
f	Personnel costs	25,505	23,599	1,906	8.1%
g	EBITDA (d-e-f)	14,339	7,336	7,003	95.5%
h	Depreciation, amortisation and impairment	4,044	4,015	29	0.7%
i	EBIT (g-h)	10,295	3,321	6,974	n.s.
l	Gains (losses) from financial assets/liabilities	54	(1,106)	1,160	104.9%
m	Gains (losses) from shareholdings valued at equity	6	(1)	7	n.s.
n	Profit (loss) before tax (i±l±m)	10,355	2,214	8,141	n.s.
o	Taxes	(2,301)	(1,075)	(1,226)	-114.0%
p	Group net profit (loss) (n±o)	8,054	1,139	6,915	n.s.

Revenues as of 30 June 2021 total 79,579 thousand Euro, as compared to 62,735 thousand Euro in the same quarter of the previous year, an increase of 16,844 thousand Euro (equal to 26.8%), which would be 18,120 thousand Euro (28.9%) net of the negative effect of changes in exchange rates. The first quarter of 2020 was characterised by the spread of Covid-19, first in Asia and then on other continents, which led the Group to close some plants (partially or totally) and limit travel, with inevitable repercussions on its ability to generate revenue. In contrast to the first three quarters, the fourth quarter of 2020 saw the start of a gradual recovery of the market, with a particular focus on the sensors and automation components business in the Italian and Asian markets. This trend is confirmed by the results recorded in the first quarter of 2021, which saw revenues increase compared to the same period of the previous year in all the Group's businesses, and extended to the main geographical regions served. Technological leadership and knowledge of industrial processes also contributed to the recovery of sales volumes, guaranteeing an adequate level of service to customers, as well as investments and new operating methods launched in 2020, focused on the control of existing markets and the development of new commercial relations, also through the use of digital platforms, making it possible not only to match but to exceed the revenues of the first half of 2019 (+10.4%).

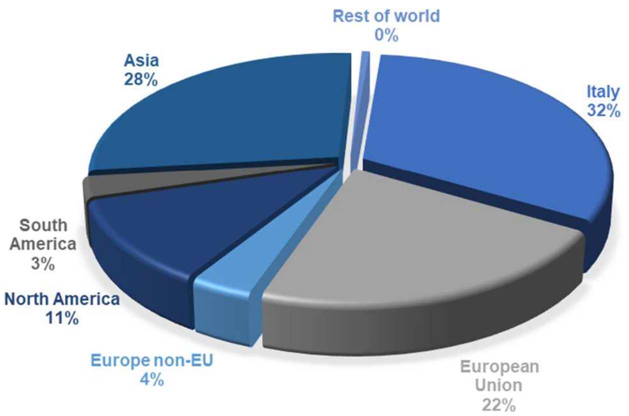
Good performance was also shown by analysing the orders received in the first half of 2021, both compared to the same period in 2020 (revealing an overall increase of 38%), and in relation to the value collected in the first half of 2019 (total increase of 27.3%). Growth was recorded in all business sectors, but particularly in sensors (+58.3% in comparison with the first half of 2020 and +42.1% compared to the first half of 2019) and automation components (+40.9% on 2020 and +8.8% on 2019). Orders received from motion control lines also improved (up 10.5% compared to the first half of 2020 and 22.4% in comparison with the same period of 2019).

The order book at 30 June 2021 was higher compared to both the previous year (+48.8%) and the closing value for the year 2020(+56.7%), confirming the good prospects generated on the market.

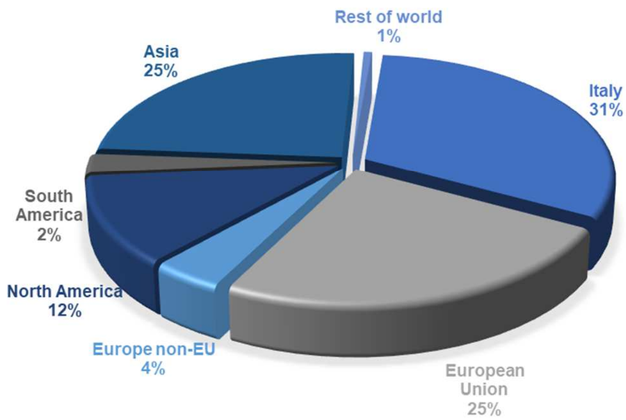
The table below shows a breakdown of revenues in the first half by geographical region:

(Euro /000)	30 June 2021		30 June 2020		Var. 2021-2020	
	Value	%	Value	%	Value	%
Italy	25,454	32.0%	19,768	31.5%	5,686	28.8%
European Union	17,548	22.1%	15,483	24.7%	2,065	13.3%
Europe non-EU	2,880	3.6%	2,603	4.1%	277	10.6%
North America	9,079	11.4%	7,494	11.9%	1,585	21.2%
South America	2,222	2.8%	1,587	2.5%	635	40.0%
Asia	21,948	27.6%	15,433	24.6%	6,515	42.2%
Rest of the world	448	0.6%	367	0.6%	81	22.1%
Total	79,579	100%	62,735	100%	16,844	26.8%

Revenues up to 30 June 2021



Revenues up to 30 June 2020



The breakdown of revenues by **geographical area** shows double-digit growth in all areas served by the Group, particularly in Asia (+42.2%, despite exchange rate trends having a negative effect) and in Italy (28.8%). Revenues also grew in Europe (+12.9% overall) and the Americas (+24.4%), the latter area being partially affected by the effect of foreign currency trends, particularly the US dollar and the Brazilian real.

Below is a breakdown of revenues as of 30 June 2021 by **business area** and a comparison with the same period in the previous year:

(Euro /000)	30 June 2021		30 June 2020		Var. 2021-2020	
	Value	%	Value	%	Value	%
Sensors	38,333	48.2%	28,140	44.9%	10,193	36.2%
Automation components	23,193	29.1%	18,412	29.3%	4,781	26.0%
Motion control	22,321	28.0%	18,825	30.0%	3,496	18.6%
Eliminations	(4,268)	-5.4%	(2,642)	-4.2%	(1,626)	61.5%
Total	79,579	100%	62,735	100%	16,844	26.8%

Revenues increased in all sectors: revenues from sensor products grew by 36.2%, thanks in particular to strong recovery on Asian markets, while revenues from automation components increased by 26%, mostly concentrated in Italy. Revenues from the drives business were also higher than in the same period in 2020, with an overall increase of 18.6%, thanks to the increase in sales of products in the lift range and customised products.

It should be noted that all businesses lines recovered the gap in revenues recorded in the first half of 2020 due to the effects of the spread of Covid-19: sensors performed 23.5% better than the figure for the first half of 2019, as did components and drives, which rose by 4.2% and 2.8% compared to the same period.

Increases for internal work a sat 30 June 2021 amounted to 1,019 thousand Euro, up by 65 thousand Euro compared with the figure for 30 June 2020. This item represents the cost of development of new products incurred in the period and capitalised.

Added value as of 30 June 2021 amounted to 51,791 thousand Euro (41,041 thousand Euro as of 30 June 2020) and represents 65.1 %of revenues, a lower percentage than the figure for the same period in the previous year (-0.3%). Growth in added value, totalling 10,750 thousand Euro, is a result of the increased revenues recorded and is only partially offset by higher costs for the procurement of materials and by the mix of products sold, with lower margins.

Other operating costs for the first half of the year amounted to 11,947 thousand Euro, up 1,841 thousand Euro compared with the figure for the first six months of 2020, representing 15.0% of revenues (16.1% in the same period of 2020). Variable costs linked to higher sales volumes, consulting and maintenance costs increased compared to the first half of 2020. Other operating costs were aligned with the figure for the first half of 2019.

Personnel costs in the first six month of 2021 amounted to 25,505 thousand Euro, as compared to 23,599 thousand Euro in the same period in the previous year, an increase of 1,906 thousand Euro. In fact, in the first half of 2020 action was taken to contain costs, such as reducing the provisions for holidays and M.B.O. bonuses.
As a percentage of revenue, the ratio was 32.0% (37.6% in the first half of 2020).
Personnel costs in 2021 were lower (-0.4%) than the figure for the first half of 2019, when they totalled 25,607 thousand Euro.

Gross Operating Margin (EBITDA) as of 30 June 2021 is positive by 14,339 thousand Euro (7,336 thousand Euro in the same quarter of 2020), corresponding to 18.0% of revenues (11.7% of revenues in 2020), higher than in the same quarter of the previous year by 7,003 thousand Euro.
The gross operating margin for the half-year was also higher than the figure for the same period in 2019, both in absolute terms (3,604 thousand Euro) and as a percentage of revenues (+3.1%).
The improvement in EBITDA is due to increased revenues in the period.

The item **depreciation, amortisation and impairment** totalled 4,044 thousand Euro, as compared with 4,015 thousand Euro in the previous period, an increase of 29 thousand Euro.

EBIT as of 30 June 2021 is positive by 10,295 thousand Euro (12.9% of revenues), as compared with an EBIT of 3,321 thousand Euro in the same period in 2020 (5.3% of revenues), an increase of 6,974 thousand Euro. As with the gross operating margin, EBIT for the first half of 2021 was also higher than the figure for the same period in 2019 (which amounted to 5,376 thousand Euro, representing 7.5% of revenues); in this case the change is linked to the increase in sales recorded, as well as to losses in value on assets recorded in the first half of 2019 (1,531 thousand Euro).

Income from financial assets/liabilities in the first half of 2021 totalled 54 thousand Euro (whereas in the first quarter of 2020 costs totalling 1,106 thousand Euro were entered), and included:

- financial income totalling 33 thousand Euro (aligned with the figure for the first half of 2020);
- financial charges linked to the Group's indebtedness, amounting to 234 thousand Euro (a slight increase over the 2020 figure);
- the positive result of differences in foreign currency transactions of 275 thousand Euro, as compared to a negative result of 893 thousand Euro for the first quarter of 2020. The change is primarily a result of the exchange rates in effect between the Euro, the Swiss Franc, the Indian Rupee and the Brazilian Real;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 20 thousand Euro (21 thousand Euro in the first six months of 2020).

Gains from shareholdings valued at equity totalled 6thousand Euro, whereas in the first half of 2020 1 thousand Euro in charges were entered; these figures relate to the results achieved by Axel S.r.l.

in the first six months of 2021, **taxes** were negative overall and amounted to 2,301 thousand Euro (a negative total of 1075 thousand Euro in the same period of 2020). This item may be broken down as follows:

- negative current taxes amounting to 2,279 thousand Euro (negative by 419 thousand Euro in the first half of 2020); the change reflects the best results achieved by the Group in the current period, compared with the same period in the previous year, as well as the effect of the release of the first IRAP advance in the first half of 2020;
- deferred tax assets and liabilities, on the whole negative by 22 thousand Euro (negative by 656 thousand Euro in the first quarter of the previous year).

The taxes for the six-month period were also higher than those recorded in the first half of 2019, amounting to 1,479 thousand Euro, aligned with the previous year in percentage terms.

Group **net profit** as of 30 June 2021 is positive by 8,054 thousand Euro (10.1% of revenues), as compared to a positive result of 1,139 thousand Euro (1.8% of revenues) in the same period in the previous year, a 6,915 thousand Euro increase. The net result for the first half of 2021 was up compared with the figure for the same period of 2019, 4,029 thousand Euro (5.6% of revenues), both in absolute terms (+4,025 thousand Euro) and as a percentage of revenues (+4.5%).

Reclassified consolidated balance sheet as at 30 June 2021

The Gefran Group's reclassified consolidated statement of financial position as of 30 June 2021 may be broken down as follows:

(Euro /000)	30 June 2021		31 December 2020	
	Value	%	Value	%
Intangible assets	14,975	18.3	14,627	17.9
Tangible fixed assets	44,552	54.5	44,566	54.4
Other non-current assets	6,458	7.9	6,384	7.8
Net non-current assets	65,985	80.7	65,577	80.1
Inventories	24,908	30.5	20,301	24.8
Trade receivables	36,720	44.9	30,059	36.7
Trade payables	(30,046)	(36.8)	(20,561)	(25.1)
Other assets/liabilities	(8,275)	(10.1)	(5,776)	(7.1)
Working capital	23,307	28.5	24,023	29.3
Provisions for risks and future liabilities	(2,364)	(2.9)	(2,386)	(2.9)
Deferred tax provisions	(854)	(1.0)	(833)	(1.0)
Employee benefits	(4,340)	(5.3)	(4,479)	(5.5)
Net invested capital	81,734	100.0	81,902	100.0
Shareholders' equity	83,414	102.1	78,179	95.5
Non-current financial payables	21,800	26.7	27,441	33.5
Current financial payables	12,754	15.6	15,368	18.8
Financial payables for IFRS 16 leases (current and non-current)	3,266	4.0	2,637	3.2
Financial liabilities for derivatives (current and non-current)	183	0.2	328	0.4
Other non-current financial investments	(87)	(0.1)	(108)	(0.1)
Cash and cash equivalents and current financial receivables	(39,596)	(48.4)	(41,943)	(51.2)
Net debt relating to operations	(1,680)	(2.1)	3,723	4.5
Total sources of financing	81,734	100.0	81,902	100.0

Net fixed assets as at 30 June 2021 totalled 65,985 thousand Euro, as compared with 65,577 thousand Euro on 31 December 2020. The main changes were as follows:

- intangible assets registered an overall increase of 348 thousand Euro. The change includes increases due to capitalisation of development costs (1,008 thousand Euro) and new investment (282 thousand Euro) well as decreases due to amortisation in the period (1,047 thousand Euro). The change in exchange rates had a positive impact on the item amounting to 105 thousand Euro;
- tangible assets were in line with 31 December 2020. Investments in the first six months of 2021 (1,488 thousand Euro) were partially offset by depreciation of 2,378 thousand Euro and 20 thousand Euro in decreases due to disposals; In addition, the item includes the value of the right to use assets recognised in accordance with IFRS16, which increased by 1,233 thousand Euro in the first half of 2021 following the renewal or signing of new contracts and is offset by depreciation and amortisation totalling 619 thousand Euro and decreases due to advance termination of contracts totalling 4 thousand Euro. Finally, the change in exchange rates had, on the whole, a positive effect of 286 thousand Euro;

- other fixed assets at 30 June 2021 are worth6,458 thousand Euro (6,384 thousand Euro on 31 December 2020), an increase of 74 thousand Euro.

Working capital as of 30 June 2021 is 23,307 thousand Euro, as compared to 24,023 thousand Euro on 31 December 2020, a total drop of 716 thousand Euro. The main changes were as follows:

- inventories changed from 20,301 thousand Euro as of 31 December 2020 to 24,908 thousand Euro on 30 June 2021, with a net increase of 4,607 thousand Euro. The increase in inventories, including both raw materials (2,176 thousand Euro) and semi-finished products and finished products (606 thousand Euro and 1,825 thousand Euro respectively), was necessary to meet customer orders received which will be processed in the coming months, with particular regard to stocks of "critical materials", with the goal of mitigating the possible risks of disruption in the supply chain linked to the current situation. The change in exchange rates contributes to an increase in inventories of 286 thousand Euro;
- trade receivables totalled 36,720 thousand Euro, up 6,661 thousand Euro compared to 31 December 2020, reflecting the increase in revenues in the half-year. The Group conducts an accurate analysis of receivables, taking various factors into account (geographical region, sector, degree of solvency of individual customers), and these checks do not reveal any critical positions that may not be collected;
- trade payables totalled 30,046 thousand Euro, up 9,485 thousand Euro over 31 December 2020. The change is linked to the higher costs recorded in the period, both for purchases of raw materials, necessary to meet the growth in sales volumes, and service costs; In particular, variable costs increased as a result of growing volumes;
- Other net assets and liabilities at 30 June 2021 were negative by a total of 8,275 thousand Euro (negative by 5,776 thousand Euro as of 31 December 2020). 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 2020, totalling 2,499 thousand Euro, is primarily a result of increased other tax payables and payables to employees.

Provisions for risks and charges amount to Euro 2,364 thousand Euro overall, in line with the figure at 31 December 2020 (representing a decrease of 22 thousand Euro). The item includes provisions for current legal disputes and various risks, and the change since the end of 2020 is attributable to movements in the product warranty provision and the provision for specific risks.

Employee benefits amount to 4,340 thousand Euro, as compared to 4,479 thousand Euro on 31 December 2020. This item includes the post-employment benefit reserve, as well as payables to certain Group employees who have signed agreements to protect the company against work for its competitors (so-called "Non-competition agreements").

Shareholders' equity at 30 June 2021 amounts to 83,414 thousand Euro, up 5,235 thousand Euro over the end of the year 2020. The positive result of the period of 8,054 thousand Euro was partially absorbed by distribution of 3,737 thousand Euro in dividends in May.

The statement below links the Parent Company's shareholders' equity and annual result with the values appearing in the consolidated financial statement:

(Euro /000)	30 June 2021		31 December 2020	
	Shareholders' equity	Result for the period	Shareholders' equity	Result for the period
Parent Company shareholders' equity and operating result	73,348	5,589	71,268	6,280
Shareholders' equity and operating result of the consolidated companies	53,970	4,366	50,675	(79)
Elimination of the carrying value of consolidated investments	(46,542)	-	(46,542)	-
Goodwill	3,721	-	3,706	-
Elimination of the effects of transactions conducted between consolidated companies	(1,083)	(1,901)	(928)	(1,848)
Group share of shareholders' equity and operating result	83,414	8,054	78,179	4,353
Minorities' share of shareholders' equity and operating result	-	-	-	-
Shareholders' equity and operating result	83,414	8,054	78,179	4,353

Net financial position as at 30 June 2021 is positive by 1,680 thousand Euro, up 5,403 thousand Euro over the end of 2020, when it was on the whole negative by 3,723 thousand Euro.

Net financial debt comprises short-term cash and cash equivalents of 25,106 thousand Euro and medium/long-term debts of 23,426 thousand Euro.
This item reflects the negative impact of application of accounting standard IFRS16, worth 3,266 thousand Euro at 30 June 2021, of which 1,736 thousand Euro was reclassified in the current part while 1,530 thousand Euro was reclassified in the non-current part (totalling 2,637 thousand Euro at 31 December 2020, including 968 thousand Euro reclassified in the current part and 1,669 thousand Euro included in the medium/long term balance).

During the first half of 2021 the subsidiary Gefran Soluzioni S.r.l. took out a new loan totalling 511 thousand Euro, with the objective of increasing the company's capital base and supporting the growth of international sales. A portion of the loan, equal to 204 thousand Euro, for the Integrated Promotion Fund, was provided as a non-refundable grant under the Temporary Framework, while a second portion, 307 thousand Euro, entered among non-current financial payables.
The loan will be repaid in 8 half-yearly instalments starting at the end of the pre-amortisation period of 2 years. It is subject to the de minimis rule for a value of 0.3 thousand Euro.

The change in net financial position is mainly due to the positive cash flow from typical operations (13,559 thousand Euro), partially mitigated by expenditure on technical investments in the first six months of the year (2,778 thousand Euro), by payment of dividends (3,737 thousand Euro) and by payment of interest, taxes and rental fees (totalling 1,536 thousand Euro).

This item breaks down as follows:

(Euro /000)	30 June 2021	31 December 2020	Change
Cash and cash equivalents and current financial receivables	39,596	41,943	(2,347)
Current financial payables	(12,754)	(15,368)	2,614
Current financial payables for IFRS 16 leases	(1,736)	(968)	(768)
(Debt)/short-term cash and cash equivalents	25,106	25,607	(501)
Non-current financial payables	(21,800)	(27,441)	5,641
Non-current financial payables for IFRS 16 leases	(1,530)	(1,669)	139
Non-current financial liabilities for derivatives	(183)	(328)	145
Other non-current financial investments	87	108	(21)
(Debt)/medium-/long-term cash and cash equivalents	(23,426)	(29,330)	5,904
Net financial position	1,680	(3,723)	5,403

Statement of consolidated cash flows as of 30 June 2021

The Gefran Group's consolidated cash flow statement as at 30 June 2021 shows a positive net change in cash at hand of 2,347 thousand Euro, compared to a positive change of 7,589 thousand Euro for 30 June 2020. The change was as follows:

(Euro /000)	30 June 2021	30 June 2020
A) Cash and cash equivalents at the start of the period	41,943	24,427
B) Cash flow generated by (used in) operations in the period	13,559	2,951
C) Cash flow generated by (used in) investment activities	(2,749)	(1,922)
D) Free Cash Flow (B+C)	10,810	1,029
E) Cash flow generated by (used in) financing activities	(13,624)	6,698
F) Cash flow from continuing operations (D+E)	(2,814)	7,727
G) Exchange rate translation differences on cash at hand	467	(138)
H) Net change in cash at hand (F+G)	(2,347)	7,589
I) Cash and cash equivalents at the end of the period (A+H)	39,596	32,016

The cash flow from operations in the period was positive by 13,559 thousand Euro; specifically, operations in the first half of 2021, purged of the effect of provisions, amortisation and depreciation, and financial entries, generated 15,393 thousand in cash (7,889 thousand in the first half of 2020), while the net change in other assets and liabilities in the same period drained 703 thousand Euro of resources (524 thousand Euro in the first half of 2020) and management of operating capital absorbed 1,997 thousand Euro in cash (4,875 thousand Euro in the first half of the previous year).

Financial resources to support technical investments amount to 2,778 thousand Euro (2,927 thousand Euro in the first six months of 2020). It should also be noted that during the first six months of 2020, part of the capital in Ensun S.r.l., amounting to 1,000 thousand Euro, was collected.

Free cash flow (operating cash flow excluding investment) was positive by 10,810 thousand Euro, as compared with a negative figure of 1,029 thousand Euro at 30 June 2020.

Financing activities absorbed resources totalling 13,624 thousand Euro, including 5,394 thousand Euro linked to the repayment of non-current financial payables, 3,276 thousand Euro due to the decrease in current financial payables and 3,737 thousand Euro for the payment of dividends.
In the first half of 2020 loan activities generated cash totalling 6,698 thousand Euro: the Parent Company's subscription of new loans totalling 11,991 thousand Euro, and the repayment of medium/long-term financial payables with a value of 5,296 thousand Euro were the main developments in the half.

Investments

Gross technical investments made during the first half of 2021 amounted to 2,778 thousand Euro (2,927 thousand Euro in the first six months of 2020) and relate to:

- production and laboratory plant and equipment in the Group's Italian plants totalling 1,079 thousand Euro (including 568 thousand Euro for production lines in the sensors business unit, 425 thousand Euro in the components business unit and 86 thousand Euro for production lines in the motion control business unit), as well as 76 thousand Euro in the Group's other subsidiaries (in the first half of the year2020 the Group invested 560 thousand Euro in Italy and 17 thousand Euro in its foreign subsidiaries);
- adjustment of industrial buildings totalling 148 thousand Euro in the Group's Italian plants (in the first halfof2020127 thousand Euro were invested in office buildings in Italy, and 82 thousand Euro in offices abroad);
- renewal of electronic office machines and IT system equipment, amounting to 75 thousand Euro in the Parent Company and 76 thousand Euro in the Group's subsidiaries (in the first half of 2020, these figures were 71 thousand Euro and 43 thousand Euro, respectively);
- miscellaneous equipment in the Group's subsidiaries amounting to 34 thousand Euro (9 thousand Euro in the first half of 2020);
- capitalisation of costs incurred in the period for new product development, totalling 1,009 thousand Euro (948 thousand Euro in the first quarter of 2020);
- investments in intangible assets in the amount of 281 thousand Euro, mainly relating to management software licences and SAP ERP development (in the first half of 2020, other intangible assets were entered with a value of 1,071 thousand Euro, primarily representing the cost of patents).

Investments are listed below by type and geographical region:

(Euro /000)	30 June 2021	30 June 2020
Intangible assets	1,290	2,019
Tangible assets	1,488	908
Total	2,778	2,927

(Euro /000)	30 June 2021		30 June 2020	
	intangible	tangible assets	intangible	tangible assets
Italy	1,246	1,326	2,012	786
European Union	2	23	1	30
Europe non-EU	-	4	6	-
North America	-	78	-	11
South America	42	16	-	6
Asia	-	41	-	75
Rest of the world	-	-	-	-
Total	1,290	1,488	2,019	908

Investments in the first half of 2021 are broken down below by business area:

(Euro /000)	Sensors	Automation components	Motion control	Total
Intangible assets	349	411	530	1,290
Tangible assets	783	581	124	1,488
Total	1,132	992	654	2,778

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.

For an examination of assets by business area, refer to section 18 of the explanatory notes to the consolidated half-yearly report.

Sensors

Summary results

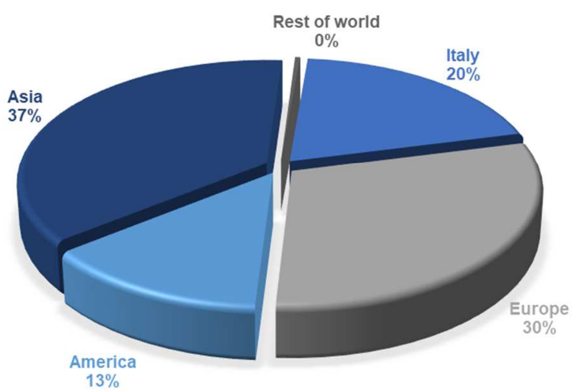
The table below shows the key economic figures.

(Euro /000)	30 June 2021	30 June 2020	Var. 2021 - 2020 Value	%	2Q 2021	2Q 2020	Var. 2021 - 2020 Value	%
Revenues	38,333	28,140	10,193	36.2%	20,332	14,329	6,003	41.9%
EBITDA	11,378	6,072	5,306	87.4%	6,089	3,481	2,608	74.9%
% of revenues	29.7%	21.6%			29.9%	24.3%		
EBIT	9,658	4,380	5,278	120.5%	5,233	2,621	2,612	99.7%
% of revenues	25.2%	15.6%			25.7%	18.3%		

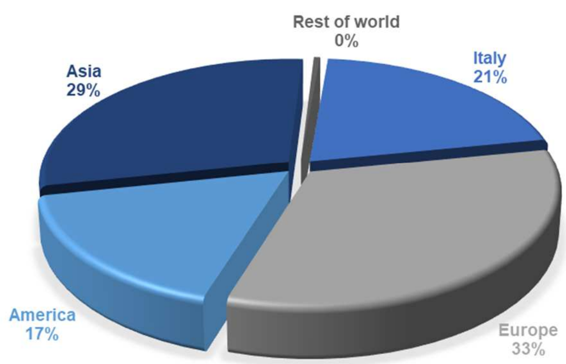
The breakdown of the sensors business revenues by geographical region is as follows:

(Euro /000)	30 June 2021		30 June 2020		Var. 2021 - 2020	
	Value	%	Value	%	Value	%
Italy	7,522	19.6%	5,769	20.5%	1,753	30.4%
Europe	11,486	30.0%	9,285	33.0%	2,201	23.7%
America	5,102	13.3%	4,744	16.9%	358	7.5%
Asia	14,085	36.7%	8,218	29.2%	5,867	71.4%
Rest of the world	138	0.4%	124	0.4%	14	11.3%
Total	38,333	100%	28,140	100%	10,193	36.2%

Revenues Sensors up to 30 June 2021



Revenues Sensors up to 30 June 2020



Business performance

Revenues from the business unit as of 30 June 2021amount to 38,333 thousand Euro, up over the figure for 30 June 2020, when this item amounted to 28,140 thousand Euro, an increase of 36.2%, including the effect of exchange rate fluctuation (negative by 832 thousand Euro). The figure for the previous period was penalised by the initial effects of the Covid-19 pandemic on international markets, leading to the closure of some of the business unit’s production plants. In the first half of 2021, despite the fact that many of the measures for containment of the virus are still in place (e.g., limiting non-essential travel), thanks to investments and the new operating methods introduced, the business unit was able to pick up on the first signs of recovery, especially in Asia, and particularly China, where activities implemented in 2020 to promote increased sales allowed it to take full advantage of the recovery of the local economy. This, in addition to the concrete appearance of commercial opportunities in other areas, especially in Italy and Europe, which began in 2019 and was suspended due to the pandemic, led to a complete recovery in revenues, recording even better performance than the first half of 2019 (+23.5%).

Compared to the first half of 2020, all geographical areas reached by the business unit show increasing revenues in the first half of 2021, particularly Asia (+71.4%), Europe (+23.7%) and Italy (30.4%). Growth in revenues was lower in America (+7.5%), an area also affected by exchange rates, and the only area to perform worse than in the first half of 2019 (-12.7%).

Positive signs were recorded in orders received in the first six months of 2021, totalling 45,670 thousand Euro, a 58.3% increase over the first half of 2020, when orders totalled 29,038 thousand Euro. The order backlog as of 30 June 2021 also increased compared to the figure at 30 June 2020 (+124.7%) and compared to the closing value for the previous year (+70%).

Orders in 2021 were also higher than the 2019 figure (+42.1%), when orders amounted to 32,342 thousand Euro.

In the second quarter of 2021, revenues amounted to 20,332 thousand Euro, up 41.9% over the same period in 2020, when they came to 14,329 thousand Euro.

Gross operating margin (EBITDA) as of 30 June 2021 amounts to 11,378 thousand Euro (29.7% of the business unit’s revenues), up by 5,306 thousand Euro over 30 June 2020, when it was 6,072 thousand Euro (21.6% of revenues). The change in EBITDA is due to the growth in sales volumes, only partially affected by higher operating costs as a result of higher volumes of production.
In comparison with the figure at 30 June 2019, EBITDA for the six-month period was higher both in absolute terms (3,433 thousand Euro) and as a percentage, increasing from 25.6% in the first half of 2019 to 29.7% in the first half of 2021.

EBIT for the first six months of 2021 amounted to 9,658 thousand Euro, equal to 25.2% of revenues, as compared with an EBIT in the same period of the previous year of 4,380 thousand Euro (15.6% of revenues), an increase of 5,278 thousand Euro. The change in the figure for the first half of 2021compared to the same period of the previous year is mainly due to the increase in revenue.

Comparing the figures by quarter, EBIT in the second quarter of 2021 came to 5,233 thousand Euro (25.7% of revenues), as compared with 2,621 thousand Euro (18.3% of revenues) in the second quarter of 2020.

Also note that the effect of adoption of accounting standard IFRS16 in the sensors business has resulted in reversal of 254 thousand Euro in leasing fees (263 thousand Euro at 30 June 2020) and entry of amortisation of usage rights worth 255 thousand Euro (261 thousand Euro at 30 June 2020).

Investments

Investments in the first six months of 2021 totalled 1,132 thousand Euro, including 349 thousand Euro in investments in intangible assets, 222 thousand Euro of which was for research and development in new products. The remainder is for purchase of software programmes and licences.

Increases in tangible assets totalled 783 thousand Euro, including 656 thousand Euro invested by the Parent Company, primarily for the purchase of production equipment for increasing the capacity and efficiency of production. Investments in the Group's subsidiaries totalled 127 thousand Euro, primarily for the purchase of equipment for the American subsidiary.

Automation components

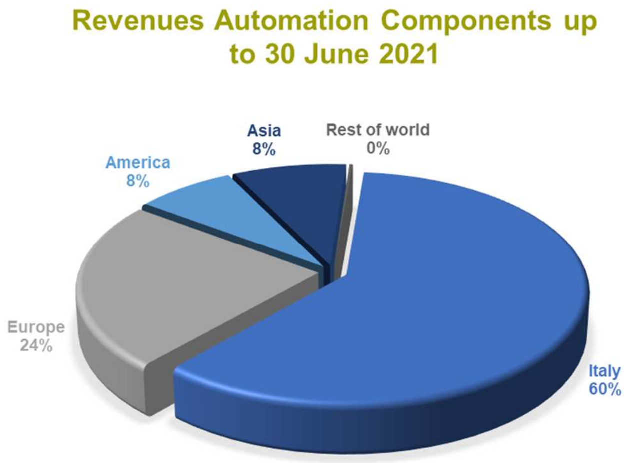
Summary results

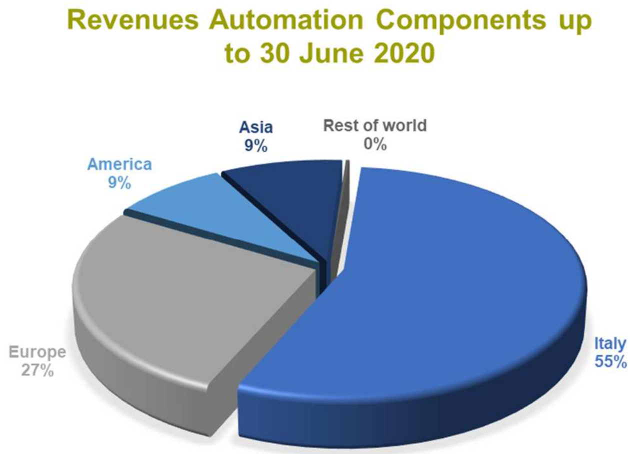
The table below shows the key economic figures.

(Euro /000)	30 June 2021	30 June 2020	Var. 2021-2020 Value	%	2Q 2021	2Q 2020	Var. 2021 - 2020 Value	%
Revenues	23,193	18,412	4,781	26.0%	12,241	9,371	2,870	30.6%
EBITDA	2,656	1,331	1,325	99.6%	1,459	757	702	92.8%
% of revenues	11.5%	7.2%			11.9%	8.1%		
EBIT	1,280	75	1,205	1607.3%	765	125	640	512.4%
% of revenues	5.5%	0.4%			6.3%	1.3%		

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

(Euro /000)	30 June 2021		30 June 2020		Var. 2021-2020	
	Value	%	Value	%	Value	%
Italy	13,958	60.2%	10,167	55.2%	3,791	37.3%
Europe	5,470	23.6%	4,965	27.0%	505	10.2%
America	1,742	7.5%	1,565	8.5%	177	11.3%
Asia	1,969	8.5%	1,668	9.1%	301	18.0%
Rest of the world	54	0.2%	47	0.3%	7	14.9%
Total	23,193	100%	18,412	100%	4,781	26.0%





Business performance

As of 30 June 2021 the revenues of the business unit amount to 23,193 thousand Euro, up by 26.0% over 30 June 2020. In the first half of 2020, performance was adversely affected by the first effects of the global pandemic, particularly the necessary travel restrictions, which affected the business unit's commercial activities. This made it necessary to review some of the ways in which the sales network approaches customers, including implementation of digital tools. This, in addition to the activities carried out by the technical area for the development of new product families (such as the new SSR static units), as well as new and more modern functions applied to existing products (reduction of energy consumption and of the maintenance operations necessary in the event of machine downtime), allowed the business to pick up the first signs of recovery. The trend of improving revenues began in the last quarter of 2020 and continued in the first half of 2021, with sales returning to pre-pandemic levels (revenues in the first half of 2021 +4.2% over the same period in 2019).

All the main geographical regions covered by the business have seen an increase in revenues compared to the same period in 2020, with particular reference to Italy (+37.3%), Europe (+10.2%), and Asia (+18%). The comparison with the figure for the first half of 2019 shows growth in revenues in Italy (+10.8%) and in the Asian market (+21.1%).

Orders received in the first six months of 2021 amounted to 22,333 thousand Euro, and were overall higher than the figure for the first half of the previous year (+40.9%). The order backlog as of 30 June 2021 also increased both compared to the value on 30 June 2020 (+85.4%), and compared to the value at end of the year 2020 (+58.8%).

In the second quarter of 2021, revenues amounted to 12,241 thousand Euro, up 30.6% over the same period in 2020, when they came to 9,371 thousand Euro.

The gross operating margin (EBITDA) as of 30 June 2021 is positive by 2,656 thousand Euro (equal to 11.5% of revenues), up by 1,325 thousand Euro over the figure recorded on 30 June 2020, which was 1,331 thousand Euro (7.2% of revenues). The increase in sales recorded in the first six months of the year and the higher added value achieved are the variables that determine the improvement in EBITDA compared to the first half of 2020.

EBITDA for the first six months of 2021 was 133 thousand Euro higher than in the first half of 2019, but represented approximately the same percentage of revenues.

EBIT in the first half of 2021 was positive by 1,280 thousand Euro. This compares with a positive EBIT of 75 thousand Euro in the first half of 2020. The 1.205 thousand Euro increase is a result of the dynamics described above: growing volumes of sale and therefore added value, only partially compensated by greater operating costs for ordinary management.

Comparing the figures by quarter, EBIT in the second quarter of 2021 2021 came to 765 thousand Euro (6.3% of revenues), the figure may be compared with the second quarter of 2020, equal to 125 thousand Euro (1.3% of revenues).

Also note that adoption of accounting standard IFRS16 led the automation components business unit to reverse leasing fees of 228 thousand Euro (245 thousand on 30 June 2020) and to enter 230 thousand Euro in amortisation of usage rights (237 thousand Euro on 30 June 2020).

Investments

Investments in the first six months of 2021 totalled 992 thousand Euro. Investments in intangible assets amounted to 411 thousand Euro, of which 288 thousand Euro were to capitalise the cost of development of the new range of regulators and static units. The remainder represented the cost of purchasing software programs and licenses.

Investments in tangible assets amounted to 581 thousand Euro, including 549 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.

Motion control

Summary results

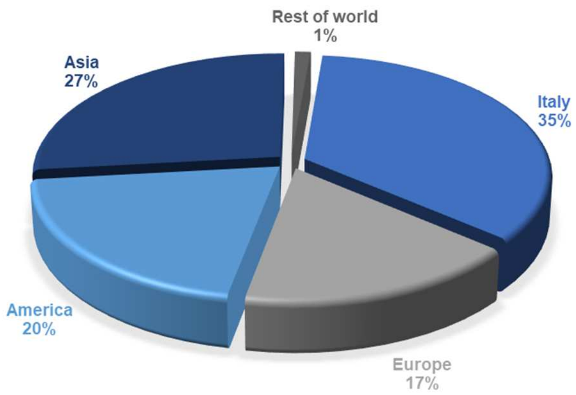
The table below shows the key economic figures.

(Euro /000)	30 June 2021	30 June 2020	Var. 2021-2020		2Q 2021	2Q 2020	Var. 2021 - 2020	
			Value	%			Value	%
Revenues	22,321	18,825	3,496	18.6%	11,870	9,124	2,746	30.1%
EBITDA	305	(67)	372	554.6%	185	(129)	314	243.1%
% of revenues	1.4%	-0.4%			1.6%	-1.4%		
EBIT	(643)	(1,134)	491	43.3%	(278)	(655)	377	57.5%
% of revenues	-2.9%	-6.0%			-2.3%	-7.2%		

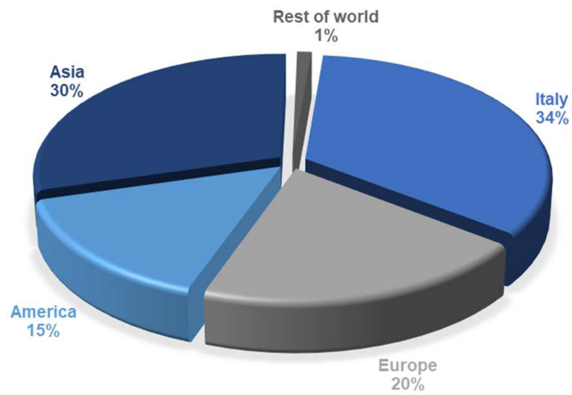
The breakdown of motion control business revenues by geographic region is as follows:

(Euro /000)	30 June 2021 Value	%	30 June 2020 Value	%	Var. 2021-2020 Value	%
Italy	7,768	34.8%	6,405	34.0%	1,363	21.3%
Europe	3,751	16.8%	3,776	20.1%	(25)	-0.7%
America	4,525	20.3%	2,838	15.1%	1,687	59.4%
Asia	6,021	27.0%	5,609	29.8%	412	7.3%
Rest of the world	256	1.1%	197	1.0%	59	29.9%
Total	22,321	100%	18,825	100%	3,496	18.6%

Revenues Motion Control up to 30 June 2021



Revenues Motion Control up to 30 June 2020



Business performance

Revenues in the first six months of 2021 amount to 22,321 thousand Euro, up by 3,496 thousand Euro (+18.6%) over the figure for the first half of 2020. Almost all geographical areas of interest to the business unit, particularly America (+59.4%) and Italy (+21.3%), improved, even displaying growth over the first half of 2019 (+24% and +25.8%) respectively.
Commercial activities aimed at consolidating the Group's presence in the areas historically covered and the development of new areas, as well as technological development of the products, have made it possible to partially recover the revenue gap caused by the Covid-19 pandemic, especially as regards the lifting range and customised products.

The order portfolio in the first half of 2021 amounts to 25,496 thousand Euro, up 10.5% over the figure for the same period in the previous year, when this item totalled 23,067 thousand Euro. the backlog as of 30 June 2021 was higher than the end 2020 figure of 39.7%, while in comparison with the figure as of 30 June 2020 there was a decrease of 27.5%.
Orders (+22.4%) and order backlog (+47.5%) even increased over with the first half of 2019.

EBITDA at 30 June 2021 was positive by 305 thousand Euro (1.4% of revenues), compared with the figure at 30 June 2020 which was negative by 67 thousand Euro (1.4% of revenues), revealing an increase of 372 thousand Euro, as a result of greater volumes of sale registered in the first six months of the year; partially eroded by the higher incidence of raw materials costs.

Operating income (EBIT) as of 30 June 2021 is negative by 643 thousand Euro and compares with an EBIT for the second quarter of 2020 which is negative by 1,134 thousand, representing an improvement of 491 thousand Euro, linked to the same dynamics described in reference to the change in EBITDA.

Comparing the figures by quarter, EBIT in the second quarter of 2021 is negative by 278 thousand Euro (2.3% of revenues), the figure is compared with the second quarter of 2020, also negative, by 655 thousand Euro (7.2% of revenues).

Also note that adoption of accounting standard IFRS16 led the motion control business unit to reverse leasing fees of 67 thousand Euro (69 thousand Euro at 30 June 2020) and to enter 68 thousand Euro in amortisation of usage rights (70 thousand Euro as of 30 June 2020).

Investments

Investments in the first six months of 2021 totalled 654 thousand Euro, including 124 thousand Euro invested in tangible assets, primarily for renewal of production equipment and improvement of the efficiency of production.

Increases in intangible assets amounted to 530 thousand Euro and primarily concerned the capitalisation of development costs (498 thousand Euro) relating to new products for the industrial sector and the lifting sector.

Research and development

The Gefran Group invests significant financial and human resources in product research and development. In the first half of 2021, about 5% of sales 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 (BS) and Gerenzano (VA). It is managed by the technical area and includes development of new technologies, evolution of the characteristics of existing products, product certification, and design of custom products at the request of specific customers.

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 2021 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. In addition, the first prototype of Gefran's multivariable position sensor has been created and is now being tested by several customers.

With regard to Melt products, development projects are aimed at expanding the geographical focus of certifications and leveraging IECEx certification, obtained in 2020, necessary to achieve multiple regional certifications. In particular, Factory Mutual (FM) Explosion Proof certification was completed, necessary to compete on the US market, as well as EAC Ex certification for Russia and Kazhakistan. Finally, the process of obtaining PESO certification for the Indian market and Kosha for the Korean market has begun, thus covering key geographical regions for polymer manufacturing.

From the point of view of processes, 2021 began with the completion of the production process of certain Magnetostrictive Sensor lines at the Shanghai site, in order to best support the Asian market. This extension of the geographical scope of production, together with the initiatives completed in 2020 regarding the manufacturing of melt sensors in the United States and China, optimises Gefran's global operations configuration, increasing resilience, efficiency and customer proximity.

Again on the subject of Magnetostrictive sensors, the development of products to implement communication protocols from an Industry 4.0 perspective has continued. In this context, the new series employing the Profinet communication protocol is becoming part of the HYPERWAVE family, joining the IO-Link series already released.

IO-Link is the most economical Smart connectivity solution, offering advantages in terms of cabling, auto-parameterisation and acyclic data generation, indispensable requirements for Industry 4.0. The Profinet series offers superior performance in terms of both primary services and data transfer capacity, and will represent the top end of Gefran's magnetostrictive product range, for use in faster, better-performing machines. These products finalised the last steps of the certification process and are being tested by customers, in view of their upcoming release on the market.

Both protocols may be used in a variety of products on the industrial machinery market, and both of them boast a large and continually growing number of connections: the world had about 16 million IO-Link connections in 2019, a growth rate of +40%, while 32.4 Profinet nodes had been installed, a growth rate of +25%.

Finally, the first half of 2021 saw the production of Gefran's first multivariable position sensor capable of transmitting multiple measures on broad-based digital communications buses in the world of industry and mobile hydraulics. This sensor, based on innovative physical principles of measurement with integrated intelligence, represents a technological turning point for Gefran and the market and lays the foundations for progressive evolution of the Company's product portfolio.

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 market sectors such as metals and pharmaceuticals:

- evolution of 2805T-3805T controllers offering advanced features based on the requirements of the CFR21 standard (chemical/pharmaceutical market);
- implementation in 1650-1850 controllers of specific HW and SW features required in the metal heat treatment sector.

For the power controller range, work focused mainly on extension of the family of static units launched in 2020 and characterized by development of particularly small size. The evolution of the functions of static groups has been aimed at development of advanced control and diagnostics functions, as well as implementation of protocols enabling integration of static groups into Industry 4.0 architectures. Development work in **motion control** proceeded 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, implementation of custom products responding to specific *ad hoc* technical requirements (job orders) requested by important market leaders in industry.

In more detail, the worked carried out in the first half of 2021 by the R&D departments concerned the following projects:

- 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 non-industrial lifting;
- development to complete the range of hybrid power pump inverters (electricity grid and photovoltaic) for high energy performance applications;
- development of a new range of converters for lifts with high power, performance and reliability, to order for a specific project;

- development, again to order, of an inverter for the air conditioning sector (HVAC) offering high level performance, reduced electromagnetic emissions and optimised cost;

Finally, research and development in the motion control business unit assigned even greater importance to work aimed at developing new technologies for improving the performance of products and the possibility of introducing new functions and services, such as remote support and preventive maintenance. These activities were carried out both independently and in collaboration with universities and research centres.

Human resources

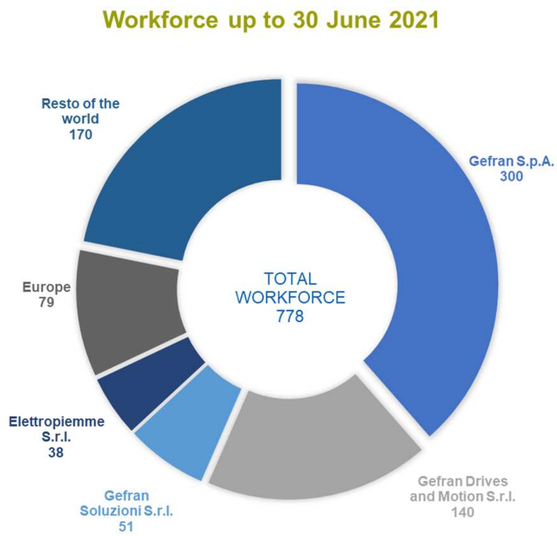
Workforce

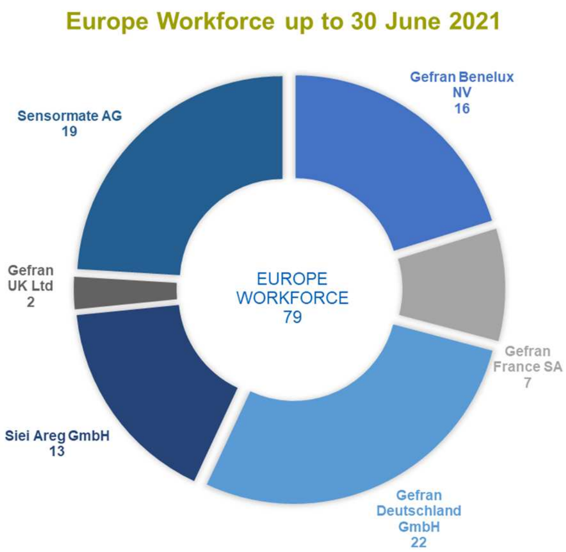
The Group's workforce as of 30 June 2021 numbered 778 people, a decrease of 9 since the end of 2020 and of 44 since 30 June 2020.

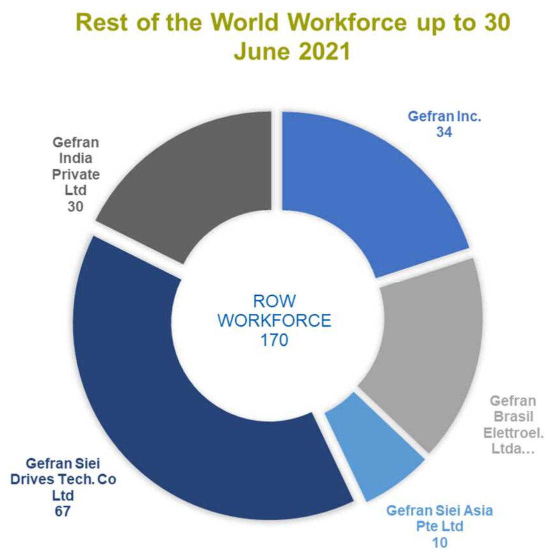
This change marks an overall turnover rate within the Group of 8.8%.

Changes in the first half of 2021 may be broken down as follows:

- 30 people joined the Group, including 6 manual workers and 24 clerical staff;
- 39 people left the Group, including 10 manual workers and 29 clerical staff.







Main risks and uncertainties to which the Gefran Group is exposed

In the normal course of its business, the Gefran Group is exposed to various financial and non-financial risk factors, which, should they materialise, could have a significant impact on its economic and financial situation. The Group therefore adopts specific procedures to manage the risk factors that could influence its results.

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.

The organisational structure of relevance to the internal control and risk management system is set up as follows:

- the **Risk Control Committee** (RCC), which has the task of supporting, with adequate preliminary investigation activity, evaluations and decisions of the Board of Directors regarding the internal control and risk management system, as well as of checking the proper application of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;

- the **Executive Director in charge of the internal control and risk management system**, with the task of identifying the main corporate risks, implementing the risk management guidelines and checking their adequacy. In this regard, with the entry into force of the January 2020 edition of the Corporate Governance Code, applicable "from the first financial year beginning after 31 December 2020", this role is held by the Chief Executive Officer (as defined in the document in question);

- the **Executive in charge of the financial reporting**, who has direct supervision of the control model pursuant to Law 262/2005 and of the related administrative and accounting procedures, in connection with the constant updating of the same;

- the **Internal Audit** function, with the task of checking, both continuously as well as in relation to specific requirements and in compliance with international standards, the operation and appropriateness of the internal control and risk management system, via an audit plan approved by the Board of Directors, which is based on a structured analysis of the main risks.

In recent years Gefran has progressively approached the concepts of Enterprise 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 Enterprise Risk Management, promoting proactive risk management in support of the company's principal decision-making processes and identifying any areas requiring special attention and focus.

This 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. Enterprise Risk Management 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			
1.01	Macroeconomic context	1.02	Instability in Emerging Economies where the Group produces or sells its products
1.03	Catastrophic Events / Business Interruption	1.04	Evolution of the lows, regulations and industry standards
1.05	Competition	1.06	Unexpected changes in demand (including consumer habits)

3. Strategic Risks			
3.01	Sustainability of the Businesses (e.g. Motion / Automation)	3.02	Investments decisions / M&A
3.03	Product portfolio	3.04	Product / process innovation
3.05	Effectiveness of medium-long term strategies	3.06	Effectiveness of extraordinary transactions
3.07	Strategic planning	3.08	Effectiveness of crisis management plans
3.09	Dependence on key customers	3.10	Dependence on suppliers / critical subcontractors
3.11	Digital Transformation & Change Management		

5. Operating and Reporting Risks			
5.01	Adequacy / saturation od production capacity	5.02	Incorrect / inefficient production planning
5.03	Obsolescence of plants / machineries	5.04	Quality of product / Recall
5.05	Storage obsolescence	5.06	Unavailability of raw materials / semi-finished products / other goods and extra costs of supplies
5.07	Reliability of supplier portfolio	5.08	Ineffectiveness of sales channels
5.09	Pricing ineffectiveness	5.10	Budget, Planning e Reporting
5.11	Unavailability of data and information	5.12	Transfer Pricing
5.13	Order execution risk	5.14	Partitioning of suppliers
5.15	Delays in the execution of investment plans	5.16	Interruptions / Delays in Logistics

7. IT Risks			
7.01	IT & Data Security (Cybersecurity e SoD)	7.02	Disaster Recovery / Business Continuity
7.03	IT Governance	7.04	IT infrastructure / limits of technological capacity
7.05	Web domain		

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

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

6. Legal and Compliance Risks			
6.01	Protection of the exclusiveness of the product	6.02	Litigation
6.03	Contractual risks	6.04	Adaptation to H&S legislation
6.05	Adaptation to environmental legislation	6.06	Adaptation to labor legislation
6.07	Adaptation to 262 Italian Law / financial reporting	6.08	Adaptation to 231 Italian Law Decree / Anticorruption
6.09	Adaptation to fiscal legislation	6.10	Adaptation to privacy legislation
6.11	Adaptation to industry legislation (ex. ISO)	6.12	Adaptation to customs legislation

8. Risks connected to Human resources			
8.01	Attraction e Retention	8.02	Professional development and compensation
8.03	Generational change	8.04	Industrial Relations
8.05	Deoendence in key figures	8.06	Poor communication between the first managerial lines
8.07	Timeliness of communications relating to organizational changes	8.08	Average age of employees
8.09	Unavailability of personnel	8.10	Climate in the company
8.11	Smart working / remote working management	8.12	Personnels performance

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 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 process conducted in 2020 involved 15 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. In particular, a strong focus was placed on cybersecurity, adopting procedures and systems to monitor and prevent attacks on the corporate network, and taking out specific insurance coverage.

Moreover, with reference to human resources risks, there are no specific risks to be reported, thanks to initiatives undertaken since 2017 and still underway.

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

External Risks

Risks associated with the general economic conditions and market trends

The International Monetary Fund's global growth outlook for 2021, confirmed at the end of July, estimates a global growth outlook of 6% (an improvement over the October 2020 estimate of 5.2% GDP growth), while more modest growth, 4.9%, is expected for 2022.

The Gefran Group serves international markets through its subsidiaries, and although the spread of Covid-19 is worldwide, the timing of outbreaks in different places and the limitations imposed by certain governments to limit the health emergency, have led to different trends in orders and revenues. The subsequent economic recovery also took place at different times and in different ways all over the world: China, for example, had already recovered fully by the second half of 2020, while other countries have not yet fully recovered.

Ever since the first signs of the spread of Covid-19, the Gefran Group has reviewed some organisational methods, also in view of the limitations on the mobility of the sales force, focusing its activities both on monitoring existing markets and launching "marketing automation" projects with the aim of developing contacts with "prospective customers" through digital platforms. This has allowed the Group to reap the benefits of the significant recovery in certain markets (such as China and Southeast Asia) and enabled it to record good performance in the first half of 2021: revenues 26.8% higher than the first half of 2020, and even 10.4% higher than the first half of 2019.

In the first two quarters of 2021, a number of factors, including support for economic policies and implementation of vaccination campaigns, lead to an improvement in the global outlook. However, there are still uncertainties linked to the evolution of the pandemic, the spread of variants and the organisation of vaccination campaigns, which could still have repercussions on markets, as well as criticalities in supply chains.

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.

The Gefran Group has invested in human resources with the aim of mitigating the impact of this risk, adding specialised personnel with a focus on innovation and innovative trends in technology.

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 or 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 are not yet been known 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.

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 the majority of bank loans have been taken out by the Parent Company Gefran S.p.A.

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. However, at the moment the market is growing strongly and this leads to a significant price oscillation that affects the overall cost of the product, albeit in a moderate manner.

Risks associated with funding requirements and cash risk

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 83.4 million versus overall liabilities of Euro 89.6 million. Most existing loan contracts were negotiated at variable rates, determined by the Euribor plus a fixed spread, which in the last two years was always below 110 bps.

During the first half of 2021 a new loan was taken out by the subsidiary Gefran Soluzioni S.r.l. totalling Euro 0.5 million, with the goal of increasing the capital base and supporting the company's development of foreign sales. A portion of the loan, equal to Euro 0.2 million, relating to the Integrated Promotion Fund, was disbursed as a non-refundable grant under the Temporary Framework, while a second portion, Euro 0.3 million, relates to Fund 394/81 and is entered under non-current financial payables.

The loan will be repaid in 8 half-yearly instalments starting at the end of the pre-amortisation period of 2 years.

To date, none of the loans outstanding includes covenants (for details, please refer to the specific section on "Net Financial Position" in the Explanatory Notes).

Operations in the first half of 2021, only partially affected by capital expenditure, generated a positive free cash flow of 10.8 million Euro.

As of 30 June 2021, net financial position was positive at 1.7 million Euro, an improvement of 5.4 million Euro compared to the end of the previous year, after distributing 3.7 million Euro in dividends.

Credit lines and cash on hand are sufficient for the Group's operations and the expected economic outlook.

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 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 collectability 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.

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 development of 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 or revenues.

The impact of this risk would increase if one or more competitors should propose business models 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.

However, if delays occur due to various factors, they could affect the Group's results.

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 and the Code of Conduct, the internal procedures put in place to comply with these codes 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 Group.

Respect for people and valorisation of their skills, protection of diversity and equal opportunities are the ethical principles inspiring the Group's HR Policy and expressed in the "Persons in Gefran" policy, which covers the Group as a whole.

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.

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.

Due to the spread of Covid-19 ring in the beginning 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 where lockdowns had been put in place, direct orders for supplies to plants that were 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 Group's plants, which suffered no interruptions due to shortages of materials.

Some of the operating methods developed at the outset of the emergency have turned out to be particularly effective and have therefore been integrated into the Group's standard procedures with the goal of mitigating, wherever possible, some of the risks linked with the possibility of interruption of the supply chain as a result of events outside the Group. These procedures have found immediate application and implementation to address a market situation currently in a difficult structural condition characterised by a shortage of electronic components, resulting in major price increases and significant extension of procurement times.

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, not even during the pandemic; 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.

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.

In any case, the possibility of major oscillation of demand, making effective production planning difficult, or demand in excess of its productive capacity, could cause Gefran to miss out on business opportunities or even lose revenues.

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.

In response to the spread of Covid-19, Gefran has implemented all the necessary procedures to guarantee the health of its employees, taking into account all the official protocols issued by the governments of the countries in which Gefran operates. 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 information and instruction, affixing signs on Gefran premises informing people of the rules of behaviour to be followed while on the premises.

In addition, a process of collecting and sharing information has been implemented to monitor the evolution of the anti-Covid-19 regulations implemented by the various countries in which the Group and its subsidiaries operate: the legal office of the Parent Company takes care of this process, collecting and publishing the necessary updates on the internal corporate network, making them known to all interested parties.

Protecting the health and safety of its stakeholders is essential for Gefran. Confirming the importance of these issues in the year 2020, the company's organisation implemented an integrated "Quality, Safety and Environment" function with expertise at the Group-wide level. In 2020 the "Health, Safety and Environment System Policy" was also signed and distributed throughout the entire Group, for the definition of guiding principles in these areas.

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. The Group is therefore exposed to the risk of product liability actions 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.

Significant events in the first half of 2021

- On 10 February 2021, the Gefran S.p.A. Board of Directors examined the preliminary results as of 31 December 2020.

- On 11 March 2021, the Gefran S.p.A. Board of Directors unanimously approved the financial statements for the year ending on 31 December 2020, the consolidated financial statements and the consolidated non-financial statement.

  The Board of Directors also resolved to propose to the Shareholders' Meeting distribution of a dividend of Euro 0.26 per share in circulation (not including own shares), through use of the necessary amount of the net profit for the year, carrying over the residual amount.

  During the same meeting, the Board resolved to propose to the Shareholders' Meeting approval of the authorisation to purchase and dispose of, in one or more instalments, a number of ordinary shares in the company up to a maximum of 1,440,000.00 shares, equal to 10% of the company's share capital. The authorisation is requested for a period of 18 months from the date of the shareholders' resolution.

- On 23 April 2021 Gefran S.p.A. was informed by its majority shareholder of the completion of the acquisition of 45.98% of Fingefran S.r.l. by Ennio Franceschetti (Honorary Chairman of Gefran S.p.A.), who, following the transaction, controls 100% of the voting rights of Fingefran S.r.l. The share of Gefran S.p.A. held by Fingefran S.r.l., post-transaction, amounts to 53.02% of its share capital.

- On 27 April 2021, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:
  - Approve the Financial Statements for the financial year 2020 and to distribute an ordinary dividend, gross of withholding taxes, of 0.26 Euros per eligible share (ex-dividend date 10 May 2021, record date 11 May 2021 and payment date 12 May 2021). The remainder of the annual profit will be allocated to the retained earnings reserve.

- Appoint the Board of Statutory Auditors for the 2021- 2023 three-year period: Roberta Dell'Apa, Chair, Primo Ceppellini and Luisa Anselmi The substitute statutory auditors are Stefano Guerreschi and Simona Bonomelli.
- 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 held a binding vote approving the Group's 2021 Remuneration Policy and its Remuneration Report for the year 2020.

Significant events following the end of the first half of 2021

Nothing to report.

Outlook

A year after the first signs of the spread of the Covid-19 virus, which largely characterised the 2020 financial year, the crisis caused by the pandemic is still ongoing.

At the close of the first quarter of 2021, a number of factors boosting recovery, such as support with economic and fiscal policies, a change of administration in the United States, and the intensification of vaccination campaigns, have benefited the overall growth outlook.

While uncertainties remain due to the spread of new virus variants, significant progress in vaccination campaigns could lead to an acceleration in economic activity in the second half of 2021, driven by an increase in consumer spending and supported by the favourable stance of monetary policy. Economic recovery will depend not only on the outcome of the race between viruses and vaccines, but also on the effectiveness of the economic policies deployed and the way the economy reacts upon reopening.

In the current scenario, in light of the trends observed during 2020 and in the first half of 2021, the International Monetary Fund recently revised its economic projections: at the global level, it is projecting a growth rate of 6% in 2021 and 4.9% in 2022. For 2021, the global growth estimate published in April is confirmed, but several weightings have been made, partly due to differences in the accessibility of vaccines: growth in emerging markets and developing economies (especially Asia) has been reduced slightly, while expectations for growth in advanced economies have risen, accelerated by the development of the pandemic and changes in the political scenario. On the other hand, projections for the year 2022 have been improved by 0.5% since the estimates made in April.

China stands out in this context, with the IMF projecting growth above the global average, at 8.1% in 2021 (+8.4% in the April estimate) and +5.7% in 2022 (+5.6% in the previous estimate).

In the Eurozone, the International Monetary Fund's projection for the next two years is for recovery, however partial, at a rate of 4.6% (Italy +4.9%) in 2021 and 4.3% (Italy +4.2%) in 2022, representing an improvement over the estimates published at the end of April, when growth was projected at 4.4% in 2021 (Italy +4.2%) and 3.8% in 2022 (Italy +3.6%).

In the Confindustria Study Centre Reports for the second quarter of 2021, we highlight a definite upswing in Italy's GDP, thanks to extension of vaccinations, which, in addition to the current consolidation of industrial activity, have allowed demand and investment to get going again. The outlook for the second half of 2021 is good, as this recovery is expected to be further strengthened. The redeployment of services is also confirmed, accompanying the gradual easing of anti-Covid measures that began at the end of April and the re-opening of tourism and entertainment-related sectors, and exports, which are back to pre-pandemic levels.

Following the spread of the pandemic, Gefran reviewed certain organisational methods and launched projects aimed at protecting existing markets and developing new areas and sectors, also through the use of digital tools. This enabled the Group to achieve positive results in the first half of 2021, in terms of both sales and margins, and will enable Gefran to take advantage of the full resumption of work in the industrial sectors it serves.

The trend of demand in the last quarter of 2020 was better than in the previous quarters of the same year, and the upward trend continued in the first and second quarter of 2021. Asian countries and Italy continue to lead the way, while other countries also show signs of recovery of demand.

The level of attention to the health and safety of all employees remains high in the Group, with a focus on maintaining a high level of service to the market in the face of significant growth in demand, particularly in some product lines.

The greatest uncertainties regarding the possibility of converting the business opportunities that are gradually arising into revenues come from the supply chain, which remains highly uncertain, both as regards the possibility of receiving all the materials necessary for production, and the actual timing of receipt of these materials.

The overall increase in the purchase price of raw materials is a potential risk factor for the margins that growth in demand could generate.

A number of current and potential market segments show room for growth for those who will be able to guarantee products and services in this context of uncertainty; the Group's concentration on meeting the demands of the market has been maximised in order to seize these opportunities of growth.

Against this background, the Group believes that in 2021, revenues and margins will be achieved in excess of both 2020 and 2019.

Covid-19

The year 2020 saw the global spread of Coronavirus (Covid-19), resulting in the World Health Organisation's declaration of a "global pandemic" in the month of March following the growing number of countries reporting cases of infection.

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 have undeniably had a major impact on society and the economy.

The Group responded with prompt introduction of measures aimed at protecting the health and safety of everyone it works with (both employees and other business partners) 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 were set up in the Group to respond to the initial shortage of PPE, ensuring that all employees had 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 have so far been no interruptions in production attributable to shortages of materials, and all financial commitments to suppliers have been met.

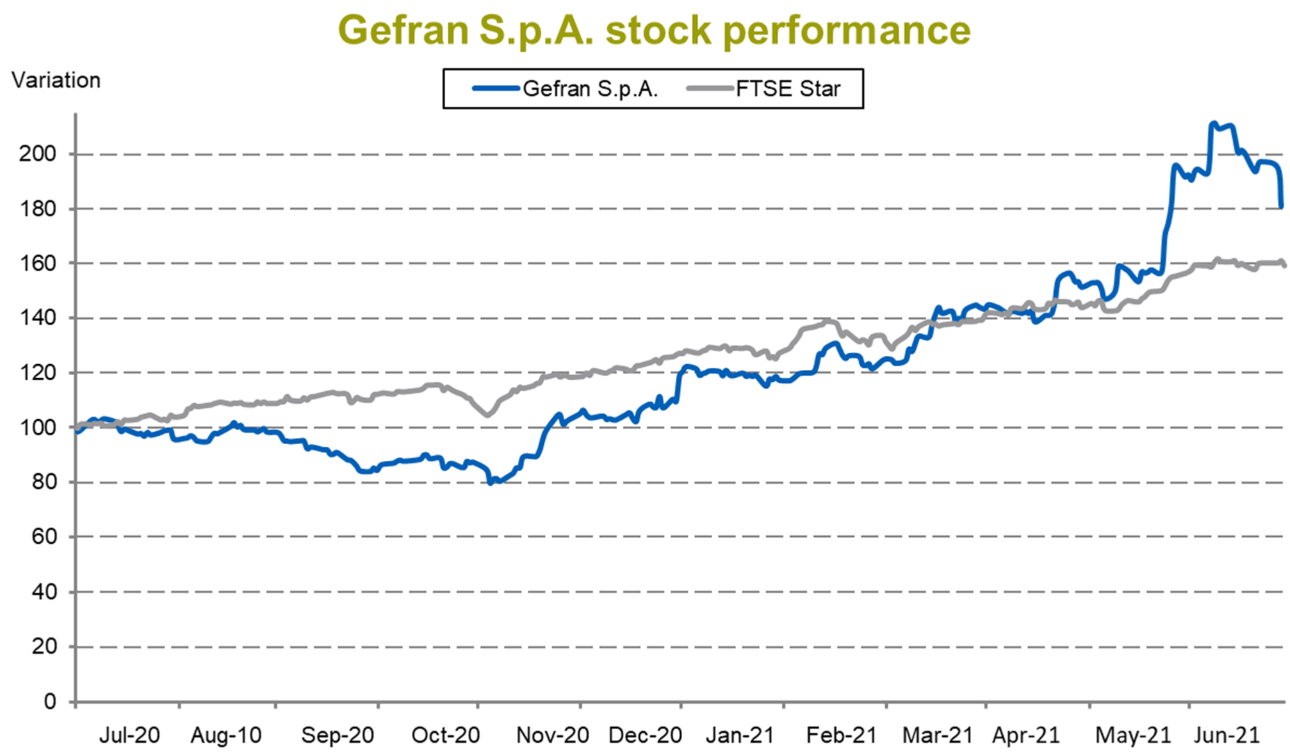
As of the date of publication of this half-yearly financial report, some of the measures already introduced by Gefran in 2020 to ensure human health and business continuity remain in place. The Group's production activities continue at all locations, while office staff work partly in the office and partly from home, in order to ensure the necessary social distancing.

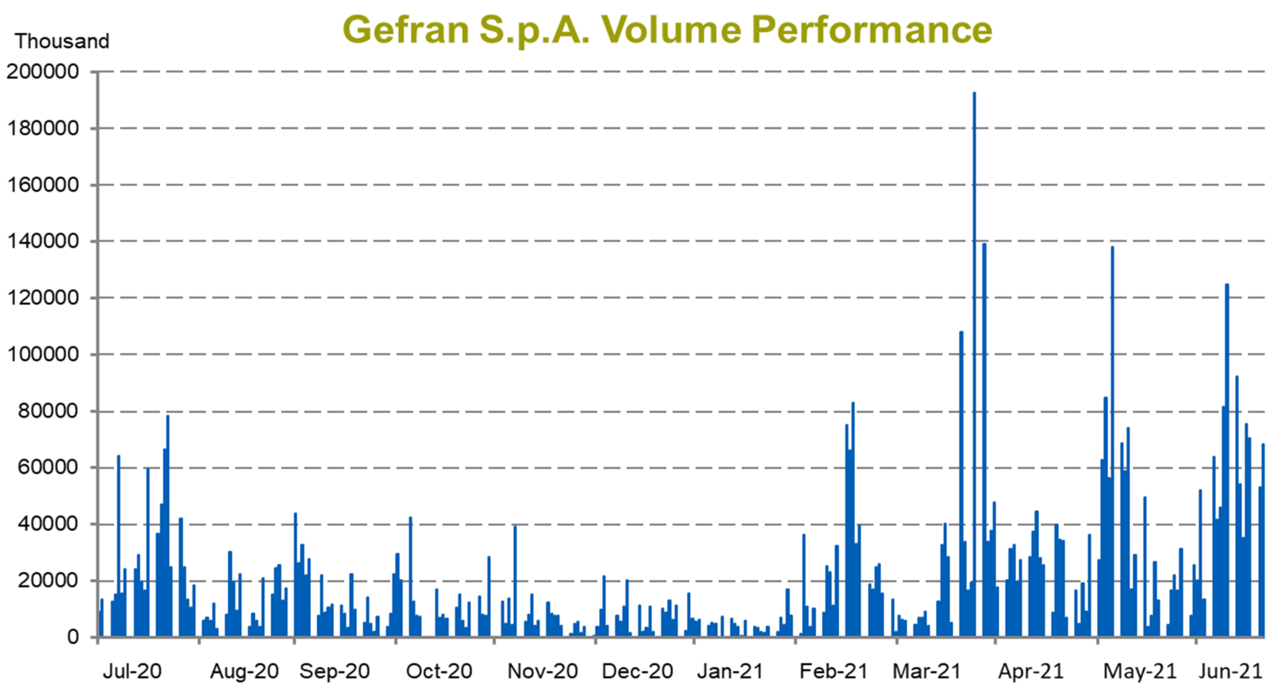
Own shares and stock performance

As of 31 December 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 sold in the first half of 2021 and as of the date of this report the situation is unchanged.

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


Gefran S.p.A. stock performance
Variation
Gefran S.p.A.
FTSE Star
200
180
160
140
120
100
80
60
40
20
0
Jul-20
Aug-10
Sep-20
Oct-20
Nov-20
Dec-20
Jan-21
Feb-21
Mar-21
Apr-21
May-21
Jun-21


Gefran S.p.A. Volume Performance
Thousand
200000
180000
160000
140000
120000
100000
80000
60000
40000
20000
0
Jul-20
Aug-20
Sep-20
Oct-20
Nov-20
Dec-20
Jan-21
Feb-21
Mar-21
Apr-21
May-21
Jun-21

Dealings with related parties

On 12 November 2010, the Gefran S.p.A. Board of Directors approved its “Internal regulations for transactions with related parties” in application of Consob resolution No. 17221 dated 12 March 2010. These regulations have been published in the “*Governance*” section of the Company’s internet site, available at *https://www.gefran.com/it/governance*, in the “*Documents and Procedures*” section.

The procedure in question was updated by the Board of Directors on 24 June 2021 to implement the new requirements of the EU Directive 2017/828 (referred to as “Shareholders’ Rights II”), introduced into Italian law by means of Legislative Decree No. 49 of 2019, with regard to primary regulations, and by means of Consob Resolution no. 21624 of 10 December 2020, with regard to secondary regulations.

The “Internal Procedure for Transactions with Related Parties” is based, *inter alia*, on the following general principles:

- ensuring the essential and procedural transparency and probity of transactions with related parties;
- providing the Board of Directors and the Board of Statutory Auditors with an appropriate assessment, decision-making and control tool regarding transactions with related parties.

The “Internal Procedure for Transactions with Related Parties” is structured as follows:

- **First section**: definitions (related parties, significant and insignificant transactions, transactions of negligible amount, etc.).
- **Second section**: procedures to approve significant and insignificant transactions, exemptions.
- **Third section**: notification obligations and supervision of compliance with the procedure.

See paragraph 28 of the Notes to the Consolidated Half-yearly Financial Statements for details on transactions among group companies and transactions with related parties.

Disclosure simplification

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 Regulation 11971/1999 as amended.

Consolidated financial statements

Statement of profit/(loss) for the year

(Euro /000)	Notes	2Q 2021	2Q 2020	progress. 30 June 2021	progress. 30 June 2020
Revenue from product sales	19	41,798	30,746	78,982	61,849
Other revenues and income	20	374	563	597	886
Increases for internal work	11,12	525	459	1,019	954
TOTAL REVENUES		42,697	31,768	80,598	63,689
Change in inventories	14	2,385	1,210	4,320	649
Costs for raw materials and accessories	21	(17,942)	(12,447)	(33,127)	(23,297)
Service costs	22	(6,132)	(4,353)	(11,530)	(9,552)
of which related parties:	28	(38)	(48)	(92)	(98)
Miscellaneous management costs		(236)	(225)	(478)	(454)
Other operating income		29	3	30	3
Personnel costs	23	(13,133)	(11,741)	(25,505)	(23,599)
Impairment/reversal of trade and other receivables	14	65	(106)	31	(103)
Amortisation and impairment of intangible assets	24	(516)	(509)	(1,047)	(978)
Depreciation and impairment of tangible assets	24	(1,183)	(1,188)	(2,378)	(2,399)
Depreciation/amortisation total usage rights	24	(314)	(321)	(619)	(638)
EBIT		5,720	2,091	10,295	3,321
Gains from financial assets	25	225	(37)	760	490
Losses from financial liabilities	25	(308)	(402)	(706)	(1,596)
(Losses) gains from shareholdings valued at equity		1	(3)	6	(1)
PROFIT (LOSS) BEFORE TAX		5,638	1,649	10,355	2,214
Current taxes	26	(1,352)	(166)	(2,279)	(419)
Deferred tax assets and liabilities	26	69	(423)	(22)	(656)
TOTAL TAXES		(1,283)	(589)	(2,301)	(1,075)
NET PROFIT (LOSS) FOR THE PERIOD		4,355	1,060	8,054	1,139
Attributable to:					
Group		4,355	1,060	8,054	1,139
Third parties		-	-	-	-

Earnings per share (Euro)	Notes	progress. 30 June 2021	progress. 30 June 2020
Basic earnings per ordinary share	17	0.56	0.08
Diluted earnings per ordinary share	17	0.56	0.08

Statement of profit/(loss) and other items of comprehensive income

(Euro /000)	Notes	2Q 2021	2Q 2020	progress. 30 June 2021	progress. 30 June 2020
NET PROFIT (LOSS) FOR THE PERIOD		4,355	1,060	8,054	1,139
Items that will not subsequently be reclassified in the statement of profit/(loss) for the period					
- equity investments in other companies	16	147	4	119	(24)
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period					
- conversion of foreign companies' financial statements	16	504	(408)	687	(225)
- fair value of cash flow hedging derivatives	16	116	(84)	109	(91)
Total changes, net of tax effect		767	(488)	915	(340)
Comprehensive result for the period		5,122	572	8,969	799
Attributable to:					
Group		5,122	572	8,969	799
Third parties		-	-	-	-

Statement of financial position

(Euro /000)	Notes	30 June 2021	31 December 2020
NON-CURRENT ACTIVITIES			
Goodwill	10	5,770	5,692
Intangible assets	11	9,205	8,935
Property, plant, machinery and tools	12	41,339	41,961
of which related parties:	28	105	247
Usage rights	13	3,213	2,605
Shareholdings valued at equity		82	76
Equity investments in other companies		2,069	1,949
Receivables and other non-current assets		91	94
Deferred tax assets	26	4,216	4,265
Other non-current financial investments		87	108
TOTAL NON-CURRENT ACTIVITIES		66,072	65,685
CURRENT ACTIVITIES			
Inventories	14	24,908	20,301
Trade receivables	14	36,720	30,059
of which related parties:	28	-	4
Other receivables and assets		4,750	4,393
Current tax receivables	26	971	581
Cash and cash equivalents	15	39,596	41,943
TOTAL CURRENT ACTIVITIES		106,945	97,277
TOTAL ASSETS		173,017	162,962
SHAREHOLDERS' EQUITY			
Share capital	16	14,400	14,400
Reserves	16	60,960	59,426
Profit / (Loss) for the year	16	8,054	4,353
Total Group Shareholders' Equity		83,414	78,179
Shareholders' equity of minority interests	16	-	-
TOTAL SHAREHOLDERS' EQUITY		83,414	78,179
NON-CURRENT LIABILITIES			
Non-current financial payables	15	21,800	27,441
Non-current financial payables for IFRS 16 leases	15	1,530	1,669
Non-current financial liabilities for derivatives	15	183	328
Employee benefits		4,340	4,479
Non-current provisions	18	836	924
Deferred tax provisions	26	854	833
TOTAL NON-CURRENT LIABILITIES		29,543	35,674
CURRENT LIABILITIES			
Current financial payables	15	12,754	15,368
Current financial payables for IFRS 16 leases	15	1,736	968
Trade payables	14	30,046	20,561
of which related parties:	28	47	273
Current provisions	18	1,528	1,462
Current tax payables	26	2,355	179
Other payables and liabilities		11,641	10,571
TOTAL CURRENT LIABILITIES		60,060	49,109
TOTAL LIABILITIES		89,603	84,783
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		173,017	162,962

Consolidated cash flow statement

(Euro /000)		Notes	30 June 2021	30 June 2020
(A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD			41,943	24,427
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD				
Net profit (loss) for the period			8,054	1,139
Depreciation, amortisation and impairment		24	4,044	4,015
Provisions (Releases)		14,18	1,094	1,210
Capital (gains) losses on the sale of non-current assets		11,12	(18)	(1)
Net result from financial operations		25	(60)	1,107
Taxes		26	2,279	419
Change in provisions for risks and future liabilities		18	(564)	(194)
Change in other assets and liabilities			703	(524)
Change in deferred taxes		26	24	655
Change in trade receivables		14	(6,372)	543
	of which related parties:	28	4	-
Change in inventories		14	(5,047)	(1,609)
Change in trade payables		14	9,422	(3,809)
	of which related parties:	28	(226)	(22)
TOTAL			13,559	2,951
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES				
Investments in:				
- Property, plant & equipment and intangible assets		11,12	(2,778)	(2,927)
	of which related parties:	28	(105)	(84)
- Equity investments and securities			-	1,000
- Financial receivables			3	3
Disposal of non-current assets		11,12	26	2
TOTAL			(2,749)	(1,922)
D) FREE CASH FLOW (B+C)			10,810	1,029
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES				
New financial payables		15	307	11,991
Repayment of financial debts		15	(5,394)	(5,296)
Increase (decrease) in current financial payables		15	(3,276)	1,244
Outgoing cash flow due to IFRS 16		15	(617)	(648)
Taxes paid		26	(480)	(151)
Interest paid		25	(460)	(473)
Interest received		25	33	31
Dividends paid		16	(3,737)	-
TOTAL			(13,624)	6,698
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)			(2,814)	7,727
G) Exchange rate translation differences on cash at hand		15	467	(138)
H) NET CHANGE IN CASH AT HAND (F+G)			(2,347)	7,589
(I) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+H)			39,596	32,016

Statement of changes in shareholders’ equity

(Euro /000)	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 minority interests	Total shareholders’ equity
Balance at 1 January 2020	14,400	21,926	5,864	10,099	13,174	(215)	3,364	(610)	7,042	75,044	-	75,044
Destination of profit 2019												
- Other reserves and provisions	-	-	820	-	6,222	-	-	-	(7,042)	-	-	-
- Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Income/(Expenses) recognised at equity	-	-	-	10	-	145	-	(99)	-	56	-	56
Change in translation reserve	-	-	-	-	-	-	(1,173)	-	-	(1,173)	-	(1,173)
Other changes	-	-	58	(2)	(157)	-	-	-	-	(101)	-	(101)
Profit 2020	-	-	-	-	-	-	-	-	4,353	4,353	-	4,353
Balance at 31 December 2020	14,400	21,926	6,742	10,107	19,239	(70)	2,191	(709)	4,353	78,179	-	78,179
Destination of profit 2020												
- Other reserves and provisions	-	-	(1,927)	-	6,280	-	-	-	(4,353)	-	-	-
- Dividends	-	-	-	-	(3,737)	-	-	-	-	(3,737)	-	(3,737)
Income/(Expenses) recognised at equity	-	-	-	-	-	228	-	-	-	228	-	228
Change in translation reserve	-	-	-	-	-	-	687	-	-	687	-	687
Other changes	-	-	3	-	-	-	-	-	-	3	-	3
Profit 2021	-	-	-	-	-	-	-	-	8,054	8,054	-	8,054
Balance at 30 June 2021	14,400	21,926	4,818	10,107	21,782	158	2,878	(709)	8,054	83,414	-	83,414

Specific explanatory notes to the accounts

1. General information, form and content

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

This half-yearly report of the Gefran Group for the period ending on 30 June 2021 was approved, and its publication was authorised, by the Board of Directors on 5 August 2021.

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 consolidated half-yearly 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 valuation criteria adopted for the preparation of these half-yearly financial statements as at 30 June 2021 are the same as those adopted in preparing the annual financial report for the year ending 31 December 2020.

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 half-yearly consolidated financial report was prepared using the general historical cost criterion, modification

With reference to Consob Communication 0003907 of 19 January 2015, note 10 "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, as required for assessment of a number of financial instruments.

With reference to Consob Communication 0092543 dated 3 December 2015, it is hereby revealed that in the Report on operations the guidelines of the ESMA (ESMA/2015/1415) were followed with regard to the information aimed at ensuring the comparability, reliability and comprehensibility of the Alternative Performance Indicators.

With reference to Consob Communication 0007780 of 28 January 2016, we note that the impact of market conditions on the information in the financial statements was included in the Directors' Report on Operations. We also note that the application of IFRS 13 "Fair value measurement" does not involve significant changes to items in the financial statements for Gefran.

5. Change in the scope of consolidation

The scope of consolidation as of 30 June 2021 is unchanged from that of 31 December 2020, while it is different from the scope as of 30 June 2020. On 21 December 2020, the process of liquidation of Ensun S.r.l., a company previously 50% owned by Gefran S.p.A. and consolidated using the equity method, was completed.

6. Accounting standards, amendments and interpretations not yet applicable

As of the date of this annual financial report, the process of obtaining EU approval was underway for the following amendments issued by the IASB during 2020, which, once entered into force, could affect the Company's financial statements:

- Amendment concerning IAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*, which concerns proceeds from the sale of goods, bringing the asset to the place and condition necessary to enable it to operate in the manner intended by management;
- Amendment concerning IAS 37, *Onerous Contracts - Cost of Fulfilling a Contract,* aimed at standardising the costs that a company should include for the fulfilment of a contract assessed as "onerous."

These amendments will be applicable only after approval by the EU.

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, the Group adopted the 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.

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 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.

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 29% of sales are denominated in a different currency. Specifically, the Group is most exposed to the following exchange rates:

- Euro/USD, about 7%, 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, about 13%, referring to Gefran Siei Drives Technology, operating in China;
- 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 2021		30 June 2020	
	-5%	+5%	-5%	+5%
Chinese renminbi	151	(136)	99	(89)
U.S. dollar	55	(45)	56	(47)
Total	206	(181)	155	(136)

(Euro /000)	30 June 2021		30 June 2020	
	-10%	+10%	-10%	+10%
Chinese renminbi	318	(260)	208	(170)
U.S. dollar	115	(86)	118	(89)
Total	433	(346)	326	(259)

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 2021		30 June 2020	
	-5%	+5%	-5%	+5%
Chinese renminbi	51	(46)	(24)	22
U.S. dollar	9	(8)	8	(8)
Total	60	(54)	(16)	14

(Euro /000)	30 June 2021		30 June 2020	
	-10%	+10%	-10%	+10%
Chinese renminbi	108	(88)	(51)	42
U.S. dollar	20	(16)	18	(14)
Total	128	(104)	(33)	28

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 2021		30 June 2020	
	-5%	+5%	-5%	+5%
Chinese renminbi	521	(472)	479	(433)
U.S. dollar	385	(348)	376	(341)
Total	906	(820)	855	(774)

(Euro /000)	30 June 2021		30 June 2020	
	-10%	+10%	-10%	+10%
Chinese renminbi	1,101	(901)	1,011	(827)
U.S. dollar	812	(664)	795	(650)
Total	1,913	(1,565)	1,806	(1,477)

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 consolidated net profit/(loss), comparing interest rates at 30 June 2021 and 30 June 2020, while keeping other variables unchanged.

(Euro /000)	30 June 2021		30 June 2020	
	-100	100	-100	100
Euribor	353	(368)	221	(253)
Libor	(4)	4	(12)	12
Total	348	(363)	209	(241)

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

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

The table below shows the carrying value at 30 June 2021, 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 old	Total
Loans due	11,687	21,433	367	33,487
Financial payables due to leasing under IFRS 16	1,736	1,453	77	3,266
Other accounts payable	3	-	-	3
Account overdrafts	1,064	-	-	1,064
Total liabilities	14,490	22,886	444	37,820
Cash in current accounts	39,552	-	-	39,552
Total assets	39,552	-	-	39,552
Total variable rate	25,062	(22,886)	(444)	1,732

Unlike net financial position figures, the amounts shown in the table above do not include the fair value of derivatives (negative at 183 thousand Euro), cash on hand (positive at 44 thousand Euro) or deferred financial income (positive at 87 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 2021	31 December 2020	Change
Cash and cash equivalents	44	27	17
Cash in bank deposits	39,552	41,916	(2,364)
Total liquidity	39,596	41,943	(2,347)
Multiple mixed credit lines	25,350	23,348	2,002
Cash flexibility credit lines	3,955	3,955	-
Invoice factoring credit lines	8,250	8,250	-
Total credit lines available	37,555	35,553	2,002
Total available liquidity	77,151	77,496	(345)

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	460	-	1,609	2,069
Total assets	460	-	1,609	2,069
Hedging transactions	-	(183)	-	(183)
Total liabilities	-	(183)	-	(183)

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. The change compared to the value as of 30 June 2020 relates to the holding Woojin Plaimm Co Ltd, which increased its value by 292 thousand Euro, and the sale of the shares of Ubi Banca S.p.A., which amounted to 46 thousand Euro at the end of June 2020.

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 increased by 165 thousand Euro as a result of payment of new capital to the affiliated company Colombera S.p.A.

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 2020:

(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	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)

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 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 collectability 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 2021 and 31 December 2020:

(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 2021	38,574	34,033	1,478	911	33	882	1,237
Gross trade receivables at 31 December 2020	32,011	27,606	2,249	124	40	580	1,412

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

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.

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 allow it to regularly analyse margins earned.

Fair value of financial instruments

All the Group's financial instruments are recorded in the financial statements at fair value. The amount of financial liabilities valued at amortised cost is considered close to the fair value on the reporting date. The table below summarises the Group's net financial position, comparing fair value and carrying value:

	carrying value		fair value	
(Euro /000)	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Financial assets				
Cash and cash equivalents	44	27	44	27
Cash in bank deposits	39,552	41,916	39,552	41,916
Securities held for trading	-	-	-	-
Financial investments for derivatives	-	-	-	-
Non-current financial investments	87	108	87	108
Total financial assets	39,683	42,051	39,683	42,051
Financial liabilities				
Current portion of long-term debt	(11,687)	(11,079)	(11,687)	(11,079)
Short-term bank debt	(1,064)	(4,286)	(1,064)	(4,286)
Financial liabilities for derivatives	(183)	(328)	(183)	(328)
Factoring	(3)	(3)	(3)	(3)
Payables due to leasing contracts under IFRS 16	(3,266)	(2,637)	(3,266)	(2,637)
Other financial payables	-	-	-	-
Non-current financial debt	(21,800)	(27,441)	(21,800)	(27,441)
Total financial liabilities	(38,003)	(45,774)	(38,003)	(45,774)
Total net financial position	1,680	(3,723)	1,680	(3,723)

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, 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 2021
a	Revenues	38,333	23,193	22,321	(4,268)		79,579
b	Increases for internal work	231	289	499	-		1,019
c	Consumption of materials and products	10,960	9,331	12,784	(4,268)		28,807
d	Value Added (a+b-c)	27,604	14,151	10,036		-	51,791
e	Other operating costs	5,827	2,906	3,214	-		11,947
f	Personnel costs	10,399	8,589	6,518	-		25,505
g	EBITDA (d-e-f)	11,378	2,656	305		-	14,339
h	Depreciation, amortisation and impairment	1,720	1,376	948	-		4,044
i	EBIT (g-h)	9,658	1,280	(643)		-	10,295
l	Gains (losses) from financial assets/liabilities					54	54
m	Gains (losses) from shareholdings valued at equity					6	6
n	Profit (loss) before tax (i±l±m)	9,658	1,280	(643)		60	10,355
o	Taxes					(2,301)	(2,301)
p	Group net profit (loss) (n±o)	9,658	1,280	(643)		(2,241)	8,054

	(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	Value Added (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

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

Statement of financial position figures by business area

(Euro /000)	Sensors	Automation components	Motion control	Not Divided	30 June 2021	Sensors	Automation components	Motion control	Not Divided	31 December 2020
Intangible assets	8,782	2,515	3,678		14,975	8,706	2,606	3,315		14,627
Tangible fixed assets	16,562	12,810	15,180		44,552	16,914	12,166	15,486		44,566
Other non-current assets				6,458	6,458				6,384	6,384
Net non-current assets	25,344	15,325	18,858	6,458	65,985	25,620	14,772	18,801	6,384	65,577
Inventories	7,449	5,675	11,784		24,908	5,616	4,448	10,237		20,301
Trade receivables	14,018	10,027	12,675		36,720	9,490	7,215	13,354		30,059
Trade payables	(10,939)	(8,821)	(10,286)		(30,046)	(7,582)	(6,094)	(6,885)		(20,561)
Other assets/liabilities	(3,044)	(2,757)	(2,499)	25	(8,275)	(2,828)	(2,286)	(2,042)	1,380	(5,776)
Working capital	7,484	4,124	11,674	25	23,307	4,696	3,283	14,664	1,380	24,023
Provisions for risks and future liabilities	(1,343)	(670)	(289)	(61)	(2,364)	(1,350)	(645)	(321)	(70)	(2,386)
Deferred tax provisions				(854)	(854)				(833)	(833)
Employee benefits	(1,112)	(1,759)	(1,469)		(4,340)	(1,135)	(1,765)	(1,579)		(4,479)
Net invested capital	30,373	17,020	28,774	5,568	81,734	27,831	15,645	31,565	6,861	81,902
Shareholders' equity	-	-	-	83,414	83,414	-	-	-	78,179	78,179
Non-current financial payables				21,800	21,800				27,441	27,441
Current financial payables				12,754	12,754				15,368	15,368
Financial payables for IFRS 16 leases (current and non-current)				3,266	3,266				2,637	2,637
Financial liabilities for derivatives (current and non-current)				183	183				328	328
Financial assets for derivatives (current and non-current)				-	-				-	-
Other non-current financial investments				(87)	(87)				(108)	(108)
Cash and cash equivalents and current financial receivables				(39,596)	(39,596)				(41,943)	(41,943)
Net debt relating to operations	-	-	-	(1,680)	(1,680)	-	-	-	3,723	3,723
Total sources of financing	-	-	-	81,734	81,734	-	-	-	81,902	81,902

Secondary segment - geographical region

Revenues by geographical region

(Euro /000)	30 June 2021	30 June 2020	Change	%
Italy	24,992	19,374	5,618	29.0%
European Union	17,551	15,077	2,474	16.4%
Europe non-EU	2,880	2,600	280	10.8%
North America	8,989	7,494	1,495	19.9%
South America	2,222	1,587	635	40.0%
Asia	21,900	15,350	6,550	42.7%
Rest of the world	448	367	81	22.1%
Total	78,982	61,849	17,133	27.7%

Investments by geographical region

(Euro /000)	30 June 2021		30 June 2020	
	intangible	tangible assets	intangible	tangible assets
Italy	1,246	1,326	2,012	786
European Union	2	23	1	30
Europe non-EU	-	4	6	-
North America	-	78	-	11
South America	42	16	-	6
Asia	-	41	-	75
Rest of the world	-	-	-	-
Total	1,290	1,488	2,019	908

Non-current assets by geographical region

(Euro /000)	30 June 2021	31 December 2020	Change	%
Italy	48,519	48,392	127	0.3%
European Union	2,534	2,633	(99)	-3.8%
Europe non-EU	3,031	3,132	(101)	-3.2%
North America	6,917	6,513	404	6.2%
South America	531	484	47	9.7%
Asia	4,540	4,531	9	0.2%
Rest of the world	-	-	-	n.s.
Total	66,072	65,685	387	0.6%

10. Goodwill

The item "Goodwill" amounted to 5,770 thousand Euro as of30 June 2021, a 78 thousand Euro increase over 30 June 2020 exclusively attributable to the difference in exchange rates, as described below:

(Euro /000)	31 December 2020	Increases	Decreases	Exchange rate differences	30 June 2021
Gefran France SA	1,310	-	-	-	1,310
Gefran India Private Ltd	36	-	-	-	36
Gefran Inc.	2,392	-	-	78	2,470
Sensormate AG	1,954	-	-	-	1,954
Total	5,692	-	-	78	5,770

The goodwill acquired following business combinations was allocated to specific Cash Generating Units 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	2021	1,310	-	2,470	1,954	5,734
	2020	1,310	-	2,392	1,954	5,656
Motion control	2021	-	36	-	-	36
	2020	-	36	-	-	36
Total	2021	1,310	36	2,470	1,954	5,770
	2020	1,310	36	2,392	1,954	5,692

When determining the value in use, Management takes into consideration the specific cash flows deriving from the Group Plan, along with the terminal value, which represents the ability to generate cash flows beyond the explicit forecast time scale.

In preparing the half-yearly financial report, impairment tests are performed on goodwill values in the presence of any impairment indicators.

In examining possible indicators of impairment and forming its assessments, management also took into account, among other things, the relation between the market capitalisation and the carrying value of the Group shareholders' equity, which was very positive as of 30 June 2021 despite the effects of the Covid-19 pandemic.

The economic results achieved as at 30 June 2021as well as the operating cash flow generated confirm the absence of impairment indicators.

11. Intangible assets

This item exclusively comprises assets with a finite life, and increased from 8,935 thousand Euro on 31 December 2020 to 9,205 thousand Euro on 30 June 2021. The changes during the period are shown below:

Historical cost	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2021
(Euro /000)						
Development costs	20,299	-	-	231	-	20,530
Intellectual property rights	8,744	140	-	36	28	8,948
Assets in progress and payments on account	3,419	1,068	-	(287)	8	4,208
Other assets	10,667	82	-	20	22	10,791
Total	43,129	1,290	-	-	58	44,477

Accumulated depreciation	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2021
(Euro /000)						
Development costs	17,514	544	-	-	-	18,058
Intellectual property rights	7,282	317	-	-	24	7,623
Other assets	9,398	186	-	-	7	9,591
Total	34,194	1,047	-	-	31	35,272

Net value	31 December 2020	30 June 2021	Change
(Euro /000)			
Development costs	2,785	2,472	(313)
Intellectual property rights	1,462	1,325	(137)
Assets in progress and payments on account	3,419	4,208	789
Other assets	1,269	1,200	(69)
Total	8,935	9,205	270

This is the table of changes in the first six months of 2020:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	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	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

The net carrying value of **development costs** includes capitalisation of costs incurred for the following activities:

- 794 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);
- 1,527 thousand Euro for component lines for the new range of regulators and static units, GF Project VX, G Cube Performa and G Cube Fit;
- 151 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. These assets have a useful life of three years.

Assets in progress and payments on account include payments on account made to suppliers to purchase software programs and licences expected to be delivered during the next year, and purchase of patents for technologies currently being developed totalling 283 thousand Euro. This item also includes 3,925 thousand Euro in development costs, which include 502 thousand Euro for the automation components business unit, 748 thousand Euro for the sensors business unit, and 2,675 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.

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

The increases in the historic value of “Intangible assets”, worth 1,290 thousand Euro in the first six months of 2021, include 1,009 thousand Euro linked with capitalisation of internal costs (948 thousand Euro in the first half of 2020).

12. Property, plant, machinery and tools

This item decreased from 41,961 thousand Euro on 31 December 2020 to 41,339 thousand Euro on 30 June 2021 and shows the following changes:

Historical cost	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2021
(Euro /000)						
Land	5,171	-	-	-	18	5,189
Industrial buildings	44,105	2	-	14	235	44,356
Plant and machinery	46,091	113	(1)	303	300	46,806
Industrial and commercial equipment	20,608	83	(75)	30	44	20,690
Other assets	7,395	116	(139)	1	80	7,453
Assets in progress and payments on account	951	1,174	(15)	(452)	4	1,662
Total	124,321	1,488	(230)	(104)	681	126,156

Accumulated depreciation	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2021
(Euro /000)						
Industrial buildings	22,047	616	-	-	46	22,709
Plant and machinery	35,122	1,208	-	(50)	242	36,522
Industrial and commercial equipment	19,096	343	(75)	-	43	19,407
Other assets	6,095	211	(135)	(54)	62	6,179
Total	82,360	2,378	(210)	(104)	393	84,817

Net value	31 December 2020	30 June 2021	Change
(Euro /000)			
Land	5,171	5,189	18
Industrial buildings	22,058	21,647	(411)
Plant and machinery	10,969	10,284	(685)
Industrial and commercial equipment	1,512	1,283	(229)
Other assets	1,300	1,274	(26)
Assets in progress and payments on account	951	1,662	711
Total	41,961	41,339	(622)

Below is the table of changes in the first six months of 2020:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	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	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)

The change in the exchange rate had a positive impact of 288 thousand Euro.

the increase in the historical value of “Property, plant, machinery and equipment,” amounting to 1,488 thousand Euro in the first half of 2021. The most significant changes were:

- investment of 1,079 thousand Euro in production and laboratory plant and equipment in the Group’s Italian factories and 76 thousand Euro in other Group subsidiaries;
- adaptation of industrial buildings housing the Group’s Italian plants, totalling 148 thousand Euro;
- renewal of electronic office machines and IT system equipment, amounting to 75 thousand Euro in the Parent Company and 76 thousand Euro in the Group’s subsidiaries;
- miscellaneous equipment in the Group’s subsidiaries amounting to 34 thousand Euro.

The increases also include 10 thousand Euro due to capitalisation of internal costs (5 thousand Euro in the first six months of 2020).

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 "Usage rights" at 30 June 2021 amounts to 3,213 thousand Euro, and shows the following changes:

Historical cost	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2021
(Euro /000)						
Real estate	2,676	768	-	-	(1)	3,443
Vehicles	2,007	320	(11)	-	13	2,329
Machinery and equipment	175	145	-	-	-	320
Total	4,858	1,233	(11)	-	12	6,092

Accumulated depreciation	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2021
(Euro /000)						
Real estate	1,051	284	-	-	6	1,341
Vehicles	1,083	303	(7)	-	8	1,387
Machinery and equipment	119	32	-	-	-	151
Total	2,253	619	(7)	-	14	2,879

Net value	31 December 2020	30 June 2021	Change
(Euro /000)			
Real estate	1,625	2,102	477
Vehicles	924	942	18
Machinery and equipment	56	169	113
Total	2,605	3,213	608

Below is the table of changes in the first six months of 2020:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	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	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)

As of 1 January 2021 the Group had a total of 180 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 180 contracts in effect as of 1 January 2021:

- 161 fell within the perimeter of application of IFRS 16;
- 19 were excluded from the perimeter of application of the standard, 12 of which had a term of less than 12 months, while for the 7, 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 38 new leasing agreements were signed in the first six months of 2021, 25 of which are subject to application of IFRS 16. The remaining 13 contracts signed are excluded from the perimeter of application of the new accounting standard as they have a duration of less than 12 months.

A total of 33 contracts ended, only 30 of which fell within the perimeter of application of IFRS 16 on the basis of their value and term as specified above; one of these, for vehicle leasing, was terminated in advance of its original expiration date.

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

- real estate, totalling 768 thousand Euro, representing a 4-year extension of one of the company Elettropiemme S.r.l.'s rental contracts, for an industrial building;
- vehicles, totalling Euro 320 thousand, representing 15 new vehicle leasing agreements signed by the Group in 2021 upon expiry of 19 previous agreements;
- machinery and tools, totalling Euro 145 thousand, representing 10 new lift truck leasing agreements signed by the Company in 2021, upon expiry of previous agreements.

As of 30 June 2021 this item had decreased by 11 thousand Euro as a result of termination of vehicle rental agreements in advance of their original expiry date.

14. Net working capital

"Net working capital" totals 31,582 thousand Euro, compared to 29,799 thousand Euro on 31 December 2020, and breaks down as follows:

(Euro /000)	30 June 2021	31 December 2020	Change
Inventories	24,908	20,301	4,607
Trade receivables	36,720	30,059	6,661
Trade payables	(30,046)	(20,561)	(9,485)
Net amount	31,582	29,799	1,783

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

The value of **inventories** at 31 June 2021 is equal to 24,908 thousand Euro, up by 4,607 thousand Euro over the figure for 31 December 2020; the change in exchange rates contributes 286 thousand Euro to the increase. The balance breaks down as follows:

(Euro /000)	30 June 2021	31 December 2020	Change
Raw materials, consumables and supplies	15,841	13,488	2,353
provision for impairment of raw materials	(3,952)	(3,775)	(177)
Work in progress and semi-finished products	9,104	8,201	903
provision for impairment of work in progress	(1,932)	(1,635)	(297)
Finished products and goods for resale	7,751	5,820	1,931
provision for impairment of finished products	(1,904)	(1,798)	(106)
Total	24,908	20,301	4,607

The gross value of inventories was 32,696 thousand Euro, an increase of 5,187 thousand Euro over the end of 2020, while the value of the allowance for doubtful accounts amounted to 24,908 thousand Euro, up by 4,607 thousand Euro over the end of the previous year.

The economic impact of the change in inventories, on the other hand, saw a more limited decrease compared to 31 December 2020 of 4,320 thousand Euro, since the average progressive exchange rate for the year is used for the economic recognition of events.

The provision for obsolescence and slow moving inventories was adjusted according to need in the first six months of 2021 through specific provisions totalling 726 thousand Euro (as compared to 987 thousand Euro in the first six months of 2020).

Movements in the provision in the first six months of 2021 appear below:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	Exchange rate differences	30 June 2021
Provision for impairment of inventory	7,208	726	(234)	-	88	7,788

Movements in the provision as of 30 June 2020 appear below:

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

Trade receivables amount to 36,720 thousand Euro, as compared to 30,059 thousand Euro on 31 December 2020, up by 6,661 thousand Euro:

(Euro /000)	30 June 2021	31 December 2020	Change
Receivables from customers	38,574	32,011	6,563
Provision for doubtful receivables	(1,854)	(1,952)	98
Net amount	36,720	30,059	6,661

This includes receivables subject to recourse factoring which the Parent Company has transferred to a leading factoring company for a total amount of 40 thousand Euro (44 thousand Euro as of 31 December 2020).

The change is directly related to higher sales revenues recorded in the first half of 2021.

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 2021 represents a prudential estimate of the current risk, and registered the following changes:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	Exchange rate differences	30 June 2021
Provision for doubtful receivables	1,952	34	(81)	(65)	15	1,854

The table of changes in the first half of 2020 appears below:

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

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 total 30,046 thousand Euro, as compared with 20,561 thousand Euro on 31 December 2020. This item breaks down as follows:

(Euro /000)	30 June 2021	31 December 2020	Change
Payables to suppliers	23,412	17,171	6,241
Payables to suppliers for invoices to be received	5,936	2,885	3,051
Advance payments received from customers	698	505	193
Total	30,046	20,561	9,485

Trade payables increased by 9,485 thousand Euro over 31 December 2020. The increase is related to the higher purchases recorded in the period, both of raw materials, necessary to cope with the growth in sales volumes, and for service costs, in particular variable costs related to sales volumes.

15. Net financial position

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

(Euro /000)	30 June 2021	31 December 2020	Change
Cash and cash equivalents and current financial receivables	39,596	41,943	(2,347)
Other non-current financial investments	87	108	(21)
Non-current financial payables	(21,800)	(27,441)	5,641
Non-current financial payables for IFRS 16 leases	(1,530)	(1,669)	139
Current financial payables	(12,754)	(15,368)	2,614
Current financial payables for IFRS 16 leases	(1,736)	(968)	(768)
Financial liabilities for derivatives	(183)	(328)	145
Total	1,680	(3,723)	5,403

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

(Euro /000)	30 June 2021	31 December 2020	Change
A. Cash on hand	44	27	17
B. Cash in bank deposits	39,552	41,916	(2,364)
D. Cash and cash equivalents (A) + (B)	39,596	41,943	(2,347)
E. Fair value current hedging derivatives	-	-	-
F. Current portion of long-term debt	(11,687)	(11,079)	(608)
G. Other current financial payables	(2,803)	(5,257)	2,454
H. Total current financial payables (F) + (G)	(14,490)	(16,336)	1,846
I. Total current payables (E) + (H)	(14,490)	(16,336)	1,846
J. Net current financial debt (I) + (D)	25,106	25,607	(501)
Non-current financial liabilities for derivatives	(183)	(328)	145
Non-current financial investments for derivatives	-	-	-
K. Fair value non-current hedging derivatives	(183)	(328)	145
L. Non-current financial debt	(23,330)	(29,110)	5,780
M. Other non-current financial investments	87	108	(21)
N. Net non-current financial debt (K) + (L) + (M)	(23,426)	(29,330)	5,904
O. Net financial debt (J) + (N)	1,680	(3,723)	5,403
of which to minorities:	1,680	(3,723)	5,403

Net financial position as at 30 June 2021 is positive and equal to 1,680 thousand Euro, an increase of 5,403 thousand Euro over the end of 2020, when it was on the whole negative by 3,723 thousand Euro.

The change in net financial position is mainly due to the positive cash flow from typical operations (13,559 thousand Euro), partially mitigated by expenditure on technical investments in the first six months of the year (2,778 thousand Euro), by payment of dividends (3,737 thousand Euro) and by payment of interest, taxes and rental fees (totalling 1,536 thousand Euro).

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

The balance of **cash and cash equivalents** amounts to 39,596 thousand Euro as of 30 June 2021, as compared to 41,943 thousand Euro as of 31 December2020 This item breaks down as follows:

(Euro /000)	30 June 2021	31 December 2020	Change
Cash in bank deposits	39,552	41,916	(2,364)
Cash	44	27	17
Total	39,596	41,943	(2,347)

The technical forms used as of 30 June 2021 are shown below:

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

The balance of **current financial payables** as of 30 June 2021 is (2,614) thousand Euro lower than at the end of 2020; the balance may be broken down as follows:

(Euro /000)	30 June 2021	31 December 2020	Change
Current portion of debt	11,687	11,079	608
Current overdrafts	1,064	4,286	(3,222)
Factoring	3	3	-
Total	12,754	15,368	(2,614)

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 as of 30 June 2021 totalled 1,064 thousand Euro, as compared to a balance on 31 December 2020 of 4,286 thousand Euro. This amount mainly relates to the Chinese subsidiary Gefran Siei Drives Technology, for advances from Banca Intesa with a 1-year maturity and interest rates ranging from 2.9%-3-1%.

Non-current financial payables may be broken down as follows:

Bank (Euro /000)	30 June 2021	31 December 2020	Change
Unicredit	600	1,200	(600)
BNL	500	1,000	(500)
BPER	1,511	2,014	(503)
Mediocredito	3,333	4,444	(1,111)
BNL	4,000	5,000	(1,000)
Unicredit	2,778	3,333	(555)
BNL	3,889	4,667	(778)
Intesa (ex UBI)	1,882	2,628	(746)
Intesa (ex UBI)	3,000	3,000	-
SIMEST	307	-	307
Intesa	-	19	(19)
Unicredit S.p.A. - New York Branch	-	136	(136)
Total	21,800	27,441	(5,641)

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 2021	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
entered into by Gefran S.p.A. (IT)								
Unicredit	6,000	14/11/17	1,800	1,200	600	Euribor 3m + 0.90%	30/11/22	quarterly
BNL	5,000	23/11/17	1,500	1,000	500	Euribor 3m + 0.85%	23/11/22	quarterly
BPER	5,000	28/11/18	2,513	1,002	1,511	Euribor 3m + 0.75%	30/11/23	quarterly
Mediocredito	10,000	28/03/19	5,555	2,222	3,333	Euribor 3m + 1.05%	31/12/23	quarterly
BNL	10,000	29/04/19	6,000	2,000	4,000	Euribor 3m + 1%	29/04/24	quarterly
Unicredit	5,000	30/04/20	3,889	1,111	2,778	Euribor 6m + 0.95%	31/12/24	half-yearly
BNL	7,000	29/05/20	5,445	1,556	3,889	Euribor 6m + 1.1%	31/12/24	half-yearly
Intesa (ex UBI)	3,000	24/07/20	3,000	1,118	1,882	Fixed 1%	24/07/23	half-yearly
Intesa (ex UBI)	3,000	24/07/20	3,000	-	3,000	Euribor 6m + 1%	24/07/26	half-yearly
entered into by Gefran Soluzioni S.r.l. (IT)								
SIMEST	307	21/05/21	307	-	307	Fixed 0.55%	31/12/27	half-yearly
entered into by Elettropiemme S.r.l. (IT)								
Intesa	300	29/01/18	57	57	-	Euribor 3m + 1.00%	28/01/22	quarterly
entered into by Gefran Inc. (US)								
Unicredit S.p.A. - New York Branch	1,780	29/03/19	421	421	-	Libor 3m + 2.50%	29/03/22	quarterly
Total			33,487	11,687	21,800			

During the first half of 2021 the subsidiary Gefran Soluzioni S.r.l. took out a new loan totalling 511 thousand Euro, with the objective of increasing the company's capital base and supporting the growth of international sales. A portion of the loan, equal to 204 thousand Euro, for the Integrated Promotion Fund, was provided as a non-refundable grant under the Temporary Framework, while a second portion, 307 thousand Euro, entered among non-current financial payables.
The loan will be repaid in 8 half-yearly instalments starting at the end of the pre-amortisation period of 2 years. It is subject to the de minimis rule for a value of 0.3 thousand Euro.

None of the loans outstanding as of 30 June 2021 has clauses requiring compliance with economic and financial requirements (covenants).

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

Financial liabilities for derivatives total 183 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 2021	Derivative	Fair Value as at 30 June 2021	Long position rate	Short position rate
Unicredit	6,000	14/11/17	1,800	CAP	-	Strike Price 0%	Euribor 3m
BNL	5,000	23/11/17	1,500	CAP	-	Strike Price 0%	Euribor 3m
Total financial assets for derivatives – Interest rate risk					-		

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 2021	Derivative	Fair Value as at 30 June 2021	Long position rate	Short position rate
Intesa	10,000	29/03/19	5,555	IRS	(31)	Fixed -0.00%	Euribor 3m (Floor: -1.05%)
BNL	10,000	29/04/19	6,000	IRS	(45)	Fixed 0.05%	Euribor 3m (Floor: -1.00%)
Unicredit	5,000	24/06/19	2,513	IRS	(11)	Fixed -0.10%	Euribor 3m (Floor: -0.75%)
Unicredit	5,000	30/04/20	3,889	IRS	(35)	Fixed 0.05%	Euribor 6m (Floor: -0.95%)
BNL	7,000	29/05/20	5,445	IRS	(32)	Fixed -0.12%	Euribor 6m (Floor: -1.10%)
Intesa (ex UBI)	3,000	24/07/20	3,000	IRS	(29)	Fixed -0.115%	Euribor 3m
Total financial liabilities for derivatives– Interest rate risk					(183)		

As of 30 June 2021, no derivatives have been taken out to hedge exchange rate risk.

All the contracts described above are booked at fair value:

(Euro /000)	as at 30 June 2021		as at 31 December 2020	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	-	(183)	-	(328)
Total cash flow hedge	-	(183)	-	(328)

As of 30 June 2021 all derivatives had been 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 38,612 thousand Euro. Overall use of these lines as of 30 June 2021 totalled 1,057 thousand Euro, with a residual available amount of 37,555 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)** as of 30 June 2021 amounts to 3,266 thousand Euro and complies with 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 1,530 thousand Euro, and non-current liabilities (beyond one year), amounting to 1,736 thousand Euro.

Changes in this item in the first six months of 2021 are detailed below:

(Euro /000)	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2021
Leasing payables under IFRS 16	2,637	1,248	(616)	-	(3)	3,266
Total	2,637	1,248	(616)	-	(3)	3,266

Changes in this item in the first six months of 2020 are detailed below:

(Euro /000)	31 December 2019	Increases	Decreases	Reclassifications	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:

	30 June 2021	31 December 2020	Change
Portion pertaining to the Group	83,414	78,179	5,235
Portion pertaining to minority interests	-	-	-
Net amount	83,414	78,179	5,235

The Group's portion of Shareholders' Equity at 30 June 2021 83,414 thousand Euro, up by 5,235 thousand Euro over the figure for 31 December 2020. The positive result for the first half of 2021 (8,054 thousand Euro) and changes in the translation reserve (positive by 687 thousand Euro) were partly absorbed by the distribution of dividends on the results for 2020 (3,737 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 2020 Gefran S.p.A. held 27,220 of its own shares, representing 0.2% of the total; the situation was the same on 31 December 2020 and remains so as of the date of release of this document.

The Company has not issued convertible bonds.

For details of changes in equity reserves during the 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 2021	31 December 2020	Change
Balance at 1 January	179	(94)	273
UBI Banca S.p.A. Shares	-	157	(157)
Woojin Plaimm Co Ltd Shares	120	140	(20)
Tax effect	(1)	(24)	23
Net amount	298	179	119

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

(Euro /000)	30 June 2021	31 December 2020	Change
Balance at 1 January	(249)	(121)	(128)
Change in fair value derivatives	145	(168)	313
Tax effect	(36)	40	(76)
Net amount	(140)	(249)	109

17. Earnings per share

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

	30 June 2021	30 June 2020
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group (Euro/000)	8,054	1,139
- Average No. of ordinary shares (No./000,000)	14.373	14.373
- Basic earnings per ordinary share	0.560	0.079
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group (Euro/000)	8,054	1,139
- Average No. of ordinary shares (No./000,000)	14.373	14.373
- Basic earnings per ordinary share	0.560	0.079
Average number of ordinary shares	14,372,780	14,372,780

18. Current and non-current provisions

The value of "current and non-current provisions" is essentially unchanged with respect to the figure at 31 December 2020. Specifically, "Non-current provisions" amount to 836 thousand Euro, down 88 thousand Euro in the first half of 2021, and break down as follows:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	Exchange rate differences	30 June 2021
Gefran S.p.A. risk provisions						
- other provisions	38	10	(30)	(10)	-	8
Gefran France risk provisions						
- for restructuring	5	-	-	-	-	5
Gefran Gmbh risk provisions						
- for restructuring	323	24	(95)	-	-	252
Elettropiemme S.r.l. risk provisions						
- for restructuring	-	18	-	-	-	18
- other provisions	553	-	-	-	-	553
Gefran Soluzioni S.r.l. risk provisions						
- for restructuring	5	-	(5)	-	-	-
Total	924	52	(130)	(10)	-	836

The balance of "Current provisions" was 1,528 thousand Euro as of 30 June 2021, up by 66 thousand Euro compared with 31 December 2020, and may be broken down as follows:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	Exchange rate differences	30 June 2021
FISC	86	(4)	-	-	-	82
Product warranty	1,351	230	(163)	-	3	1,421
Other provisions	25	-	-	-	-	25
Total	1,462	226	(163)	-	3	1,528

The item refers to envisaged charges for repairs on products under warranty, equal to 1,421 thousand Euro, up by 70 thousand Euro since 31 December 2020; the adequacy of the provision was checked at year-end, 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 as of 30 June 2021 amounted to 78,982 thousand Euro, up 27.7% compared to the figure recorded on 30 June 2020, which had been affected by the effects of the Covid-19 pandemic. The following table provides a breakdown of sales and service revenues by business:

(Euro /000)	30 June 2021	30 June 2020	Change	%
Sensors	37,975	27,786	10,189	36.7%
Automation components	19,272	15,993	3,279	20.5%
Motion control	21,735	18,070	3,665	20.3%
Total	78,982	61,849	17,133	27.7%

The amount shown under total revenues includes revenues from services totalling 1,625 thousand Euro (1,272 thousand Euro in the first half of 2020); 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 597 thousand Euro, as compared with revenues of 886 thousand Euro in the first half of 2020, as shown in the following table:

(Euro /000)	30 June 2021	30 June 2020	Change	%
Recovery of company canteen expenses	19	13	6	46.2%
Insurance reimbursements	13	10	3	30.0%
Rental income	126	126	0	0.0%
Fees	0	6	(6)	-100.0%
Government grants	251	483	(232)	-48.0%
Other income	188	248	(60)	-24.2%
Total	597	886	(289)	-32.6%

Other proceeds amount to 188 thousand Euro and include chargeback for R&D specifically requested by customers.

The item "Government contributions," down by 60 thousand Euro compared to the figure for the first half of 2020, includes grants collected from Simest in May 2021 by the subsidiary Gefran Soluzioni S.r.l. (204 thousand Euro). In the first half of 2020 contributions were received for the purchase of PPE and for investment in the Group's premises to prevent the spread of Covid-19 (205 thousand Euro), as well as contributions to the I-Mec development project acknowledged under the EU Horizon 2020 project and co-financed by MIUR, concluded in May 2020.

21. Costs of raw materials and accessories

"Costs of raw materials and accessories" amount to 33,127 thousand Euro, as compared to 23,297 thousand Euro at 30 June 2020. They break down as follows:

(Euro /000)	30 June 2021	30 June 2020	Change
Raw materials and accessories	33,127	23,297	9,830
Total	33,127	23,297	9,830

The increase in the item reflects the need for more raw materials, in order to meet the higher production volumes associated with increased sales.

22. Service costs

"Service costs" amount to 11,530 thousand Euro, 1,978 thousand Euro higher than the figure for 30 June 2020, when they amounted to Euro 9,552 thousand. They may be broken down as follows:

(Euro /000)	30 June 2021	30 June 2020	Change
Services	11,107	9,077	2,030
Use of third-party assets	423	475	(52)
Total	11,530	9,552	1,978

Lease fees no longer allocated to the income statement under operating costs due to implementation of the new accounting standard amount to 617 thousand Euro (648 thousand Euro on 30 June 2020). 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 423 thousand Euro in costs for use of third-party assets in the first half of 2021 (as compared to 475 thousand Euro in the same period in 2020).

With reference to the item "Services", other than the rental fees described above, the item increased by 2,030 thousand Euro in the first half of 2021 compared to the same period of the previous year; in particular, variable costs (outsourced processing and third-party services) have increased, and their trend is linked to the growth in revenue volumes.

23. Personnel costs

"Personnel costs" amounted to 25,505 thousand Euro, with an increase of 1.906 thousand Euro compared to the value as at 30 June 2020 and are broken down as follows:

(Euro /000)	30 June 2021	30 June 2020	Change
Salaries and wages	19,387	17,871	1,516
Social security contributions	4,854	4,450	404
Post-employment benefit reserve	1,051	1,099	(48)
Other costs	213	179	34
Total	25,505	23,599	1,906

The change is mainly due to higher costs for wages and salaries, compared to the first six months of 2020, when cost containment actions, such as reduction of provisions for holidays and M.B.O. bonuses, were implemented as soon as the first signs of the spread of the Covid-19 virus appeared.

"Social security contributions" includes costs for defined contribution benefit plans for management (Previndai pension plan) of 28 thousand Euro (29 thousand Euro as of 30 June 2020).

The item "Other costs", up by 34 thousand Euro, includes, among other items, restructuring costs resulting from reorganisation of Group companies.

The average number of Group employees in the first half of 2021, as compared with the same period in 2020, was as follows:

	30 June 2021	30 June 2020	Change
Managers	17	18	(1)
Clerical staff	507	524	(17)
Manual workers	259	279	(20)
Total	783	821	(38)

The average number of employees decreased by 38 compared to the first six months of 2020 the number of employees as of 30 June 2021 is 778, down from 31 December 2020 by 9 employees, a result of 39 exits and 30 new appointments in the year 2021, and also a decrease compared to the precise figure as of 30 June 2020, which was 811 employees.

24. Depreciation, amortisation and impairment

This item totals 4,044 thousand Euro, as compared to 4,015 thousand Euro in the first half of 2020. These items include:

(Euro /000)	30 June 2021	30 June 2020	Change
Intangible assets	1,047	978	69
Tangible assets	2,378	2,399	(21)
Usage rights	619	638	(19)
Total	4,044	4,015	29

Since 1 January 2019, this item includes amortisation of usage rights in accordance with accounting standard IFRS16; its value as of 30 June 2021 totals 619 thousand Euro (638 thousand Euro as of 30 June 2020).

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

(Euro /000)	30 June 2021	30 June 2020	Change
Sensors	1,720	1,692	28
Automation components	1,376	1,256	120
Motion control	948	1,067	(119)
Total	4,044	4,015	29

25. Gains (losses) from financial assets/liabilities

The item had a positive balance of 61 thousand Euro; this compares with a negative balance of 1,106 thousand Euro on 30 June 2020, and breaks down as follows:

(Euro /000)	30 June 2021	30 June 2020	Change
Cash management			
Income from cash management	12	17	(5)
Other financial income	21	14	7
Medium-/long-term interest	(177)	(186)	9
Short-term interest	(33)	(19)	(14)
Factoring interest and fees	(9)	(12)	3
Other financial charges	(15)	(6)	(9)
Total income (charges) from cash management	(201)	(192)	(9)
Currency transactions			
Exchange gains	126	128	(2)
Positive currency valuation differences	601	331	270
Exchange losses	(403)	(303)	(100)
Negative currency valuation differences	(49)	(1,049)	1,000
Total other income (charges) from currency transactions	275	(893)	1,168
Other			
Interest on financial payables due to leasing under IFRS	(20)	(21)	1
Total other financial income (charges)	(20)	(21)	1
Gains (losses) from financial assets/liabilities	54	(1,106)	1,160

The item “Liquidity management charges” is broadly aligned with the balance at 30 June 2020.

The balance of the differences on currency transactions presented a positive value of 275 thousand Euro, compared with a negative value of 893 thousand Euro in the first half of 2020. The change is a result of the dynamics of the Euro in relation to the other currencies used 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 20 thousand Euro in the first six months of 2021 (21 thousand Euro in the first half of 2020).

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

The “Taxes” item was negative by 2,301 thousand Euro; this compares with a negative balance of 1,075 thousand Euro in the first half of 2020, and breaks down as follows:

(Euro /000)	30 June 2021	30 June 2020	Change
Current taxes			
IRES (corporate income tax)	(1,386)	(155)	(1,231)
IRAP (regional production tax)	(440)	18	(458)
Foreign taxes	(453)	(282)	(171)
Total current taxes	(2,279)	(419)	(1,860)
Deferred tax assets and liabilities			
Deferred tax liabilities	5	11	(6)
Deferred tax assets	(27)	(667)	640
Total deferred tax assets and liabilities	(22)	(656)	634
Total taxes	(2,301)	(1,075)	(1,226)

Current taxes were on the whole down by 1,860 thousand Euro compared to the figure for the first half of 2020. The change was due to the better results achieved in the first six months of 2021 by the Parent Company and its subsidiaries, as well as the effect of the release of the first IRAP advance in the first half of 2020.

Deferred taxes, which were on the whole negative by 22 thousand Euro, mainly originated out of use of advance taxes entered on prior tax losses of the Parent Company and its subsidiary Elettropiemme S.r.l.

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 2021:

(Euro /000)	31 December 2020	Posted to the income statement	Recognised in shareholders' equity	Change in scope of consolidation	Exchange rate differences	30 June 2021
Deferred tax assets						
Impairment of inventories	1,218	106		-	-	1,324
Impairment of trade receivables	294	(12)		-	-	282
Impairment of assets	535	-		-	-	535
Deductible losses to be brought forward	1,074	(191)		-	13	896
Exchange rate balance	1	(1)		-	-	-
Elimination of unrealised margins on inventories	436	63		-	-	499
Provision for product warranty risk	327	30		-	-	357
Provision for miscellaneous risks	301	(22)	-	-	-	279
Fair value hedging	79	-	(35)	-	-	44
Total deferred tax assets	4,265	(27)	(35)	-	13	4,216
Deferred tax liabilities						
Exchange valuation differences	(2)	(9)	(1)		-	(12)
Other deferred tax liabilities	(831)	14			(25)	(842)
Total deferred taxes	(833)	5	(1)	-	(25)	(854)
Net total	3,432	(22)	(36)	-	(12)	3,362

The table below shows a breakdown of deferred tax assets and deferred tax liabilities for the first six months of 2020:

(Euro /000)	31 December 2019	Posted to the income statement	Recognised in shareholders' equity	Change in 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

27. Guarantees granted, commitments and other contingent liabilities

a) Guarantees granted

As of 30 June 2021, 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 2020. These are summarised in the table below:

(Euro /000)	30 June 2021	31 December 2020
Sandrini Costruzioni	66	66
Sandrini Costruzioni	29	29
Total	95	95

The two sureties issued in favour of Sandrini Costruzioni refer to the guarantee for the rental of the industrial building where Elettropiemme S.r.l. conducts its business.

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 423 thousand Euro for the first half 2021 (475 thousand Euro in the first six months of 2020).

As of 30 June 2021, the total value of the Group’s commitments was 976 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 1,237 thousand Euro on 30 June 2020 and 898 thousand Euro on 31 December 2020). This value mainly refers to the share of ancillary services pertaining 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

The following information on Group companies' transactions with related parties in the first half of 2021 and 2020 is provided in accordance with IAS 24.

In compliance with Consob resolution no. 17221 of 12 March 2010, the Gefran S.p.A. Board of Directors has adopted the Regulations governing transactions with related parties, the current version of which was approved on 24 June 2021 to implement the new regulations of EU Directive 2017/828, known as 'Shareholders' Rights II', and can be viewed in the "*Laws, Regulations and Procedures"* section on the website *https://www.gefran.com/it/governance*.

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
Service costs		
2020	(98)	(98)
2021	(92)	(92)

(Euro /000)	Climat S.r.l.	Marfran S.r.l.	Total
Property, plant, machinery and tools			
2020	247	-	247
2021	105	-	105
Trade receivables			
2020	-	4	4
2021	-	-	-
Trade payables			
2020	257	16	273
2021	47	-	47

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 1.9 million Euro under specific contracts (1.6 million Euro as of 30 June 2020).

Gefran S.p.A. provides a Group cash pooling service, partly through a "Zero Balance" service, which involves all the European subsidiaries and the Singapore subsidiary.

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

In the first half of 2021, the Parent Company Gefran S.p.A. recognised dividends from subsidiaries amounting to 1.7 thousand Euro (2.2 million Euro in the first half of 2020).

Persons of strategic importance have been identified as members of the executive Board of Directors of Gefran S.p.A. and other Group companies, as well as executives with strategic responsibilities, identified as the General Manager of Gefran S.p.A., the General Manager of the Drives and Motion Control Business Unit, the Chief Financial Officer, the Chief People & Organisation Officer, and the Group's Chief Technology Officer.

Provaglio d'Iseo, 05 August 2021

For the Board of Directors

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

Attachments

a) Consolidated income statement by quarter

	(Euro /000)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	TOT 2020	Q1 2021	Q2 2021	TOT 2021
a	Revenues	31,426	31,309	31,186	35,724	129,645	37,407	42,172	79,579
b	Increases for internal work	495	459	508	751	2,213	494	525	1,019
c	Consumption of materials and products	11,411	11,237	11,585	13,805	48,038	13,250	15,557	28,807
d	Value Added (a+b-c)	20,510	20,531	20,109	22,670	83,820	24,651	27,140	51,791
e	Other operating costs	5,425	4,681	4,869	5,178	20,153	5,673	6,274	11,947
f	Personnel costs	11,858	11,741	10,641	11,878	46,118	12,372	13,133	25,505
g	EBITDA (d-e-f)	3,227	4,109	4,599	5,614	17,549	6,606	7,733	14,339
h	Depreciation, amortisation and impairment	1,997	2,018	2,055	2,081	8,151	2,031	2,013	4,044
i	EBIT (g-h)	1,230	2,091	2,544	3,533	9,398	4,575	5,720	10,295
l	Gains (losses) from financial assets/liabilities	(667)	(439)	(467)	(240)	(1,813)	137	(83)	54
m	Gains (losses) from shareholdings valued at equity	2	(3)	2	(3)	(2)	5	1	6
n	Profit (loss) before tax (i±l±m)	565	1,649	2,079	3,290	7,583	4,717	5,638	10,355
o	Taxes	(486)	(589)	(532)	(1,623)	(3,230)	(1,018)	(1,283)	(2,301)
p	Result from operational activities (n±o)	79	1,060	1,547	1,667	4,353	3,699	4,355	8,054
q	Net income from assets available for sale	-	-	-	-	-	-	-	-
p	Group net profit (loss) (n±o)	79	1,060	1,547	1,667	4,353	3,699	4,355	8,054

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

End-of-period exchange rates

Currency	30 June 2021	31 dicembre 2020
Swiss franc	1.0980	1.0802
Pound sterling	0.8581	0.8990
U.S. dollar	1.1884	1.2271
Brazilian real	5.9050	6.3735
Chinese renminbi	7.6742	8.0225
Indian rupee	88.3240	89.6605
Turkish lira	10.3210	9.1131

Average exchange rates in the period

Currency	2021	2020	2Q 2021	2Q 2020
Swiss franc	1.0943	1.0703	1.0980	1.0611
Pound sterling	0.8684	0.8892	0.8622	0.8870
U.S. dollar	1.2057	1.1413	1.2057	1.1006
Brazilian real	6.4917	5.8900	6.3907	5.9228
Chinese renminbi	7.7981	7.8708	7.7851	7.8025
Indian rupee	88.4487	84.5795	88.9893	83.5021
Turkish lira	9.5126	8.0436	10.1203	7.5650

c) List of subsidiaries included in the scope of consolidation

Name	Registered office	Nation	Currency	Share capital	Parent company	% of direct ownership
Gefran UK Ltd	Warrington	United Kingdom	GBP	4,096,000	Gefran S.p.A.	100.00
Gefran Deutschland GmbH	Seligenstadt	Germania	EUR	365,000	Gefran S.p.A.	100.00
Siei Areg Gmbh	Pleidelsheim	Germania	EUR	150,000	Gefran S.p.A.	100.00
Gefran France SA	Saint-Priest	France	EUR	800,000	Gefran S.p.A.	99.99
Gefran Benelux NV	Geel	Belgium	EUR	344,000	Gefran S.p.A.	100.00
Gefran Inc	North Andover	United States	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Elettroel. Ltda	Sao Paolo	Brazil	BRL	450,000	Gefran S.p.A.	99.90
					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	EUR	3,359,369	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Co 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	EUR	100,000	Gefran S.p.A.	100.00
Gefran Drives and Motion S.r.l.	Gerenzano	Italy	EUR	10,000	Gefran S.p.A.	100.00
Elettropiemme S.r.l.	Trento	Italy	EUR	70,000	Gefran Soluzioni S.r.l.	100.00

d) List of companies consolidated at equity

Name	Registered office	Nation	Currency	Share capital	Parent company	% of direct ownership
Axel S.r.l.	Crosio della Valle	Italy	EUR	26,008	Gefran S.p.A.	15

e) List of other subsidiaries

Name	Registered office	Nation	Currency	Share capital	Parent company	% of direct ownership
Colombera S.p.A.	Iseo	Italy	EUR	8,098,958	Gefran S.p.A.	17
Woojin Plaimm Co Ltd	Seoul	South Korea	WON	3,200,000,000	Gefran S.p.A.	2

Certification of consolidated financial statements pursuant to Article 81 ter of Consob regulation No. 11971 dated 14 May 1999, as subsequently amended and added to.

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 2021.

There are no significant events to report in this regard.

They further certify that:

1. the **Condensed half-yearly consolidated financial statements**:

- were prepared in accordance with applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to entries made in accounting ledgers and records;
- provide a true and accurate representation of the financial situation of the issuer and all companies included in the scope of consolidation.

2. the **Report on operations** contains a reliable analysis of operating performance and results and of the condition of the issuer and all companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Provaglio d'Iseo, 05 August 2021

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

External auditors' report on the half-yearly consolidated financial statements

pwc

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 2021, 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 2021 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, 6 August 2021

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