GEFRAN

BEYOND TECHNOLOGY

GEFRAN GROUP ANNUAL FINANCIAL REPORT

At 31 December 2019

OUR PROMISE

Gefran is strongly rooted in industrial automation and technological innovation endeavors.
We are attentive and motivated in identifying highly effective solutions, building relationships that are successful and sustainable.
This is our strength.

We collaborate with organizations invested in improving technological processes, with individuals committed to their professional, talent and competence development, and with stakeholders dedicated to working together to enhance the community and its surroundings.
This is our world.

This is the Gefran way!

OUR PURPOSE

The future is our present.

To be trailblazers in new technology advancements, recognized among developers of industrial value and innovation.

To lead a sustainable growth, open to the market, for companies, employees and the community.

SUMMARY

NOTICE OF ORDINARY SHAREHOLDERS' MEETING

GEFRAN S.p.A.
Share capital 14,400,000 fully paid-up
Registered offices in Via Statale Sebina 74, Provaglio d'Iseo (BS), Italy
Tax code and Brescia Companies' Register No. 03032420170

NOTICE OF EXTRAORDINARY AND ORDINARY SHAREHOLDERS' MEETING

Shareholders are summoned to an Extraordinary and Ordinary Shareholders' Meeting in the offices of GEFRAN S.p.A. in Via Statale Sebina, no.74, Provaglio d'Iseo (BS), for 28 April 2020 at 17:00, first call, and, if necessary, in the same place at the same time on 19 May 2020, second call, to discuss and resolve on the following

AGENDA

Extraordinary portion

1. Proposed amendment of articles 8 and 14 of the company's Articles of Association.

Ordinary portion

2. Annual financial statements for the year ending 31 December 2019

2.1 Approval of the Financial Statements for the year ending 31 December 2019; reports by the Board of Directors, the Board of Statutory Auditors and the Independent Auditor.
2.2 Approval of the distribution of dividends.

3. Report on Remuneration Policy and Pay. Approval of the first section of the Report under paragraph 3-ter of art.123-ter of Legislative Decree no. 58/1998.

4. Report on Remuneration Policy and Pay. Consultation on the second section of the Report under paragraph 6 of art.123-ter of Legislative Decree no. 58/1998.

5. Appointment of the Board of Directors.

5.1 Determination of the number of members of the Board of Directors;
5.2 Determination of the duration of the office;
5.3 Appointment of directors;
5.4 Determination of the annual fee of the members of the Board of Directors.

6. Appointment of the Honorary Chairman

7. Revoking of the previous authorisation to buy and sell own shares and release of new authorisation

For the Board of Directors
The Chairman **Maria Chiara Franceschetti**

ANNUAL FINANCIAL REPORT AT 31 DECEMBER 2019

CHAIRMAN'S LETTER

Dear shareholders,

I am writing this letter at a very difficult time for all of us, describing a past that seems very distant at the moment.

I wish to express my satisfaction with the year that closed recently, 2019, in which the Group managed to grow and generate value despite a difficult economic scenario and a highly competitive market.

I must mention the sudden change in company management in December: the succession plan was immediately implemented following the resignation of the CEO, and this discontinuity was overcome with the involvement of all members of Gefran's Board of Directors and managerial team, demonstrating their dependability and preparation.

The principal events of the last year include incorporation of the company Elettropiemme of Trento, included in the Group's scope of consolidation since 2019. Gefran Soluzioni S.r.l. (the company that purchased it) thus added to its turnover in automation systems for OEM and End Users, customers who delegate the task of designing and producing electrical equipment for their machines to Gefran.

The Group invested significant sums in the year in two main long-term areas: the design and purchase of plants and equipment for innovating and improving the efficiency of production, and creation of new spaces and layouts.

In July 2019, without any interruption of business continuity, the headquarters of the American subsidiary Gefran Inc. moved from Winchester to North Andover, also in Massachusetts, near Boston. In the new plant, which is at least three times bigger than the old one, the company was able to install new technological facilities for production of high temperature pressure sensors for the local market.

A whole new building was constructed in Provaglio d'Iseo in the year, and the company's mechanical workshop and the Load Cell production department (part of the Sensors Business Unit) was moved and began operations there in 2020. The space thus freed in the original building will permit lean redesign of the most important Sensors production lines, for pressure and position sensors.

In both cases, the investment permitted creation of innovative technological spaces in line with the principles of energy sustainability and installation of advanced production facilities. The actions taken have further reinforced Gefran's foundations in terms of assets and technologies, in the conviction that competitiveness is maintained by offering the market a guarantee of efficient, rapid, top quality, dependable production.

Actions aimed at boosting sales included continued reinforcement of our direct sales network in the countries of greatest interest: the Asian area served by our two affiliates GSA (Singapore) and GSDT (Shanghai), where we extended our presence.

During the year we completed the process leading to identification and definition of our new Brand Identity: by stating our vision in the introduction to these financial statements, we wish to provide a clear, effective snapshot of the near future. Our goals are ambitious, but concrete and specific. We introduce the concept of economic, social and environmental sustainability in our statement of purpose: playing a leading role gives us responsibilities in relation to the world around us, on which we make a recognisable mark.

At the beginning of the year 2020 we launched a new three-year plan, necessarily taken into account the signs of slowdown in demand, which are particularly particular clear at the moment in Europe in particular, and the significant consequences of the propagation of the COVID-19 virus, in China first of all and in Lombardy since the end of February.

It is still hard to say how the epidemic will progress, but its consequences for industry and the economy have become all too clear.

At this time, while complying with all the rules of health and hygiene aimed at protecting all our personnel, and while practising social distancing, Gefran continues to work with the same passion as ever on design, production, shipping, and support for our customers: this is our know-how, the solid foundations on which we construct our relationships and come up with innovative solutions.

I wish to end with a note on growth through external lines, through takeovers and partnerships which are consistent with the company's strategic guidelines and compatible with its organisational structure, even though this is not a short-term priority: our financial debt is now at a level that allows us to obtain the resources we need to respond to any opportunities that may arise.

Lastly, we have carefully assessed the economic and financial prospects for the year to come: while maintaining the Group's solidity and approaching the next few months with great prudence, our Board of Directors has decided to propose to the Shareholders' Meeting distribution of a dividend of € 0.15 per share, to be distributed in the month of May.

In the hopes that I will soon see you in person at the Shareholders' Meeting in which we will be asked to resolve on approval of the annual financial statement and consolidated financial statement at 31 December 2019 and renewal of company offices.

I thank you for the confidence you place in Gefran, in the people that form the company, and in its values.

Cordially,

Maria Chiara Franceschetti

CORPORATE BODIES

Board of Directors

Honorary Chairman	Ennio Franceschetti
Chairman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairman	Giovanna Franceschetti
Director	Marcello Perini (*)
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.

(*) Director Marcello Perini was co-opted on 16 December 2019 to replace Alberto Bartoli, who resigned on 2 December 2019.

(**) Independent directors under the Consolidated Finance Act and Code of Conduct

The **Board of Directors** currently in office has nine members, as resolved by the 20 April 2017 Ordinary Shareholders' Meeting, which appointed the members of the Company's Board of Directors listed at the start of this section. The entire Board will remain in office until the approval of the 2019 financial statements.

Pursuant to Article 19 of the Articles of Association, the Board of Directors is vested with the widest powers for the ordinary and extraordinary management of the Company, without limitation and therefore with the power to carry out all acts considered necessary to implement and achieve the corporate purpose, excluding only those strictly reserved by law to the Shareholders' Meeting. In particular, the Board is exclusively responsible for, among other things, examining and approving strategic, business and financial plans, and the Group's structure; the Board also oversees operating performance, and pays particular attention to possible conflicts of interest.

The Chairman of the Board of Directors is the Company's legal representative, pursuant to Article 21 of the Articles of Association. In its meeting on 24 April 2018 the Board of Directors granted the Honorary Chairman Ennio Franceschetti certain powers relating to the strategic coordination of the Company. The Board also conferred powers of legal representation and other powers on Chief Executive Officer Alberto Bartoli and Chairman Maria Chiara Franceschetti. Vice Chairmen Giovanna Franceschetti and Andrea Franceschetti have been awarded powers in specific corporate areas.

On 2 December 2019 CEO Alberto Bartoli resigned effective immediately, and in the same meeting, the Board of Directors implemented its "Plan for succession to the post of CEO", prepared last February under application criterion 5.C.2 of the Code of Conduct of Listed Companies, beginning the activities required under the plan.

On 16 December 2019 the Board of Directors added to the powers of Chairman Maria Chiara Franceschetti and resolved to co-opt Marcello Perini.

The Board of Directors met 10 times in 2019.

Control and Risks Committee

The Committee is tasked with supporting, by conducting the appropriate preliminary work, the assessments and decisions of the Board of Directors in relation to the internal control and risk management system, as well as those relating to the approval of interim and annual financial reports. In its meeting of 20 April 2017, the Board of Directors appointed the members of the committee, as set out above.

The Committee met five times in 2019.

Appointments and Remuneration Committee

The Committee submits proposals or expresses opinions to the Board of Directors on the remuneration of executive directors, other directors with special duties and managers with strategic responsibilities and sets performance objectives associated with the variable component of their remuneration; it also monitors the application of the decisions adopted by the Board, checking in particular that the performance objectives are actually achieved.

The Committee also expresses opinions to the Board of Directors regarding its size and composition and recommendations regarding the professional figures included on the Board.

The Board of Directors appointed new members in its 20 April 2017 meeting, as stated above. On 14 March 2019 the Company's Board of Directors transformed the existing Remuneration Committee into an Appointments and Remuneration Committee, awarding it the powers identified in art. 5 of the Code of Conduct in addition to the powers it held previously.

The Committee met four times in 2019.

Board of Statutory Auditors

Pursuant to Article 28 of the Articles of Association, the Board of Statutory Auditors comprises three standing auditors and two deputy auditors, who shall remain in office for three years and may be re-elected. The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 24 April 2018 for three years, until the approval of the 2020 annual financial statements.

The Board of Statutory Auditors is tasked with monitoring compliance with the law and the memorandum of association, proper management of the Company and the appropriateness of the internal control system. It also attends Board of Directors' meetings and Shareholders' Meetings.

The Board of Statutory Auditors met six times in 2019.

Management and coordination activities

Gefran S.p.A. is not subject to management and coordination pursuant to Article 2497 et seq. of the Civil Code, since the following indicators that the Company may be subject to the management and control of others are non-existent:

- preparation of Group-wide industrial, strategic, financial and budget plans by the parent company;
- the issuing of directives pertaining to finance and credit policy;
- centralisation of functions such as treasury, administration, finance and control;
- the defining of Group growth strategies, the strategic and market positioning of the Group and individual companies, especially if the policy guidelines are likely to influence and determine their actual implementation by Company management.

KEY CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION FIGURES

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

Group income statement highlights

(Euro / 000)	31 December 2019		31 December 2018		Q4 2019		Q4 2018	
Revenues	140,535	100.0%	135,571	100.0%	35,421	100.0%	34,491	100.0%
EBITDA	19,730	14.0%	20,058	14.8%	4,667	13.2%	4,629	13.4%
EBIT	10,375	7.4%	13,743	10.1%	2,647	7.5%	3,015	8.7%
Profit (loss) before tax	10,069	7.2%	13,187	9.7%	2,123	6.0%	3,333	9.7%
Result from operating activities	7,042	5.0%	9,026	6.7%	1,382	3.9%	2,707	7.8%
Net profit (loss) from assets held for sale	-	0.0%	(875)	-0.6%	-	0.0%	-	0.0%
Group net profit (loss)	7,042	5.0%	8,151	6.0%	1,382	3.9%	2,707	7.8%

Group statement of financial position highlights

(Euro / 000)	31 December 2019	31 December 2018
Invested capital from operations	88,331	77,335
Net working capital	28,542	32,055
Shareholders' equity	75,044	72,814
Net financial position	(13,287)	(4,521)
Operating cash flow	18,045	18,992
Investments	16,006	9,438

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:

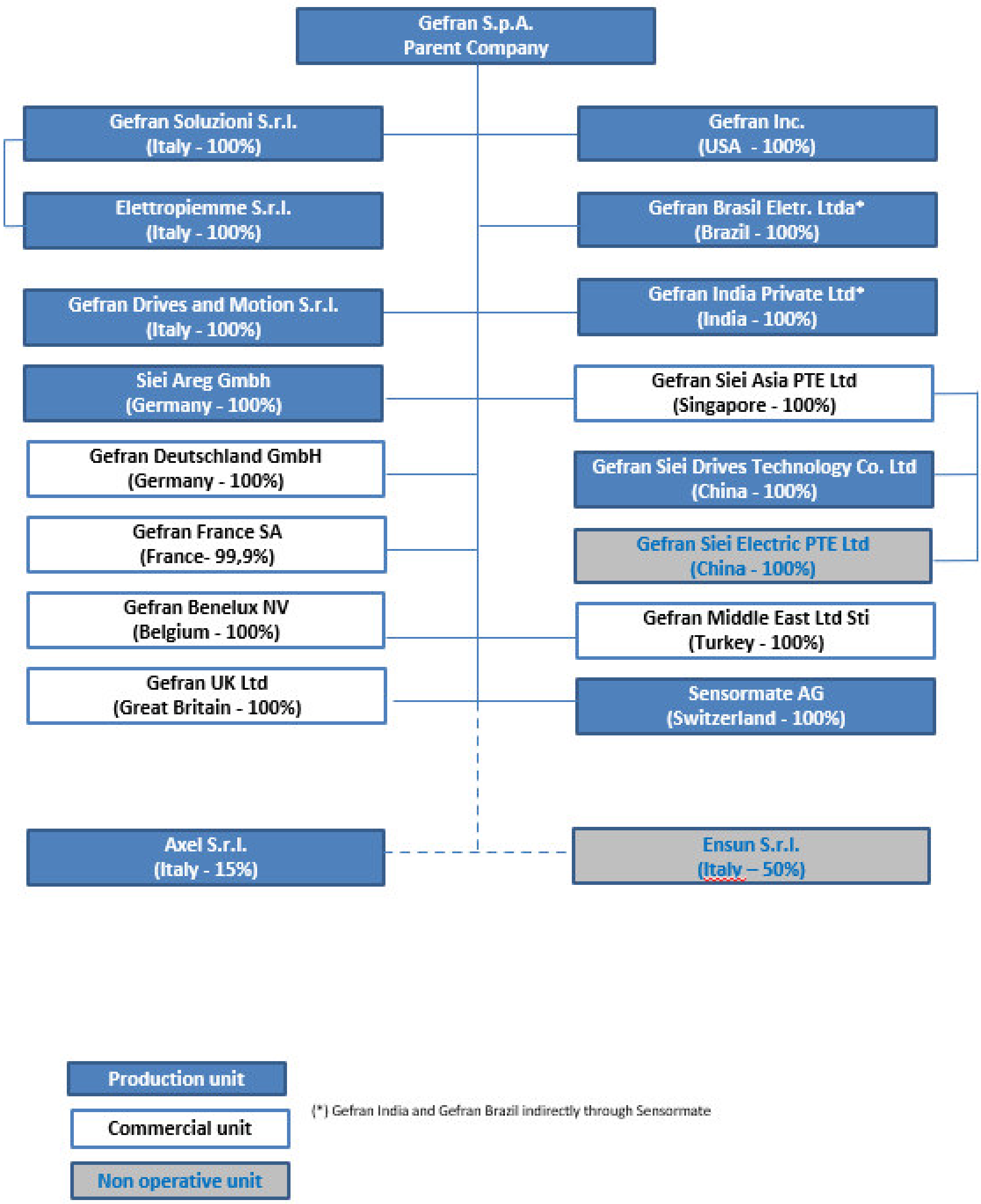
- **Net non-current assets**: the algebraic sum of the following items in the statement of financial position:
    - Goodwill
    - Intangible assets
    - Property, plant, machinery and tools
    - Shareholdings valued at equity
    - Equity investments in other companies
    - Receivables and other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

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

- **Net invested capital**: the algebraic sum of net fixed assets, working capital and provisions;
- **Net financial position:** the algebraic sum of the following items:
    - Medium/long-term financial payables
    - Short-term financial payables
    - Financial liabilities for derivatives
    - Financial investments for derivatives
    - Cash and cash equivalents and short-term financial receivables

REPORT ON OPERATIONS

1. GEFRAN GROUP'S STRUCTURE



2. THE GROUP'S ACTIVITIES

The Gefran Group operates in three main business areas: industrial sensors, automation components and motion control for the electronic control of electric motors.

The Group offers a complete range of products and tailored turnkey solutions in numerous automation sectors. 70% of its revenues are generated abroad.

Sensors

The sensors business offers a complete range of products for measuring four physical parameters of position, pressure, force and temperature - which are used in many industrial sectors.

Gefran stands out for its technological leadership. It produces primary components internally and boasts a comprehensive product range that is unique worldwide. In certain product families, Gefran is world leader. The sensors business generates about 80% of its revenues abroad.

Automation components

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

Gefran sets itself apart with its expertise in hardware and software acquired in over thirty years of experience. Gefran is one of the main Italian manufacturers in these product lines and generates around 45% of its revenues through exports.

Motion control

The motion control business develops products and solutions to regulate speed and control AC, DC and brushless electric motors. Products (inverters, armature converters and servodrives) guarantee maximum performance in terms of system precision and dynamics. These products are used in a variety of applications, including lift control, cranes, metal rolling lines, and in paper, plastics, glass and metal processing.

Through the integration of advanced capabilities and flexible hardware and software configurations, Gefran provides advantageous solutions for customers and target markets, optimising both technology and costs. The motion control business generates about 70% of its revenues abroad.

3. BREAKDOWN OF THE GROUP'S PRINCIPAL ACTIVITIES BY COMPANY

Company	Production of sensors	Production of automation components	Production of drives	Central services	Sales
Gefran S.p.A.	×	×		×	×
Gefran Soluzioni S.r.l.		×		×	×
Elettropiemme S.r.l.		×			×
Gefran Drives and Motion S.r.l.			×		×
Gefran Inc.	×				×
Gefran France SA					×
Gefran Deutschland GmbH					×
Gefran Brasil Eletr. Ltda		×			×
Gefran UK Ltd					×
Gefran Benelux NV					×
Gefran Siei Asia Pte Ltd				×	×
Gefran Siei Drives Technology Co Ltd	×		×		×
Gefran Siei Electric Pte Ltd					×
Gefran India Private Ltd			×		×
Siei Areg GmbH			×		×
Gefran Middle East Ltd Sti					×
Sensormate AG	×				×
Ensun S.r.l.				×	×
Axel S.r.l.		×			×

A brief description of Gefran S.p.A. and the Gefran Group subsidiaries included in the scope of consolidation, with their main characteristics as of 31 December 2019, is provided below.

The Parent Company, **Gefran S.p.A.**, with its registered office in Provaglio di Iseo (BS). Gefran S.p.A has three divisions: sensors, automation components and motion control, and central support functions such as procurement, logistics, administration, finance, control, legal, public relations, IT systems and human resources.

Gefran Soluzioni S.r.l., with its registered office in Provaglio d'Iseo (BS), is 100% directly controlled by the Parent Company. It was created in April 2015 by the spin-off of the company branch of Gefran S.p.A. that designs and produces systems and panels for industrial automation. It took on its current form in 2016, with the transfer of activities relating to programmable automation from the Parent Company Gefran S.p.A. On 23 January 2019 it purchased 100% of the shares in the company Elettropiemme S.r.l.., owned by Ensun S.r.l., which is in turn 50% owned by Gefran S.p.A..

Elettropiemme S.r.l., based in Trento, is 100% owned directly by Gefran Soluzioni S.r.l. and indirectly by Gefran S.p.A.. Elettropiemme S.r.l. is concerned with the design, production and installation of electrical panels and equipment.

Gefran Drives and Motion S.r.l., with its registered office in Gerenzano (VA), is 100% directly controlled by the Parent Company. It was created in July 2018 and has been operative since 1 October 2018, following the contribution of property, assets and liabilities from the Parent Company Gefran S.p.A. The company is concerned with research and development, production and sale of drives.

Gefran Inc., with its registered office in Charlotte (NC), USA, is 100% directly owned by the Parent Company, and operates in its production facility in North Andover (MA), where Melt pressure sensors are made. Gefran Inc. is the second largest producer of melt pressure sensors in the US. It sells its own products in North America, along with the Gefran Group's sensors and automation components products.

Gefran France S.A., with its registered office in Saint-Priest, France, is 99.9% directly owned by the Parent Company. It sells the Gefran Group's sensors and automation components products in France.

Gefran Brasil Eletroelectronica Ltda, with its registered office in Sao Paulo, Brazil, is 99.9% owned by the Parent Company; the remaining 0.1% is indirectly owned through Sensormate AG, which purchased the shares in 2019 from Gefran Uk Ltd.. Gefran Brasil sells sensors and automation components products and has an assembly line for regulators and static units serving the local market.

Gefran Deutschland GmbH, with its registered office in Seligenstadt, Germany, is 100% owned by the Parent Company. Gefran Deutschland sells sensors and automation components in Germany, Europe's largest market for equipment manufacturers.

Gefran Benelux NV, with its registered office in Olen, Belgium, is 100% directly owned by the Parent Company. In addition to the Gefran sensors and automation components, it also sells dedicated systems for the oil installations sector.

Sensormate AG, with its registered office in Aadorf, Swizerland, is 100% directly owned by the Parent Company. It was acquired in 2013 and took on its current form in 2014, after the merger with Gefran Suisse S.A. It produces strategically important load cells and sensors, which supplement the Group's other products in the business. It sells the entire Gefran product range in Switzerland.

Gefran UK Ltd., with its registered office in Warrington, United Kingdom, is 100% directly owned by the Parent Company. Gefran UK focuses on the sale of sensors and automation components in the UK.

Siei Areg GmbH, with its registered office in Pleidelsheim, Germany, is 100% controlled by the Parent Company. The company produces and sells small-scale electric motors with integrated drive. It also sells motion control products in Germany.

Gefran Siei Asia Pte Ltd, with its registered office in Singapore, is 100% directly owned by the Parent Company and distributes its entire product range.

Gefran Siei Drives Technology Co Ltd, with its registered office in Shanghai (China), is 100% owned by Gefran Siei Asia and indirectly owned by Gefran S.p.A.. The company has assembled lower-power drives for the lifting market since 2004, and has also assembled a number of sensor lines since 2009, primarily for the local market.

Gefran Siei Electric Pte Ltd, with its registered office in Shanghai (China), is 100% owned by Gefran Siei Asia and indirectly owned by Gefran S.p.A.. The company has been in liquidation since the beginning of 2009.

Gefran India Private Ltd, with its registered office in Pune (India), is 99.975% owned directly by the Parent Company, while the remaining 0.025% is indirectly owned through Sensormate AG, which purchased the shares from Gefran Uk Ltd. in 2019. The company distributes Gefran products in India. Since 2016, it has assembled motion control products for the Indian lifting market.

Gefran Middle East elektrik ve elektronik san. Ve Tic. Ltd. Şti, with its registered office in Istanbul (Turkey),100% owned by the Parent Company, was established in October 2013 to sell the full Gefran product range in Turkey.

The main associated companies at 31 December 2019 include:

Ensun S.r.l., with its registered office in Brescia, 50% owned by Gefran S.p.A.. The company has been in liquidation since February 2020.

Axel S.r.l., with its registered office in Dandolo (VA), a company concerned with the production and sale of application software for industrial automation, of which Gefran owns a 15% share.

4. SHAREHOLDERS AND STOCK PERFORMANCE

On 31 December 2019, the subscribed and paid-up share capital was EUR 14,400,000.00, divided into 14,400,000 ordinary shares, with a nominal value of EUR 1.00 per share. No further financial instruments have been issued.

STRUCTURE OF SHARE CAPITAL				
Type of shares	**No. of shares**	**% of share capital**	**Listed**	**Rights and obligations**
Ordinary shares	14,400,000	100	STAR	ordinary

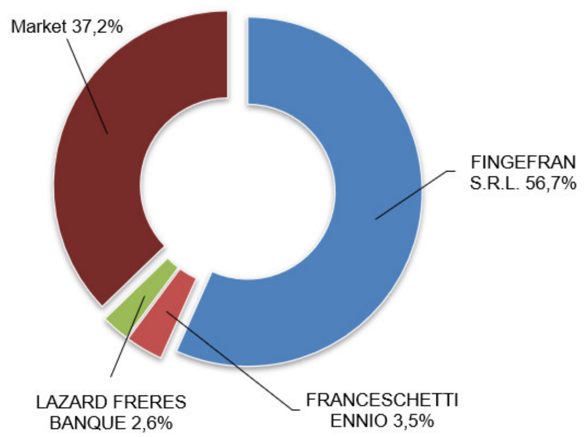
Gefran S.p.A. Shareholding Structure

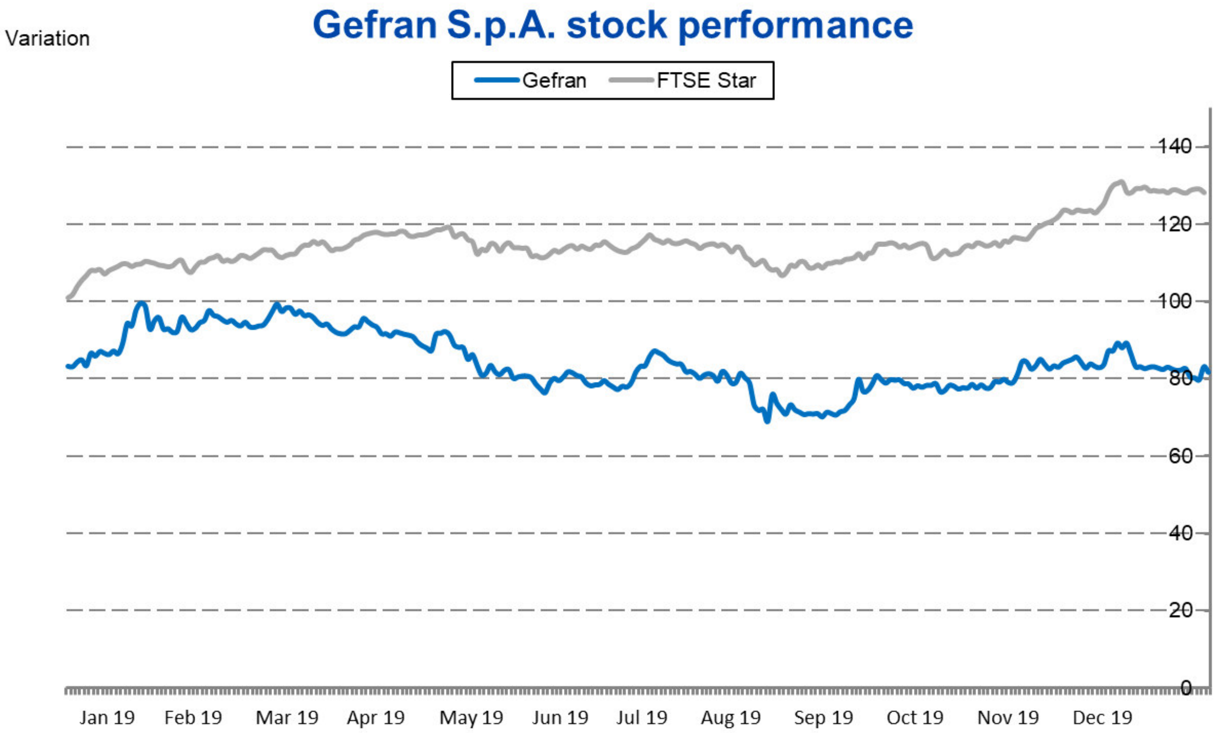
Gefran S.p.A. has been listed on the Italian Stock Exchange since 9 June 1998, and since 2001, it has been part of the FTSE Italia STAR segment, dedicated to companies with small and medium-sized capitalisations that meet specific requirements relating to transparency, liquidity and corporate governance.

In 2019, the performance of the company's share suffered the impact of lack of interest in Italian industrial shares, penalising the share's volume of trading and average value.

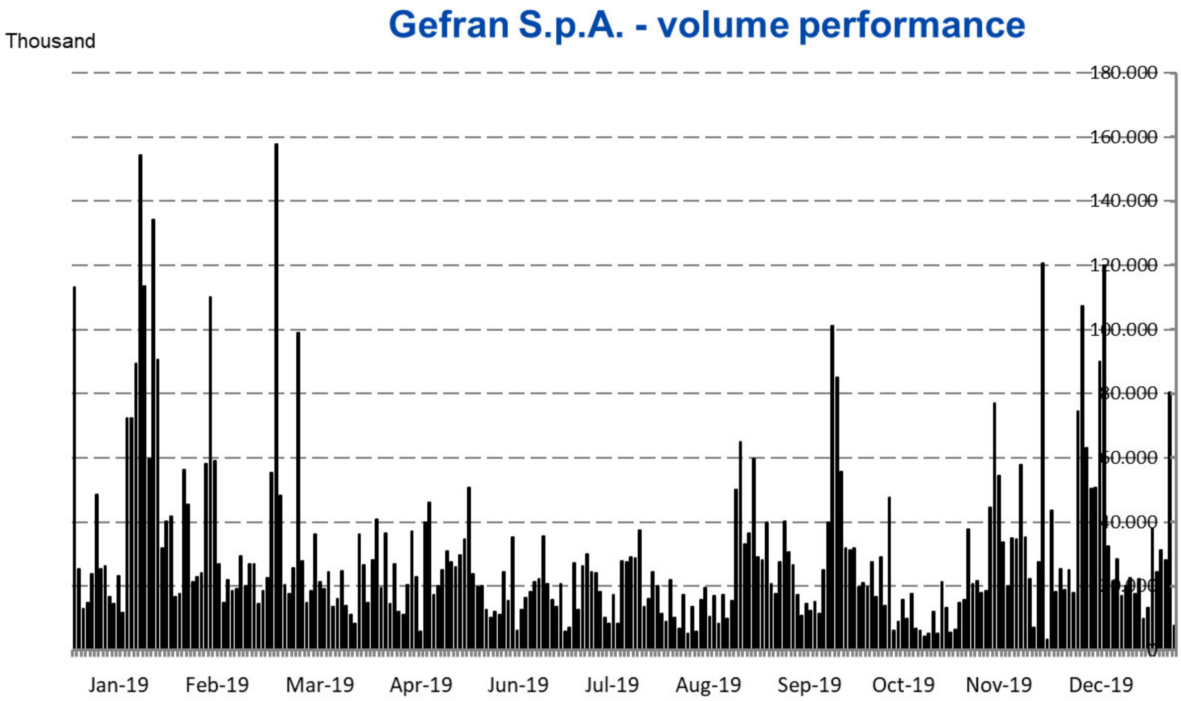
Below we summarise the performance of the stock and volumes traded in the last 12 months:

Gefran S.p.A. shareholder structure





Variation
Gefran S.p.A. stock performance
Gefran
FTSE Star
140
120
100
80
60
40
20
0
Jan 19
Feb 19
Mar 19
Apr 19
May 19
Jun 19
Jul 19
Aug 19
Sep 19
Oct 19
Nov 19
Dec 19



Thousand
Gefran S.p.A. - volume performance
180.000
160.000
140.000
120.000
100.000
80.000
60.000
40.000
20.000
0
Jan-19
Feb-19
Mar-19
Apr-19
Jun-19
Jul-19
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19

5. GEFRAN CONSOLIDATED RESULTS

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.

5.1 CONSOLIDATED INCOME STATEMENT OF THE QUARTER

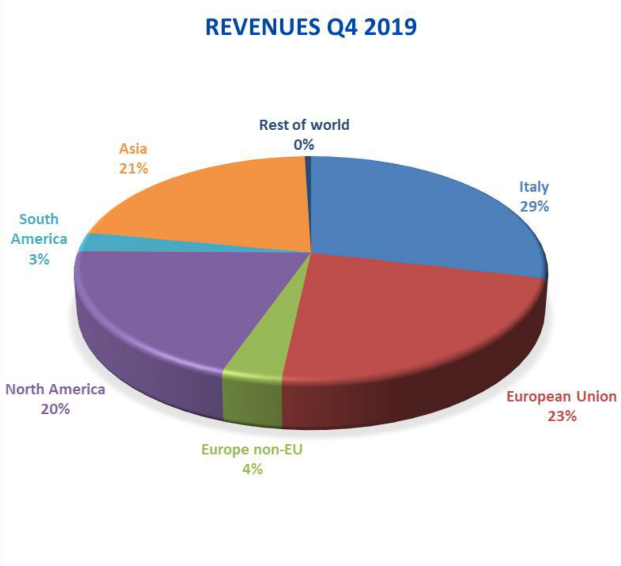
		Q4 2019	Q4 2018	Change 2019-2018	
	(Euro / 000)	Total	Total	Value	%
a	Revenues	35,421	34,491	930	2.7%
b	Increases for internal work	739	526	213	40.5%
c	Consumption of materials and products	13,391	12,585	806	6.4%
d	Added value (a+b-c)	22,769	22,432	337	1.5%
e	Other operating costs	6,337	5,839	498	8.5%
f	Personnel costs	11,765	11,964	(199)	-1.7%
g	EBITDA (d-e-f)	4,667	4,629	38	0.8%
h	Depreciation, amortisation and impairment	2,020	1,614	406	25.2%
i	EBIT (g-h)	2,647	3,015	(368)	-12.2%
l	Gains (losses) from financial assets/liabilities	(414)	328	(742)	-226.2%
m	Gains (losses) from shareholdings valued at equity	(110)	(10)	(100)	-1000.0%
n	Profit (loss) before tax (i±l±m)	2,123	3,333	(1,210)	-36.3%
o	Taxes	(741)	(626)	(115)	-18.4%
p	Result from operating activities (n±o)	1,382	2,707	(1,325)	-48.9%
q	Net profit (loss) from assets held for sale	-	-	-	0.0%
r	Group net profit (loss) (p±q)	1,382	2,707	(1,325)	-48.9%

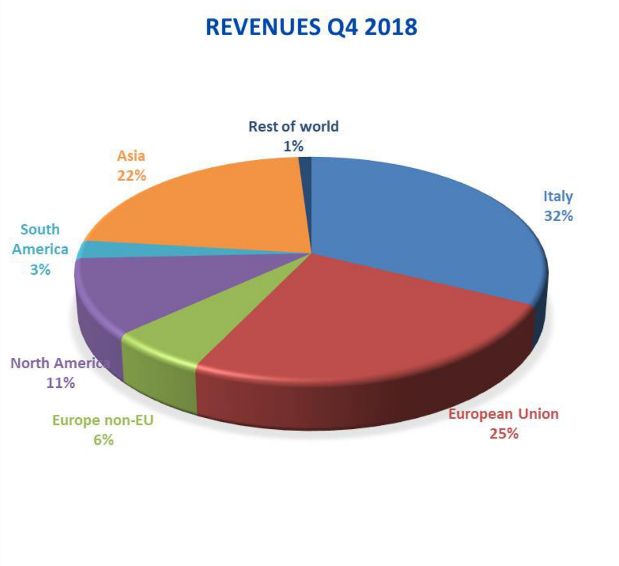
Revenues in the fourth quarter of 2019 amounted to Euro 35,421 thousand, as compared to Euro 34,491 thousand in the same period in the previous year, up by Euro 930 thousand (+2.7%). The acquisition of Elettropiemme S.r.l. contributed a total of 1,494 thousand Euro to the increase in revenues. If this effect is not taken into account, revenues in the third quarter are Euro 564 thousand less than revenues in the same period of the previous year (-1.6%). Revenues in North America dropped significantly in the fourth quarter, by 3,198 thousand Euro (+84%), partly compensating the slowdown in Italy, which registered a 994 thousand Euro drop in revenues, including the revenues of Elettropiemme, without which revenues in the area would have been 2,103 thousand Euro.

7% more orders were collected in the fourth quarter of 2019 than in the fourth quarter of 2018; without the orders received from Elettropiemme S.r.l., the increase would be 5%.

The following table shows revenues by geographical region:

(Euro / 000)	Q4 2019		Q4 2018		Change 2019-2018	
	value	%	value	%	value	%
Italy	10,152	28.7%	11,146	32.3%	(994)	-8.9%
European Union	8,175	23.1%	8,582	24.9%	(407)	-4.7%
Non-EU Europe	1,300	3.7%	2,086	6.0%	(786)	-37.7%
North America	7,007	19.8%	3,809	11.0%	3,198	84.0%
South America	980	2.8%	901	2.6%	79	8.8%
Asia	7,632	21.5%	7,611	22.1%	21	0.3%
Rest of the World	175	0.5%	356	1.0%	(181)	-50.8%
Total	**35,421**	**100%**	**34,491**	**100%**	**930**	**2.7%**





The breakdown of revenues by **geographic region** reveals strong growth in North America (+84% over the fourth quarter of 2018): the favourable exchange rate has a positive impact, but even without this effect, growth is significant (+80%), thanks to good performance in all lines of business; sales were up in South America (+8.8%), though they dropped in non-EU Europe (-37.7%) and in the European Union (-4.7%). The figure for sales in Italy in the fourth quarter was also down, 8.9% lower than in the previous year despite the positive effect of the change in the scope of consolidation, without which the drop would be 18.9%.

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

(Euro / 000)	Q4 2019		Q4 2018		Change 2019-2018	
	value	%	value	%	value	%
Sensors	14,690	41.5%	14,893	43.2%	(203)	-1.4%
Automation components	9,360	26.4%	9,201	26.7%	159	1.7%
Motion control	12,570	35.5%	11,667	33.8%	903	7.7%
Eliminations	(1,199)	-3.4%	(1,270)	-3.7%	71	-5.6%
Total	**35,421**	**100%**	**34,491**	**100%**	**930**	**2.7%**

The breakdown of revenues by **business area** in the fourth quarter of 2019 reveals growth in the motion control business (+7.7%), while the sensors business shrank (-1.4%).
Sales in the automation components business were up (+1.7%); the increase was a result of the inclusion of the revenues of the newly acquired company Elettropiemme S.r.l., without which sales in the business unit would be have dropped over the previous period (-12.5%).

EBITDA in the fourth quarter of 2019 is positive by Euro 4,667 thousand (Euro 4,629 thousand in the fourth quarter of 2018) and is equal to 13.2% of revenues (13.4% of revenues in the same period in the previous year). 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 287 thousand and Euro 340 thousand, respectively. If this effect were not taken into account, EBITDA would be Euro 4,040 thousand, down Euro 589 thousand since the last quarter of 2018.
The principal factors behind this reduction in EBITDA are a drop in added value, directly linked with lower revenues in the quarter, and increased operating costs.

The item **depreciation, amortisation and impairment** amount to Euro 2,020 thousand in the final quarter of 2019, as compared to Euro 1,614 thousand in the last quarter of 2018, a Euro 406 thousand increase. The increase is primarily due to the following factors:

- the effects of application of the new accounting standard IFRS16, with an impact of 333 thousand Euro, details of which are supplied in a specific note in this Report;
- the recent acquisition of Elettropiemme S.r.l., which contributes 71 thousand Euro to the increase in this item.

EBIT in the fourth quarter of 2019 is positive at Euro 2,647 thousand (7.5% of revenues), as compared with an EBIT of Euro 3,015 thousand in the fourth quarter of 2018, a Euro 368 thousand drop. Without the positive effect of the addition of Elettropiemme S.r.l. to the Group, which amounts to 216 thousand Euro, EBIT for the quarter would be 2,431 thousand Euro, 584 thousand Euro less than in the same period of the previous year. The change is primarily a result of greater operating costs in the period, only partially compensated by lower personnel costs.

Charges from financial assets/liabilities in the fourth quarter of 2019 total Euro 414 (as compared to Euro 328 thousand in income in the fourth quarter of 2018) and include:

- financial income totalling Euro 34 thousand (Euro 41 thousand in the fourth quarter 2018);
- financial charges of Euro 118 thousand consequent upon the Group's indebtedness, an increase over the figure for the fourth quarter of 2018, which was Euro 47 thousand, after new loans were obtained;
- negative result of differences in foreign currency transactions of Euro 319 thousand, as compared to a positive result of Euro 334 thousand in the fourth quarter of 2018;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 11 thousand Euro.

Charges from shareholdings valued at equity equal Euro 110 thousand, worse than in the fourth quarter of 2018, when they totalled Euro 10 thousand. The change is primarily a result of adaptation of the value of the Ensun S.r.l. Group following sale of 100% of the shares in Elettropiemme S.r.l. and BS Energia 2 S.r.l..

Group **net profit** in the fourth quarter of 2019 amounted to Euro 1,382 thousand, as compared to a net profit of Euro 2,707 in the fourth quarter of 2018, a Euro 1,325 thousand decrease. Net of the positive effect of the addition of Elettropiemme S.r.l. to the Group, worth Euro 153 thousand, net profit in the fourth quarter of 2019 is lower than the figure for the same period in the previous year, Euro 1,478 thousand.

5.2 PROGRESSIVE CONSOLIDATED INCOME STATEMENT

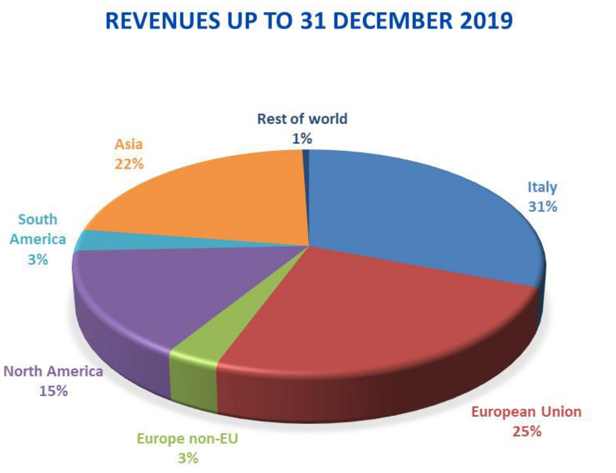
	(Euro / 000)	31 December 2019 Total	31 December 2018 Total	Change 2019-2018 Value	%
a	Revenues	140,535	135,571	4,964	3.7%
b	Increases for internal work	2,574	1,425	1,149	80.6%
c	Consumption of materials and products	50,208	47,242	2,966	6.3%
d	Added value (a+b-c)	92,901	89,754	3,147	3.5%
e	Other operating costs	23,921	23,799	122	0.5%
f	Personnel costs	49,250	45,897	3,353	7.3%
g	EBITDA (d-e-f)	19,730	20,058	(328)	-1.6%
h	Depreciation, amortisation and impairment	9,355	6,315	3,040	48.1%
i	EBIT (g-h)	10,375	13,743	(3,368)	-24.5%
l	Gains (losses) from financial assets/liabilities	(486)	(501)	15	3.0%
m	Gains (losses) from shareholdings valued at equity	180	(55)	235	427.3%
n	Profit (loss) before tax (i±l±m)	10,069	13,187	(3,118)	-23.6%
o	Taxes	(3,027)	(4,161)	1,134	27.3%
p	Result from operating activities (n±o)	7,042	9,026	(1,984)	-22.0%
q	Net profit (loss) from assets held for sale	-	(875)	875	100.0%
r	Group net profit (loss) (p±q)	7,042	8,151	(1,109)	-13.6%

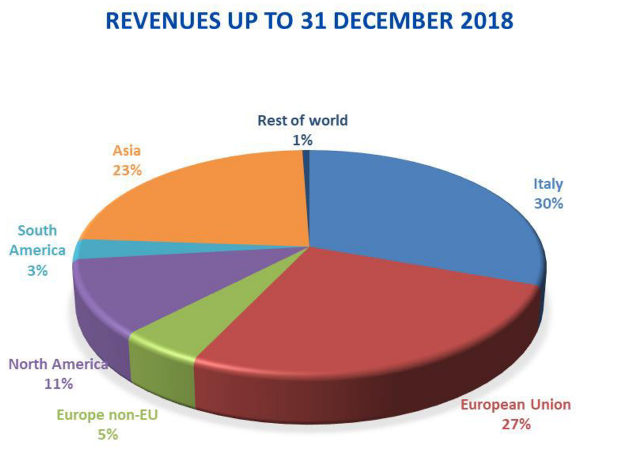
Revenues as of 31 December 2019 were 140,535 thousand Euro, compared with 135,571 thousand Euro in the same period in the previous year, revealing a growth of 4,964 thousand Euro (+3.7%). The acquisition of Elettropiemme S.r.l. contributed a total of 5,763 thousand Euro to the increase in revenues. Without this effect, revenues would be lower than in the same period in the previous year (-0.6%). The drop in revenues, primarily linked with sensors and automation components, and extended to the main geographic regions in which the Group works, reflects the situation of global economic uncertainty and has affected all the Group's traditional sales channels. The revenues of the motion control business are up thanks to growing sales of products for custom projects.

Orders received in 2019 were higher than on the same date in 2018 (+2%), as was the order portfolio, which is about 1.7% higher than on 31 December 2018. If the positive impact of the addition of Elettropiemme S.r.l. to the Group were not taken into account, orders received in 2019 would be 1.9% down over the previous year, primarily in the automation components and sensors business units.

The following table shows revenues by geographical region:

(Euro / 000)	31 December 2019		31 December 2018		Change 2019-2018	
	value	%	value	%	value	%
Italy	43,342	30.8%	41,305	30.5%	2,037	4.9%
European Union	34,861	24.8%	36,205	26.7%	(1,344)	-3.7%
Europe non-EU	4,588	3.3%	6,972	5.1%	(2,384)	-34.2%
North America	21,656	15.4%	14,757	10.9%	6,899	46.8%
South America	4,359	3.1%	3,959	2.9%	400	10.1%
Asia	30,987	22.0%	31,621	23.3%	(634)	-2.0%
Rest of the World	742	0.5%	752	0.6%	(10)	-1.3%
Total	**140,535**	**100%**	**135,571**	**100%**	**4,964**	**3.7%**





The breakdown of revenues by **geographical region** reveals strong growth in North America (+46.8%), primarily in the second half of the year, and in all business units: the favourable exchange rate has a positive impact, but growth is significant even without this effect (+42.3%); sales in South America were up (+10.1%), while sales dropped in non-EU Europe (-34.2%) and in the European Union (-3.7%). The growth recorded in Italy (+4.9%) was due to the change in the scope of the consolidation, without which there would have been a decrease in sales compared to 2018 (-7.5%).

Below is a breakdown of revenues by business area as of 31 December 2019 in comparison with the same period in the previous year:

(Euro / 000)	31 December 2019		31 December 2018		Change 2019-2018	
	value	%	value	%	value	%
Sensors	60,582	43.1%	61,893	45.7%	(1,311)	-2.1%
Automation components	41,391	29.5%	37,475	27.6%	3,916	10.4%
Motion control	43,953	31.3%	41,740	30.8%	2,213	5.3%
Eliminations	(5,391)	-3.8%	(5,537)	-4.1%	146	-2.6%
Total	**140,535**	**100%**	**135,571**	**100%**	**4,964**	**3.7%**

The breakdown of revenues by **business area** in the year 2019 revealed growth in the motion control business (+5.3%), primarily in products for custom projects. On the other hand, sales in the sensors business unit decreased (-2.1%), mainly in the Asian, European and Italian markets.

Sales in the automation components business were up as a result of the inclusion of the revenues of the newly acquired company Elettropiemme S.r.l., without which sales in the business unit would be have dropped over the previous period (-4.4%).

Increases for internal work at 31 December 2019 came to 2,574 thousand Euro, compared with 1,425 thousand Euro at 31 December 2018. This item primarily represents the portion of development costs incurred in the period and capitalised, totalling 2,282 thousand Euro (1,201 thousand Euro at 31 December 2018).

Added value at 31 December 2019 amounted to 92,901 thousand Euro (89,754 thousand Euro on 31 December 2018) and is equal to 66.1% 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 year 2019 would be 89,869 thousand Euro, representing 66.7% of revenues.

Other operating costs in the year 2019 totalled 23,921 thousand Euro, 122 thousand Euro higher than in 2018 in terms of absolute value and representing 17% of revenues (17.6% in 2018). The principal changes are reported below:

- 434 thousand Euro increase due to the addition of Elettropiemme S.r.l. to the Group;
- 1,002 thousand Euro drop in costs for use of third-party assets as a result of application of the new accounting standard IFRS16, even without taking into account the portion linked with Elettropiemme S.r.l.'s contracts;
- other operating costs increased by 690 thousand Euro, primarily due to higher service costs.

Personnel costs in the year 2019 totalled 49,250 thousand Euro (35% of revenues), as compared to 45,897 thousand Euro in 2018 (33.9% of revenues), a 3,353 thousand Euro increase. The higher cost reflects the addition to the Group of Elettropiemme S.r.l. (1,565 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 grew from 751 in 2018 to 801 in 2019.

EBITDA at 31 December 2019 was positive by 19,730 thousand Euro (20,058 thousand Euro at 31 December 2018), representing 14% of revenues (14.8% of revenues in 2018), down 328 thousand Euro over the previous year in absolute terms. The addition of Elettropiemme S.r.l. to the Group brought an increase of 1,033 thousand Euro, without which EBITDA would have been 1,361 thousand Euro lower than in the previous year. The increase in added value (115 thousand Euro) represents the positive effect of reversal of leasing fees for the period due to application of the new accounting standard IFRS 16 (1,002 thousand Euro), decreased as a result of higher personnel costs (1,788 thousand Euro) and higher operating costs in the period (690 thousand Euro).

Depreciation, amortisation and impairment as of 31 December 2019 totalled 9,355 thousand Euro, as compared to 6,315 thousand Euro on 31 December 2018, a 3,040 thousand Euro increase. The increase is primarily a result of:

- the recent purchase of Elettropiemme S.r.l., which contributes 263 thousand Euro to the increase in this item;
- the effects of application of the new accounting standard IFRS16, worth 961 thousand Euro, details of which are supplied in a specific note to this annual report;
- entry of loss of value of assets totalling 1,531 thousand Euro. The investment plan in the sensors business unit 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. Work was completed in December 2019 and production began in January 2020.

EBIT at 31 December 2019 is positive at 10,375 thousand Euro (7.4% of revenues), as compared with an EBIT of 13,743 thousand Euro in the same period in 2018 (10.1% of revenues), a 3,368 thousand Euro drop. 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 770 thousand Euro.
Without these effects, EBIT in the period would be 11,136 thousand Euro, down 2,607 thousand Euro over 2018, primarily as a result of higher personnel costs.

Charges from financial assets/liabilities in 2019 total 486 thousand Euro (as compared to 501 thousand Euro in charges in 2018) and include:

- financial income of EUR 93 thousand (EUR 180 thousand in 2018);
- financial charges totalling 453 thousand Euro resulting from the Group's indebtedness, higher as a result of new loans since 2018, when the figure was 309 thousand Euro;
- positive result of differences in foreign currency transactions of Euro 87 thousand, as compared to a negative result of Euro 372 thousand in 2018;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 39 thousand Euro.

Income from shareholdings valued at equity totals 180 thousand Euro, better than in the previous year 2018, when this item totalled 55 thousand Euro. The change is primarily a result of adaptation of the value of the Ensun S.r.l. Group following sale of 100% of the shares in Elettropiemme S.r.l. and BS Energia 2 S.r.l..

Taxes were, on the whole, negative by 3,027 thousand Euro (4,161 thousand Euro as of 31 December 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 1,968 thousand Euro (negative by 2,632 thousand Euro as of 31 December 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 1,059 thousand Euro (negative by 1,529 thousand Euro as of 31 December 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 at 31 December 2019 is positive at 7,042 thousand Euro, compared with a positive result of 9,026 thousand Euro in the year 2018. Without taking into account the positive effect of the addition of Elettropiemme S.r.l. to the Group, worth 512 thousand Euro, or the loss of value of the asset entered at 1,531 thousand Euro, the result from operating activities in 2019 would be 8,061 thousand Euro, 965 thousand Euro lower than in the previous year.

Net profit (loss) from assets held for sale in 2019 was zero, while the figure for the previous year was negative by 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** at 31 December 2019 amounts to 7,042 thousand Euro, as compared to a net profit of 8,151 Euro at 31 December 2018, down 1,109 thousand Euro. Without taking into account the positive impact of the addition of Elettropiemme S.r.l. to the Group, worth 512 thousand Euro, net profit for the year 2019 would be 6,530 thousand Euro, down 1,621 thousand Euro over the figure for the previous year.

5.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

(Euro / 000)	31 December 2019		31 December 2018	
	value	%	value	%
Intangible assets	13,558	15.3	12,376	16.0
Tangible assets	47,850	54.2	38,955	50.4
Other non-current assets	9,536	10.8	9,801	12.7
Net non-current assets	70,944	80.3	61,132	79.0
Inventories	24,548	27.8	22,978	29.7
Trade receivables	28,931	32.8	29,808	38.5
Trade payables	(24,937)	(28.2)	(20,731)	(26.8)
Other assets/liabilities	(3,484)	(3.9)	(9,027)	(11.7)
Working capital	25,058	28.4	23,028	29.8
Provisions for risks and future liabilities	(2,171)	(2.5)	(1,674)	(2.2)
Deferred tax provisions	(647)	(0.7)	(627)	(0.8)
Employee benefits	(4,853)	(5.5)	(4,524)	(5.8)
Invested capital from operations	88,331	100.0	77,335	100.0
Net invested capital	**88,331**	**100.0**	**77,335**	**100.0**
Shareholders' equity	75,044	85.0	72,814	94.2
Non-current financial payables	21,916	24.8	11,864	15.3
Current financial payables	12,643	14.3	10,817	14.0
Financial payables for IFRS 16 leases (current and non-current)	3,084	3.5	-	-
Financial liabilities for derivatives (current and non-current)	169	0.2	28	0.0
Financial assets for derivatives (current and non-current)	(1)	(0.0)	(19)	(0.0)
Other non-current financial investments	(97)	(0.1)	(126)	(0.2)
Cash and cash equivalents and current financial receivables	(24,427)	(27.7)	(18,043)	(23.3)
Net debt relating to operations	13,287	15.0	4,521	5.8
Total sources of financing	**88,331**	**100.0**	**77,335**	**100.0**

Net non-current assets at 31 December 2019 were 70,944 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 1,182 thousand Euro. The change includes increases due to capitalisation of development costs (2,282 thousand Euro), entry of intangible assets following *Purchase Price Allocation* of Elettropiemme S.r.l. (363 thousand Euro) and new investment (624 thousand Euro), as well as decreases due to amortisation in the period (2,136 thousand Euro). The impact of changes in exchange rates led to an overall increase of 52 thousand Euro;
- tangible assets increased by 8,895 thousand Euro compared with 31 December 2018. Investment in 2019, worth 12,737 thousand Euro, was partially compensated by amortisation in the period (4,542 thousand Euro), impairment (1,531 thousand Euro) and net decreases due to sales (1,130 thousand Euro). The value of usage rights for assets entered under accounting standard IFRS16 is 4,540 thousand Euro, compensated by amortisation (1,146 thousand Euro) and by decreases due to advance closure of contracts (279 thousand Euro). In addition to this, the item includes net tangible assets resulting from the takeover of Elettropiemme S.r.l. (233 thousand Euro) and the positive impact of changes in exchange rates (10 thousand Euro);
- other fixed assets as of 31 December 2019 totalled 9,536 thousand Euro (9,801 thousand Euro at 31 December 2018), a 265 thousand Euro drop. This change is primarily attributable to the deferred tax assets of the newly acquired company Elettropiemme S.r.l., worth 536 thousand Euro, to the 892 thousand Euro drop in deferred tax assets entered in 2019 and to adjustment of the value of shareholdings, a positive total of 80 thousand Euro.

Working capital as of 31 December 2019 totals 25,058 thousand Euro, as compared to 23,028 thousand Euro on 31 December 2018, revealing an overall increase of 2,030 thousand Euro, including 1,270 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 24,548 thousand Euro on 31 December 2019; the 1,570 thousand Euro increase includes 978 thousand Euro in inventory belonging to Elettropiemme S.r.l.; the increase in inventories is attributable to increased raw materials stocks and an increase in stocks of semi-products and finished products for fulfilling orders in the future;
- trade receivables amount to 28,931 thousand Euro, down 877 thousand Euro since 31 December 2018; these include receivables deriving from the above-mentioned company takeover, which amounted to 1,408 thousand Euro as of 31 December 2019;
- trade payables amount to 24,937 thousand Euro, 4,206 thousand Euro higher than on 31 December 2018, including 981 thousand representing the trade payables of Elettropiemme S.r.l.; the increase reflects increases in purchased of materials for stock and technical investment in the year;
- other net assets and liabilities, negative overall by 3,484 thousand Euro as of 31 December 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 5,543 thousand Euro, primarily reflects an increase in V.A.T. credits.

Provisions for risks and future liabilities were 2,171 thousand Euro, an increase of 497 thousand Euro compared with 31 December 2018. The item includes provisions for current legal disputes and various risks, and the change since the end of 2018 is attributable to the takeover of Elettropiemme S.r.l., which had 631 thousand Euro in provisions as 31 December 2019.

Employee benefits amount to 4,853 thousand Euro, as compared to 4,524 thousand Euro on 31 December 2018; the Elettropiemme S.r.l. takeover led to a total increase of 404 thousand Euro in this item, without which there would be a net increase of 75 thousand Euro in this item since the end of 2018, primarily due to entry of a new non-competition agreement.

Shareholders' equity as of 31 December 2019 amounts to 75,044 thousand Euro, compared to 72,814 thousand Euro on 31 December 2018, a 2,230 thousand Euro increase. The change is primarily a result of the positive outcome of the period, equal to 7,022 thousand Euro, partially absorbed by distribution of dividends on the net profit of 2018 in the month of May 2019 totalling 4,599 thousand Euro.

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

(Euro / 000)	31 December 2019		31 December 2018	
	Shareholders' equity	Result for the period	Shareholders' equity	Result for the period
Parent Company shareholders' equity and operating result	**65,066**	**6,222**	**63,760**	**7,630**
Shareholders' equity and operating result of the consolidated companies	53,997	3,180	52,737	3,183
Elimination of the carrying value of consolidated investments	(46,542)	-	(45,662)	-
Goodwill	3,747	-	3,738	-
Elimination of the effects of transactions conducted between consolidated companies	(1,224)	(2,360)	(1,759)	(2,662)
Group share of shareholders' equity and operating result	**75,044**	**7,042**	**72,814**	**8,151**
Minorities' share of shareholders' equity and operating result	-	-	-	-
Shareholders' equity and operating result	**75,044**	**7,042**	**72,814**	**8,151**

Net financial position as of 31 December 2019 is negative by 13,287 thousand Euro, which is 8,766 thousand Euro higher than at the end of 2018, when it was on the whole negative by 4,521 thousand Euro.

Net financial debt comprises short-term cash and cash equivalents of 10,713 thousand Euro and medium-/long-term debts of 24,000 thousand Euro.
The negative impact of application of accounting standard IFRS16, which worsens net financial position by 3,084 thousand Euro, is apparent here, including 1,071 thousand Euro reclassified as current and 2,013 thousand Euro included in the medium/long term balance.

Three new loans were taken out in 2019, worth a total of 21,780 thousand Euro, 20,000 thousand Euro of which by the Parent Company and 1,780 thousand Euro by the American subsidiary Gefran Inc. All three loans have variable interest rates and no financial covenants.

In addition to application of IFRS 16, the change in net financial position originated primarily from positive cash flows from ordinary operations (18,045 thousand Euro), absorbed by technical investment in the period (16,006 thousand Euro), distribution of dividends (4,599 thousand Euro), the net effect of the takeover of Elettropiemme S.r.l. (231 thousand Euro) and payment of taxes (2,183 thousand Euro).

It breaks down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Cash and cash equivalents and current financial receivables	24,427	18,043	6,384
Current financial payables	(12,643)	(10,817)	(1,826)
Current financial payables for IFRS 16 leases	(1,071)	-	(1,071)
Current financial liabilities for derivatives	-	(28)	28
Current financial assets for derivatives	-	19	(19)
(Debt)/short-term cash and cash equivalents	**10,713**	**7,217**	**3,496**
Non-current financial payables	(21,916)	(11,864)	(10,052)
Non-current financial payables for IFRS 16 leases	(2,013)	-	(2,013)
Non-current financial liabilities for derivatives	(169)	-	(169)
Non-current financial investments for derivatives	1	-	1
Other non-current financial investments	97	126	(29)
(Debt)/medium-/long-term cash and cash equivalents	**(24,000)**	**(11,738)**	**(12,262)**
Net financial position	**(13,287)**	**(4,521)**	**(8,766)**

The Gefran Group's **consolidated cash flow statement** at 31 December 2019 showed a positive net change in cash at hand of EUR 6,384 thousand, compared with a negative change of EUR 5,963 thousand in 2018. The change was as follows:

(Euro / 000)	31 December 2019	31 December 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	18,045	18,992
C) Cash flow generated by (used in) investment activities	(14,396)	(9,353)
D) Free cash flow (B+C)	3,649	9,639
E) Cash flow generated by (used in) financing activities	2,944	(15,504)
F) Cash flow from continuing operations (D+E)	6,593	(5,865)
G) Cash flow from assets held for sale	0	0
H) Exchange rate translation differences on cash at hand	(209)	(98)
I) Net change in cash at hand (F+G+H)	6,384	(5,963)
J) Cash and cash equivalents at the end of the period (A+I)	24,427	18,043

The cash flow from operations in the period was positive by 18,045 thousand Euro; in particular, operations in the year 2019, purged of the effect of provisions, amortisation and depreciation, and financial entries, generated 20,125 thousand Euro in cash (21,269 Euro in the previous year), while the net change in assets and liabilities in the same period absorbed 5,004 thousand Euro in cash (whereas it generated 1,191 Euro in cash in 2018) and management of operating capital generated 2,897 thousand Euro in cash (it had absorbed 3,900 thousand Euro in cash in 2018).

Technical investments absorbed 15,644 thousand Euro in cash, up 6,233 thousand Euro over the figure of 9,411 thousand Euro for the year 2018. Moreover, in 2019 the acquisition of Elettropiemme S.r.l., net of cash acquired, absorbed 231 thousand Euro in resources, while sale of assets generated 1,487 thousand Euro in cash, primarily deriving from sale of the American branch's real estate property.

Free cash flow (operative cash flow minus investment) is positive by 3,649 thousand Euro, as compared to a negative free cash flow of 9,639 thousand Euro as of 31 December 2018, a 5,990 thousand Euro drop primarily attributable to operations in the period and to increased investment.

Loans generated a total of 2,944 thousand Euro in cash, primarily through three new loans totalling 21,780 thousand Euro; while payment of dividends on net profit in 2018 (4,599 thousand Euro), repayment of the instalments of existing loans falling due (9,781 thousand Euro), a decrease in short-term financial indebtedness (425 thousand Euro), payment of financial payables on leasehold contracts (1,190 thousand Euro) and taxes paid (2,183 Euro) absorbed resources.
In 2018 loans absorbed a total of 15,504 thousand Euro in resources, primarily for payment of dividends (5,040 thousand Euro), repayment of instalments of existing loans falling due (9,462 thousand Euro), and payment of taxes (3,744 thousand Euro, including 1,817 thousand Euro in foreign taxes payable on income in previous years).

6. INVESTMENTS

Gross technical **investments** in the year 2019 amount to 16,006 thousand Euro (9,438 thousand Euro at 31 December 2018) and pertain to:

- buildings belonging to the Group's foreign subsidiaries worth a total of 4,174 thousand Euro, primarily pertaining to the US subsidiary's purchase and subsequent adaptation of a building about three times the size of its previous one, to which Gefran Inc. moved in July 2019. The investment falls under the branch's industrial and commercial development plan, and will allow the Group to boost its presence on the North American market;
- adaptation of the industrial buildings belonging to the Group's plants in Italy totalling 4,363 thousand Euro, including 4,165 Euro for the Parent Company's plants, most of which was for construction of a new building to contain an expansion of the production lines for the sensors business;
- investment of 3,217 thousand Euro in production and laboratory plant and equipment in the Group's Italian factories and 464 thousand Euro in other Group subsidiaries;
- renewal of electronic office machines and IT system equipment, amounting to 189 thousand Euro in the Parent Company and 270 thousand Euro in the Group's subsidiaries;
- miscellaneous equipment in the Group's subsidiaries amounting to 60 thousand Euro;
- capitalisation of costs incurred in the period for new product development, totalling 2,282 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 624 thousand, for management software licences and SAP ERP development.

Investments are listed below by type and geographical region:

(Euro / 000)	**at 31 December 2019**	**at 31 December 2018**
Intangible assets	3,269	1,963
Tangible assets	12,737	7,475
Total	16,006	9,438

(Euro / 000)	**31 December 2019**		**31 December 2018**	
	intangible assets and goodwill	**tangible assets**	**intangible assets and goodwill**	**tangible assets**
Italy	3,254	7,904	1,948	6,148
European Union	13	89	12	60
Europe non-EU	-	30	-	116
North America	-	4,270	-	354
South America	2	123	3	215
Asia	-	321	-	582
Rest of the World	-	-	-	-
Total	3,269	12,737	1,963	7,475

Investments in 2019 are broken down below by business area:

(Euro / 000)	**Sensors**	**Automation components**	**Motion control**	**Total**
Intangible assets	1,041	1,292	936	3,269
Tangible assets	9,754	1,687	1,296	12,737
Total	10,795	2,979	2,232	16,006

7. 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 impact specifically attributable to this business unit in the year 2018, which is negative by 875 thousand Euro, represented adjustment of the amount of these assets to their presumed cashable value.

8. 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 unit.

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.

8.1 SENSORS

Strategy

In 2020, commercial development of the sensors business will focus on identification of significant opportunities in industrial applications other than the traditional ones, also through strategic partnership agreements. The Group will continue to following developments in the “historic” sectors of the business (manufacturers and users of machinery for processing of plastic materials) and the existing pool of customers (most of whom saw a downturn in 2019) so as to be ready in the event of an upswing and continue to propose innovative new products and solutions. During the year the company hopes to reap the benefits of this policy in China, Southeast Asia and the United States, as it will have been able to following developments in these areas more closely as a result of commercial investment in these areas in 2019. The strategy of commercial development is also supported by new products developed in 2019 (the new range of contactless position sensors and completion of the portfolio of high temperature pressure measurement devices), which will be completed in 2020 with a number of certified, advanced digital communication models. Investment incurred to boost the company’s manufacturing capacity (in terms of the volume, efficiency and quality of production), both at its headquarters and in plants in other locations (in the United States and China) guarantees the level of service, competitiveness and quality required to support the growth of revenues.

The cornerstones of the growth strategy continue to be:

- Technological leadership to enable growth in mature markets;
- knowledge of industrial processes (which are constantly evolving and being updated), in order to grow in emerging markets, supported by the presence of local manufacturers (appropriately reinforced) guaranteeing an appropriate level of customer service;
- expansion of the range, also in the direction of increased signal digitalisation and a broader spectrum of international certifications, to extend into new applications alongside the traditional ones.

The efficacy and distinctive character of these principles is demonstrated by the results achieved by the sensors business unit in 2019, despite a macroeconomic scenario of slowdown, particularly in the sectors the business unit traditionally serves.

In addition to this, constant verification of customer satisfaction and of the technical competency of the sales force were considered essential for maintaining and increasing the competitiveness of this business unit. For these reasons, investment in support of lean evolution of industrial processes was not interrupted or delayed. Development of digital solutions made available to customers continues with the aim of offering better and better service: after the innovative product selection and configuration tool made available in 2018, in the last quarter of 2019 the company’s principal customers and distributors will be offered access to a reserved area in the Gefran internet set in which to manage and track the status of their deliveries and returns under warranty. Also in 2019, the e-learning platform was enriched with plenty of new technical content, helping to expand the sales force’s skill set.

Key events

2019 saw the completion of a significant part of the investment plan aimed at increasing the amount of space dedicated to production of sensors with the aim of supporting the growth in volumes expected in the years to come. The new building, constructed employing the most advanced energy solutions, was completed at the end of 2019 and began producing mechanical components and force sensors (load cells) early in 2020. Transfer of this production department allowed the company to free up space in the historic premises of the sensors business unit, and the investment plan for 2020 involves conversion of the production layout with a view to lean manufacturing.

In North America, in order to support growth in the sensors business in years to come, production and sales activity was moved to a new building in North Andoven (Boston) in 2019. The building's size and structure and the greater number of products that can be made locally will make a substantial contribution to reinforcing the image, presence and development of the business unit in the country.

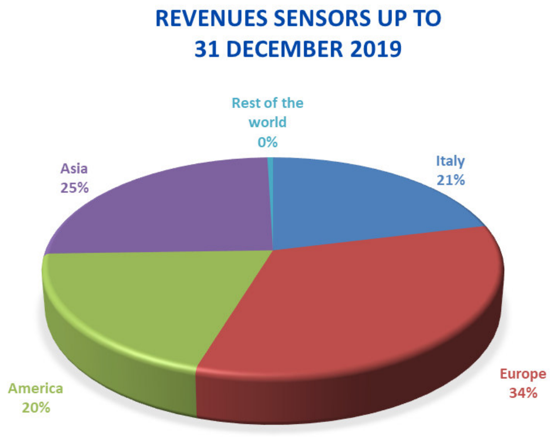
Summary results

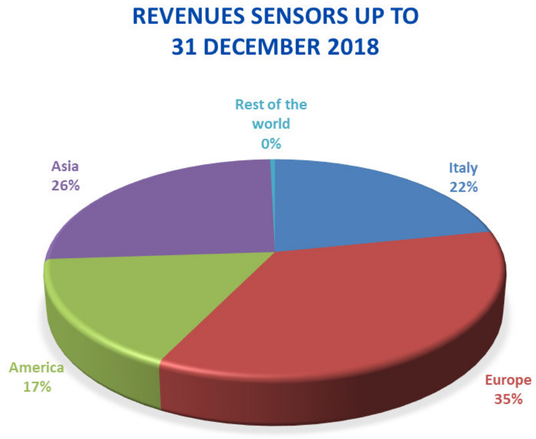
The table below shows the key economic figures.

(Euro / 000)	31 December 2019	31 December 2018	Change 2019 - 2018 value	%	Q4 2019	Q4 2018	Change 2019 - 2018 value	%
Revenues	**60,582**	**61,893**	(1,311)	-2.1%	**14,690**	**14,893**	(203)	-1.4%
EBITDA	**14,663**	**18,439**	(3,776)	-20.5%	**3,119**	**3,948**	(829)	-21.0%
% of revenues	*24.2%*	*29.8%*			*21.2%*	*26.5%*		
EBIT	**9,960**	**15,930**	(5,970)	-37.5%	**2,283**	**3,296**	(1,013)	-30.7%
% of revenues	*16.4%*	*25.7%*			*15.5%*	*22.1%*		

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

(Euro / 000)	31 December 2019 value	%	31 December 2018 value	%	Change 2019 - 2018 value	%
Italy	12,830	21.2%	13,494	21.8%	(664)	-4.9%
Europe	20,342	33.6%	21,978	35.5%	(1,636)	-7.4%
America	11,970	19.8%	10,306	16.7%	1,664	16.1%
Asia	15,162	25.0%	15,874	25.6%	(712)	-4.5%
Rest of the World	278	0.5%	241	0.4%	37	15.4%
Total	**60,582**	**100%**	**61,893**	**100%**	**(1,311)**	**-2.1%**





Business performance

The business unit's revenues in the year 2019 totalled 60,582 thousand Euro, down 1,311 thousand Euro (-2.1%) over the figure for the same period in 2018 Shrinkage was primarily in the Asian market (-4.5%), in Europe (-7.4%) and in Italy (-4.9%); in terms of product lines, sales were down in the Position, Industrial Pressure and Force lines, but up in Mobile Hydraulics, Magnetostrictive and Melt sensors.

The order portfolio at 31 December 2019 was worth 59,939 thousand Euro, down from the previous year's figure of 60,865 thousand Euro (-1.5%); the order backlog as of 31 December 2019 was also lower than on 31 December 2018 (-1.9%).

Revenues in the fourth quarter of 2019 amounted to 14,690 thousand Euro, 1.4% lower than in the same period in 2018, when they amounted to 14,893 thousand Euro.

EBITDA amounted to 14,663 thousand Euro at 31 December 2019, 3,776 thousand Euro (-20.5%) lower than on 31 December 2018, when it was 18,439 thousand Euro. The drop in EBITDA is a result of shrinkage of volumes and increased operating costs as compared to 2018.

EBIT at 31 December 2019 was 9,960 thousand Euro, equal to 16.4% of revenues, compared to an EBIT of 15,930 thousand Euro as of 31 December 2018 (25.7% of revenues), a negative change of 5,970 thousand Euro (-37.5%). Factors with a negative impact on the business unit's EBIT in 2019 included a 1,531 thousand Euro reduction in the value of the building, entered to adjust carrying value to reflect fair value. The investment plan in the sensors business unit 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. Work was completed and all activity transferred in December 2019; the new plant has been in operation since January 2020.

In the third quarter of 2019, capital gains of 332 thousand Euro were earned on sale of the property that contained the US branch's headquarters until June, when they were moved to the new, larger building purchased recently.

Without this effect, EBIT as of 31 December 2019 would be 11,159 thousand Euro, 18.4% 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 (460 thousand Euro) and entry of amortisation of usage rights (439 thousand Euro). If these effects are not taken into account, EBITDA at 31 December 2019 is 14,203 thousand Euro, 23.4% of revenues, down 4,236 thousand Euro since the previous year, while EBIT amounts to 9,939 thousand Euro, equal to 16.4% of revenues and down 5,991 thousand Euro since 2018.

Comparing the figures by quarter, EBIT in the fourth quarter of 2019 came to EUR 2,283 thousand, corresponding to 15.5% of revenues, compared with an EBIT of EUR 3,296 thousand, equal to 22.1% of revenues, in the same period in 2018.

Investments

Investments in the year 2019 totalled 10,795 thousand Euro, including 1,041 thousand Euro in investments in intangible assets, 777 thousand Euro of which was for research and development in new products.

Increases in tangible assets totalled 9,754 thousand Euro, including 5,149 thousand Euro invested by the Parent Company, primarily for the purchase of production equipment for increasing the capacity and efficiency of production (1,042 thousand Euro), as well as for adaptation and construction of new buildings (4,012 thousand Euro). Investments in the Group’s subsidiaries amounted to 4,605 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.

8.2 AUTOMATION COMPONENTS

Strategy

In the year 2020 commercial development of markets will continue to focus primarily on Europe (Italy, France and Germany), the United States and Brazil, where resources are focusing exclusively on growth of the business unit through identification of significant opportunities in industrial applications other than those traditionally served by the Gefran Group. The goal in other countries will be maintaining our current market share through follow-up with existing customers.

Development of the business unit is supported by the product range launched on the market in 2019. 2020 will also see completion of the renewal of the majority of the range of power controllers, constituting one of the pillars of the growth of the business in the years to come. On the production processes front, in 2020 investments will continue in new machinery and in software, with the aim of automating manufacturing processes from a smart factory perspective.

The nature of this product line as the “heart” of the process of automation of machinery and plants makes it essential, in order to acquire new business opportunities, to improve the technical skills of the company’s sales force and make it easy for prospective customers to select the best product for their requirements. This is the reason for investment in development of an e-learning platform and an innovative on-line product selection and configuration tool. These tools, with expanded content, were further enriched in 2019 with the creation of a reserved area for the company’s principal customers and distributors on its internet site, where they can manage and track the status of deliveries and returns under warranty.

Key events

2019 saw the continuation of reorganisation of internal processes through projects (referred to as "lean work sites") with a view to continuing the search for more efficient, sustainable solutions to better respond to the demands of customers and the market. The year 2019 saw the start-up of the first completely paperless production island in the Provaglio d'Iseo plant.

In order to support growth of the automation components business in North America, the Group plans to expand the production capacity of its new plant in North Andover, where production of a number of automation components families will be localised.

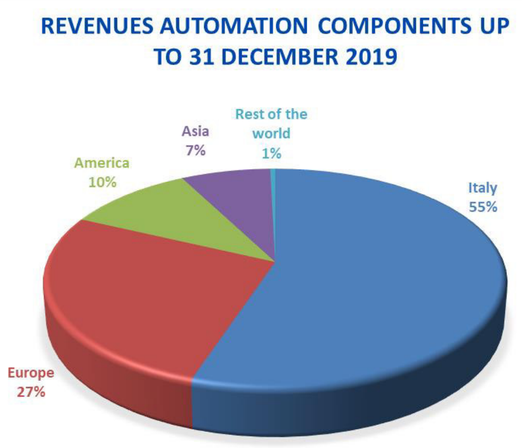
Summary results

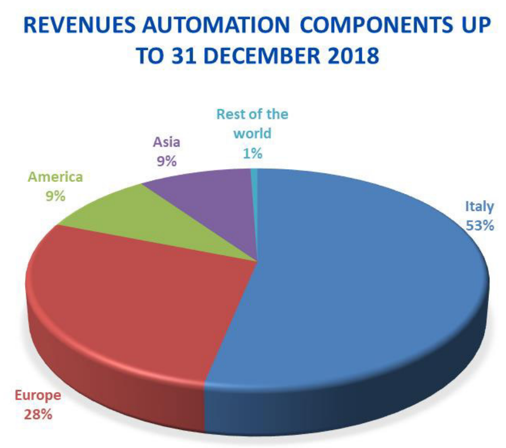
The table below shows the key economic figures.

(Euro / 000)	31 December 2019	31 December 2018	Change 2019-2018 value	Change 2019-2018 %	Q4 2019	Q4 2018	Change 2019 - 2018 value	Change 2019 - 2018 %
Revenues	**41,391**	**37,475**	3,916	10.4%	**9,360**	**9,201**	159	1.7%
EBITDA	**4,128**	**3,326**	802	24.1%	**759**	**609**	150	24.6%
% of revenues	*10.0%*	*8.9%*			*8.1%*	*6.6%*		
EBIT	**1,608**	**1,360**	248	18.2%	**112**	**123**	(11)	-8.9%
% of revenues	*3.9%*	*3.6%*			*1.2%*	*1.3%*		

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

(Euro / 000)	31 December 2019 value	31 December 2019 %	31 December 2018 value	31 December 2018 %	Change 2019-2018 value	Change 2019-2018 %
Italy	22,826	55.1%	19,947	53.2%	2,879	14.4%
Europe	11,097	26.8%	10,402	27.8%	695	6.7%
America	4,299	10.4%	3,479	9.3%	820	23.6%
Asia	3,002	7.3%	3,435	9.2%	(433)	-12.6%
Rest of the World	167	0.4%	212	0.6%	(45)	-21.2%
Total	**41,391**	**100%**	**37,475**	**100%**	**3,916**	**10.4%**





GEFRAN
BEYOND TECHNOLOGY

Business performance

Revenues at 31 December 2019 amount to 41,391 thousand Euro, up 10.4% over the figure for 31 December 2018. These include revenues brought to the business unit by the newly acquired company Elettropiemme S.r.l., equal to 5,763 thousand Euro, without which revenues would total 35,628 thousand Euro, 1,847 thousand Euro less than 2018 (-4.9%). The shrinkage is limited to Italy (-11.3%) and the Asian market (-12.6%), partially compensated by good performance registered in America (+23.6%).

At 31 December 2019 the order portfolio was worth 35,922 thousand Euro, higher than on 31 December 2018 (+11.6%), as was the order backlog of 4,529 thousand Euro, 20.6% higher than on 31 December 2018. Elettropiemme S.r.l. contributes 5,280 thousand Euro to the increase in orders collected and 1,171 thousand Euro to the order backlog in this business unit. Without the contribution of Elettropiemme S.r.l., the business unit's new orders received in 2019 would total 30,641 thousand Euro, 4.8% less than the previous year, while the order backlog would be 3,358 Euro, 10.6% lower.

Revenues in the fourth quarter of 2019 amounted to 9,360 thousand Euro, higher than in the same period in 2018(1.7%), when they amounted to 9,201 thousand Euro. The change is a result of the addition of Elettropiemme S.r.l. to the Group, without which revenues in the quarter would be lower than in the same period in 2018 (-14.5%).

EBITDA at 31 December 2019 was positive by 4,128 thousand Euro (10% of revenues), 802 thousand Euro higher than in 2018 (+24.1%). The purchase of the company described above contributes 1,033 thousand Euro to EBITDA, which would have been 231 thousand Euro less than on 31 December 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 31 December 2019 is positive by 1,608 thousand Euro, higher than the figure for the same period in the previous year, which was 1,360 thousand Euro. The addition of Elettropiemme S.r.l. to the Group contributes 770 thousand Euro to the increase in the Group's EBIT, and without this contribution the figure as of 31 December 2019 would be 838 thousand Euro, 522 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 (429 thousand Euro) and entry of amortisation of usage rights (415 thousand Euro). If these effects are not taken into account, EBITDA at 31 December 2019 is 3,699 thousand Euro, 8.9% of revenues, up 373 thousand Euro over the previous year, while EBIT is 1,594 thousand Euro, equal to 3.9% of revenues and 234 thousand Euro higher than in 2018.

Comparison by quarters reveals that EBIT was positive in the fourth quarter of 2019 by EUR 112 thousand. This may be compared with a positive EBIT of 123 thousand Euro in the second quarter of 2018. If the effect of the addition of Elettropiemme S.r.l. to the Group is not taken into account, EBIT for the quarter is negative by 104 thousand Euro, 227 thousand Euro lower than the figure for the fourth quarter of 2018.

Investments

Investments as of 31 December 2019 totalled 2,979 thousand Euro. Investment in intangible assets totalled 1,292 thousand Euro, including 678 thousand Euro for capitalisation of development costs for the new range of power controllers and regulators, 363 thousand Euro consequent upon the acquisition of Elettropiemme S.r.l. and related to entry of other intangible assets, as determined by measurement of Purchase Price Allocation (PPA), details of which are provided in the section of the explanatory notes on “Business Combinations”.

Investment in tangible assets amounted to 1,687 thousand Euro, including 1,283 thousand Euro invested in Italian plants, primarily for renewal of machinery and plants in use on production lines (1,129 thousand Euro), and for adaptation of buildings (98 thousand Euro).

8.3 MOTION CONTROL

Strategy

The motion control business is broken down into three sections: drives for industrial applications, for non-industrial lifting and for custom applications.

Development of custom projects continued in 2019, to a sufficient extent to guarantee the stability of volumes over time and greater efficiency of the factory; this strategic orientation will be maintained in 2020.

In the non-industrial lifting sector, thanks to the Gefran brand’s reputation and popularity, commercial activities will be concentrated on consolidating its presence in the geographical regions already controlled and, at the same time, on developing regions that are not yet fully mature, but which have great potential.

In the industrial sectors, the focus will be on plastic and metal applications, where Gefran’s characteristic application know-how means that it can offer customers dedicated and specific solutions, thanks to the wide range of inverters available with various power levels and dedicated technologies.

Key events

Investments in adaptation of real estate became operative in 2019, both for expansion of production lines and for new projects, and improvement of the productivity of the standard range, contributing to achievement of the pre-set targets.

Two important energy conservation projects were implemented: one for automation of ventilation in the east-west connection tunnel in Taiwan, and another in the civil lifting sector, for construction of two skyscrapers in New Delhi equipped with high-speed elevators and a regeneration system for reduction of consumption.

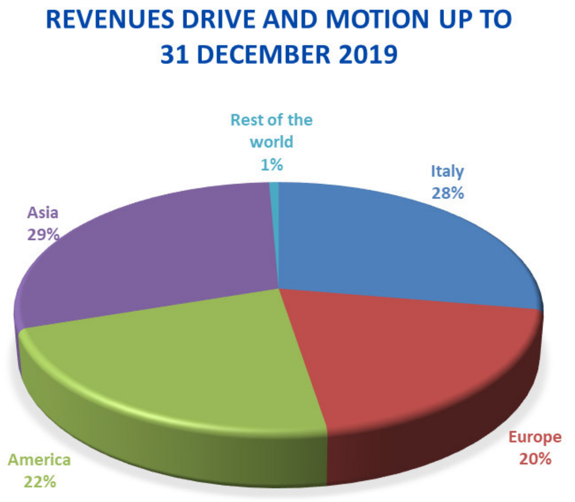
Summary results

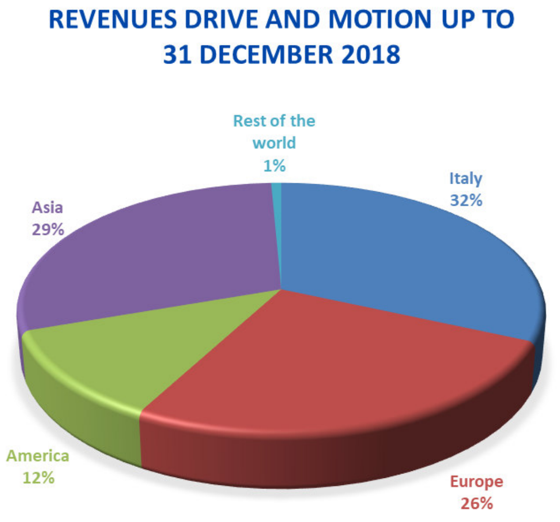
The table below shows the key economic figures.

(Euro / 000)	31 December 2019	31 December 2018	Change 2019-2018 value	%	Q4 2019	Q4 2018	Change 2019 - 2018 value	%
Revenues	43,953	41,740	2,213	5.3%	12,570	11,667	903	7.7%
EBITDA	939	(1,707)	2,646	155.0%	789	72	717	995.8%
% of revenues	2.1%	-4.1%			6.3%	0.6%		
EBIT	(1,193)	(3,547)	2,354	66.4%	252	(404)	656	162.4%
% of revenues	-2.7%	-8.5%			2.0%	-3.5%		

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

(Euro / 000)	31 December 2019 value	%	31 December 2018 value	%	Change 2019-2018 value	%
Italy	12,166	27.7%	13,202	31.6%	(1,036)	-7.8%
Europe	8,679	19.7%	10,968	26.3%	(2,289)	-20.9%
America	9,868	22.5%	4,930	11.8%	4,938	100.2%
Asia	12,943	29.4%	12,341	29.6%	602	4.9%
Rest of the World	297	0.7%	299	0.7%	(2)	-0.7%
Total	**43,953**	**100%**	**41,740**	**100%**	**2,213**	**5.3%**





Business performance

Revenues in the year 2019 amounted to 43,953 thousand Euro, 2,213 thousand Euro (+5.3%) higher than in the previous year. Growth was concentrated in America (+100.2%), as a result of custom projects, and Asia (+4.9%), due to the good performance of sales of products for industrial applications. Sales were down, on the other hand, in Europe (-20.9%) and Italy (-7.8%).

The order portfolio as of 31 December 2019 amounted to 43,021 thousand Euro, aligned with the figure for the year 2018, when orders amounted to 43,157 thousand Euro.

Revenues in the fourth quarter of 2019 amounted to 12,570 thousand Euro, +7.7% higher than in the same period in 2018, when they amounted to 11,557 thousand Euro.

EBITDA at 31 December 2019 was positive at 939 thousand Euro (2.1% of revenues). This may be compared with a negative figure of 1,707 thousand Euro for the previous year (-4.1% of revenues). Factors contributing to improvement of EBITDA over the previous year included growing volumes of sale and improved profit margins.

EBIT as of 31 December 2019 is negative by 1,193 thousand Euro, as compared to a negative EBIT of 3,547 thousand Euro for the same period in the previous year, an improvement of 2,354 thousand Euro. Growth was a result of greater sales volumes and better profit margins.

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 (301 thousand Euro) and entry of amortisation of usage rights (292 thousand Euro). If these effects were not taken into account, EBITDA at 31 December 2019 would amount to 638 thousand Euro, equal to 1.5% of revenues and 2,345 thousand Euro higher than in the previous year, while EBIT would be negative by 1,202 thousand Euro, equal to -2.7% of revenues, higher than the 2018 figure of 2,345 thousand Euro.

Comparison by quarters reveals that the EBIT of the motion control business in the fourth quarter of 2019 is positive by 252 thousand Euro (2% of revenues), as compared to a negative EBIT of 404 thousand Euro (-3.5% of revenues) for the same period in 2018, and therefore up by 656 thousand Euro.

Investments

Investment in 2019 amounted to 2,232 thousand Euro, including 1,296 thousand Euro in tangible assets, primarily for renewal of production equipment and improvement of the efficiency of production (844 thousand Euro), as well as adaptation of the Gerenzano plant (194 thousand Euro).

Increases in intangible assets amounted to 936 thousand Euro and concerned the capitalisation of development costs (827 thousand Euro) relating to new products for the industrial sector and the lifting sector.

9. RESEARCH AND DEVELOPMENT

The Gefran Group invests significant financial and human resources in product research and development. In the first half of 2019, about 5% of revenues were invested in these activities, which are considered strategic to maintain high technological and innovative levels in products and ensure the competitiveness required by the market.

Research and development is concentrated in Italy, in the laboratories in Provaglio d'Iseo and Gerenzano. It is carried out within the technical department, with a separation between research and development into new products and production engineering aimed at improving existing products with new innovations.

The cost of technical personnel involved in the activities, consultancy and materials used is fully charged to the income statement, except for costs capitalised for the year that meet the requirements of IAS 38. Costs identified for capitalisation according to the above requirements are indirectly suspended by a revenue entry under a specific income statement item: “Increases for internal work”.

The **sensors** area conducted research in the following products:

- melt sensors: New product developments are directed toward creation of communication protocols for Industry 4.0 and obtaining functional safety certification for both fluid transmission sensors and sensors in the IMPACT line, in order to access new sectors of the market. SIL2 certification was obtained, allowing the Group to compete on the polymer extrusion market, and a new product range was launched with a digital I/O LINK communication protocol, with which Gefran introduces an innovative feature aimed at consolidate its position of leadership on the market;
- magnetostrictive sensors: drawing on the features of the new sensitive element and a set of configurations permitting optimisation of the price to performance ratio, the HYPERWAVE series qualifies the product for success on new, broader market sectors. In order to permit a faster, more competitive approach to the Asian market, installation of assembly and calibration lines permitting production of the new General, Plus and Advanced lines in Shanghai has been completed;
- pressure sensors: research and development in this product line concentrates on automation and improvement of productive processes, in terms of both technology and creation of primary elements and sensors assembly and calibration phases, with the goal of guaranteeing rapid fulfilment of demand on the market, also in view of major increases in volumes;
- force sensors for electric machinery for the injection of plastic materials: in synergy with some of the principal manufacturers of machinery for the sector, the Group continued development of products for measurement of force in so-called *FEMs* (Full Electric Machines), oriented toward introduction of advanced wireless signal communication and transmission technologies (Industry 4.0) offering superior benefits for product users. These are innovative products made using an important set of technical skills combining the company’s legacy of know-how with the most recent trends in communication technologies. Dedicated new calibration and control devices were also designed and launched, permitting a better response to the demands of the market.

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

In instrumentation:

- development of products with advanced features based on the requirements of standard AMS2750E (Aerospace Material Specification);
- development of products featuring innovative HW and SW for power control management and connectivity with other devices;
- development of products with Ethernet/WEB connectivity.

For the power controller range:

- development of a new family of SSR static units;
- development of products with energy-saving functions (Industry 4.0);
- development of regulation algorithms for controlling impedance of non-linear loads (IR lamps).

Development in the area of **motion control** focused on the standard product range (AC/DC industrial converters and civil lifting) and on custom projects. The following were of particular importance:

- study of an inverter for the compressor sector featuring a number of technological innovations: reduced electromagnetic emissions, optimised cost, measurement of the state of wear of components;
- development of a new range of direct current converters with cloud, safety and maintenance functions on par with major competitors in the sector;
- development of a new line of inverters (ADL500) for civil lifting;
- fine-tuning of a high power unit for rapid electronic current control in the steel industry.

Maintaining continuity with the year 2018, in concert with Procurement, the R&D area will continue its work aimed at identification of new ways of decreasing the risk involved in procurement of components; in the second part of 2019 an innovation project was begun aimed at defining preventive maintenance and remote assistance services.

Lastly, the I-MECH project set up by the European community and co-financed by the Italian Ministry of Education is being completed with the fine-tuning of a mechatronic measurement and characterisation system.

10. ENVIRONMENT, HEALTH AND SAFETY

"Gefran promotes sustainable growth geared towards respect for the environment and public health, developing management systems that comply with the laws in force and pursuing continuous improvement in environmental performance".

(from the Gefran Group "Code of Ethics and Conduct").

The Company considers its success to be a result of consistent global participation of all the workers who share in its organisation, goals and strategies. It considers the health and safety of workers, of third parties working permanently on the company's premises, and of everyone working under the company's control to be factors of primary importance for the effective, orderly pursuit of the company's general goals and the specific goals of the organisational system adopted. The goals of health and safety organisation in particular require participation, sharing and verification on all levels.

In the year 2019 Gefran began a campaign for training all the Parent Company's employees in health and safety, which will be completed in 2020 with training of company supervisors.

Gefran's decision to turn to an external team of professionals in the field has yielded results thanks to revision of the Risk Assessment Documents and implementation of organisational procedures further improving protection of health and the environment.

The Company expresses an intention to continue to pursue these goals in concrete ways, by:

- pursuing the prevention of occupational illness and injury through analysis of historic data and good practice in the sector;
- taking occupational health and safety into consideration in everything it does, making it an essential part of the Group's general and particular organisation;
- work in compliance with laws, regulations, and existing technical practices;

- promoting this policy throughout the industry it works in, to improve awareness of the company's operations.

In the area of environment, the Group intends to develop all aspects of environmental culture, with a view to seeking a constant balance between correct planning of environment, health and safety in all fields of application. Gefran is perfectly aware that development of an economic strategy aimed at environmental issues is of fundamental importance not only for the environment but for its own success. Moreover, the Group believes that ongoing improvement of its environmental performance offers significant commercial and economic benefits, while at the same time satisfying demand for improvement of the environment in the context in which the Group operates. Pursuing the goal of ongoing improvement of the Group's environmental performance for the reduction and prevention of pollution ensures that Gefran identifies and updates the environmental aspects and impacts (both direct and indirect) of its activities, products and services.

To demonstrate this, the Supplementary Company Contract signed for the Parent Company and the subsidiary Gefran Soluzioni S.r.l. specifies that a bonus will be awarded for improvement of the percentage of wastes separated for recycling.

Though Gefran is not considered a major energy consumer, auditing and analysis of the Group's energy consumption, made possible by installation of monitoring systems, have revealed the areas in which the most energy is consumed, and an "energy efficiency plan" has been implemented accordingly. The plan takes the concrete form of a campaign for replacement of old fluorescent lights with new LED light fixtures in the plants of the Parent Company and the subsidiaries Gefran Soluzioni S.r.l. and Gefran Drives and Motion S.r.l.; the energy efficiency plan will see complete replacement of all light fixtures within the year 2020.

As in previous years, in 2019 the Group confirmed its commitment to separate collection of wastes for recycling on all its premises. In the Group's Italian premises in particular, once again this year the information regarding waste disposal and its complete independence from the services provided by the various municipalities involved led to recovery of the variable portion of solid urban waste disposal taxes.

Lastly, Gefran's commitment to protection of its employees' health took concrete form in the purchase of lifesaving defibrillators for the Group's Italian plants in the year 2019, to be completed with the installation of a new defibrillator in the new plant beginning operation early in 2020.

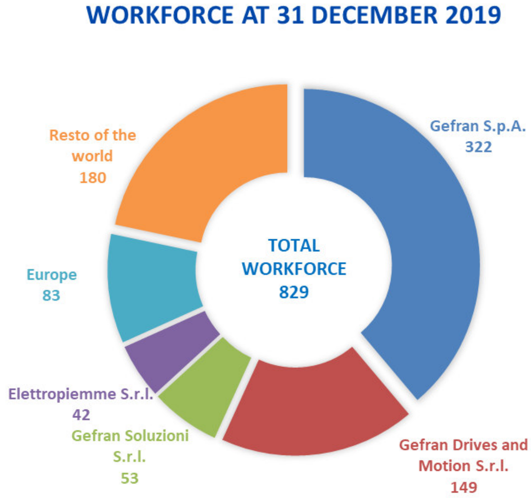
11. HUMAN RESOURCES

Workforce

The Group's workforce as of 31 December 2019 included 829 people, 58 more than at the end of 2018.

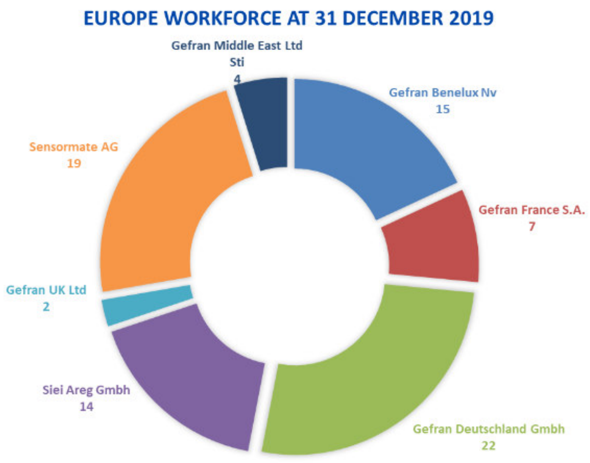
This figure includes the effect of the addition to the Group of the newly purchased company Elettropiemme S.r.l., which had a staff of 41 at the time of the takeover, including 31 manual workers and 10 clerical staff.

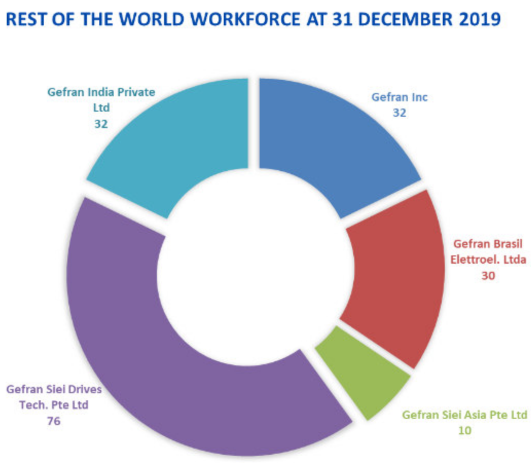
The variation represents an overall Group employee turnover rate of 25.2%, or 20.6% if the effect of the acquisition described above is not taken into account.



Movements in the year 2019 may be broken down as follows:

- Elettropiemme S.r.l. brought 41 new people into the group, including 31 manual workers and 10 clerical staff;
- 89 people joined the Group, including 28 manual workers, 60 clerical staff and 1 manager/executive;
- 72 people left the Group, including 27 manual workers and 45 clerical staff.





The Gefran Way

To position the Group on the market and stay competitive, the Group needed an effective way of presenting itself, caring for its on-line reputation and managing its own identity. This is as true for companies as it is for individuals, as a company's image is an essential way of attracting and engaging talented people capable of responding to change and guiding the enterprise into the future.

This is why it is becoming more and more necessary to perform a series of operations for editing of brand identity.

Gefran has worked on its brand identity plan, The Gefran Way, since the end of 2018, adopting a grassroots approach which involves external stakeholders and all company departments in various ways.

Gefran's ability to remain relevant over time no longer depends solely on its products and services but on its Vision (Purpose), valid for both the market and those who choose to work with Gefran, setting up a long-lasting partnership of mutual value. The concept of value no longer regards products and services for customers, pay and benefits for workers, and a variety of benefits for other stakeholders: it increasingly regards experience.

The activity to redefine and share the Group’s Promise, Purpose, Guidelines and Manifesto was followed by a cascading plan involving all functions in the organisation with the aim of permeating everyday behaviour, and therefore experience, with the Gefran Way. The process began with identification of significant stakeholders, followed by mapping of touchpoints and, lastly, defining tools, actions, competences and behaviours confirming Gefran's promise and reinforcing the brand. The plan began in the Parent Company at the end of 2019 and will continue in all Group subsidiaries throughout the year 2020.

The essence of Gefran, which conveys the meaning of what it does, its existence and what it brings with it, is captured in the new slogan “Beyond Technology”.

Corporate welfare

The Company is made up of people, and people represent its key value. Gefran is implementing a series of initiatives based on this awareness: plans for obtaining employees’ engagement and fidelity, including corporate welfare, with the WELLFRAN platform offering goods and services such as a shopping cart, fuel vouchers, leisure services, family support and educational initiatives.

The new 2020-2022 Company Contract signed in November 2019 is applicable in Italy and will become a source of inspiration for new practices throughout the Group. Workers’ participation in the organisation of work and life in the Company, already the focus of the previous agreement, is further increased in the current three-year period by setting up special Focus Teams. These teams, made up of equal numbers of company representatives and employees, will analyse and prepare proposals regarding issues such as the company’s overall efficiency, process innovation, quality and sustainability. Performance-related pay, calculated on the basis of achievement of qualitative and quantitative targets, also changes, with introduction of a new parameter for measuring separation of wastes for recycling, in harmony with the company’s strategies of sustainability and ecology. The new agreement will also provide for an extra annual bonus directly proportionate to growth of revenues, representing a strategic indicator for the Company’s growth. Performance-related pay may be entirely or partially converted into goods and services under the company’s welfare plan. Those who convert performance-related pay will see the their individual amount increased by 5%, if 80% of the bonus is converted, or 10%, if all of it is converted. In 2019, 60% of Gefran employees chose to convert the bonus into benefits, more than in 2018 and well above the national average.

The national contract includes important aspects linked with training and professional development, generational succession and a focus on family time.

Training and professional development

The importance Gefran attributes to professional development processes takes the form of introduction of a Training Manager, a member of the unit's trade union representatives who will facilitate communication between Personnel & Organisational Development Management and the workers, providing feedback and suggestions as to training programmes and projects for the Company and identifying demand for training.

Generational turnover

The agreement addresses the issue of generational turnover in order to promote the addition of new young employees, improve the quality of life of senior workers and ensure consolidation of knowledge, skills and values in the Company. The programme states that workers approaching retirement age may request conversion to part-time contracts with flanking by junior members of staff. The seniors will help the young employees to acquire the technical skills and values required in the company through a process of mentoring, with a view to maintaining continuity during the process of generational turnover. While the senior employees are working part-time, the Company will pay the cost of voluntary pension contributions on the worker's behalf in order to reach the level that would have been payable to the worker if he or she had continued working full time.

More family time

The contract also formally implements a practice which has already been consolidated in the Company for several years: in order to facilitate reconciliation of family life with work, Gefran will favourably consider requests for transition to part-time work for mothers returning from maternity leave until their children reach the age of two. 10 extra hours of paid leave will be available in the event of medical appointments for minors and for parents over 65. The principles guiding the company's policy in the contract, based on forty years of constructive industrial relations, are innovation, growth, sustainability, conciliation, awareness and responsibility.

Thanks to these results, in 2019 Gefran was awarded the prestigious Best Job prize (assigned by the German Economic Institute) for the second year in a row.

FLY Gefran Talent Accademy, FLY Youth

FLY is the Gefran Talent Academy for development centring around people's strong points. The goal is continued development and support for each person's distinctive skill set and encouragement of talent.

FLY GEFRAN TALENT ACADEMY

Gefran addresses this important challenge with a systemic view to making the most of its employees' work, seeing talent not as an identity, but as the unique set of features of each individual.

We use a variety of tools and methods aimed as much at existing staff as at new employees. Talent may be defined as a set of skills, aligned with the Company's values and consistent with specific nature of the organisation, put to work to implement the Company's strategy.

FLY includes specific programmes for development of potential, such as:

- long-term partnerships with universities;
- masters in innovation;
- managerial coaching;
- mentoring and reciprocal mentoring;
- on the job training;
- participation in focus groups and workshops;
- classroom education.

FLY Youth is a session for new graduates progressively being included in the Company as a result of the current phase of generational turnover. It involves a programme for youth incorporating workshops for development of key soft skills (orientation toward results, ability to cooperate, communication skills, self-discipline), guided by external instructors and coaches, with sessions held by managers of key Company departments, aimed at understanding the Gefran organisation, viewed as a "Corporate System". At the end of the training programme, participants in FLY Youth will put themselves to the test in a contest for innovative projects such as those which resulted in the creation of INNOWAY, an open innovation programme sponsored by the Region of Lombardy. Lastly, the same young people, under the guidance of senior mentors, participate in and act as the driving force behind initiatives for research or presentation of the Company in the country's principal Universities.

FLY is not only an Academy for skill development, recognised as one of the best in Italy by the financial daily Il Sole24 Ore, but a hub for sharing ideas, experiences, best practices and cooperation.

Gefran constantly offers opportunities for growth for students and new graduates from secondary schools and universities. The Company has a number of partnerships underway with universities and secondary schools, offering curricular and extra-curricular internships and programmes for alternating education with work, opportunities for inclusion of students in their areas of study and subsequent hiring, compatibly with the Company's possibilities and the talent demonstrated.

All new graduates continue to be subjected to a structured induction process with the aim of facilitating knowledge of processes, products/services and people in the Company, both in their departments and at the level of interdependent functions.

In 2019, in addition to the Business Skills programme included in the cascading plan for the Gefran Way, the Company organised training programmes, including one in English, on the lean approach to office processes and operations involving 100% of the Company's Italian, Chinese and American personnel, one focusing on handling stress and difficult situations, one on public speaking and a number of projects specifically targeting high performance teams, including assessment and definition of team dynamics.

Organisational innovation

In 2019 there was a strong focus on innovation of production processes in the Group's plants (smart manufacturing) through digitalisation and lean production, plans for skill mapping and development, mindset change and investment in redefinition of production equipment and layout.

12. STRATEGY

2019 saw lower than expected levels of organic growth, but Gefran managed to create value despite this, maintaining a level of added value which, along with attentive operative management of Company processes, permitted achievement of levels of profitability in line with expectations.

2020 has confirmed the key elements underlying the Group's strategic guidelines set forth in previous years, despite awareness of the unpredictability of current changes in macroeconomic scenarios.

Exploitation of actions aimed at the development of markets for applications adjacent to the Group's core applications will broaden the installation base for Gefran products, and the entry into operation of investments made will guarantee an increase in competitiveness essential to maintain the Company's existing share of the market.

Renewal of governance and the change in leadership underway in the listed company will be oriented toward reinforcing the drive for digitalisation of both processes and products in all the Group's business units. In each of these, initiatives aimed at product innovation and development will continue with the goal of offering the market devices with new functions and applications.

The Company will continue to maintain a focus on human capital even during the current process of generational turnover, particularly in the Group's Italian companies, where the new generation of young people joining the Company is expected to make significant contributions to achievement of the expected results.

The distinctive features of Gefran, its ability to flank customers with practical know-how, product customisation and levels of service will allow the Company to strengthen its position as the key partner on the market, even in an economic and industrial scenario which has suffered the negative impact of the Coronavirus crisis.

Though not a short-term priority, the Group does not exclude the possibility of growth extending externally, through takeovers or partnerships, provided they are consistent with the Group's strategic guidelines and compatible with its organisational structure.

13. MAIN RISKS AND UNCERTAINTIES TO WHICH THE GEFRAN GROUP IS EXPOSED

In the normal course of its business, the Gefran Group is exposed to various financial and non-financial risk factors, which, should they materialise, could have a significant impact on its economic and financial situation.

Analysis of risk factors and assessment of their impact is the pre-requisite for creation of value in the organisation. The ability to respond to risk correctly will help the Company to face corporate and strategic choices with confidence and contribute to prevention of the negative impact on the Company's targets and the Group's business.

The Group adopts specific procedures for management of risk factors that may have an impact on expected results.

On 13 February 2008, the Gefran S.p.A. Board of Directors resolved to adopt an Organisation, Management and Control Model ("Organisational Model") aimed at preventing commission of the crimes identified in Legislative Decree no. 231/01.

The model has been updated periodically in view of the evolution of the legislation and changes to the Company's organisation. The Organisational Model was updated under a resolution passed by the Board of Directors on 13 November 2019, based on the Confindustria Guidelines, in response to the need for continuous update of the corporate governance system, the structure of which was based in turn on the recommendations and regulations in the "Code of Conduct for Listed Companies" promoted by Borsa Italiana S.p.A., with which the Company complies.

Company organisations of significance for the purposes of internal auditing and risk management have also been identified:

- the **Risk Control Committee** (RCC), which has the task of supporting, with adequate preliminary investigation activity, evaluations and decisions of the Board of Directors regarding the internal control and risk management system, as well as of checking the proper application of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- the **Executive Director in charge of the internal risk control system**, with the task of identifying the main corporate risks, implementing the risk management guidelines and checking their adequacy;
- the **Executive in charge of the financial reporting**, who has direct supervision of the control model pursuant to Law 262/2005 and of the related administrative and accounting procedures, in connection with the constant updating of the same;
- the **Internal Audit** function, with the task of checking, both continuously as well as in relation to specific requirements and in compliance with international standards, the operation and appropriateness of the internal control and risk management system, via an audit plan approved by the Board of Directors, which is based on a structured analysis of the main risks.

In recent years Gefran has progressively approached the concepts of Risk Assessment and Risk Management with the aim of developing a process of periodic risk identification, assessment and management. Starting in 2017, Gefran has taken advantage of the occasion to reinforce its governance model and implement Risk Assessment promoting proactive risk management in support of the company's principal decision-making processes, identifying any areas requiring special attention and focus.

This Risk Assessment allows the Board of Directors and Management to consciously assess risk scenarios that could compromise achievement of strategic goals and adopt further instruments capable of mitigating or managing significant exposure to risk, strengthening the Group's Corporate Governance and Internal Auditing System. Risk Assessment is extended to all types of risk/opportunity of potential significance for the Group, represented in the Risk Model - shown in the figure below - dividing internal and external risk areas characterising Gefran's business model into eight families:

- **External Risks**: risks deriving from factors beyond the company's control, such as macroeconomic context and changes in the regulatory and/or market scenario;
- **Financial Risks**: connected with the availability of funding, credit and cash management, and/or volatility of key market variables (e.g. commodity prices, interest rates, exchange rates);
- **Strategic Risks**: risks connected with the company's strategic decisions regarding product portfolio, extraordinary operations, innovation, etc. which could influence the Group's performance;
- **Governance and Integrity Risks**: risks connected with Group/Company governance or with professionally incorrect behaviour which does not conform to the Company's ethical policy and could expose the Group to possible sanctions, undermining its reputation on the market;

- **Operating Risks and Reporting Risks**: risks connected with the efficacy/efficiency of company processes, with negative consequences for the company's performance and operations, and/or connected with the possibility that planning, reporting and control processes may not be sufficient to assist management with strategic decision-making and/or monitoring of the business;
- **Legal and Compliance Risks**: risks pertaining to management of legal and contractual aspects and conformity to national, international and industry laws and regulations applicable to the Company;
- **IT Risks**: risks connected with the adequacy of information systems for supporting the current and/or future requirements of the business, in terms of infrastructure, data integrity, and access to and/or availability of data and information systems;
- **Human Resources Risks**: risks connected with the management and development of the skills and resources necessary to conduct business (e.g. selection, training, retention, internal communication) and management of trade union relations.

The eight risk families analysed are schematically represented below:

1. External Risks	
Macroeconomic context	Instability in Emerging Economies where the Group produces or sells its products
Catastrophic Events / Business Interruption	Evolution of laws, regulations and industry standards
Competition	

2. Financial Risks	
Volatility of raw materials' prices	Business / financial counterparts
Exchange rate	Interest rate
Liquidity	Availability of capital / debt-reimbursement capability

3. Strategic Risks	
Sustainability of Businesses (e.g. Motion / Automation)	Investment decisions / M&A
Product portfolio	Product / Process Innovation
Effectiveness of medium-long term strategies	Effectiveness of extraordinary transactions
Strategic planning	

4. Governance and Integrity Risks	
Resistance to change	Integrity of behaviors / frauds
Proxies and Powers	R&R (roles and responsibilities) / SoD
Management and government of foreign branches	

5. Operating and Reporting Risks	
Adequacy / saturation of production capacity	Incorrect / inefficient production planning
Obsolescence of plants / machineries	Quality of products / Recall
Storage obsolescence	Dependence on contractors / critical suppliers
Reliability of supplier portfolio	Ineffectiveness of sales channels
Pricing ineffectiveness	Budget, planning and reporting
Dependence on critical clients	Transfer Pricing
Order execution risk	Partitioning of suppliers

6. Legal and Compliance Risks	
Protection of the exclusiveness of the relationship	Litigation
Contractual Risks	Adaptation to H&S legislation
Adaptation to environmental legislation	Adaptation to labor legislation
Adaptation to 262 Italian Law / financial reporting	Adaptation to 231 Italian Law Decree / Anticorruption
Adaptation to fiscal legislation	Adaptation to privacy legislation
Adaptation to industry legislation (ex. ISO)	

7. IT Risks	
IT & Data Security (Cybersecurity and SoD)	Business Continuity / Disaster Recovery
Data & IT Governance	IT Infrastructure
Web domain	

8. Risks connected to Human Resources	
Attraction and Retention	Professional development and compensation
Generational change	Industrial Relations
Dependence on key figures	Poor communication between the first managerial lines
Timeliness of communications relating to organizational changes	Average age of employees

Management involved in the Risk Assessment process must use a clearly defined shared methodology to measure and assess specific risk events in terms of the probability of them actually occurring, their impact and the degree of adequacy of the existing risk management system, according to the following definitions:

- **probability** that a certain event may occur within the time horizon of the Plan, measured on the basis of a scale ranging from unlikely/remote (1) to very likely (4);
- **impact**: estimate of the average economic and financial impact on EBIT, damage to HSE and image and repercussions for operations within the time horizon under consideration, measured on the basis of a scale from insignificant (1) to critical (4);
- **level of risk management** or of maturity and efficiency of existing risk management systems and processes, measured on the basis of a scale from optimal (1) to inadequate (4).

The results of measurement of risk exposure analysed are then represented in the so-called Heat Map, a 4x4 matrix which, combined with the variables in subject, provides an immediate overview of risk events considered particularly significant.

The principal risks detected and assessed through Risk Assessment are described and discussed with all organisations of significance for the purposes of the internal auditing and risk management system and with the Board of Directors. The overview of the risks the Group is exposed to allows the Board of Directors and Management to reflect on the group's propensity for risk and identify risk management strategies to be adopted, or assess which risks and priorities are considered to require implementation, improvement or optimisation actions, or simple monitoring of exposure over time.

Adoption of a certain risk management strategy depends, however, on the nature of the risk event identified, and therefore, in the case of:

- **external risks beyond the Group's control**, it will be possible to implement tools supporting assessment of risk scenarios in the event that the risk should arise, defining possible plans of action for mitigation of impact (e.g. ongoing control, stress tests on the business plan, stipulation of insurance policies, disaster recovery plans, etc.);
- **risks that may be partially addressed by the Group**, it will be possible to intervene through risk transfer, monitoring of specific risk indicators, hedging, etc.;
- **internal risks that may be addressed by the Group**, as these risks are inherent in the Group's business, it will be possible to implement targeted actions for risk prevention and minimisation of impact through implementation of an appropriate internal control system with monitoring and auditing.

The Risk Assessment process conducted in 2019 involved 11 company contact people representing the Parent Company and subsidiaries.

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

(a) External risks;
(b) Financial risks;
(c) Strategic risks;
(d) Governance and Integrity risks;
(e) Operating risks and Reporting risks;
(f) Legal and Compliance risks;

Note that, with reference to IT risk, the risk management processes currently implemented by the Group do not reveal any particular risks relating to the adequacy of information systems, in terms of infrastructure, data integrity, or the security of the systems and applications used. Moreover, with reference to human resources risks, there are no specific risks to be reported, thanks to initiatives undertaken since 2017 and still underway; the reader is referred to section 11 of this Management Report for more details.

Lastly, on the basis of economic results and cash flows in recent years, as well as available funds as of 31 December 2019, there is believed to be no significant uncertainty as of that date as to the Company's ability to maintain business continuity.

13.1 EXTERNAL RISKS

Risks associated with the general economic conditions and market trends

The International Monetary Fund recently revised global prospects for growth in the current year downward, to an estimated 3.2% in place of the previous 3.3%. In terms of global prospects, the prevalent risks are those resulting from the spread of Coronavirus, geopolitical tension such as that between the USA and Iran, and friction in trade. In the Eurozone, the estimates are for a growth rate of 1.3%, with Italy bringing up the rear with +0.5% growth in GDP.

The Gefran Group operates through subsidiaries in international markets; this widespread geographic presence enables the Group to mitigate the effects of any recessionary phases. Diversification of the markets where the Group operates and the products it offers reduces exposure to the cyclical trends of some markets. However, the possibility that these trends may have a significant impact on the Group's operations and economic and financial situation, which at present cannot be gauged, cannot be ruled out.

Risks associated with the market structure and competitive pressure

Gefran operates on open, unregulated markets that are not protected by any tariff barriers, regulated regime or public concession. The markets are highly competitive in terms of product quality, innovation, price competitiveness, product reliability and customer service to machinery manufacturers.

The Group competes with extremely stiff competition: operators which are large groups that may have greater resources and better cost positions, both in terms of economies of scale and factor costs, enabling them to implement aggressive pricing policies.

The success of the Gefran Group's activities derives from its capacity to focus its efforts on specific industrial sectors, concentrating on resolving technological problems and on customer service, thereby providing greater value to customers in the niche markets in which it competes.

Should the Group prove unable to develop and offer innovative and competitive products and solutions that match those supplied by its main competitors in terms of price, quality, functionality, or should there be delays in such developments, sales volumes could decline, with a negative impact on the Group's economic and financial results.

Although the Gefran Group believes that it can adapt its cost structure if sales volumes decrease, the risk is that such a reduction in the cost structures will not be sufficiently large, quick or consistent with a possible fall in prices, thereby negatively affecting its economic and financial situation.

Risks associated with changes in the regulatory framework

Since the Group makes and distributes electronic components used in electrical applications, it is subject to numerous legal and regulatory requirements in the various countries in which it operates, to the national and international technical standards applicable to companies operating in the same industry and to the products made and sold by the Group.

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

The Group places great importance on the protection of the environment and safety.

Its activities do not include the manufacture or processing of materials or components to an extent that would generate a significant risk of pollution or environmental damage.

The Group has introduced a series of controls and monitoring aimed at identifying and preventing any potential increase in this risk. Furthermore, it has taken out an insurance policy to cover potential liabilities arising from environmental damage to third parties. This does not exclude the possibility of residual environmental risks which have not been adequately identified and covered.

The enactment of other regulations that apply to the Group or its products, or changes in the regulations currently in force in the sectors in which the Group operates, also internationally, could force the Group to adopt more rigorous standards or limit its freedom of action in its areas of operation. These factors could entail costs relating to adapting the production facilities or product characteristics.

Country risk

A significant portion of the Group's production and sales activities is carried out outside the European Union, particularly in Asia, the US, Brazil and Turkey. The Group is exposed to risks relating to the global scale of its operations, including those relating to:

- exposure to local economic and political conditions;
- the implementation of policies restricting imports and/or exports;
- operating in multiple tax regimes;
- the introduction of policies limiting or restricting foreign investment and/or trade.

Unfavourable political and economic developments in the countries in which the Group operates could have a negative impact – the extent of which would vary by country – on the Group's prospects and operations, and its economic and financial results.

13.2 Financial risks

Exchange rate risk

As a global operator, the Gefran Group is exposed to market risks stemming from exchange rate fluctuations in the currencies of the various countries in which it operates.

Exposure to exchange rate risk is linked to the presence of production activities concentrated in Italy and commercial activities in various geographical regions outside the Eurozone. This organisational structure generates flows in currencies other than the currency in the place of production, mainly the US dollar, the Chinese renminbi, the Brazilian real, the Indian rupee, the Swiss franc, the Turkish lira and the UK pound; production areas in the US, Brazil, India, Switzerland and China mainly serve their local markets, with flows in the same currency.

Exchange rate risk arises when future transactions or assets and liabilities already recorded in the statement of financial position are denominated in a currency other than the functional currency of the company conducting the operation. In order to manage the exchange rate risk resulting from future commercial transactions and the recording of assets and liabilities in foreign currencies, the Group first and foremost exploits so-called natural hedging, seeking to level out the incoming and outgoing flows on all the currencies other than the Group's functional currency; furthermore, Gefran evaluates and if necessary establishes hedging transactions on the main currencies, by means of the Parent Company signing futures contracts. However, since the Company prepares its consolidated financial statements in euros, fluctuations in the exchange rates used to translate subsidiaries' accounting figures, originally expressed in local currency, may affect the Group's results and financial position.

Interest rate risk

Changes in interest rates affect the market value of the Group's financial assets and liabilities, as well as net financial charges. The interest rate risk to which the Group is exposed mainly originates from medium-/long-term financial payables. The Group is exposed almost exclusively to fluctuations in the Euro rate, since bank loans have been taken out by the Parent Company Gefran S.p.A., which supports the subsidiaries' financial requirements, also through cash pooling.

These variable-rate loans expose the Company to a risk associated with interest rate volatility, known as cash flow risk. To limit exposure to this risk, the Parent Company puts in place derivative hedging contracts, specifically Interest Rate Swaps (IRS), which convert the floating rate to a fixed rate, or Interest Rate Caps (CAP), which set the maximum interest rate, thereby reducing the risk originating from interest rate volatility.

The potential rise in interest rates, from the lows reached at present, is a possible risk factor for the next few quarters, although this is limited by hedging contracts.

Risks associated with fluctuations in commodity prices

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

The Group is exposed to changes in basic commodity prices (e.g. metals) to a small extent, given the product cost component related to these materials is very limited.

Risks associated with funding requirements

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

Gefran's capital structure is strong; it has own funds of Euro 75 million versus overall liabilities of Euro 83 million. In the year 2019 the Parent Company signed two new medium to long-term loan agreements for 10 million Euro each. In the first half of 2019, moreover, the US subsidiary signed a 3-year loan agreement at a variable interest rate for 1.8 million Euro (2 million US dollars) to finance the purchase of the new building.

All existing signed contracts are for loans at variable interest rates, determined by the Euribor rate plus an average spread of less than 110 bps in the past two years. Some of these outstanding loans, whose remaining value at 31 December 2019 was Euro 1.3 million, contain covenants. At 31 December 2019, the Group was fully in compliance with these clauses.

Liquidity risk

The Group expects to be able to continue to provide the financial resources necessary for its investment programmes and business management. Lines of credit and cash on hand are sufficient for the Group's operations and expected growth. Lines of credit granted by banks were subject to an annual review in the second half of the year, leading to the essential confirmation of the terms and conditions and amounts.

Credit risk

The Group has business relations with a large number of customers. Customer concentration is not high, since no customer accounts for more than 10% of total revenues. Supply agreements are normally long-term, because Gefran products form part of the customer's product design, and they are incorporated into the end product and have a significant influence on its performance. In accordance with IFRS 7.3.6a, all amounts presented in the financial statements represent the maximum exposure to credit risk.

The Group grants its customers deferred payment conditions, which vary according to the market practices in individual countries. All customers' solvency is regularly monitored, and any risks are periodically covered by appropriate provisions. Despite these precautions, under current market conditions, it cannot be ruled out that some customers may not be able to generate sufficient cash flow or may lack access to sufficient sources of funding, resulting in payment delays or a failure to honour obligations.

13.3 STRATEGIC RISKS

Risks associated with the implementation of the Group's strategy

Gefran's ability to improve profitability and achieve the expected profit margins also depend on successful implementation of its strategy. Group strategy is based on sustainable growth, which can be achieved through investment and projects for products, applications and geographical markets, that lead to growth in profitability.

Gefran plans to implement its strategy by concentrating available resources on growing its core industrial business, favouring growth in strategic products that guarantee volumes, and in which the Group is technological and market leader. Gefran continues to make changes to its organisational structure, work processes and staff know-how to increase specialisation in research, marketing and sales by product and by application.

Given the uncertainty regarding the future macroeconomic environment, the operations described could take longer to implement than expected or may not prove fully satisfactory for the Group.

Risks connected with delays in product and process innovation

Gefran operates in a sector that is strongly influenced by technological innovation. The Group's approach to innovation is often customer-driven. Inadequate or delayed product and process innovation to anticipate and/or influence customers' demands could have negative repercussions, causing the company to miss opportunities and sacrifice market share and/or revenues.

The impact of this risk would increase if one or more competitors should propose business models and/or technologies which are more innovative than Gefran's.

In order to mitigate the impact of this risk, the Gefran Group has invested in software introducing new controls in production and processes, through reorganisation of production flows, and in human resources, with the addition of specialised figures focusing on the areas of innovation and innovative technological trends.

13.4 GOVERNANCE AND INTEGRITY RISKS

Ethical risks

The Gefran Group has always been committed to applying and observing rigorous ethical and moral principles when conducting its internal and external activities, in full compliance with the laws in force and market regulations. The adoption of the Code of Ethics, the internal procedures put in place to comply with this code and the controls adopted guarantee a healthy, safe and efficient working environment for employees, and an approach intended to ensure complete respect for external stakeholders. The Group believes that ethics in business management must be pursued alongside financial growth, and the Code is therefore an explicit point of reference for everyone working with the Company.

Gefran has also effectively adopted an Organisation and Management Model pursuant to Legislative Decree No. 231/2001. The Group believes that this is not only a regulatory obligation but also a source of growth and wealth generation and has therefore fully restructured its activities and internal procedures in order to prevent the offences set out in this regulation from being committed. The Supervisory Board established by the Board of Directors performs its duties regularly and professionally, guaranteed by the presence of an internal company officer and an external professional with excellent knowledge of administration and control systems.

The Group conducts the bulk of its business with private customers, which do not directly or indirectly belong to government organisations or public agencies, and rarely takes part in public tenders or subsidised projects. These further limits the risks of reputational or economic damage resulting from unacceptable ethical conduct.

13.5 OPERATING RISKS AND REPORTING RISKS

Risks associated with relations with suppliers

The Group purchases raw materials and components from a large number of suppliers and depends on services and products supplied by other companies outside the Group.

Conversely, electronic components, particularly microprocessors, power semi-conductors and memory chips, are purchased from leading global producers. Although these suppliers are reliable, it cannot be ruled out that problems they could encounter - in terms of quality, availability or delivery times - could have a detrimental effect on the Group’s operations and results, at least in the short term, until the supplier can be replaced, or the product modified.

Risks associated with product development, management and quality

The Group’s value chain covers all activities, including R&D, production, marketing, sales and technical support. Defects or errors in these processes may cause product quality problems that could potentially affect the Group’s results and financial position.

In line with the practices of many operators in the sector, Gefran has taken out insurance policies that it considers sufficient to protect itself from the risks resulting from this liability. Furthermore, it has set up a specific product warranty provision to meet these risks, in line with the volume of activities and the historical occurrence of these phenomena.

However, should the insurance cover and risk provisions prove inadequate, the Group's results could be negatively affected. In addition, the Group's involvement in this type of dispute and any ruling against it therein could expose the Group to reputational damage, which also has potential consequences for the Group's results and financial position.

Risks associated with operations at industrial facilities

Gefran is an industrial group, so it is potentially exposed to the risk of production stoppages at one or more of its plants, due, for example, to machinery breakdowns, revocation or disputes regarding permits or licences from public authorities (e.g. following changes in the law), strikes or manpower shortages, natural disasters, major disruptions to the supply of raw materials or energy, sabotage or attack.

There have been no significant interruptions of activity in recent years.However, future interruption cannot be ruled out, and if it occurs for lengthy periods, the Group's results and financial position could be negatively affected if the damage exceeds the amount currently covered by insurance policies.

Gefran has also implemented a disaster recovery system for restoring the systems, data and infrastructures necessary for the Group’s work in the event of an emergency and in order to contain its impact.

Moreover, periodic oscillation of demand, making effective production planning difficult, and demand in excess of its productive capacity could cause Gefran to miss out on opportunities and/or lose revenues.

To mitigate this risk, Gefran has come up with plans for investment in plant and machinery, aiming for digitalisation, expansion and reorganisation of its productive spaces and hiring of new employees. If necessary, moreover, the company can shift production to another plant thanks to use of the same bill of materials and uniform production processes.

13.6 LEGAL AND COMPLIANCE RISKS

Legal risks and product liability

Within the scope of Gefran's core business, the manufacture and sale of products may give rise to issues linked to defects and consequent liability in respect of its customers or third parties. Like other operators in the industry, the Group is therefore exposed to the risk of product liability litigation in the countries in which it operates.

In line with the practices of many operators in the sector, Gefran has taken out insurance policies that it considers sufficient to protect itself from the risks resulting from this liability. It has also set up a specific provision against these risks.

However, should the insurance cover and risk provisions prove inadequate, the Group's results could be negatively affected. In addition, the Group's involvement in this type of dispute and any ruling against it could expose the Group to reputational damage, which also has potential consequences for the Group's results and financial position.

Risks associated with intellectual property rights

Although the Group considers it has adopted an appropriate system to protect its intellectual property rights, it cannot be ruled out that it may encounter difficulties defending these rights.

Furthermore, the intellectual property rights of third parties could inhibit or limit the Group's capacity to introduce new products onto the market. These events could have a negative impact on the development of activities and the Group's results and financial position.

14. SIGNIFICANT EVENTS IN 2019

- On 23 January 2019 Gefran Soluzioni S.r.l., a Gefran S.p.a. subsidiary, purchased 100% of the shares in Elettropiemme S.r.l. for a payment of 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..

- On 03 May 2019, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:
  - Approve the Financial Statements for the financial year 2018 and distribute a dividend of Euro 0.32 per share;
  - Authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares for a period of 18 months from the date of the Shareholders' Meeting.

  The shareholders also expressed a favourable opinion of the general Group remuneration policy adopted by Gefran, pursuant to Article 123-*ter* of the TUF.

- On 2 December 2019 the Gefran S.p.A. Board of Directors received Alberto Bartoli's resignation from the post of CEO, effective immediately, Mr. Bartoli was an executive non-independent director as well as Executive Director in charge of the company's internal auditing and risk management system, and did not sit on any internal committees.

  In the same meeting, the Board of Directors implemented its "Plan for succession to the post of CEO", prepared last February under application criterion 5.C.2 of the Code of Conduct of Listed Companies, beginning the activities required under the plan.

- On 16 December 2019, the Gefran S.p.A. Board of Directors co-opted Marcello Perini, former General Manager of the Sensors & Components Business Unit, as CEO of Gefran S.p.A.
  Mr. Perini holds the position of executive non-independent director as well as Executive Director in charge of the company's internal auditing and risk management system, and does not sit on any committees.

  In the same meeting, the Board of Directors expanded the powers previously awarded to the Company's Chairman, Maria Chiara Franceschetti.

15. SIGNIFICANT EVENTS AFTER YEAR END

Nothing to report.

16. OUTLOOK

The year 2019 was characterised by uncertainty, which had already begun to appear before the end of 2018, resulting in world GDP growth of less than 3%. At the beginning of 2020 the International Monetary Fund was expecting an improvement, with a growth rate of 3.3% in 2020 and 3.4% in 2021, thanks to the trade agreement between the US and China and to an upswing in the Eurozone economy, characterised primarily by a slight improvement in the German economy.

As a result of the propagation of Coronavirus, with consequences for the economies of numerous countries, China first of all, the International Monetary Fund has decreased its estimates of world GDP growth, to 3.2% in 2020, as well as Chinese growth (5.6%, 0.4% less, even while expecting to see an upswing in the country's economy in the second quarter of 2020), and US GDP, with 2% growth in 2020, down from 2.3% in 2019. The International Monetary Fund has also noted that the Italian economy is expected to have the lowest growth rate in the European Union, +0.5% of GDP, as compared to an average of 1.3% for the Eurozone.

These estimates were recently revised by the OECD, which theorised a global growth rate of 1.5% with Italian GDP growth of 0%, a worst-case scenario in view of the effects of Coronavirus.

Gefran has also seen signals from all the geographical regions it operates in confirming this trend in the first two months of 2020: the spread of Coronavirus is having an impact on global economic trends, casting doubt on prospects for growth in a number of industries.

The Group, with its international presence, will take advantage of the competitive edge that comes from having consolidated production plants in different countries, allowing it to make up for a slowdown in production in China, the area that has suffered the most from Coronavirus, with full-swing operation of its plants in Italy and the US as of the date of this report.

The company has been focusing strongly on investment in the past three years and will continue to do so in the current year, though to a lesser extent and in continuity with the previous plan, focusing on investments supporting development of geographical regions and products identified as essential for the Group's long-term growth and sustainability while implementing projects for optimisation and rationalisation of the sales organisation in a number of foreign countries.

The shrinkage in demand resulting from the highly uncertain international scenario described will be compensated by the capacity and speed of reaction to requests and to demand, in a market that seeks a solid, dependable partner in Gefran.

In view of these considerations, and in the absence of events which are unforeseeable at the present time, Gefran has reconsidered the prospects for growth specified in the plan, and now foresees revenues in line with the previous year, though with slightly lower profit margins.

17. OWN SHARES

As of 31 December 2019, Gefran S.p.A. held 27,220 shares (0.19% of the total) with an average carrying value of Euro 5.7246 per share, all purchased in the fourth quarter of 2018.

No own shares were purchased or sold in 2019. As of the date of this report the situation was unchanged.

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

18. DEALINGS WITH RELATED PARTIES

On 12 November 2010, the Gefran Board of Directors approved the "Regulations for transactions with related parties" in application of Consob Resolution no. 17221 of 12 March 2010. These regulations have been published in the "Governance" section of the Company's internet site, available at *https://www.gefran.com/en/gb/governance*, in the "*Internal dealings*" section.

The procedure in question was updated by the Board of Directors on 3 August 2017 to bring the content in line with current regulations, specifically the entry into force of the "Market Abuse" regulation, EU 596/2014.

The regulation is based on the following general principles:

- ensuring the essential and procedural transparency and probity of transactions with related parties;
- providing directors and statutory auditors with an appropriate assessment, decision-making and control tool regarding transactions with related parties.

The regulation is structured as follows:

- **First section**: definitions (related parties, significant and insignificant transactions, intercompany, ordinary, of negligible amount, etc.).
- **Second section**: procedures to approve significant and insignificant transactions, exemptions.
- **Third part**: obligation to provide information.

See paragraph 41 of the Notes to the Consolidated Financial Statements for details on transactions with related parties.

19. DISCLOSURE SIMPLIFICATION

On 1 October 2012, the Gefran S.p.A. Board of Directors voted to use the option to provide simplified disclosure pursuant to article 70, paragraph 8, and article 71, paragraph 1-*bis*, of Consob Regulation 11971/1999 as amended.

20. PROVISIONS UNDER ARTICLES 15 AND 18 OF THE CONSOB REGULATION ON MARKETS

With reference to the “conditions for listing of shares of parent companies of companies established and regulated by laws of countries not belonging to the European Union” as set out in Articles 15 and 18 of the Consob Regulation on Markets, note that the following subsidiaries fall under Article 36: Gefran Siei Asia PTE Ltd (Singapore), Gefran Siei Drives Technology Co Ltd. (China), Gefran Deutschland GmbH and Siei Areg GmbH (Germany), Gefran Inc. (U.S.A.), Gefran India Ltd (India), Gefran Soluzioni S.r.l. (Italy), and Sensormate AG (Switzerland). Gefran Drives and Motion S.r.l. (Italy) and Elettropiemme S.r.l. (Italy).

The Group also made the adjustments necessary to meet the conditions set out under paragraph 1 of the aforementioned Article 18, and there are procedural provisions in place designed to ensure they are maintained.

Provaglio d’Iseo, 12 March 2020

For the Board of Directors

Chairman

Maria Chiara Franceschetti

CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF PROFIT/(LOSS) FOR THE YEAR

(Euro / 000)	Notes	Year-to-date at 31 December 2019	2018
Revenues from product sales	30	139,732	135,126
of which related parties:	*41*	-	*48*
Other revenues and income	31	803	445
Increases for internal work	14.15	2,574	1,425
TOTAL REVENUES		**143,109**	**136,996**
Change in inventories	20	703	2,839
Costs of raw materials and accessories	32	(50,911)	(50,081)
Service costs	33	(24,172)	(23,302)
of which related parties:	*41*	*(214)*	*(323)*
Miscellaneous management costs	35	(947)	(786)
Other operating income	35	1,083	236
Personnel costs	34	(49,250)	(45,897)
Impairment/reversal of trade and other receivables	20	115	53
Amortisation and impairment of intangible assets	36	(2,136)	(2,319)
Depreciation and impairment of tangible assets	36	(6,073)	(3,996)
Depreciation total usage rights	36	(1,146)	-
EBIT		**10,375**	**13,743**
Gains from financial assets	37	1,040	1,536
Losses from financial liabilities	37	(1,526)	(2,037)
(Losses) gains from shareholdings valued at equity	38	180	(55)
PROFIT (LOSS) BEFORE TAX		**10,069**	**13,187**
Current taxes	39	(1,968)	(2,632)
Deferred tax assets and liabilities	39	(1,059)	(1,529)
TOTAL TAXES		**(3,027)**	**(4,161)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**7,042**	**9,026**
Net profit (loss) from assets held for sale	23	-	(875)
NET PROFIT (LOSS) FOR THE YEAR		**7,042**	**8,151**
Attributable to:			
Group		7,042	8,151
Third parties		-	-

Earnings per share (Euro)	Notes	Year-to-date at 31 December 2019	2018
Basic earnings per ordinary share	26	0.49	0.57
Diluted earnings per ordinary share	26	0.49	0.57

2. STATEMENT OF PROFIT/(LOSS) FOR THE YEAR AND OTHER ITEMS OF COMPREHENSIVE INCOME

(Euro / 000)	*Notes*	Year-to-date at 31 December 2019	2018
NET PROFIT (LOSS) FOR THE YEAR		**7,042**	**8,151**
Items that will not subsequently be reclassified in the statement of profit/(loss) for the period	*27*		
- revaluation of employee benefits: IAS 19	*27*	(276)	192
- overall tax effect		66	(41)
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period			
- conversion of foreign companies' financial statements	*25*	221	18
- equity investments in other companies	*25*	(79)	(213)
- fair value of cash flow hedging derivatives	*25*	(124)	12
Total changes, net of tax effect		**(192)**	**(32)**
Comprehensive result for the period		**6,850**	**8,119**
Attributable to:			
Group		6,850	8,119
Third parties		-	-

3. STATEMENT OF FINANCIAL POSITION

(Euro / 000)	*Notes*	**31 December 2019**	**31 December 2018**
NON-CURRENT ASSETS			
Goodwill	*13*	5,917	5,868
Intangible assets	*14*	7,641	6,508
Property, plant, machinery and tools	*15*	44,761	38,955
of which related parties:	*41*	*470*	*919*
Usage rights	*16*	3,089	-
Shareholdings valued at equity	*17*	1,196	1,016
Equity investments in other companies	*18*	1,690	1,790
Receivables and other non-current assets	*19*	94	83
Deferred tax assets	*39*	6,556	6,912
Non-current financial investments for derivatives	*24*	1	-
Other non-current financial investments	*24*	97	126
TOTAL NON-CURRENT ASSETS		**71,042**	**61,258**
CURRENT ASSETS			
Inventories	*20*	24,548	22,978
Trade receivables	*20*	28,931	29,808
Other receivables and assets	*21*	7,953	3,561
Current tax receivables	*22*	853	1,510
Cash and cash equivalents	*24*	24,427	18,043
Current financial assets for derivatives	*24*	-	19
TOTAL CURRENT ASSETS		**86,712**	**75,919**
TOTAL ASSETS		**157,754**	**137,177**
SHAREHOLDERS' EQUITY			
Share capital	*25*	14,400	14,400
Reserves	*25*	53,602	50,263
Profit/(loss) for the year	*25*	7,042	8,151
Total Group Shareholders' Equity		**75,044**	**72,814**
Shareholders' equity of minority interests	*25*	-	-
TOTAL SHAREHOLDERS' EQUITY		**75,044**	**72,814**
NON-CURRENT LIABILITIES			
Non-current financial payables	*24*	21,916	11,864
Non-current financial payables for IFRS 16 leases	*24*	2,013	-
Non-current financial liabilities for derivatives	*24*	169	-
Employee benefits	*27*	4,853	4,524
Non-current provisions	*28*	644	250
Deferred tax provisions	*39*	647	627
TOTAL NON-CURRENT LIABILITIES		**30,242**	**17,265**
CURRENT LIABILITIES			
Current financial payables	*24*	12,643	10,817
Current financial payables for IFRS 16 leases	*24*	1,071	-
Trade payables	*20*	24,937	20,731
of which related parties:	*41*	*120*	*313*
Current financial liabilities for derivatives	*24*	-	28
Current provisions	*28*	1,527	1,424
Current tax payables	*22*	257	1,653
Other payables and liabilities	*29*	12,033	12,445
TOTAL CURRENT LIABILITIES		**52,468**	**47,098**
TOTAL LIABILITIES		**82,710**	**64,363**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**157,754**	**137,177**

4. CONSOLIDATED CASH FLOW STATEMENT

(Euro / 000)	*Notes*	**31 December 2019**	**31 December 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	*25*	7,042	8,151
Depreciation, amortisation and impairment	*36*	9,355	6,315
Provisions (Releases)	*20,27,28*	1,770	2,732
Capital (gains) losses on the sale of non-current assets	*35*	(350)	8
Impairment of assets held for sale	*23*	-	1,214
Net result from financial operations	*37*	345	556
Taxes	*39*	1,963	2,293
Change in provisions for risks and future liabilities	*27.28*	(1,012)	(1,097)
Change in other assets and liabilities	*21.29*	(5,004)	1,191
Change in deferred taxes	*39*	1,039	1,529
Change in trade receivables	*20*	2,017	(651)
of which related parties:	*41*	*-*	*55*
Change in inventories	*20*	(2,186)	(4,956)
Change in trade payables	*20*	3,066	1,707
of which related parties:	*41*	*(193)*	*223*
TOTAL		**18,045**	**18,992**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	*14.15*	(15,644)	(9,411)
of which related parties:	*41*	*(470)*	*(919)*
- Acquisitions net of acquired cash	*10*	(231)	-
- Financial receivables	*19*	(8)	6
Disposal of non-current assets	*14.15*	1,487	52
TOTAL		**(14,396)**	**(9,353)**
D) FREE CASH FLOW (B+C)		**3,649**	**9,639**
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	*24*	21,785	5,000
Repayment of financial payables	*24*	(9,781)	(9,462)
Increase (decrease) in current financial payables	*24*	(425)	(1,789)
Outgoing cash flow due to IFRS 16	*24*	(1,190)	-
Taxes paid	*39*	(2,183)	(3,744)
Interest paid	*37*	(756)	(1,491)
Interest received	*37*	93	691
Sale (purchase) of own shares	*25*	-	(156)
Change in shareholders' equity reserves	*25*	-	487
Dividends paid	*25*	(4,599)	(5,040)
TOTAL		**2,944**	**(15,504)**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**6,593**	**(5,865)**
G) Exchange rate translation differences on cash at hand		(209)	(98)
H) Net change in cash at hand (F+G)		**6,384**	**(5,963)**
I) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+H)		**24,427**	**18,043**

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Euro / 000)	*Notes*	Share capital	Capital reserves	Consolidation reserve	Other reserves	Retained profit /(loss)	*overall EC reserves*			Profit/(loss) for the year	Group Total shareholders' equity	Shareholders' equity of minority interests	Total shareholders' equity
							Fair value measurement reserve	Currency translation reserve	Other reserves				
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	*25*	-	-	(1,583)	-	8,448	-	-	-	(6,864)	-	-	-
- Dividends	*25*	-	-	-	-	(5,040)	-	-	-	-	(5,040)	-	(5,040)
Income/(expenses) recognised at equity	*25.27*	-	-	(21)	-	-	(201)	-	151	-	(71)	-	(71)
Change in translation reserve	*25*	-	-	-	-	-	-	18	-	-	18	-	18
Other changes	*25*	-	-	1	(156)	-	-	-	-	-	(155)	-	(155)
2018 profit	*25.26*	-	-	-	-	-	-	-	-	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	*25*	-	-	521	-	7,630	-	-	-	(8,151)	-	-	-
- Dividends	*25*	-	-	-	-	(4,599)	-	-	-	-	(4,599)	-	(4,599)
Income/(expenses) recognised at equity	*25.27*	-	-	(25)	-	-	(203)	-	(210)	-	(438)	-	(438)
Change in translation reserve	*25*	-	-	-	-	-	-	221	-	-	221	-	221
Other changes	*25*	-	-	-	4	-	-	-	-	-	4	-	4
2019 profit	*25.26*	-	-	-	-	-	-	-	-	7,042	7,042	-	7,042
Balances at 31 December 2019		14,400	21,926	5,864	10,099	13,174	(215)	3,364	(610)	7,042	75,044	-	75,044

SPECIFIC EXPLANATORY NOTES TO THE ACCOUNTS

GEFRAN
BEYOND TECHNOLOGY

1. General information

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

On 12 March 2020, the consolidated financial statements of the Gefran Group for the year ending 31 December 2019 were approved by the Board of Directors, which authorised their publication.

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

2. Form and content

The consolidated financial statements of the Gefran Group were prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

They comprise the financial statements of Gefran S.p.A., of its subsidiaries and of the direct and indirect affiliates, approved by their respective Boards of Directors. The consolidated companies adopted international accounting standards, with the exception of a number of companies whose financial statements were restated for the Group's consolidated financial statements to bring them into line with IAS/IFRS standards.

The official audit of the consolidated financial statements was carried out by PricewaterhouseCoopers S.p.A.

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

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

3. Accounting schedules

The Gefran Group has adopted:

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

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

4. Consolidation principles

Subsidiaries are consolidated on a line-by-line basis when the Group has control over them. It only has control if all the following three conditions are met:

- it has power over an investee company (whether this power is actually exercised or not);
- it has exposure or a right to variable returns from the investee company;
- it is able to use its power over the investee company to influence the returns generated thereby.

The results of subsidiaries acquired or sold over the year are included in the consolidated income statement as from the actual acquisition date or until the date they are sold.

Companies controlled jointly with other partners and associated companies, or in any event subject to significant influence are carried at equity.

The main principles adopted are the same for all companies in the scope of consolidation, and the related income statements and statements of financial position were all drawn up as of 31 December 2019; in addition, all financial statements have been approved by the respective Boards of Directors.

The main criteria adopted in line-by-line consolidation are listed below.

Gains from transactions between subsidiaries not yet realised, as well as receivables, payables, costs and revenues between consolidated companies, are eliminated.

The dividends paid by consolidated companies are eliminated from the income statement and added to earnings from previous years, if and to the extent that they are taken from them.

The portions of shareholders' equity and profits (losses) pertaining to minority interests are shown respectively in a specific item under shareholders' equity, separately from Group shareholders' equity, and in a specific item in the income statement.

Assets held for sale which are highly likely to be sold in the next twelve months, are, provided the other conditions required by IFRS 5 are met, classified in accordance with this accounting standard, and so once they have been consolidated in full, assets of this type are classified under a single item, referred to as "Assets available for sale", while the corresponding liabilities are entered in a single row in the Statement of Financial Position, under liabilities, and the resulting margin appears in the Income Statement as "Net profit (loss) from assets available for sale".

Profits and losses from intercompany transactions valued at equity are eliminated in proportion to the Group's percentage interest in the associate, except in cases where unrealised losses are evidence of a loss in value of the transferred asset.

Changes in equity interests that do not involve a loss of control or relate to investee companies already subject to control are treated as equity transactions (according to the entity control method) and therefore classified under shareholders' equity.

5. Change in the scope of consolidation

The scope of consolidation at 31 December 2019 is different from that in effect on 31 December 2018, for on 23 January 2019 Gefran Soluzioni S.r.l., a company owned by Gefran S.p.A., completed its purchase of 100% of the shares in the company Elettropiemme S.r.l.. The company was owned by Ensun S.r.l., which was 50% owned by Gefran S.p.A..

6. Valuation criteria

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as approved by the European Union.

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 financial statements were prepared using the general historic cost criterion, adjusted as required for the valuation of certain financial instruments.

With reference to Consob Communication 0003907 of 19 January 2015, note 13 “Goodwill and other intangible assets with an indefinite life” includes the required information, and specifically the references to the external information and the sensitivity analysis.

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

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

The most significant accounting standards adopted by the Gefran Group are summarised in this section.

Segment reporting

The primary segment reporting format chosen by the Gefran Group is by line of business. The accounting standards used for reporting segment information in the notes are consistent with those used for preparing the Annual financial report. The information provided in the primary segment reporting format relates to revenues, EBITDA and EBIT, and the assets and liabilities of each business unit.

The secondary segment reporting format, as required by IFRS 8, is by geographical region; this format shows revenues based on the location of activities for each business unit. In the Gefran Group, the location of activities broadly coincides with location by customer.

Revenues

According to IFRS 15, revenues are acknowledged up to an amount reflecting the payment the entity expects to be entitled to in exchange for the transfer of assets; no distinctions are made between the sale of goods and of services.

The new principle, which replaced all the current requirements of the IFRS for acknowledgement of revenues, was adopted by the Group without any impact resulting from the change in this principle.

Revenues are acknowledged when the company fulfils an obligation (to sell goods or provide services), transferring goods or services, which are considered to have been transferred from the time at which the customer takes over control of the goods or services.

When the result of the contract cannot be reliably measured, the revenue is recognised only to the extent that the costs incurred are recoverable.

Interest income

This is recorded as financial income for interest income accrued during the year, using the effective interest rate method, which is the rate that discounts expected future cash flows according to the expected life of the financial instrument, added to the net value of the financial assets reported in the financial statements.

Dividends

Dividends are recognised when the shareholders' right to receive payment arises, i.e. on the date of the Shareholders' Meeting resolution.

Government grants

Government grants are recorded at fair value when there is a reasonable expectation that they will be received and that all the conditions relating thereto have been met.

When funding is related to cost components (e.g. contributions to expenditure), it is recognised as revenues but broken down systemically over several accounting periods so that the revenues match the costs they are meant to offset. When funding is related to an asset (e.g. grants for plant and equipment), the fair value is temporarily recorded under long-term liabilities, and gradually released to the income statement on a straight-line basis over the expected useful life of the asset concerned.

Costs

Costs for the period are recorded on an accruals basis and recognised net of returns, discounts and allowances.

Financial charges

Financial charges are recorded in the income statement when they are incurred, in accordance with the reference accounting treatment set forth in IAS 23.

Income tax

Income tax for the period is calculated using an estimate of taxable income. The amount owed to the tax authorities is recorded under tax payables. Taxes paid in excess of the amount due are posted to tax receivables.

Current income taxes relating to items posted directly to shareholders' equity are reported directly in shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are determined in relation to timing differences between the consolidated values of the asset and the liability and those recognised for tax purposes in the annual financial statements of the consolidated companies. Deferred tax assets are recognised when it is probable that sufficient taxable income is available to allow these assets to be used. Deferred tax liabilities are recognised for all taxable timing differences.

Earnings per share

Basic earnings per ordinary share are calculated by dividing the Group's profit (loss) attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the period, excluding own shares.

For the purposes of calculating the diluted earnings (loss) per ordinary share, the weighted average of outstanding shares is adjusted in line with the assumption that all potential shares resulting from the conversion of bonds or the assignment of options will be subscribed. The Group's net profit is also adjusted to take into account the impact of these operations, net of taxes.

Tangible assets

Tangible assets are recognised at purchase cost, including ancillary costs. The cost of tangible assets is adjusted for depreciation on the basis of a systematic plan, taking into account the remaining possibility of economic use of the assets and also considering their physical wear and tear. Tangible assets are depreciated on a monthly basis from the time of entry into operation until they are sold or derecognised in the financial statements. If significant parts of tangible assets in use have different useful lives, the components identified are recognised and depreciated separately.

At the time of sale or when no future economic benefits are expected from the use of an asset, it is derecognised in the financial statements, and any gain or loss (calculated as the difference between the selling price and the carrying value) is recognised in the income statement in the year of derecognition.

Costs for maintenance and ordinary repairs are charged to the income statement in the year in which they are incurred. Extraordinary maintenance costs that entail significant and tangible improvements to plant production capacity or safety or their economically useful lives are capitalised.

Research and development costs

Research costs are charged to the income statement at the time that they are incurred. Development costs incurred for a specific project are capitalised when all the following conditions are met:

- technical feasibility;
- intention to complete, use or sell the asset;
- ability to use or sell the asset;
- probable future economic benefits;

- availability of sufficient resources;
- ability to reliably measure the cost attributable to the intangible asset.

Capitalised development costs are amortised on a systematic basis from the start of production and throughout the estimated life of the product. The carrying value of development costs is reviewed so as to carry out a fairness analysis (so-called “impairment test”) for the purpose of detecting any loss in value when an impairment indicator raises doubts regarding the possibility of recovering the carrying value. All other development costs are recognised in the income statement when they are incurred.

Business combinations and goodwill

Business combinations are measured by the acquisition method, on the basis of which the identifiable assets, liabilities and potential liabilities of the company purchased which meet the conditions for entry under IFRS 3 are measured at their current value as of the purchase date. Deferred taxes are then allocated on the adjustments made to the previous carrying values to align them with the present value. Given its complexity, the application of the acquisition method involves an initial provisional phase in which the current values of the assets, liabilities and contingent liabilities acquired are determined, in order to allow the transaction to be recorded in the consolidated financial statements for the year in which the combination occurred. This initial recognition is completed and adjusted within twelve months of the acquisition date. Changes to the initial consideration due to events or circumstances occurring after the acquisition date are recognised in the statement of profit (loss) for the year.

Goodwill is recognised as the difference between:

- the sum of the consideration transferred, the amount of minority interests (valued combination by combination, or at fair value or in proportion to the amount of identifiable net assets attributable to minorities), the fair value of previously held interests in the acquiree, recognising any resulting gain or loss in the statement of profit (loss) for the period;
- the net value of the identifiable acquired assets and the identifiable assumed liabilities.

The costs connected to the combination are not included in the consideration transferred and are therefore recognised in the statement of profit (loss) for the year. If, when the process of determining the present value of the assets, liabilities and contingent liabilities has been completed, this amount exceeds the acquisition cost, the excess is immediately credited to the income statement.

Goodwill is periodically reviewed to check the prerequisites for recoverability, through a comparison with the fair value or with future cash flows from the underlying investment. For the purposes of the comparative analysis, goodwill acquired in a business combination is allocated, at the acquisition date, to the Group’s individual cash-generating units, or to the groups of cash-generating units expected to benefit from the synergies of combination, regardless of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated:

- represents the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets;
- is no bigger than the operating sectors identified based on IFRS 8.

When goodwill is part of a cash-generating unit (group of cash-generating units) and a part of the assets within the unit is sold, the goodwill associated with the asset disposed of is included in the carrying value of the asset to determine the gain or loss on the disposal. Goodwill transferred under these circumstances is measured according to the relative values of the asset disposed of and the retained portion of the unit. When the disposal relates to a subsidiary, the difference between the sale price and the net assets, together with cumulative translation differences and residual goodwill, is posted to the income statement.

Asset impairment

IAS 36 requires the impairment testing of tangible and intangible assets and equity investments if there are indicators suggesting that such a problem might exist. In the case of goodwill, this test is carried out at least once a year, while intangible assets are tested whenever there are indications of impairment. The recoverability of the asset is assessed by comparing the carrying value recognised in the financial statements with the greater between the net selling price, if an active market exists, and the value in use of the asset.

Value in use is the discounted value of the expected cash flows from use of the asset, or combination of assets (cash-generating unit), as well as the value expected from disposal at the end of its useful life. The cash-generating units have been identified in line with the organisational structure and the Group's business, as homogeneous combinations that generate independent cash flows through the continued use of the assets allocated to them.

Other intangible assets

Other intangible assets acquired or produced internally are recognised as assets in accordance with the provisions of "IAS 38 - Intangible assets", when it is probable that the asset will generate future economic benefits and when the cost of the asset can be reliably determined. Development costs are only recognised under assets if all the following conditions are met:

- technical feasibility;
- intention to complete, use or sell the asset;
- ability to use or sell the asset;
- probable future economic benefits;
- availability of sufficient resources;
- ability to reliably measure the cost attributable to the intangible asset.

The useful life of an intangible asset may be qualified as definite or indefinite. Intangible assets with definite useful lives are amortised on a straight-line basis for the duration of the expected future sales deriving from the related project (usually 5 years). The useful life is reviewed annually and any changes are applied prospectively.

Non-current assets held for sale

Non-current assets classified as held for sale are measured in accordance with IFRS 5 at the lower of their carrying value and their fair value minus selling costs. The economic effect of these assets also includes taxation.

Investments in associated companies and joint ventures

Investments in associated companies and joint ventures are valued at equity, according to which the associated company or joint venture is recognised at cost as of the acquisition date; this is subsequently adjusted by the portion pertaining to changes in its shareholders' equity. The losses of associated companies or joint ventures exceeding the interest held by the Group, including medium to long-term receivables, which effectively are part of the Group's net investment in the associated company, are not recognised, unless the Group has taken on the obligation to cover these losses.

The portions of profit (loss) resulting from the application of this consolidation method are posted to the income statement under “Gains (losses) from shareholdings valued at equity”.

The surplus acquisition cost compared with the percentage pertaining to the Group of the current value of the associated company's identifiable assets, liabilities and contingent liabilities as of the acquisition date represents the goodwill, and continues to be included in the investment's carrying value. The minor value of the acquisition cost compared with the percentage pertaining to the Group of the fair value of the associated company's identifiable assets, liabilities and contingent liabilities as of the acquisition date is posted to the income statement for the year when the application process of the acquisition method is completed, or within 12 months of the acquisition.

If an associated company or joint venture recognises adjustments directly attributable to shareholders’ equity and/or in the statement of comprehensive income, the Group in turn records the related portion under shareholders’ equity, and where applicable, includes it in the statement of changes in shareholders’ equity and/or the statement of other items of comprehensive income.

Any loss due to impairment recognised pursuant to IAS 36 is not attributable to goodwill or any asset contributing to the carrying value of the equity investment in the associated company, but to the value of the equity investment overall. Any reversal of value is therefore recognised fully to the extent that the recoverable value of the investment subsequently increases based on the result of the impairment test.

Inventories

Inventories are valued at acquisition or production cost and the market value, whichever is the lower. Ancillary costs are included in the acquisition cost. The following cost configuration is used:

- raw materials, consumables, products sold: weighted average cost;
- work in progress: production cost;
- finished and semi-finished products: production cost.

Production cost includes the cost of raw materials, materials, labour and all other direct production expenses, including depreciation and amortisation. Production cost does not include distribution costs. Obsolete or slow-moving inventories are written down according to the possibility of using or realising them.

Trade receivables and payables and other receivables/payables

Receivables are recognised in the financial statements at their presumed realisable value, which comprises the nominal value, adjusted if necessary by specific impairment provisions. Trade receivables have due dates that fall within normal contractual periods (30 to 120 days) and are therefore not discounted.

Regarding the introduction of IFRS 9, and particularly the new method for impairment of financial investments, starting on 1 January 2018 the Group revised its method for determination of the reserve to be used for coverage of losses on receivables, taking into account the losses expected throughout the life of the receivable, as required by the new standard, with no significant impact on the result for the period or on equity resulting from application of IFRS 9.

Receivables factored without recourse are removed from the financial statements when all the risks associated with the sale of the receivable are borne by the factoring company.

Payables are recognised at nominal value. Trade payables have due dates that fall within normal contractual periods (60 to 120 days) and are therefore not discounted.

Financial derivatives

Derivatives are classified as "Hedging transactions" if the conditions exist for the application of hedge accounting; otherwise, even if undertaken with the intention of managing risk exposure, they are recorded as "Financial assets held for trading". Financial derivatives may be recognised using the methods established for hedge accounting only when the relationship between the derivative and the hedged item is formally documented and the hedge effectiveness is high (effectiveness test). The effectiveness of hedge transactions is documented both at the start of the transaction and periodically (at least at each reporting date of the financial statements or interim statements) and measured by comparing changes in the fair value of the hedging instrument with those of the hedged item.

When hedging transactions hedge the risk of changes in the fair value of hedged instruments (fair value hedges), the derivatives are recognised at fair value and the effects are charged to the income statement. The Gefran Group does not hold derivatives of this kind.

When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedges), changes in the fair value of the derivatives are initially recorded under other items of comprehensive income and are then reclassified from shareholders' equity to profit (loss) for the period as a reclassification adjustment, in line with the economic effects of the hedged transaction. The change in fair value relating to the ineffective portion is recognised immediately in the income statement for the period. If the derivative is sold or no longer qualifies as an effective hedge against the risk for which it was initiated, or the occurrence of the underlying transaction is no longer regarded as highly probable, the portion of the cash flow hedge reserve relating thereto is immediately reversed to the income statement

The Group believes that all its existing hedges currently designated as effective hedges continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not alter the general principle on the basis of which an entity registers effective hedging, the Group has not felt any significant impact of application of this principle.

The Gefran Group uses financial derivatives such as Interest Rate Swaps (IRS) and Interest Rate Caps (CAP). Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement. Regardless of classification, all derivatives are measured at fair value using valuation techniques based on market data (such as, *inter alia*, discounted cash flow, the forward exchange rate method and the Black-Scholes formula and its developments).

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand and short-term bank deposits, which are highly liquid and subject to an insignificant risk of changes in value. They are recognised at nominal value.

Financial liabilities

Payables and financial liabilities are initially recorded at fair value, which essentially coincides with the amount to be paid, net of transaction costs. Purchases and sales of financial liabilities are recognised on the trading date, i.e. the date on which the Group committed to purchase/sell the liabilities.

Management determines the classification of financial liabilities in the categories identified at the time of their initial recognition. After initial recognition, financial liabilities are valued in relation to their classification within one of these categories. In detail it is highlighted that:

- the valuation of "Financial liabilities at fair value through profit or loss" is carried out using the market value at the close of the reporting period; in the case of unlisted instruments (e.g. financial derivatives) it is carried out using financial valuation techniques based on market data. Gains or losses arising from fair value measurement relating to assets and liabilities held for trading are recognised in the income statement.
- the valuation of “Financial liabilities valued at amortised cost”, carried out at amortised cost, in the case of instruments maturing within 12 months uses the nominal value as an approximation of amortised cost.

Payables denominated in foreign currencies are adjusted to year-end exchange rates and gains or losses resulting from the adjustment are recognised in the income statement.

The Group believes that all its existing hedges currently designated as effective hedges continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not alter the general principle on the basis of which an entity registers effective hedging, the Group has not felt any significant impact of application of this principle.

Own shares

Own shares are reported as a reduction in respect of shareholders’ equity in a specific reserve. The original cost of the own shares and the income generated by any subsequent sales are recognised as changes in shareholders’ equity.

Provisions for risks and future liabilities

Allocations to provisions for risks and future liabilities take place when the Group has a current obligation (legal or implicit) arising from a past event, it is probable that a financial outlay will take place to meet the obligation and a reliable estimate can be made of the obligation.

Allocations to provisions for risks and future liabilities exceeding one year are discounted only if the effect of discounting is material, at a pre-tax discount rate that reflects current market assessments of the value of money in relation to time and, if appropriate, the specific risks associated with the liability. When discounting back takes place, the increase in the provision due to the passage of time is recognised as a financial charge.

Employee benefits

The post-employment benefit reserve, which is mandatory for Italian companies pursuant to Italian Law 297/1982, is considered a defined benefit plan and is based, *inter alia*, on the working lives of employees and the remuneration earned by the employee over a predetermined period of service. The post-employment benefit reserve is calculated by independent actuaries using the “Traditional Unit Credit Method”. The Company has opted to recognise all cumulative actuarial gains and losses both on first-time adoption of IFRS and subsequently.

This item is also used to recognise non-competition agreements, signed with some employees to protect the company from any competitive activities; the value of the obligation is the subject of actuarial valuation and, when first recognised, the portion of the provision determined by actuarial methods is posted to the statement of profit/(loss) for the year.

Translation of foreign companies' financial statements

The financial statements of subsidiaries, affiliates and joint ventures are prepared using the functional currency of the individual entity. The consolidated financial statements are denominated in euros, the functional currency of the Parent Company Gefran S.p.A.

The rules for the translation of the companies' financial statements denominated in currencies other than the euro are as follows:

- assets and liabilities are translated at the exchange rates at the reporting date;
- costs and revenues are translated at the average exchange rates in the period;
- the "Currency translation reserve" includes both the exchange rate differences resulting from the translation of economic parameters at an exchange rate other than that at closing, and those generated by translating the opening shareholders' equity at an exchange rate other than that at the close of the reporting period.

When an investment in a foreign company is disposed of, the accumulated exchange rate differences recognised in the "Currency translation reserve", relating to a particular foreign company, are reported in the statement of profit/(loss) for the year.

Translation of foreign currency items

Foreign currency transactions are implemented by each entity at the conversion rate prevailing at the accounting date. Subsequently, at the time of payment or collection, the exchange rate difference arising from the time difference between the two moments is recorded and posted to the income statement.

From an equity point of view, at the close of the reporting period, receivables and liabilities arising from transactions in currencies other than the functional currency are reassessed in the company's currency, taking as benchmark the exchange rate prevailing at the reporting date. Also in this case, the exchange rate difference is posted to the income statement.

Non-monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the transaction date, i.e. at the historical exchange rate.

7. Accounting standards, amendments and interpretations not yet applicable

There are no such cases applicable to the Group as of the date of this Half-yearly Financial Report.

8. 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 is applied starting 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).

As of 1 January the Group has a total of 190 contracts in place for leasing of vehicles, machinery, industrial equipment and electronic office machinery, as well as for rental of real estate. On the basis of the value and term described above:

- 119 of these fell within the perimeter of application of IFRS 16 as of 1 January 2019;
- 71 were excluded from the perimeter of application of the standard, 63 of which had a term of less than 12 months, while for the 8, the fair value calculated for the asset which is the subject of the contract is of modest unitary value.

Underlying contracts in currencies other than the Euro were converted at the spot exchange rate in effect on 31 December 2018.

The assets analysed here are entered in the financial statements:

- under non-current tangible assets, under "*Usage rights*";
- under Net Financial Position, while the corresponding financial payable originates current (payable within the year) or non-current (payable beyond a year) "*Financial payables for leasing under IFRS 16*" .

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

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

the historic cost calculated as of 1 January 2019 of "*Usage rights*" is equal to 2,254 thousand Euro, broken down as follows:

(Euro / 000)	**1 January 2019**
Real estate	1,121
Vehicles	1,011
Machinery and equipment	122
Total	**2,254**

The value of "*Financial payables for leasing under IFRS 16*" entered as of 1 January 2019 may be broken down by due date as follows:

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

Regarding the economic impact of application of the standard, the item *"Amortisation of usage rights"* amounted to 1,146 thousand Euro as of 31 December 2019, broken down as follows:

(Euro / 000)	**estimate 1 January 2019**	**new contracts signed in 2019**	**31 December 2019**
Real estate	381	187	568
Vehicles	405	119	524
Machinery and equipment	50	4	54
Total	**836**	**310**	**1,146**

"Service costs", which included all leasing and rental fees until 2018, decreased by a total of 1,190 thousand Euro. The breakdown is as follows:

(Euro / 000)	**estimate as of 1 January 2019**	**new contracts signed in 2019**	**31 December 2019**
Real estate	(405)	(182)	(587)
Vehicles	(417)	(131)	(548)
Machinery and equipment	(51)	(4)	(55)
Total	**(873)**	**(317)**	**(1,190)**

"Losses from financial liabilities" includes the more specific item *"Interest on financial debts for leasing under IFRS 16",* which amounts to a total of 39 thousand Euro as of 31 December 2019.

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

- the consolidated statement of financial position only shows values as of 1 January 2019;
- the consolidated statement of profit/(loss) for the year shows values for all years affected by the useful lifespan of contracts in effect as of 1 January 2019, where "*Service costs*" are reduced (shown with a positive sign in the statement), while "*Depreciation*" and "*Losses from financial liabilities*" registered an increase (shown with a negative sign in the statement).

Consolidated statement of financial position

(Euro / 000)	Consolidated 1 January 2019	Initial assessment under IFRS 16	Consolidated 1 January 2019 with IFRS16
NON-CURRENT ASSETS			
Goodwill	5,868		5,868
Intangible assets	6,508		6,508
Property, plant, machinery and tools	38,955		38,955
Usage rights	-	2,254	2,254
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**
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**
SHAREHOLDERS’ EQUITY			
Share capital	14,400		14,400
Reserves	50,263		50,263
Profit/(loss) for the year	8,151		8,151
Total Group Shareholders’ Equity	**72,814**	**-**	**72,814**
Shareholders’ equity of minority interests	-		-
TOTAL SHAREHOLDERS’ EQUITY	**72,814**	**-**	**72,814**
NON-CURRENT LIABILITIES			
Non-current financial payables	11,864		11,864
Non-current financial payables for IFRS 16 leases	-	1,219	1,219
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**
CURRENT LIABILITIES			
Current financial payables	10,817		10,817
Current financial payables for IFRS 16 leases	-	1,035	1,035
Trade payables	20,731		20,731
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**
TOTAL LIABILITIES	**64,363**	**2,254**	**66,617**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**137,177**	**2,254**	**139,431**

Consolidated statement of profit/(loss) for the year

(Euro / 000)	estimate							
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Revenues from product sales								
Other revenues and income								
Increases for internal work								
TOTAL REVENUES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change in inventories								
Costs of raw materials and accessories								
Service costs	873	663	386	234	86	33	33	0
Miscellaneous management costs								
Other operating income								
Personnel costs								
(Writedown)/Restoration trade receivables and miscellaneous receivables								
Amortisation and impairment of intangible assets								
Depreciation, amortisation and impairment tangible assets								
Depreciation usage rights	(836)	(663)	(375)	(227)	(83)	(31)	(31)	(6)
EBIT	**37**	**0**	**11**	**7**	**3**	**2**	**2**	**(7)**
Gains from financial assets								
Losses from financial liabilities	(26)	(15)	(7)	(3)	(1)	(1)	0	0
(Losses) gains from shareholdings valued at equity								
PROFIT (LOSS) BEFORE TAX	**11**	**(15)**	**4**	**4**	**2**	**1**	**2**	**(7)**
Current taxes								
Deferred tax assets and liabilities								
TOTAL TAXES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**11**	**(15)**	**4**	**4**	**2**	**1**	**2**	**(7)**
Net profit (loss) from assets held for sale								
NET PROFIT (LOSS) FOR THE YEAR	**11**	**(15)**	**4**	**4**	**2**	**1**	**2**	**(6)**

Note that the effects shown in the statements above refer to contracts in effect as of 1 January 2019 only.

Also note that in 2019:

- 69 new contracts were signed, 60 of which fall within the perimeter of application of IFRS 16 on the basis of the value and term specified above; one of these is referable to rental of a cryogenic tank and dispenser, 6 refer to rental of real estate, and 53 refer to leasing of company vehicles; 8 of the remaining contracts are excluded as they are classified as short term, while one is excluded because the fair value of the assets leased is of modest value;
- 54 contracts ended, only 7 of which fell within the perimeter of application of IFRS 16 on the basis of their value and term as specified above, and they were closed in advance of their original due date, generating a gain of 1 thousand Euro, entered in the income statement under other operating income.

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

In drafting the financial statements and the explanatory notes to the accounts, in accordance with the IAS/IFRS principles, the Group makes use of estimates and assumptions to assess certain items. These are based on historical experience and uncertain but realistic assumptions, assessed regularly and, if necessary, updated, with effect on the income statement for the period and for future periods. The uncertainty inherent in these assessment estimates may lead to misalignment between the estimates made and the actual effects of the estimated events on the financial statements.

Below are the processes that require management to perform assessment estimates, and with regard to which a change in the underlying conditions could have a significant impact on the consolidated financial data:

Provision for impairment of inventory

Inventories are stated as the lower between the cost of purchase (measured using the weighted average cost method) and the net realisable value. The provision for impairment of inventory is necessary in order to adjust the value of inventories to the estimated realisable value: inventory composition is analysed for slow-moving stocks, with the aim of assessing a provision that reflects any obsolescence of same.

Provision for doubtful receivables

The provision for doubtful receivables reflects management's estimates regarding the recoverability of receivables from customers. Management's assessment is based on experience and on an analysis of situations with a known or probable risk of non-collection.

Regarding the introduction of IFRS 9, and particularly the new method for impairment of financial investments, starting on 1 January 2018 the Group revised its method for determination of the reserve to be used for coverage of losses on receivables, taking into account the losses expected throughout the life of the receivable, as required by the new standard, with no significant impact on the result for the period or on equity resulting from application of IFRS 9.

Goodwill and intangible assets with a finite life

These are periodically subject to evaluation through the impairment test, with the aim of determining their present value and accounting for any differences in value; for details, see the specific sections of the notes to the financial statements.

Employee benefits and non-competition agreements

The provision for the post-employment benefit reserve and the provision for non-competition agreements are posted to the financial statements and annually reviewed by external actuaries, taking into account assumptions regarding the discount rate, inflation and demographic assumptions; for details, see the specific section of the notes to the financial statements.

Deferred tax assets

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

Current and non-current provisions

Provisions are made for risks of a legal and fiscal nature to represent the risk of a negative outcome. The amount of the provisions posted to the financial statements in relation to these risks represents management's best estimate at that time. This estimate entails the adoption of assumptions that depend on factors that may change over time and that could, therefore, have a significant effect on the current estimates made by management in preparing the Group's consolidated financial statements.

Assets held for sale

Non-current assets classified as held for sale are measured in accordance with IFRS 5 at the lower of their carrying value and their fair value minus selling costs. The economic effect of these assets also includes taxation.

10. 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:

(Euro / 000)	**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:

(Euro /000)	**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:

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

11. Financial instruments: supplementary disclosure pursuant to IFRS 7

The Group's activities are exposed to different types of risk: market risk (including exchange rate risks, interest rate risks and price risks), credit risk and liquidity risk. The Group's risk management strategy focuses on the market unpredictability and is intended to minimise the potential negative impact on the Group's results. Certain types of risk are mitigated through the use of derivatives. Coordination and monitoring of the main financial risks are centralised in the Group's Finance and Administration Department, as well as in the Purchasing function as regards price risk, in close partnership with the Group's operating units. Risk management policies are approved by the Group's Administration, Finance and Control Department, which provides written guidelines for the management of the risks listed above and the use of financial derivatives and other financial instruments. As part of the sensitivity analyses described below, the effect on the net profit figure and on shareholders' equity is determined gross of the tax effect.

Exchange rate risks

The Group is exposed to exchange rate risk in relation to commercial transactions and cash held in currencies other than the euro, the Group's functional currency. Around 27% of sales are denominated in a different currency. Specifically, the Group is most exposed to the following exchange rates:

- EUR/USD about 9%, primarily in relation to the trade of an Italian subsidiary operating in various countries, Gefran Drives and Motion S.r.l., and the foreign subsidiaries Gefran Inc. (operating in the United States), Gefran Siei Drives Technology and Gefran Siei Asia (operating on the Asian market);
- Euro/RMB to the tune of 8%, mainly related to the Chinese operating company Gefran Siei Drives Technology;
- the remainder is divided between Euro/BRL, Euro/GBP, Euro/CHF, Euro/INR and Euro/TRL.

The sensitivity to a hypothetical and unexpected change of the exchange rates of 5% and 10% in the fair value of the financial statement assets and liabilities is shown below:

(Euro / 000)	**31 December 2019**		**31 December 2018**	
	-5%	+5%	-5%	+5%
Chinese renminbi	2	(1)	4	(4)
US dollar	79	(68)	1	(1)
Total	**81**	**(69)**	**5**	**(5)**

Description	**31 December 2019**		**31 December 2018**	
(Euro / 000)	-10%	+10%	-10%	+10%
Chinese renminbi	3	(3)	8	(7)
US dollar	166	(130)	3	(2)
Total	**169**	**(133)**	**11**	**(9)**

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

(Euro / 000)	**31 December 2019**		**31 December 2018**	
	-5%	+5%	-5%	+5%
Chinese renminbi	(12)	11	(40)	36
US dollar	56	(50)	61	(55)
Total	**44**	**(39)**	**21**	**(19)**

(Euro / 000)	**31 December 2019**		**31 December 2018**	
	-10%	+10%	-10%	+10%
Chinese renminbi	(26)	21	(84)	69
US dollar	118	(96)	128	(105)
Total	**92**	**(75)**	**44**	**(36)**

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

(Euro / 000)	**31 December 2019**		**31 December 2018**	
	-5%	+5%	-5%	+5%
Chinese renminbi	512	(463)	510	(461)
US dollar	414	(374)	400	(362)
Total	**926**	**(837)**	**910**	**(823)**

(Euro / 000)	**31 December 2019**		**31 December 2018**	
	-10%	+10%	-10%	+10%
Chinese renminbi	1,081	(884)	1,076	(880)
US dollar	874	(715)	844	(691)
Total	**1,955**	**(1,599)**	**1,920**	**(1,571)**

Interest rate risk

The interest rate risk to which the Group is exposed mainly originates from medium to long-term financial payables with a variable rate. Variable-rate loans expose the Group to a risk associated with interest rate volatility (cash flow risk). The Group uses derivatives to hedge its exposure to interest rate risk, entering into Interest Rate Swap (IRS) and Interest Rate Cap (CAP) contracts.

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

The table below shows a sensitivity analysis of the impact that an interest rate increase/decrease of 100 basis points would have on the consolidated net profit/(loss), comparing interest rates at 31 December 2019 and 31 December 2018, while keeping other variables unchanged.

(Euro / 000)	**31 December 2019**		**31 December 2018**	
	-100	100	-100	100
Euro	146	(186)	(25)	(48)
US dollar	(15)	15	-	-
Total	**131**	**(171)**	**(25)**	**(48)**

The potential impacts reported above have been calculated on the basis of the net liabilities representing the most significant part of the Group's payables as of the date of this annual financial report and calculating the effect of net financial charges on this amount resulting from changes in annual interest rates.

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

The table below shows the carrying value at 31 December 2019, broken down by maturity, of the Group's financial instruments exposed to the interest rate risk:

(Euro / 000)	**<1 year**	**1-5 years**	**>5 years**	**Total**
Loans due	9,342	21,916	-	31,258
Financial payables due to leasing under IFRS 16	1,071	1,505	508	3,084
Other accounts payable	5	-	-	5
Account overdrafts	3,296	-	-	3,296
Total liabilities	**13,714**	**23,421**	**508**	**37,643**
Cash in current accounts	24,270	-	-	24,270
Total assets	**24,270**	**-**	**-**	**24,270**
Total variable rate	**10,556**	**(23,421)**	**(508)**	**(13,373)**

Unlike net financial position figures, the amounts shown in the table above do not include the fair value of derivatives (negative at 168 thousand Euro), cash on hand (positive at 157 thousand Euro) or deferred financial income (positive at 97 thousand Euro).

Liquidity risk

Prudent management of the liquidity risk arising from the Group's normal operations requires an appropriate level of cash on hand and short-term securities to be maintained, as well as the availability of funds obtainable through an appropriate amount of committed credit lines.

The Group's Administration and Finance Department monitors forecasts on the use of the Group's reserves of cash and cash equivalents based on expected cash flows. The table below shows the amount of reserves of cash and cash equivalents available on the reference dates:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Cash and cash equivalents	157	32	125
Cash in bank deposits	24,270	18,011	6,259
Term deposits – less than 3 months	-	-	-
Total liquidity	**24,427**	**18,043**	**6,384**
Multiple mixed credit lines	24,749	16,799	7,950
Cash flexibility credit lines	3,005	5,360	(2,355)
Invoice factoring credit lines	8,323	11,583	(3,260)
Total credit lines available	**36,077**	**33,742**	**2,335**
Total liquidity available	**60,504**	**51,785**	**8,719**

Note that the increase in the value of lines of credit available is primarily a result of incorporation of two banking relationships of the company Elettropiemme S.r.l. in 2019 and an improvement in cash on hand due to obtaining new loans.

To complete disclosure on financial risks, the table below shows a reconciliation of financial asset and liability classes, as identified in the Group's statement of financial position, and the types of financial assets and liabilities identified on the basis of IFRS 7 requirements:

(Euro / 000)	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale assets valued at fair value:				
Shareholdings valued at fair value with a balancing item in other overall profit/(loss)	246	-	1,444	1,690
Hedging transactions	-	1	-	1
Total assets	**246**	**1**	**1,444**	**1,691**
Hedging transactions	-	(169)	-	(169)
Total liabilities	**-**	**(169)**	**-**	**(169)**

Level 1: Fair values represented by the prices - listed in active markets (unadjusted) - of financial instruments identical to those being valued that may be accessed at the measurement date. These prices are defined as mark-to-market inputs as they provide a fair value measurement based directly on official market prices, therefore without the need for any modification or adjustment.

Level 2: Fair values determined using evaluation techniques based on variables that may be observed in active markets, which in this case include the evaluation of interest rate hedging and of foreign exchange hedging. As with the Level 1 inputs, the reference value is mark-to-market, i.e. the evaluation method whereby the value of a financial instrument or contract is systematically adjusted according to the current market prices.

Level 3: Fair values determined using evaluation techniques based on variables that may not be observed, and in particular the values of equity investments in other companies that are not listed on international markets, the overall value of which has not changed compared to 31 December 2018.

Below is a reconciliation of the different classes of financial assets and liabilities, as identified in the Group's statement of financial position, and types of financial assets and liabilities identified on the basis of the requirements of IFRS7, as of 31 December 2018:

(Euro / 000)	Level 1	Level 2	Level 3	Total
Available-for-sale assets valued at fair value:				
Shareholdings valued at fair value with a balancing item in other overall profit/(loss)	346	-	1,444	1,790
Hedging transactions	-	19	-	19
Total assets	**346**	**19**	**1,444**	**1,809**
Hedging transactions	-	(28)	-	(28)
Total liabilities	**-**	**(28)**	**-**	**(28)**

Credit risk

The Gefran Group deals mainly with known and reliable customers. The Group's credit policy is to subject customers who require extended payment terms and new customers to credit checks. In addition, receivables are monitored over the year to reduce late payments and prevent significant losses.

The Group has adopted a policy of monitoring outstanding receivables, a measure made necessary given the possible deterioration of certain receivables, the decline in credit rating reliability and the lack of liquidity on the market. The impairment process conducted on the basis of the Group's procedures requires receivables to be written down by a percentage which depends on the time range of the outstanding receivable, in view of past experience in specific lines of business and geographical regions, as required by IFRS 9.

Below are the values of gross trade receivables at 31 December 2019 and 31 December 2018:

(Euro / 000)	Total value	Not overdue	Overdue by up to 2 months	Overdue by 2 to 6 months	Overdue by 6 to 12 months	Overdue by more than 12 months	Receivables individually written down
Gross trade receivables at 31 December 2019	31,299	25,869	2,502	484	83	944	1,417
Gross trade receivables at 31 December 2018	32,214	26,652	2,752	494	61	914	1,341

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

Risk of change in raw material prices

The Group's exposure to price risk is minimal. Purchases of materials and components subject to fluctuations in raw material prices are not significant. The purchase costs of the main components are usually set with counterparts for the full year and reflected in the budget. The Group has in place structured and formalised governance systems that it uses to regularly analyse its margins. Commercial operations are coordinated by business area, so as to monitor sales and manage discounts.

Fair value of financial instruments

All the Group's financial instruments are recorded in the financial statements at fair value. The amount of financial liabilities valued at amortised cost is considered close to the fair value on the reporting date.

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

(Euro / 000)	carrying value 31 December 2019	31 December 2018	fair value 31 December 2019	31 December 2018
Financial assets				
Cash and cash equivalents	157	32	157	32
Cash in bank deposits	24,270	18,011	24,270	18,011
Securities held for trading	-	-	-	-
Financial investments for derivatives	1	19	1	19
Non-current financial investments	97	126	97	126
Total financial assets	**24,525**	**18,188**	**24,525**	**18,188**
Financial liabilities				
Current portion of long-term debt	(9,342)	(7,069)	(9,342)	(7,069)
Short-term bank debt	(3,296)	(3,727)	(3,296)	(3,727)
Financial liabilities for derivatives	(169)	(28)	(169)	(28)
Factoring	(5)	(21)	(5)	(21)
Payables due to leasing contracts under IFRS 16	(3,084)	-	(3,084)	-
Other financial payables	-	-	-	-
Non-current financial debt	(21,916)	(11,864)	(21,916)	(11,864)
Total financial liabilities	**(37,812)**	**(22,709)**	**(37,812)**	**(22,709)**
Total net financial position	**(13,287)**	**(4,521)**	**(13,287)**	**(4,521)**

12. Information by business area

Primary segment – sector of activity

The organisational structure of the Gefran Group is divided into three areas of activity: sensors, automation components and motion control. The economic trends and the main investments are covered in the Report on Operations.

Figures by business area

	(Euro / 000)	Sensors	Automation components	Motion control	Eliminations	Not divided	31 December 2019
a	Revenues	60,582	41,391	43,953	(5,391)		140,535
b	Increases for internal work	846	894	834	-		2,574
c	Consumption of materials and products	15,617	15,717	24,265	(5,391)		50,208
d	**Added value (a+b-c)**	**45,811**	**26,568**	**20,522**		**-**	**92,901**
and	Other operating costs	10,868	6,241	6,812	-		23,921
f	Personnel costs	20,280	16,199	12,771	-		49,250
g	**EBITDA (d-e-f)**	**14,663**	**4,128**	**939**		**-**	**19,730**
h	Depreciation, amortisation and impairment	4,703	2,520	2,132	-		9,355
i	**EBIT (g-h)**	**9,960**	**1,608**	**(1,193)**		**-**	**10,375**
l	Gains (losses) from financial assets/liabilities					(486)	(486)
m	Gains (losses) from shareholdings valued at equity					180	180
n	**Profit (loss) before tax (i±l±m)**	**9,960**	**1,608**	**(1,193)**		**(306)**	**10,069**
o	Taxes					(3,027)	(3,027)
p	**Result from operating activities (n±o)**	**9,960**	**1,608**	**(1,193)**		**(3,333)**	**7,042**
q	Net profit (loss) from assets held for sale					-	-
r	**Group net profit (loss) (p±q)**	**9,960**	**1,608**	**(1,193)**		**(3,333)**	**7,042**

	(Euro / 000)	Sensors	Automation components	Motion control	Eliminations	Not divided	31 December 2018
a	Revenues	61,893	37,475	41,740	(5,537)		135,571
b	Increases for internal work	469	462	494	-		1,425
c	Consumption of materials and products	14,710	13,536	24,533	(5,537)		47,242
d	Added value (a+b-c)	47,652	24,401	17,701		-	89,754
and	Other operating costs	11,047	5,806	6,946	-		23,799
f	Personnel costs	18,166	15,269	12,462	-		45,897
g	EBITDA (d-e-f)	18,439	3,326	(1,707)		-	20,058
h	Depreciation, amortisation and impairment	2,509	1,966	1,840	-		6,315
i	EBIT (g-h)	15,930	1,360	(3,547)		-	13,743
l	Gains (losses) from financial assets/liabilities					(501)	(501)
m	Gains (losses) from shareholdings valued at equity					(55)	(55)
n	Profit (loss) before tax (i±l±m)	15,930	1,360	(3,547)		(556)	13,187
o	Taxes					(4,161)	(4,161)
p	Result from operating activities (n±o)	15,930	1,360	(3,547)		(4,717)	9,026
q	Net profit (loss) from assets held for sale					(875)	(875)
r	Group net profit (loss) (p±q)	15,930	1,360	(3,547)		(5,592)	8,151

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

Statement of financial position figures by business area

(Euro / 000)	Sen sors	Compo nents	Motion control	Not divided	31 December 2019	Sen sors	Compo nents	Motion control	Not divided	31 December 2018
Intangible assets	8,220	2,394	2,944		13,558	7,408	2,341	2,627		12,376
Tangible assets	18,369	13,191	16,290		47,850	11,667	11,503	15,785		38,955
Other non-current assets				9,536	9,536				9,801	9,801
Net non-current assets	**26,589**	**15,585**	**19,234**	**9,536**	**70,944**	19,075	13,844	18,412	9,801	61,132
Inventories	6,098	5,157	13,293		24,548	6,040	4,014	12,924		22,978
Trade receivables	9,764	8,029	11,138		28,931	10,205	7,828	11,775		29,808
Trade payables	(8,564)	(6,738)	(9,635)		(24,937)	(6,780)	(5,827)	(8,124)		(20,731)
Other assets/liabilities	(3,564)	(2,925)	(2,382)	5,387	(3,484)	(3,803)	(3,020)	(2,311)	107	(9,027)
Working capital	**3,734**	**3,523**	**12,414**	**5,387**	**25,058**	5,662	2,995	14,264	107	23,028
Provisions for risks and future liabilities	(968)	(714)	(440)	(49)	(2,171)	(973)	(72)	(469)	(160)	(1,674)
Deferred tax provisions				(647)	(647)				(627)	(627)
Employee benefits	(1,238)	(1,937)	(1,678)		(4,853)	(1,247)	(1,742)	(1,535)		(4,524)
Invested capital from operations	**28,117**	**16,457**	**29,530**	**14,227**	88,331	22,517	15,025	30,672	9,121	77,335
Invested capital from assets held for sale	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Net invested capital	**28,117**	**16,457**	**29,530**	**14,227**	**88,331**	22,517	15,025	30,672	9,121	77,335
Shareholders' equity				**75,044**	**75,044**				72,814	72,814
Non-current financial payables				21,916	21,916				11,864	11,864
Current financial payables				12,643	12,643				10,817	10,817
Financial payables for IFRS 16 leases (current and non-current)				3,084	3,084				-	-
Financial liabilities for derivatives (current and non-current)				169	169				28	28
Financial assets for derivatives (current and non-current)				(1)	(1)				(19)	(19)
Other non-current financial investments				(97)	(97)				(126)	(126)
Cash and cash equivalents and current financial receivables				(24,427)	(24,427)				(18,043)	(18,043)
Net debt relating to operations	**-**	**-**	**-**	**13,287**	**13,287**	-	-	-	4,521	4,521
Total sources of financing	**-**	**-**	**-**	**88,331**	**88,331**	-	-	-	77,335	77,335

Secondary segment - geographical region

Revenues by geographical region

(Euro / 000)	31 December 2019	31 December 2018	Change	%
Italy	42,912	41,018	1,894	4.6%
European Union	34,644	36,188	(1,544)	-4.3%
Europe non-EU	4,582	6,960	(2,378)	-34.2%
North America	21,596	14,712	6,884	46.8%
South America	4,359	3,959	400	10.1%
Asia	30,897	31,537	(640)	-2.0%
Rest of the World	742	752	(10)	-1.3%
Total	**139,732**	**135,126**	**4,606**	**3.4%**

Investments by geographical region

(Euro / 000)	31 December 2019		31 December 2018	
	intangible assets and	tangible assets	intangible assets and goodwill	tangible assets
Italy	3,254	7,904	1,948	6,148
European Union	13	89	12	60
Europe non-EU	-	30	-	116
North America	-	4,270	-	354
South America	2	123	3	215
Asia	-	321	-	582
Total	3,269	12,737	1,963	7,475

Non-current assets by geographical region

(Euro / 000)	31 December 2019	31 December 2018	Change	%
Italy	51,163	46,277	4,886	10.6%
European Union	2,892	2,295	597	26.0%
Europe non-EU	3,306	2,443	863	35.3%
North America	7,274	4,105	3,169	77.2%
South America	599	486	113	23.3%
Asia	5,808	5,652	156	2.8%
Total	**71,042**	**61,258**	**9,784**	**16%**

13. Goodwill

The item "*Goodwill*" amounts to 5,917 thousand Euro as of 31 December 2019, a 49 thousand Euro increase over 31 December 2018 due exclusively to differences in exchange rates, broken down below:

(Euro / 000)	31 December 2018	Increases	Decreases	Exchange rate differences	31 December 2019
Gefran France SA	1,310	-	-	-	1,310
Gefran India	40	-	-	-	40
Gefran Inc.	2,564	-	-	49	2,613
Sensormate AG	1,954	-	-	-	1,954
	5,868	**-**	**-**	**49**	**5,917**

The goodwill acquired following business combinations was allocated to specific CGUs for the purpose of impairment testing.

The carrying values of goodwill are shown below.

(Euro / 000)	Year	Goodwill France	Goodwill India	Goodwill USA	Goodwill Switzerland	Total
Sensors	2019	1,310	-	2,613	1,954	5,877
	2018	1,310	-	2,564	1,954	5,828
Motion control	2019	-	40	-	-	40
	2018	-	40	-	-	40
Total	**2019**	**1,310**	**40**	**2,613**	**1,954**	**5,917**
	2018	**1,310**	**40**	**2,564**	**1,954**	**5,868**

In examining the possible impairment indicators and in developing its valuations, management also took into account, among other things, the relation between the market capitalisation and the carrying value of the Group shareholders' equity, which was very positive at 31 December 2019.

As part of the analysis on the recoverability of the values of goodwill, in accordance with the main instructions of IAS 36, the values in use in the Group and in the CGU mentioned above, at which the tested assets were allocated, were determined. This exercise was based on the forecast cash flows discounted back, produced by the CGUs subject to analysis, appropriately discounted back by means of the rates which reflect the risk.

Goodwill relating to the France, USA and Switzerland CGUs has been assigned to the sensors business unit, that relating to the India CGU to the drive business unit. For impairment testing purposes, all goodwill is examined on the basis of data from the specific CGUs, which corresponds to the subsidiary companies operating in the aforesaid geographic regions.

The main assumptions used in conducting the impairment tests are set out in the table below.

(Euro / 000)	Net invested capital 31/12/2019	Net invested capital 31/12/2018	Explicit forecast	WACC (%)	Value in use 31/12/2019	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
Consolidated	88,786	78,038	2020 - 2022	9.4%	167,452	1.9%	6.1%	27.1%

(Euro / 000)	Net invested capital 31/12/2019	Net invested capital 31/12/2018	Explicit forecast	WACC (%)	Value in use 31/12/2019	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
France	1,310	1,310	2020 - 2022	7.0%	5,615	0.1%	6.0%	28.0%
India	39	40	2020 - 2022	10.0%	1,593	6.7%	7.1%	25.0 %
USA	2,612	2,563	2020 - 2022	7.1%	26,849	2.0%	5.2%	21.0%
Switzerland	1,954	1,954	2020 - 2022	6.5%	6,273	-0.5%	6.0%	16.0%
Total	**5,915**	**5,867**						

When determining the value in use, the specific cash flows relating to the period 2020 - 2022 were considered, deriving from the Group Plan, along with the terminal value, which represents the ability to generate cash flows beyond the explicit forecast time scale.

The main assumptions that management used to calculate the value in use regard the discount rate (WACC) and the long-term growth rate (g), as well as the cash flows deriving from the Group Plan.

The rate used for discounting future cash flows is the weighted average cost of capital (Weighted Average Cost of Capital or WACC), which is calculated as the weighted average of the cost of own capital and the cost of third-party capital, net of the tax effects.

When calculating the same, market parameters are used such as the Beta, a factor which expresses the risk which characterises the particular business with respect to the financial market in general, and the related financial structure taken from calculations developed by Professor Damodaran, one of the leading experts in business valuations globally.

The return on risk-free assets was benchmarked to the yield on government bonds of countries in which the Group and the CGUs operate.

The premium for market risk represents the additional return required by a risk-averse investor, compared with the return that can be obtained from risk-free assets: it is attributable to the difference between the long-term normalised return of the share market and the risk-free assets rate.

In order to establish the terminal value, the long-term growth rate of the cash flows adopted has been defined in relation to the expected levels of inflation in the various geographic areas in which the Group operates, making reference to estimates of international bodies.

Overall change in WACC between 2018 and 2019 is attributable to the decrease in the risk-free rate and in premium for market risks.

Accounting standard IFRS 16 is included in the cash flows in the Group Plan and is also reflected in the WACC rate applied, as it is the average ratio between own share capital and financial payables influenced by the adoption of the standard. Impairment tests were also conducted using cash flow and WACC without IFRS 16: the results of these simulations revealed that deviation with respect to impairment tests conducted according to IFRS 16 was negligible.

Applying sensitivity analysis to the Group's impairment test, we find that break-even WACC, that is, the discount rate that would make value in use the same as the value of net invested capital, is 15.4%, significantly higher than the current discount rate.

The recoverable amount of goodwill was determined according to the calculation of the value in use, which used projections of the three-year cash flow based on the 2020 - 2022 Plan, approved by management. The impairment test of the above assets did not reveal any lasting loss of value.

Below is a sensitivity analysis showing the break-even "g" and "wacc" rates in a "steady case" situation:

Description	"g" rate %	WACC %	A	B
Goodwill - STEADY CASE				
France	1.7%	7.0%	-18%	20%
India	4.0%	10.0%	-10%	30%
USA	2.3%	7.1%	-12%	17%
Switzerland	1.2%	6.5%	-4%	10%

A = g rate % break-even point with unchanged WACC

B = WACC % of break-even point with stable *g* rate

Having taken into account that the realisation of the Plan implies a number of elements of uncertainty, even if the impairment tests would make it possible to deem both the value of the Group's consolidated figures and the carrying value of the goodwill recorded in the financial statements reasonable, with a good degree of confidence, steps were taken to carry out stress test activities.

The above analyses show that, both under stable conditions and in situations worse than those forecast, the recoverable amount of goodwill is not critical, also considering the change in the discount rate and the growth rate.

However, the directors will systematically monitor final income statement and statement of financial position data of the CGUs to assess the need to adjust forecasts and promptly reflect any further write-downs.

14. Intangible assets

This item exclusively comprises assets with a finite life, and increased from 6,508 thousand Euro on 31 December 2018 to 7,641 thousand Euro on 31 December 2019. The changes during the period are shown below:

Historical cost	31 December 2018	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	31 December 2019
(Euro / 000)							
Development costs	17,871	586	-	410	-	-	18,867
Intellectual property rights	7,099	231	-	60	147	9	7,546
Assets in progress and payments on account	1,647	1,910	(7)	(596)	-	1	2,955
Other assets	9,634	542	-	123	111	6	10,416
Total	36,251	3,269	(7)	(3)	258	16	39,784

Accumulated depreciation	31 December 2018	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	31 December 2019
(Euro / 000)							
Development costs	15,019	1,327	-	-	-	-	16,346
Intellectual property rights	6,333	326	-	1	147	10	6,817
Other assets	8,391	483	-	(1)	104	3	8,980
Total	29,743	2,136	-	-	251	13	32,143

Net value	31 December 2018	31 December 2019	Change
(Euro / 000)			
Development costs	2,852	2,521	(331)
Intellectual property rights	766	729	(37)
Assets in progress and payments on account	1,647	2,955	1,308
Other assets	1,243	1,436	193
Total	6,508	7,641	1,133

The table below shows movements in the year 2018:

Historical cost	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2018
(Euro / 000)						
Development costs	17,760	71	-	40	-	17,871
Intellectual property rights	6,787	254	(17)	87	(12)	7,099
Assets in progress and payments on account	372	1,429	(18)	(136)	-	1,647
Other assets	9,384	209	-	46	(5)	9,634
Total	34,303	1,963	(35)	37	(17)	36,251

Accumulated depreciation	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2018
(Euro / 000)						
Development costs	13,489	1,503	-	27	-	15,019
Intellectual property rights	6,032	327	(17)	-	(9)	6,333
Other assets	7,930	489	-	(27)	(1)	8,391
Total	27,451	2,319	(17)	-	(10)	29,743

Net value	31 December 2017	31 December 2018	Change
(Euro / 000)			
Development costs	4,271	2,852	(1,419)
Intellectual property rights	755	766	11
Assets in progress and payments on account	372	1,647	1,275
Other assets	1,454	1,243	(211)
Total	6,852	6,508	(344)

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

- 798 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);
- 1,113 thousand Euro for automation components lines for the new range of regulators and static units, GF Project VX, G Cube Performa and G Cube Fit;
- 610 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 paid to suppliers for the purchase of software programs and licenses due to be delivered in the following year, and for purchase of patents on technologies currently being developed. This item also includes 2,506 thousand Euro in development costs, which include 634 thousand Euro for the automation components business unit, 559 thousand Euro for the sensors business unit, and 1,313 thousand Euro for the motion control business unit, the benefits of which will appear in the income statement for the following year, so that they have not been amortised.

Other assets almost entirely represent costs for implementation of the ERP SAP/R3, Business Intelligence (BW), Customer Relationship Management (CRM) systems and management software, incurred by the Parent Company Gefran S.p.A. in previous years and the current year. These assets have a useful life of five years.

Increases in the historic value of *"Intangible assets"*, equal to 3,269 thousand Euro in 2019, include 2,304 thousand Euro resulting from capitalisation of internal costs (equal to 1,253 thousand Euro in the previous year).

15. Property, plant, machinery and tools

This item increased from 38,955 thousand Euro on 31 December 2018 to 44,761 thousand Euro on 31 December 2019. The changes are shown in the table below:

Historical cost	31 December 2018	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	31 December 2019
(Euro / 000)							
Land	4,514	607	(246)	343	-	4	5,222
Industrial buildings	41,041	3,562	(2,745)	134	235	28	42,255
Plant and machinery	40,008	2,496	(653)	1,598	10	55	43,514
Industrial and commercial equipment	19,277	571	(185)	83	163	7	19,916
Other assets	6,958	461	(362)	35	325	19	7,436
Assets in progress and payments on account	2,131	5,040	-	(2,190)	-	7	4,988
Total	113,929	12,737	(4,191)	3	733	120	123,331

Accumulated depreciation	31 December 2018	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	31 December 2019
(Euro / 000)							
Industrial buildings	19,953	1,274	(509)	-	132	14	20,864
Plant and machinery	31,507	2,169	(482)	35	10	46	33,285
Industrial and commercial equipment	17,899	677	(184)	-	125	7	18,524
Other assets	5,615	422	(355)	(35)	233	17	5,897
Total	74,974	4,542	(1,530)	-	500	84	78,570

GEFRAN
BEYOND TECHNOLOGY

Net value	31 December 2018	31 December 2019	Change
(Euro / 000)			
Land	4,514	5,222	708
Industrial buildings	21,088	21,391	303
Plant and machinery	8,501	10,229	1,728
Industrial and commercial equipment	1,378	1,392	14
Other assets	1,343	1,539	196
Assets in progress and payments on account	2,131	4,988	2,857
Total	38,955	44,761	5,806

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

Historical cost	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2018
(Euro / 000)						
Land	4,503	-	-	-	11	4,514
Industrial buildings	39,541	1,549	(97)	42	6	41,041
Plant and machinery	37,825	2,185	(1,791)	1,827	(38)	40,008
Industrial and commercial equipment	19,764	602	(1,300)	221	(10)	19,277
Other assets	7,858	791	(1,733)	39	3	6,958
Assets in progress and payments on account	1,940	2,348	-	(2,166)	9	2,131
Total	111,431	7,475	(4,921)	(37)	(19)	113,929

Accumulated depreciation	31 December 2017	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2018
(Euro / 000)						
Industrial buildings	19,000	1,049	(97)	-	1	19,953
Plant and machinery	31,463	1,830	(1,771)	-	(15)	31,507
Industrial and commercial equipment	18,443	765	(1,300)	-	(9)	17,899
Other assets	6,962	352	(1,711)	-	12	5,615
Total	75,868	3,996	(4,879)	-	(11)	74,974

Net value	31 December 2017	31 December 2018	Change
(Euro / 000)			
Land	4,503	4,514	11
Industrial buildings	20,541	21,088	547
Plant and machinery	6,362	8,501	2,139
Industrial and commercial equipment	1,321	1,378	57
Other assets	896	1,343	447
Assets in progress and payments on account	1,940	2,131	191
Total	35,563	38,955	3,392

Note that writedowns due to loss of value of buildings in the year 2019 totalled 1,531 thousand Euro, while there were no writedowns in the same period in the previous year.

The change in the exchange rate had a positive impact of 36 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 movements in the year 2019 were:

- investment of Euro 3,217 thousand in production plant and equipment in the Group's Italian plants, and of Euro 524 thousand in other subsidiaries;
- investment in adaptation of the industrial buildings housing the Group’s Italian plants totalling approximately 4,363 thousand Euro for a new building to permit expansion of production lines for the sensors business unit, and 4,174 thousand Euro for foreign subsidiaries, primiarly for the purchase and adaptation of a new building for the US branch;
- investment in renewal of the pool of electronic office machines and IT systems 459.

Increases in the historic value of *“Buildings, plant and machinery and equipment”* totalled 12,737 thousand Euro in 2019, including 270 thousand Euro resulting from capitalisation of internal costs (equal to 172 thousand Euro at 31 December 2018).

16. 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 31 December 2019 amounts to 3,089 thousand Euro, and shows the following changes:

Historical cost	**31 December 2018**	**Valuation 1 January 2019**	**Increases**	**Decreases**	**Reclassific.**	**Change scope of consolidation**	**Exchange rate differences**	**31 December 2019**
(Euro / 000)								
Real estate	-	1,121	870	(295)	-	557	(20)	2,233
Vehicles	-	1,011	843	(44)	-	-	(9)	1,801
Machinery and equipment	-	122	16	-	-	-	-	138
Total	-	2,254	1,729	(339)	-	557	(29)	4,172

Depreciation fund	**31 December 2018**	**Valuation 1 January 2019**	**Increases**	**Decreases**	**Reclassifi.**	**Change scope of consolidation**	**Exchange rate differences**	**31 December 2019**
(Euro / 000)								
Real estate	-	-	568	(44)	-	-	(2)	522
Vehicles	-	-	524	(16)	-	-	(1)	507
Machinery and equipment	-	-	54	-	-	-	-	54
Total	-	-	1,146	(60)	-	-	(3)	1,083

Net value	31 December 2018	31 December 2019	Change
(Euro / 000)			
Real estate	-	1,711	1,711
Vehicles	-	1,294	1,294
Machinery and equipment	-	84	84
Total	-	3,089	3,089

A total of 69 leasing agreements were signed in 2019, 60 of which are subject to application of IFRS 16, and specifically:

- buildings, worth 879 thousand Euro, for 6 rental contracts, 3 of which are related to the addition of Elettropiemme S.r.l. to the Group;
- vehicles, totalling Euro 843 thousand, representing 53 new vehicle leasing agreements signed by the Group in 2019 upon expiry of previous agreements;
- machinery and tools totalling 54 thousand Euro, linked with a rental agreement for a cryogenic liquid nitrogen tank and dispenser used in the production process.

Of the remaining 9 contracts signed in 2019, excluded from the perimeter of application of the new accounting standard, 8 pertain to contracts with a duration of less than 12 months and one represents a contract regarding an item of modest value.

The decrease in "*Usage rights*" in the year 2019, equal to 339 thousand Euro, is referable to 7 contracts (one for rental of real estate and 6 for leasing of company vehicles) which were closed in advance of their expiry date.

17. Shareholdings valued at equity

(Euro / 000)		31 December 2019	31 December 2018	Change
Ensun S.r.l.	*Shareholding*	*50.00%*	*50.00%*	
Via Stacca, 1	Investment value	1,119	1,451	(332)
Rodengo Saiano (BS)	Adjustment provision	7	(501)	508
	Net value	1,126	950	176
Axel S.r.l.	*Shareholding*	*15.00%*	*15.00%*	
Via Dandolo, 5	Investment value	137	137	-
Varese (VA)	Adjustment provision	(67)	(71)	4
	Net value	70	66	4
Total		1,196	1,016	

The change in the value of the investment and the adjustment provision for Ensun S.r.l. is primarily a result of adaptation of the value of the Ensun S.r.l. Group following sale of 100% of the shares in Elettropiemme S.r.l. and BS Energia 2 S.r.l..

The change in the adjustment provision for the shareholding in Axel S.r.l. is due to the company's results.

18. Equity investments in other companies

The value of "*Equity investments in other companies*" amounts to 1,690 thousand Euro, down 100 thousand Euro over the value of this item on 31 December 2018. The balance breaks down as follows:

(Euro / 000)	Shareholding	31 December 2019	31 December 2018	Change
Colombera S.p.A.	16.56%	1,416	1,416	-
Woojin Plaimm Co Ltd	2.00%	159	159	-
Inn. Tec.Srl	n.a.	-	-	-
UBI Banca S.p.A.	n.s.	203	203	-
Other	-	28	28	-
Adjustment provision	-	(116)	(16)	(100)
Total		1,690	1,790	(100)

The shareholdings in Colombera S.p.A. and those listed under the item "*Others*" are entered at cost, as specified in note 11, "*Financial instruments: additional information provided under IFRS 7*".

The remaining shareholdings are classified as available for sale and entered at fair value, derived from the stock market quotation, for Woojin Machinery Co. Ltd. (Seoul Stock Exchange) and for UBI Banca S.p.A.. (Italian Stock Exchange).

The adjustment provision is due to the fair value adjustment and breaks down as follows:

(Euro / 000)	Shareholding	31 December 2019	31 December 2018	Change
Colombera S.p.A.	16.56%			-
Woojin Plaimm Co Ltd	2.00%	41	147	(106)
UBI Banca S.p.A.	n.s.	(157)	(163)	6
Other	-			-
Total		(116)	(16)	(100)

19. Receivables and other non-current assets

"*Receivables and other non-current assets*" represent security deposits paid by Group companies, and present a balance of 94 thousand Euro, as compared to 83 thousand Euro in the previous year.

(Euro / 000)	31 December 2019	31 December 2018	Change
Guarantee deposits	94	83	11
Total	**94**	**83**	**11**

20. Net working capital

Net working capital totals 28,542 thousand Euro, compared to 32,055 thousand Euro on 31 December 2018, and breaks down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Inventories	24,548	22,978	1,570
Trade receivables	28,931	29,808	(877)
Trade payables	(24,937)	(20,731)	(4,206)
Net amount	**28,542**	**32,055**	**(3,513)**

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

The value of **inventories** as of 31 December 2019 is equal to 24,548 thousand Euro, up by 1,570 thousand Euro over 31 December 2018. The balance breaks down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Raw materials, consumables and supplies	14,653	13,648	1,005
provision for impairment of raw materials	*(3,449)*	*(2,903)*	(546)
Work in progress and semi-finished products	8,707	7,598	1,109
Provision for impairment of work in progress	*(1,058)*	*(710)*	(348)
Finished products and goods for resale	7,269	6,944	325
Provision for impairment of finished products	*(1,574)*	*(1,599)*	25
Total	**24,548**	**22,978**	**1,570**

The takeover of Elettropiemme S.r.l. contributes a net value of 978 thousand Euro as of 31 December 2019 to inventories, including 1,122 thousand Euro in gross inventories with the corresponding 144 thousand Euro provision for obsolescence and slow turnover. If this effect is not taken into consideration, the increase in inventories amounts to 592 thousand Euro, attributable to increased raw material stocks and an increase in semi-products and finished products to better respond to customers' requirements.

DExcluding the effect described above relating to the acquisition of Elettropiemme S.r.l., the economic impact of the increased inventories amounts to 559 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 2019, through specific provisions of 1,572 thousand Euro (as compared to 2,293 thousand Euro in the same period in 2018). Movements in the provision in 2019 are listed below:

(Euro / 000)	31 December 2018	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	31 December 2019
Provision for impairment of inventory	**5,212**	**1,572**	**(826)**	**(84)**	**201**	**6**	**6,081**

Changes in the provision at 31 December 2018 were by contrast as follows:

(Euro / 000)	31 December 2017	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	31 December 2018
Provision for impairment of inventory	**7,039**	**2,293**	**(3,891)**	**(179)**	**-**	**(50)**	**5,212**

Trade receivables as of 30 September 2019 amount to 28,931 thousand Euro, compared to 29,808 thousand Euro on 31 December 2018, 877 thousand Euro increase.

(Euro / 000)	31 December 2019	31 December 2018	Change
Receivables from customers	31,299	32,214	(915)
Provision for doubtful receivables	*(2,368)*	*(2,406)*	38
Net amount	**28,931**	**29,808**	**(877)**

This includes receivables subject to recourse factoring which the Parent Company has transferred to a leading factoring company for a total amount of 15 thousand Euro (36 thousand Euro as of 31 December 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 31 December 2019 represents a prudential estimate of the current risk, and registered the following changes:

(Euro / 000)	31 December 2018	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	31 December 2019
Provision for doubtful receivables	**2,406**	**171**	**(73)**	**(286)**	**149**	**1**	**2,368**

Movements in the provision in 2018 appear below:

(Euro / 000)	31 December 2017	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	31 December 2018
Provision for doubtful receivables	**2,902**	**535**	**(409)**	**(588)**	**0**	**(34)**	**2,406**

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 24,937 thousand Euro, compared with 20,731 thousand Euro as of 31 December 2018.

It breaks down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Payables to suppliers	21,521	16,793	4,728
Payables to suppliers for invoices to be received	2,703	3,544	(841)
Payments on account received from customers	713	394	319
Total	**24,937**	**20,731**	**4,206**

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

21. Other receivables and assets

"*Other assets*" amount to 7,953 thousand Euro, as compared to 3,561 thousand Euro on 31 December 2018. The item breaks down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Insurance	35	24	11
Rents and leasing	5	13	(8)
Services and maintenance	382	324	58
Receivables from employees	54	35	19
Advance payments to suppliers	205	201	4
Other tax receivables	6,512	1,752	4,760
Other	760	1,212	(452)
Total	**7,953**	**3,561**	**4,392**

The increase in this item is due mainly to VAT receivable, included in "*Other tax receivables*"; the carrying value of "Other current assets" is considered to be approximately the fair value.

22. Current tax receivables and payables

"*Current tax receivables*" as of 31 December 2019 amount to 853 thousand Euro, down since 31 December 2018, when the item was worth 1,510 Euro. The balance breaks down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
IRES (corporate income tax)	271	250	21
IRAP (regional production tax)	49	487	(438)
Foreign tax receivables	533	773	(240)
Total	**853**	**1,510**	**(657)**

The balance of "*Current tax payables*" as of 31 December 2019 amounts to 257 thousand Euro, 1,396 thousand Euro lower than the 31 December 2018 balance of 1,653 thousand Euro. This was determined as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
IRES (corporate income tax)	62	548	(486)
IRAP (regional production tax)	59	491	(432)
Foreign tax payables	136	614	(478)
Total	**257**	**1,653**	**(1,396)**

23. Operating 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 impact specifically attributable to this business unit in the year 2018, which is negative by 875 thousand Euro, represented adjustment of the amount of these assets to their presumed cashable value.

24. Net financial position

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

(Euro / 000)	31 December 2019	31 December 2018	Change
Cash and cash equivalents and current financial receivables	24,427	18,043	6,384
Financial investments for derivatives	1	19	(18)
Other non-current financial investments	97	126	(29)
Non-current financial payables	(21,916)	(11,864)	(10,052)
Non-current financial payables for IFRS 16 leases	(2,013)	-	(2,013)
Current financial payables	(12,643)	(10,817)	(1,826)
Current financial payables for IFRS 16 leases	(1,071)	-	(1,071)
Financial liabilities for derivatives	(169)	(28)	(141)
Total	**(13,287)**	**(4,521)**	**(8,766)**

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

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
A. Cash on hand	40	26	14
B. Cash in bank deposits	24,387	18,017	6,370
D. Cash and cash equivalents (A) + (B)	**24,427**	**18,043**	**6,384**
Current financial liabilities for derivatives	-	(28)	28
Current financial assets for derivatives	-	19	(19)
E. Fair value current hedging derivatives	-	(9)	9
F. Current portion of long-term debt	(9,342)	(7,069)	(2,273)
G. Other current financial payables	(4,372)	(3,748)	(624)
H. Total current financial payables (F+G)	**(13,714)**	**(10,817)**	**(2,897)**
I. Total current payables (E+H)	**(13,714)**	**(10,826)**	**(2,888)**
J. Net current financial debt (I) + (D)	**10,713**	**7,217**	**3,496**
Non-current financial liabilities for derivatives	(169)	-	(169)
Non-current financial investments for derivatives	1	-	1
E. Fair value non-current hedging derivatives	(168)	-	(168)
L. Non-current financial debt	(23,929)	(11,864)	(12,065)
M. Other non-current financial investments	97	126	(29)
N. Net non-current financial debt (K) + (L) + (M)	**(24,000)**	**(11,738)**	**(12,262)**
O. Net financial debt (J) + (N)	**(13,287)**	**(4,521)**	**(8,766)**
of which to minorities:	*(13,287)*	*(4,521)*	*(8,766)*

Net financial position as of 31 December 2019 is negative by 13,287 thousand Euro, which is 8,766 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 (18,045 thousand Euro), absorbed by technical investments in the period (15,644 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 (2,183 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 (3,084 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 24,427 thousand at 31 December 2019, compared with Euro 18,043 thousand at 31 December 2018.

It breaks down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Cash in bank deposits	24,270	18,011	6,259
Cash	40	26	14
Other cash	117	6	111
Total	**24,427**	**18,043**	**6,384**

The technical forms used as at 31 December 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 31 December 2019 increased by 1,826 thousand Euro over 2018 and break down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Current portion of debt	9,342	7,069	2,273
Current overdrafts	3,296	3,727	(431)
Factoring	5	21	(16)
Total	**12,643**	**10,817**	**1,826**

"Factoring", which decreased by 16 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 31 December 2019 totalled 3,296 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)*	**31 December 2019**	**31 December 2018**	**Change**
Banca Pop. Emilia Romagna	-	255	(255)
Mediocredito	-	1,000	(1,000)
Unicredit	2,400	3,600	(1,200)
BNL	2,000	3,000	(1,000)
Banca Pop. Emilia Romagna	3,012	4,009	(997)
Mediocredito	6,667	-	6,667
BNL	7,000	-	7,000
Intesa	95	-	95
Unicredit S.p.A. - New York Branch	742	-	742
Total	**21,916**	**11,864**	**10,052**

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

Bank *(Euro /000)*	**Amount disbursed**	**Signing date**	**Balance at 31 December 2019**	**Of which within 12 months**	**Of which beyond 12 months**	**Interest rate**	**Maturity**	**Repayment method**
drawn up by Gefran S.p.A. (IT)								
Banca Pop. Emilia Romagna	4,000	06/08/2015	256	256	-	Euribor 3m + 1.25%	03/02/2020	quarterly
Mediocredito	10,000	07/08/2015	1,000	1,000	-	Euribor 3m + 1.35%	30/06/2020	quarterly
Unicredit	6,000	14/11/2017	3,600	1,200	2,400	Euribor 3m + 0.90%	30/11/2022	quarterly
BNL	5,000	23/11/2017	3,000	1,000	2,000	Euribor 3m + 0.85%	23/11/2022	quarterly
Banca Pop. Emilia Romagna	5,000	28/11/2018	4,008	996	3,012	Euribor 3m + 0.75%	30/11/2023	quarterly
Mediocredito	10,000	28/03/2019	8,889	2,222	6,667	Euribor 3m + 1.05%	31/12/2023	quarterly
BNL	10,000	29/04/2019	9,000	2,000	7,000	Euribor 3m + 1%	29/04/2024	quarterly
entered into by Elettropiemme S.r.l. (IT)								
Intesa	300	29/01/2018	170	75	95	Euribor 3m + 1.00%	28/01/2022	quarterly
entered into by Gefran Inc. (US)								
Unicredit S.p.A. - New York Branch	1,780	29/03/2019	1,335	593	742	Libor 3m + 2.50%	29/03/2022	quarterly
Total			**31,258**	**9,342**	**21,916**			

Two of the loans listed above involve financial covenants, and specifically:

a) 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.

b) 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.

Verification of contractual terms is updated quarterly by the Group's Administration, Finance and Control department: the ratios calculated on the figures at 31 December 2019 have been fully observed and loans have been distributed in the table of maturities according to the forms originally envisaged under the agreements.

Application of the new accounting standard IFRS 16 worsens net financial position and improves EBITDA, and therefore also has an effect on covenants; but the covenants would have been met even without considering the effects of application of IFRS16.

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 at 31 December 2019 amount to 1 thousand Euro and represent the positive fair value, measured as of the close of the year, of a number of CAP agreements stipulated by the Parent Company to cover interest rate risk.

Financial liabilities for derivatives totalled 169 thousand Euro, owing to the negative fair value of certain IRS contracts, also entered into by the Parent Company to hedge interest rate risks.

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

Bank *(Euro/000)*	**Notional principal**	**Signing date**	**Notional as at 31 December 2019**	**Derivative**	**Fair Value at 31 December 2019**	**Long position rate**	**Short position rate**
Unicredit	6,000	14/11/2017	3,600	CAP	1	Strike Price 0%	Euribor 3m
BNL	5,000	23/11/2017	3,000	CAP	-	Strike Price 0%	Euribor 3m
Total financial assets for derivatives – interest rate risk					**1**		

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

Bank *(Euro/000)*	**Notional principal**	**Signing date**	**Notional as at 31 December 2019**	**Derivative**	**Fair Value at 31 December 2019**	**Long position rate**	**Short position rate**
Banca Pop. Emilia Romagna	4,000	01/10/2015	256	IRS + Floor	(8)	Fixed 0.15%	Euribor 3m
Intesa	10,000	05/10/2015	1,000	IRS	(2)	Fixed 0.16%	Euribor 3m
Intesa	10,000	29/03/2019	8,889	IRS	(58)	Fixed 0%	Euribor 3m
BNL	10,000	29/04/2019	8,889	IRS	(81)	Fixed 0.05%	Euribor 3m
Unicredit	5,000	24/06/2019	4,008	IRS	(20)	Fixed -0.1%	Euribor 3m
Total financial liabilities for derivatives – interest rate risk					**(169)**		

At 31 December 2019, no derivatives have been taken out to hedge exchange rate risk.

All the contracts described above are booked at fair value:

	at 31 December 2019		**at 31 December 2018**	
(Euro/000)	**Positive fair value**	**Negative fair value**	**Positive fair value**	**Negative fair value**
Interest rate risk	1	(169)	19	(28)
Total cash flow hedge	**1**	**(169)**	**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 39,378 thousand Euro. Overall use of these lines at 31 December 2019 totalled 3,301 thousand Euro, with a residual available amount of 36,077 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 31 December 2019 amounted to 3,084 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 1,071 thousand Euro, and non-current liabilities (beyond one year), amounting to 2,013 thousand Euro.

Changes in this item are detailed below:

(Euro / 000)	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	31 December 2019
Leasing payables under IFRS 16	-	2,254	1,773	(1,476)	-	557	(24)	3,084
Total	**-**	**2,254**	**1,773**	**(1,476)**	**-**	**557**	**(24)**	**3,084**

25. Shareholders' equity

Consolidated Shareholders' Equity may be broken down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Portion pertaining to the Group	75,044	72,814	2,230
Net amount	**75,044**	**72,814**	**2,230**

The Group's portion of Shareholders' Equity at 31 December was EUR 75,044 thousand, up by EUR 2,230 thousand over 31 December 2018. The most significant changes pertained to the positive annual result, amounting to EUR 7,042 thousand, partially absorbed by distribution of dividends on the 2018 annual result totalling EUR 4,599 thousand.

In consideration of the result for the year, the Board of Directors proposed, subject to approval of the shareholders' meeting, to pay a dividend of EUR 0.15 per unrestricted share.

Share capital was 14,400 thousand Euro, divided into 14,400,000 ordinary shares, with a nominal value of 1 Euro each.

On 31 December 2018 Gefran S.p.A. held 27,220 shares, representing 0.2% of the total; the situation is the same as 31 December 2019.

The Company has not issued convertible bonds.

The type and purpose of the equity reserves can be summarised as follows:

- the share premium reserve, amounting to EUR 19,046 thousand, which is a capital reserve that includes the amounts received by the Company for the issue of shares at a price higher than their nominal value;
- the legal reserve, amounting to EUR 2,880 thousand, which is populated by the mandatory allocation of an amount not less than one-twentieth of annual net profits, until an amount equal to one-fifth of the share capital has been reached (which has already occurred);
- share fair value measurement reserve (negative by EUR 94 thousand), which includes effects of the measurement of shares at fair value recognised directly under shareholders' equity;
- the cash flow hedge reserve, which includes effects recognised directly under shareholders' equity deriving from the measurement at fair value of financial derivatives to hedge cash flows from changes in interest rates and exchange rates, and is negative by 121 thousand Euro;

- the extraordinary reserve (EUR 9,255 thousand), which is recognised under “other reserves”;
- the merger surplus reserve (EUR 858 thousand), which was set up in 2006 after the merger by incorporation of Siei S.p.A. and Sensori S.r.l. and is included under "other reserves";
- the reserve for conversion to IAS/IFRS (EUR 137 thousand), which is included under “other reserves”;
- the employee benefits valuation reserve pursuant to IAS 19, which is negative at EUR 537 thousand and is included under “other reserves”;
- reserves for own shares in portfolio, which are deducted from the Company's shareholders' equity (156 thousand Euro) and are classed under "other reserves".

For details on the changes in equity reserves during the year, see the schedule showing changes in shareholders' equity.

Changes in the “Reserve for the measurement of securities at fair value” are shown in the table below.

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Balance at 1 January	(15)	198	(213)
UBI Banca S.p.A. shares	6	(18)	24
Woojin Plaimm Co Ltd shares	(106)	(198)	92
Tax effect	21	3	18
Net amount	**(94)**	**(15)**	**(79)**

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

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Balance at 1 January	3	(9)	12
Change in fair value of derivatives	(163)	15	(178)
Tax effect	39	(3)	42
Net amount	**(121)**	**3**	**(124)**

26. Earnings per share

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

	31 December 2019	31 December 2018
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group *(Euro/000)*	7,042	8,151
- Average no. of ordinary shares *(no./000,000)*	14.37	14.395
- Basic earnings per ordinary share	0.490	0.566
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group *(Euro/000)*	7,042	8,151
- Average no. of ordinary shares (no./000,000)	14.37	14.40
- Basic earnings per ordinary share	0.490	0.566
Average number of ordinary shares	**14,372,780**	**14,395,463**

27. Employee benefits

Liabilities for "*Employee benefits*" increased by 329 thousand Euro and registered the following movements:

(Euro / 000)	31 December 2018	Increases	Decreases	Discounting	Change scope of consolidation	Exchange rate differences	31 December 2019
Post-employment benefits	4,048	54	(408)	274	347	1	4,316
Non-competition agreements	476	92	(99)	68	-	-	537
Total	**4,524**	**146**	**(507)**	**342**	**347**	**1**	**4,853**

Changes relating to 2018 were as follows:

(Euro / 000)	31 December 2017	Increases	Decreases	Discounting	Change scope of consolidation	Exchange rate differences	31 December 2018
Post-employment benefits	4,419	99	(353)	(118)	-	1	4,048
Non-competition agreements	673	-	(89)	(108)	-	-	476
Total	**5,092**	**99**	**(442)**	**(226)**	**-**	**1**	**4,524**

The item mainly comprises the post-employment benefits reserve for employees of the Group's Italian companies. The change in the year is the result of a 54 thousand Euro increase, 408 thousand Euro in payments to employees, and the effect of discounting of the payable in existence as of 31 December 2019 under IAS standards, negative by 274 thousand Euro, as a result of assessment of demographic assumptions and experience (41 thousand Euro) and changes to financial assumptions (228 thousand Euro).

"*Non-competition agreements*" refer to the amount of the obligation to certain employees, all of Italian subsidiaries, who have signed such agreements to protect the company from any competitive activities. The effect of discounting of the obligation is negative by 68 thousand Euro as a result of change in the underlying financial assumptions.

Pursuant to IAS 19, the post-employment benefit reserve and the non-competition agreements were valued using the "benefits accrued" method on the basis of the "Projected unit credit" (PUC) criterion.

The post-employment benefit reserve valuation breaks down as follows:

- projection, for each person employed as of the assessment date, of post-employment benefit already accrued and future quotas of post-employment benefit that will be accrued up to the date of payment, projecting the worker's pay;
- determination, for each employee, of probabilised payment of the above post-employment benefit which must be made by the company if the employee leaves the company due to dismissal, resignation, inability, death, or retirement, or in response to requests for advance payment;
- discounting of each probabilised payment as of the assessment date;
- re-proportioning of services for each employee, probabilised and discounted on the basis of seniority accrued as of the assessment date. as compared to the corresponding total as of the payment date.

In greater detail, the technical foundations employed are:

Demographic assumptions	**2019**	**2018**
Probability of death	ISTAT 2014 Mortality tables	ISTAT 2014 Mortality tables
Probability of inability	INPS tables divided by age and gender	INPS tables divided by age and gender
Probability of retirement	100% upon achievement of AGO requirements adapted to Decree Law 4/2019	100% upon reaching AGO requirements

Hypothetical turnover and advances	**2019**	**2018**
Frequency of advance payment:	2.1%	2.1%
Frequency of resignation	2% up to age 50 0% after 50	Non-managers: 2% up to age 50 0% after 50 Managers: 4% up to age 50 0% after 50

Financial assumptions	**2019**	**2018**
Discount rate	0.77%	1.57%
Annual inflation rate	1.2%	1.5%
Annual rate of increase of post-employment benefit	2.400%	2.625%

However, this is the method applied to valuing non-competition agreements:

- projection for each employee as of the valuation date, of non-competition agreements already set aside and future quotas of non-competition agreements which will be accrued up to the date of payment;

- determination, for each employee, of probabilized payment of post-employment benefit that would have to be paid by the company in the event that the employee should be dismissed or retire;
- time-discounting of each probabilized payment as of the valuation date.

In greater detail, the technical foundations employed are:

Demographic assumptions	**2019**	**2018**
Probability of death	RG48 mortality tables published by General State Accounting Department	RG48 mortality tables published by General State Accounting Department
Probability of retirement	100% upon reaching AGO requirements	100% upon reaching AGO requirements
Probability of voluntary resignation of Executives and Management	4.00% up to age 50 0.005% after age 50	4.00% up to age 50 0.005% after age 50

Financial assumptions	**2019**	**2018**
Real annual increase	1.50%	1.50%
Annual time-discount rate	0.77%	1.57%
Annual inflation rate	1.20%	1.50%

The discount rate used to determine the current value of both obligations has been derived, consistently with par. 83 of IAS 19, from the Iboxx Corporate AA index on the assessment date, with a duration of 10+; specifically, the yield with a duration comparable to the duration of the collective contract of the workers assessed is chosen.

The sensitivity analysis carried out on the assumptions of 1% and 0.5% changes in the discount rate used is shown below:

Description	**31 December 2019**		**31 December 2018**	
(Euro / 000)	-1.0%	1.0%	-1.0%	1.0%
Post-employment benefit reserve	(435)	393	(377)	368
Non-competition agreements	(17)	16	(13)	13
Total	(452)	409	(390)	381

Description	**31 December 2019**		**31 December 2018**	
(Euro / 000)	-0.5%	0.5%	-0.5%	0.5%
Post-employment benefit reserve	(220)	194	(184)	189
Non-competition agreements	(8)	8	(7)	6
Total	(228)	202	(191)	195

28. Current and non-current provisions

"*Non-current provisions*" register a 394 thousand Euro increase over 31 December 2018, and may be broken down as follows:

(Euro / 000)	31 December 2018	Provisions	Uses	Releases	Change in scope of consolidation	Exchange rate differences	31 December 2019
Gefran S.p.A. risk provisions							
- other provisions	85	-	(4)	(72)	-	-	9
Gefran France risk provisions							
- for restructuring	64	34	(93)	-	-	-	5
Gefran GmbH risk provisions							
- for restructuring	-	84	(84)	-	-	-	-
Sensormate risk provisions							
- for restructuring	101	-	(95)	(8)	-	1	(1)
Gefran Elettropiemme S.r.l. risk provision							
- other provisions	-	-	(28)	(166)	825	-	631
Total	**250**	**118**	**(304)**	**(246)**	**825**	**1**	**644**

The balance of "*Current provisions*" at 31 December 2019 amounts to 1,527 thousand Euro, up 103 thousand Euro over 31 December 2018, determined as follows:

(Euro / 000)	31 December 2018	Provisions	Uses	Releases	Change in scope of consolidation	Exchange rate differences	31 December 2019
FISC	69	18	-	-	-	-	87
Product warranty	1,330	398	(281)	(37)	-	5	1,415
Other provisions	25	-	-	-		-	25
Total	**1,424**	**416**	**(281)**	**(37)**	**-**	**5**	**1,527**

The item refers to envisaged charges for repairs on products under warranty, equal to EUR 1,415 thousand, increased by EUR .... thousand over 31 December 2018; at year-end, the adequacy of the provision was checked, with a positive outcome.

The item "*FISC*" primarily represents existing contractual treatments in the German subsidiary Siei Areg.

29. Other payables and liabilities

"*Other payables and liabilities*" at 31 December 2019 amount to 12,033 thousand Euro, as compared with 12,445 thousand Euro at 31 December 2018. The item breaks down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Payables to personnel	6,021	6,161	(140)
Social security payables	2,841	2,995	(154)
Accrued interest on loans	16	40	(24)
Payables to directors and statutory auditors	244	458	(214)
Other accruals	852	950	(98)
Other payables for taxes	1,738	1,502	236
Other current liabilities	321	339	(18)
Total	**12,033**	**12,445**	**(412)**

30. Revenues from product sales

"*Revenues from product sales*" in 2019 amount to 139,732 thousand Euro, up 4,606 thousand Euro over the 2018 figure. The following table provides a breakdown of sales and service revenues by business:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**	**%**
Sensors	60,029	32,596	27,433	84.2%
Automation components	36,578	61,379	(24,801)	-40.4%
Motion control	43,125	41,151	1,974	4.8%
Total	**139,732**	**135,126**	**4,606**	**3.4%**

The amount shown under total revenues includes service revenues of EUR 3,770 thousand (EUR 3,146 thousand in 2018); see the Report on Operations for comments on the performance of the various businesses and geographical regions.

31. Other revenues and income

"*Other operating revenues and income*" amount to 803 thousand Euro, compared to 445 thousand Euro in revenues in 2018, as shown in the table below:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**	**%**
Recovery of company canteen expenses	39	38	1	2.6%
Insurance reimbursements	14	19	(5)	-26.3%
Rental income	251	146	105	71.9%
Fees	24	5	19	n.s.
Government grants	89	84	5	6.0%
Other income	386	153	233	n.s.
Total	**803**	**445**	**358**	**80%**

The most significant changes are in "*Rental income*" (up by 105 thousand Euro) and "*Other income*", up by 233 thousand Euro, including chargebacks for R&D development specifically requested by customers.

32. Costs of raw materials and accessories

"*Costs of raw materials and accessories*" amount to 50,911 thousand Euro, as compared to 50,081 thousand Euro at 31 December 2018. They break down as:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Raw materials and accessories	50,911	50,081	830
Total	**50,911**	**50,081**	**830**

33. Service costs

"Service costs" amount to 24,172 thousand Euro, higher than the 2018 figure of 23,302 thousand Euro. They are broken down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Services	23,147	21,378	1,769
Use of third-party assets	1,025	1,924	(899)
Total	**24,172**	**23,302**	**870**

As a result of transition to accounting standard IFRS 16, "Leases", all leasing agreements have been entered by the "financial method", and so lease fees are no longer entered among operating costs in the income statement, but represent repayment of loans entered at the time of entry of usage rights and interest among the assets in the financial statement.

Lease fees no longer allocated to the income statement due to implementation of the new accounting standard amount to 1,190 thousand Euro. Contracts excluded from adoption of IFRS 16 on the basis of the provisions of the standard, for which lease fees continue to be entered in the income statement, resulted in entry of 1,025 thousand Euro in costs in 2019.

34. Personnel costs

"Personnel costs" totalled Euro 49,250 thousand, up Euro 3,353 thousand compared to 31 December 2018, and are broken down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Salaries and wages	37,403	34,936	2,467
Social security contributions	9,364	8,546	818
Post-employment benefit reserve	2,177	2,014	163
Other costs	306	401	(95)
Total	**49,250**	**45,897**	**3,353**

The increase recorded is attributable to the arrival of new Group employees supporting growth and the addition to the Group of Elettropiemme S.r.l., which had 41 employees at the time of the takeover (42 employees as of 31 December 2019), for total personnel costs in the year 2019 of 1,565 thousand Euro.

"Social security contributions" include costs for defined contribution plans for management (Previndai pension plan) amounting to 56 thousand Euro (57 thousand Euro at 31 December 2018).

The item "*Other costs*", down 95 thousand Euro, includes, among other items, restructuring costs resulting from reorganisation of the Group's subsidiaries.

The average number of Group employees in 2019 is as follows, compared with the 2018 figure:

	31 December 2019	31 December 2018	Change
Managers	17	16	1
Clerical staff	517	487	30
Manual workers	267	248	19
Total	**801**	**751**	**50**

The average number of employees increased by 50 over the figure for the previous year; the exact number of employees on 31 December 2019 was 829, 58 more than on 31 December 2018, including 42 employees of the newly acquired Elettropiemme S.r.l..

35. Miscellaneous management costs and other operating income

"*Miscellaneous management costs*" have a balance of 947 thousand Euro, higher than on 31 December 2018. The breakdown is as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Capital losses on the sale of assets	(19)	(45)	26
Losses on other receivables	1	(88)	89
Other taxes and duties	(546)	(435)	(111)
Membership fees	(228)	(203)	(25)
Miscellaneous	(155)	(15)	(140)
Total	(947)	(786)	(161)

The item "*Other operating income*" amounts to 1,083 thousand Euro, as compared to 236 thousand Euro in 2018. It breaks down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Capital gains on the sale of assets	369	37	332
Collection of doubtful receivables	5	10	(5)
Release of risk provisions	238	74	164
Miscellaneous	471	115	356
Total	1,083	236	847

The item "*Capital gains on the sale of assets*" includes 332 thousand Euro resulting from sale of the North American branch's building after it moved to a new location.

238 thousand Euro in provisions allocated in previous years were released in 2019 (as compared to 74 Euro released in 2018). Other operating income includes refunds pertaining previous years from the South American subsidiary (424 thousand Euro).

36. Depreciation, amortisation and impairment

These items amount to 9,355 thousand Euro, compared to 6,315 thousand Euro in 2018. These items include:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Intangible assets	2,136	2,319	(183)
Tangible assets	6,073	3,996	2,077
Usage rights	1,146	-	1,146
Total	9,355	6,315	3,040

The item "*Tangible assets*" included adaptation of buildings to fair value in the first nine months of 2019 totalling 1,531 thousand Euro, allocated in full to the sensors business unit.

The investment plan in the sensors business unit 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. Work was completed and the activities in question were transferred at the end of December 2019. The new plant began operation early in January 2020.

Also, from 1 January 2019 depreciation/amortisation linked with usage rights, totalling 1,146 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 unit is shown in the table below:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Sensors	4,703	2,509	2,194
Automation components	2,520	1,966	554
Motion control	2,132	1,840	292
Total	9,355	6,315	3,040

37. Gains (losses) from financial assets/liabilities

The item had a negative balance of EUR 486 thousand; this compares with a negative balance of EUR 501 thousand in 2018, and breaks down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Cash management			
Income from cash management	49	59	(10)
Other financial income	44	121	(77)
Medium-/long-term interest	(323)	(184)	(139)
Short-term interest	(50)	(15)	(35)
Factoring interest and fees	(35)	1	(36)
Other financial charges	(45)	(111)	66
Total income (charges) from cash management	**(360)**	**(129)**	**(231)**
Currency transactions			
Exchange gains	334	511	(177)
Positive currency valuation differences	613	845	(232)
Exchange losses	(352)	(1,123)	771
Negative currency valuation differences	(682)	(605)	(77)
Total other income (charges) from currency transactions	**(87)**	**(372)**	**285**
Other			
Interest on financial payables due to leasing under IFRS 16	(39)	-	(39)
Total other financial income (charges)	**(39)**	**-**	**(39)**
Gains (losses) from financial assets/liabilities	**(486)**	**(501)**	**15**

The item "*Cost of cash management*" increased by a total of 231 thousand Euro over 31 December 2018 due to increased financial interest payable as a result of new loans taken out in the year 2019.

The balance of differences on foreign currency transactions has a negative value of 87 thousand Euro, as compared with a negative value of 372 thousand Euro on 31 December 2018. The change is a result of dynamics in the Euro exchange rate.

The item "*Other financial charges*" includes financial charges on financial payables resulting from application of the new accounting standard IFRS 16, worth 39 thousand Euro.

38. Gains (losses) from shareholdings valued at equity

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Result of companies valued at equity	180	(55)	235
Total	**180**	**(55)**	**235**

Gains from shareholdings valued at equity total 180 thousand Euro, as compared with 55 thousand Euro in charges in 2018. The change pertains to the results of Axel S.r.l. and the Ensun Group.

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

The item "*Taxes*" was negative at EUR 3,027 thousand; this compares with a negative balance of EUR 3,822 thousand in 2018, and breaks down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Current taxes			
IRES (corporate income tax)	(431)	(573)	142
IRAP (regional production tax)	(529)	(499)	(30)
Foreign taxes	(1,008)	(1,221)	213
Total current taxes	**(1,968)**	**(2,293)**	**325**
Deferred tax assets and liabilities			
Deferred tax liabilities	(8)	43	(51)
Deferred tax assets	(1,051)	(1,572)	521
Total deferred tax assets and liabilities	**(1,059)**	**(1,529)**	**470**
Total taxes	**(3,027)**	**(3,822)**	**795**
of which:			
Allocated to assets held for sale	-	339	(339)
Relating to the operative part	(3,027)	(4,161)	1,134
Total taxes	**(3,027)**	**(3,822)**	**795**

Current taxes for the year 2019 are down by a total of 325 thousand Euro over the previous year. The change is attributable to lower profits earned by the Parent Company and its subsidiaries.

Deferred taxes, which were on the whole negative by 1,059 thousand Euro, originated primarily from use of deferred tax assets entered on previous tax losses by the Parent Company.

See the Report on Operations for more details on deferred tax assets and liabilities.

The table below shows the reconciliation between recognised income taxes and theoretical taxes resulting from the application of the IRES tax rate in force during the year to pre-tax profit:

(Euro / 000)	**31 December 2019**	**31 December 2018**
Profit (loss) before tax	*10,069*	*13,187*
Gross profit (loss) from assets held for sale	*-*	*(1,214)*
Profit (loss) before tax	10,069	11,973
Theoretical income tax	(2,412)	(2,874)
Effect from use of losses carried forward	1,101	928
Rate effect for affiliates	(155)	(37)
Net effect of permanent differences	361	65
Net effect of permanent differences for affiliates	(82)	(123)
Net effect of temporary deductible and taxable differences	(202)	271
Effect of taxes from previous years	(52)	(25)
Current taxes	**(1,441)**	**(1,795)**
Income tax – deferred tax assets/liabilities	(1,110)	(1,483)
Income tax entered in the financial statement (excluding current and deferred regional production tax [IRAP])	**(2,551)**	**(3,278)**
IRAP - current taxes	(528)	(499)
IRAP – deferred tax assets/liabilities	52	(45)
Recognised income taxes (current and deferred)	**(3,027)**	**(3,822)**

For a greater understanding of the difference between tax charges recorded in the financial statements and the theoretical tax charge, it should be noted that the theoretical tax charge does not take IRAP into account, since this tax has a different taxable base from pre-tax profit and would therefore generate discrepancies from one year to the next. Theoretical taxes were therefore calculated solely by applying the current tax rate in Italy (IRES at 24%) to the pre-tax result.

The table below shows a breakdown of deferred tax assets and deferred tax liabilities for the year 2019:

(Euro / 000)	**31 December 2018**	**Posted to the income statement**	**Recognised in shareholders' equity**	**Change scope of consolidation**	**Exchange rate differences**	**31 December 2019**
Deferred tax assets						
Impairment of inventories	1,120	194		-	2	1,316
Impairment of trade receivables	359	(14)		-	-	345
Impairment of assets	535	-		-	-	535
Deductible losses to be brought forward	3,845	(1,331)		536	8	3,058
Exchange rate balance	4	(1)		-	-	3
Elimination of unrealised margins on inventories	518	52		-	-	570
Provision for product warranty risk	282	40		-	-	322
Provision for miscellaneous risks	247	9	87	-	-	343
Fair value hedging	2	-	62	-	-	64
Total deferred tax assets	6,912	(1,051)	149	536	10	6,556

(Euro / 000)	31 December 2018	Posted to the income statement	Recognised in shareholders' equity	Change scope of consolidation	Exchange rate differences	31 December 2019
Deferred tax liabilities						
Exchange valuation differences	(4)	5	(1)		-	-
Other deferred tax liabilities	(623)	(13)			(11)	(647)
Total deferred taxes	(627)	(8)	(1)	-	(11)	(647)
Net total	6,285	(1,059)	148	536	(1)	5,909

The table below shows a breakdown of deferred tax assets and deferred tax liabilities for the year 2018:

(Euro / 000)	31 December 2017	Posted to the income statement	Recognised in shareholders' equity	Change scope of consolidation	Exchange rate differences	31 December 2018
Deferred tax assets						
Impairment of inventories	1,436	(313)	-	(3)	1,120	1,436
Impairment of trade receivables	417	(57)	-	(1)	359	417
Impairment of assets	535	-	-	-	535	535
Deductible losses to be brought forward	5,091	(1,237)	-	(9)	3,845	5,091
Exchange rate balance	-	4	-	-	4	-
Elimination of unrealised margins on inventories	444	74	-	-	518	444
Provision for product warranty risk	285	(3)	-	-	282	285
Provision for miscellaneous risks	356	(40)	(69)	-	247	356
Fair value hedging	3	-	(1)	-	2	3
Total deferred tax assets	8,567	(1,572)	(70)	(13)	6,912	8,567
Deferred tax liabilities						
Exchange valuation differences	(10)	5	0	1	(4)	(10)
Other deferred tax liabilities	(637)	38	0	(24)	(623)	(637)
Total deferred taxes	(647)	43	-	(23)	(627)	(647)
Net total	7,920	(1,529)	(70)	(36)	6,285	7,920

40. Guarantees granted, commitments and other contingent liabilities

a) Guarantees granted

At 31 December 2019, the Group had granted guarantees on payables or commitments of third parties or subsidiaries totalling 3,865 thousand Euro, down from the figure for 31 December 2018, as summarised in the table below:

(Euro / 000)	**31 December 2019**	**31 December 2018**
Ubi Leasing	-	5,918
Banca Intesa	-	1,100
Banca Passadore	2,750	2,750
Banco di Brescia	-	790
Banca Pop. Emilia Romagna	1,020	1,020
Sandrini Costruzioni	66	-
Sandrini Costruzioni	29	-
Total	3,865	11,578

On 31 December 2018 a guarantee had been issued to UBI leasing, for a total of 5,918 thousand Euro, expiring in 2029, to guarantee financial requirements for construction of photovoltaic installations by BS Energia 2 S.r.l.. Following the sale of BS Energia 2 S.r.l. by the Ensun Group, the guarantee in question was revoked in the fourth quarter of 2019.

On 31 December 2018, both the guarantee issued to Banca Passadore and the one in favour of Banco di Brescia guaranteed Ensun S.r.l.'s lines of credit. As of 31 December 2019, only the guarantee issued to Banca Passadore was still in effect, awaiting completion of release procedures by the bank, as the underlying loan had been paid off in full (2,150 Euro on 31 December 2018).

The amount of 1,100 thousand Euro in favour of Banca Intesa represents a simple letter of patronage issued to guarantee Elettropiemme S.r.l.'s lines of credit. The guarantee was cancelled in the second half of 2019.

The guarantee issued to Banca Popolare Emilia Romagna in the fourth quarter of 2018, with an expiry of 18 months, worth EUR 1,020 thousand, guarantees lines of credit extended by banks to Gefran Drives and Motion S.r.l..

The two guarantees, totalling 95 thousand Euro, were issued to Sandrini Costruzioni to guarantee rental of the industrial building where Elettropiemme S.r.l. operates.

b) Legal proceedings and disputes

The Parent Company and certain subsidiaries are involved in various legal proceedings and disputes. It is, however, considered unlikely that the resolution of these disputes will generate significant liabilities for which provisions have not already been made.

c) Commitments

The Group has stipulated contracts for rental of buildings and leasing of equipment, electronic machinery and company vehicles. With application of accounting standard IFRS 16, the amount of lease fees remaining payable appears in the financial statement under the items "*Usage rights*" and "*Financial payables for leasing under IFRS16*", and so the reader is referred to the notes on these topics for more information.
As required under the new accounting standard, some residual existing contracts have been excluded from the perimeter of application as they met the requirements for exclusion; leasing

costs for these contracts entered in the income statement amount to 1,025 thousand Euro in the year 2019.

The financial statement at 31 December 2018 reports commitments for payment of leasing fees totalling 3,624 thousand Euro, all falling due within the next 5 years.
2,254 thousand Euro of these are entered among financial liabilities due to adoption of accounting standard IFRS 16 on 1 January 2019, while the remainder represent contracts for which costs are still entered in the income statement.

At 31 December 2019 the total value of the Group's commitments was 1,130 thousand Euro, for leasing and rental contracts which do not fall within the scope of application of IFRS 16.

41. Transactions with related parties

The following information on Group companies' transactions with related parties in the years 2019 and 2018 is provided in accordance with IAS 24 .

In compliance with the Consob resolution no. 17221 of 12 March 2010, the Gefran S.p.A. Board of Directors has adopted the Regulation for transactions with related parties, the current version of which was approved on 3 August 2017 and may be consulted on the internet site *https://www.gefran.com/en/gb/governance*, in the section entitled "*Documents and procedures*".

Transactions with related parties are part of normal operations and the typical business of each entity involved and are carried out under normal market conditions. There 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	48	-	-	48
2019	-	-	-	-
Service costs				
2018	(118)	(140)	(65)	(323)
2019	-	(134)	(80)	(214)

(Euro / 000)	Elettropiemme S.r.l. (*)	Climat S.r.l.	B. T. Schlaepfer	Total
Property, plant, machinery and tools				
2018	-	919	-	919
2019	-	470	-	470
Trade payables				
2018	19	294	-	313
2019	-	120	-	120

(*) Elettropieme S.r.l. joined the Gefran Group on 23 January 2019 as a subsidiary of Gefran Soluzioni S.r.l., and so only items pertaining to the year 2018 are 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 3.4 million Euro under specific contracts (2.7 million Euro as of 31 December 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.

In 2019, the Parent Company Gefran S.p.A. recognised dividends from subsidiaries amounting to EUR 2,545 thousand (EUR 2,294 thousand in 2018).

Members of the Board of Directors and the Board of Statutory Auditors and managers with strategic responsibilities were paid the following aggregate remuneration: EUR 482 thousand included in personnel costs and EUR 1,371 thousand included in service costs.

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 Components Business Unit and the Group's CFO.

42. Information pursuant to Article 149 *duodecies* of the Consob Issuers' Regulations

The table below shows fees paid in relation to the year 2019 for auditing services and for services other than auditing provided by the auditing company and entities in its network.

(Euro / 000)	**Party that provided the service**	**Recipient**	**Fees for 2019**
Accounts audit	PwC S.p.A.	Parent Company Gefran S.p.A.	88
	PwC S.p.A.	Subsidiaries	65
	PwC network	Subsidiaries	210
Accounts audit Non-Financial Declaration	PwC S.p.A.	Parent Company Gefran S.p.A.	19
Certification services	PwC S.p.A.	Parent Company Gefran S.p.A.	-
Other services	PwC network	Parent Company Gefran S.p.A.	34
Total			416

43. Events after 31 December 2019

For information on operational performance in early 2020, please see the “Outlook” section.

No other significant events took place after the year-end.

44. Other information

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.

Provaglio d’Iseo, 12 March 2020

For the Board of Directors

Chairman

Maria Chiara Franceschetti

ANNEXES

a) Consolidated income statement by quarter

	(Euro / 000)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	TOT 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	TOT 2019
a	Revenues	34,717	35,543	30,820	34,491	**135,571**	35,973	36,126	33,015	35,421	**140,535**
b	Increases for internal work	365	256	278	526	**1,425**	635	628	572	739	**2,574**
c	Consumption of materials and products	11,505	12,629	10,523	12,585	**47,242**	12,207	12,908	11,702	13,391	**50,208**
d	Added value (a+b-c)	23,577	23,170	20,575	22,432	**89,754**	24,401	23,846	21,885	22,769	**92,901**
e	Other operating costs	6,065	6,308	5,587	5,839	**23,799**	5,753	6,152	5,679	6,337	**23,921**
f	Personnel costs	11,735	11,429	10,769	11,964	**45,897**	12,379	13,228	11,878	11,765	**49,250**
g	EBITDA (d-e-f)	5,777	5,433	4,219	4,629	**20,058**	6,269	4,466	4,328	4,667	**19,730**
h	Depreciation, amortisation and impairment	1,526	1,562	1,613	1,614	**6,315**	3,291	2,068	1,976	2,020	**9,355**
i	EBIT (g-h)	4,251	3,871	2,606	3,015	**13,743**	2,978	2,398	2,352	2,647	**10,375**
l	Gains (losses) from financial assets/liabilities	(319)	(91)	(419)	328	**(501)**	175	(302)	55	(414)	**(486)**
m	Gains (losses) from shareholdings valued at equity	(37)	(57)	49	(10)	**(55)**	242	17	31	(110)	**180**
n	Profit (loss) before tax (i±l±m)	3,895	3,723	2,236	3,333	**13,187**	3,395	2,113	2,438	2,123	**10,069**
o	Taxes	(1,285)	(1,397)	(853)	(626)	**(4,161)**	(847)	(632)	(807)	(741)	**(3,027)**
p	Result from operating activities (n±o)	2,610	2,326	1,383	2,707	**9,026**	2,548	1,481	1,631	1,382	**7,042**
q	Net profit (loss) from assets held for sale	(414)	(461)	-	-	**(875)**	-	-	-	-	**-**
r	Group net profit (loss) (p±q)	2,196	1,865	1,383	2,707	**8,151**	2,548	1,481	1,631	1,382	**7,042**

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

End-of-period exchange rates

Currency	31 December 2019	31 December 2018
Swiss franc	1.0854	1.1269
Pound sterling	0.8508	0.8945
US dollar	1.1234	1.1450
Brazilian real	4.5157	4.4440
Chinese renminbi	7.8205	7.8751
Indian rupee	80.1870	79.7298
Turkish lira	6.6843	6.0588

Average exchange rates in the period

Currency	2019	2018	Q4 2019	Q4 2018
Swiss franc	1.1127	1.1549	1.0961	1.1361
Pound sterling	0.8773	0.8848	0.8601	0.8872
US dollar	1.1196	1.1815	1.1072	1.1412
Brazilian real	4.4135	4.3087	4.5604	4.3477
Chinese renminbi	7.7339	7.8074	7.7998	7.8920
Indian rupee	78.8501	80.7277	78.8689	82.2408
Turkish lira	6.3574	5.6986	6.4155	6.2815

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	Pleidelsheim	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.	99.90
					Sensormate AG	0.10
Gefran India Private Ltd	Pune	India	INR	100,000,000	Gefran S.p.A.	95.00
					Sensormate AG	5.00
Gefran Siei Asia Pte Ltd	Singapore	Singapore	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
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

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS UNDER ART.81-TER OF CONSOB REGULATION NO.11971 OF 14 MAY 1999 AS AMENDED

The undersigned **Maria Chiara Franceschetti**, Chairman, and **Fausta Coffano**, Executive in charge of financial reporting for the company Gefran S.p.A., hereby certify, in view of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

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

and

- the effective application of the administrative and accounting procedures applied in the preparation of the consolidated financial statements in 2018.

There are no significant events to report in this regard.

They further certify that:

1. the **Consolidated Financial Statements**:

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

2. the **Management Report** includes a reliable analysis of the trends and results of management and of the situation of the issuer and of all the companies included in the scope of consolidation, along with a description of the principal risks and uncertainties to which they are exposed.

Provaglio d'Iseo, 12 March 2020

Chairman	Executive in charge of of financial reporting
Maria Chiara Franceschetti	**Fausta Coffano**

CONSOLIDATED NON-FINANCIAL DISCLOSURE AT 31 December 2019

1. DESCRIPTION OF THE BUSINESS MODEL

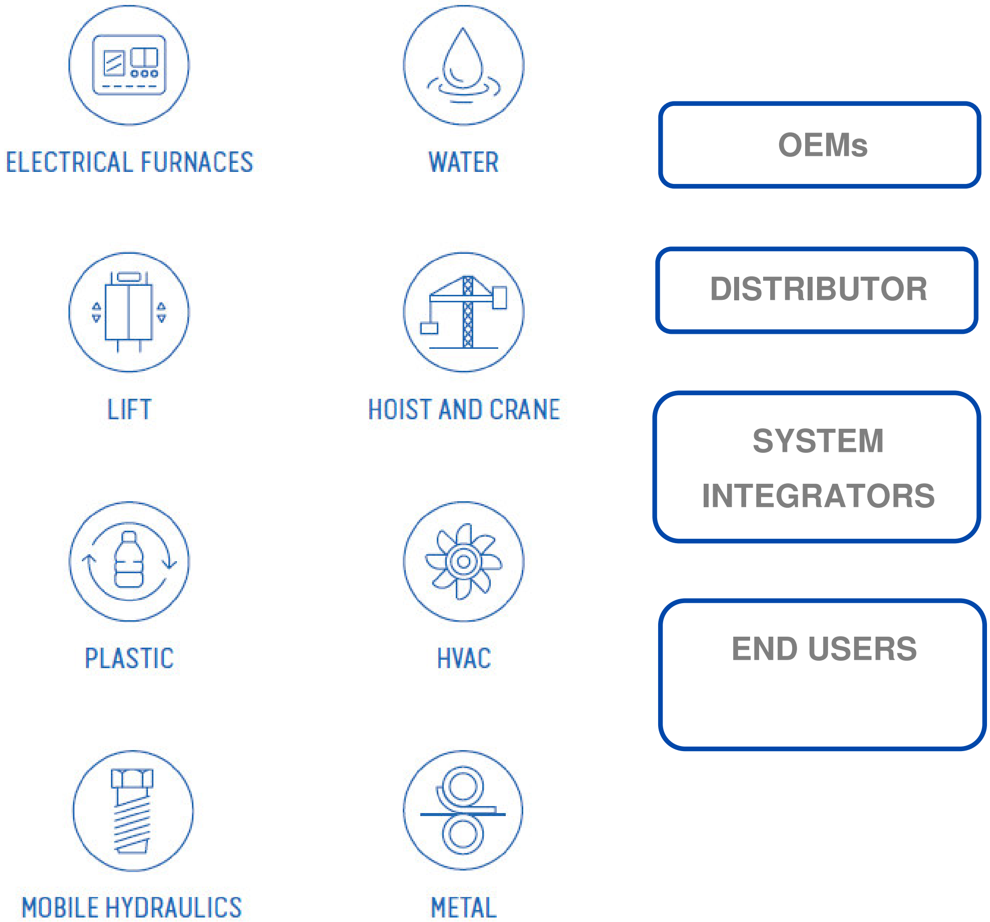
Profile of the Group

The Gefran Group was set up out of an entrepreneurial idea at the end of the sixties and made its mark immediately in Italy and abroad with the concept of an adjustment tool that would dictate standards in its sector. In the eighties, the company expanded its production to include sensors and then, having acquired a historic company in the electrical drives sector in the two thousands, widened its technological range. Since 1998 the Parent Company Gefran S.p.A. has been listed on the Milan Stock Exchange. In 2001 Gefran joined the new STAR (Segmento Titoli con Alti Requisiti) segment of the Telematic Stock Market, for small to mid-sized companies meeting specific requirements regarding transparency, liquidity and corporate governance. On 31 January 2005 this segment was renamed "ALL STARS", and on 1 June 2009, following the merger of Borsa Italiana with the London Stock Exchange, it took on its current name, "FTSE Italia STAR".

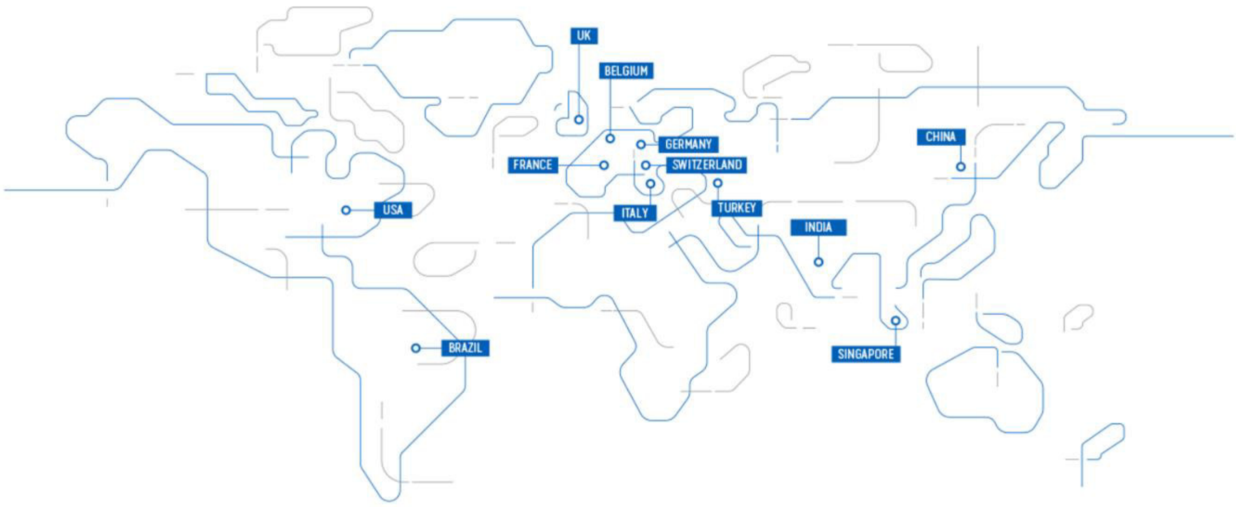
Today Gefran designs, produces and sells products in three main business units: industrial sensors, automation components and motion control devices for electronic control of electric motors.

The entire product range, which is unique in its breadth, quality and specialisation, provides tailored turnkey solutions in multiple automation sectors, through various channels:

Gefran has consolidated its presence on international markets over the years, and the Group now has 16 companies, including 12 production facilities all over the world and a number of sales organisations, guaranteeing global sales support.



A GLOBAL ORGANISATION



Market share

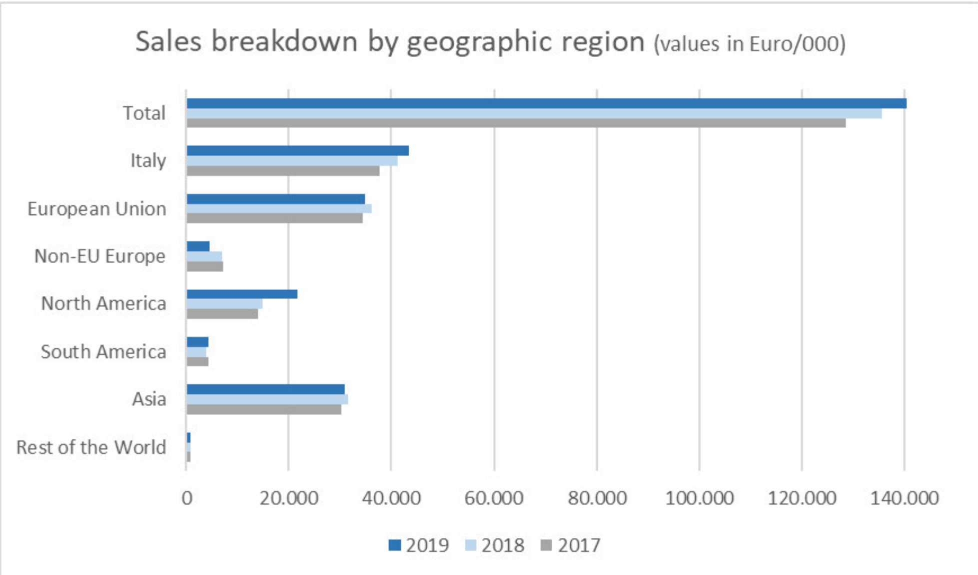
The Group operates directly in 12 countries, and its products are distributed in about 80 countries all over the world, with a special focus on international markets.

(Values in EUR /.000)

Total Revenues 2019
140,535

Total Revenues 2018
135,571

Total Revenues 2017
128,639



Key performance indicators

KPIs - Economic indicators		2019	2018	2017
Revenues	*(Euro / 000)*	140,535	135,571	128,639
EBITDA	*(Euro / 000)*	19,730	20,058	19,039
	%	14.0%	14.8%	14.8%
EBIT	*(Euro / 000)*	10,375	13,743	11,149
	%	7.4%	10.1%	8.7%
Profit (loss) before tax	*(Euro / 000)*	10,069	13,187	8,905
Result from operating activities	*(Euro / 000)*	7,042	9,026	6,677
Profit (loss) from assets held for sale	*(Euro / 000)*	-	(875)	187
Group net profit (loss)	*(Euro / 000)*	7,042	8,151	6,864
	%	5.0%	6.0%	5.3%

KPIs - Equity and financial indicators		2019	2018	2017
Invested capital from operations	*(Euro / 000)*	88,331	77,335	73,477
Net working capital	*(Euro / 000)*	28,542	32,055	30,621
Shareholders' equity	*(Euro / 000)*	75,044	72,814	69,911
Net financial position	*(Euro / 000)*	(13,287)	(4,521)	(4,780)
Investments	*(Euro / 000)*	16,006	9,438	5,641
Operating cash flow	*(Euro / 000)*	18,045	18,992	21,424
Return on investment ROI (EBIT/net invested capital)	%	11.7%	17.8%	15.2%

KPIs - Human capital		2019	2018	2017
Total employees	*no.*	829	771	730
of whom Women	*no.*	251	238	232
	%	30.3%	30.9%	31.8%
of whom Men	*no.*	578	533	498
	%	69.7%	69.1%	68.2%

Group activities

Sensors

The Group offers a full range of products for measuring the four physical parameters of position, pressure, force and temperature, which are used in many industrial sectors.

Gefran stands out for its technological leadership. It produces primary components internally and boasts a comprehensive product range that is unique worldwide. In certain product families, Gefran is world leader.

The sensors business unit has 4 production sites: one in Italy, in the Group's historic premises in Provaglio d'Iseo (IT), while the others are located abroad, in North Andover MA (US), Aadorf (CH), and Shanghai (CN).

The investment plan in the sensors business unit includes expansion of production lines and requires large new spaces to support the expansion of business.

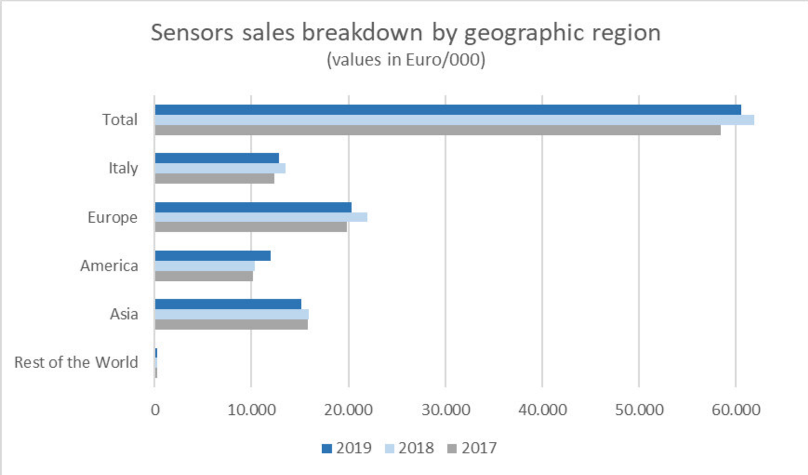
The year 2019 saw major investment in the purchase and adaptation of a new building about three times larger than the old one to respond to the requirements of production in the Group's US subsidiary, to which Gefran Inc. has transferred its production as part of its industrial and commercial development plan, permitting the Group to boost its presence on the North American market.

In addition to this, the Parent Company began and completed work on construction of a new building to house a number of production departments of the sensors business unit which began operation on 1 January 2020. 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 trend has seen growth over 2017, but shrinkage with respect to 2018. The slowdown on the Group's traditional markets and sectors has been partially compensated by the results of investment, development of new applications and exploration of new geographical regions.

-2.1% 2019 vs 2018

+3.7% 2019 vs 2017



(Values in EUR /.000)

Total Revenues 2019
60,582

Total Revenues 2018
61,893

Total Revenues 2017
58,437

Automation components

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

Gefran sets itself apart with its expertise in hardware and software acquired in over thirty years of experience. Gefran is one of the main Italian manufacturers in these product lines and generates around half of its sales through exports.

Technical and productive activity is primarily concentrated in Italy, in the historic premises of the Group and its subsidiary Gefran Soluzioni S.r.l., both in Provaglio d'Iseo (IT). There is also an assembly line in San Paolo (BR) serving the local market.

Elettropiemme S.r.l. of Trento (IT) joined the Group in 2019 as a subsidiary of Gefran Soluzioni S.r.l.; the company is concerned with development, production and sale of industrial panels and plants, and its work partially coincides with that of Gefran Soluzioni S.r.l..

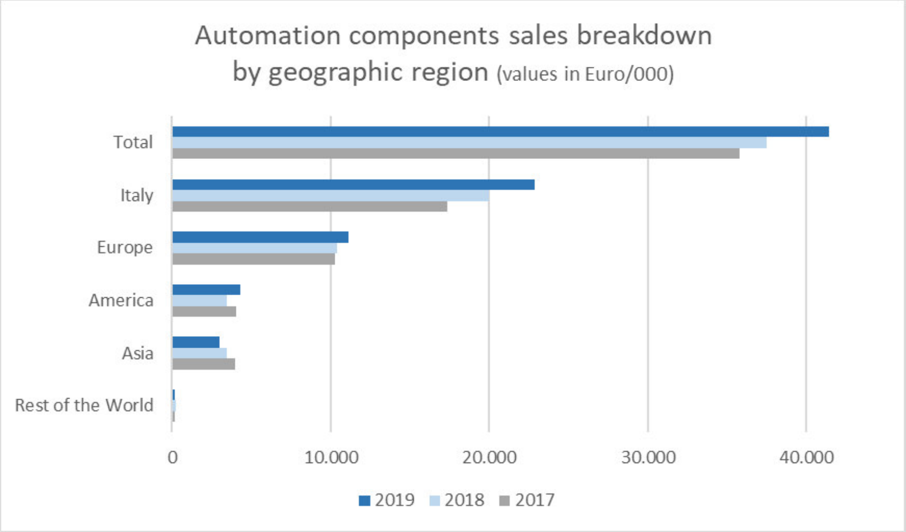
Growing sales of automation components are partially attributable to the addition to the Group of Elettropiemme S.r.l.; if this is not taken into account, revenues in 2019 are 4.9% lower than in 2018, in line with the 2017 figure. Shrinkage was seen in Italy and in Asia, only partially compensated by good performance in America and Europe.

+10.4% 2019 vs 2018

+15.8% 2019 vs 2017

(Values in EUR /.000)

Total Revenues 2019 **41,391**
Total Revenues 2018 **37,475**
Total Revenues 2017 **35,743**



Motion control

The motion control business develops products and solutions to regulate speed and control AC, DC and brushless electric motors. Products (inverters, armature converters and servodrives) guarantee maximum performance in terms of system precision and dynamics. These products are used in a variety of applications, including lift control, cranes, metal rolling lines, and in paper, plastics, glass and metal processing.

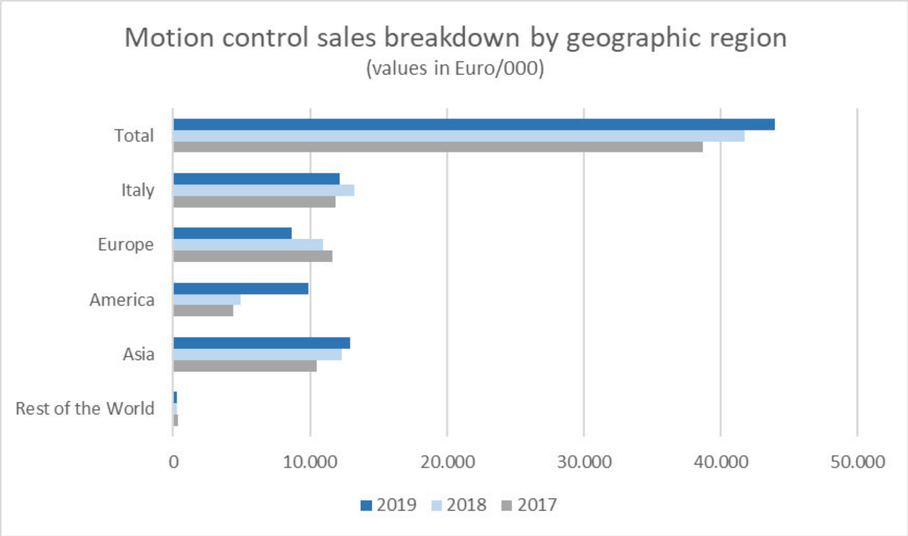
Through the integration of advanced capabilities and flexible hardware and software configurations, Gefran provides advantageous solutions for customers and target markets, optimising both technology and costs.

Motion control design work is concentrated at the Gerenzano plant (IT), whereas production is distributed across various plants, with the aim of serving the regions well and fully meeting customer requirements. Motion control production plants are located in Gerenzano (IT), Pleidelsheim (DE), Pune (IN) and Shanghai (CN).

+5.3% 2019 vs 2018

+13.6% 2019 vs 2017

The positive trend in the motion control business unit is confirmed, with an increase in sales over both 2018 and 2017. Growth in 2019 continued to be driven by custom projects, thanks to positive performance in North America and Asia.



(Values in EUR /.000)

Total Revenues 2019
43,953

Total Revenues 2018
41,740

Total Revenues 2017
38,675

Group relations

Gefran encourages collaborative relations with other industrial companies in the sectors in which it operates and is a member of various sector-based associations and technical consortia, at local and international level:

- A.I.B. Associazione Industriale Bresciana (Brescia Industrial Association): this association represents industrial companies in Brescia province; it is one of the largest Italian associations of associated companies, with more than 1,300 corporate members, and is a member of the Confindustria System. The association protects the interests of member industries by supporting free enterprise, labour and expectations in the world of industry.
- U.N.I.V.A. Unione degli Industriali della provincia di Varese (Province of Varese Industrial Association): an independent, non-partisan, non-profit association of industrial companies, a member of the Confindustria System. The Union has 1,130 member companies with a total of about 64,500 employees. Association member companies and their representatives are required to comply with the Confindustria Code of Ethics and Charter of Values.
- A.N.I.P.L.A. Associazione Nazionale Italiana per L'Automazione (Italian National Automation Association): its aim is to encourage and spread knowledge, study and application of automation in Italy, in its technological, economic and social aspects; it is one of Italy's most active technical and scientific associations, effectively contributing to the progressive maturation of technical culture in the country and its place in the national context.
- Federazione ANIE – Assoautomazione e Assoascensori (ANIE Federation - Automation Axis and Lifts): one of the biggest trade organisations in Confindustria in terms of weight, size and representation, it plays a leading role in technological and regulatory monitoring, promoting initiatives to standardise products and systems, taking know-how and skills into the area of the decision-making processes of standardisation agencies at all levels.
- AMAPLAST: Associazione nazionale costruttori di macchine e stampi per materie plastiche e gomma (Italian national association for manufacturers of machines and moulds for plastics and rubber); it promotes the transformation of plastics and rubber in the world of Italian technology, with the key goal of promoting the Italian industry world-wide.

- ASSONIME: represents Italian joint-stock companies, studying and addressing issues concerning the interests and development of the Italian economy.
- GISI Associazione Imprese Italiane di Strumentazione (Association of Italian Instrumentation Companies): brings together companies operating in the production process instrumentation and automation field, whether manufacturers or economic operators.
- PROPLAST Consortium: supports companies in the plastics sector with applied research, technological innovation and the selection and training of human resources, preparing them technically to operate in the sector.
- C.E.I. Comitato Elettrotecnico Italiano (Italian Electrotechnical Committee): publishes regulatory documents on good practice in Italy, is involved in drawing up the corresponding European and international standards, ensures that they are accepted with specific regard to European regulatory documents harmonised with EU directives and regulations, disseminates the technical and scientific culture in general and that of technical standards in particular.
- UNI Italian standardisation organisation: UNI represents Italy at the European (CEN) and global (ISO) standardisation organisations and organises the involvement of national delegations in supranational standardisation work, to promote the harmonisation of standards needed for the single market to operate, and to support and transpose the distinctive features of Italian production into technical specifications that enhance the national experience and production tradition.
- CAN in Automation (CiA): brings together at international level users and producers of the CAN (Controller Area Network) protocol, to provide a transparent platform for future developments of the CAN protocol and promote the image of CAN technology.
- PROFIBUS and PROFINET: the consortium works closely with other organisations in the automation world to promote the use of the PROFIBUS and PROFINET technologies.
- ODVA: it supports the network of technologies built on the Common Industrial Protocol (CIP™) — EtherNet/IP™, DeviceNet™, CompoNet™, and ControlNet™.
- Hart Communication Foundation: Organisation that supports and develops standards for the Hart communication protocol.

The Group also takes part in various international protocols for industrial communication, such as:

- Ethercat;
- Ethernet IP;
- CANOpen;
- IO Link.

2. CORPORATE GOVERNANCE

The Organisational Model adopted by Gefran

The Parent Company Gefran S.p.A. plays a role of direct and indirect coordination of the operations of the Group's various business units and branches through the HQ team of managers of individual functions.

Each business unit includes production divisions ("operations" areas) whose work focuses directly on the product in question, including:

Production departments

R&D and design

Engineering

Production services

Logistics

Divisions also rely on specific sales organisations for distribution of their products, which operate through:

Sales networks covering geographical regions

Internal order processing

Finished product warehouses

The Parent Company Gefran S.p.A. provides centralised functions supporting all the business units and subsidiaries it coordinates directly and indirectly; these functions are:

Administration, finance and control

Procurement

Legal affairs

Public relations

Information systems

Human resources

On 13 February 2008, the Board of Directors voted to adopt an Organisation, Management and Control Model (the "Organisational Model") to prevent the offences under Legislative Decree 231/01 from being committed. 231/01.

This model is updated annually (most recently by effect of the 12 November 2019 resolution of the Board of Directors), in response to the evolution of the above-mentioned legislation. The Organisational Model prepared on the basis of the Confindustria Guidelines also implements the

Corporate Governance rules contained in the "Code of Conduct for Listed Companies" promoted by Borsa Italiana S.p.A., with which the company complies.

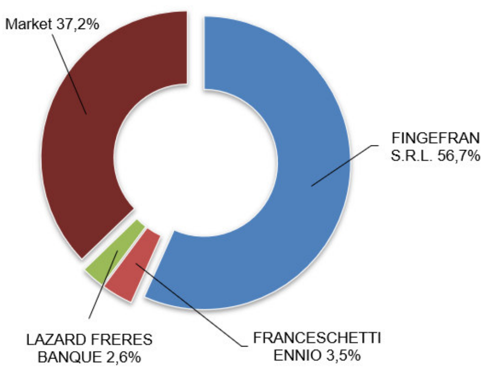
The Group also has a "Code of Ethics and Conduct", updated by the Board of Directors on 11 February 2016. Through application of the "Code of Ethics and Conduct" in its own activities in full compliance with the laws in force in the countries where it operates, Gefran undertakes to comply with strict ethical and moral principles that are universally recognised:

- INTEGRITY
- HONESTY and PROFESSIONALISM
- ENTHUSIASM and PASSION
- PRATICALITY and RELIABILITY
- FLEXIBILITY
- SUSTAINABILITY

In the conviction that ethical management of business is a goal to be pursued jointly with economic growth, the Code becomes an explicit reference for everyone working with the Company. Compliance with these principles is therefore a fundamental condition for starting and/or continuing collaborative relations with Gefran and the operational application of these principles is guaranteed by corporate procedures, which ensure that they are made known and disseminated. The Code of Ethics, updated whenever necessary, is available on the company's intranet and internet site, and a copy of it is given to all new employees at the time of hiring.

Anyone who becomes aware of a potential violation of the standards and principles set forth in the Code of Ethics is required to report it to the Supervisory Board by the methods specified in the Model, that is, in anonymous form, sending a report to the offices in Provaglio di Iseo or via a dedicated email address. The same channels may be used to report violations of the law and of the company's internal control principles, procedures and regulations, as stated in the "Group Whistleblowing Procedure" approved by the Board of Directors on 13 November 2018 and published on the company's website.

Gefran S.p.A. shareholder structure



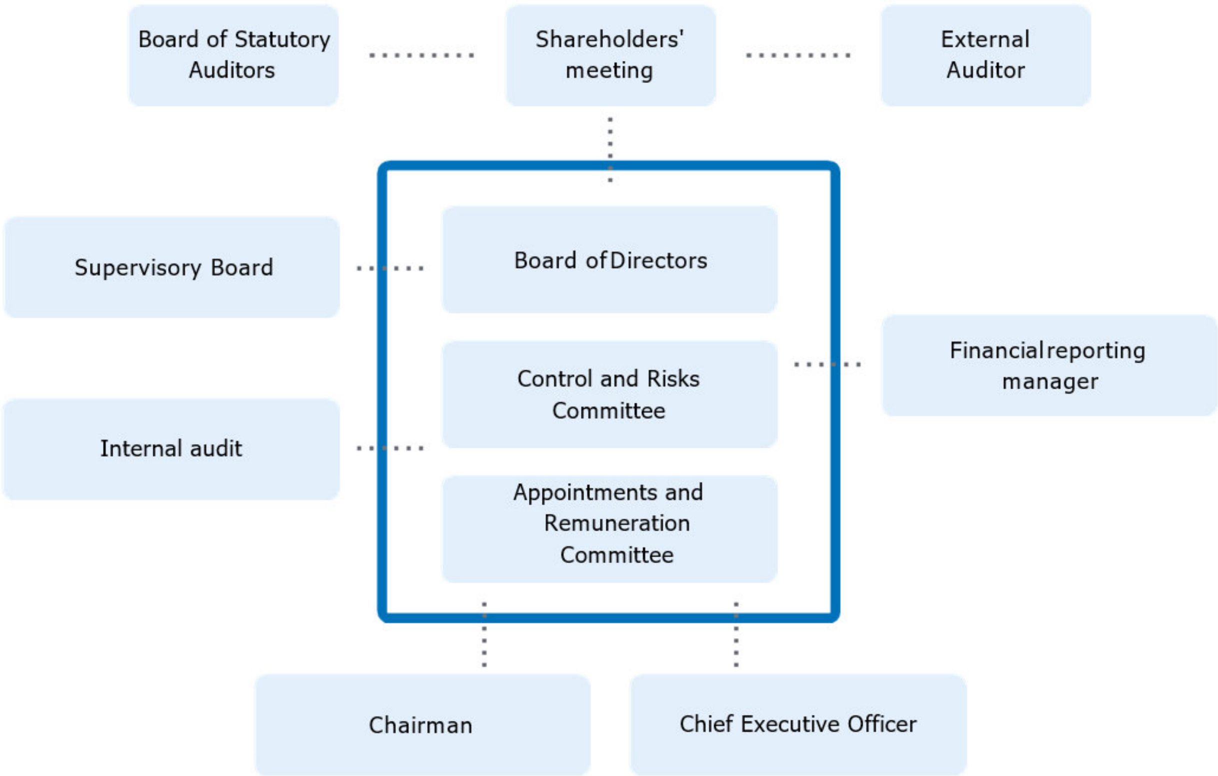
STRUCTURE OF SHARE CAPITAL				
Type of shares	**No. of shares**	**% of share capital**	**Listed**	**Rights and obligations**
Ordinary shares	14,400,000	100	STAR	ordinary

The Company has been listed on the Italian Stock Exchange since 9 June 1998, and since 2001, it has been part of the FTSE Italia STAR segment, dedicated to companies with small and medium-sized capitalisations that meet specific requirements on transparency, liquidity and corporate governance.

Administration and control activities

The Company's corporate governance structure is based on the recommendations and standards in the "Code of Conduct for Listed Companies" promoted by Borsa Italiana S.p.A., with which the Company complies, and its Organisational Management and Control Model ("Organisational Model") adopted since 2008 to prevent the offences under Legislative Decree 231/01 from being committed.

With reference to this, the year 2019 saw continuation of the review of the Company's internet site with the aim of improving information on Group governance. The Governance section, available at https://www.gefran.com/en/gb/governance, includes complete information on the Company's governance system, along with the related documents and specification of the composition of corporate bodies.



Two Board Committees have been appointed: a Control and Risks Committee consisting of three independent directors and an Appointments and Remuneration Committee consisting of two independent directors and one non-executive director.

The 17 October 2017 Shareholders' Meeting resolved to amend the company's Articles of Association, establishing the new position of Honorary Chairman and providing for the possibility of appointing up to three Vice Chairmen.

The Shareholders' Meeting held on 24 April 2018 appointed Ennio Franceschetti as Honorary Chairman of the company. The Gefran S.p.A. Board of Directors, meeting at the end of the annual meeting, appointed Maria Chiara Franceschetti as Chairman of the Board of Directors and Giovanna Franceschetti and Andrea Franceschetti as Vice Chairmen.

On 14 March 2019, pursuant to application criteria 1.C.1, letters g) and i) of the Code of Conduct, the Board of Directors gave a positive assessment of the size, composition and functioning of the Board itself and its committees, based on the results of the self-assessment questionnaire completed by the directors.

The Gefran S.p.A. Board of Directors met on 2 December 2019 to acknowledge the resignation of Alberto Bartoli from the post of CEO due to his decision to undertake a new career as a self-employed professional. Mr. Bartoli was an executive non-independent director as well as Executive Director in charge of the company's internal auditing and risk management system, and did not sit on any internal committees.

Following the resignation, the Board of Directors implemented its "Plan for succession to the post of CEO", prepared last February under application criterion 5.C.2 of the Code of Conduct of Listed Companies, beginning the activities required under the plan for identification of a person suitable to hold the position.

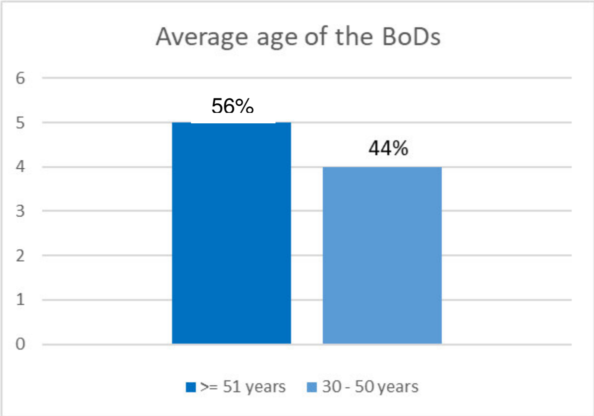
On 16 December 2019 the Company's Board of Directors co-opted Marcello Perini, former General Manager of the Sensors & Components Business Unit, as CEO of Gefran S.p.A.; Mr. Perini holds the position of executive non-independent director as well as Executive Director in charge of the company's internal auditing and risk management system, and does not sit on any committees.

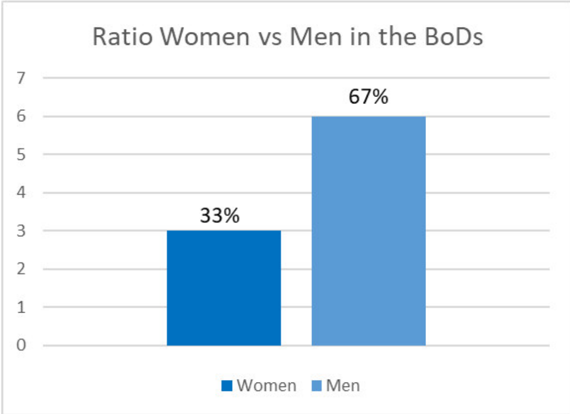
The **Board of Directors** currently in office consists of 9 members (3 women and 6 men), three of whom are Independent Directors:

POSITION	MEMBERS
Honorary Chairman	Ennio Franceschetti
Chairman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairman	Giovanna Franceschetti
Director	Marcello Perini (*)
Director	Romano Gallus
Director	Mario Benito Mazzoleni (**)
Director	Daniele Piccolo (**)
Director	Monica Vecchiati (**)

(*) Director Marcello Perini was co-opted on 16 December 2019 to replace Alberto Bartoli, who resigned on 2 December 2019.

(**) Independent directors under the Consolidated Finance Act and Code of Conduct





Number of Board of Directors meetings:

	2019	2018	2017
no. meetings	10	9	8
average attendance %	91.1%	97.5%	94.5%

Giovanna Franceschetti
Vice Chairman

Degree in Public Relations, Masters' Degree in Business Administration. Sits on the Board of Directors of Fingefran S.r.l., Gefran S.p.A.'s parent company, and is Vice Chairman of Gefran S.p.A. in charge of public relations and sustainability. Member of the Board of Directors of Ensun S.r.l. and Elettropiemme S.r.l., companies in the Gefran Group. Head of Communications and Image for Gefran and Group Investor Relator from 2004 to 2018.

Mariachiara Franceschetti
Chairman

With a degree in Mechanical Engineering, she joined Gefran as Head of Information Systems and later became Group HR Director. Appointed CEO in 2014, Vice Chairman in 2017 and Chairman in 2018. Currently Chairman of Fingefran S.r.l., Gefran S.p.A.'s parent company.

Andrea Franceschetti
Vice Chairman

With Gefran since 2002, holding various positions: Head of Production, Head of Central Quality and the Testing Laboratory, Export Director for South America, International Sales Director and Sales Director for the Motion Control Business Unit. Currently Chairman of the subsidiary Gefran Soluzioni S.r.l.. Also holds the position of Director in the innovative start-up Matchplat S.r.l..

Ennio Franceschetti
Honorary Chairman

Historic Group founder, Gefran S.p.A. CEO until 2004 and Chairman until 2018. Now holds the position of Honorary Chairman.

Mario Benito Mazzoleni
Independent Director

Associate professor of Business Administration at Brescia University since 1992 . Dean of the School of Management and Advanced Education at the same University since 2018, member of Confindustria's Small Enterprise Scientific Committee since 2019. Sits on the Board of Directors of Quanta Risorse Umane S.p.A., of the Fonderie Group, and of AbitareIn S.p.A..

Marcello Perini
Director

With a degree in Mechanical Engineering from Brescia University, he joined Gefran in 1995, working in design of Industrial Sensors. He has held positions of growing responsibility, including Technical Manager of the Sensors Division and then Plant Manager of the Sensors Division in Provaglio. Since 2016 he has held the position of General manager of the Group's Sensors and Components Business Unit.

Daniele Piccolo
Independent Director

Completed his education in financial markets and marketing at prestigious international institutes. From 1982 to 2007, he held numerous positions of increasing seniority within the Credito Emiliano Group. From 2001 to 2006, he was also Chief Executive Officer of Istifid S.p.A. of Milan. From 2007 to 2015 he was Assistant General Manager of Banca Albertini Syz. From 2015 to 2017, he was General Manager of Banca Cesare Ponti S.p.A.; he is now Private Banking Manager in Northern Italy for Banca Finnat Euramerica.

Romano Gallus
Non-executive Director

Entrepreneur and founder of "GV Stamperie S.p.A.", a brass heat-moulding company in which he is Chief Executive Officer. Member of the Gefran S.p.A. Board of Directors since 2000.

Monica Vecchiati
Independent Director

She has been a chartered accountant since 1988, registered in the Order of Chartered Accountants and Expert Accountants in Rome, and is a statutory auditor, registered in the Register of Auditors since its establishment in 1995. Director, Auditor, and member of the Supervisory Body under Law 231/2001, Co.Vi.Soc. inspector, Mediator and Consultant of various companies and organisations.

The **Control and Risks Committee** set up by the Board of Directors currently consists of three independent directors (1 woman and 2 men), all experts in accounting and finance and/or risk management; this composition is considered adequate by the Board of Directors which appointed it.

POSITION	MEMBERS
Committee Chairman	Daniele Piccolo
Independent Director	Mario Benito Mazzoleni
Independent Director	Monica Vecchiati

Number of meetings of the Control and Risks Committee:

	2019	2018	2017
no. meetings	5	5	5
average attendance %	100%	93.3%	86.6%

The **Appointments and Remuneration Committee** set up by the Board of Directors currently consists of three directors (1 woman and 2 men), 2 of whom are independent directors, all experts in finance and/or remuneration policy; this composition is considered adequate by the Board of Directors that appointed it.

On 14 March 2019 the Company's Board of Directors transformed the previous Remuneration Committee into an Appointments and Remuneration Committee, assigning to this Committee, in addition to the tasks it already had, the functions identified in art. 5 of the Code of Conduct specified by the *Corporate Governance Committee* of Borsa Italiana S.p.A.

POSITION	MEMBERS
Committee Chairman	Daniele Piccolo
Non-executive Director	Romano Gallus
Independent Director	Monica Vecchiati

Number of meetings of the Control and Risks Committee:

	2019	2018	2017
no. meetings	4	4	4
average attendance %	100%	100%	100%

The **Board of Statutory Auditors**, appointed by the Shareholders' Meeting on 24 April 2018, and in office until the financial statements for 2020 are approved, is made up of three standing auditors and two deputy auditors.

POSITION	MEMBERS
Chairman	Marco Gregorini
Standing auditor	Primo Ceppellini
Standing auditor	Roberta Dall'Apa
Deputy auditor	Guido Ballerio
Deputy auditor	Luisa Anselmi

Number of meetings of the Board of Statutory Auditors:

	2019	2018	2017
no. meetings	9	8	10
average attendance %	92.6%	91.6%	93.3%

The **external auditor** appointed to audit the accounts in the consolidated and separate financial statements is a company appointed by the Shareholders' Meeting, registered in the register kept by Consob. The current external auditor is PRICEWATERHOUSECOOPERS SPA, appointed by the 21 April 2016 shareholders meeting for the years 2016 - 2024 in response to a motivated proposal of the Board of Statutory Auditors.

As set forth in Legislative Decree 231/2001, the Board has also appointed a **Supervisory Body** with two members: Nicla Picchi (Chairman) and Monica Vecchiati, providing them with regulations and the means required to operate. The Supervisory Board may use external consultants to perform the risk assessments and the necessary audits.

Responsibility for the **Internal Audit** function lies with Emma Marcandalli, an external party meeting the requirements of autonomy and independence; she was appointed by the Board of Directors on 13 February 2020, with the approval of the Control and Risks Committee and the Board of Statutory Auditors. Protiviti S.r.l. was tasked with conducting internal audit activities.

On 27 September 2013 the Board of Directors, with the approval of the Board of Statutory Auditors, appointed Fausta Coffano to the post of **Executive in charge of financial reporting** for Gefran S.p.A., in charge of direct supervision of the control model under Law 262/2005 and the related administrative and accounting procedures.

The activities and composition of various company bodies are described in detail under "Company bodies" in the "Gefran Group Annual Financial Report" and "Report on Corporate Governance and Shareholding Structure".

Gefran’s Sustainable Governance Model

A company that wishes to have a global dimension must also pay attention to social and environmental matters. Protection of the people who work for it, protection of the surrounding land and synergy with the community where it is established are the foundational values for Gefran's success and growth. These principles are the cornerstones of the company’s Code of Ethics whose ‘Good Practices’ have also won awards from the Lombardy Chambers of Commerce.

In 2019 the Company set up a steering committee tasked with directing the Group’s preparation and implementation of operative policy consistently with the results of the materiality matrix.

3. RISK MANAGEMENT IN THE GROUP

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

The aforementioned “Organisational Model” is kept up to date as regulations change. On 13 November 2019 the Board passed a resolution updating the Model, adapting it in response to the new legislation that periodically adds to the list of predicate offences. The Company's corporate governance structure is based on the recommendations and regulations set out in the "Code of Conduct for Listed Companies" promoted by Borsa Italiana S.p.A., with which the Company complies.

The company has also identified the corporate bodies of significance for the purposes of the internal control and risk management system:

- The **Control and Risks Committee (CRC)**, entrusted with supporting the Board of Directors’ assessments and decisions regarding internal control and risk management with appropriate preliminary activities and verifying correct application of accounting standards and their homogeneity for the purposes of preparation of the consolidated financial statements;
- the**Executive Director in charge of the internal risk control system**, entrusted with identifying the principal risks in the Company, implementing risk management guidelines and verifying their adequacy;
- the **Executive in charge of financial reporting** who directly oversees preparation of the control model under Law 262/2005 and the related administrative and accounting procedures, in view of its constant updating;
- the **Internal Audit** function, with the task of assessing - both continuously and in response to specific requirements, and in compliance with international standards - the operations and suitability of the internal control and risk management system through an audit plan approved by the Board of Directors and based on a structured process of analysis of the principal risks.

The main risks, grouped into eight families, are identified and assessed through an annual risk assessment, the results of which are described and discussed with all bodies of relevance for the internal control and risk management system and with the Board of Directors.

The overview of the risks the Group is exposed to allows the Board of Directors and Management to reflect on the group’s propensity for risk and identify risk management strategies to be adopted, or assess which risks and priorities are considered to require implementation, improvement or optimisation actions, or simple monitoring of exposure over time.

4. DISCUSSION WITH STAKEHOLDERS AND MATERIALITY ANALYSIS

During 2017, in relation to the entry into force of the new regulatory obligations on non-financial reporting, the Group conducted an analysis of materiality, to identify and evaluate topics connected to non-financial aspects covered by this Statement. This activity identified the most relevant aspects for the Group, on which to concentrate non-financial disclosure.

Gefran then decided to begin a process of formal statement of its commitment to sustainability.

In the preliminary phase of the project, managed by an internal work group, with management involvement, the available information was collected and analysed.

Analysis of information representing the Group's strategy and approach, and analysis of the context in which the Group operates, revealed a list of 20 issues which could potentially take concrete form for Gefran, as they have a direct economic, social and/or environmental impact on Gefran, in addition to the impact they might have on stakeholders' opinions and decisions.

The issues identified are listed below:

Economic	Environmental	Social – Working practices	Social – Local and international communities	Social – Product liability	Cross-functional
Economic value attracted and distributed and economic impact	Raw materials management	Human capital management	Relations with local communities and organisations	Consumer health and safety	Sustainable management of supply chain
	Energy efficiency	Industrial relations	Relations with training and research bodies and universities		Compliance and risk management
	Management of water usage and discharge	Employee health and safety management	Fight against corruption		Sustainable governance
	Emissions management	Personnel training and development			
	Waste management	Protection of employee diversity and non-discrimination			
	Research and development into sustainable products	Respect for human rights			

To produce the Gefran materiality matrix, the following categories were also identified as main stakeholders:

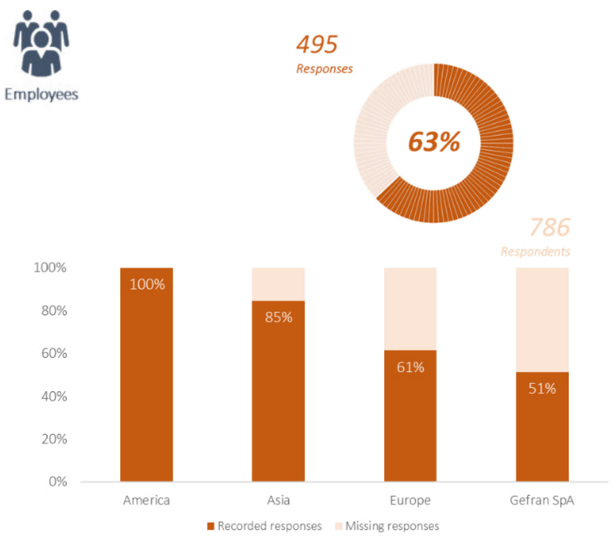
During the second phase, the topics were evaluated by assigning a score to each, to gather the point of view of management and that of the main stakeholders.

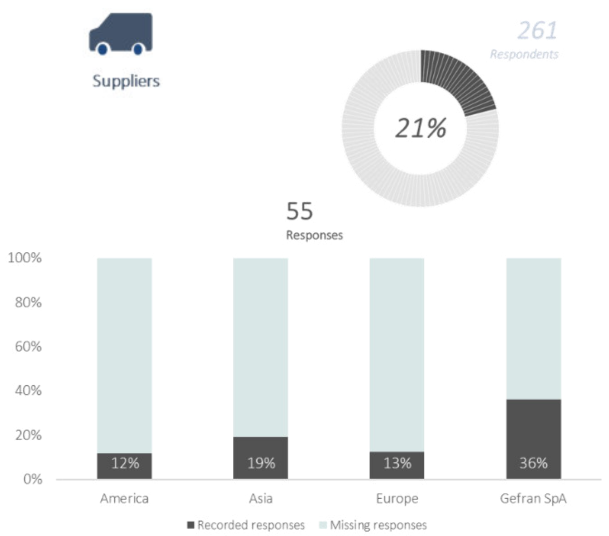
The materiality matrix was constructed following assessment of the issues, as a starting point for reporting in the 2017 Declaration, also adopted in the 2018 Declaration.

The Company considered it important to actively engage stakeholders in the year 2019 by conducting a series of Group-wide analyses aimed at refining the engagement process on the basis of the points of attention detected and obtaining, among other results, an updated materiality matrix.

These activities initially confirmed the panel of stakeholder categories identified in the initial analysis conducted in 2017, and continued with mapping of the most representative stakeholders in each category.

The Company conducted its first engagement activities in July and August, in the form of an **on-line survey** aimed at understanding the opinions and expectations of employees and suppliers.





The survey method employed was based on use of on-line questionnaires prepared in all languages used in the Group in order to ensure maximum engagement of the stakeholders interviewed. 1,047 questionnaires were sent, and 550 responses received (equal to a 52% response rate), 63% of which came from employees and 21% from suppliers.

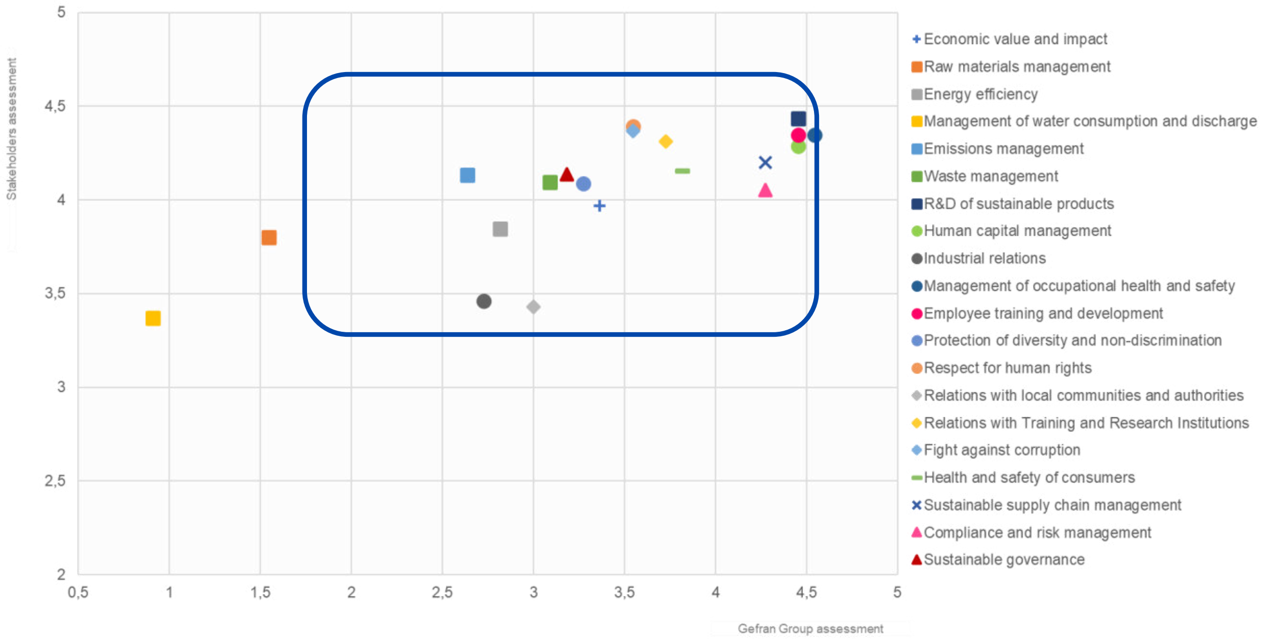
With a view to obtaining further engagement and discussion, on 25 November 2019 the Company held its first multi-stakeholder engagement event and analysis of materiality. The event saw the participation of a total of 39 people representing all stakeholder categories. During the event, stakeholders were asked to express their opinion of the material issues identified at the same time, permitting collection of opinions, feedback and expectations on the material issues at stake. The results were analysed and commented on in real time.

The data obtained from this stakeholder engagement activity permitted refinement of the engagement process and updating of the position of material issues in the materiality matrix in order to better reflect stakeholders' point of view.

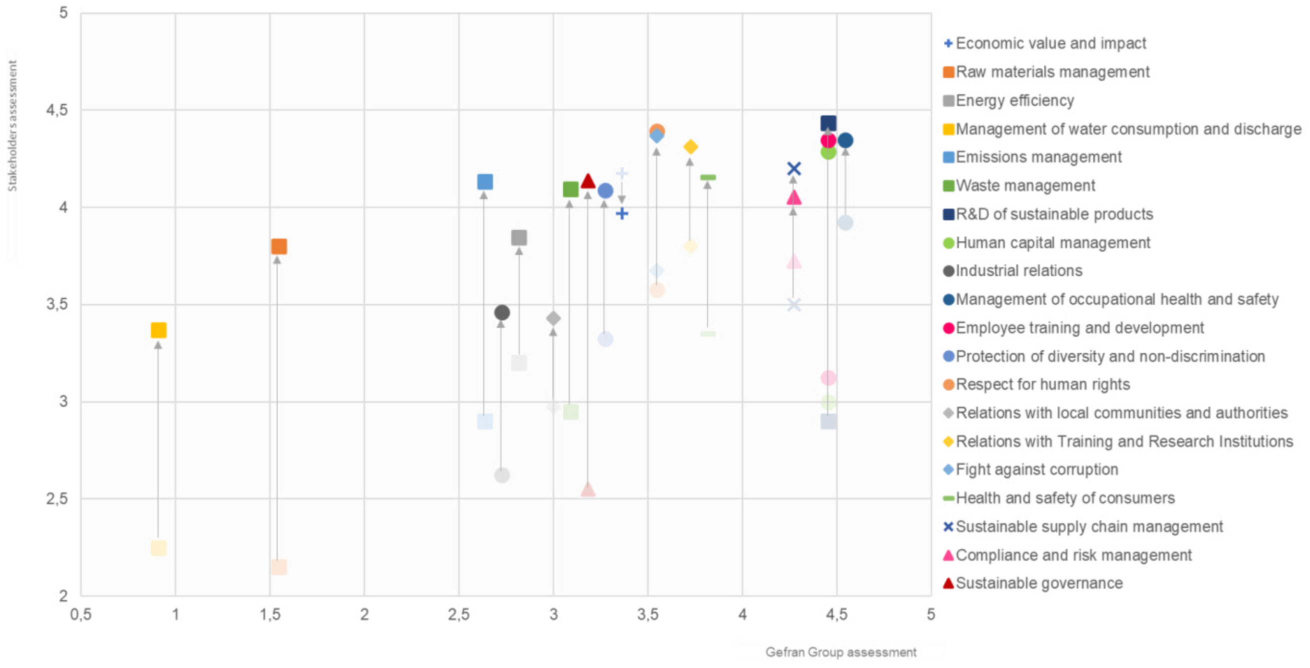
In general, interest expressed in the material issues submitted to stakeholders for assessment was higher than in the initial assessment in all areas with the exception of economic value and impact, which dropped slightly.

It was not considered necessary to update Gefran's own point of view on the issues identified, as there had been no events or organisational changes of significance at the Group-wide level which could have contributed to identification of new issues or changes in the assessment of the importance of those identified in the analysis conducted in 2017.

In view of this, a new materiality matrix was designed which applies to non-financial reporting in 2019:



The evolution of the 2019 materiality matrix as compared to the previous one defined in 2017 is shown below:



Note that: The x-axis of the materiality matrix reflects the significance of the topics for the company, whereas the y-axis represents their importance for stakeholders.

Stakeholders generally attributed greater importance to almost all issues than in 2017.

The issues considered most significant by external stakeholders and Gefran were the ones that were detected and reported in the Non-Financial Statement for the years 2017 and 2018, which are:

- Management of environmental topics;
- Management of health and safety;
- Management of social topics;
- Management of the fight against corruption.

5. MANAGEMENT OF ENVIRONMENTAL TOPICS

5.1 RISKS AND OPPORTUNITIES

With regard to environmental aspects, the Group is continuously looking at ways to improve energy performance and protect resources, in order to encourage the reduction of greenhouse gas emissions. This is possible thanks to continuous innovation in Gefran's production and management processes and to implementation of an investment plan aimed at improving the energy efficiency of its plants.

The Group's operational activities do not include the manufacture or processing of materials or components that could generate a significant risk of pollution or environmental damage. Gefran has implemented a series of control and monitoring activities for identifying and preventing all potential increases in this risk. To limit the risk of water pollution, for example, the company installed level sensors on tanks for collecting rinse water and condensation from compressors, and has an automatic warning system (which sends a text message to General Services operators and to the Head of Safety & Environment) when it is full. In addition to this, in terms of atmospheric emissions and the consequent risk of hazardous and/or polluting emissions, where filters are required prior to expulsion into the air, differential pressure switches are installed which visually warn (with a green or red light) of malfunctioning and/or obstruction of filters.

An insurance policy has been stipulated covering potential liabilities due to environmental damage to third parties.

New regulations that apply to the Group or its products, or changes in the regulations currently in force in the sectors in which the Group operates, including internationally, could force the Group to adopt more rigorous standards or limit its freedom of action in its areas of operation. These factors could entail costs relating to adapting the production facilities or product characteristics. In order to mitigate this risk, Gefran focuses its product research on analysis of potential impact on environmental aspects, so as to follow and anticipate the trends, developing new green products which are also ethically sustainable and energy-efficient.

Mapping of risks and actions in the Parent Company for the purposes of mitigation

In 2015 the Parent Company Gefran S.p.A. carried out an energy audit of its plants to check, among other things, their use of energy resources; the audit revealed that the most significant data referred to electricity consumption, which accounts for over 80% of total consumption, in terms of both quantity and emissions.

It therefore identified the corporate areas where most electricity was used, and in order to implement actions to improve energy performance and reduce emissions, a consumption monitoring system was set up by installing control monitors (data loggers) in 2017. Analysis of the data gathered and the resulting graphs, and comparison with fixed reference parameters, permitted identification of critical energy points in processes and in how machines are used, and potentially inefficient machinery/equipment was identified with the aim of planning specific initiatives for improving performance.

From the monitoring carried out, it has become clear that the most significant electricity consumption is by machinery in the production departments, the cold/ventilation circuits and, in particular, lighting (over 50%). In view of this, the company has drawn up a progressive series of energy efficiency actions in these sectors, some of which have already been implemented while some are scheduled for the near future.

The principal activities implemented in recent years, in line with the investment plan, are listed below:

- replacement of the refrigerating unit in the Provaglio plant in Via Sebina, improving the performance of the air conditioning system; specifically, in 2019 the first coolant unit in the production plant of the sensors division was replaced, along with the second unit in the plant containing the components division departments (the first unit had already been replaced in 2017);

- replacement of lighting elements, which was started in 2017 and continued in 2018 and 2019, with redesign of technical lighting in the areas concerned, a move to LED technology and a DALI (Digital Addressing Lighting Interface) integrated control system; thanks to introduction of these technologies, the measurements taken by the DATALOGGERs register an average reduction of consumption of 60% to 70%, with peaks of 80% in areas characterised by inefficient previous lighting design; in continuity with the two previous years, light fixtures were replaced in the following areas in 2019:

    - ✓ in the plant in Via Sebina: lighting in technical offices and warehouse area;
    - ✓ in the plant in Via Cave: lighting on the upper level, which currently houses a number of production lines (assembly of Mobile Hydraulic finished products and of a number of semi-product lines for potentiometers and magnetostrictive sensors);

- replacement of two SMT welding furnaces used in the production area in the plant in Via Sebina. The new furnaces offer two benefits for energy efficiency:

    - ✓ the average power required is about 30% less than that of the machines replaced, thanks to improved insulation (from about 225kWh/day to about 150kWh/day).
    - ✓ reduction of external purchases of pure nitrogen by about 40% and shutdown of the Company's own production system (saving about 55% on the energy consumption of the compressor unit, from 700kWh/day to 300kWh/day), thanks to the construction technology used in the design of the new furnaces, which obtain quality welding even without an inert atmosphere (nitrogen);

The energy audit conducted in 2015 also revealed that about 15% of the Group's energy consumption is in the form of thermal energy (natural gas), used almost exclusively for heating. Analysis of the existing systems revealed that it would be advisable to replace the heating units (boilers) in the plants in Via Sebina and Via Cave to achieve more energy-efficient performance. These two investments began in 2018 and continued in 2019.

Lastly, it is worth noting that improvement of energy efficiency over the past few years as permitted a reduction of about 12% in the amount of electricity purchased from the grid in 2019 as compared to 2018 in the Provaglio d'Iseo plants (from 4,707.7 MWh in 2018 to 4,135.8 MWh in 2019).

In 2019, in conformity with the focus on energy performance and conservation of resources, as stated in the investment plan, the Company set up a new production area in Via Galvani, in Provaglio d'Iseo, where it began and completed construction of a new building, where a number of production departments for the sensors business have been in operation since 1 January 2020 (mechanical workshop and force sensor assembly line). 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.

Special attention was then paid to the new building's energy efficiency and autonomy, qualifying it for "class A1" energy performance classification. Specifically:

- the building stands on a north-south axis and has a shed roof (a Y-shaped roof) oriented with its zenith to the north to maximise natural lighting;
- the building employs LED lighting both indoors and outdoors;
- the maximum available surface area was covered with solar panels, permitting installation of a 150kWp system which goes beyond the obligatory requirements for construction of new buildings (which in our case require a minimum of 60kWp of energy production); with the contribution of the existing 170kWp system installed on the adjacent building, the new system will make the production facility practically self-sufficient in terms of electricity.

5.2 MANAGEMENT METHODS IN THE GROUP

Gefran is committed to contribute actively to an environmental responsibility policy to reduce greenhouse gas emissions in the atmosphere, through continuous improvement of the energy efficiency of its plants and to see sustainable solutions in various areas, through practical initiatives.

The packaging used for its products is made from entirely recyclable materials and the manuals, which in the past were distributed in paper form, have been replaced since 2012 by CDs; it is estimated that this has reduced the quantity of printed pages by 45% (between 2012 and 2016). In 2019 the CD format was also eliminated, as widespread access to the mobile data network permits on-line consultation of the latest versions.

Internally also, changes have been made gradually to processes to reduce the use of printed paper, especially with regard to information management in HR. Specifically, since 1 January 2014, all Italian employees' pay slips, which were previously printed and distributed, are now saved in a special area reserved for employees, where Single Certification forms have been filed since 2015. In addition, all supporting documents for absences or overtime and travel expenses claims, which were previously filled in on paper forms, are now tracked with special authorisation flows within the attendance management software.

The most recent initiatives undertaken include management of meetings of the company's governance bodies using digital tools. Moreover, with the entry into force of electronic invoicing on 1 January 2019, the Group's Italian companies (with the exception of Elettropiemme S.r.l.) began optical filing of invoices payable within Italy (it had already been in use for some time for invoices receivable and accounting books). Both projects, carried on in the last quarter of 2018, led to reduction of the use and disposal of paper, saving about 300 kg of paper a year. In 2020 optical filing will be extended to international invoices payable.

The Group's environmental focus is further confirmed by Research and Development activities with a focus on identifying "ecological" solutions for new products; for example, Impact, the melt sensor without filling fluid, which was developed from 2007 and put on the market in 2009 ahead of the European RoHS directive 2011/65/EU, which came into force in June 2011 and which since 22 July 2017 has regulated the entry on the market of industrial monitoring and control devices containing mercury. The trend toward environmental compatibility also saw expansion of the range of melt sensors with the addition of NaK sensors, filled with mixtures of sodium and potassium.

The 2020 product plan also envisages the launch on the market of the new *GFW power controller*, which, along with the *GSLM module*, will improve energy efficiency performance in industrial plants where it is used (Smart Load Management).

About 800 thousand Euro have been invested over the years in photovoltaic systems for generating electricity for use in the Parent Company's plants, and specifically:

- in 2011 at Provaglio d'Iseo a 170.1 kWp system;
- in 2011 at Gerenzano three smaller systems of, respectively, 6.912 kWp, 6.912 kWp and 7.36 kWp;
- in 2013 at Provaglio d'Iseo an 89.67 kWp system;
- in 2019 at Provaglio d'Iseo and 150 kWp system.

where kWp (kilowatts peak) is the unit of measurement used in the photovoltaic sector to indicate the instant power provided by a photovoltaic cell or panel, in defined standard conditions.

It is consolidated practice to serve beverages in the company cafeteria through a dispenser connected with the water supply grid and fitted with a microfiltration system, eliminating use of PET water bottles. The dispenser provides both still and sparkling water, as well as soft drinks made by adding mixes to the water. Employees using the meal service take washable plastic cups from the cafeteria to the dispenser.

Also taking into account the activities described in the previous section, the company's orientation in its work is toward optimising use of energy resources at all levels in order to reduce their environmental impact. A specific company function has been set up for this purpose, "Safety & Environment", with employees working specifically in the area of environment and energy conservation. Its tasks include in particular:

- Complete management of industrial waste (storage and disposal), in accordance with current legislation.
- Organising the company's separate waste collection system.
- Checking workstations/chimneys for emissions into the atmosphere.
- Monitoring energy consumption.
- Collecting data on energy consumption.
- Organising training programmes promoting awareness of the issues it deals with among employees.

Safety & Environment uses professional consultants for the various areas of its work (legal formalities, personnel training and drawing up procedures for the correct handling and management of waste).

5.3 NON-FINANCIAL PERFORMANCE

Gefran has set up an energy consumption reporting system, extended to:

all the Group's production sites:
Gefran S.p.A. (IT)
Gefran Drives and Motion S.r.l. (IT)
Gefran Soluzioni S.r.l. (IT)
Elettropiemme S.r.l. (IT)
Gefran Inc. (US)
Gefran Brasil Elettroel. Ltda (BR)
Gefran Siei Drives Tech. Pte Ltd plant (CN)
Siei Areg GmbH (DE)
Sensormate AG (CH)
Gefran India Private Ltd (IN)

its principal sales branches:
Gefran Deutschland GmbH (DE)
Gefran Siei Asia Pte Ltd (SG)

A number of companies have been omitted in that they are purely concerned with sales and have a limited turnover and a small number of employees, and so their impact is considered to be of marginal significance. The perimeter does not include Gefran Uk Ltd (UK), Gefran France S.A. (FR), Gefran Benelux Nv (BE) and Gefran Middle East Ltd Sti (TR).

The figures for Elettropiemme S.r.l. are included in the perimeter since 1 January 2019, though the company joined the Group on 23 January 2019, in order to ensure homogeneity for comparison with the figures for the Group's other subsidiaries.

The Group's energy consumption

The results obtained confirmed that the energy sources used in the Group are basically:

- **Electricity**, used in production processes, in the chilling/ventilation circuit and for lighting; a portion of the electricity consumed (approximately 3% to 4%) is generated in-house with photovoltaic panels installed on the plants of the Parent Company Gefran S.p.A. and the subsdiaries Gefran Soluzioni S.r.l. and Gefran Drives and Motion S.r.l..

Electricity in GJ	**2019**	**2018**	**2017**
Self-generated electricity	813	839	991
Electricity acquired from the grid	25,041	26,268	25,477
Total Electricity	**25,854**	**27,107**	**26,468**
Incidence of total energy consumption	53.8%	54.5%	53.7%

The increase in the amount of electricity acquired from the grid in 2018 is primarily attributable to expansion of production lines and working night shifts in the production plant of the sensors division in Provaglio d'Iseo. In 2019 the technological solutions implemented by the Parent Company, described on the previous pages, permitted reduction of the quantity of electricity acquired from the grid by 4.7% over the previous year.

Electricity generated in-house is down over previous years, as a result of normal deterioration of the installation due to wear as well as a number of defective panels, which are undergoing technical evaluation aimed at replacement.

Lastly, note that the method used to report this information by the subsidiary company Gefran Siei Drives Tech. Pte Ltd (CN) was changed in 2018. In order to permit homogeneous comparison, the figures for 2017 have therefore been modified with respect to those published in the 2017 Statement, adjusting them in light of the new method used in 2018 and 2019.

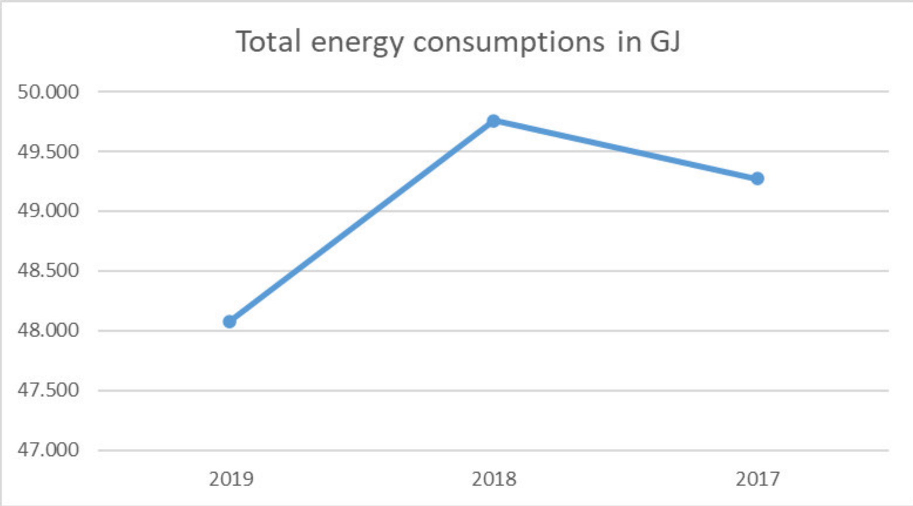
- **Fuels** were primarily represented by diesel for company vehicles; diesel for "other uses" is used to supply fire-fighting pumps and electrical generators.

Fuel in GJ	**2019**	**2018**	**2017**
Diesel for company vehicles	8,616	9,303	7,817
Diesel for other uses	48	45	35
Petrol for company vehicles	1,519	1,214	1,288
Total Fuel	**10,182**	**10,562**	**9,139**
Incidence of total energy consumption	21.2%	21.2%	18.5%

- **Natural gas** is used to heat work areas, while gases are not used in the production process.

Natural gas in GJ	**2019**	**2018**	**2017**
Total Natural gas for heating	**12,041**	**12,090**	**13,665**
Percentage of total energy consumption	25.0%	24.3%	27.7%

The method used to report figures from the subsidiary Gefran Siei Drives Tech Pte Ltd (CN) was changed in 2018. In 2019, moreover, the reporting method was adjusted for Sensormate AG (CH), with precise calculation rather than estimates, and the conversion factor from kwh to m3 was changed for Siei Areg Gmbh (DE).
In order to permit homogeneous comparison, figures for 2017 and 2018 have therefore been modified over those published in the previous Statements and adapted to the new measures adopted.



-3.4% 2019 vs 2018

-2.4% 2019 vs 2017

The overall trend in 2019 is toward steady reduction of energy consumption, both in comparison with the previous year and in comparison with 2017, despite the increase in a number of variables, such as higher volumes of production, increased human resources, and increased size of production areas.

Gefran's commitment to cutting energy consumption is confirmed by the Energy Intensity indicator, calculated as the ratio between energy consumed and sales for companies within the reporting perimeter. The indicator continues to shrink:

Energy intensity	**2019**	**2018**	**2017**
GJ over revenues	0.371	0.401	0.415

-7.4% 2019 vs 2018

-10.5% 2019 vs 2017

Energy consumption by purpose of use

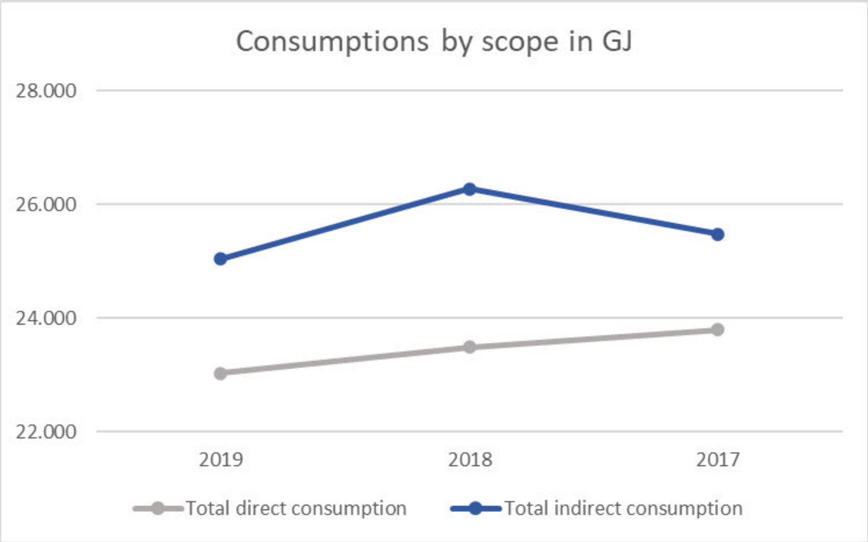
When analysing the Group's activities and the energy consumption related to these, Gefran considers *"direct"* consumption to include the use of fuel, for company vehicles and the emergency generators that are used only if there is a power cut, the electricity self-generated by the photovoltaic panels installed on the factory roofs and used to operate the systems, and the natural gas bought and used to heat the workplaces.

A summary is given in the table below:

Direct energy consumption in GJ	**2019**	**2018**	**2017**
Diesel	8,664	9,348	7,852
Petrol	1,519	1,214	1,288
Self-generated electricity	813	839	991
Natural gas	12,041	12,090	13,665
Total direct consumption	**23,036**	**23,491**	**23,794**

The Group's *"indirect"* energy consumption refers to electricity (from the mains), used mainly by the offices. "Indirect" consumption is summed up below:

Indirect energy consumption in GJ	**2019**	**2018**	**2017**
Mains electricity	25,041	26,268	25,477
Total indirect consumption	**25,041**	**26,268**	**25,477**

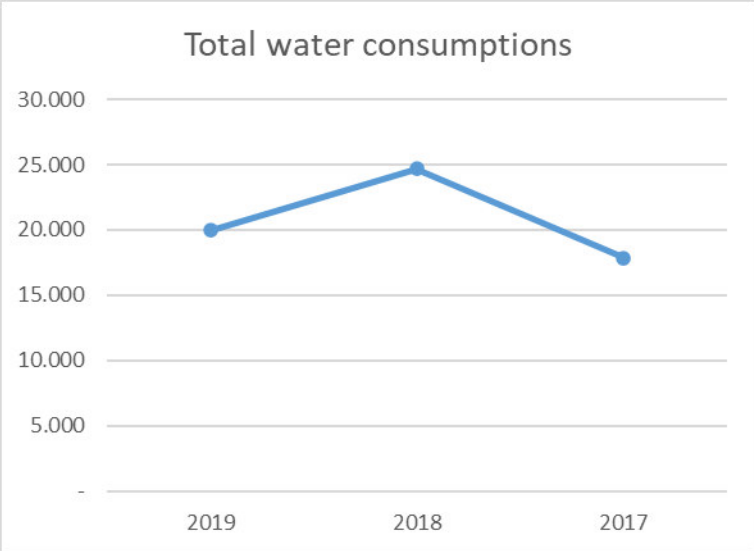


Note that the reporting method used by the subsidiary Gefran Siei Drives Tech. Pte Ltd (CN) was changed in 2018. In 2019, moreover, the reporting method was adjusted for Sensormate AG (CH), with precise calculation rather than estimates, and the conversion factor from kwh to m3 was changed for Siei Areg Gmbh (DE). In order to permit homogeneous comparison, figures for 2017 and 2018 have therefore been modified over those published in the previous Statements and adapted to the new measures adopted.

Group water consumption

As for water consumption, note that no water is used in production processes, and so there is no industrial wastewater; water consumption is modest, and comes exclusively from the mains.

in m3	**2019**	**2018**	**2017**
From mains	19,970	24,671	17,852
Total water consumption	**19,970**	**24,671**	**17,852**



-19.1% 2019 vs 2018

+11.9% 2019 vs 2017

Note that some companies cannot provide precise reports (particularly Gefran India and Gefran Siei Asia), and so estimates have been provided on the basis of average consumption per employee in companies of similar size.

Water consumption in 2019 was considerably lower than in 2018, when "extraordinary" consumption was recorded as a result of dismantling of technological and construction sites opened for the construction of new areas and redevelopment of a number of existing areas. In addition to this, in 2018 a leak was discovered in a pipe in the fire-fighting system in the plant in Gerenzano (VA), which was repaired.

2019 consumption is, in any case, higher than the figure for 2017, and the increase is primarily attributable to the increased number of employees (the average number grew from 731 in 2017 to 801 in 2019) and the addition of the newly acquired Elettropiemme S.r.l. to the perimeter.

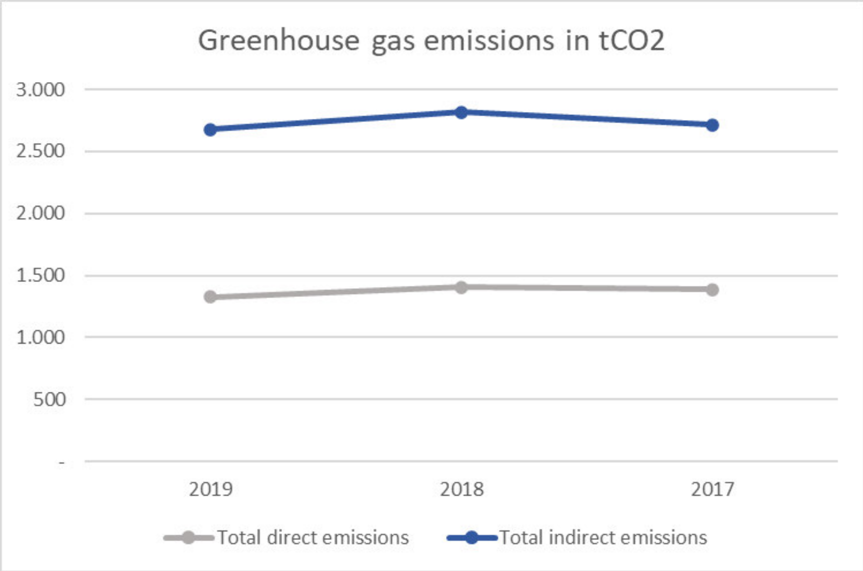
Emissions into the atmosphere

After gathering the energy consumption data, greenhouse gas emissions were calculated per purpose of use.

Greenhouse gas emissions connected to Gefran's activities arise from the direct and indirect consumption of energy, and from losses linked to the consumption of refrigerant gas (F Gas).

Emissions in tCO2	**2019**	**2018**	**2017**
Diesel for company vehicles	639	690	580
Diesel for other uses	4	3	3
Petrol for company vehicles	103	82	87
Natural gas	582	584	674
Other (F Gas)	-	46	45
Total direct emissions	**1,328**	**1,406**	**1,389**

Emissions in tCO2	2019	2018	2017
Mains electricity	2,677	2,815	2,714
Other (specify)	-	-	-
Total indirect emissions	**2,677**	**2,815**	**2,714**



The indicator of the intensity of emissions in 2019, calculated as the ratio between emissions produced and sales in the plants reported on here, has improved over both the previous year and the year 2017:

Emissions intensity	2019	2018	2017
tCO2 over revenues	0.031	0.034	0.034

-9.1% 2019 vs 2018

-8.2% 2019 vs 2017

Finally, it is estimated that, based on the yields from the photovoltaic systems installed on the roofs of the Provaglio d'Iseo and Gerenzano plants and shown in the table below, emissions not emitted into the atmosphere are equal to 81 tCO2 (84 tCO2 in 2018 and 99 tCO2 in 2017).

	2019	2018	2017
Yield of PV systems (in MWh)	226	233	275
Emissions not emitted into the atmosphere (in tCO2)	81	84	99

Figures for **Nox (nitrogen oxide), SOx (sulphur oxide) and other significant emissions** are reported below for companies included in the reporting perimeter:

Emissions in t	**2019**	**2018**	**2017**
Emissions into the atmosphere from motor vehicles			
NOx	2.622	2.803	2.373
SO2	0.003	0.004	0.003
PM10	0.169	0.180	0.153
VOC	0.369	0.309	0.316
Emissions into the atmosphere from production processes			
VOC	0.293	0.344	0.385

Note that the reporting method used by the subsidiary Gefran Siei Drives Tech. Pte Ltd (CN) was changed in 2018. In 2019, moreover, the reporting method was adjusted for Sensormate AG (CH), with precise calculation rather than estimates, and the conversion factor from kwh to m3 was changed for Siei Areg Gmbh (DE). In order to permit homogeneous comparison, figures for 2017 and 2018 have therefore been modified over those published in the previous Statements and adapted to the new measures adopted.

Wastes produced for recovery or disposal

In each of the Group's plants (in Provaglio d'Iseo, Gerenzano, the United States and China), there is a system in place permitting separate collection of wastes for recycling by all employees, organised with bins of different colours identifying the type of wastes to be disposed of. Figures on the trend of separate waste collection in the plants in Provaglio d'Iseo reveal Gefran's commitment to coming up with the most sustainable solution for waste management.

	2019	**2018**	**2017**
quantity of wastes collected for recycling (*)	112,848 kg	123,142 kg	99,400 kg
of which:			
Solid Urban Waste	22.7%	21.0%	23.3%
Paper/Card	35.0%	35.5%	34.4%
Plastic	26.1%	24.4%	21.0%
Wood	16.2%	19.1%	21.3%
quantity of Organic Solid Urban Wastes (*)	4,480 kg	4,170 kg	3,450 kg

(*) figures provided by disposal company

Specifically, with reference to the Group's Italian plants (the Parent Company Gefran S.p.A., Gefran Soluzioni S.r.l., Elettropiemme S.r.l. and Gefran Drives and Motion S.r.l.), figures on wastes produced are reported below, as calculated by the "Safety & Environment" area, distinguishing between hazardous and non-hazardous wastes:

in kg	2019	2018	2017
Total waste produced	**439,665**	**503,407**	**373,571**
of which hazardous	33,474	37,124	21,481
% of total	7.6%	7.4%	5.8%
of which non-hazardous	406,191	466,283	352,090
% of total	92.4%	92.6%	94.2%

in kg, by destination	2019	2018	2017
Total waste to be recovered (reuse or recycle)	**277,236**	**347,491**	**206,355**
% of total	63.1%	69.0%	55.2%
of which hazardous	10,107	4,458	1,170
of which non-hazardous	267,129	343,033	205,185
Total waste to be disposed of (landfill or waste-to-energy)	**162,429**	**155,916**	**167,216**
% of total	36.9%	31.0%	44.8%
of which hazardous	23,367	32,666	20,311
of which non-hazardous	139,062	123,250	146,905

Note that in 2018, following the expansion and redevelopment of production areas, the Group disposed of all obsolete materials which were technically inadequate for the Group's current requirements. This led to an increase in the weight of wastes produced in 2018 over the 2017 figure (+35%). The 2019 figure is down 13% over the previous year, despite an increase in the average number of employees (from 751 in 2018 to 801 in 2019), and starting in 2019 the reporting perimeter also includes Elettropiemme S.r.l., purchased by Gefran Soluzioni S.r.l. in January 2019.

The breakdown of wastes (hazardous and non-hazardous) in 2019 remained in line with the 2018 one (7.6% and 92.4% of the total, respectively).

The percentage of wastes that can be recycled was down (from 69% to 2018 to 63.1% in 2019), while the percentage destined for disposal was up (from 31% in 2018 to 36.9% in 2019).

In the year 2018 the Group's foreign companies also began to collect data; the figures for the entire reporting perimeter are shown below:

in kg	**2019**	**2018**
Total waste produced	**507,379**	**557,311**
of which hazardous	34,347	38,453
% of total	6.8%	6.9%
of which non-hazardous	473,032	518,858
% of total	93.2%	93.1%

in kg, by destination	**2019**	**2018**
Total waste to be recovered (reuse or recycle)	**312,123**	**374,092**
% of total	61.5%	67.1%
of which hazardous	10,509	5,037
of which non-hazardous	301,614	369,055
Total waste to be disposed of (landfill or waste-to-energy)	**195,256**	**183,219**
% of total	38.5%	32.9%
of which hazardous	23,838	33,416
of which non-hazardous	171,418	149,803

Note that some companies were unable to provide precise reports (particularly Gefran India, Gefran India Private Ltd e Gefran Siei Asia Pte Ltd), and so estimates have been provided on the basis of the quantities of paper purchased and packaging consumed.

6. HEALTH AND SAFETY

6.1 RISKS AND OPPORTUNITIES

Workers' health and safety

Risk assessment is essential to protect the health and safety of our workers. Gefran is constantly committed to mapping the operating risks that could be manifested in the various company sectors, to define opportunities and actions to minimise them, where possible.

In compliance with the provisions of the law established under Legislative Decree 81/08, figures on injuries are periodically collected and analysed by the Prevention and Protection Service (the Employer, the Head of the Prevention and Protection Service, the Company Doctor, and Workers' Safety Representatives).

The risks identified are essentially specific to particular areas of production, logistics and/or offices:

- risk of injuries or accidents to employees at particular stages in assembly, including the risk of loads falling from high places;
- impossible or difficult access to safety devices if their location is poorly identified;
- failure to recognise hazardous substances and know what to do in the event of contamination;

as well as more general risks:

- risks on the way to and from work;
- risks of internal falls/slips;
- risks during special maintenance work, both specific to the activity and due to interference among companies or between companies and Gefran employees
- risks not specifically linked with the work environment, but correlated to the pathologies most frequently found among the European population today (according to the World Health Organisation).

Again, in the context of production and logistics, an "increased operating risk" was identified from incorrect handling of materials and their storage in inappropriate areas. Secondary risks were also identified, such as the risk that small components could get into operators' eyes when smoothing circuits.

Following this analysis, Gefran assessed whether it was appropriate to implement an internal system of best practices, for all Group companies, to disseminate and reinforce a culture of occupational health and safety which, as well as being a regulatory obligation, is an important value of corporate responsibility.

When an injury occurs, the procedure for investigating the hazardous events provides a prompt, structured response aimed at identifying, analysing and recording the basic causes of the hazardous event, so as to define corrective and preventive actions and ways to improve and prevent the event from being repeated. These may be summed up as opening an investigation in order to obtain more information on the event and reporting on the incident. These documents are analysed during periodic safety meetings managed by the Prevention and Protection Service.

In view of the results of the investigation, additional discussions and specific training sessions will be organised focusing on use of protection equipment or the procedures to be followed.

User health and safety - Risks connected to compliance with the regulatory framework

Since the Group makes and sells electronic components used in electrical applications, it is subject to specific legal and regulatory requirements in the various countries in which it operates, and to technical standards on safety that are applicable to the products made and sold.

The Research and Development sector is therefore continually seeking to adapt product characteristics, to comply with the safety requirements of the various application sectors and to fully meet customers' needs.

This is one of the sustainable values promoted by Gefran to enable the Group to maintain and increase its market share.

User health and safety - Risks associated with product development, management and quality

The Group's value chain covers all activities, including R&D, production, marketing, sales and technical support. Defects or errors in these processes may cause product quality problems that could potentially affect users' safety, in addition to the Group's results and financial position.

The Research & Development and Production Engineering teams work on development and engineering of products that are sustainable in terms of safety, the former through definition of technical specifications for correct product installation, and the latter through analysis and identification of production procedures aimed at mitigating the possible risks resulting from incorrect process management.

The customer is overseen by the Marketing area, which studies the customer's specific needs, the fields of application and the areas in which the products will be installed, in order to guide the customer's choice and ensure compliance with safety protocols using a preventive approach.

In line with practice in the industry, the Company has also stipulated insurance policies covering potential economic and financial impact, and a specific product warranty fund is set up, proportionate to the volume of sales and the historic nature of these phenomena.

User health and safety - Legal risks and product liability

Within the scope of Gefran's core business, the manufacture and sale of products may give rise to issues linked to defects and consequent liability in respect of its customers or third parties. Like other operators in the industry, the Group is therefore exposed to the risk of product liability litigation in the countries in which it operates.

The Quality areas in various Group plants are constantly busy analysing the components most exposed to the risk of defects. When critical problems are identified, action is promptly taken with the involvement of Procurement and Research & Development, for instance by specifically investigating the type of supply or revising the product. These actions are aimed at identifying the problem that arose and limiting the resulting risks, which could also have an impact on the products' safety performance. If necessary, moreover, with the support of the Marketing team, a campaign may be held to obtain return of products for repair or replacement.

Lastly, in line with practice in the industry, the Company has stipulated insurance policies covering potential economic and financial impact of risks deriving from this responsibility and set up a specific provision.

6.2 MANAGEMENT METHODS IN THE GROUP

Workers' health and safety

Gefran's commitment in the area of occupational safety is to provide its employees with everything they need to perform their work in perfect safety, in terms of both protective devices and ongoing instruction.

Gefran has taken measures in the definition and implementation of its investment plan with respect to the first type of risk, and specifically **risk of injury to assembly workers**, and has obtained CE certification of its two SMT production lines and optical inspection line in the Parent Company's plant. All machines included in the 2019 investment plan had CE marking. Lines incorporating machinery purchased abroad must be provided with CE certification by the supplier, while machinery built in-house will be certified by Gefran, involving its safety consultants in the design of the machinery. In this way, Gefran obtains CE certification not only of individual machines, but of the entire production line.

The intrinsic safety of the machinery is considered an essential factor in preventing risk of injury. Beginning with the findings of a review of the Risk Assessment Documents for the Provaglio d'Iseo plants conducted in 2019, one of the goals set for 2020 is adaptation or replacement of obsolete machinery and machines that cannot fully meet the risk prevention criteria.

Risk mapping in the production and logistics areas has also identified **the risk of loads falling from height** was identified; following this assessment, company practices were adopted to limit this risk, such as the use of safety shoes in all production and logistics areas and restricting access to these areas for those not working there.

Workers are provided with PPE (personal protection equipment) to be used appropriately for their assigned tasks and activities and instructed in its use. To improve recognition of the obligations inherent in various different activities, in 2020 the company will begin a process of graphic identification of all workstations with symbols representing the PPE required when working on them.

In 2019 the Company continued **providing instruction in the area of health and safety**, begun in 2018, for all employees of the Parent Company; this plan will be continued in 2020. This kind of work is its duty, and Gefran has chosen to have it done by a group of professionals in the field, so that the education campaign may become an opportunity to experiment with active teaching methods, intervening to change the behaviour of individuals and the corporate organisation as a whole.

Instruction in 2020 will focus on the role of *Safety managers*, to ensure that every function participates and plays an active role in promotion of the culture of prevention. In addition to this, instruction will focus on the position of *Safety supervisor*, extending specific instruction to "de facto supervisors", that is, personnel who, while not holding the position of supervisory in the Gefran organisation chart, effectively find themselves managing and coordinating the work of others (such as technicians who coordinate the work of external contractors).

In order to minimise **increased operating risk** caused by incorrect handling of materials and storage of materials in inappropriate locations, and to reduce the possible risk of accumulation, a “lean” approach has been adopted, organising the workstations according to their specific function and clearly defining materials handling spaces and storage spaces. In 2019 the Company reviewed the organisation of a number of production lines, paying special attention to safe, ergonomic handling by operators, who are sometimes required to handle rather heavy semi-products; this will continue in 2020.

In order to control and limit **operating risks in the Group’s international locations**, the Parent Company superintends the construction and installation of new production lines, which are assembled in Italy according to the model of the Italian ones and then shipped to foreign plants, and in organisation of the production process on the basis of the "lean" approach described above. When the lines have been implemented, Parent Company personnel check that these organisational and production principles are complied with, through periodic inspections.

In 2019 the Shanghai plant took important steps toward implementation of Lean and Six-Sigma production, with the support of a consultant from the Lean Six Sigma Academy at Tor Vergata University in Rome, who worked in the plant for several months. The project was also supported by analysis and instruction of a typical local phenomenon of Chinese social interaction known as *Guanx*i, with the aim of improving employees’ sense of involvement and participation in the specific project and in the company’s mission.

In the early months of 2019 the new Gefran Inc production facility in North Andover (MA), purchased at the end of 2018, was adapted. Work was completed in June, moving production from the previous location in Winchester (MA) and beginning ordinary operation in July 2019. Installation of the first NaK filling system is currently being completed in the plant, under the direct supervision of employees of the Parent Company Gefran S.p.A..

The 2020 investment plant envisages further expansion of production lines in foreign branches to offer optimal support for local customers; it includes a plan for installation of a Sensormate AG (CH) testing station and introduction of new production technologies in the subsidiaries Gefran Siei Drives Tech.Pte Ltd (CN) and Gefran Inc (US).

As for reduction of **risks deriving from impossible or difficult access to safety devices** , the causes identified in the risk analysis are poor identification of their location or presence of material stored in unsuitable areas. In addition to the ongoing instruction and promotion of awareness described above, Gefran has come up with internal “*colour code”* specifications for horizontal identification and floor markings. The specification not only complies with the recommendations of standard OSHA 1910.144 but goes further, providing a complete “colour scheme” helping visually identify work areas and pathways and clearly indicate the designated storage locations for materials, finished products, instruments and tools. The colour scheme is intentionally limited to a small number of colours to make it easy to learn and remember. It may be modified in response to specific needs to adapt it to the operative priorities, processes and specific features of individual plants.

Areas equipped with safety equipment such as fire extinguishers and first aid kits are identified in red and white, while areas where hazardous materials are stored are marked in yellow and black.

With the goal of improving **recognition of hazardous substances** and extending knowledge of first aid actions in the event of contamination, in 2019 the Company began a project for mapping all potentially hazardous materials in use in production areas again, eliminating unnecessary materials from all workstations and work areas and improving visual identification of the others.

Upon completion of the project, the code of the hazardous substance in use will appear on each workstation, with an improved reference to the Material Safety Data Sheet (MSDS), an obligatory document reporting what to do in the event of contamination for each substance. Reading and knowledge of the MSDS document was addressed in training programmes.

With regard to the **risk of falling/slipping in plants**, Gefran has implemented constant monitoring of floors and stairs, as well as entrances, where weather conditions can further increase this type of risk; this monitoring leads to work to restore safe conditions, where considered necessary.

Lastly, to limit **risks not specifically linked with the working environment but related to the pathologies most common in today's European population (according to the World Health Organisation)** , Gefran has been promoting a focus on workers' health for many years, supporting initiatives which are not obligatorily required by law in the area of prevention, such as the campaign promoting optional cardiology examinations with a cardiogram for all employees over 50 held in 2017.

In this context, In the year 2018 the company decided to add semi-automatic defibrillators to the first aid equipment available in the Gefran plants in Provaglio. In 2019, all workers in Provaglio d'Iseo (IT) and Gerenzano (IT) underwent an 8-hour training programme in conflict and stress management. Society today is unfortunately seeing growing phenomena of aggressiveness, often merely verbal or via social networks, which can have a negative impact on particularly sensitive individuals. The training programme was intended to help improve the climate in the Company and provide people with tools permitting prompt identification of potential situations of conflict and methods for dealing with them and attenuating their consequences.

In 2020, in agreement with the Company Doctor, an extensive campaign will be conducted for examination of workers' vision (in Gefran S.p.A. and Gefran Soluzioni S.r.l.).

User health and safety

The Gefran Group's mission is to support customers in improving the performance of their technological processes, by ensuring continuity and dedication and maximising sustainable value. Thanks to its passion, energy and skills with technology and innovation, Gefran is able to provide effective, targeted responses.

Gefran owns and develops proprietary technologies that enable it to keep its promises in terms of reliability, quality and safety, thus combining the values of a family-run business with an international management structure.

One of the requirements allowing Gefran to maintain its position of leadership in occupational health and safety is maintaining an effective, up-to-date Quality Management System in compliance with the requirements of standard UNI EN ISO 9001:2015; its goals are:

- creating and maintaining its own identity, consistently with the Company's values and mission as expressed in its Code of Ethics;
- achieving customer satisfaction, effectively interpreting customers' needs and providing them with the best possible service assisting them in use of the product;
- ensuring employees' career growth;
- promoting ongoing improvement within the organisation
- verifying achievement of the targets set through quality planning;
- developing and producing products that comply with the applicable binding and voluntary standards;
- ensuring conformity of products with the specified requirements and applicable binding and voluntary standards;

- seeking, selecting and developing suppliers capable of meeting the Group's needs in terms of total cost, technological capacity, quality and service;
- promptly responding to any customer claims with effective solutions.

With regard to user health and safety matters, in the aforementioned statement on quality policy, the Group's desire to design, develop, produce and sell only products compliant with applicable, binding regulations is clear to see.

The safety and quality of Gefran's products is considered a distinctive feature and a significant competitive lever in the market. For these purposes, certification of various products is constantly monitored in relation to the Group's strategy and the markets served. In addition, the processes to develop new products include analysis and identification of binding regulations and subsequent steps of certifying performance and compliance with the identified regulations.

Backing up the Group's commitment to provide cutting-edge products in terms of safety, Gefran has a number of employees who take part in the CEI technical committees, to become aware of, anticipate and influence future product standards and, where necessary, use specialist advisers working in the product certification sector.

The processes involved in the field of application of the Quality Management System are cross-functional:

Strategic processes	**Operative processes**	**Support processes**
- Strategy; - Product plan approval; - Three-year plan.	- Commercial; - Innovation; - Operations; - Procurement	- Management control; - Information systems; - Human resources; - Measurement, analysis and improvement.

For each of the processes listed above, the inputs/outputs, specific activities and responsibilities, the sequence and interactions with other processes have all been identified to ensure product quality and therefore safety:

- Division management draws up the strategic plan (whether compliance with a standard impacts strategy or is a driver of it will be appropriately considered) and Top Management approves the three-year plan;
- the product manager and commercial department determine the customer's or reference market's requirements (the product requirements and binding regulations and non-mandatory certifications that are useful for competitive advantage are defined ahead of the product development process);
- R&D develops the product and certifies that it complies with all the characteristics and standards in the technical specifications put together by the product managers, including any additional certifications;
- Engineering industrialises the product;
- The operations area looks after manufacturing: the necessary control points will be included in the manufacturing process to ensure compliance with the product characteristics; currently Gefran carries out production process controls on 100% of products and is moving towards including automated control steps, to eliminate the uncertainty of manual tests;

Products constructed in Gefran are subject to the controls required by the production cycle: at the time of acceptance of materials, at intermediate points in the production process, and in final testing.
Specifically, in the presence of safety requirements, the necessary tests and consequent record-keeping are conducted in compliance with the provisions of the regulations.
Traceability of the controls performed is guaranteed in relation to the product's serial number.

- Quality measures and analyses performance to guide continuous improvement.

As the Group believes it can create sustainable value, it is constantly looking at ways to adapt and renew its products, including with regard to safety directives. We give two significant examples of activities on this front carried out in recent years:

a) Applicability of the RoHS directive was extended to industrial measurement and control devices beginning on 22 July 2017. Gefran responded by developing appropriate alternative production processes, products and technologies that meet the common requirement of reducing negative impact on the environment and on people (for example, starting in 2007, high temperature pressure sensors no longer use mercury as a filling liquid).

b) Also with a view to providing its customers or end users with products meeting high standards of safety, in the pressure sensor range in particular, whether for high temperatures or not, Gefran offers products certified for functional safety (PL-Performance Level and SIL-Safety Integrity Level), as in the case of sensors for use in a potentially explosive atmosphere (IECEx, ATEX, EAC Ex). The automation components range also demonstrates an ongoing determination to integrate high standards for functioning and safety (such as SCCR approval under UL 508) to guarantee that users enjoy an ever-growing level of protection.

c) The 2020 product plan envisages the launch on the market of the new *GFW power controller*, which, along with the *GSLM module*, will improve energy efficiency performance in industrial plants where it is used (Smart Load Management).

Supply chain

With regard to minerals from conflict zones (conflict minerals), Gefran is committed to responsible procurement and considers mining activities that feed conflicts as unacceptable. Gefran's commitment is in line with the activity of the Electronic Industry Citizenship Coalition® (EICC®) and Global and Sustainability Initiative (GeSI) to improve the transparency and traceability of metals in the supply chain.

In this area, in the year 2014, Gefran mapped the bills of materials of Group products to identify what minerals might be present; the analysis showed that, of the four minerals covered by the regulations, tungsten is not present in the components used, whereas tantalum, gold and tin are.

As a result of this check, suppliers who might use these minerals in their production process were then identified and they were asked to certify that their supplies do not come from conflict zones.

Following this analysis, Gefran continues to monitor supplies for Conflict Minerals, preparing specific certification for customers requiring it and publishing the guidelines it has adopted and the Group's policy on its internet site. These documents may be found at*https://www.gefran.com/system/ckeditor_assets/attachments/461/Gefran_conflict_minerals_policy.pdf*.

Lastly, in the area of protection of human health and the environment from risks attributable to chemical substances, Gefran is not directly affected by the obligations resulting from application of European REACH regulations, as the Group:

- does not produce or import chemicals;
- does not use substances of very high concern (SVHC) in its processes;
- is a "downstream" user of chemicals but ensures that the supply chain complies with the tasks established by REACH to ensure sustainable continuity in supplies.

The company's position is represented in its declaration of environmental conformity, which may be found at *https://www.gefran.com/en/certifications.*

6.3 NON-FINANCIAL PERFORMANCE

The Group's policies and practices, with sustainable aims in terms of health and safety, have been confirmed with the lower number of accidents in the last three-year period.

The reporting of accident data, like that on energy performance, covers all the Group's production sites:

all the Group's production sites:
Gefran S.p.A. (IT)
Gefran Drives and Motion S.r.l. (IT)
Gefran Soluzioni S.r.l. (IT)
Elettropiemme S.r.l. (IT)
Gefran Inc. (US)
Gefran Brasil Elettroel. Ltda (BR)
Gefran Siei Drives Tech. Pte Ltd plant (CN)
Siei Areg GmbH (DE)
Sensormate AG (CH)
Gefran India Private Ltd (IN)

its principal sales branches:
Gefran Deutschland GmbH (DE)
Gefran Siei Asia Pte Ltd (SG)

Data is collected on a one-off basis, with the help of the company functions that manage this type of information (HR, Safety & Environment, Employer).

At the moment, data from the subsidiaries currently not included in the scope of reporting (Gefran Uk Ltd, Gefran France S.A., Gefran Benelux Nv, Gefran Middle East Ltd Sti) is considered negligible as they are small sales companies with limited turnover.

The figures for Elettropiemme S.r.l. are included in the perimeter since 1 January 2019, though the company joined the Group on 23 January 2019, in order to ensure homogeneity for comparison with the figures for the Group's other subsidiaries.

The figures below represent the number of accidents on the job that took place in the last three years;

total injuries	2019	2018	2017
No. accidents	7	5	1
of which serious	1	-	-
% of total	14.3%	0.0%	0.0%
of which fatal	-	-	-
% of total	0.0%	0.0%	0.0%
Working days lost due to accidents	317	198	61

of which accidents on the way to or from work	2019	2018	2017
Accidents on the way to or from work	2	1	-
% of total	28.6%	20.0%	0.0%
Working days lost due to accidents on the way to or from work	5	55	-

Of the seven injuries to Group employees in 2019:

- two took place in the Parent Company's plant in Provaglio d'Iseo (IT), one of which was a fall down the stairs in the plant, while the other was a minor cut incurred during product assembly; these led to a total of 12 days off work, and neither of the two injuries is considered serious;
- one took place in the Gefran Drives and Motion S.r.l. plant in Gerenzano (IT), due to a cut caused by an accidental blow against a permanent structure; it led to a total of eight days off work;
- two took place on the way to or from work to employees of Gefran Drives and Motion S.r.l. (IT), leading to a loss of a total of five working days;
- one took place in the Elettropiemme S.r.l. plant (IT), due to a cut while using production equipment; this injury led to 40 days off work;
- one took place to an employee of Elettropiemme S.r.l. while operating an industrial machine on a customer's premises; this injury is considered serious, as it resulted to loss of 252 working days.

In addition to the above, in the month of December 2019, an injury occurred in one of the Parent Company's plants, to an employee of a company to which our supplier of electrical equipment had contracted out the work. During installation of a compressed air system, the worker fell from a height of about 4 metres on a ladder where he was working, resulting in abdominal contusion and a fractured wrist. ATS is currently investigating the causes of the accident.

The procedures and practices described above were implemented in response to these accidents to Group employees. Accident rates are shown below:

accident rates	2019	2018	2017
Accident frequency rate (no. accidents, excluding accidents on the way to or from work, x 1,000,000 / hours worked)	3.41	2.97	0.77
Accident severity rate (working days lost, excluding accidents on the way to or from work, x 1,000 / hours worked)	0.21	0.11	0.05

In view of the dynamics described above, the worsened frequency and gravity indicators do not affect Gefran's constantly high level of attention to Health and Safety issues, both in relation to its employees and in technologies applied to its products, making it one of the key values of corporate excellence throughout the Group.

Precise reporting on hours of employee training in the specific areas of Health and Safety, begun in 2018, continued in the year 2019. In the Group's Italian plants:

Hours of Occupational Health and Safety instruction	**2019**			**2018**		
	W	M	T	W	M	T
Managers	-	12	12	-	-	-
Middle managers	4	148	152	16	90	106
Clerical staff	163	1,480	1,643	347	499	846
Manual workers	1,084	1,502	2,586	169	257	426
TOTAL hours in Italian plants	**1,251**	**3,142**	**4,393**	**532**	**846**	**1,378**

and for the overall scope of reporting as described above:

Hours of Occupational Health and Safety instruction	**2019**			**2018**		
	W	M	T	W	M	T
Managers	-	18	18	-	1	1
Middle managers	8	187	195	16	140	156
Clerical staff	181	1,531	1,712	371	598	969
Manual workers	1,126	1,543	2,669	185	335	520
TOTAL hours in the Group	**1,315**	**3,279**	**4,594**	**572**	**1,074**	**1,646**

7. MANAGEMENT OF SOCIAL TOPICS

7.1 RISKS AND OPPORTUNITIES

Human capital management

The Gefran Group is founded on the key values expressed in the company's internet site, in the Brand Book defining the "Gefran Way", and in the Code of Ethics and Code of Conduct, which include safeguarding of diversity, of equal opportunities and of human rights.

The company addresses the market and people on a global level, and so the osmosis of experiences, international culture and ability to work alongside people from different cultures and traditions are keys to the success of company operations and competitiveness. For this to happen, it is necessary to implement systems for integration, inclusion, involvement and sharing of information and experience focusing not on homogeneity or sterile uniformity, but on heterogeneity and virtuous contamination in which each person has a contribution to make. The company sees cultural and gender diversity and integration of unique qualities cooperating to achieve common goals as a valuable asset and strong point, an engine driving innovation and sustainable value. Gefran views diversity as a value which must be respected, and not only in relation to culture, religion and gender. The company also respects and appreciates the value of differences between generations, implementing structured reverse mentoring programmes, and of differences in lifestyle (such as different dietary habits, which the company's cafeterias respect and allow for).

The company is all about people, and professional development is an essential factor in responding to the risk of losing talent, know-how, and skills, and therefore opportunities and competitiveness. Aware of this, the company has implemented a series of initiatives. Plans for engaging people and ensuring their fidelity range from welfare (among others, the organisational wellness programme begun in 2017 under the name *WELLFRAN people in Gefran*), to international mobility, customised training and professional development plans and *FLY*, Gefran's Talent Academy, organised under a close partnership with universities; all these initiatives were launched and continued since 2016 to reinforce employer branding and the employee experience.

These results have earned Gefran a mention as an example of excellence on radio and television broadcasts (such as RAItre), and won the company the prestigious Best Job award (presented by the German Economic Institute); the company also received a visit from Senate Labour Commission and was invited to share its experience in initiatives and conventions focusing on these areas organised by Bocconi University, Politecnico di Milano, and Brescia University, as well as being one of the companies featured in the *ALL-IN* initiative promoted by AIB with the participation of key social and institutional players (Province of Brescia, Università Cattolica del Sacro Cuore, Brescia University, the Association of Municipalities of the Brescia Region, the School Office for Lombardy, the Chamber of Commerce and the Municipality of Brescia and the principal trade unions).

With a view to achieving digitalisation, and with the goal of optimising information management, the Company has set up IT platforms for analysis of CVs and is working on setting up a Group-wide database of information and a digital co-working platform aimed at facilitating cooperation and sharing of a digital platform for training and development of talent (*kenFLY*).

Sustainable management of the supply chain

The electronics sector in which Gefran operates has a strong technological component, which is also reflected in the supplier base, made up of large multinational groups as well as local suppliers offering specialised know-how and flexibility. Most suppliers used by Gefran can be put in one of two categories:

- Suppliers of materials used in bills of materials;
- Suppliers of materials not used in bills of materials and of services.

In both cases there is a qualification process with a procedure applied in different ways depending on whether the suppliers supply raw materials or indirect materials/services.

In the first case, information is gathered on the supplier's structure through evaluation questionnaires and information from other companies. An Audit is always conducted by Quality to certify suppliers' suitability to provide specific types of supply, or if the supplier is considered to be of strategic importance because of the goods supplied. The qualification procedure is simpler for indirect materials and services, as the strategic nature and importance of suppliers is different. An exception to this is waste disposal suppliers, who are asked to produce all the documentation required under current regulations.

The e-procurement portal has a supplier accreditation section. All new suppliers intending to begin working with Gefran must complete the qualification procedure in which they will, as a necessary condition, be asked to sign the sustainability agreement.

The market in which Gefran operates has variable demand and very quick delivery times. This, together with the fact that most Gefran production can be classified as “high mix-low volume”, with many finished product codes in the catalogue, each with small recurring production volumes, means that a short supply chain is needed, which can react quickly and flexibly. This is why local suppliers are involved in drawing up specific procurement plans in order to support the variable demand in short periods of time. It is also often the case that some suppliers, thanks to their specific skills and know-how, are involved from the development phase of new products in jointly designing components and specific or custom parts.

7.2 MANAGEMENT METHODS IN THE GROUP

The Gefran Way

A company’s success and ability to keep up with the times no longer depends entirely on its products and services, but on its vision and the system of values it has developed and manages to convey and express through its actions.

These actions create bonds of trust and a long-lasting reputation.

These principles, which have for some time been applied to the *Business to Consumer* market and are now essential for the *Business to Business* market as well, are applicable to high-tech products such as Gefran’s.

Buying decisions in customer companies are made by people, who are not only influenced by technological performance, marketing actions, and advertising messages, but increasingly choose on the basis of their experience interacting with the company. This concept also applies to the people who choose to work for the company, setting up a long-lasting partnership of value to both partners. The concept of value therefore no longer applies solely to products and services for customers, pay and benefits for workers and various advantages for other stakeholders: it increasingly involves experience.

If it is to establish long-lasting relationships and partnerships with its stakeholders, the company must be able to answer the question: “Who is Gefran, and where is it going?”. For this reason, at the end of 2018 Gefran began a project aimed at strengthening Gefran's brand identity and brand experience, in order to translate these factors into perception and reputation among all stakeholders, building an authentic narrative about what makes Gefran distinctive and interesting.

The Gefran Way project involved the whole Group. Starting with interviews with stakeholders, analysis of media coverage, identity labs, focus groups and workshops with management, Gefran redefined its *Promise*, *Purpose*, *Guiding Principles* and *Manifesto*, specifying the tone and style that is to distinguish communications by the company and the people who work for it. The brand identity thus defined was shared in a series of events, the first of which took place in all Group companies on 9 September 2019, when all employees were provided with a customised box containing the Gefran Brand Book describing the essence of what has been done so far and a T-shirt showing the map of values, the idea being that "wearing" the Gefran Way would encourage employees to make it there own, feel a part of it, and represent it effectively and consistently. On 13 September 2019 employees were offered the first opportunity to experience the Gefran Way, by participating in a celebration held simultaneously in all Group companies. These initial events were followed by a cascading plan involving all Group functions: each team worked on the concrete significance of the principles expressed and how to translate these statements into concrete actions, behaviours and habits in order maintain the promise made to the Group’s stakeholders in the many touch-points present in company processes.

FLY Gefran Talent Academy, FLY Youth and kenFLY

FLY is the Gefran Talent Academy focusing on development of people's strong points. Its purpose is to develop and support people's distinctive skills and talents over time.

Gefran addresses this major challenge with the systematic aim of developing its employees. Talent does not identify a person, but is a unique set of an individual's characteristics.

We use a variety of tools and methods aimed as much at existing staff as at new employees. Our definition of talent is a set of skills, in line with corporate values and consistent with the specific nature of the organisation required to achieve our business strategy

FLY includes specific programmes for development of potential, including:

- long-term partnerships with universities;
- masters in innovation;
- managerial coaching;
- mentoring and reciprocal mentoring;
- on the job training;
- participation in focus groups and workshops;
- classroom education.

FLY Youth is a session for recent graduates who are progressively being integrated in the company due to generational turnover. It is a programme for young people including workshops for development of key soft skills (orientation toward achievement of results, ability to cooperate, communication skills, self-discipline), guided by external instructors and coaches, as well as sessions held by managers of key company functions aimed at promoting an understanding of how Gefran is organised, viewed as a "corporate system". Upon completion of the training programme, participants in *FLY Youth* put themselves to the test in a contest for innovation projects such as those which have given rise to *INNOWAY*: an open innovation programme sponsored by the Region of Lombardy. These young people, guided by senior mentors, participate in and act as the driving force behind initiatives for research or presentation of the company in the country's principal universities.

FLY is not only an Academy for talent development (recognised as one of the best in Italy by the financial newspaper *Il Sole24 Ore*), but a hub for sharing ideas, experiences, best practices and cooperation. This has led Gefran to consider the advisability of extending this experience throughout the Group with the implementation, beginning in 2020, of *kenFLY*, a digital platform which will allow Gefran people all over the world to access training programmes on technical subjects or cross-cutting skills in live/synchronous or asynchronous mode, following paths for growth through coaching tools and educational materials, access inspiration video and audio content, share, and create virtual work tables for workshops and focus groups. Training is made interesting and engaging through gamification of learning processes.

The principal themes first addressed on *kenFLY* will be:

- Business Skills 2020, that is, a set of crucial skills and abilities required in various different industrial contexts, mapped by the World Economic Forum;
- All-round leadership;
- Trust.

The Company also continues to offer opportunities for students and recent secondary school and university graduates. It has various collaborative ventures with universities and secondary schools. The Company offers curricular and extra-curricular apprenticeships and school/work agreements and opportunities for students to begin work in the areas they have studied, leading to possible employment compatibly with the company's capacity and the talent demonstrated.

All new employees continue to go through a structured induction process to help them become familiar with processes, products/services and people in their own department and in interdependent functions.

In 2019, in addition to the Business Skills programme included in the Gefran Way cascading plan, educational programmes were organised in the following areas:

- English language courses;
- a programme on the lean approach to office processes and operations involving Italian, Chinese and American personnel;
- a programme on stress management and handling difficult situations;
- a public speaking programme;
- a number of programmes for "high performance" teams, including assessment and definition of team dynamics.

2020-2022 Company Contract

The new 2020-2022 Company Contract signed in November 2019 is applicable in Italy and will become a source of inspiration for new practices throughout the Group.

The principles guiding the company's policy in the contract, based on forty years of constructive industrial relations, are innovation, growth, sustainability, conciliation, awareness and responsibility. The principal new features introduced are described below.

Workers' participation in the organisation of work and corporate life, already at the centre of the previous agreement, will be further increased in the current three-year period by setting up special Focus Teams. These teams, made up of equal numbers of company representatives and employees, will analyse and prepare proposals regarding issues such as the company's overall efficiency, process innovation, quality and sustainability.

Performance-related pay, calculated on the basis of achievement of qualitative and quantitative targets, also changes, with introduction of a new parameter for measuring separation of wastes for recycling, in harmony with the company's strategies of sustainability and ecology. The new agreement will also provide for an extra annual bonus directly proportionate to growth of revenues, representing a strategic indicator for the Company's growth. Performance-related pay may be entirely or partially converted into goods and services under the company's welfare plan. Those who convert performance-related pay will see the their individual amount increased by 5%, if 80% of the bonus is converted, or 10%, if all of it is converted. In the year 2019, 60% of Gefran employees chose to convert the bonus into benefits, more than in 2018 (when the percentage was about 50%) and well above the national average.

The importance Gefran attributes to training and career development processes is expressed in a new feature of the recent agreement: introduction of a training representative, identified as a member of the Unitary Trade Union Representation, to facilitate communication between Human Resources Management & Organisation Development and the workers, providing feedback and suggestions on training programmes and projects in the Company and recommendations regarding specific requirements for training.

The agreement addresses the issue of generational turnover in order to promote the addition of new young employees, improve the quality of life of senior workers and ensure consolidation of knowledge, skills and values in the Company. Workers approaching retirement age may request conversion to part-time contracts with flanking by junior members of staff. The seniors will help the young employees to acquire the technical skills and values required in the company through a process of mentoring, with a view to maintaining continuity during the process of generational turnover. While the senior employees are working part-time, the Company will pay the cost of voluntary pension contributions on the worker's behalf in order to reach the level that would have been payable to the worker if he or she had continued working full time.

The contract also formally implements a practice which has already been consolidated in the Company for several years: in order to facilitate reconciliation of family life with work, Gefran will favourably consider requests for transition to part-time work for mothers returning from maternity leave until their children reach the age of two. 10 extra hours of paid leave will be available in the event of medical appointments for minors and for parents over 65.

Another important development in the traditional way of working is introduction of Smart Working. Following careful consideration, company areas compatible with the practice have been identified, typically staff areas. Workers holding certain staff positions may, on a voluntary basis, work from home through remote working for a maximum of two days a month.

Diversity

Diversity is one of the values inspiring the Group, and as such, requires protection. Gefran respects differences in people's lifestyles, in the awareness that everyone's uniqueness must be adequately supported and constitutes great potential for the Company's growth. Within a workplace, different points of view - whether different genders or ages, sexual or religious orientation, physical or technical abilities, ethnic or cultural origins - generate debate, innovation and change.

Supply chain

In its general terms and conditions of purchase, Gefran explicitly requires compliance with the "Code of Ethics and Conduct" used throughout the Group. However, adoption of these principles does not guarantee that the Company is able to fully assess and mitigate the potential risk that human rights may not be fully respected in its supply chain, or that suppliers' activities may be subject to a significant risk of incidents related to employment of minors, forced labour and violations of the freedom of association and collective bargaining.

This aspect has therefore been identified as a possible area for improvement with the aim of mitigating these risks, and work was done in this area in the 2018, completed in 2019:

- a special section on sustainability focusing in particular on occupational health, safety and ethics has been added to the supplier evaluation and qualification form;
- a special “Sustainability Pact” has been prepared integrating the principles of the Global Compact with aspects pertaining to environmental, reputational and financial risk; all the Company’s most important suppliers and those considered critical for the business are asked to sign this document;
- a new module has been implemented in the existing “E- Procurement” platform, permitting preliminary entry and accreditation of new suppliers following explicit signature of the “Sustainability Pact”, an essential prerequisite for positive conclusion of the accreditation process.

Support for social activities

The Group promotes a number of social initiatives, aimed in particular at local associations established in the country; in particular, the Parent Company Gefran S.p.A. supports social initiatives and belongs to various organisations operating in the academic, educational, social and medical worlds.

Some of the main partnerships, which have developed over the years and continued in 2019, support international projects:

- S.F.E.R.A. Onlus: an association that encourages development, fraternity, education, responsibility and welcome, through the “Maison de Paix” project to build a multi-purpose centre for human development in the city of Kikwit, in Congo;
- I.S.E.O. Summer School: an academic course on matters relating to the global economy, organised by the Istituto di Studi Economici e per l'Occupazione I.S.E.O. (Institute for Studies on Economics and Employment), currently chaired by Professor Robert Solow, the winner of the 1987 Nobel Prize for Economics.

Once more this year the Company participated in Gimondi Bike, an event for having fun, competing and enjoying the natural landscape on the pathways of the Franciacorta district, along the shores of Lake Iseo and in the hills around it.

Gefran has sponsored the event for many years, and in order to promote participation in the sporting event among its employees and promote tourism in area, the Company funded participation in the event and purchase of technical apparel for any employees requesting it, asking them to make a donation to the non-profit association S.F.E.R.A. Onlus.

In 2019, moreover, the Parent Company Gefran S.p.A. participated in a number of initiatives for education of youth, financing education and training on several levels.

The Company is one of the founders of Fondazione Itis Benedetto Castelli, a foundation which:

- proposes and manages initiatives of all kinds aimed at preserving and adding to the technical infrastructure at Istituto di Istruzione Superiore Benedetto Castelli in Brescia;
- proposes and manages initiatives of all kinds aimed at involving teachers and students from I.I.S. Castelli in improvement of the efficacy and efficiency of teaching and learning;
- promotes and manages initiatives of all kinds aimed at developing synergies between businesses and I.I.S. Castelli to help educate students in the best possible way;
- promotes initiatives of all kinds aimed at helping I.I.S. Castelli graduates find employment, also by promoting on-the-job experience opportunities.

Gefran is a sponsor of Digital Universitas, offering a free master's programme in "digital transformation" and preparation of new digital talents for the most sought-after professions in product and process innovation, offering a solution which brings together the skills supplied by the educational system and those in demand among enterprises.

Among its cultural and educational initiatives, Gefran contributed as main sponsor to Cidneon, an international festival of light held in Brescia in February 2019. One of the goals of the project is to draw the attention of locals and tourists in Brescia to the Castle.

In 2019, the Company also supported the Brescia and Bergamo International Piano Festival, one of the world's biggest piano competitions, held in Teatro Grande in Brescia and Teatro Donizetti in Bergamo.

Another social and cultural programme involved donations to the city band in Iseo, which has members of all ages in the community, where it has been active for many years, and AIRC, which raises funds supporting progress in cancer research and distributes information on the results obtained, on cancer prevention and on prospective treatments.

7.3 NON-FINANCIAL PERFORMANCE

Reporting on data on personnel management, gender equality, discussions with social partners and respect for human rights, where not expressly indicated, involved all Gefran Group companies.

Data was collected on a one-off basis, with the help of the company functions that manage this type of information, specifically "People & Organisation".

Breakdown of personnel, diversity and equal opportunities

As of 31 December 2019 the Group had 829 employees, 58 more than at the end of 2018 and 99 more than at the end of 2017.

The addition to the Group of Elettropiemme S.r.l., a company purchased by Gefran Soluzioni S.r.l. in January 2019, contributes to the increase in the number of employees; at the time of the purchase, the subsidiary had 41 employees, 3 women and 38 men, while on 31 December 2019 the company had 42 employees, as shown below.

We give the breakdown in the Group companies below:

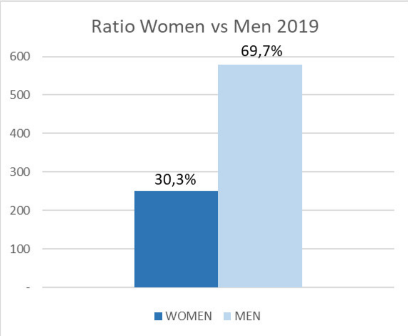
no. employees per company		2019			2018			2017		
		W	M	T	W	M	T	W	M	T
Gefran S.p.A.	Italy	137	185	322	129	187	316	159	287	446
Gefran Siei Drives and Motion S.r.l.	Italy	31	118	149	30	116	146	-	-	-
Gefran Soluzioni S.r.l.	Italy	6	47	53	5	44	49	4	39	43
Elettropiemme S.r.l.	Italy	3	39	42	-	-	-	-	-	-
Gefran Benelux NV	Belgium	4	11	15	4	11	15	3	11	14
Gefran France S.A.	France	1	6	7	3	6	9	2	6	8
Gefran Deutschland GmbH	Germany	6	16	22	5	17	22	5	13	18
Siei Areg GmbH	Germany	1	13	14	1	15	16	2	14	16
Gefran UK Ltd	UK	1	1	2	1	1	2	1	1	2
Sensormate AG	Switzerland	4	15	19	5	17	22	3	13	16
Gefran Middle East Ltd Sti	Turkey	1	3	4	1	4	5	-	3	3
Gefran Inc.	US	7	25	32	7	22	29	8	21	29
Gefran Brasil Elettroel. Ltda	Brazil	9	21	30	8	23	31	7	21	28
Gefran Siei Asia Pte Ltd	Singapore	5	5	10	5	4	9	6	3	9
Gefran Siei Drives Tech. Pte Ltd	China (PRC)	32	44	76	31	40	71	28	42	70
Gefran India Private Ltd	India	3	29	32	3	26	29	4	24	28
TOTAL GROUP		**251**	**578**	**829**	**238**	**533**	**771**	**232**	**498**	**730**

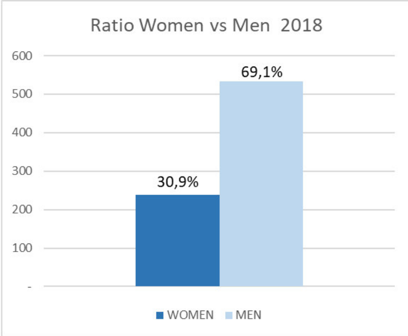
Note that Gefran Drives and Motion S.r.l. went into business on 1 October 2018, following the Parent Company Gefran S.p.A.'s contribution of the company branch in Gerenzano (VA); beginning in the year 2017, the employees working in the Gerenzano plant are therefore included in the staff of Gefran S.p.A..

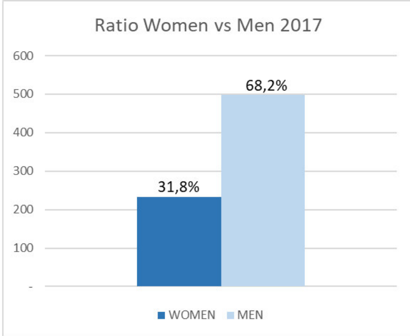
The breakdown by geographical region reveals that 68.3% of the Group's employees work in Italy, 14.2% in Asia, 10% in Europe and 7.5% in America:

breakdown by geographical region	2019			2018			2017		
	W	M	T	W	M	T	W	M	T
Italy	177	389	566	164	347	511	163	326	489
Europe	18	65	83	20	71	91	16	61	77
America	16	46	62	15	45	60	15	42	57
Asia	40	78	118	39	70	109	38	69	107
Rest of the World	-	-	-	-	-	-	-	-	-
TOTAL GROUP	**251**	**578**	**829**	**238**	**533**	**771**	**232**	**498**	**730**

The ratio of female to male employees was slightly lower in 2019 than in previous years.







The breakdown of employees by age range in the year 2019 reveals that about 12% of employees are under 30, in line with the 2018 figure and higher than the 2017 figure, when they represented 9% of the total, confirming the success of the FLY Talent Academy project, described above, for the inclusion of recent graduations and internal career development. 62% of Group employees are aged between 30 and 50, while 26% are more than 50 years old (the same percentages as in 2018).

division by age	2019			2018			2017		
	W	M	T	W	M	T	W	M	T
<= 29 years	26	74	100	28	64	92	22	41	63
30 - 50 years	174	337	511	162	314	476	165	328	493
>= 51 years	51	167	218	48	155	203	45	129	174
TOTAL GROUP	**251**	**578**	**829**	**238**	**533**	**771**	**232**	**498**	**730**
<= 29 years	3%	9%	12%	4%	8%	12%	3%	6%	9%
30 - 50 years	21%	41%	62%	21%	41%	62%	23%	45%	68%
>= 51 years	6%	20%	26%	6%	20%	26%	6%	18%	24%
TOTAL GROUP	**30%**	**70%**	**100%**	**31%**	**69%**	**100%**	**32%**	**68%**	**100%**

Analysis of the type of contract reveals that almost all employees are hired under open-ended contracts: 99.5% of the total in 2019, 4 contracts, all for employees of the Group's Italian companies).

contract type	2019			2018			2017		
	W	M	T	W	M	T	W	M	T
Open-ended	250	575	825	235	531	766	229	497	726
Fixed term	1	3	4	3	2	5	3	1	4
TOTAL GROUP	**251**	**578**	**829**	**238**	**533**	**771**	**232**	**498**	**730**

The breakdown by job type reveals that in 2019, about 5.7% of employees, prevalently women, signed part-time contracts (5.6% in 2018 and 6.2% in 2017).

job type	2019			2018			2017		
	W	M	T	W	M	T	W	M	T
No. full time employees	214	568	782	205	523	728	196	489	685
No. part-time employees	37	10	47	33	10	43	36	9	45
TOTAL GROUP	**251**	**578**	**829**	**238**	**533**	**771**	**232**	**498**	**730**

Below we show the breakdown of Group employees by job classification:

classification	2019			2018			2017		
	W	M	T	W	M	T	W	M	T
Managers	2	29	31	2	24	26	4	21	25
Middle managers	12	61	73	10	61	71	14	59	73
Clerical staff	114	308	422	111	310	421	101	280	381
Manual workers	123	180	303	115	138	253	113	138	251
TOTAL GROUP	**251**	**578**	**829**	**238**	**533**	**771**	**232**	**498**	**730**

Personnel movements

The tables below show personnel movements in Group companies:

2019 movements		No. EMPLOYEES 31.12.2018	JOINERS			LEAVERS			No. EMPLOYEES 31.12.2019
			W	M	T	W	M	T	
Gefran S.p.A.	Italy	316	12	16	28	(4)	(18)	(22)	322
Gefran Drives and Motion S.r.l.	Italy	146	1	8	9	-	(6)	(6)	149
Gefran Soluzioni S.r.l.	Italy	49	1	3	4	-	-	-	53
Elettropiemme S.r.l.	Italy	-	3	44	47	-	(5)	(5)	42
Gefran Benelux NV	Belgium	15	-	-	-	-	-	-	15
Gefran France S.A.	France	9	-	2	2	(1)	(3)	(4)	7
Gefran Deutschland GmbH	Germany	22	1	-	1	-	(1)	(1)	22
Siei Areg GmbH	Germany	16	-	-	-	-	(2)	(2)	14
Gefran UK Ltd	UK	2	-	-	-	-	-	-	2
Sensormate AG	Switzerland	22	-	3	3	(1)	(5)	(6)	19
Gefran Middle East Ltd Sti	Turkey	5	-	-	-	-	(1)	(1)	4
Gefran Inc.	US	29	1	5	6	(1)	(2)	(3)	32
Gefran Brasil Elettroel. Ltda	Brazil	31	2	1	3	(1)	(3)	(4)	30
Gefran Siei Asia Pte Ltd	Singapore	9	-	2	2	-	(1)	(1)	10
Gefran Siei Drives Tech. Pte Ltd	China (PRC)	71	4	14	18	(4)	(9)	(13)	76
Gefran India Private Ltd	India	29	-	6	6	-	(3)	(3)	32
TOTAL GROUP		**771**	**25**	**104**	**129**	**(12)**	**(59)**	**(71)**	**829**

Note that Elettropiemme S.r.l., the company purchased by Gefran Soluzioni S.r.l. in January 2019, had 41 employees at the time of the takeover, including 3 women and 38 men, while on 31 December 2019 it had 42 employees, 3 women and 39 men. This movement is shown in the table above.

2018 movements		No. EMPLOYEES 31.12.2017	JOINERS			LEAVERS			No. EMPLOYEES 31.12.2018
			W	M	T	W	M	T	
Gefran S.p.A.	Italy	446	5	31	36	(35)	(131)	(166)	316
Gefran Drives and Motion S.r.l.	Italy	-	30	119	149	-	(3)	(3)	146
Gefran Soluzioni S.r.l.	Italy	43	1	7	8	-	(2)	(2)	49
Elettropiemme S.r.l.	Italy	-	-	-	-	-	-	-	-
Gefran Benelux NV	Belgium	14	1	1	2	-	(1)	(1)	15
Gefran France S.A.	France	8	1	-	1	-	-	-	9
Gefran Deutschland GmbH	Germany	18	-	5	5	-	(1)	(1)	22
Siei Areg GmbH	Germany	16	-	1	1	(1)	-	(1)	16
Gefran UK Ltd	UK	2	-	1	1	-	(1)	(1)	2
Sensormate AG	Switzerland	16	2	6	8	-	(2)	(2)	22
Gefran Middle East Ltd Sti	Turkey	3	2	2	4	(1)	(1)	(2)	5
Gefran Inc.	US	29	1	2	3	(2)	(1)	(3)	29
Gefran Brasil Elettroel. Ltda	Brazil	28	2	4	6	(1)	(2)	(3)	31
Gefran Siei Asia Pte Ltd	Singapore	9	-	2	2	(1)	(1)	(2)	9
Gefran Siei Drives Tech. Pte Ltd	China (PRC)	70	10	3	13	(7)	(5)	(12)	71
Gefran India Private Ltd	India	28	1	6	7	(2)	(4)	(6)	29
TOTAL GROUP		**730**	**56**	**190**	**246**	**(50)**	**(155)**	**(205)**	**771**

Note that, as a result of contribution of the company branch corresponding to the motion control division in Gerenzano (VA) on 1 October 2018, 147 employees left Gefran S.p.A. and joined the new company, Gefran Drives and Motion S.r.l. 30 of these are women, while 117 are men. This movement is shown in the table above.

2017 movements		No. EMPLOYEES 31.12.2016	JOINERS			LEAVERS			No. EMPLOYEES 31.12.2017
			W	M	T	W	M	T	
Gefran S.p.A.	Italy	446	7	17	24	(7)	(17)	(24)	446
Gefran Drives and Motion S.r.l.	Italy	-	-	-	-	-	-	-	0
Gefran Soluzioni S.r.l.	Italy	43	-	2	2	-	(2)	(2)	43
Elettropiemme S.r.l.	Italy	-	-	-	-	-	-	-	-
Gefran Benelux NV	Belgium	14	-	-	-	-	-	-	14
Gefran France S.A.	France	9	-	-	-	-	(1)	(1)	8
Gefran Deutschland GmbH	Germany	23	-	2	2	(4)	(3)	(7)	18
Siei Areg GmbH	Germany	16	1	-	1	(1)	-	(1)	16
Gefran UK Ltd	UK	2	1	-	1	(1)	-	(1)	2
Sensormate AG	Switzerland	14	1	3	4	(1)	(1)	(2)	16
Gefran Middle East Ltd Sti	Turkey	5	-	-	-	(2)	-	(2)	3
Gefran Inc.	US	29	-	4	4	(1)	(3)	(4)	29
Gefran Brasil Elettroel. Ltda	Brazil	25	2	4	6	(1)	(2)	(3)	28
Gefran Siei Asia Pte Ltd	Singapore	9	1	-	1	(1)	-	(1)	9
Gefran Siei Drives Tech. Pte Ltd	China (PRC)	73	5	3	8	(4)	(7)	(11)	70
Gefran India Private Ltd	India	22	1	7	8	-	(2)	(2)	28
TOTAL GROUP		**730**	**19**	**42**	**61**	**(23)**	**(38)**	**(61)**	**730**

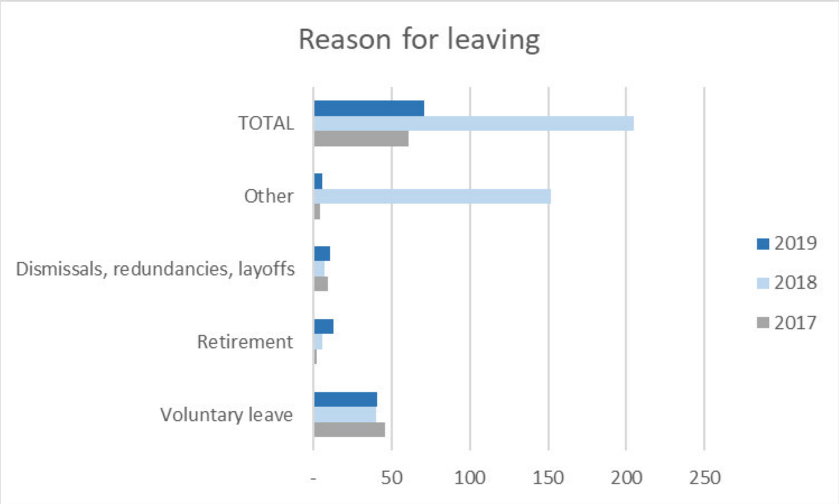
The turnover rate of leavers, calculated as the ratio between leavers and the number of employees at 31.12, is shown to be falling:

no. leavers/no. employees 31.12	**2019**			**2018 (*)**			**2017**		
	W	M	T	W	M	T	W	M	T
Turnover rate of leavers	4.8%	10.2%	8.6%	8.4%	7.1%	7.5%	9.9%	7.6%	8.4%

(*) calculated net of movements resulting from the 2018 contribution described above

Below we summarise the reasons for people leaving in the last three years:

reasons for leaving	**2019**			**2018**			**2017**		
	W	M	T	W	M	T	W	M	T
Voluntary leavers	7	34	41	13	27	40	17	29	46
Retirement	2	11	13	1	5	6	1	1	2
Dismissal	2	9	11	4	3	7	4	5	9
Other	1	5	6	32	120	152	1	3	4
TOTAL LEAVERS	**12**	**59**	**71**	**50**	**155**	**205**	**23**	**38**	**61**



The reason “Other” includes cancellation of fixed-term contracts and, in the specific case of 2018, people who left the company as a result of contribution by Gefran S.p.A. to the newly established Gefran Drives and Motion S.r.l..

Gender pay ratio

The ratio of the average basic salary (not including variable portions of pay) of female employees to that of male employees is shown below, calculated according to job classification, in the Parent Company Gefran S.p.A..

Gender pay ratio Parent Company Gefran S.p.A.	**2019**	**2018**	**2017**
average Gefran S.p.A.	**89%**	**89%**	**87%**
Managers	106%	109%	108%
Middle managers	85%	85%	89%
Clerical staff	82%	84%	82%
Manual workers	95%	95%	91%

From the Group point of view:

Gender pay ratio Group	2019	2018	2017
GROUP average	**83%**	**83%**	**85%**
Managers	106%	109%	108%
Middle managers	82%	89%	80%
Clerical staff	78%	78%	81%
Manual workers	89%	90%	91%

The ratios were determined as the ratio between the gross annual average basic salary of female employees and that of male employees, in the individual Group companies, for each job classification. The Group indicators are calculated weighting the ratios of the individual companies by the number of employees in each, for each job classification, where the calculation was applicable. The Group average is determined as the average of the ratios of each job classification, weighted by number of employees, where the calculation was applicable.

Parental leave

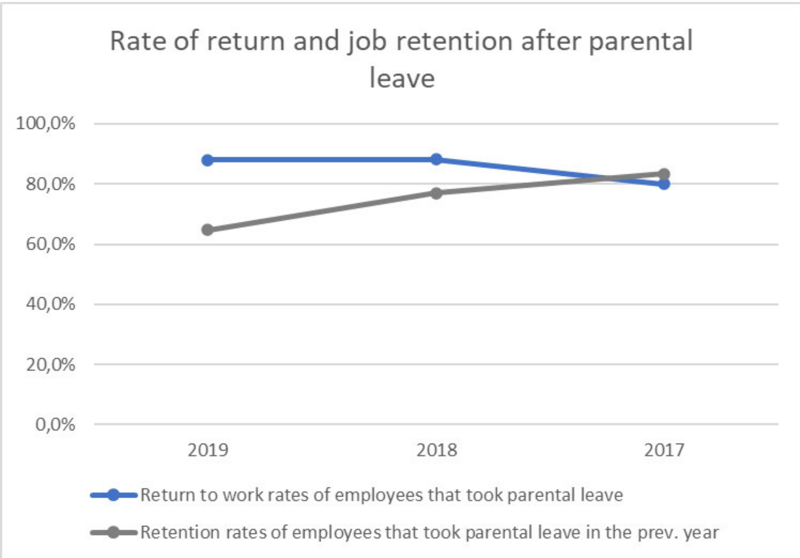
The number of Group employees who used the right to parental leave in 2019 was 25, including 16 in the Parent Company. The 2018 figure was 17 (including 10 employees of the Parent Company) while in 2017 it was 10 (including 7 employees of the Parent Company).

Parental leave rate		2019		
		Parent Company Gefran S.p.A.	Subsidiaries	TOTAL GROUP
Employees using the right to parental leave	**no.**	**16**	**9**	**25**
of whom returned to work after using the right to parental leave	no.	14	8	22
Rate of return after parental leave	**%**	**87.5%**	**88.9%**	**88.0%**
Employees working at Gefran 12 months after using the right to parental leave the previous year	no.	10	1	11
Rate of jobs retained after parental leave (ref. previous year)	**%**	**100.0%**	**50.0%**	**64.7%**

Parental leave rate		2018		
		Parent Company Gefran S.p.A.	Subsidiaries	TOTAL GROUP
Employees using the right to parental leave	**no.**	**10**	**7**	**17**
of whom returned to work after using the right to parental leave	no.	8	7	15
Rate of return after parental leave	**%**	**80.0%**	**100.0%**	**88.2%**
Employees working at Gefran 12 months after using the right to parental leave the previous year	no.	7	3	10
Rate of jobs retained after parental leave (ref. previous year)	**%**	**100.0%**	**50.0%**	**76.9%**

Parental leave rate		2017		
		Parent Company Gefran S.p.A.	Subsidiaries	TOTAL GROUP
Employees using the right to parental leave	**no.**	**7**	**3**	**10**
of whom returned to work after using the right to parental leave	no.	5	3	8
Rate of return after parental leave	**%**	**71.4%**	**100.0%**	**80.0%**
Employees working at Gefran 12 months after using the right to parental leave the previous year	no.	10	-	10
Rate of jobs retained after parental leave (ref. previous year)	**%**	**83.3%**	**n.a.**	**83.3%**

The rate of employees who took parental leave returning to work at the Group-wide level was 88% in 2019 (88.2% in 2017 and 80% in 2017), and the rate of jobs retained 12 months after returning to work was 64.7% in 2019 (76.9% in 2018 and 83.3% in 2017).



Training

In 2018 the company conducted an in-depth survey of employees' hours of training, analysing the records of attendance and documentation supporting training initiatives held in Group companies. Training activities may be divided into two kinds:

- activities aimed at developing specific technical and professional skills: language courses, communication skills courses, technical courses focusing on specific topics;
- activities aimed at improving cross-functional skills: Executive Master Of Business Administration programme, managerial alignment on strategy, culture and organisation, and training in the *FLY TALENT ACADEMY* (customer service orientation, teamwork, problem-solving and orientation toward achieving results).

A summary of the hours of training is provided below, broken down by course type, gender and job classification. Note that in the year reported on, the Company did not keep track of activities considered "training on the job" and Health and Safety training, described in section 3.3 of this Statement.

Below is a report on the hours of training conducted in the 2017-2019 three-year period in the Group's Italian companies: Parent Company Gefran S.p.A., Gefran Drives and Motion S.r.l., established in 2018 as a result of demerger of Gefran Spa, Gefran Soluzioni S.r.l. and the newly purchased Elettropiemme S.r.l..

Training hours	2019			2018			2017		
	W	M	T	W	M	T	W	M	T
Managers	66	960	1,026	32	584	616	-	250	250
Middle managers	128	1,126	1,254	120	582	702	-	16	16
Clerical staff	1,406	3,788	5,194	346	1,083	1,429	-	330	330
Manual workers	1,380	1,926	3,306	-	24	24	40	296	336
TOTAL TRAINING HOURS	**2,980**	**7,800**	**10,780**	**498**	**2,273**	**2,771**	**40**	**892**	**932**
AVERAGE NUMBER OF HOURS (hours/no. employees)	**16.8**	**20.1**	**19.0**	**3.0**	**6.6**	**5.4**	**0.2**	**2.7**	**1.9**

As the figures appearing in the table indicate, the numerous training activities organised in 2019, described above, resulted in a substantial increase in the number of hours of training provided in comparison with previous years, both in absolute terms and in terms of average number of hours of training per employee.

Also with reference to the Group's Italian companies, a breakdown by type of training is provided below:

Technical training hours	2019			2018			2017		
	W	M	T	W	M	T	W	M	T
Managers	-	152	152	-	80	80	-	-	-
Middle managers	24	302	326	104	232	336	-	-	-
Clerical staff	502	1,552	2,054	212	708	920	-	136	136
Manual workers	470	894	1,364	-	24	24	-	-	-
TOTAL TECHNICAL TRAINING HOURS	**996**	**2,900**	**3,896**	**316**	**1,044**	**1,360**	**-**	**136**	**136**

Training hours on cross-functional skills development	2019			2018			2017		
	W	M	T	W	M	T	W	M	T
Managers	66	808	874	32	504	536	-	250	250
Middle managers	104	824	928	16	350	366	-	16	16
Clerical staff	904	2,236	3,140	134	375	509	-	194	194
Manual workers	910	1,032	1,942	-	-	-	40	296	336
TOTAL CROSS-FUNCTIONAL TRAINING HOURS	**1,984**	**4,900**	**6,884**	**182**	**1,229**	**1,411**	**40**	**756**	**796**

With reference to the Gefran Group, excluding sales companies considered of marginal significance due to their limited turnover and small number of employees (specifically Gefran Uk Ltd, Gefran France S.A. Gefran Benelux Nv and Gefran Middle East Ltd Sti), the number of hours invested in employee training in the years 2018 and 2019 is reported below:

Training hours	2019			2018		
	W	M	T	W	M	T
Managers	66	2,859	2,925	32	958	990
Middle managers	973	3,010	3,983	401	1,635	2,036
Clerical staff	2,980	7,396	10,376	1,246	2,432	3,678
Manual workers	1,666	2,382	4,048	146	407	553
TOTAL TRAINING HOURS	**5,685**	**15,647**	**21,332**	**1,825**	**5,432**	**7,257**
AVERAGE NUMBER OF HOURS (hours/no. employees)	**23.2**	**28.1**	**26.6**	**8.0**	**10.6**	**9.8**

Technical training hours	2019			2018		
	W	M	T	W	M	T
Managers	-	1,398	1,398	-	174	174
Middle managers	141	502	643	152	467	619
Clerical staff	2,008	5,054	7,062	746	1,722	2,468
Manual workers	734	1,283	2,017	130	200	330
TOTAL TECHNICAL TRAINING HOURS	**2,883**	**8,237**	**11,120**	**1,028**	**2,563**	**3,591**

Training hours spent on development of cross-cutting skills	2019			2018		
	W	M	T	W	M	T
Managers	66	1,461	1,527	32	784	816
Middle managers	832	2,508	3,340	249	1,168	1,417
Clerical staff	972	2,342	3,314	500	710	1,210
Manual workers	932	1,099	2,031	16	207	223
TOTAL CROSS-FUNCTIONAL TRAINING HOURS	**2,802**	**7,410**	**10,212**	**797**	**2,869**	**3,666**

Below is a breakdown by geographical region:

Training hours by geographical region	2019			2018		
	W	M	T	W	M	T
Italy	2,980	7,800	10,780	498	2,273	2,771
Europe	54	573	627	32	156	188
America	1,087	3,504	4,591	731	1,938	2,669
Asia	1,564	3,770	5,334	564	1,065	1,629
Rest of the World			-			-
TOTAL GROUP	**5,685**	**15,647**	**21,332**	**1,825**	**5,432**	**7,257**

Procurement expenditure and localisation by geographical region

With reference to the value of procurement expenditure, data is provided below for each of the Group's production plants, highlighting the % of expenditure from suppliers defined as "local". Local suppliers mean suppliers in the same country as the production plant.

The analysis was conducted for all the production companies, whereas for sales companies it was conducted in a marginal way, as 73% of their procurement comes from intercompany purchases and the remaining from local supplies.

As a result, for the Group as a whole and limited to reporting in the area under consideration only, procurement expenditure totals EUR 82.2 million (EUR 74.5 million in 2018 and EUR 63.3 million in 2017), with local supplies accounting for 89.6% of total purchases (89.5% in 2018 and 89.9% in 2017).

Group procurement expenditure (Euro /.000)	**2019**	**2018**	**2017**
Group procurement expenditure	**82,284**	**74,490**	**63,310**
of which from local suppliers	73,691	66,659	56,905
% expenditure from market	89.6%	89.5%	89.9%

The increase in total expenditure may be allocated both to purchases of more materials for bills of materials in response to steady growth in sales volumes and greater resort to use of goods and services in projects, and to the investments made to support growth, in line with the plan launched at the end of 2017. Two important investments aimed at expansion of the production facility for the sensors business are worth noting: construction of a new building for the Parent Company in Provaglio d'Iseo (IT), operative since January 2020, and purchase of a new building for the North American branch, which moved its production, sales and administrative activities there in June 2019.

The value of expenditure on procurement in each plant is shown below.

Gefran Drives and Motion S.r.l. went into business on 1 October 2018, following contribution by the Parent Company Gefran S.p.A. of the company branch in Gerenzano (VA); its expenditure on procurement in the years 2017 and 2018, up to 30 September, are therefore included in the figures for the Gefran S.p.A. plants.

In addition, Elettropiemme S.r.l. joined the Group on 23 January 2019 following purchase of 100% of the shares in the company by Gefran Soluzioni S.r.l.; Elettropiemme S.r.l.'s figures are however included in the reporting perimeter starting on 1 January 2019, so as to asses the company's operations for the entire year.

procurement expenditure (Euro /.000)	**2019**	**2018**	**2017**
Gefran S.p.A. plants (IT)	**37,976**	**55,220**	**49,318**
from the market	36,274	53,306	47,255
of which from local suppliers	33,672	47,344	42,501
% expenditure from market	92.8%	88.8%	89.9%
Gefran Drives and Motion S.r.l. plant (IT)	**23,469**	**4,868**	**-**
from the market	20,708	3,083	-
of which from local suppliers	17,924	2,762	-
% expenditure from market	86.6%	89.6%	n.a.
Gefran Soluzioni S.r.l. plant (IT)	**6,318**	**6,992**	**5,839**
from the market	3,168	3,441	2,286
of which from local suppliers	2,937	3,253	2,100
% expenditure from market	92.7%	94.5%	91.9%
Elettropiemme S.r.l. plant (IT)	**3,438**	**-**	**-**
from the market	3,414	-	-
of which from local suppliers	3,343	-	-
% expenditure from market	97.9%	n.a.	n.a.

procurement expenditure (Euro /.000)	2019	2018	2017
Gefran Inc plant (US)	**12,862**	**7,167**	**7,091**
from the market	7,248	2,861	3,231
of which from local suppliers	7,088	2,745	3,087
% expenditure from market	97.8%	95.9%	95.5%
Gefran Brasil Eletroel. Ltda plant (BR)	**2,252**	**2,536**	**2,283**
from the market	887	1,144	1,127
of which from local suppliers	887	1,144	1,127
% expenditure from market	100.0%	100.0%	100.0%
Gefran Siei Drives Tech. Pte Ltd plant (CN)	**10,194**	**11,175**	**9,839**
from the market	3,714	4,392	3,524
of which from local suppliers	3,606	4,339	3,410
% expenditure from market	97.1%	98.8%	96.8%
Siei Areg GmbH plant (DE)	**5,637**	**5,654**	**5,236**
from the market	3,097	3,088	2,910
of which from local suppliers	2,048	2,941	2,176
% expenditure from market	66.1%	95.2%	74.8%
Sensormate AG plant (CH)	**2,798**	**2,634**	**2,384**
from the market	1,676	1,577	1,387
of which from local suppliers (*)	1,451	1,419	1,387
% expenditure from market (*)	86.6%	90.0%	100.0%
Gefran India Private Ltd plant (IN)	**5,355**	**5,307**	**4,229**
from the market	2,098	1,598	1,590
of which from local suppliers	735	712	1,117
% expenditure from market	35.0%	44.6%	70.3%

8. MANAGEMENT OF THE FIGHT AGAINST CORRUPTION

8.1 RISKS AND OPPORTUNITIES

Risk mapping

Gefran is an industrial Group that works all over the world. The Group conducts business in various markets, complying with the principles of honesty, transparency and integrity and in full compliance with laws in force. In particular, Gefran fights all forms of corruption, applying Italian and international laws on the subject and voluntarily adopting ethical principles in the conduct of its affairs.

The main risk profiles linked to the Group's activity, with regard to corruption, are identified and mapped in the risk assessments carried out periodically by the Company in line with the Organisational Model referred to in Legislative Decree 231/2001. In this context, the potential offences associated with the company’s activities and processes are identified and a risk profile is set out for each offence; this consists of the theoretical way the corruption could be committed and the impact that such conduct could have. The analysis also highlights the protective measures that the Company has put in place to prevent these offences being committed, the assessment of the residual risk and further improvement actions that can be adopted to mitigate the risk.

With regard to the Gefran Group, the analysis showed moderate exposure to the risk of corruption, due to the characteristics of the sector in which the Group operates, typically focused on private companies with few relations with public sector bodies.

The potential risks applicable to the Group fall into the theoretical categories described below:

- Payment of cash or other benefit (including through consultants managing relations on behalf of the Company) to public officials or public service employees to:
  - ✓ obtain advantages and/or favourable treatment;
  - ✓ influence their independence of judgement and incite the body to ignore any failure to comply with the law.

- Payment of cash or other benefit to a member of the Board of Statutory Auditors or to the external auditors so that they omit to highlight records of operations that do not correspond to the truth / wrong accounting entries and/or so that they certify financial statements without the relevant requirements or without carrying out appropriate procedures. Concealment in full or in part and/or falsification by fraudulent means, of information, communications and documents that should have been provided to the Board of Statutory Auditors or the external auditors regarding the Company's economic, equity and/or financial situation.

- Non-transparent management of monetary and financial flows, including with reference to intercompany operations, which are instrumental to setting up funds for illicit purposes, such as corruptive activities.

- Provision of gifts or other benefits that are not of modest value to private individuals (for example customers, suppliers or consultants) and/or public operators, public service employees or parties "close" to public operators, in exchange for undue advantages or favourable treatment, in situations of particular interest to the Company.

- Sponsorship of sporting or cultural initiatives that are completely or partly fictitious in order to pay private individuals sums of money in exchange for advantages and/or favourable treatment.

- Selection of candidates close to or favoured by a public official, customer or supplier in order to obtain advantages for the Company or the Group, granting of bonuses, promotions and pay increases to personnel "close" to public operators or private individuals not made in accordance with strictly meritocratic criteria, in order to obtain advantages and/or favourable treatment for the Company.

- Payment of money or other benefit to trade union representatives, in order to promote company policies (in terms of collective agreements, company agreements, internal regulations, working hours, company services, etc.) to the Company's advantage and the Union's (and its members') detriment.

- Payment of expense claims, in full or in part, in order to make sums of money available that can be used to bribe public operators or those close to them.

- Selection of suppliers close to or favoured by a public official in order to obtain advantages for the Company or the Group.

- Payment of money or other benefit to suppliers, in order to obtain advantages and/or favourable treatment for the Company.

- Approval of suppliers' invoices for services that are non-existent in full or in part, thereby creating "liquidity" that can be used for corrupt purposes.
- Payment of cash or other benefit to an individual belonging to a certification body (e.g. system certification, environmental certification, quality certification, etc.), in order to induce him to grant or confirm certification even when the requirements are not met.

- In terms of management of agents and dealers, the activities could be instrumental in corruption:
  - ✓ Agents close to or favoured by public operators could be selected and used, in order to obtain benefits for the Company;
  - ✓ Commission higher than that actually owed or the market rate could be paid, or commission paid for non-existent services, to create liquidity to use for corrupt purposes;
  - ✓ Agents could behave illegally to acquire orders from public-sector customers.

  The activity could be instrumental in corruption between private individuals if the Company bribes an agent or retailer, pushing them to breach their own official obligations so that Gefran gains economic or other advantages.

- When scouting for sales and managing them, with both public and private customers, the activity could involve the corruption of the public service official when, for example, money or another benefit is offered to the purchasing managers of a public agency, for the sole purpose of inducing them to buy the Company's product or accept purchase conditions that are unfavourable for that agency.

- Payment of unjustifiably favourable contractual conditions (e.g. reduced considerations) or supply of more/better quality goods than that specified in the contract with the counterparty to obtain advantages and/or favourable treatment in return.

- Payment of cash or other benefit to employees of authorised waste disposal companies, to enable waste (e.g. special, hazardous, etc.) to be deposited even without the necessary authorisations or in bigger quantities than those declared.

Risk areas

With regard to corruption related to public authorities, all company areas are at risk where, to carry out their activities, they:

- have relations with the Public Administration or manage financial resources that could be used to give advantages and benefits to public officials (so-called "indirect risk");
- can be involved in criminal proceedings and disputes (tax, administrative, employment law, etc.).

In particular, as a result of the risk assessment carried out in the company, the following company activities were identified as being potentially at direct risk:

a) Management of relations with public-sector bodies during formalities and inspections.
b) Applying for and reporting on loans and government grants.
c) Relations with the judicial authorities.
d) Management of relations with parties asked to release statements that can be used in criminal proceedings.
e) Management of personnel in protected categories.

The principal areas in the Company potentially exposed to risk are:

- Administration, Finance and Control, in the context of which it is necessary to prevent allocation of concealed sums of money or funds which could be used for the purposes of corruption;
- Personnel Management, with regard to hiring of someone "close" to or favoured by a public operator;
- Management of purchases of goods and services and consultancy agreements, in relation to which it is necessary to prevent suppliers from being selected for the sole purpose of supporting public operators or those close to them to obtain future benefits/advantages for the Company, or which are assigned tasks likely to conceal illegal allocation;
- Management of contracts for receivables, with regard to the reverse of that which is described above.

With regard to the offences of corruption and incitement to corruption between private individuals, the main areas potentially at risk are those relating to:

- management of relations with the Statutory Auditors in the context of the control activities attributed to them by law;
- management of deposits and payments and of bank accounts;
- management of petty cash;
- management of gifts;
- management of sponsorships and donations;
- selection and recruitment of personnel;
- determination of pay and bonuses, promotions and pay increases;
- management of relations with trade unions;
- management of employees' expenses claims;
- selection and qualification of suppliers and management of purchases;
- management of consultancy work and professional services;
- quality control and relations with certification bodies;
- management of relations with distributors;
- scouting for and management of sales to private customers;
- management of waste and decontamination of polluted sites.

Company areas affected by this risk are the same as those identified as being affected by risk of corruption related to public authorities, with the addition of the following:

- Quality, in relations with certifying bodies;
- Management/Chairmanship, regarding sponsorships and donations;
- Managers of Prevention and Protection/Environmental Managers, in the area of waste management and clean-up of polluted sites.

8.2 MANAGEMENT METHODS IN THE GROUP

To prevent the commission of corrupt activities, the Company has adopted, in the context of the 231 Organisational Model, a Group Code of Ethics and a Procedures Manual, which contain the principles of conduct that the Company's employees, contract staff, customers and suppliers are required to comply with; there are also procedures defined in the context of the 262 model.

The procedures relevant to the topic in question are:

231 Organisational Model

- ✓ Inspection procedures and visits of public-sector bodies
- ✓ Accounting procedures, preparation of financial statements and other related activities (b) general principles for management of relations with the Board of Statutory Auditors and the External Auditor
- ✓ Financial and treasury management procedures
- ✓ Procedures for cash advances, expense refunds and credit card management
- ✓ Sponsorship, gift-giving and donation procedures
- ✓ Sponsorship guidelines
- ✓ Procedure for the selection and recruitment of personnel
- ✓ Procedure for awarding appointments to external consultants
- ✓ Certification management procedure
- ✓ Procedure for awarding appointments to external consultants
- ✓ Principles in the area of crimes against industry and commerce
- ✓ Procedure for management of refilling air conditioning systems
- ✓ Procedure for handling company wastes and scrap

Administrative and accounting control model under Law 262/05

- ✓ Finance and treasury procedure
- ✓ Personnel selection and recruitment procedure
- ✓ Payables cycle procedure
- ✓ Receivables cycle procedure

Group Anti-corruption Guidelines have also been adopted; they contain an overview of typical hypothetical situations in which corruption could occur. They have been shared with all the subsidiaries, and ad-hoc training on them has been given to General Managers to show them how to deal with such situations. Any reports of violations in this area may be made via the channels identified in the Whistleblowing Procedure described above.

Monitoring of compliance with the fight against corruption is typically done during audits conducted in Italy and at the foreign sites.

8.3 NON-FINANCIAL PERFORMANCE

With regard to audits conducted in Group companies, which include checking compliance with the procedures and guidelines referred to above in the conduct of the company's activities, information is provided below on audits conducted in the last three years of the Parent Company Gefran S.p.A. and its subsidiaries, and the areas involved:

audit activity	**2019**	**2018**	**2017**
in the Parent Company Gefran S.p.A.(*)	10	8	8
in the Subsidiaries	7	5	5
TOTAL AUDITS	**17**	**13**	**13**

(*) Audits of the Parent Company applied to centrally managed processes

type of audit	**2019**	**2018**	**2017**
Administrative and accounting control model under Law 262/05	5	2	4
231 Organisational Model	5	2	2
Other (**)	7	9	7
TOTAL AUDITS	**17**	**13**	**13**

(**) "Other" refers to an integrated audit (Administrative and Accounting Control Model under Law 262/05 and Organisational Model under Legislative Decree 231). IT and

The findings which emerged during the audits are classified below on the basis of the degree of severity and type of audit, with specific reference to the crimes of corruption described above, and the type of finding:

number of findings, by degree of severity and type of audit	**2019**	**2018**	**2017**
High	4	8	5
of which:			
Administrative and Accounting Control Model under Law 262/05	-	-	1
231 Organisational Model	-	4	-
Other (**)	4	4	4
Medium	64	52	30
of which:			
Administrative and Accounting Control Model under Law 262/05	-	-	2
231 Organisational Model	29	20	-
Other (**)	35	32	28
Low	13	16	16
of which:			
Administrative and Accounting Control Model under Law 262/05	2	2	1
231 Organisational Model	10	11	3
Other (**)	1	3	12
TOTAL IRREGULARITIES	**81**	**76**	**51**

type of irregularity	2019	2018	2017
Related to corruption offences	-	-	-
Other	81	76	51
TOTAL IRREGULARITIES	**81**	**76**	**51**

Under its Whistleblowing Procedure, the Company has implemented various channels of communication to the Supervisory Board, through which any violations of the principles and procedures listed above can be reported; to date no reports have ever been made.

9. NOTE ON METHODOLOGY

The Gefran Group's Consolidated Non-Financial Declaration was drawn up pursuant to Legislative Decree 254/2016 and referring to the international reporting standards issued by the Global Reporting Initiative "Sustainability Reporting Standards" in the GRI Standard 2016 Referenced version. The list of selected indicators is reported in the appendix to this document, in the "Table illustrating correlation with Legislative Decree 254/16". The GRI Standards state that the Statement should contain information about aspects considered material, which reflect the significant impacts for the organisation from an economic, environmental and social point of view and which can substantially influence the stakeholders' evaluations and decisions.

The process of collecting the data and information for preparing this Statement was managed in conjunction with the various company functions, in accordance with the following principles set out in the GRI Standards:

- comparability and clarity: to make the Statement usable by all stakeholders, clear and concise language was used together with tables and charts. The information in the report refers to the period between 1 January 2018 and 31 December 2019. Where possible, data relating to previous years was recorded for comparison purposes so that the trend of the Group's activities can be evaluated over several time periods. However, the absence of such a comparison is due to the trend over the years not being important or to the impossibility of recovering information about previous years. Finally, with regard to the quantitative information in this document for which estimates were used, this detail is appropriately indicated in the various sections;
- balance: the data and information in the Statement are represented objectively and meticulously; the indicators reflect the Group's performance in the reporting period;
- accuracy: the data and information in the Statement were checked by the respective function heads to confirm their accuracy and authenticity;
- timeliness: the Consolidated Non-Financial Declaration will be published annually at the same time as the Annual Financial Report;
- reliability: the Consolidated Non-Financial Declaration was drafted by an ad-hoc working group whose members were chosen from the Group's various departments and who validated the contents relating to their areas of responsibility. The final document, in its entirety, was presented and discussed by the Board of Directors.

The Consolidated Non-Financial Declaration was reviewed by the independent external auditor PricewaterhouseCoopers S.p.A.

In general terms, the data and information in this Declaration refer to the Companies consolidated using the line-by-line method in the Gefran Group's Annual Financial Report, at 31 December 2019.

Specifically, based on the distribution of personnel within the Gefran Group (where about 90% of the workforce is concentrated in the Group's production companies), the sales companies are excluded from the reporting scope for some aspects where, given the nature of their activities, their contribution was not significant.

Refer to Section 1 for details of the composition of the Group.

In summary, based on the information about the scope given in each section:

- for the "human resources" and "occupational health and safety" areas, all of the Group companies are included in the scope;
- for the "consumer health and safety" area, the policies and practices implemented by the production companies and the Parent Company are analysed;
- with regard to the environment, the analysis was conducted for all the production companies and two sales companies (Gefran Siei Asia Pte Ltd and Gefran Deutschland GmbH);
- the aspects about the involvement of local communities and governance were dealt with based on the initiatives/policies and practices implemented by the production companies and Corporate;
- with regard to the supply chain, the analysis was conducted for all the production companies whereas, for the sales companies, it was conducted in a marginal way, as approximately 73% of their procurement comes from intercompany purchases and the remainder from local supplies;
- Elettropiemme S.r.l.'s figures are included in the reporting perimeter from 1 January 2019, even though the company joined the Group on 23 January 2019, in order to permit homogeneous comparison with figures for other Group subsidiaries.

10. TABLE OF CORRELATION UNDER LEGISLATIVE DECREE 254

Theme under Legislative Decree 254/2016	**Environmental**			
Material theme *(from materiality matrix)*	**Energy efficiency**	**Emissions management**	**Waste management**	**Research and development into sustainable products**
Risks identified *(reference to paragraph)*	5.1	5.1	5.1	5.1
Policies implemented *(reference to paragraph on "MANAGEMENT METHODS IN THE GROUP")*	5.1, 5.2 The Group has not yet formally expressed its policy in this area. The Company is considering adoption of formal policies starting in the year 2020.	5.1, 5.2 The Group has not yet formally expressed its policy in this area. The Company is considering adoption of formal policies starting in the year 2020.	5.2 The Group has not yet formally expressed its policy in this area. The Company is considering adoption of formal policies starting in the year 2020.	5.2, 6.2 The Group has not yet formally expressed its policy in this area.
GRI - Referenced Topic specific standard/disclosure *(corresponding reported disclosure)*	*302-1 a, c, e: Energy consumption in the organisation* *302-3 a, b, c: Energy Intensity* *305-5 a: Reduction of greenhouse gas emissions* *303-1 a: Water consumption by source*	*305-1 a: Direct greenhouse gas emissions (Scope 1)* *305-2 a: Indirect greenhouse gas emissions generated by energy consumption (Scope 2)* *305-4 a, b: Carbon intensity (GHG)*	*306-2 a, b: Total weight of wastes, according to type and method of disposal*	*103-1 a: Explanation of material theme and its perimeter* *103-2 a, b, c: Management method and components* *103-3 a: Assessment of management methods*
Reference to paragraph	paragraph 5.3, pages 175-179	paragraph 5.3, page 180-181	paragraph 5.3, pages 182-183	paragraph 6.2, pages 188-191
Scope of reporting *(in view of the instructions provided in Legislative Decree 254/2016)*	Parent Company Gefran S.p.A., all the Group's production plants and its two main sales companies, as defined in the *"Note on Methodology"*.	Parent Company Gefran S.p.A., all the Group's production plants and its two main sales companies, as defined in the *"Note on Methodology"*.	Parent Company Gefran S.p.A., all the Group's production plants and its two main sales companies, as defined in the *"Note on Methodology"*.	Parent Company Gefran S.p.A.
NB:	The scope of reporting does not include the following foreign subsidiaries: - Gefran Uk Ltd, - Gefran France S.A., - Gefran Benelux Nv, - Gefran Middle East Ltd Sti as sales companies with a limited turnover and a small number of employees, whose impact is considered marginal.	The scope of reporting does not include the following foreign subsidiaries: - Gefran Uk Ltd, - Gefran France S.A., - Gefran Benelux Nv, - Gefran Middle East Ltd Sti as sales companies with a limited turnover and a small number of employees, whose impact is considered marginal.	The scope of reporting does not include the following foreign subsidiaries: - Gefran Uk Ltd, - Gefran France S.A., - Gefran Benelux Nv, - Gefran Middle East Ltd Sti as sales companies with a limited turnover and a small number of employees, whose impact is considered marginal.	The scope of reporting does not include subsidiaries, as Research and Development is performed exclusively by the Parent Company.
Actions				It has not been possible to organise precise reporting; the products developed are reported in the paragraphs describing the topic in question

Theme under Legislative Decree 254/2016	**Pertaining to personnel**				
Material theme *(from materiality matrix)*	**Human capital management**	**Industrial relations**	**Employee health and safety management**	**Personnel training and development**	**Protection of employee diversity and non-discrimination**
Risks identified *(reference to paragraph)*	7.1	----	6.1	7.1	7.1
Policies implemented *(reference to paragraph "MANAGEMENT METHODS IN THE GROUP")*	7.2 Only the Parent Company has formally expressed its policy in this area so far. The company is gradually extended the practices in place in the Parent Company to the Group as a whole. This process is currently underway.	7.2	6.2 The Group has not yet formally expressed its policy in this area.	7.2 Only the Parent Company has formally expressed its policy in this area so far. The company is gradually extended the practices in place in the Parent Company to the Group as a whole. This process is currently underway.	7.2 Group Code of Ethics and practice
GRI - Referenced Topic specific standard/disclosure *(corresponding reported disclosure)*	*401-1 a, e, b: New hiring and personnel turnover by gender and geographical region* *401-3 c, d, e: Employees entitled to parental leave and rate of return after parental leave by gender*	*103-2 a, b, c: Management method and components*	*403-2 a: Type of injury and rate of injury, occupational illness, number of working days lost, absenteeism and number of work-related deaths, totals*	*404-1 a: Average training hours per employee, by gender and employee category* *404-2 a, b: Programmes for upgrading of skills and assistance at times of career transition*	*405-1 a, b: Membership of company bodies and staff* *405-2 a, b: Ratio of women's basic salaries to men's* *406-1 a: Episodes of discrimination and actions taken in response*
Reference to paragraph	paragraph 7.3, pages 202-209	paragraph 7.2, pages 196-200	paragraph 6.3, pages 192-194	paragraph 7.3, pages 209-212	paragraph 2, pages 160-164 paragraph 7.3, pages 202-212
Scope of reporting (*in view of the instructions provided in Legislative Decree 254/2016)*	Gefran Group, all companies consolidated by the line-by-line method, as defined in the *"Note on Methodology"*.	Parent Company Gefran S.p.A.	Including all the Group's production plants and its two main sales companies, as defined in the *"Note on Methodology"*.	Including all the Group's production plants and its two main sales companies, as defined in the *"Note on Methodology"*.	Gefran Group, all companies consolidated by the line-by-line method, as defined in the *"Note on Methodology"*.
NB:	Disclosure of *401-1 a* is supplied only by gender and region, while *401-1 b* is provided by gender only. Disclosure of *401-3 c, d, e* is reported at the aggregate level, not broken down by gender.	Information not available for foreign subsidiaries. The analysis does not reveal any risks of this type.	The scope of reporting does not include the following foreign subsidiaries: - Gefran Uk Ltd, - Gefran France S.A., - Gefran Benelux Nv, - Gefran Middle East Ltd Sti as sales companies with a limited turnover and a small number of employees, whose impact is considered marginal. Disclosure of point *403-2 a* is reported at the aggregate level.	The scope of reporting does not include the following foreign subsidiaries: - Gefran Uk Ltd, - Gefran France S.A., - Gefran Benelux Nv, - Gefran Middle East Ltd Sti as sales companies with a limited turnover and a small number of employees, whose impact is considered marginal. Disclosure of point *404-1 a* is reported by gender only	
Actions					

Theme under Legislative Decree 254/2016	Social			
Material theme *(from materiality matrix)*	**Relations with local communities and organisations**	**Relations with training and research bodies and universities**	**Sustainable management of supply chain/Economic value attracted and distributed and economic impact**	**Consumer health and safety**
Risks identified *(reference to paragraph)*	-----	-----	7.1	6.1
Policies implemented *(reference to paragraph "MANAGEMENT METHODS IN THE GROUP")*	7.2 The Group has not yet formally expressed its policy in this area.	7.2 The Group has not yet formally expressed its policy in this area.	6.2, 7.1 and 7.2 Policies have been stated for *Conflict Minerals*, the supplier qualification process and signature of the "*Sustainability Pact*"	6.2
GRI - Referenced Topic specific standard/disclosure *(corresponding reported disclosure)*	*413-1 a (iv), a (vii): Areas of operations with implementation of programmes for involvement, impact assessment and development of local communities*	*413-1 a (iv), a (vii): Areas of operations with implementation of programmes for involvement, impact assessment and development of local communities*	*103-2 a, b, c: Management method and components* *204-1 a, b, c: Percentage of expenditure concentrated on local suppliers in relation to most significant operative sites* *308-2 c: Current and potential significant forms of negative environmental impact in the supply chain and actions undertaken*	*103-1 a: Explanation of material theme and its perimeter* *103-2 a, b, c: Management method and components* *103-3 a: Assessment of management methods*
Reference to paragraph	paragraph 7.2, page 201	paragraph 1, pages 155-156 paragraph 7.2, pages 196-197	paragraph 7.3, pages 212-214	paragraph 6.1, page 185 paragraph 6.2, pages 188-191
Scope of reporting (*in view of the instructions provided in Legislative Decree 254/2016)*	Parent Company Gefran S.p.A.	Parent Company Gefran S.p.A.	Parent Company Gefran S.p.A. and all the Group's production plants, as defined in the"*Note on Methodology*"	Parent Company Gefran S.p.A. and all the Group's production plants, as defined in the *"Note on Methodology"*.
NB:	The activities in question are concentrated solely in the Parent Company Gefran S.p.A.. The analysis does not reveal any risks of this type.	The activities in question are concentrated solely in the Parent Company Gefran S.p.A.. The analysis does not reveal any risks of this type.	The scope does not include sales companies, as only about 27% of their procurement comes from local suppliers. Their impact is therefore considered marginal.	The scope does not include sales companies, as the responsibility for designing and producing a product that meets safety requirements lies with the manufacturer.
Actions				

Theme under Legislative Decree 254/2016	**Social**			
Material theme *(from materiality matrix)*	**Respect for human rights**	**Fight against corruption**	**Compliance and risk management**	**Sustainable governance**
Risks identified *(reference to paragraph)*	7.1	8.1	3, 8.1	-----
Policies implemented *(reference to paragraph "MANAGEMENT METHODS IN THE GROUP")*	7.2 Group Code of Ethics and practice.	8.2	3, 8.2	2
GRI - Referenced Topic specific standard/disclosure *(corresponding reported disclosure)*	*406-1 a: Incidents of discrimination and corrective actions implemented* *103-1 a: Explanation of material theme and its perimeter* *103-2 a, b, c: Management method and components* *103-3 a: Assessment of management methods*	*205-1 b: Activities subject to risk of corruption* *205-3 a: Incidents of corruption and actions implemented* *103-1 a: Explanation of material theme and its perimeter* *103-2 a, b, c: Management method and components* *103-3 a: Assessment of management methods*	*103-1 a: Explanation of material theme and its perimeter* *103-2 a, b, c: Management method and components* *103-3 a: Assessment of management methods*	*103-1 a: Explanation of material theme and its perimeter* *103-2 a, b, c: Management method and components* *103-3 a: Assessment of management methods*
Reference to paragraph	paragraph 7.2, pages 196-200	paragraph 8.1, pages 214-217 paragraph 8.2, page 218 paragraph 8.3, page 219	paragraph 3, page 166	paragraph 2, pages 157-165 paragraph 4, pages 167-170
Scope of reporting *(in view of the instructions provided in Legislative Decree 254/2016)*	Gefran Group, all companies consolidated by the line-by-line method, as defined in the *"Note on Methodology"*.	Gefran Group, all companies consolidated by the line-by-line method, as defined in the *"Note on Methodology"*.	Gefran Group, all companies consolidated by the line-by-line method, as defined in the *"Note on Methodology"*.	Gefran Group, all companies consolidated by the line-by-line method, as defined in the *"Note on Methodology"*.
NB:			This material theme was added following updating of the Gefran Group's materiality matrix in 2019.	This material theme was added following updating of the Gefran Group's materiality matrix in 2019.
Actions				

GEFRAN S.P.A. SEPARATE FINANCIAL STATEMENTS AT 31

KEY INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION FIGURES OF GEFRAN S.P.A.

Gefran S.p.A. income statement highlights

(Euro / 000)	31 December 2019		31 December 2018	
Revenues	61,034	100.0%	85,032	100.0%
EBITDA	11,404	18.7%	13,841	16.3%
EBIT	5,516	9.0%	8,809	10.4%
Profit (loss) before tax	7,698	12.6%	11,111	13.1%
Result from operating activities	6,222	10.2%	8,496	10.0%
Profit (loss) from assets held for sale	-	0.0%	(866)	-1.0%
Net profit (loss)	6,222	10.2%	7,630	9.0%

Gefran S.p.A. statement of financial position highlights

(Euro / 000)	31 December 2019	31 December 2018
Invested capital from operations	84,912	81,295
Working capital	12,315	13,200
Shareholders' equity	65,066	63,760
Net financial position	(19,846)	(17,535)
Operating cash flow	9,710	14,705
Investments	8,542	7,554

ALTERNATIVE PERFORMANCE INDICATORS

In addition to the standard financial schedules and indicators required under IFRS, this document includes reclassified schedules and alternative performance indicators. This is in order to permit better assessment of trends in the Company'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. This indicator serves to present the profitability of the Company's operations without taking the principal non-monetary items into account;
- **EBIT:** operating result before financial management and taxes. This indicator serves to present the profitability of the Company's operations.

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

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

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

- **Net invested capital**: the algebraic sum of net fixed assets, working capital and provisions;
- **Net financial position:** the algebraic sum of the following items:
    - Medium/long-term financial payables
    - Short-term financial payables
    - Financial liabilities for derivatives
    - Financial investments for derivatives
    - Cash and cash equivalents and short-term financial receivables

REPORT ON OPERATIONS

1. RESULT OF GEFRAN S.P.A.

On 1 October 2018 Gefran S.p.A. contributed its motion control business located in the plant in Gerenzano (VA) to Gefran Drives and Motion S.r.l., established in July 2018. The economic result of Gefran S.p.A. in the first three quarters of 2018 therefore includes the motion control business, while the figures for the last quarter of 2018 are reported by the new entity.

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

	(Euro / 000)	31 December 2019	31 December 2018	Change 2019-2018	
		Total	Total	Value	%
a	Revenues	61,034	85,032	(23,998)	-28.2%
b	Increases for internal work	1,528	1,242	286	23.0%
c	Consumption of materials and products	18,121	31,240	(13,119)	-42.0%
d	Added value (a+b-c)	44,441	55,034	(10,593)	-19.2%
e	Other operating costs	12,230	14,321	(2,091)	-14.6%
f	Personnel costs	20,807	26,872	(6,065)	-22.6%
g	EBITDA (d-e-f)	11,404	13,841	(2,437)	-17.6%
h	Depreciation, amortisation and impairment	5,888	5,032	856	17.0%
i	EBIT (g-h)	5,516	8,809	(3,293)	-37.4%
l	Gains (losses) from financial assets/liabilities	2,182	2,302	(120)	-5.2%
n	Profit (loss) before tax (i±l)	7,698	11,111	(3,413)	-30.7%
o	Taxes	(1,476)	(2,615)	1,139	43.6%
p	Result from operating activities (n±o)	6,222	8,496	(2,274)	-26.8%
q	Profit (loss) from assets held for sale	-	(866)	866	100.0%
r	Net profit (loss) (p±q)	6,222	7,630	(1,408)	-18.5%

Annual revenues amount to 61,034 thousand Euro, down 23,998 thousand Euro over the previous year, when they included 21,671 thousand Euro in product revenues from the motion control business unit pertaining to the first nine months of 2018.

Considering the same reporting perimeter, revenues were down 2,327 thousand Euro over the previous year, -3.7%. The decrease was primarily in the following geographical regions: the EU (-1,605 thousand Euro, or -8.7%), Italy (-1,125 thousand Euro, or -4.5%), and Asia (-837 thousand Euro, or -7%), partially compensated by good performance of the North American market (+1,089 Euro, up +28.1%).

Decreased revenues were seen in all business units: sensors were down by 1,746 thousand Euro (-4.3%), while automation components dropped by 996 thousand Euro (-5.3%); the 21,919 thousand Euro drop in revenues from motion control products was primarily a result of the transfer of these assets from Gefran S.p.A. to the newly established Gefran Drives and Motion S.r.l..

Added value in the year amounted to 44,441 thousand Euro, representing 72.8% of revenues, as compared to 55,034 thousand Euro in the previous year, equal to 64.7% of revenues. The 10,593 thousand Euro drop in absolute value was primarily attributable to the above-mentioned contribution of assets, without which added value would have dropped by 1,811 thousand Euro; the decrease is attributable to a lower volume of sales.

Other operating costs in the year 2019 totalled 12,230 thousand Euro, as compared to 14,321 thousand Euro on 31 December 2018, a 2,091 thousand decrease; if the effect of contribution of the motion control business unit to Gefran Drives and Motion S.r.l. is not taken into account, other operating costs in 2019 are on the whole aligned with the previous year.

Note that the entry into force of the new accounting standard IFRS 16, details of which are described in a specific note to this annual report, led to a 208 thousand Euro decrease in costs for use of third-party assets.

Personnel costs at 31 December 2019 totalled 20,807 thousand Euro, as compared to 26,872 thousand Euro in 2018, when the figure included the first three quarters' personnel costs for personnel contributed to Gefran Drives and Motion S.r.l., totalling 6,174 thousand Euro. Without these costs, personnel costs are aligned with those of the previous year.

Depreciation, amortisation and impairment in the current year amounts to 5,888 thousand Euro, 856 thousand Euro increase over the figure for 31 December 2018. The change is primarily a result of:

- 1,018 thousand Euro less depreciation/amortisation as a result of transfer of the motion control business unit as described above,
- entry of 205 thousand Euro more depreciation/amortisation as a result of application of the new accounting standard IFRS16, details of which are provided in a specific note to this annual report;
- 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. Work was completed in December 2019 and production began in January 2020.

EBIT in the year 2019 was positive at 5,516 thousand Euro (9% of revenues), as compared to a positive EBIT of 8,809 thousand Euro in December 2018, when it included the EBIT of the motion control business unit for the first three quarters, which was negative by 33 thousand Euro; the decrease is a result of lower added value and loss of value of assets.

Financial income was 2,182 thousand Euro, 120 thousand Euro lower than in the previous year. It includes:

- dividends from equity investments totalling 2,545 thousand Euro, compared to 2,294 thousand Euro in dividends in 2018;
- financial income of EUR 41 thousand (EUR 62 thousand in 2018);
- the positive result of differences in foreign currency transactions, totalling 199 thousand Euro, as compared to a positive result of 146 Euro in 2018;
- financial charges linked with the Group's indebtedness, totalling 266 thousand Euro, higher than the 2018 figure of 200 thousand Euro thanks to new loans;
- value adjustments of non-current assets totalling 332 thousand Euro, linked with adjustment of the fair value of the shareholding in Ensun S.r.l.;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 5 thousand Euro.

Taxes were, on the whole, negative by 1,476 thousand Euro (2,615 thousand Euro as of 31 December 2018). The reduction in taxes is proportionate to the lower profit, and may be broken down as follows:

- negative current taxes of 630 thousand Euro (negative by 1016 thousand Euro on 31 December 2018), as a result of the economic results of the period;
- deferred tax assets and deferred taxes, which were on the whole negative by 846 thousand Euro (negative by 1,599 thousand Euro as of 31 December 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 at 31 December 2019 is positive at 6,222 thousand Euro, compared with a positive result of 8,496 thousand Euro in the year 2018. without including the 1,531 thousand Euro loss of value of an asset, the result from operating activities in 2019 would amount to 7,753 thousand Euro, 743 thousand Euro lower than the previous year.

Net profit (loss) from assets held for sale in 2019 is zero, while the previous year saw a loss of 866 thousand Euro due to adjustment of the amount of assets held for sale representing know-how in the photovoltaic business at its presumed realisable value, after subtraction of the corresponding taxes.

Gefran S.p.A.'s **Net profit** as of 31 December 2019 amounts to 6,222 thousand Euro, as compared to a net profit of 7,630 Euro on 31 December 2018, a drop of 1,408 thousand Euro.

Gefran S.p.A.'s reclassified balance sheet at 31 December 2019 is as follows:

(Euro / 000)	31 December 2019		31 December 2018	
	value	%	value	%
Intangible assets	4,575	5.4	4,009	4.9
Tangible assets	25,787	30.4	23,148	28.5
Other non-current assets	48,211	56.8	49,394	60.8
Net non-current assets	78,573	92.5	76,551	94.2
Inventories	5,225	6.2	5,391	6.6
Trade receivables	20,152	23.7	21,697	26.7
Trade payables	(13,062)	(15.4)	(13,888)	(17.1)
Other assets/liabilities	(2,820)	(3.3)	(5,188)	(6.4)
Working capital	9,495	11.2	8,012	9.9
Provisions for risks and future liabilities	(922)	(1.1)	(866)	(1.1)
Deferred tax provisions	-	-	(4)	(0.0)
Employee benefits	(2,234)	(2.6)	(2,398)	(2.9)
Invested capital from operations	84,912	100.0	81,295	100.0
Invested capital from assets held for sale	-	-	-	-
Net invested capital	**84,912**	**100.0**	**81,295**	**100.0**
Shareholders' equity	65,066	76.6	63,760	78.4
Non-current financial payables	21,079	24.8	11,864	14.6
Current financial payables	22,726	26.8	19,738	24.3
Financial payables for IFRS 16 leases (current and non-current)	488	0.6	-	-
Financial liabilities for derivatives (current and non-current)	169	0.2	28	0.0
Financial assets for derivatives (current and non-current)	(1)	(0.0)	(19)	(0.0)
Non-current financial investments	(98)	(0.1)	(126)	(0.2)
Cash and cash equivalents and current financial receivables	(24,517)	(28.9)	(13,950)	(17.2)
Net debt relating to operations	19,846	23.4	17,535	21.6
Total sources of financing	**84,912**	**100.0**	**81,295**	**100.0**

Net non-current assets increased by 2,022 thousand Euro over 31 December 2018 and showed the following trends:

- tangible and intangible assets included increases for new investments of 8,542 thousand Euro, depreciation, amortisation and impairment on assets totalling 5,683 thousand Euro, and entry of usage rights under accounting standard IFRS16 totalling 682 thousand Euro, compensated by amortisation of such rights totalling 196 thousand Euro.
- other non-current assets changed by a total of 1,183 thousand Euro, as a result of decreased receivables due to deferred tax assets (752 thousand Euro), and the overall negative effect of the value of shareholdings in other companies (432 thousand Euro).

Working capital amounts to 9,495 thousand Euro, 1,483 thousand Euro higher than on 31 December 2018; the changes in individual components are as follows:

- inventories amount to 5,225 thousand Euro at 31 December 2019, 166 thousand Euro lower than the figure for 31 December 2018;
- trade receivables totalled 20,152 thousand Euro, a decrease of 1,545 thousand Euro compared with 31 December 2018;
- trade payables totalled 13,062 thousand Euro, as compared to 13,888 thousand Euro at 31 December 2018, a decrease of 826 thousand Euro;
- other net assets and liabilities, negative by 2,820 thousand Euro at 31 December 2019, compare with a negative figure of 5,188 thousand Euro at 31 December 2018; the decrease is a result of decreased payables to employees and increased VAT receivables.

Provisions for risks and future liabilities total 922 thousand Euro, 56 thousand Euro lower than on 31 December 2018; they include provisions for pending legal disputes, and the reduction in the year is a result of both use and release to the income statement of excess provisions.

Employee benefits total 2,234 thousand Euro, 164 thousand Euro lower than on 31 December 2018; the change is a result of payment of 318 thousand Euro in benefits to employees and discounting of existing payables in accordance with IAS standards, which has a positive impact of 154 thousand Euro.

Shareholders' equity is 1,306 thousand Euro higher than on 31 December 2018, due to the recognition of profit for the period (6,222 thousand Euro), minus distribution of dividends on 2018 profits (4,599 thousand Euro).

Net financial position at 31 December 2019 is 19,846 thousand Euro, 2,311 thousand Euro worse than on 31 December 2018. This change was essentially originated by the positive cash flows from normal operations (9,710 thousand Euro) mitigated by the negative flows of technical investments (8,375 thousand Euro) and distribution of dividends in May 2019 (4,599 thousand Euro).

With reference to current financial payables, the updated checks on the contractual restrictions at the time of closing this Annual Financial Report at 31 December 2019 show that the ratios of all the financial covenants have been observed and accordingly the non-current financial payables are recorded in the financial statements according to their contractual maturity.

(Euro / 000)	**31 December 2019**	**31 December 2018**
A) Cash and cash equivalents at the start of the period	10,245	11,365
B) Cash flow generated by (used in) operations in the period	9,710	14,705
C) Cash flow generated by (used in) investment activities	(8,375)	(7,479)
D) Free cash flow (B+C)	1,335	7,226
E) Cash flow generated by (used in) financing activities	4,980	(8,346)
F) Cash flow from continuing operations (D+E)	6,315	(1,120)
G) Cash flow from assets held for sale	-	-
H) Net change in cash at hand (F+G)	6,315	(1,120)
I) Cash and cash equivalents at the end of the period (A+H)	16,560	10,245

Cash flow from operations for the period was positive at 9,710 thousand Euro, and relates entirely to operations in 2019 which, net of the inflow of allocations, depreciation/amortisation and financial items, generated 11,667 thousand Euro in cash.

Technical and financial investments, net of disposals, absorbed resources of 8,375 thousand Euro compared with investments of 7,479 thousand Euro in 2018.

Free cash flow (operative cash flow minus investment) is positive by 1,335 thousand Euro, as compared to a negative free cash flow of 7,226 thousand Euro in 2018, a 5,891 thousand Euro drop primarily attributable to operations in the period and to increased investment.

Loans generated a total of 4,980 thousand Euro in cash, through three new loans (totalling 20,000 thousand Euro) and collection of dividends from subsidiaries (2,545 thousand Euro), partially compensated by repayment of instalments of existing loans falling due (9,180 thousand Euro), a decrease in short-term financial debt (2,854 thousand Euro) and distribution of dividends on profit in the year 2018 (4,599 thousand Euro).

2. SIGNIFICANT EVENTS DURING THE YEAR

- On 03 May 2019, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:
    - Approve the Financial Statements for the financial year 2018 and distribute a dividend of Euro 0.32 per share;
    - Authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares for a period of 18 months from the date of the Shareholders' Meeting.

  The shareholders also expressed a favourable opinion of the general Group remuneration policy adopted by Gefran, pursuant to Article 123-*ter* of the TUF.

- On 2 December 2019 the Gefran S.p.A. Board of Directors received Alberto Bartoli's resignation from the post of CEO, effective immediately.

  Mr. Bartoli was an executive non-independent director as well as Executive Director in charge of the company's internal auditing and risk management system, and did not sit on any internal committees.

  In the same meeting, the Board of Directors implemented its "Plan for succession to the post of CEO", prepared last February under application criterion 5.C.2 of the Code of Conduct of Listed Companies, beginning the activities required under the plan.

- On 16 December 2019, the Gefran S.p.A. Board of Directors co-opted Marcello Perini, former General Manager of the Sensors & Components Business Unit, as CEO of Gefran S.p.A.

  Mr. Perini holds the position of executive non-independent director as well as Executive Director in charge of the company's internal auditing and risk management system, and does not sit on any committees.

  In the same meeting, the Board of Directors expanded the powers previously awarded to the Company's Chairman, Maria Chiara Franceschetti.

3. SIGNIFICANT EVENTS AFTER YEAR END

Nothing to report.

4. OUTLOOK

As a result of the propagation of Coronavirus, with consequences for the economies of a number of countries, China first of all, the International Monetary Fund has decreased its forecast world GDP for 2020 to 3.2%, its forecast of Chinese GDP (to 5.6%, 0.4% less, expecting to see an upswing in the economy in the second quarter of 2020), and of the GDP of the United States, up 2% in 2020 as compared to 2.3% in 2019. The International Monetary Fund has also emphasised that the Italian economy has the slowest growth in the European Union, at +0.5% GDP, as compared to an average of 1.3% in the Eurozone.

These estimates were recently revised by the OECD, which theorised a global growth rate of 1.5% with Italian GDP growth of 0%, a worst-case scenario in view of the effects of Coronavirus.

Gefran has also seen signals from all the geographical regions it operates in confirming this trend in the first two months of 2020: the spread of Coronavirus is having an impact on global economic trends, casting doubt on prospects for growth in a number of industries.

Development of new products and new markets undertaken in previous years is expected to allow Gefran to compensate any drop in revenues that may result from the highly uncertain international context described above.

However, the international macroeconomic outlook and above all the uncertainty surrounding the economic impact of the coronavirus epidemic make it difficult to predict the evolution of revenues and above all the impact that reduced revenues might have on Gefran S.p.A.'s economic results.

5. OWN SHARES

As of 31 December 2019, Gefran S.p.A. held 27,220 shares (0.19% of the total) with an average carrying value of Euro 5.7246 per share, all purchased in the fourth quarter of 2018.

No own shares were purchased or sold in 2019. As of the date of this report the situation was unchanged.

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

6. DEALINGS WITH RELATED PARTIES

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

The procedure in question was updated by the Board of Directors on 3 August 2017 to bring the content in line with current regulations, specifically the entry into force of the “Market Abuse” regulation, EU 596/2014.

Information about it is also provided in the Report on Corporate Governance and Ownership Structure.

The procedure in question was updated by the Board of Directors on 3 August 2017 to bring the content in line with current regulations, specifically the entry into force of the “Market Abuse” regulation, EU 596/2014.

See note 35 of these notes to the accounts for details of transactions with related parties.

7. ENVIRONMENT, HEALTH AND SAFETY

In 2019, Gefran continued with its commitment to promote initiatives and activities for protection of the environment as a primary asset and of the health and safety of all staff, through constant, precise, targeted actions for risk prevention and reduction, with a view to “ongoing improvement” and in compliance with Legislative Decree 81/2008 as amended.

Gefran S.p.A. promotes safety primarily through:

- active participation and consultation of workers in improvement of their working environment;
- adoption of effective preventive measures against injury on the job, occupational disease and health risks;

- ongoing instruction and professional development for workers in relation to the tasks they perform, and for emergency and first aid representatives, supervisors and various figures involved in the Company's Prevention and Protection Service;
- periodic environmental assessments controlling airborne emissions dispersed with the aim of safeguarding the work environment.

In 2020, the Company will also organise internal audits for monitoring safety levels with the aim of reducing risk.

There is also a strong focus on environmental protection, through corporate policies aimed at reducing the impact of the Group's activities. This takes concrete form is publication of information on correct disposal of waste materials, such as packaging and scrap from the production cycle, and reduction of energy consumption through optimisation of the Energy Diagnosis tool.

In recent years the company has implemented a number of actions aimed at improving energy efficiency, such as replacement of fluorescent lights with LED lighting, replacement of the conventional boiler with a new generation condensation boiler, and implementation of a monitoring system in compliance with ENEA guidelines.

8. HUMAN RESOURCES

The Gefran Way

To position the Group on the market and stay competitive, the Group needed an effective way of presenting itself, caring for its on-line reputation and managing its own identity. This is as true for companies as it is for individuals, as a company's image is an essential way of attracting and engaging talented people capable of responding to change and guiding the enterprise into the future.

This is why it is becoming more and more necessary to perform a series of operations for editing of brand identity.

Gefran has worked on its brand identity plan, The Gefran Way, since the end of 2018, adopting a grassroots approach which involves external stakeholders and all company departments in various ways.

Gefran's ability to remain relevant over time no longer depends solely on its products and services but on its Vision (Purpose), valid for both the market and those who choose to work with Gefran, setting up a long-lasting partnership of mutual value. The concept of value no longer regards products and services for customers, pay and benefits for workers, and a variety of benefits for other stakeholders: it increasingly regards experience.

The activity to redefine and share the Group's Promise, Purpose, Guidelines and Manifesto was followed by a cascading plan involving all functions in the organisation with the aim of permeating everyday behaviour, and therefore experience, with the Gefran Way. The process began with identification of significant stakeholders, followed by mapping of touchpoints and, lastly, defining tools, actions, competences and behaviours confirming Gefran's promise and reinforcing the brand. The plan began in the Parent Company at the end of 2019 and will continue in all Group subsidiaries throughout the year 2020.

The essence of Gefran, which conveys the meaning of what it does, its existence and what it brings with it, is captured in the new slogan “Beyond Technology”.

Corporate welfare

The Company is made up of people, and people represent its key value. Gefran is implementing a series of initiatives based on this awareness: plans for obtaining employees’ engagement and fidelity, including corporate welfare, with the WELLFRAN platform offering goods and services such as a shopping cart, fuel vouchers, leisure services, family support and educational initiatives.

The new 2020-2022 Company Contract signed in November 2019 is applicable in Italy and will become a source of inspiration for new practices throughout the Group. Performance-related pay, calculated on the basis of achievement of qualitative and quantitative targets, sees the introduction of a new parameter linked with separation of wastes, in harmony with the company’s sustainability and environment strategies. The new agreement will also provide for an extra annual bonus directly proportionate to growth of revenues, representing a strategic indicator for the Company’s growth. Performance-related pay may be entirely or partially converted into goods and services under the company’s welfare plan.

The national contract includes important aspects linked with training and professional development, generational succession and a focus on family time.

Training and career development: introduction of a training representative, identified as a member of the Unitary Trade Union Representation, will facilitate communication between Human Resources Management & Organisation Development and the workers, providing feedback and suggestions on training programmes and projects in the Company and recommendations regarding specific requirements for training.

Generational turnover: with the goals of promoting inclusion of young people in the company, improving the quality of life of senior workers and consolidating know-how, skills and values in the company, the agreement involves a plan for generational turnover. The programme states that workers approaching retirement age may request conversion to part-time contracts with flanking by junior members of staff.

More family time: the contract formally confirms the practice, already consolidated in the company for many years, of responding positively to requests for transformation to part-time contracts for mothers of children up to the age of two returning from maternity leave; an increased amount of paid leave will be available for medical appointments of underaged children and parents over the age of 65.

These initiatives won Gefran the prestigious Best Job award (presented by the German Economic Institute) for the second time in a row in 2019.

FLY Gefran Talent Accademy, FLY Youth

FLY is the Gefran Talent Academy for development centring around people's strong points. The goal is continued development and support for each person's distinctive skill set and encouragement of talent.

We use a variety of tools and methods aimed as much at existing staff as at new employees. Talent may be defined as a set of skills, aligned with the Company's values and consistent with specific nature of the organisation, put to work to implement the Company's strategy.

FLY includes specific programmes for development of potential, such as:

- long-term partnerships with universities;
- masters in innovation;
- managerial coaching;
- mentoring and reciprocal mentoring;
- on the job training;
- participation in focus groups and workshops;
- classroom education.

FLY Youth is a session for new graduates progressively being included in the Company as a result of the current phase of generational turnover.

Organisational innovation

In 2019 there was a strong focus on innovation of production processes in the Group's plants (smart manufacturing) through digitalisation and lean production, plans for skill mapping and development, mindset change and investment in redefinition of production equipment and layout.

9. MAIN RISKS AND UNCERTAINTIES

For information on the main risks and uncertainties faced by the Company, please see the section "Main risks and uncertainties to which the Gefran Group is exposed" in the consolidated financial statements.

With regard to risk management objectives and policies, including the hedging policy and the exposure of Gefran S.p.A. to credit, price, liquidity, interest rate and exchange rate risks, please see the full description in the comments on the financial statement items. With regard to "Financial risk management", please see note 9 of the notes to the accounts.

10. DISCLOSURE SIMPLIFICATION

On 1 October 2012, the Gefran S.p.A. Board of Directors voted to use the option to provide simplified disclosure pursuant to article 70, paragraph 8, and article 71, paragraph 1-*bis*, of Consob Regulation 11971/1999 as amended.

11. PROPOSED RESOLUTION

Dear Shareholders,

We hereby submit for your approval the annual financial statements for the period ending 31 December 2019, which show a net profit for the period of 6,221,826 Euro.

Note that the legal reserve reached the limit set by the Italian Civil Code some time ago and that the available reserves amply cover the development costs recorded under non-current assets.

We therefore submit for your approval the following resolution:

"The Ordinary Shareholders' Meeting of Gefran S.p.A., having taken note of the Board of Statutory Auditors' Report and the External Auditors' Report, votes:

1. *to approve the Board of Directors' Report on Operations and the annual financial statements for the period ending 31 December 2019, which show a profit of 6,221,826 Euro, as presented by the Board of Directors;*

2. *to distribute to the shareholders, by way of dividend, gross of the legal withholdings, EUR 0.15 for each of the outstanding shares (net of the own shares), using, for the necessary amount, the net profit for the year;*

3. *to allocate to Retained earnings, the amount corresponding to the portion of the net profit for the year which remains net of the distribution as per point 2."*

The dividend, in accordance with the provisions of the "Regulation of the markets organised and managed by Borsa Italiana S.p.A.", will be paid as follows: ex-dividend date 11 May 2020, in payment as from 13 May 2020.

The amount of the dividend is fully covered by the profit for the period and sufficient financial funds are already available for the payment.

Provaglio d'Iseo, 12 March 2020

For the Board of Directors

Chairman

Maria Chiara Franceschetti

FINANCIAL STATEMENTS OF GEFRAN S.P.A.

1. STATEMENT OF PROFIT/(LOSS) FOR THE YEAR

(Euro)	*Notes*	Year-to-date at 31 December 2019	2018
Revenues from product sales	*25*	57,127,122	81,787,747
of which related parties:	*25.35*	*32,951,841*	*39,373,480*
Other revenues and income	*26*	3,906,534	3,244,132
of which related parties:	*26.35*	*3,541,508*	*2,919,735*
Increases for internal work	*10.11*	1,528,328	1,241,580
TOTAL REVENUES		**62,561,984**	**86,273,459**
Change in inventories	*17*	(166,714)	2,086,819
Costs of raw materials and accessories	*27*	(17,954,088)	(33,326,478)
of which related parties:	*27.35*	*(1,324,204)*	*(1,774,892)*
Service costs	*28*	(12,075,007)	(14,318,616)
of which related parties:	*28.35*	*272,835*	*103,330*
Miscellaneous management costs	*30*	(427,110)	(523,253)
Other operating income	*30*	124,835	234,007
Personnel costs	*29*	(20,806,941)	(26,872,362)
Impairment/reversal of trade and other receivables	*17*	146,094	286,954
Amortisation and impairment of intangible assets	*31*	(1,447,187)	(1,986,947)
Depreciation and impairment of tangible assets	*31*	(4,235,775)	(3,044,622)
Depreciation usage rights	*31*	(204,614)	-
EBIT		**5,515,477**	**8,808,961**
Gains from financial assets	*32*	2,898,184	2,768,519
of which related parties:	*32.35*	*2,566,452*	*2,293,800*
Losses from financial liabilities	*32*	(384,141)	(466,552)
of which related parties:	*32.35*	*(4,033)*	*(2,048)*
Value adjustments on non-current assets	*32*	(331,999)	-
PROFIT (LOSS) BEFORE TAX		**7,697,521**	**11,110,928**
Current taxes	*33*	(629,939)	(1,016,066)
Deferred taxes	*33*	(845,756)	(1,598,913)
TOTAL TAXES		**(1,475,695)**	**(2,614,979)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**6,221,826**	**8,495,949**
Net profit (loss) from assets held for sale		-	(865,915)
NET PROFIT (LOSS) FOR THE YEAR		**6,221,826**	**7,630,034**

2. STATEMENT OF PROFIT/(LOSS) FOR THE YEAR AND OTHER ITEMS OF COMPREHENSIVE INCOME

(Euro)	*Notes*	Year-to-date at 31 December 2019	2018
NET PROFIT (LOSS) FOR THE YEAR		**6,221,826**	**7,630,034**
Items that will not subsequently be reclassified in the statement of profit/(loss) for the period	*22*		
- revaluation of employee benefits: IAS 19	*22*	(150,646)	169,246
- overall tax effect		36,155	(40,619)
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period			
- equity investments in other companies	*21*	(78,509)	(213,003)
- fair value of cash flow hedging derivatives	*21*	(123,608)	12,140
Total changes, net of tax effect		**(316,608)**	**(72,236)**
Comprehensive result for the period		**5,905,218**	**7,557,798**

3. STATEMENT OF FINANCIAL POSITION

(Euro)	*Notes*	**31 December 2019**	**31 December 2018**
NON-CURRENT ASSETS			
Intangible assets	*10*	4,575,436	4,008,626
Property, plant, machinery and tools	*11*	25,301,310	23,147,574
of which related parties:	*35*	*357,357*	*918,880*
Usage rights	*12*	486,293	-
Equity investments in subsidiaries	*13*	42,415,960	42,415,960
Equity investments valued at purchase cost	*14*	1,255,154	1,587,153
Equity investments in other companies	*15*	1,690,125	1,790,264
Receivables and other non-current assets	*16*	1,200	-
Deferred tax assets	*33*	2,848,494	3,600,870
Non-current financial investments for derivatives	*20*	1,485	18,620
Non-current financial investments	*20*	97,430	126,219
TOTAL NON-CURRENT ASSETS		**78,672,887**	**76,695,286**
CURRENT ASSETS			
Inventories	*17*	5,224,625	5,391,338
Trade receivables	*17*	6,435,383	8,554,706
of which related parties:	*35*	*-*	*238*
Trade receivables from subsidiaries	*17*	13,716,767	13,142,241
Other receivables and assets	*18*	2,804,660	1,115,380
Current tax receivables	*19*	228,993	960,988
Cash and cash equivalents	*20*	16,560,314	10,245,387
Current financial assets for derivatives	*20*	-	-
Financial receivables from subsidiaries	*20*	7,956,893	3,704,884
TOTAL CURRENT ASSETS		**52,927,635**	**43,114,924**
ASSETS HELD FOR SALE		**-**	**-**
TOTAL ASSETS		**131,600,522**	**119,810,210**
SHAREHOLDERS' EQUITY			
Share capital	*21*	14,400,000	14,400,000
Reserves	*21*	44,443,970	41,729,834
Profit/(loss) for the year	*21*	6,221,826	7,630,034
Total Group Shareholders' Equity		**65,065,796**	**63,759,868**
Shareholders' equity of minority interests	*21*	-	-
TOTAL SHAREHOLDERS' EQUITY		**65,065,796**	**63,759,868**
NON-CURRENT LIABILITIES			
Non-current financial payables	*20*	21,079,491	11,864,430
Non-current financial payables for IFRS 16 leases	*20*	296,179	-
Non-current financial liabilities for derivatives	*20*	169,447	27,650
Employee benefits	*22*	2,234,268	2,397,789
Non-current provisions	*23*	8,500	85,000
Deferred tax provisions	*33*	194	3,633
TOTAL NON-CURRENT LIABILITIES		**23,788,079**	**14,378,502**
CURRENT LIABILITIES			
Current financial payables	*20*	10,572,543	9,189,977
Current financial payables for IFRS 16 leases	*20*	191,862	-
Financial payables to subsidiaries	*20*	12,153,084	10,547,957
Trade payables	*17*	12,562,068	13,308,915
of which related parties:	*35*	*114,348*	*293,705*
Trade payables to subsidiaries	*17*	500,437	578,880
Current financial liabilities for derivatives	*20*	-	-
Current provisions	*23*	913,303	781,171
Current tax payables	*19*	41,977	648,641
Other payables and liabilities	*24*	5,811,373	6,616,299
TOTAL CURRENT LIABILITIES		**42,746,647**	**41,671,840**
TOTAL LIABILITIES		**66,534,726**	**56,050,342**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**131,600,522**	**119,810,210**

4. CASH FLOW STATEMENT

(Euro / 000)	*Notes*	31 December 2019	31 December 2018
A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**10,245**	**11,365**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:			
Net profit (loss) for the period	*21*	6,222	7,630
Depreciation, amortisation and impairment	*31*	5,888	5,032
Provisions (Releases)	*17,22,23*	1,134	1,772
Capital (gains) losses on the sale of non-current assets	*30*	(30)	(4)
Capital (gains) losses on the sale of assets held for sale	*8*	-	1,201
Net result from financial operations	*32*	(2,177)	(2,302)
Taxes	*33*	630	681
Change in provisions for risks and future liabilities	*22.23*	(596)	(629)
Change in other assets and liabilities	*18.24*	(2,340)	1,807
Change in deferred taxes	*33*	846	1,599
Change in trade receivables	*17*	1,691	4,673
of which related parties:	*35*	*-*	*11*
Change in inventories	*17*	(941)	(4,021)
Change in trade payables	*17*	(617)	(2,734)
of which related parties:	*35*	*(179)*	*206*
TOTAL		**9,710**	**14,705**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	*10.11*	(8,542)	(7,491)
of which related parties:	*35*	*(357)*	*(919)*
- Equity investments and securities	*13*	-	(10)
- Financial receivables	*16*	(1)	3
Disposal of non-current assets	*10.11*	168	19
TOTAL		**(8,375)**	**(7,479)**
D) FREE CASH FLOW (B+C)		**1,335**	**7,226**
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	*20*	20,000	5,000
Repayment of financial payables	*20*	(9,180)	(9,462)
Increase (decrease) in current financial payables	*20*	(2,854)	(6)
Outgoing cash flow due to IFRS 16	*20*	(207)	-
Taxes paid	*33*	(500)	(808)
Interest (paid)	*32*	(263)	(539)
Interest received	*32*	38	371
Sale (purchase) of own shares	*21*	-	(156)
Dividends received	*32*	2,545	2,294
Dividends paid	*21*	(4,599)	(5,040)
TOTAL		**4,980**	**(8,346)**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**6,315**	**(1,120)**
G) NET CHANGE IN CASH AT HAND (F)		**6,315**	**(1,120)**
H) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+ G)		**16,560**	**10,245**

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Euro / 000)	Notes	Share capital	Capital reserves	Other reserves	overall EC reserves: Fair value measurement reserve	overall EC reserves: Other reserves	Retained profit /(loss)	Profit/(loss) for the year	Total shareholders' equity
Balances at 1 January 2018		14,400	21,926	10,251	189	(551)	6,735	8,448	61,398
Destination of 2017 profit									
- Other reserves and provisions	*21*	-	-	-	-	-	8,448	(8,448)	-
- Dividends	*21*	-	-	-	-	-	(5,040)	-	(5,040)
Income/(Charges) acknowledged in Shareholders' Equity	*21.22*	-	-	-	(201)	129	-	-	(72)
Other changes	*21*	-	-	(156)	-	-	-	-	(156)
2018 profit	*21*	-	-	-	-	-	-	7,630	7,630
Balances at 31 December 2018		14,400	21,926	10,095	(12)	(422)	10,143	7,630	63,760
Destination of 2018 profit									
- Other reserves and provisions	*21*	-	-	-	-	-	7,630	(7,630)	-
- Dividends	*21*	-	-	-	-	-	(4,599)	-	(4,599)
Income/(Charges) acknowledged in Shareholders' Equity	*21.22*	-	-	-	(202)	(115)	-	-	(317)
Other changes	*21*	-	-	-	-	-	-	-	-
2019 profit	*21*	-	-	-	-	-	-	6,222	6,222
Balances at 31 December 2019		14,400	21,926	10,095	(214)	(537)	13,174	6,222	65,066

SPECIFIC EXPLANATORY NOTES TO THE ACCOUNTS

1. Company information

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

Publication of the financial statements of Gefran S.p.A. for the year ended 31 December 2019 was authorised by resolution of the Board of Directors on 12 March 2020, and they were made available to the public on the company website www.gefran.com on *30 March 2020*.

Please note that the information required pursuant to Article 123 bis of Italian Legislative Decree No. 58/1998 is contained in a separate document, the "Report on Corporate Governance and Ownership Structure", which refers for some information to the "Remuneration Report", prepared pursuant to article 123 ter of Italian Legislative Decree No. 58/1998. Both reports are published on the Company's internet site, in the governance/meetings section.

2. Form and content

The Financial Statements for the year 2019 have been prepared in accordance with the IAS / IFRS international accounting standards adopted by the European Union.

The external audit of the financial statements was carried out by PricewaterhouseCoopers S.p.A.

These financial statements are presented in euros, which is also the functional currency used for the Group's consolidated financial statements. Unless otherwise indicated, all the amounts included in the notes are expressed in euros.

3. Accounting schedules

Gefran S.p.A. has used:

- a statement of financial position, according to which assets and liabilities are separated into current and non-current categories;
- a statement of profit/(loss) for the year, in which costs are categorised by nature;
- a statement of profit (loss) for the year and other items of comprehensive income, which includes charges and income recognised directly in shareholders' equity, net of tax charges;
- a cash flow statement according to the indirect method, whereby the operating result is adjusted for the effects of non-monetary transactions, any deferrals or accruals of past or future operating receipts or payments, and items of revenues or costs associated with the cash flows from investing or financing activities.

It should be noted that, with regard to Consob resolution 15519 of 27 July 2006, in the statement of financial position and the income statement, amounts for positions with related parties are shown separately from the items in question.

4. Valuation criteria

The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

With reference to Consob Communication DEM/11070007 of 5 August 2011, it is also noted that Gefran S.p.A. 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 financial statements were prepared using the general historical cost criterion, adjusted as required for the measurement of some financial instruments.

With reference to Consob Communication No. 0003907 of 19 January 2015, note 13 “Equity investments in subsidiaries” includes the required information, and specifically the references to the external information and the sensitivity analysis.

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

This section summarises the most significant measurement criteria used by the Company.

Revenues

According to IFRS 15, revenues are acknowledged up to an amount reflecting the payment the entity expects to be entitled to in exchange for the transfer of assets; no distinctions are made between the sale of goods and of services.

The new principle, which replaced all the current requirements of the IFRS for acknowledgement of revenues, was adopted by the Group without any impact resulting from the change in this principle.

Revenues are acknowledged when the company fulfils an obligation (to sell goods or provide services), transferring goods or services, which are considered to have been transferred from the time at which the customer takes over control of the goods or services.

When the result of the contract cannot be reliably measured, the revenue is recognised only to the extent that the costs incurred are recoverable.

Interest income

This is recorded as financial income for interest income accrued during the year, using the effective interest rate method, which is the rate that discounts expected future cash flows according to the expected life of the financial instrument, added to the net value of the financial assets reported in the financial statements.

Dividends

Dividends are recognised when the shareholders’ right to receive payment arises, i.e. on the date of the Shareholders’ Meeting resolution.

Costs

Costs for the period are recorded on accruals basis and recognised net of returns, discounts and allowances.

Financial charges

Financial charges are recorded in the income statement when they are incurred, in accordance with the reference accounting treatment set forth in IAS 23.

Income tax

Income tax for the period is calculated using an estimate of taxable income. The amount owed to the tax authorities is recorded under tax payables. Taxes paid in excess of the amount due are posted to tax receivables.

Current income taxes relating to items posted directly to shareholders' equity are reported directly in shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are determined in relation to timing differences between the values of assets and liabilities in the financial statements and those recognised for tax purposes. Deferred tax assets are recognised when it is probable that sufficient taxable income is available to allow these assets to be used. Deferred tax liabilities are recognised for all taxable timing differences.

Tangible assets

Tangible assets are recognised at purchase cost, including ancillary costs. The cost of tangible assets is adjusted for depreciation on the basis of a systematic plan, taking into account the remaining possibility of economic use of the assets and also considering their physical wear and tear. Tangible assets are depreciated on a monthly basis from the time of entry into operation until they are sold or derecognised in the financial statements.

If significant parts of tangible assets in use have different useful lives, the components identified are recognised and depreciated separately.

At the time of sale or when no future economic benefits are expected from the use of an asset, it is derecognised in the financial statements, and any gain or loss (calculated as the difference between the selling price and the carrying value) is recognised in the income statement in the year of derecognition.

Costs for maintenance and ordinary repairs are charged to the income statement in the year in which they are incurred.

Extraordinary maintenance costs that entail significant and tangible improvements to plant production capacity or safety or their economically useful lives are capitalised.

Research and development costs

Research costs are charged to the income statement at the time that they are incurred. Development costs incurred for a specific project are capitalised when all the following conditions are met:

- the costs can be reliably determined;
- the technical feasibility of the product can be demonstrated;
- the anticipated volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits;
- adequate technical and financial resources are available to complete the development of the project.

Capitalised development costs are amortised on a systematic basis from the start of production and throughout the estimated life of the product. All other development costs are recognised in the income statement when they are incurred.

Business combinations and goodwill

Business combinations are accounted for using the *acquisition method*, whereby the identifiable assets, liabilities and contingent liabilities of the acquired company, which meet the conditions for recognition under IFRS 3, are recognised at their present value at the acquisition date. Deferred taxes are then allocated on the adjustments made to the previous carrying values to align them with the present value.

Because of its complexity, application of the acquisition method includes an initial provisional calculation of the value of the assets, liabilities and contingent liabilities acquired, to allow for a first recognition of the transaction in the financial statements for the financial year in which the business combination was carried out. This initial recognition is completed and adjusted within twelve months of the acquisition date.

Changes to the initial consideration due to events or circumstances occurring after the acquisition date are recognised in the statement of profit (loss) for the year.

Goodwill is recognised as the difference between:

- the sum of the consideration transferred, the amount of minority interests (valued combination by combination, or at fair value or in proportion to the amount of identifiable net assets attributable to minorities), the fair value of previously held interests in the acquiree, recognising any resulting gain or loss in the statement of profit (loss) for the period;
- the net value of the identifiable acquired assets and the identifiable assumed liabilities.

The costs connected to the combination are not included in the consideration transferred and are therefore recognised in the statement of profit (loss) for the year. If, when the process of determining the present value of the assets, liabilities and contingent liabilities has been completed, this amount exceeds the acquisition cost, the excess is immediately credited to the income statement.

Goodwill is periodically reviewed to check the prerequisites for recoverability, through a comparison with the fair value or with future cash flows from the underlying investment. For the purposes of the comparative analysis, goodwill acquired in a business combination is allocated, at the acquisition date, to the Group's individual cash-generating units, or to the groups of cash-generating units expected to benefit from the synergies of combination, regardless of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated:

- represents the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets;
- is no bigger than the operating sectors identified based on IFRS 8.

When goodwill is part of a cash-generating unit (group of cash-generating units) and a part of the assets within the unit is sold, the goodwill associated with the asset disposed of is included in the carrying value of the asset to determine the gain or loss on the disposal. Goodwill transferred under these circumstances is measured according to the relative values of the asset disposed of and the retained portion of the unit. When the disposal relates to a subsidiary, the difference between the sale price and the net assets, together with cumulative translation differences and residual goodwill, is posted to the income statement.

Other intangible assets

Other intangible assets acquired or produced internally are recognised as assets in accordance with the provisions of "IAS 38 - Intangible assets", when it is probable that the asset will generate future economic benefits and when the cost of the asset can be reliably determined.

The useful life of an intangible asset may be qualified as definite or indefinite. Intangible assets with definite useful lives are amortised on a straight-line basis for the duration of the expected future sales deriving from the related project (usually 5 years). The useful life is reviewed annually and any changes are applied prospectively.

Non-current assets held for sale

Non-current assets classified as held for sale are measured in accordance with IFRS 5 at the lower of their carrying value and their fair value minus selling costs. The economic effect of these assets also includes taxation.

Equity investments in subsidiaries and affiliates

Investments in subsidiaries, affiliates and joint ventures are accounted for using the cost method.

Asset impairment

IAS 36 requires the impairment testing of tangible and intangible assets and equity investments if there are indicators suggesting that such a problem might exist. In the case of goodwill, this test is carried out at least once a year, while intangible assets are tested whenever there are indications of impairment. The recoverability of the asset is assessed by comparing the carrying value recognised in the financial statements with the greater between the net selling price, if an active market exists, and the value in use of the asset.

Value in use is the discounted value of the expected cash flows from use of the asset, or combination of assets (cash-generating unit), as well as the value expected from disposal at the end of its useful life. The cash-generating units have been identified in line with the organisational structure and the Group’s business, as homogeneous combinations that generate independent cash flows through the continued use of the assets allocated to them.

Inventories

Inventories are valued at acquisition or production cost and the market value, whichever is the lower. Ancillary costs are included in the acquisition cost.

The following cost configuration is used:

- raw materials, consumables, products sold: weighted average cost;
- work in progress: production cost;
- finished and semi-finished products: production cost.

Production cost includes the cost of raw materials, materials, labour and all other direct production expenses, including depreciation and amortisation. Production cost does not include distribution costs. Obsolete or slow-moving inventories are written down according to the possibility of using or realising them.

Trade receivables and payables and other receivables/payables

Receivables are recognised in the financial statements at their presumed realisable value, which comprises the nominal value, adjusted if necessary by specific impairment provisions. Trade receivables have due dates that fall within normal contractual periods (30 to 120 days) and are therefore not discounted.

Regarding the introduction of IFRS 9, and particularly the new method for impairment of financial investments, starting on 1 January 2018 the Group revised its method for determination of the reserve to be used for coverage of losses on receivables, taking into account the losses expected throughout the life of the receivable, as required by the new standard, with no significant impact on the result for the period or on equity resulting from application of IFRS 9.

Receivables factored without recourse are removed from the financial statements when all the risks associated with the sale of the receivable are borne by the factoring company.

Payables are recognised at nominal value. Trade payables have due dates that fall within normal contractual periods (60 to 120 days) and are therefore not discounted.

Financial derivatives

Derivatives are classified as "*Hedging transactions*" if the conditions exist for the application of hedge accounting; otherwise, even if undertaken with the intention of managing risk exposure, they are recorded as "Financial assets held for trading". Financial derivatives may be recognised using the methods established for hedge accounting only when the relationship between the derivative and the hedged item is formally documented and the hedge effectiveness is high (effectiveness test). The effectiveness of hedge transactions is documented both at the start of the transaction and periodically (at least at each reporting date of the financial statements or interim statements) and measured by comparing changes in the fair value of the hedging instrument with those of the hedged item.

When hedging transactions hedge the risk of changes in the fair value of hedged instruments (fair value hedges), the derivatives are recognised at fair value and the effects are charged to the income statement. Gefran does not hold derivatives of this kind.

When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedges), changes in the fair value of the derivatives are initially recorded under other items of comprehensive income and are then reclassified from shareholders' equity to profit (loss) for the period as a reclassification adjustment, in line with the economic effects of the hedged transaction. The change in fair value relating to the ineffective portion is recognised immediately in the income statement for the period. If the derivative is sold or no longer qualifies as an effective hedge against the risk for which it was initiated, or the occurrence of the underlying transaction is no longer regarded as highly probable, the portion of the cash flow hedge reserve relating thereto is immediately reversed to the income statement

It is believed that all existing hedges currently designated as effective hedges continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not alter the general principle on the basis of which an entity registers effective hedging, the Company has not felt any significant impact of application of this principle.

Gefran S.p.A uses financial derivatives such as Interest Rate Swaps (IRS) and Interest Rate Caps (CAP). Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement. Regardless of classification, all derivatives are measured at fair value using valuation techniques based on market data (such as, *inter alia*, discounted cash flow, the forward exchange rate method and the Black-Scholes formula and its developments).

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand and short-term bank deposits, which are highly liquid and subject to an insignificant risk of changes in value. They are recognised at nominal value.

Financial liabilities

Payables and financial liabilities are initially recorded at fair value, which essentially coincides with the amount to be paid, net of transaction costs. Purchases and sales of financial liabilities are recognised on the trading date, i.e. the date on which the Company committed to purchase/sell the liabilities.

Management determines the classification of financial liabilities in the categories identified at the time of their initial recognition. After initial recognition, financial liabilities are valued in relation to their classification within one of these categories. In detail it is highlighted that:

- the valuation of "Financial liabilities at fair value through profit or loss" is carried out using the market value at the close of the reporting period; in the case of unlisted instruments (e.g. financial derivatives) it is carried out using financial valuation techniques based on market data. Gains or losses arising from fair value measurement relating to assets and liabilities held for trading are recognised in the income statement.
- the valuation of “Financial liabilities valued at amortised cost”, carried out at amortised cost, in the case of instruments maturing within 12 months uses the nominal value as an approximation of amortised cost.

Payables denominated in foreign currencies are adjusted to year-end exchange rates and gains or losses resulting from the adjustment are recognised in the income statement.

It is believed that all existing hedges currently designated as effective hedges continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not alter the general principle on the basis of which an entity registers effective hedging, the Company has not felt any significant impact of application of this principle.

Own shares

Own shares are reported as a reduction in respect of shareholders’ equity in a specific reserve. The original cost of the own shares and the income generated by any subsequent sales are recognised as changes in shareholders’ equity.

Provisions for risks and future liabilities

Allocations to provisions for risks and future liabilities take place when the Company has a current obligation (legal or implicit) arising from a past event, it is probable that a financial outlay will take place to meet the obligation and a reliable estimate can be made of the obligation.

Allocations to provisions for risks and future liabilities exceeding one year are discounted only if the effect of discounting is material, at a pre-tax discount rate that reflects current market assessments of the value of money in relation to time and, if appropriate, the specific risks associated with the liability. When discounting back takes place, the increase in the provision due to the passage of time is recognised as a financial charge.

Employee benefits and non-competition agreements

The post-employment benefit reserve, which is mandatory for Italian companies pursuant to Italian Law 297/1982, is considered a defined benefit plan and is based, *inter alia*, on the working lives of employees and the remuneration earned by the employee over a predetermined period of service. The post-employment benefit reserve is calculated by independent actuaries using the "Traditional unit credit" method. The Company has opted to recognise all cumulative actuarial gains and losses both on first-time adoption of IFRS and subsequently.

This item is also used to recognise non-competition agreements, signed with some employees to protect the company from any competitive activities; the value of the obligation is the subject of actuarial valuation and, when first recognised, the portion of the provision determined by actuarial methods is posted to the statement of profit/(loss) for the year.

Translation of foreign currency items

Foreign currency transactions are implemented by each entity at the conversion rate prevailing at the accounting date. Subsequently, at the time of payment or collection, the exchange rate difference arising from the time difference between the two moments is recorded and posted to the income statement.

From an equity point of view, at the close of the reporting period, receivables and liabilities arising from transactions in currencies other than the functional currency are reassessed in the company's currency, taking as benchmark the exchange rate prevailing at the reporting date. Also in this case, the exchange rate difference is posted to the income statement.

Non-monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the transaction date, i.e. at the historical exchange rate.

5. Accounting standards, amendments and interpretations not yet applicable

Please see note 7 in the “notes to the accounts” of the consolidated financial statements for this analysis.

6. 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).

Gefran S.p.A. had 71 contracts in place as of 1 January for leasing of vehicles, machinery, industrial equipment and electronic office machines, and for rental of real estate. On the basis of the value and term described above:

- 44 of these fell within the perimeter of application of IFRS 16 as of 1 January 2019;
- 27 were excluded from the perimeter of application of the standard, 24 of which had a term of less than 12 months, while for the 3, the fair value calculated for the asset which is the subject of the contract is of modest unitary value.

The assets analysed here are entered in the financial statements:

- in non-current tangible assets, under "*Usage rights*";
- under Net Financial Position, while the corresponding financial payable originates current (payable within the year) or non-current (payable beyond a year) "*Financial payables for leasing under IFRS 16*".

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

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

Historic cost of "*Usage rights*" calculated as of 1 January 2019 is 460 thousand Euro, all in the "Vehicles" class.

The value of "*Financial payables due to leasing under IFRS 16*" may be broken down by due date as follows:

(Euro / 000)	**1 January 2019**
Non-current financial payables for IFRS 16 leases	202
Current financial payables for IFRS 16 leases	258
Total	**460**

As for the economic impact of application of the standard, the item *"Amortisation of total usage rights"* as of 31 December 2019 amounts to 205 thousand Euro, referring entirely to the "Vehicles" class, and includes:

(Euro / 000)	**estimate 1 January 2019**	**new contracts signed in 2019**	**31 December 2019**
Vehicles	175	30	205
Total	**175**	**30**	**205**

"Service costs", which included all vehicle leasing fees until 2018, decreased by a total of 208 thousand Euro.

(Euro / 000)	**estimate as of 1 January 2019**	**new contracts signed in 2019**	**31 December 2019**
Vehicles	(177)	(31)	(208)
Total	**(177)**	**(31)**	**(208)**

"Losses from financial liabilities" includes the more specific item *"Interest on financial debts for leasing under IFRS 16",* which amounts to a total of 5 thousand Euro as of 31 December 2019.

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

- the consolidated statement of financial position only shows values as of 1 January 2019;
- the consolidated statement of profit/(loss) for the year shows values for all years affected by the useful lifespan of contracts in effect as of 31 December 2018, in which "Service costs" are reduced (shown with a positive symbol in the statement), while "Depreciation" and "Losses from financial liabilities" are increased (shown with negative signs in the statement).

Statement of financial position

(Euro / 000)	**Gefran S.p.A. 1 January 2019**	**IFRS 16**	**Gefran S.p.A. 1 January 2019 with IFRS16**
NON-CURRENT ASSETS			
Goodwill	-		-
Intangible assets	4,009		4,009
Property, plant, machinery and tools	23,148	460	23,608
Equity investments in subsidiaries	42,416		42,416
Equity investments valued at purchase cost	1,587		1,587
Equity investments in other companies	1,790		1,790
Receivables and other non-current assets	-		-
Deferred tax assets	3,601		3,601
Non-current financial investments	126		126
TOTAL NON-CURRENT ASSETS	**76,677**	**460**	**77,137**
CURRENT ASSETS			
Inventories	5,391		5,391
Trade receivables	8,555		8,555
Trade receivables from subsidiaries	13,142		13,142
Other receivables and assets	1,115		1,115
Current tax receivables	962		962
Cash and cash equivalents	10,245		10,245
Financial investments for derivatives	19		19
Financial receivables from subsidiaries	3,705		3,705
TOTAL CURRENT ASSETS	**43,134**	**-**	**43,134**
TOTAL ASSETS	**119,811**	**460**	**120,271**
SHAREHOLDERS’ EQUITY			
Share capital	14,400		14,400
Reserves	41,730		41,730
Profit/(loss) for the year	7,630		7,630
Total Group Shareholders’ Equity	**63,760**	**-**	**63,760**
Shareholders’ equity of minority interests			
TOTAL SHAREHOLDERS’ EQUITY	**63,760**	**-**	**63,760**
NON-CURRENT LIABILITIES			
Non-current financial payables	11,864	202	12,066
Employee benefits	2,398		2,398
Non-current provisions	85		85
Deferred tax provisions	4		4
TOTAL NON-CURRENT LIABILITIES	**14,351**	**202**	**14,553**
CURRENT LIABILITIES			
Current financial payables	9,190	258	9,448
Financial payables to subsidiaries	10,548		10,548
Trade payables	13,309		13,309
Trade payables to subsidiaries	579		579
Financial liabilities for derivatives	28		28
Current provisions	781		781
Current tax payables	649		649
Other payables and liabilities	6,616		6,616
TOTAL CURRENT LIABILITIES	**41,700**	**258**	**41,958**
TOTAL LIABILITIES	**56,051**	**460**	**56,511**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**119,811**	**460**	**120,271**

Statement of profit/(loss) for the year

(Euro / 000)	**2019**	**2020**	**2021**	**2022**
Revenues from product sales				
Other revenues and income				
Increases for internal work				
TOTAL REVENUES	**-**	**-**	**-**	**-**
Change in inventories				
Costs of raw materials and accessories				
Service costs	177	161	93	35
Miscellaneous management costs				
Other operating income				
Personnel costs				
Impairment/reversal of trade and other receivables				
Amortisation				
Depreciation	(175)	(159)	(91)	(34)
EBIT	**2**	**2**	**2**	**1**
Gains from financial assets				
Losses from financial liabilities	(4)	(2)	(1)	0
(Losses) gains from shareholdings valued at equity				
PROFIT (LOSS) BEFORE TAX	**(2)**	**-**	**1**	**1**
Current taxes				
Deferred tax assets and liabilities				
TOTAL TAXES	**-**	**-**	**-**	**-**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(2)**	**-**	**1**	**1**
Net profit (loss) from assets held for sale				
NET PROFIT (LOSS) FOR THE YEAR	**(2)**		**1**	**1**

Note that the effects shown in the statements above refer to contracts in effect as of 1 January 2019 only.

Also note that in 2019:

- 24 new contracts were signed, 17 of which fall within the scope of application of IFRS16 on the basis of the value and term described above, all pertaining to leasing of company vehicles; 6 of the remaining contracts are excluded as they are classified as short-term, while one is excluded because the fair value of the asset which is the subject of the contract is of modest value;
- 17 contracts were terminated, one of which was terminated in advance of its expiry date, which fell within the scope of application of IFRS 16 on the basis of the value and term described above.

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

In drafting the financial statements and the explanatory notes to the accounts, in accordance with the IAS/IFRS principles, the Company makes use of estimates and assumptions to assess certain items. These are based on historical experience and uncertain but realistic assumptions, assessed regularly and, if necessary, updated, with effect on the income statement for the period and for future periods. The uncertainty inherent in these assessment estimates may lead to misalignment between the estimates made and the actual effects of the estimated events on the financial statements.

Below are the processes that require management to perform assessment estimates, and with regard to which a change in the underlying conditions could have a significant impact on the consolidated financial data:

Provision for impairment of inventory

Inventories are stated as the lower between the cost of purchase (measured using the weighted average cost method) and the net realisable value. The provision for impairment of inventory is necessary in order to adjust the value of inventories to the estimated realisable value: inventory composition is analysed for slow-moving stocks, with the aim of assessing a provision that reflects any obsolescence of same.

Provision for doubtful receivables

The provision for doubtful receivables reflects management's estimates regarding the recoverability of receivables from customers. Management's assessment is based on experience and on an analysis of situations with a known or probable risk of non-collection.

Regarding the introduction of IFRS 9, and particularly the new method for impairment of financial investments, starting on 1 January 2018 the Company revised its method for determination of the reserve to be used for coverage of losses on receivables, taking into account the losses expected throughout the life of the receivable, as required by the new standard, with no significant impact on the result for the period or on equity resulting from application of IFRS 9.

Goodwill and intangible assets with a finite life

These are periodically subject to evaluation through the impairment test, with the aim of determining their present value and accounting for any differences in value; for details, see the specific sections of the notes to the financial statements.

Employee benefits and non-competition agreements

The provision for the post-employment benefit reserve and the provision for non-competition agreements are posted to the financial statements and annually reviewed by external actuaries, taking into account assumptions regarding the discount rate, inflation and demographic assumptions; for details, see the specific section of the notes to the financial statements.

Deferred tax assets

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

Current and non-current provisions

Provisions are made for risks of a legal and fiscal nature to represent the risk of a negative outcome. The amount of the provisions posted to the financial statements in relation to these risks represents management's best estimate at that time. This estimate entails the adoption of assumptions that depend on factors that may change over time and that could, therefore, have a significant effect on the current estimates made by management in preparing the Company's financial statements.

8. Operating 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 impact specifically attributable to this business unit in the year 2018, which is negative by 875 thousand Euro, represented adjustment of the amount of these assets to their presumed cashable value.

9. Management of financial risks

The Company's activities are exposed to different types of risk: market risk (including exchange rate risks, interest rate risks and price risks), credit risk and liquidity risk. The Company's risk management strategy focuses on the markets' unpredictability and is intended to minimise the potential negative effects on Gefran S.p.A.'s results. Certain types of risk are mitigated through the use of derivatives. Coordination and monitoring of the main financial risks are centralised in the Group's Finance and Administration Department, as well as the Purchasing function as regards price risk, in close partnership with the Company's operating units. Risk management policies are approved by the Administration, Finance and Control Director, which provides written guidelines for the management of the risks listed above and the use of derivative and non-derivative financial instruments. As part of the sensitivity analyses described below, the effect on the net profit figure and on shareholders' equity is determined gross of the tax effect.

Exchange rate risks

Gefran S.p.A. is exposed to the risk of changes in the EUR/USD exchange rate for business transactions and cash held in a currency other than the functional currency of the Company (euro). Less than 1% of revenues is in a currency other than the functional currency.

Sensitivity to a hypothetical, unfavourable and immediate change of 5% and 10% in exchange rates, with other variables remaining unchanged, would have the following impact on the fair value of financial assets and liabilities held in USD:

(Euro / 000)	31 December 2019		31 December 2018	
	-5%	+5%	-5%	+5%
US dollar	58	(53)	(27)	25
Total	58	(53)	(27)	25

(Euro / 000)	31 December 2019		31 December 2018	
	-10%	+10%	-10%	+10%
US dollar	123	(100)	(58)	47
Total	123	(100)	(58)	47

Interest rate risk

The interest rate risk to which the Company is exposed mainly originates from long-term loans. These are variable rate loans. Variable rate loans expose the Company to a risk associated with interest rate volatility (cash flow risk). The Company uses derivatives to hedge its exposure to interest rate risk, stipulating Interest Rate Swap (*IRS*) and Interest Rate *(CAP*) contracts.

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

The table below shows a sensitivity analysis of the impact that an interest rate increase/decrease of 100 basis points would have on net operating profit (loss), comparing interest rates at 31 December 2019 and 31 December 2018, while keeping other variables unchanged.

(Euro / 000)	31 December 2019		31 December 2018	
	-100	100	-100	100
Euro	(52)	89	50	1
Total	**(52)**	**89**	**50**	**1**

The potential impacts shown above are calculated with reference to the net liabilities that account for the most significant portion of Gefran S.p.A.'s debt on the reporting date, and measuring, on this amount, the effect on net financial charges resulting from the change in interest rates on an annual basis.

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

The table below shows the carrying value at 31 December 2019, broken down by maturity, of the Company's financial instruments exposed to interest rate risk:

Floating rate	**<1 year**	**1-5 years**	**>5 years**	**Total**
(Euro / 000)				
Loans due	8,674	21,079	-	29,753
Financial payables due to leasing under IFRS 16	192	296	-	488
Other accounts payable	5	-	-	5
Account overdrafts	1,894	-	-	1,894
Cash pooling current account overdrafts	12,153	-	-	12,153
Total liabilities	**22,918**	**21,375**	**-**	**44,293**
Cash in current accounts	16,552	-	-	16,552
Cash in cash pooling current accounts	7,957	-	-	7,957
Total assets	**24,509**	**-**	**-**	**24,509**
Total variable rate	**1,591**	**(21,375)**	**-**	**(19,784)**

Unlike net financial position figures, the amounts shown in the table above do not include the fair value of derivatives (negative at 9 thousand Euro), cash on hand (positive at 13 thousand Euro) or deferred financial income (positive at 126 thousand Euro).

Liquidity risk

Prudent management of the liquidity risk arising from the Company's normal operations requires an appropriate level of cash on hand and short-term securities to be maintained, as well as the availability of funds obtainable through an appropriate amount of committed credit lines.

The Administration and Finance Department monitors forecasts on the use of the Company's liquidity reserves based on expected cash flows. The table below shows the amount of cash reserves on the reference dates:

Description	2019	2018	Change
(Euro / 000)			
Cash and cash equivalents	8	13	(5)
Cash in bank deposits	16,552	10,232	6,320
Term deposits – less than 3 months		-	-
Total liquidity	**16,560**	**11,365**	**6,315**
Multiple mixed credit lines	23,450	16,049	7,401
Cash flexibility credit lines	2,810	5,360	(2,550)
Invoice factoring credit lines	7,603	11,583	(3,980)
Total credit lines available	**33,863**	**32,992**	**871**
Total liquidity available	**50,423**	**44,357**	**7,186**

To complete disclosure on financial risks, the table below shows a reconciliation of financial asset and liability classes, as identified in the Company's statement of financial position, and the types of financial assets and liabilities identified on the basis of IFRS 7 requirements:

(Euro / 000)	Level 1	Level 2	Level 3	Total
Available-for-sale assets valued at fair value:				
Shareholdings valued at fair value with a balancing item in other overall profit/(loss)	246	-	1,444	1,690
Hedging transactions	-	1	-	1
Total assets	**246**	**1**	**1,444**	**1,691**
Hedging transactions	-	(169)	-	(169)
Total liabilities	**-**	**(169)**	**-**	**(169)**

Level 1: Fair values represented by the prices - listed in active markets (unadjusted) - of financial instruments identical to those being valued that may be accessed at the measurement date. These prices are defined as mark-to-market inputs as they provide a fair value measurement based directly on official market prices, therefore without the need for any modification or adjustment.

Level 2: Fair values determined using evaluation techniques based on variables that may be observed in active markets, which in this case include the evaluation of interest rate hedging and of foreign exchange hedging. As with the Level 1 inputs, the reference value is mark-to-market, i.e. the evaluation method whereby the value of a financial instrument or contract is systematically adjusted according to the current market prices.

Level 3: Fair values determined using evaluation techniques based on variables that may not be observed, and in particular the values of equity investments in other companies that are not listed on international markets, the overall value of which has not changed compared to 31 December 2018.

Below is a reconciliation of financial asset and liability classes, as identified in the Gefran S.p.A. statement of financial position, and the types of financial assets and liabilities identified on the basis of IFRS 7 requirements, for the year 2018:

(Euro / 000)	Note	Level 1	Level 2	Level 3	Total
Shareholdings valued at fair value with a balancing item in other overall profit/(loss)		346	-	1,444	1,790
Hedging transactions		-	19	-	19
Total assets		**346**	**19**	**1,444**	**1,809**
Hedging transactions		-	(28)	-	(28)
Total liabilities		**-**	**(28)**	**-**	**(28)**

Credit risk

The Company deals mainly with known and reliable customers. Gefran S.p.A.'s credit policy is to subject customers who require extended payment terms and new customers to credit checks. In addition, receivables are monitored over the year to reduce late payments and prevent significant losses.

Gefran S.p.A. adopted a policy of monitoring outstanding receivables, a measure made necessary given the possible deterioration of certain receivables, the decline in credit rating reliability and the lack of liquidity on the market. The impairment process conducted on the basis of the Group's procedures requires receivables to be written down by a percentage which depends on the time range of the outstanding receivable, in view of past experience in specific lines of business and geographical regions, as required by IFRS 9.

Below are the values of gross trade receivables at 31 December 2019 and 31 December 2018:

(Euro / 000)	Total value	Not overdue	Overdue by up to 2 months	Overdue by 2 to 6 months	Overdue by 6 to 12 months	Overdue by more than 12 months	Receivables individually written down
Gross trade receivables at 31 December 2019	7,350	6,234	91	142	(2)	(22)	907
Gross trade receivables at 31 December 2018	9,668	8,501	30	36	21	(23)	1,103

Gefran S.p.A. has established formal procedures for customer credit and credit collection through the credit department and in partnership with leading external law firms. All the procedures put in place are intended to reduce credit risk. Exposure to other forms of credit, such as financial receivables, is constantly monitored and reviewed monthly or at least quarterly, in order to determine any losses or recovery-associated risks.

The Company has not assigned portions of its trade receivables to factoring companies, transferring the insolvency risk.

Risk of change in raw material prices

The Company's exposure to price risk is minimal. Purchases of materials and components subject to fluctuations in raw material prices are not significant. The purchase costs of the main components are usually set with counterparts for the full year and reflected in the budget.

Gefran S.p.A. has in place structured and formalised governance systems that it uses to regularly analyse its margins. Commercial operations are coordinated by business area, so as to monitor sales and manage discounts.

Fair value of financial instruments

All Gefran S.p.A.'s financial instruments are recorded in the financial statements at fair value. The amount of financial liabilities valued at amortised cost is considered close to the fair value on the reporting date.

The table below summarises Gefran's net financial position, comparing fair value and carrying value:

	carrying value		fair value	
(Euro / 000)	**2019**	**2018**	**2019**	**2018**
Financial assets				
Cash and cash equivalents	8	13	8	13
Cash in bank deposits	24,509	13,937	24,509	13,937
Financial investments for derivatives	1	19	1	19
Non-current financial investments	98	126	98	126
Total financial assets	**24,616**	**14,095**	**24,616**	**14,095**
Financial liabilities				
Current portion of long-term debt	(8,674)	(7,069)	(8,674)	(7,069)
Short-term bank debt	(1,894)	(2,101)	(1,894)	(2,101)
Financial liabilities for derivatives	(169)	(28)	(169)	(28)
Factoring	(5)	(20)	(5)	(20)
Payables due to leasing contracts under IFRS 16	(488)	-	(488)	-
Other financial payables	(12,153)	(10,548)	(12,153)	(10,548)
Non-current financial debt	(21,079)	(11,864)	(21,079)	(11,864)
Total financial liabilities	**(44,462)**	**(31,630)**	**(44,462)**	**(31,630)**
Total net financial position	**(19,846)**	**(17,535)**	**(19,846)**	**(17,535)**

10. Intangible assets

The item "*Intangible assets*" includes only assets with a definite lifespan, and increased from 4,009 thousand Euro 31 December 2018 to 4,575 thousand Euro on 31 December 2019; movements were as follows:

Historical cost	31 December 2018	Increases	Decreases	Reclassifications	Other changes	31 December 2019
(Euro / 000)						
Development costs	9,827	508	-	411	-	10,746
Intellectual property rights	4,555	168	-	41	-	4,764
Assets in progress and payments on account	1,057	1,162	-	(577)	-	1,642
Other assets	8,364	178	-	122	-	8,664
Total	23,803	2,016	-	(3)	-	25,816

Accumulated depreciation	31 December 2018	Increases	Decreases	Reclassifications	Other changes	31 December 2019
(Euro / 000)						
Development costs	7,892	943	-	-	-	8,835
Intellectual property rights	4,300	146	-	-	-	4,446
Other assets	7,602	358	-	-	-	7,960
Total	19,794	1,447	-	-	-	21,241

Net value	31 December 2018	31 December 2019	Change
(Euro / 000)			
Development costs	1,935	1,911	(24)
Intellectual property rights	255	318	63
Assets in progress and payments on account	1,057	1,642	585
Other assets	762	704	(58)
Total	4,009	4,575	566

Movements in the year 2018 are shown below, where the “Other movements” column represents the value of the contribution to Gefran Drives and Motion S.r.l.:

Historical cost	31 December 2017	Increases (*)	Decreases	Reclassifications	Other changes	31 December 2018
(Euro / 000)						
Development costs	17,776	71	-	24	(8,044)	9,827
Intellectual property rights	5,092	172	-	82	(791)	4,555
Assets in progress and payments on account	367	1,252	(18)	(130)	(414)	1,057
Other assets	8,491	209	-	88	(424)	8,364
Total	31,726	1,704	(18)	64	(9,673)	23,803

Accumulated depreciation	31 December 2017	Increases	Decreases	Reclassifications	Other changes	31 December 2018
(Euro / 000)						
Development costs	13,498	1,404	-	19	(7,029)	7,892
Intellectual property rights	4,856	187	-	1	(744)	4,300
Other assets	7,500	395	-	-	(293)	7,602
Total	25,854	1,986	-	20	(8,066)	19,794

Net value	31 December 2017	31 December 2018	Change
(Euro / 000)			
Development costs	4,278	1,935	(2,343)
Intellectual property rights	236	255	19
Assets in progress and payments on account	367	1,057	690
Other assets	991	762	(229)
Total	5,872	4,009	(1,863)

(*) include EUR 1,102 thousand arising from capitalisation of internal costs.

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

- 798 thousand Euro for new lines for mobile hydraulics, melt sensors, pressure transducers (KS) and absolute contactless linear transducers (MK–IK, RK and WP-WR);
- EUR 1,113 thousand for automation component lines for the new range of regulators and static units, GF Project VX, G Cube Performa and G Cube Fit.

These assets are considered to have a useful life of 5 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 EUR 1,193 thousand in development costs, EUR 634 thousand of which pertain to the automation components business and EUR 559 thousand to the sensors business, the benefits of which will be reflected in the income statement starting in the next years, which have not therefore been amortised.

Other assets, on the other hand, are almost entirely represented by costs incurred 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 historical value of *"Intangible assets"*, amounting to 2,016 thousand Euro in 2019, include 1,478 thousand Euro linked to capitalisation of internal costs.

11. Property, plant, machinery and tools

"*Property, plant, machinery and equipment*" came to EUR 25,301 thousand, compared with EUR 23,148 thousand at 31 December 2018. The change is shown in the table below:

Historical cost	31 December 2018	Increases	Decreases	Reclassific ations	Other changes	31 December 2019
(Euro / 000)						
Land	2,659	-	-	343	-	3,002
Industrial buildings	24,433	193	(1,531)	(284)	-	22,811
Plant and machinery	24,243	1,409	(602)	1,322	-	26,372
Industrial and commercial equipment	14,116	448	(175)	68	-	14,457
Other assets	3,018	127	(165)	12	-	2,992
Assets in progress and payments on account	1,562	4,349	-	(1,460)	-	4,451
Total	70,031	6,526	(2,473)	1	-	74,085

Accumulated depreciation	31 December 2018	Increases	Decreases	Reclassific ations	Other changes	31 December 2019
(Euro / 000)						
Industrial buildings	12,299	680	-	-	-	12,979
Plant and machinery	18,942	1,396	(464)	-	-	19,874
Industrial and commercial equipment	13,227	454	(175)	-	-	13,506
Other assets	2,415	175	(165)	-	-	2,425
Total	46,883	2,705	(804)	-	-	48,784

Net value	31 December 2018	31 December 2019	Change
(Euro / 000)			
Land	2,659	3,002	343
Industrial buildings	12,134	9,832	(2,302)
Plant and machinery	5,301	6,498	1,197
Industrial and commercial equipment	889	951	62
Other assets	603	567	(36)
Assets in progress and payments on account	1,562	4,451	2,889
Total	23,148	25,301	2,153

Movements in the year 2018 are shown below, where the “Other movements” column represents the value of the contribution to Gefran Drives and Motion S.r.l.:

Historical cost	31 December 2017	Increases (*)	Decreases	Reclassifications	Other changes	31 December 2018
(Euro / 000)						
Land	4,068	-	-	-	(1,409)	2,659
Industrial buildings	34,596	1,414	-	24	(11,601)	24,433
Plant and machinery	31,329	2,056	(1,764)	1,383	(8,761)	24,243
Industrial and commercial equipment	18,065	513	(1,284)	196	(3,374)	14,116
Other assets	4,773	539	(1,308)	30	(1,016)	3,018
Assets in progress and payments on account	1,930	1,328	-	(1,671)	(25)	1,562
Total	94,761	5,850	(4,356)	(38)	(26,186)	70,031

Accumulated depreciation	31 December 2017	Increases	Decreases	Reclassifications	Other changes	31 December 2018

(Euro / 000)							
Industrial buildings	16,920	816	(1)		-	(5,436)	12,299
Plant and machinery	26,178	1,401	(1,765)		-	(6,872)	18,942
Industrial and commercial equipment	16,944	648	(1,285)		-	(3,080)	13,227
Other assets	4,404	181	(1,308)		-	(862)	2,415
Total	64,446	3,046	(4,359)		-	(16,250)	46,883

Net value	31 December 2017	31 December 2018	Change
(Euro / 000)			
Land	4,068	2,659	(1,409)
Industrial buildings	17,676	12,134	(5,542)
Plant and machinery	5,151	5,301	150
Industrial and commercial equipment	1,121	889	(232)
Other assets	369	603	234
Assets in progress and payments on account	1,930	1,562	(368)
Total	30,315	23,148	(7,167)

(*) include EUR 140 thousand arising from capitalisation of internal costs.

Note that during 2019, impairments of EUR 1,531 thousand were made for loss of value of buildings (no such impairment was made in 2018).

The biggest changes during the current period related to:

- investments in plant and production equipment of EUR 2,171 thousand;
- investment in adaptation of industrial buildings in the Company's plants totalling about 4,165 thousand Euro, including 3,529 thousand Euro for the new building for expansion of production lines for the sensors business unit;
- investment in renewal of the pool of electronic office machines and IT systems 189.

The increases in historical value of the "Property, plant, machinery and tools", amounting to 6,526 thousand Euro in total in 2019, include 50 thousand Euro linked to the capitalisation of internal costs, primarily for the sensors business.

12. 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 31 December 2019 amounts to 486 thousand Euro, and shows the following changes:

Historical cost	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	Other changes	31 December 2019
(Euro / 000)							
Vehicles	-	460	250	(28)			682
Total	-	460	250	(28)	-	-	682

Accumulated depreciation	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	Other changes	31 December 2019
(Euro / 000)							
Vehicles	-	-	205	(9)	-	-	196
Total	-	-	205	(9)	-	-	196

Net value	31 December 2018	31 December 2019	Change
(Euro / 000)			
Vehicles	-	486	486
Total	-	486	486

A total of 24 leasing contracts were signed in 2019, 17 of which were subject to application of IFRS16, all for leasing of company vehicles, increasing historic cost by 250 thousand Euro.

Of the remaining 7 contracts signed in 2019, excluded from the perimeter of application of the new accounting standard, 6 pertain to contracts with a duration of less than 12 months and one represents a contract regarding an item of modest value.

Decreases in "*Usage rights*" in 2019, totalling 28 thousand Euro, are a result of advance termination of one vehicle leasing agreement in advance of its expiration date.

13. Equity investments in subsidiaries

The item "*Equity investments in subsidiaries*" amounts to 42,416 thousand Euro as of 31 December 2019, aligned with the figure for the previous year. The balance breaks down as follows:

(Euro / 000)	Shareholding	31 December 2019	31 December 2018	Change
Gefran GmbH (Germany)	100.00%	365	365	-
Gefran Brasil Ltda (Brazil)	100.00%	2,924	2,924	-
Gefran UK Ltd (UK)	100.00%	5,141	5,141	-
Gefran Soluzioni S.r.l. (Italy)	100.00%	1,012	1,012	-
Sensormate AG (Switzerland)	100.00%	4,123	4,123	-
Gefran Benelux BVBA (Belgium)	100.00%	344	344	-
Gefran Inc. (USA)	100.00%	7,848	7,848	-
Gefran France SA (France)	99.99%	4,338	4,338	-
Siei Areg GmbH (Germany)	100.00%	1,032	1,032	-
Gefran Siei Asia Pte (Singapore)	100.00%	2,883	2,883	-
Gefran India Ltd (India)	100.00%	1,722	1,722	-
Gefran Middle East (Turkey)	100.00%	1,457	1,457	-
Gefran Drives and Motion S.r.l. (Italy)	100.00%	17,085	17,085	-
Adjustment provision		(7,860)	(7,860)	-
Total		42,416	42,416	-

The following is a breakdown of the adjustment provision:

(Euro / 000)	31 December 2019	31 December 2018	Change
Gefran Brasil Ltda (Brazil)	1,252	1,252	-
Gefran UK Ltd (UK)	4,438	4,438	-
Gefran India Ltd (India)	712	712	-
Gefran Middle East (Turkey)	1,457	1,457	-
Total	7,860	7,860	-

Pursuant to IAS 36, the amount recognised in the financial statements is reviewed if any indicators of potential impairment appear.

The discount rate used to discount cash flows (WACC) was analytically determined on the basis of specific key assumptions.

When determining the value in use, the specific cash flows relating to the period 2020 - 2022 were considered, deriving from the Plan of the individual investment, along with the terminal value, which represents the ability to generate cash flows beyond the explicit forecast time scale.

The principal assumptions management made in calculating value in use are the discount rate (WACC) and the long-term growth rate (g), as well as financial flows deriving from individual subsidiaries' Plans.

The rate used for discounting future cash flows is the weighted average cost of capital (Weighted Average Cost of Capital or WACC), which is calculated as the weighted average of the cost of own capital and the cost of third-party capital, net of the tax effects.

When calculating the same, market parameters are used such as the Beta, a factor which expresses the risk which characterises the particular business with respect to the financial market in general, and the related financial structure taken from calculations developed by Professor Damodaran, one of the leading experts in business valuations globally.

The return from risk-free assets has been parameterised to the yield of the individual 10-year government securities.

The premium for market risk represents the additional return required by a risk-averse investor, compared with the return that can be obtained from risk-free assets: it is attributable to the difference between the long-term normalised return of the share market and the risk-free assets rate.

In order to establish the terminal value, the long-term growth rate of the cash flows adopted has been defined in relation to the levels of inflation expected locally, making reference to estimates of international bodies.

Accounting standard IFRS 16 is included in the cash flows in the Group Plan and is also reflected in the WACC rate applied, as it is the average ratio between own share capital and financial payables influenced by the adoption of the standard. Impairment tests were also conducted using cash flow and WACC without IFRS 16: the results of these simulations revealed that deviation with respect to impairment tests conducted according to IFRS 16 was negligible.

Only shareholdings for which there is an adjustment provision are subjected to the impairment test; the results are shown below:

Description	Net carrying value 31/12/2019	Net carrying value 31/12/2018	Explicit forecast	WACC (%)	Equity value 31/12/2019	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
(Euro / 000)								
Gefran Brasil	1,672	1,672	2020 - 2022	15.4%	2,356	6.9%	7.0%	34.0%
Gefran India	1,010	1,010	2020 - 2022	10.0%	2,176	6.7%	7.1%	25.0%
Gefran UK	703	703	2020 - 2022	7.7%	2,045	0.8%	6.0%	19.0%
Gefran Middle East	-	-	2020 - 2022	21.2%	609	12.7%	7.0%	22.0%

The impairment test conducted on equity investments revealed an equity value in excess of carrying value; stress tests were therefore conducted, the results of which indicated that if a variable changes, even only marginally, the test would not be passed. The existing adjustment provision was therefore confirmed.

With reference to the other equity investments in subsidiaries, the related carrying values recorded in the financial statements have been maintained.

14. Equity investments valued atpurchase cost

This item amounted to 1,255 thousand Euro as of 31 December 2019, down 332 thousand Euro over the previous year as a result of adjustment of the value of the equipment investment in Ensun S.r.l.; the balance breaks down as follows:

Description		31 December 2019	31 December 2018	Change
(Euro / 000)				
Ensun S.r.l.	*Shareholding*	*50.00%*	*50.00%*	
Via Stacca, 1	Investment value	1,134	1,466	(332)
Rodengo Saiano (BS)	Adjustment provision	(15)	(15)	-
	Net value	1,119	1,451	(332)
Axel S.r.l.	*Shareholding*	*15.00%*	*15.00%*	
Via Dandolo, 5	Investment value	136	136	-
Varese (VA)	Adjustment provision	-	-	-
	Net value	136	136	-
Total		1,255	1,587	

The change represents adjustment of the value of the shareholding in Ensun S.r.l.: following the sale of BS Energia 2 S.r.l. and Elettropiemme S.r.l., the company no longer has any assets in its portfolio, and it was wound up in February 2020. The carrying value of the shareholding was adjusted to reflect the company’s shareholders’ equity, after subtraction of presumed liquidation costs.

15. Equity investments in other companies

The value of "*Equity investments in other companies*" totalled 1,690 thousand Euro, a decrease of 100 thousand Euro compared with the figure at 31 December 2018. The balance breaks down as follows:

(Euro / 000)	Shareholding	31 December 2019	31 December 2018	Change
Colombera S.p.A.	16.56%	1,416	1,416	-
Woojin Plaimm Co Ltd	2.00%	159	159	-
UBI Banca S.p.A.	n.s.	203	203	-
Other	-	28	28	-
Adjustment provision	-	(116)	(16)	(100)
Total		1,690	1,790	(100)

Equity investments are classed as held for sale and are recognised at fair value, derived from the stock market quotation, for Woojin Machinery Co. Ltd. (Seoul Stock Exchange) and for UBI Banca S.p.A. (Italian Stock Exchange). The adjustment provision is due to the fair value adjustment and breaks down as follows:

(Euro / 000)	Shareholding	31 December 2019	31 December 2018	Change
Colombera S.p.A.	16.56%	-	-	-
Woojin Plaimm Co Ltd	2.00%	41	147	(106)
UBI Banca S.p.A.	n.s.	(157)	(163)	6
Other	-			-
Total		(116)	(16)	(100)

16. Receivables and other non-current assets

"*Receivables and other non-current assets*" increased by 1 thousand Euro over the 31 December 2018 figure:

(Euro / 000)	31 December 2019	31 December 2018	Change
Guarantee deposits	1	-	1
Total	**1**	**-**	**1**

17. Net working capital

Net working capital totalled EUR 12,315 thousand, compared with EUR 13,200 thousand at 31 December 2018, and breaks down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Inventories	5,225	5,391	(166)
Trade receivables	6,435	8,555	(2,120)
Trade receivables from subsidiaries	13,717	13,142	575
Trade payables	(12,562)	(13,309)	747
Trade payables to subsidiaries	(500)	(579)	79
Net amount	**12,315**	**13,200**	**(885)**

Net working capital generated by relations with subsidiaries totals 13,217 thousand Euro, 654 thousand Euro higher than in 2018, while net working capital from relations with third parties is negative by 902 thousand Euro, as compared to a positive figure of 637 thousand Euro on 31 December 2018: the change is attributable to the decrease in trade receivables (2,120 thousand Euro), also as a result of transfer of the assets of the motion control business unit in the fourth quarter of 2018.

"*Inventories*" amount to 5,225 thousand Euro, and may be broken down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Raw materials, consumables and supplies	2,947	2,890	57
provision for impairment of raw materials	*(381)*	*(276)*	(105)
Work in progress and semi-finished products	2,901	2,462	439
Provision for impairment of work in progress	*(707)*	*(332)*	(375)
Finished products and goods for resale	801	826	(25)
Provision for impairment of finished products	*(336)*	*(179)*	(157)
Total	**5,225**	**5,391**	**(166)**

The provision for obsolescence and slow-moving inventories was adjusted according to need in 2019, through specific provisions of 1,107 thousand Euro (as compared to 1,973 thousand Euro in the same period in 2018). Movements in the provision in 2019 are listed below:

(Euro / 000)	**31 December 2018**	**Provisions**	**Uses**	**Releases**	**31 December 2019**
Provision for impairment of inventory	**787**	**1,107**	**(470)**	**0**	**1,424**

Movements in the year 2018 are shown below, where the "Other movements" column represents the value of the contribution to Gefran Drives and Motion S.r.l.:

(Euro / 000)	**31 December 2017**	**Provisions**	**Uses**	**Releases**	**Other changes**	**31 December 2018**
Provision for impairment of inventory	**3,796**	**1,973**	**(3,091)**	**(39)**	**(1,852)**	**787**

"*Trade receivables"* decreased by 2,120 thousand Euro during the year and break down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Receivables from customers due within 12 months	7,350	9,668	(2,318)
Provision for doubtful receivables	*(915)*	*(1,113)*	198
Net amount	**6,435**	**8,555**	**(2,120)**

This includes receivables assigned with recourse to a leading factoring company for EUR 15 thousand (EUR 26 thousand at 31 December 2017).

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 31 December 2019 represents a prudential estimate of the current risk, and registered the following changes:

(Euro / 000)	31 December 2018	Provisions	Uses	Releases	31 December 2019
Provision for doubtful receivables	**1,113**	**10**	**(52)**	**(156)**	**915**

Movements in the provision for doubtful receivables in the year 2018 are shown below, where the "Other movements" column represents the value of the contribution to Gefran Drives and Motion S.r.l.:

(Euro / 000)	31 December 2017	Provisions	Uses	Releases	31 December 2018
Provision for doubtful receivables	**1,624**	**202**	**(224)**	**(489)**	**1,113**

The amount of these decreases includes use of the provision for losses on unrecoverable receivables and release of excess provisions entered in previous periods. The Company monitors the riskiest receivables and also implements specific legal measures.

The carrying value of trade receivables is considered to approximate to their fair value.

"*Trade receivables from subsidiaries*" amounted to EUR 13,717 thousand compared with a balance of EUR 13,142 thousand at 31 December 2018. This item relates to receivables from the sale of products and from service contracts carried out by Gefran S.p.A. in favour of subsidiaries. The carrying value of intercompany receivables is believed to approximate their fair value.

"Trade payables" were down 747 thousand Euro at 31 December 2019 over 31 December 2018, as shown below:

(Euro / 000)	31 December 2019	31 December 2018	Change
Payables to suppliers	10,549	10,900	(351)
Payables to suppliers for invoices to be received	1,997	2,395	(398)
Payments on account received from customers	16	14	2
Total	**12,562**	**13,309**	**(747)**

The change in trade payables is partly due to purchases of warehouse materials, services and assets for the motion control business unit, contributed to Gefran Drive and Motion S.r.l. thousand in the fourth quarter of 2018.

"*Trade payables to subsidiaries*" amounted to EUR 500 thousand, compared with EUR 549 thousand at 31 December 2018. This item refers to payables from the purchases of products and services by the Parent Company.

The carrying value of trade payables and intercompany trade payables is believed to approximate their fair value.

18. Other current assets

"*Other current assets*" amount to 2,805 thousand Euro as of 31 December 2019, as compared to 1,115 thousand Euro on 31 December 2018. The balance breaks down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Services and maintenance	148	99	49
Receivables from employees	26	19	7
Bank transaction fees	97	126	(29)
Other tax receivables	2,091	180	1,911
Other	443	691	(248)
Total	**2,805**	**1,115**	**1,690**

The principal change is in VAT receivable, which increased by 1,911 thousand Euro in the year; the carrying value of this item is considered to approximate its fair value.

19. Current tax receivables and payables

"*Receivables for other current assets*" totalled 229 thousand Euro at 31 December 2019, compared with 962 thousand Euro at 31 December 2018. The balance breaks down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
IRES (corporate income tax)	-	143	(143)
IRAP (regional production tax)	20	453	(433)
Other taxes	209	366	(157)
Total	**229**	**962**	**(733)**

The balance of "*Current tax payables*" totalled 42 thousand Euro at 31 December 2019, as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
IRES (corporate income tax)	42	219	(177)
IRAP (regional production tax)	-	430	(430)
Total	**42**	**649**	**(607)**

IRAP (regional production tax) and IRES (corporate income tax) are recognised on taxable income, for which the prior tax losses can only be partly used, in accordance with current legislation.

20. Net financial position

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

(Euro / 000)	31 December 2019	31 December 2018	Change
Cash and cash equivalents and current financial receivables	16,560	10,245	6,315
Financial investments for derivatives	1	19	(18)
Non-current financial investments	98	126	(28)
Intercompany financial receivables	7,957	3,705	4,252
Non-current financial payables	(21,079)	(11,864)	(9,215)
Non-current financial payables for IFRS 16 leases	(296)	-	(296)
Current financial payables	(10,573)	(9,190)	(1,383)
Current financial payables for IFRS 16 leases	(192)	-	(192)
Intercompany financial payables	(12,153)	(10,548)	(1,605)
Financial liabilities for derivatives	(169)	(28)	(141)
Total	**(19,846)**	**(17,535)**	**(2,311)**

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

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
A. Cash on hand	8	13	(5)
B. Cash in bank deposits	16,552	10,232	6,320
Term deposits – less than 3 months	-	-	-
C. Securities held for trading	-	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**16,560**	**10,245**	**6,315**
E. Current financial receivables from subsidiaries	7,957	3,705	4,252
F. Current financial payables to subsidiaries	(12,153)	(10,548)	(1,605)
Current financial liabilities for derivatives	-	-	-
Current financial assets for derivatives	-	-	-
G. Fair value hedging derivatives	-	-	-
H. Current portion of long-term debt	(8,674)	(7,069)	(1,605)
I. Other current financial payables	(2,091)	(2,121)	30
J. Total current financial payables (I+H)	**(10,765)**	**(9,190)**	**(1,575)**
L. Total current payables (F+G+J)	**(22,918)**	**(19,738)**	**(1,575)**
M. Net current financial debt (D+E+L)	**1,599**	**(5,788)**	**7,387**
Non-current financial liabilities for derivatives	(169)	(28)	(141)
Non-current financial investments for derivatives	1	19	(18)
N. Fair value of hedging transactions	(168)	(9)	(159)
O. Non-current financial debt	(21,375)	(11,864)	(9,511)
P. Other non-current financial investments	98	126	(28)
Q. Net non-current financial debt (N) + (O) + (Q)	**(21,445)**	**(11,747)**	**(9,698)**
P. Net financial debt (M+N+O)	**(19,846)**	**(17,535)**	**(2,311)**
of which to minorities:	*(15,650)*	*(10,692)*	*(4,958)*

Net indebtedness at 31 December 2019 is 17,535 thousand Euro, 2,311 thousand Euro worse than on 31 December 2018. This change was essentially originated by the positive cash flows from normal operations (EUR 9,710 thousand) mitigated by the negative flows of the technical investments (EUR 8,542 thousand).

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

The balance of **Cash and cash equivalents** amounted to 16,560 thousand Euro at 31 December 2019, 6,315 thousand Euro higher than on 31 December 2018:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Cash in bank deposits	16,552	10,232	6,320
Cash	8	13	(5)
Term deposits – less than 3 months	-	-	-
Other cash	-	-	-
Total	**16,560**	**10,245**	**6,315**

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

- maturities: payable on presentation;
- counterparty risk: deposits are made care of leading banks;
- country risk: the deposits are made in Italy.

Financial receivables from subsidiaries refer to the balances of individual debt positions of the subsidiaries, generated by cash transfers by means of the cash pooling system, and present a balance of EUR 7,957 thousand, compared with EUR 3,705 thousand at 31 December 2018.

In the cash flow statement and the breakdown of net financial position, this item is classed as "*Current financial payables*".

The balance of **Current financial payables** at 31 December 2019 was down 10,573 thousand Euro over the year 2018, and breaks down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Current portion of debt	8,674	7,069	1,605
Current overdrafts	1,894	2,101	(207)
Factoring	5	20	(15)
Total	**10,573**	**9,190**	**1,383**

The current portion of debt increased by a total of 1,605 thousand Euro over December 2018, in view of a 10,785 thousand Euro increase due to short-term entry of instalments on loans payable over the next 12 months, partially compensated by repayment under the amortisation plan for individual loans, equal to 9,180 thousand Euro.

Factoring amounted to 5 thousand Euro, consisting of payables to factoring institutions for the period of deferral of payment over the original due date for repayment of debts to a number of suppliers, for which Gefran accepted non-recourse assignment (20 thousand Euro as of 31 December 2018).

Bank overdrafts at 31 December 2019 totalled 1,894 thousand Euro, compared to a balance at 31 December 2018 of 2,101 thousand Euro. The item 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 0.05%-0.70% range.

Financial payables to subsidiaries at 31 December 2019 amounted to 12,153 thousand Euro and refer to the balance of the individual creditor positions of the subsidiaries, generated from transfers to the Parent Company of cash on hand through the cash pooling system for European subsidiaries.

In the cash flow statement and the breakdown of net financial position, this item is classed as "*Current financial payables*".

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

Bank	31 December 2019	31 December 2018	Change
Banca Pop. Emilia Romagna	-	255	(255)
Mediocredito	-	1,000	(1,000)
Unicredit	2,400	3,600	(1,200)
BNL	2,000	3,000	(1,000)
Banca Pop. Emilia Romagna	3,012	4,009	(997)
Mediocredito	6,667	-	6,667
BNL	7,000	-	7,000
Total	**21,079**	**11,864**	**9,215**

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

Bank	Amount disbursed (€/000)	Signing date	Balance at 31 December 2019	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
Banca Pop. Emilia Romagna	4,000	06/08/2015	256	256	-	Euribor 3m + 1.25%	03/02/2020	quarterly
Mediocredito	10,000	07/08/2015	1,000	1,000	-	Euribor 3m + 1.35%	30/06/2020	quarterly
Unicredit	6,000	14/11/2017	3,600	1,200	2,400	Euribor 3m + 0.90%	30/11/2022	quarterly
BNL	5,000	23/11/2017	3,000	1,000	2,000	Euribor 3m + 0.85%	23/11/2022	quarterly
Banca Pop. Emilia Romagna	5,000	28/11/2018	4,008	996	3,012	Euribor 3m + 0.75%	30/11/2023	quarterly
Mediocredito	10,000	28/03/2019	8,889	2,222	6,667	Euribor 3m + 1.05%	31/12/2023	quarterly
BNL	10,000	29/04/2019	9,000	2,000	7,000	Euribor 3m + 1%	29/04/2024	quarterly
Total			**29,753**	**8,674**	**21,079**			

Two of the loans listed above involve financial covenants, and specifically:

c) 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.

d) 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 31 December 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.

Application of the new accounting standard IFRS16 worsens net financial position while improving EBITDA, and therefore also has an impact on covenants; even without considering the effects of application of IFRS16, covenants would have been met.

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 investments for derivatives totalled 1 thousand Euro at 31 December 2019, and consist of the positive fair value recorded at the end of the financial year of certain *CAP* contracts entered into by the Parent Company to hedge interest rate risks. **Financial liabilities for derivatives** totalled 169 thousand Euro, owing to the negative fair value of certain *IRS* contracts stipulated by the Parent Company to hedge interest rate risks.

To mitigate the financial risk associated with variable-rate loans, which could arise in the event of an increase in the Euribor, the Parent Company decided to hedge its variable-rate loans through CAPs (interest rate caps), as set out below:

Bank *(Euro/000)*	**Notional principal**	**Signing date**	**Notional as at 31 December 2019**	**Derivative**	**Fair Value at 31 December 2019**	**Long position rate**	**Short position rate**
Unicredit	6,000	14/11/2017	3,600	CAP	1	Strike Price 0%	Euribor 3m
BNL	5,000	23/11/2017	3,000	CAP	-	Strike Price 0%	Euribor 3m
Total financial assets for derivatives – interest rate risk					**1**		

Moreover, Gefran S.p.A. has also taken out IRS (Interest Rate Swap) contracts, as set out in the table below:

Bank (Euro/000)	Notional principal	Signing date	Notional as at 31 December 2019	Derivative	Fair Value at 31 December 2019	Long position rate	Short position rate
Banca Pop. Emilia Romagna	4,000	01/10/2015	256	IRS + Floor	(8)	Fixed 0.15%	Euribor 3m
Intesa	10,000	05/10/2015	1,000	IRS	(2)	Fixed 0.16%	Euribor 3m
Intesa	10,000	29/03/2019	8,889	IRS	(58)	Fixed 0%	Euribor 3m
BNL	10,000	29/04/2019	8,889	IRS	(81)	Fixed 0.05%	Euribor 3m
Unicredit	5,000	24/06/2019	4,008	IRS	(20)	Fixed -0.1%	Euribor 3m
Total financial liabilities for derivatives – interest rate risk					**(169)**		

All the contracts described above are booked at fair value:

(Euro/000)	at 31 December 2019		at 31 December 2018	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	1	(169)	19	(28)
Total cash flow hedge	**1**	**(169)**	**19**	**(28)**

All derivatives were tested for effectiveness, with positive outcomes.

In order to support its current operations, Gefran has various credit lines granted by banks and other financial institutions available, mainly in the form of loans for advances on invoices, cash flexibility and mixed loans for a total of EUR 33,863 thousand. Overall use of these lines at 31 December 2019 totalled 1,899 thousand Euro, with a residual available amount of 31,964 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 31 December 2019 amounted to 488 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 192 thousand Euro, and non-current liabilities (beyond one year), amounting to 296 thousand Euro. The reader is referred to section 6 of the Explanatory Notes for further details.

Changes in this item are detailed below:

(Euro / 000)	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	31 December 2019
Leasing payables under IFRS 16		460	250	(222)	-	488
Total	**-**	**460**	**250**	**(222)**	**-**	**488**

21. Shareholders' equity

"Shareholders' equity" at 31 December 2019 amounted to 65,066 thousand Euro, up by 1,306 thousand Euro from 31 December 2018. The main changes relate to the recognition of the profit for the year (EUR 6,222 thousand) and the payment of dividends on the 2018 profit (EUR 4,599 thousand).

Share capital was 14,400 thousand Euro, divided into 14,400,000 ordinary shares, with a nominal value of 1 Euro each.

As at 31 December 2018 Gefran S.p.A. held 27,220 of its own shares, representing 0.2% of the total; the situation was unchanged on 31 December 2019.

The Company has not issued convertible bonds.

The type and purpose of the equity reserves can be summarised as follows:

- the share premium reserve, amounting to EUR 19,046 thousand, which is a capital reserve that includes the amounts received by the Company for the issue of shares at a price higher than their nominal value;
- the legal reserve, amounting to EUR 2,880 thousand, which is populated by the mandatory allocation of an amount not less than one-twentieth of annual net profits, until an amount equal to one-fifth of the share capital has been reached (which has already occurred);
- share fair value measurement reserve (negative by EUR 94 thousand), which includes effects of the measurement of shares at fair value recognised directly under shareholders' equity;
- the cash flow hedge reserve, which includes effects recognised directly under shareholders' equity deriving from the measurement at fair value of financial derivatives to hedge cash flows from changes in interest rates and exchange rates, and is negative by 121 thousand Euro;
- the extraordinary reserve (EUR 9,255 thousand), which is recognised under "other reserves";
- the merger surplus reserve (EUR 859 thousand), which was set up in 2006 after the merger by incorporation of Siei S.p.A. and Sensori S.r.l. and is included under "other reserves";
- the reserve for conversion to IAS/IFRS (EUR 137 thousand), which is included under "other reserves";
- the employee benefits valuation reserve pursuant to IAS 19, which is negative at EUR 537 thousand and is included under "other reserves".

For details on the changes in equity reserves during the year, see the schedule showing changes in shareholders' equity.

Changes in the "Reserve for the measurement of securities at fair value" are shown in the table below.

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Balance at 1 January	(15)	198	(213)
UBI Banca S.p.A. shares	6	(18)	24
Woojin Plaimm Co Ltd shares	(106)	(198)	92
Tax effect	21	3	18
Net amount	**(94)**	**(15)**	**(79)**

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

(Euro / 000)	31 December 2019	31 December 2018	Change
Balance at 1 January	3	(9)	12
Change in fair value of derivatives	(163)	15	(178)
Tax effect	39	(3)	42
Net amount	**(121)**	**3**	**(124)**

Shareholder's equity breaks down as follows:

(Euro / 000)	Amount	Possibility of utilisation	Portion available
Share capital	14,400		
Capital reserves			
Share premium reserve	19,046	A-B-C	19,046
Retained earnings			
- legal reserve	2,880	B	
- extraordinary reserve	9,255	A-B-C	9,255
- IFRS conversion reserve	137		
- reserve for the measurement of securities at fair value	(94)		
- cash flow hedging reserve	(121)		
- IAS 19 reserve	(537)		
- own shares reserve	(156)		
- merger surplus reserve	859	A-B-C	859
- retained earnings/losses	13,175	A-B-C	13,175
- profit/(loss) for the period	6,222		
Total	**65,066**		**42,335**
Restricted portion			2,725
Residual portion available	65,066		39,610

NB: Legend of possibility of utilisation:
A: for a share capital increase;
B: for coverage of losses;
C: for distribution to shareholders;
D: for distribution to shareholders excluding the amount required for the legal reserve to reach one fifth of share capital.

22. Employee benefits

Liabilities for “Employee benefits” showed the following changes:

(Euro / 000)	31 December 2018	Increases	Decreases	Discounting	Other changes	31 December 2019
Post-employment benefits	2,107	-	(265)	138	-	1,980
Non-competition agreements	291	-	(53)	16	-	254
Total	**2,398**	**-**	**(318)**	**154**	**-**	**2,234**

Movements in the year 2018 are shown below, where the “Other movements” column represents the value of the contribution to Gefran Drives and Motion S.r.l.:

Description	31 December 2017	Increases	Decreases	Discounting	Other changes	31 December 2018
(Euro / 000)						
Post-employment benefits	3,769	87	(260)	(114)	(1,375)	**2,107**
Non-competition agreements	587	-	(71)	(91)	(134)	**291**
Total	**4,356**	**87**	**(331)**	**(205)**	**(1,509)**	**2,398**

The item “*Provisions for post-employment benefits*” consists of post-employment benefit for Company employees. The change in the year is due to 265 thousand Euro in payments to employees and to the effect of discounting of the payable in existence as of 31 December 2019 according to IAS standards, positive by 138 thousand Euro, as a result of assessment of demographic assumptions and experience (20 thousand Euro) and changes to financial assumptions (118 thousand Euro).

“*Non-competition agreements*” refer to the amount of the obligation to certain employees, all of Italian subsidiaries, who have signed such agreements to protect the company from any competitive activities. The change in the year is due to 53 thousand Euro in payments to employees and to the effect of discounting of the payable in existence as of 31 December 2019 according to IAS standards, positive by 16 thousand Euro, as a result of assessment of interest cost (4 thousand Euro) and changes to financial assumptions (12 thousand Euro).

Pursuant to IAS 19, the post-employment benefit reserve and the non-competition agreements were valued using the “benefits accrued” method on the basis of the “Projected unit credit”(PUC) criterion.

The post-employment benefit reserve valuation breaks down as follows:

- projection, for each person employed as of the assessment date, of post-employment benefit already accrued and future quotas of post-employment benefit that will be accrued up to the date of payment, projecting the worker’s pay;
- determination, for each employee, of probabilised payment of the above post-employment benefit which must be made by the company if the employee leaves the company due to dismissal, resignation, inability, death, or retirement, or in response to requests for advance payment;
- discounting of each probabilised payment as of the assessment date;
- re-proportioning of services for each employee, probabilised and discounted on the basis of seniority accrued as of the assessment date, as compared to the corresponding total as of the payment date.

In greater detail, the technical foundations employed are:

Demographic assumptions	2019	2018
Probability of death	ISTAT 2014 Mortality tables	ISTAT 2014 Mortality tables
Probability of inability	INPS tables divided by age and gender	INPS tables divided by age and gender
Probability of retirement	100% upon achievement of AGO requirements adapted to Decree Law 4/2019	100% upon reaching AGO requirements

Hypothetical turnover and advances	2019	2018
Frequency of advances:	2.1%	2.1%
Frequency of resignation:	2% up to age 50 0% after 50	Non-managers: 2% up to age 50 0% after 50 Managers: 4% up to age 50 0% after 50

Financial assumptions	2019	2018
Discount rate	0.77%	1.57%
Annual inflation rate	1.2%	1.5%
Annual rate of increase of post-employment benefit	2.400%	2.625%

However, this is the method applied to valuing non-competition agreements:

- projection for each employee as of the valuation date, of non-competition agreements already set aside and future quotas of non-competition agreements which will be accrued up to the date of payment;
- determination, for each employee, of probabilized payment of post-employment benefit that would have to be paid by the company in the event that the employee should be dismissed or retire;
- time-discounting of each probabilized payment as of the valuation date.

In greater detail, the technical foundations employed are:

Demographic assumptions	2019	2018
Probability of death	RG48 mortality tables published by General State Accounting Department	RG48 mortality tables published by General State Accounting Department
Probability of retirement	100% upon reaching AGO requirements	100% upon reaching AGO requirements
Probability of voluntary resignation of Executives and Management	4.00% up to age 50 0.005% after age 50	4.00% up to age 50 0.005% after age 50

Financial assumptions	2019	2018
Real annual increase	1.50%	1.50%
Annual time-discount rate	0.77%	1.57%
Annual inflation rate	1.20%	1.50%

The sensitivity analysis carried out on the assumptions of 1% and 0.5% changes in the discount rate used is shown below:

(Euro / 000)	**31 December 2019**		**31 December 2018**	
	-1.0%	1.0%	-1.0%	1.0%
Post-employment benefit reserve	(223)	206	(224)	208
Non-competition agreements	8	(8)	8	(8)
Total	(215)	198	(216)	200

(Euro / 000)	**31 December 2019**		**31 December 2018**	
	-0.5%	0.5%	-0.5%	0.5%
Post-employment benefit reserve	(112)	103	(112)	104
Non-competition agreements	4	(4)	4	(4)
Total	(108)	99	(108)	100

23. Current and non-current provisions

"Non-current provisions" amounted to 9 thousand Euro, as compared to 85 thousand Euro on 31 December 2018, and break down as follows:

(Euro / 000)	**31 December 2018**	**Provisions**	**Uses**	**Releases**	**Other changes**	**31 December 2019**
- other provisions	85	-	(4)	(72)	-	9
Total	**85**	**0**	**(4)**	**(72)**		**9**

The change pertains to release of the provision set aside in view of a legal dispute following the settlement of the dispute in favour of the Company. The item *"Other provisions"* also covers tax risks.

"Current provisions" totalled 913 thousand Euro at 31 December 2019, compared with provisions for 781 thousand Euro at 31 December 2018. The item breaks down as follows:

(Euro / 000)	**31 December 2018**	**Provisions**	**Uses**	**Releases**	**Other changes**	**31 December 2019**
FISC	11	-	-	-	-	11
Product warranty	770	245	(113)	-	-	902
Total	**781**	**245**	**(113)**	**-**		**913**

This item referring to the expected cost of repairs to products under warranty saw provision (Euro 245 thousand) and use to cover the cost of repair and replacement of products under warranty (113 thousand Euro); it is proportionate to the volume of revenues and the regularity with which events have historically occurred.

24. Other liabilities

"Other liabilities" at 31 December 2019 amounted to 5,812 thousand Euro and break down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Payables to personnel	2,557	2,934	(377)
Social security payables	1,583	1,755	(172)
Accrued interest on loans	28	40	(12)
Payables to directors and statutory auditors	44	227	(183)
Other accruals	416	471	(55)
Other payables for taxes	876	862	14
Other current liabilities	308	327	(19)
Total	**5,812**	**6,616**	**(804)**

The change is primarily attributable to decreased payables to employees, social security institutions and directors and auditors. .

25. Revenues from sales of products and services

"*Revenues*" in 2019 amount to 57,127 thousand Euro, as compared to 81,788 thousand Euro in the year 2018. The following table provides a breakdown of sales and service revenues by business:

(Euro / 000)	31 December 2019	31 December 2018	Change	%
Sensors	38,564	40,310	(1,746)	-4.3%
Automation components	17,790	18,786	(996)	-5.3%
Motion control	773	22,692	(21,919)	n.s.%
Total	**57,127**	**81,788**	**(24,661)**	**-30%**

The principal change is a result of contribution of the assets of the motion control business unit to Gefran Drives and Motion S.r.l., which took place in the fourth quarter of 2018. Without revenues generated by the assets in subject in the first three quarters of 2018, revenues for 2019 are in any case lower than in the previous year by 3,114 thousand Euro (5.2%).

Total revenues include revenues from services provided for EUR 158 thousand (EUR 694 thousand in the previous year).

26. Other operating revenues and income

"*Other operating revenues and income*" amount to 3,907 thousand Euro, 663 thousand Euro higher than on 31 December 2018, as shown in the table below:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**	**%**
Royalty income	111	156	(45)	-28.8%
Services to Group companies	3,244	2,520	724	28.7%
Recovery of company canteen expenses	15	30	(15)	-50.0%
Insurance reimbursements	-	18	(18)	-100.0%
Rental income	398	293	105	35.8%
Other income	139	227	(88)	-38.8%
Total	**3,907**	**3,244**	**663**	**20%**

"*Other proceeds*" also includes chargeback for R&D development specifically requested by customers.

27. Costs of raw materials and accessories

"*Costs of raw materials and accessories*" were down 15,373 thousand Euro, from 33,327 thousand Euro in 2018 to 17,954 thousand Euro in 2019.

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Raw materials and accessories	17,954	33,327	(15,373)
Total	**17,954**	**33,327**	**(15,373)**

The above-mentioned contribution also has an impact on total purchases in the year, as purchases for the motion control business unit in the first three quarters of 2018 were made by Gefran S.p.A., while since 1 October 2018 they were made by the newly established Gefran Drives and Motion S.r.l..

28. Service costs

"*Service costs*" in 2019 amount to 12,075 thousand Euro, as compared to 14,319 thousand Euro in the year 2018, and may be broken down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Services	11,558	13,379	(1,821)
Use of third-party assets	517	940	(423)
Total	**12,075**	**14,319**	**(2,244)**

The 2,244 thousand Euro decrease is primarily a result of transfer of the assets of the motion control business unit to the newly established Gefran Drives and Motion S.r.l. on 1 October 2018.

Note that transition to accounting standard IFRS 16, "Leases", results in entry of all leasing contracts by the "financial" method, and so leasing fees no longer appear among operating costs in the income statement, but represent repayment of the loan entered at the same time as entry of usage rights and interest among assets in the financial statements.

Lease fees no longer allocated to the income statement due to implementation of the new accounting standard amount to 208 thousand Euro. Contracts excluded from adoption of IFRS 16 on the basis of the provisions of the standard, for which lease fees continue to be entered in the income statement, resulted in entry of 518 thousand Euro in costs in 2019.

29. Personnel costs

"Personnel costs" amounted to 20,807 thousand Euro, down by 6,065 thousand Euro compared with 2018, and break down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Salaries and wages	15,432	19,906	(4,474)
Social security contributions	4,279	5,526	(1,247)
Post-employment benefit reserve	1,070	1,436	(366)
Other costs	26	4	22
Total	**20,807**	**26,872**	**(6,065)**

The 31 December 2018 figure of 26,872 thousand Euro included personnel costs for the motion control business unit in the first three quarters of the year totalling 6,174 thousand Euro; since 1 October 2018 these assets have been transferred to the newly established Gefran Drives and Motion S.r.l., to which Gefran S.p.A. contributed 147 employees.

"Social security contributions" include costs for defined contribution plans for management (Previndai pension plan) amounting to 46 thousand Euro (51 thousand Euro at 31 December 2018).

The average number of employees in 2019 is shown below:

	2019	**2018**	**Change**
Managers	11	13	(2)
Clerical staff	182	218	(36)
Manual workers	126	151	(25)
Total	**319**	**382**	**(63)**

The average number of employees was 63 people lower than in 2018, as a result of contribution of a total of 147 individuals working specifically for the motion control business unit. The exact number of employees of Gefran S.p.A. at the end of 2019 was 322, as compared to 316 on 31 December 2018, and movements in 2019 saw the addition of 28 employees (23 clerical staff and 5 workers), while 22 people left the company (17 clerical staff and 5 workers).

30. Miscellaneous management costs and other operating income

"*Miscellaneous management costs*" present a balance of 426 thousand Euro, as compared to a balance of 523 thousand Euro in 2018, and may be broken down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Capital losses on the sale of assets	(19)	(40)	21
Losses on other receivables	-	(90)	90
Other taxes and duties	(163)	(252)	89
Membership fees	(117)	(141)	24
Miscellaneous	(127)	-	(127)
Total	(426)	(523)	97

"Other operating income" amounted to 125 thousand Euro, compared with 234 thousand Euro in the previous year, and breaks down as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Capital gains on the sale of assets	48	44	4
Collection of doubtful receivables	4	2	2
Release of risk provisions	72	74	(2)
Miscellaneous	1	114	(113)
Total	125	234	(109)

31. Depreciation, amortisation and impairment

(Euro / 000)	**31 December 2019**	**31 December 2018**	**Change**
Intangible assets	1,447	1,987	(540)
Tangible assets	4,236	3,045	1,191
Usage rights	205	-	205
Total	5,888	5,032	856

Equal to 5,888 thousand Euro, 856 thousand Euro higher than on 31 December 2018; the change is a result of:

- 1,018 thousand Euro less depreciation/amortisation as a result of transfer of the motion control business unit as described above;
- entry of 205 thousand Euro more depreciation/amortisation as a result of application of the new accounting standard IFRS16, details of which are provided in a specific note to this annual report;
- 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.

32. Gains and losses from financial assets/liabilities

"Gains from financial assets" totalled 2,182 thousand Euro, as compared to 2,302 thousand Euro in 2018, and break down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Cash management			
Interest from subsidiaries	22	-	22
Income from cash management	12	12	-
Other financial income	7	50	(43)
Medium-/long-term interest	(259)	(180)	(79)
Short-term interest	(5)	(14)	9
Interest from subsidiaries	(4)	(2)	(2)
Factoring interest and fees	(1)	1	(2)
Other financial charges	3	(5)	8
Total income (charges) from cash management	**(225)**	**(138)**	**(87)**
Currency transactions			
Exchange gains	182	309	(127)
Positive currency valuation differences	130	104	26
Exchange losses	(99)	(249)	150
Negative currency valuation differences	(14)	(18)	4
Total other income (charges) from currency transactions	**199**	**146**	**53**
Other			
Dividends from equity investments	2,545	2,294	251
Value adjustments of non-current assets	(332)	-	(332)
Interest on financial payables due to leasing under IFRS 16	(5)	-	(5)
Total other financial income (charges)	**2,208**	**2,294**	**(86)**
Total	**2,182**	**2,302**	**(120)**

The item includes dividends received by Gefran Group companies totalling EUR 2,545 thousand (EUR 2,294 thousand in 2018), broken down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Gefran Siei Asia (Singapore)	500	500	-
Gefran Inc. (USA)	885	894	(9)
Gefran Deutschland GmbH (Germany)	1,000	700	300
Gefran Benelux	160	200	(40)
Total	**2,545**	**2,294**	**251**

Medium/long term financial charges increased by 79 thousand Euro primarily due to new loans signed in 2019.

The balance of differences in currency transactions is positive by 199 thousand Euro, as compared to a positive balance of 146 thousand Euro in 2018; the change is a result of dynamics in the Euro exchange rate.

"*Value adjustments of non-current assets*" registered in 2019 amount to 332 thousand Euro, while there were no entries under this item in 2018; the item may be broken down as follows:

(Euro / 000)	31 December 2019	31 December 2018	Change
Ensun S.r.l.	(332)	-	(332)
Total	**(332)**	**-**	**(332)**

For further details, see note 14 of these notes to the accounts.

33. Income taxes, deferred tax assets and deferred tax liabilities

The item "*Taxes*" is negative by 1,476 thousand Euro, as compared to a negative balance of 2,280 thousand in the year 2018, and may be broken down as follows:

(Euro / 000)	31 December 2019	31 December 2018
Current taxes		
IRES (corporate income tax)	(201)	(244)
IRAP (regional production tax)	(429)	(437)
Total current taxes	**(630)**	**(681)**

(Euro / 000)	31 December 2019	31 December 2018
Deferred taxes		
Deferred tax liabilities	5	5
Deferred tax assets	(851)	(1,604)
Total deferred taxes	**(846)**	**(1,599)**
Total taxes	**(1,476)**	**(2,280)**
of which:		
Allocated to assets held for sale		335
Relating to the operative part	(1,476)	(2,615)
Total taxes	**(1,476)**	**(2,280)**

Current taxes amounted to EUR 630 thousand and were for the recognition of the IRES and RAP taxable amounts, which can be offset only in part by prior tax losses, in accordance with current legislation. The change is attributable to Gefran S.p.A.'s decreased profit.

The balance of the item deferred tax assets and deferred taxes was negative by 846 thousand Euro, as compared to a negative balance of 1,599 thousand Euro on 31 December 2018; the change is a result of use of deferred tax assets entered to cover previous tax losses.

Note that the total amount of taxes at 31 December 2019, 1,476 thousand Euro, is entirely allocated to operations; at 31 December 2018, a negative 2,615 thousand Euro was allocated to operations, while a positive 335 thousand Euro was the result of assets held for sale.

The reconciliation of income taxes accounted for and theoretical taxes, resulting from the application to profit before tax of the corporate income tax rate in force (24%), is as follows:

(Euro / 000)	**31 December 2019**	**31 December 2018**
Profit (loss) before tax	*7,698*	*11,111*
Gross profit (loss) from assets held for sale	*-*	*(1,201)*
Gross profit	9,910	9,910
Theoretical income tax	(1,848)	(2,378)
Effect from use of losses carried forward	1,007	1,060
Net effect of permanent differences	830	701
Net effect of temporary deductible and taxable differences	(197)	397
Effect of taxes from previous years	6	(25)
Current taxes	**(202)**	**(245)**
Income tax – deferred tax assets/liabilities	(876)	(1,554)
Recognised income taxes (excluding current and deferred IRAP)	**(1,078)**	**(1,799)**
IRAP - current taxes	(428)	(437)
IRAP – deferred tax assets/liabilities	30	(44)
Recognised income taxes (current and deferred)	**(1,476)**	**(2,280)**

The net effect of permanent differences mainly refers to dividends received during the year.

Deferred tax assets and deferred tax liabilities break down as follows:

(Euro / 000)	**31 December 2018**	**Posted to the income statement**	**Recognised in shareholders' equity**	**Exchange rate differences**	**Other changes**	**31 December 2019**
Deferred tax assets						
Impairment of inventories	220	177		-	-	397
Impairment of trade receivables	252	(35)		-	-	217
Impairment of assets	535	-		-	-	535
Deductible losses to be brought forward	2,232	(1,007)		-	1	1,226
Exchange rate balance	4	(1)		-	-	3
Provision for product warranty risk	215	37		-	-	252
Provision for miscellaneous risks	141	(22)	36	-	-	155
Fair value hedging	2	-	62	-	-	64
Total deferred tax assets	3,601	(851)	98	-	1	2,849

(Euro / 000)	**31 December 2018**	**Posted to the income statement**	**Recognised in shareholders' equity**	**Exchange rate differences**	**Other changes**	**31 December 2019**
Deferred tax liabilities						
Exchange valuation differences	(4)	5		-	(1)	-
Total deferred taxes	(4)	5	-	-	(1)	-
Net total	3,597	(846)	98	-	-	2,849

The IRES tax losses recognised among deferred tax assets refer to all tax losses and it is assumed that this amount will be recovered in the next three financial years.

Deferred tax assets and deferred tax liabilities for the year 2018 break down as follows:

(Euro / 000)	**31 December 2017**	**Posted to the income statement**	**Recognised in shareholders' equity**	**Exchange rate differences**	**Other changes**	**31 December 2018**
Deferred tax assets						
Impairment of inventories	1,059	(323)		-	(516)	220
Impairment of trade receivables	342	(90)		-	-	252
Impairment of assets	535	-		-	-	535
Deductible losses to be brought forward	3,394	(1,161)		-	-	2,232
Exchange rate balance	-	4		-	-	4
Provision for product warranty risk	280	9		-	(74)	215
Provision for miscellaneous risks	286	(43)	(41)	-	(61)	141
Fair value hedging	3	-	(1)	-	-	2
Total deferred tax assets	5,899	(1,604)	(42)	-	(651)	3,601

(Euro / 000)	**31 December 2017**	**Posted to the income statement**	**Recognised in shareholders' equity**	**Exchange rate differences**	**Other changes**	**31 December 2018**
Deferred tax liabilities						
Exchange valuation differences	(9)	5		-		(4)
Total deferred taxes	(9)	5	-	-	-	(4)
Net total	5,890	(1,599)	(42)	-	(651)	3,597

34. Guarantees granted, commitments and other contingent liabilities

a) Guarantees granted

As of 31 December 2019, Gefran S.p.A. had provided guarantees on payables or commitments of third parties or subsidiaries totalling 3,770 thousand Euro, down 7,808 thousand Euro since 31 December 2018, as summed up in the table below:

(Euro / 000)	**2019**	**2018**
Ubi Leasing	-	5,918
Banca Intesa	-	1,100
Banca Passadore	2,750	2,750
Banco di Brescia	-	790
Banca Pop. Emilia Romagna	1,020	1,020
Total	**3,770**	**11,578**

On 31 December 2018 a guarantee had been issued to UBI leasing, for a total of 5,918 thousand Euro, expiring in 2029, to guarantee financial requirements for construction of photovoltaic installations by BS Energia 2 S.r.l.. Following the sale of BS Energia 2 S.r.l. by the Ensun Group, the guarantee in question was revoked in the fourth quarter of 2019.

On 31 December 2018, both the guarantee issued to Banca Passadore and the one in favour of Banco di Brescia guaranteed Ensun S.r.l.'s lines of credit. As of 31 December 2019, only the guarantee issued to Banca Passadore was still in effect, awaiting completion of release procedures by the bank, as the underlying loan had been paid off in full (2,150 Euro on 31 December 2018).

The amount of 1,100 thousand Euro in favour of Banca Intesa represents a simple letter of patronage issued to guarantee Elettropiemme S.r.l.'s lines of credit. This guarantee was withdrawn in the second half of 2019.

The surety issued to Banca Popolare Emilia Romagna in the fourth quarter of 2018, with an expiry of 18 months, worth EUR 1,020 thousand, guarantees lines of credit extended by banks to Gefran Drives and Motion S.r.l..

b) Legal proceedings and disputes

Gefran S.p.A. is involved in various legal proceedings and disputes. It is, however, considered unlikely that the resolution of these disputes will generate significant liabilities for which provisions have not already been made.

c) Commitments

The Company has stipulated contracts for rental of real estate and leasing of equipment, electronic machinery and company vehicles. With application of accounting standard IFRS 16, the amount of lease fees remaining payable appears in the financial statement under the items "*Usage rights*" and "*Financial payables for leasing under IFRS16*", and so the reader is referred to the notes on these topics for more information.
As required under the new accounting standard, some residual existing contracts have been excluded from the perimeter of application as they met the requirements for exclusion; leasing costs for these contracts entered in the income statement amount to 517 thousand Euro in the year 2019.

The financial statement at 31 December 2018 reports commitments for payment of leasing fees totalling 1,070 thousand Euro, all falling due within the next 5 years.
Of this amount, 460 thousand Euro has been entered among financial payables as a result of adoption of standard IFRS 16 on 1 January 2019, while the remainder is a result of contracts for which the cost is still entered in the income statement.

As of 31 December 2019 to total value of Gefran S.p.A.'s commitments was 518 thousand Euro, for rental and leasing contracts not falling within the scope of application of IFRS 16.

35. Dealings with related parties

The following information is provided on dealings with related parties in the years 2019 and 2018, in accordance with IAS 24.

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

The most significant transactions with other related parties are listed below. These dealings have no material impact on Gefran S.p.A.'s economic and financial structure. They are summarised in the following tables:

(Euro / 000)	Elettropiemme S.r.l.	Climat S.r.l.	Total
Revenues from product sales			
2018	48	0	48
2019	0	0	0
Service costs			
2018	-64	-141	-205
2019	0	-113	-113

(Euro / 000)	Elettropiemme S.r.l.	Climat S.r.l.	Total
Intangible assets			
2018	0	0	0
2019	0	0	0
Property, plant, machinery and tools			
2018	0	919	919
2019	0	357	357
Trade receivables			
2018	0	0	0
2019	0	0	0
Trade payables			
2018	0	294	294
2019	0	114	114

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.

Gefran S.p.A.'s relations with subsidiaries and affiliates are set out in the Company's notes to individual items in the statement of financial position and the income statement, and mainly pertain to:

- relations in connection with sales of products and services;
- service contracts (communication, legal, corporate, finance and cash, IT, product marketing, personnel management) in favour of subsidiaries;
- relations of a financial nature, represented by current account relations for cash pooling purposes.

All these relations were created in the normal course of operations, taking account of the level of service provided or received and in compliance with procedures to ensure the material correctness of the transaction.

Moreover, in dealings with its subsidiaries, Gefran S.p.A. provided technical, administrative and management services and payment of royalties on behalf of the Group's operative subsidiaries totalling about 3.4 million Euro under specific agreements (2.7 million Euro as of 31 December 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.

In the year 2019 Gefran S.p.A. earned 2,545 thousand Euro in dividends from subsidiaries (2,294 thousand Euro in 2018).

Members of the Board of Directors and the Board of Statutory Auditors and managers with strategic responsibilities were paid the following aggregate remuneration: EUR 482 thousand included in personnel costs and EUR 1,371 thousand included in service costs.

Please note that the information required pursuant to Article 123 bis of Italian Legislative Decree No. 58/1998 is contained in a separate document, the "Report on Corporate Governance and Ownership Structure", which refers for some information to the "Remuneration Report", prepared pursuant to article 123 ter of Italian Legislative Decree No. 58/1998. Both reports are published on the Company's internet site, in the governance/meetings section.

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 Components Business Unit and the Group's CFO.

36. Information pursuant to Article 149-*duodecies* of the Consob Issuers' Regulation

The table below shows fees paid in relation to the year 2019 for auditing services and for services other than auditing provided by the auditing company and entities in its network.

(Euro / 000)	**Party that provided the service**	**Fees for 2019**
Accounts audit	PwC S.p.A.	88
External audit Non-Financial Statement	PwC S.p.A.	19
Certification services	PwC S.p.A.	-
Other services	PwC network	34
Total		141

37. Events after 31 December 2019

Please see the Report on Operations for the operating performance in early 2020. No other significant events took place after the year-end.

38. Other information

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.

Provaglio d'Iseo, 12 March 2020

For the Board of Directors

Chairman

Maria Chiara Franceschetti

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION 11971 OF 14 MAY 1999 AS AMENDED

The undersigned **Maria Chiara Franceschetti**, Chairman, and **Fausta Coffano**, Executive in charge of financial reporting for Gefran S.p.A., hereby certify, taking into account the provisions of art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

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

  and

- the effective application of administrative and accounting procedures for formation of the annual financial statements in the year between 01.01.2019 and 31.12.2019.

There are no significant events to report in this regard.

They further certify that:

1. the annual financial statements at 31 December 2019 of Gefran S.p.A.:

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

2. The Report on Operations contains reliable analysis of operating performance and results and of the condition of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Provaglio d'Iseo, 12 March 2020

Chairman	Executive in charge of financial reporting
Maria Chiara Franceschetti	**Fausta Coffano**

EXTERNAL AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Gefran SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gefran Group (the Group), which comprise the statement of financial position as of 31 December 2019, the statement of profit/(loss) for the year, statement of profit/(loss) for the year and other items of comprehensive income, statement of changes in shareholders' equity, consolidated cash flow statement for the year then ended, and specific explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia).
Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Gefran SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	***Auditing procedures performed in response to key audit matters***
Recoverability of Goodwill	
Note 13 to the specific explanatory notes to the accounts "Goodwill" The carrying amount of goodwill as at 31 December 2019 is Euro 5,917 thousand (3,8% of total assets and 7,9 of consolidated equity) and impairment testing is required at least once a year. Goodwill is allocated to specific Cash Generating Units (CGU) identified on a geographical basis (France, India, USA and Switzerland). The recoverability of goodwill is assessed by comparing the book value recognised in the consolidated financial statements with the value in use. Value in use is the discounted value of the expected cash flows from use of the asset (*Unlevered Discounted Cash Flows Method*). The valuation of the recoverable amount of goodwill is a key audit matter considering the significant carrying amount and the complexity of the valuation process that requires significant Management estimation, based on economic and market assumptions, including cash flow forecast and the discount rate applied.	We evaluated the allocation process of goodwill to the Cash Generating Units and we obtained an understanding of the valuation process adopted by the Group in order to determine the recoverability of the carrying amount of goodwill. We obtained and examined the impairment tests prepared by the Management of the parent Company. We analysed the main assumptions adopted focusing on revenues forecast in order to obtain evidence on the development of revenues over the period of the plan, and on the reasonableness of estimated operating costs. Experts from the PwC network have been involved to conduct a critical examination of the model used and the calculation of the Weighted average cost of capital (Wacc). In addition, in order to assess the ability of the Management to make reliable forecasts, we compared the final figures as at 31 December 2019 with the related budget data. We compared the forecasts approved by the Boards of Directors of the subsidiaries with the assumptions used in the context of the impairment tests. An independent sensitivity analysis was developed on the main assumptions underlying the impairment models, in order to assess the impact, on the results of the tests, of variations produced in the main parameters adopted. We assessed the accuracy and completeness of the disclosures in the specific explanatory notes.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Gefran SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 21 April 2016, the shareholders of Gefran SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Gefran SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Gefran Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Gefran

Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Gefran Group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Gefran SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Brescia, 30 March 2020

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

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

EXTERNAL AUDITOR'S REPORT ON THE NON-FINANCIAL STATEMENT

pwc

GEFRAN SPA

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016 AND ARTICLE 5 OF CONSOB REGULATION NO. 20267 OF JANUARY 2018

YEAR ENDED 31 DECEMBER 2019

Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Gefran SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Gefran SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2019 prepared in accordance with article 4 of the Decree, presented in a specific section of the Report on Operations, and approved by the Board of Directors on 12 March 2020 (hereafter the "NFS").

Responsibility of the Directors and of the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the GRI-Sustainability Reporting Standards defined in 2016 (hereafter the "GRI Standards"), with reference to a selection of GRI Standards, as described in the paragraph *"Note on methodology"* of the NFS, identified by them as the reporting standards.

The Directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

Auditor’s Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in *the Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor’s responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards, with reference to a selection of GRI Standards. We conducted our engagement in accordance with “*International Standard on Assurance Engagements ISAE 3000* (Revised) – *Assurance Engagements Other than Audits or Reviews of Historical Financial Information”* (hereafter “ISAE 3000 Revised”), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised (“*reasonable assurance engagement*”) and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with that reported in the Gefran Group’s Consolidated Financial Statements;
4. understanding of the following matters:
   - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
   - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Gefran SpA and with the personnel of Gefran Soluzioni S.r.l. and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

   Moreover, for material information, considering the activities and characteristics of the Group:

   - at holding level,

     a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
     b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;

   - for the subsidiary Gefran Soluzioni S.r.l., which was selected on the basis of its activities, its contribution to the performance indicators at a consolidated level and its location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Gefran Group as of 31 December 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards, with reference to a selection of GRI Standards, as described in the paragraph "Note on methodology" of the NFS.

Brescia, 30 March 2020

PricewaterhouseCoopers SpA

Signed by *Signed by*

Alessandro Mazzetti Paolo Bersani
(Partner) (Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2019 translation.

EXTERNAL AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF GEFRAN S.p.A.

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Gefran SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gefran SpA (the Company), which comprise the statement of financial position as of 31 December 2019, statement of profit/(loss) for the year, statement of profit/(loss) for the year and other items of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended, and specific explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of Equity investments in subsidiaries	
Note 12 to the specific explanatory notes to the accounts "Equity investments in subsidiaries" Investments in subsidiaries are accounted for using the cost method. The carrying amount as at 31 December 2019 is Euro 42,416 thousand (32,2% of total assets) and impairment testing of equity investments is required if there are indicators suggesting that such a problem might exist. The recoverability of the asset is assessed by comparing the book value recognised in the financial statements with the value in use. Value in use is the discounted value of the expected cash flows from use of the asset (*Unlevered Discounted Cash Flows Method*). The valuation of the recoverable amount of equity investments in subsidiaries is a key audit matter considering the significant carrying amount and the complexity of the valuation process that requires significant Management estimation, based on economic and market assumptions, including cash flow forecast and the discount rate applied.	We obtained an understanding of the valuation process adopted by the Company in order to determine the recoverability of the carrying amount of investments in subsidiaries and we examined the impairment tests prepared by the Management. We compared the forecasts approved by the Boards of Directors of the subsidiaries with the assumptions used in the context of the impairment tests. We analysed the main assumptions adopted focusing on revenues forecast in order to obtain evidence on the development of revenues over the period of the plan, and on the reasonableness of estimated operating costs. Experts from the PwC network have been involved to conduct a critical examination of the model used and the calculation of the Weighted average cost of capital (Wacc). In addition, in order to assess the ability of the Management to make reliable forecasts, we compared the final figures as at 31 December 2019 with the related budget data. An independent sensitivity analysis was developed on the main assumptions underlying the impairment models, in order to assess the impact, on the results of the tests, of variations produced in the main parameters adopted. We assessed the accuracy and completeness of the disclosures in the specific explanatory notes.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 21 April 2016, the shareholders of Gefran SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Gefran SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Gefran SpA as of 31 December 2019, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Gefran SpA as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Gefran SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Brescia, 30 March 2020

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

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

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING OF GEFRAN S.p.A.

Board of Statutory Auditors' Report to the Shareholders' Meeting of Gefran S.p.A. pursuant to article no. 153 of Legislative Decree no. 58 of 24 February 1998 (TUF) and article 2429, third paragraph, of the Italian Civil Code

Dear Shareholders,
In the year ending on 31 December 2019, we carried out supervisory activities in compliance with the Law, aligning our operations with the rules of conduct applied to the Boards of Statutory Auditors of listed companies, issued by the National Council of Chartered Accountants and Accounting Experts (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*), with the recommendations issued by the National Commission for companies and the Stock Exchange (*Consob*) as regards corporate auditing and the activities of the Board of Statutory Auditors as well as with the guidelines contained in the Code of Conduct of Listed Companies issued by the Italian Stock Exchange (*Codice di Autodisciplina*).
As regards regulatory auditing tasks, note that pursuant to Legislative Decree no. 39 of 27 January 2010 (Legislative Decree 39/2010), they have been assigned to the external auditors PricewaterhouseCoopers SpA, appointed by the Shareholders' Meeting of 21 April 2016 for a nine-year period, from 2016 to 2024.
The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting held on 24 April 2018.
Also pursuant to the recommendations issued by Consob with Communication DEM/1025564 of 6 April 2001, as amended, we wish to inform you and report about the following:

- We have monitored compliance with the Law and with the By-Laws.
- We have attended the meetings of the Board of Directors and specific preparatory meetings about the agenda items, as well as the meetings held by the Control and Risk Committee and the Appointments and Remuneration Committee, and we have obtained from the Directors periodic information on the general performance of the company, its anticipated evolution, as well as on the most significant business, financial and equity transactions carried out by the Company; moreover, we have ensured that the resolutions issued and implemented were compliant with the Law and the By-Laws and that they were clearly not imprudent, risky, in potential conflict of interest and in contrast with the resolutions issued by the Shareholders' Meeting or such as to jeopardise the integrity of the company's assets. During the auditing carried out, the existence of atypical and/or unusual transactions did not emerge. In order to execute our mandate, we have analysed the information flows originating from different corporate structures, from the Internal Audit function, outsourced, and

we have also conducted auditing on the management of the company and on the external auditors.

- On 12 March 2020, in response to a proposal submitted by the Appointments and Remuneration Committee, the Board of Directors approved the “Annual Remuneration Report”, prepared pursuant to article 123-ter of Consolidated Law on Finance (‘TUF’), article 84-quater of the Consob Issuers’ Regulation and the provisions of article 6 of the Code of Conduct.
- We have monitored the compliance and the correct application of the “Regulations for transactions with related parties” adopted by the Board of Directors on 12 November 2010, pursuant to article 4 of the Consob Regulations, under Resolution no. 17221 of 12 March 2010, as amended.
- The Company has prepared the 2019 financial statements according to the international accounting standards (IAS/IFRS). These financial statements were submitted for an independent audit to be conducted by PricewaterhouseCoopers SpA, which issued its Report on 30 March 2020;
- The Company has also prepared the 2019 consolidated financial statements of the Gefran Group in compliance with the international accounting standards (IAS/IFRS). These financial statements were also submitted for an independent audit to be conducted by PricewaterhouseCoopers SpA, which issued its Report on 30 March 2020;
- The Company has also prepared the Non-financial Consolidated Statement as of 31/12/2019 pursuant to Legislative Decree 254/2016 and referring to the international reporting standards issued by the Global Reporting Initiative "Sustainability Reporting Standards" in the GRI-Referenced version. This Statement was also submitted for an audit to be conducted by PricewaterhouseCoopers SpA, which issued its Report on 30 March 2020;
- With regard to opinions and declarations, the external auditors, in the financial statements audit report, have:

  - expressed the opinion that Gefran's separate and consolidated financial statements provide a truthful and correct representation of the equity and financial situation of Gefran and of the Group at 31 December 2019 and of the net result and cash flows for the year closed on that date, in accordance with the international financial reporting standards adopted by the European Union and the provisions issued pursuant to Article 9 of Legislative Decree 38/05.

  - expressed the opinion that the Reports on Operations accompanying the separate and consolidated financial statements as at 31 December

2019 and certain specific information contained in the "Report on corporate governance and ownership structure" specified in article 123-bis, paragraph 4, of the TUF - the responsibility for which falls to the directors - are drafted in compliance with the law.
- declared that they have nothing to report regarding any significant errors in the Report on Operations, based on the knowledge and understanding of the company and of the related context acquired in the course of the audit.
On 30 March 2020 the external auditors also submitted to the Board of Statutory Auditors the Additional Report required by Article 11 of EU Regulation no. 537/2014, which reports no significant deficiencies in the internal control system, with reference to the financial reporting process, worthy of being brought to the attention of those responsible for corporate governance.
Enclosed with the additional report, the external auditors also submitted to the Board of Statutory Auditors a declaration relating to their independence, as required by article 6 of EU regulation no. 537/2014, from which no situations emerge that could compromise their independence.
Furthermore, the Board of Statutory Auditors has also taken due account of the transparency report prepared by the external auditors and published on their website pursuant to article 18 of Legislative Decree 39/2010.
Based on the activities carried out and considering the evolving nature of the Internal Control System, the Board of Statutory Auditors has expressed an assessment of the overall adequacy of the same and acknowledged, in its capacity as Internal Control and Auditing Committee, that there are no relevant findings to report to the Shareholders' meeting.
The external auditors PricewaterhouseCoopers SpA have communicated the fees for the auditing of the separate and consolidated financial statements of Gefran S.p.A. at 31 December 2019 and of the Gefran Group, as well as for limited auditing of interim reports, for the performance of control activities on the keeping of accounting records and all additional assigned tasks. The fees are broken down as follows, referencing the Directors' Report on Operations for additional details:

Accounts audit	Pwc Spa	Parent Company	88
Accounts audit	Pwc Spa	Subsidiaries	65
Accounts audit	Pwc network	Subsidiaries	210
External audit Non-Financial Statement	Pwc Spa	Parent Company	19

Certification service	Pwc Spa	Parent Company	-
Other Services	Pwc network	Parent Company	34
Total Euro			416

Taking into account the tasks assigned to same and to their network by Gefran and by the Group companies, the Board of Statutory Auditors does not believe that there are any critical issues concerning the independence of the external auditors.

- Among the most relevant transactions reported for 2019, the following, referencing the Directors' Report on Operations for additional details, should be noted:
  - 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 consideration of 900 thousand Euro, paid on that date, without resort to loans.
  - On 3 May 2019, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted, among other things, to:
  Approve the Financial Statements for the financial year 2018 and distribute a dividend of Euro 0.32 per share;
  Authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares for a period of 18 months from the date of the Shareholders' Meeting.
  The Shareholders' Meeting also expressed a favourable opinion of the general Group remuneration policy adopted by Gefran, pursuant to Article 123-*ter* of the TUF.
  - On 2 December 2019 the Gefran S.p.A. Board of Directors received Alberto Bartoli's resignation from the position of CEO, effective immediately. Mr. Bartoli was an executive non-independent director as well as Executive Director in charge of the company's internal auditing and risk management system, and did not sit on any internal committees. In the same meeting, the Board of Directors implemented its "Plan for succession to the post of CEO", prepared under application criterion 5.C.2 of the Code of Conduct of Listed Companies, beginning the activities required under the plan.
  - On 16 December 2019, the Gefran S.p.A. Board of Directors co-opted Marcello Perini, General Manager of the Sensors & Components Business Unit, as Board Member of Gefran S.p.A. In the same meeting, the Board of Directors expanded the powers previously awarded to the Company's Chairman, Maria Chiara Franceschetti.
- We have acquired knowledge and we have monitored, within our area of competence, the appropriateness of the Company's organisational structure, compliance with the correct administration principles,

alignment with the provisions applicable to subsidiaries pursuant to article 114, second paragraph, of the TUF, by acquiring information from the managers of the company's functions and by meeting with the external auditors.

- We have assessed and monitored the adequacy of the administrative and accounting system, as well as the reliability thereof, in correctly representing events in operation; this was accomplished by obtaining information from the Director in charge of preparing the accounting and corporate documents, by reviewing the company's documentation and by analysing the results of the work carried out by the external auditors PricewaterhouseCoopers SpA. The Chairman and the Director in charge of preparing the accounting and corporate documents have declared, in an appropriate report attached to the 2019 financial statements: a) the adequacy and the actual application of the administrative accounting procedures; b) the compliance of the content of the accounting documents with international accounting standards; c) the consistency of the documents with the results of the accounting ledgers and records and their accuracy in correctly representing the equity, economic and financial position of the Company; d) that the Report on Operations provides a reliable analysis of the results of operation and of the issuer's situation, along with a description of the principal risks and uncertainties to which it is exposed. A similar declaration is attached to the consolidated financial statements of the Gefran Group.
- We have assessed and monitored the adequacy of the internal control system through: a) a review of the report from the Manager of the Internal Audit about the internal control system; b) a review of the reports from the Internal Audit as well as the reporting on the results from monitoring activities; c) the attendance at the meetings of the Control and Risk Committee and the acquisition of related documentation; d) the meetings with the Director in charge of preparing the accounting and corporate documents. Participation in the Control and Risk Committee has allowed the Board of Statutory Auditors to coordinate, together with the Committee itself, the performance of its functions in the capacity of "Internal Control and Auditing Committee" pursuant to article 19 of Legislative Decree 39/2010 and, in particular, to monitor: a) the processes related to financial reporting; b) the efficacy of the internal control system, internal auditing and risk management; c) the regulatory auditing of the accounts; d) all aspects related to the independence of the external auditors.
- We met with the staff of the external auditors PricewaterhouseCoopers SpA, pursuant to article 150, third

paragraph, of TUF and no significant data or information that needs to be included in this Report has emerged. Moreover, no significant matters nor significant deficiencies in the internal control system, with reference to the financial reporting process, have emerged during the auditing.

- We have monitored the methods applied to the enactment of the Code of Conduct adopted by the Company, in accordance with the Report on Corporate Governance and Ownership Structure approved by the Board of Directors on 12 March 2020. In particular, with reference to the specific recommendations, within the area of competence of the Board of Statutory Auditors, please be informed that:
  -we have checked the correct application of the criteria and procedures for the assessment of independence adopted by the Board of Directors;
  -as regards self-assessment of the independence requirement applied to the members of the Board of Statutory Auditors, we verified compliance with it initially, upon our appointment, and subsequently during the Board of Statutory Auditors meeting of 13 February 2020, using methods compliant with those adopted by the Directors;
  - we have observed the provisions set forth in the regulations for the management and the treatment of corporate confidential and privileged information.
- With reference to Legislative Decree no. 231 of 8 June 2001, the Company has adopted, for some time, an organisational and management model, the contents of which are compliant with the best practices. -. During the year, the Board of Statutory Auditors has always maintained a constant information flow with the members of the Supervisory Body. From the information acquired, no criticalities regarding the correct implementation of the organisational model that would need to be included in this report, have emerged.
- We have not received any complaints pursuant to article 2408 of the Italian Civil Code, nor have we any knowledge of facts or claims that need to be brought to the attention of the Shareholders' meeting.
- We have verified compliance with the laws concerning the preparation of the separate and consolidated financial statements and the Directors' Report on Operations, both directly and with the assistance of the managers of the company's functions and through information obtained by the external auditors, and we do not have any particular observations to report.
- The members of the Board of Statutory Auditors have met the communication requirements applied to the assignment of administration and auditing of Italian corporations, within the time

frames and the methods set forth in article 148-bis of TUF and the articles under Section II of Title V-bis of the already mentioned Issuers' Regulation.

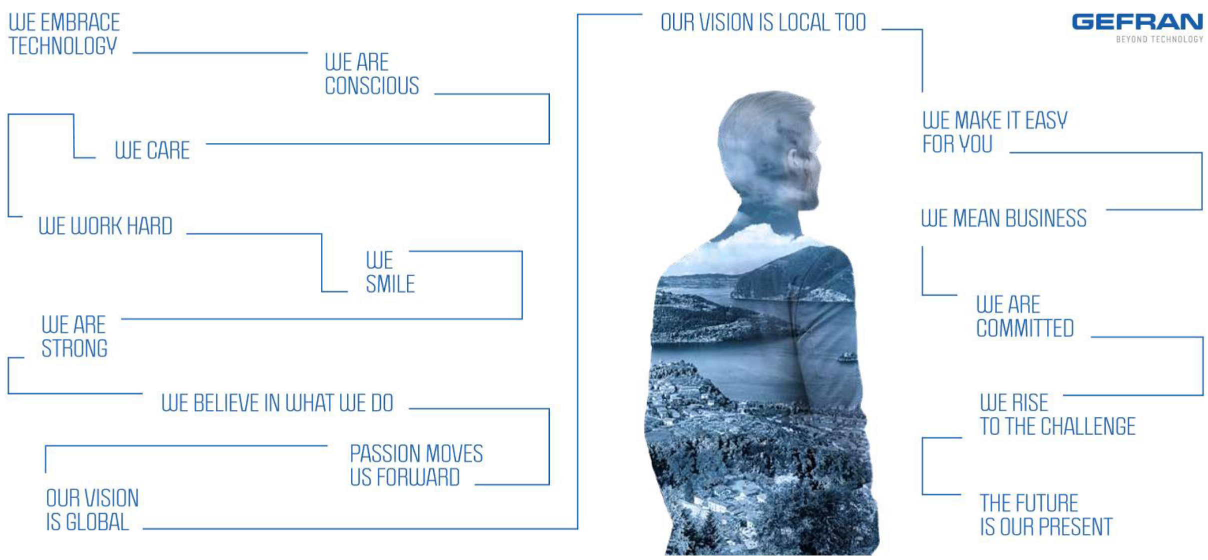
- During 2019, the Board of Statutory Auditors, confirmed in office on 24 April 2018, has met 9 times and has attended 10 meetings held by the Board of Directors, 5 meetings held by the Control and Risk Committee, and 4 meetings held by the Appointments and Remuneration Committee.

Based on its own activity and on the acquired information, the Board of Statutory Auditors has found no omissions, reprehensible facts, irregularities, or any circumstance that would require reporting to the supervisory body or mentioning in this Report.
The Board of Statutory Auditors, acknowledging the financial statements at 31 December 2019, has no objections regarding the proposal for resolutions submitted by the Board of Directors.

Brescia, Italy, 30 March 2020

FOR THE BOARD OF STATUTORY AUDITORS

Marco Gregorini, Chairman


WE EMBRACE TECHNOLOGY
WE ARE CONSCIOUS
WE CARE
WE WORK HARD
WE SMILE
WE ARE STRONG
WE BELIEVE IN WHAT WE DO
PASSION MOVES US FORWARD
OUR VISION IS GLOBAL
OUR VISION IS LOCAL TOO
GEFRAN
BEYOND TECHNOLOGY
WE MAKE IT EASY FOR YOU
WE MEAN BUSINESS
WE ARE COMMITTED
WE RISE TO THE CHALLENGE
THE FUTURE IS OUR PRESENT