



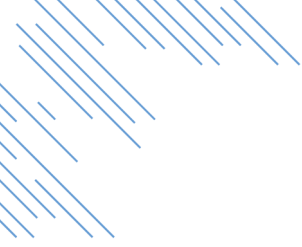
GEFRAN

BEYOND TECHNOLOGY



INTERIM FINANCIAL STATEMENTS

AT 30 September 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 report of Gefran S.p.A., as well as the consolidated annual and half-yearly financial reports of the Gefran Group for a period of nine years until the approval of the financial statements report for 2024, in accordance with Italian Legislative Decree 39/2010.

(*) 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.

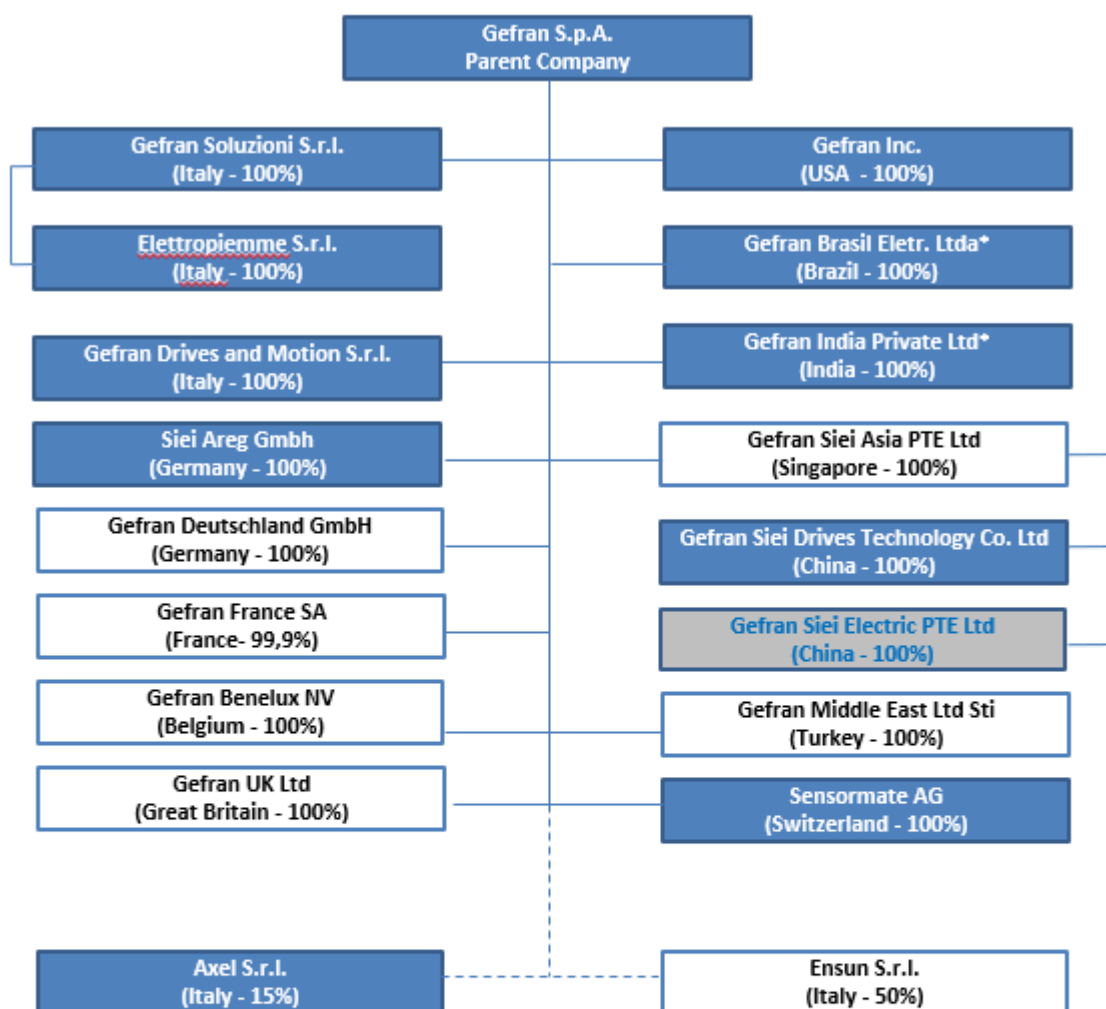
Specifically, the alternative indicators used in the notes to the income statement are:

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

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

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

3. GEFRAN GROUP'S STRUCTURE



(*) 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>(Euro / 000)</i>	30 September 2019		30 September 2018		3Q 2019		3Q 2018	
Revenues	105,114	100.0%	101,080	100.0%	33,015	100.0%	30,820	100.0%
EBITDA	15,063	14.3%	15,429	15.3%	4,328	13.1%	4,219	13.7%
EBIT	7,728	7.4%	10,728	10.6%	2,352	7.1%	2,606	8.5%
Profit (loss) before tax	7,946	7.6%	9,854	9.7%	2,438	7.4%	2,236	7.3%
Result from operating activities	5,660	5.4%	6,319	6.3%	1,631	4.9%	1,383	4.5%
Net profit (loss) from assets held for sale	-	0.0%	(875)	-0.9%	-	0.0%	-	0.0%
Group net profit (loss)	5,660	5.4%	5,444	5.4%	1,631	4.9%	1,383	4.5%

Group statement of financial position highlights

<i>(Euro / 000)</i>	30 September 2019	31 December 2018
Invested capital from operations	89,047	77,335
Net working capital	32,626	32,055
Shareholders' equity	74,165	72,814
Net financial position	(14,882)	(4,521)

<i>(Euro / 000)</i>	30 September 2019	30 September 2018
Operating cash flow	10,327	12,411
Investments	11,244	6,875

5. FINANCIAL STATEMENT SCHEDULES

Statement of profit/(loss)

(Euro / 000)	3Q		progressive as at 30 September	
	2019	2018	2019	2018
Revenues from product sales	32,877	30,695	104,643	100,750
<i>of which related parties:</i>	-	3	-	46
Other revenues and income	138	125	471	330
Increases for internal work	572	278	1,835	899
TOTAL REVENUES	33,587	31,098	106,949	101,979
Change in inventories	243	1,208	3,160	4,455
Costs of raw materials and accessories	(11,945)	(11,731)	(39,977)	(39,112)
Service costs	(5,937)	(5,220)	(18,093)	(17,330)
<i>of which related parties:</i>	(88)	(138)	(169)	(259)
Miscellaneous management costs	(180)	(200)	(676)	(628)
Other operating income	436	21	1,074	35
Personnel costs	(11,878)	(10,769)	(37,485)	(33,933)
Impairment/reversal of trade and other receivables	2	(188)	111	(37)
Amortisation and impairment of intangible assets	(529)	(575)	(1,614)	(1,759)
Depreciation and impairment of tangible assets	(1,161)	(1,038)	(4,908)	(2,942)
Depreciation/amortisation total usage rights	(286)	-	(813)	-
EBIT	2,352	2,606	7,728	10,728
Gains from financial assets	557	388	1,042	990
Losses from financial liabilities	(502)	(807)	(1,114)	(1,819)
(Losses) gains from shareholdings valued at equity	31	49	290	(45)
PROFIT (LOSS) BEFORE TAX	2,438	2,236	7,946	9,854
Current taxes	(518)	(356)	(1,533)	(2,285)
Deferred tax assets and liabilities	(289)	(497)	(753)	(1,250)
TOTAL TAXES	(807)	(853)	(2,286)	(3,535)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	1,631	1,383	5,660	6,319
Net profit (loss) from assets held for sale	-	-	-	(875)
NET PROFIT (LOSS) FOR THE YEAR	1,631	1,383	5,660	5,444
Attributable to:				
Group	1,631	1,383	5,660	5,444
Third parties	-	-	-	-

(Euro)	Earnings per share		progressive as at 30 September	
			2019	2018
Basic earnings per ordinary share			0.39	0.38
Diluted earnings per ordinary share			0.39	0.38

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

<i>(Euro / 000)</i>	3Q		progressive as at 30 September	
	2019	2018	2019	2018
NET PROFIT (LOSS) FOR THE YEAR	1,631	1,383	5,660	5,444
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period				
- conversion of foreign companies' financial statements	440	(406)	568	(234)
- equity investments in other companies	(34)	(40)	(66)	(234)
- fair value of cash flow hedging derivatives	13	13	(209)	22
Total changes, net of tax effect	419	(433)	293	(446)
Comprehensive result for the period	2,050	950	5,953	4,998
Attributable to:				
Group	2,050	950	5,953	4,998
Third parties	-	-	-	-

Statement of financial position

(Euro / 000)	30 September 2019	31 December 2018
NON-CURRENT ASSETS		
Goodwill	6,001	5,868
Intangible assets	7,289	6,508
Property, plant, machinery and tools	42,386	38,955
<i>of which related parties:</i>	370	919
Usage rights	2,966	-
Shareholdings valued at equity	1,306	1,016
Equity investments in other companies	1,706	1,790
Receivables and other non-current assets	95	83
Deferred tax assets	6,892	6,912
Non-current financial investments for derivatives	2	-
Other non-current financial investments	110	126
TOTAL NON-CURRENT ASSETS	68,753	61,258
CURRENT ASSETS		
Inventories	27,167	22,978
Trade receivables	29,117	29,808
Other receivables and assets	8,495	3,561
Current tax receivables	960	1,510
Cash and cash equivalents	24,565	18,043
Current financial assets for derivatives	-	19
TOTAL CURRENT ASSETS	90,304	75,919
TOTAL ASSETS	159,057	137,177
SHAREHOLDERS' EQUITY		
Share capital	14,400	14,400
Reserves	54,105	50,263
Profit/(loss) for the year	5,660	8,151
Total Group Shareholders' Equity	74,165	72,814
Shareholders' equity of minority interests	-	-
TOTAL SHAREHOLDERS' EQUITY	74,165	72,814
NON-CURRENT LIABILITIES		
Non-current financial payables	24,119	11,864
Non-current financial payables for IFRS 16 leases	1,976	-
Non-current financial liabilities for derivatives	277	-
Employee benefits	4,743	4,524
Non-current provisions	735	250
Deferred tax provisions	741	627
TOTAL NON-CURRENT LIABILITIES	32,591	17,265
CURRENT LIABILITIES		
Current financial payables	12,201	10,817
Current financial payables for IFRS 16 leases	980	-
Trade payables	23,658	20,731
<i>of which related parties:</i>	112	313
Current financial liabilities for derivatives	6	28
Current provisions	1,534	1,424
Current tax payables	855	1,653
Other payables and liabilities	13,067	12,445
TOTAL CURRENT LIABILITIES	52,301	47,098
TOTAL LIABILITIES	84,892	64,363
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	159,057	137,177

Consolidated cash flow statement

(Euro / 000)	30 September 2019	30 September 2018
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:		
Net profit (loss) for the period	5,660	5,444
Depreciation, amortisation and impairment	7,335	4,701
Provisions (Releases)	1,626	2,600
Capital (gains) losses on the sale of non-current assets	(351)	21
Impairment of assets held for sale	-	1,214
Net result from financial operations	(190)	874
Taxes	1,528	1,946
Change in provisions for risks and future liabilities	(989)	(801)
Change in other assets and liabilities	(4,537)	(987)
Change in deferred taxes	755	1,248
Change in trade receivables	1,974	45
<i>of which related parties:</i>	-	53
Change in inventories	(4,237)	(6,189)
Change in trade payables	1,753	2,295
<i>of which related parties:</i>	(201)	204
TOTAL	10,327	12,411
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES		
Investments in:		
- Property, plant & equipment and intangible assets	(10,881)	(7,179)
<i>of which related parties:</i>	(370)	(663)
- Equity investments and securities	-	2
- Acquisitions net of acquired cash	(231)	-
- Financial receivables	(9)	8
Disposal of non-current assets	1,314	16
TOTAL	(9,807)	(7,153)
D) FREE CASH FLOW (B+C)	520	5,258
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES		
New financial payables	21,426	-
Repayment of financial payables	(6,672)	(6,772)
Increase (decrease) in current financial payables	(1,887)	(729)
Outgoing cash flow due to IFRS 16	(851)	-
Taxes paid	(1,152)	(3,183)
Interest paid	(630)	(289)
Interest received	294	139
Change in shareholders' equity reserves	-	(40)
Dividends paid	(4,599)	(5,040)
TOTAL	5,929	(15,914)
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)	6,449	(10,656)
H) Exchange rate translation differences on cash at hand	73	(242)
I) NET CHANGE IN CASH AT HAND (F+G+H)	6,522	(10,898)
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)	24,565	13,108

Statement of changes in shareholders' equity

(Euro / 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	-	69,911
Destination of 2017 profit												
- Other reserves and provisions			(1,583)	-	8,448				(6,864)	-	-	-
- Dividends					(5,040)					(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	-	72,814
Destination of 2018 profit												
- Other reserves and provisions			521	-	7,630				(8,151)	-	-	-
- Dividends					(4,599)					(4,599)	(4,599)	(4,599)
Income/(expenses) recognised at equity			-			(275)		-		(275)		(275)
Change in translation reserve							568	-		568		568
Other changes			-	(3)						(3)		(3)
2019 profit									5,660	5,660		5,660
Balances at 30 September 2019	14,400	21,926	5,889	10,092	13,174	(287)	3,711	(400)	5,660	74,165	-	74,165

6. GEFRAN GROUP'S PERFORMANCE

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 net profit (loss) for the current period, illustrated and commented on below, also reflect the purchase of the company.

Consolidated income statement of the quarter

(Euro / 000)	3Q 2019	3Q 2018	Changes 2019-2018	
	Total	Total	Value	%
a Revenues	33,015	30,820	2,195	7.1%
b Increases for internal work	572	278	294	105.8%
c Consumption of materials and products	11,702	10,523	1,179	11.2%
d Added value (a+b-c)	21,885	20,575	1,310	6.4%
e Other operating costs	5,679	5,587	92	1.6%
f Personnel costs	11,878	10,769	1,109	10.3%
g EBITDA (d-e-f)	4,328	4,219	109	2.6%
h Depreciation, amortisation and impairment	1,976	1,613	363	22.5%
i EBIT (g-h)	2,352	2,606	(254)	-9.7%
l Gains (losses) from financial assets/liabilities	55	(419)	474	113.1%
m Gains (losses) from shareholdings valued at equity	31	49	(18)	-36.7%
n Profit (loss) before tax (i±l±m)	2,438	2,236	202	9.0%
o Taxes	(807)	(853)	46	5.4%
p Result from operating activities (n±o)	1,631	1,383	248	17.9%
q Net profit (loss) from assets held for sale	-	-	-	0.0%
r Group net profit (loss) (p±q)	1,631	1,383	248	17.9%

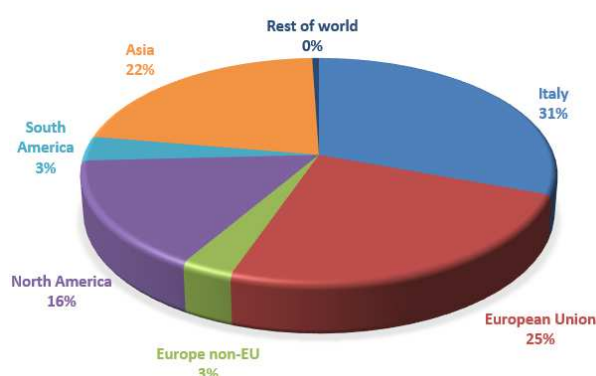
Revenues for the third quarter of 2019 were 33,015 thousand Euro, compared with 30,820 thousand Euro in the same period in the previous year, revealing a growth of 2,195 thousand Euro (+7.1%). The acquisition of Elettropiemme S.r.l. contributed a total of 1,399 thousand Euro to the increase in revenues. Without this effect, revenues in the third quarter would in any case be 796 thousand Euro higher than in the same period in the previous year (2.6%). This improvement extends to all lines of business, and is particularly a result of increased revenues in all product lines on the American market.

Orders collected in the third quarter of 2019 were about 0.7% higher than in the third quarter of 2018. The addition to the Group of Elettropiemme S.r.l. has had a positive impact on orders received in the quarter, which would be 3.3% lower than the third quarter of the previous year if this effect were not taken into consideration. The drop took place primarily in the automation components business unit.

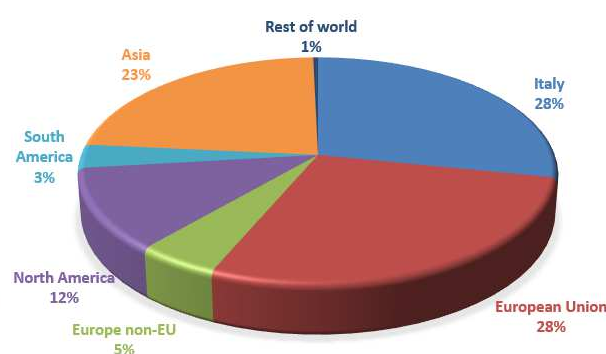
The following table shows revenues by geographical region:

(Euro / 000)	3Q 2019		3Q 2018		Changes 2019-2018	
	value	%	value	%	value	%
Italy	10,104	30.6%	8,683	28.2%	1,421	16.4%
European Union	8,160	24.7%	8,714	28.3%	(554)	-6.4%
Europe non-EU	1,050	3.2%	1,529	5.0%	(479)	-31.3%
North America	5,182	15.7%	3,619	11.7%	1,563	43.2%
South America	1,155	3.5%	1,033	3.4%	122	11.8%
Asia	7,191	21.8%	7,128	23.1%	63	0.9%
Rest of the World	173	0.5%	114	0.4%	59	51.8%
Total	33,015	100%	30,820	100%	2,195	7.1%

REVENUES 3Q 2019



REVENUES 3Q 2018



The breakdown of revenues by **geographical region** shows strong growth in North America (+43.2%): the favourable trend in the exchange rate has had a positive impact, but even if we eliminate this effect, the growth recorded is still significant (+41.3%), thanks to good performance in all lines of business; sales in South America increased (+11.8%), while there was a contraction in non-EU Europe (-31.3%) and in the European Union (-6.4%). Growth registered in Italy, +16.4%, is attributable to the change in the scope of consolidation, without which revenues would in any case have increased over the third quarter of 2018, though to a lesser extent (+1.3%).

The table below shows the breakdown of revenues by business area in the third quarter of 2019 and a comparison with the same period of the previous year:

(Euro / 000)	3Q 2019		3Q 2018		Changes 2019-2018	
	value	%	value	%	value	%
Sensors	14,862	45.0%	14,517	47.1%	345	2.4%
Automation components	9,783	29.6%	8,040	26.1%	1,743	21.7%
Motion Control	9,662	29.3%	9,551	31.0%	111	1.2%
Eliminations	(1,292)	-3.9%	(1,288)	-4.2%	(4)	0.3%
Total	33,015	100%	30,820	100%	2,195	7.1%

The breakdown of revenues by **business area** in the third quarter of 2019 reveals growth of sales in all the Group's lines of business, particularly sensors (+2.4%) and motion control (+1.2%). There was growth in the automation components business line (+21.7%), where the increase represents the revenues of the newly acquired company Elettropiemme S.r.l., without which sales

in this business line would have grown at a much lower rate over the same period in the previous year (+4.3%).

EBITDA for the third quarter of 2019 was positive at 4,328 thousand Euro (4,219 thousand Euro in the third quarter of 2018), and amounted to 13.1% of revenues (13.7% of revenues in 2018), an increase of 109 thousand Euro in absolute value. The addition of Elettropiemme S.r.l. to the Group and application of the new accounting standard IFRS16 had a positive impact on EBITDA, by Euro 361 thousand and Euro 235 thousand, respectively. If this impact were not taken into account, EBITDA would be Euro 3,732 thousand, Euro 487 thousand less than the third quarter of 2018.

The principal factors determining the shrinkage of EBITDA are higher operating costs (Euro 344 thousand) and personnel costs (Euro 718 thousand) as a result of the addition of new resources to the Group.

The item **depreciation, amortisation and impairment** amounts to 1,976 thousand in the third quarter of 2019, as compared to 1,613 thousand Euro in the third quarter of 2018, revealing an increase of 363 thousand Euro. The increase is primarily linked with investment in previous periods, with the addition of a number of factors that arose in the quarter:

- the effects of application of the new accounting standard IFRS16, with an impact of 235 thousand Euro, details of which are supplied in a specific note in this Report;
- the recent acquisition of Elettropiemme S.r.l., which contributes 73 thousand Euro to the increase in this item.

EBIT in the third quarter of 2019 is positive by 2,352 thousand Euro (7.1% of revenues), as compared to an EBIT of 2,606 thousand Euro in the third quarter of 2018, a drop of 254 thousand Euro. Without the positive effect of the addition of Elettropiemme S.r.l. to the Group, which amounts to 288 thousand Euro, EBIT for the quarter would be 2,064 thousand Euro, 542 thousand Euro less than in the same period of the previous year. The change is primarily a result of higher operating costs and personnel costs, only partially compensated by increased revenues and the resulting added value.

The Group's **net profit** in the third quarter of 2019 amounts to 1,631 thousand Euro, compared to a net profit of 1,383 thousand Euro in the third quarter of 2018, a drop of 248 thousand Euro. Without taking into account the positive effect of the addition of Elettropiemme S.r.l. to the Group, equal to 208 thousand Euro, net profit for the third quarter of 2019 would be 40 thousand Euro higher than in the third quarter of 2018.

Progressive Consolidated Income Statement

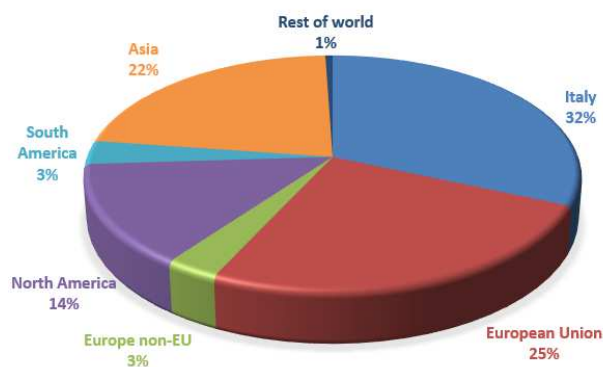
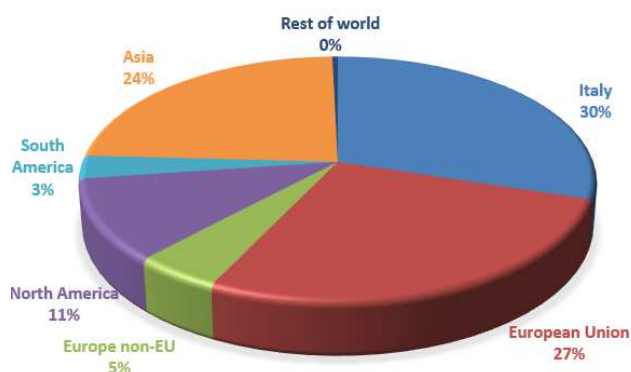
(Euro / 000)	30 September 2019		30 September 2018		Changes 2019-2018	
	Total		Total		Value	%
a Revenues	105,114		101,080		4,034	4.0%
b Increases for internal work	1,835		899		936	104.1%
c Consumption of materials and products	36,817		34,657		2,160	6.2%
d Added value (a+b-c)	70,132		67,322		2,810	4.2%
e Other operating costs	17,584		17,960		(376)	-2.1%
f Personnel costs	37,485		33,933		3,552	10.5%
g EBITDA (d-e-f)	15,063		15,429		(366)	-2.4%
h Depreciation, amortisation and impairment	7,335		4,701		2,634	56.0%
i EBIT (g-h)	7,728		10,728		(3,000)	-28.0%
l Gains (losses) from financial assets/liabilities	(72)		(829)		757	91.3%
m Gains (losses) from shareholdings valued at equity	290		(45)		335	744.4%
n Profit (loss) before tax (i±l±m)	7,946		9,854		(1,908)	-19.4%
o Taxes	(2,286)		(3,535)		1,249	35.3%
p Result from operating activities (n±o)	5,660		6,319		(659)	-10.4%
q Net profit (loss) from assets held for sale	-		(875)		875	100.0%
r Group net profit (loss) (p±q)	5,660		5,444		216	4.0%

Revenues as of 30 September 2019 were 105,114 thousand Euro, compared with 101,080 thousand Euro in the same period in the previous year, revealing a growth of 4,034 thousand Euro (+4.0%). The acquisition of Elettropiemme S.r.l. contributed a total of 4,269 thousand Euro to the increase in revenues. Without this effect, revenues would be similar to the same period in the previous year (-0.2%). The decrease in revenues, linked primarily with sensors and automation components, and extended to the principal geographic regions in which the Group operates, reflects the situation of global economic uncertainty and has affected all primary sales channels. Revenues from motion control grew due to increased sales of products for industrial applications and custom orders.

Orders collected in the first nine months of 2019 are in line with the figure for the same period in 2018 (+0.5%), while the order portfolio is about 4.4% less than 30 September 2018. The addition of Elettropiemme S.r.l. to the Group had a positive impact, without which 3.8% less orders would have been collected in the nine months of 2019 compared to the same period in the previous year, primarily in the motion control and sensors businesses.

The following table shows revenues by geographical region:

(Euro / 000)	30 September 2019		30 September 2018		Changes 2019-2018	
	value	%	value	%	value	%
Italy	33,190	31.6%	30,159	29.8%	3,031	10.1%
European Union	26,686	25.4%	27,623	27.3%	(937)	-3.4%
Europe non-EU	3,288	3.1%	4,886	4.8%	(1,598)	-32.7%
North America	14,649	13.9%	10,948	10.8%	3,701	33.8%
South America	3,379	3.2%	3,058	3.0%	321	10.5%
Asia	23,355	22.2%	24,010	23.8%	(655)	-2.7%
Rest of the World	567	0.5%	396	0.4%	171	43.2%
Total	105,114	100%	101,080	100%	4,034	4.0%

REVENUES UP TO 30 SEPTEMBER 2019

REVENUES UP TO 30 SEPTEMBER 2018


The breakdown of revenues by **geographical region** shows strong growth in North America (+33.8%), particularly in the last quarter, and in all business areas: the favourable trend in the exchange rate has a positive impact, but even if we eliminate this effect, the growth recorded is still significant (+28.6%); sales in South America increased (+10.5%), while there was contraction in non-EU Europe (-32.7%) and in the European Union (-3.4%). The growth recorded in Italy (+10.1%) was due to the change in the scope of consolidation, without which there would have been a decrease in sales compared to the first nine months of 2018 (-3.3%).

Below is a breakdown of revenues by business area as of 30 September 2019 in comparison with the same period in the previous year:

(Euro / 000)	30 September 2019		30 September 2018		Changes 2019-2018	
	value	%	value	%	value	%
Sensors	45,892	43.7%	47,000	46.5%	(1,108)	-2.4%
Automation components	32,031	30.5%	28,274	28.0%	3,757	13.3%
Motion Control	31,383	29.9%	30,073	29.8%	1,310	4.4%
Eliminations	(4,192)	-4.0%	(4,267)	-4.2%	75	-1.8%
Total	105,114	100%	101,080	100%	4,034	4.0%

The breakdown of **revenues by business area** for the first nine months of 2019 reveals growth in the motion control business line (+4.4%) in connection with products for industrial applications and custom orders. On the other hand, sales in the sensors business line contracted (-2.4%), mainly in the Asian, European and Italian markets. There was growth in the automation components business line (+13.3%), where the increase represents the revenues of the newly acquired company Elettropiemme S.r.l., without which sales in this business line would have been lower than in the same period in the previous year (-1.8%).

Increases for internal work at 30 September 2019 came to 1,835 thousand Euro, compared with 899 thousand Euro at 30 September 2018. The item mainly represents the share of development costs incurred in the period and capitalised, worth 1,741 thousand Euro (729 thousand Euro as of 30 September 2018).

Added value at 30 September 2019 amounted to 70,132 thousand Euro (67,322 thousand Euro on 30 September 2018) and is equal to 66.7% of revenues, a similar proportion to the same period in 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 nine months of the year would be in line with the same period in the previous year.

Other operating costs for the first nine months of 2019 amount to 17,584 thousand Euro and result in an absolute value 376 thousand Euro below the figure for the same period in 2018, with an impact on revenues that decreased to 16.7% (17.8% in the first nine months of 2018). The principal changes over the figure for the same period in 2019 are listed below:

- 306 thousand Euro increase due to the addition of Elettropiemme S.r.l. to the Group;
- 714 thousand Euro reduction in costs for the use of third-party assets due to the application of the new accounting standard IFRS 16.

Personnel costs in the first nine months of 2019 are equal to 37,485 thousand Euro (35.7% of revenues), as compared to 33,933 thousand Euro as of 30 September 2018 (33.6% of revenues), a 3,552 thousand Euro increase. The higher cost reflects the addition to the Group of Elettropiemme S.r.l. (1,169 thousand Euro), which had 41 active employees as of the date of acquisition, and the hiring of new employees in the Group also contributes to personnel costs. The average number of employees has grown from 753 in the first nine months of 2018 to 805 in the first nine months of 2019.

EBITDA as of 30 September 2019 was positive at 15,063 thousand Euro (15,429 thousand Euro in the first nine months of 2018), and amounted to 14.3% of revenues (15.3% of revenues in 2018), 366 thousand Euro decrease in absolute value over the previous year. The addition of Elettropiemme S.r.l. to the Group brought an increase of 746 thousand Euro, without which EBITDA would have been 1,112 thousand Euro lower than in the first nine months of 2018. The decrease is primarily attributable to higher personnel costs in the period (2,383 thousand Euro), only partly compensated by the increase in added value (589 thousand Euro) and the positive impact of application of the new accounting standard IFRS16, providing for reversal of lease fees pertaining to the period (713 thousand Euro).

Depreciation, amortisation and impairment as of 30 September 2019 totalled 7,335 thousand Euro, as compared to 4,701 thousand Euro on 30 September 2018, a 2,634 thousand Euro increase. The increase is primarily a result of:

- the effects of application of the new accounting standard IFRS16, representing 678 thousand Euro, details of which are supplied in a specific note to this Report;
- the recent purchase of Elettropiemme S.r.l., which contributes 192 thousand Euro to the increase in this item;
- entry of loss of value of assets totalling 1,531 thousand Euro. The investment plan in the sensors business line includes expansion of production lines and requires large new spaces to support the expansion of business. The Group originally planned to adapt an existing building, but in-depth analysis revealed that the building was incapable of guaranteeing sufficient technological and energy performance and long-term sustainability. It was therefore decided that the existing building would be demolished and a new one constructed that would be more practical and, above all, in the vanguard in terms of technology and energy efficiency. The work will be completed by the end of the current year, with the goal of being fully operational by the beginning of 2020.

EBIT in the first nine months of 2019 is positive by 7,728 thousand Euro (7.4% of revenues), as compared to an EBIT of 10,728 thousand Euro in the same period in 2018, a drop of 3,000 thousand Euro. The change reflects the effects of loss of value of the asset described above, totalling 1,531 thousand Euro, compensated by EBIT contributed by the addition of Elettropiemme S.r.l. to the Group, amounting to 554 thousand Euro.

Without these effects, EBIT in the period would total 8,705 thousand Euro, 2,023 thousand Euro less than in the first nine months of 2018, primarily as a result of increased personnel costs.

Charges from financial assets/liabilities in the first nine months of 2019 totalled 72 thousand Euro (829 thousand Euro as of 30 September 2018) and include:

- financial income of 59 thousand Euro (139 thousand Euro in the first nine months of 2018);
- financial charges linked with the Group's indebtedness, totalling 335 thousand Euro, down since the first nine months of 2018, when this item totalled 262 thousand Euro;
- the positive result of differences in foreign currency transactions, totalling 232 thousand Euro, compared with a negative result of 706 thousand Euro as of 30 September 2018;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 28 thousand Euro.

Income from shareholdings valued at equity equals 290 thousand Euro, up from the figure of 45 thousand Euro as of 30 September 2018. 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, on the whole, negative by 2,286 thousand Euro (3,535 thousand Euro as of 30 September 2018). The reduction in taxes is proportionate to the lower profit of the subsidiaries and the Parent Company, and may be broken down as follows:

- negative current taxes of 1,533 thousand Euro (negative by 2,285 thousand Euro as of 30 September 2018), linked to the economic results of Group companies in the period;
- deferred tax assets and deferred taxes, which were on the whole negative by 753 thousand Euro (negative by 1,250 thousand Euro as of 30 September 2018); this item primarily includes the release to the income statement of advance taxes registered on fiscal losses, in view of the net profit for the period.

Result from operating activities as of 30 September 2019 is positive by 5,660 thousand Euro, while the figure for the first nine months of 2018 was positive by 6,319 thousand Euro. Net of the positive effect of the addition to the Group of Elettropiemme S.r.l., worth 359 thousand Euro, and the loss of value of the assets described above, worth 1,531 thousand Euro, the result from operating activities in the first nine months of 2019 would be 6,832 thousand Euro, 513 thousand Euro higher than the figure for the same period in the previous year.

The **net profit from assets held for sale** in the first nine months of 2019 was zero, while the figure for the same period in the previous year was a loss of 875 thousand Euro, as a result of adjustment of the amount of assets held for sale relating to know-how in the photovoltaic business to their estimated realisable value, net of the applicable taxes.

Group net profit as of 30 September 2019 amounts to 5,660 thousand Euro, up 5,444 thousand Euro over the net profit of 5,444 thousand Euro in the first nine months of 2018. Without taking into account the positive impact of the addition of Elettropiemme S.r.l. to the Group, worth 359 thousand Euro, the net profit for the first nine months of 2019 would be 5,301 thousand Euro, 143 thousand Euro lower than the figure for the same period in the previous year.

7. RECLASSIFIED CONSOLIDATED FINANCIAL POSITION AT 30 SEPTEMBER 2019

The Gefran Group's reclassified consolidated balance sheet at 30 September 2019 is shown below.

(Euro / 000)	30 September 2019		31 December 2018	
	value	%	value	%
Intangible assets	13,290	14.9	12,376	16.0
Tangible assets	45,352	50.9	38,955	50.4
Other non-current assets	9,999	11.2	9,801	12.7
Net non-current assets	68,641	77.1	61,132	79.0
Inventories	27,167	30.5	22,978	29.7
Trade receivables	29,117	32.7	29,808	38.5
Trade payables	(23,658)	(26.6)	(20,731)	(26.8)
Other assets/liabilities	(4,467)	(5.0)	(9,027)	(11.7)
Working capital	28,159	31.6	23,028	29.8
Provisions for risks and future liabilities	(2,269)	(2.5)	(1,674)	(2.2)
Deferred tax provisions	(741)	(0.8)	(627)	(0.8)
Employee benefits	(4,743)	(5.3)	(4,524)	(5.8)
Invested capital from operations	89,047	100.0	77,335	100.0
Net invested capital	89,047	100.0	77,335	100.0
Shareholders' equity	74,165	83.3	72,814	94.2
Non-current financial payables	24,119	27.1	11,864	15.3
Current financial payables	12,201	13.7	10,817	14.0
Financial payables for IFRS 16 leases (current and non-current)	2,956	3.3	-	-
Financial liabilities for derivatives (current and non-current)	283	0.3	28	0.0
Financial assets for derivatives (current and non-current)	(2)	(0.0)	(19)	(0.0)
Other non-current financial investments	(110)	(0.1)	(126)	(0.2)
Cash and cash equivalents and current financial receivables	(24,565)	(27.6)	(18,043)	(23.3)
Net debt relating to operations	14,882	16.7	4,521	5.8
Total sources of financing	89,047	100.0	77,335	100.0

Net non-current assets at 30 September 2019 were 68,641 thousand Euro, compared with 61,132 thousand Euro at 31 December 2018. This figure includes the effect of consolidation of Elettropiemme S.r.l., which leads to an overall increase in the value of this item of 1,142 thousand Euro, due to net intangible and tangible assets (worth 7 thousand Euro and 233 thousand Euro, respectively) and other fixed assets totalling 539 thousand Euro, plus additional intangible assets totalling 363 thousand Euro, determined by assessment of *Purchase Price Allocation* (PPA) in line with application of IFRS 3, details of which are given in the "Business combinations" section of the notes to the financial statements. The main changes were as follows:

- intangible assets registered an overall increase of 914 thousand Euro. The change includes increases due to capitalisation of development costs (1,741 thousand Euro), entry of intangible assets following *Purchase Price Allocation* of Elettropiemme S.r.l. (363 thousand Euro) and new investments (280 thousand Euro), as well as decreases attributable to depreciation/amortisation in the period (1,614 thousand Euro); the change in exchange rates led to an overall increase of 139 thousand Euro;
- tangible assets increased by Euro 6,397 thousand compared with 31 December 2018. Investment in the first nine months of 2019, which totalled 8,860 thousand Euro, is partially

compensated by depreciation/amortisation in the period (3,377 thousand Euro), loss of value entered (1,531 thousand Euro), and net decreases due to disposals (963 thousand Euro); this item also includes the value of rights to use of assets entered under accounting standard IFRS16 (3,788 thousand Euro) and the corresponding depreciation/amortisation (813 thousand Euro), plus net tangible assets resulting from the acquisition of Elettropiemme S.r.l. (233 thousand Euro); the change in exchange rates leads to an overall increase of 199 thousand Euro;

- other non-current assets totalled 9,999 thousand Euro at 30 September 2019 (9,801 thousand Euro at 31 December 2018), a decrease of 198 thousand Euro. This change is primarily due to deferred tax assets of the newly purchased company Elettropiemme S.r.l., totalling 536 thousand Euro, a 559 thousand Euro decrease in deferred tax assets recorded in the first nine months of 2019, and adaptation of the value of shareholdings valued at equity, positive by 206 thousand Euro.

Working capital as of 30 September 2019 totals Euro 28,159 thousand, as compared to Euro 23,028 thousand on 31 December 2018, revealing an overall increase of 5,131 thousand Euro, including 1,325 thousand Euro attributable to the acquisition of Elettropiemme S.r.l.. The main changes were as follows:

- inventories grew from 22,978 thousand Euro on 31 December 2018 to 27,167 thousand Euro on 30 September 2019; the 4,189 thousand Euro increase includes 1,097 thousand Euro pertaining to Elettropiemme S.r.l., purchased at the end of January; the increase in inventories is attributable to increased raw materials stocks and increased stocks of semi-products and finished products for fulfilling sales orders in the near future;
- Trade receivables totalled 29,117 thousand Euro, a decrease of 691 thousand Euro over 31 December 2018, and include receivables resulting from the above-mentioned acquisition totalling 1,373 thousand Euro;
- trade payables amount to 23,658 thousand Euro, an increase of 2,927 thousand Euro compared to 31 December 2018, of which 985 thousand Euro 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 nine months of 2019;
- other net assets and liabilities, negative overall by 4,467 thousand Euro as of 30 September 2019 (negative by 9,027 thousand Euro as of 31 December 2018). They include payables to employees and social security institutions and receivables and payables for direct and indirect taxes. The change over 31 December 2018, totalling 4,560 thousand Euro, primarily reflects an increase in V.A.T. credits.

Provisions for risks and future liabilities were 2,269 thousand Euro, an increase of 595 thousand Euro compared with 31 December 2018. This item includes funds for legal disputes in progress and various risks, and the change over the end of 2018 is attributable to risks and charges acquired with Elettropiemme S.r.l. totalling 697 thousand Euro.

Employee benefits total 4,743 thousand Euro, compared with a value of 4,524 thousand Euro on 31 December 2018; the takeover of Elettropiemme S.r.l. leads to an increase in this item of 334 thousand Euro, without which there would be a net decrease of 115 thousand Euro since the end of 2018.

Shareholders' equity as of 30 September 2019 amounts to 74,165 thousand Euro, compared to 72,814 thousand Euro on 31 December 2018, a 1,351 thousand Euro increase. The change was primarily a result of the net profit for the period, totalling 5,668 thousand Euro, absorbed by distribution of 4,599 thousand Euro in dividends in May 2019.

Net financial position as of 30 September 2019 is negative by 14,882 thousand Euro, which is 10,361 thousand Euro higher than at the end of 2018, when it was on the whole negative by 4,521 thousand Euro.

This change in net financial position was mainly due to positive cash flows from ordinary operations (10,327 thousand Euro), absorbed by technical investments in the period (10,881 thousand Euro), distribution of dividends (4,599 thousand Euro), the net effect of the acquisition of Elettropiemme S.r.l. (231 thousand Euro) and payment of taxes (1,152 thousand Euro). In addition to this, there is the negative effect of the application of IFRS 16, which led to a worsening of the company's net financial position (2,956 million Euro).

It breaks down as follows:

<i>(Euro / 000)</i>	30 September 2019	31 December 2018	Change
Cash and cash equivalents and current financial receivables	24,565	18,043	6,522
Current financial payables	(12,201)	(10,817)	(1,384)
Current financial payables for IFRS 16 leases	(980)	-	(980)
Current financial liabilities for derivatives	(6)	(28)	22
Current financial assets for derivatives	-	19	(19)
(Debt)/short-term cash and cash equivalents	11,378	7,217	4,161
Non-current financial payables	(24,119)	(11,864)	(12,255)
Non-current financial payables for IFRS 16 leases	(1,976)	-	(1,976)
Non-current financial liabilities for derivatives	(277)	-	(277)
Non-current financial investments for derivatives	2	-	2
Other non-current financial investments	110	126	(16)
(Debt)/medium-/long-term cash and cash equivalents	(26,260)	(11,738)	(14,522)
Net financial position	(14,882)	(4,521)	(10,361)

8. CONSOLIDATED CASH FLOW STATEMENT AT 30 SEPTEMBER 2019

The Gefran Group's **consolidated cash flow statement** at 30 September 2019 shows an increase of 6,522 thousand Euro in net change in cash at hand, compared to a decrease of 10,898 thousand Euro in the first nine months of 2018. The change was as follows:

<i>(Euro / 000)</i>	30 September 2019	30 September 2018
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	10,327	12,411
C) Cash flow generated by (used in) investment activities	(9,807)	(7,153)
D) Free cash flow (B+C)	520	5,258
E) Cash flow generated by (used in) financing activities	5,929	(15,914)
F) Cash flow from continuing operations (D+E)	6,449	(10,656)
G) Cash flow from assets held for sale	0	0
H) Exchange rate translation differences on cash at hand	73	(242)
I) Net change in cash at hand (F+G+H)	6,522	(10,898)
J) Cash and cash equivalents at the end of the period (A+I)	24,565	13,108

The cash flow from operations in the period was positive by 10,327 thousand Euro; operations in the first nine months of 2019, following elimination of the effect of provisions, depreciation/amortisation and financial items, generated 15,608 thousand Euro in cash (16,800 thousand Euro in the same period of the previous year), while the net change in other assets and liabilities in the same period absorbed 4,537 thousand Euro in funds (987 thousand Euro in the first nine months of 2018) and the increase in working capital absorbed 510 thousand Euro in funds (3,849 thousand Euro in the first nine months of 2018).

Technical investments amounted to 10,881 thousand Euro, an increase of 3,702 thousand Euro over the figure of 7,179 thousand Euro for the first nine months of 2018. Moreover, the 2019 purchase of Elettropiemme S.r.l., after subtraction of the cash thus acquired, absorbed 231 thousand Euro in resources, while sale of assets generated 1,314 thousand Euro in cash, primarily as a result of sale of the building in which the US branch is located.

Free cash flow (operative cash flow minus investment) is positive by 520 thousand Euro, as compared to a negative free cash flow of 5,258 thousand Euro as of 30 September 2018, a 4,738 thousand Euro drop primarily attributable to operations in the period and to increased investment.

Loans generated a total of 5,929 thousand Euro in cash, primarily through three new loans taken out, totalling 21,426 thousand Euro; while payment of dividends on the profits earned (4,599 thousand Euro), reimbursement of instalments of existing loans falling due (6,672 thousand Euro), a decrease in short-term financial debt (1,887 thousand Euro), payment of financial debts on leasehold contracts (851 thousand Euro) and taxes paid (1,152 thousand Euro) absorbed resources.

Financing absorbed a total of 15,914 thousand Euro in the first nine months of 2018, primarily for payment of dividends (5,040 thousand Euro), reimbursement of instalments falling due on existing

loans (6,772 thousand Euro), and payment of taxes (3,183 thousand Euro, including 1,817 thousand Euro for foreign taxes on previous years).

9. INVESTMENTS

Gross technical **investments** made in the first three months of 2019 amounted to 11,244 thousand Euro (6,875 thousand Euro as at 30 September 2018), and relate to:

- buildings belonging to foreign Group subsidiaries totalling 4,111 thousand Euro, mainly relating to the new building purchased by the US subsidiary and its adaptation in response to the specific requirements of production; 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;
- renovation of the industrial buildings housing the Group's Italian plants totalling 1,861 thousand Euro, including 1,421 thousand Euro for the Parent Company's plants, most of which was allocated to construction of a new building intended for expansion of production lines for the sensors business;
- investment of 2,430 thousand Euro in production and laboratory plant and equipment in the Group's Italian factories and 146 thousand Euro in other Group subsidiaries;
- renewal of electronic office machines and IT system equipment, amounting to 89 thousand Euro in the Parent Company and 181 thousand Euro in the Group's subsidiaries;
- miscellaneous equipment in the Group's subsidiaries amounting to 42 thousand Euro;
- capitalisation of costs incurred in the period for new product development, totalling 1,741 thousand Euro;
- entry of other intangible assets worth 363 thousand Euro linked with the purchase of Elettropiemme S.r.l. and assessment of Purchase Price Allocation (PPA);
- other investments in intangible assets totalling Euro 280 thousand, for management software licences and SAP ERP development.

The investments are summarised below by type:

<i>(Euro / 000)</i>	at 30 September 2019	at 30 September 2018
Intangible assets	2,384	1,070
Tangible assets	8,860	5,805
Total	11,244	6,875

The investments are summarised by business area below:

<i>(Euro / 000)</i>	Sensors	Automation components	Motion control	Total
Intangible assets	719	968	697	2,384
Tangible assets	6,141	1,785	934	8,860
Total	6,860	2,753	1,631	11,244

10. ASSETS HELD FOR SALE

Net profit (loss) from assets held for sale in 2019 is zero.

In the 2018 financial year, assets relating to photovoltaic business know-how were classified among the operating assets held for sale. The economic impacts specifically attributable to this business recorded in the first nine months of 2018, negative and amounting to 875 thousand Euro, relate to adjustment of 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.

Note that the results of the newly purchased Elettropiemme S.r.l. are included in figures for the automation components business line.

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

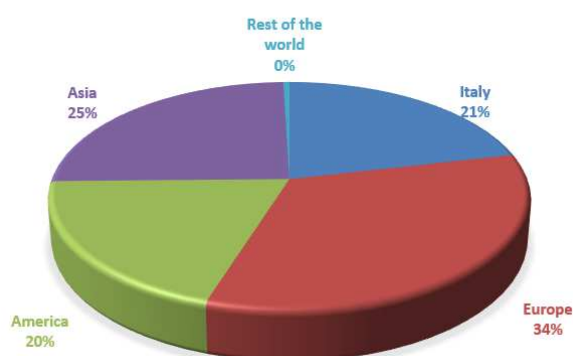
The table below shows the key economic figures.

<i>(Euro / 000)</i>	30 September 2019	30 September 2018	Changes 2019 - 2018		3Q 2019	3Q 2018	Changes 2019 - 2018	
			value	%			value	%
Revenues	45,892	47,000	(1,108)	-2.4%	14,862	14,517	345	2.4%
EBITDA	11,544	14,491	(2,947)	-20.3%	3,599	4,326	(727)	-16.8%
<i>% of revenues</i>	<i>25.2%</i>	<i>30.8%</i>			<i>24.2%</i>	<i>29.8%</i>		
EBIT	7,677	12,634	(4,957)	-39.2%	2,812	3,677	(865)	-23.5%
<i>% of revenues</i>	<i>16.7%</i>	<i>26.9%</i>			<i>18.9%</i>	<i>25.3%</i>		

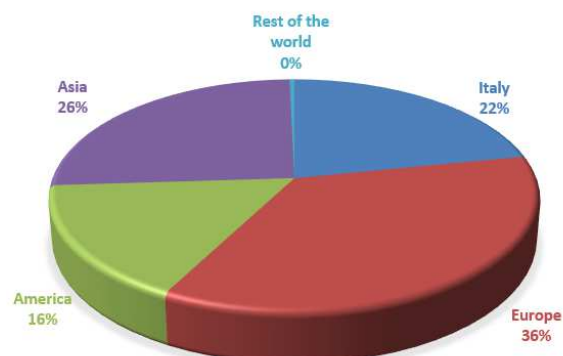
The breakdown of sensors business revenues by geographical region is as follows:

(Euro / 000)	30 September 2019		30 September 2018		Changes 2019 - 2018	
	value	%	value	%	value	%
Italy	9,817	21.4%	10,275	21.9%	(458)	-4.5%
Europe	15,385	33.5%	16,851	35.9%	(1,466)	-8.7%
America	9,083	19.8%	7,657	16.3%	1,426	18.6%
Asia	11,389	24.8%	12,044	25.6%	(655)	-5.4%
Rest of the World	218	0.5%	173	0.4%	45	26.0%
Total	45,892	100%	47,000	100%	(1,108)	-2.4%

**REVENUES SENSORS UP TO 30 SEPTEMBER
2019**



**REVENUES SENSORS UP TO 30 SEPTEMBER
2018**



Business performance

Revenues from this business line in the first nine months of 2019 total 42,892 thousand Euro, 1,108 thousand Euro (-2.4%) less than in the same period in 2018. The business has seen shrinkage of its markets in Asia (-5.4%), in Europe (-6.1%) and in Italy (-6.1%); when it comes to product lines, sales are down in the Position and Industrial Pressure Sensor lines, while sales of Mobile Hydraulic, Magnetostrictive and Melt Sensors are higher than in the previous year.

Orders received as of 30 September 2019, worth 45,603 thousand Euro, were down over the first nine months of the previous year (-2.4%), when they amounted to 46,703 thousand Euro; the order backlog as of 30 September 2019 is also down over 30 September 2018 (-5%).

In the third quarter of 2019 revenues amounted to 14,862 thousand Euro, up 2.4% over the same period in 2018, when they came to 14,517 thousand Euro.

EBITDA as of 30 September 2019 was 11,544 thousand Euro, down 2,947 thousand Euro (-20.3%) over 30 September 2018, when it was 14,491 thousand Euro. 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 nine months of 2018.

EBIT at 30 September 2019 was 7,677 thousand Euro, equal to 16.7% of revenues, compared to an EBIT of 12,634 thousand Euro as of 30 September 2018 (26.9% of revenues), a negative change of 4,957 thousand Euro (-39.2%). The reduction of the value of real estate had a negative impact on EBIT in the first nine months of 2019 equal to 1,531 thousand Euro, entered to adapt carrying value to fair value. The investment plan in the sensors business line includes expansion of production lines and requires large new spaces to support the expansion of business. The

Group originally planned to adapt an existing building, but in-depth analysis revealed that the building was incapable of guaranteeing sufficient technological and energy performance and long-term sustainability. It was therefore decided that the existing building would be demolished and a new one constructed that would be more practical and, above all, in the vanguard in terms of technology and energy efficiency. The work will be completed by the end of the current year, with the goal of being fully operational by the beginning of 2020. Capital gains totalling 332 thousand Euro were earned in the third quarter of 2019 as a result of sale of the building that housed the US branch until June, when it was moved into the larger new building that had been purchased.

Without this effect, EBIT as of 30 September 2019 would be 8,876 thousand Euro, 19.3% of revenues.

Also note that adoption of the new accounting standard IFRS16 beginning in January 2019 resulted in lower operating costs for the sensors business as a result of reversal of leasing fees (331 thousand Euro) and entry of amortisation of usage rights (313 thousand Euro).

Comparing the figures by quarter, EBIT in the third quarter of 2019 came to 2,812 thousand Euro, corresponding to 18.9% of revenues, compared with an EBIT of 3,677 thousand Euro, equal to 25.3% of revenues, in the third quarter of 2018.

Investments

The Group invested a total of 6,860 thousand Euro in the sensors business in the first nine months of 2019, including 719 thousand Euro invested in intangible assets, 595 thousand Euro of which represented research and development of new products.

Increases in tangible assets totalled 6,141 thousand Euro, including 1,895 thousand Euro in the Parent Company, primarily due to the purchase of production equipment for increasing the capacity and efficiency of its production (784 thousand Euro), and for adapting and constructing buildings (1,068 thousand Euro). Investments in the Group's subsidiaries amounted to 4,246 thousand Euro, most of which was connected with the US subsidiary's purchase of a new building for development of its business on the North American market and for increasing its productive capacity.

11.2 AUTOMATION COMPONENTS

Summary results

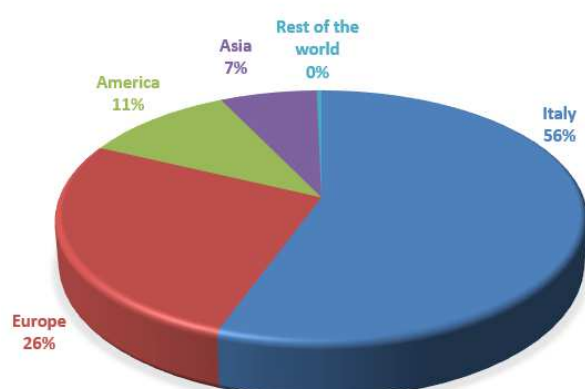
The table below shows the key economic figures.

(Euro / 000)	30 September 2019	30 September 2018	Changes 2019-2018		3Q 2019	3Q 2018	Changes 2019 - 2018	
			value	%			value	%
Revenues	32,031	28,274	3,757	13.3%	9,783	8,040	1,743	21.7%
EBITDA	3,369	2,717	652	24.0%	846	279	567	203.2%
<i>% of revenues</i>	10.5%	9.6%			8.6%	3.5%		
EBIT	1,496	1,237	259	20.9%	192	(219)	411	187.7%
<i>% of revenues</i>	4.7%	4.4%			2.0%	-2.7%		

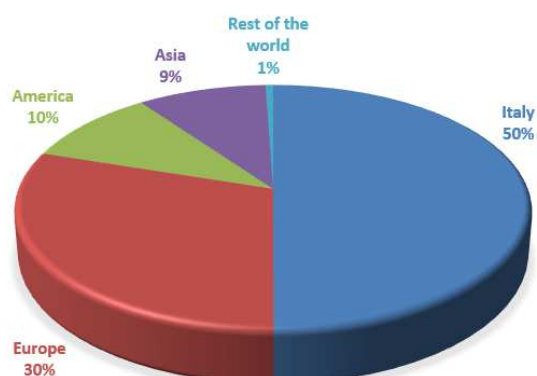
The breakdown of automation components business revenues by geographic region is as follows:

(Euro / 000)	30 September 2019		30 September 2018		Changes 2019-2018	
	value	%	value	%	value	%
Italy	17,804	55.6%	14,132	50.0%	3,672	26.0%
Europe	8,483	26.5%	8,495	30.0%	(12)	-0.1%
America	3,446	10.8%	2,840	10.0%	606	21.3%
Asia	2,190	6.8%	2,649	9.4%	(459)	-17.3%
Rest of the World	108	0.3%	158	0.6%	(50)	-31.6%
Total	32,031	100%	28,274	100%	3,757	13.3%

REVENUES AUTOMATION COMPONENTS UP TO 30 SEPTEMBER 2019



REVENUES AUTOMATION COMPONENTS UP TO 30 SEPTEMBER 2018



Business performance

Revenues totalled 32,031 thousand Euro at 30 September 2019, up 13.3% compared with the first nine months of 2018. These include revenues contributed to the business line by the newly added company Elettropiemme S.r.l., totalling 4,269 thousand Euro, without which revenues would be 27,762 thousand Euro, 512 thousand Euro lower than the first nine months of 2018. The shrinkage is limited to Italy (-4.2%) and the Asian market (-17.3%), partially compensated by good performance registered in America (+21.3%).

New orders as of 30 September 2019 totalled 28,063 thousand Euro, 14.3% higher than the figure for 30 September 2018; the order backlog, at 4,920 thousand Euro, was also higher than on 30 September 2018 (18.4%). Elettropiemme S.r.l. contributes 4,482 thousand Euro to the increase in orders collected and 1,682 thousand Euro to the order backlog in this business line.

Revenues in the third quarter of 2019 amount to 9,783 thousand Euro, 21.7% higher than in the third quarter of 2018, when they amounted to 8,040 thousand Euro. The change is a result of addition to the Group of Elettropiemme S.r.l., without which revenues in the quarter would reveal more limited growth over the corresponding period in 2018 (+4.3%).

EBITDA as of 30 September 2019 is positive by 3,369 thousand Euro (10.5% of revenues), 652 thousand Euro higher than in the first nine months of 2018 (+24%). The purchase of the company described above contributes 746 thousand Euro to EBITDA, which would have been 94 thousand Euro less than on 30 September 2018 without this acquisition. The drop is a result of shrinkage of volumes and lower added value, while operating costs were essentially aligned with those of the previous period.

EBIT as of 30 September 2019 is positive by 1,496 thousand Euro, higher than the figure for the same period in the previous year, which was 1,237 thousand Euro. The addition of Elettropiemme S.r.l. to the Group contributes 554 thousand Euro to the increase in the Group's EBIT, and without this contribution the figure as of 30 September 2019 would be 942 thousand Euro, 295 thousand Euro lower than the same period in 2018.

Also note that adoption of the new accounting standard IFRS16 beginning in January 2019 resulted in lower operating costs for the automation components business as a result of reversal of leasing fees (321 thousand Euro) and entry of amortisation of usage rights (310 thousand Euro).

Comparison by quarters reveals that EBIT was positive in the third quarter of 2019 by 192 thousand Euro. This may be compared with a negative EBIT of 219 thousand Euro in the third quarter of 2018. Without taking into account the effect generated by the addition of Elettropiemme S.r.l. to the Group, EBIT for the quarter would be negative by 96 thousand Euro, an improvement over the figure for the second quarter of 2018, when it was negative by 123 thousand Euro.

Investments

Investments as of 30 September 2019 totalled 2,753 thousand Euro. 968 thousand Euro of these represented investments in intangible assets, including 488 thousand Euro in capitalisation of development costs pertaining to the new range of regulators and power controllers and 363 thousand Euro following the acquisition of Elettropiemme S.r.l., linked with entry of other intangible assets as determined by assessment of Purchase Price Allocation (PPA), details of which are reported in the section entitled "*Business combinations*" in the notes to the financial statements.

Investment in tangible assets totalled 1,785 thousand Euro, including 1,700 thousand Euro invested in Italian plants, destined primarily for renewal of machinery and equipment used in production lines (1,029 thousand Euro) and adaptation of buildings (613 thousand Euro).

11.3 MOTION CONTROL

Summary results

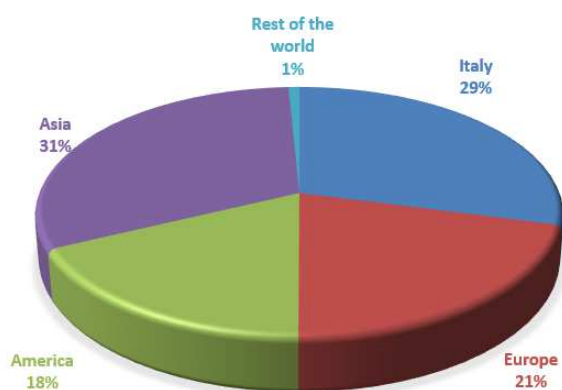
The table below shows the key economic figures.

(Euro / 000)	30		Changes		3Q 2019	3Q 2018	Changes	
	September	September	2019-2018				2019 - 2018	
	2019	2018	value	%			value	%
Revenues	31,383	30,073	1,310	4.4%	9,662	9,551	111	1.2%
EBITDA	150	(1,779)	1,929	108.4%	(117)	(386)	269	69.7%
<i>% of revenues</i>	<i>0.5%</i>	<i>-5.9%</i>			<i>-1.2%</i>	<i>-4.0%</i>		
EBIT	(1,445)	(3,143)	1,698	54.0%	(652)	(852)	200	23.5%
<i>% of revenues</i>	<i>-4.6%</i>	<i>-10.5%</i>			<i>-6.7%</i>	<i>-8.9%</i>		

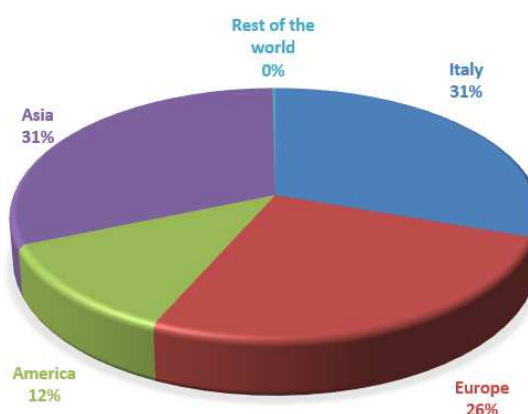
The breakdown of motion control business revenues by geographic region is as follows:

(Euro / 000)	30 September 2019		30 September 2018		Changes 2019-2018	
	value	%	value	%	value	%
Italy	9,122	29.1%	9,136	30.4%	(14)	-0.2%
Europe	6,585	21.0%	7,894	26.2%	(1,309)	-16.6%
America	5,592	17.8%	3,618	12.0%	1,974	54.6%
Asia	9,842	31.4%	9,360	31.1%	482	5.1%
Rest of the World	242	0.8%	65	0.2%	177	272.3%
Total	31,383	100%	30,073	100%	1,310	4.4%

**REVENUES DRIVE AND MOTION UP TO
30 SEPTEMBER 2019**



**REVENUES DRIVE AND MOTION UP TO
30 SEPTEMBER 2018**



Business performance

Revenues in the first nine months of 2019 amount to 31,383 thousand Euro, 1,310 thousand Euro higher (+4.4%) than the same period in 2018. Growth was concentrated in America (+54.6%) and Asia (+5.1%), mainly thanks to products for industrial applications and custom orders. Sales in Europe dropped (-16.6%).

Orders received as of 30 September 2019 amount to 31,825 thousand Euro, and, in comparison with the same period in the previous year, are down by 5.7%, primarily in Italy and Europe.

In the third quarter of 2019 revenues totalled 9,662 thousand Euro, higher than in the same period in 2018 (+1.2%), when they totalled 9,551 thousand Euro.

EBITDA at 30 September 2019 was positive at 150 thousand Euro (0.5% of revenues). This may be compared with a negative figure of 1,779 thousand Euro for the previous year (-5.9% of revenues). An increase in sales volumes, lower provisions for impairment of inventory and improved margins achieved contributed to the improvement in EBITDA compared to the previous period.

EBIT as of 30 September 2019 is negative by 1,445 thousand Euro, as compared to a negative EBIT of 3,143 thousand Euro for the same period in the previous year, an improvement of 1,698 thousand Euro. Growth is generated by increased sales volumes and lower provisions for impairment of inventory and to the product warranty fund.

Also note that adoption of the new accounting standard IFRS16 beginning in January 2019 resulted in lower operating costs for the motion control business as a result of reversal of leasing fees (199 thousand Euro) and entry of amortisation of usage rights (190 thousand Euro).

In the comparison by quarters, the EBIT of the motion control business for the third quarter of 2019 is negative by Euro 652 thousand (-6.7% of revenues), compared with an EBIT in the same period in 2018 which was negative by Euro 852 thousand (-8.9% of revenues), an improvement of Euro 200 thousand.

Investments

Investments in the first nine months of 2019 total 1,631 thousand Euro, including 934 thousand Euro in investment in tangible and dedicated assets primarily connected with renewal of production equipment and improvement of the efficiency of production (607 thousand Euro), as well as adaptation of the Gerenzano building (180 thousand Euro).

Increases in intangible assets amounted to 697 thousand Euro and concerned the capitalisation of development costs (658 thousand Euro) relating to new products for the industrial sector and the lifting sector.

12. HUMAN RESOURCES

At 30 September 2019 the Group's workforce numbered 836, an increase of 65 over the end of 2018 and of 62 compared with 30 September 2018.

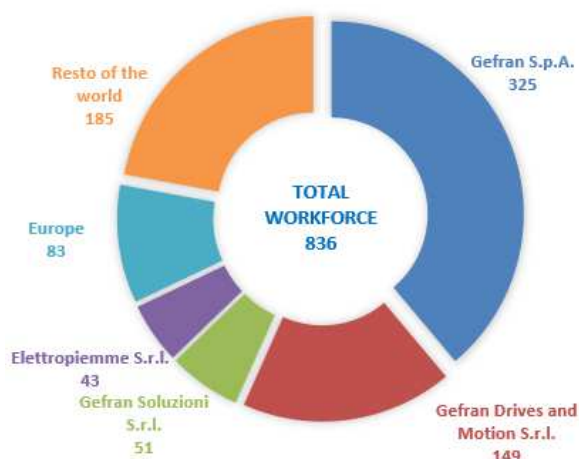
It should be noted that the figures relating to personnel changes in the first half shown above include the effect of the entry into the Group of the newly acquired Elettropiemme S.r.l., which at the time of the acquisition had a workforce of 41 employees, 31 of whom were manual workers while 10 were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

The variation represents an overall Group employee turnover rate of 21.5%, or 16.8% if the effect of the acquisition described above is not taken into account.

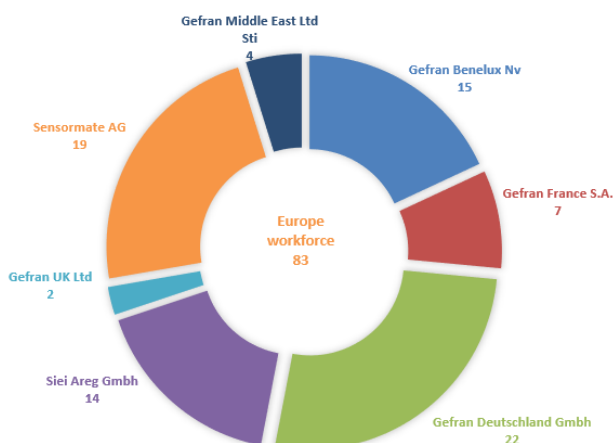
Changes in the first nine months of 2019 were as follows:

- Elettropiemme S.r.l. brought 41 new people into the group, including 31 manual workers and 10 clerical staff;
- 78 people joined the Group, including 26 manual workers, 51 clerical staff and 1 manager;
- 54 people left the Group, including 20 manual workers and 34 clerical staff.

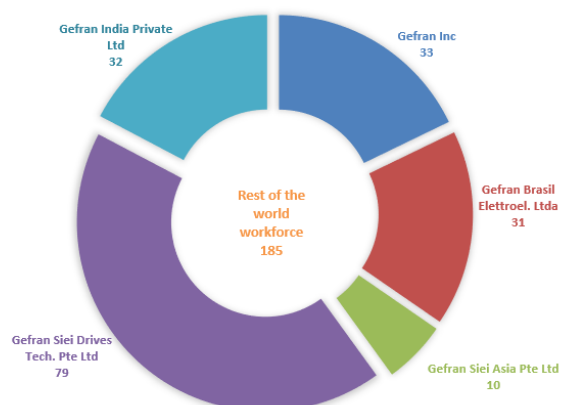
WORKFORCE AT 30 SEPTEMBER 2019



EUROPE WORKFORCE AT 30 SEPTEMBER 2019



REST OF THE WORLD WORKFORCE AT 30 SEPTEMBER 2019



13. SIGNIFICANT EVENTS IN THE THIRD QUARTER OF 2019

Nothing to report

14. SIGNIFICANT EVENTS FOLLOWING THE END OF THE THIRD QUARTER OF 2019

Nothing to report

15. OUTLOOK

The international macroeconomic outlook sees a slowdown of global economic activity which was already evident in the last part of 2018 and continued in 2019. This is the result of a combination of factors which also have an impact on growth prospects: slowdown of investment and demand for consumer goods in both the advanced and emerging economies, continued risks linked with tension in international trade negotiations and a consequent slowdown of business in China. On the financial scene, deterioration of growth prospects and the propensity of the principal central banks to reduce interest rates have compromised long-term performance in the advanced economies.

The International Monetary Fund revised its forecasts for world economic growth in 2019 downward in the month of October, from 3.3% to 3%, while the forecast for 2020 announced in July was reduced from 3.5% to 3.4%.

A slowdown in growth is expected in the Euro area, estimated at 1.2% in 2019, settling at 1.4% in 2020 (0.2 percentage point higher than the July estimates). In this context, the International Monetary Fund emphasises that growth is negatively impacted by a number of economies, including Germany, France and Italy: weak foreign and domestic demand, with a negative impact on investment, and uncertain fiscal prospects are the negative factors identified.

Italy's prospects for growth in 2019 have also been revised downwards, to 0% and 0.5% for the year 2020. This shrinkage is the result of the negative trend in household consumption, limited tax incentives and an uncertain global scenario.

Revenues in the third quarter registered an improvement over the same period in 2018, thanks in part to Elettropiemme's contribution. Though signals of uncertainty remain, primarily in Europe and Asia, we expect to see improvement in the fourth quarter, especially in the motion control business. For these reasons, the Group confirms its original forecast and expects to close the year 2019 with higher revenues than 2018 and profit margins in line with those of the previous year.

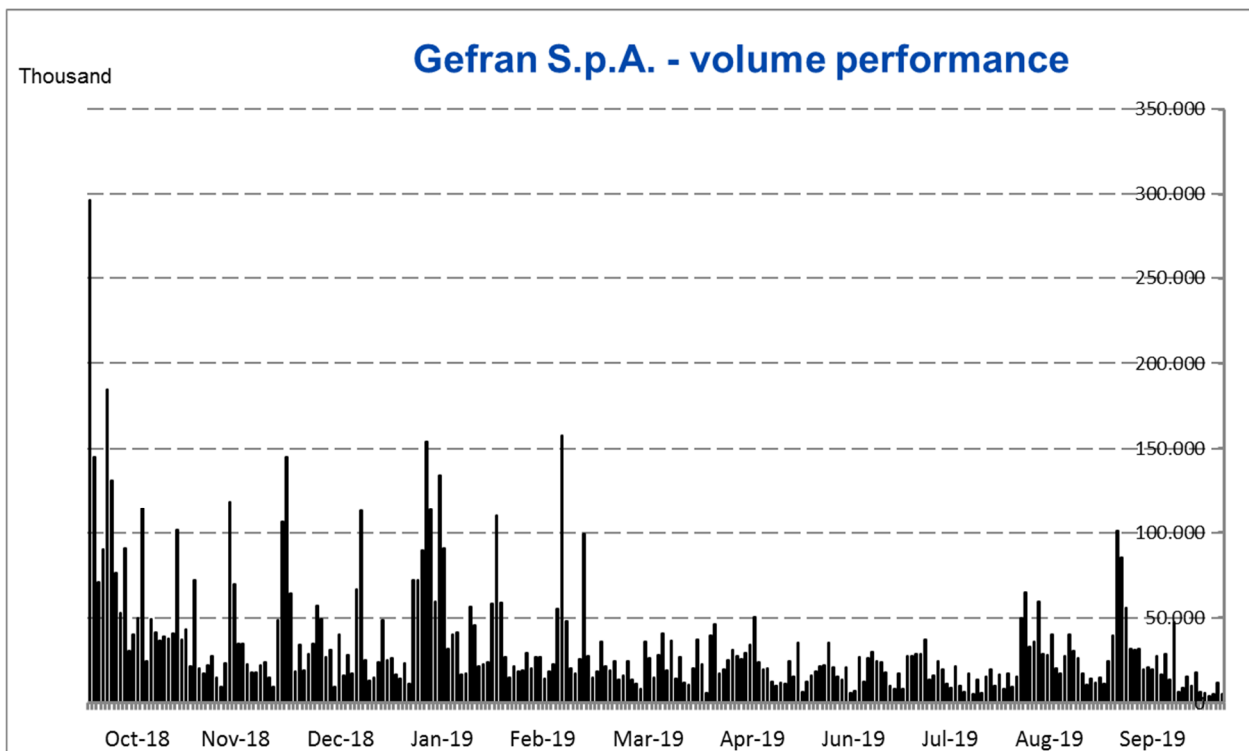
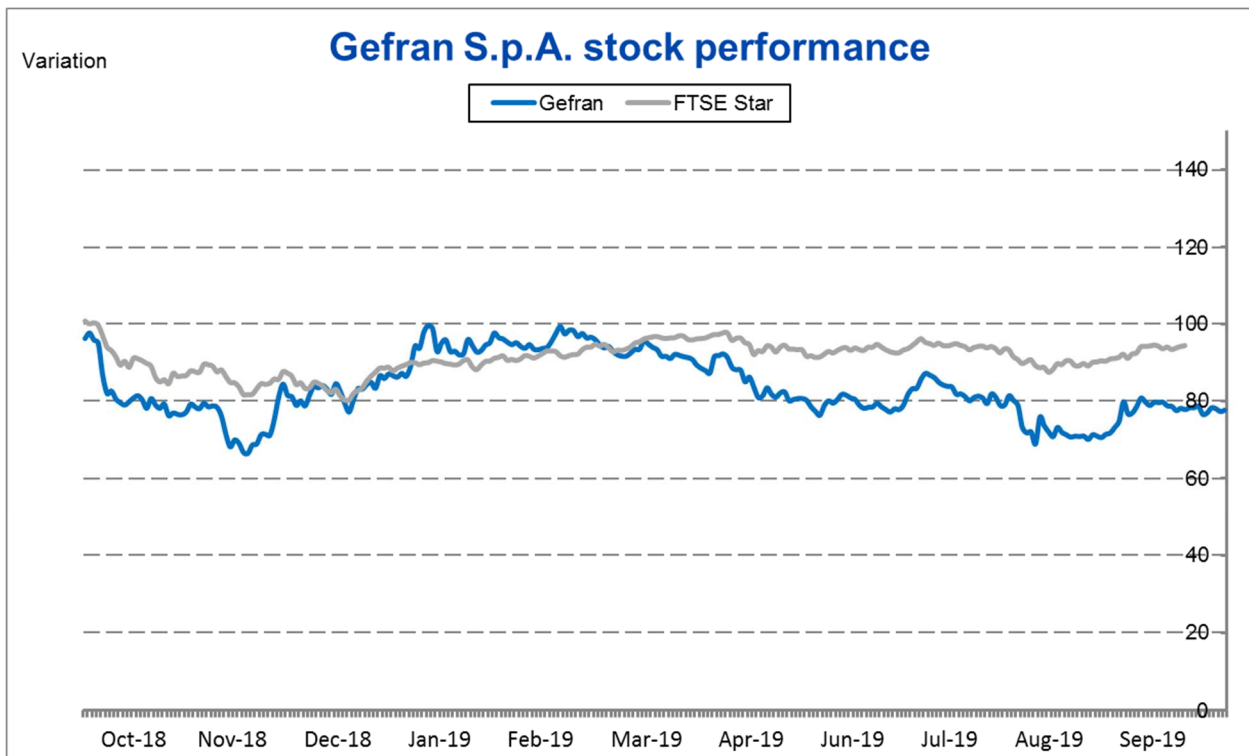
16. SHARES AND STOCK PERFORMANCE

As of 30 September 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 nine 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:



17. DEALINGS WITH RELATED PARTIES

In accordance with IAS 24, information relating to Group companies' dealings with related parties for the first nine months of 2019 and the same period in 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 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, Bylaws, regulations and procedures](https://www.gefran.com/it/governance,Bylaws,regulationsandprocedures) 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 dealings with related parties are listed below. These dealings have no material impact on the Group's economic and financial structure. They are summarised in the following tables:

(Euro / 000)	Elettropiemme S.r.l. (*)	Climat S.r.l.	B. T. Schlaepfer	Total
Revenues from product sales				
2018	46	-	-	46
2019	-	-	-	-
Service costs				
2018	(53)	(206)	-	(259)
2019	-	(117)	(52)	(169)

(Euro / 000)	Elettropiemme S.r.l. (*)	Climat S.r.l.	B. T. Schlaepfer	Total
Property, plant, machinery and tools				
2018	-	919	-	919
2019	-	370	-	370
Trade receivables				
2018	-	-	-	-
2019	-	-	-	-
Trade payables				
2018	19	294	-	313
2019	-	112	-	112

(*) Elettropiemme S.r.l. joined the Gefran Group on 23.01.2019 as a subsidiary of Gefran Soluzioni S.r.l.; only items pertaining to the first nine months of 2018 are therefore shown.

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

In relations with its subsidiaries, the Parent Company Gefran S.p.A. has provided technical and administrative/management services and paid royalties on behalf of the Group's operative subsidiaries totalling 2.6 million Euro under specific contracts (1.9 million Euro as of 30 September 2018).

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 obligation 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 30 September 2019 was approved, and its publication was authorised, by the Board of Directors on 13 November 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 30 September 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 30 September 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 nine 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, the functional currency of most Group companies. Unless otherwise stated, all amounts are expressed in thousands of Euro.

Change in the scope of consolidation

The scope of consolidation at 30 September 2019 differed from that at 30 September 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..

Consolidation principles and valuation criteria

The valuation criteria adopted for the preparation of these interim financial statements as at 30 September 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).

190 contracts in place as of 1 January were analysed; 119 of these fall within the scope of application of IFRS 16 starting on 1 January 2019 and are included in the initial assessment shown below, performed by applying the spot exchange rates in effect as of 31 December 2018. 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.

As of 30 September 2019 there were 188 active contracts 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 156 of these are subject to application of IFRS 16; of the 32 contracts excluded from the scope of application, 25 contracts had a duration of less than 12 months, while for the remaining 7 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 value of "*Usage rights*" calculated as of 1 January 2019 is Euro 2,254 thousand, while as of 30 September 2019 it amounted to Euro 3,737 thousand, and may be broken down as follows:

<i>(Euro / 000)</i>	1 January 2019	30 September 2019
Real estate	1,121	2,230
Vehicles	1,011	1,369
Machinery and equipment	122	138
Total	2,254	3,737

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

(Euro / 000)	1 January 2019	30 September 2019
Non-current financial payables for IFRS 16 leases	1,035	1,976
Current financial payables for IFRS 16 leases	1,219	980
Total	2,254	2,956

As for the economic impact of application of the new accounting standard, the item “*Amortisation of usage rights*” amounts to 813 thousand Euro as of 30 September 2019, and may be broken down as follows:

(Euro / 000)	30 September 2019
Real estate	420
Vehicles	352
Machinery and equipment	41
Total	813

“*Service costs*”, which included all leasing and rental fees until 2018, decreased by a total of 850 thousand Euro.

(Euro / 000)	30 September 2019
Real estate	(441)
Vehicles	(368)
Machinery and equipment	(41)
Total	(850)

“*Losses from financial liabilities*” includes the more specific item “*Interest on financial debts for leasing under IFRS 16*”, which amounts to a total of 28 thousand Euro as of 30 September 2019.

Finally, capital gains of 1 thousand Euro had been earned as a result of advance termination of a number of contracts as of 30 September 2019, included under the item “*Other operating income*”

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

(Euro / 000)	Consolidated 1 January 2019	Initial assessment under IFRS 16	Consolidated 1 January 2019 with IFRS16	Impact IFRS 16 30 September 2019
NON-CURRENT ASSETS				
Goodwill	5,868		5,868	
Intangible assets	6,508		6,508	
Property, plant, machinery and tools	38,955		38,955	
<i>of which related parties:</i>	919		919	
Usage rights	-	2,254	2,254	2,966
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 investments for derivatives	-		-	
Other non-current financial investments	126		126	
TOTAL NON-CURRENT ASSETS	61,258	2,254	63,512	2,966
CURRENT ASSETS				
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	
Current financial assets for derivatives	19		19	
TOTAL CURRENT ASSETS	75,919	-	75,919	-
TOTAL ASSETS	137,177	2,254	139,431	2,966
SHAREHOLDERS' EQUITY				
Share capital	14,400		14,400	
Reserves	50,263		50,263	
Profit/(loss) for the year	8,151		8,151	10
Total Group Shareholders' Equity	72,814	-	72,814	10
Shareholders' equity of minority interests	-		-	
TOTAL SHAREHOLDERS' EQUITY	72,814	-	72,814	10
NON-CURRENT LIABILITIES				
Non-current financial payables	11,864		11,864	
Non-current financial payables for IFRS 16 leases	-	1,219	1,219	1,976
Non-current financial liabilities for derivatives	-		-	
Employee benefits	4,524		4,524	
Non-current provisions	250		250	
Deferred tax provisions	627		627	
TOTAL NON-CURRENT LIABILITIES	17,265	1,219	18,484	1,976
CURRENT LIABILITIES				
Current financial payables	10,817		10,817	
Current financial payables for IFRS 16 leases	-	1,035	1,035	980
Trade payables	20,731		20,731	
<i>of which related parties:</i>	313		313	
Current 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	
TOTAL CURRENT LIABILITIES	47,098	1,035	48,133	980
TOTAL LIABILITIES	64,363	2,254	66,617	2,956
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	137,177	2,254	139,431	2,966

Consolidated statement of profit/(loss) for the year

(Euro / 000)	30 September 2019	estimate								
		total 2019	2020	2021	2022	2023	2024	2025	2026	
Revenues from product sales										
<i>of which related parties:</i>										
Other revenues and income										
Increases for internal work										
TOTAL REVENUES	-	-	-	-	-	-	-	-	-	-
Change in inventories										
Costs of raw materials and accessories										
Service costs	850	873	663	386	234	86	33	33		-
<i>of which related parties:</i>										
Miscellaneous management costs										
Other operating income	1									
Personnel costs										
Impairment/reversal of trade and other receivables										
Amortisation										
Depreciation										
Amortisation of usage rights for assets	(813)	(836)	(663)	(375)	(227)	(83)	(31)	(31)		(6)
EBIT	38	37	(1)	11	7	3	2	2		(6)
Gains from financial assets										
Losses from financial liabilities	(28)	(26)	(15)	(7)	(3)	(1)	(1)	(0)		(0)
(Losses) gains from shareholdings valued at equity										
PROFIT (LOSS) BEFORE TAX	10	11	(16)	4	4	2	1	1		(7)
Current taxes										
Deferred tax assets and liabilities										
TOTAL TAXES	-	-	-	-	-	-	-	-		-
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	10	11	(16)	4	4	2	1	1		(7)
Net profit (loss) from assets held for sale										
NET PROFIT (LOSS) FOR THE YEAR	10	11	(16)	4	4	2	1	1		(7)

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 900 thousand Euro, 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..

(Euro / 000)	23 January 2019
Financial outlay for the acquisition	900
Cash present in the acquired company	669
Negative cash flow from acquisition	231

Net assets acquired amount to 537 thousand Euro, and may be broken down as follows:

<i>(Euro / 000)</i>	23 January 2019
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)
Net value acquired	537

This determines the greater value paid, equal to 363 thousand Euro, leading to a consolidation difference:

<i>(Euro /000)</i>	23 January 2019
Acquisition value (A)	900
Fair value of net assets acquired (B)	537
Greater value paid (AB)	363

In the second quarter of 2019 Purchase Price Allocation (“PPA”) was completed by an independent company. The results were approved by the Gefran S.p.A. Board of Directors, which presented its assessment and the theories underlying it. Details of the Purchase Price Allocation are summed up in the table below:

<i>(Euro / 000)</i>	from PPA
Greater value paid	363
Customer relations	363
Total non-current assets allocated	363
Goodwill	0

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

This item exclusively comprises assets with a finite life, and increased from 6,508 thousand Euro on 31 December 2018 to 7,289 thousand Euro on 30 September 2019. The changes during the period are shown below:

Historical cost	31 December 2018	Increase s	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2019
<i>(Euro / 000)</i>							
Development costs	17,871	426	-	373	-	-	18,670
Intellectual property rights	7,099	115	-	51	147	8	7,420
Assets in progress and payments on account	1,647	1,451	-	(532)	-	-	2,566
Other assets	9,634	392	-	106	111	7	10,250
Total	36,251	2,384	-	(2)	258	15	38,906

Accumulated depreciation	31 December 2018	Increase s	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2019
<i>(Euro / 000)</i>							
Development costs	15,019	1,015	-	-	-	-	16,034
Intellectual property rights	6,333	239	-	18	147	6	6,743
Other assets	8,391	360	-	(18)	104	3	8,840
Total	29,743	1,614	-	-	251	9	31,617

Net value	31 December 2018	30 September 2019	Change
<i>(Euro / 000)</i>			
Development costs	2,852	2,636	(216)
Intellectual property rights	766	677	(89)
Assets in progress and payments on account	1,647	2,566	919
Other assets	1,243	1,410	167
Total	6,508	7,289	781

This is the table of changes in the first nine months of 2018:

Historical cost	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	30 September 2018
<i>(Euro / 000)</i>						
Development costs	17,760	-	-	-	-	17,760
Intellectual property rights	6,787	140	(17)	83	(19)	6,974
Assets in progress and payments on account	372	927	(18)	(131)	-	1,150
Other assets	9,384	3	-	86	(9)	9,464
Total	34,303	1,070	(35)	38	(28)	35,348

Accumulated depreciation	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	30 September 2018
<i>(Euro / 000)</i>						
Development costs	13,489	1,141	-	(13)	-	14,617
Intellectual property rights	6,032	242	(17)	-	(14)	6,243
Other assets	7,930	376	-	13	-	8,319
Total	27,451	1,759	(17)	-	(14)	29,179

Net value	31 December 2017	30 September 2018	Changes
<i>(Euro / 000)</i>			
Development costs	4,271	3,143	(1,128)
Intellectual property rights	755	731	(24)
Assets in progress and payments on account	372	1,150	778
Other assets	1,454	1,145	(309)
Total	6,852	6,169	(683)

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

- 808 thousand Euro relating to new lines for mobile hydraulics, melt sensors, pressure transducers (KS) and contactless linear position transducers (MK–IK, RK and WP– RK);
- 1,199 thousand Euro for component lines for the new range of regulators and static units, GF Project VX, G Cube Performa and G Cube Fit;
- 629 thousand Euro relating to the new range of lift inverters.

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

Intellectual property rights 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 2,161 thousand Euro in development costs, 487 thousand Euro of which pertain to the automation components business, 451 thousand Euro to the sensors business and 1,223 thousand Euro 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** almost entirely represents costs incurred by the Parent Company Gefran S.p.A. to implement ERP SAP/R3, Business Intelligence (BW), Customer Relationship

Management (CRM) and management software in previous years and in the current year. These assets have a useful life of five years.

The increases in the historic value of “*Intangible assets*”, worth 2,384 thousand Euro in the first nine months of 2019, include 1,766 thousand Euro linked with capitalisation of internal costs (equal to 738 thousand Euro in the same period in the previous year).

Property, plant, machinery and tools

This item increased from 38,955 thousand Euro on 31 December 2018 to 42,386 thousand Euro on 30 September 2019. The changes are shown in the table below:

Historical cost	31 December 2018	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2019
<i>(Euro / 000)</i>							
Land	4,514	605	(245)	-	-	24	4,898
Industrial buildings	41,041	3,531	(2,740)	476	235	164	42,707
Plant and machinery	40,008	2,295	(391)	1,577	10	115	43,614
Industrial and commercial equipment	19,277	403	(176)	82	163	11	19,760
Other assets	6,958	305	(343)	35	325	60	7,340
Assets in progress and payments on account	2,131	1,721	-	(2,168)	-	9	1,693
Total	113,929	8,860	(3,895)	2	733	383	120,012

Accumulated depreciation	31 December 2018	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2019
<i>(Euro / 000)</i>							
Industrial buildings	19,953	959	(507)	-	132	22	20,559
Plant and machinery	31,507	1,596	(383)	35	10	95	32,860
Industrial and commercial equipment	17,899	508	(175)	-	125	11	18,368
Other assets	5,615	314	(336)	(35)	234	47	5,839
Total	74,974	3,377	(1,401)	-	501	175	77,626

Net value	31 December 2018	30 September 2019	Change
<i>(Euro / 000)</i>			
Land	4,514	4,898	384
Industrial buildings	21,088	22,148	1,060
Plant and machinery	8,501	10,754	2,253
Industrial and commercial equipment	1,378	1,392	14
Other assets	1,343	1,501	158
Assets in progress and payments on account	2,131	1,693	(438)
Total	38,955	42,386	3,431

Below is the table showing changes in the first nine months of 2018:

Historical cost	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	30 September 2018
<i>(Euro / 000)</i>						
Land	4,503	-	-	-	8	4,511
Industrial buildings	39,541	1,457	-	24	(47)	40,974
Plant and machinery	37,825	1,685	(1,723)	1,585	(118)	39,253
Industrial and commercial equipment	19,764	420	(1,276)	214	(22)	19,100
Other assets	7,858	656	(1,169)	39	(32)	7,351
Assets in progress and payments on account	1,940	1,587	-	(1,900)	(4)	1,623
Total	111,431	5,805	(4,168)	(38)	(215)	112,812

Accumulated depreciation	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	30 September 2018
<i>(Euro / 000)</i>						
Industrial buildings	19,000	759	-	-	(17)	19,741
Plant and machinery	31,463	1,349	(1,708)	-	(78)	31,027
Industrial and commercial equipment	18,443	579	(1,276)	-	(19)	17,727
Other assets	6,962	255	(1,165)	-	(14)	6,038
Total	75,868	2,942	(4,149)	-	(128)	74,533

Net value	31 December 2017	30 September 2018	Changes
<i>(Euro / 000)</i>			
Land	4,503	4,511	8
Industrial buildings	20,541	21,233	692
Plant and machinery	6,362	8,226	1,864
Industrial and commercial equipment	1,321	1,373	52
Other assets	896	1,313	417
Assets in progress and payments on account	1,940	1,623	(317)
Total	35,563	38,279	2,716

It should be noted that during the first nine months of 2019 write-downs were made for losses in value on buildings totalling 1,531 thousand Euro, 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 208 thousand Euro. The addition to the Group of Elettropiemme S.r.l. leads to an increase in gross tangible assets of 733 thousand Euro (a net increase of 232 thousand Euro), as shown in the “Change scope of consolidation” column.

The most significant changes in the first nine months of 2019 were:

- investment of Euro 2,430 thousand in production plant and equipment in the Group's Italian plants, and of Euro 146 thousand in other subsidiaries;
- investment in adaptation of the industrial buildings in the Group's Italian plants totalling about 1,861 thousand Euro and 4,111 thousand Euro in foreign subsidiaries, primarily pertaining to the purchase of a new building in the US branch;
- investment in renewal of the pool of electronic office machines and IT systems 269.

The increases in the historic value of *“Buildings, plant and machinery and equipment”*, worth 8,860 thousand Euro in the first nine months of 2019, include 69 thousand Euro linked with capitalisation of internal costs (equal to 161 thousand Euro as of 30 September 2018).

Usage rights

This item refers to the recording of the value of the assets covered by the lease contracts, according to the accounting standard IFRS16. 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 “Usage rights” as of 30 September 2019 amounts to 2,966 thousand Euro, and shows the following changes:

Historical cost	31 Decem . 2018	Assess. 1 Jan 2019	Incr.	Decr.	Reclass .	Change in scope of consolidation	Eff. of exchange rates	30 Septem . 2019
<i>(Euro / 000)</i>								
Real estate	-	1,121	847	(294)	-	557	(1)	2,230
Vehicles	-	1,011	370	(7)	-	-	(5)	1,369
Electronic office machines	-	-	-	-	-	-	-	-
Machinery and equipment	-	122	16	-	-	-	-	138
Total	-	2,254	1,233	(301)	-	557	(6)	3,737
Amortisation/depreciation fund	31 Decem . 2018	Assess. 1 Jan 2019	Incr.	Decr.	Reclass .	Change in scope of consolidation	Eff. of exchange rates	30 Septem . 2019
<i>(Euro / 000)</i>								
Real estate	-	-	420	(44)	-	-	3	379
Vehicles	-	-	352	(1)	-	-	-	351
Electronic office machines	-	-	-	-	-	-	-	-
Machinery and equipment	-	-	41	-	-	-	-	41
Total	-	-	813	(45)	-	-	3	771

Net value	31 Decembe r 2018	30 Septembe r 2019	Change
<i>(Euro / 000)</i>			
Real estate	-	1,851	1,851
Vehicles	-	1,018	1,018
Electronic office machines	-	-	-
Machinery and equipment	-	97	97
Total	-	2,966	2,966

Net working capital

Net working capital totals 32,626 thousand Euro, compared to 32,055 thousand Euro on 31 December 2018, and breaks down as follows:

<i>(Euro / 000)</i>	30 September 2019	31 December 2018	Change
Inventories	27,167	22,978	4,189
Trade receivables	29,117	29,808	(691)
Trade payables	(23,658)	(20,731)	(2,927)
Net amount	32,626	32,055	571

The value of **inventories** as of 30 September 2019 is equal to 27,167 thousand Euro, up by 4,189 thousand Euro over 31 December 2018. The balance breaks down as follows:

<i>(Euro / 000)</i>	30 September 2019	31 December 2018	Change
Raw materials, consumables and supplies	15,108	13,648	1,460
<i>provision for impairment of raw materials</i>	<i>(3,299)</i>	<i>(2,903)</i>	<i>(396)</i>
Work in progress and semi-finished products	9,424	7,598	1,826
<i>Provision for impairment of work in progress</i>	<i>(1,062)</i>	<i>(710)</i>	<i>(352)</i>
Finished products and goods for resale	8,742	6,944	1,798
<i>Provision for impairment of finished products</i>	<i>(1,746)</i>	<i>(1,599)</i>	<i>(147)</i>
Total	27,167	22,978	4,189

The acquisition of Elettropiemme S.r.l., for a net value of 1,097 thousand Euro, consisting of gross inventories of 1,298 thousand Euro and the related provision for obsolescence and slow-moving stocks of 201 thousand Euro, contributes to the increase in inventories. If this effect is not taken into consideration, the increase in inventories amounts to 3,092 thousand Euro, attributable to increased raw material stocks and an increase in semi-products and finished products to better respond to customers' requirements.

Excluding the effect described above relating to the acquisition of Elettropiemme S.r.l., the economic impact of the increased inventories amounts to 2,901 thousand Euro, as the average exchange rate for the year is used for the economic recording of events.

The provision for obsolescence and slow moving inventories was adjusted according to need in the first nine months of 2019 through specific provisions totalling 1,117 thousand Euro (as compared to 1,830 thousand Euro in the same period in 2018). Movement in the provision in the first nine months of 2019 is shown below:

<i>(Euro / 000)</i>	31 December 2018	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	30 September 2019
Provision for impairment of inventory	5,212	1,117	(425)	(39)	201	41	6,107

Changes in the provision at 30 September 2018 were by contrast as follows:

<i>(Euro / 000)</i>	31 December 2017	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	30 September 2018
Provision for impairment of inventory	7,039	1,830	(3,182)	(96)	-	(98)	5,493

Trade receivables as of 30 September 2019 amount to 29,117 thousand Euro, compared to 29,808 thousand Euro on 31 December 2018, a 691 thousand Euro increase.

<i>(Euro / 000)</i>	30 September 2019	31 December 2018	Change
Receivables from customers	31,543	32,214	(671)
<i>Provision for doubtful receivables</i>	<i>(2,426)</i>	<i>(2,406)</i>	<i>(20)</i>
Net amount	29,117	29,808	(691)

This includes receivables subject to recourse factoring which the Parent Company has transferred to a leading factoring company for a total amount of 13 thousand Euro (24 thousand Euro as of 30 September 2018).

Receivables were adjusted to their estimated realisable value through a specific provision for doubtful receivables, calculated on the basis of an examination of individual debtor positions and taking into account past experience in each specific line of business and geographical region, as required by IFRS 9. The provision as at 30 September 2019 represents a prudential estimate of the current risk, and registered the following changes:

<i>(Euro / 000)</i>	31 December 2018	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	30 September 2019
Provision for doubtful receivables	2,406	161	(34)	(272)	149	16	2,426

Below is the table showing changes in the provision in the first nine months of 2018:

<i>(Euro / 000)</i>	31 December 2017	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	30 September 2018
Provision for doubtful receivables	2,902	347	(322)	(310)	0	(61)	2,556

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 23,658 thousand Euro, compared with 20,731 thousand Euro as of 31 December 2018.

It breaks down as follows:

<i>(Euro / 000)</i>	30 September 2019	31 December 2018	Change
Payables to suppliers	19,411	16,793	2,618
Payables to suppliers for invoices to be received	3,754	3,544	210
Payments on account received from customers	493	394	99
Total	23,658	20,731	2,927

The increase in trade payables is attributable to investments in the first nine months of 2019 and the increase in materials for inventory, as well as the effect of acquisition of Elettropiemme S.r.l., as described above.

Net financial position

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

<i>(Euro / 000)</i>	30 September 2019	31 December 2018	Change
Cash and cash equivalents and current financial receivables	24,565	18,043	6,522
Financial investments for derivatives	2	19	(17)
Other non-current financial investments	110	126	(16)
Non-current financial payables	(24,119)	(11,864)	(12,255)
Non-current financial payables for IFRS 16 leases	(1,976)	-	(1,976)
Current financial payables	(12,201)	(10,817)	(1,384)
Current financial payables for IFRS 16 leases	(980)	-	(980)
Financial liabilities for derivatives	(283)	(28)	(255)
Total	(14,882)	(4,521)	(10,361)

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

(Euro / 000)	30 September 2019	31 December 2018	Change
A. Cash on hand	32	26	6
B. Cash in bank deposits	24,533	18,017	6,516
D. Cash and cash equivalents (A) + (B)	24,565	18,043	6,522
Current financial liabilities for derivatives	(6)	(28)	22
Current financial assets for derivatives	-	19	(19)
E. Fair value current hedging derivatives	(6)	(9)	3
F. Current portion of long-term debt	(10,295)	(7,069)	(3,226)
G. Other current financial payables	(2,886)	(3,748)	862
H. Total current financial payables (F+G)	(13,181)	(10,817)	(2,364)
I. Total current payables (E+H)	(13,187)	(10,826)	(2,361)
J. Net current financial debt (I) + (D)	11,378	7,217	4,161
Non-current financial liabilities for derivatives	(277)	-	(277)
Non-current financial investments for derivatives	2	-	2
E. Fair value non-current hedging derivatives	(275)	-	(275)
L. Non-current financial debt	(26,095)	(11,864)	(14,231)
M. Other non-current financial investments	110	126	(16)
N. Net non-current financial debt (K) + (L) + (M)	(26,260)	(11,738)	(14,522)
O. Net financial debt (J) + (N)	(14,882)	(4,521)	(10,361)
<i>of which to minorities:</i>	<i>(14,882)</i>	<i>(4,521)</i>	<i>(10,361)</i>

Net financial position as of 30 September 2019 is negative by 14,882 thousand Euro, which is 10,361 thousand Euro higher than at the end of 2018, when it was on the whole negative by 4,521 thousand Euro.

This change in net financial position was mainly due to positive cash flows from ordinary operations (10,327 thousand Euro), absorbed by technical investments in the period (10,881 thousand Euro), distribution of dividends (4,599 thousand Euro) the net effect of the acquisition of Elettropiemme S.r.l. (231 thousand Euro) and payment of taxes (1,152 thousand Euro). In addition to this, there was the negative effect of the application of IFRS 16, which led to a worsening of the company's net financial position (2,956 thousand Euro).

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

The balance of **cash and cash equivalents** amounted to Euro 24,565 thousand at 30 September 2019, compared with Euro 18,043 thousand at 31 December 2018.

It breaks down as follows:

<i>(Euro / 000)</i>	30 September 2019	31 December 2018	Change
Cash in bank deposits	24,531	18,011	6,520
Cash	32	26	6
Other cash	2	6	(4)
Total	24,565	18,043	6,522

The technical forms used as at 30 September 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 at 30 September 2019 increased by 1,384 thousand Euro over 2017 and break down as follows:

<i>(Euro / 000)</i>	30 September 2019	31 December 2018	Change
Current portion of debt	10,295	7,069	3,226
Current overdrafts	1,850	3,727	(1,877)
Factoring	56	21	35
Total	12,201	10,817	1,384

"Factoring", which increased by 35 thousand Euro 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 30 September 2019 totalled 1,850 thousand Euro, compared to a balance at 31 December 2018 of 3,727 thousand Euro. 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 (Euro/000)	30 September 2019	31 December 2018	Change
Banca Pop. Emilia Romagna	-	255	(255)
Mediocredito	-	1,000	(1,000)
Unicredit	2,700	3,600	(900)
BNL	2,250	3,000	(750)
Banca Pop. Emilia Romagna	3,263	4,009	(746)
Mediocredito	7,222	-	7,222
BNL	7,500	-	7,500
Intesa	113	-	113
Unicredit S.p.A. - New York Branch	1,071	-	1,071
Total	24,119	11,864	12,255

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

Bank (Euro /000)	Amount disburs ed	Signing date	Balance at 30 Septemb er 2019	Of which within 12 mont hs	Of which beyon d 12 mont hs	Interest rate	Maturity	Repayme nt method
drawn up by Gefran S.p.A. (IT)								
BNL	3,000	19/12/20 14	333	333	-	Euribor 6m + 1.35%	18/12/20 19	half- yearly
Banca Pop. Emilia Romagna	4,000	06/08/20 15	511	511	-	Euribor 3m + 1.25%	03/02/20 20	quarterly
Mediocredito	10,000	07/08/20 15	1,500	1,500	-	Euribor 3m + 1.35%	30/06/20 20	quarterly
Unicredit	6,000	14/11/20 17	3,900	1,200	2,700	Euribor 3m + 0.90%	30/11/20 22	quarterly
BNL	5,000	23/11/20 17	3,250	1,000	2,250	Euribor 3m + 0.85%	23/11/20 22	quarterly
Banca Pop. Emilia Romagna	5,000	28/11/20 18	4,258	995	3,263	Euribor 3m + 0.75%	30/11/20 23	quarterly
Mediocredito	10,000	28/03/20 19	9,444	2,222	7,222	Euribor 3m + 1.05%	31/12/20 23	quarterly
BNL	10,000	29/04/20 19	9,500	2,000	7,500	Euribor 3m + 1%	29/04/20 24	quarterly
entered into by Elettropiemme S.r.l. (IT)								
Intesa	300	29/01/20 18	188	75	113	Euribor 3m + 1.00%	28/01/20 22	quarterly
entered into by Gefran Inc. (US)								
Unicredit S.p.A. - New York Branch	1,780	29/03/20 19	1,530	459	1,071	Libor 3m + 2.50%	29/03/20 22	quarterly
Total			34,414	10,295	24,119			

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

- a) the 3,000 thousand Euro BNL loan taken out on 19 December 2014 and falling due in December 2019 is subject to two financial covenants:
- consolidated net financial debt to equity ratio of ≤ 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 4,000 thousand Euro, taken out on 6 August 2015 and falling due in February 2020, is subject to the financial covenant:

- consolidated net financial debt to EBITDA ratio of ≤ 3.5 .

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

c) the 10,000 thousand Euro BNL loan taken out on 7 August 2015 and falling due in June 2020 is subject to two financial covenants:

- consolidated net financial debt to equity ratio of ≤ 0.7 ;
- consolidated net financial debt to EBITDA ratio of ≤ 3.5 .

A number of outstanding loan contracts include other covenants, in line with market practices, that place limits on the possibility of releasing 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 30 September 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 2 thousand Euro at 30 September 2019 and consist of the positive fair value recorded at the end of the quarter for certain CAP contracts entered into by the Parent Company to hedge interest rate risks.

Financial liabilities for derivatives totalled 283 thousand Euro, owing to the negative fair value of certain IRS contracts, also entered into by the Parent Company to hedge interest rate risks.

To mitigate the financial risk associated with 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 30 September 2019	Derivative	Fair Value at 30 September 2019	Long position rate	Short position rate
BNL	3,000	19/12/2014	333	CAP	-	Strike Price 0.20%	Euribor 6m
Unicredit	6,000	14/11/2017	3,900	CAP	2	Strike Price 0%	Euribor 3m
BNL	5,000	23/11/2017	3,250	CAP	-	Strike Price 0%	Euribor 3m
Total financial assets for derivatives – Interest rate risk					2		

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

Bank (Euro/000)	Notional principal	Signing date	Notional as at 30 September 2019	Derivative	Fair Value at 30 September 2019	Long position rate	Short position rate
Banca Pop. Emilia Romagna	4,000	01/10/2015	511	IRS + Floor	(9)	Fixed 0.15%	Euribor 3m
Intesa	10,000	05/10/2015	1,500	IRS	(5)	Fixed 0.16%	Euribor 3m
Intesa	10,000	29/03/2019	9,444	IRS	(103)	Fixed 0%	Euribor 3m
BNL	10,000	29/04/2019	9,444	IRS	(135)	Fixed 0.05%	Euribor 3m
Unicredit	5,000	24/06/2019	4,258	IRS	(31)	Fixed -0.1%	Euribor 3m
Total financial liabilities for derivatives– Interest rate risk					(283)		

At 30 September 2019, no derivatives have been taken out to hedge exchange rate risk.

All the contracts described above are booked at fair value:

(Euro/000)	at 30 September 2019		at 31 December 2018	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	2	(283)	19	(28)
Total cash flow hedge	2	(283)	19	(28)

All derivatives were tested for effectiveness, with positive outcomes.

In order to support its operations, the Group has various credit lines granted by banks and other financial institutions available, mainly in the form of invoice factoring credit lines, cash flexibility and mixed credit lines for a total of 39,385 thousand Euro. Overall use of these lines at 30 September 2019 totalled 1,905 thousand Euro, with a residual available amount of 37,480 thousand Euro.

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

The balance of **Financial payables for IFRS 16 leases (current and non-current)** at 30 September 2019 amounted to 2,956 thousand Euro and complies with the IFRS16, applied by the Group from 1 January 2019, which requires the recording of financial payables corresponding to the value of the usage rights recorded under non-current assets. Financial liabilities under IFRS 16 leases are classified on the basis of maturity as current liabilities (within one year), amounting to 980 thousand Euro, and non-current liabilities (beyond one year), amounting to 1,976 thousand Euro.

Changes in this item are detailed below:

(Euro / 000)	31 Decem. 2018	Assessment 01 January 2019	Increase	Decrease	Reclass.	Change scope of consolidation	Exchange rate differences	30 September 2019
Financial payables due to leases under IFRS 16	-	2,254	1,261	(1,107)	-	557	(9)	2,956

Service costs

“Service costs” amount to 18,093 thousand Euro, largely aligned with the figure for the first nine months of 2018, when they amounted to 17,330 thousand Euro. They are broken down as follows:

(Euro / 000)	30 September 2019	30 September 2018	Change
Services	17,309	15,897	1,412
Use of third-party assets	784	1,433	(649)
Total	18,093	17,330	763

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 37,485 thousand, up Euro 3,552 thousand compared to 30 September 2018, and are broken down as follows:

(Euro / 000)	30 September 2019	30 September 2018	Change
Salaries and wages	28,406	25,898	2,508
Social security contributions	7,102	6,300	802
Post-employment benefit reserve	1,725	1,505	220
Other costs	252	230	22
Total	37,485	33,933	3,552

The increase is attributable to the arrival of new Group employees and the addition to the Group of Elettropiemme S.r.l., which had 41 employees at the time of purchase (43 as of 30 September 2019).

“Social security contributions” include costs for defined contribution plans for management (Previdai pension plan) amounting to 37 thousand Euro (38 thousand Euro at 30 September 2018).

The item "Other costs", up by 22 thousand Euro, includes, among other items, restructuring costs resulting from reorganisation of the Group's subsidiaries.

The average number of Group employees in the first nine months of 2019, as compared with the same period in the previous year, was as follows:

	30 September 2019	30 September 2018	Change
Managers	17	16	1
Clerical staff	518	487	31
Manual workers	270	250	20
Total	805	753	52

The average number of employees grew by 52 compared to the first nine months of 2018; the precise number at 30 September 2019 was 836, an increase of 65 over 31 December 2018 and 62 compared to 30 September 2018.

Depreciation, amortisation and impairment

This item totals 7,335 thousand Euro, as compared to 4,701 thousand Euro for the first nine months of 2019. These items include:

(Euro / 000)	30 September 2019	30 September 2018	Change
Intangible assets	1,614	1,759	(145)
Tangible assets	4,908	2,942	1,966
Usage rights	813	-	813
Total	7,335	4,701	2,634

The change mainly relates to the adjustment to the fair value of buildings made during the first nine months of 2019, in the amount of 1,531 thousand Euro, entirely allocated to the sensors business.

The investment plan in the sensors business line includes expansion of production lines and requires large new spaces to support the expansion of business. The Group originally planned to adapt an existing building, but in-depth analysis revealed that the building was incapable of guaranteeing sufficient technological and energy performance and long-term sustainability. It was therefore decided that the existing building would be demolished and a new one constructed that would be more practical and, above-all, in the vanguard in terms of technology and energy efficiency. The work will be completed by the end of the current year, with the goal of being fully operational by the beginning of 2020.

Also, from 1 January 2019 depreciation/amortisation linked with usage rights, totalling 813 thousand Euro, 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 the item “*Depreciation, amortisation and impairment*” by business line is shown in the table below:

<i>(Euro / 000)</i>	30 September 2019	30 September 2018	Change
Sensors	3,867	1,857	2,010
Automation components	1,873	1,480	393
Motion control	1,595	1,364	231
Total	7,335	4,701	2,634

Provaglio d’Iseo, 13 November 2019

For the Board of Directors

Chairman

Maria Chiara Franceschetti

Managing Director

Alberto Bartoli

20. DECLARATION OF THE EXECUTIVE IN CHARGE OF FINANCIAL REPORTING

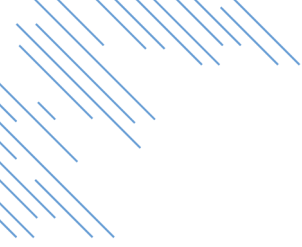
Declaration pursuant to article 154-*bis*, paragraph 2 of Legislative Decree 58 of 24 February 1998
(Consolidated Finance Act “TUF”)

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 30 September 2019 accurately represents the figures contained in the Group’s accounting records.

Provaglio d’Iseo, 13 November 2019

Executive in charge
of financial reporting

Fausta Coffano





ANNEXES



a) Consolidated income statement by quarter

(Euro / 000)	Q1	Q2	Q3	Q4	TOT	Q1	Q2	Q3	TOT
	2018	2018	2018	2018	2018	2019	2019	2019	2019
a Revenues	34,717	35,543	30,820	34,491	135,571	35,973	36,126	33,015	105,114
b Increases for internal work	365	256	278	526	1,425	635	628	572	1,835
c Consumption of materials and products	11,505	12,629	10,523	12,585	47,242	12,207	12,908	11,702	36,817
d Added value (a+b-c)	23,577	23,170	20,575	22,432	89,754	24,401	23,846	21,885	70,132
e Other operating costs	6,065	6,308	5,587	5,839	23,799	5,753	6,152	5,679	17,584
f Personnel costs	11,735	11,429	10,769	11,964	45,897	12,379	13,228	11,878	37,485
g EBITDA (d-e-f)	5,777	5,433	4,219	4,629	20,058	6,269	4,466	4,328	15,063
h Depreciation, amortisation and impairment	1,526	1,562	1,613	1,614	6,315	3,291	2,068	1,976	7,335
i EBIT (g-h)	4,251	3,871	2,606	3,015	13,743	2,978	2,398	2,352	7,728
l Gains (losses) from financial assets/liabilities	(319)	(91)	(419)	328	(501)	175	(302)	55	(72)
m Gains (losses) from shareholdings valued at equity	(37)	(57)	49	(10)	(55)	242	17	31	290
n Profit (loss) before tax (i±l±m)	3,895	3,723	2,236	3,333	13,187	3,395	2,113	2,438	7,946
o Taxes	(1,285)	(1,397)	(853)	(626)	(4,161)	(847)	(632)	(807)	(2,286)
p Result from operating activities (n±o)	2,610	2,326	1,383	2,707	9,026	2,548	1,481	1,631	5,660
q Net profit (loss) from assets held for sale	(414)	(461)	0	0	(875)	0	0	0	0
r Group net profit (loss) (p±q)	2,196	1,865	1,383	2,707	8,151	2,548	1,481	1,631	5,660

b) Exchange rates used to translate the financial statements of foreign companies
End-of-period exchange rates

Currency	30 September 2019	31 December 2018	30 September 2018
Swiss franc	1.0847	1.1269	1.1316
Pound sterling	0.8857	0.8945	0.8873
US dollar	1.0889	1.1450	1.1576
Brazilian real	4.5288	4.4440	4.6535
Chinese renminbi	7.7784	7.8751	7.9662
Indian rupee	77.1615	79.7298	83.9160
Turkish lira	6.1491	6.0588	6.9650

Average exchange rates in the period

Currency	2019	2018	3Q 2019	3Q 2018
Swiss franc	1.1182	1.1549	1.0957	1.1440
Pound sterling	0.8830	0.8848	0.9020	0.8923
US dollar	1.1237	1.1815	1.1116	1.1631
Brazilian real	4.3646	4.3087	4.4124	4.6045
Chinese renminbi	7.7119	7.8074	7.8018	7.9175
Indian rupee	78.8439	80.7277	78.2953	81.6455
Turkish lira	6.3380	5.6986	6.3054	6.6025

c) List of subsidiaries included in the scope of consolidation

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Gefran UK Ltd	Warrington	UK	GBP	4,096,000	Gefran S.p.A.	100.00
Gefran Deutschland GmbH	Seligenstadt	Germany	Euro	365,000	Gefran S.p.A.	100.00
Siei Areg GmbH	Pleidelshheim	Germany	Euro	150,000	Gefran S.p.A.	100.00
Gefran France S.A.	Saint-Priest	France	Euro	800,000	Gefran S.p.A.	99.99
Gefran Benelux NV	Geel	Belgium	Euro	344,000	Gefran S.p.A.	100.00
Gefran Inc.	Winchester	US	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Elettroel. Ltda	Sao Paolo	Brazil	BRL	450,000	Gefran S.p.A. Gefran UK	99.90 0.10
Gefran India Private Ltd	Pune	India	INR	100,000,000	Gefran S.p.A. Gefran UK	95.00 5.00
Gefran Siei Asia Pte Ltd	Singapore	Singapore	Euro	3,359,369	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Pte Ltd	Shanghai	China (PRC)	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric Pte Ltd	Shanghai	China (PRC)	RMB	1,005,625	Gefran Siei Asia	100.00
Sensormate AG	Aadorf	Switzerland	CHF	100,000	Gefran S.p.A.	100.00
Gefran Middle East Ltd Sti	Istanbul	Turkey	TRY	1,030,000	Gefran S.p.A.	100.00
Gefran Soluzioni S.r.l.	Provaglio d'Iseo	Italy	Euro	100,000	Gefran S.p.A.	100.00
Gefran Drives and Motion S.r.l.	Gerenzano	Italy	Euro	10,000	Gefran S.p.A.	100.00
Elettropiemme S.r.l.	Trento	Italy	Euro	70,000	Gefran Soluzioni S.r.l.	100.00

d) List of companies consolidated at equity

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

e) List of other subsidiaries

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

