GEFRAN GROUP

Annual Financial Report at 31 December

2020

GEFRAN
BEYOND TECHNOLOGY

Summary

Consolidated Non-Financial Disclosure at 31 dicembre 2020 191

Notice of Ordinary Shareholders' Meeting

GEFRAN S.p.A.

Share capital 14,400,000 fully paid-up

Registered offices in Provaglio d'Iseo (BS), Via Sebina, no. 74

Tax code and Brescia Companies' Register No. 03032420170

NOTICE OF ORDINARY SHAREHOLDERS' MEETING

Shareholders are summoned to an Ordinary Shareholders' Meeting scheduled for 5 pm on 27 April 2021, in a single summons, which will be considered held in the registered office of GEFRAN S.p.A. at Via Sebina, no. 74, Provaglio d'Iseo (BS), to discuss and resolve on the following

AGENDA

1. Annual financial statements for the year ending 31 December 2020

Approval of the Annual Financial Statements as of 31 December 2020, complete with the Report on Operations of the Board of Directors, the Report of the Board of Statutory Auditors and the Independent Auditor's Report. Presentation of the Consolidated Financial Statements for the year ending on 31 December 2020. Presentation of the Non-financial Statement prepared under Legislative Decree no. 254/2016. Related and consequent resolutions.

2. Allocation of profit for the year ending on 31 December 2020

2.1 Approval of the proposal for allocation of dividend. Related and consequent resolutions;

2.2 Allocation of the remaining portion of annual profit. Related and consequent resolutions.

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

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

5. Appointment of the Board of Statutory Auditors for the 2021-2023 three-year period.

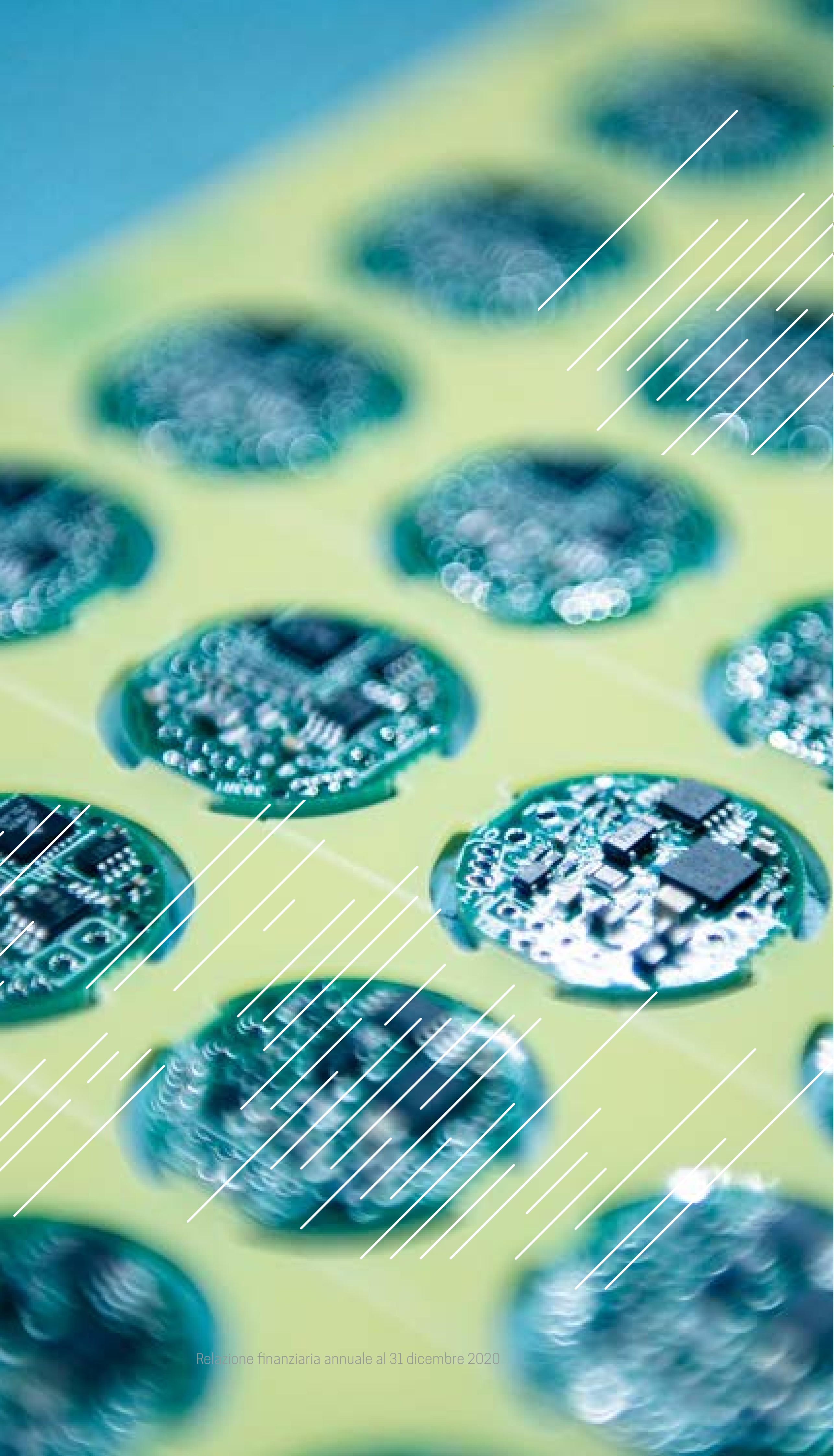
5.1 Appointment of the Board of Statutory Auditors and its Chairman;

5.2 Determination of the annual fee of standing auditors on the Board of Statutory Auditors.

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

For the Board of Directors

The Chairwoman Maria Chiara Franceschetti



Annual Financial Report at 31 December 2020

Letter from the Chairwoman and Chief Executive Officer

Maria Chiara Franceschetti

Marcello Perini

Dear Shareholders,

The 2020 financial statements submitted for your approval are the first bearing the signature not only of our Chairwoman but of our new Chief Executive Officer, Marcello Perini, who proudly took over the post in April of last year, at a very complicated time for all of us, when we were extremely worried about the health of our employees and loved ones as well as great uncertainty in the world of business. After 25 years working with Gefran, Mr. Perini commented as follows: "I wish to thank the company's owners and my past and current co-workers for their faith in me: I would never have been able to achieve this milestone without the personal and professional growth that results from working as a team".

We are writing this letter to you together, just as we work together every day in our company.

In the first part of last year, our efforts focused on protecting all our employees and their families, in Italy and in our foreign subsidiaries, while ensuring the Group's sustainability: despite the lockdown, our factories continued producing and satisfying our customers' requests. Gefran's characteristic efficiency and flexibility have been very important to achieve this dual aim: responding to the demands of an unpredictable market which began to show signs of an upturn in the second part of the year, while fulfilling the commitments we are submitting for your approval today in terms of profit margins and sustainability.

We consider the results of the year 2020 highly satisfactory, though they were difficult to predict given the conditions in which we were working a year ago: sales at the end of the year totalled 129.6 million Euros, down "only" 7.7% over the previous year, and despite the drop in revenues, our profit indexes registered excellent performance, with an EBITDA Margin of 13.5% of revenues, an EBIT Margin of 7.2%, substantially aligned with the figure for 2019, and, lastly, a net profit of 3.4% of revenues. The results were even more striking from the financial position point of view: the reduction of net working capital and cash flows permitted a striking reduction of net debt (from about 13 million Euros to 3.7 million), another important sign of our solidity.

In this context, Gefran continued to focus on the future, determinedly pursuing its plans for investment in key programmes for the Group's growth in the years to come: product development, process automation, and commitment to sustainability.

In this area, it is worth recalling that our commitment to sustainable development was given concrete form in the latter part of the year with the presentation to the public of our strategic sustainability plan, pursuing the SDGs of relevance to the Group through four projects targeting people, the environment, territory and innovation.

We are truly proud of how our entire management team in Italy and abroad has handled this particularly difficult year, and of the deep sense of belonging to the company that our employees all over the world have demonstrated. This gives us a confident outlook as we face the challenges of the new year and the future, with the goal of building an even stronger company that will continue to generate value for all its stakeholders.

Let us close with a note on the Gefran share, which, despite some ups and downs during the year attributable to the highly uncertain economic scenario, benefited from the positive results of management toward the end of the year 2020.

In view of the above, the Board of Directors has decided to propose to the Shareholders' Meeting distribution of a dividend of Euro 0.26 per share, to be distributed in the month of May, confirming the positive results achieved and our satisfaction with achievement of these targets.

Thank you for your attention and for your confidence in Gefran.

Chairwoman

Maria Chiara Franceschetti

Chief Exeutive Officer

Marcello Perini

Corporate Bodies

Board of Directors

Honorary Chairman	Ennio Franceschetti
Chairwoman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairwoman	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	Roberta Dell'Apa
Standing Auditor	Luisa Anselmi
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.

The **Board of Directors** currently in office has nine members, as resolved by the 28 April 2020 Ordinary Shareholders' Meeting, which appointed the members of the Company's Board of Directors listed at the start of this section. The entire Board will remain in office until the approval of the 2022 financial statements.

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

The Chairman of the **Board of Directors** is the Company's legal representative, pursuant to Article 21 of the Articles of Association. In its meeting on 28 April 2020 the Board of Directors granted the Honorary Chairman Ennio Franceschetti certain powers relating to the strategic coordination of the Company. It also granted powers of legal representation and other powers to Chairwoman Maria Chiara Franceschetti and Chief Executive Officer Marcello Perini. Vice Chairman Andrea Franceschetti and Vice Chairwoman Giovanna Franceschetti have been awarded powers in specific corporate areas.

The Board of Directors met 13 times in 2020.

Board of Statutory Auditors

Pursuant to Article 23 of the Articles of Association, the Board of Statutory Auditors comprises three standing auditors and two deputy auditors, who shall remain in office for three years and may be re-elected. The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 24 April 2018 for three years, until the approval of the 2020 annual financial statements.

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

On 27 May 2020, the Board of Directors received the resignation, for personal reasons and with immediate effect, of Standing Auditor Primo Ceppellini. In accordance with the law and the Articles of Association, the office is taken over by Luisa Anselmi, appointed Deputy Auditor by the Shareholders' Meeting of 24 April 2018.

The Board of Statutory Auditors met ten times in 2020.

Control and Risks Committee

The Committee is tasked with supporting, by conducting the appropriate preliminary work, the assessments and decisions of the Board of Directors in relation to the internal control and risk management system, as well as those relating to the approval of interim and annual financial reports. In its meeting of 28 April 2020, the Board of Directors appointed the members of the committee, as stated at the beginning of this section.

The Committee met six times in 2020.

Appointments and Remuneration Committee

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

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

In its meeting of 28 April 2020, the Board of Directors appointed new members of the committee, as described at the beginning of this section.

The Committee met five times in 2020.

Sustainability Committee

In May 2020, the Board of Directors of Gefran S.p.A. formally established the Sustainability Committee among its board committees and approved its regulations. Gefran's Sustainability Committee is responsible for supervising all the Group's sustainability activities carried out by the Sustainability Working Group, and reporting progress to the Board of Directors.

The Committee met three times in 2020.

Management and coordination activities

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

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

Key Consolidated Income Statement and Statement of Financial Position Figures

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

Group income statement highlights

(Euro /000)	31 December 2020		31 December 2019		4Q 2020		4Q 2019	
Revenues	129,645	100.0%	140,535	100.0%	35,724	100.0%	35,421	100.0%
EBITDA	17,549	13.5%	19,730	14.0%	5,614	15.7%	4,667	13.2%
EBIT	9,398	7.2%	10,375	7.4%	3,533	9.9%	2,647	7.5%
Profit (loss) before tax	7,583	5.8%	10,069	7.2%	3,290	9.2%	2,123	6.0%
Group net profit (loss)	4,353	3.4%	7,042	5.0%	1,667	4.7%	1,382	3.9%

Group statement of financial position highlights

(Euro /000)	31 December 2020	31 December 2019
Invested capital from operations	81,902	88,331
Net working capital	29,799	28,542
Shareholders' equity	78,179	75,044
Net financial position	(3,723)	(13,287)
Operating cash flow	16,953	18,045
Investments	6,003	16,006

Alternative Performance Indicators

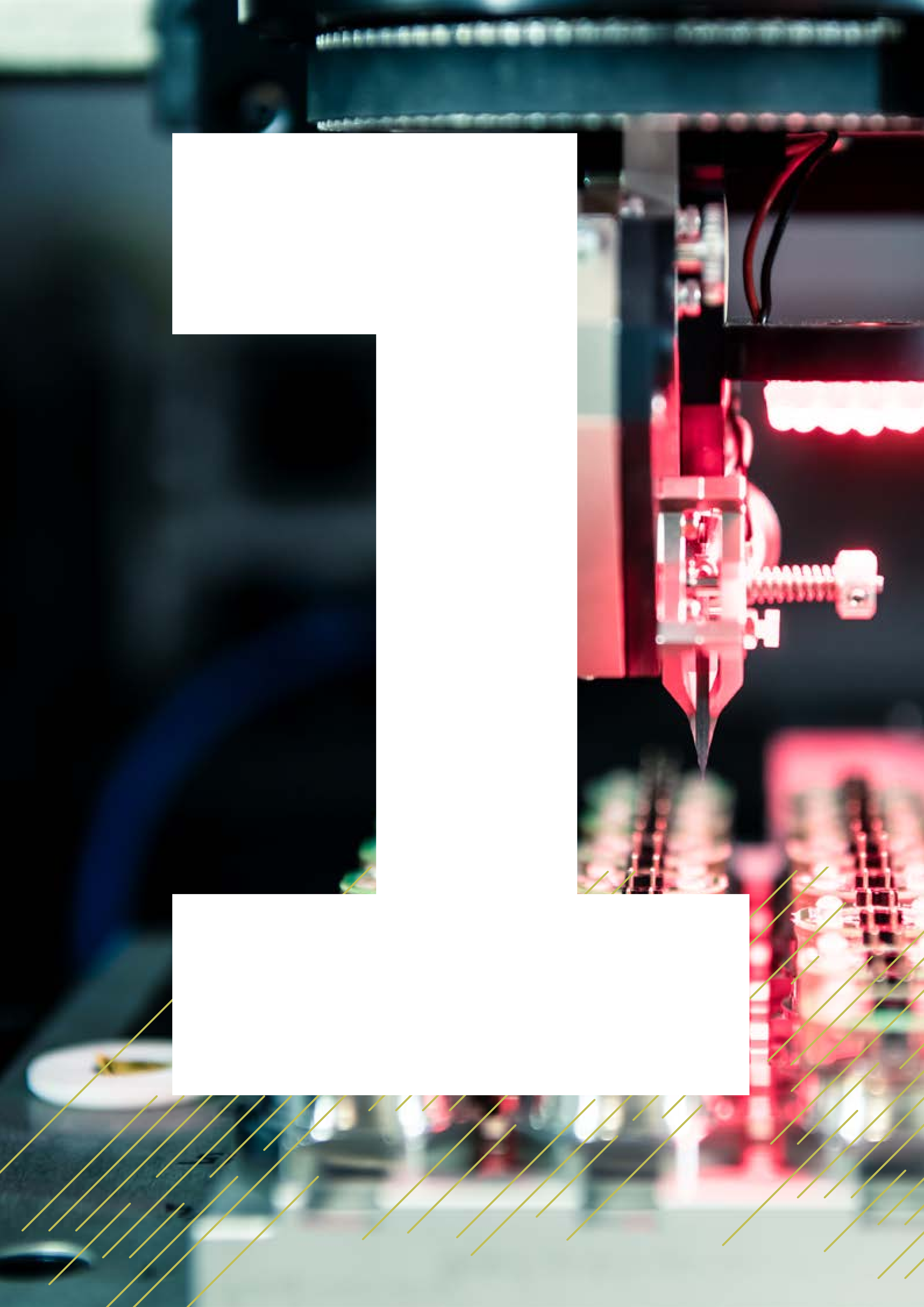
In addition to the standard financial schedules and indicators required under IFRS, this document includes reclassified schedules and alternative performance indicators. These are intended to enable a better assessment of the Group's economic and financial management. However, these tables and indicators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

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

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

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

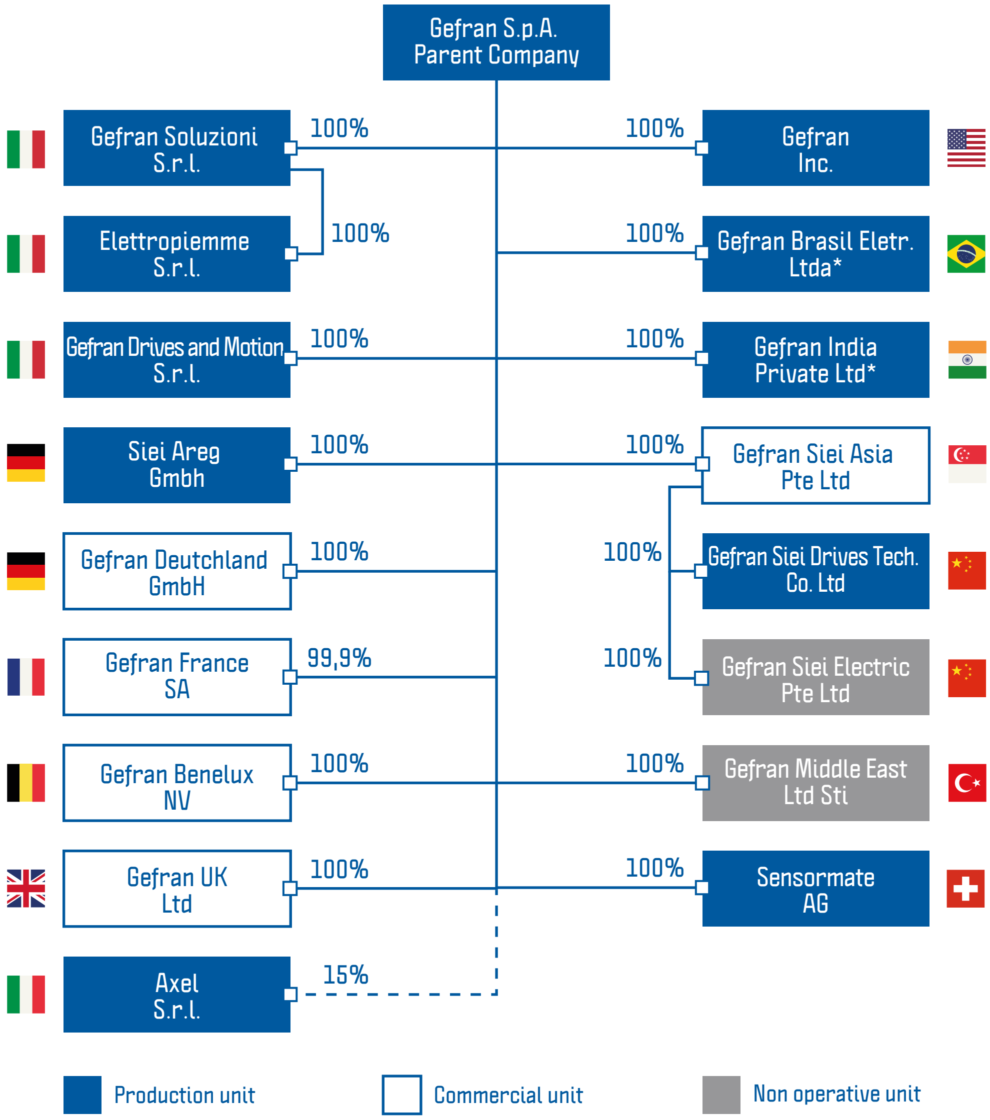
- **Net non-current assets**: the algebraic sum of the following items in the statement of financial position:
    - Goodwill
    - Intangible assets
    - Property, plant, machinery and tools
    - Shareholdings valued at equity
    - Equity investments in other companies
    - Receivables and other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



1

Report on Operations

1 Gefran Group's Structure



(*) Gefran India and Gefran Brasil indirectly through Sensormate

2

The Group's Activities

The Gefran Group operates in three main business areas: Industrial Sensors, Automation Components and Motion Control for the electronic control of electric motors. For each of them, it carries out design, production and marketing activities through various sales channels.

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

Sensors

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

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

Automation Components

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

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

Motion Control

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

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

3 Breakdown of the Group's Main Activities

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

A brief description of Gefran S.p.A. and the Gefran Group subsidiaries included in the scope of consolidation, with their main characteristics as of 31 December 2020, is provided below.

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

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

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

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

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

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

Gefran Brasil Eletroelectronica Ltda, with its registered office in Sao Paulo, Brazil, is 99.9% controlled by the Parent Company, with the remaining 0.1% controlled indirectly through Sensormate A.G.. Gefran Brasil sells sensors and automation components products and has an assembly line for regulators and static units serving the local market.

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

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

Sensormate AG, with its registered office in Aadorf, Switzerland, is 100% directly owned by the Parent Company. Acquired in 2013, it took on its current form in 2014, following the merger by acquisition of Gefran Suisse S.A.. The company produces load cells, strategic sensors completing the Group's range in the business line. It sells the entire Gefran product range in Switzerland.

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

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

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

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

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

Gefran India Private Ltd, with its registered office in Pune, India, is 99.975% directly controlled by the Parent Company, with the remaining 0.025% controlled indirectly through Sensormate AG. The company distributes Gefran products in India. Since 2016, it has assembled motion control products for the Indian lifting market.

Gefran Middle East elektrik ve elektronik san. Ve Tic. Ltd. Şti, with its registered office in Istanbul (Turkey),100% owned by the Parent Company, was established in October 2013 to sell the full Gefran product range in Turkey. The company began winding-up proceedings in February 2021.

Important associated companies as of 31 December 2020 included **Axel S.r.l.**, with its registered office in Dandolo (VA), a company concerned with the production and sale of application software for industrial automation, of which Gefran owns a 15% share.

4 Shareholders and Stock Performance

On 31 December 2020, the subscribed and paid-up share capital was 14,400,000.00 Euro, divided into 14,400,000 ordinary shares, with a nominal value of 1.00 Euro per share. No further financial instruments have been issued.

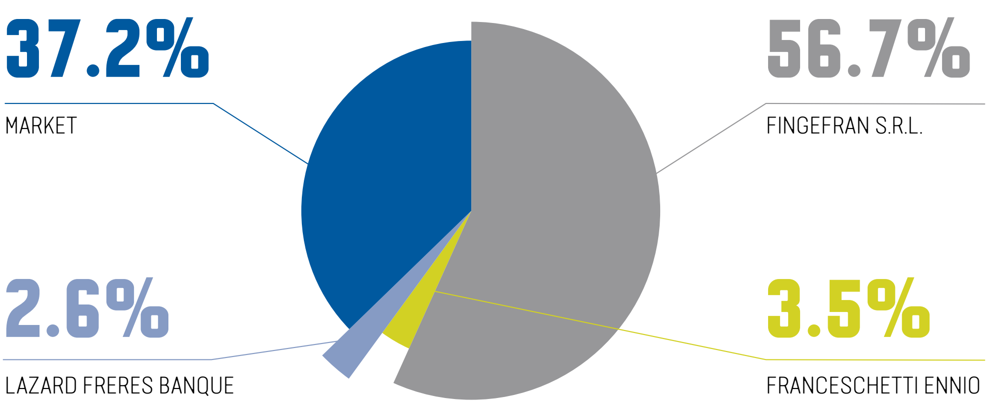
STRUCTURE OF SHARE CAPITAL

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

Gefran S.p.A. Shareholding Structure

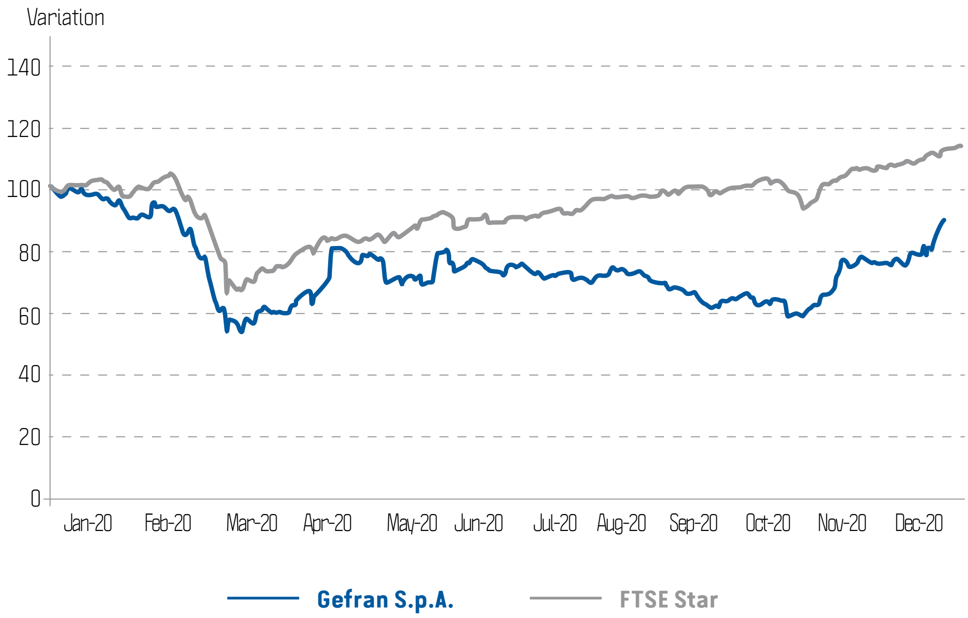
Gefran S.p.A., listed on the Italian Stock Exchange since 9 June 1998, in 2001 became part of the High Requisite Securities Segment (STAR), now referred to as FTSE Italia STAR, following the merger between Borsa Italiana (the Italian Stock Exchange Group) and the London Stock Exchange Group in 2009. The segment is dedicated to small and mid-cap companies that meet specific transparency, liquidity and corporate governance requirements.

Gefran S.p.A. Shareholder Structure

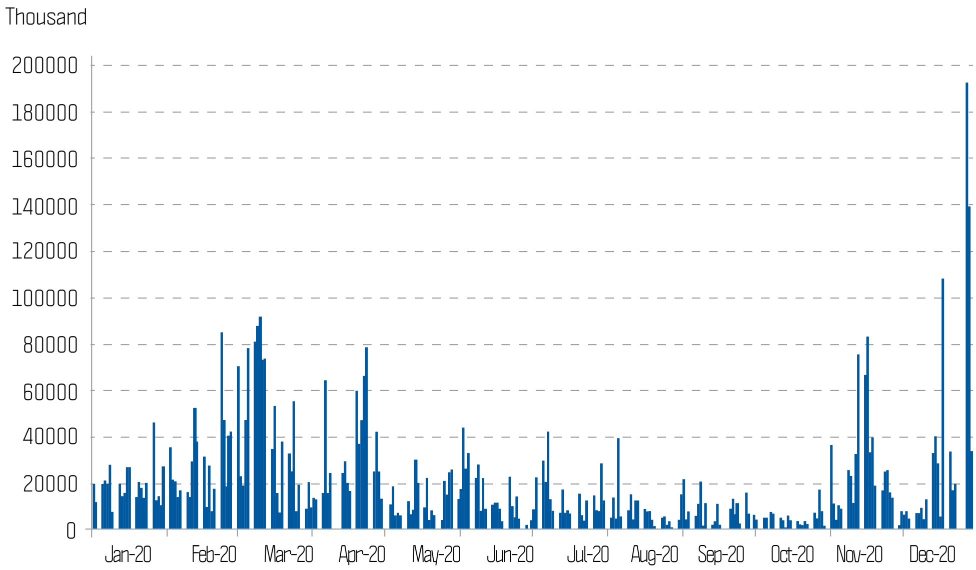


Below we summarize the performance of the stock and volumes traded in the last 12 months:

Gefran S.p.A. stock performance



Gefran S.p.A. - Volume performance



5 Gefran Consolidated Results

Consolidated Income Statement of the Quarter

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

	(Euro /000)	4Q 2020 Total	4Q 2019 Total	Var. 2020-2019 Value	Var. 2020-2019 %
a	Revenues	35,724	35,421	303	0.9%
b	Increases for internal work	751	739	12	1.6%
c	Consumption of materials and products	13,805	13,391	414	3.1%
d	Added Value (a+b-c)	22,670	22,769	(99)	-0.4%
e	Other operating costs	5,178	6,337	(1,159)	-18.3%
f	Personnel costs	11,878	11,765	55	0.5%
g	EBITDA (d-e-f)	5,614	4,667	1,005	21.5%
h	Depreciation, amortisation and impairment	2,081	2,020	61	3.0%
i	EBIT (g-h)	3,533	2,647	944	35.7%
l	Gains (losses) from financial assets/ liabilities	(240)	(414)	174	42.0%
m	Gains (losses) from shareholdings valued at equity	(3)	(110)	107	97.3%
n	Profit (loss) before tax (i±l±m)	3,290	2,123	1,225	57.7%
o	Taxes	(1,623)	(741)	(882)	-119.0%
p	Group net profit (loss) (n±o)	1,667	1,382	343	24.8%

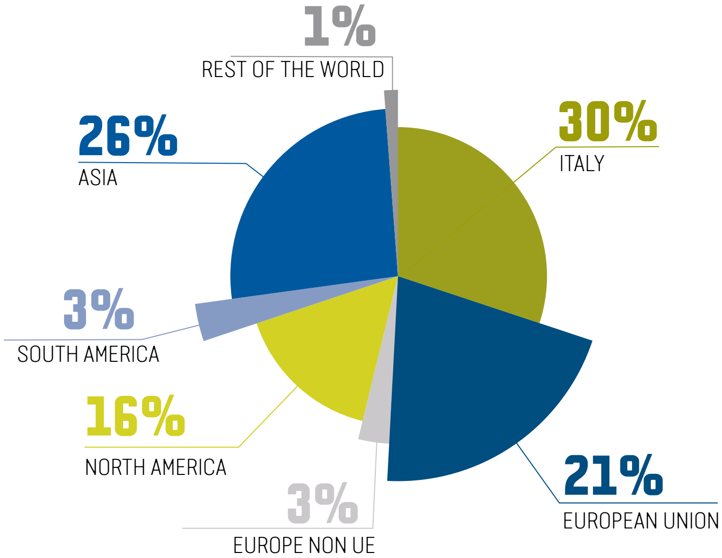
Revenues in the fourth quarter of 2020 amounted to Euro 35,724 thousand, as compared to Euro 35,421 thousand in the same period in the previous year, up by Euro 303 thousand (0.9%), though the increase was partly offset by the negative effect of exchange rate fluctuations, representing a loss of -158 thousand Euro. In contrast with the first three quarters of the year, which suffered the impact of restrictions imposed to limit the spread of the Covid-19 pandemic, the fourth quarter saw an upturn of the market, particularly in the sensors and components business lines and on the Italian and Asian markets.

The order portfolio for the fourth quarter of 2020 reveals growth over the same period in 2019 (+10.7%). Specifically, good performance was registered in the sensors and components business lines, for which more orders were received in the fourth quarter of 2020 (3,694 thousand Euro) than in the fourth quarter of 2019 (1,156 thousand Euro). In the Motion control business line, the volume of orders in the fourth quarter of 2020 was 1,264 thousand Euro lower than the figure for the fourth quarter of 2019.

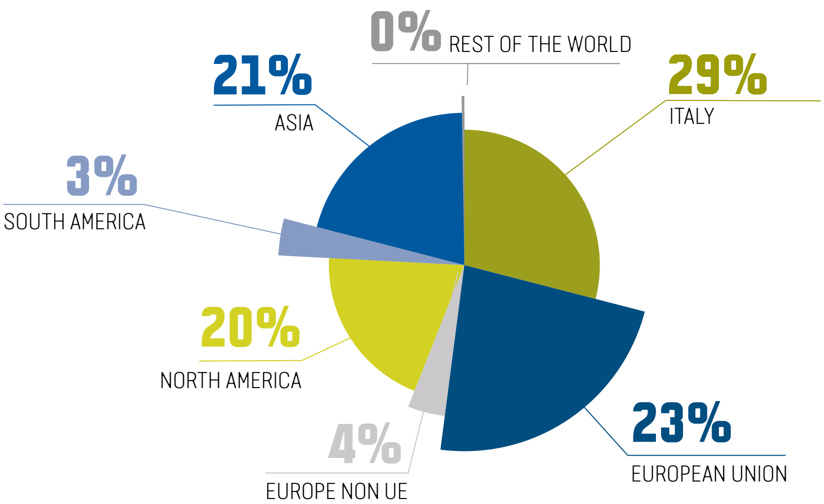
The table below shows a breakdown of revenues by geographical region:

(Euro /000)	4Q 2020		4Q 2019		Var. 2020-2019	
	Value	%	Value	%	Value	%
Italy	10,660	29.8%	10,152	28.7%	508	5.0%
European Union	7,443	20.8%	8,175	23.1%	(732)	-9.0%
Europe non-EU	1,285	3.6%	1,300	3.7%	(15)	-1.2%
North America	5,770	16.2%	7,007	19.8%	(1,237)	-17.7%
South America	951	2.7%	980	2.8%	(29)	-3.0%
Asia	9,290	26.0%	7,632	21.5%	1,658	21.7%
Rest of the world	325	0.9%	175	0.5%	150	85.7%
Total	35,724	100%	35,421	100%	303	0.9%

Revenues Q4 2020



Revenues Q4 2019



The breakdown of revenues by **geographical area** shows growth in Asia (+21.7%) and Italy (+5%), but shrinkage in the other geographical areas in which the Group operates, and particularly: the European Union (-9%), non-EU Europe (-1.2%), and North and South America (-17.7% and -3% respectively).

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

	4Q 2020		4Q 2019		Var. 2020-2019	
(Euro /000)	Value	%	Value	%	Value	%
Sensors	15,224	42.6%	14,690	41.5%	534	3.6%
Automation components	9,723	27.2%	9,360	26.4%	363	3.9%
Motion control	12,350	34.6%	12,570	35.5%	(220)	-1.8%
Eliminations	(1,573)	-4.4%	(1,199)	-3.4%	(374)	31.2%
Total	35,724	100%	35,421	100%	303	0.9%

The breakdown by **business area** in the fourth quarter of 2020 shows an increase in revenues from the sensors (+3.6%) and automation components (+3.9%) business lines, while confirming the downward trend recorded in previous quarters for motion control (-1.8%), an industry that saw widespread shrinkage in Europe (-16%) and America (-16,4).

Increases for internal work in the fourth quarter of 2020 amounted to 751 thousand Euro, as compared to 739 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 22,670 thousand Euro (22,769 thousand Euro in the fourth quarter of 2019), corresponding to 63.5% of revenues, down -0.8% from the figure in same period of the previous year. The drop in added value, totalling 99 thousand Euro, primarily reflects the lower profits on sales.

Other operating costs in the fourth quarter of 2020 amount to 5,178 thousand Euro, and are 1,159 thousand Euro lower in terms of absolute value than the figure for the same quarter of 2019, representing 14.5% of revenues (17.9% in the same quarter of 2019). The decrease is linked to the cost containment actions undertaken in 2020.

Personnel costs in the quarter amounted to 11,878 thousand Euro, compared with 11,765 thousand Euro in the same period in the previous year, representing an increase of 55 thousand Euro but with basically the same impact on revenues, 33.2%.

EBITDA for the fourth quarter of 2020 was positive at 5,614 thousand Euro (4,667 thousand Euro in the same quarter of 2019), and amounted to 15.7% of revenues (13.2% of revenues in the fourth quarter of 2019), a decrease of 1,005 thousand Euro in absolute value compared to the previous year. The improvement in EBITDA is the result of lower operating costs.

The item **depreciation, amortisation and impairment** totalled 2,081 thousand Euro in the quarter, as compared with 2,020 thousand Euro in the same period in the previous year, a 61 thousand Euro increase.

EBIT in the fourth quarter of 2020 is positive at 3,533 thousand Euro (9.9% of revenues), as compared with an EBIT of 2,647 thousand Euro in the same period in 2019 (7.5% of revenues), a 944 thousand Euro increase. The change is linked to the same dynamics illustrated for EBITDA.

Charges from financial assets/liabilities in the fourth quarter of 2020 total 240 thousand Euro (as compared to 414 thousand Euro in charges in the same period in 2019), and include:

- financial income totalling Euro 17 thousand (Euro 34 thousand in the fourth quarter of 2019);
- financial charges linked with the Group's indebtedness, totalling 120 thousand Euro, aligned with the figure for the fourth quarter of 2019, when this item totalled 118 thousand Euro;
- a negative result of Euro 124 thousand in differences in foreign currency transactions, as compared to a negative result of Euro 319 thousand in the fourth quarter of 2019. The change is primarily a result of the trend in exchange rates in effect between the Euro and the Indian Rupee;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 9 thousand Euro (11 thousand Euro in the fourth quarter of 2019).

Losses from shareholdings valued at equity totalled 3 thousand Euro, less than the same period in the previous year, when this item totalled 110 thousand Euro. The change relates to Ensun S.r.l. and in particular to adjusting the value of the investment following the sale of 100% of the BS Energia 2 S.r.l. shares in the fourth quarter of 2019.

Taxes had a negative balance of 1,623 thousand Euro (as compared to a negative balance of 741 thousand Euro in the fourth quarter of 2019). It may be broken down as follows:

- current taxes were positive by 130 thousand Euro (negative by 435 thousand Euro in the fourth quarter of 2019).
- deferred tax assets and liabilities, which were on the whole negative by 1,753 thousand Euro (negative by 306 thousand Euro in the fourth quarter of 2019); this item includes the release to the income statement of advance taxes of the Chinese subsidiary.

Group net profit in the fourth quarter of 2020 was 1,667 thousand Euro, compared with a profit of 1,382 thousand Euro in the fourth quarter of the previous year, an increase of 343 thousand Euro.

Progressive Consolidated Income Statement

The following table shows the reclassified operating results as of 31 December 2020, compared with those of the previous year.

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 31 December 2020 include the operating results of Elettropiemme S.r.l. throughout the entire year, while the 2019 figures with which they are compared include the operating results of this company for the months of February to December.

	(Euro /000)	31 December 2020 Total	31 December 2019 Total	Var. 2020-2019 Value	Var. 2020-2019 %
a	Revenues	129,645	140,535	(10,890)	-7.7%
b	Increases for internal work	2,213	2,574	(361)	-14.0%
c	Consumption of materials and products	48,038	50,208	(2,170)	-4.3%
d	Added Value (a+b-c)	83,820	92,901	(9,081)	-9.8%
e	Other operating costs	20,153	23,921	(3,768)	-15.8%
f	Personnel costs	46,118	49,250	(3,132)	-6.4%
g	EBITDA (d-e-f)	17,549	19,730	(2,181)	-11.1%
h	Depreciation, amortisation and impairment	8,151	9,355	(1,204)	-12.9%
i	EBIT (g-h)	9,398	10,375	(977)	-9.4%
l	Gains (losses) from financial assets/liabilities	(1,813)	(486)	(1,327)	-273.0%
m	Gains (losses) from shareholdings valued at equity	(2)	180	(182)	-101.1%
n	Profit (loss) before tax (i±l±m)	7,583	10,069	(2,486)	-24.7%
o	Taxes	(3,230)	(3,027)	(203)	-6.7%
p	Group net profit (loss) (n±o)	4,353	7,042	(2,689)	-38.2%

Revenues as of 31 December 2020 were 129,645 thousand Euro, compared with 140,535 thousand Euro in the same period in the previous year, revealing a drop of 10,890 thousand Euro (-7.7%). The change includes the effects of exchange rate fluctuation, in particular the Brazilian real, the Indian rupee and the Chinese Renmimbi, which have a negative effect of 1,933 thousand Euro. Net of this effect, the shrinkage in revenues in the year 2020 over the previous year would be 8,957 thousand Euro (-6.4%). The Coronavirus epidemic of 2020 led to temporary closures of the Group's plants: 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 plants are currently all operational.

The global emergency situation involving all the main international markets has led to a contraction in revenues extending to all the company's business lines and all the principal geographical areas in which the Group operates.

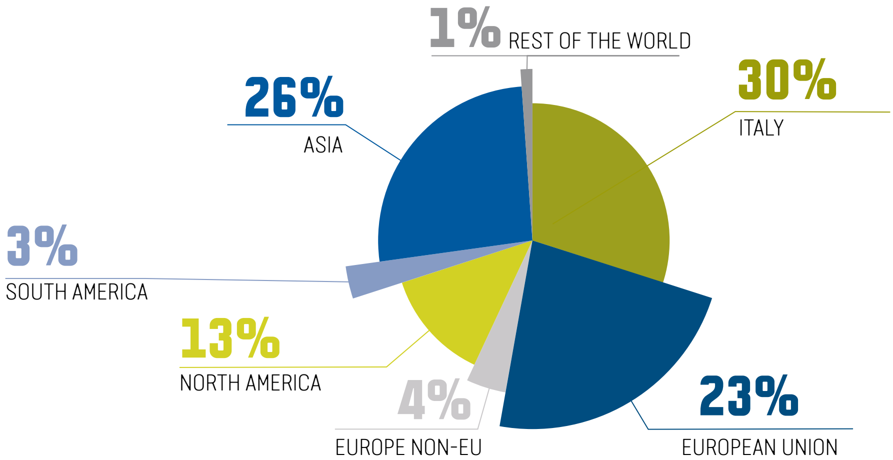
Looking at the order portfolio as of 31 December 2020, there was a decrease compared to the 2019 figure (-4.1%), albeit lower than the drop in revenues, and with a partial recovery in the last quarter of the year. Good performance was recorded in the Sensors business line, where incoming orders in 2020 exceeded the previous year's figure by 1.8%. Other business lines, however, saw a drop in orders: the automation components and motion control lines saw 8.4% and 8.7% fewer orders coming in, respectively.

The order portfolio was up for all product lines over 31 December 2019 (by a total of +20.1% over the year 2019).

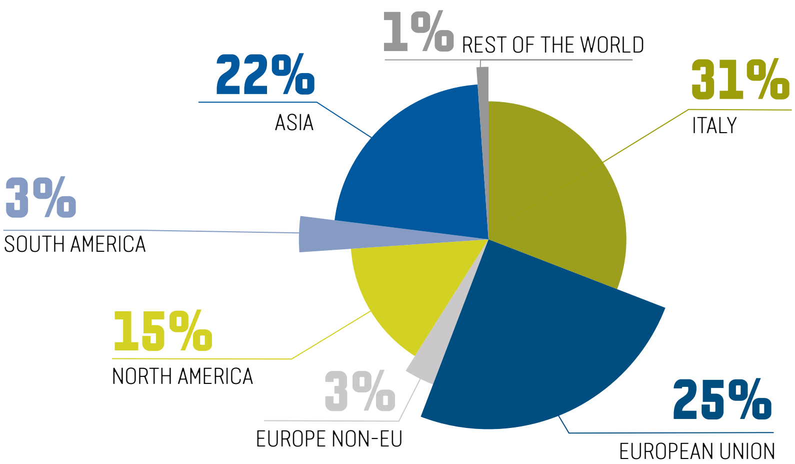
The table below shows a breakdown of revenues by geographical region:

(Euro /000)	31 December 2020 Value	31 December 2020 %	31 December 2019 Value	31 December 2019 %	Var. 2020-2019 Value	Var. 2020-2019 %
Italy	38,773	29.9%	43,342	30.8%	(4,569)	-10.5%
European Union	30,316	23.4%	34,861	24.8%	(4,545)	-13.0%
Europe non-EU	4,787	3.7%	4,588	3.3%	199	4.3%
North America	17,405	13.4%	21,656	15.4%	(4,251)	-19.6%
South America	3,589	2.8%	4,359	3.1%	(770)	-17.7%
Asia	33,839	26.1%	30,987	22.0%	2,852	9.2%
Rest of the world	936	0.7%	742	0.5%	194	26.1%
Total	129,645	100%	140,535	100%	(10,890)	-7.7%

Revenues up to 31 Dicember 2020



Revenues up to 31 Dicember 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 (-10.5%), the European Union (-13%), and North and South America (-19.6% and -17.7%, respectively). On the other hand, revenues increased in non-EU Europe, thanks to the healthy performance of the motion control business line in the region, and in Asia, thanks to the good performance of the sensors business line.

Revenues by business area in the year 2020 and a comparison with the previous year are shown below.

(Euro /000)	31 December 2020		31 December 2019		Var. 2020-2019	
	Value	%	Value	%	Value	%
Sensors	57,734	44.5%	60,582	43.1%	(2,848)	-4.7%
Automation components	37,238	28.7%	41,391	29.5%	(4,153)	-10.0%
Motion control	40,194	31.0%	43,953	31.3%	(3,759)	-8.6%
Eliminations	(5,521)	-4.3%	(5,391)	-3.8%	(130)	2.4%
Total	129,645	100%	140,535	100%	(10,890)	-7.7%

The breakdown of revenues by **business area** reveals a drop in revenues over the figure for 2019 in all the sectors the Group works in: motion control sales were down by 8.6%, while sales of automation components dropped 10%. Revenues from the sensors business were also down, though to a more limited extent (-4.7%), 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 as of 31 December 2020 totalled 2,213 thousand Euro, compared with 2,574 thousand Euro on 31 December 2019. This item represents the portion of development costs incurred in the period and capitalised.

Added value as of 31 December 2020 amounted to 83,820 thousand Euro (92,901 thousand Euro as of 31 December 2019), corresponding to 64.7% of revenues, down -1.5% from the figure of the previous year. The drop in added value, totalling 9,081 thousand Euro, primarily reflects the lower volumes sold.

Other operating costs in the year 2020 totalled 20,153 thousand Euro, 3,768 thousand Euro lower than in 2019 in terms of absolute value and representing 15.5% of revenues (17% in 2019). The variation primarily regards decreased costs for trade fairs, consulting services, travel expenses and external work, and of variable costs due to the decreased volumes of sales and a drop in costs associated with business travel due to travel restrictions adopted in various countries to contain the spread of Covid-19.

Personnel costs in the year 2020 totalled 46,118 thousand Euro (35.6% of revenues), as compared to 49,250 thousand Euro in 2019 (35% of revenues), a 3,132 thousand Euro decrease. The decrease is a result of actions taken in all Group companies, including resort to wage support, where permitted, taking holiday time and reducing variable bonuses.

The company's average number of employees increased from 801 in 2019 to 809 in 2020, while the number of employees working for the company dropped from 820 on 31 December 2019 to 787 on 31 December 2020.

EBITDA at 31 December 2020 is positive by 17,549 thousand Euro (19,730 thousand Euro at 31 December 2019), representing 13.5% of revenues (14% of revenues in 2019), down Euro 2,181 thousand over the previous year in absolute terms.

This lower margin is primarily due to shrinkage of sales volumes, only partially compensated by reduced operating costs, which remain largely unvaried when viewed as a percentage of revenues (-0.5%).

Depreciation, amortisation and impairment as of 31 December 2020 totalled 8,151 thousand Euro, as compared to 9,355 thousand Euro in the year 2019, a 1,204 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 operations began in the new building in January 2020.

EBIT at 31 December 2020 is positive at 9,398 thousand Euro (7.2% of revenues), as compared with an EBIT of 10,375 thousand Euro at 31 December 2019 (7.4% of revenues), a 977 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 2020 total 1,813 thousand Euro (as compared to 486 thousand Euro in charges in 2019) and include:

- financial income of 59 thousand Euro (93 thousand Euro in 2019);
- financial charges linked with the Group's indebtedness totalling 472 thousand Euro, up over 2019, when this item totalled 453 thousand Euro;
- negative result of differences in foreign currency transactions of Euro 1,367 thousand, as compared to a negative result of Euro 87 thousand in 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 39 thousand Euro (similar to the 2019 figure).

Losses from shareholdings valued at equity totalled 2 thousand Euro and relate to the result of Axel S.r.l., in addition to the elimination of the holding in Ensun S.r.l., which was liquidated in December 2020. The figure was down with respect to the previous year, when income of 180 thousand Euro was recorded, linked to the adjustment of the value of the Ensun S.r.l. Group following the sale of 100% of the shares of Elettropiemme S.r.l. and BS Energia 2 S.r.l..

Taxes were, on the whole, negative by 3,230 thousand Euro (3,027 thousand Euro as of 31 December 2019). This item may be broken down as follows:

- negative current taxes of 682 thousand Euro (negative by 1,968 thousand Euro as of 31 December 2019), linked to the economic results of Group companies in the period;
- deferred tax assets and liabilities, which were on the whole negative by 2,548 thousand Euro (negative by 1,059 thousand Euro as of 31 December 2019); this item primarily includes the release to the income statement of advance taxes of the Chinese subsidiary.

Group net profit in the year 2020 was 4,353 thousand Euro, compared with a profit of 7,042 thousand Euro in the previous year, a decrease of 2,689 thousand Euro.

Statement of Financial Position

The Gefran Group's reclassified consolidated statement of financial position as of 31 December 2020 may be broken down as follows:

(Euro /000)	31 December 2020		31 December 2019	
	Value	%	Value	%
Intangible assets	14,627	17.9	13,558	15.3
Tangible fixed assets	44,566	54.4	47,850	54.2
Other non-current assets	6,384	7.8	9,536	10.8
Net non-current assets	65,577	80.1	70,944	80.3
Inventories	20,301	24.8	24,548	27.8
Trade receivables	30,059	36.7	28,931	32.8
Trade payables	(20,561)	(25.1)	(24,937)	(28.2)
Other assets/liabilities	(5,776)	(7.1)	(3,484)	(3.9)
Working capital	24,023	29.3	25,058	28.4
Provisions for risks and future liabilities	(2,386)	(2.9)	(2,171)	(2.5)
Deferred tax provisions	(833)	(1.0)	(647)	(0.7)
Employee benefits	(4,479)	(5.5)	(4,853)	(5.5)
Net invested capital	81,902	100.0	88,331	100.0
Shareholders' equity	78,179	95.5	75,044	85.0
Non-current financial payables	27,441	33.5	21,916	24.8
Current financial payables	15,368	18.8	12,643	14.3
Financial payables for IFRS 16 leases (current and non-current)	2,637	3.2	3,084	3.5
Financial liabilities for derivatives (current and non-current)	328	0.4	169	0.2
Financial assets for derivatives (current and non-current)	-	-	(1)	(0.0)
Other non-current financial investments	(108)	(0.1)	(97)	(0.1)
Cash and cash equivalents and current financial receivables	(41,943)	(51.2)	(24,427)	(27.7)
Net debt relating to operations	3,723	4.5	13,287	15.0
Total sources of financing	81,902	100.0	88,331	100.0

Net non-current assets at 31 December 2020 were 65,577 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 1,069 thousand Euro. The change includes increases due to capitalisation of development costs (2,072 thousand Euro) and new investment (1,334 thousand Euro) well as decreases due to amortisation in the period (- thousand Euro). The change in exchange rates had a negative impact on the item amounting to 246 thousand Euro;
- tangible assets decreased by 3,284 thousand Euro compared with 31 December 2019. Investment in 2020 (2,597 thousand Euro) was offset by depreciation and amortisation during the period (4,784 thousand Euro) and the negative impact of the change in exchange rates (597 thousand Euro). In addition, this item includes the value of the right to use assets booked with reference to IFRS16, which increased by 928 thousand Euro in 2020 as a result of new contracts, and is offset by amortization of 1,267 thousand Euro, by decreases due to early termination of contracts, amounting to 98 thousand Euro, and the negative impact of exchange rate fluctuations, totalling 47 thousand Euro;
- other fixed assets as of 31 December 2020 totalled 6,384 thousand Euro (9,536 thousand Euro as of 31 December 2019), a 3,152 thousand Euro drop. This change is due to the adjustment of the value of equity investments, which were on the whole negative and amounted to 861 thousand Euro, particularly due to the final liquidation of Ensun S.r.l. (1,076 thousand Euro), as well as the decrease in deferred tax assets released in 2020 (2,291 thousand Euro).

Working capital was 24,023 thousand Euro as of 31 December 2020, compared with 25,058 thousand Euro on 31 December 2019, an overall decrease of 1,035 thousand Euro. The main changes were as follows:

- inventories dropped from 24,548 thousand Euro at 31 December 2019 to 20,301 thousand Euro at 31 December 2020, a net decrease of 4,247 thousand Euro; with regard to the trend observed during 2020, the gross value of inventories fell in the last quarter, as inventories of critical materials procured in excess in the first few months following the spread of the Covid-19 pandemic in order to deal with possible shortages were consumed. Exchange rate fluctuation contributes 666 thousand Euro to the reduction in the value of inventories;
- trade receivables amounted to 30,059 thousand Euro, up by 1,128 thousand Euro over 31 December 2019: this change is mainly linked to the trend in revenues in the fourth quarter of the year, up from the same period in the previous year. The increase also contributed to the closure of the loans and related write-down provisions of the Chinese subsidiary Gefran Siei Electric, by a total of 361 thousand Euro, as per the ongoing liquidation procedure. The Group conducts an accurate analysis of receivables, taking various factors into account (geographical area, sector, degree of solvency of individual customers), and these checks do not show any critical positions that may not be collected;
- trade payables totalled 20,561 thousand Euro, 4,376 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 joined the manifesto I pay suppliers, promoted by the Confindustria Brescia Association: this endorsement confirms the Group's commitment to meeting its financial commitments, even in critical situations such as the current pandemic;
- other net assets and liabilities are negative overall by 5,776 thousand Euro as of 31 December 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 2,292 thousand Euro, is primarily a result of decreased other tax payables.

Provisions for risks and future liabilities were 2,386 thousand Euro, a decrease of 215 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 attributable to movements in the product warranty provision and the provision for specific risks, as well as the provision for personnel reorganisation. For details, please refer to section 25 of the Explanatory Notes included in this Report.

Employee benefits amount to 4,479 thousand Euro, compared to 4,853 thousand Euro on 31 December 2019. The change is linked to payments made to employees (545 thousand Euro), as well as to the positive effect of discounting the debt existing at 31 December 2020 in accordance with IAS (133 thousand Euro). For details, please refer to section 24 of the Explanatory Notes included in this Report.

Shareholders' equity at 31 December 2020 amounted to 78,179 thousand Euro, up by 3,135 thousand Euro from 31 December 2019. The change mainly concerns the positive result for the period, equal to 4,353 thousand Euro, partially offset by the negative impact of 1,173 thousand Euro generated by changes in the translation reserve.

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

(Euro /000)	31 December 2020		31 December 2019	
	Shareholders' equity	Result for the period	Shareholders' equity	Result for the period
Parent Company shareholders' equity and operating result	71,268	6,280	65,066	6,222
Shareholders' equity and operating result of the consolidated companies	50,675	(79)	53,997	3,180
Elimination of the carrying value of consolidated investments	(46,542)	-	(46,542)	-
Goodwill	3,706	-	3,747	-
Elimination of the effects of transactions conducted between consolidated companies	(928)	(1,848)	(1,224)	(2,360)
Group share of shareholders' equity and operating result	78,179	4,353	75,044	7,042
Minorities' share of shareholders' equity and operating result	-	-	-	-
Shareholders' equity and operating result	78,179	4,353	75,044	7,042

Net financial position as of 31 December 2020 is negative by 3,723 thousand Euro, which is 9,564 thousand Euro better 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 25,607 thousand Euro and medium-/long-term debts of 29,330 thousand Euro.

This item reflects the negative impact of application of accounting standard IFRS16, worth 2,637 thousand Euro as of 31 December 2020, of which 968 thousand Euro was reclassified in the current part, while 1,669 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 year 2020, worth a total of 18,000 thousand Euro, none of which includes financial covenants.

The change in net financial position is essentially due to the positive cash flows generated by ordinary operations (16,953 thousand Euro) and income from the liquidation of Ensun S.r.l. (1,076 thousand Euro), absorbed by disbursements for technical investments made in the year 2020 and payment of interest, taxes and rental fees (for a total of 8,520 thousand Euro).

This item breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Cash and cash equivalents and current financial receivables	41,943	24,427	17,516
Current financial payables	(15,368)	(12,643)	(2,725)
Current financial payables for IFRS 16 leases	(968)	(1,071)	103
(Debt)/short-term cash and cash equivalents	25,607	10,713	14,894
Non-current financial payables	(27,441)	(21,916)	(5,525)
Non-current financial payables for IFRS 16 leases	(1,669)	(2,013)	344
Non-current financial liabilities for derivatives	(328)	(169)	(159)
Non-current financial investments for derivatives	-	1	(1)
Other non-current financial investments	108	97	11
(Debt)/medium-/long-term cash and cash equivalents	(29,330)	(24,000)	(5,330)
Net financial position	(3,723)	(13,287)	9,564

The Gefran Group's consolidated cash flow statement at 31 December 2020 showed a positive net change in cash at hand of 17,516 thousand Euro, compared with a positive change of 6,384 thousand Euro in 2019.

The change was as follows:

(Euro /000)	31 December 2020	31 December 2019
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	16,953	18,045
C) Cash flow generated by (used in) investment activities	(4,941)	(14,396)
D) Free Cash Flow (B+C)	12,012	3,649
E) Cash flow generated by (used in) financing activities	5,472	2,944
F) Cash flow from continuing operations (D+E)	17,484	6,593
G) Exchange rate translation differences on cash at hand	32	(209)
H) Net change in cash at hand (F+G)	17,516	6,384
I) Cash and cash equivalents at the end of the period (A+H)	41,943	24,427

The cash flow from operations in the period was positive by 16,953 thousand Euro; in particular, operations in 2020, purged of the effect of provisions, amortisation and financial entries, generated 17,691 thousand Euro in cash (20,125 Euro in the year 2019), while the net change in other assets and liabilities in the same period provided 2,066 thousand Euro in resources (whereas in the previous year it had drained off 5,004 thousand Euro) and management of operating capital absorbed 4,346 thousand Euro in cash (it had generated 2,897 thousand Euro in cash in 2019).

Financial resources to support technical investments amount to 6,003 thousand Euro, (15,644 thousand Euro in the year 2019). In addition, the liquidation of Ensun S.r.l. brought in 1,076 Euro in 2020; whereas in 2019 the acquisition of Elettropiemme S.r.l. was completed, absorbing 231 thousand Euro in resources, net of the cash acquired. In addition, the property located in Winchester (US) was sold in 2019, generating a positive cash flow of 1,181 thousand Euro.

Free cash flow (operating cash flow excluding investment) was positive by 12,012 thousand Euro, as compared with a positive figure of 3,649 thousand Euro at 31 December 2019.

Financing activities generated cash for totalling 5,472 thousand Euro and compare with a figure of 2,944 thousand Euro for 31 December 2019.

6 Investments

Gross technical **investments** in the year 2020 amount to 6,003 thousand Euro (16,006 thousand Euro in the year 2019), pertaining to:

- production and laboratory plant and equipment in the Group's Italian plants totalling 1,572 thousand Euro (including 735 thousand Euro for production lines in the sensors business unit, 462 thousand Euro in the components business unit and 375 thousand Euro for production lines in the motion control business unit), as well as 114 thousand Euro in the Group's other subsidiaries (in the year 2019, the Group invested 3,217 thousand Euro in Italy and 464 thousand Euro in its foreign subsidiaries);
- adaptation of industrial buildings housing the Group's Italian plants, totalling 555 thousand Euro, and plants in other countries, totalling 101 thousand Euro (in 2019, the Group invested 4,363 thousand in buildings in Italy and Europe, mainly in the sensors business line, and 4,174 thousand Euro in buildings abroad, mainly relating to the purchase and consequent adaptation of a building for the US subsidiary);
- renewal of electronic office machines and IT system equipment, amounting to 125 thousand Euro in the Parent Company (as compared to 189 thousand Euro in 2019) and 99 thousand Euro in the Group's subsidiaries (270 thousand Euro in 2019);
- miscellaneous equipment in the Group's subsidiaries amounting to 31 thousand Euro (60 thousand Euro in 2019);
- capitalisation of costs incurred in the period for new product development, totalling 2,072 thousand Euro (2,282 thousand Euro in 2019);
- investment in intangible assets totalling 1,334 thousand Euro, relating to patents as well as management software licences and SAP ERP development (other intangible assets worth 363 thousand Euro were entered in 2019, linked to the acquisition of Elettropiemme S.r.l. and the evaluation of Purchase Price Allocation, as well as 624 thousand Euro for management software licences and SAP ERP development).

Investments are listed below by type and geographical region:

(Euro /000)	31 December 2020	31 December 2019
Intangible assets	3,406	3,269
Tangible assets	2,597	12,737
Total	6,003	16,006

(Euro /000)	31 December 2020		31 December 2019	
	intangible	tangible assets	intangible	tangible assets
Italy	3,255	2,303	3,254	7,904
European Union	4	87	13	89
Europe non-EU	6	32	-	30
North America	-	51	-	4,270
South America	52	45	2	123
Asia	89	79	-	321
Rest of the world	-	-	-	-
Total	3,406	2,597	3,269	12,737

Investments in the year 2020 are broken down below by business area:

(Euro /000)	Sensors	Automation components	Motion control	Total
Intangible assets	1,457	984	965	3,406
Tangible assets	1,304	663	630	2,597
Total	2,761	1,647	1,595	6,003

7

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.

7.1
Sensors

Strategy

One of the main effects of the pandemic, which had a global impact in 2020, was the impossibility of sales representatives travelling and visiting prospects. This activity is crucial for achievement of the goal of broadening the spectrum of applications served by the business beyond the traditional sectors of application. As growth in so-called "technology applications adjacent to core applications" remains one of the pillars for the development of this business in the years to come, in light of what has happened, and throughout the year 2021, the main business for commercial development will be based on identifying significant opportunities in industrial applications other than traditional ones.

Aware that it will still be a long time before sales representatives can resume travelling, and expecting the mobility of the sales force to be limited for a large part of 2021, a marketing automation project was launched in 2020 with the specific aim of developing opportunities for contacting prospective customers through digital media. The first digital campaigns were launched in the last quarter of 2020, and will continue in 2021 to support commercial efforts to develop new business opportunities.

During the year, the company aims to reap the benefits in the Chinese and South-East Asian markets, resulting from greater localisation, made possible thanks to commercial investments already in place during 2019 and maintained during the pandemic.

2020 confirmed the importance and soundness of strategic business assets: technological leadership and knowledge of industrial processes, supported by the presence of local production (appropriately strengthened) to guarantee an adequate level of customer service.

These cornerstones have contributed significantly to consolidating the relationship with traditional clients even in the highly critical context of the year 2020. This is an essential key to re-launching the traditional sectors of industry served by the business line.

In the year 2020 the company was able to maintain, with only limited delays, its product development plans for digital evolution of communication interfaces and expansion of the range of certifications required to penetrate specific market segments (such as polymer manufacturers) in selected geographical areas. These products, thanks to their new and broader features, play an important role in supporting the business line's commercial development strategy.

In order to take advantage of the opportunities arising out of the digital evolution of processes with greater authority and speed, expanding the product range in the direction of greater digitization of signals with an orientation towards the importance of the data provided by sensors, in the year 2020 the Group introduced the position of Chief Technology Officer, who, starting from the Sensors and Components business, will guide product innovation from 2021 on.

In addition to this, constant verification of customer satisfaction will still be considered essential for maintaining and increasing the competitiveness of this business unit. For these reasons, investments are planned in 2021 to support and accelerate the evolution of industrial processes from the perspective of *lean manufacturing* and *Industry 4.0*.

Key Events

Response to the pandemic has seen the Group concentrate on ensuring the safety of its people worldwide, while at the same time planning and performing all tasks deemed strategic for the development of the business. Research and Development plans for the release of new products have not significantly slowed down, nor has significant investment supporting the production capacity of the various plants in the business line.

The pandemic definitely had an impact in 2020, though at different times, all the production plants in the sensors business line all over the world, in accordance with the lockdown periods imposed by different countries, were able to resume production promptly and serve customers' demands appropriately, thus ensuring the Group's ability to respond to demand.

Summary Results

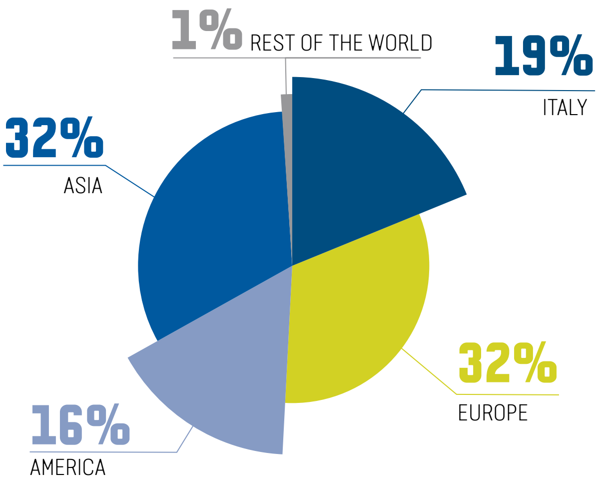
The table below shows the key economic figures.

(Euro /000)	31 December 2020	31 December 2019	Var. 2020 - 2019 Value	Var. 2020 - 2019 %	4Q 2020	4Q 2019	Var. 2020 - 2019 Value	Var. 2020 - 2019 %
Revenues	57,734	60,582	(1,686)	-2.8%	15,224	14,690	534	3.6%
EBITDA	13,563	14,663	(1,100)	-7.5%	3,600	3,119	481	15.4%
% of revenues	23.5%	24.2%			23.6%	21.2%		
EBIT	10,054	9,960	94	0.9%	2,687	2,283	404	17.7%
% of revenues	17.4%	16.4%			17.6%	15.5%		

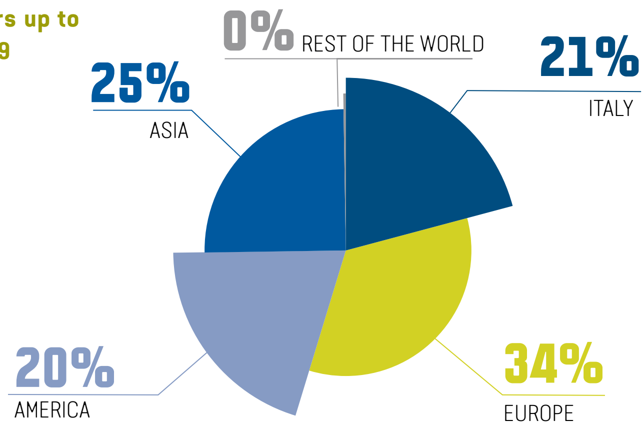
The breakdown of the sensors business revenues by geographical region is as follows:

(Euro /000)	31 December 2020 Value	31 December 2020 %	31 December 2019 Value	31 December 2019 %	Var. 2020 - 2019 Value	Var. 2020 - 2019 %
Italy	11,214	19.4%	12,830	21.2%	(1,616)	-12.6%
Europe	18,450	32.0%	20,342	33.6%	(1,892)	-9.3%
America	9,186	15.9%	11,970	19.8%	(2,784)	-23.3%
Asia	18,611	32.2%	15,162	25.0%	3,449	22.7%
Rest of the world	273	0.5%	278	0.5%	(5)	-1.8%
Total	57,734	100%	60,582	100%	(2,848)	-4.7%

Revenues sensors up to 31 December 2020



Revenues sensors up to 31 December 2019



Business Performance

Revenues from the business line amounted to 57,734 thousand Euro as of 31 December 2020, a decrease of 2,848 thousand Euro (-4.7%) over the figure of 31 December 2019, partly due to the effect of exchange rate fluctuations amounting to 1,162 thousand Euro. Net of this effect, revenues from the business were down by 1,686 thousand Euro (-2.8%) compared with the prior year, due to the effects of the pandemic. With respect to the previous year, sales in Asia rose (+22.7%), while sales in all the other main geographical areas fell: Italy (-12.6%), Europe (-9.3%) and America (-23.3%).

Positive signs were recorded in the orders received in 2020, totalling 60,999 thousand Euro, an increase over the previous year, when orders totalled 59,939 thousand Euro (+1.8%). The order backlog as of 31 December 2020 was also up over 31 December 2019 (+49.7%), particularly on the Asian market, where recovery was faster, also as a result of the evolution of the Covid-19 pandemic.

In the fourth quarter of 2020 revenues amounted to 15,224 thousand Euro, up 3.6% over the same period in 2019, when they came to 14,690 thousand Euro. Fourth quarter figures showing the first signs of recovery, in contrast with the previous quarters, when the figures for 2020 were always below the 2019 figures.

EBITDA amounted to 13,563 thousand Euro at 31 December 2020, 1,100 thousand Euro (-7.5%) lower than on 31 December 2019, when it was 14,663 thousand Euro. The change in EBITDA, which is very low in percentage terms, may be attributed to lower volumes of sale and therefore lower added value, only partially compensated by lower operating costs.

EBIT for the year 2020 was 10,054 thousand Euro, equal to 17.4% of revenues, compared with 9,960 thousand in 2019 (16.4% of revenues), an increase of 94 thousand Euro (+0.9%). EBIT in the year 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 31 December 2019 would have been 11,159 thousand Euro, and the change in EBIT in 2020 compared to the previous year would have been negative by 1,105 thousand Euro.

Also note that the effect of adoption of accounting standard IFRS16 in the sensors business has resulted in reversal of 523 thousand Euro in leasing fees (460 thousand Euro at 31 December 2019) and entry of amortisation of usage rights worth 523 thousand Euro (439 thousand Euro at 31 December 2019).

Comparing the figures by quarter, EBIT in the fourth quarter of 2020 came to 2,687 thousand Euro (17.6% of revenues); this figure may be compared with the fourth quarter of 2019, when it was 2,283 thousand Euro (15.5% of revenues).

Investments

Investments in the year 2020 totalled 2,761 thousand Euro, including 1,457 thousand Euro in investments in intangible assets, 483 thousand Euro in capitalisation of costs for research and development of new products, and 704 thousand Euro linked to the acquisition of a patent. The remainder is represented by purchases of software programmes and licences, as well as a share in the cost of development of the company's information system.

Increases in tangible assets totalled 1,304 thousand Euro, including 1,117 thousand Euro invested by the Parent Company, primarily for the purchase of production equipment for increasing the capacity and efficiency of production (735 thousand Euro), as well as for adaptation of new buildings (312 thousand Euro). Investments in the Group's subsidiaries totalled 187 thousand Euro, primarily for the purchase of plant and machinery for production facilities and adaptation of buildings.

7.2
Automation Components

Strategy

As a result of travel restrictions due to the spread of the global pandemic in 2020, the 2021 target for the commercial development of markets remains to focus on specific markets, such as Europe (Italy, France and Germany), the United States and Brazil, where, depending on the evolution of the impact of the Coronavirus, specific resources will be focused on growth of this business line. Identification of significant opportunities in industrial applications other than the traditional ones for the Group will be crucial. To achieve this, use of digital tools for conducting dedicated marketing automation campaigns will be extended to the automation components business.

The goal in other countries will be maintaining our current market share through follow-up with existing customers.

Business development is supported by a product range which was enriched with new features and products during the year 2020:

- in instrumentation, new functionalities were introduced for use in heavy-duty applications in the appropriate sectors of the process industry. This effort will continue in 2021, as process automation continues to evolve rapidly;
- the power control range was expanded with new functions, and a new range of static relays was introduced that meets the highest technical standards required by the market.

This business line's products form the "heart" of machinery and plant automation processes, so this business line will also benefit from the introduction of the position of Chief Technology Officer, who will broaden future developments in order to capture all the growth opportunities linked to the digital evolution of processes.

Constant monitoring of the level of customer satisfaction will still be crucial in order to maintain and improve the competitiveness of this business line. For this reason, investments are planned in 2021 to support and accelerate the evolution of industrial processes, consistent with the logic of lean manufacturing and the principles of Industry 4.0.

Key Events

Response to the pandemic has seen the Group concentrate on ensuring the safety of its people worldwide, while at the same time planning and performing all tasks deemed strategic for the development of the business. Despite this difficult context, plans for research and development of new products have not been substantially altered, and despite times of lockdown, the business line's production plants promptly resumed production as soon as possible in response to demand among customers.

Summary Results

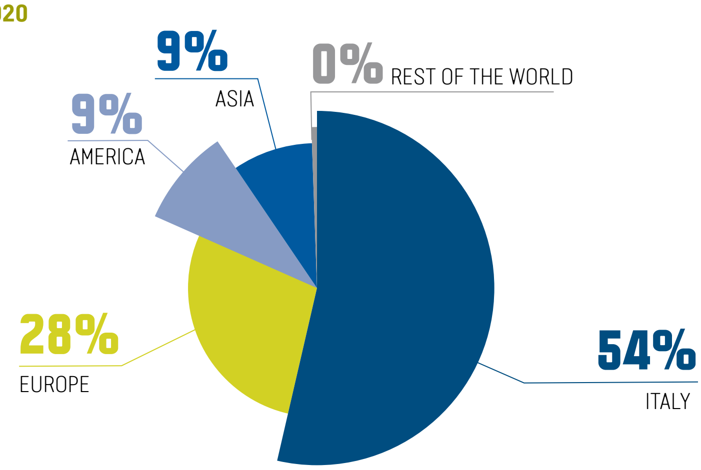
The table below shows the key economic figures.

(Euro /000)	31 December 2020	31 December 2019	Var. 2020-2019		4Q 2020	4Q 2019	Var. 2020 - 2019	
			Value	%			Value	%
Revenues	37,238	41,391	(4,153)	-10.0%	9,723	9,360	363	3.9%
EBITDA	3,578	4,128	(550)	-13.3%	1,167	759	408	53.8%
% of revenues	9.6%	10.0%			12.0%	8.1%		
EBIT	1,047	1,608	(561)	-34.9%	526	112	414	370.0%
% of revenues	2.8%	3.9%			5.4%	1.2%		

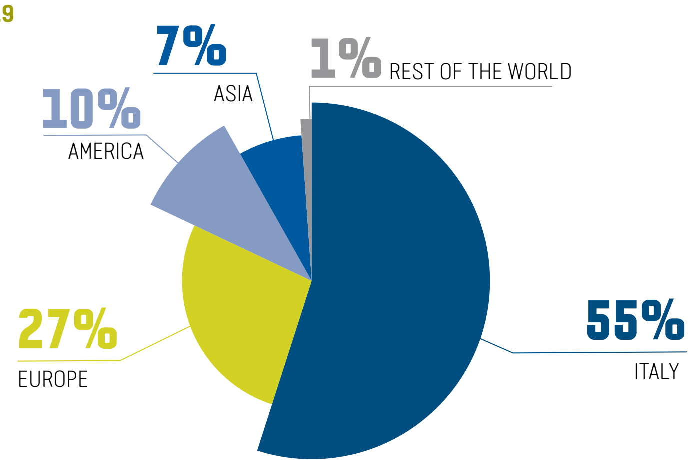
The breakdown of components business revenues by geographic region is as follows:

(Euro /000)	31 December 2020		31 December 2019		Var. 2020-2019	
	Value	%	Value	%	Value	%
Italy	20,235	54.3%	22,826	55.1%	(2,591)	-11.4%
Europe	10,244	27.5%	11,097	26.8%	(853)	-7.7%
America	3,387	9.1%	4,299	10.4%	(912)	-21.2%
Asia	3,229	8.7%	3,002	7.3%	227	7.6%
Rest of the world	143	0.4%	167	0.4%	(24)	-14.4%
Total	37,238	100%	41,391	100%	(4,153)	-10.0%

Revenues automation components up to 31 December 2020



Revenues automation components up to 31 December 2019



Business Performance

Revenues at 31 December 2020 amount to 37,238 thousand Euro, down 10% over the figure for 31 December 2019. Shrinkage is a result of current economic trends, distributed over the geographical areas of greatest interest to the business unit, particularly Italy (-11.4%), Europe (-7.7%) and America (-21.2%), while the Asian market showed the first signs of recovery, with an increase in sales over the same period in the previous year (+7.6%).

Orders received in the year 2020 amounted to 23,877 thousand Euro and were on the whole lower than the figure for the previous year (-8.4%), although the fourth quarter saw a partial recovery (+14.7% in the fourth quarter of 2020 compared to the figure for the fourth quarter of 2019). The order backlog at the end of 2020 was higher than the value recorded at the end of 2019 (+11.3%).

Revenues in the fourth quarter of 2020 amounted to 9,723 thousand Euro, up 3.9% over the same quarter of 2019, when they amounted to 9,360 thousand Euro; the business line performed well on the Italian market, which saw revenues in the last quarter of 2020 up 8.9% over the last quarter of 2019.

EBITDA as of 31 December 2020 was positive by 3,578 thousand Euro (9.6% of revenues), 550 thousand Euro lower than the figure for 31 December 2019, due to decreased sales, only partly compensated by lower operating costs.

EBIT for the year 2020 was positive at 1,047 thousand Euro, as compared with a positive EBIT of 1,608 thousand Euro in 2019. The 561 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 481 thousand Euro (429 thousand Euro at 31 December 2019) and to enter 467 thousand Euro in amortisation of usage rights (415 thousand Euro at 31 December 2019).

Comparing the figures by quarter, EBIT in the fourth quarter of 2020 came to 526 thousand Euro (5.4% of revenues), while in the fourth quarter of 2019 it was equal to 112 thousand Euro (1.2% of revenues), an increase of 414 thousand Euro.

Investments

Investments in 2020 totalled 1,647 thousand Euro. Investments in intangible assets amounted to 984 thousand Euro, of which 726 thousand Euro were to capitalise the cost of development of the new range of regulators and power controllers. The remainder relates to the purchase of software programs and licences, as well as the share of the development costs of the company's information system.

Investments in tangible assets amounted to 663 thousand Euro, including 631 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.

7.3 Motion Control

Strategy

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

Work continued on development of custom projects in 2020, ensuring stable volumes over time and greater factory efficiency, while the company's strategic orientation for 2021 will focus more on the development of product families for both industrial applications and non-industrial lifting.

Commercial activities will focus on strengthening the company's presence in the geographical areas where it already operates, paying particular attention to those in which the Gefran brand has been most successful over the years while, at the same time, developing areas with great potential, especially in the area of non-industrial lifting.

In industrial sectors, the focus will be on plastic and metal applications, where Gefran's characteristic application know-how allows the company to offer customers dedicated, specific solutions, thanks to the wide range of inverters available and the flexibility of implementation of its dedicated technologies.

Key Events

Investment in improving the productivity of existing ranges continued in 2020, contributing to the achievement of the targets set, and in the realisation of production lines for the new product ranges due to be launched on the market starting in 2021.

Timely adoption of measures to contain the spread of the Covid-19 virus within plants and numerous initiatives protecting the health of employees and their families ensured the continuity of production and, in particular, of the supply to the most critical industries were ensured, minimising the economic impact of shrinking demand on the domestic and international markets due to the pandemic.

Summary Results

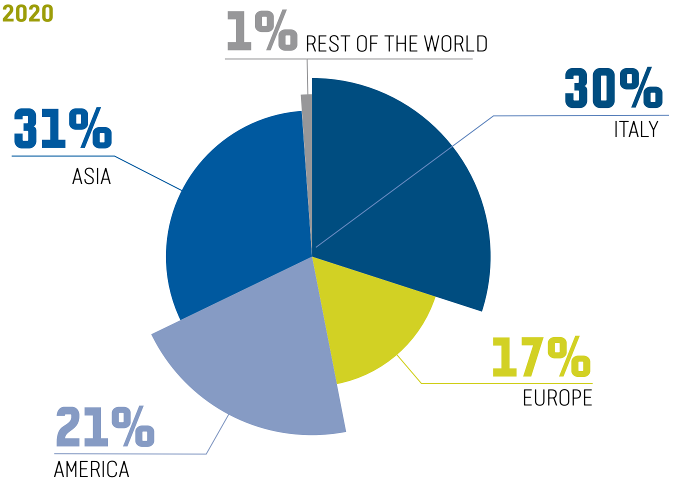
The table below shows the key economic figures.

(Euro /000)	31 December 2020	31 December 2019	Var. 2020-2019 Value	%	4Q 2020	4Q 2019	Var. 2020 - 2019 Value	%
Revenues	40,194	43,953	(3,759)	-8.6%	12,350	12,570	(220)	-1.8%
EBITDA	408	939	(531)	-56.5%	847	789	58	7.4%
% of revenues	1.0%	2.1%			6.9%	6.3%		
EBIT	(1,703)	(1,193)	(510)	-42.7%	320	252	68	27.0%
% of revenues	-4.2%	-2.7%			2.6%	2.0%		

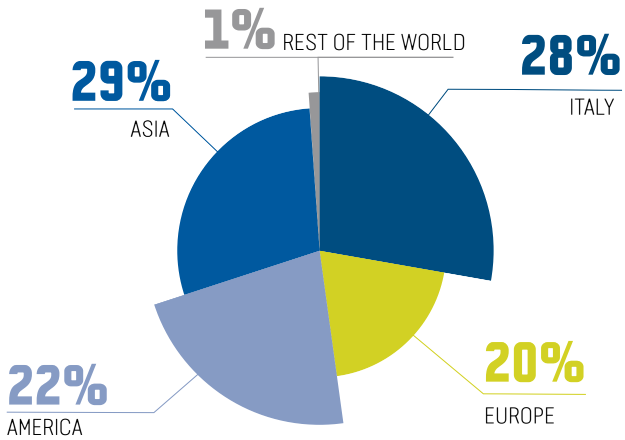
The breakdown of revenue by business destination Drives is as follows:

(Euro /000)	31 December 2020 Value	%	31 December 2019 Value	%	Var. 2020-2019 Value	%
Italy	11,959	29.8%	12,166	27.7%	(207)	-1.7%
Europe	6,913	17.2%	8,679	19.7%	(1,766)	-20.3%
America	8,525	21.2%	9,868	22.5%	(1,343)	-13.6%
Asia	12,278	30.5%	12,943	29.4%	(665)	-5.1%
Rest of the world	519	1.3%	297	0.7%	222	74.7%
Total	40,194	100%	43,953	100%	(3,759)	-8.6%

Revenues motion control up to 31 December 2020



Revenues motion control up to 31 December 2019



Business Performance

Revenues in the year 2020 amounted to 40,194 thousand Euro, 3,759 thousand Euro (-8.6%) less than in the previous year. Shrinkage was seen in all geographical areas of interest to the business unit: Europe (-20.3%), America (-13.6%), Asia (-5.1%) and Italy (-1.7%).

The order portfolio in the year 2020 amounts to 39,263 thousand Euro, down 8.7% over the year 2019, when it totalled 43,021 thousand Euro. The order backlog as of December 31, 2020 is in line with the figure for the end of 2019, rising by 0.6%.

Revenues in the fourth quarter of 2020 amounted to 12,350 thousand Euro, 1.8% lower than in the same period in 2019, when they amounted to 12,570 thousand Euro.

EBITDA at 31 December 2020 was positive at 408 thousand Euro (1% of revenues). If compared with the figure for 31 December 2019, which was positive by 939 thousand Euro (2.1% of revenues), a drop of 531 thousand Euro is evident, dictated by lower volumes of sale registered in 2020, not completely offset by the decrease in operating costs.

EBIT as of 31 December 2020 is negative by 1,703 thousand Euro, as compared to a negative EBIT of 1,193 thousand Euro for the previous year, a decrease of 510 thousand Euro. The reduction in operating costs partly recovered the lower added value achieved due to lower sales volumes.

Investments

Investments in the year 2020 amounted to 1,595 thousand Euro, including 630 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 965 thousand Euro and concerned the capitalisation of development costs (863 thousand Euro) relating to new products for the industrial sector and the lifting sector.

EBIT improved in the fourth quarter of 2020, when it was positive by 320 thousand Euro (2.6% of revenues); compared to the figure for the same period of 2019, positive by 252 thousand Euro (2% of revenues), EBIT increased by 68 thousand Euro.

Also note that adoption of accounting standard IFRS16 led the motion control business unit to reverse leasing fees of 274 thousand Euro (301 thousand Euro at 31 December 2019) and to enter 276 thousand Euro in amortisation of usage rights (292 thousand Euro at 31 December 2019).

8

Research and Development

The Gefran Group invests significant financial and human resources in product research and development. In 2020, about 5.7% of revenues were invested in these activities, considered to be strategic to maintain the products' high level of technology and innovation and ensure the level of competitiveness required by the market.

Research and development is concentrated in Italy, in the laboratories in Provaglio d'Iseo (BS) and Gerenzano (VA). It is managed by the technical area and includes development of new technologies, evolution of the characteristics of existing products, product certification, and design of custom products at the request of specific customers.

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

The **sensors** area focused its research activities in 2020 on further strengthening Gefran's offer in the certification and connectivity area, focusing on high-end Melt sensors and Magnetostrictive position sensors in the HYPERWAVE range.

With particular regard to Melt sensors, the certification process in the functional safety field was extended to top of the range products, both for the transmission fluid versions as well as for the IMPACT line, with the aim of gaining new market shares in the polymer transformation sector. In addition to the HART protocol and Atex certification, today the HMX, HWX and the new IMPACT HIX family can also benefit from SIL2 and PLd certifications.

Further development projects are aimed at expanding the geographical focus of certifications, leading to IECEx certification, preparatory to obtaining multiple regional certifications, Factory Mutual (FM) Explosion Proof certification, necessary to be able to compete on the U.S. market, and the EAC Ex certification for Russia and Kazakhstan.

In terms of processes, the year started with the installation of a system for the production of Melt sensors with NaK filling at the US plant. Moreover, technology transfer was started, which will allow the use of Thick Film sensitive elements in the production of Melt sensors, first in the US production site and then also in that in Shanghai, thus extending to the remote sites the benefits in terms of costs, performance and efficiency linked to this technology, already used in the Italian production lines.

As far as Magnetostrictive sensors are concerned, new product developments were directed towards implementation of communication protocols with a view to Industry 4.0. In this context, two new series with IO-Link and Profinet communication protocol will join the HYPERWAVE family:

- IO-Link, an industrial point-to-point communication protocol, is now the input solution for

Smart sensors. The world counted about 16 million IO-Link nodes in 2019, a figure which is growing rapidly (+40%);

- the new series relying on the superior performance of the Profinet protocol, in terms of both primary performance and data transfer capacity, will be at the top of Gefran's magnetostrictive offering; the number of significant Profinet nodes is also growing, with approximately 32.4 million nodes installed in 2019 (+25%).

Both protocols are expendable in a heterogeneous manner in the industrial machinery market.

The RTE (Real Time Ethernet) series will be used for faster and more performing machines. IO-Link is the most economical Smart solution, with advantages in terms of cabling, auto-parameterisation and acyclic data generation, indispensable requirements for Industry 4.0.

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

For the instrumentation range, attention was focused on the development of specific functionalities for alternative sectors to traditional ones like plastics, such as:

- products with Multi-protocol Fieldbus connectivity functions;
- products with advanced features based on the requirements of CFR21 standard (chemical/pharmaceutical market);
- products with specific HW and SW features, required in the metal heat treatment sector.

For the power controller range, work focused on the development of:

- a new family of SSR static units, with and without power dissipator, characterised by reduced dimensions in order to safeguard the installation spaces in electrical panels, whose dimensions tend to progressively reduce;
- a new product optimised for load control with three-phase transformer;
- introduction of specific algorithms oriented to the management and reduction of energy consumption (Industry 4.0);
- new software functions to preserve the useful life of power loads, reducing the need for maintenance and increasing the operational continuity of machinery and systems.

Development activities in **motion control** proceeded in two main directions. On the one hand, the development of products in the standard catalogue, enriched with new *Industry 4.0* functionalities for connectivity, safety and security, as well as the necessary functional and technological updating; on the other, the implementation of custom products, responding to specific ad hoc technical requirements (so-called job orders) requested by important market leaders in the industrial sector.

More specifically, projects were carried out in 2020 concerning:

- the job order for a new range of converters for lifts with high power, performance and reliability;
- the development, again to order, of an inverter for the air conditioning sector (HVAC) with high level performance, reduced electromagnetic emissions and optimised cost;
- the development of a converter dedicated to the metallurgical sector for a specific application (STIRRER, electromagnetic stirrers);
- renewal of the range of continuous converters that will be equipped with cloud, security and maintenance functions to meet the expectations of the main industry operators;
- finalisation and field testing of the new inverter line for non-industrial lifting.
- development to complete the range of hybrid power pump inverters (electricity grid and photovoltaic) for high sustainability applications.

A series of internal activities aimed at the development of new technologies, implemented independently and/or in collaboration with Universities and Research Centres, are also of importance, aimed at improving product performance and the possibility of introducing new functions and services, such as remote support and preventive maintenance.

9 Environment, Health and Safety

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

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

The Group considers its success to be a result of consistent global participation of all the workers who share in its organisation, goals and strategies. The health and safety of workers, of third parties working permanently on the company's premises, and of everyone working under the company's control are factors of primary importance for the effective, orderly pursuit of the company's general goals and the specific goals of various company functions. This commitment is confirmed and signed through the *HSE Policy*, which sets out the guiding principles for the Group: *Gefran considers the protection of employees' safety, health and well-being and the environment as a key value for the organisation of its activities, in order to create added value for all the Group's internal and external stakeholders.*

The goals of the health and safety organisation and the methods for achieving them require participation, sharing and verification on all levels.

2020 was marked by the spread of the Covid-19 pandemic and its impact, considering that the Group operates, through its subsidiaries, all over the world. Gefran promptly introduced a series of actions aimed at assessing and therefore containing the risk of contagion in the workplace, ensuring that its employees and external collaborators work under the safest possible conditions while ensuring continuity of operations on its premises. When the first established cases occurred in February 2020, an Internal Emergency Committee was set up to monitor the global health situation, issue guidelines and coordinate the actions undertaken. This committee is still active monitoring the evolution and impact of the pandemic. The Company has also created a specific DVR (Risk Assessment Document) assessing the biological risk associated with the Covid-19 epidemic. The most significant measures taken include:

- the definition of a set of internal procedures, behavioural protocols in each corporate area and specific access provisions, spread through internal communication channels and published on the corporate portal in order to reach all interested parties;
- intensification of routine plant cleaning work, specific operations for sanitisation of various areas, and widespread availability of sanitisation products;
- timely activation of agile working methods (including working from home), especially at the peak of the epidemic and flexibly during less acute phases; this way of working is still being used in some business functions;
- mapping production areas and offices, evaluating the spaces in order to guarantee the required distancing, reorganising the workstations where necessary;
- vaccination campaigns for seasonal flu.

Centralised management of the supply chain was implemented, also through synergies of supply among Group companies, with the aim of optimising ready availability of a supply of materials and PPE required to prevent the spread of Covid-19. This allowed us to ensure harmonised, consistent management in all Group companies, in all countries, especially where there was particular difficulty obtaining these products.

These measures have proven effective, ensuring the health and safety of employees and the operational continuity of all company functions.

- Despite the emergency situation described above, training has continued at various levels, supported by an external team of professionals in the industry, with the aim of protecting health and safety in the workplace. The Group's concrete commitment to Health and Safety is confirmed in the activities managed by the organisation, namely:
- pursuing the prevention of occupational illness and injury through analysis of historic data, risk assessment and good practice in the sector;
- considering protection of its employees' occupational health and safety essential part of all activities;
- working in compliance with laws, regulations, and existing technical practices;
- promoting this policy throughout the industry it works in, to improve awareness of the company's operations.

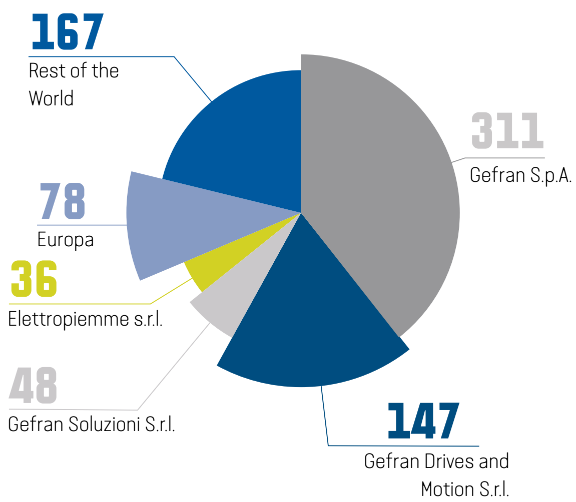
In the area of environment and the impact of its activities, the Group wishes to develop all aspects of environmental awareness, striving to achieve a constant balance between correct planning of environment, health and safety in all fields of application. Gefran is perfectly aware that development of an economic strategy aimed at reducing environmental impact is of fundamental importance not only for the environment and future generations but for its own success. Moreover, the Group believes that improvement of its environmental performance will offer significant commercial and economic benefits, while at the same time satisfying demand for improvement in the context in which the Group operates. This approach to reducing environmental risks and focus on climate change characterises all Gefran's actions.

Though Gefran is not considered a major energy consumer, auditing and analysis of the Group's energy consumption, made possible by installation of monitoring systems, have revealed the areas in which the most energy is consumed, and an "energy efficiency plan" has been implemented accordingly. The plan takes the concrete form of a campaign for replacement of old fluorescent lights with new LED light fixtures in the plants of the Parent Company and the subsidiaries Gefran Soluzioni S.r.l. and Gefran Drives and Motion S.r.l.; the energy efficiency plan saw complete replacement of all light fixtures in the year 2020. As in previous years, in 2020 the Group confirmed its commitment to separate collection of wastes for recycling on all its premises. In the Group's Italian premises in particular, once again this year the information regarding waste disposal and its complete independence from the services provided by the various municipalities involved led to recovery of the variable portion of solid urban waste disposal taxes.

In 2020 the Group also committed itself to coming up with concrete projects pertaining to the global objectives of the UN 2030 Agenda (SDGs), in the conviction that it can contribute to "ensuring that everyone has access to economic, reliable, sustainable and modern energy systems" and "adopting urgent measures to combat climate change and its consequences". Confirming the importance of these issues, and with the aim of implementing the projects defined in the *Strategic Sustainability Plan*, the company's organisation now includes an integrated "Quality, Safety and Environment" function with expertise at the Group-wide level, aimed at creating an integrated and harmonised management system for Q-HSE areas, which had in the past been managed independently by individual entities.

10 Human Resources

WORKFORCE AT 31 DECEMBER 2020



Workforce

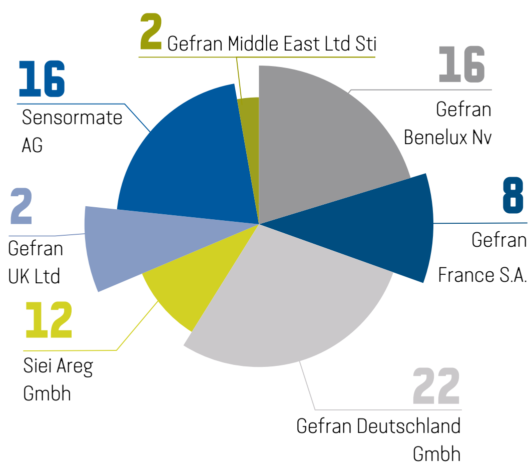
The Group's workforce as of 31 December 2020 included 787 people, 42 less than at the end of 2019.

This change results in an overall turnover rate within the Group of 14.1%.

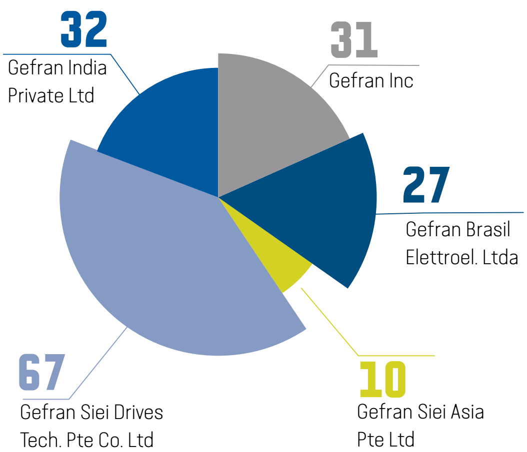
Movements in the year 2020 may be broken down as follows:

- 36 people joined the Group, including 5 manual workers and 31 clerical staff;
- 78 people left the Group, including 23 manual workers, 53 clerical staff and 2 managers/executives.

EUROPE WORKFORCE AT 31 DECEMBER 2020



REST OF THE WORLD WORKFORCE AT 31 DECEMBER 2020



The Gefran Way

To position the Group on the market, stay competitive and generate value, the Group needed an effective way of presenting itself, caring for its on-line reputation and managing its own identity, aligning its choices, actions and know-how. This is as true for companies as it is for individuals, as a company's image is an essential way of attracting and engaging talented people capable of innovating, responding to change and guiding the enterprise into the future. This is why it is becoming more and more necessary to perform a series of "story-telling" operations conveying brand identity.

The *Gefran Way brand identity* plan, implemented with a bottom-up approach in 2018 and 2019 with the involvement of both external stakeholders and internal representatives of all company functions, was a key element of inspiration and cohesion in 2020, a difficult and unpredictable year characterised by uncertainty and distancing due to the Covid-19 pandemic.

The Group's ability to remain relevant over time depends not only on its products and services but on its Vision (*Purpose*), valid for both the market and those who choose to work with Gefran, setting up a long-lasting partnership of mutual value. The concept of value no longer regards products and services for customers, pay and benefits for workers, and a variety of benefits for other stakeholders: it increasingly regards experience.

The Group's Promise, Purpose, Guiding Principles and Manifesto, widespread and shared across the Group between 2019 and early 2020, permeated daily choices and protocols. This has *eased the process of reaction and adaptation as people experienced the wave of the pandemic at different times, seeing as the Group has subsidiaries in various countries. The experience* of the *Gefran Way*, with the code of conduct expressed in the *Manifesto*, guided management and everyone working in the Group in overcoming the challenges and difficulties of the year, connecting people even over great distances thanks to their sense of belonging and their principles, and enabling them to respond rapidly with implementation of innovative solutions allowing them to continue working together in order to achieve their new goals, strengthening a very important characteristic: anti-fragility.

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

During 2020 a number of global digital events were organised that simultaneously reached the entire Gefran population, the first of which took place in September, to celebrate the *Gefran Way and share* resilient energy.

Corporate Welfare

People are the Company, and it is essential to make the most of their potential. Gefran is implementing a series of initiatives based on this awareness: plans for obtaining employees' engagement and fidelity, including corporate welfare, with the WELLFRAN platform offering goods and services such as a shopping cart, fuel vouchers, leisure services, family support and educational initiatives.

In 2020 this focus on people included initiatives ensuring protection of Health and Safety, not only in the workplace, where all the necessary safety protocols were applied immediately, but also in personal life and the family: all workers were provided with face masks for themselves and their family members as early as the first few weeks of the pandemic, an influenza vaccination plan was offered, and Covid swab tests were made available very rapidly.

The rules applied involved working from home, which had begun on an experimental basis in the Parent Company in 2019. The Group promptly activated this procedure in all its companies, even before the national *lockdowns came into effect*.

Thanks to this way of working, which is still in use, commercial functions and staff have suffered no interruption of their work. During temporary plant closures, the premises were sanitised, and workers unable to work from home, such as those in production and related services, were offered more flexible working methods through a participatory approach, allowing them to achieve the right balance between family life (made more complicated due to school closures, with home schooling, and other necessities due to the pandemic) and business continuity.

Thanks to these initiatives, for the third consecutive year in 2020 Gefran won the prestigious Best Job prize awarded by the German Economic Institute.

FLY Gefran Talent Accademy, FLY Youth

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

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

FLY includes specific programmes for development of potential, including:

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

FLY Youth is a session for recent graduates who are progressively being integrated in the company due to generational turnover. It is a programme for young people including workshops for development of key soft skills (orientation toward achievement of results, ability to cooperate, communication skills, self-discipline), guided by external instructors and coaches, as well as sessions held by managers of key company functions aimed at promoting an understanding of how Gefran is organised, viewed as a "corporate system".

Involvement and Participation

In 2020, much attention was paid to information and communication with workers who, especially in the first part of the year, were confined under lockdown and only subsequently were able to resume work for the company, at a time of great uncertainty in the world. To respond to the lockdown in the best possible way, groups were created on various platforms through which Function Managers kept all employees constantly informed of company protocols and work processes, how to return to work on the company's premises, and the application and updating of regulations and initiatives.

In terms of communications, inspiration and engagement were offered to all employees through participatory occasions such as the distribution of videos and essential summaries of best-selling books on fundamental cross-sectoral skills, involving people with the aid of surveys and sharing of messages, best practice and experiences.

In the second half of the year, digital training events were organised, in both live-streamed versions and with group work led by internal and external teachers.

11 Strategy

In 2020 the pandemic affected all the geographical areas in which the Group operates. But Gefran was able to continue creating value nonetheless: the results achieved during the year are concrete evidence of Gefran's great ability to monitor trends in demand, even in highly unpredictable contexts, to implement cost containment measures to preserve the long-term sustainability of the company and to serve the consolidated customer base successfully.

Even in this complicated year, Gefran's distinguishing features, its ability to flank customers with practical know-how, product customisation and levels of service, allowed the Company to strengthen its position as the key partner on the market, despite an economic and industrial scenario suffering from the negative impact of the Coronavirus crisis.

The pandemic, which has strongly limited sales' organisations ability to travel to different markets, has inevitably delayed plans for reaping the benefits of market development actions in applications adjacent to the Group's core applications with the aim of broadening the Gefran product installation base, so this will remain the basis for the Group's strategic development over the next three years.

On the other hand, 2020 did not compromise product development initiatives, and new product families were introduced at the end of the year with features, functions and certifications supporting the commercial expansion of the business planned for the years to come.

The drive towards product innovation will remain unchanged in the years to come, and in order to best support it in the course of the year just ended, the Group introduced the figure of Chief Technology Officer (CTO), who will contribute substantially to product evolution in Industry 4.0.

The introduction of the CTO confirms the Group's great focus on human capital, confirmed for the years to come, aware that the evolution of skills is indispensable in order to be competitive on the market and respond to the generational turnover that is taking place, particularly in Italian companies, where new generations of young people in the Group will contribute significantly to achieving the expected results.

Alongside product innovation, Gefran will continue to invest in process innovation in the coming years, both in manufacturing and cutting across the Group's various functions. The search for efficiency in every area of the company is, and will continue to be, a key factor in the success of the company, and the adoption of the new tools offered by the evolution of digital technology will be crucial to achieving this goal.

The orientation to sustainability, officially stated in the Group's Strategic Sustainability Plan and the projects contained therein in November 2020, lays the foundations for the strategic guidelines described in the paragraphs above.

Although the plan for growth is mainly based on internal development, the Group does not exclude the possibility of growth extending externally, through takeovers or partnerships, provided they are consistent with the Group's strategic guidelines and compatible with its organisational structure.

12 Main Risks and Uncertainties to Which the Gefran Group is Exposed

In the normal course of its business, the Gefran Group is exposed to various financial and non-financial risk factors, which, should they materialise, could have a significant impact on its economic and financial situation. The Group therefore adopts specific procedures to manage the risk factors that could influence its results.

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

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

The organisational structure of relevance to the internal control and risk management system is set up as follows:

- the **Risk Control Committee** (RCC), which has the task of supporting, with adequate preliminary investigation activity, evaluations and decisions of the Board of Directors regarding the internal control and risk management system, as well as of checking the proper application of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- the **Executive Director Executive Director in charge of the internal risk control system**, with the task of identifying the main corporate risks, implementing the risk management guidelines and checking their adequacy. In this regard, with the entry into force of the January 2020 edition of the Corporate Governance Code, applicable "from the first financial year beginning after 31 December 2020", this role is held by the *Chief Executive Officer* (as defined in the document in question);
- the **Executive in charge of the financial reporting**, who has direct supervision of the control model pursuant to Law 262/2005 and of the related administrative and accounting procedures, in connection with the constant updating of the same;
- the **Internal Audit** function, with the task of checking, both continuously as well as in relation to specific requirements and in compliance with international standards, the operation and appropriateness of the internal control and risk management system, via an audit plan approved by the Board of Directors, which is based on a structured analysis of the main risks.

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

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

- **External Risks**: risks deriving from factors beyond the company's control, such as macroeconomic context and changes in the regulatory and/or market scenario;
- **Financial Risks**: connected with the availability of funding, credit and cash management, and/or volatility of key market variables (e.g. commodity prices, interest rates, exchange rates);
- **Strategic Risks**: risks connected with the company's strategic decisions regarding product portfolio, extraordinary operations, innovation, digital transformation, etc. which could influence the Group's performance;
- **Governance and Integrity Risks**: risks connected with Group/Company governance or with professionally incorrect behaviour which does not conform to the Company's ethical policy and could expose the Group to possible sanctions, undermining its reputation on the market;
- **Operating Risks and Reporting Risks**: risks connected with the efficacy/efficiency of company processes, with negative consequences for the company's performance and operations, and/or connected with the possibility that planning, **reporting and control processes may not be sufficient to assist** management with strategic decision-making and/or monitoring of the business;
- **Legal and Compliance Risks**: risks pertaining to management of legal and contractual aspects and conformity to national, international and industry laws and regulations applicable to the Company;
- **IT Risks**: risks connected with the adequacy of information systems for supporting the current and/or future requirements of the business, in terms of infrastructure, integrity, security and availability of data, information and information systems;
- **Human Resources Risks**: risks connected with the retention, availability, management and development of the resources and skills necessary to conduct business and management of trade union relations.

The eight risk families analysed are schematically represented below:

1. External Risks

1.01	Macroeconomic context	**1.02**	Instability in Emerging Economies where the Group produces or sells its products
1.03	Catastrophic Events / Business Interruption	**1.04**	Evolution of the lows, regulations and industry standards
1.05	Competition	**1.06**	Unexpected changes in demand (including consumer habits)

2. Financial Risks

2.01	Volatility of raw materials' price / Financial markets	**2.02**	Business / finncial counterparts
2.03	Exchange rate	**2.04**	Interest rate
2.05	Liquidity	**2.06**	Availability of capital / debt reimbursement capability
2.07	Quality of the credit		

3. Strategic Risks

3.01	Sustainability of the Businesses (e.g. Motion / Automation)	**3.02**	Investments decisions / M&A
3.03	Product Portfolio	**3.04**	Product / process innovation
3.05	Effectiveness of medium-long term strategies	**3.06**	Effectiveness of extraordinary transactions
3.07	Strategic planning	**3.08**	Effectiveness of crisis management plans
3.09	Dependence on key customers	**3.10**	Dependence on suppliers / critical subcontractors
3.11	Digital Transformation & Change Management		

4. Governance and Integrity Risks

4.01	Resistance to changes	**4.02**	Integrity of behaviors / frauds
4.03	Proxies and Powers	**4.04**	R&R (Roles e responsability) / SoD
4.05	Management and government of foreign branches		

5. Operating and Reporting Risks

5.01	Adequacy / saturation od production capacity	**5.02**	Incorrect / inefficient production planning
5.03	Obsolescence of plants / machineries	**5.04**	Quality of product / Recall
5.05	Storage obsolescence	**5.06**	Unavailability of raw materials / semi-finished products / other goods and extra costs of supplies
5.07	Reliability of suppliers portfolio	**5.08**	Ineffectiveness of sales channels
5.09	Pricing ineffectiveness	**5.10**	Budget, Planning e Reporting
5.11	Unavailability of data and information	**5.12**	Transfer Pricing
5.13	Order execution risk	**5.14**	Partitioning of suppliers
5.15	Delays in the execution of investment plans	**5.16**	Interruptions / Delays in Logistics

6. Legal and Compliance Risks

6.01	Protection of th exclusiveness of the product	**6.02**	Litigation
6.03	Contractual risks	**6.04**	Adaptation to H&S legislation
6.05	Adaptation to environmental legislation	**6.06**	Adaptation to labor legislation
6.07	Adaptation to 262 Italian Law / financial reporting	**6.08**	Adaptation to 231 Italian Law Decree/ Anticorruption
6.09	Adaptation to fiscal legislation	**6.10**	Adaptation to privacy legislation
6.11	Adaptation to industry legislation (ex. ISO)	**6.12**	Adaptation to customs legislation

7. IT Risks

7.01	IT & Data Security (Cybersecurity e SoD)	**7.02**	Disaster Recovery / Business Continuity
7.03	IT Governance	**7.04**	IT Infrastructure / limits of technological capacity
7.05	Web Domain		

8. Risks connected to Human resources

8.01	Attraction e Retention	**8.02**	Professional development and compensation
8.03	Generational change	**8.04**	Industrial Relations
8.05	Dependence in key figures	**8.06**	Poor communication between the first managerial lines
8.07	Timeliness of communications relating to organizational changes	**8.08**	Average age of employees
8.09	Unavailability of personnel	**8.10**	Climate in the company
8.11	Smart working / remote working management	**8.12**	Personnels performance

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

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

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

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

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

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

The process conducted in 2020 involved 15 company contact people representing the Parent Company and subsidiaries.

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

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

Note that, with reference to IT risk, the risk management processes currently implemented by the Group do not reveal any particular risks relating to the adequacy of information systems, in terms of infrastructure, data integrity and availability and the security of systems and applications used. In particular, during 2020 a strong focus was placed on cybersecurity, adopting procedures and systems to monitor and prevent attacks on the corporate network by hackers.

There are no specific risks to be reported with reference to human resources, thanks to initiatives undertaken since 2017 and still underway; the reader is referred to the Human Resources section of this Report on Operations for more details.

Lastly, on the basis of economic results and cash flows in recent years, as well as available funds as of 31 December 2020, there is believed to be no significant uncertainty as of that date as to the Company's ability to maintain business continuity.

12.1 External Risks

Risks Associated with the General Economic Conditions and Market Trends

At the end of January 2021, the International Monetary Fund's global estimates for the year just ended were further revised in light of trends and the evolution of the Covid-19 pandemic. Globally, the overall contraction is estimated at 3.5% for 2020 (where only China is experiencing 2.3%) growth, and is projected to grow 5.5% in 2021 and 4.2% in 2022.

According to the International Monetary Fund, contraction in the Eurozone in 2020 is estimated at 7.2% (contraction is stronger in Italy, at 9.2%), and the projection for the next two years is for partial recovery, equal to 4.2% for 2021 (Italy +3%) and 3.6% for 2022 (in line with the figure for Italy).

The Gefran Group is present through subsidiaries in international markets and this widespread geographic presence enables the Group to mitigate the effects of any recessionary phases. Diversification of the markets where the Group operates and the products it offers reduces exposure to the cyclical trends of some markets.

With reference to the current situation, even though the Covid-19 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: China had already resumed full-swing production in the second quarter of the year, while other important countries for the Group saw a slowdown.

As described above, the spread of the pandemic has had a negative impact on Gefran's economic results, including revenues, which were 7.7% lower in 2020 than in 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, in view of the reduction in revenues, the cost containment measures implemented and the careful management of working capital led to good results in terms of EBITDA and cash flow; performance in the fourth quarter of 2020 in particular was better than in the same period of 2019.

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.

Risks Associated with the Market Structure and Competitive Pressure

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

The Group operates in a very crowded competitive environment: operators which are large groups that may have greater resources or better cost structures, both in terms of economies of scale and factor costs, enabling them to implement aggressive pricing policies.

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

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

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

Risks Associated with Changes in the Regulatory Framework

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

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

In addition, there is the risk of changes or tightening of the regulatory framework by supranational/national governmental bodies in the countries where Gefran operates that could have an impact on the Group's operating results.

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

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

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

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

Country Risk

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

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

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

12.2
Financial Risk

Exchange Rate Risk

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

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

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

Interest Rate Risk

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

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

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

Risks Associated with Fluctuations in Commodity Prices

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

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

Risks Associated with Funding Requirements

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

Gefran's capital structure is strong; it has own funds of Euro 78.2 million versus overall liabilities of Euro 84.8 million. Most 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, and do not have clauses requiring compliance with economic and financial requirements (covenants).

Four new medium- to long-term loans were signed during 2020 for a total of 18 million Euro, without any financial covenants, and two loans were settled where these restrictions were present; none of the current loans includes convenants (for details, refer to the section on "Net Financial Position" in the Explanatory Notes).

Liquidity Risk

With regard to the current situation, 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.

Credit lines and cash on hand are sufficient for the Group's operations and the expected economic outlook. Credit lines granted by banks were subject to a review in the year, leading to the essential confirmation of the terms and conditions and amounts.

Credit Risk

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

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

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 caused by Covid-19 at the start of 2020 caused a global economic shock, with the result that the Group 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.

12.3

Strategic Risks

Risks Associated with the Implementation of the Group's Strategy

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

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

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

Risks Connected with Delays in Product and Process Innovation

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

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

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

However, if there are certain factors, there may be delays that could affect the Group's results.

12.4

Governance and Integrity Risks

Ethical Risks

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

Respect for people and their valorisation, diversity and equal opportunities are the ethical principles the Group is inspired by the HR Policy, which covers the Group as a whole.

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

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

12.5

Operating Risks and Reporting Risks

Risks Associated with Relations with Suppliers

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

Due to the spread of Covid-19 ring in the beginning of 2020, 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 where lockdowns had been put in place, direct orders for supplies to plants that were 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 Group's plants, which suffered no interruptions due to shortages of materials.

A number 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.

The Group undertakes to meet its obligations to suppliers by paying the amounts due on a regular basis and by the agreed deadlines; the Parent Company Gefran S.p.A. participated in the "I pay suppliers" initiative of the Brescia Industrialists' Association, confirming its willingness to manage and support the supply chain in an ethical and respectful manner. The company has internalised the concept, and applies the same rules to its suppliers.

Risks Associated with Product Development, Management and Quality

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

The quality of the product and of the process underlying its production is of the utmost importance for the Group and this is evident in the quality function which, over the years, has been increasingly endowed with new resources and skills, at a global level, to ensure the proper supervision of this fundamental aspect.

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

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

Risks Associated with Operations at Industrial Facilities

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

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

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

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

In any case, the possibility of major oscillation of demand, making effective production planning difficult, and demand in excess of its productive capacity could cause Gefran to miss out on opportunities and/or lose revenues.

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.

In response to the spread of Covid-19, Gefran has implemented all procedures to guarantee the health of its employees, taking into account all the official protocols issued by the governments of the countries in which Gefran operates. 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.

In addition, a process of collecting and sharing information has been implemented to monitor the evolution of the anti-Covid-19 regulations implemented by the various countries in which the Group and its subsidiaries operate: the legal office of the Parent Company takes care of this process, collecting and publishing the necessary updates on the internal corporate network, making them known to all interested parties.

12.6 Legal and Compliance Risks

Legal Risks and Product Liability

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

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

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

Risks Associated with Intellectual Property Rights

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

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

13 Facts of Importance for the Financial Year 2020

- On 6 April 2020 the Gefran S.p.A. Board of Directors withdrew its 12 March 2020 resolution concerning the distribution of dividends on profits earned in 2019. The decision was made in view of the significant economic impact of the Covid-19 pandemic, with the goal of limiting financial expenditure and prudentially reinforcing the Group's already solid economic and financial position.

  The Shareholders' Meeting was asked to allocate all of the net profit from the year 2019 (6,221,826 Euro) to retained earnings.
- On 28 April 2020 the Gefran S.p.A. extraordinary shareholders' meeting approved the changes to the company's articles of association proposed by the previous Board of Directors' meeting.
- On April 28, 2020, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:
  - Approve Gefran S.p.A.'s financial statements for the year 2019 and allocate the entire annual profit of Euro 6.2 million to retained earnings;
  - Appoint Ennio Franceschetti as Gefran Honorary Chairman and resolve on appointment of the members of the Board of Directors for the 2020-2022 three-year period: Ennio Franceschetti, Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti, Marcello Perini, Daniele Piccolo, Monica Vecchiati, Cristina Mollis and Giorgio Metta.
  - Authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares with a face value of 1 Euro each, within 18 months from the date of the Shareholders' Meeting.

  In accordance with art. 123-ter of Italy's Consolidated Finance Act (TUF), the shareholders' meeting voted in favour of the Group's 2020 Remuneration Policy and remuneration for the year 2019.
- On 28 April 2020, the new Gefran S.p.A. Board of Directors, which met immediately after the shareholders' meeting, appointed Maria Chiara Franceschetti as its Chairwoman, Andrea Franceschetti and Giovanna Franceschetti as its Vice Chairman and Vice Chairwoman, and Marcello Perini as CEO.

  The new Board of Directors appointed members Monica Vecchiati, Daniele Piccolo and Giorgio Metta to the Control and Risk Committee, while Daniele Piccolo, Monica Vecchiati and Cristina Mollis were appointed members of the Remuneration Committee.

  The independence requirements of the newly-appointed board were also verified. The nonexecutive directors Daniele Piccolo, Monica Vecchiati, Cristina Mollis and Giorgio Metta declared they were in possession of the independence requirements. Daniele Piccolo is Lead Independent Director. Ennio Franceschetti, Maria Chiara Franceschetti, Andrea

Franceschetti, Giovanna Franceschetti and Marcello Perini are Executive Directors.

- On 27 May 2020, Standing Auditor Primo Ceppellini resigned for personal reasons, with immediate effect. In accordance with the law and the Articles of Association, the office was taken over by Luisa Anselmi, appointed Deputy Auditor by the Shareholders' Meeting of 24 April 2018.
- On November 25, 2020, the *Strategic Sustainability Plan*, drawn up in line with the United Nations Sustainable Development Goals (Global Compact), was presented to stakeholders as an evolution of the Group's commitment to quality of life within and outside the company (persons, territory, environment) that has historically guided the Group's strategic and corporate management choices. The Plan was presented during the digital event "The future is our present - Sustainability and competitive edge", moderated by Dr. Mario Mazzoleni, Director of SMAE (School of Management and Advanced Education) at the University of Brescia University, with the participation of Dr. Carlo Carraro, Rector Emerito and Ordinary Professor of Environmental Economics at Ca' Foscari University in Venice. During the event, members of the Sustainability Committee Giovanna Franceschetti and Marcello Perini and Sustainability Project Manager Fausta Coffano described guidelines, objectives and projects included in the Plan.

For information on the impact of the Covid-19 pandemic in the year 2020, please refer to the *IMPACT OF COVID-19 section* of this Report on Operations.

14 Significant Events After Year End

Nothing to report.

15 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 spread 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 current scenario, in light of the trends observed during 2020, the International Monetary Fund further revised estimates and projections in January 2021: overall global contraction of the economy is estimated at 3.5% for the year that has just ended, with a projection of 5.5% growth in 2021 and 4.2% growth in 2022. In this context, China stands out among emerging economies, where, thanks in part to the country's response to the Covid-19 pandemic, the IMF observed 2.3% growth in 2020 and predicts further growth over the next two years (+8.1% in 2021 and 5.6% in 2022).

According to the International Monetary Fund, contraction in the Eurozone in 2020 is estimated at 7.2% (contraction is stronger in Italy, at 9.2%), and the projection for the next two years is for partial recovery, equal to 4.2% for 2021 (Italy +3%) and 3.6% for 2022 (in line with the figure for Italy).

The Confindustria Study Centre's Reports of January and February 2021 estimate Italian GDP for the year 2020 as down, though by less than the IMF estimate (-8.9%), and the recovery forecast for 2021 has been delayed: the possibility of recovery does not appear until the second half of 2021, and even then, only if the vaccination campaign that began in the first quarter of the year can defeat the pandemic and allow spending to resume.

Following the first wave of the pandemic, new organisational methods were promptly 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 contributed to achievement of the results recorded in the year 2020.

Demand in the last quarter of 2020 was better than in the previous quarters of the year, although this improvement was not enough to permit complete recovery of revenues for 2020, which were on the whole lower than the figure for 2019.

2021 started with the positive trend that had already appeared at the end of 2020; Asian countries continue to lead the way, while other countries also show signs of recovery of demand.

The industrial sector performed well, partly as a result of the start of the vaccination campaign buoying confidence in the market. At the moment, this confidence has not yet been undermined by new outbreaks of the pandemic in some countries, including Italy.

The focus on the health and safety of all its employees remains high in Group companies, although work on product development and planned investments continue, in some cases complying fully with the original plans.

A number of market segments currently show room and potential for growth for those who will be able to guarantee supplies of products and services despite the context of great uncertainty and unpredictability; the ability to seize these opportunities will mitigate the fact that sales staff still have few opportunities to meet with customers, at least for the first months of the year.

Gefran has these capabilities, as it demonstrated this in 2020 by adopting flexible digital approaches in the most diverse business environments as the events of the year unfolded; this awareness suggests confidence regarding the year 2021, which is still affected by the great uncertainty surrounding Covid-19 despite a number of positive developments.

In this context, the Group believes that results for the year 2021 could exceed those achieved in 2020, in terms of both revenues and margins.

16 Impact of Covid-19

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, 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 health and safety of everyone it works with (both employees and other business partners) 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 year 2020, and all financial commitments to suppliers were met.

The Gefran Group has also resorted to use of the ordinary wage 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 final quarter of 2020, especially in Europe, it has been necessary to introduce new measures intended to protect citizens' health, which could have an impact on the economy and fuel uncertainty and concern about future prospects. Vaccination campaigns in various countries have displayed the same differences and delays.

As of the date of publication of this annual financial report, all the measures already introduced by Gefran in 2020 to ensure 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.

Based on the comparison of the results accomplished and the related Budget, approved by the Board of Directors on February 13, 2020 and representing the pre-pandemic forecast, a negative effect deriving from the pandemic on the Group's results is estimated. In particular the revenues contraction is estimated at 16% and the EBIT at 13% due to cost containment measures partially mitigating the reduction in revenues; in terms of free cash flow generated, virtuous management of working capital produced better results than expected, estimated at around +10%.

17 Own Shares

As of 31 December 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 sold during 2019 and 2020 and at the date of this report the situation is unchanged.

18 Dealings with Related Parties

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

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

The regulation is based on the following general principles:

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

The regulation is structured as follows:

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

See paragraph 38 of the Notes to the Consolidated Financial Statements for details on transactions with related parties.

19 Disclosure Simplification

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

20 Provisions Under Articles 15 and 18 of the Consob Regulation on Markets

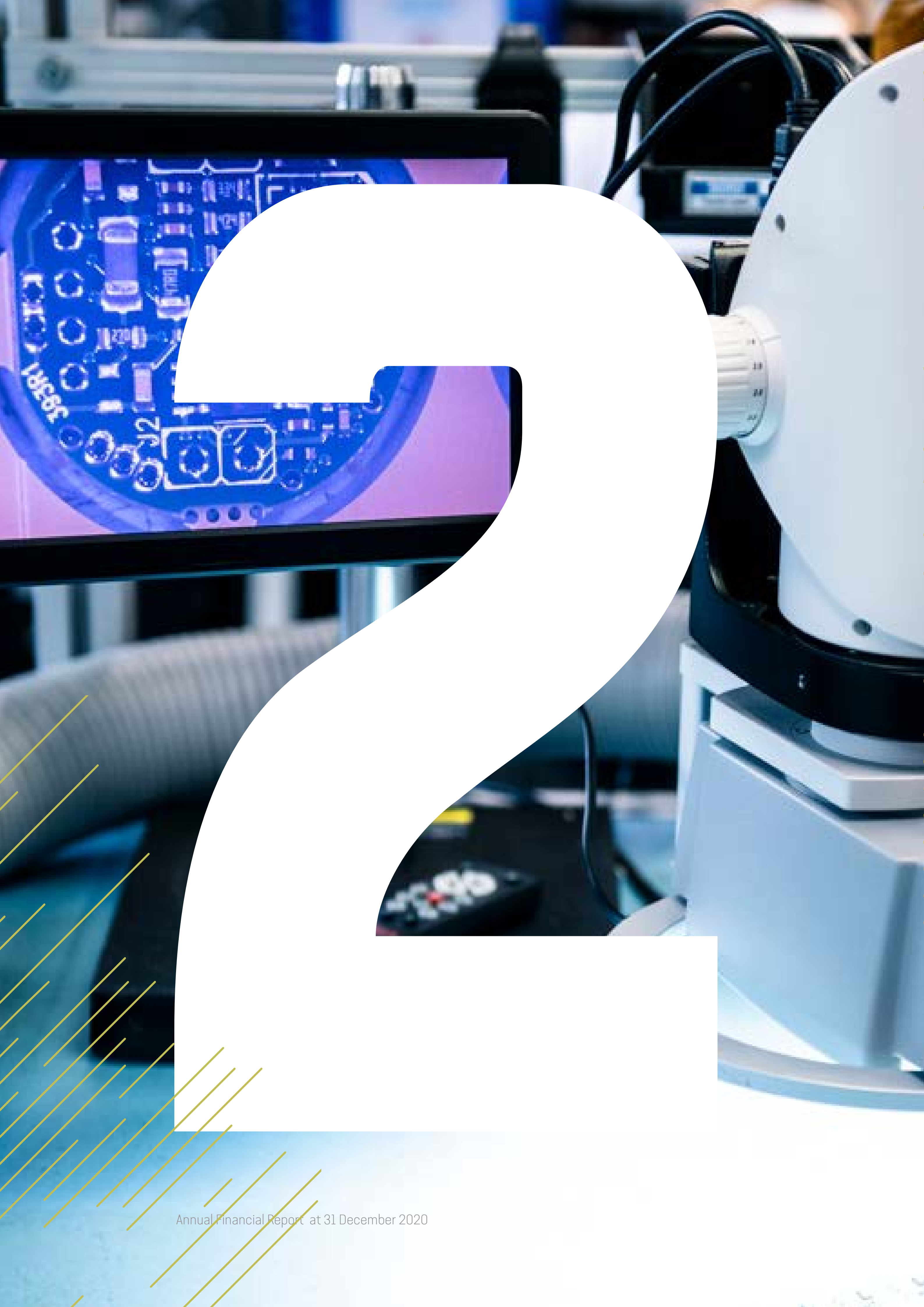
With reference to the "conditions for listing of shares of parent companies of companies established and regulated by laws of countries not belonging to the European Union" as set out in Articles 15 and 18 of the Consob Regulation on Markets, note that the following subsidiaries fall under Article 36: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

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

Provaglio d'Iseo, 11 March 2021
For the Board of Directors

Chairwoman
Maria Chiara Franceschetti

Chief Exeutive Officer
Marcello Perini



2

Consolidated Financial Statements

Statement Of Profit/(Loss) for the Year

(Euro /000)	Notes	progress. 31 December 2020	2019
Revenue from product sales	27	128,371	139,732
of which related parties:	38	5	-
Other revenues and income	28	1,274	803
Increases for internal work	12,13	2,213	2,574
TOTAL REVENUES		131,858	143,109
Change in inventories	18	(3,581)	703
Costs for raw materials and accessories	29	(44,457)	(50,911)
of which related parties:	38	(45)	-
Service costs	30	(19,195)	(24,172)
of which related parties:	38	(271)	(214)
Miscellaneous management costs	32	(1,224)	(947)
Other operating income	32	331	1,083
Personnel costs	31	(46,118)	(49,250)
of which related parties:	38	(58)	-
Impairment/reversal of trade and other receivables	18	(65)	115
Amortisation and impairment of intangible assets	33	(2,100)	(2,136)
Depreciation and impairment of tangible assets	33	(4,784)	(6,073)
Depreciation/amortisation total usage rights	33	(1,267)	(1,146)
EBIT		9,398	10,375
Gains from financial assets	34	764	1,040
Losses from financial liabilities	34	(2,577)	(1,526)
(Losses) gains from shareholdings valued at equity	35	(2)	180
PROFIT (LOSS) BEFORE TAX		7,583	10,069
Current taxes	36	(682)	(1,968)
Deferred tax assets and liabilities	36	(2,548)	(1,059)
TOTAL TAXES		(3,230)	(3,027)
NET PROFIT (LOSS) FOR THE PERIOD		4,353	7,042
Attributable to:			
Group		4,353	7,042
Third parties		-	-

Earnings per share (Euro)	Notes	progress. 31 December 2020	2019
Basic earnings per ordinary share	23	0.30	0.49
Diluted earnings per ordinary share	23	0.30	0.49

Statement Of Profit/(Loss) for the Year and Other Items of Comprehensive Income

(Euro /000)	Notes	progressivo al 31 December 2020	2019
NET PROFIT (LOSS) FOR THE PERIOD		4,353	7,042
Items that will not subsequently be reclassified in the statement of profit/(loss) for the period			
- revaluation of employee benefits: IAS 19	22	(112)	(276)
- overall tax effect	22	27	66
- equity investments in other companies	22	273	(79)
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period			
- conversion of foreign companies' financial statements	22	(1,173)	221
- fair value of cash flow hedging derivatives	22	(128)	(124)
Total changes, net of tax effect		(1,113)	(192)
Comprehensive result for the period		3,240	6,850
Attributable to:			
Group		3,240	6,850
Third parties		-	-

Statement of Financial Position

(Euro /000)	Notes	31 December 2020	31 December 2019
NON-CURRENT ACTIVITIES			
Goodwill	11	5,692	5,917
Intangible assets	12	8,935	7,641
Property, plant, machinery and tools	13	41,961	44,761
of which related parties:	38	247	470
Usage rights	14	2,605	3,089
Shareholdings valued at equity	15	76	1,196
Equity investments in other companies	16	1,949	1,690
Receivables and other non-current assets	17	94	94
Deferred tax assets	36	4,265	6,556
Non-current financial investments for derivatives	21	-	1
Other non-current financial investments	21	108	97
TOTAL NON-CURRENT ACTIVITIES		65,685	71,042
CURRENT ACTIVITIES			
Inventories	18	20,301	24,548
Trade receivables	18	30,059	28,931
of which related parties:	38	4	-
Other receivables and assets	19	4,393	7,953
Current tax receivables	20	581	853
Cash and cash equivalents	21	41,943	24,427
TOTAL CURRENT ACTIVITIES		97,277	86,712
TOTAL ASSETS		162,962	157,754

(Euro /.000)	Notes	31 December 2020	31 December 2019
SHAREHOLDERS' EQUITY			
Share capital	22	14,400	14,400
Reserves	22	59,426	53,602
Profit / (Loss) for the year	22	4,353	7,042
Total Group Shareholders' Equity		78,179	75,044
Shareholders' equity of minority interests	22	-	-
TOTAL SHAREHOLDERS' EQUITY		78,179	75,044
NON-CURRENT LIABILITIES			
Non-current financial payables	21	27,441	21,916
Non-current financial payables for IFRS 16 leases	21	1,669	2,013
Non-current financial liabilities for derivatives	21	328	169
Employee benefits	24	4,479	4,853
Non-current provisions	25	924	644
Deferred tax provisions	36	833	647
TOTAL NON-CURRENT LIABILITIES		35,674	30,242
CURRENT LIABILITIES			
Current financial payables	21	15,368	12,643
Current financial payables for IFRS 16 leases	21	968	1,071
Trade payables	18	20,561	24,937
of which related parties:	38	273	120
Current provisions	25	1,462	1,527
Current tax payables	20	179	257
Other payables and liabilities	26	10,571	12,033
TOTAL CURRENT LIABILITIES		49,109	52,468
TOTAL LIABILITIES		84,783	82,710
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		162,962	157,754

Consolidated Cash Flow Statement

(Euro /000)	Notes	31 December 2020	31 December 2019
(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			
Net profit (loss) for the period	22	4,353	7,042
Depreciation, amortisation and impairment	33	8,151	9,355
Provisions (Releases)	18,24,25	2,684	1,770
Capital (gains) losses on the sale of non-current assets	12,13	6	(350)
Net result from financial operations	34	1,815	345
Taxes	36	682	1,963
Change in provisions for risks and future liabilities	25	(1,009)	(1,012)
Change in other assets and liabilities		2,066	(5,004)
Change in deferred taxes	36	2,551	1,039
Change in trade receivables	18	(1,774)	2,017
of which related parties:	38	(4)	-
Change in inventories	18	1,702	(2,186)
Change in trade payables	18	(4,274)	3,066
of which related parties:	38	153	(193)
TOTAL		16,953	18,045
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	12,13	(6,003)	(15,644)
of which related parties:	38	(247)	(470)
- Equity investments and securities	14,15,16	1,050	-
- Acquisitions net of acquired cash	-	-	(231)
- Financial receivables	17	-	(8)
Disposal of non-current assets	12,13,15,16	12	1,487
TOTAL		(4,941)	(14,396)
D) FREE CASH FLOW (B+C)		12,012	3,649

E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	21	18,000	21,785
Repayment of financial debts	21	(10,604)	(9,781)
Increase (decrease) in current financial payables	21	1,040	(425)
Outgoing cash flow due to IFRS 16	21	(1,278)	(1,190)
Taxes paid	36	(656)	(2,183)
Interest paid	34	(1,089)	(756)
Interest received	34	59	93
Dividends paid	22	-	(4,599)
TOTAL		5,472	2,944
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		17,484	6,593
G) Exchange rate translation differences on cash at hand	21	32	(209)
H) NET CHANGE IN CASH AT HAND (F+G)		17,516	6,384
(I) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+H)		41,943	24,427

Statement of Changes in Shareholders' Equity

(Euro /000)	Notes	Share capital	Capital reserves	Consolidation reserve	Other reserves	Retained profit / (loss)
Balance at 1 January 2019		14,400	21,926	5,368	10,095	10,143
Destination of 2018 profit						
- Other reserves and provisions	22	-	-	521	-	7,630
- Dividends	22	-	-	-	-	(4,599)
Income/(Expenses) recognised at equity	22	-	-	(25)	-	-
Change in translation reserve	22	-	-	-	-	-
Other changes	22	-	-	-	4	-
2019 profit	22	-	-	-	-	-
Balance at 31 December 2019		14,400	21,926	5,864	10,099	13,174
Destination of 2019 profit						
- Other reserves and provisions	22	-	-	820	-	6,222
- Dividends	22	-	-	-	-	-
Income/(Expenses) recognised at equity	22	-	-	-	10	-
Change in translation reserve	22	-	-	-	-	-
Other changes	22	-	-	58	(2)	(157)
2020 profit	22	-	-	-	-	-
Balance at 31 December 2020		14,400	21,926	6,742	10,107	19,239

Overall EC reserves						
Fair value measurement reserve	Currency translation reserve	Other reserves	Profit/(loss) for the year	Group Total shareholders' equity	Shareholders' equity of minority interests	Total shareholders' equity
(12)	3,143	(400)	8,151	72,814	-	72,814
-	-	-	(8,151)	-	-	-
-	-	-	-	(4,599)	-	(4,599)
(203)	-	(210)	-	(438)	-	(438)
-	221	-	-	221	-	221
-	-	-	-	4	-	4
-	-	-	7,042	7,042	-	7,042
(215)	3,364	(610)	7,042	75,044	-	75,044
-	-	-	(7,042)	-	-	-
-	-	-	-	-	-	-
145	-	(99)	-	56	-	56
-	(1,173)	-	-	(1,173)	-	(1,173)
-	-	-	-	(101)	-	(101)
-	-	-	4,353	4,353	-	4,353
(70)	2,191	(709)	4,353	78,179	-	78,179


LIVE
3

Specific Explanatory Notes to the Accounts

1. General Information

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

On 11 March 2021, the consolidated financial statements of the Gefran Group for the year ending 31 December 2020 were approved by the Board of Directors, which authorised their publication.

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

2. Form and Content

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

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

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

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

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

3. Accounting Schedules

The Gefran Group has adopted:

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

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

4. Consolidation Principles

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

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

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

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

The main principles adopted are the same for all companies in the scope of consolidation, and the related income statements and statements of financial position were all drawn up as of 31 December 2020; in addition, all financial statements have been approved by the respective Boards of Directors.

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

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

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

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

If there were any assets held for sale, the sale of which is highly likely in the next 12 months, they would be classified in accordance with IFRS 5, provided that the other conditions set out therein are met; therefore, once consolidated on a line-by-line basis, the related assets are classified in a single item, *Assets held for sale*, the related liabilities are recorded under liabilities in a single line of the statement of financial position, and the related margin is shown under *"Net profit (loss) from assets held for sale"* in the income statement.

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

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

5. Change in the Scope of Consolidation

The scope of consolidation at 31 December 2020 is different from that of 31 December 2019, since the process of liquidation of Ensun S.r.l. was completed on 21 December 2020. The company was 50% held by Gefran S.p.A. and was consolidated with the equity method.

6. Valuation Criteria

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

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

With reference to Consob Communication 0003907 of 19 January 2015, note 11, *Goodwill and other intangible assets with an indefinite life*, includes the required information, and specifically the references to the external information and the sensitivity analysis.

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

With reference to Consob Communication

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

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

Segment Reporting

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

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

Revenues

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

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

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

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

Interest Income

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

Dividends

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

Government Grants

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

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

Costs

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

Financial Charges

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

Income Tax

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

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

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

Earnings per Share

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

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

Tangible Assets

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

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

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

Leases

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

The main change concerns the recognition in the accounts by the lessees which, on the basis of IAS 17, were obliged to make a distinction between a finance lease (recognised in accordance with the discounted cash flow method) and an operating lease (recognised on a straight-line basis). With IFRS 16, the accounting treatment of operating leases is placed on the same footing as finance leases. This standard is applicable from 1 January 2019, and early application was possible, together with the adoption of IFRS 15 "Revenues from contracts with customers". The Group has decided to apply the new standard starting on 1 January 2019, on the basis of what is known as the *modified retrospective approach*, in which the value of the assets is entered at the value of the financial liabilities; moreover, as permitted by the IASB, practical expedients have been used such as exclusion of contracts with a residual duration of less than 12 months or contracts for which the fair value of the asset is calculated to fall under the conventional threshold of 5 thousand American Dollars (modest unitary value).

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.

Research and Development Costs

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

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

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

Business Combinations and Goodwill

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

Goodwill is recognised as the difference between:

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

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

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

- represents the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets;

- is no bigger than the operating sectors identified based on IFRS 8.

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

Asset Impairment

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

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

Other Intangible Assets

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

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

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

Non-current Assets Held for Sale

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

Investments in Associated Companies and Joint Ventures

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

The portions of profit (loss) resulting from the application of this consolidation method are recognised in the income statement under "Gains (losses) from the valuation of equity investments at equity".

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

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

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

Equity Investments in Other Companies

Equity investments in other companies are valued at fair value. The change in fair value recognised during the period is acknowledged in the statement of profit/(loss) for the period and other comprehensive income, among items that will not be subsequently reclassified to profit/(loss) for the period.

Inventories

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

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

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

Trade Receivables and Payables and Other Receivables/Payables

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

Regarding the introduction of IFRS 9, and particularly the new method for impairment of financial investments, the Group revised its method for determination of the reserve to be used for coverage of losses on receivables, taking into account the losses expected throughout the life of the receivable, as required by the new standard.

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

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

Financial Derivatives

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

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

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

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

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

Cash and Cash Equivalents

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

Financial Liabilities

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

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

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

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

The Group believes that all its existing hedges currently designated as effective hedges continue to qualify for hedge accounting under IFRS 9.

Own Shares

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

Provisions for Risks and Future Liabilities

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

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

Employee Benefits

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

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

Translation of Foreign Companies' Financial Statements

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

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

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

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

Translation of Foreign Currency Items

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

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

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

7. Accounting Standards, Amendments and Interpretations not yet Applicable

As of the date of this annual financial report, the process of obtaining EU approval was underway for the following amendments issued by the IASB during 2020, which, once entered into force, could affect the Company's financial statements:

- Amendment concerning *IAS 16*, *Property*, *Plant and Equipment - Proceeds before Intended Use*, which concerns proceeds from the sale of goods, bringing the asset to the place and condition necessary to enable it to operate in the manner intended by management;
- Amendment concerning IAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*, aimed at standardising the costs that a company should include for the fulfilment of a contract assessed as "onerous."

These amendments will be applicable only after approval by the EU.

8. Main Decisions in the Application of Accounting Standards and Uncertainties in Making Estimates

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

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

Provision for Impairment of Inventory

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

Provision for Doubtful Receivables

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

Regarding the introduction of IFRS 9, and particularly the new method for impairment of financial investments, the Group adopted the method for determination of the reserve to be used for coverage of losses on receivables, taking into account the losses expected throughout the life of the receivable, as required by the new standard.

Goodwill and Intangible Assets with a Finite Life

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

Employee Benefits and Non-competition Agreements

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

Deferred Tax Assets

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

Current and Non-Current Provisions

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

9. Financial Instruments: Supplementary Disclosure Pursuant to IFRS 7

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

Exchange rate risks

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

- Euro/USD, about 8%, primarily in relation to the trade of an Italian subsidiary operating in various countries, Gefran Drives and Motion S.r.l., and the foreign subsidiaries Gefran Inc. (operating in the United States), Gefran Siei Drives Technology and Gefran Siei Asia (operating on the Asian market);
- Euro/RMB, about 11%, referring to Gefran Siei Drives Technology, operating in China;
- the remainder is divided between Euro/BRL, Euro/GBP, Euro/CHF, Euro/INR and Euro/TRL.

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

(Euro /000)	31 December 2020		31 December 2019	
	-5%	+5%	-5%	+5%
Chinese renminbi	107	(97)	2	(1)
U.S. dollar	40	(34)	79	(68)
Total	147	(131)	81	(69)

(Euro /000)	31 December 2020		31 December 2019	
	-10%	+10%	-10%	+10%
Chinese renminbi	226	(185)	3	(3)
U.S. dollar	84	(65)	166	(130)
Total	310	(250)	169	(133)

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

(Euro /000)	31 December 2020		31 December 2019	
	-5%	+5%	-5%	+5%
Chinese renminbi	(50)	45	(12)	11
U.S. dollar	29	(27)	56	(50)
Total	(21)	18	44	(39)

(Euro /000)	31 December 2020		31 December 2019	
	-10%	+10%	-10%	+10%
Chinese renminbi	(106)	86	(26)	21
U.S. dollar	62	(51)	118	(96)
Total	(44)	35	92	(75)

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

(Euro /000)	31 December 2020		31 December 2019	
	-5%	+5%	-5%	+5%
Chinese renminbi	447	(404)	512	(463)
U.S. dollar	365	(331)	414	(374)
Total	812	(735)	926	(837)

(Euro /000)	31 December 2020		31 December 2019	
	-10%	+10%	-10%	+10%
Chinese renminbi	943	(772)	1,081	(884)
U.S. dollar	771	(631)	874	(715)
Total	1,714	(1,403)	1,955	(1,599)

Interest rate risk

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

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

The table below shows a sensitivity analysis of the impact that an interest rate increase/decrease of 100 basis points would have on consolidated net profit/(loss), comparing interest rates at 31 December 2020 and 31 December 2019, while keeping other variables unchanged.

(Euro /000)	31 December 2020		31 December 2019	
	-100	100	-100	100
Euro	333	(353)	146	(186)
U.S. dollar	(7)	7	(15)	15
Total	326	(346)	131	(171)

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

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

The table below shows the carrying value at 31 December 2020, broken down by maturity, of the Group's financial instruments exposed to the interest rate risk:

(Euro /000)	<1 year	1 - 5 years	>5 years old	Total
Loans due	11,079	26,686	755	38,520
Financial payables due to leasing under IFRS 16	968	1,263	406	2,637
Other accounts payable	3	-	-	3
Account overdrafts	4,286	-	-	4,286
Total liabilities	16,336	27,949	1,161	45,446
Cash in current accounts	41,916	-	-	41,916
Total assets	41,916	-	-	41,916
Total variable rate	25,580	(27,949)	(1,161)	(3,530)

Unlike net financial position figures, the amounts shown in the table above do not include the fair value of derivatives (negative at 328 thousand Euro), cash on hand (positive at 27 thousand Euro) or deferred financial income (positive at 108 thousand Euro).

Liquidity risk

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

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

(Euro /000)	31 December 2020	31 December 2019	Change
Cash and cash equivalents	27	157	(130)
Cash in bank deposits	41,916	24,270	17,646
Total liquidity	41,943	24,427	17,516
Multiple mixed credit lines	23,348	24,749	(1,401)
Cash flexibility credit lines	3,955	3,005	950
Invoice factoring credit lines	8,250	8,323	(73)
Total credit lines available	35,553	36,077	(524)
Total available liquidity	77,496	60,504	16,992

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

(Euro /000)	Level 1	Level 2	Level 3	Total
Available-for-sale assets valued at fair value:				
Shareholdings valued at fair value with a balancing item in other overall	340	-	1,609	1,949
Total assets	340	-	1,609	1,949
Hedging transactions	-	(328)	-	(328)
Total liabilities	-	(328)	-	(328)

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

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

Level 3: Fair values determined using evaluation techniques based on variables that may not be observed, and in particular the values of equity investments in other companies that are not listed on international markets, the overall value of which increased by 165 thousand Euro as a result of payment of new capital to the affiliated company Colombera S.p.A.

Below is a reconciliation of the different classes of financial assets and liabilities, as identified in the Group's statement of financial position, and types of financial assets and liabilities identified on the basis of the requirements of IFRS7, as of 31 December 2019:

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

Credit risk

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

With regard to the possible risks deriving from the economic situation caused by the spread of the Covid-19 pandemic, the Group has adopted a criterion for monitoring outstanding receivables, a measure made necessary given the possible deterioration of certain receivables, the decline in credit rating reliability and the lack of liquidity on the market. The impairment process conducted on the basis of the Group's procedures requires receivables to be written down by a percentage which depends on the time range of the outstanding receivable, in view of past experience in specific lines of business and geographical regions, as required by IFRS 9.

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 increased credit risk, developing estimates based on the best and most specific information. 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.

Below are the values of gross trade receivables at 31 December 2020 and 31 December 2019:

(Euro /000)	Total value	Not overdue	Overdue by up to 2 months	Overdue by 2 to 6 months	Overdue by 6 to 12 months	Overdue by more than 12 months	Receivables individually written down
Gross trade receivables at 31 December 2020	32,011	27,606	2,249	124	40	580	1,412
Gross trade receivables at 31 dicembre 2019	31,299	25,869	2,502	484	83	944	1,417

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

Risk of change in raw material prices

Since the Group's production mainly involves mechanical, electronic and assembly processes, exposure to energy price fluctuations is very limited. The Group is exposed to changes in basic commodity prices (e.g. metals) to a small extent, given the product cost component related to these materials is very limited.

The purchase costs of the main components are usually set with counterparts for the full year and reflected in the budget. The Group has in place structured and formalised governance systems that allow it to regularly analyse margins earned.

Fair value of financial instruments

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

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

(Euro /000)	carrying value 31 December 2020	carrying value 31 December 2019	fair value 31 December 2020	fair value 31 December 2019
Financial assets				
Cash and cash equivalents	27	157	27	157
Cash in bank deposits	41,916	24,270	41,916	24,270
Financial investments for derivatives	-	1	-	1
Non-current financial investments	108	97	108	97
Total financial assets	42,051	24,525	42,051	24,525
Financial liabilities				
Current portion of long-term debt	(11,079)	(9,342)	(11,079)	(9,342)
Short-term bank debt	(4,286)	(3,296)	(4,286)	(3,296)
Financial liabilities for derivatives	(328)	(169)	(328)	(169)
Factoring	(3)	(5)	(3)	(5)
Payables due to leasing contracts under IFRS 16	(2,637)	(3,084)	(2,637)	(3,084)
Non-current financial debt	(27,441)	(21,916)	(27,441)	(21,916)
Total financial liabilities	(45,774)	(37,812)	(45,774)	(37,812)
Total net financial position	(3,723)	(13,287)	(3,723)	(13,287)

10. Information by Business Area

Primary Segment – Sector of Activity

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

Figures by business area

	(Euro /000)	Sensors	Automation components	Motion control	Eliminations	Not Divided	31 December 2020
a	Revenues	57,734	37,238	40,194	(5,521)		129,645
b	Increases for internal work	488	726	999	-		2,213
c	Consumption of materials and products	15,987	14,303	23,269	(5,521)		48,038
d	Value Added (a+b-c)	42,235	23,661	17,924		-	83,820
e	Other operating costs	9,572	4,916	5,665	-		20,153
f	Personnel costs	19,100	15,167	11,851	-		46,118
g	EBITDA (d-e-f)	13,563	3,578	408		-	17,549
h	Depreciation, amortisation and impairment	3,509	2,531	2,111	-		8,151
i	EBIT (g-h)	10,054	1,047	(1,703)		-	9,398
l	Gains (losses) from financial assets/ liabilities					(1,813)	(1,813)
m	Gains (losses) from shareholdings valued at equity					(2)	(2)
n	Profit (loss) before tax (i±l±m)	10,054	1,047	(1,703)		(1,815)	7,583
o	Taxes					(3,230)	(3,230)
p	Group net profit (loss) (n±o)	10,054	1,047	(1,703)		(5,045)	4,353

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

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

Statement of Financial Position Figures by Business Area

(Euro /000)	Sensors	Automation components	Motion control	Not Divided	31 December 2020	Sensors	Automation components	Motion control	Not Divided	31 dicembre 2019
Intangible assets	8,706	2,606	3,315		14,627	8,220	2,394	2,944		13,558
Tangible fixed assets	16,914	12,166	15,486		44,566	18,369	13,191	16,290		47,850
Other non-current assets				6,384	6,384				9,536	9,536
Net non-current assets	25,620	14,772	18,801	6,384	65,577	26,589	15,585	19,234	9,536	70,944
Inventories	5,616	4,448	10,237		20,301	6,098	5,157	13,293		24,548
Trade receivables	9,490	7,215	13,354		30,059	9,764	8,029	11,138		28,931
Trade payables	(7,582)	(6,094)	(6,885)		(20,561)	(8,564)	(6,738)	(9,635)		(24,937)
Other assets/ liabilities	(2,828)	(2,286)	(2,042)	1,380	(5,776)	(3,564)	(2,925)	(2,382)	5,387	(3,484)
Working capital	4,696	3,283	14,664	1,380	24,023	3,734	3,523	12,414	5,387	25,058
Provisions for risks and future liabilities	(1,350)	(645)	(321)	(70)	(2,386)	(968)	(714)	(440)	(49)	(2,171)
Deferred tax provisions				(833)	(833)				(647)	(647)
Employee benefits	(1,135)	(1,765)	(1,579)		(4,479)	(1,238)	(1,937)	(1,678)		(4,853)
Net invested capital	27,831	15,645	31,565	6,861	81,902	28,117	16,457	29,530	14,227	88,331

(Euro /000)	Sensors	Automation components	Motion control	Not Divided	31 December 2020	Sensors	Automation components	Motion control	Not Divided	31 dicembre 2019
Shareholders' equity	-	-	-	78,179	78,179				75,044	75,044
Non-current financial payables				27,441	27,441				21,916	21,916
Current financial payables				15,368	15,368				12,643	12,643
Financial payables for IFRS 16 leases (current and non-current)				2,637	2,637				3,084	3,084
Financial liabilities for derivatives (current and non-current)				328	328				169	169
Financial assets for derivatives (current and non-current)				-	-				(1)	(1)
Other non-current financial investments				(108)	(108)				(97)	(97)
Cash and cash equivalents and current financial receivables				(41,943)	(41,943)				(24,427)	(24,427)
Net debt relating to operations	-	-	-	3,723	3,723	-	-	-	13,287	13,287
Total sources of financing	-	-	-	81,902	81,902	-	-	-	88,331	88,331

Secondary Segment - Geographical Region

Revenues by Geographical Region

(Euro /000)	31 December 2020	31 December 2019	Change	%
Italy	38,063	42,912	(4,849)	-11.3%
European Union	29,907	34,644	(4,737)	-13.7%
Europe non-EU	4,781	4,582	199	4.3%
North America	17,405	21,596	(4,191)	-19.4%
South America	3,585	4,359	(774)	-17.8%
Asia	33,694	30,897	2,797	9.1%
Rest of the world	936	742	194	26.1%
Total	128,371	139,732	(11,361)	-8.1%

Investments by Geographical Region

(Euro /000)	31 December 2020		31 December 2019	
	intangible	tangible assets	intangible	tangible assets
Italy	3,255	2,303	3,254	7,904
European Union	4	87	13	89
Europe non-EU	6	32	-	30
North America	-	51	-	4,270
South America	52	45	2	123
Asia	89	79	-	321
Rest of the world	-	-	-	-
Total	3,406	2,597	3,269	12,737

Non-current Assets by Geographical Region

(Euro /000)	31 December 2020	31 December 2019	Change	%
Italy	48,392	51,163	(2,771)	-5.4%
European Union	2,633	2,892	(259)	-9.0%
Europe non-EU	3,132	3,306	(174)	-5.3%
North America	6,513	7,274	(761)	-10.5%
South America	484	599	(115)	-19.2%
Asia	4,531	5,808	(1,277)	-22.0%
Rest of the world	-	-	-	n.s.
Total	65,685	71,042	(5,357)	-8%

11. Goodwill

The item *Goodwill* amounts to 5,692 thousand Euro as of 31 December 2020, a 225 thousand Euro decrease since 31 December 2019, due exclusively to differences in exchange rates, broken down below:

(Euro /000)	31 December 2019	Increases	Decreases	Exchange rate differences	31 December 2020
Gefran France SA	1,310	-	-	-	1,310
Gefran India Private Ltd	40	-	-	(4)	36
Gefran Inc.	2,613	-	-	(221)	2,392
Sensormate AG	1,954	-	-	-	1,954
	5,917	-	-	(225)	5,692

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

The carrying values of goodwill are shown below.

(Euro /000)	Year	Goodwill France	Goodwill India	Goodwill USA	Goodwill Switzerland	Total
Sensors	2020	1,310	-	2,392	1,954	5,656
	2019	1,310	-	2,613	1,954	5,877
Motion control	2020	-	36	-	-	36
	2019	-	40	-	-	40
Total	2020	1,310	36	2,392	1,954	5,692
	2019	1,310	40	2,613	1,954	5,917

In examining possible indicators of impairment and forming its assessments, management also took into account, among other things, the relation between the market capitalisation and the carrying value of the Group shareholders' equity, which was very positive as of 31 December 2020 despite the effects of the Covid-19 pandemic.

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

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

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

(Euro /.000)	Net carrying value 31/12/2020	Net carrying value 31/12/2019	Explicit forecast	WACC (%)	Value in use 31/12/2020	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
Consolidated	84.546	88.786	2021 - 2023	7,8%	213.172	1,4%	5,8%	27,2%

(Euro /.000)	Net carrying value 31/12/2020	Net carrying value 31/12/2019	Explicit forecast	WACC (%)	Value in use 31/12/2020	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
France	1.310	1.310	2021 – 2023	6,3%	5.573	-0,4%	5,8%	28,0%
India	39	39	2021 – 2023	12,7%	341	5,9%	5,8%	25,0%
USA	2.612	2.612	2021 – 2023	7,4%	22.269	1,0%	5,8%	21,0%
Switzerland	1.954	1.954	2021 – 2023	6,2%	9.124	-0,5%	5,8%	16,0%
Total	5.915	5.915						

When determining the value in use, the specific cash flows relating to the period 2021 - 2023 were considered, deriving from the Group Plan, along with the terminal value, which represents the ability to generate cash flows beyond the explicit forecast time scale.

The spread of Covid-19 and its effects on the world economy make it necessary to review the impairment tests on goodwill. Although 2020 results are lower than expected in terms of revenues, they are in line, if not higher, in terms of cash flows generated.

When determining the value in use, the specific cash flows relating to the period 2021 - -2023 were considered, deriving from the Group Plan, along with the terminal value, which represents the ability to generate cash flows beyond the explicit forecast time scale.

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

The rate used for discounting future cash flows is the weighted average cost of capital (WACC), as calculated at the end of 2020, that is, as the weighted average of the cost of own capital and the cost of third-party capital, net of the effect on taxation.

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

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

The premium for market risk represents the additional return required by a risk-averse investor, compared with the return that can be obtained from risk-free assets: it is attributable to the difference between the long-term normalised return of the share market and the risk-free assets rate. In relation to this component and to Beta, the reference applied to all CGUs, regardless of the geographical area in question, was the so-called "*global*" value resulting from Professor Damodaran's calculations, in order to reduce the volatility of the component from year to year.

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

Overall change in WACC between 2019 and 2020 is attributable to the decrease in the risk-free interest rate and the Beta rate.

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

Applying sensitivity analysis to the Group's impairment test, we find that break-even WACC, that is, the discount rate that would make value in use the same as the value of net invested capital, is 16.1%, significantly higher than the current discount rate.

The recoverable amount of goodwill was determined according to the calculation of the value in use, which used projections of the three-year cash flow based on the 2021 - 2023 Plan, approved by management. The impairment test of the above assets did not reveal any lasting loss of value.

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

Description	"g" rate %	WACC %	A	B
Goodwill - STEADY CASE				
France	1.6%	6.3%	-16%	19.5%
India	4.0%	12.7%	-50%	n.a.
USA	2.2%	7.4%	-11%	16%
Switzerland	1.0%	6.1%	-9%	13%

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

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

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

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

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

12. Intangible Assets

This item exclusively comprises assets with a finite life, and increased from 7,641 thousand Euro on 31 December 2019 to 8,935 thousand Euro on 31 December 2020. The changes during the period are shown below:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	Change in scope of consolidation	Exchange rate differences	31 December 2020
(Euro /000)							
Development costs	18,867	541	-	891	-	-	20,299
Intellectual property rights	7,546	992	-	255	-	(49)	8,744
Assets in progress and payments on account	2,955	1,673	-	(1,205)	-	(4)	3,419
Other assets	10,416	200	-	65	-	(14)	10,667
Total	39,784	3,406	-	6	-	(67)	43,129

Accumulated depreciation	31 December 2019	Increases	Decreases	Reclassifications	Change in scope of consolidation	Exchange rate differences	31 December 2020
(Euro /000)							
Development costs	16,346	1,167	-	1	-	-	17,514
Intellectual property rights	6,817	507	-	-	-	(42)	7,282
Other assets	8,980	426	-	(4)	-	(4)	9,398
Total	32,143	2,100	-	(3)	-	(46)	34,194

Net value	31 December 2019	31 December 2020	Change
(Euro /000)			
Development costs	2,521	2,785	264
Intellectual property rights	729	1,462	733
Assets in progress and payments on account	2,955	3,419	464
Other assets	1,436	1,269	(167)
Total	7,641	8,935	1,294

The table below shows movements in the year 2019:

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

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

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

The net carrying value of **development costs** include capitalisation of costs incurred for the following activities:

- 912 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);
- 1,645 thousand Euro for component lines for the new range of regulators and static units, GF Project VX, G Cube Performa and G Cube Fit;
- 228 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 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 3,146 thousand Euro in development costs, which include 386 thousand Euro for the automation components business unit, 584 thousand Euro for the sensors business unit, and 2,177 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 historical value of Intangible assets, amounting to 3,406 thousand Euro in 2020, include 2,073 thousand Euro linked to the capitalisation of internal costs (2,304 thousand Euro in 2019).

13. Property, Plant, Machinery and Tools

This item decreases from 44,761 thousand Euro at 31 December 2019 to 41,961 thousand Euro at 31 December 2020. The changes are shown in the table below:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	Change in scope of consolidation	Exchange rate differences	31 December 2020
(Euro /000)							
Land	5,222	-	-	-	-	(51)	5,171
Industrial buildings	42,255	216	-	2,123	-	(489)	44,105
Plant and machinery	43,514	948	(300)	2,270	-	(341)	46,091
Industrial and commercial equipment	19,916	601	(76)	202	-	(35)	20,608
Other assets	7,436	191	(120)	66	-	(178)	7,395
Assets in progress and payments on account	4,988	641	-	(4,670)	-	(8)	951
Total	123,331	2,597	(496)	(9)	-	(1,102)	124,321

Accumulated depreciation	31 December 2019	Increases	Decreases	Reclassifications	Change in scope of consolidation	Exchange rate differences	31 December 2020
(Euro /000)							
Industrial buildings	20,864	1,288	-	-	-	(105)	22,047
Plant and machinery	33,285	2,384	(300)	-	-	(247)	35,122
Industrial and commercial equipment	18,524	676	(76)	-	-	(28)	19,096
Other assets	5,897	436	(113)	-	-	(125)	6,095
Total	78,570	4,784	(489)	-	-	(505)	82,360

Net value	31 December 2019	31 December 2020	Change
(Euro /000)			
Land	5,222	5,171	(51)
Industrial buildings	21,391	22,058	667
Plant and machinery	10,229	10,969	740
Industrial and commercial equipment	1,392	1,512	120
Other assets	1,539	1,300	(239)
Assets in progress and payments on account	4,988	951	(4,037)
Total	44,761	41,961	(2,800)

The changes compared to 2019 are shown in the table below:

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

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

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

It should be noted that no write-downs were recorded during 2020 for impairment, unlike in 2019 (1,531 thousand Euro).

The change in the exchange rate had a negative impact of 597 thousand Euro.

The biggest changes during the period related to:

- investment of 1,572 thousand Euro in production and laboratory plant and equipment in the Group's Italian factories and 114 thousand Euro in other Group subsidiaries;
- upgrading of the industrial buildings of the Group's Italian plants for the amount of 555 thousand Euro and of foreign plants for the amount of 101 thousand Euro;
- renewal of electronic office machines and IT system equipment, amounting to 125 thousand Euro in the Parent Company and 99 thousand Euro in the Group's subsidiaries;
- miscellaneous equipment in the Group's subsidiaries amounting to 31 thousand Euro.

The increases in the historical value of "Buildings, plant and machinery and equipment", amounting to 2,597 thousand Euro in 2020, include 140 thousand Euro linked to capitalisation of internal costs (270 thousand Euro in 2019).

14. 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 31 December 2020 amounts to 2,605 thousand Euro, and shows the following changes:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	Change in scope of consolidation	Exchange rate differences	31 December 2020
(Euro /000)							
Real estate	2,233	608	(119)	-	-	(46)	2,676
Vehicles	1,801	283	(39)	-	-	(38)	2,007
Machinery and equipment	138	37	-	-	-	-	175
Total	4,172	928	(158)	-	-	(84)	4,858

Accumulated depreciation	31 December 2019	Increases	Decreases	Reclassifications	Change in scope of consolidation	Exchange rate differences	31 December 2020
(Euro /000)							
Real estate	522	584	(31)	-	-	(24)	1,051
Vehicles	507	618	(29)	-	-	(13)	1,083
Machinery and equipment	54	65	-	-	-	-	119
Total	1,083	1,267	(60)	-	-	(37)	2,253

Net value	31 December 2019	31 December 2020	Change
(Euro /000)			
Real estate	1,711	1,625	(86)
Vehicles	1,294	924	(370)
Machinery and equipment	84	56	(28)
Total	3,089	2,605	(484)

The changes compared to 2019 are shown in the table below:

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

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

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

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 31 new leasing agreements were signed in 2020, 19 of which are subject to application of IFRS 16, and specifically: Of the remaining 12 contracts signed in 2020, excluded from the perimeter of application of the new accounting standard, 9 are contracts with a duration of less than 12 months, while 3 are contracts regarding goods of modest value.

A total of 56 contracts ended, only 30 of which fell within the perimeter of application of IFRS 16 on the basis of their value and term as specified above, 8 of which were terminated in advance of their original due date.

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

- real estate, totalling 608 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 India, the United Kingdom and Singapore;
- vehicles, totalling Euro 283 thousand, representing 12 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 i*n 2020, totalling 158 thousand Euro, refer to 30 terminated contracts for vehicle rental and for rental of buildings. 6 of these were terminated before the expiry date.

15. Shareholdings Valued at Equity

(Euro /000)		31 December 2020	31 December 2019	Change
Ensun S.r.l.	Shareholding	-	50.00%	
Via Stacca, 1	Investment value	-	1,119	(1,119)
Rodengo Saiano (BS)	Adjustment provision	-	7	(7)
	Net value	-	1,126	(1,126)
Axel S.r.l.	Shareholding	15.00%	15.00%	
Via del Cannino, 3	Investment value	137	137	-
Crosio della Valle (VA)	Adjustment provision	(61)	(67)	6
	Net value	76	70	6
Total		76	1,196	

The change in the value of the shareholding and the adjustment provision of Ensun S.r.l. refer to the elimination of this holding following the liquidation of the company in December 2020.

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

16. Equity Investments in Other Companies

The value of *Equity investments in other companies* was 1,949 thousand Euro, an increase of 259 thousand Euro over with the figure at 31 December 2019.

The shareholdings in Colombera S.p.A. and those listed under the item *Others* are entered at cost, as specified in note 9, *Financial instruments: additional information provided under IFRS 7.*

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

The balance breaks down as follows:

(Euro /000)	Shareholding	31 December 2020	31 December 2019	Change
Colombera S.p.A.	16.56%	1,582	1,416	166
Woojin Plaimm Co Ltd	2.00%	159	159	-
UBI Banca S.p.A.	-	-	203	(203)
Other	-	27	28	(1)
Adjustment provision	-	181	(116)	297
Total		1,949	1,690	259

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

(Euro /000)	Shareholding	31 December 2020	31 December 2019	Change
Colombera S.p.A.	16.56%			-
Woojin Plaimm Co Ltd	2.00%	181	41	140
UBI Banca S.p.A.	-	-	(157)	157
Other	-			-
Total		181	(116)	297

It should be noted that the change attributed to Colombera S.p.A. is a result of subscription of the capital increase, amounting to 166 thousand Euro, while the decrease linked to UBI Banca S.p.A. is a result of sale of the shares, following Banca Intesa's tender offer in September 2020.

17. Receivables and Other Non-Current Assets

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

(Euro /000)	31 December 2020	31 December 2019	Change
Guarantee deposits	94	94	-
Total	94	94	-

18. Net Working Capital

Net working capital totals 29,799 thousand Euro, compared to 28,542 thousand Euro on 31 December 2019, and breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Inventories	20,301	24,548	(4,247)
Trade receivables	30,059	28,931	1,128
Trade payables	(20,561)	(24,937)	4,376
Net amount	29,799	28,542	1,257

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

The value of **inventories** at 31 December 2020 is 20,301 thousand Euro, down by 4,247 thousand Euro with respect to 31 December 2019. The balance breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Raw materials, consumables and supplies	13,488	14,653	(1,165)
provision for impairment of raw materials	(3,775)	(3,449)	(326)
Work in progress and semi-finished products	8,201	8,707	(506)
provision for impairment of work in progress	(1,635)	(1,058)	(577)
Finished products and goods for resale	5,820	7,269	(1,449)
provision for impairment of finished products	(1,798)	(1,574)	(224)
Total	20,301	24,548	(4,247)

The gross value of inventories was 27,509 thousand Euro, down by 2,294 thousand Euro since the end of 2019. Total net value amounts to 20,301 thousand Euro, down from the end of 2019 by 4,247 thousand Euro; exchange rate fluctuation contributes 666 thousand Euro to the decrease.

The economic impact of the change in inventories, on the other hand, saw a more limited decrease compared to 31 December 2019 of 3,582 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 2020, through specific provisions amounting to 2,095 thousand Euro (as compared to 1,572 thousand Euro in the year 2019).

Movements in the provision in 2020 are listed below:

(Euro /000)	31 December 2019	Provisions	Uses	Releases	Change scope of consolidation	Exchange rate differences	31 December 2020
Provision for impairment of inventory	6,081	2,095	(592)	(216)	-	(160)	7,208

Changes in the provision at 31 December 2019 were by contrast as follows:

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

Trade receivables amount to 30,059 thousand Euro, compared to 28,931 thousand Euro on 31 December 2019, a 1,128 thousand Euro increase.

(Euro /000)	31 December 2020	31 December 2019	Change
Receivables from customers	32,011	31,299	712
Provision for doubtful receivables	(1,952)	(2,368)	416
Net amount	30,059	28,931	1,128

This includes receivables subject to recourse factoring which the Parent Company has transferred to a leading factoring company for a total amount of 44 thousand Euro (15 thousand Euro as of 31 December 2019).

The change is due to increased sales revenues recorded in the fourth quarter of 2020.

Receivables were adjusted to their estimated realisable value through a specific provision for doubtful receivables, calculated on the basis of an examination of individual debtor positions and taking into account past experience in each specific line of business and geographical region, as required by IFRS 9. The provision as at 31 December 2020 represents a prudential estimate of the current risk, and registered the following changes:

(Euro /000)	31 December 2019	Provisions	Uses	Releases	Other changes	Exchange rate differences	31 December 2020
Provision for doubtful receivables	2,368	83	(46)	(18)	(361)	(74)	1,952

Movements in the provision in 2019, on the other hand, appear below:

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

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 20,561 thousand Euro, compared with 24,937 thousand Euro as of 31 December 2019. This item breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Payables to suppliers	17,171	21,521	(4,350)
Payables to suppliers for invoices to be received	2,885	2,703	182
Advance payments received from customers	505	713	(208)
Total	20,561	24,937	(4,376)

Trade payables were down 4,376 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.

19. Other Receivables and Assets

Other assets amount to 4,393 thousand Euro, as compared to 7,953 thousand Euro on 31 December 2019. The item breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Insurance	33	35	(2)
Rents and leasing	1	5	(4)
Services and maintenance	501	382	119
Receivables from employees	43	54	(11)
Advances payments to suppliers	277	205	72
Other tax receivables	2,797	6,512	(3,715)
Other	741	760	(19)
Total	4,393	7,953	(3,560)

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

20. Current Tax Receivables and Payables

Current tax receivables as of 31 December 2020 amount to 581 thousand Euro, down since 31 December 2019, when the item was worth 853 Euro. The balance breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
IRES (corporate income tax)	113	271	(158)
IRAP (regional production tax)	89	49	40
Foreign tax receivables	379	533	(154)
Total	581	853	(272)

The balance of *Current tax payables* as of 31 December 2020 amounts to 179 thousand Euro, 78 thousand Euro lower than the 31 December 2019 balance of 257 thousand Euro. This was determined as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
IRES (corporate income tax)	97	62	35
IRAP (regional production tax)	0	59	(59)
Foreign tax payables	82	136	(54)
Total	179	257	(78)

21. Net Financial Position

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

(Euro /000)	31 December 2020	31 December 2019	Change
Cash and cash equivalents and current financial receivables	41,943	24,427	17,516
Financial investments for derivatives	-	1	(1)
Other non-current financial investments	108	97	11
Non-current financial payables	(27,441)	(21,916)	(5,525)
Non-current financial payables for IFRS 16 leases	(1,669)	(2,013)	344
Current financial payables	(15,368)	(12,643)	(2,725)
Current financial payables for IFRS 16 leases	(968)	(1,071)	103
Financial liabilities for derivatives	(328)	(169)	(159)
Total	(3,723)	(13,287)	9,564

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

(Euro /000)	31 December 2020	31 December 2019	Change
A. Cash on hand	27	40	(13)
B. Cash in bank deposits	41,916	24,387	17,529
D. Cash and cash equivalents (A) + (B)	41,943	24,427	17,516
Current financial liabilities for derivatives	-	-	-
Current financial investments for derivatives	-	-	-
E. Fair value current hedging derivatives	-	-	-
F. Current portion of long-term debt	(11,079)	(9,342)	(1,737)
G. Other current financial payables	(5,257)	(4,372)	(885)
H. Total current financial payables (F) + (G)	(16,336)	(13,714)	(2,622)
I. Total current payables (E) + (H)	(16,336)	(13,714)	(2,622)
J. Net current financial debt (I) + (D)	25,607	10,713	14,894
Non-current financial liabilities for derivatives	(328)	(169)	(159)
Non-current financial investments for derivatives	-	1	(1)
K. Fair value non-current hedging derivatives	(328)	(168)	(160)
L. Non-current financial debt	(29,110)	(23,929)	(5,181)
M. Other non-current financial investments	108	97	11
N. Net non-current financial debt (K) + (L) + (M)	(29,330)	(24,000)	(5,330)
O. Net financial debt (J) + (N)	(3,723)	(13,287)	9,564
of which to minorities:	(3,723)	(13,287)	9,564

Net financial position as of 31 December 2020 is negative by 3,723 thousand Euro, which is 9,564 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 mainly due to the positive cash flows generated by typical operations (16,953 thousand Euro) and collection of funds as a result of elimination of the holding in Ensun S.r.l. following the liquidation of the company (1,076 thousand Euro), absorbed by disbursements for technical investments made in the year 2020 and payment of interest, taxes and rental fees (totalling 8,520 thousand Euro).

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

The balance of **cash and cash equivalents** amounted to Euro 41,943 thousand at 31 December 2020, compared with Euro 24,427 thousand at 31 December 2019.

This item breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Cash in bank deposits	41,916	24,270	17,646
Cash	27	40	(13)
Other cash	-	117	(117)
Total	41,943	24,427	17,516

The technical forms used as at 31 December 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 31 December 2020 increased by 2,725 thousand Euro over the end of 2019 and break down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Current portion of debt	11,079	9,342	1,737
Current overdrafts	4,286	3,296	990
Factoring	3	5	(2)
Total	15,368	12,643	2,725

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 31 December 2020 totalled 4,286 thousand Euro, compared to a balance at 31 December 2019 of 3,296 thousand Euro. The amount consists mainly of the following two items:

- a revolving loan of 3,000 thousand Euro which Gefran S.p.A. took out with BNL, at an interest rate of Euribor 6M + a spread of 1.10%;
- loans falling due within 1 year taken out by the Chinese affiliate Gefran Siei Drives Technology with Banca Intesa totalling 1,283 thousand Euro, at interest rates ranging from 2.50%-3.00%.

Non-current financial payables break down as follows:

Bank (Euro /000)	31 December 2020	31 December 2019	Change
Unicredit	1,200	2,400	(1,200)
BNL	1,000	2,000	(1,000)
Banca Pop. Emilia Romagna	2,014	3,012	(998)
Mediocredito	4,444	6,667	(2,223)
BNL	5,000	7,000	(2,000)
Unicredit	3,333	-	3,333
BNL	4,667	-	4,667
UBI	2,628	-	2,628
UBI	3,000	-	3,000
Intesa	19	95	(76)
Unicredit S.p.A. - New York Branch	136	742	(606)
Totale	27,441	21,916	5,525

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

Bank (Euro /000)	Amount disbursed	Signing date	Balance at 31 December 2020	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
drawn up by Gefran S.p.A. (IT)								
Unicredit	6,000	14/11/17	2,400	1,200	1,200	Euribor 3m + 0.90%	30/11/22	quarterly
BNL	5,000	23/11/17	2,000	1,000	1,000	Euribor 3m + 0.85%	23/11/22	quarterly
Banca Pop. Emilia Romagna	5,000	28/11/18	3,014	1,000	2,014	Euribor 3m + 0.75%	30/11/23	quarterly
Mediocredito	10,000	28/03/19	6,666	2,222	4,444	Euribor 3m + 1.05%	31/12/23	quarterly
BNL	10,000	29/04/19	7,000	2,000	5,000	Euribor 3m + 1%	29/04/24	quarterly
Unicredit	5,000	30/04/20	4,444	1,111	3,333	Euribor 6m + 0.95%	31/12/24	half-yearly
BNL	7,000	29/05/20	6,223	1,556	4,667	Euribor 6m + 1.1%	31/12/24	half-yearly
UBI	3,000	24/07/20	3,000	372	2,628	Fixed 1%	24/07/23	half-yearly
UBI	3,000	24/07/20	3,000	-	3,000	Euribor 6m + 1%	24/07/26	half-yearly
entered into by Elettropiemme S.r.l. (IT)								
Intesa	300	29/01/18	94	75	19	Euribor 3m + 1.00%	28/01/22	quarterly
entered into by Gefran Inc. (US)								
Unicredit S.p.A. - New York Branch	1,780	29/03/19	679	543	136	Libor 3m + 2.50%	29/03/22	quarterly
Total			38,520	11,079	27,441			

During the second quarter of 2020 two new loans were taken out: a new medium/long-term loan with Unicredit of 5 million Euro, without covenants and with a spread of 0.95%, and a second medium/long-term loan with BNL of 7 million Euro, without covenants and with a spread of 1.1%.

In addition to these, 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 of these loans, the bank benefits from a guarantee provided by the SME Guarantee Fund offered by Mediocredito Centrale, up to a maximum combined total of 5 million Euro.

None of the loans outstanding at 31 December 2020 has clauses requiring compliance with economic and financial requirements (covenants).

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

Financial liabilities for derivatives total 328 thousand Euro, owing to the negative fair value of certain IRS contracts, also entered into by the Parent Company to hedge interest rate risks.

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

Bank (Euro /000)	Notional principal	Signing date	Notional as at 31 December 2020	Derivative	Fair Value as at 31 December 2020	Long position rate	Short position rate
Unicredit	6,000	14/11/17	2,400	CAP	-	Strike Price 0%	Euribor 3m
BNL	5,000	23/11/17	2,000	CAP	-	Strike Price 0%	Euribor 3m
Total financial assets for derivatives – Interest rate risk					-		

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

Bank (Euro /000)	Notional principal	Signing date	Notional as at 31 December 2020	Derivative	Fair Value as at 31 December 2020	Long position rate	Short position rate
Intesa	10,000	29/03/19	6,666	IRS	(61)	Fixed -0.00%	Euribor 3m (Floor: -1.05%)
BNL	10,000	29/04/19	7,000	IRS	(82)	Fixed 0.05%	Euribor 3m (Floor: -1.00%)
Unicredit	5,000	24/06/19	3,014	IRS	(22)	Fixed -0.10%	Euribor 3m (Floor: -0.75%)
Unicredit	5,000	30/04/20	4,444	IRS	(56)	Fixed 0.05%	Euribor 6m (Floor: -0.95%)
BNL	7,000	29/05/20	6,223	IRS	(55)	Fixed -0.12%	Euribor 6m (Floor: -1.10%)
UBI	3,000	24/07/20	3,000	IRS	(52)	Fixed -0.115%	Euribor 3m
Total financial liabilities for derivatives– Interest rate risk					(328)		

At 31 December 2020, no derivatives have been taken out to hedge exchange rate risk.

All the contracts described above are booked at fair value:

(Euro /000)	as at 31 December 2020		as at 31 December 2019	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	-	(328)	1	(169)
Total cash flow hedge	-	(328)	1	(169)

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 39,841 thousand Euro. Overall use of these lines at 31 December 2020 totalled 4,288 thousand Euro, with a residual available amount of 35,553 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)** as of 31 December 2020 amounts to 2,637 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 968 thousand Euro, and non-current liabilities (beyond one year), amounting to Euros 1,669 thousand Euro.

Changes in this item in the year 2020 are detailed below:

(Euro /000)	31 December 2019	Increases	Decreases	Reclassifications	Change in scope of consolidation	Exchange rate differences	31 December 2020
Leasing payables under IFRS 16	3,084	896	(1,298)	-	-	(45)	2,637
Total	3,084	896	(1,298)	-	-	(45)	2,637

Changes in this item in the year 2019 are detailed below:

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

22. Shareholders' Equity

Consolidated *Shareholders' equity* breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Portion pertaining to the Group	78,179	75,044	3,135
Portion pertaining to minority interests	-	-	-
Net amount	78,179	75,044	3,135

The Group's share of shareholders' equity as of 31 December 2020 is 78,179 thousand Euro, up 3,135 thousand Euro over 31 December 2019. The most significant changes pertained to the positive annual result, amounting to 4,353 thousand Euro, partially absorbed by the translation reserve, which decreased by 1,173 thousand Euro in 2020.

In consideration of the result for the year, the Board of Directors proposed, subject to approval of the shareholders' meeting, to pay a dividend of 0.26 Euro per unrestricted share.

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

On 31 December 2019 Gefran S.p.A. held 27,220 shares, representing 0.2% of the total; the situation was the same on 31 December 2020 and remains so as of the date of release of this document.

The Company has not issued convertible bonds.

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

- the share premium reserve, amounting to 19,046 thousand Euro, which is a capital reserve that includes the amounts received by the Company for the issue of shares at a price higher than their nominal value;
- the legal reserve, amounting to 2,880 thousand Euro, which is populated by the mandatory allocation of an amount not less than one-twentieth of annual net profits, until an amount equal to one-fifth of the share capital has been reached (which has already occurred);
- share fair value measurement reserve (positive by 179 thousand Euro), which includes the effects of the measurement of shares at fair value recognised directly under shareholders' equity;
- the cash flow hedge reserve, which includes effects recognised directly under shareholders' equity deriving from the measurement at fair value of financial derivatives to hedge cash flows from changes in interest rates and exchange rates, and is negative by 249 thousand Euro;
- the extraordinary reserve (9,255 thousand Euro), which is recognised under "other reserves";
- the merger surplus reserve (858 thousand Euro), which was set up in 2006 after the merger by incorporation of Siei S.p.A. and Sensori S.r.l. and is included under "other reserves";
- the reserve for conversion to IAS/IFRS (137 thousand Euro), which is included under "other reserves";
- the employee benefits valuation reserve pursuant to IAS 19, which is negative at 601 thousand Euro and is included under "other reserves";
- reserves for own shares in portfolio, which are deducted from the Company's shareholders' equity (156 thousand Euro) and are classed under "other reserves".

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

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

(Euro /000)	31 December 2020	31 December 2019	Change
Balance at 1 January	(94)	(15)	(79)
UBI Banca S.p.A. Shares	157	6	151
Woojin Plaimm Co Ltd Shares	140	(106)	246
Tax effect	(24)	21	(45)
Net amount	179	(94)	273

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

(Euro /000)	31 December 2020	31 December 2019	Change
Balance at 1 January	(121)	3	(124)
Change in fair value derivatives	(168)	(163)	(5)
Tax effect	40	39	1
Net amount	(249)	(121)	(128)

23. Earnings per Share

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

	31 December 2020	31 December 2019
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group (Euro/000)	4,353	7,042
- Average No. of ordinary shares (No./000,000)	14.37	14.373
- Basic earnings per ordinary share	0.303	0.490
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group (Euro/000)	4,353	7,042
- Average No. of ordinary shares (No./000,000)	14.37	14.37
- Basic earnings per ordinary share	0.303	0.490
Average number of ordinary shares	14,372,780	14,372,780

24. Employee Benefits

Liabilities for *Employee benefits* increased by 374 thousand Euro and registered the following movements:

(Euro /000)	31 December 2019	Increases	Decreases	Discounting	Change in scope of consolidation	Exchange rate differences	31 December 2020
Post-employment benefits	4,315	43	(399)	43	-	(5)	3,997
Non-competition agreements	538	-	(146)	90	-	-	482
Total	4,853	43	(545)	133	-	(5)	4,479

Changes over 2019 were as follows:

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

The item mainly comprises the post-employment benefits reserve for employees of the Group's Italian companies. The change in the year is the result of a 43 thousand Euro increase, 399 thousand Euro in payments to employees, and the effect of discounting of the payable in existence as of 31 December 2020 under IAS standards, positive by 43 thousand Euro, as a result of assessment of demographic assumptions and experience (a negative impact of 38 thousand Euro) and changes to financial assumptions (a positive impact of 81 thousand Euro).

Non-competition agreements refer to the amount of the obligation to certain employees, all in the Group's Italian subsidiaries, who have signed such agreements to protect the company from any competitive activities. The change with respect to the previous balance relates to the provision of 146 thousand Euro to employees in 2020, as well as the effect of discounting the obligation, which is on the whole positive by 90 thousand Euro.

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

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

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

- re-proportioning of services for each employee, probabilised and discounted on the basis of seniority accrued as of the assessment date, as compared to the corresponding total as of the payment date.

In greater detail, the technical foundations employed are:

Demographic assumptions	2020	2019
Probability of death	ISTAT 2014 Mortality tables	ISTAT 2014 Mortality tables
Probability of inability	INPS tables divided by age and gender	INPS tables divided by age and gender
Probability of retirement	100% upon achievement of AGO requirements adapted to Decree Law 4/2019	100% upon achievement of AGO requirements adapted to Decree Law 4/2019

Hypothetical turnover and advances	2020	2019
Frequency of advances:	2.1%	2.1%
Frequency of resignation:	2% up to age 50 0% after 50	2% up to age 50 0% after 50

Financial assumptions	2020	2019
Discount rate	0.34%	0.77%
Annual inflation rate	0.8%	1.2%
Annual rate of increase of post-employment benefit	2.100%	2.400%

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

- projection for each employee as of the valuation date, of non-competition agreements already set aside and future quotas of non-competition agreements which will be accrued up to the date of payment;
- determination, for each employee, of probabilized payment of post-employment benefit that would have to be paid by the company in the event that the employee should be dismissed or retire;
- time-discounting of each probabilized payment as of the valuation date.

In greater detail, the technical foundations employed are:

Demographic assumptions	2020	2019
Probability of death	RG48 mortality tables published by General State Accounting Department	RG48 mortality tables published by General State Accounting Department
Probability of retirement	100% upon reaching AGO requirements	100% upon reaching AGO requirements
Probability of voluntary resignation of Executives and Management	4.00% up to age 50 0.50% after age 50	4.00% up to age 50 0.50% after age 50

Financial assumptions	2020	2019
Real annual increase	1.50%	1.50%
Annual time-discount rate	0.29%	0.77%
Annual inflation rate	0.80%	1.20%

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

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

Description	31 December 2020		31 December 2019	
(Euro /000)	-1.0%	1.0%	-1.0%	1.0%
Post-employment benefit reserve	(406)	349	(435)	393
Non-competition agreements	(15)	14	(17)	16
Total	(421)	363	(452)	409

Description	31 December 2020		31 December 2019	
(Euro /000)	-0.5%	0.5%	-0.5%	0.5%
Post-employment benefit reserve	(195)	181	(220)	194
Non-competition agreements	(7)	7	(8)	8
Total	(202)	188	(228)	202

25. Current and Non-Current Provisions

Non-current provisions register a 280 thousand Euro increase over 31 December 2019, and may be broken down as follows:

(Euro /000)	31 December 2019	Provisions	Uses	Releases	Change in scope of consolidation	Exchange rate differences	31 December 2020
Gefran S.p.A. risk provisions							
- other provisions	8	30	-	-	-	-	38
Gefran France risk provisions							
- for restructuring	5	-	-	-	-	-	5
Gefran Gmbh risk provisions							
- for restructuring	-	338	(15)	-	-	-	323
Elettropiemme S.r.l. risk provisions							
- other provisions	631	-	(78)	-	-	-	553
Gefran Soluzioni S.r.l. risk provisions							
- for restructuring	-	5	-	-	-	-	5
Total	644	373	(93)	-	-	-	924

Current provisions totalled 1,462 thousand Euro at 31 December 2020, down by 65 thousand Euro compared with 31 December 2019, and break down as follows:

(Euro /000)	31 December 2019	Provisions	Uses	Releases	Change in scope of consolidation	Exchange rate differences	31 December 2020
FISC	87	7	(8)	-		-	86
Product warranty	1,415	237	(243)	(53)		(5)	1,351
Other provisions	25	-	-	-		-	25
Total	1,527	244	(251)	(53)	-	(5)	1,462

The item refers to envisaged charges for repairs on products under warranty, equal to 1,351 thousand Euro, down by 64 thousand Euro since 31 December 2019; the adequacy of the provision was checked at year-end, with a positive outcome.

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

26. Other Payables and Liabilities

Other payables and liabilities at 31 December 2020 amount to 10,571 thousand Euro, as compared with 12,033 thousand Euro at 31 December 2019. This item breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Payables to personnel	4,942	6,021	(1,079)
Social security payables	2,719	2,841	(122)
Accrued interest on loans	24	16	8
Payables to directors and statutory auditors	223	244	(21)
Other accruals	785	852	(67)
Other payables for taxes	1,737	1,738	(1)
Other current liabilities	141	321	(180)
Total	10,571	12,033	(1,462)

27. Revenue from Product Sales

The economic situation created as a result of the spread of the Covid-19 pandemic affected *Revenues from product sales* in the year 2020, which amounted to 128,371 thousand Euro, down by 11,361 thousand Euro compared to 2019, with a decrease of 8.1%. The following table provides a breakdown of sales and service revenues by business:

(Euro /000)	31 December 2020	31 December 2019	Change	%
Sensors	57,049	60,029	(2,980)	-5.0%
Automation components	32,247	36,578	(4,331)	-11.8%
Motion control	39,075	43,125	(4,050)	-9.4%
Total	128,371	139,732	(11,361)	-8.1%

The amount shown under total revenues includes service revenues of 2,754 thousand Euro (3,770 thousand Euro in 2019); see the Report on Operations for comments on the performance of the various businesses and geographical regions.

28. Other Revenues and Income

Other operating revenues and income amount to 1,274 thousand Euro, compared to 803 thousand Euro in other revenues in 2019, as shown in the table below:

(Euro /000)	31 December 2020	31 December 2019	Change	%
Recovery of company canteen expenses	20	39	(19)	-48.7%
Insurance reimbursements	10	14	(4)	-28.6%
Rental income	252	251	1	0.4%
Fees	9	24	(15)	-62.5%
Government grants	569	89	480	539.3%
Other income	414	386	28	7.3%
Total	1,274	803	471	59%

Other proceeds amount to 414 thousand Euro and include chargeback for R&D specifically requested by customers.

The most significant change relates to *Government Contributions*, up by 480 thousand Euro over 2019 as a result of grants received following the purchase of PPE and investment in the Group's premises in response to Covid-19, and the collection of contributions linked to the I-MECH European Community project.

29. Costs for Raw Materials and Accessories

Costs of raw materials and accessories amount to 44,457 thousand Euro, as compared to 50,911 thousand Euro at 31 December 2019. They break down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Raw materials and accessories	44,457	50,911	(6,454)
Total	44,457	50,911	(6,454)

30. Service Costs

Service costs amount to 19,195 thousand Euro, 4,977 thousand Euro lower than the 2019 figure of 24,172 thousand Euro. They may be broken down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Services	18,298	23,147	(4,849)
Use of third-party assets	897	1,025	(128)
Total	19,195	24,172	(4,977)

As a result of transition to accounting standard IFRS 16, Leases, as of 1 January 2019 all leasing agreements are 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 1,278 thousand Euro (1,190 thousand Euro in 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 897 thousand Euro in costs for use of third-party assets in 2020 (as compared to 1,025 thousand Euro in 2019).

With reference to Services, other than the rental charges described above, the item decreased by Euro 4,849 thousand in 2020 compared to 2019; this is the result of the new organisational methods, redefinition of activities and priorities and cost containment processes, promptly activated from the first signs of Covid-19 pandemic, and of the travel restrictions imposed by the various countries (with reference to travel and trade fair costs).

31. Personnel Costs

Personnel costs totalled Euro 46,118 thousand, down Euro 3,132 thousand compared to 31 December 2019, and may be broken down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Salaries and wages	34,705	37,403	(2,698)
Social security contributions	8,779	9,364	(585)
Post-employment benefit reserve	2,002	2,177	(175)
Other costs	632	306	326
Total	46,118	49,250	(3,132)

The decrease is a result of actions taken in response to the spread of the Covid-19 pandemic, and in particular use of wage support in a number of countries, where possible. Greater use of holiday time and reduction of performance-based bonuses also contribut*ed* to the decrease in this item. These actions were activated in all Group companies.

Social security contributions include costs for defined contribution plans for management (Previndai pension plan) amounting to 57 thousand Euro (56 thousand Euro at 31 December 2019).

The item Other costs, up by 326 thousand Euro, includes, among other items, restructuring costs resulting from reorganisation of the Group's subsidiaries.

The average number of Group employees in 2020 is as follows, compared with the 2019 figure:

	31 December 2020	31 December 2019	Change
Managers	18	17	1
Clerical staff	519	517	2
Manual workers	272	267	5
Total	809	801	8

The average number of employees increased by 8 over the figure for the previous year; the exact number of employees on 31 December 2020 was 787, 42 less than on 31 December 2019, the result of 78 employees leaving the company and 36 new arrivals.

32. Miscellaneous Management Costs and Other Operating Income

Miscellaneous management costs have a balance of 1,224 thousand Euro, higher than on 31 December 2019. The breakdown is as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Capital losses on the sale of assets	-	(19)	19
Losses on other receivables	(313)	1	(314)
Other taxes and duties	(457)	(546)	89
Membership fees	(252)	(228)	(24)
Miscellaneous	(202)	(155)	(47)
Total	(1,224)	(947)	(277)

The item *Other operating income* amounts to 331 thousand Euro, as compared to 1,083 thousand Euro in 2019. This item breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Capital gains on the sale of assets	5	369	(364)
Collection of doubtful receivables	3	5	(2)
Release of risk provisions	-	238	(238)
Miscellaneous	323	471	(148)
Total	331	1,083	(752)

Gains on the sale of assets amounted to 5 thousand Euro in 2020, compared with a 2019 balance of 369 thousand Euro, of which 332 thousand Euro related to the sale of the property in the North American branch following the transfer to the new building.

238 thousand Euro in provisions allocated in previous years had been released in 2019 (none were released in 2020).

Other operating income totalled 323 thousand Euro as of 31 December 2020 and mainly relates to the reversal of payables booked to the Chinese subsidiary. It decreased by 148 thousand Euro compared with 31 December 2019, when this item included entry of tax refunds pertaining to previous years by the South American subsidiary (424 thousand Euro).

33. Depreciation, Amortisation and Impairment

These items amount to 8,151 thousand Euro, compared to 9,355 thousand Euro in 2019. These items include:

(Euro /000)	31 December 2020	31 December 2019	Change
Intangible assets	2,100	2,136	(36)
Tangible assets	4,784	6,073	(1,289)
Usage rights	1,267	1,146	121
Total	8,151	9,355	(1,204)

The change is primarily a result of the item *Tangible assets*, 1,289 thousand Euro lower than the figure for the year 2019, when it 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 included expansion of production lines and required 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 1,267 thousand Euro at 31 December 2020 (1,146 thousand Euro at 31 December 2019).

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

(Euro /000)	31 December 2020	31 December 2019	Change
Sensors	3,509	4,703	(1,194)
Automation components	2,531	2,520	11
Motion control	2,111	2,132	(21)
Total	8,151	9,355	(1,204)

34. Gains (Losses) from Financial Assets/Liabilities

The item had a negative balance of 1,813 thousand Euro; this compares with a negative balance of 486 thousand Euro in the year 2019, and breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Cash management			
Income from cash management	32	49	(17)
Other financial income	27	44	(17)
Medium-/long-term interest	(369)	(323)	(46)
Short-term interest	(51)	(50)	(1)
Factoring interest and fees	(28)	(35)	7
Other financial charges	(24)	(45)	21
Total income (charges) from cash management	(413)	(360)	(53)
Currency transactions			
Exchange gains	342	334	8
Positive currency valuation differences	353	613	(260)
Exchange losses	(1,071)	(352)	(719)
Negative currency valuation differences	(991)	(682)	(309)
Total other income (charges) from currency transactions	(1,367)	(87)	(1,280)
Other			
Gains from disposal of financial assets	10	-	10
Impairment of financial assets	(4)	-	(4)
Interest on financial payables due to leasing under IFRS 16	(39)	(39)	-
Total other financial income (charges)	(33)	(39)	6
Gains (losses) from financial assets/liabilities	(1,813)	(486)	(1,327)

The item *Cost of cash management* increased by a total of 53 thousand Euro over 31 December 2019 due to increased financial interest payable as a result of new loans taken out in the year 2020.

The balance of differences on foreign currency transactions has a negative value of 1,367 thousand Euro, as compared with a negative value of 87 thousand Euro on 31 December 2019. The change is a result of the dynamics of the Euro in relation to the other currencies managed by the Group.

The item *Other financial charges* includes charges on financial payables resulting from application of the new accounting standard IFRS 16, worth 33 thousand Euro in the year 2020 (39 thousand Euro in 2019).

35. Gains (Losses) from Shareholdings Valued at Equity

(Euro /000)	31 December 2020	31 December 2019	Change
Result of companies valued at equity	(2)	180	(182)
Total	(2)	180	(182)

Losses from shareholdings valued at equity were 2 thousand Euro and relate to the reported results of Axel S.r.l., as well as the effects of elimination of the investment in Ensun S.r.l. following the liquidation of the company. This compares with income of 180 thousand Euro recorded in 2019, mainly a result of adjustment of the value of the Ensun S.r.l. Group's holding following the sale of the shares of Elettropiemme S.r.l. and BS Energia 2 S.r.l..

36. Income Tax, Deferred Tax Assets and Deferred Tax Liabilities

The item *Taxes* was negative at 3,231 thousand Euro; this compares with a negative balance of 3,027 thousand Euro in 2019, and breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Current taxes			
IRES (corporate income tax)	(391)	(431)	40
IRAP (regional production tax)	(200)	(529)	329
Foreign taxes	(91)	(1,008)	917
Total current taxes	(682)	(1,968)	1,286
Deferred tax assets and liabilities			
Deferred tax liabilities	(246)	(8)	(238)
Deferred tax assets	(2,302)	(1,051)	(1,251)
Total deferred tax assets and liabilities	(2,548)	(1,059)	(1,489)
Total taxes	(3,230)	(3,027)	(203)

Current taxes for the year 2020 are down by a total of 1,286 thousand Euro over the previous year. The change is attributable to lower profits earned by the Parent Company and its subsidiaries.

Deferred taxes, which were on the whole negative by 2,548 thousand Euro, mainly originated out of use of advance taxes entered on prior tax losses of the Parent Company and its Chinese subsidiary.

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

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

(Euro /000)	31 December 2020	31 December 2019
Profit (loss) before tax	7,583	10,069
Theoretical income taxes	(1,820)	(2,412)
Effect from use of losses carried forward	1,100	1,101
Rate effect for affiliates	(38)	(155)
Net effect of permanent differences	203	361
Net effect of permanent differences for affiliates	10	(82)
Net effect of temporary deductible and taxable differences	(54)	(202)
Effect of taxes from previous years	95	(52)
Current taxes	(504)	(1,441)
Income tax – deferred tax assets/liabilities	(2,584)	(1,110)
Income tax entered in the financial statement (excluding current and deferred regional production tax IRAP)	(3,088)	(2,551)
IRAP - current taxes	(178)	(528)
IRAP – deferred tax assets/liabilities	36	52
Recognised income taxes (current and deferred)	(3,230)	(3,027)

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

The table below shows a breakdown of deferred tax assets and deferred tax liabilities for the year 2020:

(Euro /000)	31 December 2019	Posted to the income statement	Recognised in shareholders' equity	Change in scope of consolidation	Exchange rate differences	31 December 2020
Deferred tax assets						
Impairment of inventories	1,316	(96)		-	(2)	1,218
Impairment of trade receivables	345	(51)		-	-	294
Impairment of assets	535	-		-	-	535
Deductible losses to be brought forward	3,058	(1,958)		-	(26)	1,074
Exchange rate balance	3	(2)		-	-	1
Elimination of unrealised margins on inventories	570	(134)		-	-	436
Provision for product warranty risk	322	5		-	-	327
Provision for miscellaneous risks	343	(66)	24	-	-	301
Fair value hedging	64	-	15	-	-	79
Total deferred tax assets	6,556	(2,302)	39	-	(28)	4,265
Deferred tax liabilities						
Exchange valuation differences	-	(2)	-		-	(2)
Other deferred tax liabilities	(647)	(244)			60	(831)
Total deferred taxes	(647)	(246)	-	-	60	(833)
Net total	5,909	(2,548)	39	-	32	3,432

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

(Euro /000)	31 December 2018	Posted to the income statement	Recognised in shareholders' equity	Change in scope of consolidation	Exchange rate differences	31 December 2019
Deferred tax assets						
Impairment of inventories	1,120	194		-	2	1,316
Impairment of trade receivables	359	(14)		-	-	345
Impairment of assets	535	-		-	-	535
Deductible losses to be brought forward	3,845	(1,331)		536	8	3,058
Exchange rate balance	4	(1)		-	-	3
Elimination of unrealised margins on inventories	518	52		-	-	570
Provision for product warranty risk	282	40		-	-	322
Provision for miscellaneous risks	247	9	87	-	-	343
Fair value hedging	2	-	62	-	-	64
Total deferred tax assets	6,912	(1,051)	149	536	10	6,556
Deferred tax liabilities						
Exchange valuation differences	(4)	5	(1)		-	-
Other deferred tax liabilities	(623)	(13)			(11)	(647)
Total deferred taxes	(627)	(8)	(1)	-	(11)	(647)
Net total	6,285	(1,059)	148	536	(1)	5,909

37. Guarantees Granted, Commitments and Other Contingent Liabilities

a. Guarantees Granted

At 31 December 2020, the Group had granted guarantees on payables or commitments of third parties or subsidiaries totalling 95 thousand Euro, down from the figure for 31 December 2019, as summarised in the table below:

(Euro /000)	31 December 2020	31 December 2019
Banca Passadore	-	2,750
Banca Pop. Emilia Romagna	-	1,020
Sandrini Costruzioni	66	66
Sandrini Costruzioni	29	29
Total	95	3,865

As at 31 December 2019, the surety issued in favour of Banca Passadore guaranteed the credit lines of Ensun S.r.l., and was awaiting completion of the release procedures by the bank, as the underlying loan had been completely extinguished as at 31 December 2019. The release procedures were completed during the first half of 2020 and the surety in question was revoked.

The surety issued in favour of Banca Popolare Emilia Romagna in the fourth quarter of 2018 with an 18-month term, worth 1,020 thousand Euro, guaranteed the credit lines of Gefran Drives and Motion S.r.l. The surety in question was revoked during the first half of 2020.

The two sureties issued in favour of Sandrini Costruzioni, totalling 95 thousand Euro, refer to the guarantee for the rental of the industrial building where Elettropiemme S.r.l. carries out its activities.

b. Legal Proceedings and Disputes

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

c. Commitments

The Group has stipulated contracts for rental of buildings and leasing of equipment, electronic machinery and company vehicles. With application of accounting standard IFRS 16, the amount of lease fees remaining payable appears in the financial statement under the items *Usage rights* and *Financial payables for leasing under IFRS16*, and so the reader is referred to the notes on these topics for more information.

As required under the new accounting standard, some residual existing contracts have been excluded from the perimeter of application as they met the requirements for exclusion; leasing costs for these contracts entered in the income statement amount to 897 thousand Euro in the year 2020 (1,025 thousand Euro in the year 2019).

At 31 December 2020, the total value of the Group's commitments was 898 thousand Euro, for leasing and rental contracts expiring within the next five years, which do not fall within the scope of application of IFRS 16 (equal to 1,130 thousand Euro at 31 December 2019). This value mainly refers to the share of ancillary services pertaining to contracts subject to IFRS16, as well as contracts for which, based on their value and duration, the above standard has not been applied.

38. Transactions with Related Parties

The following information on Group companies' transactions with related parties in the years 2020 and 2019 is provided in accordance with IAS 24 .

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

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

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

(Euro /000)	Marfran S.r.l.	Total
Revenue from product sales		
2019	-	-
2020	5	5

(Euro /000)	Marfran S.r.l.	Total
Costs for raw materials and accessories		
2019	-	-
2020	(45)	(45)

(Euro /000)	Climat S.r.l.	B. T. Schlaepfer	Marfran S.r.l.	Total
Service costs				
2019	(134)	(80)	-	(214)
2020	(157)	(92)	(22)	(271)

(Euro /000)	M. Pedro	Total
Personnel costs		
2019	-	-
2020	(58)	(58)

(Euro /000)	Climat S.r.l.	Marfran S.r.l.	Total
Property, plant, machinery and tools			
2019	470	-	470
2020	247	-	247
Trade receivables			
2019	-	-	-
2020	-	4	4
Trade payables			
2019	120	-	120
2020	257	16	273

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

In relations with its subsidiaries, the Parent Company Gefran S.p.A. has provided technical and administrative/management services and paid royalties on behalf of the Group's operative subsidiaries totalling 3.2 million Euro under specific contracts (3.4 million Euro as of 31 December 2019).

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

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

In 2020, the Parent Company Gefran S.p.A. recognised dividends from subsidiaries amounting to 2,200 thousand Euro (2,545 thousand Euro in 2019).

Members of the Board of Directors and the Board of Statutory Auditors and managers with strategic responsibilities were paid the following aggregate remuneration: 977 thousand Euro included in personnel costs and 1,079 thousand Euro included in service costs (482 thousand Euro included in personnel costs and 1,371 thousand Euro included in service costs in 2019).

Persons of strategic importance have been identified as members of the executive Board of Directors of Gefran S.p.A. and other Group companies, as well as executives with strategic responsibilities, identified as the General Manager of Gefran S.p.A., the General Manager of the Drives and Motion Control Business Unit, the Chief Financial Officer, the Chief People & Organisation Officer, and the Group's Chief Technology Officer.

39. Information Pursuant to Article 149 Duodecies of the Consob Issuers' Regulations

The table below shows fees paid in relation to the year 2020 for auditing services and for services other than auditing provided by the auditing company and entities in its network.

(Euro /000)	Party that provided the service	Recipient	Fees for 2020
Accounts audit	PwC S.p.A.	Parent company Gefran S.p.A.	88
	PwC S.p.A.	Subsidiaries	63
	PwC network	Subsidiaries	194
Accounts audit on Non-Financial Declaration	PwC S.p.A.	Parent company Gefran S.p.A.	19
Certification services	PwC network	Parent company Gefran S.p.A.	33
Total			397

40. Events After 31 December 2020

For information on operational performance in early 2021, please see the "Outlook" section.

No other significant events took place after the year-end.

41. Other Information

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

Provaglio d'Iseo, 11 March 2021

For the Board of Directors

Chairwoman

Maria Chiara Franceschetti

Chief Executive Officer

Marcello Perini

4

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	Q4 2020	TOT 2020
a	Revenues	35,973	36,126	33,015	35,421	140,535	31,426	31,309	31,186	35,724	129,645
b	Increases for internal work	635	628	572	739	2,574	495	459	508	751	2,213
c	Consumption of materials and products	12,207	12,908	11,702	13,391	50,208	11,411	11,237	11,585	13,805	48,038
d	Value Added (a+b-c)	24,401	23,846	21,885	22,769	92,901	20,510	20,531	20,109	22,670	83,820
e	Other operating costs	5,753	6,152	5,679	6,337	23,921	5,425	4,681	4,869	5,178	20,153
f	Personnel costs	12,379	13,228	11,878	11,765	49,250	11,858	11,741	10,641	11,878	46,118
g	EBITDA (d-e-f)	6,269	4,466	4,328	4,667	19,730	3,227	4,109	4,599	5,614	17,549
h	Depreciation, amortisation and impairment	3,291	2,068	1,976	2,020	9,355	1,997	2,018	2,055	2,081	8,151
i	EBIT (g-h)	2,978	2,398	2,352	2,647	10,375	1,230	2,091	2,544	3,533	9,398
l	Gains (losses) from financial assets/ liabilities	175	(302)	55	(414)	(486)	(667)	(439)	(467)	(240)	(1,813)
m	Gains (losses) from shareholdings valued at equity	242	17	31	(110)	180	2	(3)	2	(3)	(2)
n	Profit (loss) before tax (i±l±m)	3,395	2,113	2,438	2,123	10,069	565	1,649	2,079	3,290	7,583
o	Taxes	(847)	(632)	(807)	(741)	(3,027)	(486)	(589)	(532)	(1,623)	(3,230)
p	Group net profit (loss) (n±o)	2,548	1,481	1,631	1,382	7,042	79	1,060	1,547	1,667	4,353

b) Exchange Rates Used to Translate the Financial Statements of Foreign Companies

End-of-period exchange rates

Currency	31 December 2020	31 dicembre 2019
Swiss franc	1.0802	1.0854
Pound sterling	0.8990	0.8508
U.S. dollar	1.2271	1.1234
Brazilian real	6.3735	4.5157
Chinese renminbi	8.0225	7.8205
Indian rupee	89.6605	80.1870
Turkish lira	9.1131	6.6843

Average exchange rates in the period

Currency	2020	2019	4Q 2020	4Q 2019
Swiss franc	1.0703	1.1127	1.0779	1.0961
Pound sterling	0.8892	0.8773	0.9032	0.8601
U.S. dollar	1.1413	1.1196	1.1928	1.1072
Brazilian real	5.8900	4.4135	6.4384	4.5604
Chinese renminbi	7.8708	7.7339	7.8993	7.7998
Indian rupee	84.5795	78.8501	88.0175	78.8689
Turkish lira	8.0436	6.3574	9.4013	6.4155

c) List of Subsidiaries Included in the Scope of Consolidation

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

d) List of Companies Consolidated at Equity

Name	Registered office	Nation	Currency	Share capital	Parent company	% of direct ownership
Axel S.r.l.	Crosio della Valle	Italy	EUR	26,008	Gefran S.p.A.	15

e) List of Other Subsidiaries

Name	Registered office	Nation	Currency	Share capital	Parent company	% of direct ownership
Colombera S.p.A.	Iseo	Italy	EUR	8,098,958	Gefran S.p.A.	16.56
Woojin Plaimm Co Ltd	Seoul	South Korea	WON	3,200,000,000	Gefran S.p.A.	2.00

Certification of the Consolidated Financial Statements under Article 81ter of Consob Regulation No 11971 Of 14 May 1999 as Amended

The undersigned **Marcello Perini**, as a Chief Executive Officer and **Fausta Coffano**, in her capacity as Executive in charge of financial reporting of Gefran S.p.A. hereby certify, with due regard for the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- adequacy with respect to the Company's characteristics,

  and

- the effective application of the administrative and accounting procedures applied in the preparation of the consolidated financial statements in 2020. There are no major points to be made in this respect.

There are no significant events to report in this regard.

They further certify that:

1. The **Consolidated**:
   - it shall be drawn up in accordance with the applicable international accounting standards recognised in the European Community in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to entries made in accounting ledgers and records;
   - provide a true and accurate representation of the equity, economic and financial position
   - of the issuer and all companies included in the scope of consolidation.
2. The **Report on operations** contains a reliable analysis of operating performance and results and of the condition of the issuer and all companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Provaglio d'Iseo, 11 March 2021

Chief Executive Officer	Executive in charge of financial reporting
Marcello Perini	**Fausta Coffano**


CRESCE IL NOSTRO SAPERE TECNOLOGICO
LA NOSTRA BASE È SOLIDA
CI CREDIAMO
SIAMO APPASSIONATI
IL NOSTRO SGUARDO È NEL MONDO
IL NOSTRO SGUARDO È ANCHE DIETRO CASA
RENDIAMO SEMPLICE LAVORARE CON NOI
FACCIAMO SUL SERIO
LA NOSTRA STRADA NON FINISCE
CONTINUIAMO A CORRERE
IL FUTURO È IL NOSTRO PRESENTE

Consolidated Non-Financial Disclosure at 31 December 2020

1 The Business Model Adopted by Gefran

Group Identity: the Gefran Way

The link between the Gefran Group and its technological and industrial reality is very strong, as expressed in the declaration of Promise and Purpose recently expressed at the conclusion of the process of construction of a Corporate Identity referred to as the *Gefran Way*: a compass intended to guide the Group in making day-to-day decisions, in every sphere and corporate process, and the style that inspires the company in collaboration with its partners.

Gefran's approach is represented by the elements characterising its identity.

Promise and *Purpose* are among these, representing a prospective vision and a path aimed at building the foundations of the future, in the present. This declaration requires constant discussion, which often takes the form of collaboration, with our partners.

OUR PURPOSE

The future is our present..

Be protagonist in technology evolution, recognise as a point of reference for those who build industrial value and innovation.

Be Interpreters of sustainable growth, open to the market, companies and the people we work and live with.

OUR PROMISE

We have solid roots in industrial automation and technological innovation.

We listen and work with passion to find the most effective solutions, create winning and sustainable relationships.

This is our strenght.

We work with companies that want to improve technological processes, with people who believe in professional growth and talent, with stakeholders who have an interest in creating value for the community and the local area.

This is our world.

This is the Gefran Way!

Other elements representing Gefran's identity are its *guiding principles*: the process of generating awareness of the Group's identity has materialised through the declaration of these principles guiding behaviour and actions. These are the cultural values shared in the Group, reflecting its needs and aspirations.

INTEGRITY

We are fully committed to establishing trust by promoting quality standards and practices, commitment to products and sustainable relationship with stakeholders.

We are experts in designing effective solutions and providing services that anticipate the client's needs.

INITIATIVE

We understand the importance of timely responses, flexibility of proposals, and above all, searching for best possible solutions..

INNOVATION

We anticipate the needs of the future and understand how to implement our vision in the present. We invest in designing premium quality solutions and services and possess the know-how for ongoing innovation and creativity..

The statements appearing in the *Manifesto* describe the experience Gefran wants to offer its stakeholders. They are a reference for the Group as a whole, conveying value and trust.

WE EMBRACE TECHNOLOGY

WE ARE CONSCIOUS

WE CARE

WE WORK HARD

WE SMILE

WE ARE STRONG

WE BELIEVE IN WHAT WE DO

PASSION MOVES US FORWARD

OUR VISION IS GLOBAL

OUR VISION IS LOCAL TOO

WE MAKE IT EASY FOR YOU

WE MEAN BUSINESS

WE ARE COMMITTED

WE RISE TO THE CHALLENGE

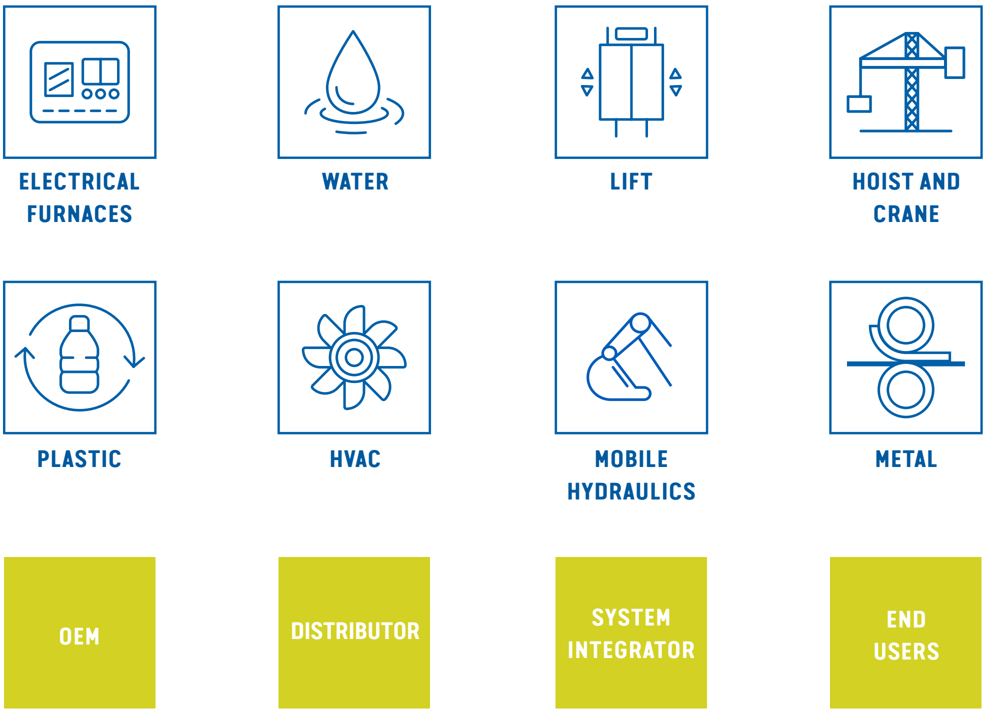
THE FUTURE IS OUR PRESENT

Group Profile and Structure

The Gefran Group arose out of an entrepreneurial intuition at the end of the 1960s and immediately made its mark in Italy and abroad, thanks to the concept of an regulation tool that would dictate standards in its industry. In the 1980s the company extended its production to include sensors, and expanded its range of technologies after the year 2000 thanks to acquisition of a historic brand in the electrical motion control business.

The Company has been listed on the Stock Exchange since 9 June 1998, and is now included in the FTSE Italia STAR segment, dedicated to companies with small and medium-sized capitalisations that meet specific requirements in terms of transparency, liquidity and corporate governance.

Today, Gefran designs, produces and sells products in three main business units: industrial sensors, automation components and motion control devices for electronic control of electric motors. The entire product range, which is unique in its breadth, quality and specialisation, provides tailored turnkey solutions in multiple sectors of automation, serving customers through a number of channels.



With strong links to the local area in which it was founded, the Group has maintained its headquarters in Italy, in its historic headquarters in Provaglio di Iseo (BS). The path of development undertaken over the years has led Gefran to strengthen and consolidate its presence in international markets. The Group now includes 16 companies with 12 production sites located all over the world and a number of sales organisations guaranteeing total control over the entire supply chain: from the design phase through production to distribution of the product, with world-wide sales and technical support.

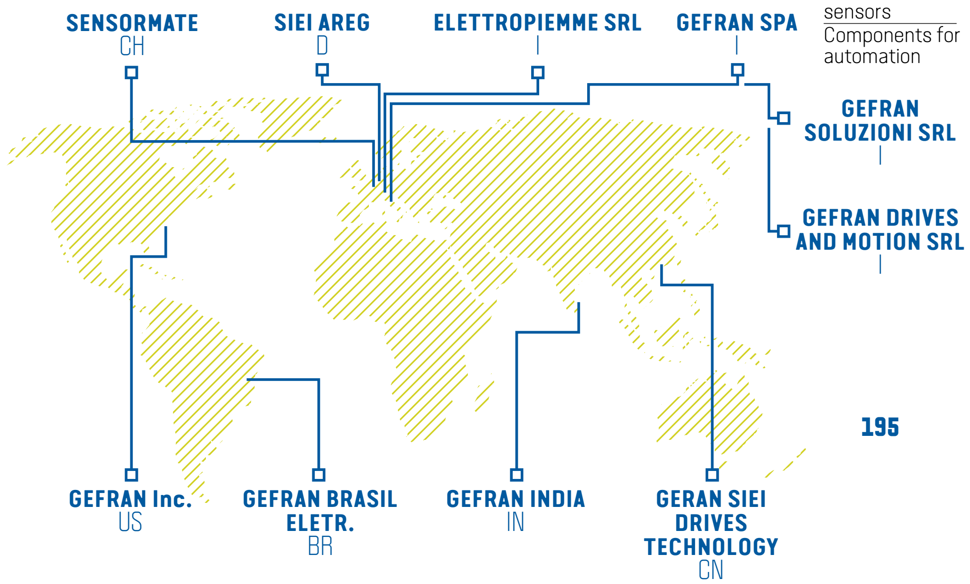
12
Production plants

4
sensors factories

2
automation components factories

4
motion control factories

2
electric panels



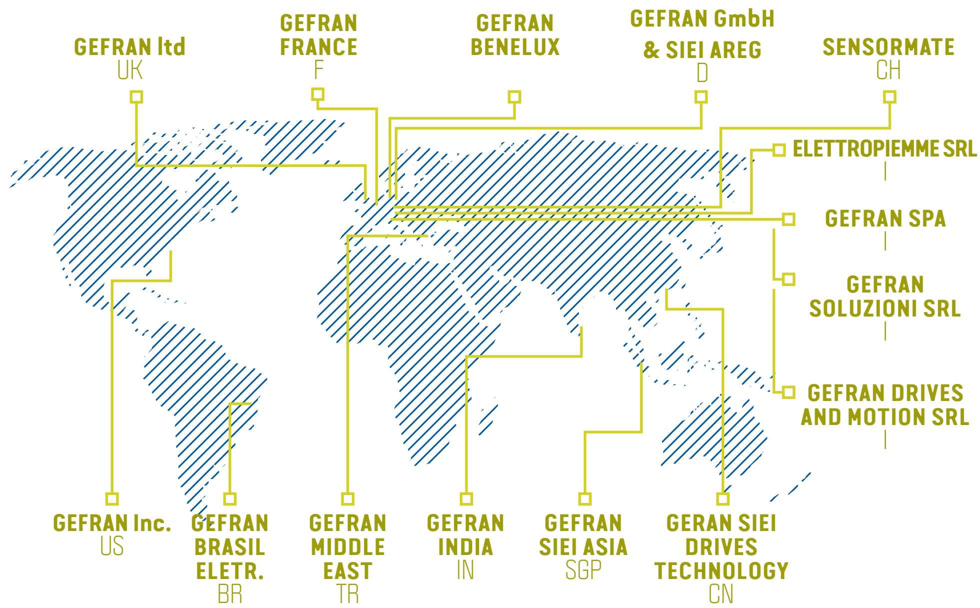
16
Sales organisations

11
in Europe

3
in Asia

1
in Latin America

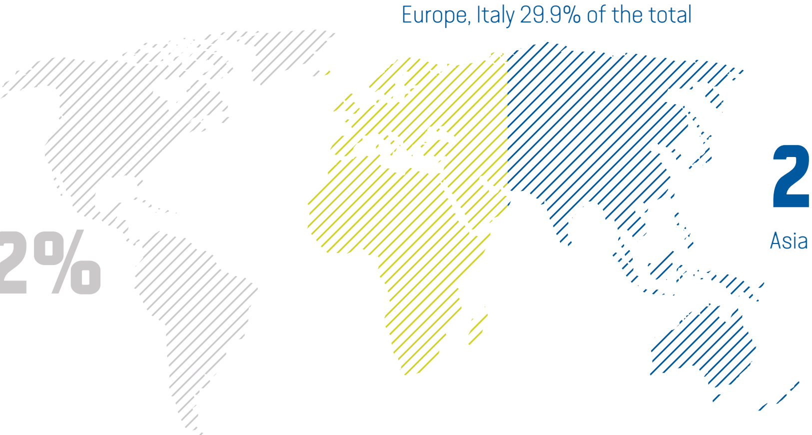
1
in US



Market Share

The Group operates directly in 12 countries and distributes its products through its sales network in about 80 countries worldwide.

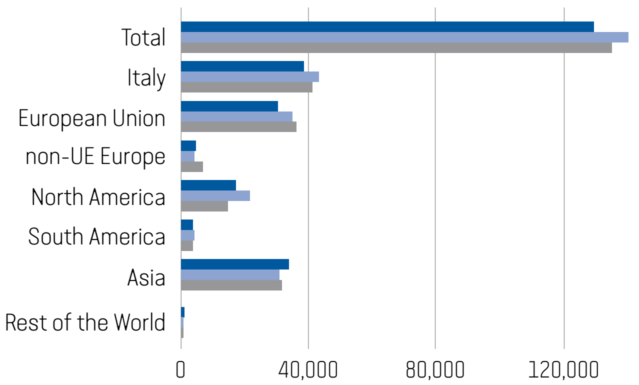
57.0%
Europe, Italy 29.9% of the total



26.1%
Asia

16.2%
America

Sales breakdown by geographic region
(values in Euro/000)



129,645
Total Revenues 2020

140,535
Total Revenues 2019

135,571
Total Revenues 2018

The Group's revenues in the year 2020 amounted to 129.6 million Euro, compared to 140.5 million Euro in revenues in 2019, a decrease of 10.9 million Euro (-7.7%). This shrinkage, due to the impact of Coronavirus during the year, affected a number of the geographical areas where the Group operates: Italy (-10.5%), the European Union (-13%), and North and South America (-19.6% and -17.7%, respectively). Asia registered a positive return (+9,2%) thanks to the good performance of the sensors business.

Key Performance Indicators (KPIs)

KPIs - Economic indicators		2020	2019	2018
Revenues	(Euro / 000)	129,645	140,535	135,571
EBITDA	(Euro / 000)	17,549	19,730	20,058
	%	13.5%	14.0%	14.8%
EBIT	(Euro / 000)	9,398	10,375	13,743
	%	7.2%	7.4%	10.1%
Profit (loss) before tax	(Euro / 000)	7,583	10,069	13,187
Result from operating activities	(Euro / 000)	7,583	7,042	9,026
Profit (loss) from assets held for sale	(Euro / 000)	-	-	(875)
Group net profit (loss)	(Euro / 000)	4,353	7,042	8,151
	%	3.4%	5.0%	6.0%

KPIs - Equity and financial indicators		2020	2019	2018
Invested capital from operations	(Euro / 000)	81,902	88,331	77,335
Net working capital	(Euro / 000)	29,799	28,542	32,055
Shareholders' equity	(Euro / 000)	78,179	75,044	72,814
Net financial position	(Euro / 000)	(3,723)	(13,287)	(4,521)
Investments	(Euro / 000)	6,003	16,006	9,438
Operating cash flow	(Euro / 000)	16,953	18,045	18,992
Return on investment ROI (EBIT/net invested capital)	%	11.5%	11.7%	17.8%

KPIs - Human capital		2020	2019	2018
Total employees	no.	787	829	771
of whom Women	no.	238	251	238
	%	30.2%	30.3%	30.9%
of whom Men	no.	549	578	533
	%	69.8%	69.7%	69.1%

Group Operations - Business Lines

Gefran concentrates its business activities on three main product lines: sensors, automation components and motion control. Each of these lines has its own organisation concerned with the design, manufacture and distribution of the product, specific to the unique characteristics of the products, as described below.

Sensors

The Group offers a complete range of sensors for measuring four physical quantities used in a large number of sectors of industry: position, pressure, force and temperature.

Gefran stnds out for its strong drive toward innovation and its technological leadership. In the factories where it manufactures its products, the "heart" of the sensors is also produced, that is, the primary element.

The range offered on the market is unique for its completeness, and the Group holds a position of global leadership in a number of product families.

The sensors business unit has 4 production sites: one in Italy, in the Group's historic premises in Provaglio d'Iseo (BS), while the others are located abroad, in North Andover MA (US), Aadorf (CH), and Shanghai (CN). This makes it possible to reach the different geographic markets and thus best meet the needs of partners.

The investment plan of the sensors business for the last three years was dedicated to the expansion of production lines and to the development of the larger new spaces essential to support its expansion. In particular, in 2019 Gefran Inc (US) activities were transferred to the new larger building, purchased and adapted to house the company's production lines. At the same time, the Parent Company started and completed construction of a new building in the vanguard of technology and energy efficiency, which has contained a number of production departments since the beginning of 2020 to support the expansion of the business line.

Investment in this business line in 2020 focused on industry, with the goal of improving the efficiency of processes and adapting production capacity, as well as in R&D, an area where significant investment was made in the purchase of a patent allowing development of a new technology.

the turnover of the business unit during the year just ended was reduced due to the effects of the Covid-19 pandemic. The unit registered a 4.7% drop over its 2019 results, 6.7% since 2018. It should be noted that the slowdown in the Italian, European and American markets was partially offset by good performance on the Asian market, achieved thanks to a faster recovery, due in part to the way the Covid-19 emergency was handled in these areas and in part to exploration of new business opportunities.

-4.7%

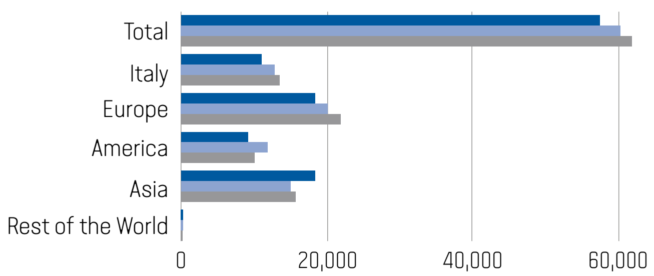
2020 vs. 2019

-6,7%

2020 vs. 2018

Sensors Sales breakdown by geographic region

(values in Euro/000)



57,734

Total Revenues 2020

60,582

Total Revenues 2019

61,893

Total Revenues 2018

Automation Components

The electronic automation components business line includes three product macro lines widely used in the control of industrial processes: instrumentation, power control and automation platforms. In addition to selling products, Gefran offers its business partners tailored turnkey global automation solutions developed through a close strategic partnership during the design and production stages.

Gefran stands out for its expertise in hardware and software acquired in over thirty years of experience, making the Group one of Italy's leading manufacturers of this type of product. Around 45% of the turnover generated by the automation components business comes from exports.

Technical design and engineering work and production are mainly concentrated in Italy, on the premises of the Parent Company Gefran S.p.A., the subsidiary Gefran Soluzioni S.r.l. and the subsidiary Elettropiemme S.r.l.; the first two, located in Provaglio d'Iseo (BS), are the plants that have historically dedicated to this business line, while Elettropiemme S.r.l. of Trento joined the Group in 2019 as a subsidiary of Gefran Soluzioni S.r.l..

There are also a number of assembly lines in Sao Paulo (BR), supporting the South American market.

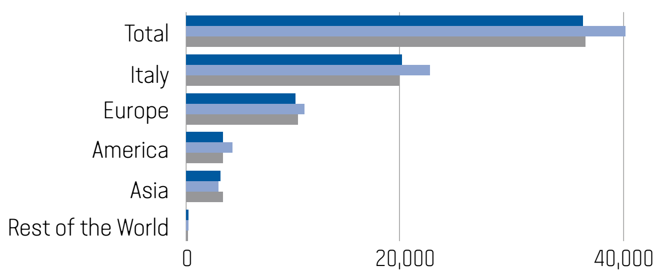
The decrease in sales of automation components in 2020 was attributable to the impact of the international pandemic, with the resulting temporary factory closures in countries where lockdowns were in effect, as well as the restrictions on business travel.

As noted for the Sensors business, sales of automation components in 2020 compared to 2019 was spread over all the main geographical areas served (Italy, Europe and America), in contrast with the trend toward slight growth on the Asian market.

-10.0%
2020 vs. 2019

-0.9%
2020 vs. 2018

Automation components sales breakdown by geographic region (values in Euro/000)



37,238
Total Revenues 2020

41,391
Total Revenues 2019

37,475
Total Revenues 2018

Motion Control

The Motion control business develops products and solutions to regulate speed and control AC, DC and brushless electric motors. The products of this business line (inverters, armature converters and servodrives) guarantee maximum performance in terms of system precision and dynamics and are intended for various applications including lift control, cranes, metal rolling lines, paper machines, plastics, glass and metal.

Through integration of advanced capabilities with flexible hardware and software configurations, Gefran provides advantageous solutions for its customers and target markets, optimising both technology and costs.

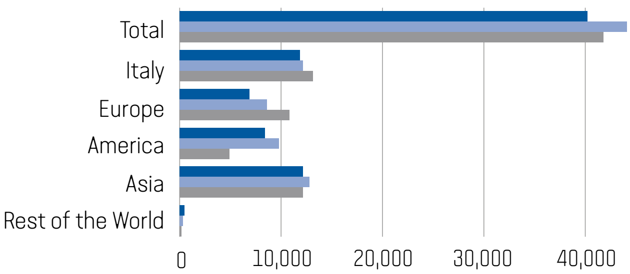
Motion control engineering work is concentrated at the plant in Gerenzano (VA), in Italy, with production distributed across various plants with the aim of serving all markets and fully meeting customers' requirements. In addition to the Italian production plant, the Pleidelsheim (DE), Pune (IN) and Shanghai (CN) plants are also concerned with this business line.

The trend toward growing sales in the motion control business in recent years halted in 2020 as a result of the situation generated following the worldwide spread of Covid-19. 2020 sales are down compared to both 2019 (-8.6%) and 2018 (-3.7%).

-8.6%
2020 vs. 2019

-3.7%
2020 vs. 2018

Motion control Sales breakdown by geographic region
(values in Euro/000)



40,194
Total Revenues 2020

43,953
Total Revenues 2019

41,740
Total Revenues 2018

2 Corporate Governance

The Organisation of Corporate Governance and the Model Adopted by Gefran

The Parent Company Gefran S.p.A. carries out functions of direct and indirect coordination of operations in the **business lines** and of the Group's **subsidiaries**. This function is performed by the HQ team, composed of the managers of the individual functions. Each business line:

A includes dedicated technical production (operations) areas, where work focuses directly on the product made, which include:

Production departments

R&D and design

Engineering

Production services

Logistics

B Each business line has a specific sales organisation concerned with distribution of its products, which operates through:

Sales networks covering geographical regions

Internal order processing

Finished product warehouses

The Parent Company Gefran S.p.A. provides centralised functions supporting all the business units and subsidiaries it coordinates directly and indirectly; these functions are:

- **Administration, finance and control**
- **Procurement**
- **Legal affairs**
- **Public relations**
- **Information systems**
- **Human resources**

On 13 February 2008, the Board of Directors voted to adopt an Organisation, Management and Control Model (the "Organisational Model") to prevent the offences under Legislative Decree 231/01 from being committed. 231/01.

This model is periodically updated in light of changes to the law mentioned above. The Organisational Model prepared on the basis of the Confindustria Guidelines also implements the Corporate Governance rules contained in the *Code of Conduct for Listed Companies* promoted by Borsa Italiana S.p.A., with which the company complies. For the sake of completeness, note that the Gefran S.p.A. Board of Directors by resolution on 16 December 2020 resolved to adhere to the January 2020 edition of the *Corporate Governance* Code approved by the Corporate Governance Committee on 31 January 2020, recalling that companies which adopt these regulations apply them beginning in the first financial year after 31 December 2020.

The Group also has a Code of Ethics and Conduct, which was updated by the Board of Directors on 11 February 2016. Through application of this Code in its own activities, and full compliance with the laws in force in the countries where it operates, Gefran undertakes to comply with strict ethical and moral principles that are universally recognised:

INTEGRITY	HONESTY AND PROFESSIONALISM	ENTHUSIASM AND PASSION
PRATICALITY AND RELIABILITY	FLEXIBILITY	SUSTAINABILITY

The Group believes that ethics in business management must be pursued alongside financial growth, so the Code becomes an explicit point of reference for everyone working with the Company. Compliance with these principles is therefore a fundamental condition for starting and/or continuing collaborative relations with Gefran and the operational application of these principles is guaranteed by corporate procedures, which ensure that they are made known and disseminated. The Code of Ethics and Conduct, updated whenever necessary, is available on the company's intranet and internet site, and a copy of it is given to all new employees at the time of hiring.

Anyone who becomes aware of a potential violation of the standards and principles set forth in the Code of Ethics and Conduct is required to report it to the Supervisory Board by the methods specified in the Model, that is, sending a report in anonymous form to the offices in Provaglio di Iseo or via a dedicated email address. The same channels may be used to report violations of the law and of the company's internal control principles, procedures and regulations, as stated in the "Group Whistleblowing Procedure" approved by the Board of Directors on 13 November 2018 and available on the company's website.

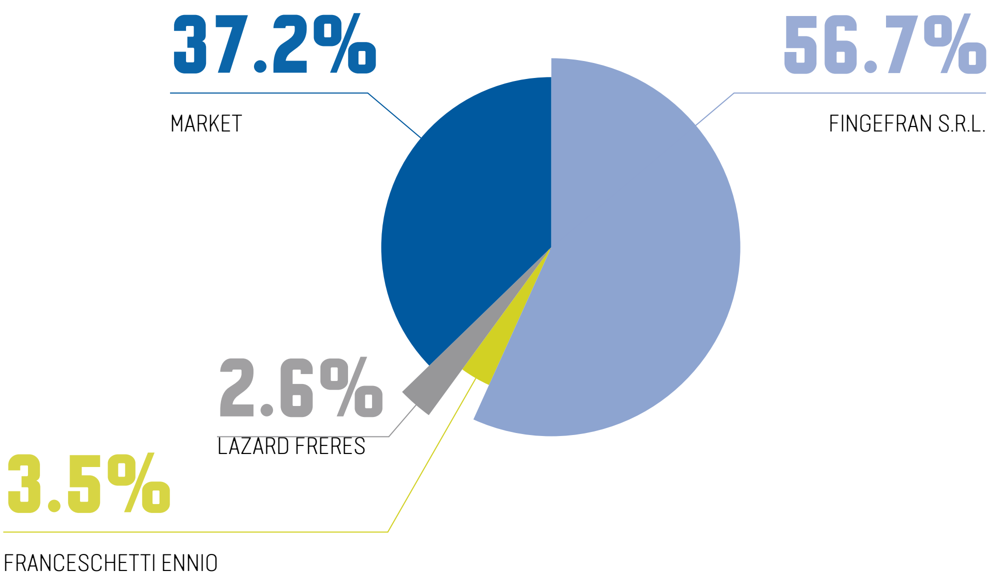
Gefran on the Stock Exchange

The Parent Company Gefran S.p.A. has been listed on the Milan Stock Exchange since 1998. In 2001 Gefran joined the new *STAR* (*Segmento Titoli con Alti Requisiti*) segment of the Telematic Stock Market, for small to mid-sized companies meeting specific requirements regarding transparency, liquidity and corporate governance. On 31 January 2005 this segment was renamed *ALL STARS*, taking on its current name, *FTSE Italia STAR*, following the 1 June 2009 merger of Borsa Italiana with the London Stock Exchange.

STRUCTURE OF SHARE CAPITAL

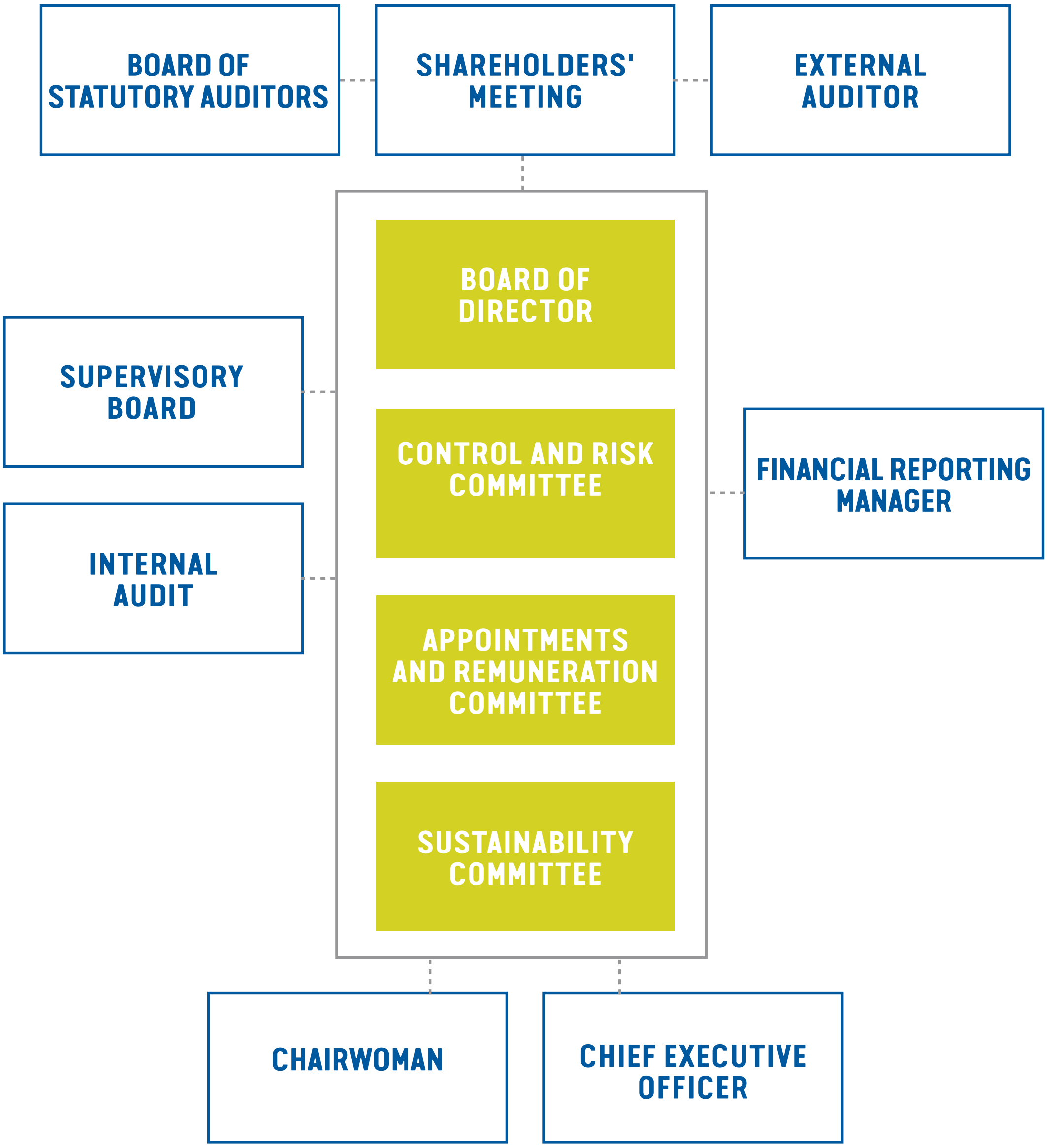
Type of shares	No. of shares	% of share capital	Listed	Rights and obligations
Ordinary shares	14,400,000	100	STAR	ordinary

Gefran S.p.A. shareholder structure



Administration and Control Activities

The Company's corporate governance structure is based on the recommendations and standards appearing in the *Code of Conduct for Listed Companies* promoted by Borsa Italiana S.p.A., with which the Company complies, and its Organisation, Management and Control Model (*Organisational Model*) adopted since 2008 to prevent the offences identified in Legislative Decree 231/01 from being committed.



In order to make the information on Group governance more accessible, the Governance section of the Company's website available at *https://www.gefran.com/en/gb/corporate_governances* displays complete information about the Company's governance system, as well as the related documentation and specifications on the composition of corporate bodies.

The 28 April 2020 Gefran S.p.A. Shareholders' Meeting appointed Ennio Franceschetti as Honorary Chairman of the Company and appointed the members of the Board of Directors for the 2020-2022 three-year period. The directors appointed are: Ennio Franceschetti, Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti, Marcello Perini, Daniele Piccolo, Monica Vecchiati, Cristina Mollis and Giorgio Metta.

Maria Chiara Franceschetti was appointed Chairwoman of the Board of Directors, while Andrea Franceschetti and Giovanna Franceschetti were appointed Vice-Chairman and Vice-Chairwoman, and Marcello Perini was appointed to the post of Chief Executive Officer.

The independence requirements of the newly appointed Board have been verified, and with regard to this, non-executive directors Daniele Piccolo, Monica Vecchiati, Cristina Mollis and Giorgio Metta declared that they possess these requirements. Daniele Piccolo is Lead Independent Director. Ennio Franceschetti, Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti and Marcello Perini are Executive Directors.

On 28 April 2020, pursuant to application criteria 1.C.1, letters g) and i) of the Code of Conduct, the Board of Directors gave a positive assessment of the size, composition and functioning of the Board itself and its committees, based on the results of the self-assessment questionnaire completed by the directors.

Three Advisory Committees were appointed within the Board of Directors: the Control and Risks Committee, consisting of three independent directors, the Appointments and Remuneration Committee, also made up of three independent directors, and the Sustainability Committee, composed of the Vice-Chairman, the Managing Director and one independent director.

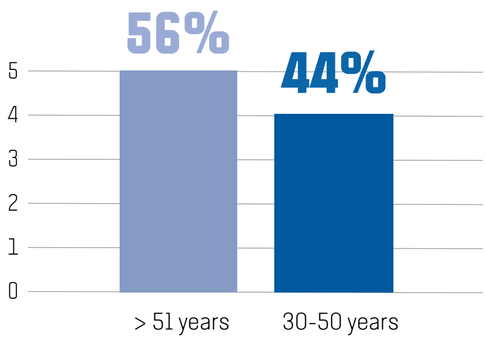
The Board of Directors currently in office, appointed by the 28

April 2020 Shareholders' Meeting, consists of 9 members (4 women and 5 men), three of whom are Independent Directors (*):

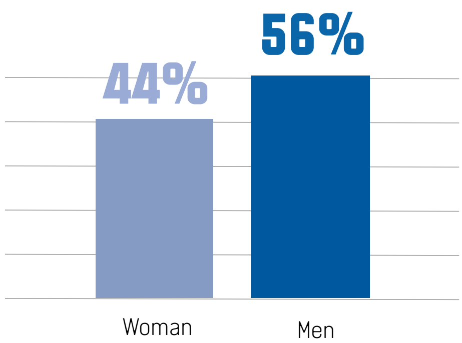
POSITION	MEMBERS
Honorary Chairman	**Ennio Franceschetti**
Chairwoman	**Maria Chiara Franceschetti**
Vice Chairman	**Andrea Franceschetti**
Vice Chairwoman	**Giovanna Franceschetti**
Chief Executive Officer	**Marcello Perini**
Director	**Daniele Piccolo (*)**
Director	**Monica Vecchiati (*)**
Director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

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

Average age of the BoDs



Ratio Women vs Men in the BoDs



Number of Board of Directors' meetings:

	2020	2019	2018
no. meetings	13	10	9
average attendance %	98.3%	91.1%	97.5%

Giovanna Franceschetti
Vice Chairwoman

Graduated with a degree in Public Relations, after taking a Master's Degree in Business Administration she began her career as a Product Manager with Unilever, a multinational operating in the consumer goods sector.

She was Head of Communications and Image for Gefran and the Group's Investor Relator from 2004 to 2018.

She is Member of the Board of Directors of Fingefran S.r.l., Gefran S.p.A.'s parent company, and a member of the Board of Directors of

Elettropiemme S.r.l. Since 2018, she has been Vice Chairwoman of Gefran S.p.A., appointed to be in charge of communication and sustainability.

Maria Chiara Franceschetti
Chairwoman

She graduated from Brescia University with a degree in Mechanical Engineering and started her career as a director of 3S S.r.l. in Varese. She later joined the Gefran Group as Company Information Systems Manager, and subsequently became Group HR Director.

From 2014 to 2017 she served as the Group's Chief Executive Officer, then Vice Chairwoman before becoming Chairwoman in 2018.

Andrea Franceschetti
Vice Chairman

He obtained a Master's Degree in Economics and Management of Small and Medium Enterprises, followed by a Master's Degree in Business Economics promoted by Il Sole 24 Ore in 2009. He has worked with Gefran S.p.A. since 2002, holding various roles in production and quality, until becoming

head of International Sales in February 2013, and then Sales Manager of the Motion control Business Unit

until 2017; he is now Chairman of the Board of Directors of the subsidiary Gefran Soluzioni S.r.l. and Vice President of Gefran S.p.A.. He also holds the position of Director in the innovative start-up Matchplat S.r.l..

Marcello Perini
Chief Executive Officer

In addition to a degree in Mechanical Engineeing, Perini holds an Executive Master of Business Administration Degree from the MIP Graduate School of Business at Politecnico di Milano. He has held positions of growing responsibility and strategic importance in Gefran, from the leadership of R&D in the Sensors Business Unit to the position of General Manager of the Sensors and Automation Components Business Units. In 2014-2015 he was also at the helm of the Motion Control Business Unit.

Ennio Franceschetti
Honorary Chairman

The Group's historic founder, Gefran S.p.A. CEO until 2004 and Chairman until 2018. He now holds the position of Honorary Chairman.

Daniele Piccolo
Independent Director

With a background studying financial markets and marketing at leading international institutes, Piccolo held numerous positions of increasing seniority within the Credito Emiliano Group between 1982 and 2007. From 2001 to 2006, he was also Chief Executive Officer of Istifid S.p.A.. From 2007 to 2015 he was Assistant General Manager of Banca Albertini Syz. From 2015 to 2017, he was General Manager of Banca Cesare Ponti S.p.A.; he is now Private Banking Manager in Northern Italy for Banca Finnat Euramerica. 207

Monica Vecchiati
Independent Director

With a degree in Business Administration, specialising in Corporate Governance, and a Level II Master's Degree in "Social Security", Vecchiati is a Certified Accountant and Statutory Auditor. She is Director, Auditor, and Member of the Supervisory Body under Law 231/2001, Co.Vi.Soc. Inspector, Mediator and Consultant in civil and penal law for a number of companies and organisations.

Cristina Mollis
Independent Director

Mollis became an entrepreneur and strategist in the digital world after graduating with a degree in Economics and a Master's Degree from SDA Bocconi. Following an experience as a consultant with Valdani Vicari & Associati, she was appointed Vice Chairman of Value Partners Group. In 2008 she founded NuvO, where she remained at the helm until 2015, when the company merged into HFarm. As a result of this integration, she became Head of Industry with H-Farm. In 2019 she became CEO of Coin S.p.A.

She continues her career in enterprise today.

Giorgio Metta
Independent Director

Current Scientific Director of the Italian Institute of Technology (IIT), Metta holds a Ph.D. in Electronic Engineering. He has also conducted research at the University of Leeds

(UK) and MIT (USA), beginning his academic career with the University of Genoa in 2005, focusing specifically on robotics. He has authored numerous scientific publications and advises the Ministry of Economic Development in the field of artificial intelligence.

The **Control and Risks Committee** set up by the Board of Directors currently consists of three independent directors (1 woman and 2 men), all experts in accounting and finance and/or risk management; this composition is considered adequate by the Board of Directors which appointed it.

POSITION	MEMBERS
Committee Chairwoman	**Monica Vecchiati**
Independent Director	**Daniele Piccolo**
Independent Director	**Giorgio Metta**

Number of meetings of the Control and Risks Committee:

	2020	2019	2018
no. meetings	6	5	5
average attendance %	100%	100.0%	93.3%

The **Appointments and Remuneration Committee** set up by the Board of Directors currently consists of three independent directors (2 women and 1 man), all of whom are experts in finance and/or remuneration policy; this composition is considered adequate by the Board of Directors that appointed it.

POSITION	MEMBERS
Committee Chairman	**Daniele Piccolo**
Independent Director	**Monica Vecchiati**
Independent Director	**Cristina Mollis**

Number of meetings of the Appointments and Remuneration Committee:

	2020	2019	20187
no. meetings	5	4	4
average attendance %	100%	100%	100%

The **Board of Statutory Auditors**, appointed by the Shareholders' Meeting on 24 April 2018, and in office until the financial statements for 2020 are approved, is currently made up of three standing auditors and one deputy auditors.

POSITION	MEMBERS
Chairman	**Marco Gregorini**
Standing auditor	**Luisa Anselmi**
Standing auditor	**Roberta Dall'Apa**
Deputy auditor	**Guido Ballerio**

Number of meetings of the Board of Statutory Auditors:

	2020	2019	2018
no. meetings	10	9	8
average attendance %	100%	92.6%	91.6%

On 27 May 2020, the Board of Directors received the resignation, for personal reasons and with immediate effect, of Standing Auditor Primo Ceppellini. In accordance with the law and the Articles of Association, the office is taken over by Luisa Anselmi, appointed Deputy Auditor by the Shareholders' Meeting of 24 April 2018.

The **External Auditor** appointed to audit the accounts in the consolidated and separate financial statements is a company appointed by the Shareholders' Meeting, registered in the register kept by Consob. The current external auditor is PRICEWATERHOUSECOOPERS SPA, appointed by the 21 April 2016 shareholders meeting for the years 2016 - 2024 in response to a motivated proposal of the Board of Statutory Auditors.

As set forth in Legislative Decree 231/2001, the Board has also appointed a **Supervisory Body** with two members: Nicla Picchi (Chairman) and Monica Vecchiati, providing them with regulations and the means required to operate. The Supervisory Board may use external consultants to perform the risk assessments and the necessary audits.

Responsibility for the **Internal Audit** function lies with Emma Marcandalli, an external party meeting the requirements of autonomy and independence; she was appointed by the Board of Directors on 13 February 2020, with the approval of the Control and Risks Committee and the Board of Statutory Auditors. Protiviti S.r.l. was tasked with conducting internal audit activities for the past year. On 10 February 2021 PierMario Barzaghi, a person outside the company with characteristics of autonomy and independence, was entrusted with the role of Head of Internal Audit. In carrying out the duties assigned to him, he will avail himself of the support of KPMG Advisory S.p.A..

On 27 September 2013 the Board of Directors, with the approval of the Board of Statutory Auditors, appointed Fausta Coffano to the post of **Executive in charge of financial reporting** for Gefran S.p.A., in charge of direct supervision of the control model under Law 262/2005 and the related administrative and accounting procedures.

The activities and composition of various company bodies are described in detail under "Company bodies" in the Gefran Group's Annual Financial Report and in the Report on Corporate Governance and Shareholding Structure.

Gefran's Sustainability Governance

A company that wishes to have a global dimension must also pay attention to social and environmental matters. Protection of the people who work for it, protection of the surrounding land and synergy with the community where it is established are the foundational values for Gefran's success and growth. These principles, which represent the company's strong points, are stated in the company's *Code of Ethics;* the company's good practices have been acknowledged by the Lombardy Chambers of Commerce.

With this in mind, and with the desire to structure the Group's sustainability governance, Gefran first set up a steering committee entrusted with the task of directing the Group to prepare and implement operational choices consistent with the materiality analysis, and then, in May 2020, the Board of Directors of Gefran Spa formally set up a Sustainability Committee among its board committees and approved its regulations. Gefran's Sustainability Committee is responsible for supervising all the Group's sustainability activities and reporting on its progress to the Board of Directors.

It is currently made up of three members:

POSITION	MEMBERS
Committee Chairwoman	**Giovanna Franceschetti**
Chief Executive Officer	**Marcello Perini**
Independent Director	**Cristina Mollis**

The Sustainability Committee met three times in 2020, with an average attendance of 100%.

To perform its functions operationally, the Committee avails itself of a **working group** led by the Group CFO, with the involvement of representatives of the various company functions. This team, working in close cooperation with the contact persons in all Group subsidiaries, was responsible for carrying out all preparatory activities for the definition and implementation of Gefran's sustainability strategy, as well as the preparation of the *Strategic Sustainability Plan*, formalised in November 2020.

Management of Tax Issues and Country Reporting

The geographical location of the Gefran Group's companies meets the primary need to effectively supervise markets, considering that closeness to customers is essential for providing complete, high quality service. Being close to customers and their needs, responding in a timely manner to their requirements (with study of specific applications, technical support, prompt delivery, post-sales assistance, etc.), allows the Gefran Group to maintain a competitive edge in the sector in which it operates.

The Group is able to reach a large number of markets primarily thanks to and through a network of branches that it has developed over the years, located in key countries to ensure a sufficiently rapid response and ease of interaction (customers can be reached faster, and communication takes place in their own language). The Group's geographical development is not a result of decisions based on tax reasons, but is based purely on the logic of production and/or sales.

Relations with authorities, including tax authorities, is always managed on the basis of the values of ethics and transparency, which are indispensable for the Group, declared in its *Code of Ethics and Conduct* and applied in every area of business and all related activities. It should be noted that the Code sets out the principles adopted by Gefran in its relations with the public administration: legality, transparency, fairness and compliance with current legislation. In addition, the anti-corruption guidelines adopted by the Group are aimed at preventing behaviour aimed at obtaining all undue advantages, including tax benefits. As part of its periodic Enterprise Risk Assessment, the Company maps out the fiscal risks to which it is exposed.

In order to act in compliance with the specific national regulations in force, both in accordance with various strategic business decisions and in relation to fiscal obligations, taxation is managed locally by each entity, in collaboration with tax experts in the country.

As is the case in other corporate areas, the Parent Company also supervises and coordinates the actions taken by individual entities to ensure compliance with the above principles and regulations. This activity is carried out by the Group's Finance and Control Department.

Information on the tax impact of the Group's entities operating in each jurisdiction is provided below. Note that the figures deriving from the Group's Financial Report, with reference to the year 2020 only, and in particular with regard to the *Income taxes of the companies accrued on profits/losses*, in line with GRI 207-4-c, report only current taxes accrued on corporate income during the period (deferred tax assets and liabilities are therefore excluded).

Taxation by country

		Entity's principal activities	Number of employees at 31.12
Italy			542
	Gefran S.p.A.	Production, Marketing and Central Services	
	Gefran Drives and Motion S.r.l.	Production and Marketing	
	Gefran Soluzioni S.r.l.	Production, Marketing and Central Services	
	Elettropiemme S.r.l.	Production and Marketing	
Belgium	Gefran Benelux NV	Marketing	16
France	Gefran France S.A.	Marketing	8
Germany			34
	Gefran Deutschland GmbH	Marketing	
	Siei Areg Gmbh	Production and Marketing	
UK	Gefran UK Ltd	Marketing	2
Switzerland	Sensormate AG	Production and Marketing	16
Turkey	Gefran Middle East Ltd Sti	Marketing	2
US	Gefran Inc.	Production and Marketing	31
Brazil	Gefran Brasil Elettroel. Ltda	Production and Marketing	27
Singapore	Gefran Siei Asia Pte Ltd	Marketing and Central Services	10
China (PRC)			67
	Gefran Siei Drives Tech. Pte Ltd	Production and Marketing	
	Gefran Siei Electric Pte Ltd	Marketing	
India	Gefran India Private Ltd	Production and Marketing	32
Total current taxes			

			2020
Revenues from sales to third parties	Revenues from infra-group transactions with other tax jurisdictions	Pre-tax profit/ (loss)	Corporate income taxes accrued on profits/losses
Euro/000	Euro/000	Euro/000	Euro/000
60,657	31,232	8,614	(582)
4,871	1	312	(89)
3,218	-	76	-
18,321	207	508	(16)
582	12	2	-
1,461	1,778	(251)	-
263	28	(103)	6
9,384	986	738	96
3,111	-	(349)	(112)
6,427	16	(114)	16
13,991	591	301	-
6,086	-	(416)	-
			(682)

It should be noted that anyone who becomes aware of possible violations of the rules, including tax matters, and the principles established by the *Code of Ethics and Conduct*, is required to report it to the Supervisory Body by sending an anonymous report to the Provaglio di Iseo offices, or via a dedicated e-mail address. The same channels may be used to report violations of the law and of the company's internal control principles, procedures and regulations, as stated in the "Group Whistleblowing Procedure" approved by the Board of Directors on 13 November 2018 and available on the company's website.

3

Risk Management in the Group

In the normal course of its business, the Gefran Group is exposed to various financial and non-financial risk factors, which, should they materialise, could have a significant impact on its economic and financial situation. The Group therefore adopts specific procedures to manage the risk factors that could influence its results.

The organisational structure of relevance to the internal control and risk management system is set up as follows:

- The **Control and Risks Committee (CRC)**, entrusted with supporting the Board of Directors' assessments and decisions regarding internal control and risk management with appropriate preliminary activities and verifying correct application of accounting standards and their homogeneity for the purposes of preparation of the consolidated financial statements;
- the **Executive Director in charge of the internal control and risk management system**, entrusted with identifying the principal risks in the Company, implementing risk management guidelines and verifying their adequacy; In this regard, with the entry into force of the January 2020 edition of the Corporate Governance Code, applicable "from the first financial year beginning after 31 December 2020", this role is held by the Chief Executive Officer (as defined in the document in question);
- the **Executive in charge of financial reporting** who directly oversees preparation of the control model under Law 262/2005 and the related administrative and accounting procedures, in view of its constant updating;
- the **Internal Audit** function, with the task of assessing - both continuously and in response to specific requirements, and in compliance with international standards - the operations and suitability of the internal control and risk management system through an audit plan approved by the Board of Directors and based on a structured process of analysis of the principal risks.

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

The main risks, represented in the Risk Model and grouped into eight families (external risks, financial risks, strategic risks, governance and integrity risks, operational and reporting risks, legal and compliance risks, IT risks and risks related to human resources), are identified and evaluated through the risk assessment activities carried out annually, the results of which are described and discussed with all entities relevant for the purposes of the internal control and risk management system and with the Board of Directors.

The overview of the risks the Group is exposed to allows the Board of Directors and Management to reflect on the group's propensity for risk and identify risk management strategies to be adopted, or assess which risks and priorities are considered to require implementation, improvement or optimisation actions, or simple monitoring of exposure over time.

In response to the Covid-19 pandemic, the Company promptly set up an internal emergency committee with the aim of assessing the risks resulting from this emergency and implementing the actions required to mitigate these risks, described in detail below.

4 Discussion with Stakeholders and Materiality Analysis

"In sustainability reporting, materiality is the principle that determines which issues are important enough to make reporting essential."

(Global Reporting Initiative)

In 2017, following the entry into force of the new regulatory obligations on non-financial reporting, the Group conducted a materiality analysis in order to identify and evaluate topics connected to non-financial aspects covered by this Statement. This activity identified the most relevant aspects for the Group, on which to concentrate non-financial disclosure.

Gefran has always been active in terms of sustainability, demonstrating continuous interest and commitment in the implementation of initiatives and activities related to these issues. In line with its principles, the Group has always been committed to improving its responsibility with regard to these aspects, with the goal of creating value for its stakeholders, contributing to sustainable development in the areas in which it operates.

The materiality matrix is a tool that maps the importance of the material issues identified, according to the point of view of society and stakeholders. In tracing the importance of the issues, the matrix makes it possible to identify the areas around which one's strategic approach to sustainability should be structured.

In this context, the information available to the Group has been collected and analysed. The internal team, with the involvement of the management of all Italian and foreign companies, has analysed the information and the context in which Gefran operates. The resulting output was a list of 20 potentially material themes which represent the Group's strategy and approach and are considered important for their economic, social and/or environmental impact, as well as the influence they may exert over stakeholders' evaluations and decisions.

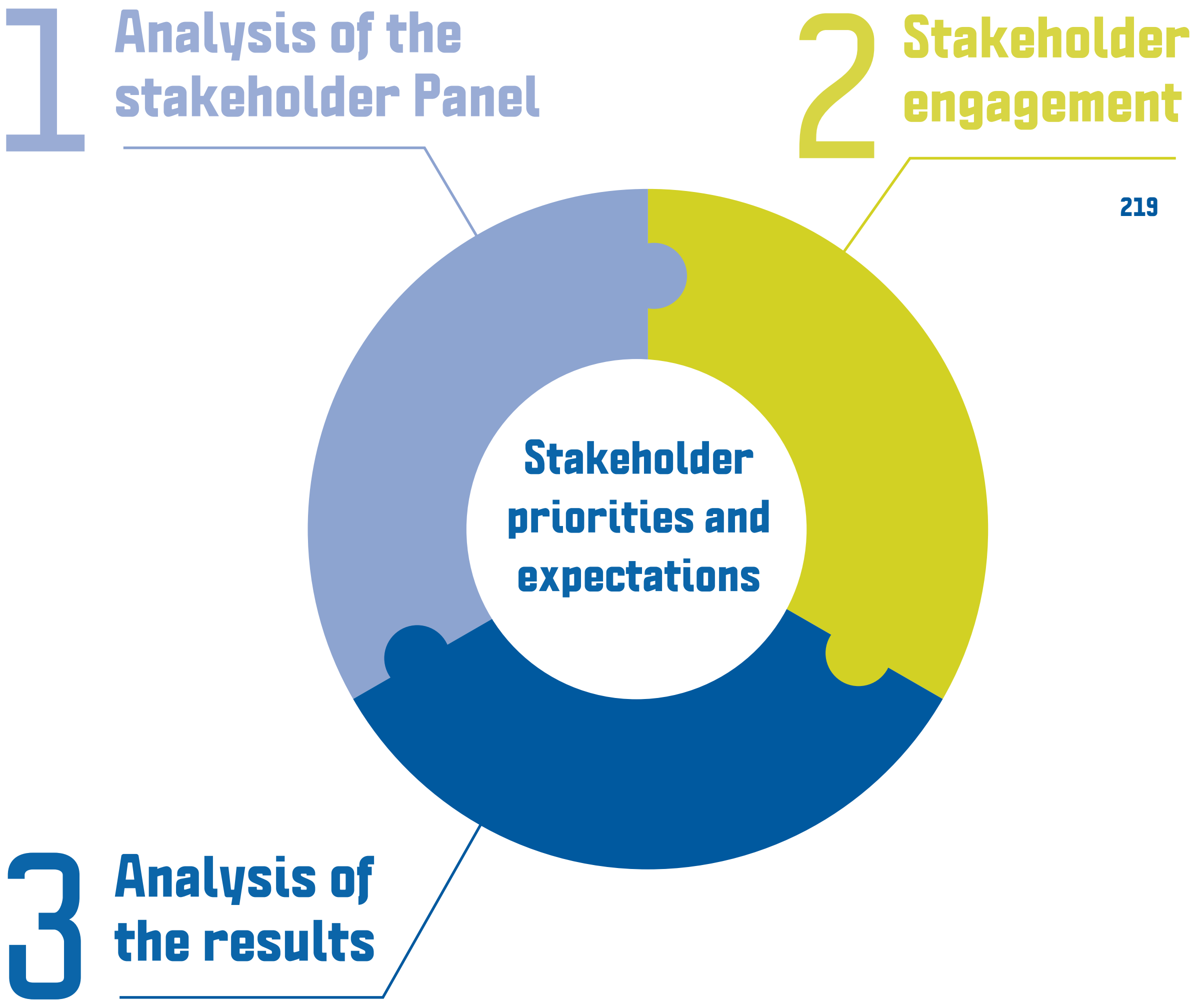
The themes identified are economic, environmental, social or transversal issues and are the following:

Economic	Environmental	Social – Working practices	Social – Local and international communities	Social – Product liability	Cross-functional
Economic value attracted and distributed and economic impact	Raw materials management	Human capital management	Relations with local communities and organisations	Consumer health and safety	Sustainable management of supply chain
	Energy efficiency	Industrial relations	Relations with training and research bodies and universities		Compliance and risk management
	Management of water usage and discharge	Employee health and safety management	Fight against corruption		Sustainable governance
	Emissions management	Personnel training and development			
	Waste management	Protection of employee diversity and non-discrimination			
	Research and development into sustainable products	Respect for human rights			

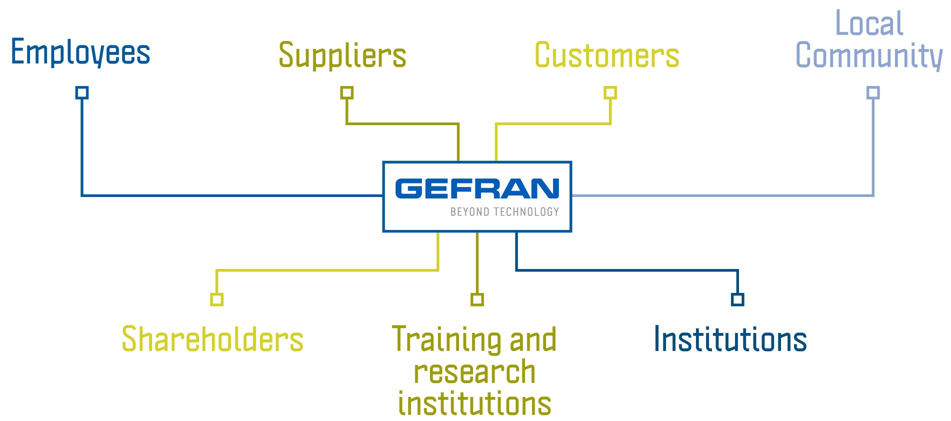
This activity was conducive to the construction of the materiality matrix, as a starting point for reporting in the 2017 Non-Financial Statement, also adopted in the 2018 Declaration.

The Group subsequently decided to strengthen its commitment, integrating even more sustainability into its business, strategic decisions and day-to-day practices. Gefran consolidated this commitment in 2019, updating the matrix and carrying out a series of analyses at the Group-wide level to refine the engagement process according to the points of attention identified.

Considering dialogue with its stakeholders to be fundamental, the Group embarked on a more structured path, which initially led to the identification of the main stakeholder categories and, subsequently, to various involvement and dialogue initiatives.



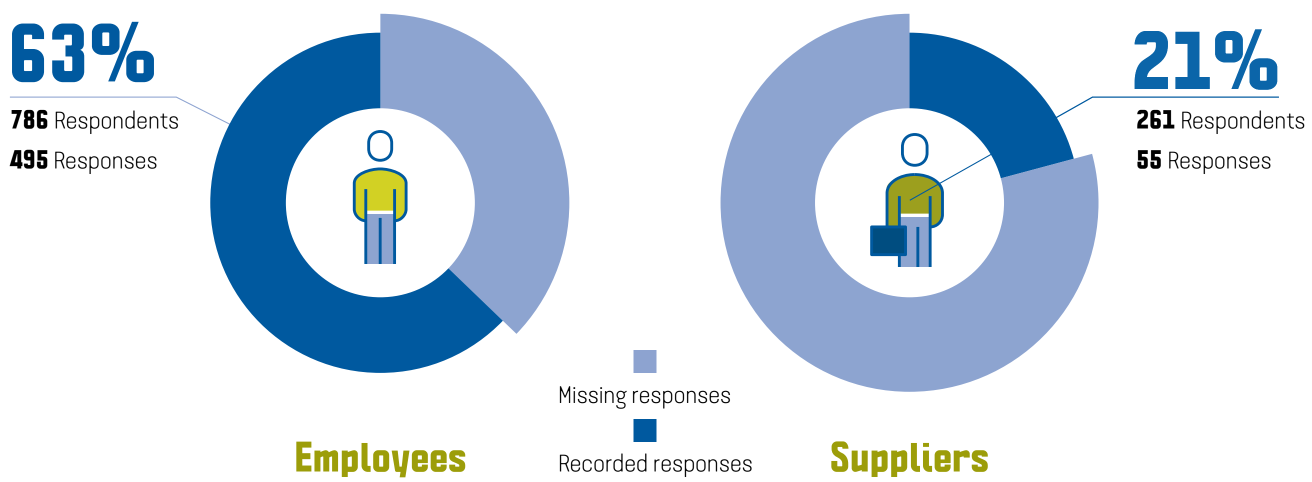
The *Panel Analyses* led to identification of 7 stakeholder categories, for which certain involvement activities were already underway, both individual (visits, dedicated events in the company) and collective (publications on websites, social networks and media, participation in and organisation of conferences).

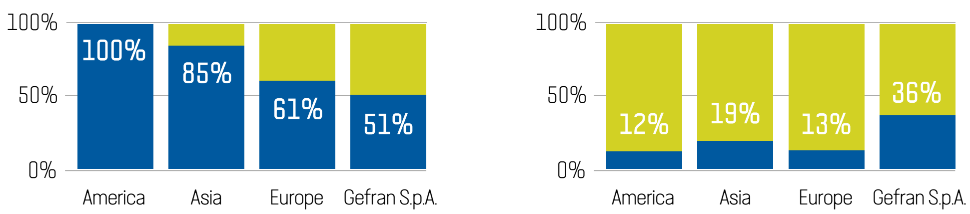


These engagement activities were mostly of an informative and consultative nature, while true partnerships were initiated with only a few stakeholders (particularly suppliers).

In light of this, Gefran felt it was essential to actively involve its stakeholders, organising opportunities for bilateral discussion. This decision allowed us to discuss our new sustainability path, collect direct feedback according to the points of attention identified, and obtain a further update of the materiality matrix.

In July and August 2019, the first involvement activity was therefore carried out, with the aim of understanding the opinions and expectations only of certain specific categories of stakeholders, specifically employees and suppliers.



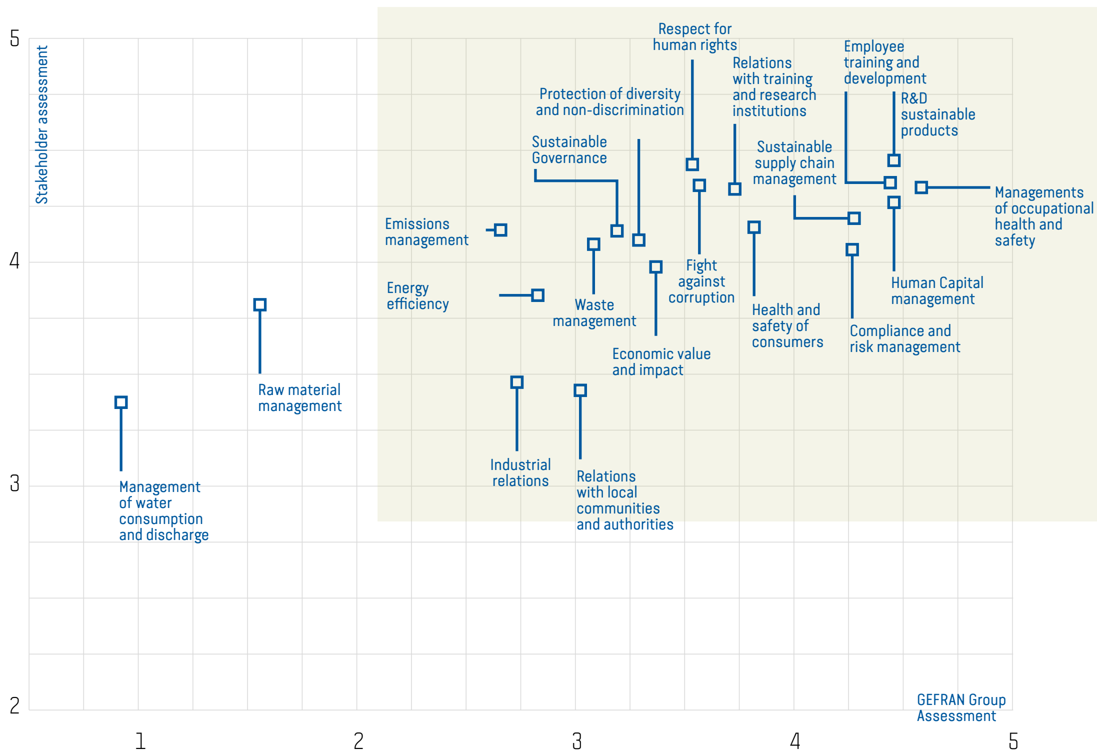


Online questionnaires prepared in all languages used in the Group were used in order to ensure maximum stakeholder engagement. A total of 1,047 questionnaires were sent, and 550 responses received (equal to a 52% response rate), 63% of which came from employees and 21% from suppliers.

With the aim of encouraging more complete and direct involvement, on 25 November 2019 we organised **the first multi-stakeholder engagement event**, attended by representatives of all stakeholder categories.

The event was the first step in involving representatives of the Group's various types of stakeholders (Shareholders, Employees, Customers, Institutions, Suppliers, Training and Research Bodies, as well as local communities) in an interactive way, presenting the chosen path, taking advantage of possible ideas for improvement and understanding possible needs and expectations in this regard. In this context, representatives of the various stakeholder categories were asked to assess the material issues identified by the Group through an interactive platform.

The information obtained from the stakeholder engagement activity permitted development of the engagement process and updating of the position of material issues in the materiality matrix in order to better reflect stakeholders' point of view. We thus drew up the new materiality matrix to be applied to non-financial reporting in 2019.



Note that the x-axis of the materiality matrix reflects the significance of the topics for the company, whereas the y-axis represents their importance for stakeholders.

The topics identified as most important for external stakeholders and for Gefran concern specific GRI Standards, the main global standards applied to sustainability reporting, issued by the Global Reporting Initiative and grouped into four main areas of interest, details of which are provided in the specific chapters of this Declaration:

Management of environmental issues	Energy efficiency Management of water usage and discharge Emissions management Waste management Research and development into sustainable products
Management of health and safety	Employee health and safety management Consumer health and safety
Management of social issues	Human capital management Personnel training and development Protection of employee diversity and non-discrimination Respect for human rights Relations with local communities and organisations Relations with training and research bodies and universities Sustainable management of supply chain
Management of the fight against corruption	Fight against corruption
Description of the Group's business model, Corporate Governance and Risk Management	Industrial relations Sustainable governance Compliance and risk management Economic value attracted and distributed and economic impact

With regard to the year that has just ended, the Sustainability Committee of Gefran considered that the stakeholder engagement activities carried out at the end of 2019 may be considered valid for the year 2020. This takes several aspects into account:

a. The Group's organisational axis did not change in the year 2020: the scope of reporting did not change, nor did the practices applied to management of these issues.

b. The reference standards (GRI) have not undergone any changes of particular significance or relevance to Gefran. With regard to the issues reported on, two new GRIs were published in 2018 regarding:

- 303 Water and wastewater: this theme is not particularly relevant to the companies in the Group, considering that no water is used in production processes, and consequently there is no industrial wastewater; water consumption, referring exclusively to the public drinking water supply, is modest, and indicators are already reported;
- 403 Occupational health and safety: this is one of the most important issues for Gefran, and indicators are already reported.

The stakeholder engagement activity carried out at the end of 2019 is therefore still considered to be current.

It should be noted that the Group's practices guaranteeing the health and safety of its business partners, employees and external firms operating on its premises are viewed as one of the most important issues. This was clearly demonstrated in the prompt response to the emergency triggered by the Covid-19 pandemic. The Group, which has subsidiaries worldwide, promptly put health and safety measures in place in response to the situation, as soon as the first cases emerged in China, taking the necessary actions to manage procurement of PPE and limit the risk of spreading contagion among employees and their families.

Finally, it should be noted that 2019 saw the introduction of standard 207 by the GRI, requesting disclosure of tax management methods. Although this issue did not emerge in the materiality analysis conducted by the Group, given its transversal applicability, Gefran has decided to include a high-level report on its approach to taxation in its disclosure.

5

Sustainability Strategy

In an inclusive approach, identification of material themes served as the starting point for putting the Group's sustainability strategy into focus. The Sustainability Team, in collaboration with subsidiaries' representatives, has conducted a series of meetings aimed at analysing the Group's vision for the future and identifying possible concrete commitments to even more sustainable development, drawing on the United Nations Sustainable Development Goals.

Through collection and analysis of current and potential initiatives, with the contribution of expert consultants in the sector, the Group has identified the *Sustainable Development Goals (SDGs)* most relevant to the Group, identifying certain priorities and specifying the specific targets to which the Group can make a tangible contribution in relation to each goal. These are as follows:

7 AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy systems for all

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable production and consumption patterns

8 DECENT WORK AND ECONOMIC GROWTH

Stimulate long-lasting, inclusive and sustainable economic growth, full and productive employment and decent work for all.

13 CLIMATE ACTION

Take urgent measures to combat climate change and its consequences

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build a resilient infrastructure and promoting innovation and fair, responsible and sustainable industrialisation

17 PARTNERSHIPS FOR THE GOALS

Strengthen sustainable development implementation means and renew its global partnership

"I propose that you, the business leaders gathered in Davos, and we, the United Nations, initiate a Global Compact of shared principles and values, which will give a human face to the global market"

(Kofi Annan, Secretary General of the United Nations,
World Economic Forum, 31 January 1999, Davos)

The United Nations Global Compact stemmed from the desire to promote a sustainable global economy, through collaboration on the most critical globalization aspects, aligning the objectives of the international community with those of the private interests of the business world. This is a voluntary and global initiative, which invites companies to align their approach to the issues of human rights, environmental protection, workers' rights and the fight against corruption in order to support the achievement of common objectives (*Sustainable Development Goals – SDGs*).

After giving priority to the *SDGs* for which the Group can make a contribution, Gefran has identified the commitments that Gefran will undertake in order to make a tangible contribution to achievement of the goals by implementing these commitments in its organisation and business.

The Sustainability Committee, following the declaration of commitments and initiatives in relation to each *SDG*, has subsequently identified a number of key projects for Gefran's sustainability strategy.

With the aim of generating value for stakeholders, the projects identified concern the three guidelines chosen for sustainable development: territory, people and environment. Over the next three to five years, the Working Group will undertake these projects:

Concrete projects

1 TALENT DEVELOPMENT AND CONSTANT FEEDBACK GUARANTEE

We intend to ensure all Group employees the opportunity to develop their skills and improve their performance through implementation of a methodological assessment and feedback system, open to all.

2 DIFFUSION OF SUSTAINABILITY CULTURE

We identify sharing and transmission of a sustainability culture to our suppliers as a priority, addressing mainly local or small/medium-sized suppliers, which by their very nature cannot easily access sustainability issues or which, although interested in implementing them, have greater difficulty in finding resources to launch concrete projects.

3 OBTAINING NEW CERTIFICATIONS

We intend to extend current certifications and implement an environmental management system, an occupational health and safety management system and a management system for aspects related to corporate social responsibility (respect for human rights, workers' rights, protection against exploitation of minors, guarantee of safety and health in the workplace).

4 SUSTAINABLE INNOVATION

R&D has always been a key element for Gefran, a lever for creating value: innovation necessarily involves key processes to achieve sustainability goals. Our project is aimed at analysing how Gefran can further expand its offer, developing new products in the Industry 4.0 context and implementing a number of "pilot solutions" in terms of analysis and skills development to be launched on the market. The focus will be on energy efficiency, evolution of technological skills towards an increasingly digital approach and Open Innovation.

The projects described are a fundamental part of the *Strategic Sustainability Plan*, which is set up to reflect the evolution of Gefran's commitment to quality of life inside and outside the company (people, territory, environment) that has historically gui*ded strategic and corporate management choices. This commitment has created broad-based value among* stakeholders over time, becoming one of the Group's key identifying features. It will be one of the pillars through which Gefran will be able to achieve its goals for growth, an essential guide to evolving through tools and solutions and improving the Group's performance.

With a view to improving participation and support, the *Strategic Sustainability Plan* was presented to stakeholders on November 25, 2020 in the digital event "The future is our present - Connections between sustainability and competitive advantage", moderated by Prof. Mario Mazzoleni, Director of SMAE (School of Management and Advanced Education) at Brescia University, with the participation of Prof. Carlo Carraro, Rector Emeritus and Professor of Environmental Economics at Ca' Foscari University in Venice. During the event, members of the Sustainability Committee Giovanna Franceschetti and Marcello Perini and Sustainability Project Manager Fausta Coffano described guidelines, objectives and projects included in the Plan.

To ensure continuity, it was decided to hold the event exactly one year after the first multi-stakeholder engagement event, held on 25 November 2019, and to invite the stakeholders who took part at that time, as well as extending the invitation to other stakeholders.

In view of the situation resulting from the pandemic, the event was held in webinar mode, using a digital platform that gave about 130 stakeholders an opportunity to participate safely in the live event; the chat feature was used to maintain an open dialogue with the participants. To reach all interested may parties, a recording of the event was subsequently released via the Gefran Youtube channel, and the complete *Strategic Plan for Sustainability* may be found in the *Sustainability* section of the Company's web site.

6

Management of Industrial Relations in the Group

The importance of partnership for Gefran is also evident in the sustainability path that the Group has undertaken, which saw the definition of the Group's Strategic Sustainability Plan at the end of 2020: one of the pillars on which the Group's strategy is based is its commitment to strengthening global partnerships for sustainable development, participating in collaborations with research and development organisations, consortia, partnerships and associations with the goal of achieving shared sustainable development goals (see SDGs 17.16). In this context, Gefran has identified a number of projects in line with its global *partnership for achievement of goals* to be implemented in the next three to five years. These projects concern *sustainable innovation* and the *promotion of the culture of sustainability* targeting one of the Group's most important stakeholders: its suppliers.

Partners have demonstrated great interest in Gefran's commitment to non-financial aspects and the sustainability path by actively participating in the stakeholder engagement events organised by the group.

Gefran encourages collaborative relations with other industrial companies in the sectors in which it operates every day, and is a member of various sector-based associations and technical consortia, at the local and international levels. The main initiatives supported are shown below:

Trade associations

CONFINDUSTRIA BRESCIA	This association represents industrial enterprises in the province of Brescia, and is one of the largest Italian associations of companies, a member of the Confindustria System. The association contributes to protecting member companies by supporting the free enterprise, labour, and the expectations of industry, offering complete public representation and an integrated system of relations with local stakeholders. Confindustria Brescia now has approximately 1,300 member companies with a total of about 70,000 employees.
UNIVA Industrialists' Union of the province of Varese	An independent, non-partisan, non-profit association of industrial companies, a member of the Confindustria System. The Union has 1,130 member companies with a total of about 64,500 employees. Association member companies and their representatives are required to comply with the Confindustria Code of Ethics and Charter of Values.
ANIPLA Italian National Association for Automation	Aims to encourage and spread knowledge, study and application of automation in Italy, in its technological, economic and social aspects; it is one of Italy's most active technical and scientific associations, effectively contributing to the progressive maturation of technical culture in the country and its place in the national context.
ANIE Federation Assoautomazione and Assoascensori	(Automation Axis and Lifts): one of the biggest trade organisations in Confindustria in terms of weight, size and representation, it plays a leading role in technological and regulatory monitoring, promoting initiatives to standardise products and systems, taking know-how and skills into the area of the decision-making processes of standardisation agencies at all levels.
AMAPLAST National Association of manufacturers of plastics and rubber machinery and molds	Promotes Italian plastics and rubber converting technology with the goal of promoting Italian industry in the sector world-wide.
ASSONIME	represents Italian joint-stock companies and addresses issues concerning the interests and development of the Italian economy.
GISI Association of Italian Instrumentation Companies	Brings together companies operating in the production process instrumentation and automation field, including both manufacturers and economic operators.
AIM Italian Metallurgy Association	A cultural entity promoting the science and technology of metals and other engineering materials. The purpose of the association is to promote the exchange of ideas and experiences among parties with an interest in developing knowledge in the field of metal materials, and particularly the promotion of meetings between producers, users and researchers.
CTI Italian Thermotechnology Committee for Energy and the Environment	Concerned with regulation and standardisation in various sectors of thermotechnology. The Committee aims to provide users with regulatory tools for the development of the thermotechnology sector.

Technical associations and consortia

PROPLAST Consortium	Supports companies in the plastics sector with applied research, technological innovation and selection and training of human resources, providing technical training for work in the sector.
CEI Italian Electrotechnical Committee	Publishes regulatory documents on good practice in Italy, is involved in drawing up the corresponding European and international standards, ensures that they are accepted with specific regard to European regulatory documents harmonised with EU directives and regulations, and promotes technical and scientific culture in general and technical standards in particular.
UNI Italian standardisation organisation	Represents Italy in the European (CEN) and global (ISO) standardisation organisations and organises the involvement of national delegations in supranational standardisation work, to promote the harmonisation of standards needed for the single market to operate, and to support and transpose the distinctive features of Italian production into technical specifications that enhance the national experience and production tradition.
CANOpen	Brings together users and producers of the CAN (Controller Area Network) protocol at the international level to provide a transparent platform for future development of the CAN protocol and promote the image of CAN technology.
PROFIBUS Network	Works closely with other organisations in the world of automation to promote the use of PROFIBUS and PROFINET technologies.
ODVA	Supports the network of technologies built on the Common Industrial Protocol (CIP™) — EtherNet/IP™, DeviceNet™, CompoNet™, and ControlNet™.
HART COMMUNICATION FOUNDATION	Organisation supporting and developing standards for the Hart communication protocol.

The collaboration between companies and associations does not only apply to Italian entities, but also extends to the Group's foreign branches. By way of example, the initiatives supporting include: in Brazil, ABIMAQ (Brazilian Machinery and Equipment Industry Association) and ABINEE (BRAZILIAN ASSOCIATION OF ELECTRICAL AND ELECTRONIC INDUSTRY), in the United States, NADCA (North America Diecasting Association), in Germany (Association for Sensor Technology and Measurement).

The Group also participates in a number of international protocols for industrial communications used in developed products. These are: Ethercat, Ethernet IP, CANOpen, IO Link, HART and FOUNDATION Fieldbus.

7 Management of Environmental Issues

7.1 Risks and Opportunities

The nature of the Group's production and sales activities is such that Gefran is not considered an energy-hungry company. Despite this, in relation to environmental issues, the Group is continuously looking at ways to improve its energy performance and protect resources to promote the reduction of greenhouse gas emissions. This is possible thanks to ongoing analysis of the risks associated with various processes in the company, in both production and management, looking for the most innovative solutions, as well as the definition and implementation of an investment plan aimed at ensuring the improvement of energy efficiency of the Group's plants.

The Group's operational activities do not normally include the manufacture or processing of materials or components that could generate a significant risk of pollution or environmental damage.

However, in order to identify and prevent any potential increase in this risk and comply with the legislative requirements in this area, Gefran has implemented a series of controls and monitoring activities concerning management of wastes produced, monitoring of atmospheric emissions and containment of any spills.

The enactment of other regulations that apply to the Group or its products, or changes in the regulations currently in force in the sectors in which the Group operates, also internationally, could force the Group to adopt more rigorous standards or limit its freedom of action in its areas of operation. These factors could entail costs relating to adapting the production facilities or products' technical properties. In order to mitigate this risk, from an economic point of view, an insurance policy has been stipulated covering potential liabilities due to environmental damage to third parties. Moreover, Gefran focuses its product research on analysis of potential impact on environmental aspects, so as to follow and anticipate the trends, developing new green products which are also ethically sustainable and energy-efficient.

As Gefran is not considered an energy-hungry company, the greatest contribution the Group can make to promote the responsible use of resources, with reference to the aforementioned *SDG, Ensure all access to economic energy systems, reliable, sustainable and modern*, is through development of new products and solutions for use in partners' production processes to reduce and/or improve energy consumption.

Environmental aspects and management of the risks associated with the activities carried out by the Group are the subject of one of the projects included in the recently presented *Strategic Sustainability Plan*. This concerns the achievement of new certifications with the aim of obtaining an Integrated Management System (SGI) for the Group's Italian companies, which, in addition to the already implemented ISO9001, also includes environmental certification under ISO14001. The project was approved at the end of 2020 and launched in the first quarter of 2021; it will be implemented over the next three years by the integrated Group-wide "Quality, Safety and Environment" function.

ISO 14001: sets out the requirements for an adequate management system to keep the environmental impacts of an entity's activities under control, and systematically seeks their improvement in a consistent, effective and above all sustainable manner.

Parent Company Highlights

Risk Mapping and Mitigation

The energy audit conducted in 2015 revealed that the Group's most significant energy consumption was represented by 15% thermal energy (methane gas), used almost exclusively for heating, and more than 80% electricity, both in quantitative terms and in terms of emissions. The company areas in which actions could further improve energy performance were identified, implementing actions and organising a control system through the installation of *datalogger* control monitors.

By analysing the data gathered and the resulting graphs and comparing them with fixed reference parameters, processes and methods for use of machinery and equipment were identified which reveal room for improvement of performance. The Company's goal was then to implement actions aimed at improving performance by planning specific actions and investments.

From the monitoring carried out, it has become clear that the most significant electricity consumption is by machinery in the production departments, the cooling and ventilation circuits and, in particular, lighting (over 50%). In view of this, the company has drawn up a progressive series of energy efficiency actions in these sectors, some of which have already been implemented while some are scheduled for the near future. The principal activities implemented in recent years, in line with the investment plan, are listed below:

- replacement of cooling units in the Group's Italian plants has improved the performance of air conditioning systems, which are now monitored and optimised on an ongoing basis;
- replacement of light fixtures with LED devices and "DALI" (*Digital Addressing Lighting Interface*) integrated control systems, allowing reduction of consumption in areas which previously had inefficient lighting design (averaging between 60% and 80%);
- replacement of the systems for manufacturing electronic boards at the Via Sebina plant, introducing more energy-efficient solutions (with replacement of SMT supply lines in 2019 and a new wave soldering machine in 2020);
- replacement, begun in 2018 and completed in 2019, of thermal units (boilers) with better-performing systems.

In January 2020, the Group launched its fourth production unit in Provaglio, which included a number of sensors business departments (mechanical workshop and force sensor assembly line) in a completely new building with advanced technological and energy performance. Special attention was paid to the new building's energy efficiency and autonomy, qualifying it for "class A1" energy performance classification.

With a view to contributing to the aforementioned *SDG 13 Take urgent action to combat climate change and its impacts*, approximately

800 thousand Euro has been invested over the years in construction of photovoltaic systems for the production of electricity used for the operation of the Parent Company's production plants, as follows:

- a 170.1 kWp system at Provaglio d'Iseo in 2011;
- three smaller systems, 6.912 kWp, 6.912 kWp and 7.36 kWp respectively, at Gerenzano in 2011 ;
- an 89.67 kWp system at Provaglio d'Iseo in 2013;
- a 150 kWp system at Provaglio d'Iseo in 2019.

(*) kilowatts peak: the unit of measurement used in the photovoltaic sector to indicate the instant power provided by a photovoltaic cell or panel, under defined standard conditions.

In 2020 the Company also activated initiatives in collaboration with a number of partners under *SDG 17, Strengthen the means of implementation and revitalise the global partnership for sustainable development*.

In particular, Gefran has decided to make a further tangible contribution to achieving the above-mentioned global objective *13 Take urgent action to combat climate change and its impacts* by paying attention to the source of energy purchased from the grid. The Group's procurement department has signed new contracts for the supply of 100% certified green energy for the Gefran S.p.A., Gefran Soluzioni S.r.l. and Gefran Drives and Motion S.r.l. plants, the Group's largest electricity consumers (approximately 85% in 2020). Thanks to the guarantee of origin 100% from renewable sources certified by the supplier, Gefran S.p.A. is classified as a *company sensitive to environmental issues.*

A second project, carried out in the fourth quarter of 2020, led by the I.T. function of Gefran S.p.A., concerned replacement of the company's fleet of printers, switching from traditional laser printers to inkjet technology. This new technology, which uses high-capacity ink tanks, allows for a reduction in consumption of resources in terms of toner, consumables, packaging and transport. In addition, the new machines offer superior energy performance, saving on electricity and emissions (approximately 11,064 kWh of consumption and 3,662 Kg of CO_2 over the period 2020-2025, according to the *Energy Savings Certificate* issued by the supplier).

7.2

Management Methods in the Group

Gefran is committed to contribute actively to an environmental responsibility policy to reduce greenhouse gas emissions in the atmosphere through continuous improvement of the energy efficiency of its plants and to seek sustainable solutions in various areas through practical initiatives.

To this end, the Group's integrated "Quality, safety and environment" function, with expertise focusing, among other things, on environmental issues and energy saving has a crucial role to play. Its tasks specifically include:

- complete management of industrial waste (storage and disposal), in accordance with current legislation and organisation of separate collection in the company;
- management of general authorisations and related provisions issued by the competent bodies regarding atmospheric emissions;
- monitoring of energy consumption and collection of data on energy resource consumption;
- organisation of training programmes for personnel on environmental, health and safety issues.

With the aim of achieving consistent integrated management of these issues, the function in question now coordinates the activities carried out by individual companies, which managed these issues without central coordination until 2019, at the Group-wide level.

One of the guidelines for sustainable development is protection of the environment, which is reflected in the management procedures the Group has implemented over the years.

The packaging used for the Group's products is made from entirely recyclable materials, and the instruction manuals, which were previously distributed in printed form, were initially replaced by CD digital media, allowing an estimated 45% reduction in the number of pages printed (estimated in 2012-2016). Since 2019 the CD format has also been eliminated, as widespread access to the internet, even from mobile devices, permits on-line consultation of the latest versions.

Internal changes have also been gradually introduced with the aim of reducing the use of paper, such as:

- management of HR information: since 1 January 2014, all Italian employees' pay slips, which were previously printed and distributed, are saved in an area reserved for employees, where forms for Single Certification of income for tax purposes have been filed since 2015. In addition, all documentation justifying absences, overtime and travel expense claims, which were previously filled in on paper forms, are now tracked with special authorisation workflows in the attendance management software.
- meetings of the company's governance bodies are now managed using digital tools;
- optical archiving of invoices payable and receivable and accounting books has lead to less consumption and disposal of paper, estimated at approximately 300 kg less per year.

It has also been possible to decrease use of PET bottles with installation of beverage dispensing machines in the company canteen which are connected to the water supply grid and equipped with a microfiltration system: staff taking meals in the cafeteria use the dispenser with washable and reusable plastic glasses. It should be noted that, as a result of the Covid-19 pandemic, this practice has currently been suspended to protect employees' health and safety.

The Group's focus on environmental protection is further confirmed by research and development work aimed at applying more environmentally friendly solutions to the products made.

Products already available in the Gefran range include, for example, Impact, a melt sensor without filling fluid which was developed from 2007 and put on the market in 2009 ahead of the European RoHS directive 2011/65/EU, which came into force in June 2011 and which since 22 July 2017 has regulated the entry on the market of industrial monitoring and control devices. Along the same lines, the evolution of the range of melt sensors saw the introduction of NaK sensors, filled with a mixture of sodium and potassium, an alternative to mercury.

Rsearch and Development have always been key elements for Gefran, levers for creating value: innovation necessarily involves key processes to achieve sustainability goals. One of the key projects in the Group's sustainability strategy, officially defined in November 2020, concerns sustainable innovation. The project aims to analyse how Gefran can further expand its range with development of new products for Industry 4.0 and implementation of a number of "pilot solutions" to be launched on the market. The focus will be on energy efficiency and preventive maintenance to ensure the continuity of systems, leading to evolution of the Group's technological skills in a digital perspective, which can also be achieved through an open approach to innovation. This will be accompanied by an incremental innovation process oriented toward development of products offering better performance and advanced functions in order to offer the end user a number of benefits including energy savings.

2020 saw the launch on the market of the new *GPC power controller*, which, along with the *GSLM module*, improves energy efficiency performance in industrial plants where it is used (Smart Load Management).

7.3

Non-Financial Performance

Scope of Reporting

Gefran has set up a system for prompt reporting of energy and environmental data, overseen by the integrated "Quality, Safety and Environment" function specifically in charge of these areas. This report covers:

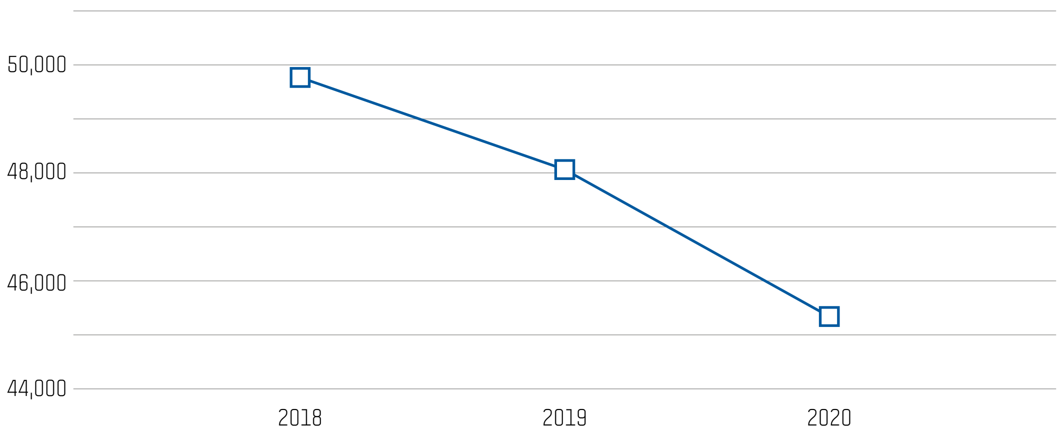
all the Group's production sites:	its principal sales branches:
Gefran S.p.A. (IT)	Gefran Deutschland GmbH (DE)
Gefran Drives and Motion S.r.l. (IT)	Gefran Siei Asia Pte Ltd (SG)
Gefran Soluzioni S.r.l. (IT)	
Elettropiemme S.r.l. (IT)	
Gefran Inc. (US)	
Gefran Brasil Elettroel. Ltda (BR)	
Gefran Siei Drives Tech. Co. Ltd (CN)	
Siei Areg GmbH (DE)	
Sensormate AG (CH)	
Gefran India Private Ltd (IN)	

Certain companies have been omitted because though they are included in the Group's structure, they are purely concerned with marketing, and have a limited volume of business and a small number of employees. For these reasons, their impact on reporting energy and environmental data is deemed to be of marginal relevance. The perimeter therefore does not include the companies Gefran Uk Ltd (UK), Gefran France S.A. (FR), Gefran Benelux Nv (BE) and Gefran Middle East Ltd Sti (TR).

The figures for Elettropiemme S.r.l. are included in the perimeter since 1 January 2019, though the company joined the Group on 23 January 2019, in order to ensure homogeneity for the purposes of comparison with the figures for the Group's other subsidiaries.

Group Energy Consumption, by Source

Overall, in 2020 the Group reported a total energy consumption of 45,359 GJ, lower than the 2019 figure of 48,078 GJ and the 2018 figure of consumption of 49,759 GJ.



Expansion of the amount of space dedicated to production processes in order to support growing volumes of sale, and growth in the average number of employees, have characterised the Group's activities over the last three years. Although these variables are growing, the Group's energy consumption is decreasing.

These results have been achieved thanks to a strong focus on the impact of the Group's activities, one of the key pillars mentioned in Gefran's *Code of Ethics and Conduct*:

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

-5.7%

2020 vs. 2019

-8.8%

2020 vs. 2018

With particular reference to the values recorded in 2020, the spread of the Covid-19 pandemic has had an impact in terms of lower energy consumption: the temporary closure of the Group's plants, as a result of *lockdowns imposed by various different countries, and, above all, restrictions on mobility have led to a reduction in energy consumption.*

The Group's energy intensity indicator, calculated as the ratio between energy consumed and turnover (limited to companies included in the scope of reporting), decreased by 6.3% in 2020 compared to the 2018 figure (equal to 0.401 GJ), and was broadly aligned with the previous year (from 0.371 GJ in 2019 to 0.376 GJ in 2020). Despite lower energy consumption compared to the previous year, the indicator does not show a significant improvement, as this is offset by the lower turnover achieved in 2020 compared to 2019 due to the impact of the pandemic on the market.

Energy intensity	2020	2019	2018
GJ over revenues	0.376	0.371	0.401

Reporting on consumption confirms that the energy sources used by the Group are: electricity (54% of the total in 2020), fuel (15.8% of the total in 2020) and natural gas (30.2% of total energy consumption in 2020).

A breakdown of each item is provided below.

The electricity consumed in the Group is essentially used in production processes, for the cooling and ventilation circuit and for lighting; a portion of the electricity consumed (about 3%) is self-generated, via the photovoltaic panels installed in the Parent Company Gefran S.p.A.'s plants and those of the subsidiaries Gefran Soluzioni S.r.l. and Gefran Drives and Motion S.r.l..

Electricity in GJ	2020	2019	2018
Self-generated electricity	738	813	839
Mains electricity	16,869	25,041	26,268
Electricity acquired from the grid, from certified renewable sources	6,894	-	-
Total Electricity	24,501	25,854	27,107
Percentage of total energy consumption	54.0%	53.8%	54.5%

The trend toward reduction of the amount of electricity acquired from the grid continued in 2020, due to several factors, first and foremost the constant search for high energy efficiency solutions. Although the Group has seen expansion of the amount of space occupied and the expansion of a number of production lines (especially sensors and drives) over the years, the investments and technological solutions adopted, in terms of both infrastructure and process organisation, have produced good energy performance. In addition, the effects of the Covid-19 pandemic that characterised much of 2020 may also be noted in the energy sector: temporary closure of the Group's plants, as a result of *lockdowns imposed in various different countries, led to a reduction in* energy consumption.

With reference to the project carried out in 2020 involving the signing of contracts for the purchase of 100% green energy, it should be noted that a portion of the electricity acquired from the grid in 2020, specifically 6,894 GJ, comes from certified renewable sources (*).

(*) Renewable energy sources are defined, under art. 2 of Legislative Decree 387/03, as: "non-fossil energy sources (wind, solar, geothermal, wave motion, tidal motion, hydraulics, biomass, landfill gas, residual gas from purification and biogas processes). Biomass specifically refers to the biodegradable part of products, waste and residues from agriculture, including plant and animal substances, and from forestry and related industries, as well as the biodegradable portion of industrial and urban waste."

Electricity generated in-house is down over previous years, as a result of normal deterioration of the installation due to wear as well as a number of defective panels, which are undergoing technical evaluation aimed at replacement.

Fuel consumption was mainly represented by diesel fuel for company vehicles; diesel for "other uses" is used to supply fire-fighting pumps and electricity generators.

Fuel in GJ	2020	2019	2018
Diesel for company vehicles	6,186	8,616	9,303
Diesel for other uses	26	48	45
Petrol for company vehicles	964	1,519	1,214
Total Fuel	7,176	10,182	10,562
Percentage of total energy consumption	15.8%	21.2%	21.2%

Although the number of company vehicles has not changed significantly, 2020 saw a decrease in fuel consumption. Restrictions on business travel and trips for sales, remote working methods and temporary *lockdowns* imposed as a result of the spread of Coronavirus also had an inevitable impact on fuel consumption (diesel and petrol) for company vehicles recorded in 2020, which was significantly lower than the figure recorded in previous years (-29.5% compared to the year 2019 and -32% compared to the year 2018).

Natural gas is used by the Group exclusively for workplace heating systems; no gas is used in the production process.

Natural gas in GJ	2020	2019	2018
Total Natural gas for heating	13,682	12,041	12,090
Percentage of total energy consumption	30.2%	25.0%	24.2%

The increase in gas consumption recorded in 2020 compared to previous years is linked to expansion of the buildings hosting the Group's activities, in particular in Gefran S.p.A. (IT) and Gefran Inc (US), for spaces dedicated to the sensors business.

Energy Consumption in the Group, by Purpose of Use

In analysis of the Group's activities and the energy consumption associated with them, Gefran takes into consideration *direct* consumption of energy:

- the use of fuels for company vehicles and for emergency generator units which only come into operation in the event of a blackout;
- the electricity self-generated by photovoltaic systems installed on the rooftops of factories and used for the operation of systems;
- the natural gas purchased and used for heating workplaces.

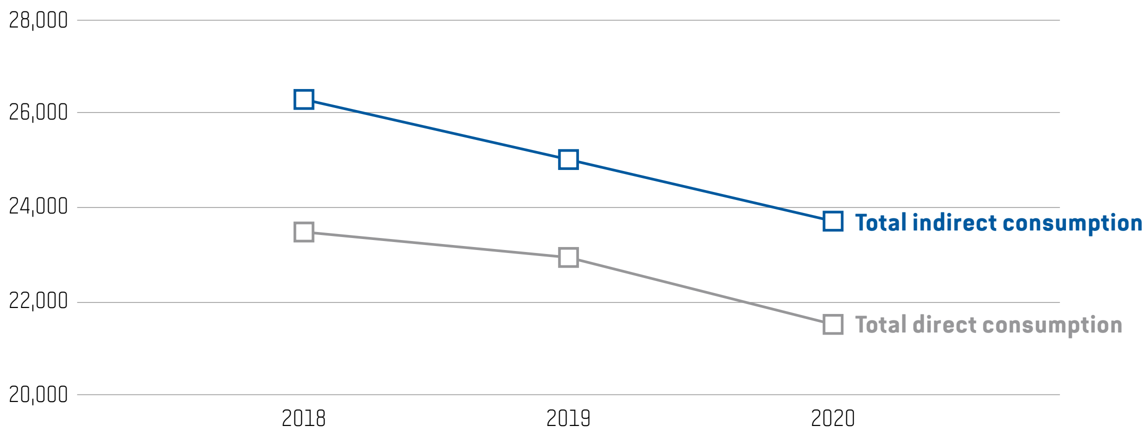
A summary is given in the table below:

Direct energy consumption in GJ	2020	2019	2018
Diesel	6,211	8,664	9,348
Petrol	964	1,519	1,214
Self-generated electricity	738	813	839
Natural gas	13,682	12,041	12,090
Total direct consumption	21,595	23,036	23,491

The Group's *indirect* energy consumption refers to electricity (from the grid), used mainly in offices, as summed up below:

Indirect energy consumption in GJ	2020	2019	2018
Mains electricity	16,869	25,041	26,268
Electricity acquired from the grid, from certified renewable sources	6,894	-	-
Total indirect consumption	23,764	25,041	26,268

Consumptions by scope in GJ



Atmospheric Emissions Produced by the Group

After gathering data on energy consumption for various purposes, the resulting greenhouse gas emissions were calculated.

Greenhouse gas emissions connected to Gefran's activities arise from the direct and indirect consumption of energy, and from leakage resulting from consumption of refrigerant gas (F Gas).

Emissions in tCO2	2020	2019	2018
Diesel for company vehicles	459	639	690
Diesel for other uses	2	4	3
Petrol for company vehicles	65	103	82
Natural gas	661	582	584
Other (F Gas)	61	-	46
Total direct emissions	1,249	1,328	1,406

With reference to the emissions deriving from indirect consumption of electricity acquired from the grid, the calculation is provided with two different approaches: *Location-based* and *Market-based*. The results of each calculation are as follows:

Emissions in tCO2 - Location-based method (*)	2020	2019	2018
Mains electricity	1,869	2,677	2,815
Electricity acquired from the grid, from certified renewable sources	688	-	-
Total indirect emissions	2,556	2,677	2,815

(*) Emissions calculated using the so-called location-based method, taking into account the average intensity of GHG emissions from the grids for which energy consumption is being calculated, using primarily data from the average grid emissions factor.

Emissions in tCO2 - Market-based method (**)	2020	2019	2018
Mains electricity	2,215	3,274	3,464
Electricity acquired from the grid, from certified renewable sources	-	-	-
Total indirect emissions	2,215	3,274	3,464

(**) Emissions calculated using the so-called market-based method, taking into account the different forms of supply that the Company has chosen, where the mode of energy generation is certified. The "residual mix" parameter was used in the calculation where the organisation's emissions intensity level is not specified in the contracts signed. For countries where the "residual mix" reference benchmark did not apply (particularly China, Brazil, India, and Singapore), location-based conversion factors are applied.

The emissions intensity indicator for the last three years, calculated as the ratio between the emissions produced and the turnover of the plants reported, is set out below:

Emissions intensity	2020	2019	2018
tCO2 over revenues	0.032	0.031	0.034

It should be noted that the so-called *location-based* approach was used for the calculation of the emissions intensity indicator.

The table below shows the value of emissions not released into the environment, mainly thanks to:

- photovoltaic systems installed in the Italian plants in Provaglio d'Iseo (BS) and Gerenzano (VA);
- the purchase of energy from certified renewable sources.

A conversion factor of 359 KgCO2/MWh was used for the calculation, on the basis of the *location-based* method.

	2020	2019	2018
Yield of PV systems (in MWh)	205	226	233
Electricity purchased from the grid, certified renewable sources (in MWh)	1,915	-	-
Emissions not emitted into the atmosphere (in tCO2)	761	81	84

Figures for **Nox (nitrogen oxide), SO2 (sulphur oxide) and other significant emissions** are reported below for companies included in the scope of reporting, breaking them down into vehicle emissions and emissions from production processes:

Emissions in t	2020	2019	2018
Emissions into the atmosphere from motor vehicles			
NOx	1.874	2.622	2.803
SO2	0.002	0.003	0.004
PM10	0.120	0.169	0.180
VOC	0.239	0.369	0.309
Emissions into the atmosphere from production processes			
VOC	0.223	0.293	0.344

Group Water Consumption

As for water consumption, note that no water is used in production processes, and so there is no industrial wastewater; water is consumed for civil uses only, and comes exclusively from the water mains.

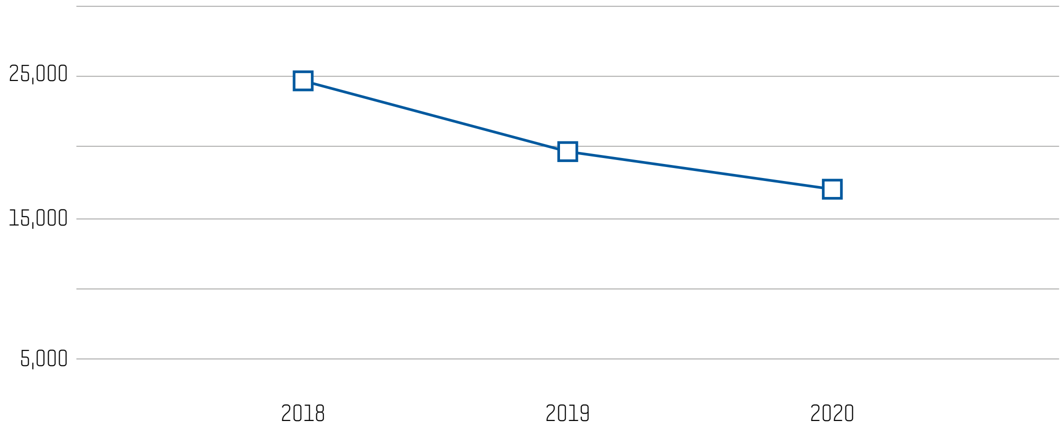
in m3	2020	2019	2018
third-party water resources (from water mains)	17,252	19,970	24,671
Total volume of water taken	17,252	19,970	24,671

Note that some companies cannot provide precise reports (particularly Gefran India and Gefran Siei Asia), and so estimates have been provided on the basis of average consumption per employee in companies of similar size.

Lastly, note that the 2018 figure included "extraordinary" consumption as a result of dismantling of technological systems and construction sites opened for the construction of new areas and redevelopment of a number of existing buildings. In addition, a leak was detected in a pipe in the fire-fighting system at the Gerenzano plant (VA), later repaired.

As with energy data, 2020 also saw a reduction in the Group's water consumption compared to the previous year. The effects are the same and mainly result from reorganization of a number of activities necessary to contain the spread of Covid-19, particularly the use of working from home.

Total water consumptions



Following analysis of water stress areas, it was found that 51% of the Group's water consumption in 2020 was carried out in areas with "high" or "extremely high" levels of water stress. This includes water consumption by Gefran S.p.A. (IT), Gefran Soluzioni S.r.l. (IT), Gefran Siei Drives Tech. Pte Ltd (CN), Gefran Brasil Eletroel. Ltda (BR), Gefran Deutschland GmbH (DE), Siei Areg GmbH (DE) and Gefran India Private Ltd (IN), the latter company in an area classified as "extremely high" water stress.

A mapping of water consumption by source in water stress areas classified as "high" or "extremely high" is given below:

in m3	2020	2019	2018
third-party water resources (from water mains)	9,796	9,707	15,037
Total volume of water taken	9,796	9,707	15,037

Wastes Produced by the Group for Reclamation or Disposal

Data deriving from reporting on the Group's waste production, expressed in kg and with reference to the perimeter indicated below, are presented below.

It should be noted that Gefran Siei Asia Pte Ltd was not able to report accurately and therefore estimates were made on the basis of the quantities of paper purchased and packaging consumed.

in kg	2020	2019	2018
Total waste produced	467,989	507,379	557,311
of which hazardous	39,498	34,347	38,453
% of total	8.4%	6.8%	6.9%
of which non-hazardous	428,492	473,032	518,858
% of total	91.6%	93.2%	93.1%

Analysis of the type of waste produced highlights that more than 90% of the wastes are of a non-hazardous nature, and therefore represent materials with limited environmental impact involving no need to apply specific disposal practices.

The increase in the weight of hazardous waste produced (39,498 kg in 2020 compared to 34,347 kg in 2019) mainly relates to the company Gefran Drives and Motion S.r.l. The company disposed of an old refrigerating unit in the year 2020, replaced by a new-generation high-efficiency machine.

A number of special events had an impact on the amount of waste produced by the organisation: following the expansion and redevelopment of production areas in 2018, the Group disposed of all obsolete materials which were technically inadequate for the Group's current requirements. In addition to this, as a result of the Covid-19 pandemic, limitation of production and marketing work in 2020 resulted in an overall decrease in the amount of waste produced compared to 2019 (-7.8%), even though the number of employees slightly increased from 801 in 2019 to 809 in 2020.

in kg, by destination	2020	2019	2018
Total waste to be recovered (reuse or recycle)	294,987	312,123	374,092
% of total	63.0%	61.5%	67.1%
of which hazardous	11,934	10,509	5,037
of which non-hazardous	283,053	301,614	369,055
Total waste to be disposed of (landfill or waste-to-energy)	173,002	195,256	183,219
% of total	37.0%	38.5%	32.9%
of which hazardous	27,564	23,838	33,416
of which non-hazardous	145,439	171,418	149,803

The percentage by weight of waste destined for reclamation as a portion of the total amount of waste produced was up from 61.5% in 2019 to 63% in 2020.

8 Health and Safety

8.1 Risks and Opportunities

Workers' Health and Safety

Risk assessment is essential to protect the health and safety of our workers. Gefran is constantly committed to mapping operating risks that may emerge in various company sectors, with the aim of defining opportunities and actions to minimise them wherever possible.

In compliance with the provisions of the law established under Legislative Decree 81/08, figures on injuries are periodically collected and analysed by the Prevention and Protection Service (the Employer, the Head of the Prevention and Protection Service, the Company Doctor, and Workers' Safety Representatives).

The risks identified are essentially specific to particular areas of production, logistics and/or offices, such as, for example:

- injury during assembly;
- loads falling from above;
- lack of PPE or difficulty accessing PPE due to insufficient information;
- failure to recognise hazardous substances and know what to do in the event of contamination;

as well as more generic risks, such as:

- risks on the way to and from work;
- falling or slipping;
- risks associated with extraordinary maintenance activities;
- risks not specifically linked with the work environment, but correlated to the pathologies most frequently found among the population (according to the World Health Organisation).

In terms of production and logistics, an "increased operational risk" was also identified as generated by incorrect handling of materials and their storage in inappropriate areas, as well as secondary risks such as, for example, the risk that small components could get into the operator's eyes at certain stages in processing.

Following this analysis, Gefran assessed whether it was appropriate to implement an internal system of best practices, for all Group companies, to disseminate and reinforce a culture of occupational health and safety which, as well as being a regulatory obligation, is an important value of corporate responsibility.

When an injury occurs, the procedure for investigating the hazardous events provides a prompt, structured response aimed at identifying, analysing and recording the basic causes of the hazardous event, so as to define corrective and preventive actions and ways to improve and prevent the event from being repeated. These may be summed up as opening an investigation in order to obtain more information on the event and reporting on the incident. These documents are analysed during periodic safety meetings managed by the Prevention and Protection Service.

In view of the results of the investigation, additional discussions and specific training sessions will be organised focusing on use of protection equipment or the procedures to be followed.

With particular reference to the pandemic of 2020, the Group promptly launched an assessment of the biological risk associated with the spread of Covid-19. This enabled Gefran to ensure the safety of its employees (including both its own employees and external partners), first of all, while ensuring the continuity of its activities, in line with the directives imposed by governments in various countries.

In addition, over the course of 2020 a significant focus was placed on:

- assessment of the risks arising from the management of work on contract;
- assessment of the specific risks in production areas subjected to revision of layout.

Guaranteeing the health and safety of all those who work with Gefran, whether employees or external partners carrying out work in the Group's plants, is one of the essential values in which the company believes strongly and implements in all areas.

ISO 45001: defines the requirements for an occupational health and safety management system and provides guidance for its use, in order to enable organisations to provide safe and healthy workplaces, preventing occupational accidents and health problems, as well as pro-actively improving OHS.

In line with this approach, in the process of defining the Group's 2020 strategy, it was decided to include a project on this topic. The "Obtaining new certifications" project included in the Strategic Sustainability Plan defined in the fourth quarter of 2020 aims to set up an Integrated Management System for the Group's Italian companies which, in addition to the already implemented ISO9001 and the aforementioned ISO14001 environmental certification (see section 6.1 of this document), will also include the ISO45001 standard. The project was approved at the end of 2020 and launched in the first quarter of 2021; it will be implemented over the next three years by the integrated Group-wide "Quality, Safety and Environment" function.

User Health and Safety - Risks Connected to Compliance with the Regulatory Framework

Since the Group makes and sells electronic components used in electrical applications, it is subject to specific legal and regulatory requirements in the various countries in which it operates, and to technical standards on safety that are applicable to the products made and sold.

The Research and Development area is therefore continually seeking to adapt product characteristics, to comply with the safety requirements of the various application sectors and to respond to customers' needs.

User Health and Safety - Risks Associated with Product Development, Management and Quality

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

The Research & Development and Production Engineering teams work on development and engineering of products that are sustainable in terms of safety, the former through definition of technical specifications for correct product installation, and the latter through analysis and identification of production procedures aimed at mitigating the possible risks resulting from incorrect management of production processes.

The customer is overseen by the Marketing area, which studies the customer's specific needs, the fields of application and the areas in which the products will be installed, in order to guide the customer's choice and ensure compliance with safety protocols on the basis of a qualitative and preventive approach.

In line with practice in the industry, the Company has also stipulated insurance policies covering the potential economic and financial impact of risks associated with product development and quality, and a specific product warranty fund is set up, proportionate to the volume of sales and the historic nature of these phenomena.

User Health and Safety - Legal Risks and Product Liability

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

The Quality areas in various Group plants are constantly busy analysing the components most exposed to the risk of defects. When critical problems are identified, action is promptly taken with the involvement of Procurement and Research & Development, for instance by specifically investigating the type of supply or revising the product. These actions are aimed at identifying the problem that has occurred, limiting the risks involved, which could also affect the safety performance of the products, and implementing the necessary prevention plans so that the possibility of another incident occurring will be nil or in any case very small. If necessary, moreover, with the support of the Marketing team, a campaign may be held to obtain return of products for repair or replacement.

Lastly, in line with practice in the industry, the Company has stipulated insurance policies covering potential economic and financial impact of risks deriving from this responsibility and set up a specific provision.

8.2 Management Methods in the Group

Workers' Health and Safety

Gefran's commitment in the area of occupational safety is to provide the people who work with the company (both employees and people from outside the company working on its premises) with everything they need to perform their work in perfect safety, in terms of both supplies of protective equipment and ongoing information and organised instruction. This commitment is confirmed and signed through the HSE Policy, which sets out the guiding principles for the Group.

Training in the protection of health and safety plays a key role and is constantly supplied to the Group's employees. This kind of work is its duty, and Gefran has chosen to have it done by a group of professionals in the field, so that the educational campaign may become an opportunity to experiment with the most effective teaching methods, intervening to change the behaviour of individuals and/or revise the company's organisation.

In 2020, instruction will focus on the role of Safety managers, to ensure that every function participates and plays an active role in promotion of the culture of prevention. In addition to this, attention was focused on the position of Safety supervisor, through definition of a "safety organisation chart" and extension of specific instruction to "de facto supervisors", that is, personnel who, while not holding a supervisory position of in the Gefran organisation chart, effectively find themselves managing and coordinating the work of others (such as technicians who coordinate the work of external contractors).

Training and awareness-raising activities in the field of **risk of interference during work on contract** intensified in 2020. Specific training sessions were held, involving various company functions, including the Legal Department, the General Services, Production Engineering, the Purchasing Office, Technical Offices and Employers, to align the Group's procedures in this area.

With the aim of minimising **operational risks,** such as those generated by incorrect handling of materials or storage in unsuitable areas, and to reduce the possible risk of accumulation, the logic typical of *lean manufacturing* has been embraced, organising specific work islands based on the peculiarities of the assembly process (which is different for each product) with clear identification of spaces dedicated to handling and storage of materials.

Work continued in 2020 on overhauling of certain production lines. With the goal of streamlining the flows described above, particular attention was paid to safe handling and storage of materials and reduction of operators' ergonomic loads. At the same time, in the areas where layout was revised, internal *colour coding* continued to be implemented in horizontal identification and floor markings. The specification not only complies with the recommendations of standard OSHA 1910.144 but goes further, providing a complete colour scheme helping visually identify work areas and pathways and clearly indicating designated storage locations for materials, finished products, instruments and tools.

In particular, and merely by way of example, the following were defined:

- areas equipped with safety devices such as fire extinguishers and first aid boxes, identified with the colour code white and red;
- areas where hazardous materials are stored, identified with the colours yellow and black;
- footpaths are distinguished from technical work areas with boundaries painted in yellow on the floor.

With regard to the **risk of falling/slipping in plants**, Gefran has implemented constant monitoring of floors and stairs, as well as entrances, where weather conditions can further increase this type of risk; this monitoring leads to work to restore safe conditions, where considered necessary.

Workers' Health and Safety in Relation to Covid-19

With regard to the **biological risk associated with the Covid-19 emergency,** Gefran implemented a series of different actions in response to the global health emergency to ensure employees' safety while at the same time permitting continuity of production and economic sustainability of the company.

The Group, which has subsidiaries in various countries, began to act as soon as the first Covid-19 cases were reported in China, even though there was still no emergency or direction at the national level in Italy. An **Internal Emergency Committee** was set up in February 2020 with the primary purpose of monitoring the international health situation and assessing the impact it could have on the Group's activities. Internal communication channels were promptly activated to provide information immediately, and the first steps were taken to limit the possible risk of contagion, with the priority of protecting employees' health. This work enabled all employees of the Group's marketing and staff functions to work from home, a step which was taken even before national or regional lockdowns were imposed on Italy and Europe.

In the early stages of the pandemic, Gefran temporarily suspended its work in the factories in the areas most heavily affected, organising sanitisation of workplaces to protect the health of its employees. At the same time, the tasks of the **Internal Emergency Committee** included providing guidelines and coordinating company management during the health crisis, taking the necessary actions. This committee is still active and monitoring the evolution and impact of the pandemic.

The committee has come up with specific procedures for conduct and safety protocols which are implemented in all work areas, implementing government regulations and quickly allowing the business to continue "in full-swing operation".

A specific *Risk Assessment Document* was also created to assess the biological risk associated with the Covid-19 epidemic. A number of internal audits were subsequently conducted in the year 2020 to check the effectiveness of the numerous measures taken to limit the risk of contagion.

A process of collecting and sharing information has been implemented to monitor the evolution of the anti-Covid-19 regulations implemented by the various countries in which the Group and its subsidiaries operate: the legal office of the Parent Company takes care of this process, collecting and publishing the necessary updates on the internal corporate network to make them known to all interested parties.

Centralised management of the supply chain was implemented, with synergies of supply among Group companies, with the aim of optimising rapid procurement of a supply of the materials and PPE required to prevent the spread of **Covid-19**. This made it possible to operate with harmonised, consistent management in all companies, in all countries, and it was also possible to provide protective equipment for the families of employees at the most acute time in the emergency. This further demonstrates the Group's importance in protecting the health of employees and their families.

The most significant measures taken include:

- definition of safety procedures regulating access to company premises, methods for consuming meals, management of travel and of the presence of external personnel, management of company cars, management of PPE and cases of suspected contagion;
- intensification of plant cleaning work, specific sanitisation operations, widespread availability of products for sanitisation (of the hands and of workstations) and PPE (surgerical masks, FFP2 and FFP3 mask, as appropriate to requirements);
- timely implementation of agile working methods (including working from home), especially at the peak of the epidemic. and flexibly during less acute phases; this way of working is still being used in a number of company functions;
- review of the methods for accessing the plants, marking out the routes to be followed in order to limit the possibility of people meeting and gathering;
- mapping production areas and offices, evaluating the spaces in order to guarantee the required distancing, reorganising the workstations where necessary;
- assessment of the health of particularly fragile persons by the Plant Physician;
- rapid testing agreement with local hospitals for employees;
- instruction and dissemination of useful information at various levels in the organisation (personal hygiene guidelines, dealing with cases of symptoms or quarantine in the family, etc.).

A seasonal influenza vaccination campaign was conducted in the Group companies with the largest number of employees, vaccinating more than 350 employees in Italy and China.

The procedures implemented were announced through internal communication channels and published on the company's portal in order to reach all interested parties.

The measures put in place to contain contagion have proven effective and ensured the continuity of operations of all company functions. Although there were some cases of contagion by Covid-19 among employees in the year 2020, no outbreaks of transmission were found within the company, as those cases which did occur were attributable to the personal circumstances of the persons involved.

Parent Company Highlights

Contact Tracing

In the Parent Company, in order to quickly reconstruct the contact history of suspected cases, and thus contain the risk of contagion as much as possible, a system for tracing contacts who had come within a distance below the minimum safety distance (so-called "Smart Proximity") was adopted in the Provaglio d'Iseo (BS) plants. This device was provided to all employees to detects contacts "below the safety threshold" and track them in a specific database which the Plant Physician could access using special codes. Use of this device permitted timely tracking of contacts in cases where there was a suspicion that an employee may have tested positive, permitting pre-emptive testing of all employees who had come in contact with him or her.

User Health and Safety

The Gefran Group's mission is to support customers in improving the performance of their technological processes, by ensuring continuity and dedication and maximising sustainable value. Thanks to its passion, energy and skills with technology and innovation, Gefran is able to provide effective, targeted responses.

Gefran owns and develops proprietary technologies that enable it to keep its promises in terms of reliability, quality and safety, thus combining the values of a family-run business with an international management structure.

One of the requirements allowing Gefran to maintain its position of leadership in occupational health and safety is maintaining an effective, up-to-date Quality Management System in compliance with the requirements of standard UNI EN ISO 9001:2015; its goals are:

- create and maintain its identity in line with the *promise*, *purpose* and *guiding principles of the Gefran Way*;
- satisfy customers, effectively interpreting their needs and ensuring the best possible service, creating long-lasting and sustainable relationships;
- promote continuous improvement of processes in the organisation;
- verifying achievement of the targets set through quality planning;
- develop and produce products that comply with the applicable binding and voluntary standards;
- ensure conformity of products with the specified requirements and applicable binding and voluntary standards;
- seek, select and develop appropriate suppliers capable of meeting the Group's requirements in terms of total cost, technological capabilities, quality and service;
- respond promptly to any customer claims with effective solutions.

With regard to user health and safety matters, in the aforementioned statement on quality policy, the Group's desire to design, develop, produce and sell only products compliant with applicable, binding regulations is clear to see.

The safety and quality of Gefran's products is considered a distinctive feature and a significant competitive lever in the market. For these purposes, certification of various products is constantly monitored in relation to the Group's strategy and the markets served. In addition, the processes to develop new products include analysis and identification of binding regulations and subsequent steps of certifying performance and compliance with the identified regulations.

Backing up the Group's commitment to provide cutting-edge products in terms of safety, Gefran has a number of employees who take part in the CEI technical committees, to become aware of, anticipate and influence future product standards and, where necessary, use specialist advisers working in the product certification sector.

The processes involved in the field of application of the Quality Management System are cross-functional:

Strategic processes	Operative processes	Support processes
- Strategy;	- Commercial;	- Management control;
- Product plan approval;	- Innovation;	- Information systems;
- Three-year plan	- Operations;	- Human resources;
	- Procurement.	- Measurement, analysis and improvement.

For each of the processes listed above, the inputs/outputs, specific activities and responsibilities, the sequence and interactions with other processes have all been identified to ensure product quality and therefore safety:

- Division management draws up the strategic plan (whether compliance with a standard impacts strategy or is a driver of it will be appropriately considered) and Top Management approves the three-year plan;
- the product manager and commercial department determine the customer's or reference market's requirements (the product requirements and binding regulations and non-mandatory certifications that are useful for competitive advantage are defined ahead of the product development process);
- R&D develops the product and certifies that it complies with all the characteristics and standards in the technical specifications put together by the product managers, including any additional certifications;
- Engineering industrialises the product;
- The operations area looks after manufacturing: the necessary control points will be included in the manufacturing process to ensure compliance with the product characteristics; currently Gefran carries out production process controls on 100% of products and is moving towards including automated control steps, to eliminate the uncertainty of manual tests;
- Quality measures and analyses performance to guide continuous improvement.

Products constructed in Gefran are subject to the controls required by the production cycle: at the time of acceptance of materials, at intermediate points in the production process, and in final testing.

Specifically, in the presence of safety requirements, the necessary tests and consequent record-keeping are conducted in compliance with the provisions of the regulations. Traceability of the tests performed is guaranteed in relation to the product's serial number.

As the Group believes it can create sustainable value, it is constantly looking at ways to adapt and renew its products, including with regard to safety directives. Two significant examples of activities on this front carried out in recent years are provided below:

Applicability of the RoHS directive was extended to industrial measurement and control devices beginning on 22 July 2017. Gefran responded by developing appropriate alternative production processes, products and technologies that meet the common requirement of reducing negative impact on the environment and on people (for example, applying the latest technologies to high temperature pressure sensors, which no longer use mercury as a filling liquid).

With a view to providing its customers or end users with products meeting high standards of safety, in the pressure sensor range in particular, whether for high temperatures or not, Gefran offers products certified for functional safety (PL-Performance Level and SIL-Safety Integrity Level), as in the case of sensors for use in a potentially explosive atmosphere (IECEx, ATEX, EAC Ex). The automation components range also demonstrates an ongoing determination to integrate high standards for functioning and safety (such as SCCR approval under UL 508) to guarantee that users enjoy an ever-growing level of protection.

2020 saw the launch of the new *GPC power controller* product, which, together with the *GSLM module*, achieves energy-efficient performance in industrial plants (*Gefran Smart Load Management*), the result of important research and development work in the automation components business area.

As stated in the *Strategic Sustainability Plan*, the development of products aimed at expanding communication, self-diagnosis, performance analysis and control of the specific application will continue in 2021, and will see:

- introduction of the IO Link protocol on magnetostrictive position sensors and pressure sensors;
- evolution of GPC and GRS-H: the platform for static and power controllers based on a scalable architecture integrating functions of self-diagnosis and advanced communication;
- further development of GSLM (Gefran Smart Load Management): a platform for monitoring and optimising energy consumption associated with the Gefran power controller range;
- introduction of the ADL500 drive for smart lift management, with specific optimisation and safety functions and the possibility of monitoring via a web app.

In addition, sustainable innovation will focus on the technological and qualitative aspects of products and processes in the near future: Scouting of technological standards for modelling data, apparatuses and digital twin processes, analysis of IT-OT architectures and implementation of pilot Industry 4.0 solutions to support processes such as *predictive maintenance* or performance optimisation.

Supply Chain

With regard to minerals from conflict zones (conflict minerals), Gefran is committed to responsible procurement and considers mining activities that feed conflicts as unacceptable. Gefran's commitment is in line with the activity of the Electronic Industry Citizenship Coalition® (EICC®) and Global and Sustainability Initiative (GeSI) to improve the transparency and traceability of metals in the supply chain.

In this area, mapping of the bills of materials of Group products to identify what minerals might be present revealed that, of the four minerals covered by the regulations, tungsten is not present in the components used, whereas tantalum, gold and tin are. As a result of this check, suppliers who might use these minerals in their production process were then identified and they were asked to certify that their supplies do not come from conflict zones.

Following this analysis, Gefran continues to monitor its supplies for Conflict Minerals, preparing specific certification for customers requiring it and publishing the guidelines it has adopted and the Group's policy on its internet site. These documents may be found at*http://www.gefran.com/it/it/pages/85-conflict-minerals*.

Lastly, in the area of protection of human health and the environment from risks attributable to chemical substances, Gefran is not directly affected by the obligations resulting from application of European REACH regulations, as the Group:

- does not produce or import chemicals;
- does not use substances of very high concern (SVHC) in its processes;
- is a "downstream" user of chemicals but ensures that the supply chain complies with the tasks established by REACH to ensure sustainable continuity in supplies.

The company's position is represented in its declaration of environmental conformity, which may be found at *https://www.gefran.com/it/it/download/4514/attachment/all*.

8.3 Non-Financial Performance

Scope of Reporting

Gefran has set up a system for reporting data on injuries, as well as energy and environmental data, managed by the integrated "Quality, Safety and Environment" function. This system shall be extended to:

all the Group's production sites:	its principal sales branches:
Gefran S.p.A. (IT)	Gefran Deutschland GmbH (DE)
Gefran Drives and Motion S.r.l. (IT)	Gefran Siei Asia Pte Ltd (SG)
Gefran Soluzioni S.r.l. (IT)	
Elettropiemme S.r.l. (IT)	
Gefran Inc. (US)	
Gefran Brasil Elettroel. Ltda (BR)	
Gefran Siei Drives Tech. Co. Ltd (CN)	
Siei Areg GmbH (DE)	
Sensormate AG (CH)	
Gefran India Private Ltd (IN)	

Data is collected on a one-off basis, with the help of the company functions that manage this type of information for Gefran: the "People & Organisation" area and the Employer.

Certain companies have been omitted because though they are included in the Group's structure, they are purely concerned with marketing, and have a limited volume of business and a small number of employees. For these reasons, their impact on required data reporting is deemed to be of marginal relevance. The perimeter therefore does not include the companies Gefran Uk Ltd (UK), Gefran France S.A. (FR), Gefran Benelux Nv (BE) and Gefran Middle East Ltd Sti (TR).

The figures for Elettropiemme S.r.l. are included in the perimeter since 1 January 2019, though the company joined the Group on 23 January 2019, in order to ensure homogeneity for comparison with the figures for the Group's other companies.

The Group's policies and practices, with sustainable aims in terms of health and safety, have been confirmed with the lower number of accidents in the last three-year period.

Accidents to Employees in the Group

With reference to the new GRI 403 "Occupational health and safety 2018", the Group reclassified the data reported in the 2019 Non-Financial Statement according to the new reporting requirements.

The figures below represent the number of injuries on the job that have occurred in the last three years;

Type of employee injury	2020	2019	2018
Total accidents on the job	5	5	4
Injuries registered without lost work days	-	-	-
Fatal accidents (no. of deaths)	-	-	-
Accidents recorded with lost work days	5	5	4
including serious injuries (with serious consequences)	-	-	-
Working days lost due to accidents	119	317	198
Total hours worked	1,286,899	1,467,541	1,347,049

No fatal injuries or accidents have been reported during the last three years (that is, causing permanent injury 6 months after the accident). Although the number of accidents reported during the year remains in line with previous year's reports, the number of days lost to accidents is down by 62.5%. In 2019 an accident occurred involving an employee of Elettropiemme S.r.l. while operating an industrial machine on a customer's premises; this injury is considered serious, as it resulted in loss of 252 working days.

Examining the main causes of accidents, it may be noted that the most common causes are slipping, cuts during the production phases of assembly, and incorrect handling of goods.

All accidents in 2020 occurred in the Group's Italian plants, as follows:

- 1 accident occurred in the Parent Company's plants in Provaglio d'Iseo (BS), in which a person slipped outside the building, resulting in 63 lost work days;
- 1 accident occurred in the subsidiary Gefran Soluzioni S.r.l. in Provaglio d'Iseo (BS), a cut incurred when handling sheet metal, resulting in 8 lost working days;
- 1 accident occurred at the Gefran Drives and Motion S.r.l. plants in Gerenzano (VA), in which a person slipped outside the building, resulting in loss of 2 work days;
- 2 accidents occurred in the Elettropiemme S.r.l. plant (TN); the first was caused by an accidental fall from a ladder, while the second involved slipping on an icy surface outside the building, resulting in a total loss of 46 working days.

The table below provides information on accidents to Group employees occurring on the way to and from work, using forms of transport which were not organised by the company (typically commuting between home and work), which are not included in the table above.

Type of accident to employees on the way to and from work	2020	2019	2018
Accidents on the way to or from work	-	2	1
Working days lost due to accidents on the way to or from work	-	5	55

The procedures and practices described in chapter 6.1 of this document were implemented in response to these accidents to Group employees.

Accident rates are shown below:

Accident ratios - accidents to employees	2020	2019	2018
Total accident frequency rate	3.89	3.41	2.97
no. of accidents, excluding accidents on the way to or from work, per 1,000,000 hours worked			
Accident frequency rate recorded (with number of lost working days)	3.89	3.41	2.97
no. accidents recorded, with number of lost working days, per 1,000,000 hours worked			
Severity ratio	0.09	0.22	0.15
no.of working days lost due to accidents recorded per 1,000 hours worked			

Accidents Occurring in the Group to Non-Employees

With reference to the new GRI 403 "Occupational health and safety 2018", the Group did not report any accidents to non-employees working on Group premises, defined as temporary workers and/or workers carrying out their tasks in the Group's plants and under its control.

Hours of Instruction in Specific Health And Safety Issues in the Group

Employee instruction in specific Health and Safety issues continued in 2020. Reporting, organised at the Group-wide level since 2018, reveals a decrease in number of hours of instruction provided in 2020 compared to previous years. In this context too, the effects of the necessary reorganisation of corporate activities and priorities in response to the current health and economic emergency may be noted.

Hours of Occupational Health and Safety instruction	2020			2019			2018		
	W	M	T	W	M	T	W	M	T
Managers	12	186	198	-	18	18	-	1	1
Middle managers	4	66	70	8	187	195	16	140	156
Clerical staff	12	544	556	181	1,531	1,712	371	598	969
Manual workers	160	356	516	1,126	1,543	2,669	185	335	520
TOTAL hours in the Group	188	1,152	1,340	1,315	3,279	4,594	572	1,074	1,646

9 Management of Social Topics

9.1 Risks and Opportunities

Human Capital Management

The Gefran Group is based on core values, such as the protection of diversity, equal opportunities and respect for human rights, set out in the *Human Resources Policy*, the *Code of Ethics and Conduct* and the Brand Book defining the *Gefran Way*.

The company addresses the market and people on a global level, and so the osmosis of experiences, international culture and ability to work alongside people from different cultures and traditions are keys to the success of company operations and competitiveness. For this to happen, it is necessary to implement systems for integration, inclusion, involvement and sharing of information and experience focusing not on homogeneity or sterile uniformity, but on heterogeneity and virtuous contamination in which each person has a contribution to make. The company sees cultural and gender diversity and integration of unique qualities cooperating to achieve common goals as a valuable asset and strong point, an engine driving innovation and sustainable value.

The company is all about people, and professional development is an essential factor in responding to the risk of losing talent, know-how, and skills, and therefore opportunities and competitiveness. Aware of this, the company has implemented a series of initiatives. Plans for engaging people and ensuring their fidelity range from welfare (such as the company wellness programme organised under the name *WELLFRAN people in Gefran*), to international mobility, customised training and professional development plans, and *FLY*, Gefran's Talent Academy, organised under a close partnership with universities; all these initiatives were launched and implemented in recent years, and have allowed the Group to reinforce employer branding and the employee experience.

With a view to achieving digitalisation, and with the goal of optimising information management, the Company has also set up IT platforms for analysis of Cvs, a Group-wide database of information, and a digital Hub for the Academy's work.

Thanks to these initiatives, Gefran has been mentioned on national radio and television programmes as an example of excellence. For the last three years in a row, Gefran has won the prestigious Best Job prize (awarded by the German Economic Institute), hosted the visit of the Senate Labour Commission, and been invited to bring its experience to initiatives and conferences on these issues (Bocconi University, the Polytechnic University of Milan, the State University of Brescia and RCS Business School). In addition, Gefran is one of the protagonists of the *ALL-IN* initiative promoted by Confindustria Brescia, with the participation of key social and institutional players (the Province of Brescia, Università Cattolica del Sacro Cuore, the University of Brescia, the Association of Municaplities of Brescia, the Lombardy School District Office, the Chamber of Commerce and Municipality of Brescia, and the principal trade unions).

Diversity

Diversity is one of the values inspiring the Group, and as such, requires protection. The Group respects differences in people's lifestyles, in the awareness that everyone's uniqueness must be adequately supported and offers great potential for the Company's growth. Within a workplace, different points of view - whether different genders or ages, sexual or religious orientation, physical or technical abilities, ethnic or cultural origins - generate debate, innovation and change. Aware of this, the company also respects and appreciates the value of differences between generations, implementing structured reverse mentoring programmes, and of differences in lifestyle (such as different dietary habits, which the company's cafeterias respect and allow for).

There were no cases of discrimination registered in the Gefran Group in the year 2020.

Sustainable Management of the Supply Chain

The electronics sector in which Gefran operates has a strong technological component, which is also reflected in the supplier base, made up of large multinational groups as well as local suppliers offering specialised know-how and flexibility. Most suppliers used by Gefran can be put in one of two categories:

- Suppliers of materials used in bills of materials;
- Suppliers of materials not used in bills of materials and of services.

- In both cases there is a qualification process with a procedure applied in different ways depending on whether the *suppliers supply raw* materials or indirect materials/services.

In the first case, information is gathered on the supplier's structure through evaluation questionnaires and information from other companies. An Audit is always conducted by Quality to certify suppliers' suitability to provide specific types of supply, or if the supplier is considered to be of strategic importance because of the goods supplied. The qualification procedure is simpler for indirect materials and services, as the strategic nature and importance of suppliers is different. An exception to this is waste disposal suppliers, who are asked to produce all the documentation required under current regulations.

The *e-procurement* portal has a supplier accreditation section. All new suppliers intending to begin working with Gefran must complete the qualification procedure in which they will, as a necessary condition, be asked to sign the sustainability agreement. In particular, in 2020 a procedure was developed for contracts with service providers. In compliance with the regulations in force, all service providers who require the physical presence of personnel on company premises for the provision of the service are obliged to complete a procedural accreditation process involving the signature and delivery of documents attesting to their professional and documentary qualifications in terms of safety and job protection.

The market in which Gefran operates has variable demand and very quick delivery times. This, together with the fact that most Gefran production can be classified as "*high mix-low volume*", with many finished product codes in the catalogue, each with small recurring production volumes, means that a short supply chain is needed, which can react quickly and flexibly. This is why local suppliers are involved in drawing up specific procurement plans in order to support the variable demand in short periods of time. It is also often the case that some suppliers, thanks to their specific skills and know-how, are involved from the development phase of new products in jointly designing components and specific or custom parts.

9.2 Management Methods in the Group

The Gefran Way

A company's success and ability to keep up with the times no longer depends entirely on its products and services, but on its vision and the system of values it has developed and manages to convey and express through its actions. These actions create bonds of trust and a long-lasting reputation.

These principles, which have for some time been applied to the *Business to Consumer* market and are now essential for the *Business to Business* market as well, are applicable to high-tech products such as Gefran's.

Buying decisions in customer companies are made by people, who are not only influenced by technological performance, marketing actions, and advertising messages, but increasingly choose on the basis of their experience interacting with the company. This concept also applies to the people who choose to work for the company, setting up a long-lasting partnership of value to both partners. The concept of value therefore no longer applies solely to products and services for customers, pay and benefits for workers and various advantages for other stakeholders: it increasingly involves experience.

If it is to establish long-lasting relationships and partnerships with its stakeholders, the company must be able to answer the question: "Who are we, and where are we going?" For this reason, at the end of 2018 Gefran began a project aimed at strengthening Gefran's *brand identity* and *brand experience*, in order to translate these factors into perception and reputation among all stakeholders, building an authentic narrative about what makes Gefran distinctive and interesting.

The Gefran Way contains the Spirit, the Identity and the Values of Gefran and the brand, which are explained through the Gefran *Promise*, *Purpose*, *Guiding Principles* and *Manifesto*.

The Gefran *Brand Identity* has been formally stated and shared at all levels of the Group, and is present in all Gefran initiatives. After the 2019 launch marked by a series of events attended in person in various locations around the world, the first digital brand identity event was held in September 2020: an exciting opportunity for everyone in the company to come together and share their experience of what has been a difficult, at times even overwhelming, year.

One of the adjectives most appropriate for describing 2020 is "unexpected." This was all because of the Covid-19 pandemic, which brought with it challenges that had never been addressed before, historic changes, and a need for great courage on the part of every single individual. There has been an inevitable, obligatory transition from physical to digital events, but this also allowed new goals to be achieved in contexts never explored before. The *Gefran Way* has accompanied people through this almost unbelievable time of transition, going beyond limits that seemed absolute in the past, allowing people in Gefran to acquire new knowledge and achieve apparently impossible results.

In this context, forced to adopt new working methods as travel restrictions and *lockdown*s were imposed in various different countries, the Group has successfully experienced a number of ways of actively involving its employees through organisation of various digital events. Digitalisation has made it possible to reach everybody, effectively and equally, and its use will increasingly be implemented in the Group. In particular, 2020 saw the organisation of a number of brief periodic events (referred to as *kenBerry)* broadcasting "SHORT INSPIRATIONAL TALKS & BESTSELLER SUMMARIES", as well as more structured live events, "LIVE INSPIRATIONAL TALKS", including the involvement of external experts.

FLY Gefran Talent Academy, FLY Youth and kenFLY

FLY is the *Gefran Talent Academy* focusing on development of people's strong points. Its purpose is to develop and support people's distinctive skills and talents over time.

Gefran addresses this major challenge with the systematic aim of developing its employees. Talent does not identify a person, but is a unique set of an individual's characteristics.

We use a variety of tools and methods aimed as much at existing staff as at new employees. Our definition of talent is a set of skills, in line with corporate values and consistent with the specific nature of the organisation required to achieve our business strategy

FLY includes specific programmes for development of potential, including:

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

FLY Youth is a session for recent graduates who are progressively being integrated in the Company due to generational turnover. It includes the "4x4" programme for young people, offering four workshops focusing on development of soft skills (orientation toward achievement of results, ability to cooperate, communication skills, self-discipline), guided by external instructors and coaches, as well as sessions held by managers of key company functions aimed at promoting an understanding of the Gefran organisation, viewed as a "corporate system". Upon completion of the training programme, participants in *FLY Youth* put themselves to the test in a contest for innovation projects such as those which have given rise to *INNOWAY*: an open innovation programme sponsored by the Region of Lombardy. These young people, guided by senior mentors, participate in and act as the driving force behind initiatives for research or presentation of the company in the country's principal universities.

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

Companies' competitive advantage is increasingly linked to their ability to develop and maintain an outstanding wealth of expertise and develop people's talents. For Gefran, this is a guiding principle, to be implemented with a view to systemic development of its employees' full potential. Talent is the unique set of an individual's characteristics. Gefran uses a variety of tools and methods aimed as much at existing staff as at new employees. Our definition of talent is "a set of skills, in line with the *Gefran Way* and consistent with the organisation required to achieve our business strategy".

To get talent off the ground, the focus is on the desire to innovate, and to change from within. Talent is a concept we fill with significance by working pragmatically together every day. As well as investing in research and development, Gefran has always invested in its employees' development, knowing that its competitiveness depends on each individual's contribution to achieving common goals.

In order to ensure the integration and uniformity of the processes and methods applied to development and training of employees throughout the Group by adding digital initiatives to in-person physical events, Gefran designed a digital hub for its Academy *kenFLY* in 2020, due to be launched in 2021.

This important global initiative aims to achieve a number of goals: fostering the strengthening of transversal skills integrating and supporting training in the technical know-how and skills required for specific roles; encouraging activation and accountability of the management team, strengthening the aptitude for mentorship and providing ongoing, specific, objective feedback for People Development; providing all employees with instruction and training opportunities to help each person grow and make the most of his or her talent; monitoring and assessing actual consolidation of the skills acquired and performance of the activities carried out on an ongoing basis to provide feedback and specific indications of value. This specific project is part of the Strategic Sustainability Plan defined in the fourth quarter of 2020.

The Company also continues to offer opportunities for students and recent secondary school and university graduates. It has various collaborative ventures with universities and secondary schools. The Company offers curricular and extra-curricular apprenticeships and school/work agreements and opportunities for students to begin work in the areas they have studied, leading to possible employment compatibly with the company's capacity and the talent demonstrated.

All new employees continue to go through a structured *induction* process to help them become familiar with processes, products/services and people in their own department and in interdependent functions.

Another important development in the traditional way of working is introduction of agile working methods. After an initial trial held in 2019, the areas in the company that are compatible with this practice have been identified, and the workers who perform these functions are employed as remote and flexible staff. This allowed the company to organise at a time when the spread of the Covid-19 pandemic forced all employees in staff positions to work this way, and they began to do so even before nation-wide *lockdown*s were imposed, in order to protect the health of employees as much as possible. As a result of prompt implementation of agile working methods, commercial and administrative activities were able to continue without interruption.

For workers in production areas, through a participatory plan defined with the involvement of the trade unions, flexible working hours were introduced that will help to improve life/work balance and ensure flexibility, effectiveness and efficiency in production processes.

Supply Chain

In its general terms and conditions of purchase, Gefran explicitly requires compliance with the *Code of Ethics and Conduct* used throughout the Group. However, adoption of these principles does not guarantee that the Company is able to fully and objectively assess and mitigate the potential risk that human rights may not be fully respected in its supply chain, or that suppliers' activities may be subject to a significant risk of incidents related to employment of minors, forced labour and violations of the freedom of association and collective bargaining.

Therefore, areas with room for possible improvement and action have been identified, in which a number of changes have been made in recent years to mitigate the above-mentioned risks:

- a special section on sustainability focusing in particular on occupational health, safety and ethics has been added to the supplier evaluation and qualification form;
- a special Sustainability Pact has been prepared integrating the principles of the Global Compact with aspects pertaining to environmental, reputational and financial risk; all the Company's most important suppliers and those considered critical for the business are asked to sign this document;
- a new module has been implemented in the existing E- Procurement platform, permitting preliminary entry and accreditation of new suppliers following explicit signature of the Sustainability Pact, an essential prerequisite for positive conclusion of the accreditation process.

In the year 2020, Gefran also carried out initiatives aimed at defining the Group'*s sustainability strategy*, *concretely expressed in the fourth quarter of 2020 with the publication of its Strategic Sustainability Plan. This is the context of a project focusing on one of the Group's key stakeholders: its suppliers. The aim of the "Promoting a culture of s*ustainability" project is to share and promote a culture of sustainability among the Group's suppliers, focusing in particular on local suppliers, normally small to mid-sized enterprises. Businesses of this type are not, by nature, inclined to address sustainability issues, and, though interested in implementing them, they may encounter difficulties obtaining the resources to start work on concrete projects. The project, which has a multi-year implementation horizon, will unfold in three macro-phases, the first of which includes in-house training for the Company in 2021, necessary for the work team to acquire skills in these areas, and review of the supplier evaluation documentation. A engagement event will also be organised, a *Suppliers' Sustainability Day*, during which basic concepts and principles will be explained to the partners involved: what sustainability is, what it means to the Gefran Group (in its choices, projects, initiatives, experiences, etc.), and the ESG issues included in the new supplier accreditation form.

With reference to the situation generated by the spread of the Covid-19 pandemic, the Group's purchasing function has taken on a fundamental two-fold role: in the acute phases of the emergency it was crucial to ensure the safety of all the Group's employees by providing them with adequate protective equipment. To this end, synergies between Group companies were activated to address the difficulty of obtaining PPE and ensuring access for all employees. In addition, the Group began to invest in ensuring the safest possible working conditions for its employees as quickly as possible.

Secondly, it was essential to ensure continuity of production. A *task force* was therefore set up to manage the supply chain, responding to problems with the geographic location of suppliers in relation to local *lockdown*s; thanks to these efforts, there were no interruptions in production attributable to shortages of materials in the year 2020, and all financial commitments to suppliers were met.

Support for Social Activities

The Group promotes a number of social initiatives, aimed in particular at local associations with strong roots in the area; in particular, the Parent Company Gefran S.p.A. supports the initiatives of a number of academic, educational, social, medicine and sports organisations. Examples of the initiatives undertaken in each of the above areas are listed below.

Social projects

In the year of the Covid-19 pandemic, Gefran swiftly reacted with a number of concrete contributions, such as:

- taking part in a fundraising initiative in support of healthcare institutions in the Brescia area;
- donation of safety equipment to a number of institutions close to our plants which turned to us at the peak of the emergency, including Edouard Herriot Hospital, Hospices Civils in Lyon and E. Spalenza - Don Gnocchi Rehabilitation Centre in Rovato (BS), in addition to local associations active in the area; this was made possible by setting up a *task force* and employing Group-wide synergies to procure the necessary PPE in an appropriate and harmonised manner;
- the purchase of electronic devices for use in home schooling under lockdown for a number of needy students whose names were given to us by the Municipality of Iseo (BS);
- a donation to the Municipality of Iseo (BS) for providing economic support to families suffering economic hardship due to the pandemic.

In 2020, Gefran continued its decade-long support for the international work of S.F.E.R.A. Onlus, a non-profit association promoting Development, Fraternity, Education, Responsibility and Response, through the "Maison de Paix" project. S.F.E.R.A. was established in 2011 to build a multifunctional centre for human development in the city of Kikwit, Congo, set up to help the local population live a healthier and more productive life.

Thanks to the Group's support, four buildings have been completed to date: an infants' school, a home and chapel for the nuns, workshops and warehouses, and technical utility areas. The project continues with a number of new constructions due to be completed: the women's vocational training centre, accommodations and medical clinics.

Training projects

In 2020 the Parent Company Gefran S.p.A. participated in a number of youth education initiatives, financing education and training on several levels.

The Company is one of the founders of Fondazione Itis Benedetto Castelli, a foundation which:

- proposes and manages initiatives of all kinds aimed at preserving and adding to the technical infrastructure at Istituto di Istruzione Superiore Benedetto Castelli in Brescia;
- proposes and manages initiatives of all kinds aimed at involving teachers and students from I.I.S. Castelli in improvement of the efficacy and efficiency of teaching and learning;
- promotes and manages initiatives of all kinds aimed at developing synergies between businesses and I.I.S. Castelli to help educate students in the best possible way;
- promotes initiatives of all kinds aimed at helping I.I.S. Castelli graduates find employment, also by promoting on-the-job experience opportunities.

Gefran also supported the *Smart Future Academy*, an innovative project targeting high school students with the aim of helping them figure out "what they want to do when they grow up" through contact with prominent personalities in the worlds of business, culture, the sciences and art, whose describe their personal experience to the students and reveal the keys to their success in intense, emotional addresses.

Cultural projects

In 2020 Gefran signed a three-year agreement with *Alleanza Arte Cultura*, or the *Cultural Art Alliance*. The organisation's goal is to establish long-lasting, participatory, mutually beneficial relationships among foundations and enterprises, educational institutions, organisations and foundations for local development, focusing on the enhancement and promotion of the artistic heritage of the city of Bresca and providing support for the major cultural events.

Support for sport

Gefran sponsored a number of youth football and basketball teams, although this type of activity was significantly decreased due to the pandemic, which meant that a number of the events the company used to support could not take place this year.

9.3 Non-Financial Performance

Scope of Reporting

Reporting on data on personnel management, gender equality, discussions with social partners and respect for human rights, where not expressly indicated, involved all Gefran Group companies.

Data was collected on a one-off basis, with the aid of the company functions that manage this type of information, specifically "People & Organisation".

Breakdown of Personnel, Diversity and Equal Opportunities in the Group

As of 31 December 2020 the Group had 787 employees, 42 less than at the end of 2019 and 16 more than at the end of 2018.

We give the breakdown in the Group companies below:

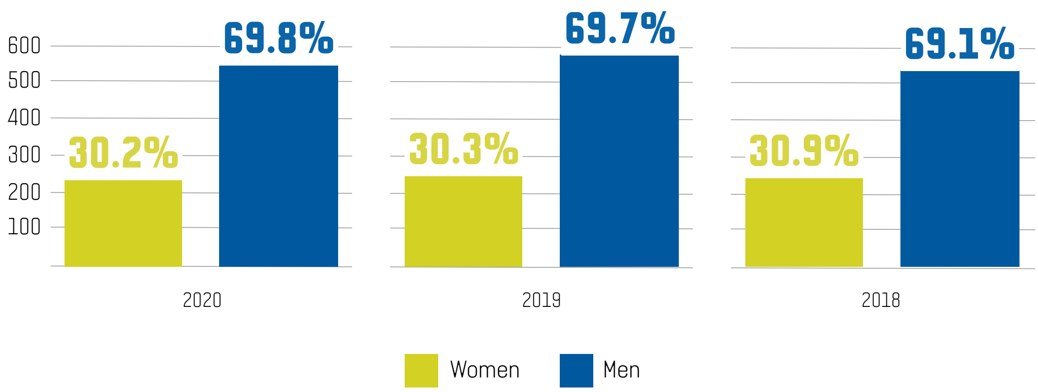
no. employees per company		2020			2019			2018		
		W	M	T	W	M	T	W	M	T
Gefran S.p.A.	Italy	130	181	311	137	185	322	129	187	316
Gefran Drives and Motion S.r.l.	Italy	31	116	147	31	118	149	30	116	146
Gefran Soluzioni S.r.l.	Italy	7	41	48	6	47	53	5	44	49
Elettropiemme S.r.l.	Italy	2	34	36	3	39	42	-	-	-
Gefran Benelux NV	Belgium	4	12	16	4	11	15	4	11	15
Gefran France SA	France	1	7	8	1	6	7	3	6	9
Gefran Deutschland GmbH	Germany	6	16	22	6	16	22	5	17	22
Siei Areg Gmbh	Germany	-	12	12	1	13	14	1	15	16
Gefran UK Ltd	UK	1	1	2	1	1	2	1	1	2
Sensormate AG	Switzerland	4	12	16	4	15	19	5	17	22
Gefran Middle East Ltd Sti	Turkey	-	2	2	1	3	4	1	4	5
Gefran Inc.	US	7	24	31	7	25	32	7	22	29
Gefran Brasil Elettroel. Ltda	Brazil	6	21	27	9	21	30	8	23	31
Gefran Siei Asia Pte Ltd	Singapore	5	5	10	5	5	10	5	4	9
Gefran Siei Drives Tech. Co. Ltd	China (PRC)	31	36	67	32	44	76	31	40	71
Gefran India Private Ltd	India	3	29	32	3	29	32	3	26	29
TOTAL GROUP		238	549	787	251	578	829	238	533	771

The breakdown by geographical region reveals that 68.9% of the Group's employees work in Italy, 13.9% in Asia, 9.9% in Europe and 7.4% in America:

breakdown by geographical region	2020			2019			2018		
	W	M	T	W	M	T	W	M	T
Italy	170	372	542	177	389	566	164	347	511
Europe	16	62	78	18	65	83	20	71	91
America	13	45	58	16	46	62	15	45	60
Asia	39	70	109	40	78	118	39	70	109
Rest of the World	-	-	-	-	-	-	-	-	-
TOTAL GROUP	238	549	787	251	578	829	238	533	771

The ratio of the number of women employees to men in 2020 is broadly in line with the previous year.

Ratio Women vs Men



The breakdown of employees by age range in the year 2020 reveals that 13% of employees are aged less than 30, an increase of one percentage point over the figure for previous years, confirming the positive trend made possible by the above- mentioned talent attraction projects for integration of new graduates and organisation of internal growth plans. 59% of the Group's employees are aged 30 to 50, while 29% are over 50.

division by age	2020			2019			2018		
	W	M	T	W	M	T	W	M	T
<= 29 years	27	72	99	26	74	100	28	64	92
30-50 years	162	301	463	174	337	511	162	314	476
>= 51 years	49	176	225	51	167	218	48	155	203
TOTAL GROUP	238	549	787	251	578	829	238	533	771
<= 29 years	3%	9%	13%	3%	9%	12%	4%	8%	12%
30-50 years	21%	38%	59%	21%	41%	62%	21%	41%	62%
>= 51 years	6%	22%	29%	6%	20%	26%	6%	20%	26%
TOTAL GROUP	30%	70%	100%	30%	70%	100%	31%	69%	100%

Analysis of the types of contract reveals that all contracts of employment were permanent as of the end of 2020. In 2019, 825 permanent contracts were in place (99.5% of the total), with four fixed-term contracts, all involving employees of the Group's Italian companies.

contract type	2020			2019			2018		
	W	M	T	W	M	T	W	M	T
Open-ended	238	549	787	250	575	825	235	531	766
Fixed term	-	-	-	1	3	4	3	2	5
TOTAL GROUP	238	549	787	251	578	829	238	533	771

The breakdown by job type reveals that in 2020, about 4.4% of employees, prevalently women, signed part-time contracts (5.7% in 2019 and 5.6% in 2018).

job type	2020			2019			2018		
	W	M	T	W	M	T	W	M	T
No. full time employees	212	540	752	214	568	782	205	523	728
No. part-time employees	26	9	35	37	10	47	33	10	43
TOTAL GROUP	238	549	787	251	578	829	238	533	771

Group employees are broken down by job classification below:

Classification	2020			2019			2018		
	W	M	T	W	M	T	W	M	T
Managers	2	29	31	2	29	31	2	24	26
Middle managers	12	54	66	12	61	73	10	61	71
Clerical staff	105	305	410	114	308	422	111	310	421
Manual workers	119	161	280	123	180	303	115	138	253
TOTAL GROUP	238	549	787	251	578	829	238	533	771

Movements of Personnel Within the Group

The tables below show details of personnel movements in Group companies:

2020 movements		No. EMPLOYEES 31.12.2019	JOINERS			LEAVERS			No. EMPLOYEES 31.12.2020
			W	M	T	W	M	T	
Gefran S.p.A.	Italy	322	2	8	10	(9)	(12)	(21)	311
Gefran Drives and Motion S.r.l.	Italy	149	1	2	3	(1)	(4)	(5)	147
Gefran Soluzioni S.r.l.	Italy	53	1	-	1	-	(6)	(6)	48
Elettropiemme S.r.l.	Italy	42	-	-	-	(1)	(5)	(6)	36
Gefran Benelux NV	Belgium	15	-	1	1	-	-	-	16
Gefran France SA	France	7	-	1	1	-	-	-	8
Gefran Deutschland GmbH	Germany	22	-	1	1	-	(1)	(1)	22
Siei Areg Gmbh	Germany	14	-	-	-	(1)	(1)	(2)	12
Gefran UK Ltd	UK	2	-	-	-	-	-	-	2
Sensormate AG	Switzer-land	19	-	1	1	-	(4)	(4)	16
Gefran Middle East Ltd Sti	Turkey	4	-	-	-	(1)	(1)	(2)	2
Gefran Inc.	US	32	-	3	3	-	(4)	(4)	31
Gefran Brasil Elettro-el. Ltda	Brazil	30	-	2	2	(3)	(2)	(5)	27
Gefran Siei Asia Pte Ltd	Singa-pore	10	-	1	1	-	(1)	(1)	10
Gefran Siei Drives Tech. Co. Ltd	China (PRC)	76	6	4	10	(7)	(12)	(19)	67
Gefran India Private Ltd	India	32	2	-	2	(2)	-	(2)	32
TOTAL GROUP		829	12	24	36	(25)	(53)	(78)	787

In December 2020 one employee left the Swiss company Sensormate AG, transferred to the German company Gefran Deutschland GmbH. These changes are included in the above table for the year 2020.

2019 movements		No. EMPLOYEES 31.12.2018	JOINERS			LEAVERS			No. EMPLOYEES 31.12.2019
			W	M	T	W	M	T	
Gefran S.p.A.	Italy	316	12	16	28	(4)	(18)	(22)	322
Gefran Drives and Motion S.r.l.	Italy	146	1	8	9	-	(6)	(6)	149
Gefran Soluzioni S.r.l.	Italy	49	1	3	4	-	-	-	53
Elettropiemme S.r.l.	Italy	-	3	44	47	-	(5)	(5)	42
Gefran Benelux NV	Belgium	15	-	-	-	-	-	-	15
Gefran France SA	France	9	-	2	2	(1)	(3)	(4)	7
Gefran Deutschland GmbH	Germany	22	1	-	1	-	(1)	(1)	22
Siei Areg Gmbh	Germany	16	-	-	-	-	(2)	(2)	14
Gefran UK Ltd	UK	2	-	-	-	-	-	-	2
Sensormate AG	Switzerland	22	-	3	3	(1)	(5)	(6)	19
Gefran Middle East Ltd Sti	Turkey	5	-	-	-	-	(1)	(1)	4
Gefran Inc.	US	29	1	5	6	(1)	(2)	(3)	32
Gefran Brasil Elettroel. Ltda	Brazil	31	2	1	3	(1)	(3)	(4)	30
Gefran Siei Asia Pte Ltd	Singapore	9	-	2	2	-	(1)	(1)	10
Gefran Siei Drives Tech. Co. Ltd	China (PRC)	71	4	14	18	(4)	(9)	(13)	76
Gefran India Private Ltd	India	29	-	6	6	-	(3)	(3)	32
TOTAL GROUP		771	25	104	129	(12)	(59)	(71)	829

Note that Elettropiemme S.r.l., the company purchased by Gefran Soluzioni S.r.l. in January 2019, had 41 employees at the time of the takeover (3 women and 38 men), while on 31 December 2019 it had 42 employees (3 women and 39 men). These changes are included in the above table for the year 2019.

2018 movements		No. EMPLOYEES 31.12.2017	JOINERS			LEAVERS			No. EMPLOYEES 31.12.2018
			W	M	T	W	M	T	
Gefran S.p.A.	Italy	446	5	31	36	(35)	(131)	(166)	316
Gefran Drives and Motion S.r.l.	Italy	-	30	119	149	-	(3)	(3)	146
Gefran Soluzioni S.r.l.	Italy	43	1	7	8	-	(2)	(2)	49
Elettropiemme S.r.l.	Italy	-	-	-	-	-	-	-	-
Gefran Benelux NV	Belgium	14	1	1	2	-	(1)	(1)	15
Gefran France SA	France	8	1	-	1	-	-	-	9
Gefran Deutschland GmbH	Germany	18	-	5	5	-	(1)	(1)	22
Siei Areg Gmbh	Germany	16	-	1	1	(1)	-	(1)	16
Gefran UK Ltd	UK	2	-	1	1	-	(1)	(1)	2
Sensormate AG	Switzerland	16	2	6	8	-	(2)	(2)	22
Gefran Middle East Ltd Sti	Turkey	3	2	2	4	(1)	(1)	(2)	5
Gefran Inc.	US	29	1	2	3	(2)	(1)	(3)	29
Gefran Brasil Elettroel. Ltda	Brazil	28	2	4	6	(1)	(2)	(3)	31
Gefran Siei Asia Pte Ltd	Singapore	9	-	2	2	(1)	(1)	(2)	9
Gefran Siei Drives Tech. Co. Ltd	China (PRC)	70	10	3	13	(7)	(5)	(12)	71
Gefran India Private Ltd	India	28	1	6	7	(2)	(4)	(6)	29
TOTAL GROUP		730	56	190	246	(50)	(155)	(205)	771

Note that, as a result of contribution of the company branch corresponding to the motion control division in Gerenzano (VA) on 1 October 2018, 147 employees left Gefran S.p.A. and joined the new company, Gefran Drives and Motion S.r.l. 30 of these are women, while 117 are men. These changes are reflected in the above table for the year 2018.

The turnover rate of leavers, calculated as the ratio between leavers and the number of employees at the end of the year, is shown to be falling:

no. leavers/no. employees 31.12	2020 (*)			2019			2018 (*)		
	W	M	T	W	M	T	W	M	T
Turnover rate of leavers	10.5%	9.5%	9.8%	4.8%	10.2%	8.6%	8.4%	7.1%	7.5%

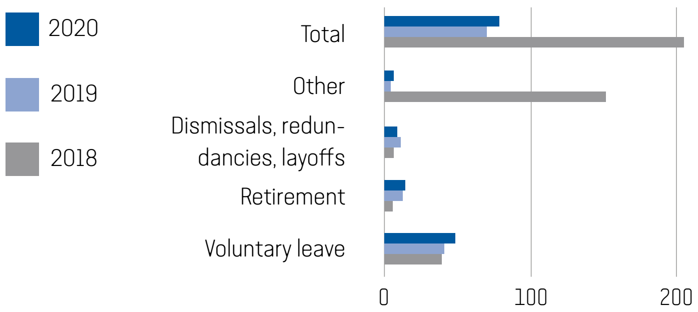
(*) calculated net of extraordinary movements between Group companies described above.

Below we summarise the reasons for people leaving in the last three years:

reasons for leaving	2020			2019			2018		
	W	M	T	W	M	T	W	M	T
Voluntary leavers	16	33	49	7	34	41	13	27	40
Retirement	7	7	14	2	11	13	1	5	6
Dismissal	1	8	9	2	9	11	4	3	7
Other	1	5	6	1	5	6	32	120	152
TOTAL LEAVERS	25	53	78	12	59	71	50	155	205

It should be noted that in 2020 the company implemented a number of voluntary retirement schemes, including early retirement, for fragile persons considered "at risk" during the epidemic. Here too, the company did its utmost to protect the health and safety of its employees.

Reason for leaving



"Other" reasons include the expiration of fixed-term contracts and leaving as a result of extraordinary movements among Group companies, as described above, specifically in the years 2020 and 2018.

Gender Pay Ratio in the Group

The ratio of the average basic salary (not including variable portions of pay) of female employees to that of male employees is shown below, calculated according to job classification.

Gender pay ratio Group	2020	2019	2018
GROUP average	83%	83%	83%
Managers	106%	106%	109%
Middle managers	85%	82%	89%
Clerical staff	77%	78%	78%
Manual workers	90%	89%	90%

The ratios were determined as the ratio between the gross annual average basic salary of female employees and that of male employees, in individual Group companies, for each job classification. The Group indicators are calculated weighting the ratios of the individual companies by the number of employees in each, for each job classification, where the calculation was applicable. The Group average is determined as the average of the ratios of each job classification, weighted by number of employees, where the calculation was applicable.

Parent Company Highlights

Gender Pay Ratio in Gefran S.p.A.

The ratio between the average basic salary of men and women, calculated according to job classification, is shown below for the Parent Company Gefran S.p.A. only:

Gender pay ratio Parent Company Gefran S.p.A.	2020	2019	2018
average Gefran S.p.A.	89%	89%	89%
Managers	106%	106%	109%
Middle managers	87%	85%	85%
Clerical staff	82%	82%	84%
Manual workers	95%	95%	95%

Parental Leave

The number of Group employees who used the right to parental leave in 2020 was 26, including 13 in the Parent Company. The 2019 figure was 25 (including 16 employees of the Parent Company), while in 2018 it was 17 (including 10 employees of the Parent Company). Details of parental leave used in the last three years are set out below:

Parental leave rate **2020**

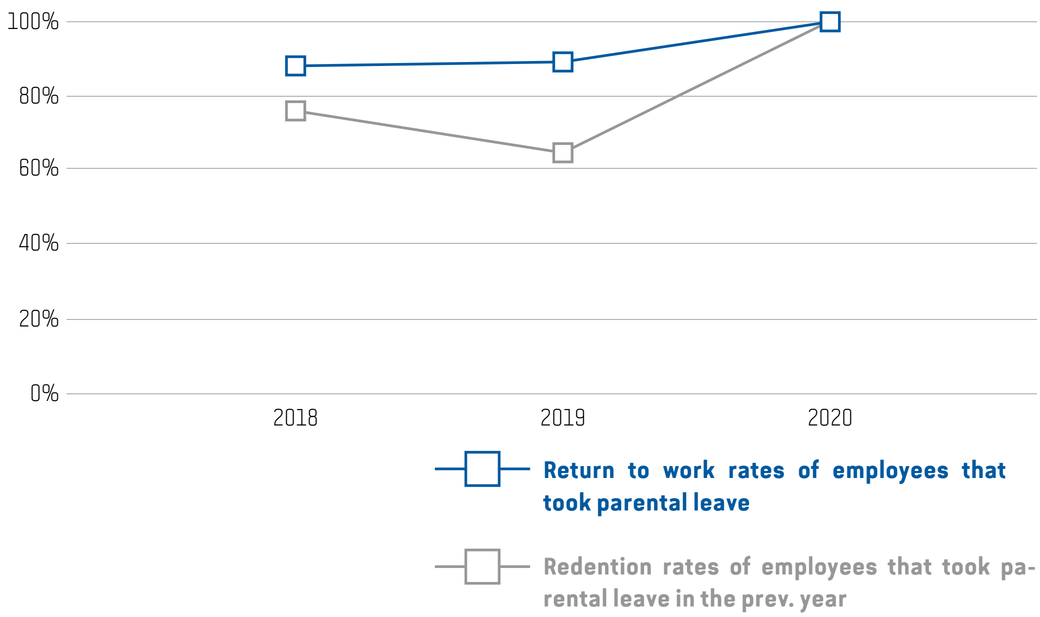
		Parent Company Gefran S.p.A.	Subsidiaries	TOTAL GROUP
Employees using the right to parental leave	no.	13	13	26
of whom returned to work after using the right to parental leave	no.	13	13	26
Rate of return after parental leave	%	100.0%	100.0%	100.0%
Employees working at Gefran 12 months after using the right to parental leave the previous year	no.	16	9	25
Rate of jobs retained after parental leave (ref. previous year)	%	100.0%	100.0%	100.0%

Parental leave rate **2019**

		Parent Company Gefran S.p.A.	Subsidiaries	TOTAL GROUP
Employees using the right to parental leave	no.	16	9	25
of whom returned to work after using the right to parental leave	no.	14	8	22
Rate of return after parental leave	%	87.5%	88.9%	88.0%
Employees working at Gefran 12 months after using the right to parental leave the previous year	no.	10	1	11
Rate of jobs retained after parental leave (ref. previous year)	%	100.0%	50.0%	64.7%

Parental leave rate				2018
		Parent Company Gefran S.p.A.	Subsidiaries	TOTAL GROUP
Employees using the right to parental leave	no.	10	7	17
of whom returned to work after using the right to parental leave	no.	8	7	15
Rate of return after parental leave	%	80.0%	100.0%	88.2%
Employees working at Gefran 12 months after using the right to parental leave the previous year	no.	7	3	10
Rate of jobs retained after parental leave (ref. previous year)	%	100.0%	50.0%	76.9%

Rate of return and job retention after parental leave



The rate of employees who took parental leave returning to work at the Group-wide level was 100% in 2020 (88% in 2019 and 88.2% in 2018), and the rate of jobs retained 12 months after returning to work was 100% in 2020 (64.7% in 2019 and 76.9% in 2018).

Training in the Group

The Group conducted an in-depth survey of employees' hours of training, analysing records of attendance and documentation supporting training initiatives held in Group companies. Training activities may be divided into two kinds:

- activities aimed at developing specific technical and professional skills: language courses, communication skills courses including instruction in digital skills, and technical courses focusing on specific topics;
- activities aimed at increasing transversal skills: Executive Master Of Business Administration, managerial alignment in the areas of strategy, culture and organisation, Professional Executive Master's programme on issues pertaining to organisational strategy, and Management Masters's programme focusing on improving skills in the area of finance from a business management perspective.

A number of projects, such as the *content delivery* project, were organised remotely, using digital media in order to encourage the use of such media and involve of a wider-ranging, more international company population; other training initiatives were attended in person, complying with the measures required to prevent the spread of Covid-19.

A summary of the hours of training is provided below, broken down by course type, gender and job classification. Note that the reporting process does not keep track of activities considered "training on the job" or Health and Safety training, described in section 3.3 of this Statement.

With reference to the Gefran Group, excluding sales companies considered of marginal significance due to their limited turnover and small number of employees (specifically Gefran Uk Ltd, Gefran France S.A. Gefran Benelux Nv and Gefran Middle East Ltd Sti), the number of hours invested in employee training in the past three years is reported below:

training hours		2020			2019			2018	
	W	M	T	W	M	T	W	M	T
Managers	-	1,852	1,852	66	2,859	2,925	32	958	990
Middle managers	669	857	1,526	973	3,010	3,983	401	1,635	2,036
Clerical staff	1,017	3,195	4,212	2,980	7,396	10,376	1,246	2,432	3,678
Manual workers	320	1,013	1,332	1,666	2,382	4,048	146	407	553
TOTAL TRAINING HOURS	2,006	6,916	8,921	5,685	15,647	21,332	1,825	5,432	7,257
AVERAGE NUMBER OF HOURS (hours/no. employees)	8.7	13.1	11.8	23.2	28.1	26.7	8.0	10.6	9.8

The trend shows a significant increase in the total number of hours of training in 2019 compared to 2018, thanks to the numerous initiatives organised during the year. One of many effects of the spread of the Covid-19 pandemic was a reduction in the training activities offered to Group employees, which is down in terms of the number of hours carried out in 2020 compared to 2019 (-57.6% compared to 2019). Nevertheless, it should be noted that the 2020 hours are higher than that for 2018 (+26.6%).

Specifically, the types of training provided may be broken down as follows:

Technical training hours			2020			2019			2018
	W	M	T	W	M	T	W	M	T
Managers	-	1,202	1,202	-	1,398	1,398	-	174	174
Middle managers	141	359	500	141	502	643	152	467	619
Clerical staff	875	2,954	3,829	2,008	5,054	7,062	746	1,722	2,468
Manual workers	272	819	1,090	734	1,283	2,017	130	200	330
TOTAL TECHNICAL TRAINING HOURS	1,288	5,333	6,621	2,883	8,237	11,120	1,028	2,563	3,591

Training hours on cross-functional skills development			2020			2019			2018
	W	M	T	W	M	T	W	M	T
Managers	-	650	650	66	1,461	1,527	32	784	816
Middle managers	528	498	1,026	832	2,508	3,340	249	1,168	1,417
Clerical staff	142	241	383	972	2,342	3,314	500	710	1,210
Manual workers	48	194	242	932	1,099	2,031	16	207	223
TOTAL CROSS-FUNCTIONAL TRAINING HOURS	718	1,583	2,301	2,802	7,410	10,212	797	2,869	3,666

Below is a breakdown by geographical region:

			2020			2019			2018
	W	M	T	W	M	T	W	M	T
Italy	168	1,504	1,672	2,980	7,800	10,780	498	2,273	2,771
Europe	52	12	64	54	573	627	32	156	188
America	302	2,624	2,926	1,087	3,504	4,591	731	1,938	2,669
Asia	1,484	2,776	4,260	1,564	3,770	5,334	564	1,065	1,629
TOTAL GROUP	2,006	6,916	8,921	5,685	15,647	21,332	1,825	5,432	7,257

Group Procurement Expenditure and Localisation by Geographical Region

With reference to the value of procurement expenditure, data is provided below for each of the Group's production plants, highlighting the % of expenditure from suppliers defined as "local". Local suppliers mean suppliers in the same country as the production plant.

The analysis was conducted for all the production companies, whereas for sales companies it was conducted in a marginal way, as 74% of their procurement comes from intercompany purchases and the remaining from local supplies.

As a result, for the Group as a whole and limited to reporting in the area under consideration only, procurement expenditure totals 66.5 million Euro (82.3 million Euro in 2019 and 74.5 million Euro in 2018), with local supplies accounting for 88.1% of total purchases (89.6% in 2019 and 89.5% in 2018).

Group procurement expenditure (Euro /.000)	2020	2019	2018
Group procurement expenditure	66,501	82,284	74,490
of which from local suppliers	58,563	73,691	66,659
% expenditure from market	88.1%	89.6%	89.5%

The decrease in total expenditure recorded in 2020 was due to the effects of the pandemic, which, with *lockdowns* taking place all over the world, led to a reduction in demand due to plant shutdowns, resulting in a fall in consumption, only partially recovered in the second half of the year.

The value of expenditure on procurement in each plant is shown below.

Gefran Drives and Motion S.r.l. went into business on 1 October 2018, following contribution by the Parent Company Gefran S.p.A. of the company branch in Gerenzano (VA); its expenditure on procurement in the year 2018, up to 30 September, are therefore included in the figures for the Gefran S.p.A. plants.

In addition, Elettropiemme S.r.l. joined the Group on 23 January 2019 following purchase of 100% of the shares in the company by Gefran Soluzioni S.r.l.; Elettropiemme S.r.l.'s figures are however included in the reporting perimeter starting on 1 January 2019, so as to asses the company's operations for the entire year and permit homogeneous comparison.

procurement expenditure (Euro /.000)	2020	2019	2018
Gefran S.p.A. plants (IT)	30,479	37,976	55,220
from the market	29,177	36,274	53,306
of which from local suppliers	26,474	33,672	47,344
% expenditure from market	90.7%	92.8%	88.8%
Gefran Drives and Motion S.r.l. plant (IT)	19,520	23,469	4,868
from the market	17,811	20,708	3,083
of which from local suppliers	15,221	17,924	2,762
% expenditure from market	85.5%	86.6%	89.6%
Gefran Soluzioni S.r.l. plant (IT)	5,011	6,318	6,992
from the market	2,251	3,168	3,441
of which from local suppliers	2,066	2,937	3,253
% expenditure from market	91.8%	92.7%	94.5%
Elettropiemme S.r.l. plant (IT)	2,004	3,438	-
from the market	1,977	3,414	-
of which from local suppliers	1,932	3,343	-
% expenditure from market	97.7%	97.9%	n.a.
Gefran Inc plant (US)	9,404	12,862	7,167
from the market	6,023	7,248	2,861
of which from local suppliers	5,892	7,088	2,745
% expenditure from market	97.8%	97.8%	95.9%
Gefran Brasil Eletroel. Ltda plant (BR)	2,081	2,252	2,536
from the market	949	887	1,144
of which from local suppliers	949	887	1,144
% expenditure from market	100.0%	100.0%	100.0%
Gefran Siei Drives Tech. Co. Ltd plant (CN)	11,231	10,194	11,175
from the market	3,594	3,714	4,392
of which from local suppliers	3,367	3,606	4,339
% expenditure from market	93.7%	97.1%	98.8%
Siei Areg GmbH plant (DE)	3,994	5,637	5,654
from the market	1,956	3,097	3,088
of which from local suppliers	1,168	2,048	2,941
% expenditure from market	59.7%	66.1%	95.2%
Sensormate AG plant (CH)	1,983	2,798	2,634
from the market	1,061	1,676	1,577
of which from local suppliers	821	1,451	1,419
% expenditure from market	77.4%	86.6%	90.0%
Gefran India Private Ltd plant (IN)	4,292	5,355	5,307
from the market	1,702	2,098	1,598
of which from local suppliers	673	735	712
% expenditure from market	39.5%	35.0%	44.6%

10 Management of the Fight Against Corruption

10.1 Risks and Opportunities

Risk Mapping

Gefran is an international industrial Group with operations all over the world. The Group conducts business in various markets, complying with the principles of honesty, transparency and integrity and in full compliance with laws in force. In particular, Gefran fights all forms of corruption, applying Italian and international laws on the subject and voluntarily adopting ethical principles in the conduct of its affairs.

The main risk profiles linked to the Group's activity, with regard to corruption, are identified and mapped in risk assessments conducted periodically in line with the Group's *Organisational Model* under Legislative Decree 231/2001. In this context, the potential offences associated with the company's activities and processes are identified and a risk profile is set out for each offence; this consists of the theoretical way the corruption could be committed and the impact that such conduct could have. The analysis also highlights the protective measures that the Company has put in place to prevent these offences being committed, the assessment of the residual risk and further improvement actions that can be adopted to mitigate the risk.

The analyses conducted by the Group revealed moderate exposure to the risk of corruption, due to the characteristics of the sector in which the Group operates, typically focused on private companies with few relations with public sector bodies.

The potential risks applicable to the Group fall into the theoretical categories described below:

- Payment of cash or other benefit (including through consultants managing relations on behalf of the Company) to public officials or public service employees to:
  - obtain advantages and/or favourable treatment;
  - influence their independence of judgement and incite the body to ignore any failure to comply with the law.
- Payment of cash or other benefit to a member of the Board of Statutory Auditors or to the external auditors so that they omit to highlight records of operations that do not correspond to the truth / wrong accounting entries and/or so that they certify financial statements without the relevant requirements or without carrying out appropriate

procedures. Concealment in full or in part and/or falsification by fraudulent means, of information, communications and documents that should have been provided to the Board of Statutory Auditors or the external auditors regarding the Company's economic, equity and/or financial situation.

Non-transparent management of monetary and financial flows, including with reference to intercompany operations, which are instrumental to setting up funds for illicit purposes, such as corruptive activities.

- Provision of gifts or other benefits that are not of modest value to private individuals (for example customers, suppliers or consultants) and/or public operators, public service employees or parties "close" to public operators, in exchange for undue advantages or favourable treatment, in situations of particular interest to the Company.
- Sponsorship of sporting or cultural initiatives that are completely or partly fictitious in order to pay private individuals sums of money in exchange for advantages and/or favourable treatment.
- Selection of candidates close to or favoured by a public official, customer or supplier in order to obtain advantages for the Company or the Group, granting of bonuses, promotions and pay increases to personnel "close" to public operators or private individuals not made in accordance with strictly meritocratic criteria, in order to obtain advantages and/or favourable treatment for the Company.
- Payment of money or other benefit to trade union representatives, in order to promote company policies (in terms of collective agreements, company agreements, internal regulations, working hours, company services, etc.) to the Company's advantage and the Union's (and its members') detriment.
- Payment of expense claims, in full or in part, in order to make sums of money available that can be used to bribe public operators or those close to them.
- Selection of suppliers close to or favoured by a public official in order to obtain advantages for the Company or the Group.
- Payment of money or other benefit to suppliers, in order to obtain advantages and/or favourable treatment for the Company.
- Approval of suppliers' invoices for services that are non-existent in full or in part, thereby creating "liquidity" that can be used for corrupt purposes.
- Payment of cash or other benefit to an individual belonging to a certification body (e.g. system certification, environmental certification, quality certification, etc.), in order to induce him to grant or confirm certification even when the requirements are not met.
- In terms of management of agents and dealers, the activities could be instrumental in corruption:
    - Agents close to or favoured by public operators could be selected and used, in order to obtain benefits for the Company;
    - Commission higher than that actually owed or the market rate could be paid, or commission paid for non-existent services, to create liquidity to use for corrupt purposes;
    - Agents could behave illegally to acquire orders from public-sector customers.

  The activity could be instrumental in corruption between private individuals if the Company bribes an agent or retailer, pushing them to breach their own official obligations so that Gefran gains economic or other advantages.
- When scouting for sales and managing them, with both public and private customers, the activity could involve the corruption of the public service official when, for example, money or another benefit is offered to the purchasing managers of a public agency, for the sole purpose of inducing them to buy the Company's product or accept purchase conditions that are unfavourable for that agency.
- Payment of unjustifiably favourable contractual conditions (e.g. reduced considerations) or supply of more/better quality goods than that specified in the contract with the counterparty to obtain advantages and/or favourable treatment in return.
- Payment of cash or other benefit to employees of authorised waste disposal companies, to enable waste (e.g. special, hazardous, etc.) to be deposited even without the necessary authorisations or in bigger quantities than those declared.

Risk Areas

With regard to corruption related to public authorities, all company areas are at risk where, to carry out their activities, they:

- have relations with the Public Administration or manage financial resources that could be used to give advantages and benefits to public officials (so-called "indirect risk");
- can be involved in criminal proceedings and disputes (tax, administrative, employment law, etc.).

In particular, as a result of the risk assessment carried out in the company, the following company activities were identified as being potentially at direct risk:

a. Management of relations with public-sector bodies during formalities and inspections.

b. Applying for and reporting on loans and government grants.

c. Relations with the judicial authorities.

d. Management of relations with parties asked to release statements that can be used in criminal proceedings.

e. Management of personnel in protected categories.

The principal areas in the Company potentially exposed to risk are:

- Administration, Finance and Control, in the context of which it is necessary to prevent allocation of concealed sums of money or funds which could be used for the purposes of corruption;
- Personnel Management, with regard to hiring of someone "close" to or favoured by a public operator;
- Management of purchases of goods and services and consultancy agreements, in relation to which it is necessary to prevent suppliers from being selected for the sole purpose of supporting public operators or those close to them to obtain future benefits/advantages for the Company, or which are assigned tasks likely to conceal illegal allocation;
- Management of contracts for receivables, with regard to the reverse of that which is described above.

With regard to the offences of corruption and incitement to corruption between private individuals, the main areas potentially at risk are those relating to:

- management of relations with the Statutory Auditors in the context of the control activities attributed to them by law;
- management of deposits and payments and of bank accounts;
- management of petty cash;
- management of gifts;
- management of sponsorships and donations;
- selection and recruitment of personnel;
- determination of pay and bonuses, promotions and pay increases;
- management of relations with trade unions;
- management of employees' expenses claims;
- selection and qualification of suppliers and management of purchases;
- management of consultancy work and professional services;
- quality control and relations with certification bodies;
- management of relations with distributors;
- scouting for and management of sales to private customers;
- management of waste and decontamination of polluted sites.

Company areas affected by this risk are the same as those identified as being affected by risk of corruption related to public authorities, with the addition of the following:

- Quality, in relations with certifying bodies;
- Management/Chairmanship, regarding sponsorships and donations;
- Managers of Prevention and Protection/Environmental Managers, in the area of waste management and clean-up of polluted sites.

10.2 Management Methods in the Group

To prevent the commission of corrupt activities, the Company has adopted, in the context of the 231 Organisational Model, a Group Code of Ethics and a Procedures Manual, which contain the principles of conduct that the Company's employees, contract staff, customers and suppliers are required to comply with; there are also procedures defined in the context of the 262 model.

The procedures relevant to the topic in question are:

231 Organisational Model	/ Inspection procedures and visits of public-sector bodies / Accounting procedures, preparation of financial statements and other related activities (b) general principles for management of relations with the Board of Statutory Auditors and the External Auditor) / Financial and treasury management procedures / Procedures for cash advances, expense refunds and credit card management / Sponsorship, gift-giving and donation procedures / Sponsorship guidelines / Procedure for the selection and recruitment of personnel / Procedure for awarding appointments to external consultants / Certification management procedure / Procedure for awarding appointments to external consultants / Principles in the area of crimes against industry and commerce / Procedure for management of refilling air conditioning systems / Procedure for handling company wastes and scrap
Administrative and accounting control model under Law 262/05	/ Finance and treasury procedure / Personnel selection and recruitment procedure / Payables cycle procedure / Receivables cycle procedure

Group *Anti-corruption Guidelines* have also been adopted; they contain an overview of typical hypothetical situations in which corruption could occur. They have been shared with all the subsidiaries, and ad-hoc training on them has been given to General Managers to show them how to deal with such situations. Any reports of violations in this area may be made via the channels identified in the Whistleblowing Procedure described above.

Monitoring of compliance with the fight against corruption is typically done during audits conducted in Italy and at the foreign sites.

10.3 Non-Financial Performance

Scope of Reporting

With regard to audits conducted in Group companies, which include checking compliance with the procedures and guidelines referred to above in the conduct of the company's activities, information is provided below on the findings of audits conducted in the last three years.

Audit Activity Carried Out in the Group

audit activity	2020	2019	2018
in the Parent Company Gefran S.p.A.(*)	9	10	8
in the Subsidiaries	4	7	5
TOTAL AUDITS	13	17	13

type of audit	2020	2019	2018
Administrative and Accounting Control Model under Law 262/05	4	5	2
231 Organisational Model	5	5	2
Other (**)	4	7	9
TOTAL AUDITS	13	17	13

(*) Audits of the Parent Company applied to centrally managed processes

(**) Other indicates audits of the following types: "Integrated" (Administrative and Accounting Control Model under Law 262/05 and Organisational Model under Legislative Decree 231), IT, or "General Review" of subsidiaries.

The findings which emerged during the audits are classified below on the basis of the degree of severity and type of audit, with specific reference to the crimes of corruption described above, and the type of finding:

number of findings, by degree of severity and type of audit	2020	2019	2018
High	1	4	8
of which:			
Administrative and Accounting Control Model under Law 262/05	-	-	-
231 Organisational Model	1	-	4
Other (**)	-	4	4
Medium	61	64	52
of which:			
Administrative and Accounting Control Model under Law 262/05	3	-	-
231 Organisational Model	32	29	20
Other (**)	26	35	32
Low	20	13	16
of which:			
Administrative and Accounting Control Model under Law 262/05	2	2	2
231 Organisational Model	10	10	11
Other (**)	8	1	3
TOTAL IRREGULARITIES	82	81	76

(**) Other indicates audits of the following types: "Integrated" (Administrative and Accounting Control Model under Law 262/05 and Organisational Model under Legislative Decree 231), IT, or "General Review" of subsidiaries.

type of irregularity	2020	2019	2018
Related to corruption offences	-	-	-
Other	82	81	76
TOTAL IRREGULARITIES	82	81	76

Under its Whistleblowing Procedure, the Company has implemented various channels of communication to the Supervisory Board, through which any violations of the principles and procedures listed above can be reported; to date no reports have ever been made.

11 Note on Methodology

The Gefran Group's Consolidated Non-Financial Statement was drawn up pursuant to Legislative Decree 254/2016 and referring to the international reporting standards issued by the Global Reporting Initiative "Sustainability Reporting Standards" in the GRI Standard 2016 Referenced version. The list of selected indicators is reported in the appendix to this document, in the "Table illustrating correlation with Legislative Decree 254/16". The GRI Standards state that the Statement should contain information about aspects considered material, which reflect the significant impacts for the organisation from an economic, environmental and social point of view and which can substantially influence the stakeholders' evaluations and decisions.

The process of collecting the data and information for preparing this Statement was managed in conjunction with the various company functions, in accordance with the following principles set out in the GRI Standards:

- comparability and clarity: to make the Statement usable by all stakeholders, clear and concise language was used together with tables and charts. The information appearing in the report refers to the period between 1 January 2020 and 31 December 2020. Where possible, data relating to previous years was recorded for comparison purposes so that the trend of the Group's activities can be evaluated over several time periods. However, the absence of such a comparison is due either to the trend over the years not being important or to the impossibility of recovering information about previous years. Finally, with regard to the quantitative information in this document for which estimates were used, this detail is appropriately indicated in the various sections;
- balance: the data and information in the Statement are represented objectively and meticulously; the indicators reflect the Group's performance in the reporting period;
- accuracy: the data and information in the Statement were checked by the respective function heads to confirm their accuracy and authenticity;
- timeliness: the Consolidated Non-Financial Statement will be published annually at the same time as the Annual Financial Report;
- reliability: the Consolidated Non-Financial Statement was drafted by an ad-hoc working group whose members were chosen from the Group's various departments and who validated the contents relating to their areas of responsibility. The final document, in its entirety, was presented and discussed by the Board of Directors.

The Consolidated Non-Financial Statement was reviewed by the independent external auditor PricewaterhouseCoopers S.p.A.

In general terms, the data and information in this Declaration refer to the Companies consolidated using the line-by-line method in the Gefran Group's Annual Financial Report, at 31 December 2020.

Specifically, based on the distribution of personnel within the Gefran Group (where 92.4% of the workforce is concentrated in the Group's production companies), the sales companies are excluded from the reporting scope for some aspects where, given the nature of their activities, their contribution was not significant.

Refer to Section 1 for details of the composition of the Group.

In summary, based on the information about the scope given in each section:

- for the "social" and "occupational health and safety" areas, all of the Group companies are included in the scope;
- for the "consumer health and safety" area, the policies and practices implemented by the production companies and the Parent Company are analysed;
- with regard to the environment, the analysis was conducted for all the production companies and two sales companies (Gefran Siei Asia Pte Ltd and Gefran Deutschland GmbH);
- the aspects concerning involvement of local communities and governance were dealt with based on the initiatives/policies and practices implemented by the production companies and the Parent Company;
- with regard to the supply chain, the analysis was conducted for all the production companies whereas, for the sales companies, it was conducted in a marginal way, as approximately 74% of their procurement comes from intercompany purchases and the remainder from local supplies.

12 Table of Correlation Under Legislative Decree 254

Theme under Legislative Decree 254/2016		
Material theme (from materiality matrix)	**Energy efficiency**	**Emissions management**
Risks identified (reference to paragraph)	7.1	7.1
Policies implemented (reference to paragraph "MANAGEMENT METHODS IN THE GROUP")	7.1, 7.2 2020 saw the official statement of Health, safety and environment policy.	7.1, 7.2 2020 saw the official statement of Health, safety and environment policy.
GRI - Referenced Topic specific standard/ disclosure (corresponding reported disclosure)	302-1 a, c, e: Energy consumed within the organisation 302-3 a, b, c: Energy intensity 303-3 a, b: Water consumption 305-5 a: Reduction of GHG emissions	305-1 a: Direct GHG emissions (Scope 1) 305-2 a: Indirect GHG emissions from energy consumption (Scope 2) 305-4 a, b: Intensity of GHG emissions
Reference to paragraph	paragraph 7.3, pages 236-241	paragraph 7.3, pages 242-244
Scope of reporting (in view of the instructions provided in Legislative Decree 254/2016)	Parent Company Gefran S.p.A., all the Group's production plants and its two main sales companies, as defined in the "Note on Methodology".	Parent Company Gefran S.p.A., all the Group's production plants and its two main sales companies, as defined in the "Note on Methodology".
NB:	The scope of reporting does not include the following foreign subsidiaries: - Gefran Uk Ltd, - Gefran France S.A., - Gefran Benelux Nv, - Gefran Middle East Ltd Sti as sales companies with a limited turnover and a small number of employees, whose impact is considered marginal.	The scope of reporting does not include the following foreign subsidiaries: - Gefran Uk Ltd, - Gefran France S.A., - Gefran Benelux Nv, - Gefran Middle East Ltd Sti as sales companies with a limited turnover and a small number of employees, whose impact is considered marginal.
Actions		

Waste management	Research and development into sustainable products
7.1	7.1
7.1, 7.2 2020 saw the official statement of Health, safety and environment policy.	7.2 In 2020 the *Quality Policy Statement* was formalized.
306-2 a, b: Wastes according to type and disposal method	103-1 a: Explanation of material theme and its perimeter 103-2 a, b, c: Management method and components 103-3 a: Assessment of management methods
paragraph 7.3, pages 246-247	paragraph 7.2, pages 234-235
Parent Company Gefran S.p.A., all the Group's production plants and its two main sales companies, as defined in the "Note on Methodology".	Parent company Gefran S.p.A. and subsidiary Gefran Drives and Motion S.r.l.
The scope of reporting does not include the following foreign subsidiaries: - Gefran Uk Ltd, - Gefran France S.A., - Gefran Benelux Nv, - Gefran Middle East Ltd Sti as sales companies with a limited turnover and a small number of employees, whose impact is considered marginal.	The scope of reporting does not include subsidiaries, as Research and Development is performed exclusively by the Parent Company and by the subsidiary Gefran Drives and Motion S.r.l. It has not been possible to organise precise reporting; the products developed are reported in the paragraphs describing the topic in question

Theme under Legislative Decree 254/2016

Material theme (from materiality matrix)	Human capital management	Industrial relations
Risks identified (reference to paragraph)	9.1	----
Policies implemented (reference to paragraph "MANAGEMENT METHODS IN THE GROUP")	9.2 2020 saw the official statement of Persons in Gefran policy.	6 Protocols referred to in the 231 Procedures Manual.
GRI - Referenced Topic specific standard/disclosure (corresponding reported disclosure)	401-1: New hires and staff turnover 401-3 c, d, e: Parental leave	103-2 a, b, c: Management method and components
Reference to paragraph	paragraph 9.3, pages 276-283	paragraph 6, page 228-230
Scope of reporting (in view of the instructions provided in Legislative Decree 254/2016)	Gefran Group, all companies consolidated by the line-by-line method, as defined in the "Note on Methodology".	Including all the Group's production plants and its two main sales companies, as defined in the "Note on Methodology".
NB:	Disclosure regarding point 401-1 a is supplied only by gender and geographical region, while 401-1 b is provided by gender only. Disclosure of 401-3 c, d, e is reported at the aggregate level, not broken down by gender.	Information only partially available for foreign subsidiaries. The analysis does not reveal any risks of this type.
Actions		

Employee health and safety management	Personnel training and development	Protection of employee diversity and non-discrimination
8.1	9.1	9.1
8.2 2020 saw the official statement of Health, safety and environment policy.	9.2 2020 saw the official statement of Persons in Gefran policy.	9.2 Group Code of Ethics and practice 2020 saw the official statement of Persons in Gefran policy.
403-2 a: Hazard identification, risk assessment and accident investigation 403-5: Occupational health and safety training for workers 403-6 b: Promoting workers' health 403-7: Prevention and mitigation of occupational health and safety impacts in business relations 403-9 a: Occupational injuries	404-1: Average annual training hours per employee 404-2 a, b: Professional development and digital transition assistance programmes for employees	405-1 a, b: Diversity in governing bodies and employees 405-2 a, b: Ratio between basic salary and remuneration of women compared to men
paragraph 8.3, pages 258-261	paragraph 9.3, pages 258-261	paragraph 9.1, pages 262-264 paragraph 9.3, pages 272-281
Including all the Group's production plants and its two main sales companies, as defined in the "Note on Methodology".	Including all the Group's production plants and its two main sales companies, as defined in the "Note on Methodology".	Gefran Group, all companies consolidated by the line-by-line method, as defined in the "Note on Methodology".
The scope of reporting does not include t he following foreign subsidiaries: Gefran Uk Ltd, Gefran France S.A., Gefran Benelux Nv, Gefran Middle East Ltd Sti as sales companies with a limited turnover and a small number of employees, whose impact is considered marginal. Disclosure of point 403-9 a is reported at the aggregate level.	The scope of reporting does not include the following foreign subsidiaries: Gefran Uk Ltd, Gefran France S.A., Gefran Benelux Nv, Gefran Middle East Ltd Sti as sales companies with a limited turnover and a small number of employees, whose impact is considered marginal.	

Theme under Legislative Decree 254/2016

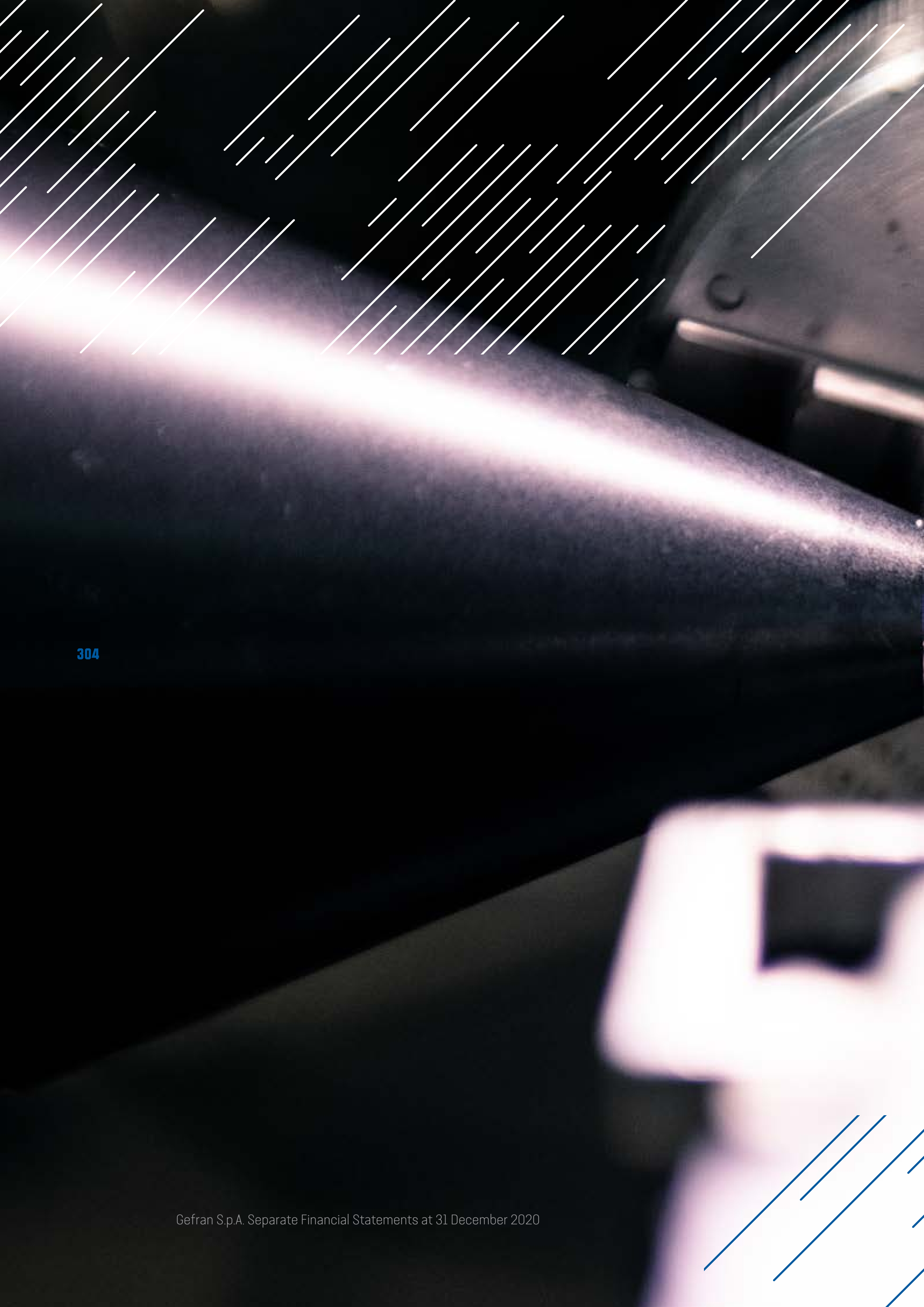
Material theme (from materiality matrix)	**Relations with local communities and organisations**
Risks identified (reference to paragraph)	-----
Policies implemented (reference to paragraph "MANAGEMENT METHODS IN THE GROUP")	9.2 Protocols referred to in the 231 Procedures Manual.
GRI - Referenced Topic specific standard/disclosure (corresponding reported disclosure)	413-1 a (iv), a (vii): Activities involving local communities, impact assessments and development programmes
Reference to paragraph	paragraph 9.2, pages 270-271
Scope of reporting (in view of the instructions provided in Legislative Decree 254/2016)	Parent Company Gefran S.p.A.
NB:	The activities in question are concentrated solely in the Parent Company Gefran S.p.A.. The analysis does not reveal any risks of this type.
Actions	

Relations with training and research bodies and universities	Sustainable management of supply chain/Economic value attracted and distributed and economic impact	Consumer health and safety
-----	9.1	8.1
9.1 and 9.2 Protocols referred to in the 231 Procedures Manual.	9.1 and 9.2 Policy was formally expressed regarding Conflict Minerals, the supplier qualification process and signature of the "Sustainability Pact", and the Health, Safety and Environment Policy was formalised in 2020.	8.2 In 2020 the Quality Policy Statement was formalised.
413-1 a (iv), a (vii): Activities involving local communities, impact a ssessments and development programmes	103-2 a, b, c: Management method and components 204-1 a, b, c: Proportion of expenditure spend with local suppliers 207-2 a. ii., iii., b: Fiscal governance, risk assessment and control 207-4 a. and b. i., ii., iii., iv., v., VI, ix., c.: Reporting by country 308-2: Negative environmental impact in the supply chain and actions undertaken	103-1 a: Explanation of material theme and its perimeter 103-2 a, b, c: Management method and components 103-3 a: Assessment of management methods
paragraph 6, pages 228-230 paragraph 9.2, pages 266-271	paragraph 2, pages 211-213 paragraph 9.3, pages 286-287	paragraph 8.1, pages 250-251 paragraph 8.2, pages 255-257
Parent Company Gefran S.p.A.	Parent Company Gefran S.p.A. and all the Group's production plants, as defined in the"Note on Methodology"	Parent Company Gefran S.p.A. and all the Group's production plants, as defined in the "Note on Methodology".
The activities in question are concentrated solely in the P arent Company Gefran S.p.A.. The analysis does not reveal any risks of this type.	The scope does not include sales companies, as only about 26% of their procurement comes from local suppliers. Their impact is therefore considered marginal.	The scope does not include sales companies, as the responsibility for designing and producing a product that meets safety requirements lies with the manufacturer.

Theme under Legislative Decree 254/2016

Material theme (from materiality matrix)	Respect for human rights	Fight against corruption
Risks identified (reference to paragraph)	9.1	10.1
Policies implemented (reference to paragraph "MANAGEMENT METHODS IN THE GROUP")	9.2 Group Code of Ethics and practice. 2020 saw the official statement of Persons in Gefran policy.	10.2 Group Code of Ethics and practice.
GRI - Referenced Topic specific standard/disclosure (corresponding reported disclosure)	406-1 a: Episodes of discrimination and corrective measures taken 103-1 a: Explanation of material theme and its perimeter 103-2 a, b, c: Management method and components 103-3 a: Assessment of management methods	205-1 b: Transactions evaluated for corruption risks 205-3 a: Episodes of discrimination identified and actions taken in response 103-1 a: Explanation of material theme and its perimeter 103-2 a, b, c: Management method and components 103-3 a: Assessment of management methods
Reference to paragraph	paragraph 9.2, pages 265-269	paragraph 10.1, pages 288-290 paragraph 10.2, page 291 paragraph 10.3, pages 292-293
Scope of reporting (in view of the instructions provided in Legislative Decree 254/2016)	Gefran Group, all companies consolidated by the line-by-line method, as defined in the "Note on Methodology".	Gefran Group, all companies consolidated by the line-by-line method, as defined in the "Note on Methodology".
NB:		
Actions		

Compliance and risk management	Sustainable governance
3, 10.1	-----
3, 10.2	2
103-1 a: Explanation of material theme and its perimeter 103-2 a, b, c: Management method and components 103-3 a: Assessment of management methods	103-1 a: Explanation of material theme and its perimeter 103-2 a, b, c: Management method and components 103-3 a: Assessment of management methods
paragraph 3, pages 214-215	paragraph 2, pages 210-211 paragraph 4, pages 217-223
Gefran Group, all companies consolidated by the line-by-line method, as defined in the "Note on Methodology".	Gefran Group, all companies consolidated by the line-by-line method, as defined in the "Note on Methodology".



Gefran S.P.A. Separate Financial Statements at 31 December 2020

Highlights Of The Income Statement and Statement of Financial Position of Gefran S.p.A.

Gefran S.p.A. Income Statement Highlights

(Euro /000)	31 December 2020		31 December 2019	
Revenues	56,259	100.0%	61,034	100.0%
EBITDA	10,532	18.7%	11,404	18.7%
EBIT	5,818	10.3%	5,516	9.0%
Profit (loss) before tax	7,537	13.4%	7,698	12.6%
Net profit (loss)	6,280	11.2%	6,222	10.2%

Gefran S.p.A. Statement of Financial Position Highlights

(Euro /000)	31 December 2020	31 dicembre 2019
Invested capital from operations	81,851	84,912
Working capital	12,505	12,315
Shareholders' equity	71,268	65,066
Net financial position	(10,583)	(19,846)
Operating cash flow	11,364	9,710
Investments	4,073	8,542

Alternative Performance Indicators of Gefran S.p.A.

In addition to the standard financial schedules and indicators required under IFRS, this document includes reclassified schedules and alternative performance indicators. This is in order to permit better assessment of trends in the Company's economic and financial management. However, these tables and indicators must not be considered as a substitute for those required under IFRS.

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

- **Added value**: the direct margin resulting from revenues, including only direct material, gross of other production costs, such as personnel costs, services and other miscellaneous costs;
- **EBITDA**: EBIT before depreciation, amortisation and impairment. This indicator serves to present the profitability of the Company's operations without taking the principal non-monetary items into account;
  - **EBIT**: operating result before financial management and taxes. This indicator serves to present the profitability of the Company's operations.

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

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

Report On Operations of Gefran S.p.A.

1 Gefran S.p.A. Results

The following table shows the operating results for the year, re-classified and compared with those of the previous period:

	(Euro /000)	31 December 2020	31 December 2019	Var. 2020-2019	
		Total	Total	Value	%
a	Revenues	56,259	61,034	(4,775)	-7.8%
b	Increases for internal work	1,213	1,528	(315)	-20.6%
c	Consumption of materials and products	16,382	18,121	(1,739)	-9.6%
d	Value Added (a+b-c)	41,090	44,441	(3,351)	-7.5%
e	Other operating costs	10,709	12,230	(1,521)	-12.4%
f	Personnel costs	19,849	20,807	(958)	-4.6%
g	EBITDA (d-e-f)	10,532	11,404	(872)	-7.6%
h	Depreciation, amortisation and impairment	4,714	5,888	(1,174)	-19.9%
i	EBIT (g-h)	5,818	5,516	302	5.5%
l	Gains (losses) from financial assets/liabilities	1,719	2,182	(463)	-21.2%
n	Profit (loss) before tax (i±l)	7,537	7,698	(161)	-2.1%
o	Taxes	(1,257)	(1,476)	219	14.8%
p	Net profit (loss) (n±o)	6,280	6,222	58	0.9%

Annual revenues amounted to 56,259 thousand Euro, down 4,775 thousand Euro since the prior year, equal to -7,8%. The Covid-19 pandemic has inevitably had an impact on the company's results, and particularly its annual revenues. Temporary plant closures and restrictions on mobility imposed by the national government, with lockdowns in the countries where Gefran S.p.A. operates, had an impact on demand and on the company's volume of sales.

Shrinkage was widespread in the markets of greatest interest to Gefran S.p.A.: -14% in Italy, -8.8% in Europe, -36.8% in North America; on the other hand, revenues increased in Asia, growing by 21%.

In terms of business lines, revenues from automation components dropped by 12.9%, with a smaller drop in revenues from the sensors business line, 4.9%.

Added value in the year amounted to 41,090 thousand Euro, representing 73% of revenues, as compared to 44,441 thousand Euro in the previous year, equal to 72.8% of revenues. The decrease, 3,351 thousand Euro in terms of absolute value, is mainly due to the above-mentioned effects of the Covid-19 pandemic, which led to shrinkage of demand and consequently decreased volumes of production, though without affecting profit margins.

Other operating costs in the year 2020 totalled 10,709 thousand Euro, compared with 12,230 thousand Euro as of 31 December 2019, a decrease of 1,521 thousand Euro; the change mainly reflects recognition of the lower cost of trade fairs, consultancy, travel expenses and external processing, as a direct consequence of the restrictions imposed by the pandemic.

Personnel costs as of 31 December 2020 amounted to 19,849 thousand Euro, a decrease of 958 Euro over the 2019 figure of 20,807 thousand Euro; cost containment measures implemented by the Company, including recourse to wage support and greater use of holiday time, partially reduced this cost item. In addition, the average number of employees was down in 2020 with respect to the figure for the previous year by 2 persons (319 in 2019 and 317 in 2020).

Depreciation/amortisation in the current year amounted to 4,714 thousand Euro, down by 1,174 thousand Euro since 31 December 2019, when the figure included recognition and entry of impairment of assets totalling 1,531 thousand Euro. The investment plan in the sensors business unit included expansion of production lines and required large new spaces to support the expansion of business. The Group originally planned to adapt an existing building, but in-depth analysis revealed that the building was incapable of guaranteeing sufficient technological and energy performance and long-term sustainability. It was therefore decided that the existing building would be demolished and a new one constructed that would be more practical and, above-all, in the vanguard in terms of technology and energy efficiency. Work was completed in December 2019 and production began in January 2020.

In the year 2020 **EBIT** was positive at 5,818 thousand Euro (10.3% of revenues), compared with a negative EBIT of 5,516 thousand Euro in December 2019 (9% of revenues). Excluding the effects of the impairment on assets described above, EBIT in 2019 would have amounted to 7,047 thousand Euro, and EBIT would have fallen by 1,229 thousand Euro in 2020. Actions aimed at keeping operating costs down only partially made up for the drop in added value resulting from decreased sales.

Financial income was 1,719 thousand Euro, 463 thousand Euro lower than in the previous year. It includes:

- dividends from equity investments totalling 2,200 thousand Euro, compared to 2,545 thousand Euro in dividends in 2019;
- financial income of 14 thousand Euro (41 thousand Euro in 2019);
- the negative result of differences in foreign currency transactions, totalling 163 thousand Euro, as compared to a positive result of 199 Euro in 2019;
- financial charges linked with the Group's indebtedness, totalling 333 thousand Euro, higher than the 2019 figure of 266 thousand Euro thanks to new loans;
- value adjustment of non-current assets, negative by 4 thousand Euro, compared with negative 2019 adjustments of 332 thousand Euro, linked to the adjustment of the fair value

of the investment in Ensun S.r.l.

Taxes were, on the whole, negative by 1,257 thousand Euro (1,476 thousand Euro as of 31 December 2019). The reduction in taxes is proportionate to the lower profit, and may be broken down as follows:

- negative current taxes of 430 thousand Euro (negative by 630 thousand Euro on 31 December 2019), as a result of the economic results of the period;
- deferred tax assets and deferred taxes were on the whole negative by 826 thousand Euro (negative by 846 thousand Euro as of 31 December 2019); this item primarily reflects the release to the income statement of advance taxes registered on fiscal losses, in view of the net profit for the period.

Net profit of Gefran S.p.A. at 31 December 2020 was positive, amounting to 6,280 thousand Euro, in line with the figure for the previous year, which was positive by 6,222 thousand Euro.

Gefran S.p.A.'s reclassified balance sheet at 31 December 2020 is as follows:

(Euro /000)	31 December 2020		31 December 2019	
	Value	%	Value	%
Intangible assets	5,474	6.7	4,575	5.4
Tangible fixed assets	24,411	29.8	25,787	30.4
Other non-current assets	46,560	56.9	48,211	56.8
Net non-current assets	76,445	93.4	78,573	92.5
Inventories	5,284	6.5	5,225	6.2
Trade receivables	18,652	22.8	20,152	23.7
Trade payables	(11,431)	(14.0)	(13,062)	(15.4)
Other assets/liabilities	(3,941)	(4.8)	(2,820)	(3.3)
Working capital	8,564	10.5	9,495	11.2
Provisions for risks and future liabilities	(996)	(1.2)	(922)	(1.1)
Deferred tax provisions	(2)	(0.0)	-	-
Employee benefits	(2,160)	(2.6)	(2,234)	(2.6)
Net invested capital	81,851	100.0	84,912	100.0

Shareholders' equity	71,268	87.1	65,066	76.6
Non-current financial payables	27,286	33.3	21,079	24.8
Current financial payables	27,050	33.0	22,726	26.8
Financial payables for IFRS 16 leases (current and non-current)	412	0.5	488	0.6
Financial liabilities for derivatives (current and non-current)	328	0.4	169	0.2
Financial assets for derivatives (current and non-current)	-	-	(1)	(0.0)
Non-current financial investments	(108)	(0.1)	(98)	(0.1)
Cash and cash equivalents and current financial receivables	(44,385)	(54.2)	(24,517)	(28.9)
Net debt relating to operations	10,583	12.9	19,846	23.4
Total sources of financing	81,851	100.0	84,912	100.0

Net non-current assets decreased by 2,128 thousand Euro over 31 December 2019 and showed the following trends:

- tangible and intangible assets include increases for new investments totalling 4,073 thousand Euro, depreciation/amortisation totalling 4,475 Euro, and entry of usage rights with reference to IFRS16 accounting standard for new contracts signed in 2020 amounting to 168 thousand Euro, offset by the amortisation of such rights totalling 239 thousand Euro.
- other non-current assets reflect a total change of 1,651 thousand Euro, due to lower credits due to deferred tax assets (792 thousand Euro) and the effect of liquidation of Ensun S.r.l., the sale of UBI Banca shares and the increase in share capital in Colombera S.p.A. (860 thousand Euro).

Working capital amounted to 8,564 thousand Euro, down by 931 thousand Euro since 31 December 2019; the changes in individual items were as follows:

- inventories at 31 December 2020 amounted to 5,284 thousand Euro, aligned with the 2019 value of 5,284 thousand Euro;
- trade receivables totalled 18,652 thousand Euro, a decrease of 1,500 thousand Euro compared with 31 December 2019;
- trade payables totalled 11,431 thousand Euro, as compared to 13,062 thousand Euro at 31 December 2019, a decrease of 1,631 thousand Euro;
- other net assets and liabilities, negative by 3,941 thousand Euro at 31 December 2020, compare with a negative figure of 2,820 thousand Euro at 31 December 2019; the change is a result of decreased VAT receivables.

Provisions for risks and future liabilities total 996 thousand Euro, 74 thousand Euro higher than on 31 December 2019; they include provisions for pending legal disputes, and the reduction in the year is a result of both use and release to the income statement of excess provisions.

Employee benefits total 2,160 thousand Euro, 74 thousand Euro lower than on 31 December 2019; the change is a result of payment of 175 thousand Euro in benefits to employees and discounting of existing payables in accordance with IAS standards, which has a positive impact of 101 thousand Euro.

Shareholders' equity was up 6,202 thousand Euro over the figure for 31 December 2019, mainly due to recognition of the positive annual result (6,280 thousand Euro).

Net debt at 31 December 2020 was 10,583 thousand Euro, an improvement of 9,263 thousand Euro over 31 December 2019. This change was essentially originated by the positive cash flows from normal operations (11,364 thousand Euro), mitigated by negative flows due to investment (3,018 thousand Euro).

(Euro /000)	31 December 2020	31 December 2019
A) Cash and cash equivalents at the start of the period	16,560	10,245
B) Cash flow generated by (used in) operations in the period	11,364	9,710
C) Cash flow generated by (used in) investment activities	(3,018)	(8,375)
D) Free Cash Flow (B+C)	8,346	1,335
E) Cash flow generated by (used in) financing activities	7,886	4,980
F) Cash flow from continuing operations (D+E)	16,232	6,315
G) Cash and cash equivalents at the end of the period (A+F)	32,792	16,560

Cash flow from operations for the period was positive at 11,364 thousand Euro and relates entirely to operations in 2020 which, net of the inflow of allocations, depreciation/amortisation and financial items, generated cash of 11,069 thousand Euro .

Technical and financial investments, net of disposals, absorbed resources of 3,018 thousand Euro, compared with investments of 8,375 thousand Euro in 2019.

Free cash flow (operative cash flow minus investment) is positive by 8,346 thousand Euro, as compared to a positive free cash flow of 1,335 thousand Euro in 2019, a 7,011 thousand Euro increase, primarily attributable to greater cash inflows from operations in the year and decreased investment.

Loans generated a total of 7,886 thousand Euro in cash, through three new loans (totalling 18,000 thousand Euro) and collection of dividends from subsidiaries (2,200 thousand Euro), partially compensated by repayment of instalments of existing loans falling due (10,006 thousand Euro) and a decrease in short-term financial debt (1,155 thousand Euro).

2 Significant Events in Gefran S.p.A. in 2020

- On 6 April 2020 the Gefran S.p.A. Board of Directors withdrew its 12 March 2020 resolution concerning the distribution of dividends on profits earned in 2019. The decision was made in view of the significant economic impact of the Covid-19 pandemic, with the goal of limiting financial expenditure and prudentially reinforcing the Group's already solid economic and financial position.

  The Shareholders' Meeting was asked to allocate all of the net profit from the year 2019 (6,221,826 Euro) to retained earnings.
- On 28 April 2020 the Gefran S.p.A. extraordinary shareholders' meeting approved the changes to the company's articles of association proposed by the previous Board of Directors' meeting.
- On 28 April 2020, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:
  - Approve Gefran S.p.A.'s financial statements for the year 2019 and allocate the entire annual profit of Euro 6.2 million to retained earnings;
  - Appoint Ennio Franceschetti as Gefran Honorary Chairman and resolve on appointment of the members of the Board of Directors for the 2020-2022 three-year period: Ennio Franceschetti, Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti, Marcello Perini, Daniele Piccolo, Monica Vecchiati, Cristina Mollis and Giorgio Metta.
  - Authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares with a face value of 1 Euro each, within 18 months from the date of the Shareholders' Meeting.

  In accordance with art. 123-ter of Italy's Consolidated Finance Act (TUF), the shareholders' meeting voted in favour of the Group's 2020 Remuneration Policy and remuneration for the year 2019.
- On 28 April 2020, the new Gefran S.p.A. Board of Directors, which met immediately after the shareholders' meeting, appointed Maria Chiara Franceschetti as its Chairwoman, Andrea Franceschetti and Giovanna Franceschetti as its Vice Chairman and Vice Chairwoman, and Marcello Perini as CEO.

  The new Board of Directors appointed members Monica Vecchiati, Daniele Piccolo and Giorgio Metta to the Control and Risk Committee, while Daniele Piccolo, Monica Vecchiati and Cristina Mollis were appointed members of the Remuneration Committee.

  The independence requirements of the newly-appointed board were also verified. The non-executive directors Daniele Piccolo, Monica Vecchiati, Cristina Mollis and Giorgio Metta declared they were in possession of the independence requirements. Daniele Piccolo is Lead Independent Director. Ennio Franceschetti, Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti and Marcello Perini are Executive Directors.
- On 27 May 2020, Standing Auditor Primo Cep-

pellini resigned for personal reasons, with immediate effect. In accordance with the law and the Articles of Association, the office was taken over by Luisa Anselmi, appointed Deputy Auditor by the Shareholders' Meeting of 24 April 2018.

- On November 25, 2020, the *Strategic Sustainability Plan*, drawn up in line with the United Nations Sustainable Development Goals (Global Compact), was presented to stakeholders as an evolution of the Group's commitment to quality of life within and outside the company (persons, territory, environment) that has historically guided the Group's strategic and corporate management choices. The Plan was presented during the digital event "The future is our present - Sustainability and competitive edge", moderated by Dr. Mario Mazzoleni, Director of SMAE (School of Management and Advanced Education) at the University of Brescia University, with the participation of Dr. Carlo Carraro, Rector Emerito and Ordinary Professor of Environmental Economics at Ca' Foscari University in Venice. During the event, members of the Sustainability Committee Giovanna Franceschetti and Marcello Perini and Sustainability Project Manager Fausta Coffano described guidelines, objectives and projects included in the Plan.

For information on the impact of the Covid-19 pandemic in the year 2020, please refer to the *IMPACT OF COVID-19* section of this Report on Group Operations.

Based on the comparison between the results achieved and the related Budget, approved by the Board of Directors on February 13, 2020 and representing the pre-pandemic forecasts,a negative effect deriving from the pandemic on the Company's results is estimated. In particular, the revenues contraction is estimated at 14% and EBIT at 19%. The virtuous management of working capital, and the liquidation of the liquidation of holdings in Ensun S.r.l. and UBI Banca S.p.A., have instead allowed to generate a better free cash flow than expected and such improvement is estimatedat around + 50%.

3 Significant Events After Year End in Gefran S.p.A.

Nothing to report.

4

Outlook for Gefran S.p.A.

In the current scenario, in light of the trends observed during the year 2020, characterised by the economic and social impact of the Covid-19 pandemic, the International Monetary Fund further revised its estimates and projections: overall global contraction of the economy is estimated at 3.5% for the year that has just ended, with a projection of 5.5% growth in 2021 and 4.2% growth in 2022. In this context, China stands out among emerging economies, where, thanks in part to the country's response to the Covid-19 pandemic, the IMF observed 2.3% growth in 2020 and predicts further growth over the next two years (+8.1% in 2021 and 5.6% in 2022).

According to the International Monetary Fund, contraction in the Eurozone in 2020 is estimated at 7.2% (contraction is stronger in Italy, at 9.2%), and the projection for the next two years is for partial recovery, equal to 4.2% for 2021 (Italy +3%) and 3.6% for 2022 (in line with the figure for Italy).

The Confindustria Study Centre's Reports of January and February 2021 estimate Italian GDP for the year 2020 as down, though by less than the IMF estimate (-8.9%), and the recovery forecast for 2021 has been delayed until the second half of the year, and even then, only if the vaccination campaign that began in the first quarter of the year can defeat the pandemic and allow spending to resume.

Gefran also suffered from the impact of the Coronavirus in 2020, which affected the performance of global economies, casting doubt on the growth prospects of a number of sectors of the economy. The Company promptly initiated actions to protect the health of its employees while ensuring the continuity of production in its plants.

The current macroeconomic scenario is still influenced by uncertainties resulting from the continuation of the pandemic and the evolution of the vaccination campaign, which began in Italy in the early months of 2021. The Company's work on development of new products and markets will help offset the possible drop in sales resulting from the uncertain macroeconomic climate, as described above. In view of these considerations, Gefran S.p.A. believes that it will be able to increase its revenues and profit margins in 2021 with respect to the previous year.

5

Own Shares Held by Gefran.S.p.A.

As of 31 December 2020, Gefran S.p.A. held 27,220 shares (0.19% of the total) with an average carrying value of 5.7246 Euro per share, all purchased in the fourth quarter of 2018.

No own shares were purchased or sold in the years 2019 or 2020. As of the date of this report the situation was unchanged.

6 Gefran S.p.A. Dealings with Related Parties

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

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

Information about it is also provided in the Report on Corporate Governance and Ownership Structure.

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

See note 33 of these notes to the accounts for details of transactions with related parties.

7 Environment, Health and Safety in Gefran S.p.A.

In 2020 the Company continued with its commitment to promote initiatives and activities for protection of the environment as a primary asset and of the health and safety of all its employees, through constant, precise, targeted actions for risk prevention and reduction, with a view to "ongoing improvement" and in compliance with Legislative Decree 81/2008 as amended.

This commitment is confirmed and signed through the *HSE Policy*, which sets out the guiding principles for the Group: *Gefran considers the protection of employees' safety, health and well-being and the environment as a key value for the organisation of its activities, in order to create added value for all the Group's internal and external stakeholders*.

Gefran S.p.A. promotes safety primarily through:

- active participation and consultation of workers in improvement of their working environment;
- adoption of effective preventive measures against injury on the job, occupational disease and health risks;
- ongoing instruction and professional development for workers in relation to the tasks they perform, and for emergency and first aid representatives, supervisors and various figures involved in the Company's Prevention and Protection Service;
- periodic environmental assessments controlling airborne emissions dispersed with the aim of safeguarding the work environment.

2020 was marked by the spread of the Covid-19 pandemic. Gefran promptly introduced a series of actions aimed at assessing and therefore containing the risk of contagion in the workplace, ensuring that its employees and external collaborators work under the safest possible conditions while ensuring continuity of operations on its premises. When the first established cases occurred in February 2020, an Internal Emergency Committee was set up to monitor the health situation, issue guidelines and coordinate the actions undertaken. This committee is still active and monitoring the evolution and impact of the pandemic. The Company has created a specific DVR (Risk Assessment Document) to assess the biological risk associated with the Covid-19 epidemic.

The most significant measures taken include:

- the definition of a set of internal procedures, behavioural protocols in each corporate area and specific access provisions, spread through internal communication channels and published on the corporate portal in order to reach all interested parties;
- intensification of plant cleaning work, specific operations for sanitisation of various areas, and widespread availability of sanitisation products;
- timely implementation of agile working methods (including working from home), especially at the peak of the epidemic. and flexibly during less acute phases; this way of working is still being used in a number of company functions;

- mapping production areas and offices, evaluating the spaces in order to guarantee the required distancing, reorganising the workstations where necessary;
- the introduction of a contact tracing system for identifying contacts who have come within a less-than-safe distance using a "Smart Proximity" device provided to all employees;
- seasonal flu vaccination campaigns.

In addition, a process of collecting and sharing information has been implemented to monitor the evolution of the anti-Covid-19 regulations implemented by the various countries in which the Group and its subsidiaries operate: the legal office of the Parent Company takes care of this process, collecting and publishing the necessary updates on the internal corporate network, making them known to all interested parties.

These measures have proven effective, ensuring the health and safety of employees and the operational continuity of all company functions.

Despite the emergency situation described above, training has continued at various levels, supported by an external team of professionals in the industry, with the aim of protecting health and safety in the workplace.

In the area of environment, the Group intends to develop all aspects of environmental culture, with a view to achieving a constant balance between correct planning of environment, health and safety in all fields of application.

Though Gefran is not considered a major energy consumer, auditing and analysis of the Group's energy consumption, made possible by installation of monitoring systems, have revealed the areas in which the most energy is consumed, and an "energy efficiency plan" has been implemented accordingly. The plan took the concrete form of a campaign for replacement of old fluorescent lights with new LED light fixtures, completed in the year 2020.

As in previous years, in 2020 the Group confirmed its commitment to separate collection of wastes for recycling on all its premises. In the Group's Italian premises in particular, once again this year the information regarding waste disposal and its complete independence from the services provided by the various municipalities involved led to recovery of the variable portion of solid urban waste disposal taxes.

Finally, confirming the importance of these issues, and with the aim of implementing the concrete projects identified in the *Strategic Sustainability Plan* drawn up in the last quarter of 2020, the company's organisation now includes an integrated "Quality, Safety and Environment" function with expertise at the Group-wide level, aimed at creating an integrated and harmonised management system in the area of Q-HSE, which had in the past been managed independently by individual entities.

8

Gefran S.p.A. Human Resources

The Gefran Way

To position the Group on the market, stay competitive and generate value, the Group needed an effective way of presenting itself, caring for its on-line reputation and managing its own identity, aligning its choices, actions and know-how. This is as true for companies as it is for individuals, as a company's image is an essential way of attracting and engaging talented people capable of innovating, responding to change and guiding the enterprise into the future. This is why it is becoming more and more necessary to perform a series of "story-telling" operations conveying brand identity.

The *Gefran Way* brand identity plan, implemented with a bottom-up approach in 2018 and 2019 with the involvement of both external stakeholders and all company functions, was a key element of inspiration and cohesion in 2020, a difficult and unpredictable year characterised by uncertainty and distancing due to the Covid-19 pandemic.

The Group's ability to remain relevant over time depends not only on its products and services but on its Vision (Purpose), valid for both the market and those who choose to work with Gefran, setting up a long-lasting partnership of mutual value. The concept of value no longer regards products and services for customers, pay and benefits for workers, and a variety of benefits for other stakeholders: it increasingly regards experience.

The Group's Promise, *Purpose*, *Guiding Principles and Manifesto*, widely shared at the end of 2019 and early in 2020, permeated daily choices and protocols. This has eased the process of reaction and adaptation as people experienced the wave of the pandemic at different times. The experience of the *Gefran Way*, with the code of conduct expressed in the *Manifesto*, guided management and everyone working in the Group in overcoming the challenges and difficulties of the year, connecting people even over great distances thanks to their sense of belonging and their principles, and enabling them to respond rapidly with innovative solutions allowing them to continue working together in order to achieve their new goals, strengthening a very important characteristic: anti-fragility.

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

The first world-wide digital event was held in September 2020, when the company's entire population connected simultaneously to celebrate *the Gefran Way* and share resilient energy.

Corporate Welfare

People are the Company, and it is essential to make the most of their potential. Gefran is implementing a series of initiatives based on this awareness: plans for obtaining employees' engagement and fidelity, including corporate welfare, with the WELLFRAN platform offering goods and services such as a shopping cart, fuel vouchers, leisure services, family support and educational initiatives.

In 2020 this focus on people included initiatives ensuring protection of Health and Safety, not only in the workplace, where all the necessary safety protocols were applied immediately, but also in personal life and the family: all workers were provided with face masks for themselves and their family members as early as the first few weeks of the pandemic, an influenza vaccination plan was offered, and Covid swab tests were made available very rapidly.

The rules applied involved working from home, which had begun on an experimental basis in 2019. The company supported employees in the correct application of this new way of working. Upon the returning to the company of workers unable to work from home, such as those in production and related services, they were offered more flexible working hours through a participatory approach, allowing them to achieve the right balance between family life (made more complicated due to school closures, with home schooling, and other necessities due to the pandemic) and work, guaranteeing efficacy and efficiency for the company.

These initiatives won Gefran the prestigious Best Job award (presented by the German Economic Institute) for the third time in a row in 2020.

FLY Gefran Talent Accademy, FLY Youth

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

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

FLY includes specific programmes for development of potential, including:

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

FLY Youth is a session for recent graduates who are progressively being integrated in the company due to the generational turnover the company is currently undergoing.

Involvement of People in Spite of Social Distancing and Working from Home

In 2020, much attention was paid to information and communication with workers who, especially in the first part of the year, were confined under lockdown and only subsequently were able to resume work for the company, at a time of great uncertainty in the world.

During the lockdown, groups were created on various platforms through which Function Managers kept all employees constantly informed of company protocols and work processes, how to return to work on the company's premises, and the application and updating of regulations and initiatives.

In terms of communications, inspiration and engagement were offered to all through distribution of videos and essential summaries of best-selling books on fundamental cross-sectoral skills, engaging people with the aid of *surveys* and sharing of messages, best practice and experiences.

In the second half of the year, digital training events were organised, in both live-streamed versions and with group work led by internal and external teachers.

9

Main Risks and Uncertainties in Gefran S.p.A.

For information on the main risks and uncertainties faced by the Company, please see the section *Main risks and uncertainties to which the Gefran Group is exposed* in the consolidated financial statements.

With regard to risk management objectives and policies, including the hedging policy and the exposure of Gefran S.p.A. to credit, price, liquidity, interest rate and exchange rate risks, please see the full description in the comments on the financial statement items. With regard to "Financial risk management", please see note 7 of the notes to the accounts.

10 Disclosure Simplification

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

11 Proposed Resolution

Dear Shareholders,

We hereby submit for your approval the annual financial statements for the period ending 31 December 2020, which show a net profit for the period of 6,279,771 Euro.

Note that the legal reserve reached the limit set by the Italian Civil Code some time ago and that the available reserves amply cover the development costs recorded under non-current assets.

We therefore submit for your approval the following resolution:

"The Ordinary Shareholders' Meeting of Gefran S.p.A., having taken note of the Board of Statutory Auditors' Report and the External Auditors' Report, votes:

1. *to approve the Board of Directors' Report on Operations and the annual financial statements for the period ending 31 December 2020, which show a profit of 6,279,771 Euro, as presented by the Board of Directors;*
2. *to distribute to the shareholders, by way of dividend, gross of the legal withholdings, 0.26 Euro for each of the outstanding shares (net of the own shares), using, for the necessary amount, the net profit for the year;*
3. *to allocate to Retained earnings, the amount corresponding to the portion of the net profit for the year which remains net of the distribution as per point 2."*

The dividend, in accordance with the provisions of the "Regulation of the markets organised and managed by Borsa Italiana S.p.A.", will be paid as follows: ex-dividend date 10 May 2021, record date 11 May 2021, in payment as from 12 May 2021.

The amount of the dividend is fully covered by the profit for the period and sufficient financial funds are already available for the payment.

Provaglio d'Iseo, 11 March 2021

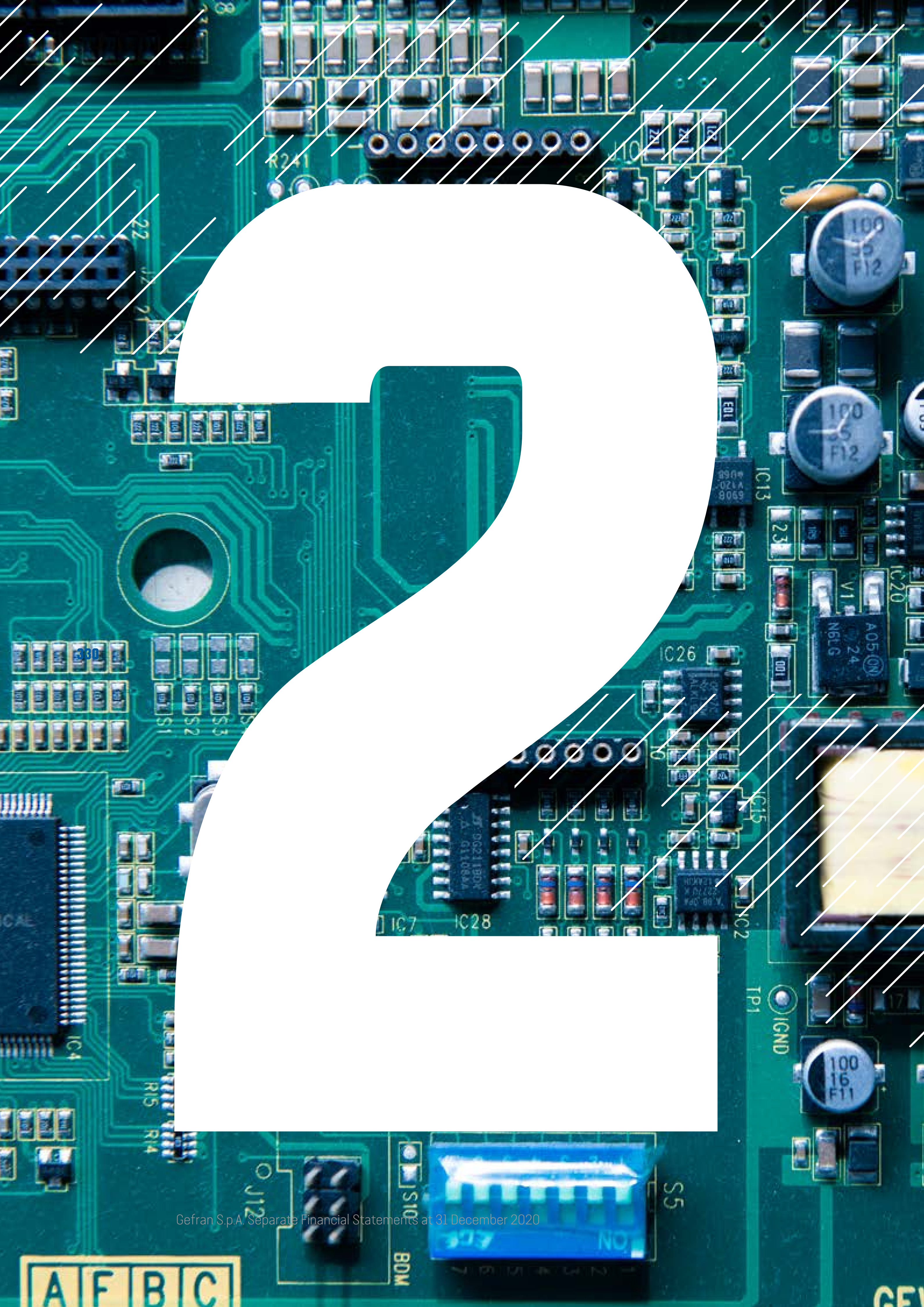
For the Board of Directors

Chairwoman

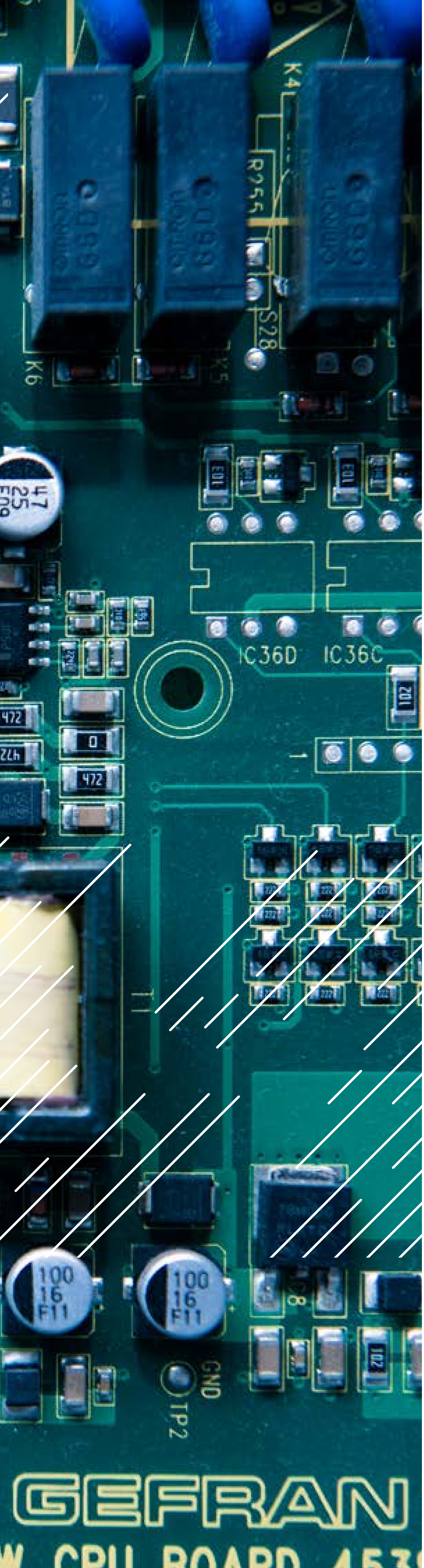
Maria Chiara Franceschetti

Chief Executive Officer

Marcello Perini



2



Financial Statements of Gefran S.p.A.

Statement of Profit/(Loss) for the Year

(Euro)	Notes	progress. 31 December 2020	2019
Revenue from product sales	23	52,212,077	57,127,122
of which related parties:	33	30,085,670	32,951,841
Other revenues and income	24	4,046,660	3,906,534
of which related parties:	33	3,393,361	3,541,508
Increases for internal work	8,9	1,213,059	1,528,328
TOTAL REVENUES		57,471,796	62,561,984
Change in inventories	15	59,546	(166,714)
Costs for raw materials and accessories	25	(16,441,238)	(17,954,088)
of which related parties:	33	(1,137,215)	(1,324,204)
Service costs	26	(10,314,355)	(12,075,007)
of which related parties:	33	(96,263)	159,984
Miscellaneous management costs	28	(403,229)	(427,110)
Other operating income	28	7,918	124,835
Personnel costs	27	(19,848,596)	(20,806,941)
Impairment/reversal of trade and other receivables	15	-	146,094
Amortisation and impairment of intangible assets	29	(1,473,470)	(1,447,187)
Depreciation and impairment of tangible assets	29	(3,002,221)	(4,235,775)
Depreciation/amortisation total usage rights	29	(239,328)	(204,614)
EBIT		5,816,823	5,515,477
Gains from financial assets	30	2,435,390	2,898,184
of which related parties:	33	2,200,000	2,566,452
Losses from financial liabilities	30	(711,912)	(384,141)
of which related parties:	33	(1,018)	(4,033)
Value adjustments on non-current assets	30	(4,034)	(331,999)
Profit (loss) before tax		7,536,267	7,697,521
Current taxes	31	(430,353)	(629,939)
Deferred taxes	31	(826,143)	(845,756)
TOTAL TAXES		(1,256,496)	(1,475,695)
NET PROFIT (LOSS) FOR THE PERIOD		6,279,771	6,221,826

Statement of Profit/Loss for the Year and Other Components of the Total Income Statement

(Euro)	Notes	progress. 31 December 2020	2019
NET PROFIT (LOSS) FOR THE PERIOD		6,279,771	6,221,826
Items that will not subsequently be reclassified in the statement of profit/(loss) for the period			
- revaluation of employee benefits: IAS 19	20	(84,543)	(150,646)
- overall tax effect	20	20,290	36,155
- equity investments in other companies	19	272,690	(78,509)
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period			
- fair value of cash flow hedging derivatives	19	(128,104)	(123,608)
Total changes, net of tax effect		80,333	(316,608)
Comprehensive result for the period		6,360,104	5,905,218

Statement of Financial Position

(Euro)	Notes	31 December 2020	31 December 2019
NON-CURRENT ACTIVITIES			
Intangible assets	8	5,474,162	4,575,436
Property, plant, machinery and tools	9	23,999,782	25,301,310
of which related parties:	33	139,720	357,357
Usage rights	10	411,195	486,293
Equity investments in subsidiaries	11	42,415,960	42,415,960
Equity investments valued at purchase cost	12	136,553	1,255,154
Equity investments in other companies	13	1,948,770	1,690,125
Receivables and other non-current assets	14	1,200	1,200
Deferred tax assets	31	2,056,979	2,848,494
Non-current financial investments for derivatives	18	266	1,485
Non-current financial investments	18	108,382	97,430
TOTAL NON-CURRENT ACTIVITIES		76,553,249	78,672,887
CURRENT ACTIVITIES			
Inventories	15	5,284,170	5,224,625
Trade receivables	15	6,094,171	6,435,383
Trade receivables from subsidiaries	15	12,557,393	13,716,767
Other receivables and assets	16	1,132,085	2,804,660
Current tax receivables	17	139,900	228,993
Cash and cash equivalents	18	32,791,983	16,560,314
Financial receivables from subsidiaries	18	11,593,069	7,956,893
TOTAL CURRENT ACTIVITIES		69,592,771	52,927,635
TOTAL ASSETS		146,146,020	131,600,522

(Euro)	Notes	31 December 2020	31 December 2019
SHAREHOLDERS' EQUITY			
Share capital	19	14,400,000	14,400,000
Reserves	19	50,588,596	44,443,970
Profit / (Loss) for the year	19	6,279,771	6,221,826
Total Group Shareholders' Equity	19	71,268,367	65,065,796
Shareholders' equity of minority interests	19	-	-
TOTAL SHAREHOLDERS' EQUITY		71,268,367	65,065,796
NON-CURRENT LIABILITIES			
Non-current financial payables	18	27,285,611	21,079,491
Non-current financial payables for IFRS 16 leases	18	217,165	296,179
Non-current financial liabilities for derivatives	18	327,996	169,447
Employee benefits	20	2,159,598	2,234,268
Non-current provisions	21	38,500	8,500
Deferred tax provisions	31	2,368	194
TOTAL NON-CURRENT LIABILITIES		30,031,238	23,788,079
CURRENT LIABILITIES			
Current financial payables	18	13,463,317	10,572,543
Current financial payables for IFRS 16 leases	18	194,594	191,862
Financial payables to subsidiaries	18	13,587,435	12,153,084
Trade payables	15	10,897,477	12,562,068
of which related parties:	33	173,095	114,348
Trade payables to subsidiaries	15	533,728	500,437
Current provisions	21	957,156	913,303
Current tax payables	17	97,252	41,977
Other payables and liabilities	22	5,115,456	5,811,373
TOTAL CURRENT LIABILITIES		44,846,415	42,746,647
TOTAL LIABILITIES		74,877,653	66,534,726
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		146,146,020	131,600,522

Cash Flow Statement

(Euro /000)	Notes	31 December 2020	31 December 2019
(A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		16,560	10,245
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD			
Net profit (loss) for the period		6,280	6,222
Depreciation, amortisation and impairment	29	4,714	5,888
Provisions (Releases)	15,20,21	1,367	1,134
Capital (gains) losses on the sale of non-current assets	8,9	(5)	(30)
Net result from financial operations	30	(1,718)	(2,177)
Taxes	31	431	630
Change in provisions for risks and future liabilities	21	(396)	(596)
Change in other assets and liabilities	14,16,22	1,111	(2,340)
Change in deferred taxes	31	826	846
Change in trade receivables	15	1,500	1,691
of which related parties:	33	-	0
Change in inventories	15	(1,115)	(941)
Change in trade payables	15	(1,631)	(617)
of which related parties:	33	59	(179)
TOTAL		11,364	9,710
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	8,9	(4,073)	(8,542)
of which related parties:	33	(140)	(357)
- Equity investments and securities	11,12,13	1,050	-
- Financial receivables	14	-	(1)
Disposal of non-current assets	8,9	5	168
TOTAL		(3,018)	(8,375)
D) FREE CASH FLOW (B+C)		8,346	1,335

E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	18	18,000	20,000
Repayment of financial debts	18	(10,006)	(9,180)
Increase (decrease) in current financial payables	18	(1,155)	(2,854)
Outgoing cash flow due to IFRS 16	18	(244)	(207)
Taxes paid	31	(394)	(500)
Interest (paid)	30	(529)	(263)
Interest received	30	14	38
Dividends received	30	2,200	2,545
Dividends paid	19	-	(4,599)
TOTAL		7,886	4,980
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		16,232	6,315
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+F)		32,792	16,560

Statement of Changes in Shareholders' Equity

(Euro /000)	Notes	Share capital	Capital reserves	Other reserves
Balance at 1 January 2019		14,400	21,926	10,095
Destination of 2018 profit				
- Other reserves and provisions	19	-	-	-
- Dividends	19	-	-	-
Income/(Charges) acknowledged in Shareholders' Equity	19	-	-	-
Other changes	19	-	-	-
Profit 2019	19	-	-	-
Balance at 31 December 2019		14,400	21,926	10,095
Destination of 2019 profit				
- Other reserves and provisions	19	-	-	-
- Dividends	19	-	-	-
Income/(Charges) acknowledged in Shareholders' Equity	19	-	-	-
Other changes	19	-	-	(1)
Profit 2020	19	-	-	-
Balance at 31 December 2020		14,400	21,926	10,094

Overall EC reserves				
Fair value measurement reserve	Other reserves	Retained profit / (loss)	Profit/(loss) for the year	Total shareholders' equity
(12)	(422)	10,143	7,630	63,760
-	-	7,630	(7,630)	-
-	-	(4,599)	-	(4,599)
(202)	(115)	-	-	(317)
-	-	-	-	-
-	-	-	6,222	6,222
(214)	(537)	13,174	6,222	65,066
-	-	6,222	(6,222)	-
-	-	-	-	-
144	(64)	-	-	80
-	-	(157)	-	(158)
-	-	-	6,280	6,280
(70)	(601)	19,239	6,280	71,268

Specific Explanatory Notes of Gefran S.p.A.

1. Company Information

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

Publication of the financial statements of Gefran S.p.A. for the year ended 31 December 2020 was authorised by resolution of the Board of Directors on 11 March 2021, and they were made available to the public on the company website *www.gefran.com* on 30 March 2021.

Please note that the information required pursuant to Article 123 bis of Italian Legislative Decree No. 58/1998 is contained in a separate document, the "Report on Corporate Governance and Ownership Structure", which refers for some information to the "Remuneration Report", prepared pursuant to article 123 ter of Italian Legislative Decree No. 58/1998. Both reports are published on the Company's internet site, in the *governance/meetings section*.

2. Form and Content

The Financial Statements for the year 2020 have been prepared in accordance with the IAS / IFRS international accounting standards adopted by the European Union.

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

These financial statements are presented in euros, which is also the functional currency used for the Group's consolidated financial statements. Unless otherwise indicated, all the amounts included in the notes are expressed in euros.

3. Accounting Schedules

Gefran S.p.A. has used:

- a statement of financial position, according to which assets and liabilities are separated into current and non-current categories;
- a statement of profit/(loss) for the year, in which costs are categorised by nature;
- a statement of profit (loss) for the year and other items of comprehensive income, which includes charges and income recognised directly in shareholders' equity, net of tax charges;
- a cash flow statement according to the indirect method, whereby the operating result is adjusted for the effects of non-monetary transactions, any deferrals or accruals of past or future operating receipts or payments, and items of revenues or costs associated with the cash flows from investing or financing activities.

It should be noted that, with regard to Consob resolution 15519 of 27 July 2006, in the statement of financial position and the income statement, amounts for positions with related parties are shown separately from the items in question.

4. Valuation Criteria

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

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

With reference to Consob Communication No. 0003907 of 19 January 2015, note 11, *Equity investments in subsidiaries*, includes the required information, and specifically the references to external information and the sensitivity analysis.

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

This section summarises the most significant measurement criteria used by the Company.

Revenues

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

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

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

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

Interest Income

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

Dividends

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

Costs

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

Financial Charges

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

Income Tax

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

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

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

Tangible Assets

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

If significant parts of tangible assets in use have different useful lives, the components identified are recognised and depreciated separately.

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

Costs for maintenance and ordinary repairs are charged to the income statement in the year in which they are incurred.

Extraordinary maintenance costs that entail significant and tangible improvements to plant production capacity or safety or their economically useful lives are capitalised.

Leases

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

The main change concerns the recognition in the accounts by the lessees which, on the basis of IAS 17, were obliged to make a distinction between a finance lease (recognised in accordance with the discounted cash flow method) and an operating lease (recognised on a straight-line basis). With IFRS 16, the accounting treatment of operating leases is placed on the same footing as finance leases. This standard is applicable from 1 January 2019, and early application was possible together with adoption of IFRS 15, *Revenues from contracts with customers*. The Group decided to apply the new standard starting on 1 January 2019, on the basis of what is known as the modified retrospective approach, in which the value of the assets is equal to the value of the financial liabilities; moreover, as permitted by the IASB, practical expedients have been used such as exclusion of contracts with a residual duration of less than 12 months or contracts for which the fair value of the asset is calculated to fall under the conventional threshold of 5 thousand American Dollars (modest unitary value).

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 are 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, which, if not stated in the contract, is estimated on the basis of the average rates for the Group's debt.

Research and development costs

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

- the costs can be reliably determined;
- the technical feasibility of the product can be demonstrated;
- the anticipated volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits;
- adequate technical and financial resources are available to complete the development of the project.

Capitalised development costs are amortised on a systematic basis from the start of production and throughout the estimated life of the product. All other development costs are recognised in the income statement when they are incurred.

Business Combinations and Goodwill

Business combinations are accounted for using the *acquisition method*, whereby the identifiable assets, liabilities and contingent liabilities of the acquired company, which meet the conditions for recognition under IFRS 3, are recognised at their present value at the acquisition date. Deferred taxes are then allocated on the adjustments made to the previous carrying values to align them with the present value.

Because of its complexity, application of the acquisition method includes an initial provisional calculation of the value of the assets, liabilities and contingent liabilities acquired, to allow for a first recognition of the transaction in the financial statements for the financial year in which the business combination was carried out. This initial recognition is completed and adjusted within twelve months of the acquisition date.

Changes to the initial consideration due to events or circumstances occurring after the acquisition date are recognised in the statement of profit (loss) for the year.

Goodwill is recognised as the difference between:

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

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

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

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

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

Other Intangible Assets

Other intangible assets acquired or produced internally are recognised as assets in accordance with the provisions of IAS 38, *Intangible assets*, when it is probable that the asset will generate future economic benefits and when the cost of the asset can be reliably determined.

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

Non-current Assets Held for Sale

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

Equity Investments in Subsidiaries and Affiliates

Investments in subsidiaries, affiliates and joint ventures are accounted for using the cost method.

Asset Impairment

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

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

Inventories

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

The following cost configuration is used:

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

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

Trade Receivables and Payables and Other Receivables/Payables

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

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

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

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

Financial Derivatives

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

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

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

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

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

Cash and Cash Equivalents

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

Financial Liabilities

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

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

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

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

It is believed that all existing hedges currently designated as effective hedges continue to qualify for hedge accounting under IFRS 9.

Own Shares

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

Provisions for Risks and Future Liabilities

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

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

Employee Benefits and Non-Competition Agreements

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

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

Translation of Foreign Currency Items

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

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

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

5. Accounting Standards, Amendments and Interpretations Not Yet Applicable

Please see note 7 in the specific explanatory notes to the accounts of the consolidated financial statements for this analysis.

6. Main Decisions in the Application of Accounting Standards and Uncertainties in Making Estimates

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

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

Provision for Impairment of Inventory

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

Provision for Doubtful Receivables

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

Regarding the introduction of IFRS 9, and particularly the new method for impairment of financial investments, the Company adopts the method for determination of the reserve to be used for coverage of losses on receivables, taking into account the losses expected throughout the life of the receivable, as required by the new standard.

Goodwill and Intangible Assets with a Finite Life

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

Employee Benefits and Non-Competition Agreements

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

Deferred Tax Assets

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

Current and Non-Current Provisions

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

7. Management of Financial Risks

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

Exchange rate risks

Gefran S.p.A. is exposed to the risk of changes in the Euro/USD exchange rate for business transactions and cash held in a currency other than the functional currency of the Company (euro). The value of revenues denominated in a currency other than the functional currency in 2020 is close to zero (less than 1% in 2019).

Sensitivity to a hypothetical, unfavourable and immediate change of 5% and 10% in exchange rates, with other variables remaining unchanged, would have the following impact on the fair value of financial assets and liabilities held in USD:

(Euro /000)	31 December 2020		31 December 2019	
	-5%	+5%	-5%	+5%
U.S. dollar	38	(35)	58	(53)
Total	38	(35)	58	(53)

(Euro /000)	31 December 2020		31 December 2019	
	-10%	+10%	-10%	+10%
U.S. dollar	81	(66)	123	(100)
Total	81	(66)	123	(100)

Interest rate risk

The interest rate risk to which the Company is exposed mainly originates from long-term loans. These are variable rate loans. Variable rate loans expose the Company to a risk associated with interest rate volatility (cash flow risk). The Company uses derivatives to hedge its exposure to interest rate risk, stipulating Interest Rate Swap (*IRS*) and Interest Rate (*CAP*) contracts.

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

The table below shows a sensitivity analysis of the impact that an interest rate increase/decrease of 100 basis points would have on net operating profit (loss), comparing interest rates at 31 December 2020 and 31 December 2019, while keeping other variables unchanged.

(Euro /000)	31 December 2020		31 December 2019	
	-100	100	-100	100
Euro	292	(312)	(52)	89
Total	292	(312)	(52)	89

The potential impacts shown above are calculated with reference to the net liabilities that account for the most significant portion of Gefran S.p.A.'s debt on the reporting date, and measuring, on this amount, the effect on net financial charges resulting from the change in interest rates on an annual basis.

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

The table below shows the carrying value at 31 December 2020, broken down by maturity, of the Company's financial instruments exposed to interest rate risk:

(Euro /000)	<1 year	1 - 5 years	>5 years old	Total
Loans due	10,461	27,286	-	37,747
Financial payables due to leasing under IFRS 16	195	217	-	412
Other accounts payable	3	-	-	3
Account overdrafts	3,000	-	-	3,000
Cash pooling current account overdrafts	13,586	-	-	13,586
Total liabilities	27,245	27,503	-	54,748
Cash in current accounts	32,786	-	-	32,786
Cash in cash pooling current accounts	11,593	-	-	11,593
Total assets	44,379	-	-	44,379
Total variable rate	17,134	(27,503)	-	(10,369)

Unlike net financial position figures, the amounts shown in the table above do not include the fair value of derivatives (negative at 328 thousand Euro), cash on hand (positive at 6 thousand Euro) or deferred financial income (positive at 108 thousand Euro).

Liquidity risk

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

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

(Euro /000)	31 December 2020	31 December 2019	Change
Cash and cash equivalents	6	8	(2)
Cash in bank deposits	32,786	16,552	16,234
Total liquidity	32,792	16,560	16,232
Multiple mixed credit lines	20,450	23,450	(3,000)
Cash flexibility credit lines	3,810	2,810	1,000
Invoice factoring credit lines	7,600	7,603	(3)
Total credit lines available	31,860	33,863	(2,003)
Total available liquidity	64,652	50,423	14,229

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

(Euro /000)	Level 1	Level 2	Level 3	Total
Available-for-sale assets valued at fair value:				
Shareholdings valued at fair value with a balancing item in other overall	340	-	1,609	1,949
Hedging transactions	-	-	-	-
Total assets	340	-	1,609	1,949
Hedging transactions	-	(328)	-	(328)
Total liabilities	-	(328)	-	(328)

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

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

Level 3: Fair values determined using evaluation techniques based on market variables that may not be observed, and in particular the values of equity investments in other companies that are not listed on international markets, the overall value of which increased by 165 thousand Euro as a result of payment of a capital increase to the affiliated company Colombera S.p.A.

Below is a reconciliation of financial asset and liability classes, as identified in the Gefran S.p.A. statement of financial position, and the types of financial assets and liabilities identified on the basis of IFRS 7 requirements, for the year 2019:

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

Credit risk

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

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

Below are the values of gross trade receivables at 31 December 2020 and 31 December 2019:

(Euro /000)	Total value	Not overdue	Overdue by up to 2 months	Overdue by 2 to 6 months	Overdue by 6 to 12 months	Overdue by more than 12 months	Receivables individually written down
Gross trade receivables at 31 December 2020	6,984	6,060	19	7	0	0	898
Gross trade receivables at 31 December 2019	7,350	6,234	91	142	(2)	(22)	907

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

The Company has not assigned portions of its trade receivables to factoring companies, transferring the insolvency risk.

Risk of change in raw material prices

The Company's exposure to price risk is minimal. Purchases of materials and components subject to fluctuations in raw material prices are not significant. The purchase costs of the main components are usually set with counterparts for the full year and reflected in the budget.

Gefran S.p.A. has in place structured and formalised governance systems that it uses to regularly analyse its margins. Commercial operations are coordinated by business area, so as to monitor sales and manage discounts.

Fair value of financial instruments

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

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

(Euro /000)	carrying value		fair value	
	2020	2019	2020	2019
Financial assets				
Cash and cash equivalents	6	8	6	8
Cash in bank deposits	44,379	24,509	44,379	24,509
Financial investments for derivatives	-	1	-	1
Non-current financial investments	108	98	108	98
Total financial assets	44,493	24,616	44,493	24,616
Financial liabilities				
Current portion of long-term debt	(10,461)	(8,674)	(10,461)	(8,674)
Short-term bank debt	(3,000)	(1,894)	(3,000)	(1,894)
Financial liabilities for derivatives	(328)	(169)	(328)	(169)
Factoring	(3)	(5)	(3)	(5)
Payables due to leasing contracts under IFRS 16	(412)	(488)	(412)	(488)
Other financial payables	(13,586)	(12,153)	(13,586)	(12,153)
Non-current financial debt	(27,286)	(21,079)	(27,286)	(21,079)
Total financial liabilities	(55,076)	(44,462)	(55,076)	(44,462)
Total net financial position	(10,583)	(19,846)	(10,583)	(19,846)

8. Intangible Assets

The item *Intangible assets* includes only assets with a definite lifespan, and increased from 4,575 thousand Euro on 31 December 2019 to 5,474 thousand Euro on 31 December 2020; movements were as follows:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	Other changes	31 December 2020
(Euro /000)						
Development costs	10,746	541	-	890	-	12,177
Intellectual property rights	4,764	891	-	255	-	5,910
Assets in progress and payments on account	1,642	736	-	(1,206)	-	1,172
Other assets	8,664	195	-	70	-	8,929
Total	25,816	2,363	-	9	-	28,188

Accumulated depreciation	31 December 2019	Increases	Decreases	Reclassifications	Other changes	31 December 2020
(Euro /000)						
Development costs	8,835	785	-	-	-	9,620
Intellectual property rights	4,446	394	-	-	-	4,840
Other assets	7,960	294	-	-	-	8,254
Total	21,241	1,473	-	-	-	22,714

Net value	31 December 2019	31 December 2020	Change
(Euro /000)			
Development costs	1,911	2,557	646
Intellectual property rights	318	1,070	752
Assets in progress and payments on account	1,642	1,172	(470)
Other assets	704	675	(29)
Total	4,575	5,474	899

The changes over the year 2019 are as follows:

Historical cost	31 December 2018	Increases	Decreases	Reclassifications	Other changes	31 December 2019
(Euro /000)						
Development costs	9,827	508	-	411	-	10,746
Intellectual property rights	4,555	168	-	41	-	4,764
Assets in progress and payments on account	1,057	1,162	-	(577)	-	1,642
Other assets	8,364	178	-	122	-	8,664
Total	23,803	2,016	-	(3)	-	25,816

Accumulated depreciation	31 December 2018	Increases	Decreases	Reclassifications	Other changes	31 December 2019
(Euro /000)						
Development costs	7,892	943	-	-	-	8,835
Intellectual property rights	4,300	146	-	-	-	4,446
Other assets	7,602	358	-	-	-	7,960
Total	19,794	1,447	-	-	-	21,241

Net value	31 December 2018	31 December 2019	Change
(Euro /000)			
Development costs	1,935	1,911	(24)
Intellectual property rights	255	318	63
Assets in progress and payments on account	1,057	1,642	585
Other assets	762	704	(58)
Total	4,009	4,575	566

The net carrying value of **development costs** include capitalisation of costs incurred for the following activities:

- 912 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);
- 1,645 thousand Euro for component lines for the new range of regulators and static units, GF Project VX, G Cube Performa and G Cube Fit.

These assets are considered to have a useful life of 5 years.

Intellectual property rights consist exclusively of costs incurred to purchase the Company's IT system management programs and the use of licences for third-party software, as well as patents. In particular, during the year 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 made to suppliers to purchase software programs and licences expected to be delivered during the next year, and purchase of patents for technologies currently being developed. This item also includes EUR 970 thousand in development costs, EUR 386 thousand of which pertain to the automation components business and EUR 584 thousand to the sensors business, the benefits of which will be reflected in the income statement starting in the next years, which have not therefore been amortised.

Other assets, on the other hand, are almost entirely represented by costs incurred to implement ERP SAP/R3, Business Intelligence (BW), Customer Relationship Management (CRM) and management software in previous years and in the current year. These assets have a useful life of five years.

The increases in historical value of *Intangible assets*, amounting to 2,363 thousand Euro in 2020, include 1,209 thousand Euro linked to the capitalisation of internal costs (1,478 thousand Euro in 2019).

9. Property, Plant, Machinery and Tools

Property, plant, machinery and equipment came to EUR 24,000 thousand, compared with 25,301 thousand Euro at 31 December 2019. The change is shown in the table below:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	Other changes	31 December 2020
(Euro /000)						
Land	3,002	-	-	-	-	3,002
Industrial buildings	22,811	202	-	2,031	-	25,044
Plant and machinery	26,372	470	(59)	1,870	-	28,653
Industrial and commercial equipment	14,457	362	(68)	201	-	14,952
Other assets	2,992	108	(65)	62	-	3,097
Assets in progress and payments on account	4,451	568	-	(4,173)	-	846
Total	74,085	1,710	(192)	(9)	-	75,594

Accumulated depreciation	31 December 2019	Increases	Decreases	Reclassifications	Other changes	31 December 2020
(Euro /000)						
Industrial buildings	12,979	699	-	-	-	13,678
Plant and machinery	19,874	1,647	(59)	-	-	21,462
Industrial and commercial equipment	13,506	460	(67)	-	-	13,899
Other assets	2,425	196	(66)	-	-	2,555
Total	48,784	3,002	(192)	-	-	51,594

Net value	31 December 2019	31 December 2020	Change
(Euro /000)			
Land	3,002	3,002	-
Industrial buildings	9,832	11,366	1,534
Plant and machinery	6,498	7,191	693
Industrial and commercial equipment	951	1,053	102
Other assets	567	542	(25)
Assets in progress and payments on account	4,451	846	(3,605)
Total	25,301	24,000	(1,301)

The changes over the year 2019 are as follows:

Historical cost	31 December 2018	Increases	Decreases	Reclassifications	Other changes	31 December 2019
(Euro /000)						
Land	2,659	-	-	343	-	3,002
Industrial buildings	24,433	193	(1,531)	(284)	-	22,811
Plant and machinery	24,243	1,409	(602)	1,322	-	26,372
Industrial and commercial equipment	14,116	448	(175)	68	-	14,457
Other assets	3,018	127	(165)	12	-	2,992
Assets in progress and payments on account	1,562	4,349	-	(1,460)	-	4,451
Total	70,031	6,526	(2,473)	1	-	74,085

Accumulated depreciation	31 December 2018	Increases	Decreases	Reclassifications	Other changes	31 December 2019
(Euro /000)						
Industrial buildings	12,299	680	-	-	-	12,979
Plant and machinery	18,942	1,396	(464)	-	-	19,874
Industrial and commercial equipment	13,227	454	(175)	-	-	13,506
Other assets	2,415	175	(165)	-	-	2,425
Total	46,883	2,705	(804)	-	-	48,784

Net value	31 December 2018	31 December 2019	Change
(Euro /000)			
Land	2,659	3,002	343
Industrial buildings	12,134	9,832	(2,302)
Plant and machinery	5,301	6,498	1,197
Industrial and commercial equipment	889	951	62
Other assets	603	567	(36)
Assets in progress and payments on account	1,562	4,451	2,889
Total	23,148	25,301	2,153

It should be noted that no write-downs were recorded during 2020 as a result of impairment losses, whereas in 2019, write-downs related to impairment losses on buildings amounted to 1,531 thousand Euro.

The biggest changes during the current period related to:

- production and laboratory plant and equipment worth 1,178 thousand Euro, including 735 thousand Euro for sensors business lines and 442 thousand Euro for the automation components sector;

- adaptation of industrial buildings housing the Group's Italian plants, totalling 407 thousand Euro;
- investment in renewal of electronic office machines and IT equipment amounting to 125 thousand Euro.

The increases in the historical value of *Buildings, plant and machinery and equipment*, which amounted to 1,710 thousand Euro in 2019, include 4 thousand Euro linked to capitalisation of internal costs (50 thousand Euro in 2019).

10. Usage Rights

This item reflects entry of the value of assets covered by lease contracts, according to accounting standard IFRS16.

The value of *Usage rights* as of 31 December 2020 amounts to 411 thousand Euro, and shows the following changes:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	Other changes	31 December 2020
(Euro /000)						
Vehicles	682	131	(22)			791
Machinery and equipment	-	37	-			37
Total	682	168	(22)	-	-	828

Accumulated depreciation	31 December 2019	Increases	Decreases	Reclassifications	Other changes	31 December 2020
(Euro /000)						
Vehicles	196	230	(18)	-	-	408
Machinery and equipment	-	9	-			9
Total	196	239	(18)	-	-	417

Net value	31 December 2019	31 December 2020	Change
(Euro /000)			
Vehicles	486	383	(103)
Machinery and equipment	-	28	28
Total	486	411	(75)

The changes compared to 2019 are shown in the table below:

Historical cost	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	Other changes	31 December 2019
(Euro /000)							
Vehicles	-	460	250	(28)			682
Total	-	460	250	(28)	-	-	682

Accumulated depreciation	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	Other changes	31 December 2019
(Euro /000)							
Vehicles	-	-	205	(9)	-	-	196
Total	-	-	205	(9)	-	-	196

Net value	31 December 2018	31 December 2019	Change
(Euro /000)			
Vehicles	-	486	486
Total	-	486	486

As of 1 January 2020 the Group has a total of 77 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 77 contracts in effect as of 1 January 2020:

- 60 fell within the perimeter of application of IFRS 16;
- 17 were excluded from the perimeter of application of the standard, 14 of which had a term of less than 12 months, while for the 3, the fair value calculated for the asset which is the subject of the contract is of modest unitary value.

The assets analysed here are entered in the financial statements:

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

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

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

A total of 20 new leasing agreements were signed in 2020, 11 of which are subject to application of IFRS 16, and specifically: Of the remaining 9 contracts signed in 2020, excluded from the perimeter of application of the new accounting standard, 8 pertain to contracts with a duration of less than 12 months and one represents a contract regarding goods of modest value.

A total of 25 contracts ended, only 8 of which fell within the perimeter of application of IFRS 16 on the basis of their value and term as specified above, 3 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:

- vehicles, totalling Euro 131 thousand, representing 8 new vehicle leasing agreements signed by the Company 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 22 thousand Euro, refer to 8 terminated contracts. 3 of these, relating to the rental of company vehicles, were terminated before the expiry date.

11. Equity Investments in Subsidiaries

The item *Equity investments in subsidiaries* amounts to 42,416 thousand Euro as of 31 December 2020, aligned with the figure for the previous year. The balance breaks down as follows:

(Euro /000)	Shareholding	31 December 2020	31 December 2019	Change
Gefran GmbH (Germany)	100.00%	365	365	-
Gefran Brasil Ltda (Brazil)	100.00%	2,924	2,924	-
Gefran UK Ltd (United Kingdom)	100.00%	5,141	5,141	-
Gefran Soluzioni S.r.l. (Italy)	100.00%	1,012	1,012	-
Sensormate AG (Switzerland)	100.00%	4,123	4,123	-
Gefran Benelux Bvba (Belgium)	100.00%	344	344	-
Gefran Inc. (U.S.)	100.00%	7,848	7,848	-
Gefran France SA (France)	99.99%	4,338	4,338	-
Siei Areg GmbH (Germany)	100.00%	1,032	1,032	-
Gefran Siei Asia Pte (Singapore)	100.00%	2,883	2,883	-
Gefran India Ltd (India)	100.00%	1,723	1,723	-
Gefran Middle East (Turkey)	100.00%	1,457	1,457	-
Gefran Drives and Motion S.r.l. (Italy)	100.00%	17,085	17,085	-
Adjustment provision		(7,859)	(7,859)	-
Total		42,416	42,416	-

The following is a breakdown of the adjustment provision:

(Euro /000)	31 December 2020	31 December 2019	Change
Gefran Brasil Ltda (Brazil)	1,252	1,252	-
Gefran UK Ltd (United Kingdom)	4,438	4,438	-
Gefran India Ltd (India)	712	712	-
Gefran Middle East (Turkey)	1,457	1,457	-
Total	7,859	7,859	-

Pursuant to IAS 36, the amount recognised in the financial statements is reviewed if any indicators of potential impairment appear.

The discount rate used to discount cash flows (WACC) was analytically determined on the basis of specific key assumptions.

When determining the value in use, the specific cash flows relating to the period 2021 - 2023 were considered, deriving from the Plan of the individual investment, along with the terminal value, which represents the ability to generate cash flows beyond the explicit forecast time scale.

The principal assumptions management made in calculating value in use are the discount rate (WACC) and the long-term growth rate (g), as well as financial flows deriving from individual subsidiaries' Three-Year Plans.

The rate used for discounting future cash flows is the weighted average cost of capital (WACC), as calculated at the end of 2020, that is, as the weighted average of the cost of own capital and the cost of third-party capital, net of the effect on taxation.

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

The return on risk-free assets was benchmarked to the yield on government bonds of countries in which the various affiliated companies operate.

The premium for market risk represents the additional return required by a risk-averse investor, compared with the return that can be obtained from risk-free assets: it is attributable to the difference between the long-term normalised return of the share market and the risk-free assets rate. In relation to this component and to Beta, the reference applied to all CGUs, regardless of the geographical area in question, was the so-called "*global*" value resulting from Professor Damodaran's calculations, in order to reduce the volatility of the component from year to year.

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

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

In general there were no impairment indicators to suggest possible changes to the value of equity investments. Only shareholdings for which an adjustment provision had been set up in previous years were subjected to the impairment test; the results are shown below:

(Euro /000)	Net carrying value 31/12/2020	Net carrying value 31/12/2019	Explicit forecast	Wacc (%)	Equity value 31/12/2020	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
Gefran Brasil	1,672	1,672	2021 - 2023	13.1%	2,601	6.9%	5.8%	34.0%
Gefran India	1,011	1,011	2021 - 2023	12.7%	2,344	5.9%	5.8%	25.0%
Gefran UK	703	703	2021 - 2023	6.8%	2,047	0.2%	5.8%	19.0%

The impairment test conducted on equity investments revealed an equity value in excess of carrying value; stress tests were therefore conducted, the results of which indicated that if an accentualted stress test were conducted, the test would not be passed. The existing adjustment provision was therefore confirmed.

With reference to the other equity investments in subsidiaries, the related carrying values recorded in the financial statements have been maintained.

12. Shareholdings Valued at Purchase Cost

This item amounted to 136 thousand Euro as of 31 December 2020, down 1,119 thousand Euro over the previous year as a result of the liquidation of Ensun S.r.l. in December 2020; the balance breaks down as follows:

(Euro /000)		31 December 2020	31 December 2019	Change
Ensun S.r.l.	Shareholding	-	50.00%	
Via Stacca, 1	Investment value	-	1,134	(1,134)
Rodengo Saiano (BS)	Adjustment provision	-	(15)	15
	Net value	-	1,119	(1,119)
Axel S.r.l.	Shareholding	15.00%	15.00%	
Via del Cannino, 3	Investment value	136	136	
Crosio della Valle (VA)	Adjustment provision	-	-	
	Net value	136	136	-
Total		136	1,255	

13. Equity Investments in Other Companies

Equity investments in other companies totalled 1,949 thousand Euro, disclosing an increase of 259 thousand Euro compared with the figure at 31 December 2019. The change is linked to the subscription of the share capital increase in Colombera S.p.A. and the disposal of the shareholding in UBI Banca S.p.A.. The balance breaks down as follows:

(Euro /000)	Shareholding	31 December 2020	31 December 2019	Change
Colombera S.p.A.	16.56%	1,582	1,416	166
Woojin Plaimm Co Ltd	2.00%	159	159	-
UBI Banca S.p.A.	-	-	203	(203)
Other	-	27	28	(1)
Adjustment provision	-	181	(116)	297
Total		1,949	1,690	259

The shareholdings are classified as available for sale and entered at fair value, derived from the stock market quotation, for Woojin Machinery Co. Ltd. (Seoul Stock Exchange). The adjustment provision is due to the fair value adjustment and breaks down as follows:

(Euro /000)	Shareholding	31 December 2020	31 December 2019	Change
Colombera S.p.A.	16.56%		-	-
Woojin Plaimm Co Ltd	2.00%	181	41	140
UBI Banca S.p.A.	-	-	(157)	157
Other	-			-
Total		181	(116)	297

14. Receivables and Other Non-Current Assets

Receivables and other non-current assets are aligned with the 31 December 2019 figure:

(Euro /000)	31 December 2020	31 December 2019	Change
Guarantee deposits	1	1	-
Total	1	1	-

15. Net Working Capital

Net working capital totals 12,505 thousand Euro, compared to 12,315 thousand Euro on 31 December 2019, and breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Inventories	5,284	5,225	59
Trade receivables	6,094	6,435	(341)
Trade receivables from subsidiaries	12,558	13,717	(1,159)
Trade payables	(10,897)	(12,562)	1,665
Trade payables to subsidiaries	(534)	(500)	(34)
Net amount	12,505	12,315	190

Net Working Capital generated by relations with subsidiaries totals 12,024 thousand Euro, 1,193 thousand Euro lower than in 2019, while *Net Working Capital* from relations with third parties is negative by 481 thousand Euro (negative by 902 thousand Euro on 31 December 2019): the change is attributable to the decrease in trade receivables (1,665 thousand Euro), compensated by the decre the trade payables (341 thousand Euro).

Inventories amount to 5,284 thousand Euro, and may be broken down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Raw materials, consumables and supplies	2,865	2,947	(82)
provision for impairment of raw materials	(528)	(381)	(147)
Work in progress and semi-finished products	3,392	2,901	491
provision for impairment of work in progress	(1,113)	(707)	(406)
Finished products and goods for resale	1,283	801	482
provision for impairment of finished products	(615)	(336)	(279)
Total	5,284	5,225	59

The provision for obsolescence and slow-moving inventories was adjusted according to need in 2019, through specific provisions amounting to 1,056 thousand Euro (as compared to 1,107 thousand Euro in the year 2019).

Movements in the provision in the years 2020 and 2019 are listed below:

(Euro /000)	31 December 2019	Provisions	Uses	Releases	31 December 2020
Provision for impairment of inventory	1,424	1,056	(224)	-	2,256

(Euro /000)	31 December 2018	Provisions	Uses	Releases	31 December 2019
Provision for impairment of inventory	787	1,107	(470)	-	1,424

Trade receivables decreased by 341 thousand Euro during the year and break down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Receivables from customers due within 12 months	6,984	7,350	(366)
Provision for doubtful receivables	(890)	(915)	25
Net amount	6,094	6,435	(341)

This includes receivables assigned with recourse to a leading factoring company for EUR 44 thousand (EUR 15 thousand at 31 December 2019).

Receivables were adjusted to their estimated realisable value through a specific provision for doubtful receivables, calculated on the basis of an examination of individual debtor positions and taking into account past experience in each specific line of business and geographical region, as required by IFRS 9. The provision as at 31 December 2020 represents a prudential estimate of the current risk, and registered the following changes:

(Euro /000)	31 December 2019	Provisions	Uses	Releases	31 December 2020
Provision for doubtful receivables	915	-	(25)	-	890

The changes in the provision for doubtful receivables relating to 2019 are as follows:

(Euro /000)	31 December 2018	Provisions	Uses	Releases	31 December 2019
Provision for doubtful receivables	1,113	10	(52)	(156)	915

The amount of these decreases includes use of the provision for losses on unrecoverable receivables and release of excess provisions entered in previous periods. The Company monitors the riskiest receivables and also implements specific legal measures.

The carrying value of trade receivables is considered to approximate to their fair value.

Trade receivables from subsidiaries amounted to 12,558 thousand Euro, compared with a balance of 13,717 thousand Euro at 31 December 2019. This item relates to receivables from the sale of products and from service contracts carried out by Gefran S.p.A. in favour of subsidiaries. The carrying value of intercompany receivables is believed to approximate their fair value.

Trade payables were down 1,665 thousand Euro at 31 December 2020 over 31 December 2019, as shown below:

(Euro /000)	31 December 2020	31 December 2019	Change
Payables to suppliers	8,851	10,549	(1,698)
Payables to suppliers for invoices to be received	2,033	1,997	36
Advance payments received from customers	13	16	(3)
Total	10,897	12,562	(1,665)

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. Gefran S.p.A. participated in the "I pay my suppliers" initiative of the Industrialists' Association of Brescia, confirming the Group's commitment to fulfilling its duties.

Trade payables to subsidiaries amounted to 534 thousand Euro, compared with 500 thousand Euro at 31 December 2019. This item refers to payables resulting from the purchases of products and services from Gefran S.p.A. by Group subsidiaries..

The carrying value of trade payables and intercompany trade payables is believed to approximate their fair value.

16. Other Current Assets

Other current assets as of 31 December 2020 amount to 1,132 thousand Euro, as compared to 2,805 thousand Euro on 31 December 2019. The balance breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Services and maintenance	203	148	55
Receivables from employees	25	26	(1)
Bank transaction fees	108	97	11
Other tax receivables	373	2,091	(1,718)
Other	423	443	(20)
Total	1,132	2,805	(1,673)

The principal change is in VAT receivable, which decreased by 1,717 thousand Euro in the year; the carrying value of this item is considered to approximate its fair value.

17. Current Tax Receivables and Payables

Current tax receivables totalled 140 thousand Euro at 31 December 2020, compared with 229 thousand Euro at 31 December 2019. The balance breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
IRES (corporate income tax)	-	-	-
IRAP (regional production tax)	61	20	41
Other taxes	79	209	(130)
Total	140	229	(89)

The balance of *Current tax payables* totalled 98 thousand Euro at 31 December 2020, as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
IRES (corporate income tax)	98	42	56
IRAP (regional production tax)	-	-	-
Total	98	42	56

IRAP (regional production tax) and IRES (corporate income tax) are recognised on taxable income, for which the prior tax losses can only be partly used, in accordance with current legislation.

18. Net Financial Position

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

(Euro /000)	31 December 2020	31 December 2019	Change
Cash and cash equivalents and current financial receivables	32,792	16,560	16,232
Financial investments for derivatives	-	1	(1)
Non-current financial investments	108	98	10
Financial receivables from subsidiaries	11,593	7,957	3,636
Non-current financial payables	(27,286)	(21,079)	(6,207)
Non-current financial payables for IFRS 16 leases	(217)	(296)	79
Current financial payables	(13,464)	(10,573)	(2,891)
Current financial payables for IFRS 16 leases	(195)	(192)	(3)
Financial payables to subsidiaries	(13,586)	(12,153)	(1,433)
Financial liabilities for derivatives	(328)	(169)	(159)
Total	(10,583)	(19,846)	9,263

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

(Euro /000)	31 December 2020	31 December 2019	Change
A. Cash on hand	6	8	(2)
B. Cash in bank deposits	32,786	16,552	16,234
C. Securities held for trading	-	-	-
D. Cash and cash equivalents (A) + (B) + (C)	32,792	16,560	16,232
E. Current financial receivables from subsidiaries	11,593	7,957	3,636
F. Current financial payables to subsidiaries	(13,586)	(12,153)	(1,433)
G. Fair value hedging derivatives	-	-	-
H. Current portion of long-term debt	(10,461)	(8,674)	(1,787)
I. Other current financial payables	(3,198)	(2,091)	(1,107)
J. Total current financial payables to third parties (I) + (H)	(13,659)	(10,765)	(2,894)
L. Total current payables (F) + (G) + (J)	(27,245)	(22,918)	(2,894)
M. Net current financial debt (D) + (E) + (L)	17,140	1,599	15,541
Non-current financial liabilities for derivatives	(328)	(169)	(159)
Non-current financial investments for derivatives	-	1	(1)
N. Fair value hedging derivatives	(328)	(168)	(160)
O. Non-current financial debt	(27,503)	(21,375)	(6,128)
P. Other non-current financial investments	108	98	10
Q. Net non-current financial debt (N) + (O) + (Q)	(27,723)	(21,445)	(6,278)
P. Net financial debt (M) + (N) + (O)	(10,583)	(19,846)	9,263
of which to minorities:	(8,590)	(15,650)	7,060

The net debt at 31 December 2020 is equal to EUR 10,583 thousand, an improvement over 31 December 2019 of EUR 9,263 thousand. This change was essentially originated by the positive cash flows from normal operations (EUR 11,364 thousand) mitigated by the negative flows of the technical investments (EUR 3,018 thousand).

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

The balance of **Cash and cash equivalents** amounted to 32,792 thousand Euro at 31 December 2020, 16,560 thousand Euro higher than on 31 December 2019:

(Euro /000)	31 December 2020	31 December 2019	Change
Cash in bank deposits	32,786	16,552	16,234
Cash	6	8	(2)
Total	32,792	16,560	16,232

The technical forms used as at 31 December 2020 are shown below:

- maturities: payable on presentation;
- counterparty risk: deposits are made care of leading banks;
- country risk: the deposits are made in Italy.

Financial receivables from subsidiaries refer to the balances of individual debt positions of the subsidiaries, generated by cash transfers by means of the cash pooling system, and present a balance of EUR 11,593 thousand, compared with EUR 7,957 thousand at 31 December 2019.

In the cash flow statement and the breakdown of net financial position, this item is classed as *Current financial payables*.

The balance of **Current financial payables** at 31 December 2020 was down 13,464 thousand Euro over the year 2019, and breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Current portion of debt	10,461	8,674	1,787
Current overdrafts	3,000	1,894	1,106
Factoring	3	5	(2)
Total	13,464	10,573	2,891

The current portion of debt increased by a total of 1,787 thousand Euro over December 2019, representing a 3,039 thousand Euro increase due to short-term entry of instalments on loans payable over the next 12 months, partially compensated by repayment under the amortisation plan for individual loans, equal to 1,252 thousand Euro.

Factoring amounted to 3 thousand Euro, consisting of payables to factoring institutions for the period of deferral of payment over the original due date for repayment of debts to a number of suppliers, for which Gefran accepted non-recourse assignment (5 thousand Euro as of 31 December 2019).

Bank overdrafts at 31 December 2020 totalled 3,000 thousand Euro, compared to a balance at 31 December 2019 of 1,894 thousand Euro. This item represents a revolving loan of 3,000 thousand Euro arranged by the company with BNL at the Euribor 6M rate + a spread of 1.10%.

Financial payables to subsidiaries at 31 December 2020 amounted to 13,586 thousand Euro (12,153 thousand Euro at 31 December 2019) and refer to the balance of the individual creditor positions of the Group's subsidiaries, generated from transfers to the Parent Company of cash on hand through the cash pooling system for European subsidiaries.

In the cash flow statement and the breakdown of net financial position, this item is classed as *Current financial payables*.

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

Bank	31 December 2020	31 dicembre 2019	Change
Unicredit	1,200	2,400	(1,200)
BNL	1,000	2,000	(1,000)
Banca Pop. Emilia Romagna	2,014	3,012	(998)
Mediocredito	4,444	6,667	(2,223)
BNL	5,000	7,000	(2,000)
Unicredit	3,333	-	3,333
BNL	4,667	-	4,667
UBI	2,628	-	2,628
UBI	3,000	-	3,000
Total	27,286	21,079	6,207

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

Bank	Amount disbursed (Euro /000)	Signing date	Balance at 31 December 2020	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
Unicredit	6,000	14/11/17	2,400	1,200	1,200	Euribor 3m + 0.90%	30/11/22	quarterly
BNL	5,000	23/11/17	2,000	1,000	1,000	Euribor 3m + 0.85%	23/11/22	quarterly
Banca Pop. Emilia Romagna	5,000	28/11/18	3,014	1,000	2,014	Euribor 3m + 0.75%	30/11/23	quarterly
Mediocredito	10,000	28/03/19	6,666	2,222	4,444	Euribor 3m + 1.05%	31/12/23	quarterly
BNL	10,000	29/04/19	7,000	2,000	5,000	Euribor 3m + 1%	29/04/24	quarterly
Unicredit	5,000	30/04/20	4,444	1,111	3,333	Euribor 6m + 0.95%	31/12/24	half-yearly
BNL	7,000	29/05/20	6,223	1,556	4,667	Euribor 6m + 1.1%	31/12/24	half-yearly
UBI	3,000	24/07/20	3,000	372	2,628	Fixed 1%	24/07/23	half-yearly
UBI	3,000	24/07/20	3,000	-	3,000	Euribor 6m + 1%	24/07/26	half-yearly
Total			37,747	10,461	27,286			

During the second quarter of 2020 two new loans were taken out: one with Unicredit worth 5 million Euro, without covenants and with a spread of 0.95%, and a second with BNL worth 7 million Euro, without covenants and with a spread of 1.1%.

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 of these loans, the bank benefits from a guarantee provided by the SME Guarantee Fund offered by Mediocredito Centrale, up to a maximum combined total of 5 million Euro.

None of the loans outstanding at 31 December 2020 has clauses requiring compliance with economic and financial requirements (covenants).

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

Financial liabilities for derivatives total 328 thousand Euro, owing to the negative fair value of certain IRS contracts, also entered into by the 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 Company decided to hedge its variable rate loans through *Interest Rate Cap contracts*, as set out below:

Bank (Euro /000)	Notional principal	Signing date	Notional as at 31 December 2020	Derivative	Fair Value as at 31 December 2020	Long position rate	Short position rate
Unicredit	6,000	14/11/17	2,400	CAP	-	Strike Price 0%	Euribor 3m
BNL	5,000	23/11/17	2,000	CAP	-	Strike Price 0%	Euribor 3m
Total financial assets for derivatives – Interest rate risk					-		

Moreover, Gefran S.p.A. has also taken out IRS (Interest Rate Swap) contracts, as set out in the table below:

Bank (Euro /000)	Notional principal	Signing date	Notional as at 31 December 2020	Derivative	Fair Value as at 31 December 2020	Long position rate	Short position rate
Intesa	10,000	29/03/19	6,666	IRS	(61)	Fixed -0.00%	Euribor 3m (Floor: -1.05%)
BNL	10,000	29/04/19	7,000	IRS	(82)	Fixed 0.05%	Euribor 3m (Floor: -1.00%)
Unicredit	5,000	24/06/19	3,014	IRS	(22)	Fixed -0.10%	Euribor 3m (Floor: -0.75%)
Unicredit	5,000	30/04/20	4,444	IRS	(56)	Fixed 0.05%	Euribor 6m (Floor: -0.95%)
BNL	7,000	29/05/20	6,223	IRS	(55)	Fixed -0.12%	Euribor 6m (Floor: -1.10%)
UBI	3,000	24/07/20	3,000	IRS	(52)	Fixed -0.115%	Euribor 3m
Total financial liabilities for derivatives– Interest rate risk					(328)		

All the contracts described above are booked at fair value:

(Euro /000)	as at 31 December 2020 Positive fair value	as at 31 December 2020 Negative fair value	as at 31 December 2019 Positive fair value	as at 31 December 2019 Negative fair value
Interest rate risk	-	(328)	1	(169)
Total cash flow hedge	-	(328)	1	(169)

All derivatives were tested for effectiveness, with positive outcomes.

In order to support its current operations, the Company has various credit lines granted by banks and other financial institutions available, mainly in the form of loans for advances on invoices, cash flexibility and mixed loans for totalling 34,863 thousand Euro. Overall use of these lines at 31 December 2020 totalled 3,003 thousand Euro, with a residual available amount of 31,860 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)** as of 31 December 2020 amounts to 412 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 195 thousand Euro, and non-current liabilities (beyond one year), amounting to Euros 217 thousand Euro.

The changes in the item in 2020 and 2019 are reported below:

(Euro /000)	31 December 2019	Increases	Decreases	Reclassifications	31 December 2020
Leasing payables under IFRS 16	488	197	(273)	-	412

(Euro /000)	31 December 2018	Valuation 1 January 2019	Increases	Decreases	Reclassifications	31 December 2019
Leasing payables under IFRS 16	-	460	250	(222)	-	488

19. Shareholders' Equity

Shareholders' equity at 31 December 2020 amounted to 71,268 thousand Euro, up by 6,202 thousand Euro from 31 December 2019. The change mainly reflects recognition of the positive result for the year, amounting to 6,280 thousand Euro.

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

As of 31 December 2019 Gefran S.p.A. held 27,220 of its own shares, representing 0.2% of the total; the situation was unchanged on 31 December 2020, and still is as of the date of release of this document.

The Company has not issued convertible bonds.

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

- the share premium reserve, amounting to EUR 19,046 thousand, which is a capital reserve that includes the amounts received by the Company for the issue of shares at a price higher than their nominal value;
- the legal reserve, amounting to EUR 2,880 thousand, which is populated by the mandatory allocation of an amount not less than one-twentieth of annual net profits, until an amount equal to one-fifth of the share capital has been reached (which has already occurred);
- share fair value measurement reserve (positive by 179 thousand Euro), which includes the effects of the measurement of shares at fair value recognised directly under shareholders' equity;
- the cash flow hedge reserve, which includes effects recognised directly under shareholders' equity deriving from the measurement at fair value of financial derivatives to hedge cash flows from changes in interest rates and exchange rates, and is negative by 249 thousand Euro;
- the extraordinary reserve (EUR 9,255 thousand), which is recognised under "other reserves";
- the merger surplus reserve (EUR 858 thousand), which was set up in 2006 after the merger by incorporation of Siei S.p.A. and Sensori S.r.l. and is included under "other reserves";
- the reserve for conversion to IAS/IFRS (EUR 137 thousand), which is included under "other reserves";
- the employee benefits valuation reserve pursuant to IAS 19, which is negative at EUR 601 thousand and is included under "other reserves".

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

Changes in the *Reserve for the measurement of securities at fair value are shown in the table below:*

(Euro /000)	31 December 2020	31 December 2019	Change
Balance at 1 January	(94)	(15)	(79)
UBI Banca S.p.A. Shares	157	6	151
Woojin Plaimm Co Ltd Shares	140	(106)	246
Tax effect	(24)	21	(45)
Net amount	179	(94)	273

Changes in the *Reserve for the measurement of derivatives at fair value are shown in the table below:*

(Euro /000)	31 December 2020	31 December 2019	Change
Balance at 1 January	(121)	3	(124)
Change in fair value derivatives	(168)	(163)	(5)
Tax effect	40	39	1
Net amount	(249)	(121)	(128)

Shareholder's equity breaks down as follows:

(Euro /000)	Amount	Possibility of utilisation	Portion available
Share capital	14,400		
Capital reserves			
Share premium reserve	19,046	A-B-C	19,046
Capital reserves			
- legal reserve	2,880	B	
- extraordinary reserve	9,255	A-B-C	9,255
- IFRS conversion reserve	137		
- reserve for the measurement of securities at fair value	179		
- cash flow hedging reserve	(249)		
- IAS 19 reserve	(601)		
- own shares reserve	(156)		
- merger surplus reserve	858	A-B-C	858
- retained earnings/losses	19,239	A-B-C	19,239
- profit (loss) for the period	6,280		
Total	71,268		48,398
Restricted portion			3,563
Residual portion available	71,268		44,835

Note: Legend of the possibilities of use:

A: capital increase;

B: for leak cover;

C: for distribution to members;

20. Employee Benefits

Liabilities for "Employee benefits" showed the following changes:

(Euro /000)	31 December 2019	Increases	Decreases	Discounting	Other changes	31 December 2020
Post-employment benefits	1,980	-	(122)	34	-	1,892
Non-competition agreements	254	-	(53)	67	-	268
Total	2,234	-	(175)	101	-	2,160

Changes relating to 2019 were as follows:

(Euro /000)	31 December 2018	Increases	Decreases	Discounting	Other changes	31 December 2019
Post-employment benefits	2,107	-	(265)	138	-	1,980
Non-competition agreements	291	-	(53)	16	-	254
Total	2,398	-	(318)	154	-	2,234

The item *Provisions for post-employment benefits* consists of post-employment benefit for Company employees. The change in the year is due to 122 thousand Euro in payments to employees and to the effect of discounting of the payable in existence as of 31 December 2020 according to IAS standards, positive by 34 thousand Euro, as a result of assessment of demographic assumptions and experience (a negative impact of 8 thousand Euro) and changes to financial assumptions (a positive impact of 42 thousand Euro).

Non-competition agreements refer to the amount of the obligation to certain employees, all of Italian subsidiaries, who have signed such agreements to protect the company from competition. The change in the year is due to 53 thousand Euro in payments to employees and to the effect of discounting of the payable in existence as of 31 December 2020 according to IAS standards, positive by 67 thousand Euro, as a result of assessment of interest cost (2 thousand Euro) and changes to financial assumptions (65 thousand Euro).

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

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

/ projection, for each person employed as of the assessment date, of post-employment benefit already accrued and future quotas of post-employment benefit that will be accrued up to the date of payment, projecting the worker's pay;

/ determination, for each employee, of the theoretical payment of post-employment benefit which must be made by the company if the employee leaves the company due to dismissal, resignation, inability, death, or retirement, or in response to requests for advance payment;

/ discounting of each probabilised payment as of the assessment date;

/ re-proportioning of services for each employee, probabilised and discounted on the basis of seniority accrued as of the assessment date, as compared to the corresponding total as of the payment date.

In greater detail, the technical foundations employed are:

Demographic assumptions	2020	2019
Probability of death	ISTAT 2014 Mortality tables	ISTAT 2014 Mortality tables
Probability of inability	INPS tables divided by age and gender	INPS tables divided by age and gender
Probability of retirement	100% upon achievement of AGO requirements adapted to Decree Law 4/2019	100% upon achievement of AGO requirements adapted to Decree Law 4/2019

Hypothetical turnover and advances	2020	2019
Frequency of advances:	2.1%	2.1%
Frequency of resignation:	2% up to age 50 0% after 50	2% up to age 50 0% after 50

Financial assumptions	2020	2019
Discount rate	0.34%	0.77%
Annual inflation rate	0.8%	1.2%
Annual rate of increase of post-employment benefit	2.100%	2.400%

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

- projection for each employee as of the valuation date, of non-competition agreements already set aside and future quotas of non-competition agreements which will be accrued up to the date of payment;
- determination, for each employee, of probabilized payment of post-employment benefit that would have to be paid by the company in the event that the employee should be dismissed or retire;
- time-discounting of each probabilized payment as of the valuation date.

In greater detail, the technical foundations employed are:

Demographic assumptions	2020	2019
Probability of death	RG48 mortality tables published by General State Accounting Department	RG48 mortality tables published by General State Accounting Department
Probability of retirement	100% upon reaching AGO requirements	100% upon reaching AGO requirements
Probability of voluntary resignation of Executives and Management	4.00% up to age 50 0.50% after age 50	4.00% up to age 50 0.50% after age 50

Financial assumptions	2020	2019
Real annual increase	1.50%	1.50%
Annual time-discount rate	0.29%	0.77%
Annual inflation rate	0.80%	1.20%

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

(Euro /000)	31 December 2020		31 December 2019	
	-1.0%	1.0%	-1.0%	1.0%
Post-employment benefit reserve	(219)	187	(223)	206
Non-competition agreements	(8)	8	(8)	8
Total	(227)	195	(231)	214

(Euro /000)	31 December 2020		31 December 2019	
	-0.5%	0.5%	-0.5%	0.5%
Post-employment benefit reserve	(105)	97	(112)	103
Non-competition agreements	(4)	4	(4)	4
Total	(109)	101	(116)	107

21. Current and Non-Current Provisions

Non-current provisions amount to 39 thousand Euro, as compared to 9 thousand Euro on 31 December 2019, and break down as follows:

(Euro /000)	31 December 2019	Provisions	Uses	Releases	Other changes	31 December 2020
- other provisions	9	30	-	-	-	39
Total	9	30	-	-	-	39

Current provisions totalled 957 thousand Euro as of 31 December 2020, compared with provisions of 913 thousand Euro at 31 December 2019. The item breaks down as follows:

(Euro /000)	31 December 2019	Provisions	Uses	Releases	Other changes	31 December 2020
FISC	11	5	-	-	-	16
Product warranty	902	175	(136)	-	-	941
Total	913	180	(136)	-		957

This item referring to the expected cost of repairs to products under warranty saw provision (Euro 175 thousand) and use to cover the cost of repair and replacement of products under warranty (136 thousand Euro); it is proportionate to the volume of revenues and the regularity with which events have historically occurred.

22. Other Liabilities

Other liabilities at 31 December 2020 amounted to 5,115 thousand Euro and break down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Payables to personnel	2,226	2,557	(331)
Social security payables	1,520	1,583	(63)
Accrued interest on loans	24	28	(4)
Payables to directors and statutory auditors	52	44	8
Other accruals	359	416	(57)
Other payables for taxes	862	876	(14)
Other current liabilities	72	308	(236)
Total	5,115	5,812	(697)

The change is primarily attributable to decreased payables to employees and to social security institutions.

23. Revenues From Sales of Products and Services

I *Revenues* 2020 amount to Euro 52,212,000 and compare with Euro 57,127,000 in 2019. The breakdown of sales and performance revenue by sector of activity is shown in the following table:

(Euro /000)	31 December 2020	31 December 2019	Change	%
Sensors	36,657	38,564	(1,907)	-4.9%
Automation components	15,495	17,790	(2,295)	-12.9%
Motion control	60	773	(713)	-92.2%
Total	52,212	57,127	(4,915)	-9%

The 9% decrease in 2020 compared to the 2019 financial year is linked to the economic scenario resulting from the Covid-19 pandemic.

Total revenues include revenues from services provided totalling 135 thousand Euro (158 thousand Euro in the previous year).

24. Other Operating Revenues and Income

Other operating revenues and income amount to 4,047 thousand Euro, 140 thousand Euro higher than on 31 December 2019, as shown in the table below:

(Euro /000)	31 December 2020	31 December 2019	Change	%
Royalty income	161	111	50	45.0%
Services to Group companies	3,037	3,244	(207)	-6.4%
Recovery of company canteen expenses	10	15	(5)	-33.3%
Insurance reimbursements	10	-	10	n.s.
Rental income	399	398	1	0.3%
Government grants	241	-	241	n.s.
Other income	189	139	50	36.0%
Total	4,047	3,907	140	4%

During the year 2020, the Company received government contributions totalling 241 thousand Euro for reimbursement of the cost of procurement of PPE and investments made to protect employees' health, as well as the collection of the final portion of financing for the I-MECH project financed by the European Community.

Other proceeds also includes chargeback for R&D development specifically requested by customers.

25. Costs of Raw Materials and Accessories

Costs of raw materials and accessories were down 1,513 thousand Euro, from 17,954 thousand Euro in 2019 to 16,441 thousand Euro in 2020.

(Euro /000)	31 December 2020	31 December 2019	Change
Raw materials and accessories	16,441	17,954	(1,513)
Total	16,441	17,954	(1,513)

The decrease in the item is linked to the contraction in production volumes, following the reduction in demand in 2020 as a result of the Covid-19 pandemic.

26. Service Costs

Service costs amount to 10,314 thousand Euro, as compared to 12,075 thousand Euro in the year 2019, a drop of 1,761 thousand Euro. They may be broken down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Services	9,848	11,558	(1,710)
Use of third-party assets	466	517	(51)
Total	10,314	12,075	(1,761)

Note that transition to accounting standard IFRS 16, *Leases*, results in entry of all leasing contracts by the financial method, and so leasing fees no longer appear among operating costs in the income statement, but represent repayment of the loan entered at the same time as entry of usage rights and interest among assets in the financial statements.

Lease fees no longer allocated to the income statement under operating costs due to implementation of the new accounting standard amount to 245 thousand Euro (208 thousand Euro in 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 466 thousand Euro in costs in 2020 (517 thousand Euro in 2019).

The decrease in Services, amounting to 1,710 thousand Euro, is a direct consequence of both the travel restrictions imposed by Italy and the other countries in which the Company operates and the cost containment measures implemented during 2020 with the aim of mitigating the effects of lower revenues.

27. Personnel Costs

Personnel costs amounted to 19,849 thousand Euro, down by 958 thousand Euro compared with 2019, and break down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Salaries and wages	14,696	15,432	(736)
Social security contributions	4,075	4,279	(204)
Post-employment benefit reserve	1,044	1,070	(26)
Other costs	34	26	8
Total	19,849	20,807	(958)

The change recorded in 2020 compared to the previous year is due to the decrease in the number of Company employees and to the cost containment measures implemented, and in particular recourse to wage support and use of accumulated vacation time.

Social security contributions include costs for defined contribution plans for management (Previndai pension plan) amounting to 45 thousand Euro (46 thousand Euro at 31 December 2019).

The average number of employees in 2020 is shown below:

	2020	2019	Change
Managers	12	11	1
Clerical staff	182	182	-
Manual workers	123	126	(3)
Total	317	319	(2)

The average number of employees decreased by 2 individuals compared to 2019.

The exact number of employees of Gefran S.p.A. at the end of 2020 was 311, as compared to 322 on 31 December 2019, and movements in 2019 saw the addition of 10 employees (all clerical staff), while 21 people left the company (1 executive, 12 clerical staff and 8 workers).

28. Miscellaneous Management Costs and Other Operating Income

Miscellaneous management costs presented a balance of 403 thousand Euro, compared with 426 thousand euro in 2019, and break down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Capital losses on the sale of assets	-	(19)	19
Other taxes and duties	(157)	(163)	6
Membership fees	(134)	(117)	(17)
Miscellaneous	(112)	(127)	15
Total	(403)	(426)	23

Other operating income amounted to 8 thousand Euro, compared with 125 thousand Euro in the previous year, and breaks down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Capital gains on the sale of assets	5	48	(43)
Collection of doubtful receivables	3	4	(1)
Release of risk provisions	-	72	(72)
Miscellaneous	-	1	(1)
Total	8	125	(117)

29. Depreciation, Amortization and Impairment

(Euro /000)	31 December 2020	31 December 2019	Change
Intangible assets	1,473	1,447	26
Tangible assets	3,002	4,236	(1,234)
Usage rights	239	205	34
Total	4,714	5,888	(1,174)

Amounted to Euro 4,714,000, in Decrease of Euro 1,174 thousand compared to the figure of December 31, 2019, when it included the recording and accounting of losses in value on fixed assets, for an amount of Euro 1,531 thousand, entirely allocated to the sensor business.

The investment plan of the sensor business included the expansion of production lines and the need for large and new dedicated spaces, indispensable to support the expansion of the business. The adaptation of an existing building was originally assessed, but in carrying out a more in-depth analysis, it was found that the building would not guarantee adequate technological and energy and sustainable performance in the long term. It was therefore decided to demolish the existing building in order to build a new building that was more functional and above all at the forefront from a technological and energy point of view. The work has been completed and the activities in question transferred at the end of December 2019. The new plant has been operational since the beginning of January 2020.

In addition, as of 1 January 2019, this item includes amortization related to the right of use, in accordance with the IFRS16 accounting principle; the value at 31 December 2020 totals Euro 239 thousand (Euro 205 at 31 December 2019).

30. Gains and Losses From Financial Assets/ Liabilities

Gains from financial assets totalled 1,719 thousand Euro, as compared to 2,182 thousand Euro in 2019, and break down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Cash management			
Interest from subsidiaries	-	22	(22)
Income from cash management	8	12	(4)
Other financial income	6	7	(1)
Medium-/long-term interest	(322)	(259)	(63)
Short-term interest	(17)	(5)	(12)
Interest from subsidiaries	(1)	(4)	3
Factoring interest and fees	(1)	(1)	-
Other financial charges	8	3	5
Total income (charges) from cash management	(319)	(225)	(94)
Currency transactions			
Exchange gains	207	182	25
Positive currency valuation differences	4	130	(126)
Exchange losses	(208)	(99)	(109)
Negative currency valuation differences	(166)	(14)	(152)
Total other income (charges) from currency transactions	(163)	199	(362)
Other			
Gains from disposal of financial assets	10	-	10
Dividends from equity investments	2,200	2,545	(345)
Value adjustments on non-current assets	(4)	(332)	328
Interest on financial payables due to leasing under IFRS 16	(5)	(5)	-
Total other financial income (charges)	2,201	2,208	(7)
Total	1,719	2,182	(463)

This item includes dividends received by Gefran Group companies for a total of Euro 2,200,000 (Euro 2,545,000 in 2019), detailed as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Gefran Siei Asia (Singapore)	1,500	500	1,000
Gefran Inc. (U.S.)	-	885	(885)
Gefran Deutschland Gmbh (Germany)	500	1,000	(500)
Gefran Benelux	200	160	40
Total	2,200	2,545	(345)

Medium/long term financial charges increased by 63 thousand Euro primarily due to new loans signed in 2020.

The balance of differences in currency transactions is negative by 163 thousand Euro, as compared to a positive balance of 199 thousand Euro in 2019; the change is a result of dynamics in the Euro exchange rate.

Value adjustments of non-current assets registered in 2020 amount to 4 thousand Euro, (332 thousand Euro in 2019); the item may be broken down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Ensun S.r.l.	(4)	(332)	328
Total	(4)	(332)	328

For further details, see note 12 of these notes to the accounts.

31. Income Taxes, Deferred Tax Assets and Deferred Tax Liabilities

The item *Taxes* is negative by 1,257 thousand Euro, as compared to a negative balance of 1,476 thousand in the year 2019, and may be broken down as follows:

(Euro /000)	31 December 2020	31 December 2019	Change
Current taxes			
IRES (corporate income tax)	(220)	(201)	(19)
IRAP (regional production tax)	(211)	(429)	218
Total current taxes	(431)	(630)	199
Deferred taxes			
Deferred tax liabilities	-	5	(5)
Deferred tax assets	(826)	(851)	25
Total deferred taxes	(826)	(846)	20
Total taxes	(1,257)	(1,476)	219

Current taxes amounted to EUR 431 thousand and were for the recognition of the IRES and RAP taxable amounts, which can be offset only in part by prior tax losses, in accordance with current legislation. The change is attributable to Gefran S.p.A.'s decreased profit.

The balance of the item deferred tax assets and deferred taxes was negative by 826 thousand Euro, as compared to a negative balance of 846 thousand Euro on 31 December 2019; the change is a result of use of deferred tax assets entered to cover previous tax losses.

The reconciliation of income taxes accounted for and theoretical taxes, resulting from the application to profit before tax of the corporate income tax rate in force (24%), is as follows:

(Euro /000)	31 December 2020	31 December 2019
Profit (loss) before tax	7,537	7,698
Theoretical income taxes	(1,809)	(1,848)
Effect from use of losses carried forward	1,070	1,007
Net effect of permanent differences	731	830
Net effect of temporary deductible and taxable differences	(208)	(197)
Effect of taxes from previous years	(4)	6
Current taxes	(220)	(202)
Income tax – deferred tax assets/liabilities	(860)	(876)
Income tax entered in the financial statement (excluding current and deferred regional production tax IRAP)	(1,080)	(1,078)
IRAP - current taxes	(211)	(428)
IRAP – deferred tax assets/liabilities	34	30
Recognised income taxes (current and deferred)	(1,257)	(1,476)

The net effect of permanent differences mainly refers to dividends received during the year and amounts reflecting super/hyper-depreciation.

Deferred tax assets and deferred tax liabilities break down as follows:

(Euro /000)	31 December 2019	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	Other changes	31 December 2020
Deferred tax assets						
Impairment of inventories	397	233		-	-	630
Impairment of trade receivables	217	-		-	-	217
Impairment of assets	535	-		-	-	535
Deductible losses to be brought forward	1,226	(1,060)		-	-	166
Exchange rate balance	3	(2)		-	-	1
Provision for product warranty risk	252	11		-	-	263
Provision for miscellaneous risks	155	(8)	20	-	-	167
Fair Value hedging	64	-	15	-	-	79
Total deferred tax assets	2,849	(826)	35	-	-	2,058

(Euro /000)	31 December 2019	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	Other changes	31 December 2020
Deferred tax liabilities						
Exchange valuation differences	-				(2)	(2)
Total deferred taxes	-	-	-	-	(2)	(2)
Net total	2,849	(826)	35	-	(2)	2,056

The IRES tax losses recognised among deferred tax assets refer to all existing tax losses, and it is assumed that this amount will be recovered in the next three financial years.

Deferred tax assets and deferred tax liabilities for the year 2019 break down as follows:

(Euro /000)	31 December 2018	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	Other changes	31 December 2019
Deferred tax assets						
Impairment of inventories	220	177		-	-	397
Impairment of trade receivables	252	(35)		-	-	217
Impairment of assets	535	-		-	-	535
Deductible losses to be brought forward	2,232	(1,007)		-	1	1,226
Exchange rate balance	4	(1)		-	-	3
Provision for product warranty risk	215	37		-	-	252
Provision for miscellaneous risks	141	(22)	36	-	-	155
Fair Value hedging	2	-	62	-	-	64
Total deferred tax assets	3,601	(851)	98	-	1	2,849

(Euro /000)	31 December 2018	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	Other changes	31 December 2019
Deferred tax liabilities						
Exchange valuation differences	(4)	5		-	(1)	-
Total deferred taxes	(4)	5	-	-	(1)	-

Net total	3,597	(846)	98	-	-	2,849

32. Guarantees Granted, Commitments and Other Contingent Liabilities

a. Guarantees Granted

At 31 December 2020, Gefran S.p.A. had not granted any guarantees on the liabilities and commitments of third parties or subsidiaries; the changes over 31 December 2019 are shown in the table below:

(Euro /000)	31 December 2020	31 December 2019
Banca Passadore	-	2,750
Banca Pop. Emilia Romagna	-	1,020
Total	-	3,770

As at 31 December 2019, the surety issued in favour of Banca Passadore guaranteed the credit lines of Ensun S.r.l., and was awaiting completion of the release procedures by the bank, as the underlying loan had been completely extinguished as at 31 December 2019. The release procedures were completed during the first half of 2020 and the surety in question was revoked.

The surety issued in favour of Banca Popolare Emilia Romagna in the fourth quarter of 2018 with an 18-month term, worth 1,020 thousand Euro, guaranteed the credit lines of Gefran Drives and Motion S.r.l. The surety in question was revoked during the first half of 2020.

b. Legal Proceedings and Disputes

Gefran S.p.A. is involved in various legal proceedings and disputes. It is, however, considered unlikely that the resolution of these disputes will generate significant liabilities for which provisions have not already been made.

c. Commitments

The Company has stipulated contracts for rental of real estate and leasing of equipment, electronic machinery and company vehicles. With application of accounting standard IFRS 16, the amount of lease fees remaining payable appears in the financial statement under the items *Usage rights* and *Financial payables for leasing under IFRS16*, and so the reader is referred to the notes on these topics for more information.

As required under the new accounting standard, some residual existing contracts have been excluded from the perimeter of application as they met the requirements for exclusion; leasing costs for these contracts entered in the income statement amount to 466 thousand Euro in the year 2020 (517 thousand Euro on 31 December 2019).

At 31 December 2020, the total value of the Company's commitments was 495 thousand Euro, for leasing and rental contracts expiring within the next five years, which do not fall within the scope of application of IFRS 16 (equal to 518 thousand Euro at 31 December 2019). This value mainly refers to the share of ancillary services pertaining to contracts subject to IFRS16, as well as contracts for which, based on their value and duration, the above standard has not been applied.

33. Dealings with Related Parties

The following information is provided on dealings with related parties in the years 2020 and 2019, in accordance with IAS 24.

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

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

The most significant transactions with other related parties are listed below. These dealings have no material impact on Gefran S.p.A.'s economic and financial structure. They are summarised in the following tables:

(Euro /000)	Marfran S.r.l.	Climat S.r.l.	Total
Revenue from product sales			
2019	-	-	-
2020	1	-	1
Service costs			
2019	-	(113)	(113)
2020	(67)	(134)	(201)

(Euro /000)	Marfran S.r.l.	Climat S.r.l.	Total
Property, plant, machinery and tools			
2019	-	357	357
2020	-	140	140
Trade payables			
2019	-	114	114
2020	16	157	173

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

Gefran S.p.A.'s relations with subsidiaries and affiliates are set out in the Company's notes to individual items in the statement of financial position and the income statement, and mainly pertain to:

- relations in connection with sales of products and services;
- service contracts (communication, legal, corporate, finance and cash, IT, product marketing, personnel management) in favour of subsidiaries;
- relations of a financial nature, represented by current account relations for cash pooling purposes.

All these relations were created in the normal course of operations, taking account of the level of service provided or received and in compliance with procedures to ensure the material correctness of the transaction.

Moreover, in dealings with its subsidiaries, Gefran S.p.A. provided technical, administrative and management services and payment of royalties on behalf of the Group's operative subsidiaries totalling about 3.2 million Euro under specific agreements (3.4 million Euro as of 31 December 2019).

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

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

In the year 2020 Gefran S.p.A. earned 2,200 thousand Euro in dividends from subsidiaries (2,545 thousand Euro in 2019).

Members of the Board of Directors and the Board of Statutory Auditors and managers with strategic responsibilities were paid the following aggregate remuneration: 977 thousand Euro included in personnel costs and 1,079 thousand Euro included in service costs (482 thousand Euro included in personnel costs and 1,371 thousand Euro included in service costs in 2019).

Please note that the information required pursuant to Article 123 bis of Italian Legislative Decree No. 58/1998 is contained in a separate document, the "Report on Corporate Governance and Ownership Structure", which refers for some information to the "Remuneration Report", prepared pursuant to article 123 ter of Italian Legislative Decree No. 58/1998. Both reports are published on the Company's internet site, in the *governance/meetings section.*

Persons of strategic importance have been identified as members of the executive Board of Directors of Gefran S.p.A. and other Group companies, as well as executives with strategic responsibilities, identified as the General Manager of Gefran S.p.A., the General Manager of the Drives and Motion Control Business Unit, the Chief Financial Officer, the Chief People & Organisation Officer, and the Group's Chief Technology Officer.

34. Information Pursuant to Article 149-*Duodecies* of the Consob Issuers' Regulation

The table below shows fees paid in relation to the year 2020 for auditing services and for services other than auditing provided by the auditing company and entities in its network.

(Euro /000)	Party that provided the service	Fees for 2020
Accounts audit	PwC S.p.A.	88
Audit Non-Financial Declaration	PwC S.p.A.	19
Certification services	PwC network	33
Total		140

35. Events After 31 December 2020

Please see the Report on Operations for the operating performance in early 2021. No other significant events took place after the year-end.

36. Other Information

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

Provaglio d'Iseo, 11 March 2021

For the Board of Directors

Chairwoman	Chief Executive Officer
Maria Chiara Franceschetti	**Marcello Perini**

Certification of Annual Financial Statements Under Art.81-Ter of Consob Regulation No.11971 Of 14 May 1999 as Amended

The undersigned **Marcello Perini**, in his capacity as Chief Executive Officer, and **Fausta Coffano**, in her capacity as Executive in charge of financial reporting of Gefran S.p.A., hereby certify, with due regard for the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy, with respect to the Company's characteristics,

and

- the effective application of administrative and accounting procedures for formation of the annual financial statements in the year between 01.01.2020 and 31.12.2020.

There are no significant events to report in this regard.

They further certify that:

1. the **Annual financial statements** at 31 December 2020 of Gefran S.p.A.:
   - were prepared in accordance with applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to entries made in accounting ledgers and records;
   - provide a true and accurate representation of the financial situation of the issuer;

The **Report on operations** contains a reliable analysis of operating performance and results and of the condition of the issuer, together with a description of the main risks and uncertainties to which it is exposed

Provaglio d'Iseo, 11 March 2021

Chief Executive Officer	Manager in charge of financial reporting
Marcello Perini	**Fausta Coffano**

External Auditors' Report on the consolidated Financial Statements

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Gefran SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gefran Group (the Group), which comprise the statement of financial position as of 31 December 2020, the statement of profit/(loss) for the year, statement of profit/(loss) for the year and other items of comprehensive income, statement of changes in shareholders' equity, consolidated cash flow statement for the year then ended, and specific explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Gefran SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*

Recoverability of Goodwill

Note 11 to the specific explanatory notes to the accounts "Goodwill"

The carrying amount of goodwill as at 31 December 2020 is Euro 5,692 thousand (3,5% of total assets and 7,3% of consolidated equity) and impairment testing is required at least once a year.
Goodwill is allocated to specific Cash Generating Units (CGU) identified on a geographical basis (France, India, USA and Switzerland).
The recoverability of goodwill is assessed by comparing the book value recognised in the consolidated financial statements with the value in use.
Value in use is the discounted value of the expected cash flows from use of the asset (*Unlevered Discounted Cash Flows Method*).
The valuation of the recoverable amount of goodwill is a key audit matter considering the significant carrying amount and the complexity of the valuation process that requires significant Management estimation, based on economic and market assumptions, including cash flow forecast and the discount rate applied.

We evaluated the consistency of the allocations of goodwill to the Cash Generating Units with the previous year and we obtained an understanding of the valuation process adopted by the Group in order to determine the recoverability of the carrying amount of goodwill.
We obtained and examined the impairment tests prepared by the Management of the parent Company.
We analysed the main assumptions adopted focusing on revenues forecast in order to obtain evidence on the development of revenues over the period of the plan, and on the reasonableness of estimated operating costs.
Experts from the PwC network have been involved to conduct a critical examination of the model used and the calculation of the Weighted average cost of capital (Wacc).
In addition, in order to assess the ability of the Management to make reliable forecasts, we compared the final figures as at 31 December 2020 with the related budget data.
We compared the forecasts approved by the Boards of Directors of the subsidiaries with the assumptions used in the context of the impairment tests.
An independent sensitivity analysis was developed on the main assumptions underlying the impairment models, in order to assess the impact, on the results of the tests, of variations produced in the main parameters adopted.
We assessed the accuracy and completeness of the disclosures in the specific explanatory notes.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Gefran SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 21 April 2016, the shareholders of Gefran SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Gefran SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Gefran Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Gefran Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Gefran Group as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Gefran SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Brescia, 30 March 2021

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

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

External Auditor's Report on the Non-Financial Disclosure

pwc

Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Gefran SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Gefran SpA and its subsidiaries (the "Group") for the year ended 31 December 2020 prepared in accordance with article 4 of the Decree, presented in the specific section of the Report on Operations, and approved by the Board of Directors on 11 March 2021 (the "NFS").

Responsibilities of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016, and updated to 2019, by the GRI - Global Reporting Initiative (the "GRI Standards"), with reference to a selection of GRI Standards, indicated at paragraph "*Note on methodology*" of the NFS, identified by them as the reporting standards.

The Directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for

Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards, with reference to a selection of GRI Standards. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with that reported in the Gefran Group's Consolidated Financial Statements;
4. understanding of the following matters:
   - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
   - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   - main risks, generated or faced by the Group, with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;
5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In detail, we held meetings and interviews with the management of Gefran SpA and with the personnel of Gefran Drives and Motion Srl and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at holding level,
  a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
  b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the companies Gefran SpA and Gefran Drives and Motion Srl, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out call conferences during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Gefran Group as of 31 December 2020 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards, with reference to the selection of GRI Standards included in the NFS.

Milan, 30 March 2021

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

Signed by

Paolo Bersani
(Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2020 translation.

External Auditors' Report on the Financial Statements of Gefran S.p.A.

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Gefran SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gefran SpA (the Company), which comprise the statement of financial position as of 31 December 2020, statement of profit/(loss) for the year, statement of profit/(loss) for the year and other items of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended, and specific explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Trollo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

www.pwc.com/it

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of Equity investments in subsidiaries *Note 11 to the specific explanatory notes to the accounts "Equity investments in subsidiaries"* Investments in subsidiaries are accounted for using the cost method. The carrying amount as at 31 December 2020 is Euro 42,416 thousand (29% of total assets) and impairment testing of equity investments is required if there are indicators suggesting that such a problem might exist. The recoverability of the asset is assessed by comparing the book value recognised in the financial statements with the value in use. Value in use is the discounted value of the expected cash flows from use of the asset (*Unlevered Discounted Cash Flows Method*). The valuation of the recoverable amount of equity investments in subsidiaries is a key audit matter considering the significant carrying amount and the complexity of the valuation process that requires significant Management estimation, based on economic and market assumptions, including cash flow forecast and the discount rate applied.	We obtained an understanding of the valuation process adopted by the Company in order to determine the recoverability of the carrying amount of investments in subsidiaries and we examined the impairment tests prepared by the Management. We compared the forecasts approved by the Boards of Directors of the subsidiaries with the assumptions used in the context of the impairment tests. We analysed the main assumptions adopted focusing on revenues forecast in order to obtain evidence on the development of revenues over the period of the plan, and on the reasonableness of estimated operating costs. Experts from the PwC network have been involved to conduct a critical examination of the model used and the calculation of the Weighted average cost of capital (Wacc). In addition, in order to assess the ability of the Management to make reliable forecasts, we compared the final figures as at 31 December 2020 with the related budget data. An independent sensitivity analysis was developed on the main assumptions underlying the impairment models, in order to assess the impact, on the results of the tests, of variations produced in the main parameters adopted. We assessed the accuracy and completeness of the disclosures in the specific explanatory notes.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 21 April 2016, the shareholders of Gefran SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Gefran SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Gefran SpA as of 31 December 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Gefran SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Gefran SpA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Brescia, 30 March 2021

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

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

Board of Statutory Auditors' Report to the Shareholders' Meeting of Gefran S.p.A.

Board of Statutory Auditors' Report to the Shareholders' Meeting of Gefran S.p.A. pursuant to article no. 153 of Legislative Decree no. 58 of 24 February 1998 (TUF) and article 2429, second paragraph, of the Italian Civil Code

Dear Shareholders,
In the year ending on 31 December 2020, we carried out supervisory activities in compliance with the Law, aligning our operations with the rules of conduct applied to the Boards of Statutory Auditors of listed companies, issued by the National Council of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), with the recommendations issued by the National Commission for companies and the Stock Exchange (Consob) as regards corporate auditing and the activities of the Board of Statutory Auditors as well as with the guidelines contained in the Code of Conduct issued by the Italian Stock Exchange.
Legal auditing tasks pursuant to Legislative Decree no.39 of 27 January 2010 (Legislative Decree 39/2010) were assigned to the external auditors PricewaterhouseCoopers SpA, appointed by the Shareholders' Meeting of 21 April 2016 for the nine year period from 2016 to 2024.
The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting on 24 April 2018; during the year 2020, deputy auditor Luisa Anselmi took over on the Board following the resignation of standing auditor Primo Ceppellini on 27 May 2020.
Also pursuant to the recommendations issued by Consob with Communication DEM/1025564 of 6 April 2001, as amended, we wish to inform you and report on the following:

- We have monitored compliance with the Law and with the Articles of Association.
- We have attended the meetings of the Board of Directors and specific preparatory meetings concerning the items on the agenda, as well as the meetings held by the Control and Risk Committee, the Appointments and Remuneration Committee, and the Sustainability Committee established in the year 2020; we have obtained periodic information from the Directors on the general performance of the company, its anticipated evolution, and the most significant business, financial and equity transactions carried out by the Company; moreover, we have ensured that the resolutions issued and implemented were compliant with the Law and the Articles of Association and that they were clearly not imprudent, risky, in potential conflict of interest and in contrast with the resolutions issued by the Shareholders' Meeting or such as to jeopardise the integrity of the company's assets. During the auditing carried out, no atypical and/or unusual transactions emerged. In order to execute our mandate, we have analysed information flows

originating from different corporate structures and from the outsourced Internal Audit function, and we have also conducted auditing of the management of the company and the external auditors.

- On 11 March 2021, in response to a proposal submitted by the Appointments and Remuneration Committee, the Board of Directors approved the "Annual Remuneration Report", prepared pursuant to article 123-ter of TUF, article 84-quater of the Consob Issuers' Regulation and the provisions of article 6 of the Code of Conduct.
- We have monitored the compliance and the correct application of the "Regulations for transactions with related parties" adopted by the Board of Directors on 3 August 2017, pursuant to article 4 of the Consob Regulations, under Resolution no. 17221 of 12 March 2010, as amended and supplemented.
- The Company has prepared the 2020 financial statements according to the international accounting standards (IAS/IFRS). These financial statements were submitted for an independent audit to be conducted by PricewaterhouseCoopers SpA, which issued its Report on 30 March 2021;
- The Company has also prepared the 2020 consolidated financial statements of the Gefran Group in compliance with the international accounting standards (IAS/IFRS). These financial statements were also submitted for an independent audit to be conducted by PricewaterhouseCoopers SpA, which issued its Report on 30 March 2021;
- The Company has also prepared a Consolidated Non-Financial Declaration as of 31/12/2020 pursuant to Legislative Decree 254/2016 and referring to the international reporting standards issued by the GRI-Referenced version of the "Sustainability Reporting Standards" Global Reporting Initiative. This Statement was also submitted for an audit conducted by PricewaterhouseCoopers SpA, which issued its Report on 30 March 2021; In this regard, the Board of Statutory Auditors, in compliance with the provisions of Legislative Decree 254 of 30 December 2016, monitored compliance with the provisions set out in the decree and in Consob resolution no. 20267 of 18/01/2018. No facts have emerged from these activities that may be reported in this report.
- With regard to opinions and declarations, the external auditors, in their audit report on the financial statements, have:
  - expressed the opinion that Gefran's separate and consolidated financial statements provide a truthful and correct representation of the equity and financial situation of Gefran and of the Group at 31 December 2020 and of the net result and cash flows for the year closed on that date, in accordance with the international financial reporting standards adopted

by the European Union and the provisions issued pursuant to Article 9 of Legislative Decree 38/05;

- expressed the opinion that the Reports on Operations accompanying the separate and consolidated financial statements as at 31 December 2020 and certain specific information contained in the "Report on corporate governance and ownership structure" specified in article 123-bis, paragraph 4, of the TUF - the responsibility for which falls to the directors - are drafted in compliance with the law;
- declared that they have nothing to report regarding any significant errors in the Report on Operations, based on the knowledge and understanding of the company and of the related context acquired in the course of the audit.

On 30 March 2021 the external auditors also submitted to the Board of Statutory Auditors the Additional Report required by Article 11 of EU Regulation no. 537/2014, which reports no significant deficiencies in the internal control system, with reference to the financial reporting process, worthy of being brought to the attention of those responsible for corporate governance.

Enclosed with the additional report, the external auditors also submitted to the Board of Statutory Auditors a declaration relating to their independence, as required by article 6 of EU regulation no. 537/2014, from which no situations emerge that could compromise their independence.

Furthermore, the Board has also taken due account of the transparency report prepared by the external auditors and published on their website pursuant to article 18 of Legislative Decree 39/2010.

Based on the activities carried out and considering the evolving nature of the Internal Control System, the Board of Statutory Auditors has expressed an assessment of the overall adequacy of the same and acknowledged, in its capacity as Internal Control and Auditing Committee, that there are no relevant findings to report to the Shareholders' meeting.

The external auditors PricewaterhouseCoopers SpA have communicated the fees for the auditing of the separate and consolidated financial statements of Gefran S.p.A. at 31 December 2020 and of the Gefran Group, as well as for limited auditing of interim reports, for the performance of control activities on the keeping of accounting records and all additional assigned tasks. The fees may be broken down as follows, referencing the Directors' Report on Operations for additional details:

Accounts audit	Pwc Spa	Parent Company	88
Accounts audit	Pwc Spa	Subsidiaries	63

Accounts audit	Pwc network	Subsidiaries	194
External audit Non-Financial Statement	Pwc Spa	Parent Company	19
Certification service	Pwc network	Parent Company	33
Total Euro			397

Taking into account the tasks assigned to them and to their network by Gefran and by the Group companies, the Board of Statutory Auditors does not believe that there are any critical issues concerning the independence of the external auditors.

- Among the most relevant transactions reported for 2020, the following should be noted, referencing the Directors' Report on Operations for additional details:
  - On 6 April 2020 the Gefran S.p.A. Board of Directors withdrew its 12 March 2020 resolution concerning the distribution of dividends on profits earned in 2019. The decision was made in view of the significant economic impact of the Covid-19 pandemic, with the goal of limiting financial expenditure and prudentially reinforcing the Group's already solid economic and financial position.
  - The Shareholders' Meeting was asked to allocate all of the net profit from the year 2019 (6,221,826 Euro) to retained earnings.
  - On 28 April 2020 the Gefran S.p.A. extraordinary shareholders' meeting approved the changes to the company's articles of association proposed by the previous Board of Directors' meeting.
  - On 28 April 2020, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:

  Approve Gefran S.p.A.'s financial statements for the year 2019 and allocate the entire annual profit of Euro 6.2 million to retained earnings;
  Appoint Ennio Franceschetti as Gefran Honorary Chairman and resolve on appointment of the members of the Board of Directors for the 2020-2022 three-year period: Ennio Franceschetti, Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti, Marcello Perini, Daniele Piccolo, Monica Vecchiati, Cristina Mollis and Giorgio Metta.
  Authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares with a face value of 1 Euro each, within 18 months from the date of the Shareholders' Meeting.
  In accordance with art. 123-ter of Italy's Consolidated Finance Act (TUF), the shareholders' meeting voted in favour of the Group's 2020 Remuneration Policy and remuneration for the year 2019.

- On 28 April 2020, the new Gefran S.p.A. Board of Directors, which met immediately after the shareholders' meeting, appointed Maria Chiara Franceschetti as its Chairman, Andrea Franceschetti and Giovanna Franceschetti as its Vice Chairmen, and Marcello Perini as CEO.
The new Board of Directors appointed members Monica Vecchiati, Daniele Piccolo and Giorgio Metta to the Control and Risk Committee, while Daniele Piccolo, Monica Vecchiati and Cristina Mollis were appointed members of the Remuneration Committee.
The independence requirements of the newly-appointed board were also verified. The non-executive directors Daniele Piccolo, Monica Vecchiati, Cristina Mollis and Giorgio Metta declared they were in possession of the independence requirements. Daniele Piccolo is Lead Independent Director. Ennio Franceschetti, Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti and Marcello Perini are Executive Directors.
- On 27 May 2020, Standing Auditor Primo Ceppellini resigned for personal reasons, with immediate effect. In accordance with the law and the Articles of Association, the position has been taken over by Luisa Anselmi, appointed Deputy Auditor by the Shareholders' Meeting of 24 April 2018.
- On November 25, 2020, the Strategic Sustainability Plan, drawn up in line with the United Nations Sustainable Development Goals (Global Compact), was presented to stakeholders, representing an evolution of the Group's commitment to quality of life within and outside the company (people, territory, and the environment) that has historically guided its strategic and corporate management policy. The Plan was presented during the digital event "The future and our present - Connections between sustainability and competitive advantage", moderated by Prof. Mario Mazzoleni, Director of SMAE (School of Management and Advanced Education) of the University of Brescia, with the participation of Prof. Carlo Carraro, Rector Emeritus and Professor of Environmental Economics at Ca' Foscari University in Venice. During the event, Sustainability Committee members Giovanna Franceschetti and Marcello Perini and project manager Fausta Coffano described the guidelines, objectives and projects included in the Plan.

- We have acquired knowledge and we have monitored, within our area of competence, the appropriateness of the Company's organisational structure, compliance with the correct administration principles, alignment with the provisions applicable to subsidiaries pursuant to article 114, second paragraph, of the TUF, by acquiring information from the managers of the company's functions and by meeting with the external auditors.

- We have assessed and monitored the adequacy of the administrative and accounting system, as well as the reliability thereof, in correctly representing events in operation; this was accomplished by obtaining information from the Director in charge of preparing the accounting and corporate documents, by reviewing the company's documentation and by analysing the results of the work carried out by the external auditors PricewaterhouseCoopers SpA. The CEO and the Director in charge of preparing the accounting and corporate documents have declared, in an appropriate report attached to the 2020 financial statements: a) the adequacy and the actual application of the administrative accounting procedures; b) the compliance of the content of the accounting documents with international accounting standards; c) the consistency of the documents with the results of the accounting ledgers and records and their accuracy in correctly representing the equity, economic and financial position of the Company; d) that the Report on Operations provides a reliable analysis of the results of operation and of the issuer's situation, along with a description of the principal risks and uncertainties to which it is exposed. A similar declaration is attached to the consolidated financial statements of the Gefran Group.
- We have assessed and monitored the adequacy of the internal control system through: a) a review of the report from the Internal Audit Manager about the internal control system; b) a review of the reports from Internal Audit and reporting on the results of monitoring; c) attendance at the meetings of the Control and Risk Committee and acquisition of the related documentation; d) meetings with the Director in charge of preparing the accounting and corporate documents. Participation in the Control and Risk Committee has allowed the Board of Statutory Auditors to coordinate, together with the Committee itself, the performance of its functions in the capacity of "Internal Control and Auditing Committee" pursuant to article 19 of Legislative Decree 39/2010 and, in particular, to monitor: a) the processes related to financial reporting; b) the efficacy of the internal control system, internal auditing and risk management; c) the regulatory auditing of the accounts; d) all aspects related to the independence of the external auditors.
- We met with the staff of the external auditors PricewaterhouseCoopers SpA, pursuant to article 150, third paragraph, of TUF and no significant data or information that needs to be included in this Report has emerged. Moreover, no significant matters nor significant deficiencies in the internal control system, with reference to the financial reporting process, have emerged during the auditing.

- We have monitored the methods applied to enactment of the Code of Conduct adopted by the Company, in accordance with the Report on Corporate Governance and Ownership Structure approved by the Board of Directors on 11 March 2021. In particular, with reference to the specific recommendations, within the area of competence of the Board of Statutory Auditors, please be informed that:

  -we have checked the correct application of the criteria and procedures, for the assessment of independence, adopted by the Board of Directors;

  -as regards self-assessment of the independence requirement applied to the members of the Board of Statutory Auditors, we verified compliance with it initially, upon our appointment, and subsequently, annually and, most recently, during the Board of Statutory Auditors meeting of 4 February 2021, using methods compliant with those adopted by the Directors;
- We have monitored the correct application by the Company of the procedure for handling inside information and significant information, prepared in the light of CONSOB Guideline no. 1/2017, and the procedure for Notification of transactions in shares and financial instruments carried out by Significant Persons (Internal Dealing).
- With reference to Legislative Decree no. 231 of 8 June 2001, the Company has adopted an organisational and management model for a number of years now, the contents of which are compliant with best practice. During the year, the Board of Statutory Auditors has always maintained a constant information flow with the members of the Supervisory Body. From the information acquired, no criticalities regarding the correct implementation of the organisational model that would need to be included in this report, have emerged.
- We have not received any complaints pursuant to article 2408 of the Italian Civil Code, nor have we any knowledge of facts or claims that need to be brought to the attention of the Shareholders' meeting.
- During the year, we delivered a favourable opinion on the proposal for the remuneration of directors with special duties, pursuant to art. 2389 of the Italian Civil Code, also in light of the assessments of the Remuneration and Appointments Committee. In addition, in accordance with application principle 7.C.1 of the Code of Conduct, we expressed a favourable opinion regarding the appointment of the new Head of Internal Audit.
- We verified compliance with the laws concerning the preparation of the separate and consolidated financial statements and the Directors' Report on Operations, both directly and with the assistance of the managers of the company's functions and through information obtained by the

external auditors, and we do not have any particular observations to report. In this regard, pursuant to art. 2426, first paragraph, point 5, we have expressed our agreement to inclusion in the annual financial statements of development costs totalling €1,431,000.

- In accordance with the requirements of Consob stated in note no. 1/2021 of 16 February 2021, with reference to the impact of the pandemic on the Company and the Group, we confirm that we have received an adequate flow of information from the Board of Directors and that we have had an adequate exchange of information with the independent auditors and subsidiaries' control bodies. Finally, we agree with the Directors' opinion as to whether the company is a going concern, stated in the Report on Operations, and on the adequacy of the internal control system, as set out in the Report on Corporate Governance.
- The members of the Board of Statutory Auditors have met the communication requirements applied to the assignment of administration and auditing of Italian corporations, within the time frames and the methods set forth in article 148-bis of TUF and the articles under Section II of Title V-bis of the already mentioned Issuers' Regulation.
- During the year 2020, the Board of Statutory Auditors met 10 times and attended 13 meetings held by the Board of Directors, 6 meetings held by the Control and Risk Committee, 5 meetings held by the Appointments and Remuneration Committee, and 3 meetings held by the Sustainability Committee set up in the year 2020.

Based on its own activity and on the acquired information, the Board of Statutory Auditors has found no omissions, reprehensible facts, irregularities, or any circumstance that would require reporting to the supervisory body or mentioning in this Report.

The Board of Statutory Auditors, acknowledging the financial statements at 31 December 2020, has no objections regarding the proposal for resolutions submitted by the Board of Directors.

Having reached the end of its mandate, the Board wishes to express its gratitude for the trust shown in it.

Brescia, 30 March 2021

THE BOARD OF STATUTORY AUDITORS

Marco Gregorini, Chairman
Roberta Dell'Apa Standing Auditor
Luisa Anselmi Standing Auditor