GEFRAN

BEYOND TECHNOLOGY

GEFRAN GROUP

Half-yearly financial report at 30 June 2022

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	Simona Bonomelli

Control and Risks Committee

- Monica Vecchiati
- Daniele Piccolo
- Giorgio Metta

Appointments and Remuneration Committee

- Cristina Mollis
- Monica Vecchiati
- Daniele Piccolo

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

Unless specified otherwise, the amounts shown below refer solely to continuing operations, as described in the introduction to the Report on Operations.

Group income statement highlights

(Euro /000)	30 June 2022		30 June 2021		2Q 2022		2Q 2021	
Revenues	69,308	100.0%	59,138	100.0%	34,137	100.0%	31,214	100.0%
EBITDA	15,400	22.2%	12,434	21.0%	6,793	19.9%	6,654	21.3%
EBIT	11,921	17.2%	9,120	15.4%	5,030	14.7%	4,991	16.0%
Profit (loss) before tax	12,420	17.9%	9,212	15.6%	5,284	15.5%	4,887	15.7%
Result from operating activities	9,227	13.3%	7,139	12.1%	3,881	11.4%	3,806	12.2%
Net profit (loss) from assets held for sale	(4,396)	-6.3%	915	1.5%	(3,893)	-11.4%	549	1.8%
Group net profit (loss)	4,831	7.0%	8,054	13.6%	(12)	0.0%	4,355	14.0%

Group statement of financial position highlights

(Euro /000)	30 June 2022	31 December 2021
Invested capital from operations	64,434	57,967
Invested capital from assets held for sale	22,126	24,311
Net working capital	23,491	17,808
Shareholders' equity	86,379	85,538
Net debt relating to operations	2,471	3,374
Net debt relating to assets held for sales	(2,652)	(114)

(Euro /000)	30 June 2022	30 June 2021
Operating cash flow from operations	10,434	7,908
Operating cash flow from assets held for sale	(1,272)	5,651
Investments in operations	2,666	2,173
Investments in assets held for sale	495	605

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 materials, 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 investments
    - Cash and cash equivalents and short-term financial receivables

Report on operations

Introduction

This Half-yearly financial report is organised differently compared to the one presented the previous year, as the Board of Directors of Gefran S.p.A., the Parent Company, resolved on 1 August 2022 to sign a framework agreement for the sale of the motion control business to the WEG Group in Brazil.

The motion control business is active in the design, production and sale of products and solutions governing the speed and control of AC and DC motors, inverters, armature converters and servo drives. These products, which guarantee maximum performance in terms of system precision and dynamics, are used in a variety of applications such as lift control, cranes, metal rolling lines and the processing of paper, plastics, glass and metals.

The scope of the agreement consists of the subsidiaries Gefran Drives and Motion S.r.l., based in Gerenzano (Italy), and Siei Areg GmbH, based in Pleidelsheim (Germany), and the business units related to the motion control business of Gefran Siei Drives Technology Co Ltd, based in Shanghai (China), and Gefran India Private Ltd, based in Pune (India).

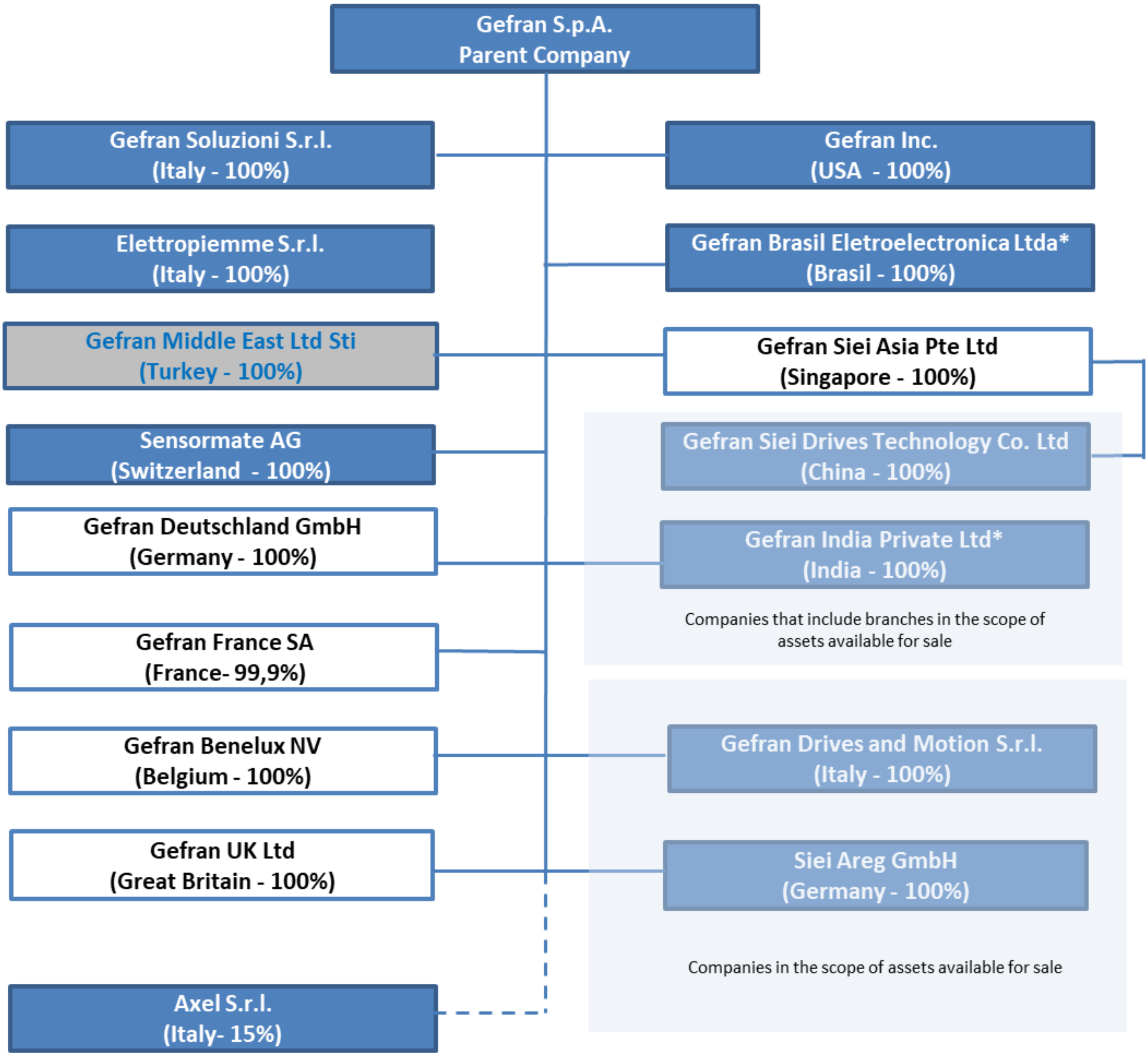
Founded in 1961, the WEG Group operates globally, manufacturing electrical and electronic equipment mainly used to produce capital goods. The Group is capable of combining various types and sizes of electric motor with drives and controls, to create complex automation systems. Present in 135, countries with production plants in 12 of them, WEG employs over 37,000 persons and, in 2021, generated revenues of 23.6 billion Brazilian Reals; accordingly, WEG is ranked among the world's leading global operators in the sector.

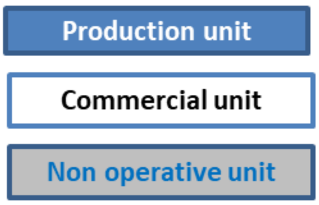
Given its internationally-recognised leadership in the industrial motors and drives sector, WEG will guarantee not only the industrial continuity of the motion control business - fundamental for Gefran - but also the concrete possibility that its potential will be enhanced by exploiting fully the technological know-how developed by Gefran Drives and Motion S.r.l. over the past twenty years.

For Gefran, the operation fits well with the strategic evolution of the Group, which is focused on strengthening its business in long-established and strategic sectors: sensors and automation components, where Gefran has invested most heavily in recent years and where the Group seeks to accelerate growth significantly, both organically and externally.

Consistent with the provisions of IFRS 5 “Non-current assets held for sale and discontinued operations”, the economic results, assets and liabilities of this disposal group have been classified separately, in specific lines of the income statement and the statement of financial position. In line with this principle, the comparative economic and financial data has also been reclassified accordingly. As a consequence, this Report focuses mostly on the performance of continuing operations, while the operational, economic and financial results of disposal groups held for sale are described in separate paragraphs.

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. Following the operation described in the introduction to this Report, the principal activities of the motion control business are now classified as “Held for sale”, pursuant to IFRS 5.

The Group offers a complete range of products and tailored turnkey solutions in numerous automation sectors. About 67% of 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. Gefran is world leader in certain product families. 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 business (asset classified as “Held for sale” pursuant to IFRS 5)

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

With reference to the framework agreement described in the introduction to this Report on operations, and compliant to the application of IFRS 5 “Non-current assets held for sale and discontinued operations”, the economic results and assets/liabilities associated with agreement have been reclassified to specific lines of the income statement and statement of financial position. In order to ensure the comparability of data, the related amounts for comparative periods have also been reclassified in the same way.

Following the above framework agreement, related to the sale of the main assets of the motion control business, its residual revenues and costs - beyond the scope of the sale - have been allocated to the sensor business.

Consequently, the following paragraphs of this Report illustrate and discuss the results of continuing operations. The results of the Assets reclassified as “Held for sale” are described in separate paragraphs.

Consolidated income statement of the quarter

The income statement for the second quarter of 2022 is shown below, in comparison with the income statement for the same period in 2021.

		2Q 2022	2Q 2021	Var. 2022-2021 Excl. non-recurring comp.	
	(Euro /000)	Total	Total	Value	%
a	Revenues	34,137	31,214	2,923	9.4%
b	Increases for internal work	270	269	1	0.4%
c	Consumption of materials and products	10,094	9,086	1,008	11.1%
d	**Added Value (a+b-c)**	**24,313**	**22,397**	**1,916**	**8.6%**
e	Other operating costs	5,903	5,189	714	13.8%
f	Personnel costs	11,617	10,554	1,063	10.1%
g	**EBITDA (d-e-f)**	**6,793**	**6,654**	**139**	**2.1%**
h	Depreciation, amortisation and impairment	1,763	1,663	100	6.0%
i	**EBIT (g-h)**	**5,030**	**4,991**	**39**	**0.8%**
l	Gains (losses) from financial assets/liabilities	249	(105)	354	n.s.
m	Gains (losses) from shareholdings valued at equity	5	1	4	n.s.
n	**Profit (loss) before tax (i±l±m)**	**5,284**	**4,887**	**397**	**8.1%**
o	Taxes	(1,403)	(1,081)	(322)	-29.8%
p	**Result from operating activities (n±o)**	**3,881**	**3,806**	**75**	**2.0%**
q	Net profit (loss) from assets held for sale	(3,893)	549	(4,442)	-809.1%
r	**Group net profit (loss) (p±q)**	**(12)**	**4,355**	**(4,367)**	**100.3%**

Revenues in the second quarter of 2022 amount to 34,137 thousand Euro, compared to 31,214 thousand Euro in the same period of the previous year, up by 2,923 thousand Euro (equal to 9.4%), which would be 1,892 thousand Euro (equal to 6.1%) net of the positive effect of exchange-rate changes.

Analysing order collection in the second quarter of 2022 compared to the figure for the same period in 2021, an overall increase is recorded, reflecting growth by both the sensors business (+28.8%) and the automation components business (+5.2%).

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

(Euro /000)	2Q 2022		2Q 2021		Var. 2022-2021	
	Value	%	Value	%	Value	%
Italy	10,938	32.0%	10,577	33.9%	361	3.4%
European Union	9,083	26.6%	7,519	24.1%	1,564	20.8%
Europe non-EU	1,082	3.2%	989	3.2%	93	9.4%
North America	3,651	10.7%	2,549	8.2%	1,102	43.2%
South America	1,512	4.4%	1,131	3.6%	381	33.7%
Asia	7,716	22.6%	8,339	26.7%	(623)	-7.5%
Rest of the world	155	0.5%	110	0.4%	45	40.9%
Total	**34,137**	**100%**	**31,214**	**100%**	**2,923**	**9.4%**

The breakdown of revenues for the quarter by **geographical region** reveals double-digit growth in a number of the main geographical regions served by the Group: particularly Europe (+19.5% overall) and the Americas (+40.3% overall), the latter partially affected by the positive effect of foreign exchange rates of, in particular, the US dollar and the Brazilian real (without that effect, growth would have been 25.4%). Second quarter revenues were also higher in the Italian market (+3.4%).

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

(Euro /000)	2Q 2022		2Q 2021		Var. 2022-2021	
	Value	%	Value	%	Value	%
Sensors	22,565	66.1%	20,830	66.7%	1,735	8.3%
Automation components	13,441	39.4%	12,241	39.2%	1,200	9.8%
Eliminations	(1,869)	-5.5%	(1,857)	-5.9%	(12)	0.6%
Total	**34,137**	**100%**	**31,214**	**100%**	**2,923**	**9.4%**

Revenues increased in all sectors: revenues from sensor products grew by 8.3%, due to the higher volume of sales in Italy, Europe and America, while those from automation components increased by 9.8%, mostly concentrated in Italy.

Increases for internal work in the second quarter of 2022 amounted to 270 thousand Euro, in line with the same period in the previous year. This item represents the new product development costs incurred in the period that have been capitalised.

Added value in the quarter amounts to 24,313 thousand Euro (22,397 thousand Euro in the same quarter in 2021), corresponding to 71.2% of revenues and slightly lower than in the same period of the previous year (-0.5%). The growth in added value, by 1,916 thousand Euro overall, reflects the increase in revenues and was only partially offset by the rise in raw material procurement costs, which led to a decrease in percentage margins.

Other operating costs in the second quarter of 2022 amount to 5,903 thousand Euro, an increase of 714 thousand Euro over the figure for the second quarter of 2021, absorbing 17.3% of revenues (16.6% in the same quarter of the previous year). The increase compared with the previous year is a result of higher variable costs, linked to the rise in sales volumes, and greater commercial costs attributable, in particular, to trade fairs and travel.

Personnel costs in the quarter, equal to 11,617 thousand Euro, 1,063 1,063 thousand Euro higher than in the same period in the previous year, when they totalled 10,554 thousand Euro. They absorbed 34.0% of revenues (33.8% in the second quarter of 2021).

EBITDA in the second quarter of 2022 amounts to 6,793 thousand Euro (6,654 thousand Euro in the same quarter of 2021), corresponding to 19.9% of revenues (21.3% of revenues in 2021), which was higher than in the same quarter of the previous year by 139 thousand Euro. The increase in revenues during the quarter, generated by the higher volume of sales, is fully absorbed by the rises in operating and personnel costs.

Depreciation, amortisation and impairment amount to 1,763 thousand Euro in the quarter, compared with 1,663 thousand Euro in the same period of the previous year, reflecting an increase of 100 thousand Euro.

EBIT in the second quarter of 2022 amounts to 5,030 thousand Euro (14.7% of revenues), compared with 4,991 thousand Euro in the same period of 2021 (16.0% of revenues), an increase of 39 thousand Euro. As with EBITDA, this change reflects the erosion of increased sales by the higher operating costs incurred during the quarter.

Income from financial assets/liabilities in the second quarter of 2022 amounts to 249 thousand Euro (in the second quarter of 2021 net charges of 105 thousand Euro were recorded), including:

- financial income of 17 thousand Euro (10 thousand Euro in the second quarter of 2021);
- financial charges linked with the Group’s indebtedness of 86 thousand Euro, which was lower than in the second quarter of 2021, when they totalled 118 thousand Euro;
- exchange gains on foreign currency transactions of 326 thousand Euro, compared with 14 thousand Euro in the second quarter of the previous year; this difference reflects, in particular, the effect of the change in the exchange rate of the Euro against the Indian rupee, the US dollar and the Brazilian real;
- financial charges on the financial payables recognised pursuant to IFRS 16 of 8 thousand Euro, consistent with the second quarter 2021.

Income from valuation of investments using the equity method reflects the results reported by Axel S.r.l. and amounted to 5 thousand Euro. Gains in the second quarter of 2021 totalled 1 thousand Euro.

Taxes charged during the quarter amount to 1,403 thousand Euro (compared with a charge of 1,081 thousand Euro in the second quarter of 2021). The above amounts are analysed below:

- current tax charge of 1,567 thousand Euro (charge of 1,149 thousand Euro in the second quarter of 2021);
- net positive change in deferred tax assets and liabilities of 164 thousand Euro (68 thousand Euro in the second quarter of the previous year).

The **Profit from continuing operations** in the second quarter of 2022 amounts to 3,881 thousand Euro, compared with 3,806 thousand Euro in the same period of the previous year, up by 75 thousand Euro.

The **Net loss of assets held for sale** in the second quarter of 2022 is 3,893 thousand Euro. This item is related to theresult of Assets held for sale (196 thousand Euro) under the framework agreement signed on 1 August 2022 for the sale of the motion control business to the WEG Group. It also includes the net accounting effects expected from sale of the motion conroll business (net loss of 4,089 thousand Euro).

The **Group net loss** in the second quarter of 2022 amounts to 12 thousand Euro, compared with a net profit of 4,355 thousand Euro in the same period of the previous year. The change mostly reflects recognition of the net effects expected from the Assetsheld for sale.

Progressive Consolidated Income Statement

The Group's results at 30 June 2022 are shown below, compared with those reported at 30 June 2021.

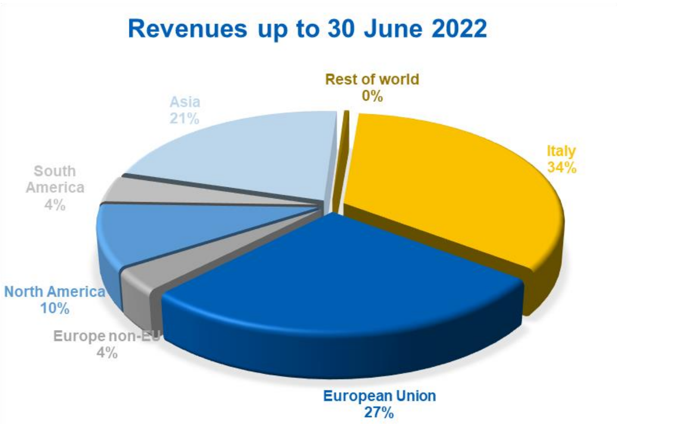
	(Euro /000)	30 June 2022 Total	30 June 2021 Total	Var. 2022-2021 Excl. non-recurring comp. Value	%
a	Revenues	69,308	59,138	10,170	17.2%
b	Increases for internal work	511	521	(10)	-1.9%
c	Consumption of materials and products	20,293	17,074	3,219	18.9%
d	**Added Value (a+b-c)**	**49,526**	**42,585**	**6,941**	**16.3%**
e	Other operating costs	11,254	9,794	1,460	14.9%
f	Personnel costs	22,872	20,357	2,515	12.4%
g	**EBITDA (d-e-f)**	**15,400**	**12,434**	**2,966**	**23.9%**
h	Depreciation, amortisation and impairment	3,479	3,314	165	5.0%
i	**EBIT (g-h)**	**11,921**	**9,120**	**2,801**	**30.7%**
l	Gains (losses) from financial assets/liabilities	486	86	400	n.s.
m	Gains (losses) from shareholdings valued at equity	13	6	7	n.s.
n	**Profit (loss) before tax (i±l±m)**	**12,420**	**9,212**	**3,208**	**34.8%**
o	Taxes	(3,193)	(2,073)	(1,120)	-54.0%
p	**Result from operating activities (n±o)**	**9,227**	**7,139**	**2,088**	**29.2%**
q	Net profit (loss) from assets held for sale	(4,396)	915	(5,311)	-580.4%
p	**Group net profit (loss) (p±q)**	**4,831**	**8,054**	**(3,223)**	**-40.0%**

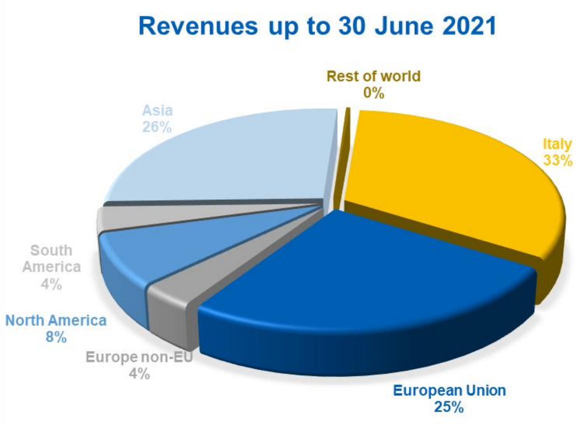
Revenues at 30 June 2022 amount 69,308 thousand Euro, compared to 59,138 thousand Euro in the same period of the previous year, up by 10,170 thousand Euro (equal to 17.2%), which would be 8,196 thousand Euro (13.9%) net of the positive effect of exchange-rate changes. The first half of 2021 was marked by consolidation of the early signs of market recovery, following the spread of the Covid-19 pandemic. This rise in revenues continued throughout 2021: technological leadership, in-depth knowledge of industrial processes and a strong focus on customers' needs contributed to the steady increase in sales volumes and enabled the Group to react vigorously, taking full advantage of market trends. Despite the occurrence of critical events with an impact on the global economic situation, including the Russia-Ukraine conflict and the worsening of the pandemic in certain geographical regions, to name but two, the upward trend was further confirmed during the first half of 2022, with revenues ahead of the same period in 2021 across all business lines and in the main geographical regions served.

An analysis of order collection in the first six months of 2022, compared with the same period in 2021, highlights an overall increase. The value of orders received was higher for both automation components (+16.8%) and sensors (+8.4%). The order book for them at 30 June 2022 is higher than at the same date in the previous year (+42.6%) and at the end of 2021 (+28.1%), confirming the good market prospects.

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

(Euro /000)	30 June 2022		30 June 2021		Var. 2022-2021	
	Value	%	Value	%	Value	%
Italy	23,454	33.8%	19,224	32.5%	4,230	22.0%
European Union	18,852	27.2%	15,074	25.5%	3,778	25.1%
Europe non-EU	2,429	3.5%	2,078	3.5%	351	16.9%
North America	6,641	9.6%	4,732	8.0%	1,909	40.3%
South America	2,823	4.1%	2,168	3.7%	655	30.2%
Asia	14,840	21.4%	15,675	26.5%	(835)	-5.3%
Rest of the world	269	0.4%	187	0.3%	82	43.9%
Total	**69,308**	**100%**	**59,138**	**100%**	**10,170**	**17.2%**





The breakdown of revenues by **geographical region** reveals double-digit growth in almost all areas served by the Group, particularly in Italy (+22%), Europe (+24.1% overall) and the Americas (+37.2% overall). This last area benefited from the effect of exchange-rate changes (US dollar and Brazilian real) that contributed to the reported increase (22.8% growth net of the exchange-rate effect). Asia was the only main region that did not follow this trend, with a contraction in the first half of 2022 compared with the same period in 2021 (-5.3%). This outcome would have been worse without the positive contribution made by currency dynamics (-11.1%). This contraction was compounded by the Chinese spike in Covid-19 infections during the first half of the year. Fuelled by the Omicron variant, the new crisis prompted the imposition of further, even tougher restrictions under the "Zero Covid" policy. For example, new lockdowns were imposed in many areas of the country, including Shanghai where the Group has a production plant.

Below is a breakdown of revenues at 30 June 2022 by **business area** in comparison with the same period in the previous year:

(Euro /000)	30 June 2022		30 June 2021		Var. 2022-2021	
	Value	%	Value	%	Value	%
Sensors	45,886	66.2%	39,385	66.6%	6,501	16.5%
Automation components	27,264	39.3%	23,193	39.2%	4,071	17.6%
Eliminations	(3,842)	-5.5%	(3,440)	-5.8%	(402)	11.7%
Total	**69,308**	**100%**	**59,138**	**100%**	**10,170**	**17.2%**

Revenues are higher in all business areas served by the Group. Growth in the sensors line (+16.5% compared with the first half of 2021) reflects increased sales volumes for all product ranges, particularly industrial pressure sensors and high temperature sensors, where investment in recent years has consolidated the relevant production lines. Revenues from automation components (+17.6%) also rose, mostly in Italy and Europe, where expansion of the range offered to customers played a decisive role. This involved launching products with innovative features capable of interfacing with industrial processes developed using digital technology.

Increases for internal work during the period to 30 June 2022 amount to 511 thousand Euro, down by 10 thousand Euro compared with the period ended 30 June 2021. This item represents the new product development costs incurred in the period that have been capitalised.

Added value in the period ended 30 June 2022 amounts to 49,526 thousand Euro (42,585 thousand Euro reported at 30 June 2021), corresponding to 71.5% of revenues and slightly lower than in the same period of the previous year (-0.5%). The growth in added value, by 6,941 thousand Euro overall, reflects the increase in revenues that was only partially offset by the rise in raw material procurement costs, which led to a decrease in percentage margins.

Other operating costs for the first half of the year amount to 11,254 thousand Euro with, in absolute terms, an increase of 1,460 thousand Euro compared with the first six months of 2021, absorbing 16.2% of revenues (16.6% in the same period of 2021). Variable costs were higher, particularly for external processing, as a result of higher sales volumes, utility costs and commercial costs linked to travel and trade fairs.

Personnel costs in the first six months of 2022 amount to 22,872 thousand Euro, compared with 20,357 thousand Euro in the same period of the previous year, up by 2,515 thousand Euro. This increase is linked to the strengthening of the workforce: the number of persons employed by the Group in continuing operations has risen from 606 at 30 June 2021 to 638 at 30 June 2022, and the average number of employees has also risen (608 in the first half of 2021 and 626 in the first half of 2022). As a percentage of revenues, personnel costs have however decreased to 33% (from 34.4% in the first half of 2021).

EBITDA in the period ended 30 June 2022 amounts to 15,400 thousand Euro (12,434 thousand Euro reported at 30 June 2021), corresponding to 22.2% of revenues (21.0% of revenues in 2021), which was incremento2,966 thousand Euro higher than in the period ended 30 June 2021.

Depreciation, amortisation and impairment amount to 3,479 thousand Euro, compared with 3,314 thousand Euro in the same period of the previous year, reflecting an increase of 165 thousand Euro.

EBIT in the period ended 30 June 2022 amounts to 11,921 thousand Euro (17.2% of revenues), compared with 9,120 thousand Euro in the first half of 2021 (15.4% of revenues), an increase of 2,801 thousand Euro. The change is essentially linked to the same dynamics described for EBITDA.

Income from financial assets/liabilities in the first half of 2022 totalled 486 thousand Euro (in the first half of 2021 net gains of 86 thousand Euro were recorded), including:

- financial income of 22 thousand Euro (in line with the first half 2021);
- financial charges linked with the Group's indebtedness of 174 thousand Euro (which was lower than in 2021, when they totalled 233 thousand Euro);
- exchange gains from foreign currency transactions of 654 thousand Euro, compared with the first half of the previous year when they amounted to 316 thousand Euro. The change mainly reflects fluctuations in the exchange rates of the Euro against the Brazilian real and the US dollar;
- financial charges on the financial payables recognised pursuant to IFRS 16 of 16 thousand Euro (21 thousand Euro in the first six months of 2021).

Income from valuation of investments using the equity method reflects the results reported by Axel S.r.l. and amounted to 13 thousand Euro, while in the first half of 2021 they totalled 6 thousand Euro.

In the first six months of 2022, the **taxes** charged amount to 3,193 thousand Euro (total charge of 2,073 thousand Euro in the comparative period of 2021). The above amounts are analysed below:

- current taxes of 3,412 thousand Euro (2,044 thousand Euro in the first half of 2021). This increase reflects the improved results achieved to date by the Group compared with the same period in the previous year;
- net positive change in deferred tax assets and liabilities of 219 thousand Euro (net negative change of 29 thousand Euro in the first half of the previous year).

The **Profit from continuing operations** in the period to 30 June 2022 amouns to 9,227 thousand Euro (13.3% of revenues), compared with 7,139 thousand Euro in the first half of the previous year (12.1% of revenues), up by 2,088 thousand Euro.

The **Net loss of Assets held for sale** in the period to 30 June 2022 amounts 4,396 thousand Euro. This item includes the net loss of the companies and lines of business held for sale (307 thousand Euro) under the framework agreement signed on 1 August 2022 for disposal of the motion control business to the WEG Group. It also includes the net accounting effects expected from disposal of the business (net loss of 4,089 thousand Euro).

A net profit of 915 thousand Euro was reported for the period to 30 June 2021.

Group **net profit** in the period to 30 June 2022 amounts to 4,831 thousand Euro (7% of revenues), compared with 8,054 thousand Euro in the first half of the previous year (13.6% of revenues), down by 3,223 thousand Euro due, mainly, to recognition of the expected effects of selling the disposal group, as described earlier.

Reclassified consolidated statement of financial position at 30 June 2022

The Gefran Group's reclassified consolidated statement of financial position at 30 June 2022 is presented below:

(Euro /000)	30 June 2022		31 December 2021M6	
	Value	%	Value	%
Intangible assets	12,303	14.2	12,171	14.8
Tangible fixed assets	37,596	43.4	37,277	45.3
Other non-current assets	5,988	6.9	5,899	7.2
Net non-current assets	**55,887**	**64.6**	**55,347**	**67.3**
Inventories	18,476	21.3	14,449	17.6
Trade receivables	27,740	32.0	24,752	30.1
Trade payables	(22,725)	(26.3)	(21,393)	(26.0)
Other assets/liabilities	(9,112)	(10.5)	(9,124)	(11.1)
Working capital	**14,379**	**16.6**	**8,684**	**10.6**
Provisions for risks and future liabilities	(1,910)	(2.2)	(2,307)	(2.8)
Deferred tax provisions	(1,049)	(1.2)	(916)	(1.1)
Employee benefits	(2,873)	(3.3)	(2,841)	(3.5)
Invested capital from operations	**64,434**	**74.4**	**57,967**	**70.5**
Invested capital from assets held for sale	22,126	25.6	24,311	29.5
Net invested capital	**86,560**	**100.0**	**82,278**	**100.0**
Shareholders' equity	**86,379**	**99.8**	**85,538**	**104.0**
Non-current financial payables	11,781	13.6	16,483	20.0
Current financial payables	12,788	14.8	15,059	18.3
Financial payables for IFRS 16 leases (current and non-current)	2,662	3.1	2,761	3.4
Financial liabilities for derivatives (current and non-current)	-	-	88	0.1
Financial assets for derivatives (current and non-current)	(310)	(0.4)	-	-
Other non-current financial investments	(48)	(0.1)	(67)	(0.1)
Current financial receivables	(4,162)	(4.8)	(2,201)	(2.7)
Cash and cash equivalents and current financial receivables	(25,182)	(29.1)	(35,497)	(43.1)
Net debt relating to operations	**(2,471)**	**(2.9)**	**(3,374)**	**(4.1)**
Net debt relating to assets held for sales	**2,652**	**3.1**	**114**	**0.1**
Total sources of financing	**86,560**	**100.0**	**82,278**	**100.0**

Net non-current assets at 30 June 2022 total 55,887 thousand Euro, compared with 55,347 thousand Euro at 31 December 2021. The main changes are indicated below:

- intangible assets have increased overall by 132 thousand Euro. This net change includes the capitalisation of development costs (472 thousand Euro) and new investment (287 thousand Euro), as well as the amortisation charge for the period (873 thousand Euro). The change in exchange rates had a net positive effect of 254 thousand Euro;

- tangible fixed assets have increased since 31 December 2021 by 319 thousand Euro. Additions during the first six months of 2022 (1,907 thousand Euro) were offset by the depreciation charge for the period (2,043 thousand Euro) and by disposals (21 thousand Euro). This item also includes the value of the right-of-use assets recognised in accordance with IFRS 16. The total increased by 433 thousand Euro during the first half of 2021, following renewals and the signature of new contracts, and decreased by the related depreciation charge of 563 thousand Euro and early terminations of 2 thousand Euro. Lastly, the net positive effect of exchange-rate changes was 606 thousand Euro;
- other non-current assets at 30 June 2022 amount to 5,988 thousand Euro (5,899 thousand Euro at 31 December 2021), up by 89 thousand Euro.

Working capital at 30 June 2022 totals 14,379 thousand Euro, compared to 8,684 thousand Euro at 31 December 2021, reflecting a net increase of 5,695 thousand Euro. The main changes are indicated below:

- inventories rose from 14,449 thousand Euro at 31 December 2021 to 18,476 thousand Euro at 30 June 2022, reflect a net increase of 4,027 thousand Euro. This increase, mainly comprising raw materials (2,458 thousand Euro), was needed to guarantee the continuity of production at a time of uncertainty, given the low availability of "critical materials" (particularly electronic components) and the consequent extension of supply lead times; these phenomena, already evident at the start of the pandemic, have now become even more pronounced. There was also an essential increase in semi-finished and finished products (by 963 thousand Euro and 606 thousand Euro, respectively), in order to process scheduled customer orders in the coming months by the requested deadlines. Exchange-rate changes contributed 435 thousand Euro to the increase in inventories;
- trade receivables total 27,740 thousand Euro, up by 2,988 thousand Euro since 31 December 2021, reflecting the growth in revenues during the period. The Group analyses receivables carefully, taking various factors into account (geographical region, business area, solvency of individual customers). These checks have not identified any positions that might jeopardise their collectability;
- trade payables total 22,725 thousand Euro, up by 1,332 thousand Euro since 31 December 2021. The change reflects the increase in purchasing during the period, comprising both services and the raw materials needed to support the higher volume of sales. In particular, the variable costs linked to sales volume have risen;
- other net liabilities at 30 June 2022 total 9,112 thousand Euro (9,124 thousand Euro at 31 December 2021). They include payables to employees and social security institutions, as well as direct and indirect tax receivables and payables.

Provisions for risks and future liabilities total 1,910 thousand Euro after a decrease of 397 thousand Euro since 31 December 2021. This item includes provisions for outstanding legal disputes and various other risks. In addition to the change in the provision for product warranties, the above decrease reflects usage of the provision for legal disputes by the Parent Company, 473 thousand Euro, to cover exchange losses and default interest arising from a legal dispute which was settled in early 2022.

Employee benefits amount to 2,873 thousand Euro, compared to 2,841 thousand Euro at 31 December 2021. This item includes the provision for post-employment benefits (TFR), as well as the amounts due to certain employees who have signed agreements that protect the Group from competing activities (so-called "No-competition agreements").

Shareholders' equity at 30 June 2022 amounts to 86,379 thousand Euro, up by 841 thousand Euro since the end of 2021. The net profit for the period, 4,831 thousand Euro, was absorbed by the distribution of dividends in May totalling 5,462 thousand Euro. Positive contributions were made by the changes in the currency translation reserve, 1,293 thousand Euro, and the fair value measurement reserve, 178 thousand Euro.

The following schedule reconciles the shareholders' equity and result for the period of the Parent Company with the related amounts reported in the consolidated financial statements:

(Euro /000)	30 June 2022		31 December 2021	
	Shareholders' equity	Result for the period	Shareholders' equity	Result for the period
Parent Company shareholders' equity and operating result	**75,488**	**8,405**	**72,367**	**9,205**
Shareholders' equity and operating result of the consolidated companies	59,485	4,136	56,181	5,756
Net profit (loss) from assets held for sale	(4,396)	(4,396)	915	915
Elimination of the carrying value of consolidated investments	(46,439)	-	(46,439)	-
Goodwill	3,786	-	3,743	-
Elimination of the effects of transactions conducted between consolidated companies	(1,545)	(3,314)	(1,229)	(2,184)
Group share of shareholders' equity and operating result	**86,379**	**4,831**	**85,538**	**13,692**
Minorities' share of shareholders' equity and operating result	-	-	-	-
Shareholders' equity and operating result	**86,379**	**4,831**	**85,538**	**13,692**

The net loss from Assets hel for sale totals 4,396 thousand Euro at 30 June 2022 (net profit of 915 thousand Euro in the first half of 2021). This reflects the results of operations of the companies and lines of business included with the scope of the framework agreement for the disposal of the motion control business, being a net loss of 307 thousand euro in the period to 30 June 2022 (net profit of 915 thousand Euro in the first half of 2021); the total for the first half of 2022 also includes a net loss of 4,089 thousand Euro that represents the accounting effects expected from the sale of the business.

The **net financial position** at 30 June 2022 is positive by 2,471 thousand Euro, down by 903 thousand Euro since the end of 2021, when it was positive by 3,374 thousand Euro.

The total comprises net short-term cash and cash equivalents of 15,632 thousand Euro and net medium/long-term debt of 13,161 thousand Euro.

This item also includes the negative effect of applying IFRS 16, totalling 2,662 thousand Euro at 30 June 2022, of which 924 thousand Euro classified as current and 1,738 thousand Euro as non-current (2,761 thousand Euro at 31 December 2021, of which 1,640 thousand Euro classified as current and 1,121 thousand Euro as non-current).

No new loans were arranged during the first six months of 2022.

The change in net financial position is mainly due to the cash flow generated by ordinary operations (10,434 thousand Euro), as partially absorbed by investment activities during the first six months of the year (2,666 thousand Euro), the payment of dividends (5,462 thousand Euro) and the payment of interest, taxes and rental fees (totalling 3,744 thousand Euro).

This item is analysed below:

(Euro /000)	30 June 2022	31 December 2021	Change
Cash and cash equivalents and current financial receivables	25,182	35,497	(10,315)
Current financial payables	(12,788)	(15,059)	2,271
Current financial payables for IFRS 16 leases	(924)	(1,640)	716
Current financial receivables	4,162	2,201	1,961
(Debt)/short-term cash and cash equivalents	**15,632**	**20,999**	**(5,367)**
Non-current financial payables	(11,781)	(16,483)	4,702
Non-current financial payables for IFRS 16 leases	(1,738)	(1,121)	(617)
Non-current financial liabilities for derivatives	-	(88)	88
Non-current financial investments for derivatives	310	-	310
Other non-current financial investments	48	67	(19)
(Debt)/medium-/long-term cash and cash equivalents	**(13,161)**	**(17,625)**	**4,464**
Net financial position	**2,471**	**3,374**	**(903)**

Note that the “Other non-current financial investments” caption in the “Net financial position” table comprises prepaid financial expenses. Net of this item and for the purposes of Regulation (EU) 2017/1129, the positive net financial position at 30 June 2022 is 2,423 thousand Euro, while at 31 December 2021 it was 3,307 thousand Euro.

Consolidated cash flow statement for the period ended 30 June 2022

The **consolidated cash flow statement** of the Gefran Group for the period ended 30 June 2022 reports a net reduction in cash at hand of 10,315 thousand Euro, compared to the net reduction of 2,437 thousand Euro during the period ended 30 June 2021. These changes are analysed below:

(Euro /000)	30 June 2022	30 June 2021
A) Cash and cash equivalents at the start of the period	**35,497**	**41,742**
B) Cash flow generated by (used in) operations in the period	9,162	13,559
C) Cash flow generated by (used in) investment activities	(3,137)	(2,749)
D) Free Cash Flow (B+C)	**6,025**	**10,810**
E) Cash flow generated by (used in) financing activities	(15,976)	(13,624)
F) Cash flow from continuing operations (D+E)	**(9,951)**	**(2,814)**
G) Cash flow from assets held for sale	(482)	(90)
H) Exchange rate translation differences on cash at hand	118	467
I) Net change in cash at hand (F+G+H)	**(10,315)**	**(2,437)**
J) Cash and cash equivalents at the end of the period (A+I)	**25,182**	**39,305**

The cash flow generated by operations in the period totalled 9,162 thousand Euro; specifically, continuing operations during the first half of 2022, excluding the effect of provisions, amortisation and depreciation, and financial entries, generated cash of 16,718 thousand Euro (13,326 thousand Euro in the first half of 2021), while the net change in other assets and liabilities in the same period contributed 301 thousand Euro (absorption of 219 thousand Euro in the first half of 2021) and the management of operating capital absorbed 5,625 thousand Euro (4,778 thousand Euro in the same period of the previous year). The cash flow absorbed by the operations of disposal groups held for sale amounted to 1,272 thousand Euro (cash generation of 5,651 thousand Euro in the first half of 2021).

The cash flow absorbed by investment activities totalled 3,137 thousand Euro, of which 2,643 thousand Euro in relation to continuing operations and 494 thousand Euro regarding the disposal group classified as held for sale (respectively 2,144 thousand Euro and 605 thousand Euro in the first six months of 2021).

Free cash flow (operating cash flow net of investment activities) amounts to 6,025 thousand Euro, compared with 10,810 thousand Euro in the period ended 30 June 2021.

Financing activities absorbed 15,976 thousand Euro, including 5,963 thousand Euro for the repayment of non-current financial payables, 3,986 thousand Euro for the payment of direct taxes and 5,462 thousand Euro for the payment of dividends.

During the first half of 2021, financing activities absorbed 13,624 thousand Euro, including 5,394 thousand Euro for the repayment of non-current financial payables, 3,276 thousand Euro to decrease current financial payables and 3,737 thousand Euro for the payment of dividends.

Economic and financial performance of the Assets held for sale at 30 June 2022

Pursuant to IFRS 5, the comparative reclassified income statement for the first half of 2022 of the Assets reclassified as “Held for sale” is presented below:

	(Euro /000)	30 June 2022 Total	30 June 2021 Total	Var. 2022-2021 Value	%
a	Revenues	23,313	22,084	1,229	5.6%
b	Increases for internal work	305	498	(193)	-38.8%
c	Consumption of materials and products	13,780	12,782	998	7.8%
d	**Added Value (a+b-c)**	**9,838**	**9,800**	**38**	**0.4%**
e	Other operating costs	3,369	2,747	622	22.6%
f	Personnel costs	5,556	5,148	408	7.9%
g	**EBITDA (d-e-f)**	**913**	**1,905**	**(992)**	**-52.1%**
h	Depreciation, amortisation and impairment	856	730	126	17.3%
i	**EBIT (g-h)**	**57**	**1,175**	**(1,118)**	**-95.1%**
l	Gains (losses) from financial assets/liabilities	(278)	(32)	(246)	n.s.
m	Impairment of assets held for sale	(4,146)	-	(4,146)	n.s.
n	**Profit (loss) before tax (i±l±m)**	**(4,367)**	**1,143**	**(5,510)**	**n.s.**
o	Taxes	(29)	(228)	199	87.3%
p	**Net profit (loss) from assets held for sale**	**(4,396)**	**915**	**(5,311)**	**n.s.**

Revenues at 30 June 2022 amount to 23,313 thousand Euro, compared to 22,084 thousand Euro in the same period of the previous year, up by 1,229 thousand Euro (5.6%).

An analysis of order collection in the first six months of 2022, compared with the same period in 2021, highlights an overall increase (+36.2%). The order book at 30 June 2022 is higher than at the same date in the previous year (+117.5%) and at the end of 2021 (+72.6%).

The table below analyses revenues in the first half by geographical region:

(Euro /000)	30 June 2022		30 June 2021		Var. 2022-2021	
	Value	%	Value	%	Value	%
Italy	8,237	35.3%	7,413	33.6%	824	11.1%
European Union	3,571	15.3%	2,834	12.8%	737	26.0%
Europe non-EU	1,430	6.1%	857	3.9%	573	66.9%
North America	4,062	17.4%	4,384	19.9%	(322)	-7.3%
South America	116	0.5%	62	0.3%	54	87.1%
Asia	5,846	25.1%	6,273	28.4%	(427)	-6.8%
Rest of the world	51	0.2%	261	1.2%	(210)	-80.5%
Total	**23,313**	**100%**	**22,084**	**100%**	**1,229**	**5.6%**

The analysis of revenues by **geographical region** shows growth in Italy (+11.1%) and in Europe (overall +35.5%), but contractions in America (down overall by 6%), linked principally to contract work, and in Asia (-6.8%) due, in particular, to the impact of the "Zero-Covid" policy and new shutdowns in the second quarter of 2022 that also affected the Shanghai production plant.

Increases for internal work during the period to 30 June 2022 amount to 305 thousand Euro, down by 193 thousand Euro compared with the period ended 30 June 2021. This item represents the new product development costs incurred in the period that have been capitalised.

Added value in the period ended 30 June 2022 amounts to 9,838 thousand Euro, which was essentially the same as in the first half of 2021 (9,800 thousand Euro). This represents 42.2% of revenues, which was less than in the comparative period (-2.2%). In particular, the increase in revenues was eroded by the rise in raw material procurement costs, which led to a decrease in percentage margins.

Other operating costs for the first half of the year amount to 3,369 thousand Euro (14.5% of revenues) with, in absolute terms, an increase of 622 thousand Euro compared with the first six months of 2021 (12.4% of revenues). Variable costs were higher, particularly for external processing, as a result of higher sales volumes, utility costs and the cost of technical product trials.

Personnel costs in the first six months of 2022 amount to 5,556 thousand Euro (23.8% of revenues), compared with 5,148 thousand Euro in the same period of the previous year (23.3% of revenues), up by 408 thousand Euro.

EBITDA in the period ended 30 June 2022 amounts to 913 thousand Euro (1,905 thousand Euro reported at 30 June 2021), corresponding to 3.9% of revenues (8.6% of revenues in 2021), which was lower than in the first half of the previous year by 992 thousand Euro. The increases in operating and personnel costs contributed to this reduction in EBITDA.

Depreciation, amortisation and impairment amount 856 thousand Euro, compared with 730 thousand Euro in the same period of the previous year, reflecting an increase of 126 thousand Euro.

EBIT in the period ended 30 June 2022 amounts to 57 thousand Euro (0.2% of revenues), compared with 1,175 thousand Euro in the same period of 2021 (5.3% of revenues). The change is essentially linked to the same dynamics described for EBITDA.

Losses from financial assets/liabilities in the first half of 2022 amounts 278 thousand Euro (32 thousand Euro in the first half of 2021). They were mostly due to net exchange losses incurred on foreign currency transactions.

The **write-down of Assets held for sale,** recognised during the first half of 2022 pursuant to IFRS 5, reflects the gross accounting effects of selling the motion control business. These effects are estimated to generate an impairment loss of 4,146 thousand Euro.

In the first six months of 2022, the **taxes** allocated to disposal groups held for sale totalled 29 thousand Euro (total charge of 228 thousand Euro in the comparative period of 2021).

The **Net loss of the disposal groups held for sale** for the period to 30 June 2022 is 4,396 thousand. In addition to the operating loss of the business subject to the disposal agreement (307 thousand Euro), the above total includes the net effects expected from its disposal, being an estimated loss of 4,089 thousand Euro. A net profit of 915 thousand Euro was reported for the period to 30 June 2021.

The financial position of the Assets reclassified as “Held for sale” pursuant to IFRS 5 is presented below:

(Euro /000)	30 June 2022		31 December 2021	
	Value	%	Value	%
Intangible assets	3,297	14.9	3,266	13.4
Tangible fixed assets	9,424	42.6	9,730	40.0
Other non-current assets	624	2.8	682	2.8
Net non-current assets	**13,345**	**60.3**	**13,678**	**56.3**
Inventories	15,753	71.2	13,590	55.9
Trade receivables	13,037	58.9	11,101	45.7
Trade payables	(12,140)	(54.9)	(11,339)	(46.6)
Other assets/liabilities	(6,469)	(29.2)	(1,199)	(4.9)
Working capital	**10,181**	**46.0**	**12,153**	**50.0**
Provisions for risks and future liabilities	(333)	(1.5)	(353)	(1.5)
Employee benefits	(1,067)	(4.8)	(1,167)	(4.8)
Net invested capital from assets held for sales	**22,126**	**100.0**	**24,311**	**100.0**
Shareholders’ equity	**19,474**	**88.0**	**24,197**	**99.5**
Current financial payables	4,164	18.8	2,203	9.1
Financial payables for IFRS 16 leases (current and non-current)	252	1.1	246	1.0
Current financial receivables	(1,056)	(4.8)	(2,109)	(8.7)
Cash and cash equivalents and current financial receivables	(708)	(3.2)	(226)	(0.9)
Net debt relating to assets held for sales	**2,652**	**12.0**	**114**	**0.5**
Total sources of financing	**22,126**	**100.0**	**24,311**	**100.0**

Net non-current assets at 30 June 2022 total 13,345 thousand Euro, compared with 13,678 thousand Euro at 31 December 2021. The main changes are indicated below:

- intangible assets have increased overall by 31 thousand Euro. This net change includes the capitalisation of development costs (305 thousand Euro) and new investment (5 thousand Euro), as well as the amortisation charge for the period (279 thousand Euro);
- tangible fixed assets have decreased by 306 thousand Euro since 31 December 2021. Additions during the first six months of 2022 (185 thousand Euro) were more than offset by the depreciation charge for the period (507 thousand Euro). This item also includes the value of the right-of-use assets recognised in accordance with IFRS 16. The total increased by 79 thousand Euro during the first half of 2022, following renewals and the signature of new contracts, and decreased by the related depreciation charge of 70 thousand Euro and early terminations of 3 thousand Euro. Lastly, the net positive effect of exchange-rate changes was 10 thousand Euro;
- other non-current assets at 30 June 2022 amount to 624 thousand Euro (682 thousand Euro at 31 December 2021).

Working capital at 30 June 2022 totals 10,181 thousand Euro, compared to 12,153 thousand Euro at 31 December 2021, reflecting a net decrease of 1,972 thousand Euro. The main changes are indicated below:

- inventories rose from 13,590 thousand Euro at 31 December 2021 to 15,753 thousand Euro at 30 June 2022, reflecting a net increase of 2,163 thousand Euro. This increase mainly comprised raw materials (1,618 thousand Euro) and semi-finished products (594 thousand Euro);
- trade receivables total 13,037 thousand Euro, up by 1,936 thousand Euro since 31 December 2021; the analysis of receivables carried out periodically, considering various factors (geographical region, business area, solvency of individual customers), has not identified critical positions that might jeopardise their collectability;
- trade payables total 12,140 thousand Euro, up by 801 thousand Euro since 31 December 2021. The change reflects the increase in purchasing during the period, comprising both services and the raw materials needed to support the higher volume of sales;
- other net liabilities at 30 June 2022 total 6,469 thousand Euro (1,199 thousand Euro at 31 December 2021). This item includes recognition of the net effects expected from selling the disposal group, being a loss of 4,089 thousand Euro.

Provisions for risks and future liabilities total 333 thousand Euro, which is essentially unchanged since 31 December 2021. This item comprises the provisions for product warranty and for agents' commissions.

Employee benefits amount to 1,067 thousand Euro, compared to 1,167 thousand Euro at 31 December 2021. This item includes the provisions for post-employment benefits (TFR) recorded by the companies and lines of business subject to the framework agreement for the disposal of the motion control business, as well as the amounts due to certain of their employees who have signed no-competition agreements.

The **net financial position** at 30 June 2022 is negative by 2,652 thousand Euro, having deteriorated since the end of 2021, when it was negative by 114 thousand Euro.

Net financial debt comprises short-term debt of 2,507 thousand Euro and medium/long-term debt of 145 thousand Euro.

This item includes the negative effect of applying IFRS 16, totalling 252 thousand Euro at 30 June 2022, of which 107 thousand Euro classified as current and 145 thousand Euro as non-current (246 thousand Euro at 31 December 2021, of which 109 thousand Euro classified as current and 137 thousand Euro as non-current).

The cash flows generated and absorbed by the activities of the disposal group reclassified as "Held for sale" pursuant to IFRS 5 are presented in the following schedule:

(Euro /000)	30 June 2022	30 June 2021
A) Cash and cash equivalents at the start of the period	**226**	**201**
B) Cash flow generated by (used in) operations in the period	(1,272)	5,651
C) Cash flow generated by (used in) investment activities	(494)	(605)
D) Free Cash Flow (B+C)	**(1,766)**	**5,046**
E) Cash flow generated by (used in) financing activities	2,248	(4,956)
F) Cash flow from assets held for sales (D+E)	**482**	**90**
G) Cash and cash equivalents at the end of the period (A+F)	**708**	**291**

Investments

Gross technical investments made by the Group during the first half of 2022 totalled 3,161 thousand Euro (2,778 thousand Euro in the first six months of 2021) and related to:

- production and laboratory plant and equipment in the Group's Italian plants totalling 1,577 thousand Euro (including 835 thousand Euro for production lines in the sensors business unit, 572 thousand Euro in the components business unit and 170 thousand Euro for production lines in the motion control business unit), as well as 28 thousand Euro in the Group's foreign companies (in the first half of 2021, the Group invested 1,079 thousand Euro in Italy and 76 thousand Euro in its foreign subsidiaries);
- investment in industrial buildings totalling 173 thousand Euro at the Group's Italian plants (in the first half of 2021, investment totalled 148 thousand Euro);
- renewal of electronic office machines and IT equipment, amounting to 102 thousand Euro at the Parent Company and 108 thousand Euro at the Group's subsidiaries (in the first half of 2021, 75 thousand Euro and 76 thousand Euro respectively);
- miscellaneous equipment at the Group's subsidiaries amounting to 87 thousand Euro (34 thousand Euro in the first half of 2021);
- capitalisation of costs incurred in the period for new product development, totalling 777 thousand Euro (1,009 thousand Euro in the first half of 2021);
- investments in intangible assets amounting of 292 thousand Euro, mainly relating to management software licences and SAP ERP development (other intangible assets totalling 281 thousand Euro were recognised in the first half of 2021).

The investments carried out by the Group in continuing operations are summarised below by type and geographical region:

(Euro /000)	30 June 2022	30 June 2021
Intangible assets	759	790
Tangible assets	1,907	1,383
Total	**2,666**	**2,173**

	30 June 2022		30 June 2021	
(Euro /000)	intangible	tangible assets	intangible	tangible assets
Italy	749	1,704	746	1,221
European Union	-	29	2	23
Europe non-EU	7	5	-	4
North America	-	11	-	78
South America	3	43	42	16
Asia	-	115	-	41
Total	**759**	**1,907**	**790**	**1,383**

The investments carried out by the companies and lines of business included among the disposal groups held for sale are summarised below by type and geographical region:

(Euro /000)	30 June 2022	30 June 2021
Intangible assets	310	500
Tangible assets	185	105
Total	**495**	**605**

	30 June 2022		30 June 2021	
(Euro /000)	intangible	tangible assets	intangible	tangible assets
Italy	310	182	500	105
European Union	-	3	-	-
Total	**310**	**185**	**500**	**105**

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 principally 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. Please refer to paragraph 10 of the notes to the Consolidated Half-Year Financial Statements for an examination of the financial position by business area.

Sensors

Summary results

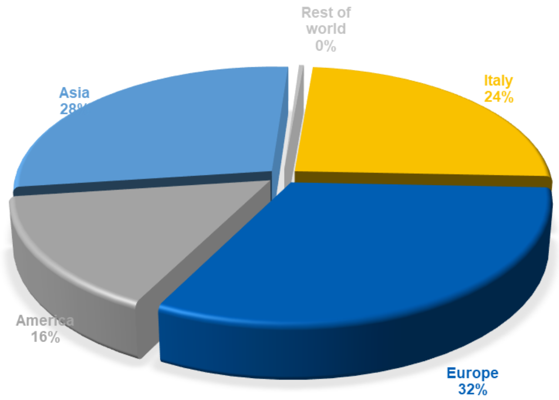
The table below shows the key economic figures:

(Euro /000)	30 June 2022	30 June 2021	Var. 2022 - 2021		2Q 2022	2Q 2021	Var. 2022 - 2021	
			Value	%			Value	%
Revenues	45,886	39,385	6,501	16.5%	22,565	20,830	1,735	8.3%
EBITDA	12,453	9,778	2,675	27.4%	5,632	5,195	437	8.4%
% of revenues	27.1%	24.8%			25.0%	24.9%		
EBIT	10,410	7,840	2,570	32.8%	4,590	4,226	364	8.6%
% of revenues	22.7%	19.9%			20.3%	20.3%		

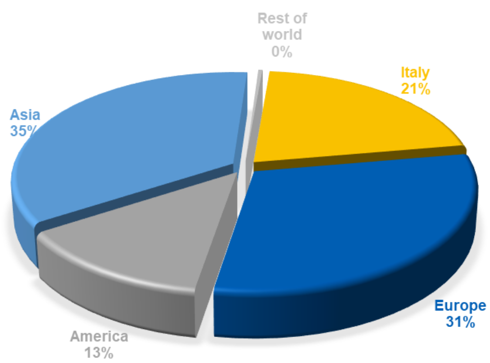
The revenues of the sensors business are analysed by geographical region below:

(Euro /000)	30 June 2022		30 June 2021		Var. 2022 - 2021	
	Value	%	Value	%	Value	%
Italy	11,134	24.3%	8,232	20.9%	2,902	35.3%
Europe	14,631	31.9%	11,961	30.4%	2,670	22.3%
America	7,053	15.4%	5,226	13.3%	1,827	35.0%
Asia	12,918	28.2%	13,833	35.1%	(915)	-6.6%
Rest of the world	150	0.3%	133	0.3%	17	12.8%
Total	**45,886**	**100%**	**39,385**	**100%**	**6,501**	**16.5%**

Revenues Sensors up to 30 June 2022



Revenues Sensors up to 30 June 2021



Business performance

The revenues of the business unit during the period ended 30 June 2022 amount to 45,886 thousand Euro, which was more than in the period ended 30 June 2021, when they amounted to 39,385 thousand Euro. This 16.5% increase includes the effect of exchange-rate differences (positive by 1,609 thousand Euro), without which growth of 12.4% would have been reported.

The results for the first half of 2022 were achieved due to the investments made in recent years, focused on product and market development, and to the ability to maintain a high level of service. Both these factors have made it possible to benefit in full from the growth opportunities that have arisen. As a result, the growth in revenues achieved throughout the prior year has been consolidated, despite elements of uncertainty linked to the pandemic (lockdowns in some areas of China, for example) and events with potentially adverse economic effects (the outbreak of the Russia-Ukraine conflict, to name but one).

Compared to the first half of 2021, all geographical regions served by the business unit achieved revenue growth in the first half of 2022, particularly Europe (+22.3% overall) and Italy (+35.3%). The revenues generated in the Americas were also higher (+35% overall), in part due to the performance of the Brazilian real and the US dollar (excluding which, growth of 21.2% would have been reported). By contrast, the revenues of the business unit earned from customers in Asia have declined (-6.6%) due, with specific reference to the Chinese market, to the pandemic containment measures adopted in the second quarter of 2022, pursuant to the Zero Covid policy, which have hampered its commercial relations.

Positive signs are also found in the level of orders received during the first six months of 2022, which totalled 49,851 thousand Euro, +8.4% compared with the first half of 2021, despite certain early signs of a slowdown detected from the first quarter of the year. The short-term prospects are good: the backlog at 30 June 2022 reflects a double-digit percentage increase compared with the situation at both 30 June 2021 (+38.3%) and 31 December 2021 (+27.8%).

Turning to the second quarter of 2022, revenues amounted to 22,565 thousand Euro, up by 8.3% compared with the same period in 2021 when they totalled 20,830 thousand Euro.

EBITDA for the period ended 30 June 2022 amounts to 12,453 thousand Euro (27.1% of the business unit's revenues), up by 2,675 thousand Euro compared with the period ended 30 June 2021, when it was 9,778 thousand Euro (24.8% of revenues). The change in EBITDA is explained by the growth in sales volumes, as only partially offset by increased operating costs related to the higher volumes achieved.

EBIT for the first six months of 2022 amounts to 10,410 thousand Euro, equal to 22.7% of revenues, compared with 7,840 thousand Euro in the same period of the previous year (19.9% of revenues), an increase of 2,570 thousand Euro. The increase in the first half of 2022 compared with the same period in the prior year was essentially due to the growth in revenues.

Comparing the figures by quarter, EBIT in the second quarter of 2022 amounts to 4,590 thousand Euro (20.3% of revenues), compared with 4,226 thousand Euro (20.3% of revenues) in the same quarter of 2021.

Lastly, the effect of adopting IFRS 16 has caused the sensors business to reverse leasing charges of 285 thousand Euro (254 thousand Euro reversed at 30 June 2021) and recognise right-of-use depreciation of 275 thousand Euro (255 thousand Euro recorded at 30 June 2021).

Investments

Investments in the first six months of 2022 amount to 1,444 thousand Euro, including 332 thousand Euro invested in intangible assets, of which 206 thousand Euro from capitalising the cost of developing new products. The remainder was for the purchase of software programmes and licences.

Increases in tangible fixed assets amount to 1,112 thousand Euro, including 971 thousand Euro invested by the Parent Company, primarily for the purchase of production equipment to increase the capacity and efficiency of production. Investment by Group subsidiaries totalled 141 thousand Euro, primarily reflecting the purchase of equipment by the US and Chinese subsidiaries.

Automation components

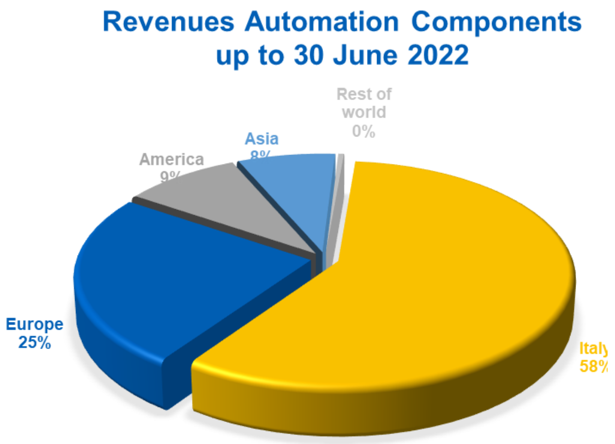
Summary results

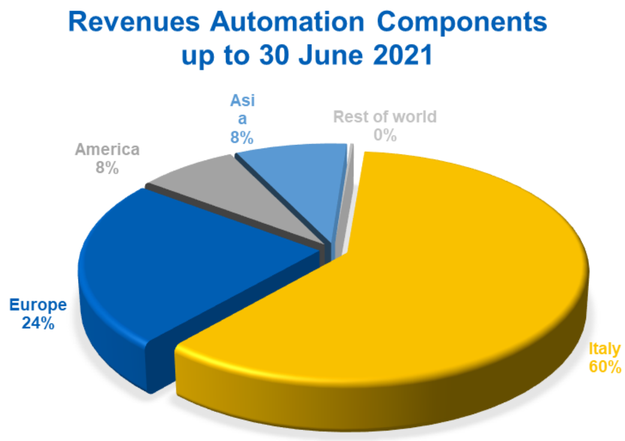
The table below shows the key economic figures:

(Euro /000)	30 June 2022	30 June 2021	Var. 2022 - 2021		2Q 2022	2Q 2021	Var. 2022 - 2021	
			Value	%			Value	%
Revenues	27,264	23,193	4,071	17.6%	13,441	12,241	1,200	9.8%
EBITDA	2,947	2,656	291	11.0%	1,161	1,459	(298)	-20.4%
% of revenues	10.8%	11.5%			8.6%	11.9%		
EBIT	1,511	1,280	231	18.0%	440	765	(325)	-42.5%
% of revenues	5.5%	5.5%			3.3%	6.2%		

The revenues of the automation components business are analysed by geographical region below:

(Euro /000)	30 June 2022		30 June 2021		Var. 2022 - 2021	
	Value	%	Value	%	Value	%
Italy	15,910	58.4%	13,958	60.2%	1,952	14.0%
Europe	6,724	24.7%	5,470	23.6%	1,254	22.9%
America	2,464	9.0%	1,742	7.5%	722	41.4%
Asia	2,047	7.5%	1,969	8.5%	78	4.0%
Rest of the world	119	0.4%	54	0.2%	65	120.4%
Total	**27,264**	**100%**	**23,193**	**100%**	**4,071**	**17.6%**





Business performance

The revenues of the business unit in the period to 30 June 2022 amount to 27,264 thousand Euro, up by 17.6% compared with those for the period ended 30 June 2021. The business obtained competitive advantages and was able to benefit in full from the signs of recovery thanks to the new approach to customers adopted by the sales network, making use of digital tools, and the work carried out in the technical area on the development of new product families (such as the new SSR static units), as well as the application of new and more modern functions to existing products (in the areas of connectivity and diagnostics for example, or the reduction of energy consumption and the maintenance required following machine stoppages). These efforts have enhanced the competitiveness of the business, which was able to benefit from the growth opportunities offered by the market. The upward trend in revenues, which began in the last quarter of 2020 and continued throughout 2021 when sales returned to pre-pandemic levels, also continued during the first half of 2022. This trend was supported by the ability of the business to tackle supply chain issues in an effective manner.

The revenues of all the main geographical regions served by the business unit are greater than in the same period of 2021, with particular reference to Italy (+14%) and Europe (+22.9%).

The orders received during the first six months of 2022 amount to 26,090 thousand Euro, and were overall higher than in the first half of the previous year (+16.8%). The backlog at 30 June 2022 was also greater than at 30 June 2021 (+52.7%) and at the end of 2021 (+29%).

Turning to the second quarter of 2022, revenues amounted to 13,441 thousand Euro, up by 9.8% compared with the same period in 2021 when they totalled 12,241 thousand Euro.

EBITDA for the period ended 30 June 2022 rises to 2,947 thousand Euro (equal to 10.8% of revenues), which was an improvement of 291 thousand Euro over the figure reported at 30 June 2021 of 2,656 thousand Euro (11.5% of revenues). The sales growth recorded in the first six months of the year and the higher added value achieved explain the improvement in EBITDA compared to the first half of 2021.

EBIT in the first half of 2022 is positive by 1,511 thousand Euro (5.5% of revenues). By comparison, EBIT in the first half of 2021 was positive by 1,280 thousand Euro (also 5.5% of revenues). The increase of 231 thousand Euro reflects the dynamics described above: greater sales volume and added value, as only partially offset by higher ordinary operating costs.

Comparing the figures by quarter, EBIT in the second quarter of 2022 amounts to 440 thousand Euro (3.3% of revenues), compared with 765 thousand Euro (6.2% of revenues) in the same quarter of 2021.

Notably, the effect of adopting IFRS 16 has caused the automation components business to reverse leasing charges of 246 thousand Euro (228 thousand Euro reversed at 30 June 2021) and recognise right-of-use depreciation of 238 thousand Euro (230 thousand Euro recorded at 30 June 2021).

Investments

Investments in the first six months of 2022 amount to 1,151 thousand Euro. Investments in intangible assets amount to 393 thousand Euro, of which 266 thousand Euro reflects capitalisation of the cost of developing the new range of controllers and solid state relays. The remainder was for the purchase of software programmes and licences.

Investments in tangible fixed assets amount to 758 thousand Euro, including 717 thousand Euro invested in Italy for new machinery to enhance both production capacity and the efficiency needed for new products, improve factory buildings and renew electronic office machines and IT equipment.

Research and development

The Gefran Group invests significant financial and human resources in product research and development. In the first half of 2022, 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, at the laboratories in Provaglio d'Iseo (BS). R&D is managed by the technical area and includes development of new technologies, evolution of the characteristics of existing products, product certification and the design of custom products at the request of specific customers.

The cost of technical personnel involved in these activities, consultancy and materials used is charged in full to the income statement, except for the capitalisation of costs that meet the requirements of IAS 38. Costs identified for capitalisation according to the above requirements are deferred indirectly by recording "Increases for internal work" in the income statement.

The **sensors** area focused its research during the first half of 2022 on further expanding Gefran's offering in the areas of certification and connectivity, focusing on high-end melt sensors and industrial pressure sensors.

With particular regard to the products in the Melt range, current development projects seek to expand the geographical focus of certifications, by leveraging the IECEx certification obtained in 2020 that is needed to obtain multiple regional certifications. In particular, the Factory Mutual (FM) Explosion Proof certification obtained in 2021, which is needed to compete in the US market, has been supplemented with Sil 2 and PL'd' certifications that focus on applications with special functional safety requirements.

With regard to connectivity applied to Industrial pressure sensors, a version of the KS probe with IO-Link protocol has been released. This new product, named KS-I, replaces traditional analogue connections so that the benefits of digitalisation can now be delivered deep inside machines. IO-Link is actually the smart connectivity solution with the best cost-benefit performance, offering advantages in terms of cabling, self-parameterisation and acyclic data generation, which are all indispensable for Industry 4.0.

Research and development work 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 the pharmaceuticals sector. In particular, the evolution of the 2850T-3850T controllers that began in 2021 has been completed, with the development of advanced registration functionalities, recipe management and graphics features. Due to the release of software compliant with the requirements of standard CFR21 (the US standard that represents a global reference for the pharma sector), Gefran 2850T-3850T controllers can now be used for specific pharma and biotech applications, as well as in certain segments of the cosmetics and food processing sectors.

The Gefran portfolio of power controllers has been expanded with the addition of motorstarters, a new family of products that joins the existing families of SSR units and power controllers. The first product in the new family of motorstarters is G-Start, which was launched in May 2022. This compact motorstarter, available with different three power ratings, is designed for auxiliary automation solutions, such as fans, moving specific parts of machines and transportation. In plastics sector, G-Start can handle ventilated cooling, thus supplementing the established Gefran range focused on the control of heating during processes (injection, extrusion etc.).

Lastly, work has continued on extending the SSR platform launched in 2020, which features very small units. The evolution of the SSR platform has focused on developing modular products that make heavy use of common architectural elements (e.g. power modules) and can be produced using highly automated processes. This platform started out with the launch of the GRS-H in 2020, which was followed in late December 2021 by the GRP-H: the first solid state relay unit in the world with IO-Link connectivity that can be configured using a smartphone (NFC interface). The GRP-H obtained additional certifications in the first half of 2022; furthermore, new variants of the GRS-H were released and development work continued on the new two products in this family of SSR units.

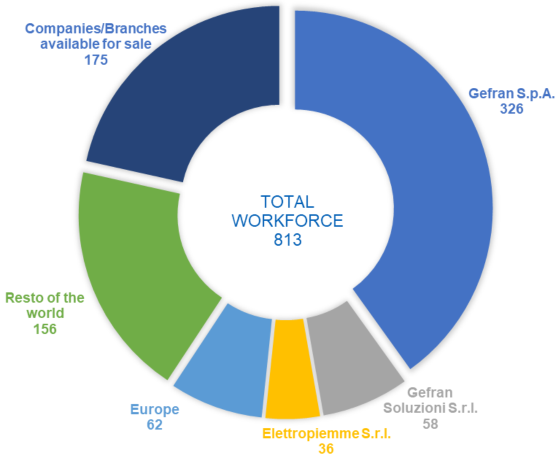
With regard to the **motion control** business reclassified as “Held for sale” pursuant to IFRS 5, operations are carried out at Gerenzano (VA) plant in Italy and focus in two principal directions. On the one hand, development of the standard catalogue, enriched with new Industry 4.0 functionalities for connectivity, safety and security; on the other, the implementation of custom products that satisfy the *ad hoc* technical performance requirements of market leaders in the industrial sector. During the first half of 2022, even greater emphasis was placed on the development of new technologies that improve product performance and allow the addition of new functions and services (such as remote assistance and preventive maintenance). These activities were carried out both by an in-house team and in collaboration with universities and research centres.

Human resources

Workforce

The Group’s workforce at 30 June 2022 totals 813 persons, up by 27 since the end of 2021 and by 35 since 30 June 2021. With regard to the framework disposal agreement described in the introduction, the companies and lines of business included within the scope of this operation employ 175 persons at 30 June 2022, of whom 145 in Italy and 30 at foreign plants.

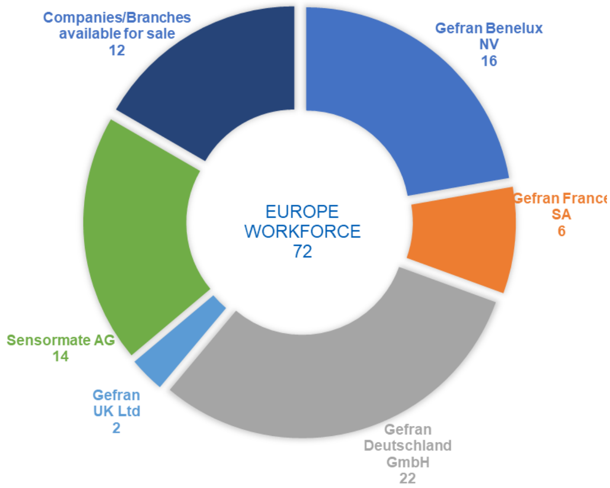
Workforce up to 30 June 2022



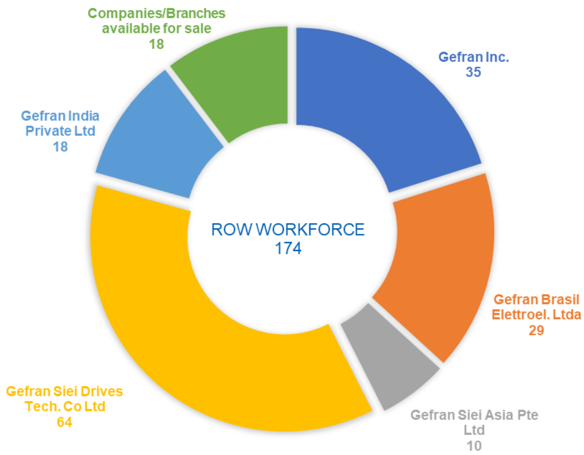
Solely with regard to continuing operations, the change reflects an overall turnover rate for the Group of 10.5%. The changes during the first half of 2022 are analysed as follows:

- 45 new employees joined the Group, including 28 manual workers, 15 clerical staff and 2 executives;
- 21 employees left the Group, including 7 manual workers, 13 clerical staff and 1 executive.

Europe Workforce up to 30 June 2022



Rest of the World Workforce up to 30 June 2022



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 and on its reputation. 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 the creation of value in the organisation. The ability to respond to risk correctly helps the Company to address corporate and strategic choices with confidence and prevent adverse consequences for the corporate and business targets set at Group level.

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 **Board of Directors**, which defines guidelines for the internal control and risk management system, consistent with the Company's strategies, and assesses its adequacy and effectiveness;
- the **Risk Control Committee** (RCC), which has the task of supporting, with adequate preliminary investigation, the assessments and decisions of the Board of Directors regarding the internal control and risk management system, as well as checking the proper application of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- the **Chief Executive Officer**, as defined in the *Corporate Governance Code*, who is entrusted with the task of identifying key corporate risks, implementing the risk management guidelines and checking their adequacy;
- the **Executive in charge of financial reporting**, who directly oversees application of the control model pursuant to Law 262/2005 and the related administrative and accounting procedures, ensuring that it is kept constantly updated;
- the **Internal Audit** function which, in compliance with international standards, has the task of checking continuously and in relation to specific requirements, the operation and suitability of the internal control and risk management system, via an audit plan approved by the Board of Directors that is based on a structured analysis of the main risks;
- the **Board of Statutory Auditors**, which monitors the effectiveness of the internal control and risk management system;
- the **Supervisory Body**, which monitors the implementation and correct application of the Organisational Model pursuant to Decree 231/2001.

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 the opportunity to strengthen its governance model and implement Enterprise Risk Management, promoting proactive risk management in support of the principal decision-making processes through the identification of any areas requiring special attention and focus.

This allows the Board of Directors and management to assess knowledgeably those risk scenarios that might compromise the achievement of strategic goals and take additional action to mitigate or manage significant exposures, thus strengthening the Group's corporate governance and internal control system. Enterprise Risk Management extends to all types of risk/opportunity of potential significance for the Group, represented in the Risk Model - shown in the figure below - which divides the 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 potential 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 remaining 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 control and risk management system and with the Board of Directors.

The assessment is repeated annually on the basis of actions to mitigate the risk triggered and the evolution of the contingent situation.

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 the assessment of scenarios should risks arise, defining possible plans of action for the mitigation of impacts (e.g. ongoing checks, stress tests on the business plan, arrangement 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 to the 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.

This process involves key 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 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 the systems and applications used. In particular, a strong focus is placed on cybersecurity, adopting procedures and systems to monitor and prevent attacks on the corporate network by hackers and arranging specific insurance cover.

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

Lastly, based on the economic results and cash flows generated in recent years, as well as available funds, there are not currently thought to be any major uncertainties that might cast significant doubt on the ability of the business to continue as a going concern.

External Risks

Risks associated with the general economic conditions and market trends

The macroeconomic situation at the start of 2022 is clouded by various events that threaten the economic recovery experienced during 2021, when a number of factors brightened the prospects for renewed global growth (e.g. the introduction of vaccines and the consequent vaccination campaigns). Production has slowed worldwide, especially during the second quarter, due to the adverse repercussions of the ongoing Russia-Ukraine conflict and a worsening of the Covid-19 pandemic.

Major uncertainties lead to expectations of slower growth: the current conflict could have repercussions for European gas supplies from Russia, while additional risks are linked to the rise in inflation and the tighter global financial conditions; in addition, the pandemic might fuel new outbreaks and related lockdowns.

Given these developments, the International Monetary Fund has recently revised its growth forecasts for 2022 and 2023. Globally, growth is expected to decline from 6.1% in 2021 to 3.2% in 2022 and then to 2.9% in 2023 (respectively 0.4% and 0.7% lower than was estimated in its April 2022 report).

In particular, the Euro-area economy is badly affected by tensions linked to the continuing Russia-Ukraine conflict, which has further increased the cost of energy commodities and created new procurement difficulties for businesses. Based on preliminary data, inflation rose to 8.6% in June. In general, growth did continue during the second quarter of 2022, albeit at a more moderate pace. The duration of the conflict and the consequent geopolitical dynamics are significant elements of uncertainty that condition macroeconomic forecasts in the short term, which are also affected by the worsening of the pandemic.

Bearing in mind that the Group does not hold strategic assets in territories currently affected by the hostilities and that commercial activities in those regions are limited (in 2021, just 0.6% of Group revenues were generated in the countries currently involved), Gefran does not believe - based on current assessments and recognising that the situation is still evolving - that the hostilities will have an additional significant direct impact on its activities and, consequently, on its ability to generate income, beyond that already absorbed during the first six months in terms of generalised increases in the cost of purchasing raw materials, gas and electricity.

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 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 ability to focus 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.

In order to mitigate the impact of this risk, the Gefran Group has invested in human resources through the inclusion of 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 Gefran 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 adversely 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, as well as to the national and international technical standards applicable to companies operating in the same industry and to the products made and sold.

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.

Although the Group's activities do not include the processing or treatment of materials or components to an extent representing a significant risk of pollution or, in any case, of environmental damage, the Group also pays special attention to the environmental protection and safety regulations.

The Group has introduced a series of controls and monitoring aimed at identifying and preventing any potential increase in this risk and prepared and distributed at all levels a "Health, Safety and Environment System". Furthermore, it has arranged 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 at the moment 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/or economic developments in the countries in which the Group operates could adversely affect - the extent of which would vary by country - the Group's prospects, operations and economic and financial results.

In the light of recent political developments pertaining to the Russia-Ukraine conflict, Gefran has formally expressed its willingness to discontinue commercial relations with customers residing in Russia and Belarus. Noting that the Group does not possess strategic assets in those regions and that the volume of business affected is modest (with reference to 2021, only 0.6% of the Group's revenues are generated in the countries currently involved in the conflict), it is believed that this decision will not significantly affect the ability of the Group to generate revenues.

Although the scenario is evolving, given current considerations, Gefran does not believe that the hostilities will have a significant direct impact on its activities and, consequently, on its ability to generate income.

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 sales 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, 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. To manage the exchange-rate risk resulting from future commercial transactions and the recognition of assets and liabilities denominated in foreign currencies, the Group primarily makes use of so-called "natural hedging", seeking to match the inflows and outflows of all currencies other than the functional currency of the Group; additionally, the Parent Company assesses and, if necessary, hedges the main currencies by arranging forward contracts. However, since the Company prepares its consolidated financial statements in Euro, fluctuations in the exchange rates used to translate the financial statements of subsidiaries, originally denominated 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 long-term financial payables. The Group is exposed almost exclusively to fluctuations in the Euro rate, since the majority of bank loans have been arranged by Gefran S.p.A.

These are primarily floating-rate loans that expose the Company to a risk associated with interest-rate volatility (cash flow risk). To limit exposure to this risk, the Parent Company arranges 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.

Given developments in the current political situation, both domestically and internationally, the rise in interest rates from the lows reached at present represents a risk factor in the coming quarters, although this is limited by hedging contracts.

Risks associated with fluctuations in commodity prices

Since production by the Group mainly involves mechanical, electronic and assembly processes, the exposure to energy price fluctuations is limited.

The Group is exposed to changes in basic commodity prices (e.g. metals) to a small extent, as the product cost component represented by these materials is quite limited.

On the other hand, the Group purchases electronic and electromechanical components for the production of finished products. These materials are exposed to significant price fluctuations that could adversely affect the Group's results.

The current market trend is towards widespread increases, mainly driven by the scarcity of raw materials and electronic components in particular, and is leading to significant price fluctuations with an impact on the overall cost of products, though currently only to a limited extent.

The outbreak and continuation of the Russia-Ukraine conflict, still unresolved at the time of publication, has resulted in further marked increases in the cost of energy commodities, with an impact on inflation and higher prices. The international institutions expect a slowdown in the global economic cycle during 2022. Generalised increases in the cost of raw materials could impact on the economic results of the Group. These effects are currently mitigated by a more careful and efficient management of the supply chain and logistic-productive processes within the organisation and, accordingly, they are not expected to be significant, while remaining hard to forecast.

Risks associated with funding requirements and cash risk

The Gefran Group's financial situation is subject to risks associated with the general performance of the economy, the achievement of objectives and trends in the sectors in which the Group operates.

Gefran's capital structure is strong; in particular, own funds total 86.4 million Euro, while liabilities amount to 90 million Euro. Most existing loan contracts were negotiated at floating rates, determined with reference to Euribor plus an average spread that, in the last two years, was less than 110 bps. At this time, none of the loans outstanding include covenants (for details, please refer to section 16 "Net Financial Position" in the Explanatory Notes).

Operations in the first half of 2022 (only partially offset by capital expenditure) generated free cash flow of 6 million Euro.

At 30 June 2022, the net financial position is negative overall by 0.2 million Euro, reflecting a reduction of 3.4 million Euro since the end of the previous year, after distributing 5.5 million Euro in dividends and making technical investments of 3.1 million Euro.

Excluding the effect of reclassifying the disposal groups linked to the sale of the motion control business to the WEG Group, the net financial position at 30 June 2022 is positive by 2.5 million Euro, compared with a restated amount at 31 December 2021 that, similarly, was positive by 3.4 million Euro.

Credit lines and cash on hand are sufficient with respect to 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 an integral part of the customer's product design, being incorporated into their end products and having a significant influence on their 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. The solvency of all customers is monitored regularly and any risks are periodically covered by appropriate provisions. Despite these precautions, under current market conditions, it is possible that some customers may be unable to generate sufficient cash flow or access sufficient sources of funding, resulting in payment delays or failure to honour their obligations.

The current Russia-Ukraine conflict could lead to an indirect insolvency risk for Gefran, as the Group’s customers could in turn have customers located in the conflict areas, preventing them from fulfilling their commitments. The Group has acted promptly to implement procedures that minimise these impacts, which are currently considered insignificant.

Receivables are adjusted to their estimated realisable value by the allowance for doubtful accounts, which is determined pursuant to IFRS 9 with reference to the expected credit losses on each position, taking account of past experience in each business area and geographical region.

The Group has developed estimates based on the best information available about past events, current economic conditions and forecasts for the future. With reference to the latter point, the Group has carried out analyses using a risk matrix that considers geographical region, business sector and individual customer solvency.

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

Strategic Risks

Risks associated with implementation of the Group's strategy

Gefran's ability to improve profitability and achieve the expected profit margins also depends 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 the 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.

In this light, signature of the framework agreement for the sale of the motion control business confirms the focused strategic evolution of the Group, which aims to strengthen its long-established and strategic sectors: sensors and automation components, where Gefran has invested most heavily in recent years.

Given the uncertainty about the future macroeconomic environment, partly due to evolution of the geo-political crisis to the east and the trends observed during the first six months of 2022, 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 should one or more competitors propose business models or technologies that are more innovative than Gefran's.

In order to mitigate the impact of this risk, the Gefran Group has invested in software that introduces new production and process controls via the reorganisation of production flows, as well as in human resources, with the addition of specialised personnel focused on the areas of innovation and innovative technological trends.

Nevertheless, certain factors might cause delays that 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 Conduct*, updated by the Board of Directors at its 10 March 2022 meeting, the related internal compliance procedures put in place and the controls adopted together 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.

On 10 March 2022 Gefran approved the “Management of dialogue with Shareholders and Investors” policy (so-called Code of Engagement), in application of the Corporate Governance Code approved by the Italian Corporate Governance Committee. The adoption of this policy, aimed at regulating and promoting dialogue with shareholders and institutional analysts, is consistent with one of the principles that has always characterised the Company: encouraging honest dialogue with stakeholders with a view to creating value in the medium to long term.

Respect for people and appreciation 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 applies to the Group as a whole.

Gefran has also effectively adopted an Organisation and Management Model pursuant to Decree 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 two professionals with excellent knowledge of administrative 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 funded 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.

In response to the spread of Covid-19 in early 2020, the Group promptly set up a task force to identify the location of suppliers considered critical and, when they were located in areas and countries subject to lockdowns, direct orders to the plants that were still in operation. The Group’s Purchasing Department assessed alternative suppliers to mitigate the risk of supply interruptions, while also purchasing the materials necessary - even in advance of production needs - to guarantee the continuity of production at the Group’s plants, which did not suffer interruptions due to material shortages.

Some of the operating methods developed at the outset of the emergency 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 associated with possible supply chain interruptions caused by events beyond the Group’s control. These procedures were applied and implemented immediately to address the current market situation, characterised by a shortage of electronic components that is resulting in major price increases and significantly longer procurement lead times.

Lastly, it is confirmed that the Group does not have direct supply relationships in countries currently involved in the Russian-Ukraine conflict.

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. This is highlighted by the quality function that, 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 arranged insurance policies deemed sufficient to protect against product liability risks. Furthermore, a specific product warranty provision is recorded to cover these risks, in line with the volume of business and the historical occurrence of claims.

Nevertheless, should the insurance cover and risk provisions prove inadequate, the Group's economic and financial position could be adversely affected. In addition, the Group's involvement in disputed claims and any related adverse rulings could expose it to reputational damage, which might also affect the economic 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 not been any significant interruptions of activity in recent years, except for limited periods and in relation to the healthcare emergency linked to the ongoing pandemic; however, future interruptions cannot be ruled out, and if they occur for lengthy periods, the Group's economic and financial position could be adversely affected if the losses exceed the amount currently covered by insurance policies.

Gefran has implemented a disaster recovery system for restoring the systems, data and infrastructures needed by the business in the event of an emergency and in order to contain its impact.

To mitigate this risk, Gefran has developed plans for investment in plant and machinery, aiming for the digitalisation of processes, the expansion and reorganisation of productive areas and the hiring of new employees. Additionally, the uniformity of production processes and use of the same bill of materials means, if required by external conditions, that production can be transferred to plants not specified in the standard operating processes.

However, possible major fluctuations in demand that prevent effective production planning, or demand in excess of productive capacity, could result in lost business opportunities or even lost 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 arise in the various business sectors, in order to define opportunities and take action to minimise these risks wherever possible.

In response to the spread of Covid-19, Gefran has implemented and maintained the procedures needed to guarantee the health of all collaborators.

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 carries out this activity, collecting and publishing the necessary updates on the corporate intranet, so that the information can be disseminated to all interested parties.

Protecting the health and safety of its stakeholders is essential for Gefran. Confirming the importance of these issues, during 2020 the organisation established an integrated “Quality, Safety and Environment” function that still operates today, drawing on Group-wide expertise. The policy for the “Health, Safety and Environment System”, which defines guiding principles in these areas, has also been signed and disseminated throughout the Group.

Legal and compliance risks

Legal risks and product liability

In the context of Gefran’s core business, the manufacture and sale of products may give rise to issues linked to defects and consequent civil liabilities towards customers or third parties. The Group is therefore exposed to the risk of product liability claims in the countries in which it operates.

In line with the practices of many operators in the sector, Gefran has arranged insurance policies deemed sufficient to protect against product liability risks. It also records a specific provision against these risks.

Nevertheless, should the insurance cover and risk provisions prove inadequate, the Group’s economic and financial position could be adversely affected. In addition, the Group’s involvement in disputed claims and any related adverse rulings could expose it to reputational damage, which might also affect the economic and financial position.

Risks associated with intellectual property rights

Although the Group believes that an appropriate system has been adopted to protect its intellectual property rights, difficulties in defending these rights may still be encountered.

Furthermore, the intellectual property rights of third parties could inhibit or limit the Group’s capacity to place new products on the market. These events could have an adverse impact on the development of activities and on the Group’s economic and financial position.

Significant events in the first half of 2022

- On 10 February 2022, the Board of Directors of Gefran S.p.A. examined the preliminary results at 31 December 2021.

  On the same date, the Board of Directors was informed that the Company had received the resignation of Fausta Coffano, the Group Chief Financial Officer, Executive in Charge of Financial Reporting and Investor Relations Officer. The resignation was effective from 30 April 2022.

- On 10 March 2022, the Board of Directors of Gefran S.p.A. unanimously approved the separate financial statements at 31 December 2021, the consolidated financial statements and the consolidated non-financial statement.

  The Board of Directors also resolved to propose to the Shareholders' Meeting the distribution of a dividend of 0.38 Euro per share in circulation (not including own shares) by drawing on the net profit for the year, with allocation of the residual amount to retained earnings.

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

- On 13 April 2022, following the resignation of Fausta Coffano and with the favourable opinion of the Board of Statutory Auditors, the Board of Directors of Gefran S.p.A. appointed General Manager Marcello Perini as the interim Executive in charge of financial reporting with effect from 30 April 2022, until the new Chief Financial Officer is appointed to that role.

  At the same meeting and with effect from that date, the Board of Directors also appointed Vice Chairwoman Giovanna Franceschetti to the role of Investor Relator.

- On 28 April 2022, the Ordinary Shareholders' Meeting of Gefran S.p.A. resolved to:
  - Approve the Financial Statements for the financial year 2021 and distribute an ordinary dividend, gross of withholding taxes, of 0.38 Euro per eligible share (ex-dividend date 9 May 2022, record date 10 May 2022 and payment date 11 May 2022). The remainder of the annual profit was allocated to retained earnings reserve.
  - Authorise the Board of Directors to purchase 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 that approved the Group's 2022 Remuneration Policy and also expressed a favourable opinion on its 2021 Remuneration Report.

- Following the resignation of Fausta Coffano with effect from 30 April 2022, Paolo Beccaria was appointed as the Chief Financial Officer of the Group on 20 June 2022.

Significant events following the first half of 2022

- On 1 August 2022, the Board of Directors of Gefran S.p.A. resolved to sign a framework agreement for the disposal of the motion control business to the Brazilian WEG Group for a total of Euro 23 million.

  The scope of the operation comprises Gefran Drives and Motion S.r.l. based in Gerenzano (Italy) and Siei Areg GmbH based in Pleidelsheim (Germany), both subsidiaries, together with the motion control lines of business of Gefran Siei Drives Technology Co Ltd based in Shanghai (China) and Gefran India Private Ltd based in Pune (India), which are also both subsidiaries.

  Founded in 1961, the WEG group operates globally in the production of electrical and electronic equipment used, principally, in the production of operating assets. Present in 135 countries with production plants in 12 and over 37,000 employees, the group generated revenues of 23.6 billion Brazilian Reals in 2021. This ranks it among the leading global operators in this sector.

  For Gefran, the operation fits well with the strategic evolution of the Group, which is focused on strengthening its strategic sectors: sensors and automation components, where Gefran has invested most heavily in recent years and where the Group seeks to accelerate growth significantly, both organically and via acquisitions.

- On 4 August 2022 with the favourable opinion of the Board of Statutory Auditors, the Board of Directors of Gefran S.p.A. appointed Paolo Beccaria, already Group Chief Financial Officer, as the Executive in Charge of Financial Reporting.

Outlook

The macroeconomic situation at the start of 2022 is clouded by various events that threaten the economic recovery experienced during 2021, when a number of factors brightened the prospects for renewed global growth (e.g. the introduction of vaccines and the consequent vaccination campaigns). Production has slowed worldwide, especially during the second quarter, due to the adverse repercussions of the ongoing Russia-Ukraine conflict and a worsening of the Covid-19 pandemic, which has led to new lockdowns consequent to the highly restrictive policies adopted by certain governments (e.g. the Zero Covid policy in China). There are also signs of a recession in the United States, given the slowdown in growth, the reduced purchasing power of households and the tightening of monetary policy.

Given these developments, the International Monetary Fund has recently revised downwards its growth forecasts for 2022 and 2023. Globally, growth is expected to decline from 6.1% in 2021 to 3.2% in 2022 and then to 2.9% in 2023 (respectively 0.4% and 0.7% lower than was estimated in its April 2022 report). Major uncertainties lead to expectations of slower growth: the current conflict could have repercussions for European gas supplies from Russia, while additional risks are linked to the rise in inflation and the tighter global financial conditions; in addition, the worldwide pandemic might fuel new outbreaks and related lockdowns.

In particular, the Euro-area economy is badly affected by tensions linked to the continuing Russia-Ukraine conflict, which has further increased the cost of energy commodities and created new procurement difficulties for businesses. Based on preliminary data, inflation rose to 8.6% in June. In general, growth did continue during the second quarter of 2022, albeit at a more moderate pace. The duration and intensity of the conflict are significant elements of uncertainty that condition macroeconomic forecasts in the short term, which are also affected by the worsening of the pandemic.

GDP in the Eurozone is projected to grow by 2.6% in 2022 and 1.2% in 2023. Within Italy, growth is estimated at 3% in 2022 and 0.7% in 2023.

Italian GDP grew by 0.1% in the first quarter of 2022 followed by a slight acceleration in the second quarter (based on the central projection of the models used by the Bank of Italy, GDP is estimated to have increased by 0.5% in the quarter just ended), evidencing a certain resilience in the face of the uncertainties described above due, in the main, to increased consumption. In the final analysis, the evolving domestic political situation could even affect the financial markets, resulting in a further increase in the spread that has already been penalised by the lack of liquidity in the sovereign bond market and a marked increase in volatility.

The greatest uncertainties for the Group, regarding the ability to convert the emerging business opportunities into revenues, come from major uncertainties in the supply chain. These concern the likelihood of receiving all the materials needed for production and the actual lead times involved.

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

A number of current and potential market segments show room for growth, for those able to guarantee products and services in this context of uncertainty. In this context, the Group focuses maximum attention on meeting market demands, not least in order to seize these growth opportunities.

Given the above and the operation described in the introduction to this Report, regarding signature of the framework agreement for the sale of the motion control business, it is expected that the continuing operations of Gefran will generate increased revenues with respect to the prior year, with similar margins in percentage terms.

Possible impact of the conflict in Ukraine

The first half of 2022 was marked by heightened tensions between Russia and Ukraine. The geopolitical crisis which led to the current conflict has progressively involved the international community, leading the NATO countries to introduce increasingly stringent sanctions against the invading country.

This state of global uncertainty has further fuelled the rise in inflation, as reflected in higher raw material costs, particularly for energy commodities, as Russia is one of the world’s leading energy suppliers. The Group continues to follow developments and monitor procurement costs, given that the evolution of the global scenario could well have an impact.

Gefran, which supports the international community in demanding peace, is committed to supporting the economic sanctions applied by the European Union and acting in accordance with them. In this context, the Group has stated its intention not to undertake any new activities or sign any new contracts involving Russian and Belarusian customers or suppliers.

Given that the Group does not hold strategic assets in the territories directly involved in the conflict and that sales in these regions are limited (only 0.6% of the Group’s 2021 revenue was generated in the countries currently involved), no direct impact is estimated at this time.

Additionally, with regard to possible repercussions on the Russian supplies of gas to European countries, it is confirmed that the productive activities of the Group do not require the consumption of gas. All the methane gas purchased by Gefran is used to heat working environments. Even so, possible rationing or supply interruptions could require the Group to reorganise certain activities, in order to guarantee the continuity of production.

Covid-19

The global spread of the Coronavirus (Covid-19) in 2020 resulted in the declaration by the World Health Organisation of a “global pandemic” in March, given the growing number of countries that were reporting infections.

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 social and economic impact.

The Group responded with the prompt introduction of measures to protect the health and safety of all collaborators (both employees and other business partners), while ensuring business continuity to the extent compatible with government directives. This led to the definition of specific procedures for behaviour and access to business premises, and to the preparation of health and safety protocols. Synergies were also released within the Group in response to the initial shortage of PPE, ensuring that all employees had access to essential protective devices. In addition, targeted investment sought to guarantee safe working conditions for employees, having regard for the legislation enacted by governments (e.g. the organisation of checkpoints equipped with devices to check their green passes, as required by the regulations issued).

A task force was set up to manage the supply chain in order to ensure business continuity, responding to problems linked to the geographical location of suppliers and local lockdowns; to date, there have not been any interruptions in production attributable to material shortages and all financial commitments to suppliers have been met.

During the first half of 2022, the worsening of the pandemic and the containment policies adopted by certain governments, especially the Zero Covid policy adopted in China, have resulted in new, more restrictive measures with, indeed, the total shutdown of activities in certain geographical regions. Gefran was directly affected by these measures, especially with regard to the Shanghai plant, where activities only started to recover slowly from the beginning of June. The plant concerned is fully operational at this time. Asia was the only main region that saw a contraction in revenues during the first half of 2022, which were 5.3% lower than in the same period of 2021. This outcome would have been worse (-11.1%) without the positive contribution made by currency dynamics.

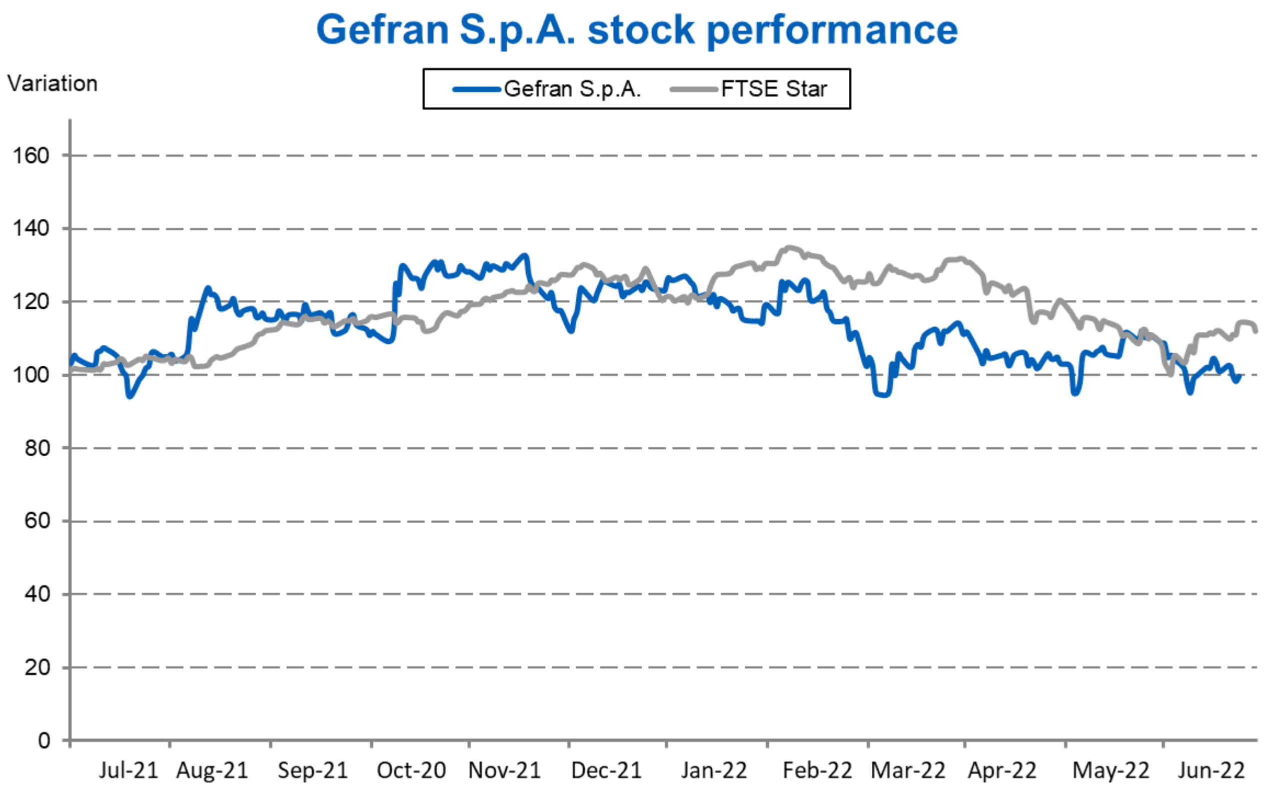
As of the publication date of this half-year financial report, a number of the measures introduced by Gefran back in 2020 to safeguard human health and business continuity remain in place. The Group’s production activities continue at all locations, while clerical staff work partly in the office and partly from home.

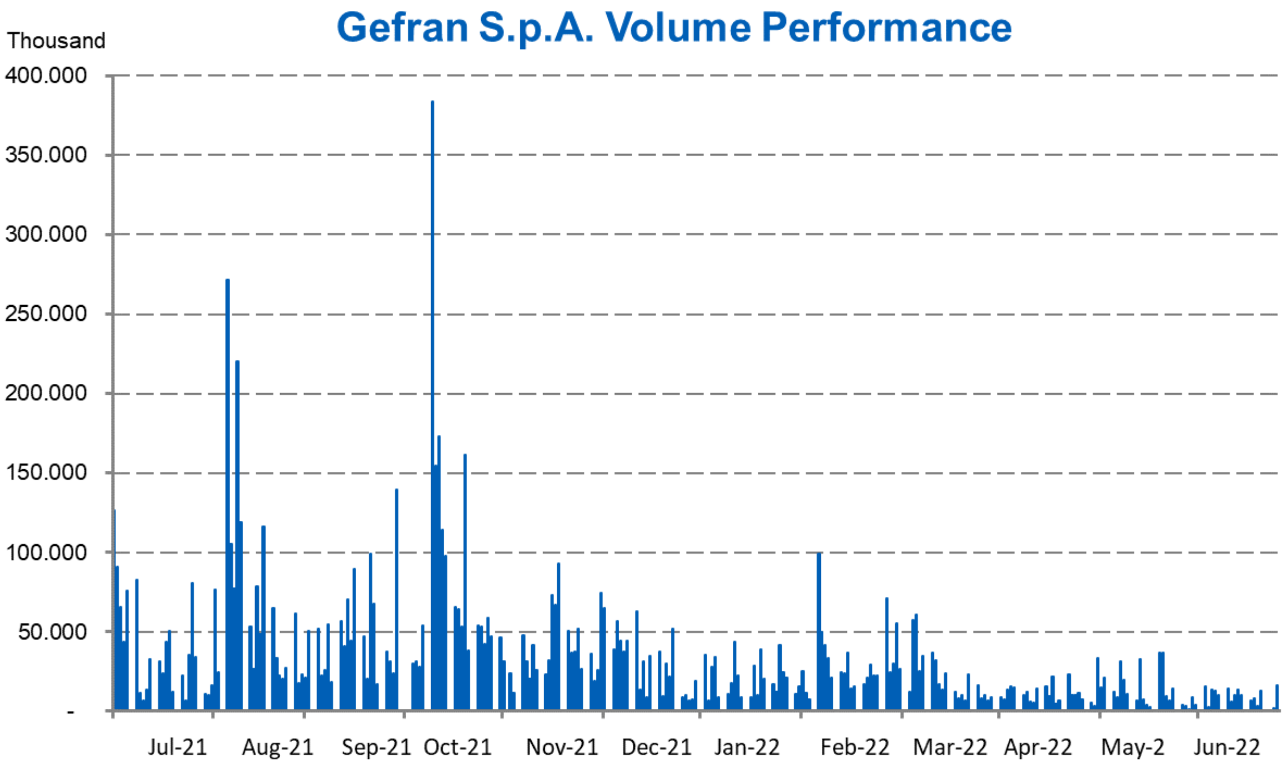
Own shares and stock performance

At 31 December 2021, 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 of which were purchased in the fourth quarter of 2018.

No own shares were bought or sold in the first half of 2022 and, as of the date of this report, the situation is unchanged.

The performance of the stock and volumes traded in the last 12 months are summarised below:





Dealings with related parties

On 12 November 2010, the Board of Directors of Gefran S.p.A. approved the "Internal Procedure for Transactions with Related Parties", in application of Consob resolution no. 17221 dated 12 March 2010. This document is published in the "Governance" section of the Company's website and is available at the following link https://www.gefran.com/en/gb/governance, in the "Documents and procedures" section.

The procedure was updated by the Board of Directors on 24 June 2021 to implement the new requirements of Directive (EU) 2017/828 (a.k.a. "Shareholders' Rights II"), which was transposed into Italian law by Decree 49/2019, with regard to the primary legislation, and by Consob Resolution no. 21624 of 10 December 2020, with regard to the 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.

On 5 May 2022, the Control and Risks Committee, acting as the Related Parties Committee, assessed and approved the signature of an employment contract with Paolo Beccaria, a related party, who was appointed as the Chief Financial Officer of the Gefran Group on 20 June 2022.

Please refer to paragraph 30 of the notes to the Consolidated Half-Year Financial Statements for details of the transactions between Group companies and related parties.

Disclosure simplification

On 1 October 2012, the Board of Directors of Gefran S.p.A. resolved to make the election for simplified disclosure envisaged in 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 period

(Euro /000)	Notes	2Q 2022	2Q 2021	progress. 30 June 2022	progress. 30 June 2021
Revenue from product sales	20	33,636	30,599	68,382	58,129
of which related parties:	30	35	-	85	-
Other revenues and income	21	501	615	926	1,009
Increases for internal work	12,13	270	269	511	521
TOTAL REVENUES		**34,407**	**31,483**	**69,819**	**59,659**
Change in inventories	15	2,013	1,382	3,594	2,849
Costs for raw materials and accessories	22	(12,107)	(10,468)	(23,887)	(19,923)
Service costs	23	(5,705)	(5,028)	(10,818)	(9,400)
of which related parties:	30	(105)	(32)	(147)	(79)
Miscellaneous management costs		(183)	(198)	(369)	(398)
Other operating income		8	29	9	30
Personnel costs	24	(11,617)	(10,554)	(22,872)	(20,357)
Impairment/reversal of trade and other receivables	15	(23)	8	(76)	(26)
Amortisation and impairment of intangible assets	25	(442)	(466)	(873)	(935)
Depreciation and impairment of tangible assets	25	(1,035)	(921)	(2,043)	(1,839)
Depreciation/amortisation total usage rights	25	(286)	(276)	(563)	(540)
EBIT		**5,030**	**4,991**	**11,921**	**9,120**
Gains from financial assets	26	1,716	214	2,391	734
Losses from financial liabilities	26	(1,467)	(319)	(1,905)	(648)
(Losses) gains from shareholdings valued at equity		5	1	13	6
PROFIT (LOSS) BEFORE TAX		**5,284**	**4,887**	**12,420**	**9,212**
Current taxes	27	(1,567)	(1,149)	(3,412)	(2,044)
Deferred tax assets and liabilities	27	164	68	219	(29)
TOTAL TAXES		**(1,403)**	**(1,081)**	**(3,193)**	**(2,073)**
NET PROFIT (LOSS) FOR THE PERIOD FROM CONTINUOUS OPERATING ACTIVITIES		**3,881**	**3,806**	**9,227**	**7,139**
Net profit (loss) from assets held for sale	28	(3,893)	549	(4,396)	915
NET PROFIT (LOSS) FOR THE PERIOD		**(12)**	**4,355**	**4,831**	**8,054**
Attributable to:					
Group		(12)	4,355	4,831	8,054
Third parties		-	-	-	-

Earnings per share (Euro)	Notes	progress. 30 June 2022	progress. 30 June 2021
Basic earnings per ordinary share	18	0.34	0.56
Diluted earnings per ordinary share	18	0.34	0.56

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

(Euro /000)	Notes	2Q 2022	2Q 2021	progress. 30 June 2022	progress. 30 June 2021
NET PROFIT (LOSS) FOR THE PERIOD		**(12)**	**4,355**	**4,831**	**8,054**
Items that will not subsequently be reclassified in the statement of profit/(loss) for the period					
- equity investments in other companies	17	(116)	147	(123)	119
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period					
- conversion of foreign companies' financial statements	17	736	504	1,293	687
- fair value of cash flow hedging derivatives	17	126	116	301	109
Total changes, net of tax effect		**746**	**767**	**1,471**	**915**
Comprehensive result for the period		**734**	**5,122**	**6,302**	**8,969**
Attributable to:					
Group		734	5,122	6,302	8,969
Third parties		-	-	-	-

Statement of financial position

(Euro /000)	Notes	30 June 2022	31 December 2021
NON-CURRENT ACTIVITIES			
Goodwill	11	6,091	5,856
Intangible assets	12	6,212	6,315
Property, plant, machinery and tools	13	34,964	34,548
of which related parties:	30	61	188
Usage rights	14	2,632	2,729
Shareholdings valued at equity		108	95
Equity investments in other companies		1,993	2,118
Receivables and other non-current assets		92	89
Deferred tax assets	27	3,795	3,597
Non-current financial investments for derivatives	16	310	-
Other non-current financial investments		48	67
TOTAL NON-CURRENT ACTIVITIES		**56,245**	**55,414**
CURRENT ACTIVITIES			
Inventories	15	18,476	14,449
Trade receivables	15	27,740	24,752
of which related parties:	30	43	68
Other receivables and assets		3,222	3,603
Current tax receivables	27	514	361
Cash and cash equivalents	15	25,182	35,497
Current financial receivables	15	4,162	2,201
TOTAL CURRENT ACTIVITIES		**79,296**	**80,863**
ASSETS HELD FOR SALE	8	**40,818**	**42,398**
TOTAL ASSETS		**176,359**	**178,675**
SHAREHOLDERS' EQUITY			
Share capital	17	14,400	14,400
Reserves	17	67,148	57,446
Profit / (Loss) for the year	17	4,831	13,692
Total Group Shareholders' Equity		86,379	85,538
Shareholders' equity of minority interests	17	-	-
TOTAL SHAREHOLDERS' EQUITY		**86,379**	**85,538**
NON-CURRENT LIABILITIES			
Non-current financial payables	16	11,781	16,483
Non-current financial payables for IFRS 16 leases	16	1,738	1,121
Non-current financial liabilities for derivatives	16	-	88
Employee benefits		2,873	2,841
Non-current provisions	19	562	1,035
Deferred tax provisions	27	1,049	916
TOTAL NON-CURRENT LIABILITIES		**18,003**	**22,484**
CURRENT LIABILITIES			
Current financial payables	16	12,788	15,059
Current financial payables for IFRS 16 leases	16	924	1,640
Trade payables	15	22,725	21,393
of which related parties:	30	107	96
Current provisions	19	1,348	1,272
Current tax payables	27	1,959	2,675
Other payables and liabilities		10,889	10,413
TOTAL CURRENT LIABILITIES		**50,633**	**52,452**
LIABILITIES HELD FOR SALE	8	**21,344**	**18,201**
TOTAL LIABILITIES		**89,980**	**93,137**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**176,359**	**178,675**

Consolidated cash flow statement

(Euro /000)	Notes	30 June 2022	30 June 2021
(A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**35,497**	**41,742**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD			
Net profit (loss) for the period		4,831	8,054
Depreciation, amortisation and impairment	25	3,479	3,311
Provisions (Releases)	15,19	1,099	942
Capital (gains) losses on the sale of non-current assets	12,13	-	(18)
Net profit (loss) from assets held for sale	28	4,396	(915)
Net result from financial operations	26	(499)	(92)
Taxes	27	3,412	2,044
Change in provisions for risks and future liabilities	19	(740)	(452)
Change in other assets and liabilities		301	(219)
Change in deferred taxes	27	(220)	31
Change in trade receivables	15	(2,690)	(7,304)
of which related parties:	30	25	-
Change in inventories	15	(4,152)	(3,296)
Change in trade payables	15	1,217	5,822
of which related parties:	30	11	-
Operational flows from disposal groups held for sale	8	(1,272)	5,651
TOTAL		**9,162**	**13,559**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	12,13	(2,666)	(2,173)
of which related parties:	30	(61)	-
- Financial receivables		(3)	3
Disposal of non-current assets	12,13	26	26
Investment flows from disposal groups held for sale	8	(494)	(605)
TOTAL		**(3,137)**	**(2,749)**
D) FREE CASH FLOW (B+C)		**6,025**	**10,810**
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	16	-	307
Repayment of financial debts	16	(5,963)	(5,394)
Increase (decrease) in current financial payables	16	(2,374)	1,586
Outgoing cash flow due to IFRS 16	16	(582)	(537)
Taxes paid	27	(3,986)	(462)
Interest paid	26	(125)	(464)
Interest received	26	268	33
Dividends paid	17	(5,462)	(3,737)
Financial flows from disposal groups held for sale	8	2,248	(4,956)
TOTAL		**(15,976)**	**(13,624)**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**(9,951)**	**(2,814)**
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE		**(482)**	**(90)**
H) Exchange rate translation differences on cash at hand	16	118	467
I) NET CHANGE IN CASH AT HAND (F+G+H)		**(10,315)**	**(2,437)**
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)		**25,182**	**39,305**

Statement of changes in shareholders' equity

(Euro /000)	Notes	Share capital	Capital reserves	Consolidation reserve	Other reserves	Retained profit /(loss)	Overall EC reserves			Profit/(loss) for the year	Group Total shareholders' equity	Shareholders' equity of minority interests	Total shareholders' equity
							Fair value measurement reserve	Currency translation reserve	Other reserves				
Balance at 1 January 2021		**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	*17*	-	-	(1,927)	-	6,280	-	-	-	(4,353)	-	-	-
- Dividends	*17*	-	-	-	-	(8,480)	-	-	-	-	(8,480)	-	(8,480)
Income/ (Expenses) recognised at equity	*17*	-	-	-	(18)	-	350	-	44	-	376	-	376
Change in translation reserve	*17*	-	-	-	-	-	-	1,694	-	-	1,694	-	1,694
Other changes	*17*	-	-	79	(2)	-	-	-	-	-	77	-	77
Profit 2021	*17*	-	-	-	-	-	-	-	-	13,692	13,692	-	13,692
Balance at 31 December 2021		**14,400**	**21,926**	**4,894**	**10,087**	**17,039**	**280**	**3,885**	**(665)**	**13,692**	**85,538**	**-**	**85,538**
Destination of profit 2021													
- Other reserves and provisions	*17*	-	-	4,487	-	9,205	-	-	-	(13,692)	-	-	-
- Dividends	*17*	-	-	-	-	(5,462)	-	-	-	-	(5,462)	-	(5,462)
Income/ (Expenses) recognised at equity	*17*	-	-	-	-	-	178	-	-	-	178	-	178
Change in translation reserve	*17*	-	-	-	-	-	-	1,293	-	-	1,293	-	1,293
Other changes	*17*	-	-	1	-	-	-	-	-	-	1	-	1
Profit 30 June 2022	*17*	-	-	-	-	-	-	-	-	4,831	4,831	-	4,831
Balance at 30 June 2022		**14,400**	**21,926**	**9,382**	**10,087**	**20,782**	**458**	**5,178**	**(665)**	**4,831**	**86,379**	**-**	**86,379**

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 financial report of the Gefran Group for the period ended 30 June, 2022 was approved, and its publication was authorised, by the Board of Directors on 9 September 2022.

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 have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union.

They comprise the financial statements of Gefran S.p.A., its subsidiaries and its direct and indirect associates, approved by their respective Boards of Directors. The consolidated companies have adopted international accounting standards, with the exception of a number of companies whose financial statements have been restated in accordance with IAS/IFRS for consolidation purposes.

The consolidated half-yearly financial statements have been reviewed 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;
- the cash flow statement prepared using the indirect method, which adjusts the net profit for the period to eliminate taxes and the effects of non-monetary transactions, any deferral or allocation from previous or future operating collections or payments, and revenues or costs associated with the cash flows deriving from investment or financing activities; with a view to greater transparency, the Company has chosen to present the cash flow statement in a format that better represents its own dynamics, starting with net profit for the period and then eliminating the taxes charged to the income statement, rather than starting with the pre-tax profit.

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

4. Consolidation principles and measurement criteria

The measurement criteria adopted for the preparation of these half-yearly financial statements at 30 June 2022 are consistent with those adopted to prepare the annual financial report at 31 December 2021.

With reference to Consob Communication DEM/11070007 of 5 August 2011, it is also noted that the Group does not hold in its portfolio any bonds issued by central or local governments or government agencies, and is therefore not exposed to risks generated by market fluctuations. The consolidated half-yearly financial statements have been prepared under the historical cost convention, adjusted as required for the measurement of certain financial instruments.

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 external information and the sensitivity analysis needed to measure certain financial instruments.

With reference to Consob Communication 0092543 dated 3 December 2015, it is noted that the Report on operations follows the ESMA guidelines (ESMA/2015/1415) for the disclosures needed to ensure the comparability, reliability and understandability 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 disclosed in the financial statements was considered in the Directors’ Report on Operations. We also note that the application of IFRS 13 “Fair Value Measurement” by Gefran did not involve significant changes to the financial statements.

5. Change in the scope of consolidation

The scope of consolidation at 30 June 2022 was the same as at 31 December 2021, but different to that at 30 June 2021, as the liquidation of Gefran Siei Electric, a Chinese company dormant since the start of 2009, was completed in the fourth quarter of 2021.

In particular, the scope of consolidation includes the companies and lines of business subject to the framework agreement signed on 1 August 2022 for disposal of the motion control business to the WEG Group. The scope of the operation comprises Gefran Drives and Motion S.r.l. based in Gerenzano (Italy) and Siei Areg GmbH based in Pleidelsheim (Germany), both subsidiaries, together with the motion control lines of business of Gefran Siei Drives Technology Co Ltd based in Shanghai (China) and Gefran India Private Ltd based in Pune (India), which are also both subsidiaries.

6. Accounting standards, amendments and interpretations not yet applicable

At the date of this half-yearly financial report, the process of obtaining EU endorsement was in progress for the following amendments issued by the IASB that, once in force, could affect the Company's financial statements:

- amendments concerning IAS 1 "Presentation of Financial Statements", which concerns the presentation of accounting policies;
- amendment concerning IAS 8 "Accounting Principles, Changes in Accounting Estimates and Errors" in order to determine the presentation of accounting estimates;
- amendment concerning IAS 12 "Income taxes," which aims to manage deferred taxation in relation to fixed assets and payables deriving from a single transaction.

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

In addition, the following amendments have been endorsed by the EU and are applicable from 1 January 2022:

- amendment concerning IFRS 3 "Business combinations," which establishes the principles and requirements for how the acquiring company in a business combination recognises acquired assets and liabilities and goodwill, if any, and provides its stakeholders with appropriate disclosures; the intention is to distinguish more clearly between the "acquisition of an enterprise" and the acquisition of a "group of assets";
- amendment concerning IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use", which relates to the 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 an enterprise should include for the fulfilment of a contract deemed "onerous".

A preliminary assessment by the Company did not reveal any significant effects on its financial statements.

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

The Group makes estimates and assumptions to measure certain items when preparing the consolidated half-yearly financial statements and related explanatory notes in accordance with IAS/IFRS. These are based on historical experience and uncertain but realistic assumptions that are assessed regularly and, if necessary, updated, with effect on the income statement for the period and prospectively. The uncertainty inherent in these assessments may lead to misalignment between the estimates made and recognition in the financial statements of the actual effects of the forecasted events.

The following processes require management to make accounting estimates, and for which a change in the underlying conditions could have a significant impact on the consolidated financial data:

<u>Inventory allowance</u>

Inventories are stated at their purchase cost (measured using the weighted average cost method) or, if lower, their net realisable value. The inventory allowance is needed to align the value of inventories with their estimated realisable value: inventories are analysed to identify slow-moving items, in order to recognise a provision that reflects their potential obsolescence.

Allowance for doubtful accounts

The allowance for doubtful accounts reflects management's estimates of the recoverability of amounts due from customers. Management's assessment is based on past experience and an analysis of situations faced with known or probable collection risks.

Following the introduction of IFRS 9 and, in particular, the new approach to measuring the impairment of financial assets, the Group now determines the allowance for doubtful accounts with reference to the lifetime expected credit losses attributable to the assets concerned, as envisaged in the new standard.

Goodwill and intangible assets with a finite life

These are measured periodically using impairment tests, with the aim of determining their present value and recognising any differences with respect to their carrying amounts; for details, see the specific notes to the financial statements.

Employee benefits and no-competition agreements

The provisions for post-employment benefits and no-competition agreements are recorded in the financial statements and remeasured annually by external actuaries who *inter alia* make assumptions about the discount rate, inflation and certain demographics; for details, see the specific note to the financial statements.

Deferred tax assets

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

Current and non-current provisions

Provisions are made for risks that will probably have an adverse outcome. The provisions recorded in the financial statements reflect management's best estimate of the risk at that time. This estimate involves making assumptions dependent on factors that may change over time and that could, therefore, have significant effects with respect to the current estimates made by management when preparing the Group's consolidated financial statements.

8. Disposal groups held for sale pursuant to IFRS 5

On 1 August 2022, the Board of Directors of Gefran S.p.A., the Parent Company, resolved to sign a framework agreement for the disposal of the motion control business to the Brazilian WEG Group for a total of Euro 23 million. This business comprises the design, production and sale of products and solutions governing the speed and control of AC and DC motors, inverters, armature converters and servo drives. These products, which guarantee maximum performance in terms of system precision and dynamics are used in a variety of applications such as lift control, cranes, metal rolling lines and the processing of paper, plastics, glass and metals.

The scope of the operation comprises Gefran Drives and Motion S.r.l. based in Gerenzano (Italy) and Siei Areg GmbH based in Pleidelsheim (Germany), both subsidiaries, together with the motion control lines of business of Gefran Siei Drives Technology Co Ltd based in Shanghai (China) and Gefran India Private Ltd based in Pune (India), which are also both subsidiaries.

Under the framework agreement, the disposal may be completed in several steps: the first phase will consist in the sale to WEG of the equity interests held in Gefran Drives and Motion S.r.l. and in Siei Areg GmbH. Subsequently, the motion control lines of business carved out from Gefran Siei Drives Technology Co Ltd and from Gefran India Private Ltd will be sold.

Completion of the operation is subordinated to the satisfaction of certain conditions precedent that are usual for transactions of this type, including approval by regulatory authorities and completion of carve-out operations in relation to the lines of business concerned.

The timing of the operation is linked to satisfaction of the conditions precedent: the first phase should be completed by the end of 2022 and the final deadline envisaged in the framework agreement is 30 June 2023, with a possible extension to 31 December 2023 if required by procedures linked to selling the lines of business.

The final consideration, to be settled in cash, will be determined using the calculation mechanisms normally used for transactions of this type.

Founded in 1961, the WEG group operates globally in the production of electrical and electronic equipment used, principally, in the production of operating assets. Present in 135 countries with production plants in 12 and over 37,000 employees, the group generated revenues of 23.6 billion Brazilian Reals in 2021. This ranks it among the leading global operators in this sector.

Given its internationally-recognised leadership in the industrial motors and drives sector, WEG has guaranteed not only the industrial continuity of the business - fundamental for Gefran - but also the concrete possibility that its potential will be enhanced by exploiting fully the technological know-how developed by Gefran Drives and Motion S.r.l. over the past twenty years.

For Gefran the operation fits well with the strategic evolution of the Group, which is focused on strengthening its strategic sectors: sensors and automation components, where Gefran has invested most heavily in recent years and the Group seeks to accelerate growth significantly, both organically and via acquisitions.

Following the operation described above, the activities to be sold are presented in the schedules of this Half-year financial report as “Disposal groups held for sale” pursuant to the provisions of IFRS 5 “Non-current assets held for sale and discontinued operations”.

The economic results, assets and liabilities of the disposal groups have been reclassified and, in order to ensure the comparability of data, the related amounts for comparative periods have also been restated in the same way. Transactions between the continuing operations and those held for sale have not been eliminated, in order to better reflect their performance as stand-alone activities.

Given the above, the statement of financial position of the Group that was originally published at 31 December 2021 has been restated, highlighting the effects of applying IFRS 5:

(Euro /000)	Original Group BS at 31 December 2021	Effect of eliminations	IFRS 5 adoption companies and branches available for sale	Restated Group BS at 31 December 2021
NON-CURRENT ACTIVITIES				
Goodwill	5,894	-	(38)	5,856
Intangible assets	9,543	-	(3,228)	6,315
Property, plant, machinery and tools	44,034	-	(9,486)	34,548
Usage rights	2,973	-	(244)	2,729
Shareholdings valued at equity	95	-	-	95
Equity investments in other companies	2,118	-	-	2,118
Receivables and other non-current assets	89	-	-	89
Deferred tax assets	4,279	-	(682)	3,597
Other non-current financial investments	67	-	-	67
TOTAL NON-CURRENT ACTIVITIES	**69,092**	**-**	**(13,678)**	**55,414**
CURRENT ACTIVITIES				
Inventories	28,039	-	(13,590)	14,449
Trade receivables	34,803	1,050	(11,101)	24,752
Other receivables and assets	5,251	-	(1,648)	3,603
Current tax receivables	407	-	(46)	361
Cash and cash equivalents	35,723	-	(226)	35,497
Current financial receivables	-	4,310	(2,109)	2,201
TOTAL CURRENT ACTIVITIES	**104,223**	**5,360**	**(28,720)**	**80,863**
ASSETS HELD FOR SALE	**-**	-	**42,398**	**42,398**
TOTAL ASSETS	**173,315**	**5,360**	**-**	**178,675**
SHAREHOLDERS' EQUITY				
Share capital	14,400	-	-	14,400
Reserves	57,446	-	-	57,446
Profit / (Loss) for the year	13,692	-	-	13,692
Total Group Shareholders' Equity	85,538	-	-	85,538
Shareholders' equity of minority interests	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY	**85,538**	**-**	**-**	**85,538**
NON-CURRENT LIABILITIES				
Non-current financial payables	16,483	-	-	16,483
Non-current financial payables for IFRS 16 leases	1,258	-	(137)	1,121
Non-current financial liabilities for derivatives	88	-	-	88
Employee benefits	4,008	-	(1,167)	2,841
Non-current provisions	1,035	-	-	1,035
Deferred tax provisions	916	-	-	916
TOTAL NON-CURRENT LIABILITIES	**23,788**	**-**	**(1,304)**	**22,484**
CURRENT LIABILITIES				
Current financial payables	12,952	4,310	(2,203)	15,059
Current financial payables for IFRS 16 leases	1,749	-	(109)	1,640
Trade payables	31,682	1,050	(11,339)	21,393
Current provisions	1,625	-	(353)	1,272
Current tax payables	2,789	-	(114)	2,675
Other payables and liabilities	13,192	-	(2,779)	10,413
TOTAL CURRENT LIABILITIES	**63,989**	**5,360**	**(16,897)**	**52,452**
LIABILITIES HELD FOR SALE	**-**	-	**18,201**	**18,201**
TOTAL LIABILITIES	**87,777**	**5,360**	**-**	**93,137**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**173,315**	**5,360**	**-**	**178,675**

The following tables analyse the main items in the statement of financial position at 31 December 2021 that have been reclassified pursuant to IFRS 5:

(Euro /000)	Original Group BS at 31 December 2021	IFRS 5 adoption companies and branches available for sale	Restated Group BS at 31 December 2021
Development costs	4,808	(2,464)	2,344
Intellectual property rights	1,170	(7)	1,163
Assets in progress and payments on account	2,465	(757)	1,708
Other assets	1,100	-	1,100
Intangible assets	**9,543**	**(3,228)**	**6,315**

(Euro /000)	Original Group BS at 31 December 2021	IFRS 5 adoption companies and branches available for sale	Restated Group BS at 31 December 2021
Land	5,217	(1,408)	3,809
Industrial buildings	22,504	(5,146)	17,358
Plant and machinery	11,810	(2,512)	9,298
Industrial and commercial equipment	1,347	(208)	1,139
Other assets	1,362	(158)	1,204
Assets in progress and payments on account	1,794	(54)	1,740
Property, plant, machinery and tools	**44,034**	**(9,486)**	**34,548**

(Euro /000)	Original Group BS at 31 December 2021	IFRS 5 adoption companies and branches available for sale	Restated Group BS at 31 December 2021
Raw materials, consumables and supplies	18,504	(11,139)	7,365
provision for impairment of raw materials	*(3,689)*	*2,435*	*(1,254)*
Work in progress and semi-finished products	9,780	(3,059)	6,721
provision for impairment of work in progress	*(2,357)*	*538*	*(1,819)*
Finished products and goods for resale	7,854	(2,875)	4,979
provision for impairment of finished products	*(2,053)*	*510*	*(1,543)*
Inventories	**28,039**	**(13,590)**	**14,449**

(Euro /000)	Original Group BS at 31 December 2021	IFRS 5 adoption companies and branches available for sale	Restated Group BS at 31 December 2021
Insurance	37	(12)	25
Rents and leasing	4	-	4
Services and maintenance	590	(65)	525
Receivables from employees	28	(1)	27
Advances payments to suppliers	309	-	309
Other tax receivables	2,952	(1,348)	1,604
Other	1,331	(222)	1,109
Other receivables and assets	**5,251**	**(1,648)**	**3,603**

(Euro /000)	Original Group BS at 31 December 2021	IFRS 5 adoption companies and branches available for sale	Restated Group BS at 31 December 2021
Payables to personnel	6,645	(1,490)	5,155
Social security payables	3,003	(714)	2,289
Accrued interest on loans	24	-	24
Payables to directors and statutory auditors	236	(9)	227
Other accruals	1,264	(137)	1,127
Other payables for taxes	1,980	(418)	1,562
Other current liabilities	40	(11)	29
Other payables and liabilities	**13,192**	**(2,779)**	**10,413**

Lastly, the goodwill relating to Gefran India, 38 thousand Euro at 31 December 2021, is allocated entirely to the motion control business and, therefore, is included within the scope of the disposal operation described above.

The statement of profit/(loss) for the period to 30 June 2021 is presented below, both as originally published and as restated to show the effects of applying IFRS 5:

(Euro /000)	Original Group PL at 30 June 2021	Effect of eliminations	IFRS 5 adoption companies and branches available for sale	Restated Group PL at 30 June 2021
Revenue from product sales	78,982	1,063	(21,916)	58,129
Other revenues and income	597	580	(168)	1,009
Increases for internal work	1,019	-	(498)	521
TOTAL REVENUES	**80,598**	**1,643**	**(22,582)**	**59,659**
Change in inventories	4,320	-	(1,471)	2,849
Costs for raw materials and accessories	(33,127)	(1,049)	14,253	(19,923)
Service costs	(11,530)	(594)	2,724	(9,400)
Miscellaneous management costs	(478)	-	80	(398)
Other operating income	30	-	-	30
Personnel costs	(25,505)	-	5,148	(20,357)
Impairment/reversal of trade and other receivables	31	-	(57)	(26)
Amortisation and impairment of intangible assets	(1,047)	-	112	(935)
Depreciation and impairment of tangible assets	(2,378)	-	539	(1,839)
Depreciation/amortisation total usage rights	(619)	-	79	(540)
EBIT	**10,295**	**-**	**(1,175)**	**9,120**
Gains from financial assets	760	-	(26)	734
Losses from financial liabilities	(706)	-	58	(648)
(Losses) gains from shareholdings valued at equity	6	-	-	6
PROFIT (LOSS) BEFORE TAX	**10,355**	**-**	**(1,143)**	**9,212**
Current taxes	(2,279)	-	235	(2,044)
Deferred tax assets and liabilities	(22)	-	(7)	(29)
TOTAL TAXES	**(2,301)**	**-**	**228**	**(2,073)**
NET PROFIT (LOSS) FOR THE PERIOD FROM CONTINUOUS OPERATING ACTIVITIES	**8,054**	**-**	**(915)**	**7,139**
Net profit (loss) from assets held for sale	-	-	915	915
NET PROFIT (LOSS) FOR THE PERIOD	**8,054**	**-**	**-**	**8,054**
Attributable to:				
Group	8,054	-	-	8,054
Third parties	-	-	-	-

For a better understanding of the economic, financial and cash flow information regarding the activities classified as “Held for sale”, reference is made to the section of the Report entitled “Economic and financial performance of the disposal groups held for sale at 30 June 2022”.

9. Financial instruments: supplementary disclosure pursuant to IFRS 7

The Group's activities are exposed to different types of risk: market risk (including exchange-rate risks, interest-rate risks and price risks), credit risk and liquidity risk. The Group's risk management strategy focuses on the unpredictability of markets and is intended to minimise the potential adverse 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 collaboration 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 managing the risks listed above and the use of financial derivatives and other financial instruments. In the context of the sensitivity analyses described below, the effect on net profit and 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, which is the Group's functional currency. Around 37% of sales are denominated in a different currency. Specifically, the Group is most exposed to the following exchange rates:

- Euro/USD, about 10%, primarily in relation to the commercial relations of Gefran Inc. (operating in the United States) and Gefran Siei Asia (operating on the Asian market), which are both foreign subsidiaries;
- Euro/RMB, about 14%, in relation to Gefran Siei Drives Technology, which operates in China;
- the remainder is divided between Euro/BRL, Euro/GBP, Euro/CHF, and Euro/INR.

With reference to the two main currencies, at 30 June 2022 trade receivables include 3,925 thousand US dollars and trade payables include 3,073 thousand US dollars (at 30 June 2021, receivables included 3,562 thousand US dollars and payables included 2,649 US dollars); trade receivables also include 22,485 thousand renminbi and trade payables also include 4,494 thousand renminbi (at 30 June 2021, receivables included 25,792 thousand renminbi and payables included 3,944 thousand renminbi).

The sensitivity of the fair value of reported assets and liabilities to hypothetical and unexpected 5% and 10% shifts in exchange rates is shown below:

	30 June 2022		30 June 2021	
(Euro /000)	-5%	+5%	-5%	+5%
Chinese renminbi	136	(123)	151	(136)
U.S. dollar	62	(56)	55	(45)
Total	**198**	**(179)**	**206**	**(181)**

	30 June 2022		30 June 2021	
(Euro /000)	-10%	+10%	-10%	+10%
Chinese renminbi	287	(235)	318	(260)
U.S. dollar	130	(106)	115	(86)
Total	**417**	**(341)**	**433**	**(346)**

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

(Euro /000)	30 June 2022 -5%	30 June 2022 +5%	30 June 2021 -5%	30 June 2021 +5%
Chinese renminbi	39	(35)	51	(46)
U.S. dollar	29	(26)	9	(8)
Total	**68**	**(61)**	**60**	**(54)**

(Euro /000)	30 June 2022 -10%	30 June 2022 +10%	30 June 2021 -10%	30 June 2021 +10%
Chinese renminbi	82	(67)	108	(88)
U.S. dollar	60	(49)	20	(16)
Total	**142**	**(116)**	**128**	**(104)**

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

(Euro /000)	30 June 2022 -5%	30 June 2022 +5%	30 June 2021 -5%	30 June 2021 +5%
Chinese renminbi	627	(567)	521	(472)
U.S. dollar	483	(437)	385	(348)
Total	**1,110**	**(1,004)**	**906**	**(820)**

(Euro /000)	30 June 2022 -10%	30 June 2022 +10%	30 June 2021 -10%	30 June 2021 +10%
Chinese renminbi	1,324	(1,083)	1,101	(901)
U.S. dollar	1,020	(834)	812	(664)
Total	**2,344**	**(1,917)**	**1,913**	**(1,565)**

Interest-rate risk

The interest-rate risk to which the Group is exposed mainly originates from short- and long-term financial payables with a floating rate (totalling 22,280 thousand Euro at 30 June 2022). Floating-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, arranging Interest Rate Swap (IRS) and Interest Rate Cap (CAP) contracts.

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

The following sensitivity analysis shows the impact on consolidated net profit/(loss) of an interest-rate increase/decrease of 100 basis points with respect to the spot interest rates at 30 June 2022 and 30 June 2021, while keeping other variables unchanged.

(Euro /000)	30 June 2022 (100)	100	30 June 2021 (100)	100
Euribor	260	(269)	353	(368)
Libor	-	-	(4)	4
Total	**260**	**(269)**	**349**	**(364)**

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 analyses by maturity the carrying amount at 30 June 2022 of the Group's financial instruments exposed to interest-rate risk:

(Euro /000)	<1 year	1 - 5 years	>5 years old	Total
Loans due	10,499	11,683	98	22,280
Financial payables due to leasing under IFRS 16	924	1,431	307	2,662
Other accounts payable	1,056	-	-	1,056
Account overdrafts	1,233	-	-	1,233
Total liabilities	**13,712**	**13,114**	**405**	**27,231**
Cash in current accounts	25,160	-	-	25,160
Current financial receivables	4,162	-	-	4,162
Total assets	**29,322**	**-**	**-**	**29,322**
Total variable rate	**15,610**	**(13,114)**	**(405)**	**2,091**

By contrast with the analysis of the Net Financial Position, the amounts shown in the table above exclude the fair value of derivatives (positive by 310 thousand Euro), cash on hand (positive by 25 thousand Euro) and deferred financial income (positive by 48 thousand Euro).

The table below analyses by maturity the carrying amount at 30 June 2021 of the Group's financial instruments exposed to 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	1,451	1,285	77	2,813
Other accounts payable	2,643	-	-	2,643
Account overdrafts	1,064	-	-	1,064
Total liabilities	**14,490**	**22,886**	**444**	**40,007**
Cash in current accounts	39,552	-	-	39,552
Current financial receivables	1,627	-	-	1,627
Total assets	**39,552**	**-**	**-**	**41,179**
Total variable rate	**25,062**	**(22,886)**	**(444)**	**1,172**

Liquidity risk

Prudent management of the liquidity risk arising from the Group's normal operations means that an appropriate level of cash on hand and short-term securities must be maintained, together with an ability to drawn funds from an appropriate amount of committed credit lines.

The Group's Administration and Finance Department monitors forecast usage of the Group's available liquidity based on expected cash flows. The following table analyses available liquidity on the specified reporting dates:

(Euro /000)	30 June 2022	31 December 2021	Change
Cash and cash equivalents	22	31	(9)
Cash in bank deposits	25,160	35,466	(10,306)
Total liquidity	**25,182**	**35,497**	**(10,315)**
Multiple mixed credit lines	24,200	24,200	-
Cash flexibility credit lines	3,935	3,935	-
Invoice factoring credit lines	7,750	7,750	-
Total credit lines available	**35,885**	**35,885**	**-**
Total available liquidity	**61,067**	**71,382**	**(10,315)**

To complete the disclosure about financial risks, the following table reconciles the financial assets and liabilities reported in the Group's statement of financial position with those identified pursuant to IFRS 7:

(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	384	-	1,609	1,993
Hedging transactions	-	310	-	310
Total assets	**384**	**310**	**1,609**	**2,303**
Total liabilities	**-**	**-**	**-**	**-**

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 since 30 June 2021 reflects the decrease in the value of the investment in Woojin Plaimm Co Ltd by 76 thousand Euro.

Level 2: Fair values determined using measurement techniques based on variables that may be observed in active markets, which in this case include the measurement of interest-rate and exchange-rate hedges. As with the Level 1 inputs, reference is made to the mark-to-market value, using a measurement method that adjusts the value of financial instruments or contracts systematically to reflect their current market prices.

Level 3: Fair values determined using measurement techniques based on market variables that may not be observable, particular in the case of investments in other companies not listed on international markets. This item mainly relates to the investment held in Colombera S.p.A.

The following table reconciles the financial assets and liabilities reported in the Group's statement of financial position at 30 June 2021 with those identified pursuant to IFRS 7:

(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)**

Credit risk

The Group grants its customers deferred payment conditions, which vary according to the market practices in individual countries. The solvency of all customers is monitored regularly and any risks are periodically covered by appropriate provisions. Despite these precautions, under current market conditions, it is possible that some customers may be unable to generate sufficient cash flow or access sufficient sources of funding, resulting in payment delays or failure to honour their obligations.

Receivables are adjusted to their estimated realisable value by the allowance for doubtful accounts, which is determined pursuant to IFRS 9 with reference to the expected credit losses on each position, taking account of past experience in each business area and geographical region.

The Group has developed estimates based on the best information available about past events, current economic conditions and forecasts for the future. The analyses conducted to determine the existence of this risk are based primarily on three factors:

- the potential impact of Covid-19 on the economy;
- the support measures implemented by governments;
- the recoverability of receivables following changes in the probability of default by customers.

With reference to this last point, the Group has performed analyses using a risk matrix that takes geographical region, business area and individual customer solvency in account.

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

Gross trade receivables are analysed below at 30 June 2022 and 31 December 2021:

(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 2022	28,906	26,058	1,114	502	170	175	887
Gross trade receivables at 31 December 2021	25,952	23,473	851	371	132	149	976

The Gefran Group has established formal procedures for granting credit limits and for credit collection by the credit department, in partnership with leading external law firms. All the procedures put in place are intended to reduce credit risk. The exposure to other forms of credit, such as financial receivables, is monitored constantly and reviewed monthly, or at least quarterly, in order to identify any losses or collection risks.

Risk of change in raw material prices

Since production by the Group mainly involves mechanical, electronic and assembly processes, the exposure to energy price fluctuations is limited. The Group is exposed to changes in basic commodity prices (e.g. metals) to a small extent, given that the product cost component contributed by these materials is very limited.

The purchase prices of key components are usually agreed with counterparts for the full year and reflected in the budget. The structured and formalised governance systems adopted by the Group mean that the margins earned can be analysed periodically.

Fair value of financial instruments

All financial instruments are recorded in the Group's financial statements at fair value. The carrying value of the financial liabilities measured at amortised cost is deemed to approximate their fair value at the reporting date.

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

	carrying value		fair value	
(Euro /000)	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Financial assets				
Cash and cash equivalents	22	31	22	31
Cash in bank deposits	25,160	35,466	25,160	35,466
Financial investments for derivatives	310	-	310	-
Current financial receivables	4,162	2,201	4,162	2,201
Non-current financial investments	48	67	48	67
Total financial assets	**29,702**	**37,765**	**29,702**	**37,765**
Financial liabilities				
Current portion of long-term debt	(10,499)	(11,756)	(10,499)	(11,756)
Short-term bank debt	(1,233)	(1,194)	(1,233)	(1,194)
Financial liabilities for derivatives	-	(88)	-	(88)
Payables due to leasing contracts under IFRS 16	(2,662)	(2,761)	(2,662)	(2,761)
Other financial payables	(1,056)	(2,109)	(1,056)	(2,109)
Non-current financial debt	(11,781)	(16,483)	(11,781)	(16,483)
Total financial liabilities	**(27,231)**	**(34,391)**	**(27,231)**	**(34,391)**
Total net financial position	**2,471**	**3,374**	**2,471**	**3,374**

10. Information by business area

Primary area – sector of activity

The Gefran Group is organised into three sectors of activity: Sensors, Automation components and Motion control.

On 1 August 2022, the Board of Directors of Gefran S.p.A., the Parent Company, resolved to sign a framework agreement for the disposal of the motion control business to the Brazilian WEG Group for a total of Euro 23 million. This business comprises the design, production and sale of products and solutions governing the speed and control of AC and DC motors, inverters, armature converters and servo drives. These products, which guarantee maximum performance in terms of system precision and dynamics are used in a variety of applications such as lift control, cranes, metal rolling lines and the processing of paper, plastics, glass and metals.

The scope of the operation comprises Gefran Drives and Motion S.r.l. based in Gerenzano (Italy) and Siei Areg GmbH based in Pleidelsheim (Germany), both subsidiaries, together with the motion control lines of business of Gefran Siei Drives Technology Co Ltd based in Shanghai (China) and Gefran India Private Ltd based in Pune (India), which are also both subsidiaries.

With reference to the operation described and consistent with the application of IFRS 5 "Non-current assets held for sale and discontinued operations", the economic results and assets/liabilities associated with the disposal group have been reclassified to specific lines of the income statement and statement of financial position. In order to ensure the comparability of data, the related amounts for comparative periods have also been reclassified in the same way.

The economic trends and principal investments are discussed in the Report on Operations.

Figures by sector of activity

	(Euro /000)	Sensors	Automation components	Eliminations	Not Divided	30 June 2022
a	Revenues	45,886	27,264	(3,842)		69,308
b	Increases for internal work	215	296	-		511
c	Consumption of materials and products	12,656	11,479	(3,842)		20,293
d	**Value Added (a+b-c)**	**33,445**	**16,081**	**-**	**-**	**49,526**
e	Other operating costs	7,765	3,489	-		11,254
f	Personnel costs	13,227	9,645	-		22,872
g	**EBITDA (d-e-f)**	**12,453**	**2,947**	**-**	**-**	**15,400**
h	Depreciation, amortisation and impairment	2,043	1,436	-		3,479
i	**EBIT (g-h)**	**10,410**	**1,511**	**-**	**-**	**11,921**
l	Gains (losses) from financial assets/liabilities				486	486
m	Gains (losses) from shareholdings valued at equity				13	13
n	**Profit (loss) before tax (i±l±m)**	**10,410**	**1,511**	**-**	**499**	**12,420**
o	Taxes				(3,193)	(3,193)
p	**Result from operational activities (n±o)**	**10,410**	**1,511**	**-**	**(2,694)**	**9,227**
q	Net income from assets available for sale				(4,396)	(4,396)
p	**Group net profit (loss) (p±q)**	**10,410**	**1,511**	**-**	**(7,090)**	**4,831**

	(Euro /000)	Sensors	Automation components	Eliminations	Not Divided	30 June 2021
a	Revenues	39,385	23,193	(3,440)		59,138
b	Increases for internal work	232	289	-		521
c	Consumption of materials and products	11,183	9,331	(3,440)		17,074
d	**Value Added (a+b-c)**	**28,434**	**14,151**	**-**	**-**	**42,585**
e	Other operating costs	6,888	2,906	-		9,794
f	Personnel costs	11,768	8,589	-		20,357
g	**EBITDA (d-e-f)**	**9,778**	**2,656**	**-**	**-**	**12,434**
h	Depreciation, amortisation and impairment	1,938	1,376	-		3,314
i	**EBIT (g-h)**	**7,840**	**1,280**	**-**	**-**	**9,120**
l	Gains (losses) from financial assets/liabilities				86	86
m	Gains (losses) from shareholdings valued at equity				6	6
n	**Profit (loss) before tax (i±l±m)**	**7,840**	**1,280**	**-**	**92**	**9,212**
o	Taxes				(2,073)	(2,073)
p	**Result from operational activities (n±o)**	**7,840**	**1,280**	**-**	**(1,981)**	**7,139**
q	Net income from assets available for sale				915	915
p	**Group net profit (loss) (p±q)**	**7,857**	**1,280**	**-**	**(1,083)**	**8,054**

Inter-sector sales are booked at transfer prices that are broadly in line with market prices.

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 principally 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.

Statement of financial position figures by sector of activity

(Euro /000)	Sensors	Automation components	Not Divided	30 June 2022	Sensors	Automation components	Not Divided	31 December 2021
Intangible assets	9,852	2,451	-	12,303	9,635	2,536	-	12,171
Tangible fixed assets	23,749	13,847	-	37,596	23,340	13,937	-	37,277
Other non-current assets	-	-	5,988	5,988			5,899	5,899
Net non-current assets	**33,601**	**16,298**	**5,988**	**55,887**	**32,975**	**16,473**	**5,899**	**55,347**
Inventories	9,284	9,192	-	18,476	7,616	6,833	-	14,449
Trade receivables	16,120	11,620	-	27,740	14,508	10,244	-	24,752
Trade payables	(12,249)	(10,476)	-	(22,725)	(11,019)	(10,374)	-	(21,393)
Other assets/liabilities	(3,496)	(3,266)	(2,350)	(9,112)	(3,855)	(2,994)	(2,275)	(9,124)
Working capital	**9,659**	**7,070**	**(2,350)**	**14,379**	**7,250**	**3,709**	**(2,275)**	**8,684**
Provisions for risks and future liabilities	(1,209)	(648)	(53)	(1,910)	(1,137)	(643)	(527)	(2,307)
Deferred tax provisions	-	-	(1,049)	(1,049)	-	-	(916)	(916)
Employee benefits	(1,130)	(1,743)	-	(2,873)	(1,132)	(1,709)	-	(2,841)
Invested capital from operations	**40,920**	**20,977**	**2,537**	**64,434**	**37,956**	**17,830**	**2,181**	**57,967**
Invested capital from assets held for sale			22,126	22,126			24,311	24,311
Net invested capital	**40,920**	**20,977**	**24,663**	**86,560**	**37,956**	**17,830**	**26,492**	**82,278**
Shareholders' equity	**-**	**-**	**86,379**	**86,379**	**-**	**-**	**85,538**	**85,538**
Non-current financial payables			11,781	11,781			16,483	16,483
Current financial payables			12,788	12,788			15,059	15,059
Financial payables for IFRS 16 leases (current and non-current)			2,662	2,662			2,761	2,761
Financial liabilities for derivatives (current and non-current)			-	-			88	88
Financial assets for derivatives (current and non-current)			(310)	(310)			-	-
Other non-current financial investments			(48)	(48)			(67)	(67)
Current financial receivables			(4,162)				(2,201)	
Cash and cash equivalents and current financial receivables			(25,182)	(25,182)			(35,497)	(35,497)
Net debt relating to operations	**-**	**-**	**(2,471)**	**(2,471)**	**-**	**-**	**(3,374)**	**(3,374)**
Net debt relating to assets held for sales	**-**	**-**	**2,652**	**2,652**	**-**	**-**	**114**	**114**
Total sources of financing	**-**	**-**	**86,560**	**86,560**	**-**	**-**	**82,278**	**82,278**

Secondary area - geographical region

Revenues by geographical region

(Euro /000)	30 June 2022	30 June 2021	Change	%
Italy	22,589	18,313	4,276	23.3%
European Union	18,793	14,997	3,796	25.3%
Europe non-EU	2,429	2,078	351	16.9%
North America	6,641	4,732	1,909	40.3%
South America	2,823	2,168	655	30.2%
Asia	14,838	15,654	(816)	-5.2%
Rest of the world	269	187	82	43.9%
Total	**68,382**	**58,129**	**10,253**	**17.6%**

Investments by geographical region

	30 June 2022		30 June 2021	
(Euro /000)	intangible	tangible assets	intangible	tangible assets
Italy	749	1,704	746	1,221
European Union	-	29	2	23
Europe non-EU	7	5	-	4
North America	-	11	-	78
South America	3	43	42	16
Asia	-	115	-	41
Total	**759**	**1,907**	**790**	**1,383**

Non-current assets by geographical region

(Euro /000)	30 June 2022	31 December 2021	Change	%
Italy	37,903	37,919	(16)	0.0%
European Union	2,189	2,237	(48)	-2.1%
Europe non-EU	3,015	3,054	(39)	-1.3%
North America	7,922	7,292	630	8.6%
South America	486	414	72	17.4%
Asia	4,730	4,498	232	5.2%
Total	**56,245**	**55,414**	**831**	**1.5%**

11. Goodwill

Goodwill amounts to 6,091 thousand Euro at 30 June 2022, with an increase of 235 thousand Euro since 31 December 2021 due exclusively to the exchange-rate differences shown below:

(Euro /000)	31 December 2021	Increases	Decreases	Exchange rate differences	30 June 2022
Gefran France SA	1,310	-	-	-	1,310
Gefran Inc.	2,592	-	-	235	2,827
Sensormate AG	1,954	-	-	-	1,954
Total	**5,856**	**-**	**-**	**235**	**6,091**

The goodwill acquired on business combinations was allocated to specific Cash Generating Units for impairment testing purposes.

The carrying value of goodwill is analysed below:

(Euro /000)	Year	Goodwill France	Goodwill India	Goodwill USA	Goodwill Switzerland	Total
Sensors	2022	1,310	-	2,827	1,954	6,091
	2021	1,310	-	2,592	1,954	5,856
Total	**2022**	**1,310**	**-**	**2,827**	**1,954**	**6,091**
	2021	**1,310**	**-**	**2,592**	**1,954**	**5,856**

When determining value in use, management considers the specific cash flows forecast in the Group's business plan plus the projected and terminal values, which represent the ability to generate cash flows beyond the explicit forecasting horizon.

If there is evidence of a loss in value, goodwill is subjected to impairment tests when preparing the half-yearly financial report.

When examining possible evidence of impairment and making assessments, management takes account *inter alia* of the difference between market capitalisation and the carrying amount of the Group shareholders' equity, which was very positive at 30 June 2022, despite the effects of the Covid-19 pandemic.

The economic results achieved at 30 June 2022 and the operating cash flow generated confirm the absence of impairment indicators.

12. Intangible assets

This item comprises solely assets with a finite life. Their carrying amount has decreased from 6,315 thousand Euro at 31 December 2021 to 6,212 thousand Euro at 30 June 2022, as analysed below:

Historical cost	31 December 2021	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2022
(Euro /000)						
Development costs	12,858	50	-	333	-	13,241
Intellectual property rights	8,160	172	-	46	25	8,403
Assets in progress and payments on account	1,708	505	(5)	(410)	2	1,800
Other assets	8,613	32	-	28	18	8,691
Total	**31,339**	**759**	**(5)**	**(3)**	**45**	**32,135**

Accumulated depreciation	31 December 2021	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2022
(Euro /000)						
Development costs	10,514	391	-	-	-	10,905
Intellectual property rights	6,997	325	-	-	21	7,343
Other assets	7,513	157	-	-	5	7,675
Total	**25,024**	**873**	**-**	**-**	**26**	**25,923**

Net value	31 December 2021	30 June 2022	Change
(Euro /000)			
Development costs	2,344	2,336	(8)
Intellectual property rights	1,163	1,060	(103)
Assets in progress and payments on account	1,708	1,800	92
Other assets	1,100	1,016	(84)
Total	**6,315**	**6,212**	**(103)**

The changes during the first six months of 2021 are analysed below:

Historical cost	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2021
(Euro /000)						
Development costs	12,177	-	-	231	-	12,408
Intellectual property rights	7,786	139	-	28	28	7,981
Assets in progress and payments on account	1,234	569	-	(279)	8	1,532
Other assets	10,243	82	-	20	22	10,367
Total	**31,440**	**790**	**-**	**-**	**58**	**32,288**

Accumulated depreciation	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2021
(Euro /000)						
Development costs	9,620	467	-	-	-	10,087
Intellectual property rights	6,344	304	-	-	24	6,672
Other assets	9,004	164	-	-	7	9,175
Total	**24,968**	**935**	**-**	**-**	**31**	**25,934**

Net value	31 December 2020	30 June 2021	Change
(Euro /000)			
Development costs	2,557	2,321	(236)
Intellectual property rights	1,442	1,309	(133)
Assets in progress and payments on account	1,234	1,532	298
Other assets	1,239	1,192	(47)
Total	**6,472**	**6,354**	**(118)**

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

- 766 thousand Euro relating to new lines for mobile hydraulics, pressure transducers (KS and KH) and contactless linear position transducers (MK–IK, RK and WP– RK) and melt sensors (I/O LINK);
- 1,569 thousand Euro relating to component lines for the new range of controllers and solid state relays: GF Project VX, G Cube Performa and G Cube Fit.

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

Intellectual property rights comprise the costs incurred to purchase IT system management software and user licences for third-party software, as well as patents. These assets have a useful life of 3 years.

Assets in progress and payments on account include payments made to the suppliers of software programs and licences, as well as the purchase of patents for technologies still under developed, totalling 326 thousand Euro. This item also includes 1,474 thousand Euro in development costs, of which 599 thousand Euro for the automation components business unit and 875 thousand Euro for the sensors business unit, the benefits of which will be reflected the income statement from next year, so they have not been amortised.

Other assets almost entirely comprise costs incurred by Gefran S.p.A. in the current and prior years to implement the SAP/R3 ERP system and other software for the management of specific operational environments. These assets have a useful life of 5 years.

The increase in the historical cost of intangible assets, by 472 thousand Euro in the first six months of 2022, relates entirely to the capitalisation of internal costs (511 thousand Euro in the first half of 2021).

13. Property, plant, machinery and tools

The carrying amount of this item has increased from 34,548 thousand Euro at 31 December 2021 to 34,964 thousand Euro at 30 June 2022, as analysed below:

Historical cost	31 December 2021	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2022
(Euro /000)						
Land	3,809	-	-	-	54	3,863
Industrial buildings	34,156	39	-	3	489	34,687
Plant and machinery	35,781	689	(46)	743	238	37,405
Industrial and commercial equipment	17,250	193	(141)	149	40	17,491
Other assets	6,032	128	(18)	175	139	6,456
Assets in progress and payments on account	1,740	858	(4)	(1,067)	21	1,548
Total	**98,768**	**1,907**	**(209)**	**3**	**981**	**101,450**

Accumulated depreciation	31 December 2021	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2022
(Euro /000)						
Industrial buildings	16,798	464	-	-	94	17,356
Plant and machinery	26,483	1,079	(32)	-	173	27,703
Industrial and commercial equipment	16,111	285	(141)	-	38	16,293
Other assets	4,828	215	(15)	-	106	5,134
Total	**64,220**	**2,043**	**(188)**	**-**	**411**	**66,486**

Net value	31 December 2021	30 June 2022	Change
(Euro /000)			
Land	3,809	3,863	54
Industrial buildings	17,358	17,331	(27)
Plant and machinery	9,298	9,702	404
Industrial and commercial equipment	1,139	1,198	59
Other assets	1,204	1,322	118
Assets in progress and payments on account	1,740	1,548	(192)
Total	**34,548**	**34,964**	**416**

The changes during the first six months of 2021 are analysed below:

Historical cost	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2021
(Euro /000)						
Land	3,763	-	-	-	18	3,781
Industrial buildings	32,379	2	-	14	235	32,630
Plant and machinery	32,799	104	(1)	291	153	33,346
Industrial and commercial equipment	16,768	68	(74)	27	44	16,833
Other assets	6,090	105	(139)	(4)	79	6,131
Assets in progress and payments on account	925	1,104	(15)	(432)	4	1,586
Total	**92,724**	**1,383**	**(229)**	**(104)**	**533**	**94,307**

Accumulated depreciation	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2021
(Euro /000)						
Industrial buildings	15,819	440	-	-	46	16,305
Plant and machinery	24,419	950	-	(50)	110	25,429
Industrial and commercial equipment	15,562	271	(74)	-	43	15,802
Other assets	4,981	178	(135)	(54)	62	5,032
Total	**60,781**	**1,839**	**(209)**	**(104)**	**261**	**62,568**

Net value	31 December 2020	30 June 2021	Change
(Euro /000)			
Land	3,763	3,781	18
Industrial buildings	16,560	16,325	(235)
Plant and machinery	8,380	7,917	(463)
Industrial and commercial equipment	1,206	1,031	(175)
Other assets	1,109	1,099	(10)
Assets in progress and payments on account	925	1,587	662
Total	**31,943**	**31,740**	**(203)**

The change in exchange rates had a positive effect of 568 thousand Euro.

The historical cost of property, plant, machinery and tools increased by 1,907 thousand Euro during the first half of 2022. The most significant changes related to:

- investment of 1,398 thousand Euro in production and laboratory plant and equipment at the Group's Italian plants and 28 thousand Euro at other Group subsidiaries;
- Improvements to the industrial buildings of the Group's Italian plants, totalling 173 thousand Euro;
- renewal of electronic office machines and IT equipment amounting to 102 thousand Euro by the Parent Company and to 116 thousand Euro by Group subsidiaries;
- miscellaneous equipment at Group subsidiaries amounting to 87 thousand Euro.

The increases also include 39 thousand Euro on the capitalisation of internal costs (10 thousand Euro in the first six months of 2021).

14. Right-of-Use assets

This item reflects the recognition of leased assets in accordance with IFRS 16.

The carrying amount of RoU assets at 30 June 2022 is 2,632, as analysed below:

Historical cost	31 December 2021	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2022
(Euro /000)						
Real estate	3,565	155	-	-	54	3,774
Vehicles	2,134	278	(15)	-	27	2,424
Machinery and equipment	46	-	-	-	(1)	45
Total	**5,745**	**433**	**(15)**	**-**	**80**	**6,243**

Accumulated depreciation	31 December 2021	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2022
(Euro /000)						
Real estate	1,640	291	-	-	22	1,953
Vehicles	1,357	266	(13)	-	23	1,634
Machinery and equipment	19	34	-	-	(1)	24
Total	**3,016**	**563**	**(13)**	**-**	**44**	**3,611**

Net value	31 December 2021	30 June 2022	Change
(Euro /000)			
Real estate	1,925	1,821	(104)
Vehicles	777	790	13
Machinery and equipment	27	21	(6)
Total	**2,729**	**2,632**	**(97)**

The changes during the first six months of 2021 are analysed below:

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	1,657	278	-	-	13	1,948
Machinery and equipment	38	-	-	-	-	38
Total	**4,371**	**1,046**	**-**	**-**	**12**	**5,429**

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	883	251	-	-	7	1,141
Machinery and equipment	9	5	-	-	-	14
Total	**1,943**	**540**	**-**	**-**	**13**	**2,496**

Net value	31 December 2020	30 June 2021	Change
(Euro /000)			
Real estate	1,625	2,102	477
Vehicles	774	807	33
Machinery and equipment	29	24	(5)
Total	**2,428**	**2,933**	**505**

At 1 January 2022, there are 142 outstanding lease contracts for vehicles, machinery, industrial equipment and electronic office machines, as well as for the rental of property. Practical expedients allowed by the IASB have been employed, such as excluding contracts with a residual duration of less than 12 months and contracts for assets whose fair value is below the conventional threshold of 5 thousand US dollars (modest unit value).

Based on their value and duration, of the 142 contracts outstanding at 1 January 2022:

- 121 fell within the scope of application of IFRS 16;
- 21 were excluded from the scope of application, 13 of which had a residual duration of less than 12 months, while the unit fair value of the assets associated with the remaining 8 was deemed to be modest.

These assets are classified in the financial statements as follows:

- in non-current tangible assets as “Right-of-Use assets”;
- the corresponding residual lease liabilities are classified in the Net Financial Position as “Financial payables for IFRS 16 leases”, with both current (due within one year) and non-current (due beyond one year) elements.

The following factors are considered when measuring the fair value and useful lives of leased assets subject to IFRS 16:

- the amount of the periodic lease or rental payments, as defined in the contract and revalued where applicable;
- initial ancillary costs, if specified in the contract;
- final restoration costs, if specified in the contract;
- the number of outstanding instalments;
- where not stated in the contract, embedded interest is estimated using the Group’s average borrowing rates.

A total of 26 lease contracts were signed during the first six months of 2022, 15 of which are subject to IFRS 16. The remaining 11 contracts have been excluded from the scope of application of this standard, as they have a duration of less than 12 months.

A total of 26 contracts have terminated, of which only 20 fell within the scope of application of IFRS 16 given their value or duration; in particular, 1 relating to vehicle leases were terminated prior to their original expiration date.

The increases in the historical cost of Right-of-Use assets are analysed below:

- property, 155 thousand Euro, relating to a new rental contract signed by the Group's Chinese company following expiry of the previous contract;
- vehicles, 278 thousand Euro, relating to 13 vehicle lease contracts signed by the Group in 2022, following expiry of the previous contracts.

At 30 June 2022 this item has decreased by 15 thousand Euro following the early termination of certain vehicle lease contracts.

15. Net working capital

"Net working capital" totals 23,491 thousand Euro, compared with 17,808 thousand Euro at 31 December 2021, and is analysed below:

(Euro /000)	30 June 2022	31 December 2021	Change
Inventories	18,476	14,449	4,027
Trade receivables	27,740	24,752	2,988
Trade payables	(22,725)	(21,393)	(1,332)
Net amount	**23,491**	**17,808**	**5,683**

Please see the Report on Operations for more information about the changes in net working capital.

The carrying amount of **inventories** at 30 June 2022 is 18,476 thousand Euro, increase by 4,027 thousand Euro since 31 December 2021, of which 435 thousand Euro was contributed by exchange-rate changes. The economic effect of the change in inventories since 31 December 2021 was lower, amounting to 3,594 thousand Euro, as it is determined using the moving-average exchange rates for the period.

The balance is analysed as follows:

(Euro /000)	30 June 2022	31 December 2021	Change
Raw materials, consumables and supplies	9,927	7,365	2,562
provision for impairment of raw materials	*(1,359)*	*(1,255)*	*(104)*
Work in progress and semi-finished products	8,028	6,722	1,306
provision for impairment of work in progress	*(2,162)*	*(1,819)*	*(343)*
Finished products and goods for resale	5,818	4,979	839
provision for impairment of finished products	*(1,776)*	*(1,543)*	*(233)*
Total	**18,476**	**14,449**	**4,027**

The gross value of inventories is 23,773 thousand Euro, up by 4,707 thousand Euro since the end of 2021.

The allowance for obsolete and slow-moving inventories was adjusted as necessary during the first six months of 2022, resulting in specific provisions totalling 675 thousand Euro (compared with 566 thousand Euro in the first six months of 2021).

The changes in the allowance during the first six months of 2022 are analysed below:

(Euro /000)	31 December 2021	Provisions	Uses	Releases	Exchange rate differences	30 June 2022
Provision for impairment of inventory	**4,617**	**675**	**(52)**	**(7)**	**64**	**5,297**

The changes the allowance during the period ended 30 June 2021 are analysed below:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	Exchange rate differences	30 June 2021
Provision for impairment of inventory	**3,528**	**566**	**(147)**	**-**	**29**	**3,976**

Trade receivables amount to 27,740 thousand Euro, compared to 24,752 thousand Euro at 31 December 2021, up by 2,988 thousand Euro:

(Euro /000)	30 June 2022	31 December 2021	Change
Receivables from customers	28,906	25,952	2,954
Provision for doubtful receivables	(1,166)	(1,200)	34
Net amount	**27,740**	**24,752**	**2,988**

The change is directly related to the increase in sales revenues during the first half of 2022.

Receivables are adjusted to their estimated realisable value by the allowance for doubtful accounts, which is determined by analysing individual debtor positions and considering past experience in each business area and geographical region, as required by IFRS 9. The allowance at 30 June 2022 represents an estimate of the current risk after the following changes:

(Euro /000)	31 December 2021	Provisions	Uses	Releases	Exchange rate differences	30 June 2022
Provision for doubtful receivables	**1,200**	**65**	**(119)**	**-**	**20**	**1,166**

The changes during the first half of 2021 are shown below:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	Exchange rate differences	30 June 2021
Provision for doubtful receivables	**1,252**	**24**	**(81)**	**(8)**	**9**	**1,196**

Uses of the allowance include the coverage of losses on receivables that are no longer recoverable. The Group monitors the receivables most at risk and also initiates appropriate legal action. The carrying amount of trade receivables is deemed to approximate their fair value.

There is no significant concentration of sales to individual customers: this phenomenon involves less than 10% of Group revenues.

Trade payables total 22,725 thousand Euro, compared to 21,393 thousand Euro at 31 December 2021. This item is analysed below:

(Euro /000)	30 June 2022	31 December 2021	Change
Payables to suppliers	17,097	17,084	13
Payables to suppliers for invoices to be received	4,510	3,633	877
Advance payments received from customers	1,118	676	442
Total	**22,725**	**21,393**	**1,332**

Trade payables have up by 1,332 thousand Euro since 31 December 2021. The increase reflects additional purchasing during the period, both of raw materials needed to support the growth in sales, and of services including, in particular, those whose costs vary in proportion to the volume of sales. The increase also reflects the additional investment carried out during the first half of 2022 with respect to the second half of the previous year.

16. Net financial position

The net financial position is analysed in the following table:

(Euro /000)	30 June 2022	31 December 2021	Change
Cash and cash equivalents and current financial receivables	25,182	35,497	(10,315)
Financial investments for derivatives	310	-	310
Current financial receivables	4,162	2,201	1,961
Other non-current financial investments	48	67	(19)
Non-current financial payables	(11,781)	(16,483)	4,702
Non-current financial payables for IFRS 16 leases	(1,738)	(1,121)	(617)
Current financial payables	(12,788)	(15,059)	2,271
Current financial payables for IFRS 16 leases	(924)	(1,640)	716
Financial liabilities for derivatives	-	(88)	88
Total	**2,471**	**3,374**	**(903)**

The net financial position is analysed by maturity below:

(Euro /000)	30 June 2022	31 December 2021	Change
A. Cash on hand	22	31	(9)
B. Cash in bank deposits	25,160	35,466	(10,306)
D. Cash and cash equivalents (A) + (B)	**25,182**	**35,497**	**(10,315)**
E. Fair value current hedging derivatives	-	-	-
F. Current portion of long-term debt	(10,499)	(11,756)	1,257
G. Other current financial receivables and payables	949	(2,742)	3,691
H. Total current financial payables (F) + (G)	**(9,550)**	**(14,498)**	**4,948**
I. Total current payables (E) + (H)	**(9,550)**	**(14,498)**	**4,948**
J. Net current financial debt (I) + (D)	**15,632**	**20,999**	**(5,367)**
Non-current financial liabilities for derivatives	-	(88)	88
Non-current financial investments for derivatives	310	-	310
K. Fair value non-current hedging derivatives	310	(88)	398
L. Non-current financial debt	(13,519)	(17,604)	4,085
M. Other non-current financial investments	48	67	(19)
N. Net non-current financial debt (K) + (L) + (M)	**(13,161)**	**(17,625)**	**4,464**
O. Net financial debt (J) + (N)	**2,471**	**3,374**	**(903)**
of which to minorities:	2,471	3,374	(903)

The net financial position at 30 June 2022 is positive by 2,471 thousand Euro, 903 by 903 thousand Euro since the end of 2021, when it was positive by 3,374 thousand Euro.

The change in net financial position is mainly due to the cash flow generated by ordinary operations (10,434 thousand Euro), as partially absorbed by investment activities during the first six months of the year (2,666 thousand Euro), the payment of dividends (5,462 thousand Euro) and the payment of interest, taxes and rental fees (totalling 3,744 thousand Euro).

Please see the Report on Operations for more information about the changes in financial management during the period.

Cash and cash equivalents amount to 25,182 thousand Euro at 30 June 2022, compared to 35,497 thousand Euro at 31 December 2021. This item is analysed below:

(Euro /000)	30 June 2022	31 December 2021	Change
Cash in bank deposits	25,160	35,466	(10,306)
Cash	22	31	(9)
Total	**25,182**	**35,497**	**(10,315)**

The technical forms used at 30 June 2022 are shown below:

- maturities: collectible on demand;
- counterparty risk: deposits are made with leading banks;
- country risk: deposits are made in the countries in which Group companies have their registered offices.

Current financial payables at 30 June 2022 a decrease by 2,271 thousand Euro since the end of 2021; the balance is analysed as follows:

(Euro /000)	30 June 2022	31 December 2021	Change
Current portion of debt	10,499	11,756	(1,257)
Current overdrafts	1,233	1,194	39
Other payables	1,056	2,109	(1,053)
Total	**12,788**	**15,059**	**(2,271)**

Bank overdrafts at 30 June 2022 total 1,233 thousand Euro compared with a balance at 31 December 2021 of 1,194 thousand Euro. The total principally comprises loans due within one year arranged with Banca Intesa by Gefran Siei Drives Technology, the Chinese subsidiary, amounting to 1,232 thousand Euro at an interest rate of 1.65% during the first half of 2022

With reference to the framework disposal agreement described earlier, the “Other payables” item (1,056 thousand Euro at 30 June 2022 and 2,109 thousand Euro at 31 December 2021) includes the net balance of the cash transfers between Gefran S.p.A. and Gefran Drives and Motion S.r.l. and Siei Areg, which fall within the scope of the operation to sell the motion control business.

Non-current financial payables are analysed as follows:

Bank (Euro /000)	30 June 2022	31 December 2021	Change
BPER	505	1,009	(504)
Mediocredito	1,111	2,222	(1,111)
BNL	2,000	3,000	(1,000)
Unicredit	1,667	2,222	(555)
BNL	2,333	3,111	(778)
Intesa (ex UBI)	378	1,132	(754)
Intesa (ex UBI)	3,000	3,000	-
SIMEST	480	480	-
SIMEST	307	307	-
Total	**11,781**	**16,483**	**(4,702)**

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

Bank (Euro /000)	Amount disbursed	Signing date	Balance at 30 June 2022	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	600	600	-	Euribor 3m + 0.90%	30/11/22	quarterly
BNL	5,000	23/11/17	500	500	-	Euribor 3m + 0.85%	23/11/22	quarterly
BPER	5,000	28/11/18	1,511	1,006	505	Euribor 3m + 0.75%	30/11/23	quarterly
Mediocredito	10,000	28/03/19	3,333	2,222	1,111	Euribor 3m + 1.05%	31/12/23	quarterly
BNL	10,000	29/04/19	4,000	2,000	2,000	Euribor 3m + 1%	29/04/24	quarterly
Unicredit	5,000	30/04/20	2,778	1,111	1,667	Euribor 6m + 0.95%	31/12/24	half-yearly
BNL	7,000	29/05/20	3,889	1,556	2,333	Euribor 6m + 1.1%	31/12/24	half-yearly
Intesa (ex UBI)	3,000	24/07/20	1,882	1,504	378	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
SIMEST	480	09/07/21	480	-	480	Fixed 0.55%	31/12/27	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
Total			**22,280**	**10,499**	**11,781**			

No new loans were arranged during the first six months of 2022.

None of the loans outstanding at 30 June 2022 are subject to compliance with economic-financial covenants.

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

Financial investments for derivatives total 310 thousand Euro, reflecting the positive fair value of the IRS contracts arranged by the Parent Company to hedge the interest-rate risk on floating-rate loans, which would crystallise on an increase in Euribor. The following analysis of hedges shows their fair value:

Bank (Euro /000)	Notional principal	Signing date	Notional as at 30 June 2022	Derivative	Fair Value as at 30 June 2022	Long position rate	Short position rate
Unicredit	6,000	14/11/17	600	CAP	-	Strike Price 0%	Euribor 3m
BNL	5,000	23/11/17	500	CAP	-	Strike Price 0%	Euribor 3m
Intesa	10,000	29/03/19	3,333	IRS	22	Fixed -0.00%	Euribor 3m (Floor: -1.05%)
BNL	10,000	29/04/19	4,000	IRS	33	Fixed 0.05%	Euribor 3m (Floor: -1.00%)
Unicredit	5,000	24/06/19	1,511	IRS	10	Fixed -0.10%	Euribor 3m (Floor: -0.75%)
Unicredit	5,000	30/04/20	2,778	IRS	46	Fixed 0.05%	Euribor 6m (Floor: -0.95%)
BNL	7,000	29/05/20	3,889	IRS	76	Fixed -0.12%	Euribor 6m (Floor: -1.10%)
Intesa (ex UBI)	3,000	24/07/20	3,000	IRS	123	Fixed -0.115%	Euribor 3m
Total financial assets for derivatives – Interest rate risk					**310**		

At 30 June 2022, no derivatives have been arranged to hedge exchange-rate risk.

All the contracts described above are recognised at their fair value:

(Euro /000)	as at 30 June 2022		as at 31 December 2021	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	310	-	-	(88)
Total cash flow hedge	**310**	**-**	**-**	**(88)**

At 30 June 2022, all derivatives were tested for effectiveness, with positive outcomes.

In order to support its operations, the Group has various credit lines available from banks and other financial institutions, mainly in the form of invoice factoring credit lines, cash flexibility and mixed credit lines totalling 38,612 thousand Euro. Overall use of these lines at 30 June 2022 totals 1,057 thousand Euro, with a residual available amount of 37,555 thousand Euro.

No fees are due if these lines are not used.

Financial payables for IFRS 16 leases (current and non-current) at 30 June 2022 amount to 2,662 thousand Euro and reflect the application of IFRS 16 by the Group from 1 January 2019, which requires the initial recognition of financial payables corresponding to the value of the RoU assets classified as non-current assets. Financial payables for IFRS 16 leases are classified on the basis of their maturity as either current payables (due within one year), amounting to 924 thousand Euro, or non-current payables (due beyond one year), amounting to 1,738 thousand Euro.

The changes in this item during the first six months of 2022 are detailed below:

(Euro /000)	31 December 2021	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2022
Leasing payables under IFRS 16	2,761	441	(579)	-	39	2,662
Total	**2,761**	**441**	**(579)**	**-**	**39**	**2,662**

The changes in this item during 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	2,457	1,061	(535)	-	(3)	2,980
Total	**2,457**	**1,061**	**(535)**	**-**	**(3)**	**2,980**

17. Shareholders’ equity

Consolidated shareholders’ equity is analysed as follows:

(Euro /000)	30 June 2022	31 December 2021	Change
Portion pertaining to the Group	86,379	85,538	841
Portion pertaining to minority interests	-	-	-
Net amount	**86,379**	**85,538**	**841**

The Group’s portion of shareholders’ equity at 30 June 2022 is 86,379 thousand Euro, up by 841 thousand Euro since 31 December 2021. The net profit for the first half of 2022 (4,831 thousand

Euro) and the changes in the translation reserve (positive by 1,293 thousand Euro) were partly absorbed by the distribution of dividends from the results for 2021 (5,462 thousand Euro).

Share capital amounts to 14,400 thousand Euro, represented by 14,400,000 ordinary shares with a nominal value of 1 Euro each.

at 31 December 2021, Gefran S.p.A. held 27,220 own shares, representing 0.2% of the total; the situation was the same at 30 June 2022 and remains unchanged on the release of this document.

The Company has not issued any convertible bonds.

See the statement of changes in shareholders' equity for an analysis of changes in the equity reserves during the period.

The changes in the reserve for the measurement of securities at fair value are shown in the table below:

(Euro /000)	30 June 2022	31 December 2021	Change
Balance at 1 January	346	179	167
Woojin Plaimm Co Ltd Shares	(125)	169	(294)
Tax effect	2	(2)	4
Net amount	**223**	**346**	**(123)**

The changes in the reserve for the measurement of derivatives at fair value are shown below:

(Euro /000)	30 June 2022	31 December 2021	Change
Balance at 1 January	(66)	(249)	183
Change in fair value derivatives	398	240	158
Tax effect	(97)	(57)	(40)
Net amount	**235**	**(66)**	**301**

18. Earnings per share

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

	30 June 2022	30 June 2021
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group (Euro/000)	4,831	8,054
- Average No. of ordinary shares (No./000,000)	14.373	14.373
- Basic earnings per ordinary share	0.336	0.560
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group (Euro/000)	4,831	8,054
- Average No. of ordinary shares (No./000,000)	14.373	14.373
- Basic earnings per ordinary share	0.336	0.560
Average number of ordinary shares	14,372,780	14,372,780

19. Current and non-current provisions

The non-current provisions, which include those for outstanding legal disputes and various other risks, amount to 562 thousand Euro at 30 June 2022, compared with 1,035 thousand Euro at 31 December 2021. The change was mainly due to usage of the provision for legal disputes by the Parent Company, 473 thousand Euro, to cover exchange losses and default interest arising from a legal dispute which was settled in early 2022. The changes in the provisions during the first half of 2022 are analysed below:

(Euro /000)	31 December 2021	Provisions	Uses	Releases	Exchange rate differences	30 June 2022
Gefran S.p.A. risk provisions						
- other provisions	482	-	(473)	-	-	9
Elettropiemme S.r.l. risk provisions						
- other provisions	553	-	-	-	-	553
Total	**1,035**	**-**	**(473)**	**-**	**-**	**562**

Current provisions amount to 1,348 thousand Euro at 30 June 2022, up by 76 thousand Euro since 31 December 2021, as analysed below:

(Euro /000)	31 December 2021	Provisions	Uses	Releases	Exchange rate differences	30 June 2022
FISC	18	-	-	-	-	18
Product warranty	1,229	183	(114)	-	7	1,305
Other provisions	25	-	-	-	-	25
Total	**1,272**	**183**	**(114)**	**-**	**7**	**1,348**

This change relates to the “Product warranty” provision, which covers the forecast cost of repairing products under warranty; the adequacy of the provision was checked at 30 June 2022, with a positive outcome.

20. Revenues from product sales

Revenues from product sales during the period ended 30 June 2022 amount to 68,382 thousand Euro, up 17.6% compared with those reported at 30 June 2021, which amounted to 58,129 thousand Euro. The volume of sales continued to grow during the first half of 2022, following a trend that started during the fourth quarter of 2020 and was maintained throughout 2021.

Revenues from sales and services are analysed by sector of activity in the following table:

(Euro /000)	30 June 2022	30 June 2021	Change	%
Sensors	45,088	38,857	6,231	16.0%
Automation components	23,294	19,272	4,022	20.9%
Total	**68,382**	**58,129**	**10,253**	**17.6%**

Total revenues include revenues from services of 1,858 thousand Euro (1,625 thousand Euro in the first half of 2021); see the Report on Operations for information about the performance of the various business areas and geographical regions.

21. Other revenues and income

Other revenues and income amount to 926 thousand Euro, compared with 1,009 thousand Euro in the first half of 2021, as shown in the following table:

(Euro /000)	30 June 2022	30 June 2021	Change	%
Recovery of company canteen expenses	13	10	3	30.0%
Insurance reimbursements	-	1	(1)	-100.0%
Rental income	128	126	2	1.6%
Fees	6	-	6	n.s.
Government grants	2	229	(227)	-99.1%
Other income	777	643	134	20.8%
Total	**926**	**1,009**	**(83)**	**-8.2%**

Other income amounts to 777 thousand Euro and includes the chargeback for R&D specifically requested by customers, as well as the recognition of tax credits for investing in fixed assets and Industry 4.0. The above total also includes 544 thousand euro from the technical-administrative services provided by Gefran S.p.A. to the companies included within the scope of the framework disposal agreement signed with the WEG Group, described in the introduction to the Report, whose activities have been reclassified pursuant to IFRS 5 as “Held for sale”.

Government grants are 227 thousand Euro lower than in the first half of 2021, when they included capital grants collected from Simest in May 2021 by Gefran Soluzioni S.r.l. (204 thousand Euro).

22. Costs of raw materials and accessories

The cost of raw materials and accessories amount to 23,887 thousand Euro, compared with 19,923 thousand Euro in the period ended 30 June 2021. The change is shown below:

(Euro /000)	30 June 2022	30 June 2021	Change
Raw materials and accessories	23,887	19,923	3,964
Total	**23,887**	**19,923**	**3,964**

The increase reflects the need for more raw materials to support the higher production volumes associated with the growth in sales.

23. Service costs

Service costs amount to 10,818 thousand Euro, an overall increase of 1,418 thousand Euro compared with the total reported at 30 June 2021 of 9,400 thousand Euro. They are analysed below:

(Euro /000)	30 June 2022	30 June 2021	Change
Services	10,487	9,079	1,408
Use of third-party assets	331	321	10
Total	**10,818**	**9,400**	**1,418**

Following the adoption of IFRS 16, the lease instalments for the period no longer charged to the income statement as operating costs amounted to 582 thousand Euro (538 thousand Euro in the period ended 30 June 2021). The instalments on contracts excluded from the adoption of IFRS 16, based on the provisions of that standard, are still charged to the income statement; in particular, the use of third-party assets during the first half of 2022 amounted to 331 thousand Euro (compared to 321 thousand Euro in the same period of 2021).

With reference to services other than the lease instalments described above, this item increased by 1,408 thousand Euro during the first half of 2022 compared to the same period on the previous year; in particular, variable costs (outsourced processing and third-party services) have risen in proportion to the volume of sales, while utilities and commercial costs (especially travel and trade fairs) are also higher.

24. Personnel costs

Personnel costs amount to 22,872 thousand Euro, up compared with 30 June 2021 by 2,515 thousand Euro, as analysed below:

(Euro /000)	30 June 2022	30 June 2021	Change
Salaries and wages	17,640	15,532	2,108
Social security contributions	4,151	3,803	348
Post-employment benefit reserve	930	815	115
Other costs	151	207	(56)
Total	**22,872**	**20,357**	**2,515**

The change mainly reflects the higher cost of wages and salaries compared to the first six months of 2021, due to the increase in employment by the Group: 638 persons are employed in continuing operations at the end of the first half of 2022, compared with 606 at 30 June 2021. In addition, a number of cost containment actions introduced on the outbreak of the Covid-19 pandemic were still in place during the first half of 2021 (reduction in the provisions for holidays and M.B.O. bonuses). These circumstances no longer apply.

Social security contributions include costs for the defined contribution plans of management (Previndai pension plan) totalling 25 thousand Euro (in line with the amount reported at 30 June 2021).

Other costs, down by 56 thousand Euro, include, among other items, restructuring costs resulting from the reorganisation of Group companies, as well as sales commissions recognised to employees.

Comparing the first half of 2022 with the same period in 2021, the average number of persons employed by the Group in continuing operations has risen by 18:

	30 June 2022	30 June 2021	Change
Managers	12	11	1
Clerical staff	409	398	11
Manual workers	205	199	6
Total	**626**	**608**	**18**

25. Depreciation, amortisation and impairment

This item totals 3,479 thousand Euro, compared to 3,314 thousand Euro in the first half of 2021. These totals are analysed below:

(Euro /000)	30 June 2022	30 June 2021	Change
Intangible assets	873	935	(62)
Tangible assets	2,043	1,839	204
Usage rights	563	540	23
Total	**3,479**	**3,314**	**165**

Since 1 January 2019, this item includes the depreciation of RoU assets pursuant to IFRS 16. The related charge for the period ended 30 June 2022 was 563 thousand Euro (540 thousand Euro reported at 30 June 2021).

Depreciation, amortisation and impairment are analysed by sector of activity in the following table:

(Euro /000)	30 June 2022	30 June 2021	Change
Sensors	2,043	1,938	105
Automation components	1,436	1,376	60
Total	**3,479**	**3,314**	**165**

26. Gains (losses) from financial assets/liabilities

The net gain of 486 thousand Euro compares with a net loss of 86 thousand Euro in the period ended 30 June 2021, as analysed below:

(Euro /000)	30 June 2022	30 June 2021	Change
Cash management			
Income from cash management	10	12	(2)
Other financial income	12	10	2
Medium-/long-term interest	(121)	(177)	56
Short-term interest	(17)	(32)	15
Factoring interest and fees	(18)	(9)	(9)
Other financial charges	(18)	(15)	(3)
Total income (charges) from cash management	**(152)**	**(211)**	**59**
Currency transactions			
Exchange gains	513	111	402
Positive currency valuation differences	1,856	601	1,255
Exchange losses	(267)	(392)	125
Negative currency valuation differences	(1,448)	(4)	(1,444)
Total other income (charges) from currency	**654**	**316**	**338**
Other			
Interest on financial payables due to leasing under IFRS	(16)	(19)	3
Total other financial income (charges)	**(16)**	**(19)**	**3**
Gains (losses) from financial assets/liabilities	**486**	**86**	**400**

The cash management charges of 152 thousand Euro in the period ended 30 June 2022 are 211 thousand Euro lower than the amount reported at 30 June 2021.

Other income from currency transactions amounts to 654 thousand Euro, compared with 316 thousand Euro in the first half of 2021. The change is a result of the dynamics of the Euro in relation to the other currencies used by the Group.

Other financial charges include charges on the financial payables recognised in accordance with IFRS 16 of 16 thousand Euro in the first six months of 2022, which was essentially the same as in the comparative period.

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

The net tax charge of 3,222 thousand Euro includes 3,193 thousand Euro relating to continuing operations. This compares with a net tax charge of 2,301 thousand Euro in the first half of 2021, of which 228 thousand Euro related to continuing operations. Taxation is analysed below:

(Euro /000)	30 June 2022	30 June 2021	Change
Current taxes			
IRES (corporate income tax)	(2,074)	(1,386)	(688)
IRAP (regional production tax)	(390)	(440)	50
Foreign taxes	(918)	(453)	(465)
Total current taxes	**(3,382)**	**(2,279)**	**(1,103)**
Deferred tax assets and liabilities			
Deferred tax liabilities	13	5	8
Deferred tax assets	147	(27)	174
Total deferred tax assets and liabilities	**160**	**(22)**	**182**
Total taxes	**(3,222)**	**(2,301)**	**(921)**
of which:			
Allocated to assets held for sale	(29)	(228)	199
Relating to the operative part	(3,193)	(2,073)	(1,120)
Total taxes	**(3,222)**	**(2,301)**	**(921)**

Overall, current taxes amount to 1,103 thousand Euro higher than in the first half of 2021. This change reflects the improved results reported in the first six months of 2022 by the Parent Company and its subsidiaries.

The net positive effect of deferred taxes, 160 thousand Euro, mainly reflects the recognition of deferred tax assets by the Parent Company and Elettropiemme S.r.l.

During 2019 and 2020, the tax authorities checked the intercompany transfer prices of Gefran S.p.A., as well as its transfers of trademark-related know-how, during the 2016-2017-2018 tax years. This procedure was concluded in 2021 and, based on the information obtained by the Company to date, no risk factors were identified for which specific provisions should be recorded.

See the Report on Operations for more information about the changes in deferred tax assets and liabilities.

The following table analyses the changes in deferred tax assets and deferred tax liabilities during the first half of 2022:

(Euro /000)	31 December 2021	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	30 June 2022
Deferred tax assets					
Impairment of inventories	1,449	142	-	-	1,591
Impairment of trade receivables	274	(38)	-	-	236
Impairment of assets	535	-	-	-	535
Deductible losses to be brought forward	754	31	-	14	799
Elimination of unrealised margins on inventories	536	116	-	-	652
Provision for product warranty risk	368	16	-	-	384
Provision for miscellaneous risks	342	(120)	-	-	222
Fair value hedging	21	-	(21)	-	-
Total deferred tax assets	**4,279**	**147**	**(21)**	**14**	**4,419**
of which:					
Allocated to assets held for sale	682	(58)	-	-	624
Relating to the operative part	3,597	205	(21)	14	3,795
Deferred tax liabilities					
Exchange valuation differences	(11)	-	(73)	-	(84)
Other deferred tax liabilities	(905)	13	-	(73)	(965)
Total deferred taxes	**(916)**	**13**	**(73)**	**(73)**	**(1,049)**
of which:					
Allocated to assets held for sale	-	-	-	-	-
Relating to the operative part	(916)	13	(73)	(73)	(1,049)
Total	**3,363**	**160**	**(94)**	**(59)**	**3,370**

The following table analyses the changes in deferred tax assets and deferred tax liabilities during the first six months of 2021:

(Euro /000)	31 December 2020	Posted to the income statement	Recognised in shareholders' equity	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**
of which:					
Allocated to assets held for sale	756	7			763
Relating to the operative part	3,509	(34)	(35)	13	3,453
Deferred tax liabilities					
Discounting post-employment benefits	-				-
Exchange valuation differences	(2)	(9)	(1)	-	(12)
Other deferred tax liabilities	(831)	14		(25)	(842)
Total deferred taxes	**(833)**	**5**	**(1)**	**(25)**	**(854)**
of which:					
Allocated to assets held for sale	-	-	-	-	-
Relating to the operative part	(833)	5	(1)	(25)	(854)
Total	**3,432**	**(22)**	**(36)**	**(12)**	**3,362**

28. Results of disposal groups held for sale

The net loss of disposal groups held for sale in the period to 30 June 2022 totalled 4,396 thousand Euro. This item includes the net loss of the companies held for sale (307 thousand Euro) under the framework agreement signed on 1 August 2022 for disposal of the motion control business to the WEG Group. It also includes the net accounting effects expected from disposal of the business (net loss of 4,089 thousand Euro).

No indicators of impairment were identified on the date when the criteria were satisfied for the reclassification of the disposal groups pursuant to IFRS 5.

The net profit of disposal groups held for sale reported at 30 June 2021 was 915 thousand Euro. This item has therefore decreased by overall by 5,311 thousand Euro.

(Euro /000)	30 June 2022	30 June 2021	Change
Net profit (loss) from assets held for sale	(4,396)	915	(5,311)
Total	**(4,396)**	**915**	**(5,311)**

For further details, reference is made to the section of the Report on the Economic and financial performance of the disposal groups held for sale.

29. Guarantees given, commitments and other contingent liabilities

a) Guarantees given

At 30 June 2022, the Group has given guarantees for the payables or commitments of third parties or subsidiaries totalling 95 thousand Euro, which is consistent with the situation at 31 December 2021. These are summarised in the table below:

(Euro /000)	30 June 2022	31 December 2021
Sandrini Costruzioni	66	66
Sandrini Costruzioni	29	29
Total	**95**	**95**

The two sureties issued in favour of Sandrini Costruzioni guarantee the rent of the industrial property used by Elettropiemme S.r.l. under 2 leases, one of which will expire on 31 January 2027 while the other will be renewed automatically on 31 December 2023 for a further 6 years.

b) Legal proceedings and disputes

The Parent Company and certain subsidiaries are involved in various legal proceedings and disputes. However, the resolution of these disputes is not thought likely to generate significant liabilities not already covered by existing provisions.

c) Commitments

The Group has entered into contracts for the rental of buildings and the lease of equipment, electronic machinery and company vehicles. Pursuant to IFRS 16, the initial lease liability is capitalised as a RoU asset with a matching entry to Financial payables for IFRS 16 leases; see the related explanatory notes for more information.

As envisaged in this standard, certain contracts are excluded from its application as they satisfy the relevant requirements; lease instalments for those contracts totalling 461 thousand Euro were charged to the income statement in the first half of 2022, of which 130 thousand Euro under contracts arranged by Gefran Drives and Motion S.r.l. and Siei Areg, both being subsidiaries included within the scope of the framework agreement for the disposal of the motion control business whose activities have been reclassified as held for sale (321 thousand Euro in the first six months of 2021, of which 102 thousand Euro under contracts arranged by the subsidiaries reclassified pursuant to IFRS 5).

The Group's commitments at 30 June 2022 total 697 thousand Euro (of which 180 thousand Euro made by subsidiaries included within the scope of the framework disposal agreement) for lease and rental contracts expiring within the next five years that do not fall within the scope of application of IFRS 16 (976 thousand Euro at 30 June 2021 and 1,540 thousand Euro at 31 December 2021). This amount mainly refers to ancillary services pertaining to contracts subject to IFRS 16, as well as to contracts for which, based on their value and duration, the above standard has not been applied.

30. Transactions with related parties

The following information on Group company transactions with related parties during the first half of 2022 and 2021 is provided in accordance with IAS 24.

In compliance with Consob resolution no. 17221 of 12 March 2010, the Board of Directors of Gefran S.p.A. has adopted a Regulation governing transactions with related parties, the current version of which was approved on 24 June 2021 to implement the new requirements of Directive (EU) 2017/828, (a.k.a. 'Shareholders' Rights II'). This Regulation is available in the "Documents and Procedures" section of the website https://www.gefran.com/en/corporate_governances.

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 have not been any atypical or unusual transactions.

Noting that the economic and equity effects of consolidated infragroup transactions are eliminated in the consolidation process, the most significant transactions with related parties are listed below. These transactions 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.	B. T. Schlaepfer	Total
Service costs			
2021	(79)	-	(79)
2022	(97)	(50)	(147)

(Euro /000)	Climat S.r.l.	Marfran S.r.l.	Total
Property, plant, machinery and tools			
2021	188	-	188
2022	61	-	61
Trade receivables			
2021	-	68	68
2022	-	43	43
Trade payables			
2021	96	-	96
2022	107	-	107

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.

As part of its intercompany activities, Gefran S.p.A. has provided technical-administrative and management services and charged royalties to operational subsidiaries totalling 2.2 million Euro under specific contracts (1.9 million Euro in the period to 30 June 2021), of which 0.5 million Euro to Gefran Drives and Motion S.r.l. and Siei Areg, both being subsidiaries included within the scope of the framework agreement for the disposal of the motion control business.

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 2022, the Parent Company Gefran S.p.A. recognised dividends from subsidiaries amounting to 3 thousand Euro (1.7 million Euro in the first half of 2021).

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 Group’s Chief Sales Officer and the Sensors Business Unit General Manager, as well as the Chief Financial Officer, the Chief People & Organisation Officer, and the Group’s Chief Technology Officer.

Provaglio d’Iseo, 9 September 2022

For the Board of Directors

Chairwoman

Maria Chiara Franceschetti

Chief Executive Officer

Marcello Perini

Attachments

a) Consolidated income statement by quarter

	(Euro /000)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	TOT 2021	Q1 2022	Q2 2022	TOT 2022
a	Revenues	27,924	31,214	27,967	31,493	118,598	35,171	34,137	69,308
b	Increases for internal work	252	269	226	529	1,276	241	270	511
c	Consumption of materials and products	7,988	9,086	8,073	10,151	35,298	10,199	10,094	20,293
d	**Value Added (a+b-c)**	**20,188**	**22,397**	**20,120**	**21,871**	**84,576**	**25,213**	**24,313**	**49,526**
e	Other operating costs	4,605	5,189	4,936	6,049	20,779	5,351	5,903	11,254
f	Personnel costs	9,803	10,554	9,760	11,226	41,343	11,255	11,617	22,872
g	**EBITDA (d-e-f)**	**5,780**	**6,654**	**5,424**	**4,596**	**22,454**	**8,607**	**6,793**	**15,400**
h	Depreciation, amortisation and impairment	1,651	1,663	1,746	1,580	6,640	1,716	1,763	3,479
i	**EBIT (g-h)**	**4,129**	**4,991**	**3,678**	**3,016**	**15,814**	**6,891**	**5,030**	**11,921**
l	Gains (losses) from financial assets/liabilities	191	(105)	(415)	153	(176)	237	249	486
m	Gains (losses) from shareholdings valued at equity	5	1	3	11	20	8	5	13
n	**Profit (loss) before tax (i±l±m)**	**4,325**	**4,887**	**3,266**	**3,180**	**15,658**	**7,136**	**5,284**	**12,420**
o	Taxes	(992)	(1,081)	(827)	(843)	(3,743)	(1,790)	(1,403)	(3,193)
p	**Result from operational activities (n±o)**	**3,333**	**3,806**	**2,439**	**2,337**	**11,915**	**5,346**	**3,881**	**9,227**
q	Net income from assets available for sale	366	549	92	770	1,777	(503)	(3,893)	(4,396)
p	**Group net profit (loss) (p±q)**	**3,699**	**4,355**	**2,531**	**3,107**	**13,692**	**4,843**	**(12)**	**4,831**

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

End-of-period exchange rates

Currency	30 June 2022	31 December 2021
Swiss franc	0.9960	1.0331
Pound sterling	0.8582	0.8403
U.S. dollar	1.0387	1.1326
Brazilian real	5.4229	6.3101
Chinese renminbi	6.9624	7.1947
Indian rupee	82.1130	84.2292
Turkish lira	17.3220	15.2335

Average exchange rates in the period

Currency	30 June 2022	30 June 2021	2Q 2022	2Q 2021
Swiss franc	1.0320	1.0943	1.0270	1.0980
Pound sterling	0.8422	0.8684	0.8479	0.8622
U.S. dollar	1.0940	1.2057	1.0654	1.2057
Brazilian real	5.5578	6.4917	5.2337	6.3907
Chinese renminbi	7.0827	7.7981	7.0390	7.7851
Indian rupee	83.3249	88.4487	82.2324	88.9893
Turkish lira	16.2330	9.5126	16.8107	10.1203

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	Germany	EUR	365,000	Gefran S.p.A.	100.00
Siei Areg Gmbh	Pleidelsheim	Germany	EUR	150,000	Gefran S.p.A.	100.00
Gefran France 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
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

(1) Companies that include lines of business within the scope of the activities held for sale
(2) Companies included within the scope of the activities held for sale

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 affiliates

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.	2.00

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 **Paolo Beccaria**, as the Executive in charge of financial reporting of Gefran S.p.A., hereby certify, with due regard for the provisions of art. 154-*bis*, paragraphs 3 and 4, of Decree 58 dated 24 February 1998:

- the adequacy, with respect to the Company's characteristics,

and

- the effective application of the administrative and accounting procedures applied to prepare the consolidated financial statements, during the first half of 2022.

There are no significant matters to report in this regard.

They further certify that:

the condensed **Half-yearly financial statements**:

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

the **Report on operations** contains a reliable analysis of operating performance, results and 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, 9 September 2022

Chief Executive Officer	Executive in charge of financial reporting
Marcello Perini	**Paolo Beccaria**

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

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Gefran SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of GEFRAN SpA and its subsidiaries (the GEFRAN Group) as of 30 June 2022, 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

PricewaterhouseCoopers SpA

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June 2022 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, 9 September 2022

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