

**GEFRAN GROUP**  
**INTERIM FINANCIAL STATEMENTS**  
**AT 31 March 2019**





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## 1. CORPORATE BODIES

### Board of Directors

Honorary Chairman	Ennio Franceschetti
Chairman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairman	Giovanna Franceschetti
CEO	Alberto Bartoli
Director	Romano Gallus
Director	Mario Benito Mazzoleni (*)
Director	Daniele Piccolo (*)
Director	Monica Vecchiati (*)

### Board of Statutory Auditors

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

### Control and Risks Committee

- Daniele Piccolo
- Mario Benito Mazzoleni
- Monica Vecchiati

### Appointments and Remuneration Committee

- Daniele Piccolo
- Romano Gallus
- Monica Vecchiati

### External auditor

PricewaterhouseCoopers S.p.A.

On 21 April 2016, the ordinary shareholders' meeting of Gefran S.p.A. engaged the external auditor PricewaterhouseCoopers S.p.A. to audit the separate annual financial statements of Gefran S.p.A., as well as the consolidated annual and interim financial statements of the Gefran Group for a period of nine years until the approval of the financial statements for 2024, in accordance with Italian Legislative Decree 39/2010.

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

## 2. ALTERNATIVE PERFORMANCE INDICATORS

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

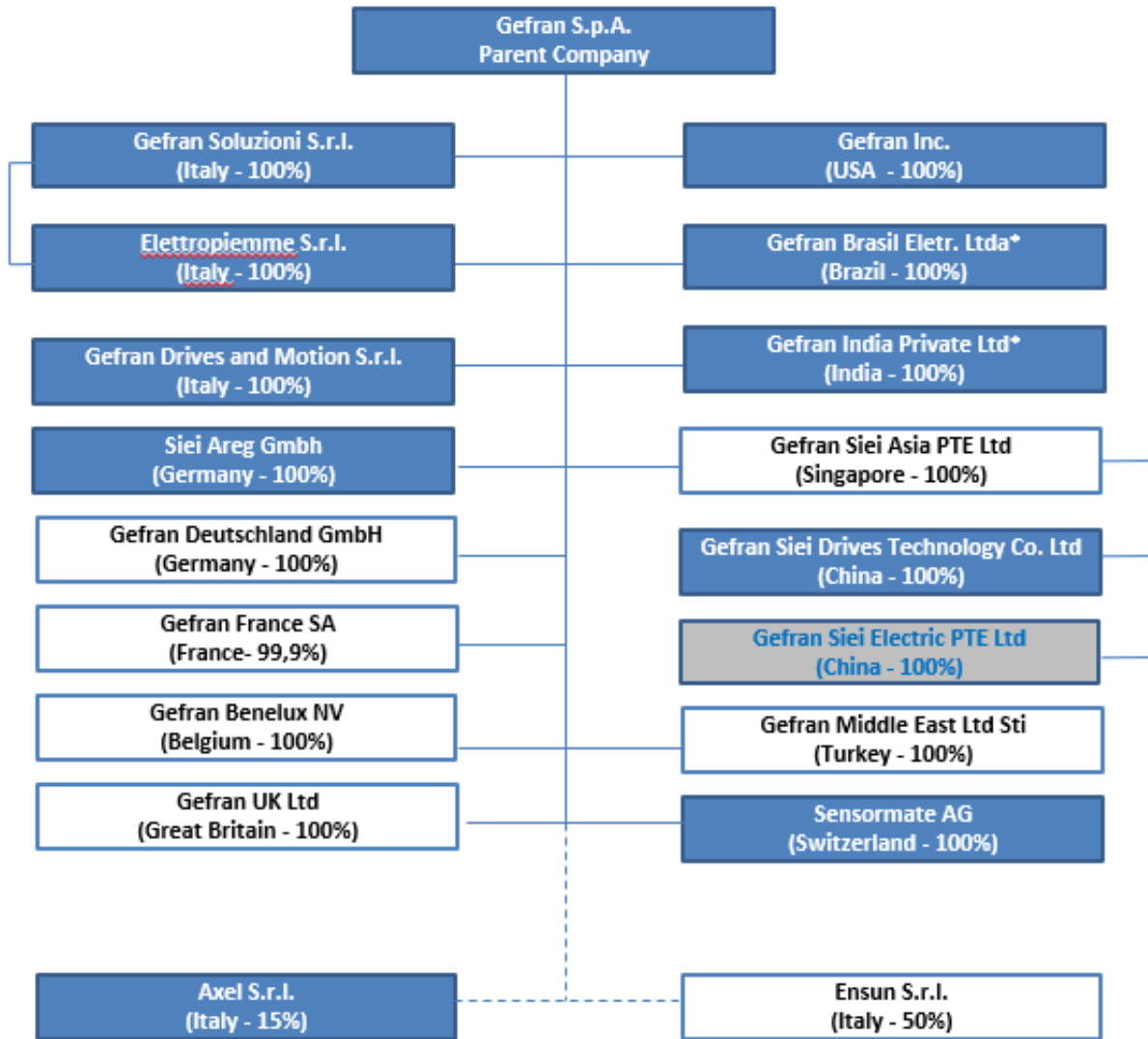
Specifically, the alternative indicators used in the notes to the income statement are:

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

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

- **Net non-current assets:** the algebraic sum of the following items in the statement of financial position:
  - Goodwill
  - Intangible assets
  - Property, plant, machinery and tools
  - Shareholdings valued at equity
  - Equity investments in other companies
  - Receivables and other non-current assets
  - Deferred tax assets
- **Working capital:** the algebraic sum of the following items in the statement of financial position:
  - Inventories
  - Trade receivables
  - Trade payables
  - Other assets
  - Tax receivables
  - Current provisions
  - Tax payables
  - Other liabilities
- **Net invested capital:** the algebraic sum of net fixed assets, working capital and provisions;
- **Net financial position:** the algebraic sum of the following items:
  - Medium/long-term financial payables
  - Short-term financial payables
  - Financial liabilities for derivatives
  - Financial assets for derivatives
  - Cash and cash equivalents and short-term financial receivables

3. STRUCTURE OF THE GEFRAN GROUP



- Production unit**
- Commercial unit**
- Non operative unit**

(\*) Gefran India and Gefran Brazil indirectly through Gefran UK

#### 4. 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

<i>(EUR / 000)</i>	Q1 2019		Q1 2018	
Revenues	35,973	100.0%	34,717	100.0%
EBITDA	6,269	17.4%	5,777	16.6%
EBIT	2,978	8.3%	4,251	12.2%
Profit (loss) before tax	3,395	9.4%	3,895	11.2%
Result from operating activities	2,548	7.1%	2,610	7.5%
EBIT (loss) from assets held for sale	0	0.0%	(414)	-1.2%
Group EBIT (loss)	2,548	7.1%	2,196	6.3%

##### Group statement of financial position highlights

<i>(EUR / 000)</i>	31 March 2019	31 December 2018
Invested capital from operations	85,926	77,335
Net working capital	34,994	32,055
Shareholders' equity	75,562	72,814
Net financial position	(10,364)	(4,521)

<i>(EUR / 000)</i>	31 March 2019	31 March 2018
Operating cash flow	2,642	3,821
Investments	4,806	1,942



## 5. FINANCIAL STATEMENT SCHEDULES

### Statement of profit/(loss)

(EUR / 000)	cumulative 31 March	
	2019	2018
Revenues from product sales	35,754	34,570
Other revenues and income	219	147
Increases for internal work	635	365
<b>TOTAL REVENUES</b>	<b>36,608</b>	<b>35,082</b>
Change in inventories	2,584	2,869
Costs of raw materials and accessories	(14,791)	(14,374)
Service costs	(5,700)	(5,744)
	<i>of which related parties:</i>	(43)
Miscellaneous management costs	(183)	(267)
Other operating income	7	2
Personnel costs	(12,379)	(11,735)
Impairment/reversal of trade and other receivables	123	(56)
Amortisation	(527)	(593)
Depreciation	(2,517)	(933)
Depreciation/amortisation total usage rights	(247)	0
<b>EBIT</b>	<b>2,978</b>	<b>4,251</b>
Gains from financial assets	449	208
Losses from financial liabilities	(274)	(527)
(Losses) gains from shareholdings valued at equity	242	(37)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>3,395</b>	<b>3,895</b>
Current taxes	(652)	(858)
Deferred tax assets and liabilities	(195)	(427)
<b>TOTAL TAXES</b>	<b>(847)</b>	<b>(1,285)</b>
<b>PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>2,548</b>	<b>2,610</b>
EBIT (loss) from assets held for sale	0	(414)
<b>EBIT (LOSS) FOR THE YEAR</b>	<b>2,548</b>	<b>2,196</b>
Attributable to:		
Group	2,548	2,196
Third parties	0	0

(Euro)	Earnings per share	cumulative 31 March	
		2019	2018
	Basic earnings per ordinary share	0.18	0.15
	Diluted earnings per ordinary share	0.18	0.15

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

<i>(EUR / 000)</i>	cumulative 31 March	
	2019	2018
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>2,548</b>	<b>2,196</b>
<b>Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period</b>		
- conversion of foreign companies' financial statements	615	(171)
- equity investments in other companies	1	(95)
- fair value of cash flow hedging derivatives	(54)	21
<b>Total changes, net of tax effect</b>	<b>562</b>	<b>(245)</b>
<b>Comprehensive result for the period</b>	<b>3,110</b>	<b>1,951</b>
Attributable to:		
Group	3,110	1,951
Third parties	0	0

## Statement of financial position

<i>(EUR / 000)</i>	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>NON-CURRENT ASSETS</b>		
Goodwill	5,918	5,868
Intangible assets	6,737	6,508
Property, plant, machinery and tools	40,951	38,955
	<i>of which related parties:</i>	<i>919</i>
Usage rights	2,639	-
Shareholdings valued at equity	1,258	1,016
Equity investments in other companies	1,795	1,790
Receivables and other non-current assets	88	83
Deferred tax assets	7,332	6,912
Non-current financial assets	125	126
<b>TOTAL NON-CURRENT ASSETS</b>	<b>66,843</b>	<b>61,258</b>
<b>CURRENT ASSETS</b>		
Inventories	26,659	22,978
Trade receivables	33,944	29,808
Other receivables and assets	5,486	3,561
Current tax receivables	1,435	1,510
Cash and cash equivalents	26,130	18,043
Financial assets for derivatives	5	19
<b>TOTAL CURRENT ASSETS</b>	<b>93,659</b>	<b>75,919</b>
<b>TOTAL ASSETS</b>	<b>160,502</b>	<b>137,177</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	14,400	14,400
Reserves	58,614	50,263
Profit/(loss) for the year	2,548	8,151
<b>Total Group Shareholders' Equity</b>	<b>75,562</b>	<b>72,814</b>
Shareholders' equity of minority interests	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>75,562</b>	<b>72,814</b>
<b>NON-CURRENT LIABILITIES</b>		
Non-current financial payables	19,593	11,864
Non-current financial payables for IFRS 16 leasing	1,644	-
Employee benefits	4,814	4,524
Non-current provisions	1,138	250
Deferred tax provisions	625	627
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>27,814</b>	<b>17,265</b>
<b>CURRENT LIABILITIES</b>		
Current financial payables	14,333	10,817
Current financial payables for IFRS 16 leasing	967	-
Trade payables	25,609	20,731
	<i>of which related parties:</i>	<i>313</i>
Financial liabilities for derivatives	87	28
Current provisions	1,451	1,424
Current tax payables	1,960	1,653
Other payables and liabilities	12,719	12,445
<b>TOTAL CURRENT LIABILITIES</b>	<b>57,126</b>	<b>47,098</b>
<b>TOTAL LIABILITIES</b>	<b>84,940</b>	<b>64,363</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>160,502</b>	<b>137,177</b>

## Consolidated cash flow statement

(EUR / 000)	31 March 2019	31 March 2018
<b>A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	<b>18,043</b>	<b>24,006</b>
<b>B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:</b>		
EBIT (loss) for the period	2,548	2,196
Depreciation/amortisation	3,291	1,526
Provisions (Releases)	538	1,332
Capital (gains) losses on the sale of non-current assets	(3)	4
Impairment of assets held for sale	0	414
Net result from financial operations	(409)	356
Taxes	647	858
Change in provisions for risks and future liabilities	(289)	(745)
Change in other assets and liabilities	(1,878)	(1,108)
Change in deferred taxes	194	435
Change in trade receivables	(2,800)	(1,785)
<i>of which related parties:</i>	-	55
Change in inventories	(2,896)	(3,606)
Change in trade payables	3,699	3,944
<i>of which related parties:</i>	(54)	90
<b>TOTAL</b>	<b>2,642</b>	<b>3,821</b>
<b>C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES</b>		
Investments in:		
- Property, plant & equipment and intangible assets	(4,806)	(1,943)
<i>of which related parties:</i>	(90)	(152)
- Equity investments and securities	0	1
- Acquisitions net of acquired cash	(231)	0
- Financial receivables	(2)	5
Disposal of non-current assets	2	29
<b>TOTAL</b>	<b>(5,037)</b>	<b>(1,908)</b>
<b>D) FREE CASH FLOW (B+C)</b>	<b>(2,395)</b>	<b>1,913</b>
<b>E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES</b>		
New financial payables	11,761	0
Repayment of financial payables	(1,744)	(1,682)
Increase (decrease) in current financial payables	885	2,000
Cash flow for IFRS 16	(248)	0
Taxes paid	(165)	(1,995)
Interest paid	(160)	(92)
Interest received	85	70
Change in shareholders' equity reserves	0	(605)
<b>TOTAL</b>	<b>10,414</b>	<b>(2,304)</b>
<b>F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)</b>	<b>8,019</b>	<b>(391)</b>
<b>G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE</b>	<b>-</b>	<b>-</b>
H) Exchange rate translation differences on cash at hand	68	(85)
<b>I) NET CHANGE IN CASH AT HAND (F+G+H)</b>	<b>8,087</b>	<b>(476)</b>
<b>J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)</b>	<b>26,130</b>	<b>23,530</b>

## Statement of changes in shareholders' equity

(EUR / 000)	Share capital	Capital reserves	Consolidation reserve	Other reserves	Retained profit / (loss)	overall EC reserves			Profit/(loss) for the year	Group Total shareholders' equity	Shareholders' equity of minority interests	Total shareholders' equity
						Fair value measurement reserve	Currency translation reserve	Other reserves				
Balances at 1 January 2018	14,400	21,926	6,971	10,251	6,735	189	3,125	(551)	6,864	69,911	0	69,911
Allocation of 2017 profit												
- Other reserves and provisions			(1,583)		8,448				(6,864)	0		0
- Dividends					(5,040)					(5,040)		(5,040)
Income/(expenses) recognised at equity			(21)			(201)		151		(71)		(71)
Change in translation reserve							18			18		18
Other changes			1	(156)						(155)		(155)
2018 profit									8,151	8,151		8,151
Balances at 31 December 2018	14,400	21,926	5,368	10,095	10,143	(12)	3,143	(400)	8,151	72,814	0	72,814
Allocation of 2018 profit												
- Other reserves and provisions			521		7,630				(8,151)	0		0
- Dividends										0		0
Income/(expenses) recognised at equity			(362)			(53)				(415)		(415)
Change in translation reserve							615			615		615
Other changes										0		0
2019 profit									2,548	2,548		2,548
Balances at 31 March 2019	14,400	21,926	5,527	10,095	17,773	(65)	3,758	(400)	2,548	75,562	0	75,562

## 6. GROUP PERFORMANCE IN THE FIRST QUARTER OF 2019

On 23 January 2019 Gefran Soluzioni S.r.l., a subsidiary of Gefran S.p.A., purchased 100% of the shares in Elettropiemme S.r.l. The Group's results for the first quarter of 2019, illustrated and commented on below, also reflect the purchase of the company.

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

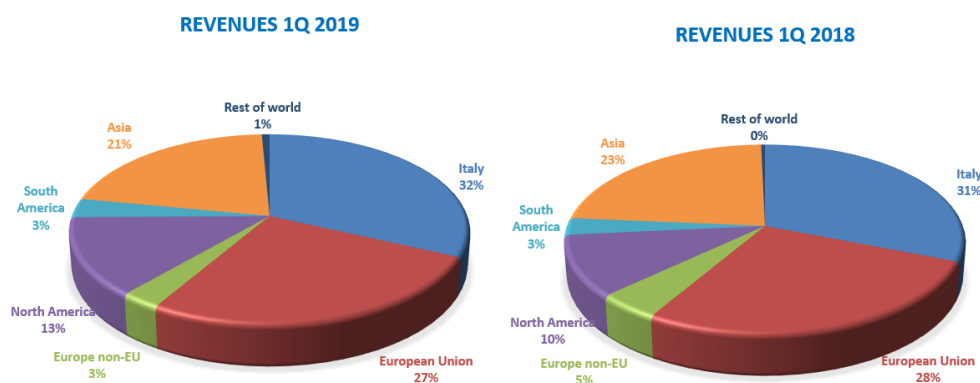
(EUR / 000)		Q1 2019	Q1 2018	Changes 2019-2018	
		Total	Total	Value	%
a	Revenues	35,973	34,717	1,256	3.6%
b	Increases for internal work	635	365	270	74.0%
c	Consumption of materials and products	12,207	11,505	702	6.1%
d	Added value (a+b-c)	24,401	23,577	824	3.5%
and	Other operating costs	5,753	6,065	(312)	-5.1%
f	Personnel costs	12,379	11,735	644	5.5%
g	EBITDA (d-e-f)	6,269	5,777	492	8.5%
h	Depreciation, amortisation and impairment	3,291	1,526	1,765	115.7%
i	EBIT (g-h)	2,978	4,251	(1,273)	-29.9%
l	Gains (losses) from financial assets/liabilities	175	(319)	494	154.9%
m	Gains (losses) from shareholdings valued at equity	242	(37)	279	754.1%
n	Profit (loss) before tax (i±±m)	3,395	3,895	(500)	-12.8%
o	Taxes	(847)	(1,285)	438	34.1%
p	Result from operating activities (n±o)	2,548	2,610	(62)	-2.4%
q	EBIT (loss) from assets held for sale	0	(414)	414	100.0%
r	Group EBIT (loss) (p±q)	2,548	2,196	352	16.0%

**Revenues** for the first quarter of 2019 at Euro 35,973 thousand compared with Euro 34,717 thousand in the same period the previous year, showed a growth of Euro 1,256 thousand (+3.6%). The aforementioned acquisition contributed a total of Euro 974 thousand to the increase in revenues. Net of this effect, the growth in revenues compared to the same period of the previous year amounted to Euro 282 thousand (+0.8%), focused on original equipment manufacturers (OEM) customers.

New orders during the first quarter of 2019 rose by around 5.1% over the figure in the same period of 2018, and the order book also rose by around 10.9% compared with the figure as of 31 March 2018. The entry of Elettropiemme S.r.l. into the Group had a positive impact, without which new orders in the first three months increased by 0.5% compared to the same period of the previous year, and the increase in backlog compared to the same period was 1.3%.

The following table shows revenues by geographical region:

(EUR / 000)	Q1 2019		Q1 2018		Changes 2019-2018	
	value	%	value	%	value	%
Italy	11,464	31.9%	10,753	31.0%	711	6.6%
European Union	9,588	26.7%	9,554	27.5%	34	0.4%
Europe non-EU	1,038	2.9%	1,576	4.5%	(538)	-34.1%
North America	4,813	13.4%	3,634	10.5%	1,179	32.4%
South America	1,159	3.2%	996	2.9%	163	16.4%
Asia	7,652	21.3%	8,083	23.3%	(431)	-5.3%
Rest of the World	259	0.7%	121	0.3%	138	114.0%
<b>Total</b>	<b>35,973</b>	<b>100%</b>	<b>34,717</b>	<b>100%</b>	<b>1,256</b>	<b>3.6%</b>



The breakdown of revenues by **geographical area** shows strong growth in North America (+32.4%): the favourable trend in the exchange rate has a positive impact, but even if we eliminate this effect, the growth recorded is still significant (+26%); sales in South America increased (+16.4%), while there was a contraction in non-EU Europe (-34.1%). The growth recorded in Italy, equal to +6.6%, was due to the change in the scope of the consolidation, without which there would have been a decrease in sales compared to the first quarter of 2018 (-2.4%).

The table below shows the breakdown of revenues by business area at 31 March 2019 and a comparison with the same period of the previous year:

(EUR / 000)	Q1 2019		Q1 2018		Changes 2019-2018	
	value	%	value	%	value	%
Sensors	15,286	42.5%	16,131	46.5%	(845)	-5.2%
Automation components	11,041	30.7%	10,060	29.0%	981	9.8%
Motion control	11,095	30.8%	9,861	28.4%	1,234	12.5%
Eliminations	(1,449)	-4.0%	(1,335)	-3.8%	(114)	8.5%
<b>Total</b>	<b>35,973</b>	<b>100%</b>	<b>34,717</b>	<b>100%</b>	<b>1,256</b>	<b>3.6%</b>

The breakdown of **revenues by business area** in the first quarter of 2019 shows significant growth in motion control (+12.5%) and related to products for industrial applications and custom contracts. On the other hand, sales of the sensors business contracted (-5.2%), mainly in the Asian market. Sales increased for the automation components business (+9.8%), where the increase was due to the revenues of the newly acquired Elettropiemme S.r.l., without which the business's sales were in line with the same period of the previous year.

Increases **for internal work** at 31 March 2019 came to Euro 635 thousand, compared with Euro 365 thousand at 31 March 2018. The item mainly represents the share of development costs incurred in the period and capitalised, amounting to Euro 607 thousand (Euro 255 thousand in the first quarter of 2018).

**Added value for** the first quarter of 2019 was Euro 24,401 thousand (Euro 23,577 thousand at 31 March 2018), equivalent to 67.8% of revenues, in line with the percentage recorded in the same period of the previous year. The entry of Elettropiemme S.r.l. into the Group contributed to the increase in added value, net of which the figure for the first three months was Euro 264 thousand higher than in the same period of the previous year. The improvement is mainly due to the increase in sales volumes, partially absorbed by the negative effect of the different mix of products sold.

Other **operating costs** in the first quarter of 2019 totalled Euro 5,753 thousand, resulting in an absolute value Euro 312 thousand lower than in the first quarter of 2018. The percentage of revenues was also down, from 17.5% in the first quarter of 2018 to 16% in the first quarter of 2019. The main changes with respect to the figure for the first quarter of 2018: were as follows:

- an increase of Euro 116 thousand, due to the entry of Elettropiemme S.r.l. into the Group;
- a decrease of Euro 248 thousand in the costs for the use of third party assets, linked to the application of the new accounting standard IFRS 16 which reverses the lease payments for the period;
- net decrease of Euro 180 thousand in other operating costs, mainly linked to the movement of the provision for the write-down of doubtful receivables in the period, calculated on the basis of an examination of individual debtor positions and taking into account past experience, in each specific line of business and geographical region, as required by IFRS 9.

**Personnel costs** were Euro 12,379 (34.4% of revenues) at 31 March 2019, compared with Euro 11,735 thousand at 31 December 2018 (33.8% of revenues), showing an increase of Euro 644 thousand. The higher cost reflects the entry of Elettropiemme S.r.l. into the Group (Euro 321 thousand), which at the date of acquisition had 41 employees; in addition to this, the increase in personnel costs was also due to the entry of new resources into the Group, in line with the investment plan, including in human capital, which began at the end of 2017.

**EBITDA** for the first quarter of 2019 was positive at Euro 6,269 thousand (Euro 5,777 thousand for the same period in 2018) and amounted to 17.4% of revenues (16.6% of revenues in the previous period), an increase of Euro 492 thousand in absolute value and 8.5 percentage points. The entry of Elettropiemme S.r.l. into the Group contributed to the increase in EBITDA. (Euro 121 thousand), without which the growth would have been Euro 371 thousand, determined by the higher added value and the decrease in operating costs recorded in the period.

The item **amortisation**, depreciation and write-downs as at 31 March 2019 comes to Euro 3,290 thousand, compared with Euro 1,526 thousand at 31 March 2018, an increase of Euro 1,764 thousand. The increase is mainly due to several factors that occurred in the first quarter of 2019:

- the effects of the application of the new accounting standard IFRS16, equal to Euro 247 thousand, for which details are provided in the specific note of this Report, are noted;
- the recent acquisition of Elettropiemme S.r.l., which contributed to the increase in this item of Euro 47 thousand;
- the recognition and recording of impairments on assets, for an amount of Euro 1,423 thousand. The sensors business investment plan provides for the expansion of production lines and the need for large and new dedicated spaces, essential to support the expansion of the business. Originally, the adaptation of an existing building was assessed, but after a more in-depth analysis, it was found that the building would not have provided adequate technological and energy performance sustainable in the long term. It was therefore decided to proceed with the demolition of the existing building to construct a new building that is more functional and above all at the cutting-edge from the technological and energy point of view. Work should be completed by the end of this year, aiming to bring it into full production by the beginning of 2020.

**EBIT** for the first quarter of 2019 was positive at Euro 2,979 thousand (8.3% of revenues), compared with Euro 4,251 thousand in March 2018, showing a decrease of Euro 1,273 thousand. The change relates to the elimination of the asset described above, amounting to Euro 1,423 thousand, offset by the EBIT brought about by the entry into the Group of Elettropiemme S.r.l., which amounted to Euro 74 thousand. Excluding these effects EBIT was positive for the period at Euro 4,328 thousand, an increase of Euro 77 thousand compared to the first quarter of the previous year.

**Income from financial assets/liabilities as at** 31 March 2019 amounted to Euro 175 thousand (at 31 March 2018 there were charges of Euro 319 thousand) and included:

- financial income of Euro 20 thousand (Euro 70 thousand in the first quarter of 2018);
- financial charges linked to the Group's indebtedness, equal to Euro 76 thousand, in line with the first quarter of 2018, when they amounted to Euro 83 thousand;
- positive differences on currency transactions, equal to Euro 239 thousand, compared with a negative figure of Euro 306 of the first quarter of 2018;



- financial charges on financial payables related to the application of the new accounting standard IFRS 16 for Euro 8 thousand.

**Income from shareholdings valued at** equity were Euro 242 thousand, an increase compared with the first quarter of 2018, when they amounted to Euro 37 thousand. The change was mainly due to the adjustment of the value of the Ensun Group S.r.l., following the sale of 100% of the shares in Elettropiemme S.r.l.

**Taxes** were negative overall and amounted to Euro 847 thousand; they break down as follows:

- negative current taxes of EUR 652 thousand (negative by EUR 858 thousand at 31 March 2018); the fiscal burden for the year reflects the positive results achieved by the Parent Company and subsidiaries;
- deferred tax assets and liabilities were negative overall and amounted to Euro 195 thousand (negative for Euro 427 thousand at 31 March 2018); the item mainly includes the release to the income statement of deferred tax assets entered as tax losses to reflect the positive result of the period.

The **result from operating activities** at 31 March 2019 was positive and amounted to Euro 2,528 thousand, compared with a positive figure of Euro 2,619 thousand in the first quarter of 2018.

The **net profit from assets available for sale** in the first quarter of 2019 was zero, while the figure for the same period in the previous year was negative for Euro 414 thousand and related to the adjustment of the amount of assets available for sale relating to the know-how of the photovoltaic business to their estimated realisable value.

Group **EBIT** in the first quarter of 2019 was Euro 2,548 thousand, compared with a profit of Euro 2,196 thousand in the first three months of 2018, showing an increase of Euro 352 thousand. Net of the positive effect of the entry of Elettropiemme S.r.l. into the Group, amounting to Euro 63 thousand, the net profit for the first quarter of 2019 was Euro 289 thousand higher than the figure for the same period of the previous year.

## 7. RECLASSIFIED CONSOLIDATED BALANCE SHEET AT 31 MARCH 2019

The Gefran Group's reclassified consolidated balance sheet at 31 March 2019 is shown below.

GEFRAN GROUP (EUR / 000)	31 March 2019		31 December 2018	
	value	%	value	%
Intangible assets	12,655	14.7	12,376	16.0
Tangible assets	43,590	50.7	38,955	50.4
Other non-current assets	10,473	12.2	9,801	12.7
<b>Net non-current assets</b>	<b>66,718</b>	<b>77.6</b>	<b>61,132</b>	<b>79.0</b>
Inventories	26,659	31.0	22,978	29.7
Trade receivables	33,944	39.5	29,808	38.5
Trade payables	(25,609)	(29.8)	(20,731)	(26.8)
Other assets/liabilities	(7,758)	(9.0)	(9,027)	(11.7)
<b>Working capital</b>	<b>27,236</b>	<b>31.7</b>	<b>23,028</b>	<b>29.8</b>
Provisions for risks and future liabilities	(2,589)	(3.0)	(1,674)	(2.2)
Deferred tax provisions	(625)	(0.7)	(627)	(0.8)
Employee benefits	(4,814)	(5.6)	(4,524)	(5.8)
<b>Invested capital from operations</b>	<b>85,926</b>	<b>100.0</b>	<b>77,335</b>	<b>100.0</b>
<b>Net invested capital</b>	<b>85,926</b>	<b>100.0</b>	<b>77,335</b>	<b>100.0</b>
<b>Shareholders' equity</b>	<b>75,562</b>	<b>87.9</b>	<b>72,814</b>	<b>94.2</b>
Non-current financial payables	19,593	22.8	11,864	15.3
Current financial payables	14,333	16.7	10,817	14.0
Financial payables for IFRS 16 leasing (current and non-current)	2,611	3.0	-	-
Financial liabilities for derivatives	87	0.1	28	0.0
Financial assets for derivatives	(5)	(0.0)	(19)	(0.0)
Non-current financial assets	(125)	(0.1)	(126)	(0.2)
Cash and cash equivalents and current financial receivables	(26,130)	(30.4)	(18,043)	(23.3)
<b>Net debt relating to operations</b>	<b>10,364</b>	<b>12.1</b>	<b>4,521</b>	<b>5.8</b>
<b>Total sources of financing</b>	<b>85,926</b>	<b>100.0</b>	<b>77,335</b>	<b>100.0</b>

Net **non-current assets** at 31 March 2019 were EUR 66,718 thousand, compared with EUR 61,132 thousand at 31 December 2018. The main changes were as follows:

- intangible assets rose overall by Euro 279 thousand. This includes increases for new investments (Euro 126 thousand) and the capitalisation of development costs (Euro 608 thousand), as well as decreases due to depreciation/amortisation for the period (Euro 527 thousand) and the effect of positive exchange rate differences on goodwill and other intangible assets (Euro 67 thousand);
- tangible assets increased by EUR 4,635 thousand compared with 31 December 2018. Investments for the quarter in 2019, equal to Euro 4,072 thousand, were partially offset by depreciation/amortisation for the period (Euro 2,517 thousand), plus the positive effect of exchange differences (Euro 214 thousand); they also include the value of usage rights over the assets recorded under IFRS 16 (Euro 2,877 thousand) and the related depreciation/amortisation (Euro 246 thousand), in addition to the tangible assets deriving from the acquisition of Elettropiemme S.r.l. (Euro 233 thousand);

- other non-current assets at 31 March 2019 amounted to Euro 10,473 thousand (Euro 9,801 thousand at 31 December 2018), an increase of Euro 672 thousand. This change is due to the deferred tax assets of the newly acquired Elettropiemme S.r.l., equal to Euro 536 thousand, to the decrease of Euro 116 thousand in deferred tax assets recorded in the first three months of 2019 and to the adjustment of the value of shareholdings valued at equity, which amounts to Euro 242 thousand.

**Working capital** was Euro 27,236 thousand at 31 March 2019, compared with Euro 23,028 thousand at 31 December 2018, an overall increase of Euro 4,208 thousand. The main changes were as follows:

- inventories range from Euro 22,978 at 31 December 2018 to Euro 26,659 at 31 March 2019; an increase of Euro 3,681 of which Euro 1,120 relates to Elettropiemme S.r.l. acquired at the end of January; the increase in inventories was due to the increase in stocks of raw materials to meet the growth in sales volumes, as well as to the increase in stocks of semi-finished and finished products to better meet customer needs;
- trade receivables amounted to Euro 33,944 thousand, an increase of Euro 4,136 thousand compared to 31 December 2018, Euro 1,183 thousand of which deriving from the aforementioned acquisition;
- trade payables amount to Euro 25,609 an increase of Euro 4,878 compared to 31 December 2018 of which Euro 1,743 relates to trade payables acquired from Elettropiemme S.r.l.; they reflect the increase in purchases, both of materials for inventories and for technical investments made during the first quarter of 2019;
- other net assets and liabilities were negative by Euro 7,758 thousand at 31 March 2019, down by Euro 1,269 thousand compared to 31 December 2018, when they amounted to Euro 9,027 thousand. They include payables to employees and social security institutions and receivables and payables for direct and indirect taxes.

**Provisions for risks and future liabilities** were Euro 2,589 thousand, an increase of Euro 915 thousand with respect to 31 December 2018, Euro 825 of which refer to provisions for risks and charges acquired with Elettropiemme S.r.l.. These include provisions for legal disputes in progress and miscellaneous risks.

**Employee benefits** amounted to EUR 4,814 thousand, compared with EUR 4,524 thousand at 31 December 2018; the change mainly relates to the acquisition of Elettropiemme S.r.l.

**Shareholders' equity** at 31 March 2019 amounted to Euro 75,562 thousand, compared with Euro 72,814 thousand at 31 December 2018, an increase of Euro 2,748 thousand. The change was mainly due to the profit for the period, amounting to Euro 2,548 thousand.

The net financial position at 31 March 2019 was negative and equal to Euro 10,364 thousand, an increase of Euro 5,843 thousand compared to the end of 2018, when it was negative overall by Euro 4,521 thousand.

The change in the net financial position was mainly due to the positive cash flows from ordinary operations (Euro 2,642 thousand), absorbed by the technical investments made during the period (Euro 4,806 thousand) and the net effect of the acquisition of Elettropiemme S.r.l. (Euro 538 thousand); in addition, there was the negative effect of the application of IFRS 16, which led to a worsening of the net financial position (Euro 2,611 thousand).

It breaks down as follows:

<i>(EUR / 000)</i>	<b>31 March 2019</b>	<b>31 December 2018</b>	<b>Change</b>
Cash and cash equivalents and current financial receivables	26,130	18,043	8,087
Current financial payables	(14,333)	(10,817)	(3,516)
Current financial payables for IFRS 16 leasing	(967)	-	(967)
Financial liabilities for derivatives	(87)	(28)	(59)
Financial assets for derivatives	5	19	(14)
<b>(Debt)/short-term cash and cash equivalents</b>	<b>10,748</b>	<b>7,217</b>	<b>3,531</b>
Non-current financial assets	125	126	(1)
Non-current financial payables	(19,593)	(11,864)	(7,729)
Non-current financial payables for IFRS 16 leasing	(1,644)	-	(1,644)
<b>(Debt)/medium-/long-term cash and cash equivalents</b>	<b>(21,112)</b>	<b>(11,738)</b>	<b>(9,374)</b>
<b>Net financial position</b>	<b>(10,364)</b>	<b>(4,521)</b>	<b>(5,843)</b>

Net financial debt comprises short-term cash and cash equivalents of EUR 10,748 thousand and medium-/long-term debt of EUR 21,112 thousand.

During the first quarter of 2019 two new loans were taken out, one of which from the Parent Company Gefran S.p.A. for Euro 10,000 thousand, at a variable rate, with a spread of 1.05%, without financial covenants. The second loan was subscribed by the US branch, for an amount corresponding to Euro 1,780 thousand.

## 8. CONSOLIDATED CASH FLOW STATEMENT AT 31 March 2019

The Gefran Group's **consolidated cash flow statement** at 31 March 2019 showed a positive net change in cash at hand of Euro 8,087 thousand, compared with a negative change of Euro 476 thousand for the first quarter of 2018.

The change was as follows:

<i>(EUR / 000)</i>	<b>31 March 2019</b>	<b>31 March 2018</b>
A) Cash and cash equivalents at the start of the period	18,043	24,006
B) Cash flow generated by (used in) operations in the period	2,642	3,821
C) Cash flow generated by (used in) investment activities	(5,037)	(1,908)
D) Free cash flow (B+C)	(2,395)	1,913
E) Cash flow generated by (used in) financing activities	10,414	(2,304)
F) Cash flow from continuing operations (D+E)	8,019	(391)
G) Cash flow from assets held for sale	0	0
H) Exchange rate translation differences on cash at hand	68	(85)
I) Net change in cash at hand (F+G+H)	8,087	(476)
J) Cash and cash equivalents at the end of the period (A+I)	26,130	23,530

Cash flow from operations for the period was positive for Euro 2,642 thousand; in particular, operations in the first quarter of 2019, net of the effect of provisions, depreciation/amortisation and financial items, generated cash of Euro 6,612 thousand (Euro 6,686 in the same period of the previous year), while the increase in working capital in the same period absorbed cash of Euro 1,997 thousand (in the first quarter of 2018 it had absorbed cash of Euro 1,447 thousand).

Technical investments absorbed cash of Euro 4,806 thousand, an increase of Euro 2,863 thousand compared with Euro 1,943 thousand in the first quarter of 2018. In the first three months of 2019 the acquisition of Elettropiemme S.r.l., net of the cash acquired, absorbed resources of Euro 231 thousand.

Free cash flow (operating cash flow excluding investment activities) was negative for Euro 2,395 thousand and compares with a positive flow of Euro 1,913 thousand in the first quarter of 2018, a decrease of Euro 4,308 thousand, mainly due to higher investments and the increase in working capital.

Financing activities generated total cash of Euro 10,414 thousand, mainly due to the opening of two new loans totalling Euro 11,761 thousand; the repayment of instalments due on existing loans (Euro 1,744 thousand), the amount of taxes paid (Euro 165) and the payment of financial debts relating to lease contracts (Euro 248 thousand) instead absorbed resources.

In the first quarter, on the other hand, financing activities absorbed a total of Euro 2,304 thousand, mainly for the repayment of instalments due on outstanding loans (Euro 1,682 thousand), and for the payment of taxes (Euro 1,995 thousand, of which Euro 1,796 thousand for foreign taxes on previous years), partially offset by the increase in short-term debt (Euro 2,000 thousand).

## 9. INVESTMENTS

Gross technical **investments** made in the first three months of 2019 amounted to Euro 4,806 thousand (Euro 1,942 thousand at 31 March 2018), and relate to:

- investments in buildings of the other Group subsidiaries for a total of Euro 2,888 thousand, mainly relating to the new building purchased by the US subsidiary; the investment, relating to a building about three times larger than the current one to which Gefran Inc's activities will be transferred, is part of the subsidiary's industrial and commercial development plan, and will allow the Group to strengthen its presence on the North American market;
- investments to upgrade the industrial buildings of the Group's Italian plants, amounting to Euro 135 thousand, and Euro 107 thousand in other Parent Company plants;
- investment of Euro 894 thousand in production and laboratory plant and equipment in the Group's Italian factories and Euro 16 thousand in the other Group subsidiaries;
- investments related to the renewal of electronic office machines and IT system equipment in the Parent Company amounting to Euro 33 thousand and Euro 67 thousand in the Group's subsidiaries;
- investments in miscellaneous equipment in the Group's subsidiaries amounting to EUR 39 thousand;
- capitalisation of costs incurred in the period for new product development, totalling Euro 607 thousand;
- other investments in intangible assets totalling Euro 127 thousand, for management software licences and SAP ERP development.

The investments are summarised below by type:

<i>(EUR / 000)</i>	<b>at 31 March 2019</b>	<b>at 31 March 2018</b>
Intangible assets	734	335
Tangible assets	4,072	1,607
<b>Total</b>	<b>4,806</b>	<b>1,942</b>

The investments are summarised by business area below:

<i>(EUR / 000)</i>	<b>Sensors</b>	<b>Automation components</b>	<b>Motion control</b>	<b>Total</b>
Intangible assets	249	251	234	734
Tangible assets	3,435	245	392	4,072
<b>Total</b>	<b>3,684</b>	<b>496</b>	<b>626</b>	<b>4,806</b>

The investments are summarised below on the basis of geographical region:

Geographical region	31 March 2019		31 March 2018	
	intangible assets and goodwill	tangible assets	intangible assets and goodwill	tangible assets
<i>(EUR / 000)</i>				
Italy	732	1,105	329	1,187
European Union	0	31	6	21
Europe non-EU	0	3	0	38
North America	0	2,878	0	0
South America	2	24	0	43
Asia	0	31	0	318
Rest of the World	0	0	0	0
<b>Total</b>	<b>734</b>	<b>4,072</b>	<b>335</b>	<b>1,607</b>

## 10. ASSETS HELD FOR SALE

EBIT (loss) from available-for-sale assets for the first three months of 2019 was zero.

In the 2018 financial year, assets relating to photovoltaic business know-how were classified among the operating assets available for sale. The economic impacts specifically attributable to this business recorded in the first quarter of 2018, negative and amounting to Euro 414 thousand, relate to adjusting the amount of these assets to the estimated realisable value.

## 11. RESULTS BY BUSINESS AREA

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

The results of the newly acquired Elettropiemme S.r.l. are included in the automation components business.

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

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

## 11.1. SENSORS

### Summary results

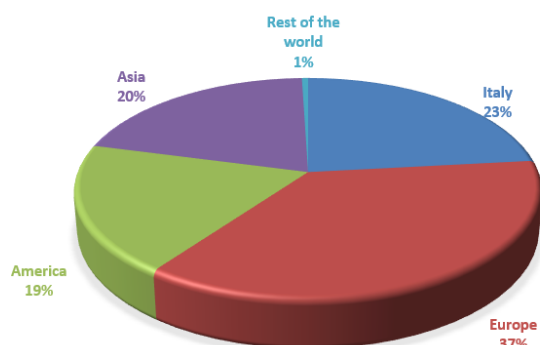
The table below shows the key economic figures.

(EUR / 000)	31 March 2019	31 March 2018	Changes 2019 - 2018	
			value	%
Revenues	15,286	16,131	(845)	-5.2%
EBITDA	4,233	5,238	(1,005)	-19.2%
	% of revenues			
	27.7%	32.5%		
EBIT	2,043	4,647	(2,604)	-56.0%
	% of revenues			
	13.4%	28.8%		

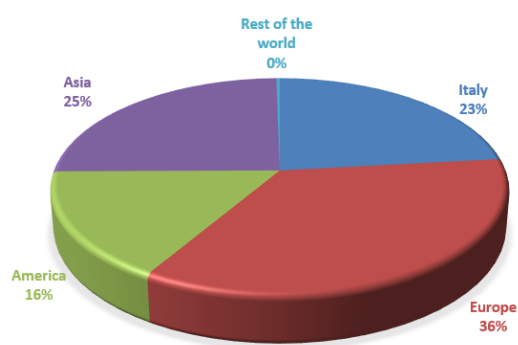
The breakdown of sensors business revenues by geographical region is as follows:

(EUR / 000)	31 March 2019		31 March 2018		Changes 2019 - 2018	
	value	%	value	%	value	%
Italy	3,562	23.3%	3,750	23.2%	(188)	-5.0%
Europe	5,622	36.8%	5,700	35.3%	(78)	-1.4%
America	2,902	19.0%	2,628	16.3%	274	10.4%
Asia	3,124	20.4%	4,007	24.8%	(883)	-22.0%
Rest of the World	76	0.5%	46	0.3%	30	65.2%
<b>Total</b>	<b>15,286</b>	<b>100%</b>	<b>16,131</b>	<b>100%</b>	<b>(845)</b>	<b>-5.2%</b>

REVENUES SENSORS UP TO 31ST MARCH  
2019



REVENUES SENSORS UP TO 31ST MARCH  
2018



### Business performance

Business revenues in the first quarter of 2019 were Euro 15,286 thousand, a decrease of Euro 845 thousand (-5.2%) compared with the same period of 2018. The contraction was mainly experienced in the Asian market (-22%) and more moderately in the Italian market (-5%); with reference to the product lines, there were lower sales in the Pressure, Industrial and Melt lines for high temperatures.



Orders received in the first three months of 2019, equal to Euro 17,291 thousand, showed an increase compared to the first quarter of the previous year (+ 0.9%), when it amounted to Euro 17,141 thousand; the backlog at 31 March 2019 was up by 3.2% compared to the end of 2018.

EBITDA for the first quarter of 2019 amounted to Euro 4,233 thousand, down by Euro 1,005 thousand (-19.2%) compared to the first quarter of 2018, when it amounted to Euro 5,238 thousand. The negative change in EBITDA was due to the decrease in volumes and the lower margins achieved and an increase in operating costs compared to the first quarter of 2018.

EBIT at 31 March 2019 amounted to Euro 2,043 thousand, or 13.4% of revenues, and compares with EBIT in the first quarter of 2018 of Euro 4,647 thousand (28.8% of revenues), with a negative change of Euro 2,604 thousand (-56%). The business's EBIT for the first quarter of 2019 was negatively affected by the write-down of the property, amounting to Euro 1,423 thousand, recorded to adjust the book value to fair value. The sensors business investment plan provides for the expansion of production lines and the need for large and new dedicated spaces, essential to support the expansion of the business. Originally, the adaptation of an existing building was assessed, but after a more in-depth analysis, it was found that the building would not have provided adequate technological and energy performance sustainable in the long term. It was therefore decided to proceed with the demolition of the existing building to construct a new building that is more functional and above all at the cutting-edge from the technological and energy point of view. Work should be completed by the end of this year, aiming to bring it into full production by the beginning of 2020.

Excluding this effect, EBIT at 31 March 2019 would be EUR 3,466 thousand, equal to 22.7% of revenues.

## Investments

The Group invested Euro 3,682 thousand in the sensors business in the first nine months of 2019 including investments in intangible assets totalling Euro 249 thousand, of which Euro 208 thousand went into research and development of new products.

Investments in tangible assets amounted overall to Euro 3,435 thousand, Euro 503 thousand of which were invested by the Parent Company, mainly for the purchase of production equipment to increase production capacity and efficiency (Euro 422 thousand), and for upgrading buildings (Euro 61 thousand); with reference to the Group's subsidiaries, investments amounted to Euro 2,932 thousand, mostly related to the purchase of the new building for the US branch, aimed at developing the business in the North American market and increasing production capacity.

## 11.2. AUTOMATION COMPONENTS

### Summary results

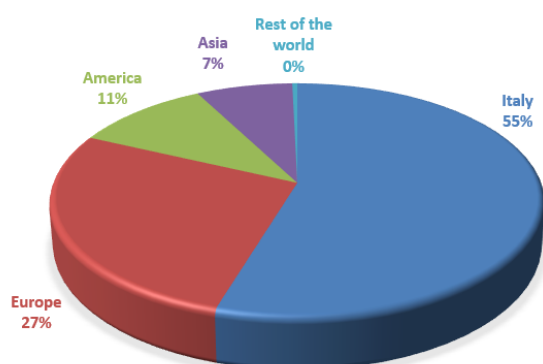
The table below shows the key economic figures.

(EUR / 000)	31 March 2019	31 March 2018	Changes 2019-2018	
			value	%
Revenues	11,041	10,060	981	9.8%
EBITDA	1,397	1,233	164	13.3%
<i>% of revenues</i>	12.7%	12.3%		
EBIT	831	742	89	12.0%
<i>% of revenues</i>	7.5%	7.4%		

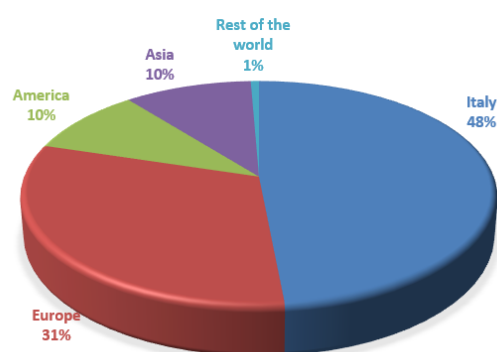
The breakdown of components business revenues by geographic region is as follows:

(EUR / 000)	31 March 2019		31 March 2018		Changes 2019-2018	
	value	%	value	%	value	%
Italy	6,040	54.7%	4,878	48.5%	1,162	23.8%
Europe	3,003	27.2%	3,143	31.2%	(140)	-4.5%
America	1,149	10.4%	962	9.6%	187	19.4%
Asia	807	7.3%	1,012	10.1%	(205)	-20.3%
Rest of the World	42	0.4%	65	0.6%	(23)	-35.4%
<b>Total</b>	<b>11,041</b>	<b>100%</b>	<b>10,060</b>	<b>100%</b>	<b>981</b>	<b>9.8%</b>

REVENUES AUTOMATION COMPONENTS UP TO 31ST MARCH 2019



REVENUES AUTOMATION COMPONENTS UP TO 31ST MARCH 2018



## Business performance

Revenues totalled Euro 11,041 thousand at 31 March 2019, up 9.8% compared with the first quarter of 2018. The improvement was achieved thanks to the growth in revenues in the Italian market (+23.8%), also thanks to the revenues contributed to the business by the newly acquired company Elettropiemme S.r.l., without which revenues in Italy would have grown more moderately (+3.9%), and to the good performance recorded in America (+19.4%).

New orders in the first quarter amounted to Euro 11,430 thousand, a rise of 17.6% over the previous year, while the backlog, amounting to Euro 6,834 thousand, was up by 31.3% compared to the end of 2018.

EBITDA at 31 March 2019 was positive by Euro 1,397 thousand (12.7% of revenues), up by Euro 164 thousand compared to the figure for the first three months of 2018 (+13.3%). Higher sales volumes, linked to the acquisition described above, allowed the full absorption of the increase in business management costs.

EBIT was positive and amounted to Euro 831 thousand in the first quarter of 2019, up on the figure for the same period of the previous year, when it was Euro 742 thousand. Elettropiemme S.r.l.'s entry into the Group contributed to the increase in the business's EBIT of Euro 74 thousand, net of which the figure for the first quarter of 2019 was Euro 757, up by Euro 15 thousand compared to the same period in 2018.

## Investments

Investments in the first quarter of 2019 amounted to Euro 496 thousand, including Euro 251 thousand invested in intangible assets (Euro 182 thousand relating to the capitalisation of development costs for the new range of power regulators and controllers) and Euro 245 thousand in tangible assets; of these, Euro 231 thousand in the Italian offices and intended mainly for the renewal of machinery and equipment used in production lines (Euro 145 thousand), as well as for the upgrading of buildings (Euro 46 thousand).

### 11.3. MOTION CONTROL

#### Summary results

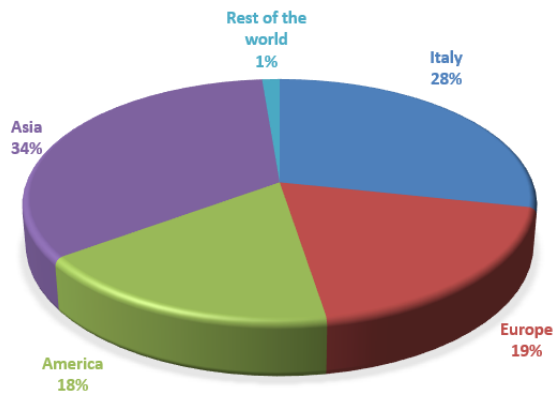
The table below shows the key economic figures.

(EUR / 000)	31 March 2019	31 March 2018	Changes 2019-2018	
			value	%
Revenues	11,095	9,861	1,234	12.5%
EBITDA	639	(694)	1,333	192.1%
<i>% of revenues</i>	5.8%	-7.0%		
EBIT	104	(1,138)	1,242	109.1%
<i>% of revenues</i>	0.9%	-11.5%		

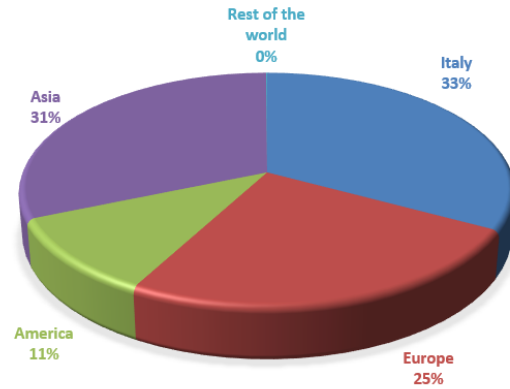
The breakdown of revenues by geographical region is as follows:

(EUR / 000)	31 March 2019		31 March 2018		Changes 2019-2018	
	value	%	value	%	value	%
Italy	3,142	28.3%	3,239	32.8%	(97)	-3.0%
Europe	2,120	19.1%	2,473	25.1%	(353)	-14.3%
America	1,949	17.6%	1,062	10.8%	887	83.5%
Asia	3,742	33.7%	3,079	31.2%	663	21.5%
Rest of the World	142	1.3%	8	0.1%	134	1675.0%
<b>Total</b>	<b>11,095</b>	<b>100%</b>	<b>9,861</b>	<b>100%</b>	<b>1,234</b>	<b>12.5%</b>

### REVENUES DRIVE AND MOTION UP TO 31ST MARCH 2019



### REVENUES DRIVE AND MOTION UP TO 31ST MARCH 2018



## Business performance

In the first quarter of 2019 revenues were Euro 11,095 thousand, up 1,234 thousand (12.5%) compared with the same period of 2018. Growth was concentrated in Asia (+21.5%) and America (+88.5%), mainly thanks to products for industrial applications and custom orders. Sales in Europe dropped (-14.3%).

New Orders in the first three months of 2019 amounted to Euro 10,679 thousand a contraction of 2.3% compared to the same period of the previous year.

EBITDA at 31 March 2019 was positive at Euro 639 thousand (5.8% of revenues). This may be compared with a negative figure of Euro 624 thousand (-7% of revenues) for the previous year. The increase in sales volumes, lower provisions for inventory write-downs and the improved margins achieved contributed to the improvement in EBITDA compared to the previous period.

EBIT for the first quarter of 2019 was negative for Euro 104 thousand, compared with a negative EBIT for the previous period of Euro 1,138 thousand, an improvement of Euro 1,242 thousand.

## Investments

Investments in the first three months of 2019 amounted to Euro 626 thousand, including Euro 392 thousand for tangible assets, primarily dedicated to the renewal of production equipment and the improvement of production efficiency (Euro 318 thousand), as well as the upgrading of the Gerenzano plant (Euro 28 thousand).

Increases in intangible assets amounted to Euro 234 thousand and concerned the capitalisation of development costs (Euro 218 thousand) relating to new products for the industrial sector and the lifting sector.

## 12. HUMAN RESOURCES

At 31 March 2019 the Group's workforce numbered 826 an increase of 55 on the end of 2018 and of 70 compared with 31 March 2018.

The change reveals an overall turnover rate within the Group of 12.1% which breaks down as follows in the first quarter of 2019

- 76 people joined the Group, including 47 manual workers and 29 clerical staff;
- 21 people left the Group, including 11 manual workers and 10 clerical staff.

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

### 13. SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2019

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

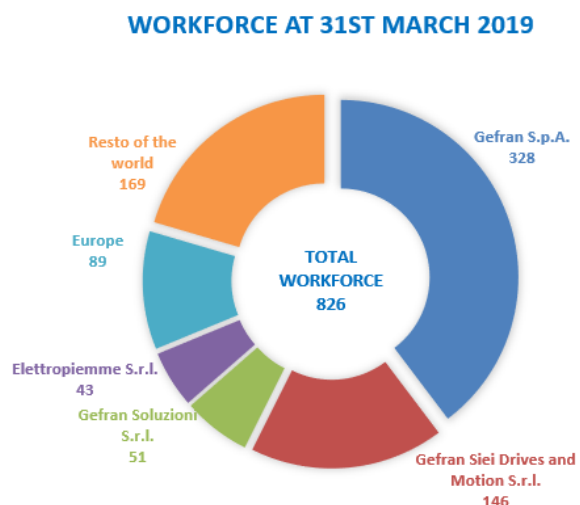
### 14. SIGNIFICANT EVENTS FOLLOWING THE END OF THE FIRST QUARTER OF 2019

- On 03 May 2019, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:
  - o Approve the Financial Statements for the financial year 2018 and distribute a dividend of Euro 0.32 per share;
  - o Authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares for a period of 18 months from the date of the Shareholders' Meeting.
- The shareholders also expressed a favourable opinion of the general Group remuneration policy adopted by Gefran, pursuant to Article 123-ter of the TUF.

### 15. OUTLOOK

The international macroeconomic context is seeing a deceleration in economic activity, with a contraction in world trade already evident in the last part of 2018 caused by a confluence of factors that also affect growth prospects: the continuation of trade tensions that hit business confidence, a cyclical downturn in the economies of many advanced and emerging economies, as well as the possible effects of Brexit.

The International Monetary Fund's growth forecasts for 2019, with reference to the world economy, were lowered in April from 3.5% to 3.3% and were kept at 3.6% for 2020.



In the Euro area, growth is expected to slow down to an estimated 1.3% in 2019, and to consolidate at 1.5% in 2020. In this context, the International Monetary Fund points out that growth is negatively influenced by some economies, including Germany, France and Italy: weak domestic demand and high spreads are the negative factors identified.

In fact, Italy's growth prospects for 2019, have been further reduced, and are now estimated at 0.1%. The forecasts for the following year remain unvaried, with GDP expected to grow at 0.9%.

On the international financial markets front, the improvement seen in the first part of 2019, which saw a more accommodating attitude to monetary policy by the US Federal Reserve, was extended to Italy as well.

At the end of the first quarter, the climate of uncertainty that affecting the Gefran Group's main markets was confirmed.

In the light of the above and in the absence of unforeseeable events, the Group expects to close the year with revenues slightly up on the previous year, thanks in part to the contribution of the newly acquired Elettropiemme S.r.l., and with EBITDA unchanged or slightly down.

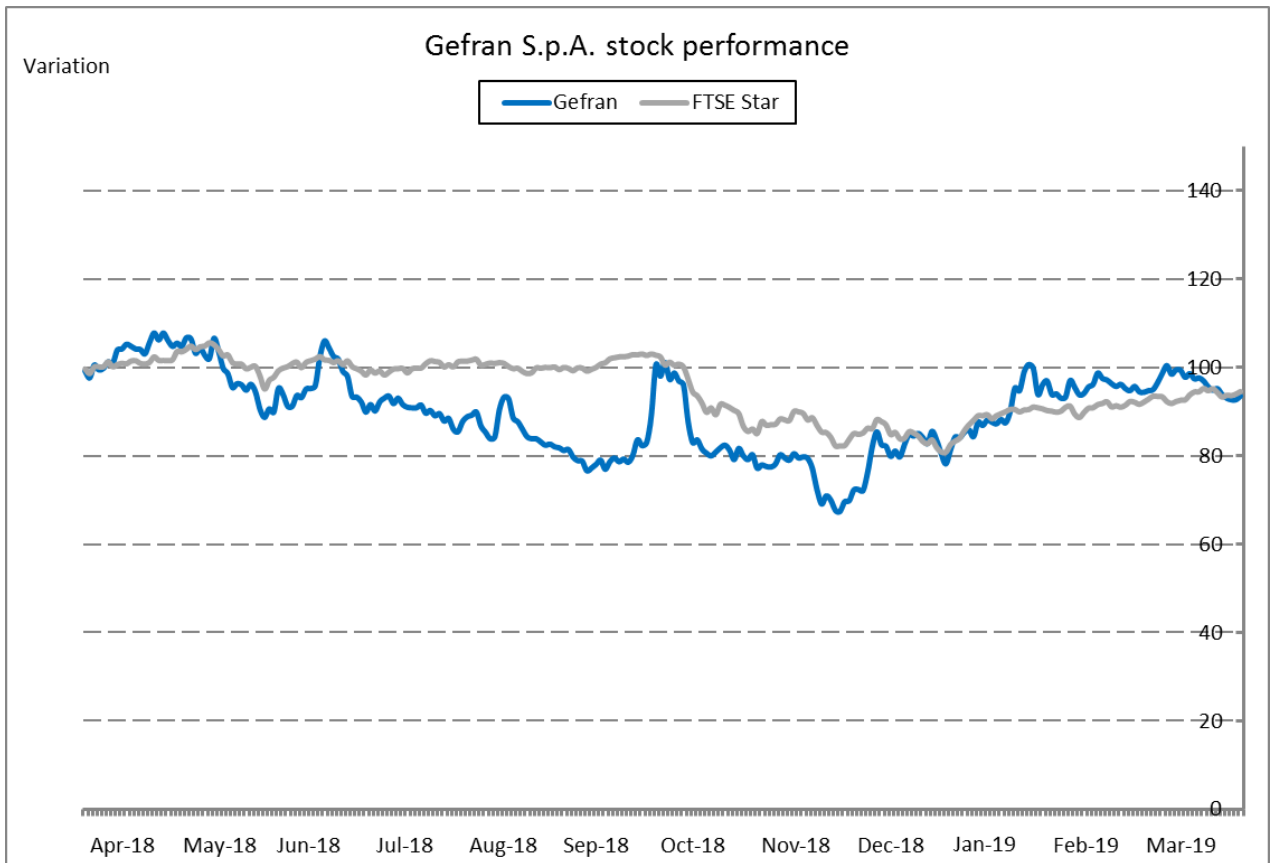
Despite this climate of uncertainty, the Group is continuing to plan major investments in technical and human capital.

## **16. SHARES AND STOCK PERFORMANCE**

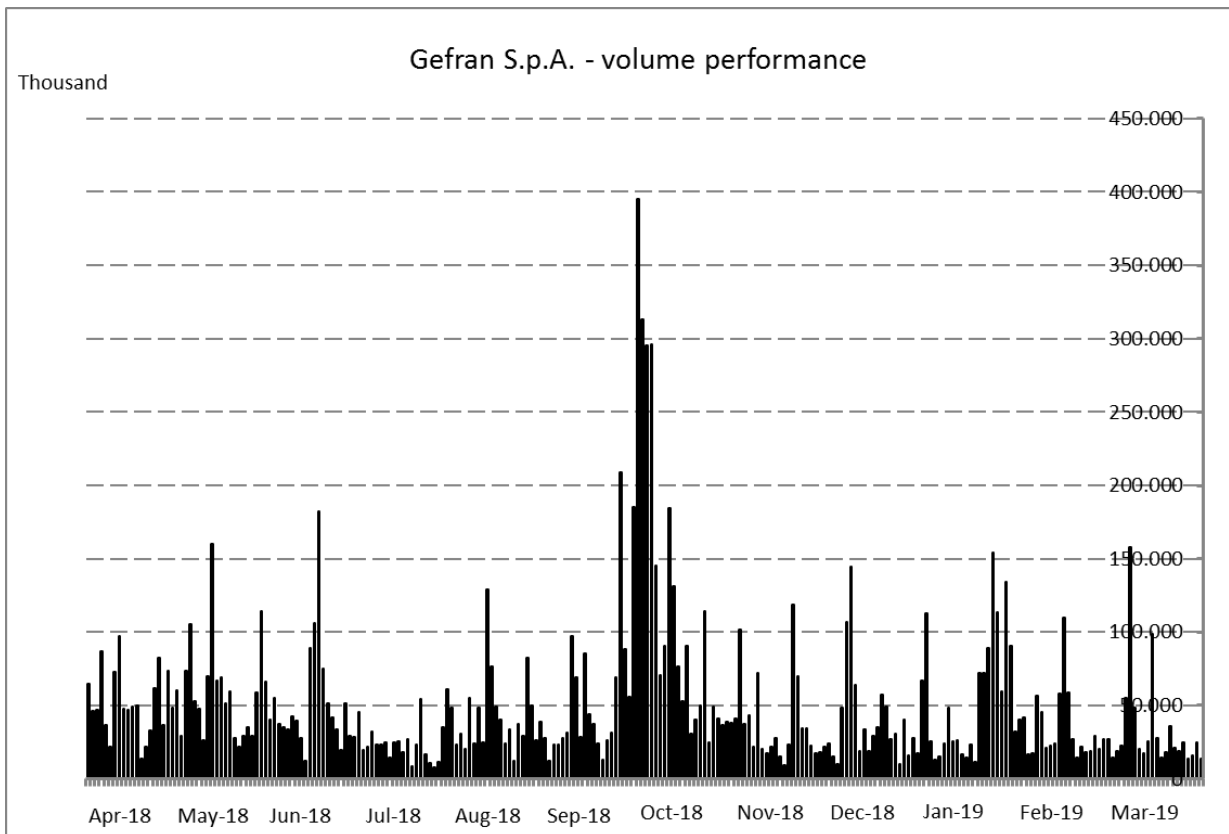
As of 31 March 2019, Gefran S.p.A. held 27,220 shares (0.19% of the total) with an average book value of Euro 5.7246 per share, all purchased in the fourth quarter of 2018. No own shares were bought or sold during the first three months of 2019. As of the date of this report the situation was unchanged.

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

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



Minimum value (21 November 2018): EUR 5.56 – Maximum value (14 May 2018): EUR 8 – Average price: EUR 7,396



## 17. DEALINGS WITH RELATED PARTIES

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

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

Transactions with related parties are part of normal operations and the typical business of each entity involved and are carried out under normal market conditions. There were no atypical or unusual transactions.

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

(EUR / 000)	Elettropiemme S.r.l. (*)	Climat S.r.l.	Total
<b>Service costs</b>			
2018	0	-43	-43
2019	0	-43	-43
(EUR / 000)	Elettropiemme S.r.l. (*)	Climat S.r.l.	Total
<b>Property, plant, machinery and tools</b>			
2018	0	919	919
2019	0	90	90
<b>Trade payables</b>			
2018	19	294	313
2019	0	259	259

(\*) Elettropiemme S.r.l. became part of the Gefran Group as a subsidiary of Gefran Soluzioni S.r.l. on 23/01/2019; therefore, only items relating to 2018 are reported.

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.

With regard to dealings with subsidiaries, the Parent Company Gefran S.p.A. provided technical, administrative and management services as well as royalties to the Group's operating subsidiaries amounting to around Euro 0.9 million, governed by specific contracts.

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

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



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

## 18. DEROGATION FROM THE OBLIGATIONS TO PUBLISH THE INFORMATION DOCUMENTS

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

## 19. EXPLANATORY NOTES

### General information, form and content

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

This interim report of the Gefran Group for the period ended 31 March 2019 was approved, and its publication was authorised, by the Board of Directors on 13 May 2019.

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

The Company prepared this document in accordance with the international accounting standards (IFRS) issued by the IASB and approved by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002, and in particular IAS 34 – Interim Financial Reporting.

The Company prepared this document in accordance with the international accounting standards (IFRS) issued by the IASB and approved by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002, and in particular IAS 34 – Interim Financial Reporting.

In preparing these interim financial statements, the same accounting criteria were applied as in the preparation of the annual financial report for the year ending 31 December 2018. The interim financial statements for the quarter ending 31 March 2019 do not contain all the additional information required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ending 31 December 2018, prepared in accordance with IFRS.

Material transactions with related parties and non-recurring items have been detailed in separate accounting schedules, as required by Consob resolution 15519 of 27 July 2006.

These interim financial statements for the quarter ending 31 March 2019 are consolidated on the basis of the income statement and statement of financial position figures of Gefran S.p.A. and its subsidiaries relating to the first three months of 2019, prepared in accordance with international accounting standards. These accounting statements were prepared using valuation criteria in line with those of the Parent Company, or adjusted owing to consolidation.

Interim financial statements are not subject to an audit.

These consolidated interim financial statements are presented in euro (EUR), the functional currency of most Group companies. Unless otherwise stated, all amounts are expressed in thousands of euros.

### **Change in the scope of consolidation**

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

With reference to the recent establishment of Gefran Drives and Motion S.r.l., a wholly-owned subsidiary of Gefran S.p.A.; this has changed the scope of consolidation with respect to 31 March 2018, but not the area of consolidation, as the assets, liabilities and business of the newborn company have been transferred by Gefran S.p.A..

### **Consolidation principles and valuation criteria**

The valuation criteria adopted for the preparation of these interim financial statements as at 31 March 2019 are the same as those adopted in preparing the annual financial report for the year ending 31 December 2018.

In line with the requirements of document no. 2 of 6 February 2009 issued jointly by the Bank of Italy, Consob and ISVAP, the Gefran Group's interim financial statements were prepared on the assumption that the Group is a going concern.

With reference to Consob Communication DEM/11070007 of 5 August 2011, it is also noted that the Group does not hold in its portfolio any bonds issued by central or local governments or government agencies, and is therefore not exposed to risks generated by market fluctuations. The consolidated interim 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 0092543 dated 3 December 2015, it is hereby revealed that in the Report on operations the guidelines of the ESMA (ESMA/2015/1415) were followed with regard to the information aimed at ensuring the comparability, reliability and comprehensibility of the Alternative Performance Indicators.

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

### **Application of new standard IFRS 16 as of 1 January 2019**

In 2018, the competent bodies of the European Union completed the approval process necessary for the adoption of *IFRS 16 "Leasing"*. This new standard replaces the previous IAS 17.

The main change concerns the recognition in the accounts by the lessees which, on the basis of IAS 17, were obliged to make a distinction between a finance lease (recognised in accordance with the discounted cash flow method) and an operating lease (recognised on a straight-line basis). With IFRS 16,

the accounting treatment of operating leases will be placed on the same footing as finance leases. This standard will be applicable from 1 January 2019 and the early application was possible together with the adoption of IFRS 15 "Revenues from contracts with customers".

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

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

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

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

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

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

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

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

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

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

(EUR / 000)	1 January 2019
Real estate	1,121
Vehicles	1,011

Electronic office machines	-
Machinery and equipment	122
<b>Total usage rights</b>	<b>2,254</b>

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

(EUR / 000)	1 January 2019
Current financial payables	1,035
Non-current financial payables	1,219
<b>Net financial debt</b>	<b>2,254</b>

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

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

(EUR / 000)	31 December 2019
Real estate	381
Vehicles	405
Electronic office machines	-
Machinery and equipment	50
<b>Total depreciation</b>	<b>836</b>

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

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

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

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

## Consolidated statement of financial position

<i>(EUR / 000)</i>	<b>Consolidated 1 January 2019</b>	<b>IFRS 16</b>	<b>Consolidated 1 January 2019 with IFRS16</b>
<b>NON-CURRENT ASSETS</b>			
Goodwill	5,868		5,868
Intangible assets	6,508		6,508
Property, plant, machinery and tools	38,955	2,254	41,209
Shareholdings valued at equity	1,016		1,016
Equity investments in other companies	1,790		1,790
Receivables and other non-current assets	83		83
Deferred tax assets	6,912		6,912
Non-current financial assets	126		126
<b>TOTAL NON-CURRENT ASSETS</b>	<b>61,258</b>	<b>2,254</b>	<b>63,512</b>
<b>CURRENT ASSETS</b>			
Inventories	22,978		22,978
Trade receivables	29,808		29,808
Other receivables and assets	3,561		3,561
Current tax receivables	1,510		1,510
Cash and cash equivalents	18,043		18,043

Financial assets for derivatives	19		19
<b>TOTAL CURRENT ASSETS</b>	<b>75,919</b>	<b>0</b>	<b>75,919</b>
ASSETS HELD FOR SALE	0		0
<b>TOTAL ASSETS</b>	<b>137,177</b>	<b>2,254</b>	<b>139,431</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14,400		14,400
Reserves	50,263		50,263
Profit/(loss) for the year	8,151		8,151
<b>Total Group Shareholders' Equity</b>	<b>72,814</b>	<b>-</b>	<b>72,814</b>
Shareholders' equity of minority interests			
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>72,814</b>	<b>0</b>	<b>72,814</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current financial payables	11,864	1,219	13,083
Employee benefits	4,524		4,524
Non-current provisions	250		250
Deferred tax provisions	627		627
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>17,265</b>	<b>1,219</b>	<b>18,484</b>
<b>CURRENT LIABILITIES</b>			
Current financial payables	10,817	1,035	11,852
Trade payables	20,731		20,731
Financial liabilities for derivatives	28		28
Current provisions	1,424		1,424
Current tax payables	1,653		1,653
Other payables and liabilities	12,445		12,445
<b>TOTAL CURRENT LIABILITIES</b>	<b>47,098</b>	<b>1,035</b>	<b>48,133</b>
<b>TOTAL LIABILITIES</b>	<b>64,363</b>	<b>2,254</b>	<b>66,617</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>137,177</b>	<b>2,254</b>	<b>139,431</b>

### Consolidated statement of profit/(loss) for the year

(EUR / 000)	2019	2020	2021	2022	2023	2024	2025	2026
Revenues from product sales								
Other revenues and income								
Increases for internal work								
<b>TOTAL REVENUES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in inventories								
Costs of raw materials and accessories								
Service costs	873	663	386	234	86	33	33	(0)
Miscellaneous management costs								
Other operating income								
Personnel costs								
Impairment/reversal of trade and other receivables								
Amortisation								
Depreciation	(836)	(663)	(375)	(227)	(83)	(31)	(31)	(6)
<b>EBIT</b>	<b>37</b>	<b>(1)</b>	<b>11</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>(7)</b>
Gains from financial assets								
Losses from financial liabilities	(26)	(15)	(7)	(3)	(1)	(1)	(0)	0

(Losses) gains from shareholdings valued at equity								
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>11</b>	<b>(16)</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>(7)</b>
Current taxes								
Deferred tax assets and liabilities								
<b>TOTAL TAXES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>11</b>	<b>(16)</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>(7)</b>
EBIT (loss) from assets held for sale								
<b>EBIT (LOSS) FOR THE YEAR</b>	<b>11</b>	<b>(16)</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>(7)</b>

## Business combinations

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

<i>(EUR / 000)</i>	<b>31 March 2019</b>
Financial outlay for the acquisition	900
Cash present in the acquired company	669
<b>Cash flow from acquisition</b>	<b>231</b>

The net assets acquired amounted to Euro 537 thousand, broken down as follows:

<i>(EUR / 000)</i>	<b>31 March 2019</b>
Intangible assets	7
Property, plant, machinery and tools	233
Receivables and other non-current assets	3
Deferred tax assets	536
Inventories	838
Trade receivables	1,040
Other receivables and assets	138
Current tax receivables	5
Cash and cash equivalents	669
Non-current financial payables	(307)
Employee benefits	(311)
Non-current provisions	(825)
Trade payables	(1,129)
Current tax payables	(10)
Other payables and liabilities	(350)

<b>Investment value acquired</b>	<b>537</b>
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The greater value paid, equal to Euro 363 thousand, is thus determined, which, pending allocation, falls under the consolidation difference:

<i>(EUR / 000)</i>	<b>31 March 2019</b>
Acquisition value (A)	900
Fair value of net assets acquired (B)	537
<b>Greater value paid (AB)</b>	<b>363</b>

At the date of this Report, the valuation of the Purchase Price Allocation ("PPA"), entrusted to an independent company, is underway.

### Notes commenting on significant variations in items appearing in the consolidated accounts

In the tables shown in the following notes, the column "*Change in the scope of consolidation*" represents the effect of the change in this item following the acquisition of Elettropiemme S.r.l., as described above.

#### *Intangible assets*

The item "Intangible assets" exclusively comprises assets with a finite life, and increased from Euro 6,508 thousand at 31 December 2018 to Euro 6,737 thousand at 31 March 2019. The changes during the period are shown below:

<b>Historical cost</b>	<b>31 December 2018</b>	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	<b>31 March 2019</b>
<i>(EUR / 000)</i>							
Development costs	17,871	-	-	-	-	-	17,871
Intellectual property rights	7,099	42	-	42	147	19	7,349
Assets in progress and payments on account	1,647	663	-	(150)	-	-	2,160
Other assets	9,634	29	-	106	111	23	9,903
<b>Total</b>	<b>36,251</b>	<b>734</b>	<b>-</b>	<b>(2)</b>	<b>258</b>	<b>42</b>	<b>37,283</b>



Accumulated depreciation	31	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	31
	December 2018						March 2019
<i>(EUR / 000)</i>							
Development costs	15,019	347	-	-	-	-	15,366
Intellectual property rights	6,333	79	-	17	147	19	6,595
Other assets	8,391	101	-	(17)	104	6	8,585
<b>Total</b>	<b>29,743</b>	<b>527</b>	<b>-</b>	<b>-</b>	<b>251</b>	<b>25</b>	<b>30,546</b>

Net value	31	31	Changes
	December 2018	March 2019	
<i>(EUR / 000)</i>			
Development costs	2,852	2,505	(347)
Intellectual property rights	766	754	(12)
Assets in progress and payments on account	1,647	2,160	513
Other assets	1,243	1,318	75
<b>Total</b>	<b>6,508</b>	<b>6,737</b>	<b>229</b>

This is the table of changes for the first quarter of 2018:

Historical cost	31	Increases	Decreases	Reclassifications	Exchange rate differences	31
	December 2017					March 2018
<i>(EUR / 000)</i>						
Development costs	17,760	-	-	-	-	17,760
Intellectual property rights	6,787	21	(18)	34	(1)	6,823
Assets in progress and payments on account	372	281	-	(91)	1	563
Other assets	9,384	33	-	57	4	9,478
<b>Total</b>	<b>34,303</b>	<b>335</b>	<b>(18)</b>	<b>-</b>	<b>4</b>	<b>34,624</b>

Accumulated depreciation	31	Increases	Decreases	Reclassifications	Exchange rate differences	31
	December 2017					March 2018
<i>(EUR / 000)</i>						
Development costs	13,489	392	-	-	-	13,881
Intellectual property rights	6,032	78	(18)	-	1	6,093
Other assets	7,930	123	-	-	2	8,055
<b>Total</b>	<b>27,451</b>	<b>593</b>	<b>(18)</b>	<b>-</b>	<b>3</b>	<b>28,029</b>

Net value	31	31	Changes
	December 2017	March 2018	
<i>(EUR / 000)</i>			
Development costs	4,271	3,879	(392)
Intellectual property rights	755	730	(25)
Assets in progress and payments on account	372	563	191
Other assets	1,454	1,423	(31)
<b>Total</b>	<b>6,852</b>	<b>6,595</b>	<b>(257)</b>

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

- Euro 543 thousand relating to new lines for mobile hydraulics, melt sensors, pressure transducers (KS) and contactless linear position transducers (MK–IK and RK);
- Euro 1,141 thousand for component lines for the new range of regulators and static units, GF Project VX, G Cube Performa and G Cube Fit;
- Euro 821 thousand relating to the new range of lift inverters.

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

**Intellectual property rights** exclusively comprise the costs incurred to purchase the company IT system management programs and the use of licences for third-party software. These assets have a useful life of three years.

**Assets in progress and payments on account** include payments on account made to suppliers to purchase software programs and licences expected to be delivered during the next year, and purchase of patents for technologies currently being developed. This item also includes Euro 1,826 thousand in development costs, Euro 555 thousand of which pertain to the automation components business, Euro 489 thousand to the sensors business and Euro 782 thousand to the motion control business, the benefits of which will not be reflected in the income statement until subsequent years, which have not therefore been amortised.

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

The increases in historical value of the “*Intangible assets*”, amounting to Euro 734 thousand in 2019, include Euro 629 thousand linked to the capitalisation of internal costs (Euro 255 thousand in previous year).

#### *Property, plant, machinery and tools*

“*Property, plant, equipment and tools*” increased from Euro 38,955 thousand at 31 December 2018 to Euro 40,951 thousand at 31 March 2019. The changes are shown in the table below:

Historical cost	31 December 2018	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	31 March 2019
<i>(EUR / 000)</i>							
Land	4,514	599	-	-	-	11	5,124
Industrial buildings	41,041	2,143	-	398	235	152	43,969
Plant and machinery	40,008	236	-	892	10	263	41,409
Industrial and commercial equipment	19,277	97	(2)	60	163	43	19,638
Other assets	6,958	173	(15)	(51)	325	64	7,454
Assets in progress and payments on account	2,131	824	-	(1,297)	-	8	1,666
<b>Total</b>	<b>113,929</b>	<b>4,072</b>	<b>(17)</b>	<b>2</b>	<b>733</b>	<b>541</b>	<b>119,260</b>

Accumulated depreciation	31 December 2018	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	31 March 2019
<i>(EUR / 000)</i>							
Industrial buildings	19,953	1,742	-	-	132	35	21,862
Plant and machinery	31,507	496	-	34	10	208	32,255
Industrial and commercial equipment	17,899	179	(1)	-	125	42	18,244
Other assets	5,615	100	(17)	(34)	234	50	5,948
<b>Total</b>	<b>74,974</b>	<b>2,517</b>	<b>(18)</b>	<b>-</b>	<b>501</b>	<b>335</b>	<b>78,309</b>

Net value	31 December 2018	31 March 2019	Changes
<i>(EUR / 000)</i>			
Land	4,514	5,124	610
Industrial buildings	21,088	22,107	1,019
Plant and machinery	8,501	9,154	653
Industrial and commercial equipment	1,378	1,394	16
Other assets	1,343	1,506	163
Assets in progress and payments on account	2,131	1,666	(465)
<b>Total</b>	<b>38,955</b>	<b>40,951</b>	<b>1,996</b>

By contrast, the table of changes relating to 2018: follows:

Historical cost	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	31 March 2018
<i>(EUR / 000)</i>						
Land	4,503	-	-	-	(6)	4,497
Industrial buildings	39,541	17	-	24	(28)	39,554
Plant and machinery	37,825	28	(35)	737	1	38,556
Industrial and commercial equipment	19,764	126	-	126	7	20,023
Other assets	7,858	283	(53)	16	(28)	8,076
Assets in progress and payments on account	1,940	1,153	-	(903)	3	2,193
<b>Total</b>	<b>111,431</b>	<b>1,607</b>	<b>(88)</b>	<b>-</b>	<b>(51)</b>	<b>112,899</b>

Accumulated depreciation	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	31 March 2018
<i>(EUR / 000)</i>						
Industrial buildings	19,000	228	-	-	(19)	19,209
Plant and machinery	31,463	438	(5)	-	3	31,899
Industrial and commercial equipment	18,443	189	-	-	6	18,638
Other assets	6,962	78	(50)	-	(21)	6,969
<b>Total</b>	<b>75,868</b>	<b>933</b>	<b>(55)</b>	<b>-</b>	<b>(31)</b>	<b>76,715</b>

Net value	31 December 2017	31 March 2018	Changes
<i>(EUR / 000)</i>			
Land	4,503	4,497	(6)
Industrial buildings	20,541	20,345	(196)
Plant and machinery	6,362	6,657	295
Industrial and commercial equipment	1,321	1,385	64
Other assets	896	1,107	211
Assets in progress and payments on account	1,940	2,193	253
<b>Total</b>	<b>35,563</b>	<b>36,184</b>	<b>621</b>

It should be noted that during the first quarter of 2019 write-downs were made for losses in value on buildings totalling Euro 1,423 thousand, while in the same period of the previous year there were no write-downs for losses in value. The change in the exchange rate had a positive impact of Euro 206 thousand.

Also, the biggest changes during the quarter related to:

- investment of Euro 894 thousand in production plant and equipment in the Group's Italian plants, and of Euro 16 thousand in other subsidiaries;

- investments in upgrading the industrial buildings of the Group's Italian plants for around Euro 135 thousand and Euro 2,888 thousand in the other subsidiaries, mainly relating to the purchase of a new building in the US subsidiary;
- investments related to the renewal of electronic office machines and IT equipment in the Parent Company 100;
- the acquisition of the tangible assets of Elettropiemme S.r.l. for a gross value of Euro 733 thousand (net of Euro 233 thousand).

With reference to the first quarter of 2018, the buildings owned by the company were encumbered by mortgages amounting to approximately Euro 36 million against the financing obtained from the banking system for the properties in Provaglio d'Iseo. This obligation was extinguished on 1 October 2018. As of the date of this report, there were no new mortgages.

The increases in the historical value of "Property, plant, machinery and tools", totalling Euro 4,072 thousand in the first three months of 2019, include Euro 6 thousand linked to the capitalisation of internal costs (Euro 110 thousand in the first quarter of 2018).

#### Usage rights

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

The value of the "Usage rights" at 31 March 2019 amounted to Euro 2,887 thousand and shows the following changes:

Historical cost	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	31 March 2019
<i>(EUR / 000)</i>								
Real estate	-	1,121	-	-	-	557	(26)	1,652
Vehicles	-	1,011	108	-	-	-	(6)	1,113
Electronic office machines	-	-	-	-	-	-	-	-
Machinery and equipment	-	122	-	-	-	-	-	122
<b>Total</b>	-	2,254	108	-	-	557	(32)	2,887

Accumulated depreciation	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	31 March 2019
<i>(EUR / 000)</i>								
Real estate	-	-	128	-	-	-	1	129
Vehicles	-	-	106	-	-	-	-	106
Electronic office machines	-	-	-	-	-	-	-	-
Machinery and equipment	-	-	13	-	-	-	-	13
<b>Total</b>	-	-	247	-	-	-	1	248

Net value	31 December 2018	31 March 2019	Changes
<i>(EUR / 000)</i>			

Real estate	-	1,523	1,523
Vehicles	-	1,007	1,007
Electronic office machines	-	-	-
Machinery and equipment	-	109	109
<b>Total</b>	-	<b>2,639</b>	<b>2,639</b>

### Net working capital

Net working capital totalled Euro 34,994 thousand, compared to Euro 32,055 thousand on 31 December 2018, and breaks down as follows:

(EUR / 000)	31 March 2019	31 December 2018	Change
Inventories	26,659	22,978	3,681
Trade receivables	33,944	29,808	4,136
Trade payables	(25,609)	(20,731)	(4,878)
<b>Net amount</b>	<b>34,994</b>	<b>32,055</b>	<b>2,939</b>

The value of the “*Inventories*” at 31 March 2019 was Euro 26,659 thousand, down by Euro 3,681 thousand with respect to 31 December 2018. The balance breaks down as follows:

(EUR / 000)	31 March 2019	31 December 2018	Change
Raw materials, consumables and supplies	15,384	13,648	1,736
<i>provision for impairment of raw materials</i>	(3,205)	(2,903)	(302)
Work in progress and semi-finished products	9,540	7,598	1,942
<i>Provision for impairment of work in progress</i>	(813)	(710)	(103)
Finished products and goods for resale	7,419	6,944	475
<i>Provision for impairment of finished products</i>	(1,666)	(1,599)	(67)
<b>Total</b>	<b>26,659</b>	<b>22,978</b>	<b>3,681</b>

The acquisition of Elettropiemme S.r.l., for a net value of Euro 838 thousand, consisting of gross inventories of Euro 2,039 thousand and the related provision for obsolescence and slow-moving stocks of Euro 201 thousand, contributes to the increase in inventories. Net of this effect, the increase in inventories amounted to Euro 2,843 thousand, and was due to the increase in inventories of raw materials to meet the growth in revenues, as well as the increase in inventories of semi-finished and finished products to better meet the needs of customers.

Excluding the effect described above relating to the acquisition of Elettropiemme S.r.l., the economic impact of the increased inventories amounted to Euro 2,584 thousand, as the average exchange rate for the year is used for the economic recording of events.

The obsolescence and slow moving inventories fund was adjusted according to need in the first quarter of 2019 through specific provisions of Euro 314 thousand (as compared to Euro 737 thousand in 2018). The changes in the first quarter of 2019: are shown below:

(EUR / 000)	31 December 2018	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	31 March 2019
<b>Provision for inventory write-down</b>	<b>5,212</b>	<b>314</b>	<b>(111)</b>	<b>0</b>	<b>201</b>	<b>68</b>	<b>5,684</b>

“Trade receivables” amount to Euro 33,944 thousand, as compared to Euro 29,808 thousand at 31 December 2018, an increase of Euro 4,136 thousand, primarily due to increased revenues in the period; they may be broken down as follows:

(EUR / 000)	31 March 2019	31 December 2018	Change
Receivables from customers	36,406	32,214	4,192
Provision for doubtful receivables	(2,462)	(2,406)	(56)
<b>Net amount</b>	<b>33,944</b>	<b>29,808</b>	<b>4,136</b>

This includes receivables subject to recourse factoring which the Parent Company has transferred to a leading factoring company for a total amount of Euro 21 thousand (Euro 36 thousand at 31 December 2018).

Receivables were adjusted to their estimated realisable value through a specific provision for write-down of doubtful receivables, calculated on the basis of an examination of individual debtor positions and taking into account past experience in each specific line of business and geographical region, as required by IFRS 9. The provision as at 31 March 2019 represents a prudential estimate of the current risk, and registered the following changes:

(EUR / 000)	31 December 2018	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	31 March 2019
Provision for doubtful receivables	2,406	9	1	(132)	149	29	2,462

By contrast, the table of changes relating to the first quarter of 2018: follows:

(EUR / 000)	31 December 2017	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	31 March 2018
Provision for doubtful receivables	2,902	95	(177)	(39)	0	(21)	2,760

The value of use of the fund includes amounts covering losses on unrecoverable receivables. The Group monitors the situation of the receivables most at risk and initiates the appropriate legal action. The carrying value of trade receivables is considered to approximate to their fair value.

There is no significant concentration of sales to individual customers: this phenomenon remains below 10% of Group revenues.

“Trade payables” came to Euro 25,609 thousand compared with Euro 20,731 thousand at 31 December 2018.

It breaks down as follows:

(EUR / 000)	31 March 2019	31 December 2018	Change
Payables to suppliers	19,502	16,793	2,709
Payables to suppliers for invoices to be received	5,574	3,544	2,030
Payments on account received from customers	533	394	139

The increase in trade payables was due both to the investments made in 2018, and to the increase in purchases of materials for both inventories and services, as well as to the effect of the acquisition of Elettropiemme S.r.l. as described above.

### Net financial position

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

(EUR / 000)	31 March 2019	31 December 2018	Change
Cash and cash equivalents and current financial receivables	26,130	18,043	8,087
Financial assets for derivatives	5	19	(14)
Non-current financial assets	125	126	(1)
Non-current financial payables	(19,593)	(11,864)	(7,729)
Non-current financial payables for IFRS 16 leasing	(1,644)	-	(1,644)
Current financial payables	(14,333)	(10,817)	(3,516)
Current financial payables for IFRS 16 leasing	(967)	-	(967)
Financial liabilities for derivatives	(87)	(28)	(59)
<b>Total</b>	<b>(10,364)</b>	<b>(4,521)</b>	<b>(5,843)</b>

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

(EUR / 000)	31 March 2019	31 December 2018	Change
A. Cash on hand	33	26	7
B. Cash in bank deposits	26,097	18,017	8,080
<b>D. Cash and cash equivalents (A) + (B)</b>	<b>26,130</b>	<b>18,043</b>	<b>8,087</b>
Financial liabilities for derivatives	(87)	(28)	(59)
Financial assets for derivatives	5	19	(14)
E. Fair value hedging derivatives	(82)	(9)	(73)
F. Current portion of long-term debt	(9,649)	(7,069)	(2,580)
G. Other current financial payables	(5,651)	(3,748)	(1,903)
<b>H. Total current financial payables (F+G)</b>	<b>(15,300)</b>	<b>(10,817)</b>	<b>(4,483)</b>
<b>I. Total current payables (E+H)</b>	<b>(15,382)</b>	<b>(10,826)</b>	<b>(4,556)</b>

J. Net current financial debt (I) + (D)	10,748	7,217	3,531
L. Non-current financial assets	125	126	(1)
M. Non-current financial debt	(21,237)	(11,864)	(9,373)
N. Net financial debt (J) + (L) + (M)	(10,364)	(4,521)	(5,843)
<i>of which to minorities:</i>	<i>(10,364)</i>	<i>(4,521)</i>	<i>(5,843)</i>

The net financial position at 31 March 2019 was negative and equal to Euro 10,364 thousand, an increase of Euro 5,843 thousand compared to the end of 2018, when it was negative overall by Euro 4,521 thousand.

The change in the net financial position was mainly due to the positive cash flows from ordinary operations (Euro 2,642 thousand), absorbed by the technical investments made during the period (Euro 4,806 thousand) and the net effect of the acquisition of Elettropiemme S.r.l. (Euro 538 thousand); in addition, there was the negative effect of the application of IFRS 16, which led to a worsening of the net financial position (Euro 2,611 thousand).

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

**Cash and cash equivalents** amounted to Euro 26,130 thousand at 31 March 2019, compared with Euro 18,043 thousand at 31 December 2018.

It breaks down as follows:

<i>(EUR / 000)</i>	31 March 2019	31 December 2018	Change
Cash in bank deposits	26,085	18,011	8,074
Cash	33	26	7
Other cash	12	6	6
<b>Total</b>	<b>26,130</b>	<b>18,043</b>	<b>8,087</b>

The technical forms used as at 31 March 2019 are shown below:

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

**Current financial payables** increased by Euro 3,516 thousand at 31 March 2019 compared with 2018 and break down as follows:

<i>(EUR / 000)</i>	31 March 2019	31 December 2018	Change
Current portion of debt	9,649	7,069	2,580
Current overdrafts	4,665	3,727	938
Factoring	19	21	(2)
<b>Total</b>	<b>14,333</b>	<b>10,817</b>	<b>3,516</b>

"Factoring", which decreased by Euro 2 thousand over the amount in 2018, comprises payables to factoring companies, for the payment extension period following the original maturity of payables with certain suppliers, for which the Parent Company has accepted non-recourse assignment.



Bank overdrafts at 31 March 2019 totalled Euro 4,665 thousand, compared to a balance at 31 December 2018 of Euro 3,727 thousand. The item relates almost entirely to Gefran S.p.A. and its Chinese subsidiary, and has the following characteristics:

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

**Non-current financial payables** break down as follows:

Bank	31 March 2019	31 December 2018	Change
Banca Pop. Emilia Romagna	-	255	(255)
Mediocredito	500	1,000	(500)
Unicredit	3,300	3,600	(300)
BNL	2,750	3,000	(250)
Banca Pop. Emilia Romagna	3,760	4,009	(249)
Mediocredito	7,778	-	7,778
Intesa	170	-	170
Unicredit S.p.A. - New York Branch	1,335	-	1,335
<b>Total</b>	<b>19,593</b>	<b>11,864</b>	<b>7,729</b>

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

Bank	Amount disbursed (€/000)	Signing date	Balance at 31 March 2019	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
<b>entered into by Gefran S.p.A. (IT)</b>								
BNL	EUR 3,000	19/12/2014	667	667	-	Euribor 6m + 1.35%	18/12/2019	half-yearly
Banca Pop. Emilia Romagna	EUR 4,000	06/08/2015	1,019	1,019	-	Euribor 3m + 1.25%	03/02/2020	quarterly
Mediocredito	EUR 10,000	07/08/2015	2,500	2,000	500	Euribor 3m + 1.35%	30/06/2020	quarterly
Unicredit	EUR 6,000	14/11/2017	4,500	1,200	3,300	Euribor 3m + 0.90%	30/11/2022	quarterly
BNL	EUR 5,000	23/11/2017	3,750	1,000	2,750	Euribor 3m + 0.85%	23/11/2022	quarterly
Banca Pop. Emilia Romagna	EUR 5,000	28/11/2018	4,753	993	3,760	Euribor 3m + 0.75%	30/11/2023	quarterly
Mediocredito	EUR 10,000	28/03/2019	10,000	2,222	7,778	Euribor 3m + 1.05%	31/12/2023	quarterly

entered into by Elettropiemme S.r.l. (IT)									
Intesa	EUR 200	23/09/2015	26	26	-	Euribor 3m + 3.00%	23/09/2019	quarterly	
Intesa	EUR 300	29/01/2018	226	56	170	Euribor 3m + 1.00%	28/01/2022	quarterly	
UBI Banca	EUR 250	27/06/2016	21	21	-	Euribor 3m + 1.20%	27/06/2019	quarterly	
entered into by Gefran Inc. (US)									
Unicredit S.p.A. - New York Branch	EUR 1,780	29/03/2019	1,780	445	1,335	Libor 3m + 2.50%	29/03/2022	quarterly	
<b>Total</b>			<b>29,242</b>	<b>9,649</b>	<b>19,593</b>				

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

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

- consolidated net financial debt to equity ratio of  $\leq 0.7$ ;
- Shareholders' Equity and Total Consolidated Assets  $> 30\%$ .

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

b) the Banca Popolare Emilia Romagna loan of Euro 4,000 thousand, taken out on 6 August 2015, is subject to the financial covenant:

- consolidated net financial debt to EBITDA ratio of  $\leq 3.5$ .

If the ratio is exceeded, the lending bank will have the right to request early repayment.

c) the Mediocredito loan of Euro 10,000 thousand, taken out on 7 August 2015, is subject to the financial covenants:

- consolidated net financial debt to equity ratio of  $\leq 0.7$ ;
- consolidated net financial debt to EBITDA ratio of  $\leq 3.5$ .

A number of outstanding loan contracts include other covenants, in line with market practices, that place limits on the possibility of issuing new real guarantees and conducting extraordinary transactions.

The Administration, Finance and Control Director is responsible for checking these contractual restrictions every quarter: the ratios calculated on the data at 31 March 2019 are fully observed and the loans have been distributed in the table of the maturities according to the forms originally envisaged by the agreements.

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

**Financial assets for derivatives** totalled Euro 5 thousand at 31 March 2019 and consist of the positive fair value recorded at the year-end of certain CAP contracts entered into by the Parent Company to hedge interest rate risks. **Financial liabilities for derivatives** totalled Euro 87 thousand, owing to the negative fair value of certain IRS contracts, also entered into by the Parent Company to hedge interest rate risks.

To mitigate the financial risk associated with floating-rate loans, which could arise in the event of an increase in the Euribor, the Group decided to hedge its variable rate loans through *Interest Rate Cap contracts*, as set out below:

Bank (Euro/000)	Notional principal	Signing date	Notional as at 31 March 2019	Derivative	Fair Value at 31 March 2019	Long position rate	Short position rate
BNL	EUR 3,000	19/12/2014	667	CAP	0	Strike Price 0.20%	Euribor 6m
Unicredit	EUR 6,000	14/11/2017	4,500	CAP	3	Strike Price 0%	Euribor 3m
BNL	EUR 5,000	23/11/2017	3,750	CAP	2	Strike Price 0%	Euribor 3m
<b>Total financial assets for derivatives – interest rate risk</b>					<b>5</b>		

The Group has also taken out IRS (Interest Rate Swap) contracts, as set out in the table below:

Bank (Euro/000)	Notional principal	Signing date	Notional as at 31 March 2019	Derivative	Fair Value at 31 March 2019	Long position rate	Short position rate
Banca Pop. Emilia Romagna	EUR 4,000	01/10/2015	1,019	IRS + Floor	(13)	Fixed 0.15%	Euribor 3m
Intesa	EUR 10,000	05/10/2015	1,019	IRS	(13)	Fixed 0.16%	Euribor 3m
Intesa	EUR 10,000		10,000	IRS	(61)		Euribor 3m
<b>Total financial liabilities for derivatives – interest rate risk</b>					<b>(87)</b>		

At 31 March 2019, no derivatives have been taken out to hedge exchange rate risk. All the contracts described above are booked at fair value:

(EUR/000)	at 31 March 2019		at 31 December 2018	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Exchange rate risk	0	0	0	0
Interest rate risk	5	(87)	19	(28)
<b>Total cash flow hedge</b>	<b>5</b>	<b>(87)</b>	<b>19</b>	<b>(28)</b>

All derivatives were tested for effectiveness, with positive outcomes.

In order to support its operations, the Group has various credit lines granted by banks and other financial institutions available, mainly in the form of invoice factoring credit lines, cash flexibility and mixed credit lines for a total of Euro 37,807 thousand. Overall use of these lines at 31 March 2019 totalled Euro 3,746 thousand, with a residual available amount of Euro 33,742 thousand.

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

The balance of **Financial payables for IFRS 16 leasing (current and non-current)** at 31 March 2019 amounted to Euro 2,611 thousand and complies with the IFRS16, applied by the Group from 1 January 2019, which requires the recording of financial payables corresponding to the value of the usage rights recorded under non-current assets. Financial liabilities under IFRS 16 leases are classified on the basis of maturity as current liabilities (within one year), amounting to Euro 967 thousand, and non-current liabilities (beyond one year), amounting to 1,644 thousand. Changes in this item are detailed below:

<i>(EUR / 000)</i>	31	Valuation				Change	Exchange	31
	December	1 January	Increases	Decreases	Reclassifications	scope of	rate	March
	2018	2019				consolidation	differences	2019

Financial payables for IFRS 16 leasing (current and non-current)	0	2,254	116	(282)	0	557	(34)	2,611
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### Service costs

“Service costs” totalled Euro 5,700 thousand, in line overall with the figure for the first quarter 2018, of Euro 5,744 thousand. They are broken down as follows:

Description	31 March 2019	31 March 2018	Change
<i>(EUR / 000)</i>			
Services	5,460	5,275	185
Use of third-party assets	240	469	(229)
<b>Total</b>	<b>5,700</b>	<b>5,744</b>	<b>(44)</b>

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

### Personnel costs

“Personnel costs” totalled Euro 12,379 thousand, up Euro 644 thousand compared to 31 March 2018, and are broken down as follows:

Description	31 March 2019	31 March 2018	Change
<i>(EUR / 000)</i>			
Salaries and wages	9,390	8,964	426
Social security contributions	2,322	2,232	90
Post-employment benefit reserve	527	483	44
Other costs	140	56	84
<b>Total</b>	<b>12,379</b>	<b>11,735</b>	<b>644</b>

The increase was due to the recruitment of new Group employees to support growth, as well as the entry into the Group of Elettropiemme S.r.l., which at the time of the acquisition had 41 employees.

“Social security contributions” include costs for defined contribution plans for management (Previdai pension plan) amounting to Euro 12 thousand (Euro 13 thousand at 31 March 2018).

The item “Other costs”, up by Euro 84 thousand, includes, among other items, restructuring costs resulting from reorganisation of the Group’s subsidiaries.

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

	31 March 2019	31 March 2018	Change
Managers	15	17	(2)
Clerical staff	515	478	37
Manual workers	269	248	21
<b>Total</b>	<b>799</b>	<b>743</b>	<b>56</b>

The average number of employees grew by 56 over the first quarter of 2018; the precise number at 31 March 2019 was 826, an increase of 55 over 31 December 2018 and 70 compared to 31 March 2018.

#### Depreciation/amortisation

Depreciation/amortisation amounted to Euro 3,291 thousand, compared with Euro 1,526 thousand recorded in the first quarter of 2018. These items include:

Description	31 March 2019	31 March 2018	Change
<i>(EUR / 000)</i>			
Amortisation	527	593	(66)
Depreciation	2,517	933	1,584
Depreciation/amortisation total usage rights	247	-	247
<b>Total</b>	<b>3,291</b>	<b>1,526</b>	<b>1,765</b>

The change mainly relates to the adjustment to the fair value of buildings made during the first quarter of 2019, of Euro 1.423 thousand, entirely allocated to the sensors business.

The sensors business investment plan provides for the expansion of production lines and the need for large and new dedicated spaces, essential to support the expansion of the business. Originally, the adaptation of an existing building was assessed, but after a more in-depth analysis, it was found that the building would not have provided adequate technological and energy performance sustainable in the long term. It was therefore decided to proceed with the demolition of the existing building to construct a new building that is more functional and above all at the cutting-edge from the technological and energy point of view. Work should be completed by the end of this year, aiming to bring it into full production by the beginning of 2020.

Also, from 1 January 2019 depreciation/amortisation linked with usage rights, totalling Euro 247 thousand, was recorded in accordance with IFRS 16. For further details on the method of application of the standard, reference should be made to the specific notes “Application of the new IFRS 16 standard as of 1 January 2019”.

The breakdown of depreciation and amortisation by business is summarised in the table below:

Description	31 March 2019	31 March 2018	Change
<i>(EUR / 000)</i>			

Sensors	2,190	591	1,599
Automation components	566	491	75
Motion control	535	444	91
<b>Total</b>	<b>3,291</b>	<b>1,526</b>	<b>1,765</b>

Provaglio d'Iseo, 13 May 2019

For the Board of Directors

Chairman

**Maria Chiara Franceschetti**

The Chief Executive Officer

**Alberto Bartoli**



# ANNEXES



## a) Consolidated income statement by quarter

<i>(EUR / 000)</i>		Q1	Q2	Q3	Q4	TOT	Q1
		2018	2018	2018	2018	2018	2019
a	Revenues	34,717	35,543	30,820	34,491	<b>135,571</b>	35,973
b	Increases for internal work	365	256	278	526	<b>1,425</b>	635
c	Consumption of materials and products	11,505	12,629	10,523	12,585	<b>47,242</b>	12,207
d	Added value (a+b-c)	<b>23,577</b>	<b>23,170</b>	<b>20,575</b>	<b>22,432</b>	<b>89,754</b>	<b>24,401</b>
and	Other operating costs	6,065	6,308	5,587	5,839	<b>23,799</b>	5,753
f	Personnel costs	11,735	11,429	10,769	11,964	<b>45,897</b>	12,379
g	EBITDA (d-e-f)	<b>5,777</b>	<b>5,433</b>	<b>4,219</b>	<b>4,629</b>	<b>20,058</b>	<b>6,269</b>
h	Depreciation, amortisation and impairment	1,526	1,562	1,613	1,614	<b>6,315</b>	3,291
i	EBIT (g-h)	<b>4,251</b>	<b>3,871</b>	<b>2,606</b>	<b>3,015</b>	<b>13,743</b>	<b>2,978</b>
l	Gains (losses) from financial assets/liabilities	(319)	(91)	(419)	328	<b>(501)</b>	175

m	Gains (losses) from shareholdings valued at equity	(37)	(57)	49	(10)	(55)	242
n	Profit (loss) before tax (i±±m)	3,895	3,723	2,236	3,333	13,187	3,395
o	Taxes	(1,285)	(1,397)	(853)	(626)	(4,161)	(847)
p	Result from operating activities (n±o)	2,610	2,326	1,383	2,707	9,026	2,548
q	EBIT (loss) from assets held for sale	(414)	(461)	0	0	(875)	0
r	Group EBIT (loss) (p±q)	2,196	1,865	1,383	2,707	8,151	2,548

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

### End-of-period exchange rates

Currency	31 March 2019	31 December 2018
Swiss franc	1.1181	1.1269
Pound sterling	0.8583	0.8945
US dollar	1.1235	1.1450
Brazilian real	4.3865	4.4440
Chinese renminbi	7.5397	7.8751
Indian rupee	77.7190	79.7298
Turkish lira	6.3446	6.0588

### Average exchange rates in the period

Currency	2019	2018	Q1 2019	Q1 2018
Swiss franc	1.1325	1.1549	1.1325	1.1650
Pound sterling	0.8723	0.8848	0.8723	0.8834
US dollar	1.1357	1.1815	1.1357	1.2295
Brazilian real	4.2768	4.3087	4.2768	3.9901
Chinese renminbi	7.6619	7.8074	7.6619	7.8149
Indian rupee	80.0730	80.7277	80.0730	79.1566
Turkish lira	6.1078	5.6986	6.1078	4.6910

## c) List of companies included in the scope of consolidation

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Gefran UK Ltd	Warrington	UK	GBP	4,096,000	Gefran S.p.A.	100.00
Gefran Deutschland GmbH	Seligenstadt	Germany	EUR	365,000	Gefran S.p.A.	100.00
Siei Areg GmbH	Pleidelsheim	Germany	EUR	150,000	Gefran S.p.A.	100.00
Gefran France S.A.	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	Winchester	US	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Eletroel. Ltda	Sao Paulo	Brazil	BRL	450,000	Gefran S.p.A.	99.90
					Gefran UK	0.10
Gefran India Private Ltd	Pune	India	INR	100,000,000	Gefran S.p.A.	95.00

					Gefran UK	5.00
Gefran Siei Asia Pte Ltd	Singapore	Singapore	EUR	3,359,369	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Pte Ltd	Shanghai	China (PRC)	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric Pte Ltd	Shanghai	China (PRC)	RMB	1,005,625	Gefran Siei Asia	100.00
Sensormate AG	Aadorf	Switzerland	CHF	100,000	Gefran S.p.A.	100.00
Gefran Middle East Ltd Sti	Istanbul	Turkey	TRY	1,030,000	Gefran S.p.A.	100.00
Gefran Soluzioni S.r.l.	Provaglio d'Iseo	Italy	EUR	100,000	Gefran S.p.A.	100.00
Gefran Drives and Motion S.r.l.	Gerenzano	Italy	EUR	10,000	Gefran S.p.A.	100.00
Elettropiemme S.r.l.	Trento	Italy	EUR	70,000	Gefran Soluzioni S.r.l.	100.00

#### d) List of companies consolidated at equity

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

#### e) List of other subsidiaries

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Colombera S.p.A.	Iseo	Italy	EUR	8,098,958	Gefran S.p.A.	16.56
Woojin Plaimm Co Ltd	Seoul	South Korea	KRW	3,200,000,000	Gefran S.p.A.	2.00
UBI Banca S.p.A.	Bergamo	Italy	EUR	2,254,368,000	Gefran S.p.A.	n/s

## 20. DECLARATION OF THE EXECUTIVE IN CHARGE OF FINANCIAL REPORTING

### Declaration pursuant to article 154-bis, paragraph 2 of Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act "TUF")

The undersigned, **Fausta Coffano**, the Executive in charge of financial reporting of Gefran S.p.A., hereby declares, pursuant to paragraph 2, article 154-bis of the TUF, that the information contained in these interim financial statements as at 31 March 2019 accurately represents the figures contained in the Group's accounting records.

Provaglio d'Iseo, 13 May 2019

The Executive in charge of  
financial reporting

**Fausta Coffano**

