

GEFRAN

BEYOND TECHNOLOGY

A composite image featuring a man's profile on the left, with a city skyline (including the International Finance Centre in Hong Kong) superimposed on the right side of his face and body. The man has dark hair and is wearing glasses.

GRUPPO GEFRAN
Half-yearly financial report
at 30 June 2023



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Corporate Bodies

Board of Directors

Chairwoman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairwoman	Giovanna Franceschetti
Chief Executive Officer	Marcello Perini
Director	Alessandra Maraffini (*)
Director	Enrico Zampedri (*)
Director	Cristina Mollis (*)
Director	Giorgio Metta (*)
Director	Luigi Franceschetti

(*) Independent directors pursuant to the Consolidated Law on Finance (TUF) and the Corporate Governance Code

Board of Statutory Auditors

Chairman	Roberta Dell'Apa
Standing auditor	Primo Ceppellini
Standing auditor	Luisa Anselmi
Alternate auditor	Stefano Guerreschi
Alternate auditor	Simona Bonomelli

Control and Risks Committee

- Alessandra Maraffini
- Luigi Franceschetti
- Enrico Zampedri

Appointments and Remuneration Committee

- Cristina Mollis
- Giorgio Metta
- Enrico Zampedri

Sustainability Committee

- Giovanna Franceschetti
- Marcello Perini
- Cristina Mollis

External auditor

PricewaterhouseCoopers S.p.A.

On April 21st, 2016, the ordinary shareholders' meeting of Gefran S.p.A. engaged the external auditor PricewaterhouseCoopers S.p.A. to audit the separate Annual Financial Report of Gefran S.p.A., as well as the Consolidated Annual and Half-yearly Financial Reports of the Gefran Group for a period of nine years until the approval of the financial statements report for 2024, in accordance with Italian Legislative Decree 39/2010.

Key consolidated income statement and statement of financial position figures

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

Group income statement highlights

(Euro '000)	30 June 2023		30 June 2022		2Q 2023		2Q 2022	
Revenues	71,488	100.0%	69,308	100.0%	35,424	100.0%	34,137	100.0%
EBITDA	15,198	21.3%	15,400	22.2%	6,959	19.6%	6,793	19.9%
EBIT	11,458	16.0%	11,921	17.2%	5,089	14.4%	5,030	14.7%
Profit (loss) before tax	11,309	15.8%	12,420	17.9%	5,039	14.2%	5,284	15.5%
Result from operating activities	7,623	10.7%	9,227	13.3%	3,699	10.4%	3,881	11.4%
Net profit (loss) from assets held for sale and discontinued operations	(210)	-0.3%	(4,396)	-6.3%	(179)	-0.5%	(3,893)	-11.4%
Group net profit (loss)	7,413	10.4%	4,831	7.0%	3,520	9.9%	(12)	0.0%

Group statement of financial position highlights

(Euro '000)	30 June 2023		31 December 2022
Invested capital from operations	71,215		62,695
Invested capital from assets held for sale and discontinued operations	-		3,758
Net working capital	26,033		21,602
Shareholders' equity	90,543		90,723
Net debt relating to operations	19,328		24,270

(Euro '000)	30 June 2023		30 June 2022
Operating cash flow from operations	8,180		10,434
Operating cash flow from assets held for sale and discontinued operations	-		(1,272)
Investments in operations	6,069		2,666
Investments in assets held for sale and discontinued operations	-		495

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

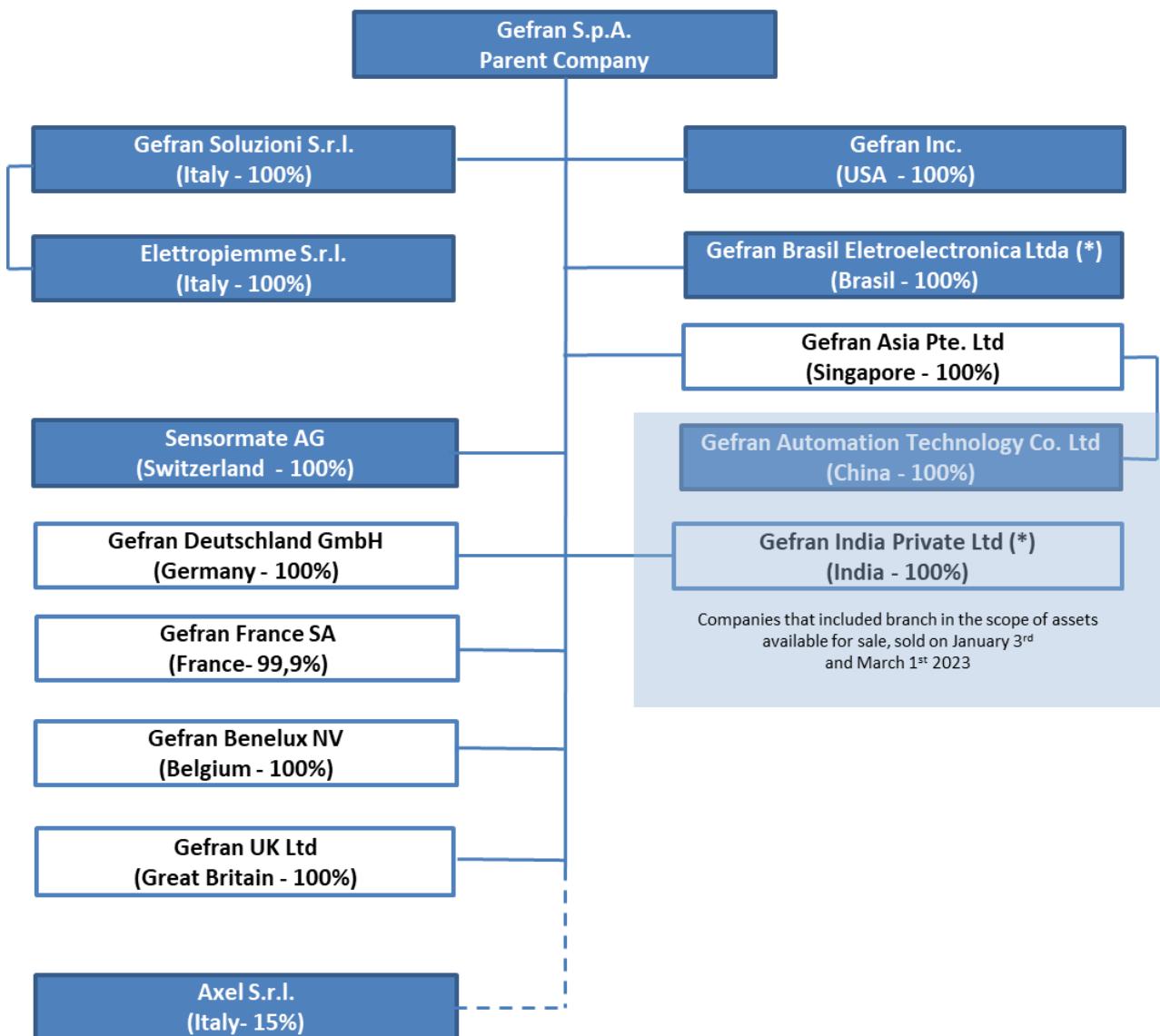
This half-yearly financial report is structured as follows in line with the Annual financial report as at 31 December 2022, in light of the sale of the motion control business to the Brazilian Group WEG S.A.

The scope of the transaction, defined through the framework agreement signed on August 1st, 2022 and carried out in several stages until its conclusion in the first quarter of 2023, included the subsidiaries Gefran Drives and Motion S.r.l., with registered office in Gerenzano (Italy), Siei Areg GmbH, with registered office in Pleidelsheim (Germany), whose shares were sold on October 3rd and 4th, 2022, respectively. The operation also included the business units relating to the motion control business of Gefran Siei Drives Technology Co. Ltd (now called Gefran Automation Technology Co. Ltd), with registered office in Shanghai (China) and Gefran India Private Ltd, with registered office in Pune (India), subsequently sold, specifically on January 3rd, 2023 and March 1st, 2023.

Consistent with the provisions of IFRS 5 “Non-current assets held for sale and discontinued operations”, the economic results, as well as the assets and liabilities of this disposal group have been classified separately, in specific lines of the income statement and the statement of financial position.

This Report therefore focuses on the performance of continuing operations, while the operational results from the assets held for sale and subsequently discontinued are described in separate paragraphs.

Group Structure



Production units

Commercial units

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

Gefran Group Activities

The Gefran Group currently operates in two main business areas: industrial sensors and automation components. For each of them, design, production and marketing activities are carried out through various sales channels. It should be noted that, following the operation described above, this Report classifies the assets connected to the motion control business as "Held for sale", pursuant to IFRS 5. The business was subject to the sale signed with the framework agreement of August 1st, 2022 and concluded during the first quarter of 2023.

The Group offers a complete range of products and tailored turnkey solutions in numerous automation sectors. About 66% 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 76% of its revenues abroad.

Automation components

The automation components business is divided into three product lines: instrumentation, power controllers and automation platforms (operator interfaces, PLCs and I/O modules). These components are widely used in the control of industrial processes. As well as supplying products, Gefran offers its customers the possibility of designing and supplying tailored turnkey automation solutions through a close strategic partnership during the design and production stages.

Gefran 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.

Gefran consolidated results

With reference to the sale of the motion control business described in the introduction to this report on operations, 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 agreement have been reclassified to specific lines of the income statement and statement of financial position.

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

Consolidated income statement of the quarter

The income statement for the second quarter of 2023 is shown below, in comparison with the income statement for the same period in 2022.

(Euro /000)	2Q 2023	2Q 2022		Var. 2023-2022
		Total	Value	
a Revenues	35,424	34,137	1,287	3.8%
b Increases for internal work	715	270	445	164.8%
c Consumption of materials and products	11,186	10,094	1,092	10.8%
d Added Value (a+b-c)	24,953	24,313	640	2.6%
e Other operating costs	5,755	5,903	(148)	-2.5%
f Personnel costs	12,239	11,617	622	5.4%
g EBITDA (d-e-f)	6,959	6,793	166	2.4%
h Depreciation, amortisation and impairment	1,870	1,763	107	6.1%
i EBIT (g-h)	5,089	5,030	59	1.2%
l Gains (losses) from financial assets/liabilities	(46)	249	(295)	-118.5%
m Gains (losses) from shareholdings valued at equity	(4)	5	(9)	n.s.
n Profit (loss) before tax (i±l±m)	5,039	5,284	(245)	-4.6%
o Taxes	(1,340)	(1,403)	63	4.5%
p Result from operating activities (n±o)	3,699	3,881	(182)	-4.7%
q Net profit (loss) from assets held for sale and discontinued operations	(179)	(3,893)	3,714	-95.4%
r Group net profit (loss) (p±q)	3,520	(12)	3,532	n.s.

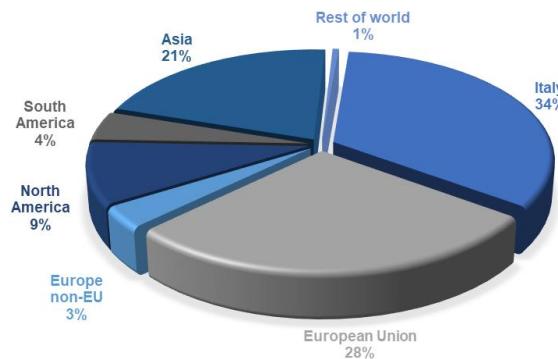
Revenues in the second quarter of 2023 amount to 35,424 thousand Euro, compared to 34,137 thousand Euro in the same period of the previous year, up by 1,287 thousand Euro (equal to 3.8%), which would be 1,512 thousand Euro (equal to 4.4%) net of the negative effect of exchange-rate changes.

Order intake in the second quarter of 2023 is lower (23.3% overall) than in the same period in 2022, with a downturn in orders for both the automation components business (-2.2%) and the sensors business (-31.9%).

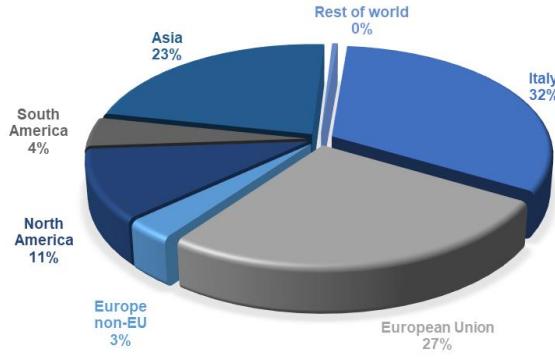
The table below shows a breakdown of revenues in the second quarter by geographical region:

(Euro /000)	2Q 2023		2Q 2022		Var. 2023-2022	
	Value	%	Value	%	Value	%
Italy	11,895	33.6%	10,938	32.0%	957	8.7%
European Union	9,890	27.9%	9,083	26.6%	807	8.9%
Europe non-EU	1,184	3.3%	1,082	3.2%	102	9.4%
North America	3,332	9.4%	3,651	10.7%	(319)	-8.7%
South America	1,577	4.5%	1,512	4.4%	65	4.3%
Asia	7,366	20.8%	7,716	22.6%	(350)	-4.5%
Rest of the world	180	0.5%	155	0.5%	25	16.1%
Total	35,424	100%	34,137	100%	1,287	3.8%

Revenues 2Q 2023



Revenues 2Q 2022



The breakdown of revenues for the quarter by **geographical region**, and the comparison with the same quarter of the previous year, shows that some of the main areas served by the Group have experienced growth, and particularly in Italy (+8.7%) and Europe (+8.9% overall). On the other hand, there was a contraction in sales in the Americas (overall -4.9%) and in Asia (-4.5%), with Asia being influenced by the negative effect of foreign currency developments, in particular Renminbi and Rupee (without this effect the contraction would be reduced to 0.5%).

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

(Euro /000)	2Q 2023		2Q 2022		Var. 2023-2022	
	Value	%	Value	%	Value	%
Sensors	23,622	66.7%	22,565	66.1%	1,057	4.7%
Automation components	13,871	39.2%	13,441	39.4%	430	3.2%
Eliminations	(2,069)	-5.8%	(1,869)	-5.5%	(200)	10.7%
Total	35,424	100%	34,137	100%	1,287	3.8%

Revenues were up both in the sensors business (+4.7%), thanks to the increase in sales volumes in Italy and on the European market, and the automation components segment (+3.2%), where the good performance recorded in Italy and Europe was partially affected by lower revenues in the Asian market.

Increases for internal work in the second quarter of 2023 amounted to 715 thousand Euro, down by 445 thousand Euro compared 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 amounted to 24,953 thousand Euro (24,313 thousand Euro in the same quarter in 2022), corresponding to 70.4% of revenues and slightly lower than in the same period of the previous year (-0.8%). growth in added value, equal to 640 thousand Euro overall, is a result of higher revenues the increase in capitalisations and is only partially offset by lower margins.

Other operating costs in the second quarter of 2023 amount to 5,755 thousand Euro, a decrease of 148 thousand Euro over the figure for the second quarter of 2022, absorbing 16.2% of revenues (17.3% down from the previous quarter).

Personnel costs in the quarter, equal to 12,239 thousand Euro, increased by 622 thousand Euro compared to the same period in the previous year, when this item amounted to 11,617 thousand Euro. They absorbed 34.6% of revenues (34.0% in the second quarter of 2022).

EBITDA in the second quarter of 2023 is positive by 6,959 thousand Euro (6,793 thousand Euro in the same quarter of 2022), corresponding to 19.6% of revenues (19.9% of revenues in 2022), which was higher than in the same quarter of the previous year by 166 thousand Euro. The increases in personnel costs with respect to the previous period is more than offset by the increase in added value which is mainly generated by higher volumes of sales, and by the decrease in operating costs.

The item **depreciation, amortisation and impairment** amounts to 1,870 thousand Euro, compared with 1,763 thousand Euro in the same period in the previous year, an increase of 107 thousand Euro.

EBIT in the second quarter of 2023 is positive by 5,089 thousand Euro (14.4% of revenues), compared with 5,030 thousand Euro in the same period of 2022 (14.7% of revenues), an increase of 59 thousand Euro. As with EBITDA, this change results from the increase in sales, which has been eroded by the higher operating costs (specifically personnel costs) and depreciation charges incurred with respect to the same quarter.

Income from financial assets/liabilities in the second quarter of 2023 amounts to 46 thousand Euro (in the second quarter of 2022 net charges of 249 thousand Euro were recorded), including:

- financial income of 134 thousand Euro (17 thousand Euro in the second quarter of 2022);
- financial charges linked with the Group's indebtedness of 66 thousand Euro, which was lower than in the second quarter of 2022, when they totalled 86 thousand Euro;
- negative differences on currency transactions, amounting to 84 thousand Euro, compared with the result for the fourth quarter of the previous year, which was positive by 326 thousand Euro; the change in the exchange rate of the Euro compared with the Indian rupee and the Chinese renminbi was particularly affected;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 30 thousand Euro (8 thousand Euro in the second quarter of 2022).

Losses from valuation of investments using the equity method reflects the results reported by Axel S.r.l. and amounted to 4 thousand Euro. Gains in the second quarter of 2022 totalled 5 thousand Euro.

Taxes charged during the quarter amount to 1,340 thousand Euro (compared with a charge of 1,403 thousand Euro in the second quarter of 2022). The above amounts are analysed below:

- current tax charge of 1,265 thousand Euro (charge of 1,567 thousand Euro in the second quarter of 2022);

- deferred tax assets and liabilities, on the whole negative by 75 thousand Euro (negative by 193 thousand Euro in the second quarter of the previous year).

Profit from continuing operations in the second quarter of 2023 is positive at 3,699 thousand Euro, compared with positive 3,881 thousand Euro in the same period of the previous year, down by 182 thousand Euro.

The **Net results of disposal groups held for sale** in the second quarter of 2023 are negative at 179 thousand Euro, compared with negative 3,893 thousand Euro in the same period of the previous year, up by 3,714 thousand Euro. It relates to the operating result of the motion control business units, sold to the WEG Group in the first quarter of 2023 based on the framework agreement signed on 1 August 2022 (positive at 11 thousand Euro). The item also includes an adjustment with respect to the initial estimate (negative at Euro 190 thousand) of the net accounting effects expected on the disposal of the business, already recognised in 2022.

Group net profit in the second quarter of 2023 is positive by 3,520 thousand Euro, compared with negative 12 thousand Euro in the same period of the previous year, up by 3,532 thousand Euro. The increase mainly regards the performance of the Net results of disposal groups held for sale and discontinued (up by Euro 3,714 thousand).

Progressive Consolidated Income Statement

The Group's results at 30 June 2023 are shown below, compared with those reported at 30 June 2022.

(Euro /000)	30 June 2023	30 June 2022	Diff. 2023-2022	
	Total	Total	Value	%
a Revenues	71,488	69,308	2,180	3.1%
b Increases for internal work	1,160	511	649	127.0%
c Consumption of materials and products	21,601	20,293	1,308	6.4%
d Added Value (a+b-c)	51,047	49,526	1,521	3.1%
e Other operating costs	11,835	11,254	581	5.2%
f Personnel costs	24,014	22,872	1,142	5.0%
g EBITDA (d-e-f)	15,198	15,400	(202)	-1.3%
h Depreciation, amortisation and impairment	3,740	3,479	261	7.5%
i EBIT (g-h)	11,458	11,921	(463)	-3.9%
l Gains (losses) from financial assets/liabilities	(161)	486	(647)	-133.1%
m Gains (losses) from shareholdings valued at equity	12	13	(1)	-7.7%
n Profit (loss) before tax (i±l±m)	11,309	12,420	(1,111)	-8.9%
o Taxes	(3,686)	(3,193)	(493)	-15.4%
p Result from operating activities (n±o)	7,623	9,227	(1,604)	-17.4%
q Net profit (loss) from assets held for sale and discontinued operations	(210)	(4,396)	4,186	95.2%
p Group net profit (loss) (p±q)	7,413	4,831	2,582	53.4%

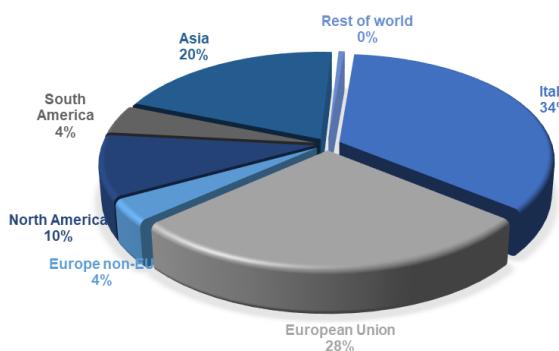
Revenues as of 30 June 2023 total 71,488 thousand Euro, as compared to 69,308 thousand Euro in the same quarter of the previous year, an increase of 2,180 thousand Euro (equal to 3.1%), which would be 2,598 thousand Euro (3.7%) net of the negative effect of changes in exchange rates.

Analysing order intake in the first half of 2023 compared to the same period 2022 a contraction of 13.5% was recorded. This is in relation to both business lines, more notably sensors (-17.2%), while it is more moderate in automation components (-5.3%), and is also reflected in the order book, down both compared to the figure for the first half of 2022 (-30.1%) and compared to the closing value in 2022 (-16.3%)

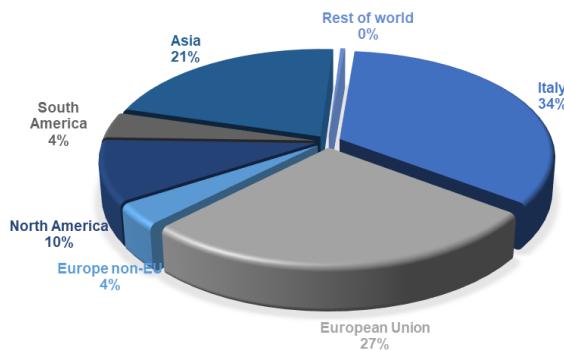
The table below analyses revenues in the first half by geographical region:

(Euro /000)	30 June 2023		30 June 2022		Diff. 2023-2022	
	Value	%	Value	%	Value	%
Italy	24,620	34.4%	23,454	33.8%	1,166	5.0%
European Union	19,784	27.7%	18,852	27.2%	932	4.9%
Europe non-EU	2,510	3.5%	2,429	3.5%	81	3.3%
North America	6,918	9.7%	6,641	9.6%	277	4.2%
South America	3,204	4.5%	2,823	4.1%	381	13.5%
Asia	14,088	19.7%	14,840	21.4%	(752)	-5.1%
Rest of the world	364	0.5%	269	0.4%	95	35.3%
Total	71,488	100%	69,308	100%	2,180	3.1%

Revenues up to 30 June 2023



Revenues up to 30 June 2022



An analysis of revenues by **geographical region** reveals growth in almost all the areas served by the Group, particularly in Italy (where +5% is recorded), Europe (+4.8% overall) and the Americas (overall improvement of +7%). The only geographical region for which a contraction was recorded was Asia (-5.1%), which was affected by foreign currency developments, in particular the Rupee and the Renminbi, without which the decline would be more limited (-1.4%).

Below is a breakdown of revenues at 30 June 2023 by **business area** in comparison with the same period in the previous year:

(Euro /000)	30 June 2023		30 June 2022		Diff. 2023-2022	
	Value	%	Value	%	Value	%
Sensors	47,399	66.3%	45,886	66.2%	1,513	3.3%
Automation components	28,278	39.6%	27,264	39.3%	1,014	3.7%
Eliminations	(4,189)	-5.9%	(3,842)	-5.5%	(347)	9.0%
Total	71,488	100%	69,308	100%	2,180	3.1%

Revenues increased in all sectors: revenues from sensor products grew by 3.3%, where the growth extended to all geographic regions excluding only Asia, while revenues from automation components increased by 3.7%, mostly concentrated in Italy and Europe.

Increases for internal works at 30 June 2023 amounted to 1,160 thousand Euro, up by 649 thousand 649 compared with the figure for 30 June 2022. This item represents the new product development costs incurred in the period that have been capitalised.

Added value in the period ended 30 June 2023 amounts to 51,047 thousand Euro (49,526 thousand Euro reported at 30 June 2022), corresponding to 71.4% of revenues and in line with date for the same period of the previous year. The growth in added value, totalling 1,521 thousand Euro, relates to the higher revenues recorded and the higher capitalisations recognised in the half-year, is only minimally affected by the higher provisions for inventory obsolescence.

Other operating costs for the first half of the year amount to 11,835 thousand Euro with, in absolute terms, an increase of 581 thousand Euro compared with the first six months of 2022, absorbing 16.6% of revenues (16.2% in the same period of 2022). The increase is linked to the higher consultancy costs incurred in the first quarter of 2023 (of which 124 thousand Euro incurred in 2023 reflects the activities required for the spin-off of the motion control business), as well as for travel and utilities.

Personnel costs in the first six months of 2023 amount to 24,014 thousand Euro, compared with 22,872 thousand Euro in the same period of the previous year, up by 1,142 thousand Euro linked to the growth in the workforce (average number of employees in the first half of 2023 is 649, up by 23 persons compared to the figure for the same period in the previous year). As a percentage of revenue, the ratio was 33.6% (33.0% in the first half of 2022).

EBITDA in the period ended 30 June 2023 is positive by 15,198 thousand Euro (15,400 thousand Euro reported at 30 June 2022), corresponding to 21.3% of revenues (22.2% of revenues in 2022), which was lower than in the same period of the previous year by 202 thousand Euro. The increase in operating costs and personnel costs with respect to the same period is only partially offset by the increased added value which is mainly generated by higher volumes of sales.

Depreciation, amortisation and impairment totalled 3,740 thousand Euro, compared with 3,479 thousand Euro in the same period of the previous year, reflecting an increase of 261 thousand Euro.

EBIT in the period ended 30 June 2023 is positive by 11,458 thousand Euro (16.0% of revenues), compared with 11,921 thousand Euro in the same period of 2022 (17.2% of revenues), a decrease of 463 thousand Euro. As with EBITDA, this change results from the increase in sales, which has been eroded by the higher operating costs and depreciation charges incurred with respect to the same period.

Income from financial assets/liabilities in the first half of 2023 totalled 161 thousand Euro (in the first half of 2022 net gains of 486 thousand Euro were recorded), including:

- financial income of 285 thousand Euro, including 243 Euro deriving from liquidity management (up by 233 thousand Euro compared with the figure for the first quarter of 2022);
- financial charges linked to the Group's indebtedness of 142 thousand Euro (down compared with the 2022 figure of 32 thousand Euro);
- financial charges for interest, as a prudent provision of 120 thousand Euro, for the assessment notice received from the Italian Revenue Agency following the tax audit carried out in 2019 and 2020 with respect to the Parent Company, relating to the 2016-2017-2018 tax periods;
- exchange losses from foreign currency transactions of 144 thousand Euro, compared with the first half of the previous year when they amounted to 654 thousand Euro. The change is primarily a result of the exchange rates in effect between the Euro and the Indian Rupee, the Chinese renminbi and the Brazilian Real;
- financial charges on the financial payables recognised pursuant to IFRS 40 of 16 thousand Euro (16 thousand Euro in the first six months of 2020).

Gains (losses) from shareholdings valued at equity reflect the results reported by Axel S.r.l. and amounted to 12 thousand Euro, while in the first half of 2022 they totalled 13 thousand Euro.

In the first six months of 2023, the **taxes** charged amount to 3,686 thousand Euro (total charge of 3,193 thousand Euro in the comparative period of 2022). The above amounts are analysed below:

- Negative current taxes, equal to Euro 3,493 thousand (negative by Euro 3,412 thousand in first half of 2022); include the provision of Euro 570 thousand relating to the assessment notice received from the Revenue Agency following the tax audit carried out against the Parent Company and referring to the 2016-2017-2018 tax periods, used in part for the taxes recognized in the second quarter (Euro 258 thousand) and referring to the settlement, with acceptance deed, of the findings relating to the 2016 tax period;
- net negative change in deferred tax assets and liabilities of 22 thousand Euro (net negative change of 656 thousand Euro in the first half of the previous year).

The **Profit from continuing operations** in the period to 30 June 2023 is positive by 7,623 thousand Euro (10.7% of revenues), as compared to a still positive result of 9,227 thousand Euro in the first half of the same period in the previous year (13.3% of revenues), down by 1,604 thousand Euro.

The **Net results of disposal groups held for sale** as at 30 June 2023 are negative at 210 thousand Euro, compared with the still negative 4,396 thousand Euro in the same period of the previous year, up by 4,186 thousand Euro. It relates to the operating result of the motion control business units, sold to the WEG Group in the first quarter of 2023 based on the framework agreement signed on 1 August 2022 (negative at 65 thousand Euro). The item also includes an adjustment with respect to the initial estimate (negative at Euro 145 thousand) of the net accounting effects expected on the disposal of the business, already recognised in 2022. In the first half of 2022, in addition to the operating results of the divested business (negative by 250 thousand Euro) the expected effects of the divestment of the business were noted (estimated negative by 4,146 thousand Euro).

Group **net profit** as of 30 June 2023 is positive by 7,413 thousand Euro (10.4% of revenues), as compared to a still positive result of 4,831 thousand Euro (7% of revenues) in the same period in the previous year, a 2,582 thousand Euro increase. The increase is mainly due to a decrease in the Profit from continuing operations (down by 1,604 thousand Euro compared to the same half-year, including the entry in the fund for prudential provisions linked to the assessment received from the Italian Revenue Agency mentioned above), which is more than offset by an improvement in the net result from assets held for sale and discontinued (4,186 thousand Euro).

Reclassified consolidated statement of financial position at 30 June 2023

The Gefran Group's reclassified consolidated statement of financial position at 30 June 2023 is presented below:

(Euro '000)	30 June 2023		31 December 2022	
	Value	%	Value	%
Intangible assets	11,907	16.7	12,037	18.1
Tangible fixed assets	41,537	58.3	37,924	57.1
Other non-current assets	7,005	9.8	7,078	10.7
Net non-current assets	60,449	84.9	57,039	85.8
Inventories	20,372	28.6	20,067	30.2
Trade receivables	27,528	38.7	24,183	36.4
Trade payables	(21,867)	(30.7)	(22,648)	(34.1)
Other assets/liabilities	(9,143)	(12.8)	(10,304)	(15.5)
Working capital	16,890	23.7	11,298	17.0
Provisions for risks and future liabilities	(2,251)	(3.2)	(1,841)	(2.8)
Deferred tax provisions	(1,688)	(2.4)	(1,560)	(2.3)
Employee benefits	(2,185)	(3.1)	(2,241)	(3.4)
Invested capital from operations	71,215	100.0	62,695	94.3
Invested capital from assets held for sale and discontinued operations	-	-	3,758	5.7
Net invested capital	71,215	100.0	66,453	100.0
Shareholders' equity	90,543	127.1	90,723	136.5
Non-current financial payables	4,277	6.0	7,205	10.8
Current financial payables	8,605	12.1	10,469	15.8
Financial payables for IFRS 16 leases (current and non-current)	3,805	5.3	2,737	4.1
Financial assets for derivatives (current and non-current)	(371)	(0.5)	(539)	(0.8)
Other non-current financial investments	(120)	(0.2)	(28)	(0.0)
Cash and cash equivalents and current financial receivables	(35,524)	(49.9)	(44,114)	(66.4)
Net debt relating to operations	(19,328)	(27.1)	(24,270)	(36.5)
Total sources of financing	71,215	100.0	66,453	100.0

Net non-current assets at 30 June 2023 total 60,449 thousand Euro, compared with 57,039 thousand Euro at 31 December 2022. The main changes are indicated below:

- intangible assets register an overall decrease of 130 thousand Euro. This net change includes the capitalisation of development costs (816 thousand Euro) and new investment (106 thousand Euro), as well as the amortisation charge for the period (931 thousand Euro). The change in exchange rates had a net positive effect of 77 thousand Euro;
- Trade payables have increased by 3,613 thousand Euro since 31 December 2022. Additions during the first six months of 2023 (5,147 thousand Euro) were offset by the depreciation charge for the period (2,229 thousand Euro) and by disposals (123 thousand Euro). This item

- also includes the value of the right-of-use assets recognised in accordance with IFRS 16. The total increased by 1,817 thousand Euro during the first half of 2023, following renewals and the signature of new contracts, and decreased by the related depreciation charge of 580 thousand Euro and early terminations of 223 thousand Euro. Lastly, the net negative effect of exchange-rate changes was negative at 239 thousand Euro overall;
- other non-current assets at 30 June 2023 amount to 7,005 thousand Euro (7,078 thousand Euro at 31 December 2022), down by 73 thousand Euro.

Working capital at 30 June 2023 totals 16,890 thousand Euro, compared to 11,298 thousand Euro at 31 December 2022, reflecting a net increase of 5,592 thousand Euro. The main changes are indicated below:

- inventories rose from 20,067 thousand Euro at 31 December 2022 to 20,372 thousand Euro at 30 June 2023, reflect a net increase of 305 thousand Euro. There was an increase in stocks of raw materials (720 thousand Euro), while semi-finished products (190 thousand Euro) and finished products for sale decreased (225 thousand Euro); in general, the increase in inventories is aimed at avoiding production stoppages or delays in the face of possible supply difficulties and ensuring that customer orders planned in the coming months are consistently fulfilled within the required timeframe; exchange rate fluctuations, overall negative in the amount of Euro 181 thousand, partly offset the increase;
- trade receivables total 27,528 thousand Euro, up by 3,345 thousand Euro since 31 December 2022, 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 21,867 thousand Euro, down by 781 thousand Euro since 31 December 2022;
- other net liabilities at 30 June 2023 total 9,143 thousand Euro (10,304 thousand Euro at 31 December 2022). They include payables to employees and social security institutions, as well as direct and indirect tax receivables and payables.

Provisions for risks and charges amount to 2,251 thousand Euro overall, in line with the figure at 31 December 2022 (an increase of 410 thousand Euro). This item includes provisions for outstanding legal disputes and various other risks. In addition to the movement in the product warranty provision, which overall led to an increase in the same of 32 thousand Euro, the change is mainly due to the movement in the risk provision of the Parent Company, relating to the recognition of a prudential provision for the tax settlement procedure still in progress, linked to the tax audit carried out in 2019 and 2020 with respect to the Parent Company. The assessment concerned intragroup transactions (so-called Transfer Price) and its transfers of trademark-related know-how, during the 2016-2017-2018 tax years.

Employee benefits amount to 2,185 thousand Euro, compared to 2,241 thousand Euro as at 31 December 2022. The item comprises the Post-employment Benefits Reserve for employees. At the end of the half-year there are no payables to employees for the signing of Company protection agreements from any competitive activities (so-called "Non-competition strategies"), which, on the contrary, were active as at 30 June 2022.

Shareholders' equity at 30 June 2023 amounts to 90,543 thousand Euro, down by 180 thousand Euro since the end of 2022. The net profit for the period, amounting to 7,413 thousand Euro, is partially absorbed by the distribution of dividends in the amount of 5,713 thousand Euro, as well as by the negative effects of changes in the reserves, in particular by changes in the translation reserve of 799 thousand Euro, the stock reserve at fair value of 143 thousand Euro, and the reserve for own shares held among other reserves of 910 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 2023		31 December 2022	
	Shareholders' equity	Result for the period	Shareholders' equity	Result for the period
Parent Company shareholders' equity and operating result	77,494	7,441	76,821	9,520
Shareholders' equity and operating result of the consolidated companies	39,037	4,549	43,069	8,480
Net profit (loss) from assets held for sale and discontinued operations	(210)	(210)	(3,464)	(3,464)
Elimination of the carrying value of consolidated investments	(28,323)	-	(28,322)	-
Goodwill	3,763	-	3,773	-
Elimination of the effects of transactions conducted between consolidated companies	(1,218)	(4,367)	(1,154)	(4,548)
Group share of shareholders' equity and operating result	90,543	7,413	90,723	9,988
Minorities' share of shareholders' equity and operating result	-	-	-	-
Shareholders' equity and operating result	90,543	7,413	90,723	9,988

The **net financial position** at 30 June 2023 is positive by 19,328 thousand Euro, having deteriorated by 4,942 thousand Euro since the end of 2022, when it was overall positive by 24,270 thousand Euro.

Net financial debt comprises net short-term cash and cash equivalents of 25,878 thousand Euro and net medium/long-term debt of 6,550 thousand Euro.

This item also includes the negative effect of applying IFRS 16, totalling 3,805 thousand Euro at 30 June 2023, of which 1,041 thousand Euro classified as current and 2,764 thousand Euro as non-current (2,737 thousand Euro at 31 December 2022, of which 955 thousand Euro classified as current and 1,782 thousand Euro as non-current).

No new loans were arranged during the first six months of 2023.

The change in net financial position is essentially due to the positive cash flows generated by typical operations (8,180 thousand Euro), the collection linked to the conclusion of the sale of the motion control business, with the sale of the business units of Gefran Automation Technology and Gefran India (3,672 thousand Euro), absorbed by disbursements for technical investments made during the first six months of the year (6,069 thousand Euro), as well as the purchase of treasury shares (910 thousand Euro), the payment of dividends (5,713 thousand Euro) and interest, taxes and rental fees (overall 2,818 thousand Euro).

This item is analysed below:

(Euro /000)	30 June 2023	31 December 2022	Change
Cash and cash equivalents and current financial receivables	35,524	44,114	(8,590)
Current financial payables	(8,605)	(10,469)	1,864
Current financial payables for IFRS 16 leases	(1,041)	(955)	(86)
(Debt)/short-term cash and cash equivalents	25,878	32,690	(6,812)
Non-current financial payables	(4,277)	(7,205)	2,928
Non-current financial payables for IFRS 16 leases	(2,764)	(1,782)	(982)
Non-current financial investments for derivatives	371	539	(168)
Other non-current financial investments	120	28	92
(Debt)/medium-/long-term cash and cash equivalents	(6,550)	(8,420)	1,870
Net financial position	19,328	24,270	(4,942)

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 2023 is positive at 19,208 thousand Euro, while at 31 December 2022 it was 24,242 thousand Euro.

Consolidated cash flow statement for the period ended 30 June 2023

The **consolidated cash flow statement** of the Gefran Group for the period ended 30 June 2023 reports a net reduction in cash at hand of 8,590 thousand Euro, compared to the net reduction of 10,315 thousand Euro during the period ended 30 June 2022. These changes are analysed below:

(Euro /000)	30 June 2023	30 June 2022
A) Cash and cash equivalents at the start of the period	44,114	35,497
B) Cash flow generated by (used in) operations in the period	8,180	9,162
C) Cash flow generated by (used in) investment activities	(3,306)	(3,137)
D) Free Cash Flow (B+C)	4,874	6,025
E) Cash flow generated by (used in) financing activities	(13,672)	(15,976)
F) Cash flow from continuing operations (D+E)	(8,798)	(9,951)
G) Cash flow from assets held for sale and discontinued operations	0	(482)
H) Exchange rate translation differences on cash at hand	208	118
I) Net change in cash at hand (F+G+H)	(8,590)	(10,315)
J) Cash and cash equivalents at the end of the period (A+I)	35,524	25,182

The cash flow generated by operations in the period is positive at 8,180 thousand Euro; specifically, operations during the period to the end of the first quarter of 2023, excluding the effect of provisions, amortisation and depreciation, and financial entries, generated cash of 16,650 thousand Euro (16,718 thousand Euro in the period to the end of the first quarter of 2022), while the net change in other assets and liabilities in the same period absorbed 1,955 thousand Euro (301 thousand Euro of resources provided in the first half of 2022) and the management of operating capital generated 5,994 thousand Euro (5,625 thousand Euro in the same period of the previous year).

The financial resources absorbed by technical investments amount to 6,069 thousand Euro (3,137 thousand Euro in the first six months of 2022), while the sale of the drives business units which took place in the first half of 2023 generated a positive net cash flow (Euro 2,606 thousand).

Free cash flow (operating cash flow net of investment activities) was positive by 4,874 thousand Euro, compared with 6,025 thousand Euro in the period ended 30 June 2022.

Financing activities absorbed 13,672 thousand Euro, including 4,703 thousand Euro for the repayment of non-current financial payables, 5,713 thousand Euro for the payment of dividends, 1,381 thousand Euro for the payment of direct taxes and 910 thousand Euro for the payment of treasury shares.

In the first half of 2022, financing activities had absorbed cash for a total of 15,976 thousand Euro, including 5,693 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.

Economic performance of the Group's scope for sale and discontinued as at 30 June 2023

Pursuant to IFRS 5, the comparative reclassified income statement as at 30 June 2023 of the assets reclassified as "Held for sale" is presented below: Specifically, the assets recognised in the first half of 2023 related to the January and February operations of the motion control business unit of the subsidiary Gefran India, which was sold to WEG on March 1st, 2023. This also includes the effects of the sale of the assets (storage, other assets and employees) of the motion control business unit within the Chinese subsidiary Gefran Automation Technology (China), sold on January 3rd, 2023.

Conversely, with reference to the first half of 2022, in addition to the operations of the aforementioned business units, the results of the subsidiaries Gefran Drives and Motion S.r.l. and Siei Areg GmbH, which were sold to the WEG Group on October 3rd and 4th, 2022, respectively, are included.

(Euro /000)	30 June 2023	30 June 2022	Diff. 2023-2022	
	Total	Total	Value	%
a Revenues	2,387	23,313	(20,926)	-89.8%
b Increases for internal work	-	305	(305)	-100.0%
c Consumption of materials and products	2,368	13,780	(11,412)	-82.8%
d Added Value (a+b-c)	19	9,838	(9,819)	-99.8%
e Other operating costs	-	3,369	(3,369)	-100.0%
f Personnel costs	83	5,556	(5,473)	-98.5%
g EBITDA (d-e-f)	(64)	913	(977)	-107.0%
h Depreciation, amortisation and impairment	1	856	(855)	-99.9%
i EBIT (g-h)	(65)	57	(122)	-214.0%
l Gains (losses) from financial assets/liabilities	-	(278)	278	100.0%
m Impairment of assets held for sale and discontinued operations	(145)	(4,146)	4,001	96.5%
n Profit (loss) before tax (i±l±m)	(210)	(4,367)	4,157	95.2%
o Taxes	-	(29)	29	100.0%
p Group net profit (loss) (p±q)	(210)	(4,396)	4,186	95.2%

The **revenues** as at 30 June 2023 amount to 2,387 thousand Euro, compared to 23,313 thousand Euro in the same period of the previous year, down by 20,926 thousand Euro (89.8%).

Increases for internal work as at 30 June 2023 are zero, while as of 30 June 2022 they amounted to 305 thousand Euro. This item represents the new product development costs incurred in the period that have been capitalised.

Added value as at 30 June 2023 amounts to 19 thousand Euro, while amounting to 9,838 thousand Euro (42.2% of revenues) as at 30 June 2022.

Other operating costs in the first half of 2023 are zero, while they amounted to 3,369 thousand Euro in the first half of the previous year.

Personnel costs in the first six months of 2023 amount to 83 thousand Euro (3.5% of revenues), compared with 5,556 thousand Euro in the same period of the previous year (23.8% of revenues).

Gross Operating Margin (EBITDA) as at 30 June 2023 is negative by 64 thousand Euro (positive by 913 thousand Euro as at 30 June 2022) and corresponds to -2.7% of revenues (3.9% of revenues in 2022).

EBIT for the period ended 30 June 2023 amounts to negative 65 thousand Euro (-2.7% of revenues), compared with a negative EBIT of 57 thousand Euro in the same period of 2022 (0.2% of revenues).

Charges on financial assets/liabilities recorded in the first half of 2023 are zero, while in the same half of the previous year they amounted to 278 thousand Euro.

In the first half of 2023, the **write-down of assets held for sale** reflects the adjustment from the initial estimate (negative by 145 thousand Euro) of the net accounting effects expected from the disposal of the business, already recognised in 2022 (when in the first quarter they were estimated to be negative by 4,146 thousand Euro).

The **net profit (loss) of assets held for sale** as at 30 June 2023 is negative by 210 thousand Euro. An overall net loss of 4,396 thousand Euro was reported for the period to 30 June 2022.

Investments

Gross technical investments made by the Group during the first six months of 2023 total 6,069 thousand Euro (2,666 thousand Euro in the first half of 2022) and relate to:

- production and laboratory plant and equipment in the Group's Italian plants totalling 1,823 thousand Euro (including 1,161 thousand Euro for production lines in the sensors business unit, 662 thousand Euro in the automation components business unit), as well as 162 thousand Euro in the Group's foreign companies (as at 30 June 2022 the Group had invested 1,577 thousand Euro in Italy and 28 thousand Euro in its foreign subsidiaries);
- adaptation of the industrial buildings totalling 2,268 thousand Euro for the Group's Italian plants and 520 thousand Euro in the buildings of foreign subsidiaries (as at 30 June 2022 173 thousand Euro had been invested, in Italy);
- renewal of electronic office machines and IT equipment, amounting to 308 thousand Euro at the Parent Company and 44 thousand Euro at the Group's subsidiaries (as at 30 June 2022 102 thousand Euro and 108 thousand Euro respectively);
- miscellaneous equipment in the Group's subsidiaries amounting to 23 thousand Euro;
- capitalisation of costs incurred in the period for new product development, totalling 816 thousand Euro (777 thousand Euro in the first six months of 2022);
- investments in intangible assets amounting of 104 thousand Euro, mainly relating to management software licences and SAP ERP development (other intangible assets totalling 292 thousand Euro were recognised in the first six months of 2022).

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

(Euro /000)	30 June 2023	30 June 2022
Intangible assets	922	759
Tangible assets	5,147	1,907
Total	6,069	2,666

(Euro /000)	30 June 2023		30 June 2022	
	intangible	tangible assets	intangible	tangible assets
Italy	916	4,413	749	1,704
European Union	5	101	-	29
Europe non-EU	-	24	7	5
North America	-	132	-	11
South America	1	145	3	43
Asia	-	332	-	115
Total	922	5,147	759	1,907

Results by business area

The following sections comment on the performance of the individual continuing 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 Condensed Consolidated Half-Year Financial Statements for an examination of the financial position by business area.

Sensors

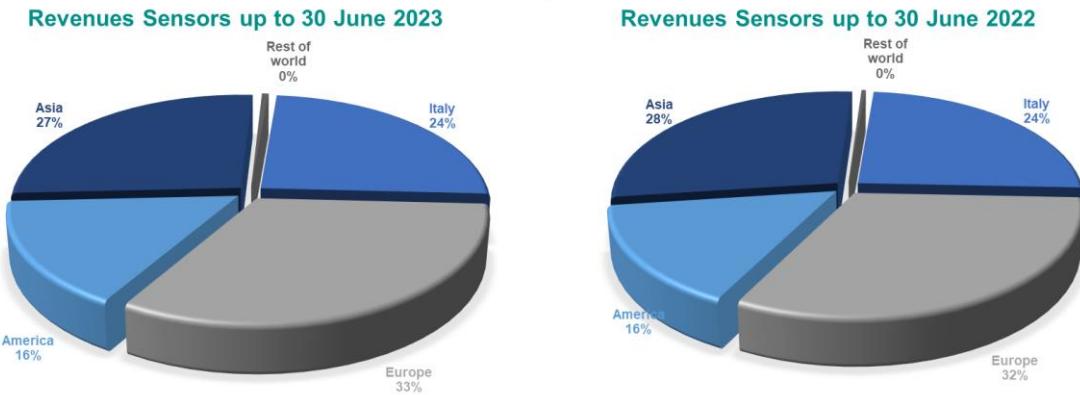
Summary results

The table below shows the key economic figures:

(Euro /000)	30 June 2023	30 June 2022	Diff. 2023 - 2022		2Q 2023	2Q 2022	Diff. 2023 - 2022	
			Value	%			Value	%
Revenues	47,399	45,886	1,513	3.3%	23,622	22,565	1,057	4.7%
EBITDA	12,524	12,453	71	0.6%	5,909	5,632	277	4.9%
% of revenues	26.4%	27.1%			25.0%	25.0%		
EBIT	10,371	10,410	(39)	-0.4%	4,843	4,590	253	5.5%
% of revenues	21.9%	22.7%			20.5%	20.3%		

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

(Euro /000)	30 June 2023		30 June 2022		Diff. 2023 - 2022	
	Value	%	Value	%	Value	%
Italy	11,568	24.4%	11,134	24.3%	434	3.9%
Europe	15,508	32.7%	14,631	31.9%	877	6.0%
America	7,459	15.7%	7,053	15.4%	406	5.8%
Asia	12,619	26.6%	12,918	28.2%	(299)	-2.3%
Rest of the world	245	0.5%	150	0.3%	95	63.3%
Total	47,399	100%	45,886	100%	1,513	3.3%



Business performance

Revenues from the business unit as of 30 June 2023 amount to 47,399 thousand Euro, up over the figure for 30 June 2022, when this item amounted to 45,886 thousand Euro, an increase of 3.3%, including the effect of exchange rate fluctuation (negative by 418 thousand Euro).

The good performance was achieved thanks to the development of new products and the application of new technologies to existing ranges, helping to expand the product range and enabling a high level of service to be maintained. The trend of steady growth in business revenues continued in the first half of 2023, although to a more limited degree than in 2021 and 2022, despite the general economic uncertainty and the signs of a slowdown emerging, which also emerged from the analysis of order intake.

Revenue growth compared to the first half of 2022 is spread across the main geographic areas reached by the business, and in particular Italy (+3.9%), Europe (+6%) and the Americas (overall +5.8 %). The only area showing a decline is Asia, where business revenues remain below levels in the first half of 2022 (-2.3%), due to the performance of foreign currencies against the euro. Excluding the impact of currency translations, the Asia area would also show growth (+1.9%).

Orders received in the first six months of 2023, amounting to a total of 41,300 thousand Euro, fell compared to the figure for the same period of 2022 (-17.2%), confirming a slowdown in business. The same trend has been observed with reference to the backlog as at 30 June 2023, which is lower than the figure as at 30 June 2022 (-39.2%), as also for the figure at the end of the previous year (-26.4%).

Turning to the second quarter of 2023, revenues amounted to 23,622 thousand Euro, up by 4.7% compared with the same period in 2022 when they totalled 22,565 thousand Euro.

EBITDA for the period ended 30 June 2023 amounts to 12,524 thousand Euro (26.4% of the business unit's revenues), up by 71 thousand Euro compared with the period ended 30 June 2022, when it was 12,453 thousand Euro (27.1% of revenues). The change in EBITDA is due to the growth in sales volumes and in added value generated, affected by higher operating costs, in particular personnel costs.

EBIT for the first six months of 2023 amounts to 10,371 thousand Euro, equal to 21.9% of revenues, compared with 10,410 thousand Euro in the same period of the previous year (22.7% of revenues), a decrease of 39 thousand Euro. The change in the figure for first half of 2023 compared to the same period in the previous year is mainly due to the same trends as the gross operating margin (EBITDA), as well as the increase in depreciation allocated to the business.

Comparing the figures by quarter, EBIT in the second quarter of 2023 amounts to 4,843 thousand Euro (20.5% of revenues), compared with 4,590 thousand Euro (20.3% of revenues) in the same quarter of 2022.

Investments

Investments in the first six months of 2023 amount to 3,886 thousand Euro, including 341 thousand Euro invested in intangible assets, of which 321 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 3,545 thousand Euro, including 3,017 thousand Euro invested by the Parent Company, primarily for the renovation of one of the buildings dedicated to the activities of the business, and for the purchase of production equipment to increase the capacity and efficiency of production. Investment by Group subsidiaries totalled 528 thousand Euro, primarily reflecting the purchase of equipment and the renovation of buildings in the subsidiaries Gefran GmbH, Gefran Inc, Gefran India and Gefran Automation Technology.

Automation components

Summary results

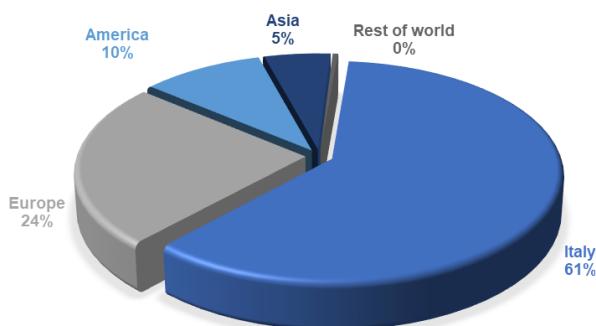
The table below shows the key economic figures:

(Euro /000)	30 June 2023	30 June 2022	Diff. 2023 - 2022		2Q 2023	2Q 2022	Diff. 2023 - 2022	
			Value	%			Value	%
Revenues	28,278	27,264	1,014	3.7%	13,871	13,441	430	3.2%
EBITDA	2,674	2,947	(273)	-9.3%	1,050	1,161	(111)	-9.6%
% of revenues	9.5%	10.8%			7.6%	8.6%		
EBIT	1,087	1,511	(424)	-28.1%	246	440	(194)	-44.1%
% of revenues	3.8%	5.5%			1.8%	3.3%		

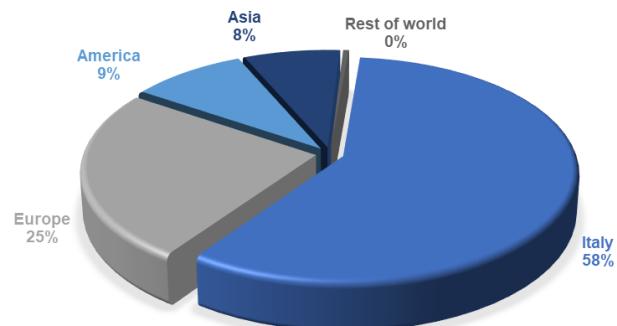
The revenues of the automation components business are analysed by geographical region below:

(Euro /000)	30 June 2023		30 June 2022		Diff. 2023 - 2022	
	Value	%	Value	%	Value	%
Italy	17,104	60.5%	15,910	58.4%	1,194	7.5%
Europe	6,841	24.2%	6,724	24.7%	117	1.7%
America	2,734	9.7%	2,464	9.0%	270	11.0%
Asia	1,480	5.2%	2,047	7.5%	(567)	-27.7%
Rest of the world	119	0.4%	119	0.4%	-	0.0%
Total	28,278	100%	27,264	100%	1,014	3.7%

**Revenues Automation Components
up to 30 June 2023**



**Revenues Automation Components
up to 30 June 2022**



Business performance

The revenues of the business unit in the period to 30 June 2023 amount to 28,278 thousand Euro, up 3.7% compared with those for the period ended 30 June 2022. The activities carried out by the technical area for the development of new product families (such as the new SSR static units), and the implementation of more modern functions applied to existing products (in the area of connectivity, and diagnostics, for example, or the reduction of energy consumption and of the maintenance operations necessary in the event of machine downtime), helped to keep the business competitive and have enabled continuous revenue increases over the years. The post-pandemic growth trend, observed since the last quarter of 2020, was also confirmed in the first half of 2023. This was supported, among other things, by the business's ability to effectively cope with the critical issues facing supply chains, thanks to the in-depth knowledge of the product and the synergy activity carried out by the various business areas.

In the analysis of revenues by geographical area, the increase compared to the first half of 2022 recorded in Italy (+7.5%) and in the Americas (+11%) is significant. Revenues generated in Asia decreased (-27.7%), only partially affected by the impact of currency translations determined by the performance of the Rupee and Renminbi currencies against the Euro (excluding this there would be a 24.3% decline).

The orders received during the first six months of 2023 amount to 24,720 thousand Euro, and were overall lower than in the first half of the previous year (-5.3%). The same trend can be observed by analysing the backlog as at 30 June 2023, a decrease compared to the value recorded at 30 June 2022 (-10.5%), but up compared to the closing value of 2022 (+4.9%).

Turning to the second quarter of 2023, revenues amounted to 13,871 thousand Euro, up by 3.2% compared with the same period in 2022 when they totalled 13,441 thousand Euro.

EBITDA for the period ended 30 June 2023 rises to 2,674 thousand Euro (equal to 9.5% of revenues), which was an deterioration of 273 thousand Euro over the figure reported at 30 June 2022 of 2,947 thousand Euro (10.8% of revenues). The sales growth recorded in the first six months of the year and the higher added value achieved were absorbed by the additional operating costs recorded during the period, therefore personnel costs for strengthening the structure and other operating costs.

EBIT in the first half of 2023 was positive by 1,087 thousand Euro. This compares with a positive EBIT of 1,511 thousand Euro in the first half of 2022. The total decrease of 424 thousand Euro reflects the dynamics described above: greater sales volume and added value, as offset by higher ordinary operating costs, as well as increased depreciation/amortisation recorded.

Comparing the figures by quarter, EBIT in the second quarter of 2023 amounts to 246 thousand Euro (1.8% of revenues), compared with 440 thousand Euro (3.3% of revenues) in the same quarter of 2022.

Investments

Investments in the first six months of 2023 amount to 2,183 thousand Euro. Investments in intangible assets amounts to 581 thousand Euro, of which 495 thousand Euro reflects capitalisation of the cost of developing the new range of static units and new programmable automation products. The remainder was for the purchase of software programmes and licences.

Investments in tangible fixed assets amount to 1,602 thousand Euro, including 1,396 thousand Euro invested in Italy for new machinery to enhance both production capacity and the efficiency needed for new products, and to renew electronic office machines and IT equipment. The remaining Euro 206 thousand mainly relate to investments by the Brazilian subsidiary in laboratory and production equipment, for the production lines of the local business.

Research and development

The Gefran Group invests significant financial and human resources in product research and development. In the first half of 2023, just over 4% of sales were invested in these activities overall, which are considered strategic to maintain high technological and innovative levels in products and ensure the competitiveness required by the market.

Research and development activity is concentrated in Italy, 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 indirectly suspended by a revenue entry under a specific income statement item, "Increases for internal work".

The sensors area focused its activity in the first half of 2023 on further expanding the offering of products, focusing on mobile hydraulics sensors and on the launch of sensors with digital connectivity for use in Industry 4.0 architecture.

With specific regard to products for mobile hydraulics, four projects were carried out, one in the area of pressure and three in the area of position sensors. The pressure project relating aims to develop the KM probe, with mechanics and metrological and environmental characteristics designed for the Mobile sector. In particular, this sensor is among the smallest on the market and, at launch, will be UL, E1 and PL'd/SIL2 certified, i.e. respectively for the US market, for "mobile" and "functional safety" applications. As far as position sensors are concerned, the three projects launched are aimed at integrating extension sensors and inclinometers into a single multivariable sensor ("angle-extension" GSH-A), at developing GIB inclinometers to increase resistance to vibrations and finally at developing the range of GSH extension sensors up to 12.5 metres.

In terms of connectivity applied to industrial position sensors, activities focused on the development of the Ethercat version of the Hyperwave magnetostrictive sensor, which will be released in the "profile" (WPA-E) and "stem" (WRA-E) configuration.

Research and development in the first six months of 2023 in the field of **automation components** focused on the projects described below.

For the instrumentation range, attention was focused on the development of the new 1550 regulator in the performance range, which is an evolution of the 1250 regulator and allows the implementation of PID control cycles instead of a single one. The development of the five-digit display version of the 1850 regulator was also continued, which is the most complete model in the performance range.

The R&D team also followed the development of the G-Mation G3 modular input-output system, which allows a large variety of devices controlled in analogue or digital mode or as temperature sensors to be connected to a PLC via the Ethercat fieldbus. The modularity of the G-Mation G3 will help to integrate further forms of control, which will be developed as early as the second half of the year.

With regard to the power controller range, 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. The GRS-H static unit was launched in 2020, the advanced GRP-H static unit in 2021 and the GRM-H single-phase power controller in late 2022, which is now also completed by the version with control via Modbus RTU serial protocol.

Activities today are focused on the new two/three-phase static unit GRZ-H, a particularly compact device capable of controlling current up to 75A per phase. Finally, considerable efforts have been dedicated to completing the UL certifications for the North American market, with projects covering the entire GRM-H range (digital, analogue, IO-Link and serial), the GRZ-Hs and also the G-Start motor starters, launched in 2022.

Human resources

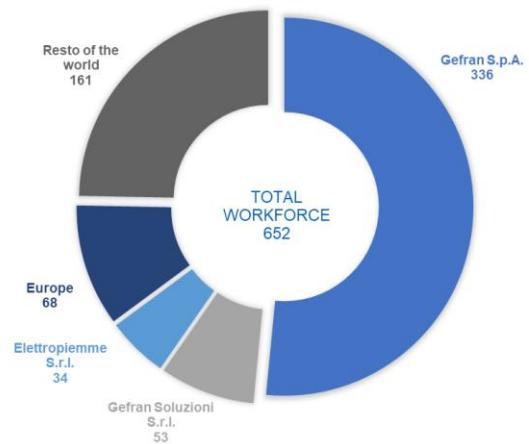
Workforce

The Group's workforce as at 30 June 2023 totals 652 persons, down by 6 since the end of 2022, and by 14 since 30 June 2022 (with regard to personnel employed in the activities of continuing operations only). The change was marked by a Group turnover rate of 12.6% in the first six months of the year.

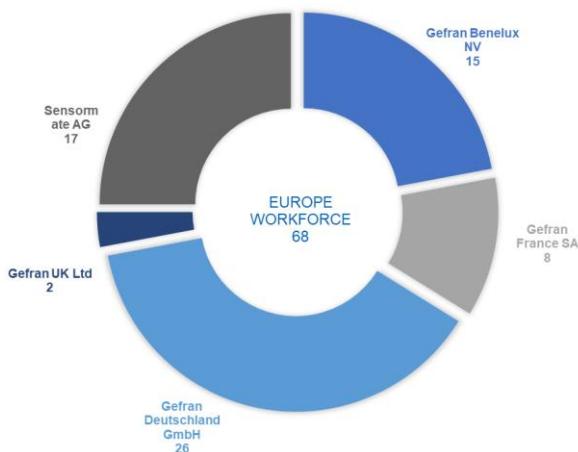
The changes during the first quarter of 2023 are analysed as follows:

- 44 people joined the Group, including 2 manual workers and 42 clerical staff;
- 38 people left the Group, including 8 manual workers, 28 clerical staff and 2 managers/executives.

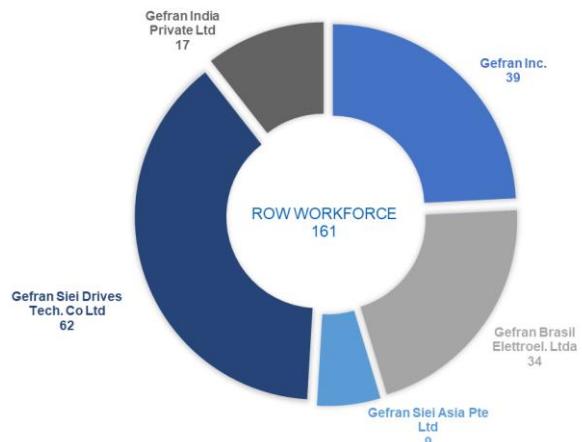
Workforce up to 30 June 2023



Europe Workforce up to 30 June 2023



Rest of the World Workforce up to 30 June 2023



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, financial, operational situation as well as on health, safety and the environment 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 prerequisite 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.

For the purposes of the internal control and risk management system, Gefran's organisational structure envisages various subjects:

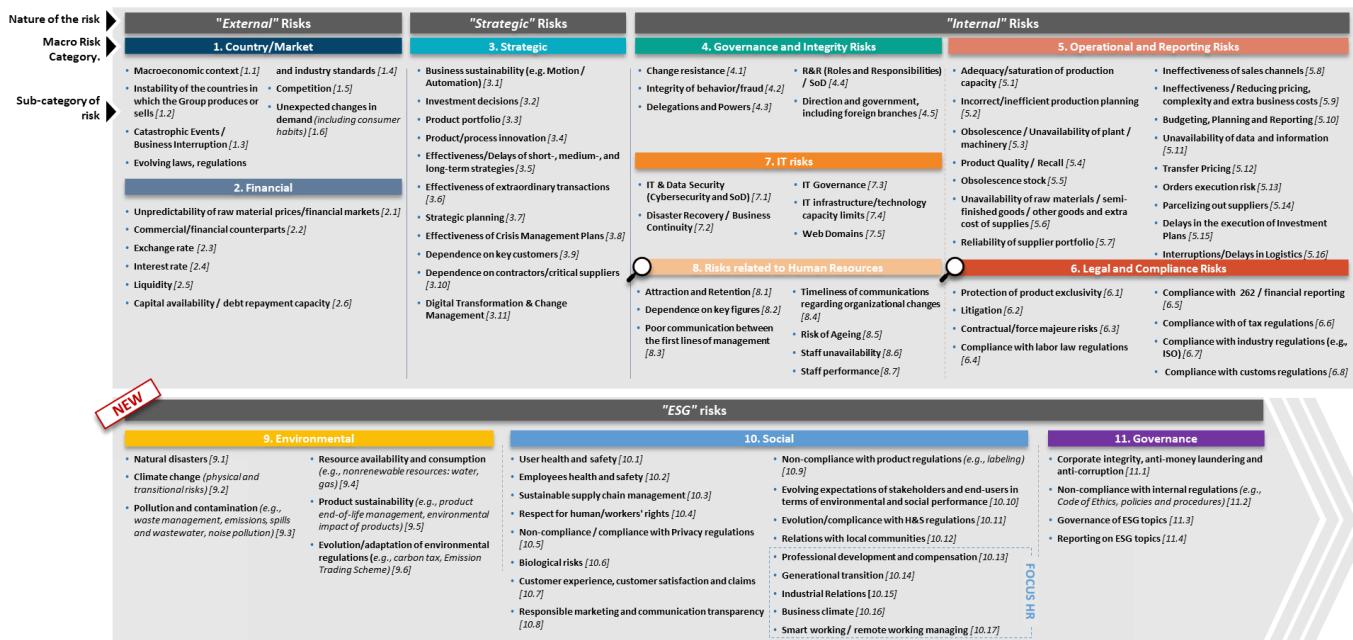
- the **Board of Directors** defines the guidelines of the internal control and risk management system, in line with the company's strategies, while assessing its adequacy and effectiveness;
- the **Risk Control Committee** which has the task of supporting, with adequate preliminary investigation, the 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** oversees the application of the Control Model pursuant to Law 262/2005, through the related administrative and accounting procedures as well as any updates;
- the **Internal Audit** function has the task of checking, both continuously as well as in relation to specific requirements and in compliance with international standards, the operation and appropriateness of the internal control and risk management system, via an audit plan approved by the Board of Directors, and based on a structured analysis of the main risks;
- the **Board of Statutory Auditors** 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 Legislative Decree no. 231/2001.

Some time ago Gefran started a structured process aimed at promoting the integration of an Enterprise Risk Management (ERM) model into business processes, organisational structures and systems that contribute to strategic and performance objectives. The model is constantly updated according to changes in the external environment and/or in the internal company organisation.

The activities provided by the ERM allow 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. These extend to all types of risk and opportunity of potential significance for the Group, represented in the Risk Model - shown in the figure below - which divides into eleven categories the risks areas Gefran is exposed to:

- **country/market**: risks arising from factors such as macroeconomic environment, changes in the regulatory and/or market environment, changes in economic or political stability in countries or geographical regions;
- **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 *attraction*, *retention*, availability, management and development of the resources and skills necessary to conduct business and management of trade union relations;
- **ESG Risks**: risks related to sustainability issues, which in turn are in turn divided into **environmental**, **social** and **governance risks**.

The eleven risk families analysed are schematically represented below:



Some of the risk categories found within the 2020/2021 risk model have been reclassified as ESG risks

Management involved in the ERM 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** depending on the category estimate of the economic and financial impacts, or on the HSE issue, or of image or repercussions for operations within the time horizon under consideration, measured on the basis of a scale from insignificant (1) to critical (4);
- **level of risk management** or of maturity and efficiency of existing risk management systems and processes, measured on the basis of a scale from optimal (1) to be initiated (4).

Both the inherent risk and residual risk are considered in the assessment, which also weighs the mitigating effects of the *risk management* system.

The results of measurement of risk exposure analysed are 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. These are moreover linked to the objectives set out in the Group's strategic plan, in order to integrate risk management within the company strategy.

The principal risks detected and assessed are described and discussed with all organisations of significance for the purposes of the internal control and risk management system as well as with the Board of Directors.

The overview of the risks the Group is exposed to allows the Board of Directors and Management to initially reflect on the Group's propensity for risk and subsequently identify *Risk Management* strategies to be adopted, by assessing which risks and priorities are considered to require new mitigation actions, or improvement or optimisation of existing ones, or simple monitoring of exposure over time.

The activity of *Enterprise Risk Management* is constantly evolving. Also for the current year, the monitoring of risks and the progress of initiated mitigation actions is planned, as well as the reassessment of risks based on the development of the situation.

In general, in the light of the results of the activity of *Enterprise Risk Management* and analysing the economic results, current financial resources and cash generation over the last few years, given the current situation, it is believed that there are no significant uncertainties that raise significant doubts as to the company's ability to continue to operate as a going concern.

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

Risks associated with countries and markets

Risks associated with the general economic conditions and market trends

2023 has a downward forecast compared to 2022: according to the International Monetary Fund, global growth should go from +3.5% growth in 2022 to +3% in 2023 (+0.2 % compared to the April estimate), remaining at the same level in 2024 as well. The slowdown in the "advanced" economies should be more pronounced: from 2.7% in 2022, it should fall to +1.5% in 2023 and +1.4% in 2024.

Inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 and hit 5.2% in 2024, however falling short of pre-pandemic levels at 3.5%. The central banks' monetary policies implemented to tackle inflation continue to affect economic activity by eroding the purchasing power of households and the cost of money in general, with an effect on interest rates.

In the first few months of 2023, despite a certain level of resilience brought about by the services sector, the industrial sectors showed weakness and there are signs of a slowdown in activities in terms of reduced production and investments, with a consequent decrease in demand.

With regard to the Eurozone, compared to +3.5% in 2022, GDP is projected to grow by 0.9% in 2023 and 1.5% in 2024.

In terms of the national scenario, growth is estimated at 1.1 % for 2023 (an improvement of 0.4 points compared to the April forecast, thanks to services and tourism), but the latest projections suggest a growth of 0.9% in 2024, making it more contained than in the Eurozone.

The percentage growth in sales volumes recorded in 2021 and 2022 influenced, among other things, by the post-covid recovery of the economies and by the need for greater inventories of products to deal with interruptions in supply chains, have decreased.

In this scenario, where there are still uncertainties about the geopolitical future, it should be noted that the Group does not possess strategic assets in the territories currently involved in the hostilities and that sales in these regions are limited (only 0.6% of the Group's 2021 revenue was generated in the countries currently involved). Although the scenario is changeable, 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 in addition to what has already been absorbed during the first half of the year.

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, Gefran 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 change will not be sufficiently large and timely, and thus there may be negative effects on the economic and financial situation.

Risks associated with changes in the regulatory framework

Since Gefran makes and distributes electronic components used in various 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, with reference to the certifications required for the products.

Any changes in laws or regulations could entail (substantial) costs required to adapt the product characteristics or even bring about the temporary suspension of the sale of some products, which would consequently affect the generation of revenues.

Moreover, 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. This could have a negative impact on the Group's business, its operations and image and/or influence its ability to expand business in new markets.

Finally, changes or tightening of the regulatory framework by (supranational or national) governmental bodies in the territories where Gefran operates that could have an impact on the Group's operating results. In particular, by operating through production plants located in several countries, Gefran is exposed to risks deriving from changes in labour safety regulations, although there are currently no areas that are not managed by the implemented practices, operational procedures and management policies.

Country risk

A significant portion of the Group's production and sales activities is carried out outside the European Union, particularly in Asia, the US, Brazil and Switzerland. 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;
- possible disruptions in the supply chain.

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. Such risk is, however, mitigated by the fact that the production sites where there are certain productions, and are therefore not easily interchangeable with productions of other countries, are operational in the USA and Switzerland, where the country risk is significantly reduced.

In the light of political developments linked to the Russian-Ukraine conflict, Gefran has formally expressed its desire to terminate business 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 was generated in the countries currently involved in the conflict), this decision has not significantly affected 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 some countries (particularly Italy and Switzerland) 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 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, where necessary, Gefran considers whether to engage in hedging transactions on the main currencies by arranging forward contracts with the parent company. However, since it 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 for the income statement. 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 had entered into hedging contracts (so-called derivative 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 and monetary situation, both domestically and internationally, the rise in interest rates represents a risk factor in the coming quarters, although this is limited by hedging contracts in place.

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 cyclical price variations, even significant ones, that could adversely affect the Group's results.

The overall market situation has seen generalised price increases in the last two years, mainly driven by the scarcity of raw materials and electronic components in particular and is leading to significant price fluctuations with a subsequent impact on the overall cost of products. The market situation has recently become relatively stable, in terms of both prices and the availability of components.

Thanks to careful and efficient management of the supply chain and logistic-production processes within the organisation, no further significant price changes are foreseen.

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 90.5 million Euro, while liabilities amount to 57.8 million Euro (data related to only continuing operations). Most existing loan contracts were negotiated at floating rates, based on the Euribor, increased by an average spread of 0.97% over the last two years. 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 2023 generated free cash flow of 4.9 million Euro.

At 30 June 2023, the net financial position is positive overall and equal to 19.3 million Euro, reflecting a reduction of 4.9 million Euro since the end of the previous year, after distributing 5.7 million Euro in dividends and making technical investments of 6 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.

The strategy also aims to diversify as much as possible the markets and their customers in order to avoid repercussions from the performance of a single market or client.

In this light, 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.

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 shares, consequently impacting on revenue generation. 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, through the addition of specialised personnel focused on innovative technological trends and the identification of a specific company department dedicated to innovation.

Risks linked to dependence on certain unique or critical suppliers

The Group purchases raw materials and components from a large number of suppliers and, in some cases, depends on services and products supplied by other companies outside the Group. Electronic components, primarily microprocessors, power semi-conductors and memory chips, are purchased from leading global producers.

Dependence on some suppliers of technological components or platforms could result in delays in production in some particular periods due to lack of supply and/or extra costs due to the need to search for alternative components in the market, specifically components.

In fact, the electronic components market is marked by the saturation of production capacity, with the consequent need to use the production allocation process to assign the quantities of material available to its customers. By its cyclical nature, the few world players of active electronic components can suffer, in case of increased market demand.

Back in early 2020, in response to the spread of Covid-19, 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, sent orders to the plants that were still in operation. The Group Purchasing function also took prompt action to research and qualify alternative suppliers to mitigate the risk of interruption of supply by reducing dependence on a single supplier wherever possible.

Some of the operating methods developed at the outset of the emergency turned out to be particularly effective including coping with the subsequent market “shortage” phase 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.

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

Governance and integrity risks

Risks arising from ineffective Group coordination

The proper implementation of company strategies requires sufficient coordination between the Parent Company and the Group’s subsidiaries.

The restrictions on international mobility and the impossibility of in person meetings with foreign branch contacts could adversely affect coordination and, jeopardize the pursuit of business objectives and/or implementation of specific projects. In order to allow meetings to be held between teams from the various Group entities, the Company promotes the use of hardware and software solutions for organising digital meetings and conferences, so as to mitigate the risk of slowing down the progress of joint projects.

It should be noted that as of the date of publication of this document, the constraints on mobility issued by governments to deal with the Covid-19 pandemic have been repealed and travel has resumed.

Operating risks and reporting risks

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, all the way down to 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 creation is of the utmost importance for Gefran. This is evident from the organisation of the activities of the integrated Quality, Safety and Environment function, which has Group-wide responsibilities; over the years, the function has been endowed with new resources and skills 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 disputes concerning product quality and any adverse rulings could expose the Group to reputational damage, which might also indirectly 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 Covid-19 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.

Moreover, 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.

Legal and compliance risks

Legal risks and product liability

In the context of the Group's core business, issues may arise linked to product defects and consequent civil liabilities towards customers or third parties. The Group is therefore exposed to the risk of product liability claims, provided for in the different 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.

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 legal disputes relating to product liability and any adverse rulings could expose Gefran to reputational damage, which might also affect the economic and financial position.

Risks related to the protection of exclusivity and intellectual property rights

The Group believes that it has adopted an appropriate system to protect its intellectual property rights, but is exposed to the risk related to higher costs, related to any actions to be taken to defend those rights.

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 the Group business.

IT risks

Data security and IT (*cybersecurity*) risks

In view of the increasing phenomenon of so-called cyber crime, the Group is exposed to IT attacks that could compromise the company's data published on the internet, its internal network or other company systems. However, the risk is considered partially mitigated as the critical systems adopted by the various Group entities (SAP ERP, email, etc.) are installed and managed directly by the Parent Company from a central location, where a control plan and risk assessment have been defined.

Gefran has placed a strong focus on *cybersecurity*, adopting procedures and systems to monitor and prevent attacks on the corporate network by hackers and arranging specific insurance cover.

Risks associated with human resources

Difficulty in *attraction* and *retention* of personnel

Gefran is exposed to the tensions that are affecting the world of work concerning the *attraction* and *retention* of personnel with the necessary knowledge and critical skills in strategic areas for the Group (e.g. R&D and production engineering).

Gefran has implemented actions to increase its reputational value, including by engaging in projects aimed at creating a professional organisation to which it is desirable to belong. This goes beyond guaranteeing health and a safe working environment, but more generally concerns the quality of life inside and outside the company, the training and development of talents, promoting diversity as a value, allowing the Group to increase its ability to *attract* and *retain* its personnel and to stand up to the fierce competition among market players in the recruitment phase.

ESG risks

Environmental damage risks

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 regulations.

Gefran has implemented a series of controls and monitoring to identify and prevent risks related to safety and environment, and has prepared and disseminated the "Health, Safety and Environment System" management policy at every level. As a guarantee of the appropriate management methods implemented, the Group's Italian companies have now obtained ISO 14:001 Environmental Management System certification, which is being extended to the Group's foreign production subsidiaries.

If potential liabilities deriving from environmental damage arise, the Group may have recourse on the insurance policies taken out to cover such effects.

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 soon implemented the procedures needed to guarantee the health of all collaborators, to the extent and in accordance with the procedures laid down by the regulations in force from time to time or in more restrictive ways where deemed appropriate.

Protecting health and safety is essential for Gefran. Confirming the importance of these issues, 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.

As a guarantee of the appropriate management methods implemented, the Group's Italian companies have now obtained Occupational Health and Safety Management System ISO 45:001 certification, which is being extended to the Group's foreign production subsidiaries.

Risk of non-compliance with adequate labour standards in the supply chain

Gefran purchases some raw materials and semi-finished products required for its production from suppliers outside the Group. For this reason, it is exposed to the risk that the same standards of compliance with the rights of workers guaranteed by the Group are not guaranteed in the supply chain and this risk is greater in some of the geographical areas in which the Group operates.

This could result in accidents leading to disruption of the supply chain and, therefore, impact on business continuity, as well as possible impact on its reputation.

To this end, Gefran has modified the accreditation process for new suppliers, requesting the signing of the Sustainability Pact, a document which requires compliance with certain sustainability principles (guarantee of a healthy and safe working environment, respect for human rights in working conditions and discrimination, fight against corruption, etc.). Today the Group is striving to extend its sustainability commitments to an ever larger share of its supply chain.

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 March 10th, 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 March 10th, 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 and the "Sustainability Pact" required of suppliers.

The Group 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.

It is stipulated that 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.

Significant events in the first half of 2023

- On January 3rd, 2023, as part of the framework agreement signed by the Group on August 1st, 2022 for the sale of the entire motion control business, the sale of the motion control business unit of Gefran Siei Drives Technology (Shanghai) Co Ltd (now called Gefran Automation Technology (Shanghai) Co. Ltd), a subsidiary of Gefran Siei Asia Pte Ltd (now called Gefran Asia Pte. Ltd), in turn a subsidiary of Gefran S.p.A., WEG (Changzhou) Automation Equipment Co Ltd, a Chinese subsidiary of the WEG Group, became effective.
- On February 9th, 2023, the Board of Directors of Gefran S.p.A. examined the preliminary consolidated results at 31 December 2022.
- On March 1st, 2023, under the framework agreement signed by the Group on August 1st, 2022 for the sale of the entire motion control business, the last phase of the operation realised with the sale of the motion control business unit of Gefran India Private Limited, a subsidiary of Gefran S.p.A., to WEG Industries (India) Private Limited, the Indian subsidiary of the WEG group, became effective.

On the same date, the companies Gefran Siei Asia Pte. Ltd e Gefran Siei Drives Technology (Shanghai) Co. Ltd adopted new names, Gefran Asia Pte Ltd and Gefran Automation Technology (Shanghai) Co. Ltd respectively.

- On March 9th, 2023, the Board of Directors of Gefran S.p.A. unanimously approved the separate financial statements as at 31 December 2022, 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 0.40 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 April 17th, 2023 Gefran S.p.A. was very sad to announce the sudden passing of the Honorary Chairman and founder of the Company, Mr Ennio Franceschetti, which occurred on the night of April 16th-17th. Since 2018 Ennio Franceschetti had been acting as Honorary Chairman. Although certain specific powers have been conferred on this office, all the operational powers necessary for the general management of the Company are held by the Chairman and the Chief Executive Officer. Mr Ennio Franceschetti did not have direct shareholdings in the Company.
- On April 21st, 2023, the Ordinary Shareholders' Meeting of Gefran S.p.A. resolved to:
 - o Approve the 2022 financial statements and distribute an ordinary dividend, gross of withholding taxes, of 0.40 Euro per eligible share (ex-dividend date May 8th, 2023, record date May 9th, 2023 and payment date May 10th, 2023). The remainder of the annual profit was allocated to retained earnings reserve.
 - o Appoint the Board of Directors for the three-year period 2023-2025, by setting the number of its members at 9, in line with the previous three-year period. Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti, Marcello Perini, Alessandra Maraffini, Enrico Zampedri, Cristina Mollis and Giorgio Metta were appointed to the majority list while

- Luigi Franceschetti was appointed to the minority list. The newly-established Board will remain in office until the approval of the financial statements as at 31 December 2025.
- 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 2023 Remuneration Policy and also expressed a favourable opinion on its 2022 Remuneration Report.

Following the Shareholders' Meeting, the new Board of Directors met and appointed Maria Chiara Franceschetti as Chair thereof, Andrea Franceschetti and Giovanna Franceschetti as Vice-Chairs and Marcello Perini as Managing Director. Marcello Perini was also appointed Chief Executive Officer pursuant to the Corporate Governance Code. At the meeting, the independence requirements of the newly appointed Board were also checked: non-executive directors Alessandra Maraffini, Cristina Mollis, Enrico Zampedri and Giorgio Metta were in possession of the independence requirements; Lead Independent Director is Cristina Mollis.

- On May 4th, 2023 the tax assessment process was completed for the 2016 tax period following the notification of the relevant assessment notice by the Italian Revenue Agency on 5 December 2022. In light of the new elements, a specific provision for risks has been recorded, including the amount (interest and portion of taxes) contained in the tax assessment for the 2016 tax period, and a forecast of the amount for 2017 and 2018 tax periods based on the same content and principles defined in the act relating to 2016.
- On May 11th, 2023, the Board of Directors of Gefran S.p.A. unanimously approved the consolidated results of the Group at 31 March 2023.

Significant events following the first half of 2023

Nothing to report.

Outlook

2023 opens with a downward growth forecast compared to 2022: according to the International Monetary Fund, global growth should go from +3.5% growth in 2022 to +3% in 2023 (+0.2 % compared to the April estimate), remaining at the same level in 2024. The slowdown in the “advanced” economies should be more pronounced: from 2.7% in 2022, it should fall to +1.5% in 2023 and +1.4% in 2024.

Inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 and hit 5.2% in 2024, falling short of pre-pandemic levels at 3.5%. However, underlying (core) inflation is likely to decline more slowly. The central banks' monetary policies implemented to tackle inflation continue to affect economic activity by eroding the purchasing power of households. The tightening of rates has increased the cost of money with an effect on the supply of financial credit.

Despite potentially negative factors remaining, global economic activity was resilient in the first quarter of 2023, thanks mainly to the services sector. At the same time, industrial sectors have shown weakness and there are signs of a slowdown in activity. In this scenario, where uncertainties about the geopolitical future remain, companies have reduced production and investments, contributing to the decrease in demand.

With regard to the Eurozone, compared to +3.5% in 2022, GDP is projected to grow by 0.9% in 2023 and 1.5% in 2024.

In terms of the national scenario, growth is estimated at 1.1 % for 2023 (an improvement of 0.4 points compared to the April forecast, thanks to services and tourism), but the latest projections suggest a growth of 0.9% in 2024, making it more contained than in the Eurozone.

The first half of 2023 was positive and in line with our forecasts, reflecting the weak state of the global economy in terms of order intake.

In fact, sales volume growth is slowing down, especially when compared to what we had in the last two years. This has been influenced, among other things, by the post-covid recovery of the economies and by the need for greater inventories of products to deal with interruptions in supply chains.

More precisely, the second quarter of 2023 showed a reduction in demand extended to various regions, from Europe and North America to Asia, which was already showing signs of contraction at the beginning of the year. This slowdown results in significantly reduced visibility, which limits the accuracy of forecasts for business development in the forthcoming months; nevertheless, it is estimated that revenues at the end of the year will not be less than in 2022.

Against this background, which is believed to be transitory, the Group will continue to pursue the strategic development plan/project based on strengthening the organisation to support market development on the one hand and the factory automation investment plan/project (which also supports product innovation) on the other hand.

In the light of the above, margins, while remaining broadly positive, could fall to lower values at the end of the year compared to the same period last year.

Possible impact of the conflict in Ukraine

The geopolitical crisis dictated by the escalating tensions between Russia and Ukraine and leading to the current conflict has progressively involved the international community, leading NATO countries to introduce sanctions against the invading country.

Gefran, by supporting the international community in demanding peace, remains committed to supporting the economic sanctions applied by the European Union and, in accordance with them, has stated that is not undertaking any new activities or signing any new contracts involving Russian and Belarusian customers or suppliers. Noting that the Group does not own strategic assets in the territories directly involved in the conflict and that sales in these regions, held until early 2022, can be considered limited, no direct impacts are currently estimated.

This global uncertainty further fuelled the general rise in inflation in the course of the 2022 financial year, as reflected in higher raw material costs, particularly for energy commodities, as Russia is one of the world's leading energy suppliers. With regard to energy supplies, and the possible repercussions on the gas supply of European countries, it is confirmed that the productive activities of the Group do not require the consumption of gas. All the methane gas purchased 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.

As regards the increase in raw material prices, the Group maintains a high level of attention and control over procurement costs. Although these effects were calmed during 2022 through a more careful and efficient management of the supply chain and logistics and production processes, as well as through the involvement of the R&D departments in re-engineering activities, possible impacts on the Group's economic results cannot be excluded, depending on how the global scenario evolves. They are currently estimated as non-significant, despite being difficult to predict.

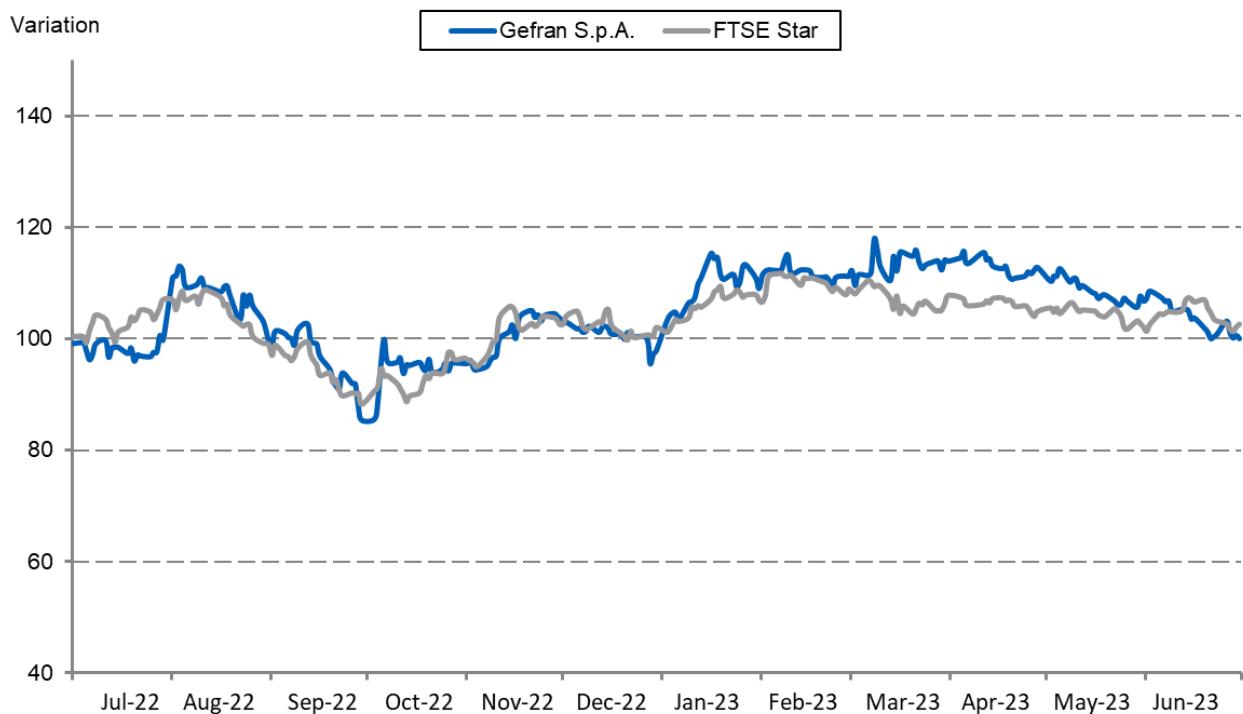
Own shares and stock performance

As at 31 December 2022, Gefran S.p.A. held 52,273 treasury shares, equal to 0.37% of the total, with an average book value of 7.3993 Euro per share and a total value of 394 thousand Euro.

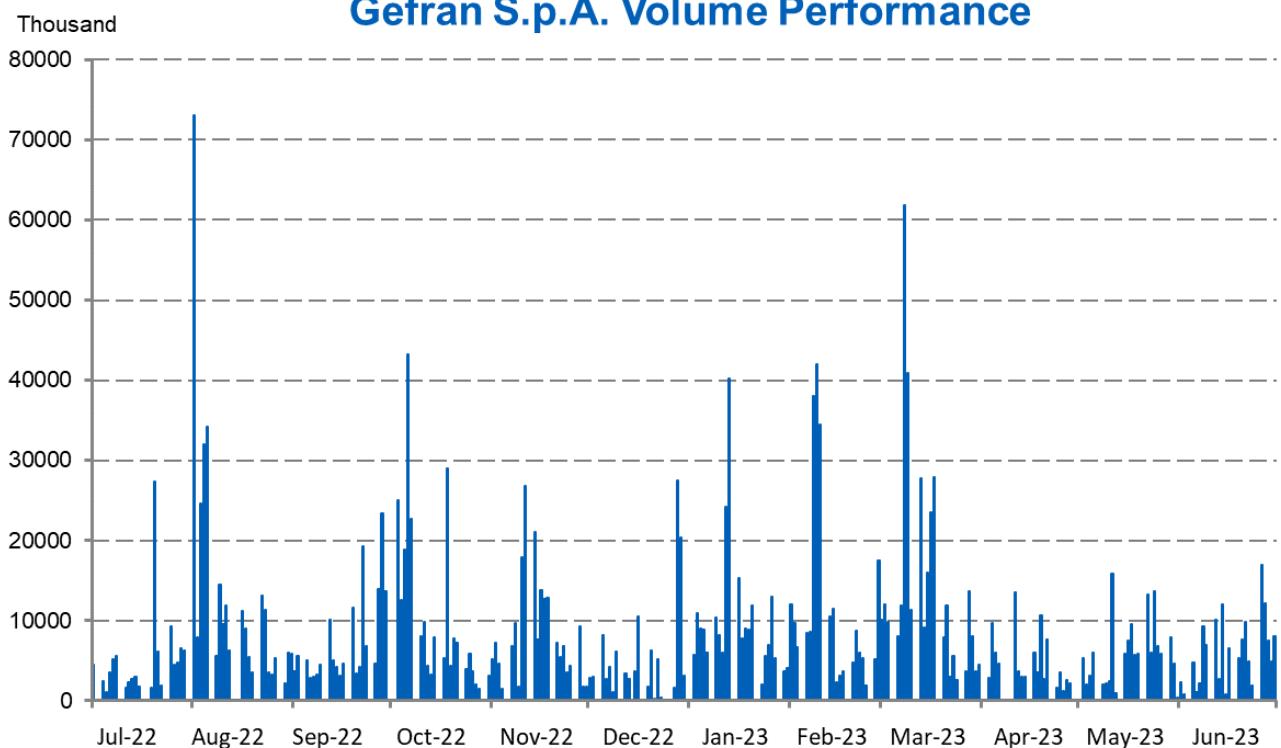
During the first half of 2023, trading took place, resulting in a total purchase of 94,071 own shares, with an average value of 9.6708 Euro and a total value of 910 thousand Euro. As a result of this activity, as at 30 June 2023, Gefran S.p.A. held 147,344 own shares in its portfolio, equal to 1.02% of the total, at a book price of 8.8495 Euro per share and a total value of 1,304 thousand Euro.

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

Gefran S.p.A. stock performance



Gefran S.p.A. Volume Performance



Dealings with related parties

On November 12th, 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 March 12th, 2010. The procedure in question was subsequently updated by the Board of Directors, on June 24th, 2021, to implement the new provisions of EU Directive 2017/828 (so-called “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 December 10th, 2020, with regard to the secondary regulations.

This document is published in the section “Investor Relations/Governance/Statuto e procedure” of the Company’s website, available at <https://www.gefran.it/governance/statuto-e-procedure/>.

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.

It 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.

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

Disclosure simplification

On October 1st, 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	progress. 30 June	
		2023	2022
Revenue from product sales	20	70,445	68,382
of which related parties:	30	-	85
Other revenues and income	21	1,043	926
Increases for internal work	12,13	1,160	511
TOTAL REVENUES		72,648	69,819
Change in inventories	15	446	3,594
Costs for raw materials and accessories	22	(22,047)	(23,887)
Service costs	23	(11,663)	(10,818)
of which related parties:	30	(142)	(147)
Miscellaneous management costs		(495)	(369)
Other operating income		243	9
Personnel costs	24	(24,014)	(22,872)
Impairment/reversal of trade and other receivables	15	80	(76)
Amortisation and impairment of intangible assets	25	(931)	(873)
Depreciation and impairment of tangible assets	25	(2,229)	(2,043)
Depreciation/amortisation total usage rights	25	(580)	(563)
EBIT		11,458	11,921
Gains from financial assets	26	1,008	2,391
Losses from financial liabilities	26	(1,169)	(1,905)
(Losses) gains from shareholdings valued at equity		12	13
PROFIT (LOSS) BEFORE TAX		11,309	12,420
Current taxes	27	(3,493)	(3,412)
Deferred tax assets and liabilities	27	(193)	219
TOTAL TAXES		(3,686)	(3,193)
NET PROFIT (LOSS) FOR THE PERIOD FROM CONTINUOUS OPERATING ACTIVITIES		7,623	9,227
Net profit (loss) from assets held for sale and discontinued operations	28	(210)	(4,396)
NET PROFIT (LOSS) FOR THE PERIOD		7,413	4,831
Attributable to:			
Group		7,413	4,831
Third parties		-	-

Earnings per share

(Euro)	Notes	progress. 30 June	
		2023	2022
Basic earnings per ordinary share	18	0.52	0.34
Diluted earnings per ordinary share	18	0.52	0.34

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

(Euro '000)	Notes	2023	2022
NET PROFIT (LOSS) FOR THE PERIOD		7,413	4,831
Items that will not subsequently be reclassified in the statement of profit/(loss) for the period			
- equity investments in other companies	17	(16)	(123)
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period			
- conversion of foreign companies' financial statements	17	(799)	1,293
- fair value of cash flow hedging derivatives	17	(127)	301
Total changes, net of tax effect		(942)	1,471
Comprehensive result for the period		6,471	6,302
Attributable to:			
Group		6,471	6,302
Third parties		-	-

Statement of financial position

(Euro /000)	Notes	30 June 2023	31 December 2022
NON-CURRENT ACTIVITIES			
Goodwill	11	5,966	6,016
Intangible assets	12	5,941	6,021
Property, plant, machinery and tools	13	37,786	35,217
of which related parties:	30	133	294
Usage rights	14	3,751	2,707
Shareholdings valued at equity		131	119
Equity investments in other companies		1,986	2,003
Receivables and other non-current assets		259	278
Deferred tax assets	27	3,889	4,147
Non-current financial investments for derivatives	16	371	539
Other non-current financial investments		120	28
TOTAL NON-CURRENT ACTIVITIES		60,200	57,075
CURRENT ACTIVITIES			
Inventories	15	20,372	20,067
Trade receivables	15	27,528	24,183
of which related parties:	30	-	3
Other receivables and assets		4,177	3,432
Current tax receivables	27	575	764
Cash and cash equivalents	16	35,524	44,114
TOTAL CURRENT ACTIVITIES		88,176	92,560
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	8	-	4,629
TOTAL ASSETS		148,376	154,264
SHAREHOLDERS' EQUITY			
Share capital	17	14,400	14,400
Reserves	17	68,730	66,335
Profit / (Loss) for the year	17	7,413	9,988
Total Group Shareholders' Equity		90,543	90,723
Shareholders' equity of minority interests	17	-	-
TOTAL SHAREHOLDERS' EQUITY		90,543	90,723
NON-CURRENT LIABILITIES			
Non-current financial payables	16	4,277	7,205
Non-current financial payables for IFRS 16 leases	16	2,764	1,782
Employee benefits		2,185	2,241
Non-current provisions	19	932	554
Deferred tax provisions	27	948	1,029
TOTAL NON-CURRENT LIABILITIES		11,106	12,811
CURRENT LIABILITIES			
Current financial payables	16	8,605	10,469
Current financial payables for IFRS 16 leases	16	1,041	955
Trade payables	15	21,867	22,648
of which related parties:	30	176	278
Current provisions	19	1,319	1,287
Current tax payables	27	1,521	1,158
Other payables and liabilities		12,374	13,342
TOTAL CURRENT LIABILITIES		46,727	49,859
LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	8	-	871
TOTAL LIABILITIES		57,833	63,541
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		148,376	154,264

Consolidated cash flow statement

(Euro /000)	Notes	30 June 2023	30 June 2022
(A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		44,114	35,497
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD			
Net profit (loss) for the period		7,413	4,831
Depreciation, amortisation and impairment	25	3,740	3,479
Provisions (Releases)	15,19	1,904	1,099
Capital (gains) losses on the sale of non-current assets	12,13	16	-
Net profit (loss) from assets held for sale and discontinued operations	28	(65)	4,396
Net result from financial operations	26	149	(499)
Taxes	27	3,493	3,412
Change in provisions for risks and future liabilities	19	(716)	(740)
Change in other assets and liabilities		(1,955)	301
Change in deferred taxes	27	195	(220)
Change in trade receivables	15	(3,389)	(2,690)
of which related parties:	30	3	25
Change in inventories	15	(1,375)	(4,152)
Change in trade payables	15	(1,230)	1,217
of which related parties:	30	(102)	11
Operating flows from assets and liabilities held for sales	8	-	(1,272)
TOTAL		8,180	9,162
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	12,13	(6,069)	(2,666)
of which related parties:	30	(133)	(61)
- Financial receivables		19	(3)
Disposal of non-current assets	12,13	2,744	26
Investments flows from assets and liabilities held for sales	8	-	(494)
TOTAL		(3,306)	(3,137)
D) FREE CASH FLOW (B+C)		4,874	6,025
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
Repayment of financial debts	16	(4,703)	(5,963)
Increase (decrease) in current financial payables	16	(1)	(2,374)
Outgoing cash flow due to IFRS 16	16	(595)	(582)
Taxes paid	27	(1,381)	(3,986)
Interest paid	26	(420)	(125)
Interest received	26	51	268
Sale (purchase) of own shares	16	(910)	-
Dividends paid	17	(5,713)	(5,462)
Financial flows from assets and liabilities held for sales	8	-	2,248
TOTAL		(13,672)	(15,976)
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		(8,798)	(9,951)
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-	(482)
H) Exchange rate translation differences on cash at hand	16	208	118
I) NET CHANGE IN CASH AT HAND (F+G+H)		(8,590)	(10,315)
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)		35,524	25,182

Statement of changes in shareholders' equity

(Euro '000) Notes	Overall EC reserves											Group Total shareholders' equity	Shareholders' equity of minority interests	Total shareholders' equity
	Share capital	Capital reserves	Consolidation reserve	Other reserves	Retained profit /(loss)	Fair value measurement reserve	Currency translation reserve	Other reserves	Profit/(loss) for the year					
Balance at 1 January 2022	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) recognized at equity	17	-	-	-	59	-	362	-	278	-	699	-	699	
Change in translation reserve	17	-	-	-	-	-	-	256	-	-	256	-	256	
Other changes	17	-	-	(420)	(303)	-	-	427	-	-	(296)	-	(296)	
Profit 2022	17	-	-	-	-	-	-	-	-	9,988	9,988	-	9,988	
Balance at 31 December 2022	14,400	21,926	8,961	9,843	20,782	642	4,568	(387)	9,988	90,723	-	90,723		
Destination of profit 2022														
- Other reserves and provisions	17	-	-	468	-	9,520	-	-	-	(9,988)	-	-	-	-
Dividends	17	-	-	-	-	(5,713)	-	-	-	-	(5,713)	-	(5,713)	
Income/(Expenses) recognized at equity	17	-	-	-	-	-	(143)	-	-	-	(143)	-	(143)	
Change in translation reserve	17	-	-	-	-	-	-	(799)	-	-	(799)	-	(799)	
Other changes	17	-	-	(27)	(911)	-	-	-	-	-	(938)	-	(938)	
Profit 30 June 2023	17	-	-	-	-	-	-	-	-	7,413	7,413	-	7,413	
Balance at 30 June 2023	14,400	21,926	9,402	8,932	24,589	499	3,769	(387)	7,413	90,543	-	90,543		





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, 2023 was approved, and its publication was authorised, by the Board of Directors on August 3rd, 2023.

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

2. Form and content

The condensed 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 restricted audit of the condensed half-yearly consolidated financial statements was carried out by PricewaterhouseCoopers S.p.A.

These condensed consolidated half-yearly financial statements are presented in Euro (EUR), the functional currency of most Group companies. Unless otherwise stated, all amounts are expressed in thousands of Euro.

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

3. Accounting schedules

The Gefran Group has adopted:

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

With reference to Consob resolution 15519 of July 27th, 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 2023 are consistent with those adopted to prepare the annual financial report at 31 December 2022.

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

With reference to Consob Communication 0003907 of January 19th, 2015, note 11 "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 December 3rd, 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 January 28th, 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.

It should also be noted that the Company has applied the amendment "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" issued by the IASB on May 7th, 2021 and referred to IAS 12 "Income Taxes". The application takes effect from January 1st, 2023 and the effects are recognised from the first comparative year presented (modified retrospective basis), in addition to what is represented in the half-year financial report published as at 30 June 2022.

Finally, with reference to the amendment called "International Tax Reform -Pillar Two Model Rules- Amendments to IAS 12 (the Amendments)" published by the IASB on May 23rd, 2023 and aimed at simplifying the accounting of deferred taxes in application of the so-called "Global Antibase Erosion Model Rules", it should be noted that the approval of this amendment by the European Commission is expected for the third quarter of 2023. Therefore, as of the date of this publication, the amendment is not applicable to the half-year financial reports as at 30 June 2023. The Company has set up a working group with the aim of assessing the impact of applying this amendment.

5. Change in the scope of consolidation

The scope of consolidation as at 30 June 2023 is different compared to 30 June 2022 merely because the liquidation process of the Turkish company Gefran Middle East Ltd Sti, which ceased operations in February 2021, ended in the fourth quarter of 2022. Also in the fourth quarter of 2022, the first phase of the sale of the motion control business to the Brazilian group WEG was started: on October 3rd and 4th, 2022, the shares of Gefran Drives and Motion S.r.l. (IT) and Siei Areg GmbH (DE), both controlled by Gefran S.p.A., were sold.

In addition, the subsequent phases of the sale of the business were completed in the first quarter 2023. With effect on January 3rd, 2023, Gefran Siei Asia Pte. Ltd, a subsidiary of Gefran S.p.A., which was named Gefran Asia Pte on March 1st, 2023 Ltd, sold to WEG (Changzhou) Automation Equipment Co Ltd, the Chinese subsidiary of the WEG group, the business unit relating to the motion

control business of its subsidiary Gefran Siei Drives Technology Co. Ltd (as of 1 March called Gefran Automation Technology Co. Ltd). Finally, on March 1st, 2023, the sale of the motion control business unit of Gefran India Private Limited, a subsidiary of Gefran S.p.A., to WEG Industries (India) Private Limited, the Indian subsidiary of the WEG group, became effective.

6. Accounting standards, amendments and interpretations not yet applicable

At the date of these half-yearly financial statements, the following amendments have been endorsed by the EU and will be applicable from January 1st, 2024:

- amendment concerning IAS 1 “Presentation of Financial Statements - Current Liabilities and Covenants”, which concerns the classification of a liability as “non-current” only if the company has the right to defer its settlement for at least 12 months beyond the reporting date. This right is often subject to the company’s compliance with covenants beyond the reporting date of the balance sheet. The proposed amendments specify that such deferred covenants should not affect the classification of a liability as “current” or “non-current” at the reporting date;
- amendment relating to IFRS 16 “Lease Liabilities in a Sale and Lease Back”, which specifies the requirements for seller tenants, to measure the lease liability in a sale-leaseback transaction;
- amendment to IAS 7 and IFRS 7 “Supplier Finance Arrangements” (Amendments to IAS 7 and IFRS 7) with the aim of introducing new disclosure requirements regarding the qualitative and quantitative information that is provided regarding financing agreements with suppliers

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

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

Inventory allowance

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 an indefinite 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 and discontinued pursuant to IFRS 5

On August 1st, 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 transaction consists of the subsidiaries Gefran Drives and Motion S.r.l., with registered office in Gerenzano (Italy), Siei Areg GmbH, with registered office in Pleidelsheim (Germany), and the company branches relating to the motion control business of the subsidiaries Gefran Siei Drives Technology Co. Ltd (now called Gefran Automation Technology Co. Ltd), with registered office in Shanghai (China) and Gefran India Private Ltd, with registered office in Pune, India.

The sale was finalised in several stages: the first, completed in the fourth quarter of 2022, saw WEG being sold the equity investments in Gefran Drives and Motion S.r.l. and Siei Areg GmbH, respectively on October 3rd and 4th, 2022. Subsequently, the business units of the business divested by Gefran Siei Drives Technology Co. Ltd (effective as of January 3rd, 2023) were sold by Gefran India Private Ltd. (on March 1st, 2023).

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

The transaction comes as the Group focuses its evolutionary strategy aimed at strengthening the strategic sectors: sensors and automation components in which Gefran has supported its main investments in recent years and aims to accelerate a major growth process both organically and through external lines.

Following the operation described above, the activities to be sold are presented in the schedules of this annual financial report as "Held for sale and discontinued" 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 therefore been reclassified as [text missing]

For a better understanding of the economic information of assets classified as "Held for sale and discontinued", please refer to the section "Economic breakdown of the Group's scope for sale and discontinued as at 30 June 2023".

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

- Euro/USD, about 11%, primarily in relation to the commercial relations of Gefran Inc. (operating in the United States) and Gefran Asia and Gefran Automation Technology (operating on the Asian market), which are both foreign subsidiaries;
- Euro/RMB, about 10%, in relation to Gefran Automation 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 2023 trade receivables include 1,352 thousand US dollars and trade payables include 639 thousand US dollars (at 30 June 2022, receivables included 3,925 thousand US dollars and payables included 3,073 US dollars); trade receivables also include 14,047 thousand renminbi and trade payables also include 1,823 thousand renminbi (at 30 June 2022, receivables included 22,485 thousand renminbi and payables included 4,494 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:

(Euro /000)	30 June 2023		30 June 2022	
	-5%	+5%	-5%	+5%
Chinese renminbi	82	(74)	136	(123)
U.S. dollar	52	(47)	62	(56)
Total	134	(121)	198	(179)

(Euro /000)	30 June 2023		30 June 2022	
	-10%	+10%	-10%	+10%
Chinese renminbi	173	(141)	287	(235)
U.S. dollar	111	(90)	130	(106)
Total	284	(231)	417	(341)

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 2023		30 June 2022	
	-5%	+5%	-5%	+5%
Chinese renminbi	(30)	27	39	(35)
U.S. dollar	39	(36)	29	(26)
Total	9	(9)	68	(61)

(Euro /000)	30 June 2023		30 June 2022	
	-10%	+10%	-10%	+10%
Chinese renminbi	(62)	51	82	(67)
U.S. dollar	83	(68)	60	(49)
Total	21	(17)	142	(116)

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

(Euro /000)	30 June 2023		30 June 2022	
	-5%	+5%	-5%	+5%
Chinese renminbi	489	(442)	627	(567)
U.S. dollar	474	(429)	483	(437)
Total	963	(871)	1,110	(1,004)

(Euro /000)	30 June 2023		30 June 2022	
	-10%	+10%	-10%	+10%
Chinese renminbi	1,032	(845)	1,324	(1,083)
U.S. dollar	1,001	(819)	1,020	(834)
Total	2,033	(1,664)	2,344	(1,917)

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 10,617 thousand Euro at 30 June 2023). 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 2023 and 30 June 2022, while keeping other variables unchanged.

(Euro /000)	30 June 2023		30 June 2022	
	(100)	100	(100)	100
Euribor	345	(345)	260	(269)
Total	345	(345)	260	(269)

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 2023 of the Group's financial instruments exposed to interest-rate risk:

(Euro /000)	<1 year	1 - 5 years	>5 years old	Total
Loans due	7,504	4,277	-	11,781
Financial payables due to leasing under IFRS 16	1,041	2,019	745	3,805
Other accounts payable	15	-	-	15
Account overdrafts	1,086	-	-	1,086
Total liabilities	9,646	6,296	745	16,687
Cash in current accounts	35,501	-	-	35,501
Total assets	35,501	-	-	35,501
Total variable rate	25,855	(6,296)	(745)	18,814

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 571 thousand Euro), cash on hand (positive by 23 thousand Euro) and deferred financial income (positive by 120 thousand Euro).

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
Financial receivables	4,162	-	-	4,162
Total assets	29,322	-	-	29,322
Total variable rate	15,610	(13,114)	(405)	2,091

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 draw 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 2023	31 December 2022	Change
Cash and cash equivalents	23	24	(1)
Cash in bank deposits	35,501	44,090	(8,589)
Total liquidity	35,524	44,114	(8,590)
Multiple mixed credit lines	24,200	24,200	-
Cash flexibility credit lines	3,935	3,935	-
Invoice factoring credit lines	7,150	7,750	(600)
Total credit lines available	35,285	35,885	(600)
Total available liquidity	70,809	79,999	(9,190)

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 and discontinued operations valued at fair value:				
Shareholdings valued at fair value with a balancing item in other overall	377	-	1,609	1,986
Hedging transactions	-	371	-	371
Total assets	377	371	1,609	2,357
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 2022 reflects the decrease in the value of the investment in Woojin Plaimm Co Ltd. by 7 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 2022 with those identified pursuant to IFRS 7:

(Euro /000)	Level 1	Level 2	Level 3	Total
Available-for-sale assets and discontinued operations 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				
	-	-	-	-

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 effects deriving from the increase in interest rates;
- the support measures implemented by governments;
- the recoverability of receivables following changes in the probability of default by customers.

With reference to the latter point, the Group conducts its analyses using a risk matrix that takes into consideration various factors, including for example geographical region, industry, and individual customer solvency.

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 2023 and 31 December 2022:

(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 2023	28,676	25,716	1,643	183	10	282	842
Gross trade receivables at 31 December 2022	25,283	22,570	1,323	147	160	177	906

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.

As regards the recent rise in prices, also related to developments in the geo-political situation, key factors were in-depth knowledge of the product and the synergy between the various company areas, which has made it possible to promptly navigate new technological roads, broaden the panorama of choices and introduce new supply opportunities, in order to mitigate the effect of rising prices.

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:

(Euro /000)	carrying value		fair value	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Financial assets				
Cash and cash equivalents	23	24	23	24
Cash in bank deposits	35,501	44,090	35,501	44,090
Financial investments for derivatives	371	539	371	539
Non-current financial investments	120	28	120	28
Total financial assets	36,015	44,681	36,015	44,681
Financial liabilities				
Current portion of long-term debt	(7,504)	(9,277)	(7,504)	(9,277)
Short-term bank debt	(1,086)	(1,167)	(1,086)	(1,167)
Payables due to leasing contracts under IFRS 16	(3,805)	(2,737)	(3,805)	(2,737)
Other financial payables	(15)	(25)	(15)	(25)
Non-current financial debt	(4,277)	(7,205)	(4,277)	(7,205)
Total financial liabilities	(16,687)	(20,411)	(16,687)	(20,411)
Total net financial position	19,328	24,270	19,328	24,270

10. Information by business area

Primary area – sector of activity

In the light of the operation described in the Introduction to this document, the organisational structure of the Gefran Group is now organised into two sectors of activity: sensors and automation components. 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 2023
a Revenues	47,399	28,278	(4,189)			71,488
b Increases for internal work	346	814	-			1,160
c Consumption of materials and products	13,820	11,970	(4,189)			21,601
d Value Added (a+b-c)	33,925	17,122	-	-	51,047	
e Other operating costs	7,824	4,011	-			11,835
f Personnel costs	13,577	10,437	-			24,014
g EBITDA (d-e-f)	12,524	2,674	-	-	15,198	
h Depreciation, amortisation and impairment	2,153	1,587				3,740
i EBIT (g-h)	10,371	1,087	-	-	11,458	
l Gains (losses) from financial assets/liabilities				(161)	(161)	
m Gains (losses) from shareholdings valued at equity				12	12	
n Profit (loss) before tax (i±l±m)	10,371	1,087	(149)	11,309		
o Taxes				(3,686)	(3,686)	
p Result from operational activities (n±o)	10,371	1,087	(3,835)	7,623		
q Net income from assets available for sale and discontinued operations				(210)	(210)	
p Group net profit (loss) (p±q)	10,371	1,087	(4,045)	7,413		



(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 and discontinued operations			(4,396)		(4,396)
p Group net profit (loss) (p±q)	10,410	1,511	-	(7,090)	4,831

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

Statement of financial position figures by sector of activity

(Euro '000)	Sensors	Automation components	Not Divided	30 June 2023	Sensors	Automation components	Not Divided	31 December 2022
Intangible assets	9,555	2,352		11,907	9,734	2,303	-	12,037
Tangible fixed assets	26,383	15,154		41,537	24,058	13,866	-	37,924
Other non-current assets		6,265		7,005	-	-	6,547	7,078
Net non-current assets	35,938	17,506	6,265	60,449	33,792	16,169	6,547	57,039
Inventories	9,313	11,059		20,372	9,982	10,085	-	20,067
Trade receivables	15,764	11,764		27,528	13,380	10,803	-	24,183
Trade payables	(11,334)	(10,533)		(21,867)	(11,595)	(11,053)	-	(22,648)
Other assets/liabilities	(3,962)	(3,712)	(1,469)	(9,143)	(5,240)	(3,597)	(1,466)	(10,304)
Working capital	9,781	8,578	(1,469)	16,890	6,527	6,238	(1,466)	11,298
Provisions for risks and future liabilities	(1,190)	(591)	(470)	(2,251)	(1,153)	(622)	(66)	(1,841)
Deferred tax provisions				(948)	(1,688)	-	-	(1,029)
Employee benefits	(834)	(1,351)		(2,185)	(844)	(1,397)	-	(2,241)
Invested capital from operations	43,695	24,142	3,378	71,215	38,322	20,388	3,986	62,695
Invested capital from assets held for sale and discontinued operations				-	-		3,758	3,758
Net invested capital	43,695	24,142	3,378	71,215	38,322	20,388	7,744	66,453
Shareholders' equity	-	-	90,543	90,543	-	-	90,724	90,723
Non-current financial payables			4,277	4,277			7,205	7,205
Current financial payables			8,605	8,605			10,469	10,469
Financial payables for IFRS 16 leases (current and non-current)			3,805	3,805			2,737	2,737
Financial assets for derivatives (current and non-current)			(371)	(371)			(539)	(539)
Other non-current financial investments			(120)	(120)			(28)	(28)
Current financial receivables			-	-			-	-
Cash and cash equivalents and current financial receivables			(35,524)	(35,524)			(44,114)	(44,114)
Net debt relating to operations	-	-	(19,328)	(19,328)	-	-	(24,270)	(24,270)
Total sources of financing	-	-	71,215	71,215	-	-	66,454	66,453

Secondary area - geographical region

Revenues by geographical region

(Euro /000)	30 June 2023	30 June 2022	Change	%
Italy	23,745	22,589	1,156	5.1%
European Union	19,775	18,793	982	5.2%
Europe non-EU	2,510	2,429	81	3.3%
North America	6,917	6,641	276	4.2%
South America	3,204	2,823	381	13.5%
Asia	13,930	14,838	(908)	-6.1%
Rest of the world	364	269	95	35.3%
Total	70,445	68,382	2,063	3.0%

Investments by geographical region

(Euro /000)	30 June 2023		30 June 2022	
	intangible	tangible assets	intangible	tangible assets
Italy	916	4,413	749	1,704
European Union	5	101	-	29
Europe non-EU	-	24	7	5
North America	-	132	-	11
South America	1	145	3	43
Asia	-	332	-	115
Total	922	5,147	759	1,907

Non-current assets by geographical region

(Euro /000)	30 June 2023	31 December 2022	Change	%
Italy	41,298	38,692	2,606	6.7%
European Union	2,809	2,342	467	19.9%
Europe non-EU	2,980	2,992	(12)	-0.4%
North America	7,550	7,625	(75)	-1.0%
South America	778	688	90	13.1%
Asia	4,785	4,736	49	1.0%
Total	60,200	57,075	3,125	5.5%

11. Goodwill

The item “Goodwill” amounted to 5,966 thousand Euro as of 30 June 2023, with a 50 thousand Euro decrease over 31 December 2022 exclusively attributable to the difference in exchange rates, as described below:

(Euro /000)	31 December 2022	Increases	Decreases	Exchange rate differences	30 June 2023
Gefran France SA	1,310	-	-	-	1,310
Gefran Inc.	2,752	-	-	(50)	2,702
Sensormate AG	1,954	-	-	-	1,954
Total	6,016	-	-	(50)	5,966

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	2023	1,310	-	2,702	1,954	5,966
	2022	1,310	-	2,752	1,954	6,016

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.

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

In examining the possible impairment indicators and in developing its valuations, Management also took into account, among other things, the relation between the market capitalisation and the carrying value of the Group shareholders' equity, which was very positive at 30 June 2023.

The economic results achieved at 30 June 2023 and the operating cash flow generated confirm the absence of impairment indicators.

12. Intangible assets

This item exclusively comprises assets with a finite life and decreased from 6,021 thousand Euro on 31 December 2022 to 5,941 thousand Euro on 30 June 2023. The changes during the period are shown below:

Historical cost	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2023
(Euro /000)						
Development costs	14,321	-	-	-	-	14,321
Intellectual property rights	8,539	62	(64)	140	(13)	8,664
Assets in progress and payments on account	1,089	831	(17)	(145)	-	1,758
Other assets	8,788	29	40	5	(32)	8,830
Total	32,737	922	(41)	-	(45)	33,573

Accumulated depreciation	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2023
(Euro /000)						
Development costs	11,331	457	-	-	-	11,788
Intellectual property rights	7,555	317	(25)	-	(10)	7,837
Other assets	7,830	157	28	-	(8)	8,007
Total	26,716	931	3	-	(18)	27,632

Net value	31 December 2022	30 June 2023	Change
(Euro /000)			
Development costs	2,990	2,533	(457)
Intellectual property rights	984	827	(157)
Assets in progress and payments on account	1,089	1,758	669
Other assets	958	823	(135)
Total	6,021	5,941	(80)

This is the table of changes in the first six months of 2022:

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

- 1,190 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), melt sensors (I/O LINK) and new TWIIST technology;
- 1,343 thousand Euro relating to component lines for the new range of controllers and solid state relays, GF Project VX and Gilogik 3.

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 on account made to suppliers to purchase software programs, totalling 194 thousand Euro. This item also includes 1,564 thousand Euro in development costs, 968 thousand Euro of which pertain to the automation components business line and 596 thousand Euro to the sensors business line, the benefits of which will be reflected in the income statement starting in the next years, which have not therefore been amortised.

The item **other assets** includes almost all the costs incurred by the Parent Company Gefran S.p.A. to implement ERP SAP/R3, Business Intelligence (BW), Customer Relationship Management (CRM) and management software in previous years and in the current year. These assets have a useful life of 5 years.

The increase in the historical cost of intangible assets, by 922 thousand Euro in the first six months of 2023, includes 816 thousand Euro on the capitalisation of internal costs (472 thousand Euro in the first half of 2022).

13. Property, plant, machinery and tools

The carrying amount of this item has increased from 35,217 thousand Euro at 31 December 2022 to 37,786 thousand Euro at 30 June 2023, as analysed below:

Historical cost	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2023
(Euro /000)						
Land	3,846	-	-	-	(12)	3,834
Industrial buildings	34,643	894	(5)	108	(227)	35,413
Plant and machinery	38,148	795	(38)	647	(219)	39,333
Industrial and commercial equipment	16,636	534	(7)	414	(2)	17,575
Other assets	6,498	663	(223)	65	(47)	6,956
Assets in progress and payments on account	2,027	2,261	-	(1,009)	(6)	3,273
Total	101,798	5,147	(273)	225	(513)	106,384

Accumulated depreciation	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2023
(Euro /000)						
Industrial buildings	17,662	478	(4)	-	(38)	18,098
Plant and machinery	28,441	1,176	1	166	(186)	29,598
Industrial and commercial equipment	15,350	341	(3)	13	(6)	15,695
Other assets	5,128	234	(144)	27	(38)	5,207
Total	66,581	2,229	(150)	206	(268)	68,598

Net value	31 December 2022	30 June 2023	Change
(Euro /000)			
Land	3,846	3,834	(12)
Industrial buildings	16,981	17,315	334
Plant and machinery	9,707	9,735	28
Industrial and commercial equipment	1,286	1,880	594
Other assets	1,370	1,749	379
Assets in progress and payments on account	2,027	3,273	1,246
Total	35,217	37,786	2,569

The changes during the first six months of 2022 are 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 change in the exchange rate had a negative impact of 245 thousand Euro.

The historical cost of property, plant, machinery and tools increased by 5,147 thousand Euro during the first half of 2023. The most significant changes related to:

- investment of 1,823 thousand Euro in production and laboratory plant and equipment at the Group's Italian plants and 162 thousand Euro at other Group subsidiaries;
- adaptation of the industrial buildings of the Group's Italian factories in the amount of 2,268 thousand Euro, and those abroad in the amount of 520 thousand Euro;
- renewal of electronic office machines and IT equipment amounting to 308 thousand Euro by the Parent Company and to 44 thousand Euro by Group subsidiaries;
- miscellaneous equipment at Group subsidiaries amounting to 23 thousand Euro.

Increases also include 345 thousand Euro for capitalisation of internal costs (39 thousand Euro in the first three months of 2022).

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 2023 is 3,751, as analysed below:

Historical cost	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2023
(Euro /000)						
Real estate	3,754	1,367	(396)	-	(10)	4,715
Vehicles	3,016	450	(144)	-	9	3,331
Office machines	-	25	-	-	-	25
Machinery and equipment	57	-	-	-	-	57
Total	6,827	1,842	(540)	-	(1)	8,128

Accumulated depreciation	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2023
(Euro /000)						
Real estate	2,209	275	(285)	-	(10)	2,189
Vehicles	1,880	297	(32)	-	4	2,149
Office machines	-	1	-	-	-	1
Machinery and equipment	31	7	-	-	-	38
Total	4,120	580	(317)	-	(6)	4,377

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

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

Accumulated depreciation	31 December 2021	Increases	Decreases	Reclassification s	Exchange rate difference s	30 June 2022
(Euro /000)						
Real estate	1,640	291	-	-	22	1,953
Vehicles	1,357	266	(13)	-	23	1,634
Office machines	-	-	-	-	-	-
Machinery and equipment	19	6	-	-	(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
Office machines	-	-	-
Machinery and equipment	27	21	(6)
Total	2,729	2,632	(97)

At 1 January 2023, there are 161 outstanding lease contracts for vehicles, machinery, industrial equipment and electronic office machines, as well as for the rental of property. Practical expedites 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 161 contracts outstanding at 1 January 2023:

- 132 fell within the scope of application of IFRS 16;
- 29 were excluded from the scope of application, 23 of which had a residual duration of less than 12 months, while the unit fair value of the assets associated with the remaining 6 was deemed to be modest.

Overall, 156 contracts were active at 30 June 2023, including:

- 137 of these fell within the scope of application of IFRS 16, including 120 for car rental, 1 for electronic equipment and 11 for the rental of property (offices or plants);
- 19 were excluded from the scope of application, 14 of which have a residual duration of less than 12 months, while the unit fair value of the assets associated with the remaining 5 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.

The increases in the historical cost of the item "Usage rights" include the effect of adjusting contracts that have been extended or for which new conditions have been defined. In addition, they include the effects of new contracts signed. The increases are summarised as follows:

- real estate, 1,375 thousand Euro, relating to 1 new rental contracts signed for an expired contract;

- vehicles, for the amount of Euro 450 thousand, which include both the effect of extensions and 22 new car rental contracts signed by the Group in 2023, partly for replacing expired contracts;
- electronic office equipment, Euro 25 thousand, for new printer contracts.

As of 30 June 2023 this item had decreased by 540 thousand Euro as a result of termination of property and vehicle rental agreements in advance of their original expiry date.

15. Net working capital

“Net working capital” totals 26,033 thousand Euro, as compared to 21,602 thousand Euro on 31 December 2022, and may be broken down as follows:

(Euro /000)	30 June 2023	31 December 2022	Change
Inventories	20,372	20,067	305
Trade receivables	27,528	24,183	3,345
Trade payables	(21,867)	(22,648)	781
Net amount	26,033	21,602	4,431

The carrying amount of **inventories** at 30 June 2023 is 20,372 thousand Euro, increase by 305 thousand Euro since 31 December 2022, where the negative change in exchange rates offset the increase of 181 thousand Euro.

On the other hand, the economic impact of the change in inventories sees a change compared to 31 December 2022, worth 446 thousand Euro, as the economic evaluation of events is carried out using the progressive average exchange rate for the year and the effect of the exit of Gefran India's stock dedicated to the drives business, included in the sale of the business unit to the WEG group, was reversed.

The gross value of inventories is 26,739 thousand Euro, up by 959 thousand Euro since the end of 2022.

The balance is analysed as follows:

(Euro /000)	30 June 2023	31 December 2022	Change
Raw materials, consumables and supplies	11,093	10,267	826
<i>provision for impairment of raw materials</i>	(1,586)	(1,480)	(106)
Work in progress and semi-finished products	8,780	8,558	222
<i>provision for impairment of work in progress</i>	(2,782)	(2,370)	(412)
Finished products and goods for resale	6,866	6,955	(89)
<i>provision for impairment of finished products</i>	(1,999)	(1,863)	(136)
Total	20,372	20,067	305

In the first six months of 2023 the provision for obsolescence and slow-moving inventories was adjusted according to need, through specific provisions totalling 942 thousand Euro (as compared to 675 thousand Euro in the first six months of 2022).

The changes in the allowance during the first six months of 2023 are analysed below:

(Euro /000)	31 December 2022	Provisions	Uses	Releases	Exchange rate differences	30 June 2023
Provision for impairment of inventory	5,713	942	(205)	(52)	(31)	6,367

The changes the allowance during the period ended 30 June 2022 appear 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

Trade receivables amount to 27,528 thousand Euro, compared to 24,183 thousand Euro at 31 December 2022, up by 3,345 thousand Euro:

(Euro /000)	30 June 2023	31 December 2022	Change
Receivables from customers	28,676	25,283	3,393
Provision for doubtful receivables	(1,148)	(1,100)	(48)
Net amount	27,528	24,183	3,345

The change is directly related to the increased sales revenues recorded in the first six months of 2023, compared to the second half of the previous year.

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 2023 represents an estimate of the current risk after the following changes:

(Euro /000)	31 December 2022	Provisions	Uses	Releases	Other changes	Exchange rate differences	30 June 2023
Provision for doubtful receivables	1,100	37	(27)	(99)	132	5	1,148

The changes during the first half of 2022 are shown below:

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

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 21,867 thousand Euro, as compared with 22,648 thousand Euro on 31 December 2022. This item is analysed below:

(Euro /000)	30 June 2023	31 December 2022	Change
Payables to suppliers	17,618	18,093	(475)
Payables to suppliers for invoices to be received	3,527	3,505	22
Advance payments received from customers	722	1,050	(328)
Total	21,867	22,648	(781)

Trade payables were down 781 thousand Euro since 31 December 2022.

16. Net financial position

The net financial position is analysed in the following table:

(Euro /000)	30 June 2023	31 December 2022	Change
Cash and cash equivalents and current financial receivables	35,524	44,114	(8,590)
Financial investments for derivatives	371	539	(168)
Other non-current financial investments	120	28	92
Non-current financial payables	(4,277)	(7,205)	2,928
Non-current financial payables for IFRS 16 leases	(2,764)	(1,782)	(982)
Current financial payables	(8,605)	(10,469)	1,864
Current financial payables for IFRS 16 leases	(1,041)	(955)	(86)
Total	19,328	24,270	(4,942)

The net financial position is analysed by maturity below:

(Euro /000)	30 June 2023	31 December 2022	Change
A. Cash on hand	23	24	(1)
B. Cash in bank deposits	35,501	44,090	(8,589)
D. Cash and cash equivalents (A) + (B)	35,524	44,114	(8,590)
E. Fair value current hedging derivatives	-	-	-
F. Current portion of long-term debt	(7,504)	(9,277)	1,773
G. Other current financial receivables and payables	(2,142)	(2,147)	5
H. Total current financial payables (F) + (G)	(9,646)	(11,424)	1,778
I. Total current payables (E) + (H)	(9,646)	(11,424)	1,778
J. Net current financial debt (I) + (D)	25,878	32,690	(6,812)
Non-current financial investments for derivatives	371	539	(168)
K. Fair value non-current hedging derivatives	371	539	(168)
L. Non-current financial debt	(7,041)	(8,987)	1,946
M. Other non-current financial investments	120	28	92
N. Net non-current financial debt (K) + (L) + (M)	(6,550)	(8,420)	1,870
O. Net financial debt (J) + (N)	19,328	24,270	(4,942)
of which to minorities:	19,328	24,270	(4,942)

The net financial position at 30 June 2023 is positive by 19,328 thousand Euro, having deteriorated by 4,942 thousand Euro since the end of 2022, when it was overall positive by 24,270 thousand Euro.

The change in net financial position is essentially due to the positive cash flows generated by typical operations (8,180 thousand Euro), the net collection linked to the conclusion of the sale of the motion control business, with the sale of the business units of Gefran Automation Technology and Gefran India (3,672 thousand Euro), absorbed by disbursements for technical investments made during the first six months of the year (6,069 thousand Euro), as well as the purchase of treasury shares (910 thousand Euro), the payment of dividends (5,713 thousand Euro) and interest, taxes and rental fees (overall 2,818 thousand Euro).

Cash and cash equivalents amount to 35,524 thousand Euro at 30 June 2023, compared to 44,114 thousand Euro at 31 December 2022. This item is analysed below:

(Euro /000)	30 June 2023	31 December 2022	Change
Cash in bank deposits	35,501	44,090	(8,589)
Cash	23	24	(1)
Total	35,524	44,114	(8,590)

The technical forms used at 30 June 2023 are shown below:

- maturities: 10,000 thousand Euro deposited with Unicredit and repayable on 14 August 2023, 5,000 thousand Euro deposited with BNL and repayable on 16 August 2023, the remainder payable on demand;
- counterparty risk: deposits are made with leading credit institutions or rated ones;
- country risk: deposits are made in the countries in which Group companies have their registered offices.

Current financial payables at 30 June 2023 have decreased by 1,864 thousand Euro since the end of 2022; the balance is analysed as follows:

(Euro /000)	30 June 2023	31 December 2022	Change
Current portion of debt	7,504	9,277	(1,773)
Current overdrafts	1,086	1,167	(81)
Other payables	15	25	(10)
Total	8,605	10,469	(1,864)

Bank overdrafts at 30 June 2023 total 1,086 thousand Euro, compared with a balance at 31 December 2022 of 1,167 thousand Euro. The amount mainly comprises 1-year loans stipulated with Banca Intesa by the Chinese subsidiary Gefran Automation Technology, for a total of 1,086 thousand Euro, with an interest rate of 5.09% in the first six months of 2023.

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

Bank (Euro /000)	30 June 2023	31 December 2022	Change
BNL	-	1,000	(1,000)
Unicredit	556	1,110	(554)
BNL	778	1,556	(778)
Intesa (ex UBI)	2,255	2,752	(497)
SIMEST	420	480	(60)
SIMEST	268	307	(39)
Total	4,277	7,205	(2,928)

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 2023	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
entered into by Gefran S.p.A. (IT)								
BPET	5,000	28/11/18	505	505	-	Euribor 3m + 0.75%	30/11/23	quarterly
Mediocredito	10,000	28/03/19	1,111	1,111	-	Euribor 3m + 1.05%	31/12/23	quarterly
BNL	10,000	29/04/19	2,000	2,000	-	Euribor 3m + 1%	29/04/24	quarterly
Unicredit	5,000	30/04/20	1,667	1,111	556	Euribor 6m + 0.95%	31/12/24	half-yearly
BNL	7,000	29/05/20	2,334	1,556	778	Euribor 6m + 1.1%	31/12/24	half-yearly
Intesa (ex UBI)	3,000	24/07/20	378	378	-	Fixed 1%	24/07/23	half-yearly
Intesa (ex UBI)	3,000	24/07/20	3,000	745	2,255	Euribor 6m + 1%	24/07/26	half-yearly
SIMEST	480	09/07/21	480	60	420	Fixed 0.55%	31/12/27	half-yearly
entered into by Gefran Soluzioni S.r.l. (IT)								
SIMEST	307	21/05/21	306	38	268	Fixed 0.55%	31/12/27	half-yearly
Total			11,781	7,504	4,277			

No new loans 2023 during 2023.

None of the loans outstanding at 30 June 2023 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 371 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 2023	Derivative	Fair Value as at 30 June 2023	Long position rate	Short position rate
Intesa	10,000	29/03/19	1,111	IRS	14	Fixed -0.00%	Euribor 3m (Floor: -1.05%)
BNL	10,000	29/04/19	2,000	IRS	30	Fixed 0.05%	Euribor 3m (Floor: -1.00%)
Unicredit	5,000	24/06/19	505	IRS	5	Fixed -0.10%	Euribor 3m (Floor: -0.75%)
Unicredit	5,000	30/04/20	1,667	IRS	63	Fixed 0.05%	Euribor 6m (Floor: -0.95%)
BNL	7,000	29/05/20	2,334	IRS	93	Fixed -0.12%	Euribor 6m (Floor: -1.10%)
Intesa (ex UBI)	3,000	24/07/20	3,000	IRS	166	Fixed -0.115%	Euribor 3m
Total financial assets for derivatives – Interest rate risk					371		

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

(Euro /000)	as at 30 June 2023		as at 31 December 2022	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	371	-	539	-
Total cash flow hedge	371	-	539	-

At 30 June 2023, all derivatives were tested for effectiveness, with positive outcomes.

At 30 June 2023, no derivatives have been arranged to hedge exchange-rate risk.

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 36,371 thousand Euro. Overall use of these lines at 30 June 2023 totals 1,086 thousand Euro, with a residual available amount of 35,285 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** 30 June 2023 33,805 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 liabilities under IFRS 16 leases are classified on the basis of maturity as current liabilities (within one year), amounting to 4,277 thousand Euro, or non-current liabilities (beyond one year), worth 8,605 thousand Euro.

Changes in this item in the first six months of 2023 are detailed below:

(Euro /000)	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	30 June 2023
<hr/>						
Leasing payables under IFRS 16	2,737	1,854	(790)	-	4	3,805
Total	2,737	1,854	(790)	-	4	3,805

Changes in this item in the first six months of 2022 are detailed below:

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

17. Shareholders' equity

Consolidated shareholders' equity is analysed as follows:

(Euro /000)	30 June 2023	31 December 2022	Change
Portion pertaining to the Group	90,543	90,723	(180)
Portion pertaining to minority interests	-	-	-
Net amount	90,543	90,723	(180)

The Group's share of shareholders' equity as of 30 June 2023 is 90,543 thousand Euro, down 180 thousand Euro since 31 December 2022. The net profit for the year as at 30 June 2023 (positive at 7,413 thousand Euro), is absorbed by the distribution of dividends on the result for 2022 (amounting to 5,713 thousand Euro), as well as the negative changes in translation reserves (799 thousand Euro), the stock reserve at fair value (143 thousand Euro), and the reserve for own shares held among other reserves (910 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.

As at 31 December 2022, Gefran S.p.A. held 53,273 treasury shares, equal to 0.37% of the total, with an average book value of 7.3993 Euro per share and a total value of 394 thousand Euro.

During the first half of 2023, trading took place, resulting in a total purchase of 94,071 own shares, with an average value of 9.6708 Euro and a total value of 910 thousand Euro. As a result of this activity, as at 30 June 2023, Gefran S.p.A. held 147,344 treasury shares in its portfolio, equal to 1.02% of the total, at a book price of 8.8495 Euro per share and a total value of 1,304 thousand Euro.

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 2023	31 December 2022	Change
Balance at 1 January	232	346	(114)
Woojin Plaimm Co Ltd Shares	(17)	(115)	98
Tax effect	1	1	-
Net amount	216	232	(16)

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

(Euro /000)	30 June 2023	31 December 2022	Change
Balance at 1 January	410	(66)	476
Change in fair value derivatives	(168)	627	(795)
Tax effect	41	(151)	192
Net amount	283	410	(127)

18. Earnings per share

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

	30 June 2023	30 June 2022
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group (Euro/000)	7,413	4,831
- Average No. of ordinary shares (No./000,000)	14,284	14,373
- Basic earnings per ordinary share	0.519	0.336
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group (Euro/000)	7,413	4,831
- Average No. of ordinary shares (No./000,000)	14,284	14,373
- Basic earnings per ordinary share	0.519	0.336
Average number of ordinary shares	14,284,141	14,372,780

For the purpose of calculating earnings per share, the results for the period of Gefran S.p.A. are reconciled with those attributable to the Group in the schedule provided in the "Gefran consolidated results" section of the Report on Operations included in this Half-yearly Financial Report.

19. Current and non-current provisions

The value of “Current and non-current provisions” overall increased compared with 31 December 2022 by 410 thousand Euro. Specifically, “Non-current provisions” amount to 932 thousand Euro, up 378 thousand Euro in the first half of 2023, and break down as follows:

(Euro /000)	31 December 2022	Provisions	Uses	Releases	Exchange rate differences	30 June 2023
Gefran S.p.A. risk provisions						
- other provisions	9	696	(258)	-	-	447
Gefran Inc risk provisions						
- for restructuring	36	-	(34)	(2)	-	-
Elettropiemme S.r.l. risk provisions						
- other provisions	509	(24)	-	-	-	485
Total	554	672	(292)	(2)	-	932

It should be noted that, in “Other provisions” of the parent company Gefran S.p.A., in the first half of 2023, a prudential provision was recognised for the tax settlement procedure still in progress, linked to the tax audit carried out in 2019 and 2020 with respect to the Parent Company. The assessment concerned intragroup transactions (so-called Transfer Price) and its transfers of trademark-related know-how, during the 2016-2017-2018 tax years. During the second quarter of 2023, a portion of the recognised provision was used (Euro 258 thousand) to cover taxes paid.

Current provisions amount to 1,319 thousand Euro at 30 June 2023, up by 32 thousand Euro since 31 December 2022, as analysed below:

(Euro /000)	31 December 2022	Provisions	Uses	Releases	Exchange rate differences	30 June 2023
FISC						
	23	-	-	-	-	23
Product warranty	1,264	252	(188)	(29)	(3)	1,296
Other provisions	-	-	-	-	-	-
Total	1,287	252	(188)	(29)	(3)	1,319

This changes in the period relate to the item referring to expected charges, which covers the forecast cost of repairing products under warranty, equal to 1,296 thousand Euro; the adequacy of the provision was checked at 30 June 2023, with a positive outcome.

The “FISC” item mainly includes contractual treatments existing at the Parent Company Gefran S.p.A.

20. Revenues from product sales

“Revenues from product sales” totalled 70,445 thousand Euro as at 31 March 2023, up 3% compared to the figure as at 30 June 2022, amounting to 68,382 thousand Euro. In the first six months of 2023, the upward trend in sales volumes, which had already been seen in the fourth quarter of 2020 and characterised the financial years 2021 and 2022, continued.

(Euro /000)	30 June 2023	30 June 2022	Change	%
Sensors	46,476	45,088	1,388	3.1%
Automation components	23,969	23,294	675	2.9%
Total	70,445	68,382	2,063	3.0%

Total revenues include revenues from services of 1,041 thousand Euro (1,858 thousand Euro in the period ended 30 June 2022); see the section on “Gefran consolidated results” in 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 1,043 thousand Euro, compared with 926 thousand Euro in the first half of 2022, as shown in the following table:

(Euro /000)	30 June 2023	30 June 2022	Change	%
Recovery of company canteen expenses	11	13	(2)	-15.4%
Insurance reimbursements	9	-	9	n.s.
Rental income	134	128	6	4.7%
Fees	-	6	(6)	-100.0%
Government grants	58	2	56	2800.0%
Other income	831	777	54	6.9%
Total	1,043	926	117	12.6%

The item “Other income”, amounting 831 thousand Euro, includes among other things the recognition of tax credits for R&D, investing in fixed assets and Industry 4.0 (total of 334 thousand Euro). In addition to this, other income was recorded (264 thousand Euro) from technical-administrative services provided by the parent company Gefran S.p.A. to companies in the WEG Group, based on a specific contract.

The item “Government contributions”, up by 56 thousand Euro compared to the figure for the first half of 2022, includes grants for the “I-Gap” development project.

22. Costs of raw materials and accessories

The cost of raw materials and accessories amount to 22,047 thousand Euro, compared with 23,887 thousand Euro in the period ended 30 June 2022. The change is shown below:

(Euro /000)	30 June 2023	30 June 2022	Change
Raw materials and accessories	22,047	23,887	(1,840)
Total	22,047	23,887	(1,840)

23. Service costs

Service costs amount to 11,663 thousand Euro, an overall increase of 845 thousand Euro compared with the total reported at 30 June 2022 of 10,818 thousand Euro. They are analysed below:

(Euro /000)	30 June 2023	30 June 2022	Change
Services	11,230	10,487	743
Use of third-party assets	433	331	102
Total	11,663	10,818	845

Following the adoption of IFRS 16, the lease instalments for the period no longer charged to the income statement as operating costs amounted to 595 thousand Euro (582 thousand Euro in the period ended 30 June 2022). Contracts that were excluded from the adoption of IFRS 16 based on the provisions of the principle itself, for which leasing fees are still recognised in the income statement, registered on 30 June 2023 costs for use of third-party assets in the amount of 433 thousand Euro (equal to 331 thousand Euro in the same period 2022).

With reference to the item “Services”, other than the leasing fees described above, the item saw an increase of 743 thousand Euro in the first quarter of 2023 compared to the same period in the previous year; in particular, consultancy costs increased (of which 124 thousand Euro incurred in 2023 derives from activities necessary for the spin-off of the motion control business), as well as for travel and utilities.

24. Personnel costs

Personnel costs amount to 24,014 thousand Euro, up compared with 30 June 2022 by 1,142 thousand Euro, as analysed below:

(Euro /000)	30 June 2023	30 June 2022	Change
Salaries and wages	18,415	17,640	775
Social security contributions	4,571	4,151	420
Post-employment benefit reserve	905	930	(25)
Other costs	123	151	(28)
Total	24,014	22,872	1,142

The change mainly relates to the higher cost of wages and salaries, compared with what was sustained in the first six months of 2022, reflecting the growth in the Group's workforce: as at 30 June 2022, there were 638 employees in the Group's continuing operations, and 652 as at 30 June 2023, an increase of 14 people. Compared to the situation as at 31 December 2022, when there were 46 employees, during the first six months of 2023, 44 joined and 38 left.

Social security contributions include costs for the defined contribution plans of management (Previndai pension plan) totalling 33 thousand Euro (25 thousand Euro reported at 31 March 2022).

Other costs, down by 123 thousand Euro, include, among other items, restructuring costs resulting from the reorganisation of Group companies, as well as sales commissions recognised to employees.

The average number of Group employees in the first half of 2023, compared with the figure for the same period in 2022, relating only to continuing operations, was also up by 23:

	30 June 2023	30 June 2022	Change
Managers	15	12	3
Clerical staff	423	409	14
Manual workers	211	205	6
Total	649	626	23

25. Depreciation, amortisation and impairment

This item totals 3,740 thousand Euro, compared to 3,479 thousand Euro in the first half of 2022. These totals are analysed below:

(Euro /000)	30 June 2023	30 June 2022	Change
Intangible assets	931	873	58
Tangible assets	2,229	2,043	186
Usage rights	580	563	17
Total	3,740	3,479	261

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 2023 was 580 thousand Euro (563 thousand Euro reported at 30 June 2022).

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

(Euro /000)	30 June 2023	30 June 2022	Change
Sensors	2,153	2,043	110
Automation components	1,587	1,436	151
Total	3,740	3,479	261

26. Gains (losses) from financial assets/liabilities

The net loss of 161 thousand Euro compares with a net gain of 486 thousand Euro in the period ended 30 June 2022, as analysed below:

(Euro /000)	30 June 2023	30 June 2022	Change
Cash management			
Income from cash management	243	10	233
Other financial income	42	12	30
Medium-/long-term interest	(74)	(121)	47
Short-term interest	(29)	(17)	(12)
Factoring interest and fees	(16)	(18)	2
Other financial charges	(143)	(18)	(125)
Total income (charges) from cash management	23	(152)	175
Currency transactions			
Exchange gains	166	513	(347)
Positive currency valuation differences	557	1,856	(1,299)
Exchange losses	(510)	(267)	(243)
Negative currency valuation differences	(357)	(1,448)	1,091
Total other income (charges) from currency transactions	(144)	654	(798)
Other			
Interest on financial payables due to leasing under IFRS 16	(40)	(16)	(24)
Total other financial income (charges)	(40)	(16)	(24)
Gains (losses) from financial assets/liabilities	(161)	486	(647)

Cash management, which was positive overall as at 30 June 2023, consisted of income of 285 thousand Euro (22 thousand Euro as at 30 June 2022) and charges totalling 142 thousand Euro (174 thousand Euro as at 30 June 2022). A prudential provision of 120 thousand Euro is recognised as at 30 June 2023, for the assessment notice received from the Italian Revenue Agency following the tax audit carried out in 2019 and 2020 with respect to the Parent Company, relating to the 2016-2017-2018 tax periods;

The balance of differences on currency transactions was negative and amounted to 144 thousand Euro, compared with the first half of the previous year when they amounted to 654 thousand Euro. The change is primarily a result of the exchange rates in effect between the Euro and the Indian Rupee, the Chinese renminbi and the Brazilian Real.

The item "Other financial charges" includes financial charges on financial payables resulting from application of the new accounting standard IFRS 16, worth 40 thousand Euro in the first six months of 2023 (14 thousand Euro in the first half of 2022).

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

The tax charge of 3,686 thousand Euro compares with 3,222 thousand Euro in the first half of 2022, as analysed below:

(Euro /000)	30 June 2023	30 June 2022	Change
Current taxes			
IRES (corporate income tax)	(2,223)	(2,074)	(149)
IRAP (regional production tax)	(399)	(390)	(9)
Foreign taxes	(871)	(918)	47
Total current taxes	(3,493)	(3,382)	(111)
Deferred tax assets and liabilities			
Deferred tax liabilities	(184)	(522)	338
Deferred tax assets	(9)	682	(691)
Total deferred tax assets and liabilities	(193)	160	(353)
Total taxes	(3,686)	(3,222)	(464)
of which:			
Allocated to assets held for sale and discontinued operations	-	(29)	29
Relating to the operative part	(3,686)	(3,193)	(493)
Total taxes	(3,686)	(3,222)	(464)

Overall, current taxes amount to 111 thousand Euro higher than in the first half of 2022.

Deferred taxes, which were on the whole negative by 193 thousand Euro, mainly originated out of use of advance taxes entered on prior tax losses in the Chinese and French subsidiaries, as well as in the Italian Elettropiemme S.r.l.

It should also be noted that, in application of the amendment to IAS 12 "Income Taxes" published by the IASB on 7 May 2021 and which came into effect on 1 January 2023, deferred tax assets and liabilities are recognised in the first half of 2023 on transactions related to leasing contracts for a positive and negative value of 209 thousand Euro, respectively. The amendment is applied retroactively to the first comparative year, therefore the effects were implemented in addition to what was published in the Half-yearly Financial Report as at 30 June 2022. The amount of deferred tax assets and liabilities on transactions relating to leasing contracts in the first half of 2022 is positive and negative by Euro 535 thousand, respectively. It should also be noted that for presentation in the statement of financial position, assets and liabilities for deferred tax assets and liabilities were offset as required by IAS 12.

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 2023:

(Euro '000)	31 December 2022	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	Other changes	30 June 2023
Deferred tax assets						
Impairment of inventories	1,646	(82)		(8)		1,556
Impairment of trade receivables	268	(6)		(2)		260
Impairment of assets	544	-		(1)		543
Deductible losses to be brought forward	718	(146)		(29)		543
Exchange rate balance	11	(11)		-		-
Elimination of unrealised margins on inventories	493	22		-		515
Provision for product warranty risk	321	5		-		326
Provision for miscellaneous risks	146	-	(1)	1		146
Other deferred tax assets	-	209	-	-	(209)	-
Total deferred tax assets	4,147	(9)	(1)	(39)	(209)	3,889
of which:						
Allocated to assets held for sale and discontinued operations	-	-	-	-	-	-
Relating to the operative part	4,147	(9)	(1)	(39)	(209)	3,889
Deferred tax liabilities						
Exchange valuation differences	(149)	11	41	-	-	(97)
Other deferred tax liabilities	(880)	(195)		15	209	(851)
Total deferred taxes	(1,029)	(184)	41	15	209	(948)
of which:						
Allocated to assets held for sale and discontinued operations	-	-	-	-	-	-
Relating to the operative part	(1,029)	(184)	41	15	209	(948)
Total	3,118	(193)	40	(24)	-	2,941

The following table analyses the changes in deferred tax assets and deferred tax liabilities during the first six months of 2022; it should be noted that the format differs from the format published in the Half-Yearly Financial Report as at 30 June 2022, due to the recognition of the effects related to the application of the new amendment to IAS 12, as described above.

(Euro /000)	31 December 2021	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	Other changes	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)	-	-	-
Other deferred tax assets	-	535	-	-	(535)	-
Total deferred tax assets	4,279	682	(21)	14	(535)	4,419
of which:						
Allocated to assets held for sale and discontinued operations	682	(58)	-	-	-	624
Relating to the operative part	3,597	740	(21)	14	(535)	3,795
Deferred tax liabilities						
Exchange valuation differences	(11)	-	(73)	-	-	(84)
Other deferred tax liabilities	(905)	(522)	-	(73)	535	(965)
Total deferred taxes	(916)	(522)	(73)	(73)	535	(1,049)
of which:						
Allocated to assets held for sale and discontinued operations	-	-	-	-	-	-
Relating to the operative part	(916)	(522)	(73)	(73)	535	(1,049)
Total	3,363	160	(94)	(59)	-	3,370

28. Profit (loss) from assets held for sale and discontinued

The net loss of disposal groups held for sale in the period to 30 June 2023 totalled 210 thousand Euro. It relates to the operating result of the motion control business units, sold to the WEG Group in the first quarter of 2023 based on the framework agreement signed on August 1st, 2022 (negative at 65 thousand Euro). The item also includes an adjustment with respect to the initial estimate (negative at Euro 145 thousand) of the net accounting effects expected on the disposal of the business, already recognised in 2022. In the first half of 2022, in addition to the operating results of the divested business (negative by 250 thousand Euro) the expected effects of the divestment of the business were noted (estimated negative by 4,146 thousand Euro).

For a better understanding of the economic information of assets classified as "Held for sale and discontinued", please refer to the section "Economic breakdown of the Group's scope for sale and discontinued as at 30 June 2023".

29. Guarantees given, commitments and other contingent liabilities

a) Guarantees given

At 30 June 2023, the Group has given guarantees for the payables or commitments of third parties or subsidiaries totalling 2,395 thousand Euro. These are summarised in the table below:

(Euro /000)	30 June 2023	31 December 2022
Sandrini Costruzioni	66	66
Sandrini Costruzioni	29	29
WEG Equipamentos Eléctricos S.A.	2,300	2,300
Total	2,395	2,395

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.

On September 30th, 2022, with regard to the sale of the motion control business to the Brazilian group WEG, Gefran S.p.A. issued a bank guarantee of EUR 2,300 thousand to WEG Equipamentos Eléctricos S.A., expiring on September 30th, 2026.

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. With application of accounting standard IFRS 16, the amount of lease fees remaining payable appears in the financial statement under the items "Usage rights" and "Financial payables for leasing under IFRS16", and so the reader is referred to the notes on these topics for more information.

As envisaged in this standard, certain contracts are excluded from the application of IFRS 16 as they satisfy the requirements for exclusion; lease instalments for those contracts totalling 433 thousand Euro were charged to the income statement in the first half of 2023 (331 thousand Euro in the first six months of 2022).

At 30 June 2023, the total value of the Group's commitments was 880 thousand Euro, for leasing and rental contracts expiring within the next five years, which do not fall within the scope of application of IFRS 16 (equal to 517 thousand Euro at 30 June 2022). 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 2023 and 2022 is provided in accordance with IAS 24.

In compliance with Consob resolution no. 17221 of March 12th, 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 June 24th, 2021 to implement the new requirements of Directive (EU) 2017/828, "Shareholders' Rights II"), and can be viewed on the Company's website, at <https://www.gefran.com/governance/documents-and-procedures/>.

Transactions with related parties are part of normal operations and the typical business of each entity involved and are carried out under normal market conditions. There 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)	Marfran S.r.l.	Total
Revenue from product sales		
2022	85	85
2023	-	-
(Euro /000)	Climat S.r.l.	B.T. Schlaepfer
Service costs		
2022	(97)	(50)
2023	(90)	(52)
(Euro /000)	Climat S.r.l.	Marfran S.r.l.
Property, plant, machinery and tools		
2022	294	-
2023	133	-
Trade receivables		
2022	-	3
2023	-	-
Trade payables		
2022	278	-
2023	176	-

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



In relations with its subsidiaries, the Parent Company Gefran S.p.A. has provided technical and administrative/management services and paid royalties on behalf of the Group's operative subsidiaries totalling 1.6 million Euro under specific contracts (2.2 million Euro as of 30 June 2022). 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 2023, the Parent Company Gefran S.p.A. recognised dividends from subsidiaries amounting to 3.3 thousand Euro (3 million Euro in the first half of 2022).

Persons of strategic importance have been identified as members of the Executive Board of Directors of Gefran S.p.A. and of other Group companies, as well as executives with strategic responsibilities, identified in the General Manager of Gefran S.p.A., as well as in the Chief Financial Officer, Chief People & Organization Officer and Group Chief Technology Officer.

Provaglio d'Iseo, August 3rd, 2023

For the Board of Directors

Chairwoman

Maria Chiara Franceschetti

Chief Executive Officer

Marcello Perini





Attachments



a) Consolidated income statement by quarter

(Euro /000)	Q1	Q2	Q3	Q4	TOT	Q1	Q2	TOT
	2022	2022	2022	2022	2022	2023	2023	2023
a Revenues	35,171	34,137	32,241	32,878	134,427	36,064	35,424	71,488
b Increases for internal work	241	270	173	223	907	445	715	1,160
c Consumption of materials and products	10,199	10,094	9,019	10,646	39,958	10,415	11,186	21,601
d Value Added (a+b-c)	25,213	24,313	23,395	22,455	95,376	26,094	24,953	51,047
e Other operating costs	5,351	5,903	6,318	5,973	23,545	6,080	5,755	11,835
f Personnel costs	11,255	11,617	11,483	12,840	47,195	11,775	12,239	24,014
g EBITDA (d-e-f)	8,607	6,793	5,594	3,642	24,636	8,239	6,959	15,198
h Depreciation, amortisation and impairment	1,716	1,763	1,796	1,847	7,122	1,870	1,870	3,740
i EBIT (g-h)	6,891	5,030	3,798	1,795	17,514	6,369	5,089	11,458
l Gains (losses) from financial assets/liabilities	237	249	413	(801)	98	(115)	(46)	(161)
m Gains (losses) from shareholdings valued at equity	8	5	7	4	24	16	(4)	12
n Profit (loss) before tax (i±l±m)	7,136	5,284	4,218	998	17,636	6,270	5,039	11,309
o Taxes	(1,790)	(1,403)	(1,418)	427	(4,184)	(2,346)	(1,340)	(3,686)
p Result from operational activities (n±o)	5,346	3,881	2,800	1,425	13,452	3,924	3,699	7,623
q Net income from assets available for sale and discontinued operations	(503)	(3,893)	365	567	(3,464)	(31)	(179)	(210)
p Group net profit (loss) (p±q)	4,843	(12)	3,165	1,992	9,988	3,893	3,520	7,413

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

End-of-period exchange rates

Currency	30 June 2023	31 December 2022
Swiss franc	0.9788	0.9847
Pound sterling	0.8583	0.8869
U.S. dollar	1.0866	1.0666
Brazilian real	5.2788	5.6386
Chinese renminbi	7.8983	7.3582
Indian rupee	89.2065	88.1710

Average exchange rates in the period

Currency	30 June 2023	30 June 2022	2Q 2023	2Q 2022
Swiss franc	0.9856	1.0320	0.0000	1.0270
Pound sterling	0.8766	0.8422	-	0.8479
U.S. dollar	1.0811	1.0940	-	1.0654
Brazilian real	5.4833	5.5578	-	5.2337
Chinese renminbi	7.4898	7.0827	-	7.0390
Indian rupee	88.8775	83.3249	-	82.2324

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
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	San Paolo	Brazil	BRL	450,000	Gefran S.p.A.	99.90
					Sensormate	0.10
Gefran India Private Ltd	Pune	India	INR	100,000,000	Gefran S.p.A.	95.00
					Sensormate	5.00
Gefran Asia Pte Ltd	Singapore	Singapore	EUR	3,359,369	Gefran S.p.A.	100.00
Gefran Automation Technology (Shanghai) 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 Soluzioni S.r.l.	Provaglio d'Iseo	Italy	EUR	100,000	Gefran S.p.A.	100.00
Elettropiemme S.r.l.	Trento	Italy	EUR	70,000	Gefran Soluzioni S.r.l.	100.00

d) List of companies consolidated at equity

Name	Registered office	Nation	Currency	Share capital	Parent company	% of direct ownership
Axel S.r.l.	Crosio della Valle	Italy	EUR	26,008	Gefran S.p.A.	15.00

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.	16.56
Woojin Plaiimm 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 February 24th, 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 2023.

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 July 19th, 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, August 3rd, 2023

Chief Executive Officer

Marcello Perini

Executive in charge
of financial reporting

Paolo Beccaria





External auditors' condensed 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 2023, 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 the international accounting standard 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 consolidated condensed interim financial statements of Gefran Group as of 30 June 2023 are not prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, 4 August 2023

PricewaterhouseCoopers SpA

Alessandro Vincenzi
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

PricewaterhouseCoopers SpA

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