

# GEFRAN

BEYOND TECHNOLOGY



## GEFRAN GROUP INTERIM FINANCIAL STATEMENTS

At 30 September 2020



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## 1. CORPORATE BODIES

### Board of Directors

Honorary Chairman	Ennio Franceschetti
Chairman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairman	Giovanna Franceschetti
Chief Executive Officer	Marcello Perini
Director	Daniele Piccolo (*)
Director	Monica Vecchiati (*)
Director	Cristina Mollis (*)
Director	Giorgio Metta (*)

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

### Board of Statutory Auditors

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

### Control and Risks Committee

- Monica Vecchiati
- Daniele Piccolo
- Giorgio Metta

### Appointments and Remuneration Committee

- Daniele Piccolo
- Monica Vecchiati
- Cristina Mollis

### Sustainability Committee

- Giovanna Franceschetti
- Marcello Perini
- Cristina Mollis

### External auditor

PricewaterhouseCoopers S.p.A..

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

## 2. ALTERNATIVE PERFORMANCE INDICATORS

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

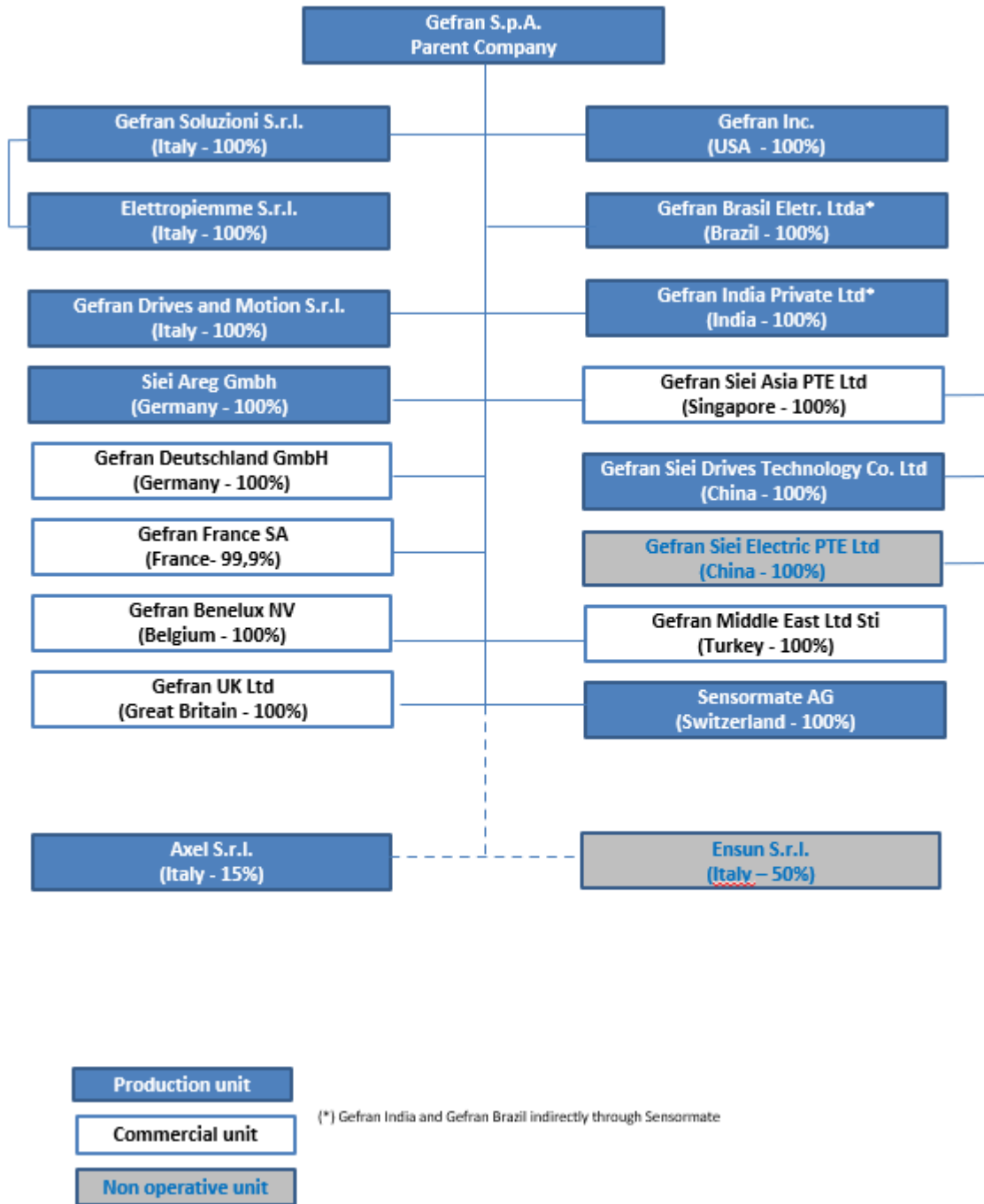
Specifically, the alternative indicators used in the notes to the income statement are:

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

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

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

### 3. GEFRAN GROUP'S STRUCTURE



## 4. KEY CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION FIGURES

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

### Group income statement highlights

<i>(Euro / 000)</i>	30 September 2020		30 September 2019		3Q 2020		3Q 2019	
Revenues	93,921	100.0%	105,114	100.0%	31,186	100.0%	33,015	100.0%
EBITDA	11,935	12.7%	15,063	14.3%	4,599	14.7%	4,328	13.1%
EBIT	5,865	6.2%	7,728	7.4%	2,544	8.2%	2,352	7.1%
Profit (loss) before tax	4,293	4.6%	7,946	7.6%	2,079	6.7%	2,438	7.4%
Group net profit (loss)	2,686	2.9%	5,660	5.4%	1,547	5.0%	1,631	4.9%

### Group statement of financial position highlights

<i>(Euro / 000)</i>	30 September 2020	31 December 2019
Invested capital from operations	86,146	88,331
Net working capital	31,891	28,542
Shareholders' equity	76,879	75,044
Net financial position	(9,267)	(13,287)

<i>(Euro / 000)</i>	30 September 2020	30 September 2019
Operating cash flow	8,919	10,327
Investments	4,112	11,244



## 5. FINANCIAL STATEMENT SCHEDULES

### Statement of profit/(loss)

(Euro / 000)	3Q		progressive as at 30 September	
	2020	2019	2020	2019
Revenues from product sales	30,995	32,877	92,844	104,643
<i>of which related parties:</i>	2	-	2	-
Other revenues and income	191	138	1,077	471
Increases for internal work	508	572	1,462	1,835
<b>TOTAL REVENUES</b>	<b>31,694</b>	<b>33,587</b>	<b>95,383</b>	<b>106,949</b>
Change in inventories	(665)	243	(16)	3,160
Costs of raw materials and accessories	(10,920)	(11,945)	(34,217)	(39,977)
<i>of which related parties:</i>	(36)	-	(36)	-
Service costs	(4,706)	(5,937)	(14,258)	(18,093)
<i>of which related parties:</i>	(133)	(88)	(231)	(169)
Miscellaneous management costs	(173)	(180)	(627)	(676)
Other operating income	8	436	11	1,074
Personnel costs	(10,641)	(11,878)	(34,240)	(37,485)
Impairment/reversal of trade and other receivables	2	2	(101)	111
Amortisation and impairment of intangible assets	(565)	(529)	(1,543)	(1,614)
Depreciation and impairment of tangible assets	(1,181)	(1,161)	(3,580)	(4,908)
Depreciation/amortisation total usage rights	(309)	(286)	(947)	(813)
<b>EBIT</b>	<b>2,544</b>	<b>2,352</b>	<b>5,865</b>	<b>7,728</b>
Gains from financial assets	32	557	522	1,042
Losses from financial liabilities	(499)	(502)	(2,095)	(1,114)
(Losses) gains from shareholdings valued at equity	2	31	1	290
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>2,079</b>	<b>2,438</b>	<b>4,293</b>	<b>7,946</b>
Current taxes	(393)	(518)	(812)	(1,533)
Deferred tax assets and liabilities	(139)	(289)	(795)	(753)
<b>TOTAL TAXES</b>	<b>(532)</b>	<b>(807)</b>	<b>(1,607)</b>	<b>(2,286)</b>
<b>NET PROFIT (LOSS) FOR THE YEAR</b>	<b>1,547</b>	<b>1,631</b>	<b>2,686</b>	<b>5,660</b>
Attributable to:				
Group	1,547	1,631	2,686	5,660
Third parties	-	-	-	-

(Euro)	Earnings per share	progressive as at 30 September	
		2020	2019
	Basic earnings per ordinary share	0.19	0.39
	Diluted earnings per ordinary share	0.19	0.39

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

(Euro / 000)	3Q		progressive as at 30 September	
	2020	2019	2020	2019
<b>NET PROFIT (LOSS) FOR THE YEAR</b>	<b>1,547</b>	<b>1,631</b>	<b>2,686</b>	<b>5,660</b>
<b>Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period</b>				
- conversion of foreign companies' financial statements	(496)	440	(721)	568
- equity investments in other companies	20	(34)	(4)	(66)
- fair value of cash flow hedging derivatives	(42)	13	(133)	(209)
<b>Total changes, net of tax effect</b>	<b>(518)</b>	<b>419</b>	<b>(858)</b>	<b>293</b>
<b>Comprehensive result for the period</b>	<b>1,029</b>	<b>2,050</b>	<b>1,828</b>	<b>5,953</b>
Attributable to:				
Group	1,029	2,050	1,828	5,953
Third parties	-	-	-	-

**Statement of financial position**

(Euro / 000)	30 September 2020	31 December 2019
<b>NON-CURRENT ASSETS</b>		
Goodwill	5,808	5,917
Intangible assets	8,762	7,641
Property, plant, machinery and tools	42,220	44,761
<i>of which related parties:</i>	84	470
Usage rights	2,721	3,089
Shareholdings valued at equity	197	1,196
Equity investments in other companies	1,693	1,690
Receivables and other non-current assets	94	94
Deferred tax assets	5,739	6,556
Non-current financial investments for derivatives	-	1
Other non-current financial investments	117	97
<b>TOTAL NON-CURRENT ASSETS</b>	<b>67,351</b>	<b>71,042</b>
<b>CURRENT ASSETS</b>		
Inventories	23,954	24,548
Trade receivables	27,886	28,931
<i>of which related parties:</i>	1	-
Other receivables and assets	5,092	7,953
Current tax receivables	794	853
Cash and cash equivalents	39,875	24,427
<b>TOTAL CURRENT ASSETS</b>	<b>97,601</b>	<b>86,712</b>
<b>TOTAL ASSETS</b>	<b>164,952</b>	<b>157,754</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	14,400	14,400
Reserves	59,793	53,602
Profit/(loss) for the year	2,686	7,042
<b>Total Group Shareholders' Equity</b>	<b>76,879</b>	<b>75,044</b>
Shareholders' equity of minority interests	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>76,879</b>	<b>75,044</b>
<b>NON-CURRENT LIABILITIES</b>		
Non-current financial payables	31,169	21,916
Non-current financial payables for IFRS 16 leases	1,608	2,013
Non-current financial liabilities for derivatives	334	169
Employee benefits	4,713	4,853
Non-current provisions	634	644
Deferred tax provisions	611	647
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>39,069</b>	<b>30,242</b>
<b>CURRENT LIABILITIES</b>		
Current financial payables	15,031	12,643
Current financial payables for IFRS 16 leases	1,117	1,071
Trade payables	19,949	24,937
<i>of which related parties:</i>	73	120
Current provisions	1,460	1,527
Current tax payables	677	257
Other payables and liabilities	10,770	12,033
<b>TOTAL CURRENT LIABILITIES</b>	<b>49,004</b>	<b>52,468</b>
<b>TOTAL LIABILITIES</b>	<b>88,073</b>	<b>82,710</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>164,952</b>	<b>157,754</b>

## Consolidated cash flow statement

(Euro / 000)	30 September 2020	30 September 2019
<b>A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	<b>24,427</b>	<b>18,043</b>
<b>B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:</b>		
Net profit (loss) for the period	2,686	5,660
Depreciation, amortisation and impairment	6,070	7,335
Provisions (Releases)	1,873	1,626
Capital (gains) losses on the sale of non-current assets	(5)	(351)
Net result from financial operations	1,572	(190)
Taxes	812	1,528
Change in provisions for risks and future liabilities	(383)	(989)
Change in other assets and liabilities	1,549	(4,537)
Change in deferred taxes	793	755
Change in trade receivables	465	1,974
	<i>of which related parties:</i>	(1)
Change in inventories	(1,587)	(4,237)
Change in trade payables	(4,926)	1,753
	<i>of which related parties:</i>	(47)
<b>TOTAL</b>	<b>8,919</b>	<b>10,327</b>
<b>C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES</b>		
Investments in:		
- Property, plant & equipment and intangible assets	(4,112)	(10,881)
	<i>of which related parties:</i>	(84)
- Equity investments and securities	1,005	-
- Acquisitions net of acquired cash	-	(231)
- Financial receivables	-	(9)
Disposal of non-current assets	9	1,314
<b>TOTAL</b>	<b>(3,098)</b>	<b>(9,807)</b>
<b>D) FREE CASH FLOW (B+C)</b>	<b>5,821</b>	<b>520</b>
<b>E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES</b>		
New financial payables	18,036	21,426
Repayment of financial payables	(7,366)	(6,672)
Increase (decrease) in current financial payables	1,036	(1,887)
Outgoing cash flow due to IFRS 16	(967)	(851)
Taxes paid	(186)	(1,152)
Interest paid	(913)	(630)
Interest received	42	294
Dividends paid	-	(4,599)
<b>TOTAL</b>	<b>9,682</b>	<b>5,929</b>
<b>F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)</b>	<b>15,503</b>	<b>6,449</b>
H) Exchange rate translation differences on cash at hand	(55)	73
<b>I) NET CHANGE IN CASH AT HAND (F+G+H)</b>	<b>15,448</b>	<b>6,522</b>
<b>J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)</b>	<b>39,875</b>	<b>24,565</b>

**Statement of changes in shareholders' equity**

(Euro / 000)	Share capital	Capital reserves	Consolidation reserve	Other reserves	Retained profit / (loss)	overall EC reserves			Profit/(loss) for the year	Group Total shareholders' equity	Shareholders' equity of	Total shareholders' equity
						Fair value measurement reserve	Currency translation reserve	Other reserves				
Balance at 1 January 2019	14,400	21,926	5,368	10,095	10,143	(12)	3,143	(400)	8,151	72,814	-	72,814
Destination of 2017 profit												
- Other reserves and provisions			521	-	7,630				(8,151)	-	-	-
- Dividends					(4,599)					(4,599)	(4,599)	(4,599)
Income/(expenses) recognised at equity			(25)			(203)		(210)		(438)	(438)	(438)
Change in translation reserve							221			221	221	221
Other changes			-	4						4	4	4
2019 profit									7,042	7,042	7,042	7,042
Balance at 31 December 2019	14,400	21,926	5,864	10,099	13,174	(215)	3,364	(610)	7,042	75,044	-	75,044
Destination of 2019 profit												
- Other reserves and provisions			820	-	6,222				(7,042)	-	-	-
- Dividends					-					-	-	-
Income/(expenses) recognised at equity			4			(136)		-		(132)	(132)	(132)
Change in translation reserve							(721)			(721)	(721)	(721)
Other changes			-	(1)	3					2	2	2
Result at 30 September 2020									2,686	2,686	2,686	2,686
Balance at 30 September 2020	14,400	21,926	6,688	10,098	19,399	(351)	2,643	(610)	2,686	76,879	-	76,879

## 6. GEFRAN GROUP'S PERFORMANCE

### Consolidated income statement of the quarter

The reclassified income statement for the third quarter of 2020 is shown below, in comparison with the income statement for the same period in the previous year.

(Euro / 000)	3Q 2020	3Q 2019	Changes 2020-2019	
	Total	Total	Value	%
a Revenues	31,186	33,015	(1,829)	-5.5%
b Increases for internal work	508	572	(64)	-11.2%
c Consumption of materials and products	11,585	11,702	(117)	-1.0%
d Added value (a+b-c)	20,109	21,885	(1,776)	-8.1%
e Other operating costs	4,869	5,679	(810)	-14.3%
f Personnel costs	10,641	11,878	(1,237)	-10.4%
g EBITDA (d-e-f)	4,599	4,328	271	6.3%
h Depreciation, amortisation and impairment	2,055	1,976	79	4.0%
i EBIT (g-h)	2,544	2,352	192	8.2%
l Gains (losses) from financial assets/liabilities	(467)	55	(522)	n.s.
m Gains (losses) from shareholdings valued at equity	2	31	(29)	-93.5%
n Profit (loss) before tax (i±l±m)	2,079	2,438	(359)	-14.7%
o Taxes	(532)	(807)	275	34.1%
p Group net profit (loss)(n±o)	1,547	1,631	(84)	-5.2%

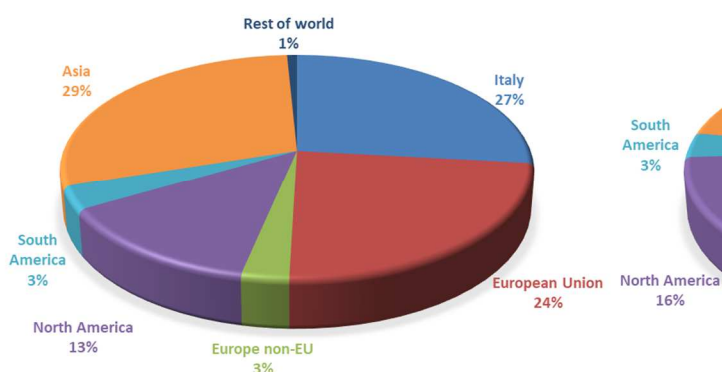
**Revenues** for the third quarter of 2020 were 31,186 thousand Euro, compared with 33,015 thousand Euro in the same period in the previous year, revealing a drop of 1,829 thousand Euro (-5.5%). As already noted in the first two quarters of the year, also in the third quarter the spread of the Coronavirus limited the commercial activities of the Group, leading to a contraction in revenues that involved all the main international markets and extended to all the Group's business units. The actions had a limited negative impact, however, allowing the Group to report a difference of only 5.5% over the figure for the third quarter of 2019.

The order portfolio for the third quarter of 2020 reveals shrinkage over the same period in 2019 (-11.3%). Specifically, good performance was registered in the sensors and automation components business lines, for which more orders were received in the third quarter of 2020 (670 thousand Euro) than in the third quarter of 2019 (482 thousand Euro).

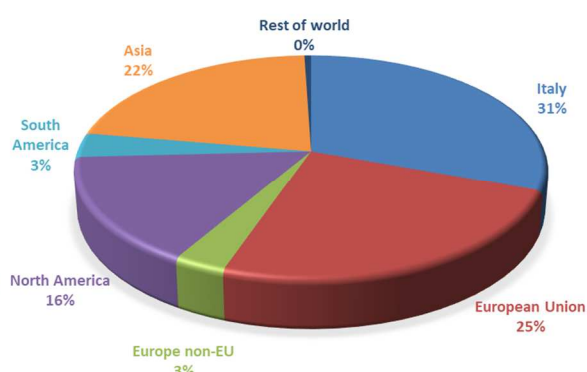
The table below shows a breakdown of revenues by geographical region:

(Euro / 000)	3Q 2020		3Q 2019		Changes 2020-2019	
	value	%	value	%	value	%
Italy	8,345	26.8%	10,104	30.6%	(1,759)	-17.4%
European Union	7,390	23.7%	8,160	24.7%	(770)	-9.4%
Europe non-EU	899	2.9%	1,050	3.2%	(151)	-14.4%
North America	4,141	13.3%	5,182	15.7%	(1,041)	-20.1%
South America	1,051	3.4%	1,155	3.5%	(104)	-9.0%
Asia	9,116	29.2%	7,191	21.8%	1,925	26.8%
Rest of the World	244	0.8%	173	0.5%	71	41.0%
<b>Total</b>	<b>31,186</b>	<b>100%</b>	<b>33,015</b>	<b>100%</b>	<b>(1,829)</b>	<b>-5.5%</b>

REVENUES Q3 2020



REVENUES Q3 2019



The breakdown of revenue by **geographical region** in the third quarter reveals growth in Asia (+26.8%), but shrinkage in all the other principal geographical regions in which the Group operates, and particularly: Italy (-17.4%), the European Union (-9.4%), non-EU Europe (-14.4%), and North and South America (-20.1% and -9% respectively).

The table below shows the breakdown of revenues by business area in the third quarter of 2020 and a comparison with the same period of the previous year:

(Euro / 000)	3Q 2020		3Q 2019		Changes 2020-2019	
	value	%	value	%	value	%
Sensors	14,370	46.1%	14,862	45.0%	(492)	-3.3%
Automation components	9,103	29.2%	9,783	29.6%	(680)	-7.0%
Motion control	9,019	28.9%	9,662	29.3%	(643)	-6.7%
Eliminations	(1,306)	-4.2%	(1,292)	-3.9%	(14)	1.1%
<b>Total</b>	<b>31,186</b>	<b>100%</b>	<b>33,015</b>	<b>100%</b>	<b>(1,829)</b>	<b>-5.5%</b>

The breakdown of revenues by **business area** in the third quarter of 2020 reveals a drop in revenues over the third quarter of 2019 in all the sectors the Group works in: sales of drives were down by 6.7%, while sales of automation components dropped 7%. Revenues from the sensors business were also down (-3.3%), with shrinkage in Italy, Europe and America, while sales of sensors in Asia increased in the third quarter of 2020 over the same period in the previous year.

**Increases for internal work** in the third quarter of 2020 amounted to 508 thousand Euro, as compared to 572 thousand Euro in the same period of 2019. This item represents the portion of development costs incurred in the period and capitalised.

**Added value** in the quarter amounted to 20,109 thousand Euro (21,885 thousand Euro in the third quarter of 2019), corresponding to 64.5% of revenues, down -1.8% from the figure in same previous period. The drop in added value, totalling 1,776 thousand Euro, primarily reflects the lower volumes sold.

**Other operating costs** in the third quarter of 2020 amount to 4,869 thousand Euro, and are 810 thousand Euro lower in terms of absolute value than the figure for the same quarter of 2019, representing 15.6% of revenues (17.2% in the same quarter of 2019).

**Personnel costs** in the quarter totalled 10,641 thousand Euro (34.1% of revenues), as compared to 11,878 thousand Euro in the same period of the previous year (36% of revenues), a 1,237 thousand Euro drop.

**EBITDA** for the third quarter of 2020 was positive at 4,599 thousand Euro (4,328 thousand Euro in the same quarter of 2019), and amounted to 14.7% of revenues (13.1% of revenues in the third quarter of 2019), a decrease of 271 thousand Euro in absolute value compared to the previous year.

The drop in operating costs made up for the lower profit margin in the quarter due to shrinkage of sales.

The item **depreciation, amortisation and impairment** totalled 2,055 thousand Euro in the quarter, as compared with 1,976 thousand Euro in the same period in the previous year, a 79 thousand Euro increase.

**EBIT** in the third quarter of 2020 is positive at 2,544 thousand Euro (8.2% of revenues), as compared with an EBIT of 2,352 thousand Euro in the same period in 2019 (7.1% of revenues), a 192 thousand Euro increase. The change is linked to the same dynamics illustrated for EBITDA.

**Charges from financial assets/liabilities** in the third quarter of 2020 total 467 thousand Euro (as compared to 55 thousand Euro in income in the third quarter of 2019), and include:

- financial income totalling 11 thousand Euro (15 thousand Euro in the third quarter of 2019);
- financial charges linked with the Group's indebtedness, totalling 129 thousand Euro, aligned with the figure for the third quarter of 2019, when this item totalled 134 thousand Euro;
- negative result of differences in foreign currency transactions of Euro 350 thousand, as compared to a positive result of Euro 184 thousand in the third quarter of 2019. The change is primarily a result of the exchange rates in effect between the Euro, the Brazilian Real and the Indian Rupee;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 9 thousand Euro (10 thousand Euro in the third quarter of 2019).

**Income from shareholdings valued at equity** totals 2 thousand Euro, less than the same period in the previous year, when this item totalled 29 thousand Euro.

**Taxes** had a negative balance of 532 thousand Euro (as compared to a negative balance of 807 thousand Euro in the third quarter of 2019). This item may be broken down as follows:

- negative current taxes of 393 thousand Euro (negative by 518 thousand Euro in third quarter of 2019), linked to the economic results of Group companies in the period;
- deferred tax assets and liabilities, on the whole negative for the amount of 139 thousand Euro (negative for the amount of 289 thousand Euro in the third quarter of 2019).

**Group net profit** in the third quarter of 2020 was 1,547 thousand Euro, compared with a profit of 1,631 thousand Euro in the third quarter of the previous year, a decrease of 84 thousand Euro.



## Progressive Consolidated Income Statement

The following table shows the operating results at 30 September 2020, reclassified and compared with those of the previous period.

Note that 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 consolidated figures at 30 September 2020 include the operating results of Elettropiemme S.r.l. in the first 9 months of the year, while the 2019 figures with which they are compared include the operating results of this company for the months of February to September.

(Euro / 000)	30	30	Changes 2020-2019	
	September 2020 Total	September 2019 Total	Value	%
a Revenues	93,921	105,114	(11,193)	-10.6%
b Increases for internal work	1,462	1,835	(373)	-20.3%
c Consumption of materials and products	34,233	36,817	(2,584)	-7.0%
d Added value (a+b-c)	61,150	70,132	(8,982)	-12.8%
e Other operating costs	14,975	17,584	(2,609)	-14.8%
f Personnel costs	34,240	37,485	(3,245)	-8.7%
g EBITDA (d-e-f)	11,935	15,063	(3,128)	-20.8%
h Depreciation, amortisation and impairment	6,070	7,335	(1,265)	-17.2%
i EBIT (g-h)	5,865	7,728	(1,863)	-24.1%
l Gains (losses) from financial assets/liabilities	(1,573)	(72)	(1,501)	n.s.
m Gains (losses) from shareholdings valued at equity	1	290	(289)	n.s.
n Profit (loss) before tax (i±l±m)	4,293	7,946	(3,653)	-46.0%
o Taxes	(1,607)	(2,286)	679	29.7%
p Group net profit (loss)(n±o)	2,686	5,660	(2,974)	-52.5%

**Revenues** for the third quarter of 2020 were 93,921 thousand Euro, compared with 105,114 thousand Euro in the same period in the previous year, revealing a drop of 11,193 thousand Euro (-10.6%).

The Coronavirus epidemic of 2020 led to closure of the Group's plants for certain periods of time: the Chinese subsidiary in February, followed by the Group's Italian plants in March and then other countries where lockdowns were implemented (such as India and Brazil). This limited travel, affecting the work of the Gefran sales network. The Group's main plants are currently operational.

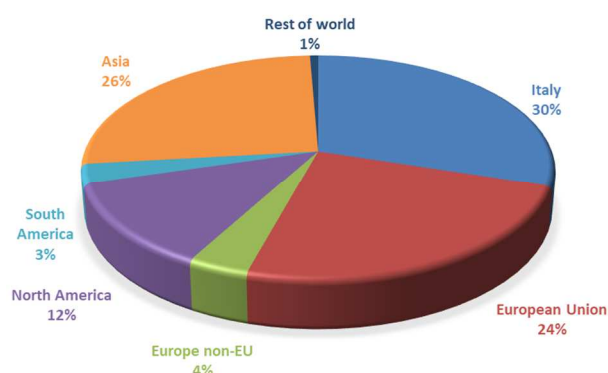
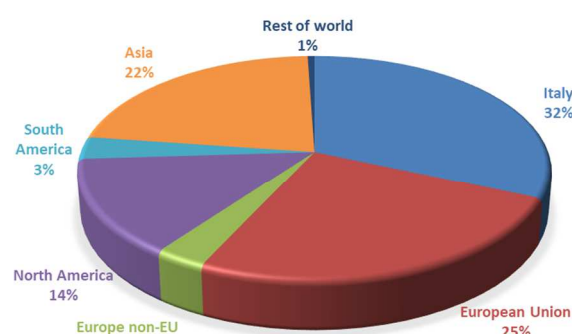
The world-wide emergency led to shrinkage of revenues on all the world's principal markets and in all the fields of business, in all the main geographical regions in which the Group operates.

The order portfolio at 30 September 2020 reveals shrinkage over the first nine months of 2019 (-8.8%), though less dramatic than the drop in revenues. The decrease may be seen in all business lines: sensors, automation components and drives have all seen a drop in orders, by 5.8%, 14.9% and 7.8%, respectively.

The order portfolio is up since 31 December 2019 (+13.6%).

The table below shows a breakdown of revenues by geographical region:

(Euro / 000)	30 September 2020		30 September 2019		Changes 2020-2019	
	value	%	value	%	value	%
Italy	28,113	29.9%	33,190	31.6%	(5,077)	-15.3%
European Union	22,873	24.4%	26,686	25.4%	(3,813)	-14.3%
Europe non-EU	3,502	3.7%	3,288	3.1%	214	6.5%
North America	11,635	12.4%	14,649	13.9%	(3,014)	-20.6%
South America	2,638	2.8%	3,379	3.2%	(741)	-21.9%
Asia	24,549	26.1%	23,355	22.2%	1,194	5.1%
Rest of the World	611	0.7%	567	0.5%	44	7.8%
<b>Total</b>	<b>93,921</b>	<b>100%</b>	<b>105,114</b>	<b>100%</b>	<b>(11,193)</b>	<b>-10.6%</b>

**REVENUES UP TO 30 SEPTEMBER 2020**

**REVENUES UP TO 30 SEPTEMBER 2019**


The breakdown of revenues by **geographical region** reveals overall shrinkage in all the principal geographical regions in which the Group operates, and specifically: Italy (-15.3%), the European Union (-14.3%), and North and South America (-20.6% and -21.9%, respectively). On the other hand, revenues increased in non-EU Europe, thanks to the healthy performance of the motion control business unit in the region, and in Asia, thanks to the good performance of the sensors business unit.

The breakdown of business revenue for the first nine months of 2020 and the comparison with the same period of the previous year is as follows:

(Euro / 000)	30 September 2020		30 September 2019		Changes 2020-2019	
	value	%	value	%	value	%
Sensors	42,510	45.3%	45,892	43.7%	(3,382)	-7.4%
Automation components	27,515	29.3%	32,031	30.5%	(4,516)	-14.1%
Motion control	27,844	29.6%	31,383	29.9%	(3,539)	-11.3%
Eliminations	(3,948)	-4.2%	(4,192)	-4.0%	244	-5.8%
<b>Total</b>	<b>93,921</b>	<b>100%</b>	<b>105,114</b>	<b>100%</b>	<b>(11,193)</b>	<b>-10.6%</b>

The breakdown of revenues by **business area** reveals a drop in revenues over the figure for 30 September 2019 all the sectors the Group works in: sales of drives were down by 11.3%, while sales of automation components dropped 14.1%. Revenues from the sensors business were also down (-7.4%), with shrinkage in Italy, Europe and America, while sales of sensors in Asia increased over the same period in the previous year.

**Increases for internal work** at 30 September 2020 came to 1,462 thousand Euro, compared with 1,835 thousand Euro recognised at 30 September 2019. This item represents the portion of development costs incurred in the period and capitalised.

**Added value** at 30 September 2020 amounted to 61,150 thousand Euro (70,132 thousand Euro at 30 September 2019), corresponding to 65.1% of revenues, down -1.6% from the figure in the first quarter of 2019. The drop in added value, totalling 8,982 thousand Euro, primarily reflects the lower volumes sold.

**Other operating costs** in the first nine months of 2020 amount to 14,975 thousand Euro, and are 2,609 thousand Euro lower in terms of absolute value than the figure for the same period in 2019, representing 15.9% of revenues (16.7% in the same period in 2019). The change is primarily a result of lower costs for trade fairs, consulting services, travel expenses and work contracted out.

**Personnel costs** in the first nine months of 2020 totalled 34,240 thousand Euro (36.5% of revenues), as compared to 37,485 thousand Euro in the first nine months of the previous year (35.7% of revenues), a 3,245 thousand Euro drop. The decrease is due to actions implemented in all Group companies, including resort to redundancy funds where permitted, greater use of holiday time, and a reduction in performance-based bonuses. The average number of employees has increased from 805 on 30 September 2019 to 816 on 30 September 2020.

**EBITDA** at 30 September 2020 is positive by 11,935 thousand Euro (15,063 thousand Euro at 30 September 2019), representing 12.7% of revenues (14.3% of revenues in the first nine months of 2019), down Euro 3,128 thousand over the previous year in absolute terms. The lower margin is primarily a result of shrinkage of sales volumes, only partially offset by reduced operating costs.

**Depreciation, amortisation and impairment** as of 30 September 2020 totalled 6,070 thousand Euro, as compared to 7,335 thousand Euro in the first nine months of 2019, a 1,265 thousand Euro decrease. The change is primarily a result of entry of impairment of assets in the sensors business in the first half of 2019 totalling 1,531 thousand Euro, associated with a property that was incapable of guaranteeing sufficient technological and energy performance to be sustainable in the long term. The existing building was demolished in 2019 in order to build a new construction that would be more functional and, above all, more advanced in terms of technological and energy performance. Work was completed in December 2019 and production began in the new building in January 2020.

**EBIT** at 30 September 2020 is positive at 5,865 thousand Euro (6.2% of revenues), as compared with an EBIT of 7,728 thousand Euro at 30 September 2019 (7.4% of revenues), a 1,863 thousand Euro drop. The change is a result of reduction of added value due to lower sales volumes, only partially offset by lower operating costs and depreciation/amortisation.

**Charges from financial assets/liabilities** in the first nine months of 2020 totalled 1,573 thousand Euro (72 thousand Euro in 2019) and include:

- financial income of 42 thousand Euro (59 thousand Euro in the first nine months of 2019);
- financial charges linked with the Group's indebtedness totalling 352 thousand Euro, up over the first nine months of 2019, when this item totalled 335 thousand Euro;
- negative result of differences in foreign currency transactions of Euro 1,243 thousand, as compared to a positive result of Euro 232 thousand in the first nine months of 2019. The change is primarily a result of the exchange rates in effect between the Euro, the Brazilian Real and the Indian Rupee;

- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 20 thousand Euro (28 thousand Euro in the same period in 2019).

**Charges from shareholdings valued at equity** were 1 thousand Euro overall, down from 30 September 2019, when income amounting to 290 thousand Euro was recorded. The positive result in the first nine months of 2019 was mainly due to the adjustment of the value of the Ensun S.r.l. Group following the sale of 100% of the shares in Elettropiemme S.r.l.

**Taxes** were, on the whole, negative by 1,607 thousand Euro (2,286 thousand Euro as of 30 September 2019). The reduction in taxes is proportionate to the lower profit of the Group companies. It may be broken down as follows:

- negative current taxes of 812 thousand Euro (negative by 1,533 thousand Euro as of 30 September 2019), linked to the economic results of Group companies in the period;
- deferred tax assets and liabilities, which were on the whole negative by 795 thousand Euro (negative by 753 thousand Euro as of 30 September 2019); this item primarily includes the release to the income statement of advance taxes registered on fiscal losses.

**Group net profit** in the first nine months of 2020 was 2,686 thousand Euro, compared with a profit of 5,660 thousand Euro in the same period of the previous year, a decrease of 2,974 thousand Euro.

## 7. RECLASSIFIED CONSOLIDATED FINANCIAL POSITION AT 30 SEPTEMBER

The Gefran Group's reclassified consolidated balance sheet at 30 September 2020 is shown below.

(Euro / 000)	30 September 2020		31 December 2019	
	value	%	value	%
Intangible assets	14,570	16.9	13,558	15.3
Tangible assets	44,941	52.2	47,850	54.2
Other non-current assets	7,723	9.0	9,536	10.8
<b>Net non-current assets</b>	<b>67,234</b>	<b>78.0</b>	<b>70,944</b>	<b>80.3</b>
Inventories	23,954	27.8	24,548	27.8
Trade receivables	27,886	32.4	28,931	32.8
Trade payables	(19,949)	(23.2)	(24,937)	(28.2)
Other assets/liabilities	(5,561)	(6.5)	(3,484)	(3.9)
<b>Working capital</b>	<b>26,330</b>	<b>30.6</b>	<b>25,058</b>	<b>28.4</b>
Provisions for risks and future liabilities	(2,094)	(2.4)	(2,171)	(2.5)
Deferred tax provisions	(611)	(0.7)	(647)	(0.7)
Employee benefits	(4,713)	(5.5)	(4,853)	(5.5)
<b>Invested capital from operations</b>	<b>86,146</b>	<b>100.0</b>	<b>88,331</b>	<b>100.0</b>
<b>Net invested capital</b>	<b>86,146</b>	<b>100.0</b>	<b>88,331</b>	<b>100.0</b>
Shareholders' equity	76,879	89.2	75,044	85.0
Non-current financial payables	31,169	36.2	21,916	24.8
Current financial payables	15,031	17.4	12,643	14.3
Financial payables for IFRS 16 leases (current and non-current)	2,725	3.2	3,084	3.5
Financial liabilities for derivatives (current and non-current)	334	0.4	169	0.2
Financial assets for derivatives (current and non-current)	-	-	(1)	(0.0)
Other non-current financial investments	(117)	(0.1)	(97)	(0.1)
Cash and cash equivalents and current financial receivables	(39,875)	(46.3)	(24,427)	(27.7)
<b>Net debt relating to operations</b>	<b>9,267</b>	<b>10.8</b>	<b>13,287</b>	<b>15.0</b>
<b>Total sources of financing</b>	<b>86,146</b>	<b>100.0</b>	<b>88,331</b>	<b>100.0</b>

**Net non-current assets** at 30 September 2020 were 67,234 thousand Euro, compared with 70,944 thousand Euro at 31 December 2019. The main changes were as follows:

- intangible assets registered an overall increase of 1,012 thousand Euro. The change includes increases due to capitalisation of development costs (1,454 thousand Euro) and new investment (1,278 thousand Euro) well as decreases due to amortisation in the period (1,543 thousand Euro). The change in exchange rates had a negative impact on the item amounting to 127 thousand Euro;
- tangible assets decreased by 2,909 thousand Euro compared with 31 December 2019. Investment in the first nine months of 2020 (1,440 thousand Euro) is compensated by depreciation/amortisation in the period (3,580 thousand Euro) and to the negative impact of the change in exchange rates (387 thousand Euro). In addition to this, the value of usage rights for assets entered as a result of new contracts signed under accounting standard IFRS16 is 653 thousand Euro, compensated by amortisation (947 thousand Euro), by decreases due to advance closure of contracts (45 thousand Euro) and by the negative impact of the change in exchange rates (29 thousand Euro);

- other fixed assets as of 30 September 2020 totalled 7,743 thousand Euro (9,536 thousand Euro at 31 December 2019), a 1,813 thousand Euro drop. This change is due to adjustment of the value of the equity investments, which was negative overall and equal to 996 thousand Euro, in particular linked to the portion of the capital of Ensun Srl reimbursed, as well as the decrease of 817 thousand Euro in deferred tax assets released in 2020.

**Working capital** at 30 September 2020 was 26,330 thousand Euro, as compared to 25,058 thousand Euro at 31 December 2019, an overall increase of 1,272 thousand Euro. The main changes were as follows:

- inventories varied from 24,548 thousand Euro on 31 December 2019 to 23,954 thousand Euro on 30 September 2020; the gross value of inventories increased over 2019, as excessively large quantities of materials of critical importance for production were stocked at the beginning of the pandemic in order to prevent the risk of interruptions in supply and therefore in the production chain, while the value of the provision for impairment also increased, and changes in exchange rates led to an overall reduction of 579 thousand Euro;
- trade receivables amount to 27,886 thousand Euro, down 1,045 thousand Euro over 31 December 2019: the change is primarily attributable to decreased sales revenues in the first nine months of the year;
- trade payables totalled 19,949 thousand Euro, 4,988 thousand Euro less than on 31 December 2019. Trade payables at the end of 2019 were a result of purchases of materials for production and above all payables to suppliers for investments in the last quarter of 2019, paid in 2020. The Parent Company participated in the “I pay my suppliers” initiative of the Industrialists’ Association of Brescia, confirming the Group’s commitment to fulfilling its duties;
- other net assets and liabilities, negative overall by 5,561 thousand Euro as of 30 September 2020 (negative by 3,484 thousand Euro as of 31 December 2019). They include payables to employees and social security institutions and receivables and payables for direct and indirect taxes. The change in this item over 31 December 2019, totalling 2,077 thousand Euro, is primarily a result of decreased social security payables and other tax payables.

**Provisions for risks and future liabilities** were 2,094 thousand Euro, a decrease of 77 thousand Euro from 31 December 2019. The item includes provisions for current legal disputes and various risks, and the change since the end of 2019 is mainly attributable to movements in the product warranty provision.

**Employee benefits** amount to 4,713 thousand Euro, compared to 4,853 thousand Euro on 31 December 2019.

**Shareholders’ equity** at 30 September 2020 amounted to 76,879 thousand Euro, up by 1,835 thousand Euro from 31 December 2019. The change mainly concerns the positive result for the period, equal to 2,686 thousand Euro, partially offset by the negative impact of 721 thousand Euro generated by changes in the translation reserve.

**Net financial position** as of 30 September 2020 is negative by 9,267 thousand Euro, which is 4,020 thousand Euro lower than at the end of 2019, when it was on the whole negative by 13,287 thousand Euro.

Net financial debt comprises short-term cash and cash equivalents of 23,727 thousand Euro and medium-/long-term debts of 32,994 thousand Euro.

This item reflects the negative impact of application of accounting standard IFRS16, worth 2,725 thousand Euro at 30 September 2020, of which 1,117 thousand Euro was reclassified in the current part while 1,608 thousand Euro was reclassified in the non-current part (totalling 3,084



thousand Euro at 31 December 2019, including 1,071 thousand Euro reclassified in the current part and 2,013 thousand Euro included in the medium/long term balance).

The Parent Company signed four new loan agreements in the first nine months of the year 2020, worth a total of 18,000 thousand Euro, none of which includes financial covenants.

The change in the net financial position is essentially due to the positive cash flows generated by ordinary operations (8,919 thousand Euro) and the proceeds from the reimbursement of the portion of capital of the subsidiary Ensun S.r.l. (1,000 thousand Euro), absorbed by disbursements for technical investments made in the first nine months of 2020 and the payment of interest, taxes and rental fees (for a total of 6,136 thousand Euro).

This item breaks down as follows:

<i>(Euro / 000)</i>	<b>30 September 2020</b>	<b>31 December 2019</b>	<b>Change</b>
Cash and cash equivalents and current financial receivables	39,875	24,427	15,448
Current financial payables	(15,031)	(12,643)	(2,388)
Current financial payables for IFRS 16 leases	(1,117)	(1,071)	(46)
<b>(Debt)/short-term cash and cash equivalents</b>	<b>23,727</b>	<b>10,713</b>	<b>13,014</b>
Non-current financial payables	(31,169)	(21,916)	(9,253)
Non-current financial payables for IFRS 16 leases	(1,608)	(2,013)	405
Non-current financial liabilities for derivatives	(334)	(169)	(165)
Non-current financial investments for derivatives	-	1	(1)
Other non-current financial investments	117	97	20
<b>(Debt)/medium-/long-term cash and cash equivalents</b>	<b>(32,994)</b>	<b>(24,000)</b>	<b>(8,994)</b>
<b>Net financial position</b>	<b>(9,267)</b>	<b>(13,287)</b>	<b>4,020</b>

## 8. CONSOLIDATED CASH FLOW STATEMENT AT 30 September 2020

The Gefran Group's **consolidated cash flow statement** at 30 September 2020 shows a net increase of 15,448 thousand Euro in cash at hand, compared to an increase of 6,522 thousand Euro in the first nine months of 2019.

The change was as follows:

<i>(Euro / 000)</i>	<b>30 September 2020</b>	<b>30 September 2019</b>
A) Cash and cash equivalents at the start of the period	24,427	18,043
B) Cash flow generated by (used in) operations in the period	8,919	10,327
C) Cash flow generated by (used in) investment activities	(3,098)	(9,807)
D) Free cash flow (B+C)	5,821	520
E) Cash flow generated by (used in) financing activities	9,682	5,929
F) Cash flow from continuing operations (D+E)	15,503	6,449
G) Cash flow from assets held for sale	0	0
H) Exchange rate translation differences on cash at hand	(55)	73
I) Net change in cash at hand (F+G+H)	15,448	6,522
J) Cash and cash equivalents at the end of the period (A+I)	39,875	24,565

The cash flow from operations in the period was positive by 8,919 thousand Euro; in particular, operations in the first nine months of 2020, purged of the effect of provisions, amortisation and depreciation, and financial entries, generated 13,008 thousand Euro in cash (15,608 Euro in the first nine months of 2019), while the net change in other assets and liabilities in the same period provided 1,549 thousand Euro in resources (whereas in the first nine months of 2019 it had drained off 4,537 thousand Euro) and management of operating capital absorbed 6,048 thousand Euro in cash (it had consumed 510 thousand Euro in cash in the first nine months of 2019).

Financial resources to support technical investments amount to 4,112 thousand Euro (10,881 thousand Euro in the first nine months of 2019). Moreover, in the course of the year 2020 a part of the capital of the associated company Ensun S.r.l. was absorbed, worth 1,000 thousand Euro; while the first nine months of 2019 saw the completion of the takeover of Elettropiemme S.r.l., which, net of the cash acquired, absorbed 231 thousand Euro in resources, as well as sale of assets bringing in 1,314 thousand Euro, primarily as a result of sale of the building where the American branch was located.

Free cash flow (operating cash flow excluding investment) was positive by 5,821 thousand Euro, as compared with a positive figure of 520 thousand Euro at 30 September 2019.

Financing activities generated cash for totalling 9,682 thousand Euro and compare with a figure of 5,929 thousand Euro for 30 September 2019.



## 9. INVESTMENTS

Gross technical **investments** made in the first nine months of 2020 amounted to 4,112 thousand Euro (11,244 thousand Euro as at 30 September 2019), and relate to:

- production and laboratory plant and equipment in the Group's Italian plants totalling 930 thousand Euro (including 462 thousand Euro for production lines in the sensors business unit, 242 thousand Euro in the automation components business unit and 141 thousand Euro for production lines in the motion control business unit), as well as 83 thousand Euro in the Group's other subsidiaries;
- upgrading of the industrial buildings of the Group's Italian plants for the amount of 193 thousand Euro and those of the foreign offices for the amount of 88 thousand Euro;
- renewal of electronic office machines and IT system equipment, amounting to 81 thousand Euro in the Parent Company and 59 thousand Euro in the Group's subsidiaries;
- miscellaneous equipment in the Group's subsidiaries amounting to 7 thousand Euro;
- capitalisation of costs incurred in the period for new product development, totalling 1,454 thousand Euro;
- other investments in intangible assets totalling Euro 1,097 thousand, regarding patents as well as management software licences and SAP ERP development.

Investments are listed below by type and geographical region:

<i>(Euro / 000)</i>	<b>at 30 September 2020</b>	at 30 September 2019
Intangible assets	2,672	2,384
Tangible assets	1,440	8,860
<b>Total</b>	<b>4,112</b>	<b>11,244</b>

<i>(Euro / 000)</i>	<b>30 September 2020</b>		<b>30 September 2019</b>	
	<b>intangible assets and goodwill</b>	<b>tangible assets</b>	<b>intangible assets and goodwill</b>	<b>tangible assets</b>
Italy	2,552	1,213	2,379	4,449
European Union	1	70	3	60
Europe non-EU	6	32	-	-
North America	-	31	-	4,042
South America	23	20	2	98
Asia	90	74	-	211
Rest of the World	-	-	-	-
<b>Total</b>	<b>2,672</b>	<b>1,440</b>	<b>2,384</b>	<b>8,860</b>

Investments in the first half of 2020 are broken down below by business area:

<i>(Euro / 000)</i>	<b>Sensors</b>	<b>Automation components</b>	<b>Motion control</b>	<b>Total</b>
Intangible assets	1,226	765	681	2,672
Tangible assets	753	370	317	1,440
<b>Total</b>	<b>1,979</b>	<b>1,135</b>	<b>998</b>	<b>4,112</b>

## 10. RESULTS BY BUSINESS AREA

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

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

- the business represents the sum of revenues and related costs of the Parent Company Gefran S.p.A. and of the Group subsidiaries;
- the figures for each business are provided gross of internal trade between different businesses;
- the central operations costs, which 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.

### 10.1 SENSORS

#### Summary results

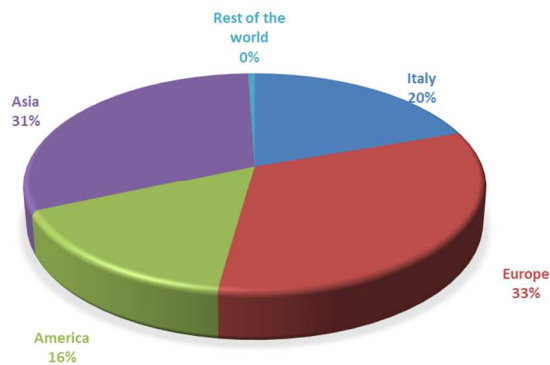
The table below shows the key economic figures.

(Euro / 000)	30 September 2020	30 September 2019	Changes 2020 - 2019		3Q 2020	3Q 2019	Changes 2020 - 2019	
			value	%			value	%
Revenues	<b>42,510</b>	<b>45,892</b>	(3,382)	-7.4%	<b>14,370</b>	<b>14,862</b>	(492)	-3.3%
EBITDA	<b>9,963</b>	<b>11,544</b>	(1,581)	-13.7%	<b>3,891</b>	<b>3,599</b>	292	8.1%
<i>% of revenues</i>	<b>23.4%</b>	<b>25.2%</b>			<b>27.1%</b>	<b>24.2%</b>		
EBIT	<b>7,367</b>	<b>7,677</b>	(310)	-4.0%	<b>2,987</b>	<b>2,812</b>	175	6.2%
<i>% of revenues</i>	<b>17.3%</b>	<b>16.7%</b>			<b>20.8%</b>	<b>18.9%</b>		

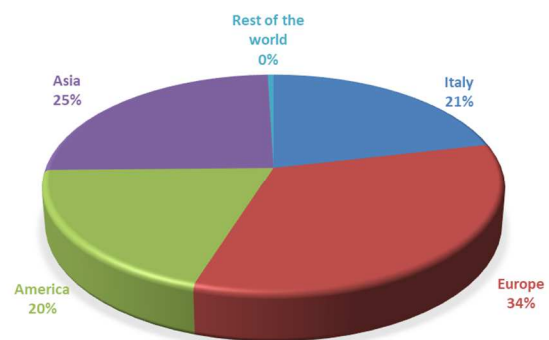
The breakdown of sensors business revenues by geographical region is as follows:

(Euro / 000)	30 September 2020		30 September 2019		Changes 2020 - 2019	
	value	%	value	%	value	%
Italy	8,368	19.7%	9,817	21.4%	(1,449)	-14.8%
Europe	13,830	32.5%	15,385	33.5%	(1,555)	-10.1%
America	6,901	16.2%	9,083	19.8%	(2,182)	-24.0%
Asia	13,187	31.0%	11,389	24.8%	1,798	15.8%
Rest of the World	224	0.5%	218	0.5%	6	2.8%
<b>Total</b>	<b>42,510</b>	<b>100%</b>	<b>45,892</b>	<b>100%</b>	<b>(3,382)</b>	<b>-7.4%</b>

**REVENUES SENSORS UP TO  
30 SEPTEMBER 2020**



**REVENUES SENSORS UP TO  
30 SEPTEMBER 2019**



## Business performance

Revenues from the business as of 30 September 2020 total 42,510 thousand Euro, down over the 30 September 2019 figure of 3,382 thousand Euro (-7.4%). Sales increased in Asia (+15.8%), while the other principal geographical regions saw shrinkage: Italy (-14.8%), Europe (-10.1%) and America (-24%).

The order portfolio in the first nine months of 2020 was worth 42,968 thousand Euro, less than in the same period of the previous year (-5.8%), when it amounted to 45,603 thousand Euro; the order backlog as of 30 September 2020 was up over the figure for 30 September 2019 (+7%), and compared to 31 December 2019 (+10.4%).

In the third quarter of 2020 revenues amounted to 14,370 thousand Euro, down 3.3% over the same period in 2019, when they came to 14,862 thousand Euro.

EBITDA amounted to 9,963 thousand Euro at 30 September 2020, 1,581 thousand Euro (-13.7%) lower than on 30 September 2019, when it was 11,544 thousand Euro. The change in EBITDA may be attributed to lower volumes of sale and therefore lower added value, only partially compensated by lower operating costs.

EBIT in the first nine months of 2020 amounted to 7,367 thousand Euro, equal to 17.3% of revenues, compared with 7,677 thousand Euro in the same period in the previous year (16.7% of revenues), a drop of 310 thousand Euro (-4%). EBIT in the same period in 2019 included entry of 1,531 thousand Euro in impairment of a property used by the sensors business unit to adapt its carrying value to fair value. The property in question was unable to guarantee sufficient technological and energy performance to be sustainable in the long run. 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 2019 and the new plant has been in operation since January 2020. Capital gains totalling 332 thousand Euro were earned in the third quarter of 2019 as a result of sale of the building that housed the US branch, which moved into the larger new building purchased in the first part of 2019.

Without this effect, EBIT at 30 September 2019 would be 8,876 thousand Euro, and the change in EBIT in the first nine months of 2020 compared to the same period in the previous year would be 1,509 thousand Euro.

Also note that the effect of adoption of accounting standard IFRS16 in the sensors business has resulted in reversal of 396 thousand Euro in leasing fees (331 thousand Euro at 30 September 2019) and entry of amortisation of usage rights worth 390 thousand Euro (313 thousand Euro at 30 September 2019).

Comparing the figures by quarter, EBIT in the third quarter of 2020 came to 2,987 thousand Euro (20.8% of revenues); the figure is compared with the third quarter of 2019, when it was equal to 2,812 thousand Euro (18.9% of revenues).

## Investments

Investments in the first nine months of the year 2020 totalled 1,979 thousand Euro, including 1,226 thousand Euro in investments in intangible assets, 328 thousand Euro of which was for research and development in new products and 700 thousand Euro linked to patents.

Increases in tangible assets totalled 753 thousand Euro, including 608 thousand Euro invested by the Parent Company, primarily for the purchase of production equipment for increasing the capacity and efficiency of production (462 thousand Euro), as well as for adaptation of new buildings (91 thousand Euro). Investments in the Group's subsidiaries totalled 145 thousand Euro, primarily for the purchase of plant and machinery for production facilities and adaptation of buildings.

## 10.2 AUTOMATION COMPONENTS

### Summary results

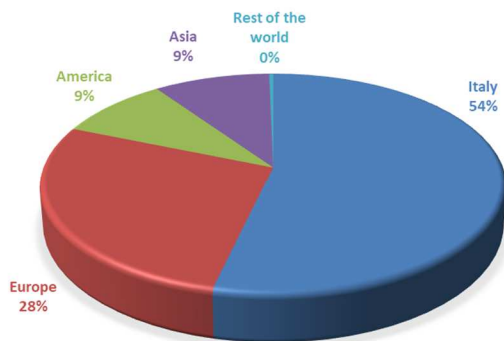
The table below shows the key economic figures.

(Euro / 000)	30 September		Changes		3Q 2020	3Q 2019	Changes	
	2020	2019	value	%			2020 - 2019	%
Revenues	<b>27,515</b>	<b>32,031</b>	(4,516)	-14.1%	<b>9,103</b>	<b>9,783</b>	(680)	-7.0%
EBITDA	<b>2,411</b>	<b>3,369</b>	(958)	-28.4%	<b>1,080</b>	<b>846</b>	234	27.7%
<i>% of revenues</i>	<b>8.8%</b>	<b>10.5%</b>			<b>11.9%</b>	<b>8.6%</b>		
EBIT	<b>521</b>	<b>1,496</b>	(975)	-65.2%	<b>446</b>	<b>192</b>	254	132.3%
<i>% of revenues</i>	<b>1.9%</b>	<b>4.7%</b>			<b>4.9%</b>	<b>2.0%</b>		

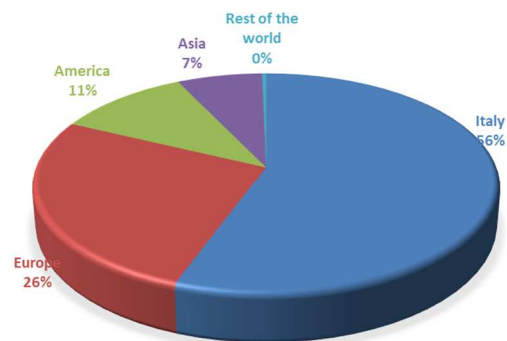
The breakdown of automation components business revenues by geographic region is as follows:

(Euro / 000)	30 September 2020		30 September 2019		Changes 2020-2019	
	value	%	value	%	value	%
Italy	14,764	53.7%	17,804	55.6%	(3,040)	-17.1%
Europe	7,580	27.5%	8,483	26.5%	(903)	-10.6%
America	2,506	9.1%	3,446	10.8%	(940)	-27.3%
Asia	2,572	9.3%	2,190	6.8%	382	17.4%
Rest of the World	93	0.3%	108	0.3%	(15)	-13.9%
<b>Total</b>	<b>27,515</b>	<b>100%</b>	<b>32,031</b>	<b>100%</b>	<b>(4,516)</b>	<b>-14.1%</b>

**REVENUES AUTOMATION COMPONENTS UP TO 30 SEPTEMBER 2020**



**REVENUES AUTOMATION COMPONENTS UP TO 30 SEPTEMBER 2019**



## Business performance

Revenues at 30 September 2020 amount to 27,515 thousand Euro, down 14.1% over the figure for 30 September 2019. Shrinkage is a result of current economic trends, distributed over the geographical regions of greatest interest to the business unit, particularly Italy (-17.1%), Europe (-10.6%) and America (-27.3%); sales in Asia improved (+17.4%) as a result of good performance in the third quarter of 2020.

Orders received in the first nine months of 2020 total 23,877 thousand Euro, -14.9% less than the figure for the first nine months of the previous year, and the order backlog, worth 4,407 thousand Euro, has also fallen, both compared to the figure as at 30 September 2019 (-10.4%) as well as that at 31 December 2019 (-2.7%).

In the third quarter of 2020 revenues amounted to 9,103 thousand Euro, down 7% over the same period in 2019, when they came to 9,783 thousand Euro.

EBITDA at 30 September 2020 is positive by 2,411 thousand Euro (8.8% of revenues), 958 thousand Euro lower than the figure for the first nine months of 2019 due to decreased sales, only partly compensated by lower operating costs.

EBIT at 30 September 2020 was positive at 521 thousand Euro, This may be compared with a positive EBIT of 1,496 thousand Euro in the first nine months of 2019. The 975 thousand Euro decrease is a result of the dynamics described above: lower volumes of sale and therefore lower added value, only partially compensated by a reduction in operating costs for ordinary management.

Also note that adoption of accounting standard IFRS16 led the automation components business unit to reverse leasing fees of 364 thousand Euro (321 thousand Euro at 30 September 2019) and to enter 354 thousand Euro in amortisation of usage rights (310 thousand Euro at 30 September 2019).

Comparing the figures by quarter, EBIT in the third quarter of 2020 came to 446 thousand Euro (4.9% of revenues); in the third quarter of 2019 it was equal to 192 thousand Euro (2% of revenues).

## Investments

Investments in the first nine months of 2020 totalled 1,135 thousand Euro. Investments in intangible assets amounted to 765 thousand Euro, of which 556 thousand Euro were to capitalise the cost of development of the new range of regulators and power controllers.

Investments in tangible assets amounted to 370 thousand Euro, invested in improvement of the Group's Italian production factories, plant and machinery and renewal of electronic office machines and equipment for information systems.

## 10.3 MOTION CONTROL

### Summary results

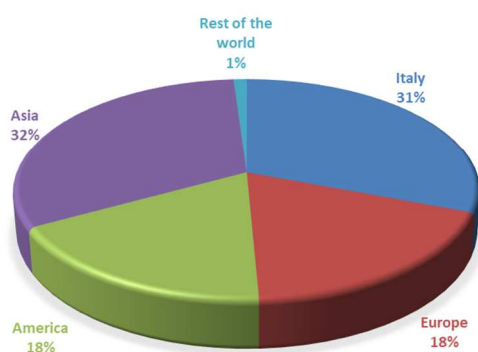
The table below shows the key economic figures.

(Euro / 000)	30		Changes		3Q 2020	3Q 2019	Changes	
	September 2020	September 2019	2020-2019	value			value	2020 - 2019
				%				%
Revenues	27,844	31,383	(3,539)	-11.3%	9,019	9,662	(643)	-6.7%
EBITDA	(439)	150	(589)	n.s.	(372)	(117)	(255)	n.s.
<i>% of revenues</i>	-1.6%	0.5%			-4.1%	-1.2%		
EBIT	(2,023)	(1,445)	(578)	-40.0%	(889)	(652)	(237)	-36.3%
<i>% of revenues</i>	-7.3%	-4.6%			-9.9%	-6.7%		

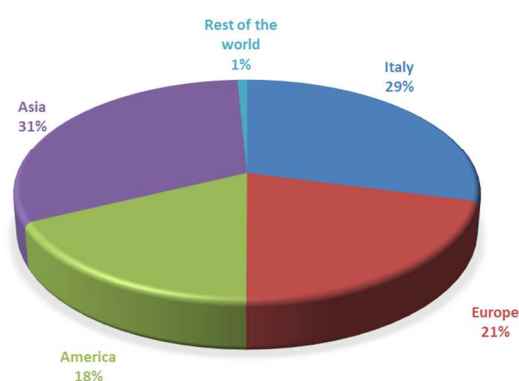
The breakdown of motion control business revenues by geographic region is as follows:

(Euro / 000)	30 September 2020		30 September 2019		Changes 2020-2019	
	value	%	value	%	value	%
Italy	8,566	30.8%	9,122	29.1%	(556)	-6.1%
Europe	5,153	18.5%	6,585	21.0%	(1,432)	-21.7%
America	4,950	17.8%	5,592	17.8%	(642)	-11.5%
Asia	8,881	31.9%	9,842	31.4%	(961)	-9.8%
Rest of the World	294	1.1%	242	0.8%	52	21.5%
<b>Total</b>	<b>27,844</b>	<b>100%</b>	<b>31,383</b>	<b>100%</b>	<b>(3,539)</b>	<b>-11.3%</b>

REVENUES DRIVE AND MOTION UP TO  
30 SEPTEMBER 2020



REVENUES DRIVE AND MOTION UP TO  
30 SEPTEMBER 2019



## Business performance

Revenues in the first nine months of 2020 amount to 27,844 thousand Euro, 3,539 thousand Euro lower (-11.3%) than the same period in the previous year. The shrinkage applies to all geographical areas of interest to the business unit: Europe (-21.7%), America (-11.5%), Asia (-9.8%) and Italy (-6.1%).

The order portfolio in the first nine months of 2020 amounts to 29,331 thousand Euro, down 7.8% over the first nine months of 2019, when this item totalled 31,825 thousand Euro. The backlog at 30 September 2020 was also up, both on the figure at 30 September 2019 (+12.3%) and on that at 31 December 2019 (+24.2%).

In the third quarter of 2020 revenues amounted to 9,019 thousand Euro, down 6.7% over the same period in 2019, when they came to 9,662 thousand Euro.

EBITDA at 30 September 2019 was negative at EUR 439 thousand (-1.6% of revenues). If compared with the figure for the previous period, which was positive by 150 thousand Euro (0.5% of revenues), a drop of 589 thousand Euro is evident, dictated by lower volumes of sale registered in the first nine months of 2020, not completely offset by the decrease in operating costs.

EBIT as of 30 September 2020 is negative by 2,023 thousand Euro, as compared to a negative EBIT of 1,445 thousand Euro for the same period in the previous year, a decrease of 578 thousand Euro. The reduction in operating costs partly recovered the lower added value achieved due to lower sales volumes.

Also note that adoption of accounting standard IFRS16 has allowed the motion control business unit to reverse 207 thousand Euro in leasing fees (199 thousand Euro in the first half of 2019) and enter amortisation of usage rights amounting to 203 thousand Euro (190 thousand Euro in the half quarter of 2019).

## Investments

Investments in the first nine months of 2020 totalled 998 thousand Euro, including 317 thousand Euro invested in tangible assets, primarily for renewal of production equipment and improvement of the efficiency of production (141 thousand Euro).

Increases in intangible assets amounted to 681 thousand Euro and concerned the capitalisation of development costs (570 thousand Euro) relating to new products for the industrial sector and the lifting sector.



## 11. HUMAN RESOURCES

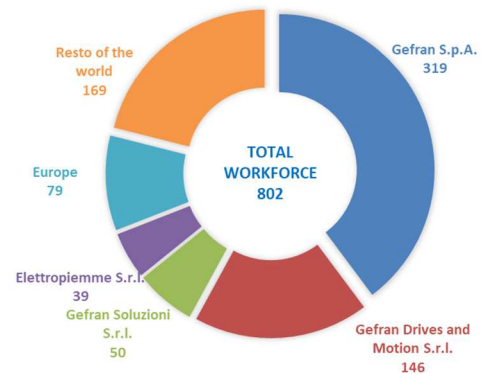
At 30 September 2020 the Group's workforce numbered 802, a decrease of 27 since the end of 2019 and of 34 compared with 30 September 2019.

This change marks an overall turnover rate within the Group of 11.2%.

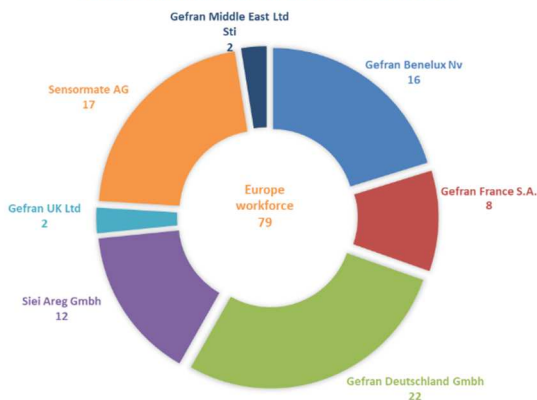
Changes in the first nine months of 2020 were as follows:

- 32 people joined the Group, including 5 manual workers and 27 clerical staff;
- 59 people left the Group, including 17 manual workers, 41 clerical staff and 1 manager.

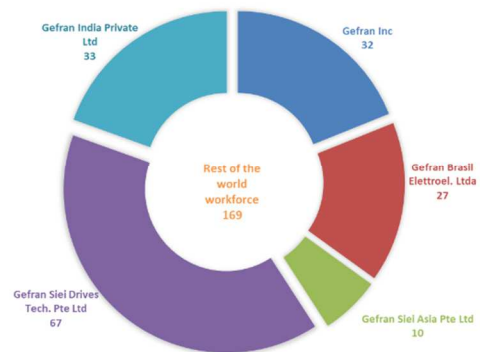
**WORKFORCE AT 30 SEPTEMBER 2020**



**EUROPE WORKFORCE AT 30 SEPTEMBER 2020**



**REST OF THE WORLD WORKFORCE AT 30 SEPTEMBER 2020**



## 12. SIGNIFICANT EVENTS IN THE THIRD QUARTER OF 2020

Nothing to report.

## 13. SIGNIFICANT EVENTS FOLLOWING THE END OF THE THIRD QUARTER OF 2020

Nothing to report.

## 14. OUTLOOK

2020 began on an optimistic note: the International Monetary Fund predicted an increase in global GDP, with 3.3% growth in 2020 and 3.4% growth in 2021. But following the propagation of the



COVID-19 virus, these estimates were revised, only minimally at first, followed by much greater reductions over the months that followed.

In the first quarter of the year, the crisis was more severe than expected, and the second quarter saw a further worsening: between April and May, the pandemic accelerated, forcing many countries to take more stringent measures, leaving deep scars on the global economy, public accounts and employment. At the beginning of July, the International Monetary Fund updated its forecasts for 2020 accordingly, estimating shrinkage of global GDP to reach 4.9%, recovering by 5.4% in 2021. In the current scenario, these estimates have been further revised in view of the fact that the results obtained in the second and third quarter were better than expected: shrinkage in 2020 is expected to be 4.4%, while recovery in 2021 is expected to be slower, at 5.2%. China is an exception in this international scenario: according to the International Monetary Fund, the revocation of the lockdown that took place as early as April has made it possible to estimate an overall growth in 2020, even if at record lows (+1.9%), which will accelerate in 2021 (over 8.2%).

The International Monetary Fund expects to see 8.3% shrinkage of the economy in the Eurozone in 2020, followed by 5.2% recovery in 2021. The Italian economy could shrink by 10.6% in 2020, partially recovering with a 5.2% upswing in 2021, while Germany and the United Kingdom are expected to shrink by 6% and 9.8%, respectively.

Centro Studi Confindustria's October report expects to see a significant drop in Italy's GDP, though not as large as the IMF estimate (-10%), with partial recovery that is more modest than the IMF forecast (+4.8%) in 2021.

Following the first wave of the pandemic, new organisational methods were introduced which allowed the Group to take full advantage of opportunities to resume operations as they appeared in a number of the countries where the Group operates, at different times during the year. This capacity to react and the cost-cutting measures which are still in place contributed to achievement of the results recorded as of September 2020, in terms of both revenues and profit margins.

The trend in demand in the last quarter of the year is expected to be similar to that registered in the previous two quarters, improving our expectations of revenues and profit margins for the year 2020, remaining aware that they will be lower than the 2019 figures.

The second wave of the pandemic and the restrictive measures taken to contain it are more increasing the uncertainty of this scenario at the present time.

## 15. IMPACT OF COVID-19

### Covid-19 update

The year 2020 saw the global spread of Coronavirus (Covid-19), resulting in the World Health Organisation's declaration of a "global pandemic" in the month of March following the growing number of countries reporting cases of infection. After the first cases of Covid-19 were reported in Asia, starting in January in China, the virus spread in Europe, with the first case officially reported in Italy on 21 February, and progressively spread to the Americas, particularly the United States and Brazil.

The global health crisis led the governments of the affected countries to introduce increasingly restrictive measures, including limitation of travel, social isolation and suspension of all non-essential forms of production and commerce, with the primary goal of halting the spread of the

virus and safeguarding human health. These exceptional measures have undeniably had a major impact on society and the economy.

The Group responded to the first wave of the pandemic with prompt introduction of measures aimed at protecting the safety of its employees and everyone it works with while ensuring business continuity, compatibly with government directives. This has led to the definition of specific procedures for behaviour and access to company premises, and to preparation of health and safety protocols.

Synergies have been set up in the Group to respond to the shortage of PPE, ensuring that all employees have access to essential protective devices. In addition, the Group has begun to invest in ensuring the safest possible working conditions for its employees.

A task force was set up to manage the supply chain in order to ensure business continuity, responding to problems with geolocation of suppliers and definition of lockdown zones; there were no interruptions in production attributable to shortages of material in the first nine months of the year, and all financial commitments to suppliers were met.

The Gefran Group has also resorted to use of the exceptional wages guarantee fund and begun the required procedures for requesting government aid wherever available. In addition, actions are under way aimed at cutting costs and redefining the Group's actions and priorities.

As the curve of contagion has begun to rise again in the past few weeks, especially in Europe, we have seen the introduction of new measures intended to protect citizens which could have an impact on the economy and fuel uncertainty and concern about future prospects.

As of the date of publication of these interim financial statements, all the measures previously introduced by Gefran Group during the first wave of the pandemic, as a guarantee of human health and business continuity remain in place. The Group's main production activities continue at all locations, while office staff work partly in the office and partly from home, in order to ensure the necessary social distancing.

## Risks

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

Analysis of risk factors, assessment of their potential impact, and formulation of risk mitigation and containment plans are essential for generating value in the organisation. The ability to track and respond correctly to risk 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 risks with the greatest impact resulting from the spread of the COVID-19 virus are listed below:

### *Risks associated with the general economic conditions and market trends*

The International Monetary Fund recently revised its prospects for global growth in the current year downward, expecting to see a 4.4% drop, followed in 2021 by 5.2% growth of GDP.

The Gefran Group is present on world markets through its subsidiaries, and even though the virus has spread all over the world, the fact that it has affected different countries at different times, so that the resumption of production and commerce has also been staggered, has resulted in

different trends in incoming orders and revenues: on one hand, China has resumed full-swing production, while on the other, many nations have slowed down.

The second wave of COVID-19 that we are witnessing in recent times and the restrictive measures to contain it will concur to make the situation even more heterogeneous in the months to come. As described above, the spread of the pandemic has had a negative impact on Gefran's economic results, including revenues which, in the first nine months of 2020, were 10.6% lower than in the same period of 2019; the Group is actively monitoring its existing markets, as it is unable to work on expansion of trade into new markets and fields of application due to the prohibition of travel for its sales network.

However, the possibility that these trends may have a significant impact on the Group's operations and economic and financial situation cannot be ruled out, also in light of the recent resurgence of infections and the introduction of new containment measures.

#### *Risks associated with funding requirements and cash risk*

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 76.9 million versus overall liabilities of Euro 88.1 million. Almost 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. The outstanding loans do not include clauses requiring compliance with economic and financial requirements (covenants).

Two loans falling due in 2020 were paid off during the year, while four new medium to long-term loan agreements were signed totalling 18 million Euro (for details, refer to the "*Net Financial Position*" section of the Explanatory Notes).

As soon as signs of the impact of COVID-19 began to appear, the Group implemented new organisational methods and cost-cutting processes, and began work on an important plan for redefinition of its activities and priorities, suggesting that the Group will be capable of financial expenditure for planned investments and regular operations.

Lines of credit and cash on hand are sufficient for the Group's operations and expected growth.

#### *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.

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 as required by IFRS 9 and taking into account past experience in each specific line of business and geographical region.

The medical emergency generated by Covid-19 already at the start of 2020 caused a global economic shock, with the result that the Group has conducted analyses assessing the possibility of significantly increased credit risk.

To do this, the Group has developed estimates based on the most accurate information available on past events, current economic conditions and forecasts for the future. The analyses conducted to determine the existence of such a risk have been based primarily on three factors:

- the potential impact of Covid-19 on the economy;
- the support measures governments have implemented;
- the collectibility of credit resulting in the changed risk of customer defaulting.

With reference to the latter point, the Group has conducted its analyses using a risk matrix that takes into account geographical region, industry, and individual customer solvency.

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

#### *Risks associated with relations with suppliers*

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

The Group promptly set up a task force to identify the location of the plants of suppliers considered critical and, when they were found to be located in areas subject to lockdown, direct orders for supplies to plants that are still in operation. The Group's Purchasing Department assessed alternative suppliers to mitigate the risk of interruption of supply, while purchasing the materials necessary to guarantee the business continuity of the Gefran Group's plants, which suffered no interruptions due to shortages of materials.

Some of the operating methods developed at the outset of the emergency have now been integrated into the Group's standard procedures with the goal of mitigating, wherever possible, risks linked with the possibility of interruption of the supply chain as a result of events outside the Group.

Gefran has undertaken to fulfil its commitments to suppliers, paying the amounts due regularly at the agreed due dates, a commitment underlined by participation in the Brescia Industrialists' Association's "I pay suppliers" initiative.

#### *Health and safety risks*

Risk assessment is essential to protect the health and safety of our workers. Gefran is constantly committed to mapping the operating risks that could be manifested in the various company sectors, to define opportunities and actions to minimise them, where possible.

Gefran has implemented all the procedures required to protect its employees' health during the COVID-19 pandemic, taking into account all the official protocols emanated by the governments of the countries where the Group works. By way of example, with no intention of exhaustively

listing the health and hygiene measures implemented on the company's premises and for its employees, a number of actions implemented in Group plants are listed below:

- sanitisation of premises: production facilities in Italy, China and the USA have been subjected to massive sanitisation, and all offices are cleaned and sanitised several times a day;
- distancing: production flows have been changed where necessary to ensure a safe distance between workers, identifying new premises for use as common areas such as cafeterias, dressing rooms, and access to them, organised on the basis of flexible shifts during the course of the day;
- distribution of personal protective equipment (PPE): all Group employees and visitors are supplied with PPE at the entrance to company premises and asked to wear it all the time while on site;
- temperature measurement at the entrance;
- rules of behaviour: specific procedures have been set forth regulating behaviour and processes in conformity with the requirements of the protocols, and employees have been provided with information and instruction, affixing signs on Gefran premises informing people of the rules of behaviour to be followed while on the premises.

## 16. OWN SHARES AND STOCK PERFORMANCE

As of 30 September 2020, 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.

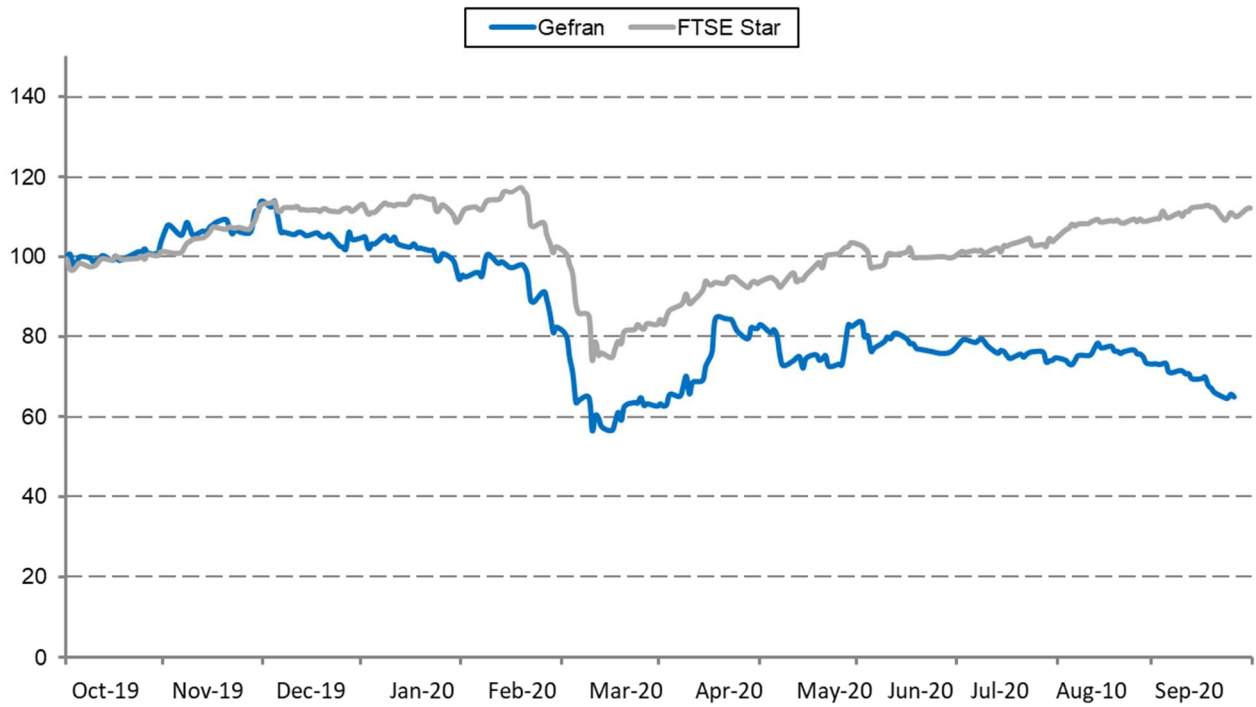
No own shares were bought or sold in 2019 or during the first nine months of 2020. As of the date of this report the situation was unchanged.

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

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

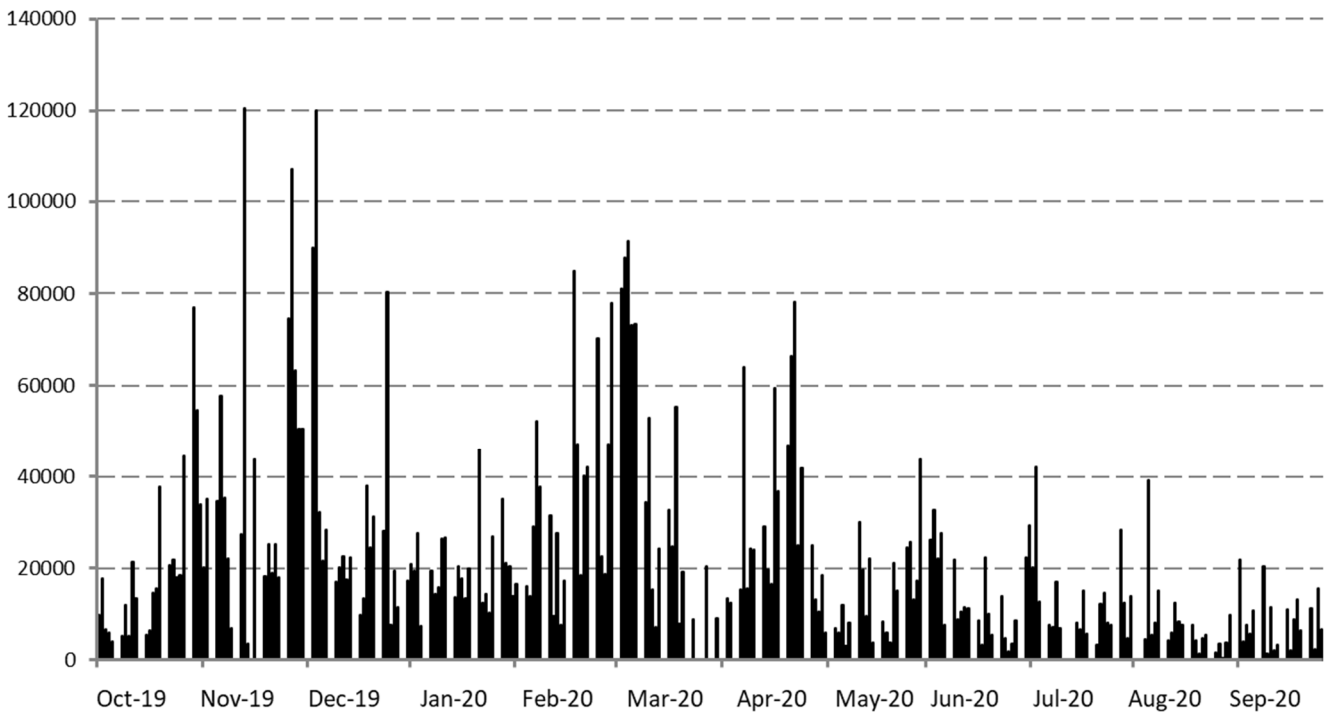
## Gefran S.p.A. stock performance

Variation



## Gefran S.p.A. - volume performance

Thousand



## 17. DEALINGS WITH RELATED PARTIES

In accordance with IAS 24, information relating to the Group's dealings with related parties for the first half of 2020 and the same period of the previous year is provided below.

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 intragroup 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)	Francesco Franceschetti Elastomeri S.r.l.	Total
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### Revenues from product sales

2019	-	-
2020	2	2

(Euro / 000)	Francesco Franceschetti Elastomeri S.r.l.	Total
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### Costs of raw materials and accessories

2019	-	-
2020	(36)	(36)

(Euro / 000)	Climat S.r.l.	B.T. Shlaepfer	Francesco Franceschetti Elastomeri S.r.l.	Total
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### Service costs

2019	(117)	(52)	-	(169)
2020	(140)	(69)	(22)	(231)



(Euro / 000)	Climat S.r.l.	Francesco Franceschetti Elastomeri S.r.l.	Total
<b>Property, plant, machinery and tools</b>			
2019	470	-	470
2020	84	-	84
<b>Trade receivables</b>			
2019	-	-	-
2020	-	1	1
<b>Trade payables</b>			
2019	120	-	120
2020	51	22	73

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

In relations with its subsidiaries, the Parent Company Gefran S.p.A. has provided technical and administrative/management services and paid royalties on behalf of the Group's operative subsidiaries totalling 2.4 million Euro under specific contracts (2.6 million Euro as of 30 September 2019).

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

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

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.

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

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 Issuer Regulation 11971/1999 as amended.

## 19. EXPLANATORY NOTES

### General information, form and content

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

This interim report of the Gefran Group for the period ended 30 September 2020 was approved, and its publication was authorised, by the Board of Directors on 12 November 2020.



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

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

In preparing these interim financial statements, the same accounting criteria were applied as in the preparation of the annual financial report for the year ending 31 December 2019. The interim financial statements for the quarter ending 30 September 2020 do not contain all the additional information required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ending 31 December 2019, prepared in accordance with IFRS.

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

These interim financial statements for the quarter ending 30 September 2020 are consolidated on the basis of the income statement and statement of financial position figures of Gefran S.p.A. and its subsidiaries relating to the first nine months of 2020, prepared in accordance with international accounting standards. These accounting statements were prepared using valuation criteria in line with those of the Parent Company, or adjusted owing to consolidation.

Interim financial statements are not subject to an audit.

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

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

The scope of consolidation as of 30 September 2020 was unvaried over 30 September 2019 and 31 December 2019.

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

The valuation criteria adopted for the preparation of these interim financial statements as at 30 September 2020 are the same as those adopted in preparing the annual financial report for the year ending 31 December 2019.

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

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

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

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

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

In the tables shown in the following notes referring to the first quarter of 2019, the column "*Change in the scope of consolidation*" represents the effect of the change in this item following the acquisition of the company Elettropiemme S.r.l. in January 2019.

### Goodwill

The item "Goodwill" amounted to 5,808 thousand Euro on 30 September 20, as compared to 5,917 thousand Euro on 31 December 2019, and may be broken down as follows:

(Euro / 000)	31 December 2019	Increases	Decreases	Exchange rate differences	30 September 2020
Gefran France SA	1,310	-	-	-	1,310
Gefran India	40	-	-	(3)	37
Gefran Inc.	2,613	-	-	(106)	2,507
Sensormate AG	1,954	-	-	-	1,954
	<b>5,917</b>	<b>-</b>	<b>-</b>	<b>(109)</b>	<b>5,808</b>

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
<b>Sensors</b>	2020	1,310	-	2,507	1,954	5,771
	2019	1,310	-	2,613	1,954	5,877
<b>Motion control</b>	2020	-	37	-	-	37
	2019	-	40	-	-	40
<b>Total</b>	2020	1,310	37	2,507	1,954	5,808
	2019	1,310	40	2,613	1,954	5,917

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 COVID-19 pandemic and its effects on the global economy have, on the one hand, made it necessary to review impairment tests on goodwill, while on the other hand they have made it very difficult to revise plans for future years. For this reason, when determining value in use, the specific cash flows relating to the period 2020-2022 deriving from the original Group Plan were considered, that the management reviewed and for the moment confirmed, along with 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 (WACC), calculated as the weighted average of the cost of own capital and the cost of third-party capital, net of the effect on taxation. In determining it, the risk premium rate was increased by one percent to reflect the effects of the COVID-19 pandemic, while maintaining the other components unvaried.

Also to reflect the macroeconomic effects of the spread of COVID-19, the long-term growth rate (g) has been decreased by one percentage point.

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

Description (Euro /.000)	"g" rate %	WACC %	A	B
<b>Goodwill - STEADY CASE</b>				
France	0.7%	8.0%	-16%	20%
India	2.9%	10.5%	-9%	30%
USA	1.3%	8.1%	-11%	16%
Switzerland	0.2%	7.6%	-2%	9%

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

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.

### *Intangible assets*

This item exclusively comprises assets with a finite life, and increased from 7,641 thousand Euro on 31 December 2019 to 8,762 thousand Euro on 30 September 2020. The changes during the period are shown below:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2020
<i>(Euro / 000)</i>							
Development costs	18,867	32	-	438	-	-	19,337
Intellectual property rights	7,546	986	-	255	-	(50)	8,737
Assets in progress and payments on account	2,955	1,488	-	(751)	-	(3)	3,689
Other assets	10,416	166	(4)	69	-	(11)	10,636
<b>Total</b>	<b>39,784</b>	<b>2,672</b>	<b>(4)</b>	<b>11</b>	<b>-</b>	<b>(64)</b>	<b>42,399</b>

Accumulated depreciation	31 December 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2020
<i>(Euro / 000)</i>							
Development costs	16,346	873	-	1	-	-	17,220
Intellectual property rights	6,817	366	-	-	-	(43)	7,140
Other assets	8,980	304	(4)	-	-	(3)	9,277
<b>Total</b>	<b>32,143</b>	<b>1,543</b>	<b>(4)</b>	<b>1</b>	<b>-</b>	<b>(46)</b>	<b>33,637</b>

Net value	31 December 2019	30 September 2020	Change
<i>(Euro / 000)</i>			
Development costs	2,521	2,117	(404)
Intellectual property rights	729	1,597	868
Assets in progress and payments on account	2,955	3,689	734
Other assets	1,436	1,359	(77)
<b>Total</b>	<b>7,641</b>	<b>8,762</b>	<b>1,121</b>

This is the table of changes in the first nine months of 2019:

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

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

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

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

- 796 thousand Euro relating to new lines for mobile hydraulics, pressure transducers (KS KH) and contactless linear position transducers (MK–IK, RK and WP– RK) and melt (I/O LINK);
- 1,010 thousand Euro for component lines for the new range of regulators and static units, GF Project VX, G Cube Performa and G Cube Fit;
- 311 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** comprise the costs incurred to purchase the company IT system management programs and the use of licences for third-party software, as well as patents. In particular, during the first half of 2020, ownership of the 3D Twisted Hall patent was acquired, for an amount of 700 thousand Euro. 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 3,491 thousand Euro in development costs, which include 971 thousand Euro for the automation components business unit, 636 thousand Euro for the sensors business unit, and 1,884 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 represents 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.

The increases in the historic value of *“Intangible assets”*, worth 2,672 thousand Euro in the first nine months of 2020, include 1,455 thousand Euro linked with capitalization of internal costs (equal to 1,766 thousand Euro in the same period in the previous year).

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

This item decreases from 44,761 thousand Euro at 31 December 2019 to 42,220 thousand Euro at 30 September 2020. The changes are shown in the table below:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2020
<i>(Euro / 000)</i>							
Land	5,222	-	-	-	-	(25)	5,197
Industrial buildings	42,255	120	-	2,124	-	(321)	44,178
Plant and machinery	43,514	591	(188)	2,255	-	(265)	45,907
Industrial and commercial equipment	19,916	254	(27)	201	-	(30)	20,314
Other assets	7,436	124	(75)	66	-	(132)	7,419
Assets in progress and payments on account	4,988	351	-	(4,656)	-	(2)	681
<b>Total</b>	<b>123,331</b>	<b>1,440</b>	<b>(290)</b>	<b>(10)</b>	<b>-</b>	<b>(775)</b>	<b>123,696</b>

Accumulated depreciation	31 December 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2020
<i>(Euro / 000)</i>							
Industrial buildings	20,864	970	-	-	-	(97)	21,737
Plant and machinery	33,285	1,783	(188)	-	-	(182)	34,698
Industrial and commercial equipment	18,524	498	(26)	-	-	(23)	18,973
Other assets	5,897	329	(72)	-	-	(86)	6,068
<b>Total</b>	<b>78,570</b>	<b>3,580</b>	<b>(286)</b>	<b>-</b>	<b>-</b>	<b>(388)</b>	<b>81,476</b>

Net value	31 December 2019	30 September 2020	Change
<i>(Euro / 000)</i>			
Land	5,222	5,197	(25)
Industrial buildings	21,391	22,441	1,050
Plant and machinery	10,229	11,209	980
Industrial and commercial equipment	1,392	1,341	(51)
Other assets	1,539	1,351	(188)
Assets in progress and payments on account	4,988	681	(4,307)
<b>Total</b>	<b>44,761</b>	<b>42,220</b>	<b>(2,541)</b>

This is the table of changes in the first nine months of 2019:

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

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

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

No impairments were applied in the first nine months of 2020, whereas the first nine months of 2019 saw the impairment of buildings due to loss of value worth a total of 1,531 thousand Euro.

The change in the exchange rate had a negative impact of 387 thousand Euro.

The biggest changes during the period related to:

- investment of 930 thousand Euro in production and laboratory plant and equipment in the Group's Italian factories and 83 thousand Euro in other Group subsidiaries;



- upgrading of the industrial buildings of the Group's Italian plants for the amount of 193 thousand Euro and of foreign plants for the amount of 88 thousand Euro;
- renewal of electronic office machines and IT system equipment, amounting to 81 thousand Euro in the Parent Company and 59 thousand Euro in the Group's subsidiaries;
- miscellaneous equipment in the Group's subsidiaries amounting to 6 thousand Euro.

The increases in the historic value of the item "Buildings, plant and machinery and equipment", worth 1,440 thousand Euro in the first nine months of 2020, include 7 thousand Euro linked with capitalization of internal costs (equal to 69 thousand Euro in the first nine months of 2019).

### 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.

The value of "Usage rights" as of 30 September 2020 amounts to 2,721 thousand Euro, and shows the following changes:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2020
<i>(Euro / 000)</i>							
Real estate	2,233	397	(51)	-	-	(23)	2,556
Vehicles	1,801	219	(29)	-	-	(35)	1,956
Machinery and equipment	138	37	-	-	-	-	175
<b>Total</b>	<b>4,172</b>	<b>653</b>	<b>(80)</b>	<b>-</b>	<b>-</b>	<b>(58)</b>	<b>4,687</b>

Accumulated depreciation	31 December 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2020
<i>(Euro / 000)</i>							
Real estate	522	430	(15)	-	-	(15)	922
Vehicles	507	468	(20)	-	-	(14)	941
Machinery and equipment	54	49	-	-	-	-	103
<b>Total</b>	<b>1,083</b>	<b>947</b>	<b>(35)</b>	<b>-</b>	<b>-</b>	<b>(29)</b>	<b>1,966</b>

Net value	31 December 2019	30 September 2020	Change
<i>(Euro / 000)</i>			
Real estate	1,711	1,634	(77)
Vehicles	1,294	1,015	(279)
Machinery and equipment	84	72	(12)
<b>Total</b>	<b>3,089</b>	<b>2,721</b>	<b>(368)</b>

This is the table of changes in the first nine months of 2019:

Historical cost	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2019
<i>(Euro / 000)</i>								
Real estate	-	1,121	847	(294)	-	557	(1)	2,230
Vehicles	-	1,011	370	(7)	-	-	(5)	1,369
Machinery and equipment	-	122	16	-	-	-	-	138
<b>Total</b>	<b>-</b>	<b>2,254</b>	<b>1,233</b>	<b>(301)</b>	<b>-</b>	<b>557</b>	<b>(6)</b>	<b>3,737</b>

Accumulated depreciation	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2019
<i>(Euro / 000)</i>								
Real estate	-	-	420	(44)	-	-	3	379
Vehicles	-	-	352	(1)	-	-	-	351
Machinery and equipment	-	-	41	-	-	-	-	41
<b>Total</b>	<b>-</b>	<b>-</b>	<b>813</b>	<b>(45)</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>771</b>

Net value	31 December 2018	30 September 2019	Change
<i>(Euro / 000)</i>			
Real estate	-	1,851	1,851
Vehicles	-	1,018	1,018
Machinery and equipment	-	97	97
<b>Total</b>	<b>-</b>	<b>2,966</b>	<b>2,966</b>

As of 1 January 2020 the Group has a total of 205 contracts in place for leasing of vehicles, machinery, industrial equipment and electronic office machinery, as well as for rental of real estate. As required by the IASB, practical expedients were employed 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 below the conventional threshold of 5 thousand American dollars (of modest unitary value).

On the basis of their value and duration, of the 205 contracts in effect as of 1 January 2020:

- 172 fell within the perimeter of application of IFRS 16;
- 33 were excluded from the perimeter of application of the standard, 25 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.

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 rates for the Group's debt.

A total of 25 new leasing agreements were signed in 2020, 15 of which are subject to application of IFRS 16, and specifically: Of the remaining 10 contracts signed in 2020, excluded from the perimeter of application of the new accounting standard, 9 pertain to contracts with a duration of less than 12 months and one represents a contract regarding goods of modest value.

A total of 44 contracts ended, only 18 of which fell within the perimeter of application of IFRS 16 on the basis of their value and term as specified above, four of which were terminated in advance of their original due date, generating a loss of 1 thousand Euro, entered in the income statement under miscellaneous operating costs.

Increases in the historic cost of the item "*Usage rights*" may be summed up as follows:

- real estate, totalling 397 thousand Euro, representing a 4-year extension of one of the company Elettropiemme S.r.l.'s rental contracts following the Group's takeover of its contracts in 2019, and renewal of the rental contract for sales offices in the United Kingdom and in Singapore;
- vehicles, totalling Euro 219 thousand, representing 10 new vehicle leasing agreements signed by the Group in 2020 upon expiry of previous agreements;
- machinery and equipment totalling 37 thousand Euro, linked with three new contracts for rental of uninterrupted power supply units signed in 2020.

Decreases in the historical cost of "*usage rights*" in 2020, totalling 80 thousand Euro, refer to 18 terminated contracts. 4 of these, relating to the rental of company vehicles, were terminated before the expiry date.

### Net working capital

Net working capital totals 31,861 thousand Euro, compared to 28,542 thousand Euro on 31 December 2019, and breaks down as follows:

(Euro / 000)	30 September 2020	31 December 2019	Change
Inventories	23,954	24,548	(594)
Trade receivables	27,886	28,931	(1,045)
Trade payables	(19,949)	(24,937)	4,988
<b>Net amount</b>	<b>31,891</b>	<b>28,542</b>	<b>3,349</b>

The value of **inventories** at 30 September 2020 is 23,954 thousand Euro, down by 594 thousand Euro with respect to 31 December 2019. The balance breaks down as follows:

<i>(Euro / 000)</i>	30 September 2020	31 December 2019	Change
Raw materials, consumables and supplies	15,329	14,653	676
<i>provision for impairment of raw materials</i>	<i>(4,078)</i>	<i>(3,449)</i>	<i>(629)</i>
Work in progress and semi-finished products	8,634	8,707	(73)
<i>Provision for impairment of work in progress</i>	<i>(1,555)</i>	<i>(1,058)</i>	<i>(497)</i>
Finished products and goods for resale	7,364	7,269	95
<i>Provision for impairment of finished products</i>	<i>(1,740)</i>	<i>(1,574)</i>	<i>(166)</i>
<b>Total</b>	<b>23,954</b>	<b>24,548</b>	<b>(594)</b>

The gross value of stocks is 31,327 thousand Euro, higher than at the end of 2019, because when the pandemic began, large quantities of materials critical to production were ordered to prevent the risk of interruption of supply from causing a shutdown of the production chain. Total net value amounts to 23,954 thousand Euro, down 594 thousand Euro over the 2019 value, primarily as a result of exchange rate fluctuation.

The economic impact of the change in inventories, on the other hand, sees a decrease compared to 31 December 2019 of 579 thousand Euro, since the average exchange rate for the period is used for the economic recognition of events.

The provision for obsolescence and slow moving inventories was adjusted according to need in the first nine months of 2020 through specific provisions totalling 1,634 thousand Euro (as compared to 1,117 thousand Euro in the same period in 2019). Movements in the provision in 2020 are listed below:

<i>(Euro / 000)</i>	31 December 2019	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	30 September 2020
<b>Provision for impairment of inventory</b>	6,081	1,634	(179)	(32)	-	(133)	7,373

The change in the provision in the first nine months of 2019 is shown below:

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

**Trade receivables** amount to 30,253 thousand Euro, compared to 28,931 thousand Euro on 31 December 2019, a 1,046 thousand Euro increase.

<i>(Euro / 000)</i>	30 September 2020	31 December 2019	Change
Receivables from customers	30,253	31,299	(1,046)
<i>Provision for doubtful receivables</i>	<i>(2,367)</i>	<i>(2,368)</i>	1
<b>Net amount</b>	<b>27,886</b>	<b>28,931</b>	<b>(1,045)</b>

This includes receivables subject to recourse factoring which the Parent Company has transferred to a leading factoring company for a total amount of 8 thousand Euro (15 thousand Euro as of 31 December 2019).

The change is related to the decrease in sales revenues recorded in the first nine months of the year.

Receivables were adjusted to their estimated realisable value through a specific provision for doubtful receivables, calculated on the basis of an examination of individual debtor positions and taking into account past experience in each specific line of business and geographical region, as required by IFRS 9. The provision as at 30 September 2020 represents a prudential estimate of the current risk, and registered the following changes:

(Euro / 000)	31 December 2019	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	30 September 2020
<b>Provision for doubtful receivables</b>	2,368	106	(28)	(5)	-	(74)	2,367

This is the table of changes in the first nine months of 2019:

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

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 19,949 thousand Euro, compared with 24,937 thousand Euro as of 31 December 2019.

This item breaks down as follows:

(Euro / 000)	30 September 2020	31 December 2019	Change
Payables to suppliers	15,636	21,521	(5,885)
Payables to suppliers for invoices to be received	3,954	2,703	1,251
Payments on account received from customers	359	713	(354)
<b>Total</b>	<b>19,949</b>	<b>24,937</b>	<b>(4,988)</b>

Trade payables totalled 19,949 thousand Euro, down 4,988 thousand Euro since 31 December 2019. Trade payables at the end of 2019 were a result of purchases of materials for production and above all payables to suppliers for investments in the last quarter of 2019, paid in 2020. The Parent Company participated in the “I pay my suppliers” initiative of the Industrialists’ Association of Brescia, confirming the Group’s commitment to fulfilling its duties.

### Net financial position

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

(Euro / 000)	30 September 2020	31 December 2019	Change
Cash and cash equivalents and current financial receivables	39,875	24,427	15,448
Financial investments for derivatives	-	1	(1)
Other non-current financial investments	117	97	20
Non-current financial payables	(31,169)	(21,916)	(9,253)
Non-current financial payables for IFRS 16 leases	(1,608)	(2,013)	405
Current financial payables	(15,031)	(12,643)	(2,388)
Current financial payables for IFRS 16 leases	(1,117)	(1,071)	(46)
Financial liabilities for derivatives	(334)	(169)	(165)
<b>Total</b>	<b>(9,267)</b>	<b>(13,287)</b>	<b>4,020</b>

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

(Euro / 000)	30 September 2020	31 December 2019	Change
A. Cash on hand	30	40	(10)
B. Cash in bank deposits	39,845	24,387	15,458
<b>C. Cash and cash equivalents (A+B)</b>	<b>39,875</b>	<b>24,427</b>	<b>15,448</b>
D. Fair value current hedging derivatives	-	-	-
E. Current portion of long-term debt	(10,733)	(9,342)	(1,391)
F. Other current financial payables	(5,415)	(4,372)	(1,043)
<b>G. Total current financial payables (E+F)</b>	<b>(16,148)</b>	<b>(13,714)</b>	<b>(2,434)</b>
<b>H. Total current payables (D+G)</b>	<b>(16,148)</b>	<b>(13,714)</b>	<b>(2,434)</b>
<b>I. Net current financial debt (H+C)</b>	<b>23,727</b>	<b>10,713</b>	<b>13,014</b>
Non-current financial liabilities for derivatives	(334)	(169)	(165)
Non-current financial investments for derivatives	-	1	(1)
J. Fair value non-current hedging derivatives	(334)	(168)	(166)
K. Non-current financial debt	(32,777)	(23,929)	(8,848)
L. Other non-current financial investments	117	97	20
<b>M. Net non-current financial debt (J) + (K) + (L)</b>	<b>(32,994)</b>	<b>(24,000)</b>	<b>(8,994)</b>
<b>N. Net financial debt (I) + (M)</b>	<b>(9,267)</b>	<b>(13,287)</b>	<b>4,020</b>
<i>of which to minorities:</i>	<i>(9,267)</i>	<i>(13,287)</i>	<i>4,020</i>

Net financial position as of 30 September 2020 is negative by 9,267 thousand Euro, which is 4,020 thousand Euro less than at the end of 2019, when it was on the whole negative by 13,287 thousand Euro.

The change in net financial position is essentially due to the positive cash flows generated by ordinary operations (8,919 thousand Euro) and the proceeds from the reimbursement of the portion of capital of the subsidiary Ensun S.r.l. (1,000 thousand Euro), absorbed by disbursements for technical investments made in the first nine months of 2020 and the payment of interest, taxes and rental fees (for a total of 6,136 thousand Euro).

The balance of **cash and cash equivalents** amounted to Euro 39,875 thousand at 30 September 2020, compared with Euro 24,427 thousand at 31 December 2019.

This item breaks down as follows:

(Euro / 000)	30 September 2020	31 December 2019	Change
Cash in bank deposits	39,845	24,270	15,575
Cash	30	40	(10)
Other cash	-	117	(117)
<b>Total</b>	<b>39,875</b>	<b>24,427</b>	<b>15,448</b>

The technical forms used as at 30 September 2020 are shown below:

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

**Current financial payables** at 30 September 2020 increased by 2,388 thousand Euro over the end of 2019 and break down as follows:

(Euro / 000)	30 September 2020	31 December 2019	Change
Current portion of debt	10,733	9,342	1,391
Current overdrafts	4,295	3,296	999
Factoring	3	5	(2)
<b>Total</b>	<b>15,031</b>	<b>12,643</b>	<b>2,388</b>

The “factoring” item comprises payables to factoring companies, for the payment extension period from the original maturity of the payable with certain suppliers, for which the Parent Company has accepted non-recourse assignment.

Bank overdrafts at 30 September 2020 totalled 4,295 thousand Euro, compared to a balance at 31 December 2019 of 3,296 thousand Euro. The item relates primarily to Gefran S.p.A. and has the following characteristics:

- for use of credit lines payable on demand, the overall annual interest rate is in the annual 1%-5.7% range;
- for use of credit facilities on trade receivables, repayable on the maturity of these receivables, the overall annual interest rate is in the 0.5%-0.7% range.



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

Bank (Euro/000)	30 September 2020	31 December 2019	Change
Unicredit	1,500	2,400	(900)
BNL	1,250	2,000	(750)
Banca Pop. Emilia Romagna	2,263	3,012	(749)
Mediocredito	5,000	6,667	(1,667)
BNL	5,500	7,000	(1,500)
Unicredit	3,889	-	3,889
BNL	5,444	-	5,444
UBI	3,000	-	3,000
UBI	3,000	-	3,000
Intesa	38	95	(57)
Unicredit S.p.A. - New York Branch	285	742	(457)
<b>Total</b>	<b>31,169</b>	<b>21,916</b>	<b>9,253</b>

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 30 September 2020	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
<b>drawn up by Gefran S.p.A. (IT)</b>								
Unicredit	6,000	14/11/2017	2,700	1,200	1,500	Euribor 3m + 0.90%	30/11/2022	quarterly
BNL	5,000	23/11/2017	2,250	1,000	1,250	Euribor 3m + 0.85%	23/11/2022	quarterly
Banca Pop. Emilia Romagna	5,000	28/11/2018	3,262	999	2,263	Euribor 3m + 0.75%	30/11/2023	quarterly
Mediocredito	10,000	28/03/2019	7,222	2,222	5,000	Euribor 3m + 1.05%	31/12/2023	quarterly
BNL	10,000	29/04/2019	7,500	2,000	5,500	Euribor 3m + 1%	29/04/2024	quarterly
Unicredit	5,000	30/04/2020	5,000	1,111	3,889	Euribor 6m + 0.95%	31/12/2024	half-yearly
BNL	7,000	29/05/2020	7,000	1,556	5,444	Euribor 6m + 1.1%	31/12/2024	half-yearly
UBI	3,000	24/07/2020	3,000	-	3,000	Fixed 1%	24/07/2023	half-yearly
UBI	3,000	24/07/2020	3,000	-	3,000	Euribor 6m + 1%	24/07/2026	half-yearly
<b>entered into by Elettropiemme S.r.l. (IT)</b>								
Intesa	300	29/01/2018	113	75	38	Euribor 3m + 1%	28/01/2022	quarterly
<b>entered into by Gefran Inc. (US)</b>								
Unicredit S.p.A. - New York Branch	1,780	29/03/2019	855	570	285	Libor 3m + 2.5%	29/03/2022	quarterly
<b>Total</b>			<b>41,902</b>	<b>10,733</b>	<b>31,169</b>			

Two new loan agreements were signed with UBI in the third quarter of 2020, totalling 3 million Euro each, with no financial covenants; the first loan has a fixed interest rate of 1% and a three-year term, while the second has a variable interest rate with a spread of 1% and a six-year term. In both loans, the credit institution benefits from the guarantee provided by the Guarantee Fund for SME offered by Mediocredito Centrale, up to a maximum combined total of 5 million Euro.

None of the loans outstanding at 30 September 2020 has clauses requiring compliance with economic and financial requirements (covenants).

**Financial liabilities for derivatives** total 334 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 30 September 2020	Derivative	Fair Value at 30 September 2020	Long position rate	Short position rate
Unicredit	6,000	14/11/2017	2,700	CAP	-	Strike Price 0%	Euribor 3m
BNL	5,000	23/11/2017	2,250	CAP	-	Strike Price 0%	Euribor 3m
<b>Total financial assets for derivatives – interest rate risk</b>						<b>-</b>	

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

Bank (Euro/000)	Notional principal on the	Signing date	Notional principal on 30 Sept. 2020	Derivative	Fair Value at 30 Sept. 2020	Long position rate	Short position rate
Intesa	10,000	29/03/2019	7,222	IRS	(64)	Fixed -0.00%	Euribor 3m (Floor: -1.05%)
BNL	10,000	29/04/2019	7,500	IRS	(85)	Fixed 0.05%	Euribor 3m (Floor: -1.00%)
Unicredit	5,000	24/06/2019	3,262	IRS	(22)	Fixed -0.10%	Euribor 3m (Floor: -0.75%)
Unicredit	5,000	30/04/2020	5,000	IRS	(59)	Fixed 0.05%	Euribor 6m (Floor: -0.95%)
BNL	7,000	29/05/2020	7,000	IRS	(54)	Fixed -0.12%	Euribor 6m (Floor: -1.10%)
UBI	3,000	24/07/2020	3,000	IRS	(50)	Fixed -0.115%	Euribor 3m
<b>Total financial liabilities for derivatives – interest rate risk</b>					<b>(334)</b>		

At 30 September 2020, no derivatives have been taken out to hedge exchange rate risk.

All the contracts described above are booked at fair value:

(Euro/000)	at 30 September 2020		at 31 December 2019	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	-	(334)	1	(169)
<b>Total cash flow hedge</b>	<b>-</b>	<b>(334)</b>	<b>1</b>	<b>(169)</b>

All derivatives were tested for effectiveness, with positive outcomes.

In order to support its operations, the Group has various credit lines granted by banks and other financial institutions available, mainly in the form of invoice factoring credit lines, cash flexibility and mixed credit lines for a total of 39,849 thousand Euro. Overall use of these lines at 30 September 2020 totalled 4,299 thousand Euro, with a residual available amount of 35,550 thousand Euro.

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

The balance of **Financial payables for IFRS 16 leases (current and non-current)** at 30 September 2020 amounted to 2,725 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 1,117 thousand Euro, and non-current liabilities (beyond one year), amounting to Euros 1,608 thousand Euro.

Changes in this item are detailed below:

(Euro / 000)	31 December 2019	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	30 September 2020
Leasing payables under IFRS 16	3,084	592	(923)	-	-	(28)	2,725
<b>Total</b>	<b>3,084</b>	<b>592</b>	<b>(923)</b>	<b>-</b>	<b>-</b>	<b>(28)</b>	<b>2,725</b>

### Service costs

“Service costs” in the first nine months of 2020 amount to 14,258 thousand Euro, lower than the 2019 figure of 18,093 thousand Euro. They are broken down as follows:

(Euro / 000)	30 September 2020	30 September 2019	Change
Services	13,576	17,309	(3,733)
Use of third-party assets	682	784	(102)
<b>Total</b>	<b>14,258</b>	<b>18,093</b>	<b>(3,835)</b>

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 under operating costs due to implementation of the new accounting standard amount to 966 thousand Euro (850 thousand Euro in the first nine months of 2019). 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 682 thousand Euro in costs in 2020 (as compared to 784 thousand Euro in the same period in 2019).

With reference to “Services” other than the lease fees described above, the item sees a decrease of 3,733 thousand Euro in the first nine months of 2020 compared to the same period in 2019; this is the result of the new organisational procedures, redefinition of activities and priorities and

cost containment processes, promptly activated from the very first signs of the COVID-19 pandemic (in particular impact on travel, trade fairs, and external work).

### Personnel costs

“Personnel costs” amount to 34,240 thousand Euro, down by 3,245 thousand Euro over the figure as at 30 September 2019, which amounted to 37,485 thousand Euro, and break down as follows:

(Euro / 000)	30 September 2020	30 September 2019	Change
Salaries and wages	25,933	28,406	(2,473)
Social security contributions	6,461	7,102	(641)
Post-employment benefit reserve	1,622	1,725	(103)
Other costs	224	252	(28)
<b>Total</b>	<b>34,240</b>	<b>37,485</b>	<b>(3,245)</b>

The decrease derives from the actions taken in response to the spread of the COVID-19 pandemic, and in particular use of redundancy funds in a number of countries, where possible. Greater use of holiday time and reduction of performance-based bonuses also contributed to the decrease (equal to 446 thousand Euro and 848 thousand Euro, respectively). These actions were activated in all Group companies.

“Social security contributions” include costs for defined contribution plans for management (Previndai pension plan) amounting to 41 thousand Euro (13 thousand Euro at 30 September 2019).

The item “Other costs”, down 28 thousand Euro, includes, among other items, restructuring costs resulting from reorganisation of the Group’s subsidiaries.

The average number of Group employees in the first nine months of 2020, as compared with the same period in the previous year, was as follows:

	30 September 2020	30 September 2019	Change
Managers	18	17	1
Clerical staff	523	518	5
Manual workers	275	270	5
<b>Total</b>	<b>816</b>	<b>805</b>	<b>11</b>

The average number of employees grew by 11 over the figure for 2019; the precise number at 30 September 2020 was 802, a decrease over the figure at 30 September 2019 and at the end of 2019.

### Depreciation, amortisation and impairment

These items totalled 6,070 thousand Euro in the first nine months of 2020, as compared to 7,335 thousand Euro in the same period in 2019. These items include:

(Euro / 000)	30 September 2020	30 September 2019	Change
Intangible assets	1,543	1,614	(71)
Tangible assets	3,580	4,908	(1,328)
Usage rights	947	813	134
<b>Total</b>	<b>6,070</b>	<b>7,335</b>	<b>(1,265)</b>

The change is primarily a result of the item “*Tangible assets*”, 1,328 thousand Euro lower than the figure for the first nine months of 2019, which included adaptation of buildings to fair value totalling 1,531 thousand Euro, entirely allocated 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.

Since 1 January 2019, moreover, the item also includes amortisation of usage rights in accordance with accounting standard IFRS16, totalling 947 thousand Euro at 30 September 2020 (813 thousand Euro at 30 September 2019).

The breakdown of the item “*Depreciation, amortisation and impairment*” by business unit is shown in the table below:

(Euro / 000)	30 September 2020	30 September 2019	Change
Sensors	2,596	3,867	(1,271)
Automation components	1,890	1,873	17
Motion control	1,584	1,595	(11)
<b>Total</b>	<b>6,070</b>	<b>7,335</b>	<b>(1,265)</b>

Provaglio d’Iseo, 12 November 2020

For the Board of Directors

Chairman

**Maria Chiara Franceschetti**

Chief Executive Officer

**Marcello Perini**



# ANNEXES



**a) Consolidated income statement by quarter**

(Euro / 000)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	TOT 2019	Q1 2020	Q2 2020	Q3 2020	TOT 2020
a Revenues	35,973	36,126	33,015	35,421	140,535	31,426	31,309	31,186	93,921
b Increases for internal work	635	628	572	739	2,574	495	459	508	1,462
c Consumption of materials and products	12,207	12,908	11,702	13,391	50,208	11,411	11,237	11,585	34,233
d Added value (a+b-c)	24,401	23,846	21,885	22,769	92,901	20,510	20,531	20,109	61,150
e Other operating costs	5,753	6,152	5,679	6,337	23,921	5,425	4,681	4,869	14,975
f Personnel costs	12,379	13,228	11,878	11,765	49,250	11,858	11,741	10,641	34,240
g EBITDA (d-e-f)	6,269	4,466	4,328	4,667	19,730	3,227	4,109	4,599	11,935
h Depreciation, amortisation and impairment	3,291	2,068	1,976	2,020	9,355	1,997	2,018	2,055	6,070
i EBIT (g-h)	2,978	2,398	2,352	2,647	10,375	1,230	2,091	2,544	5,865
l Gains (losses) from financial assets/liabilities	175	(302)	55	(414)	(486)	(667)	(439)	(467)	(1,573)
m Gains (losses) from shareholdings valued at equity	242	17	31	(110)	180	2	(3)	2	1
n Profit (loss) before tax (i±l±m)	3,395	2,113	2,438	2,123	10,069	565	1,649	2,079	4,293
o Taxes	(847)	(632)	(807)	(741)	(3,027)	(486)	(589)	(532)	(1,607)
n Group net profit (loss)(n±o)	2,548	1,481	1,631	1,382	7,042	79	1,060	1,547	2,686

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

Currency	30 September 2020	31 December 2019
Swiss franc	1.0804	1.0854
Pound sterling	0.9124	0.8508
US dollar	1.1708	1.1234
Brazilian real	6.6308	4.5157
Chinese renminbi	7.9720	7.8205
Indian rupee	86.2990	80.1870
Turkish lira	9.0990	6.6843

*Average exchange rates in the period*

Currency	2020	2019	3Q 2020	3Q 2019
Swiss franc	1.0678	1.1127	1.0755	1.0957
Pound sterling	0.8845	0.8773	0.9050	0.9020
US dollar	1.1241	1.1196	1.1695	1.1116
Brazilian real	5.7072	4.4135	6.2878	4.4124
Chinese renminbi	7.8614	7.7339	8.0879	7.8018
Indian rupee	83.4336	78.8501	86.9474	78.2953
Turkish lira	7.5911	6.3574	8.4690	6.3054

**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.	North Andover	US	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Elettroel. Ltda	Sao Paolo	Brazil	REAL	450,000	Gefran S.p.A. Sensormate AG	99.90 0.10
Gefran India Private Ltd	Pune	India	INR	100,000,000	Gefran S.p.A. Sensormate AG	95.00 5.00
Gefran Siei Asia Pte Ltd	Singapore	Singapore	Euro	3,359,369	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Pte Ltd	Shanghai	China (PRC)	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric Pte Ltd	Shanghai	China (PRC)	RMB	1,005,625	Gefran Siei Asia	100.00
Sensormate AG	Aadorf	Switzerland	CHF	100,000	Gefran S.p.A.	100.00
Gefran Middle East Ltd Sti	Istanbul	Turkey	TRY	1,030,000	Gefran S.p.A.	100.00
Gefran Soluzioni S.r.l.	Provaglio d'Iseo	Italy	Euro	100,000	Gefran S.p.A.	100.00
Gefran Drives and Motion S.r.l.	Gerenzano	Italy	Euro	14,000,000	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	WON	3,200,000,000	Gefran S.p.A.	2.00

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

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

The undersigned, **Fausta Coffano**, the executive in charge of financial reporting, hereby declares, pursuant to paragraph 2, article 154-*bis* of the TUF, that the information contained in these interim financial statements as at 31 March 2020 accurately represents the figures contained in the Group’s accounting records.

Provaglio d’Iseo, 12 November 2020

Executive in charge  
of financial reporting

**Fausta Coffano**