GEFRAN GROUP

ANNUAL FINANCIAL REPORT

AT 31 DECEMBER

2021

GEFRAN

BEYOND TECHNOLOGY

SUMMARY

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NOTICE OF CALL

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 28 April 2022, 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 2021.

Approval of the Annual Financial Statements as of 31 December 2021, 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 2021. 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 2021.

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. 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 2021

LETTER FROM THE CHAIRWOMAN AND CEO

Dear Shareholders,

The year that has just closed has been a particularly favourable one for Gefran: the Group has achieve its best results ever. We are therefore submitting for your approval a financial statement characterised by economic and financial indicators expressing the great solidity the Group has achieved thanks to its pursuit of clearly identified strategies supported by boldly determined implementation. Revenues exceeded 160 million Euro, 23.6% higher than in the previous year, with an EBITDA Margin of 16.3% of revenues and an EBIT Margin of 11.3%. Gefran generated 18.6 million Euro in cash while keeping debts under control, not taking out any new debts, apart from the grant of 524 thousand Euro and the 787 thousand Euro loan received from Simest.

The figures above only partly demonstrate the Company's ability to generate value, even exceeding the targets it had set for sustainable growth.

Production was sorely tested right from the beginning of the year by the pandemic, which, as in the previous year, affected the organisation of work in the Company's factories and confidence in the supply chain, which became not only problematic but extremely critical in the final quarter of the year. Despite this, the Company maintained its productive capacity at sufficient levels to supply volumes never seen before, partly due to the implementation of Industry 4.0 process innovation in the Group's Italian plants which had suffered the most from the crisis.

The market has therefore rewarded Gefran's ability to guarantee high levels of service in a highly complicated global scenario, and the Company has further consolidated its position on the market thanks to the quality, dependability and performance of its products. The Group's

basic qualities have made all the difference: vertical process integration; breadth of professional skills; the ability to offer technologically advanced solutions; and an orientation towards the search for efficiency with the right amount of flexibility.

We wish to focus on two particularly significant events in the year.

Gefran's commitment to sustainable development was concentrated primarily on the local supply chain in 2021. During a "supplier day workshop" we worked on the pillars of sustainability with a number of particularly important suppliers located geographically close to the Company. The goal was to promote knowledge of ESG principles and discuss priority areas of action, as stated in the Group's Strategic Sustainability Plan.

The new management offices in Provaglio d'Iseo of the subsidiary Gefran Soluzioni, which specialises in the design and production of industrial automation systems and panels, opened just before Christmas. The new offices required an investment of about one million Euro, under a multi-year plan for strengthening and developing the Group's infrastructure, and will permit optimisation of the company's capabilities and technological know-how. The centre was named after the late manager Nicola Monopoli, whose professionalism and determination contributed to the creation and development of Gefran Soluzioni.

As we write these notes, a terrible new event is disrupting our lives: the conflict so close to us, in the heart of Europe, is causing us to question all our certainties and habits. Military action, and a package of sanctions against Russia, are creating great turbulence on the financial markets, particularly the energy and commodities markets. We don't know what will happen in the days to come, or what the global scenario will look like when this conflict is over. All we can do is condemn what is happening as serious and despicable, while assessing and responding to the impact these events may have on our company and our business.

As usual, we wish to close with a note about the company's stock, which revealed a highly positive trend throughout the year, reflecting the results of management.

Lastly, we are satisfied with the Board of Directors' resolution to propose to the Shareholders Meeting distribution of a dividend of 0.38 Euro per share: this resolution expresses our desire to share the excellent results the Company has achieved with our shareholders.

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

The Chairwoman	**Chief Executive Officer**
MARIA CHIARA FRANCESCHETTI	**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 Corporate Governance Code

BOARD OF STATUTORY AUDITORS

Chairwoman	Roberta Dell'Apa
Standing auditor	Primo Ceppellini
Standing auditor	Luisa Anselmi
Alternate auditor	Stefano Guerreschi
Alternate auditor	Silvia Bonomelli

CONTROL AND RISKS COMMITTEE

Monica Vecchiati
Daniele Piccolo
Giorgio Metta

APPOINTMENTS AND REMUNERATION COMMITTEE

Cristina Mollis
Monica Vecchiati
Daniele Piccolo

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 Chairmen Andrea Franceschetti and Giovanna Franceschetti have been awarded powers in specific corporate areas.

The Board of Directors met eight times in 2021.

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 27 April 2021 for three years, until the approval of the 2023 annual financial statements.

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

The Board of Statutory Auditors met ten times in 2021.

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 five times in 2021.

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.

At its December 16, 2021 meeting, the Board of Directors appointed Cristina Mollis as member of the Committee, following the loss of the independence requirements of Director Daniele Piccolo.

The Committee met three times in 2021.

SUSTAINABILITY COMMITTEE

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.

The Sustainability Committee met twice in 2021.

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 2021		31 December 2020		4Q 2021		4Q 2020	
Revenues	160,232	100.0%	129,645	100.0%	42,774	100.0%	35,724	100.0%
EBITDA	26,154	16.3%	17,549	13.5%	6,108	14.3%	5,614	15.7%
EBIT	18,085	11.3%	9,398	7.2%	4,076	9.5%	3,533	9.9%
Profit (loss) before tax	17,799	11.1%	7,583	5.8%	4,096	9.6%	3,290	9.2%
Group net profit (loss)	13,692	8.5%	4,353	3.4%	3,107	7.3%	1,667	4.7%

GROUP STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

(Euro /000)	31 December 2021	31 December 2020
Invested capital from operations	82,278	81,902
Net working capital	31,160	29,799
Shareholders' equity	85,538	78,179
Net financial position	3,260	(3,723)

(Euro /000)	31 December 2021	31 December 2020
Operating cash flow	27,378	16,953
Investments	8,906	6,003

ALTERNATIVE PERFORMANCE INDICATORS

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

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

/ **Added value**: the direct margin resulting from revenues, including only direct material, gross of other production costs, such as personnel costs, services and other sundry costs;

/ **EBITDA**: operating result before depreciation, amortisation and write-downs. 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 fixed assets, operating 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
- Non-current financial investments
- Cash and cash equivalents and short-term financial receivables

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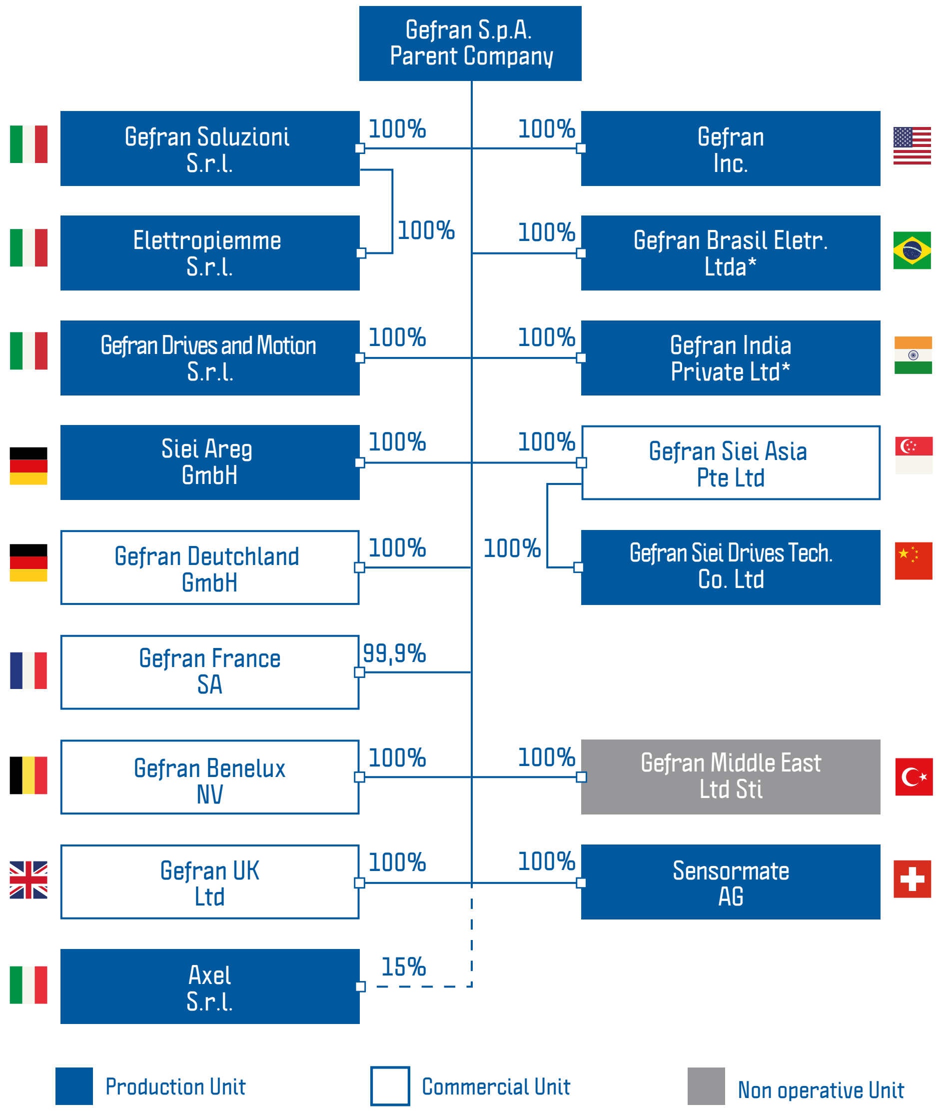
REPORT ON OPERATIONS

1 GROUP STRUCTURE



(*) Gefran India e Gefran Brasil indirectly through Sensormate AG

2 GEFRAN GROUP 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. 68% 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 40% 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 servo drives) 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 drives	Central services	Sales
Gefran S.p.A.	×	×		×	×
Gefran Soluzioni S.r.l.		×			×
Elettropiemme S.r.l.		×			×
Gefran Drives and Motion S.r.l.			×		×
Gefran Inc	×				×
Gefran France SA					×
Gefran Deutschland GmbH					×
Gefran Brasil Eletr. Ltda		×			×
Gefran UK Ltd					×
Gefran Benelux NV					×
Gefran Siei Asia Pte Ltd					×
Gefran Siei Drives Technology Co Ltd	×		×		×
Gefran 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 2021, is provided below:

The Parent Company **Gefran S.p.A.**, with registered offices in Provaglio di Iseo (BS), Italy, is controlled by Fingefran S.r.l. 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., with its registered office in Trento, is 100% owned directly by Gefran Soluzioni S.r.l. and indirectly by Gefran S.p.A. It 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 controllers and solid state relays 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. It was acquired in 2013 and took on its current form in 2014, after the merger with Gefran Suisse S.A. It produces strategically important load cells and sensors, which supplement the Group's other products in the business. It sells sensors and automation components 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 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 2021 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 INFORMATION ON SHAREHOLDERS AND STOCK PERFORMANCE

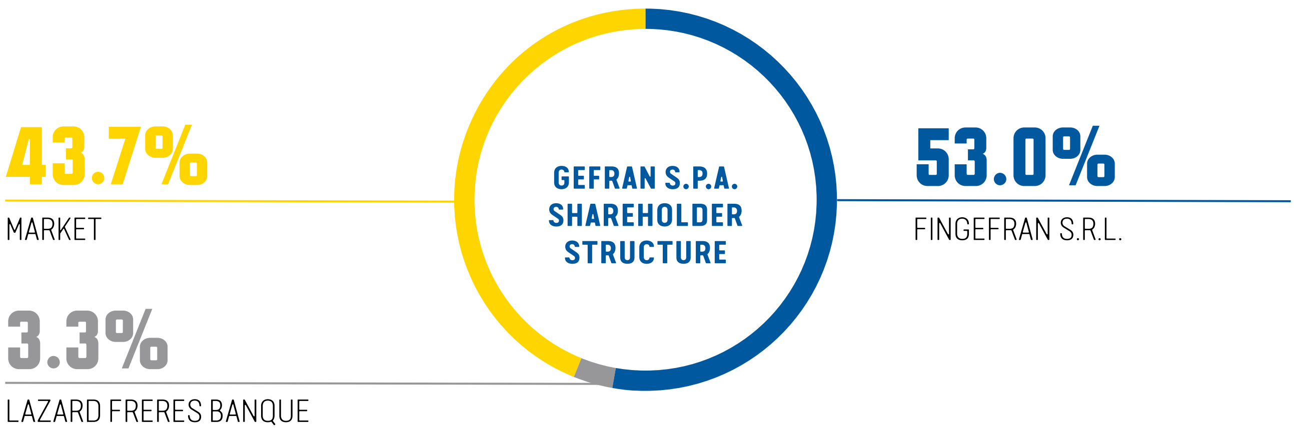
On 31 December 2021, the subscribed and paid-up share capital was 14,400,000.00 Euro, divided into 14,400,000 ordinary shares, with a nominal value of 1.00 Euro per share. No further financial instruments have been issued.

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

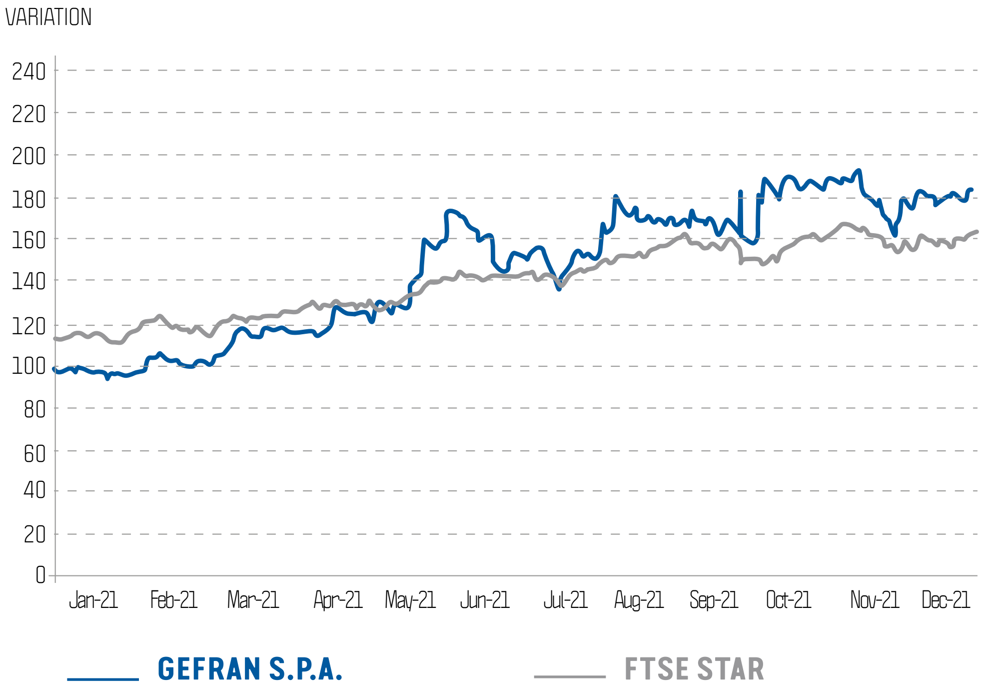
GEFRAN S.P.A. SHAREHOLDING STRUCTURE

Parent company Gefran S.p.A. has been listed on the Milan Stock Exchange since 9 June 1998, and in 2001 joined the "STAR" (Segmento Titoli con Alti Requisiti) segment of the Automated Stock Market for small to mid-sized companies that meet specific transparency, liquidity and corporate governance requirements. On 31 January 2005 this segment was renamed *ALL STARS*, taking on the name *FTSE Italia STAR* following the 1 June 2009 merger of Borsa Italiana with the London Stock Exchange before being given its current name, *Euronext STAR Milan*.

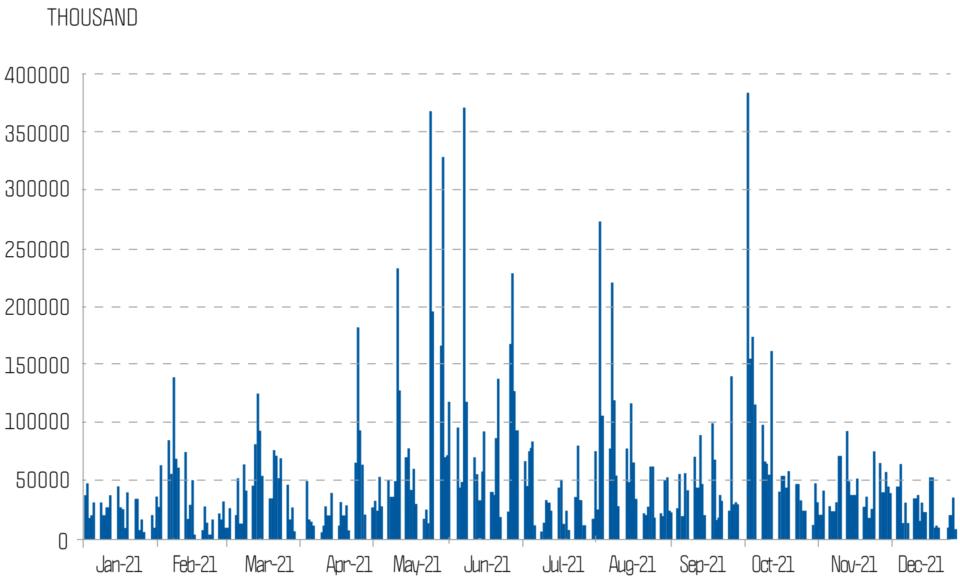


Below we summarise the performance of the stock and volumes traded in the last 12 months:

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 2021 is shown below, compared with the income statement for the fourth quarter of 2020.

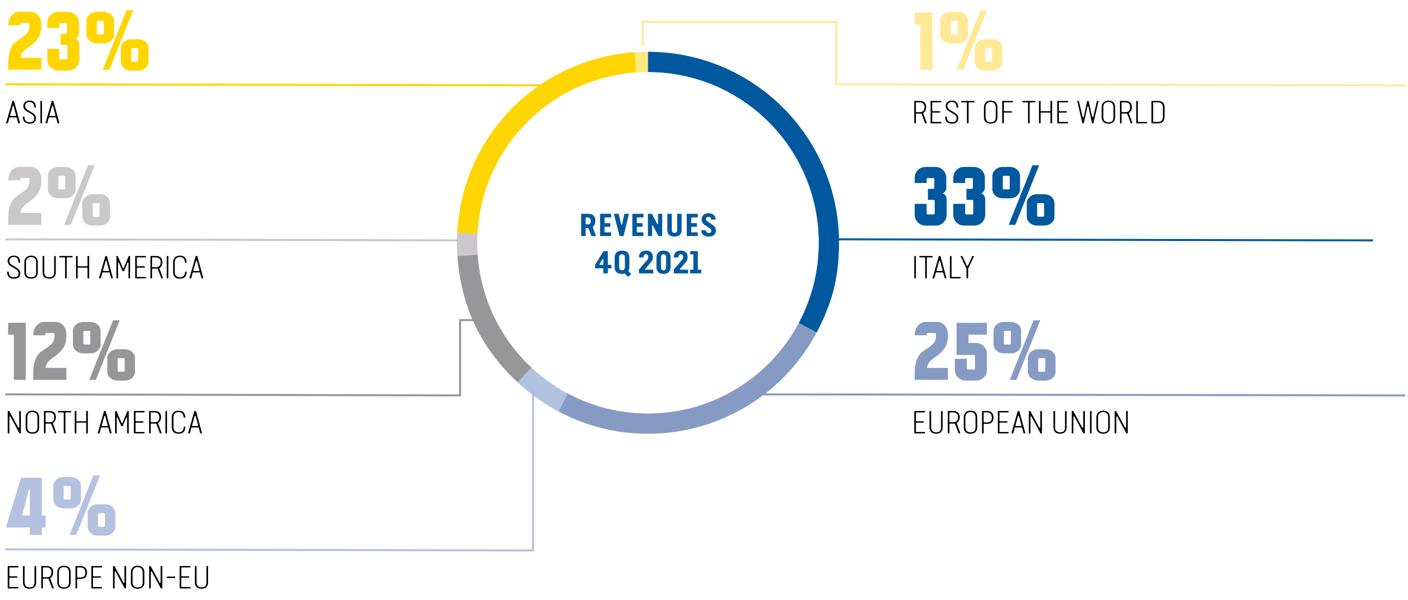
		4Q 2021	4Q 2020	Var. 2021-2020	
	(Euro /000)	Total	Total	Value	%
a	Revenues	42,774	35,724	7,050	19.7%
b	Increases for internal work	813	751	62	8.3%
c	Consumption of materials and products	16,278	13,805	2,473	17.9%
d	**Added Value (a+b-c)**	**27,309**	**22,670**	**4,639**	**20.5%**
e	Other operating costs	7,395	5,178	2,217	42.8%
f	Personnel costs	13,806	11,878	1,928	16.2%
g	**EBITDA (d-e-f)**	**6,108**	**5,614**	**494**	**8.8%**
h	Depreciation, amortisation and impairment	2,032	2,081	(49)	-2.4%
i	**EBIT (g-h)**	**4,076**	**3,533**	**543**	**15.4%**
l	Gains (losses) from financial assets/ liabilities	9	(240)	249	103.8%
m	Gains (losses) from shareholdings valued at equity	11	(3)	14	466.7%
n	**Profit (loss) before tax (i±l±m)**	**4,096**	**3,290**	**806**	**24.5%**
o	Taxes	(989)	(1,623)	634	39.1%
p	**Group net profit (loss) (n±o)**	**3,107**	**1,667**	**1,440**	**86.4%**

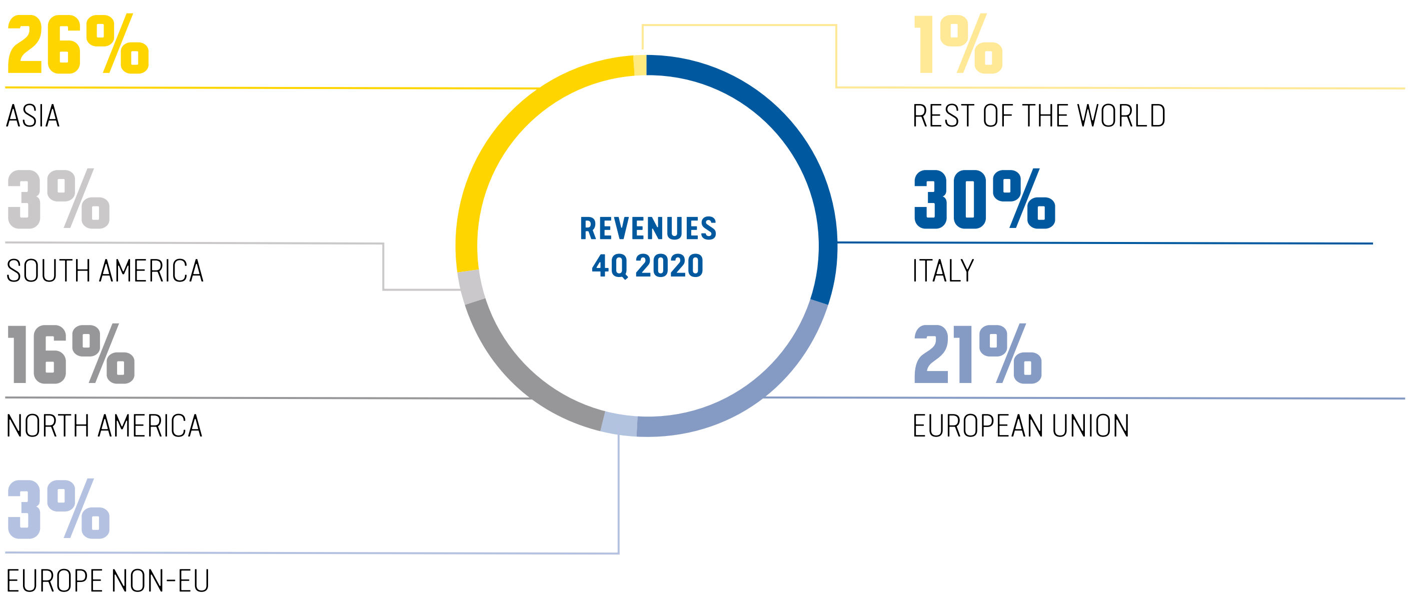
Revenues in the fourth quarter of 2021 amounted to 42,774 thousand Euro, as compared to 35,724 thousand Euro in the same period in the previous year, up by 7,050 thousand Euro (equal to 19.7%). In the quarter just ended, as in previous quarters, the Group was able to take full advantage of the economic recovery currently under way, achieving higher revenues not only compared to the same period of 2020, which was affected by the Covid-19 pandemic, but also with respect to the fourth quarter of 2019 (+20.8%).

Analysing order collection in the fourth quarter of 2021 compared to the figure for the same period in 2020, an overall increase (+23%) was recorded. Growth was recorded in all lines of business, but particularly in the sensors (+16.6%) and automation components (+25.6%) business units, for which the order intake in the fourth quarter was higher than in the same period in 2020 by 2,989 thousand Euro and 2,312 thousand Euro, respectively. Orders received in the motion control lines also improved (+32.3%), increasing from 9,931 thousand Euro in the fourth quarter of 2020 to 13,142 thousand Euro in the quarter just ended. The fourth quarter of 2021 saw an increase in order collection even in comparison with the figure for the same period of 2019 (+36.2%), with double-digit growth in all business areas: sensors (+46.6%), automation components (+44.1%) and motion control (+17.4%).

The table below shows a breakdown of revenues in the fourth quarter by geographic region:

(Euro /000)	4Q 2021		4Q 2020		Var. 2021-2020	
	Value	%	Value	%	Value	%
Italy	13,949	32.6%	10,660	29.8%	3,289	30.9%
European Union	10,568	24.7%	7,443	20.8%	3,125	42.0%
Europe non-EU	1,921	4.5%	1,285	3.6%	636	49.5%
North America	4,967	11.6%	5,770	16.2%	(803)	-13.9%
South America	947	2.2%	951	2.7%	(4)	-0.4%
Asia	9,746	22.8%	9,290	26.0%	456	4.9%
Rest of the world	676	1.6%	325	0.9%	351	108.0%
Total	**42,774**	**100%**	**35,724**	**100%**	**7,050**	**19.7%**





The breakdown of revenues for the quarter by **geographic region** reveals double-digit growth in all the main geographical regions served by the Group, particularly in Italy (+30.9%) and Europe (+43.1%). Revenues also grew in Asia (+4.9%), but dropped in the Americas (-12%), the latter area being partially affected by the effect of foreign currency trends, particularly the US dollar and the Brazilian real.

Below is a breakdown of revenues in the fourth quarter by **business area** in comparison with the same period in the previous year:

(Euro /000)	4Q 2021		4Q 2020		Var. 2021-2020	
	Value	%	Value	%	Value	%
Sensors	20,447	47.8%	15,224	42.6%	5,223	34.3%
Automation components	12,473	29.2%	9,723	27.2%	2,750	28.3%
Motion control	11,980	28.0%	12,350	34.6%	(370)	-3.0%
Eliminations	(2,126)	-5.0%	(1,573)	-4.4%	(553)	35.2%
Total	**42,774**	**100%**	**35,724**	**100%**	**7,050**	**19.7%**

Revenues were up in the sensors sector, which grew by 34.3% thanks to an increase in sales in all geographical areas, particularly in Asia, and automation components, where the increase in revenues compared to the fourth quarter of 2020 was 28.3%, mostly concentrated in Italy.

Motion control business revenues in the quarter were essentially in line with the figure for the fourth quarter of 2020, recording an overall drop of 3% as a combined effect of the increase in sales in Europe and the decrease in revenues in America and Asia.

Increases for internal work in the fourth quarter of 2021 amounted to 813 thousand Euro, an increase of 62 thousand Euro compared with the same period in the previous year. This item represents the cost of development of new products incurred in the period and capitalised.

Added value in the quarter amounted to 27,309 thousand Euro (22,670 thousand Euro in the same quarter in 2020), corresponding to 63.8% of revenues, an increase of 0.4 percentage points with respect to the figure in the same period of the previous year, 63.5%. The growth of added value, totalling 4,639 thousand Euro, is primarily a result of the higher revenues recorded.

Other operating costs in the fourth quarter of 2021 amount to 7,395 thousand Euro, an increase of 2,217 thousand Euro over the figure for the fourth quarter of 2020, representing 17.3% of revenues (14.5% in the same quarter of the previous year). The increase is a result of higher variable costs, linked to the increase in sales volumes, and commercial costs. Compared with the figure for the fourth quarter of 2019, other operating costs were higher in terms of absolute value (1,058 thousand Euro), but lower as a percentage of revenues in the quarter (-0.6%).

Personnel costs in the quarter, equal to 13,806 thousand Euro, increased by 1,928 thousand Euro compared to the same period in the previous year, when this item amounted to 11,878 thousand Euro. As a percentage of revenues, the ratio was 32.3% (33.2% in the fourth quarter of 2020). Personnel costs in the fourth quarter of 2019 amounted to 11,765 thousand Euro (with a percentage of revenues for the period of 33.2%), thus recording an increase in the item of 2,041 thousand Euro.

EBITDA in the fourth quarter of 2021 is positive by 6,108 thousand Euro (5,614 thousand Euro in the same quarter of 2020), corresponding to 14.3% of revenues (15.7% of revenues in 2020), higher than in the same quarter of the previous year by 494 thousand Euro. The improvement in EBITDA is due to increased revenues in the period. This compares with a value of 4,667 thousand Euro recorded in the fourth quarter of 2019 (13.2% of revenues).

The item **depreciation, amortisation and impairment** totalled 2,032 thousand Euro in the quarter, as compared with 2,081 thousand Euro in the same period in the previous year, a decrease of 49 thousand Euro.

EBIT in the fourth quarter of 2021 is positive by 4,076 thousand Euro (9.5% of revenues), as compared to an EBIT of 3,533 thousand Euro in the same period in 2020 (9.9% of revenues), an increase of 543 thousand Euro. As in the case of EBITDA, the change is a result of increased sales. The operating result for the quarter was up by 1,429 thousand Euro compared with the figure in the same quarter of 2019, which amounted to 2,647 thousand Euro.

Income from financial assets/liabilities in the fourth quarter of 2021 equals 9 thousand Euro (in the fourth quarter of 2020 costs totalling 240 thousand Euro were recorded), including:

- financial income totalling Euro 21 thousand (Euro 17 thousand in the fourth quarter of 2020);
- financial charges linked with the Group's indebtedness, totalling 102 thousand Euro, down over the figure for the fourth quarter of 2020, which amounted to 120 thousand Euro;
- positive differences on currency transactions, amounting to 100 thousand Euro, compared with the result for the fourth quarter of the previous year, which was negative by 124 thousand Euro; the change in the exchange rate of the Euro compared with the Chinese renminbi, the Indian rupee and the Swiss franc was particularly affected;
- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 10 thousand Euro, similar to the fourth quarter of 2020.

Gains from shareholdings valued using the equity method relate to the results achieved by the subsidiary Axel S.r.l. and equal 11 thousand Euro. In the fourth quarter of 2020, charges totalled 3 thousand Euro.

Taxes had a negative balance of 989 thousand Euro in the quarter (as compared to a negative balance of 1,623 thousand Euro in the fourth quarter of 2020). This item may be broken down as follows:

- negative current taxes of 779 thousand Euro (negative by 130 thousand Euro in the fourth quarter of 2020); the change reflects the improved results achieved by Group companies in the fourth quarter of 2021 as compared to the same period in the previous year;
- deferred tax assets and liabilities, which were on the whole positive by 210 thousand Euro (negative by 1,753 thousand Euro in the fourth quarter of the previous year, when this item included the release to the income statement of advance taxes of the Chinese subsidiary).

Group net profit in the fourth quarter of 2021 totalled 3,107 thousand Euro, as compared with a profit of 1,667 thousand Euro in the same period of the previous year, an increase of 1,440 thousand Euro. In the fourth quarter of 2019 the net income earned by the Group amounted to 1,382 thousand Euro.

PROGRESSIVE CONSOLIDATED INCOME STATEMENT

The Group's results at 31 December 2021 are shown below, compared with those recorded at 31 December 2020.

	(Euro /000)	31 December 2021 Total	31 December 2020 Total	Var. 2021-2020 Value	Var. 2021-2020 %
a	Revenues	160,232	129,645	30,587	23.6%
b	Increases for internal work	2,261	2,213	48	2.2%
c	Consumption of materials and products	59,502	48,038	11,464	23.9%
d	**Added Value (a+b-c)**	**102,991**	**83,820**	**19,171**	**22.9%**
e	Other operating costs	25,296	20,153	5,143	25.5%
f	Personnel costs	51,541	46,118	5,423	11.8%
g	**EBITDA (d-e-f)**	**26,154**	**17,549**	**8,605**	**49.0%**
h	Depreciation, amortisation and impairment	8,069	8,151	(82)	-1.0%
i	**EBIT (g-h)**	**18,085**	**9,398**	**8,687**	**92.4%**
l	Gains (losses) from financial assets/liabilities	(306)	(1,813)	1,507	83.1%
m	Gains (losses) from shareholdings valued at equity	20	(2)	22	n.s.
n	**Profit (loss) before tax (i±l±m)**	**17,799**	**7,583**	**10,216**	**n.s.**
o	Taxes	(4,107)	(3,230)	(877)	-27.2%
p	**Group net profit (loss) (n±o)**	**13,692**	**4,353**	**9,339**	**n.s.**

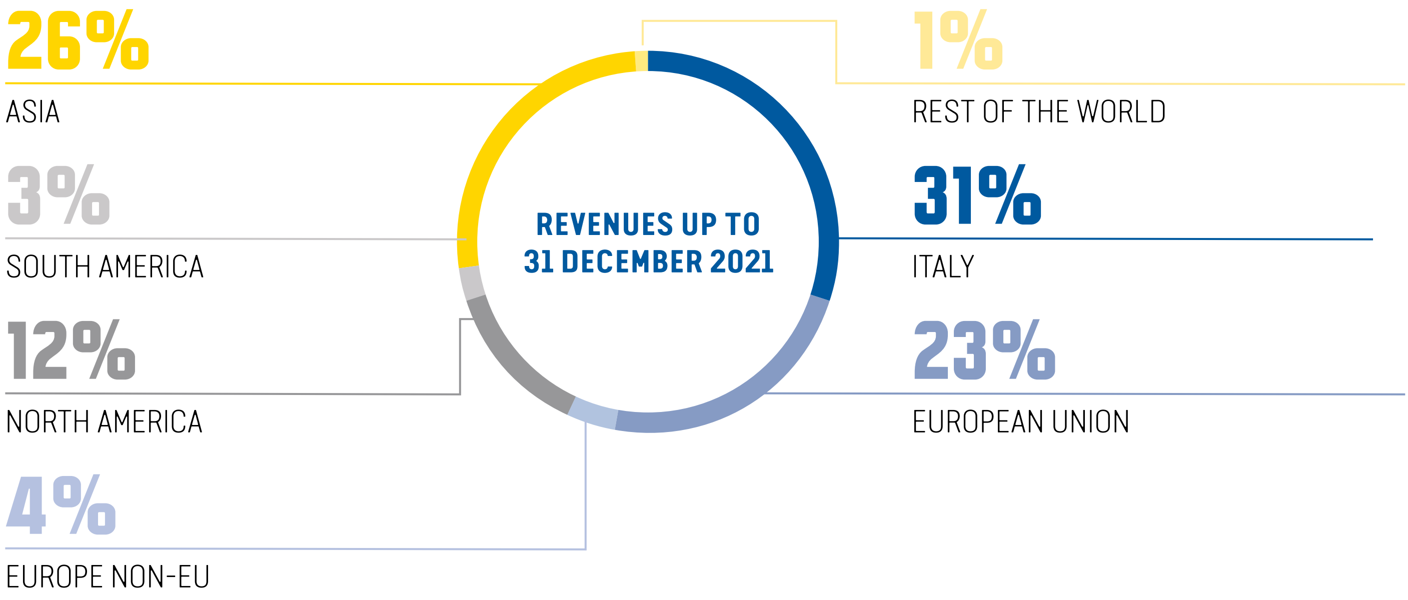
Revenues at 31 December 2021 equalled 160,232 thousand Euro, as compared to 129,645 thousand Euro in the previous year, revealing an increase of 30,587 thousand Euro (equal to 23.6%), which would be 30,938 thousand Euro (23.9%) net of the negative effect of changes in exchange rates. The year 2020, marked by the spread of Covid-19 with its inevitable impact on the ability to generate revenues, saw partial recovery of the market in the fourth quarter, in contrast with the first three quarters, particularly in the sensors and components business, on the Italian and Asian markets. This recovery was confirmed during the year 2021, and the Group was able to make the most of this market trend, closing the year with revenues up over those of the year 2020 in all the Group's lines of business and in all geographical areas served. Technological leadership and knowledge of industrial processes contributed to the recovery of sales volumes, ensuring an adequate level of customer service. In addition, investments and new operating methods introduced in 2020, focused on monitoring existing markets and developing new business relations, also through use of digital platforms, made it possible not only to equal but to exceed the revenues recorded before the pandemic, in the 2019 financial year (+14%).

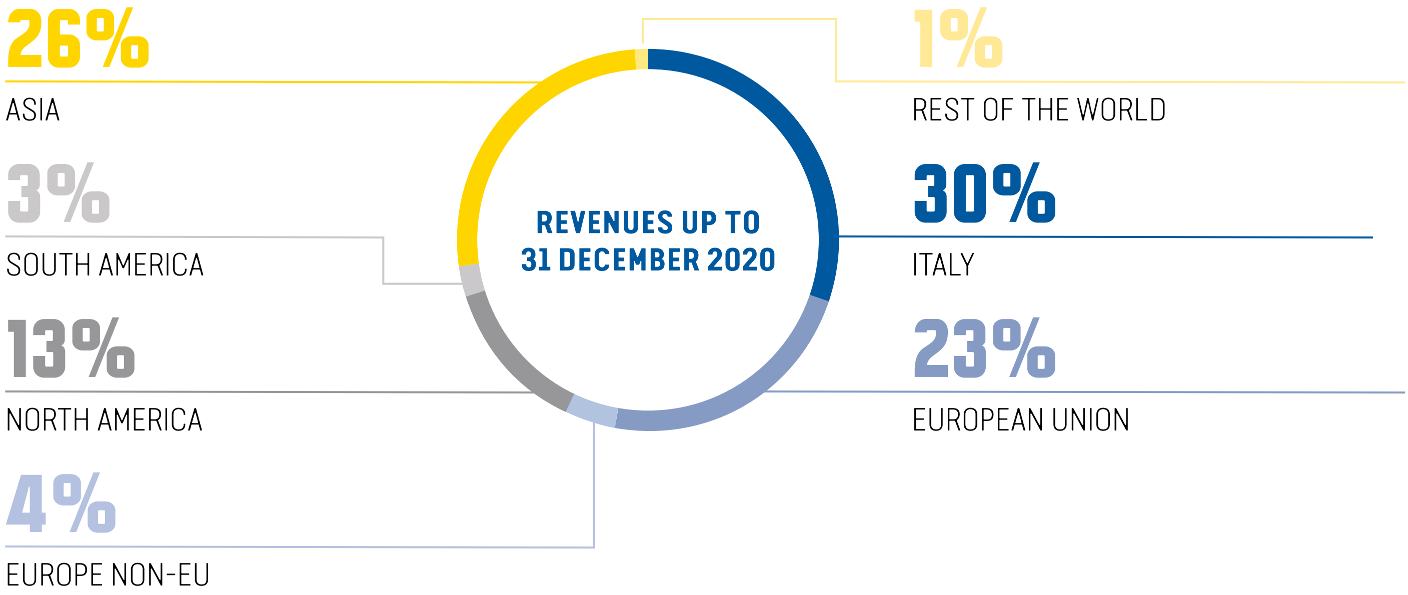
Order collection during the year 2021 also performed well, both compared with2020 (a total increase of 35%) and with respect to the value of orders collected in the year 2019 (a total increase of 29.4%). Growth was recorded in all business sectors, but particularly in sensors (+40.8% in comparison with 2020 and +43.2% compared with the 2019 figure) and automation components (+31.3% over 2020 and +20.2% over 2019). Orders received in motion control also improved (up 29.1% over the 2020 figure and 17.8% in comparison with orders received in 2019).

The order backlog at 31 December 2021 was higher than in the previous year (+81.9%), and more than double the closing value for the year 2019, confirming the good prospects generated in the market.

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

(Euro /000)	31 December 2021		31 December 2020		Var. 2021-2020	
	Value	%	Value	%	Value	%
Italy	50,651	31.6%	38,773	29.9%	11,878	30.6%
European Union	36,558	22.8%	30,316	23.4%	6,242	20.6%
Europe non-EU	6,071	3.8%	4,787	3.7%	1,284	26.8%
North America	19,653	12.3%	17,405	13.4%	2,248	12.9%
South America	4,265	2.7%	3,589	2.8%	676	18.8%
Asia	41,603	26.0%	33,839	26.1%	7,764	22.9%
Rest of the world	1,431	0.9%	936	0.7%	495	52.9%
Total	**160,232**	**100%**	**129,645**	**100%**	**30,587**	**23.6%**





The breakdown of revenues by **geographic region** shows double-digit growth in all areas served by the Group, particularly in Italy (+30.6%), Asia (+22.9%, or +22% net of the effect of exchange rate trends) and in Europe (+21.4% overall). Revenues in America also increased (+13.9%), even though the area was somewhat affected by exchange rate trends (in the US dollar and Brazilian real), net of which the increase would be 17.2%.

Below is a breakdown of revenues as of 31 December 2021 by **business area** and a comparison with the same period in the previous year:

(Euro /000)	31 December 2021		31 December 2020		Var. 2021-2020	
	Value	%	Value	%	Value	%
Sensors	77,400	48.3%	57,734	44.5%	19,666	34.1%
Automation components	46,286	28.9%	37,238	28.7%	9,048	24.3%
Motion control	44,812	28.0%	40,194	31.0%	4,618	11.5%
Eliminations	(8,266)	-5.2%	(5,521)	-4.3%	(2,745)	49.7%
Total	**160,232**	**100%**	**129,645**	**100%**	**30,587**	**23.6%**

Revenues increased in all sectors: revenues from sensor products grew by 34.1%, thanks in particular to strong recovery on Asian markets, while revenues from automation components increased by 24.3%, mostly concentrated in Italy. Revenues from the drives business were also higher than in 2020, with an overall increase of 11.5%, thanks to the increase in sales of products in the industrial and lift ranges and customised products.

It should be noted that all business areas recovered the revenue gap recorded in 2020 due to the effects of the Covid-19 pandemic: sensors performed 27.8% better in 2021 than in 2019, before the pandemic, while components performed 11.8% better. Motion control was essentially aligned, with a 2% increase in 2021 compared with the 2019 figure.

Increases for internal work as of 31 December 2021 amount to 2,261 thousand Euro, up 48 thousand Euro over the figure for 31 December 2020. This item represents the cost of development of new products incurred in the period and capitalised.

Added value at 31 December 2021 amounts to 102,991 thousand Euro (83,820 thousand Euro at 31 December 2020), corresponding to64.3% of revenues, a slightly lower proportion than in the previous year (-0.4%). Growth of added value, totalling 19,171 thousand Euro, is a result of the increased revenues recorded, only partially offset by higher costs for the procurement of materials, leading to lower margins. The lower value recorded in 2021 for provisions for write-down of inventory due to obsolescence of materials in stock also contributes to the growth of added value, compared to the funds absorbed in 2020.

Other operating costs in the year 2021 amounted to 25,296 thousand Euro and were up by 5,143 thousand Euro compared to the figure for 2020 in terms of absolute value, resenting 15.8% of revenues (15.5% in the year 2020). Variable costs associated with increased volumes of sale were higher than in the previous year, as well as personnel research and training and maintenance costs. Other operating costs were 1,375 thousand Euro higher than the 2019 figure, but 1.2 percentage points lower as a percentage of revenues.

Personnel costs in the year 2021 total 51,541 thousand Euro, as compared to a figure of 46,118 thousand in the previous year, an increase of 5,423 thousand Euro. Cost containment measures were in fact implemented in 2020, particularly in the first half of the year, such as recourse to wage support and reduction of provisions for holidays and M.B.O. premiums. Personnel costs were equal to 32.2% of revenues in the year 2021 (35.6% in the year 2020).

Compared with the figure of 49,250 thousand Euro as of December 31, 2019, personnel costs recorded in 2021 were higher in absolute terms (+2.291 thousand Euro), but lower by 2.9 percentage points as a percentage of revenues for the period.

EBITDA as of 31 December 2021 was positive by 26,154 thousand Euro (17,549 thousand Euro at 31 December 2020), corresponding to 16.3% of revenues (13.5% of revenues in 2020), revealing an increase over the previous year of 8,605 thousand Euro. Gross operating margin for the year was also higher than the 2019 figure, both in absolute terms (6,424 thousand Euro) and as a percentage of revenues (+2.3%). The improvement is due to the increase in revenues during the period, and above all the increase in efficiency of production.

The item **depreciation, amortisation and impairment** totalled 8,069 thousand Euro, as compared to 8,151 thousand Euro in the previous year, a decrease of 82 thousand Euro.

EBIT at 31 December 2021 was positive and amounted to 18,085 thousand Euro (11.3% of revenues), as compared to an EBIT of 9,398 thousand Euro in the year 2020 (7.2% of revenues), an increase of 8,687 thousand Euro. As in the case of EBITDA, EBIT for the year 2021 was also higher than the figure for 31 December 2019 (which amounted to 10,375 thousand Euro, representing 7.4% of revenues); in this case the change is linked not only with the increased sales recorded, but with losses in the value of assets recorded in the year 2019 (1,531 thousand Euro).

Income from financial assets/liabilities recognised in 2021 totalled 306 thousand Euro (whereas at 31 December2020 charges were recorded totalling 1,813 thousand Euro), and included:

- financial income of 64 thousand Euro (substantially aligned with the figurefor2020);
- financial charges consequent upon the Group's indebtedness, equal to Euro 419 thousand (down 30 thousand Euro from the 2020 figure);
- other financial charges, amounting to 255 thousand Euro (24 thousand Euro in 2020), including 225 thousand Euro linked to entry of a risk provision of the Parent Company for default interest, in relation to a legal dispute in progress;
- positive result of differences on currency transactions, equal to 343 thousand Euro; this includes a provision worth 229 thousand Euro recognised by the Parent Company against possible exchange losses linked to a pending legal dispute; net of this, the result brought about by the differences on currency transactions is positive by 572 thousand Euro, compared with a negative result of 1,367 thousand Euro in 2020. The change is primarily a result of the exchange rates in effect between the Euro and the Chinese renminbi, the Indian rupee and the Brazilian real;

- financial charges on financial debts as a result of application of the new accounting standard IFRS16 totalling 39 thousand Euro (similar to the 2020 figure).

Gains from shareholdings valued at equity equal 20 thousand Euro, whereas in the year 2020 2 thousand Euro in charges were recorded; this represents the result of the investee Axel S.r.l., and, in 2020 only, the effects of extinction of the share held in Ensun S.r.l., liquidated in December 2020.

In the year 2021 **taxes** were negative overall and amounted to 4,107 thousand Euro (negative overall by 3,230 thousand Euro at 31 December 2020). This item may be broken down as follows:

- negative current taxes amounting to 4,126 thousand Euro (negative by 682 thousand Euro in the year 2020); the change reflects the better results achieved by the Group in the current period, compared with the same period in the previous year, as well as the effect of the release of the first IRAP advance in the first half of 2020;

- deferred tax assets and liabilities, which were on the whole positive by 19 thousand Euro (negative by 2,548 thousand Euro in the previous year, when it relfected the release to the income statement of advance taxes of the parent company and its Chinese subsidiary).

Taxes in 2021 were also higher than those recorded in 2019, when they were negative by 3,027 thousand Euro (increasing by 0.4 points as a percentage of revenues).

Group net profit at 31 December 2021 amounts to 13,692 thousand Euro (8.5% of revenues), as compared with a profit of 4,353 thousand Euro in the previous year (3.4% of revenues), a 9,339 thousand Euro increase. The net result for the year 2021 was also higher than the figure for 2019, 7,042 thousand Euro (5% of revenues), both in absolute terms (6,650 thousand Euro) and as a percentage of revenues (+3.5%).

RECLASSIFIED CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2021

The Gefran Group's reclassified consolidated statement of financial position as of 31 December 2021 may be broken down as follows:

(Euro /000)	31 December 2021		31 December 2020	
	Value	%	Value	%
Intangible assets	15,437	18.8	14,627	17.9
Tangible fixed assets	47,007	57.1	44,566	54.4
Other non-current assets	6,581	8.0	6,384	7.8
Net non-current assets	**69,025**	**83.9**	**65,577**	**80.1**
Inventories	28,039	34.1	20,301	24.8
Trade receivables	34,803	42.3	30,059	36.7
Trade payables	(31,682)	(38.5)	(20,561)	(25.1)
Other assets/liabilities	(10,323)	(12.5)	(5,776)	(7.1)
Working capital	**20,837**	**25.3**	**24,023**	**29.3**
Provisions for risks and future liabilities	(2,660)	(3.2)	(2,386)	(2.9)
Deferred tax provisions	(916)	(1.1)	(833)	(1.0)
Employee benefits	(4,008)	(4.9)	(4,479)	(5.5)
Net invested capital	**82,278**	**100.0**	**81,902**	**100.0**
Shareholders' equity	**85,538**	**104.0**	**78,179**	**95.5**
Non-current financial payables	16,483	20.0	27,441	33.5
Current financial payables	12,952	15.7	15,368	18.8
Financial payables for IFRS 16 leases (current and non-current)	3,007	3.7	2,637	3.2
Financial liabilities for derivatives (current and non-current)	88	0.1	328	0.4
Other non-current financial investments	(67)	(0.1)	(108)	(0.1)
Cash and cash equivalents and current financial receivables	(35,723)	(43.4)	(41,943)	(51.2)
Net debt relating to operations	**(3,260)**	**(4.0)**	**3,723**	**4.5**
Total sources of financing	**82,278**	**100.0**	**81,902**	**100.0**

Net non-current assets at 31 December 2021 totalled 69,025 thousand Euro, as compared with 65,577 thousand Euro on 31 December 2020. The main changes were as follows:

- intangible assets registered an overall increase of 810 thousand Euro. The change includes increases due to capitalisation of development costs (2,081 thousand Euro) and new investment (595 thousand Euro) well as decreases due to amortisation in the period (2,057 thousand Euro). The change in exchange rates had a positive impact on the item amounting to 250 thousand Euro;

- tangible fixed assets have increased since 31 December2020, by a total of 2,441 thousand Euro. Investments in the year 2021 amounted to 6,230 thousand Euro, offset by annual depreciation of 4,813 thousand Euro and 78 thousand Euro in decreases due to disposals. In addition, the item includes the value of the right to use assets recognised in accordance with IFRS16, which increased by 1,550 thousand Euro in 2021 following the renewal or signing of new contracts and is offset by depreciation and amortisation totalling 1,210 thousand Euro and decreases due to advance termination of contracts totalling 12 thousand Euro. Finally, the change in exchange rates had, on the whole, a positive effect of 754 thousand Euro;

- other fixed assets at 31 December 2021 total 6,581 thousand Euro (6,384 thousand Euro at 31 December 2020), an increase of 197 thousand Euro.

Working capital at 31 December 2021 totals 20,837 thousand Euro, as compared to 24,023 thousand Euro on 31 December 2020, a total decrease of 3,186 thousand Euro. The main changes were as follows:

- inventories changed from 20,301 thousand Euro on 31 December 2020 to 28,039 thousand Euro on 31 December 2021, a net increase of 7,738 thousand Euro. The increase in inventories, including raw materials (5,102 thousand Euro), semi-finished products and finished products (857 thousand Euro and 1,779 thousand Euro respectively), was necessary to fulfil customer orders received which will be processed in the coming months, with particular regard to stocks of "critical materials", with the goal of mitigating the possible risk of disruption of the supply chain linked to the current situation, which has considerably lengthened procurement times in addition to produce a widespread scarcity of materials. The change in exchange rates contributes to an increase in inventories of 690 thousand Euro;

- trade receivables totalled 34,803 thousand Euro, up by 4,744 thousand Euro over 31 December 2020, reflecting the increase in revenues in the year. The Group conducts an accurate analysis of receivables, taking various factors into account (geographic region, sector, degree of solvency of individual customers), and these checks do not reveal any critical positions that may not be collected;

- trade payables totalled 31,682 thousand Euro, up 11,121 thousand Euro over 31 December 2020. The change is linked to the higher costs recorded in the period, both for purchases of raw materials, necessary to meet the growth in sales volumes, and service costs. In particular, payables are increasing as a result of the increase in variable costs linked to growth of volumes;

- Other net assets and liabilities at 31 December 2021 were negative by a total of 10,323 thousand Euro (negative by 5,776 thousand Euro as of 31 December 2020). 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 2020, totalling 4,547 thousand Euro, is primarily a result of increased other tax payables and payables to employees.

Provisions for risks and charges amount to 2,660 thousand Euro overall, in line with the figure at 31 December 2020 (an increase of 274 thousand Euro). The item includes provisions for current legal disputes and various risks, and the change since the end of 2020 is attributable to movements in the product warranty provision and the provision for specific risks. In particular, in the third quarter of 2021 the Parent Company set up a provision for risks equal to 474 thousand Euro against potential losses on exchange rates and interest on arrears in connection with a pending legal dispute.

Employee benefits amount to 4,008 thousand Euro, as compared to 4,479 thousand Euro on 31 December 2020. This item includes the post-employment benefit reserve, as well as payables to certain Group employees who have signed agreements to protect the company against work for its competitors (so-called "Non-competition agreements").

Shareholders' equity at 31 December 2021 amounted to 85,538 thousand Euro, up by 7,359 thousand Euro over the end of the year 2020. The positive result for the period, amounting to 13,692 thousand Euro, was partially absorbed by the dual distribution of dividends which took place in May and October, totalling 8,480 thousand Euro.

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

	31 December 2021		31 December 2020	
(Euro /000)	Shareholders' equity	Result for the period	Shareholders' equity	Result for the period
Parent Company shareholders' equity and operating result	**72,367**	**9,205**	**71,268**	**6,280**
Shareholders' equity and operating result of the consolidated companies	57,096	6,671	50,675	(79)
Elimination of the carrying value of consolidated investments	(46,439)	-	(46,542)	-
Goodwill	3,743	-	3,706	-
Elimination of the effects of transactions conducted between consolidated companies	(1,229)	(2,184)	(928)	(1,848)
Group share of shareholders' equity and operating result	**85,538**	**13,692**	**78,179**	**4,353**
Minorities' share of shareholders' equity and operating result	-	-	-	-
Shareholders' equity and operating result	**85,538**	**13,692**	**78,179**	**4,353**

Net financial position at 31 December 2021 is positive by 3,260 thousand Euro, up 6,983 thousand Euro over the end of 2020, when it was on the whole negative by 3,723 thousand Euro.

Net financial debt comprises short-term cash and cash equivalents of 21,022 thousand Euro and medium to long-term debts totalling 17,762 thousand Euro.

This item reflects the negative impact of application of accounting standard IFRS16, worth 3,007 thousand Euro at 31 December 2021, of which 1,749 thousand Euro was reclassified in the current part while 1,258 thousand Euro was reclassified in the non-current part (totalling 2,637 thousand Euro at 31 December 2020, including 968 thousand Euro reclassified in the current part and 1,669 thousand Euro included in the medium/long term balance).

In the year 2021, the companies Gefran Soluzioni S.r.l. and Gefran S.p.A. participated in Simest's call for tenders for capitalisation and support for the development of international sales, under which they received a non-repayable grant pursuant to the Temporary Framework for the Integrated Promotion Fund, along with a second portion of medium/long-term financing pertaining to the 394/81 Fund.

This resulted in the recognition of a non-repayable grant of 524 thousand Euro (204 thousand Euro for Gefran Soluzioni S.r.l. and 320 thousand Euro for Gefran S.p.A.) and non-current financial payables totalling 787 thousand Euro (307 thousand Euro for Gefran Soluzioni S.r.l. and 480 thousand Euro for Gefran S.p.A.).The change in net financial position is mainly due to the positive cash flow from typical operations (27,378 thousand Euro), partially mitigated by expenditure on technical investments in the year (8,906 thousand Euro), by payment of dividends (8,480 thousand Euro) and by payment of interest, taxes and rental fees (totalling 2,248 thousand Euro).

Net financial position is broken down below:

(Euro /000)	31 December 2021	31 December 2020	Change
Cash and cash equivalents and current financial receivables	35,723	41,943	(6,220)
Current financial payables	(12,952)	(15,368)	2,416
Current financial payables for IFRS 16 leases	(1,749)	(968)	(781)
(Debt)/short-term cash and cash equivalents	**21,022**	**25,607**	**(4,585)**
Non-current financial payables	(16,483)	(27,441)	10,958
Non-current financial payables for IFRS 16 leases	(1,258)	(1,669)	411
Non-current financial liabilities for derivatives	(88)	(328)	240
Other non-current financial investments	67	108	(41)
(Debt)/medium-/long-term cash and cash equivalents	**(17,762)**	**(29,330)**	**11,568**
Net financial position	**3,260**	**(3,723)**	**6,983**

Note that the "Net financial position" table includes "Other non-current financial assets" corresponding to prepaid financial expenses. Net of this item, and for the purposes of EU Regulation 2017 1129, net financial position at 31 December 2021 is positive by 3,193 thousand Euro, whereas at 31 December 2020 it was negative by 3,831 thousand Euro.

STATEMENT OF CONSOLIDATED CASH FLOWS AT 31 DECEMBER 2021

The Gefran Group's consolidated cash flow statement as at 31 December 2021 shows a negative net change in cash at hand of 6,220 thousand Euro, compared to a positive change of 17,516 thousand Euro for 31 December 2020. The change was as follows:

(Euro /000)	31 December 2021	31 December 2020
A) Cash and cash equivalents at the start of the period	**41,943**	**24,427**
B) Cash flow generated by (used in) operations in the period	27,378	16,953
C) Cash flow generated by (used in) investment activities	(8,807)	(4,941)
D) Free Cash Flow (B+C)	**18,571**	**12,012**
E) Cash flow generated by (used in) financing activities	(25,140)	5,472
F) Cash flow from continuing operations (D+E)	**(6,569)**	**17,484**
G) Exchange rate translation differences on cash at hand	349	32
H) Net change in cash at hand(F+G)	**(6,220)**	**17,516**
I) Cash and cash equivalents at the end of the period(A+H)	**35,723**	**41,943**

The cash flow from operations in the period was positive by 27,378 thousand Euro; in particular, operations in the year 2021, purged of the effect of provisions, amortisation and financial entries, generated 28,416 thousand Euro in cash (17,691 Euro in the year 2020), while the net change in other assets and liabilities in the same period provided 1,759 thousand Euro in resources (whereas in 2020 it had contributed 2,066 thousand Euro) and management of operating capital absorbed 1,552 thousand Euro in cash (4,346 thousand Euro in the previous year).

Financial resources to support technical investments amount to 8,906 thousand Euro, (6,003 thousand Euro in the year 2020). It should also be noted that during the year 2020, part of the capital in Ensun S.r.l., amounting to 1,076 thousand Euro, was collected.

Free cash flow (operating cash flow excluding investment) was positive by 18,571 thousand Euro, as compared with a negative figure of 12,012 thousand Euro at 31 December 2020.

Financing activities absorbed resources totalling 25,140 thousand Euro, including 11,099 thousand Euro linked to the repayment of non-current financial payables, 3,224 thousand Euro due to the decrease in current financial payables and 8,480 thousand Euro for the payment of dividends.

In the year 2020 loan activities generated cash totalling 5,472 thousand Euro: the Parent Company's subscription of new loans totalling 18,000 thousand Euro, and the repayment of medium/long-term financial payables with a value of 18,604 thousand Euro were the main developments.

6 INVESTMENTS

Gross technical investment during the year 2021 amounted to 8,906 thousand Euro (6,003 thousand Euro in 2020) and relates to:

- production and laboratory plant and equipment in the Group's Italian plants totalling 3,680 thousand Euro (including 2,376 thousand Euro for production lines in the sensors business unit, 866 thousand Euro in the components business unit and 438 thousand Euro for production lines in the motion control business unit), as well as 156 thousand Euro in the Group's other subsidiaries, particularly the US subsidiary. As of 31 December 2020 were investments of 1,572 thousand Euro in Italy and 114 thousand Euro in the Group's foreign subsidiaries;

- adjustment of industrial buildings totalling 1,580 thousand Euro in the Group's Italian plants and 401 thousand Euro in the Group's other subsidiaries (at 31 December 2020 555 thousand Euro had been invested in buildings in Italy and 101 thousand Euro in buildings abroad), primarily for construction of the Gefran Soluzioni office building;

- renewal of electronic office machines and IT system equipment, amounting to 216 thousand Euro in the Parent Company and 167 thousand Euro in the Group's subsidiaries (in the year 2020, the figures were 125 thousand Euro and 99 thousand Euro, respectively);

- miscellaneous equipment in the Group's subsidiaries amounting to 30 thousand Euro (31 thousand Euro in 2020);

- capitalisation of costs incurred in the period for new product development, totalling 2,081 thousand Euro (2,072 thousand Euro at 31 December of 2020);

- investments in intangible assets in the amount of 595 thousand Euro, mainly relating to management software licences and SAP ERP development (in the year 2020 other intangible assets were entered with a value of 1,334 thousand Euro, primarily representing the cost of patents).

Investments are listed below by type and geographic region:

(Euro /000)	31 December 2021	31 December 2020
Intangible assets	2,676	3,406
Tangible assets	6,230	2,597
Total	**8,906**	**6,003**

(Euro /000)	31 December 2021		31 December 2020	
	intangible	tangible assets	intangible	tangible assets
Italy	2,667	5,548	3,255	2,303
European Union	2	46	4	87
Europe non-EU	-	16	6	32
North America	-	199	-	51
South America	7	54	52	45
Asia	-	367	89	79
Total	**2,676**	**6,230**	**3,406**	**2,597**

Investments in the year 2021 are broken down below by business area:

(Euro /000)	Sensors	Automation components	Motion control	Total
Intangible assets	631	972	1,073	2,676
Tangible assets	3,213	2,473	544	6,230
Total	**3,844**	**3,445**	**1,617**	**8,906**

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.

Please refer to paragraph 10 of the notes to the Consolidated Financial Statements for an examination of the balance sheet by business area.

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. For the past two years many countries have not been holding trade fairs, either in automation or specialised by sector in vertical markets, and the few that have been held have had few visitors (with an estimated reduction in attendance of 60% to 70%).

Though it remained impossible to travel to some countries throughout the year 2021, and in some countries it is not possible to travel today, either internationally or locally, the year saw a speedy recovery of demand on the market in the sensors business.

This business area performed very well, not only in terms of new customers, but also those who chose Gefran as a partner (prospects), both in sectors in which the Group is a historical leader and in new applications (such as batteries for electric cars, or semiconductors). Consolidation of the company's market share in core applications, with opportunities to gain additional new customers or expand existing ones with cross-selling actions, is one of the focuses of the sales network in this business area, which is expected to allow solid and sustainable development in the years to come. The opening of new vertical markets resumed in the year 2021 and will receive a substantial boost in years to come, in the light of projects for recovery and economic development now under way in many countries around the world. The focus will continue to be on expanding the business proactively into the new sectors of renewable (solar) energy, sustainable mobility (hydrogen), and transport and logistics infrastructure (mobile hydraulics).

In addition to a special focus on development of the Chinese and South-East Asian markets (India, Taiwan and Korea, to mention only a few of the countries in question), this business line has taken advantage of opportunities in European countries where Gefran has a historic presence, such as Germany and Austria, served both directly through Gefran's own network and with its partner distributors, continuing to operate in these areas through consolidated partnerships, new possibilities, and an outstanding technical assistance and sales support service.

Inbound and digital presence marketing campaigns will be intensified in 2022, as they were in 2021, in parallel with recruitment of specific figures for Commercial Marketing and Business Development, with the simultaneous aim of promoting successful case histories, applications where the benefits acquired by the customer are measurable and tangible, as well as new technological solutions that will make the Group stand out on the market.

Various operating methods introduced during the pandemic, particularly webinars, seminars, training initiatives, and the possibility of being able to get in touch quickly and frequently via the digital platforms now in widespread use, will allow Gefran to seize opportunities in this area and emphasise the values for which it stands out in communications with customers in this business area: quality, tailor-made, technological excellence.

2021 saw the addition of a Chief Sales Officer to the Group, who quickly settled into the mechanisms of Group governance and strategic guidelines to pursue four essential targets, which will continue to be pursued in the near future:

- consolidation and acceleration of the growth of the sensors business in geographical areas and core vertical markets;
- increasing and improving Gefran's presence in existing and new areas;
- consolidation of business development initiatives;
- market access initiatives: Partner Distributors, Key Account Management and omni-channel distribution.

In terms of processes, Gefran worked on developing Brand Awareness, Demand and Lead Generation, not only at the Corporate level but also in the Group's subsidiaries, promoting use of the company portal, digital channels and platforms designed to reach existing or potential customers in a targeted manner. One example of this is a programme launched over the last year with a team of specialised professionals, referred to as Digital Ambassadors, who use the "LinkedIn Sales Navigator" platform to create interactive blogs and posts, participate in forums and discussions, and, where possible, influence opinion regarding technological and business issues. The goal of the programme in the near future is to ensure quick, easy connection with customers in a variety of different functions and positions.

The products of this business have very long life cycles, and stand out for their large number of possible configurations. Considerable efforts in the area of maintenance, but also in continuous improvement and innovation, are essential keys to technological leadership. Also in the area of processes, 2021 saw the launch of an initiative aimed at improving lifecycle management of sensor product families, with the aim of offering customers served by the business visibility over a medium-term time horizon, and consequently allowing them to plan more efficiently, guaranteeing the protection of their assets and investments, in relation to both the existing fleet and future generations of the technology.

In addition to the launch of new products, research and development focused on consolidating the existing sensor portfolio, enriching it with important technological content, both in terms of architecture, with the world's most popular fieldbus, and in terms of constant commitment to the level of performance in demand on the vertical markets and applications the business now serves (such as polymers and synthetic fibres), with a widespread presence and prompt service in all the geographical areas where the business operates (such as India, Korea, and the USA). This boost to innovation will be achieved with greater intensity in the near future.

2021 saw, in the sensors business as elsewhere, the intensification and worsening of the risk of possible discontinuities in the supply of raw materials, both electronic components (mostly from the Far East) and commodities, such as metal items (aluminium and steel). A strong strategic asset of expertise and product knowledge has been the key factor in achieving excellent performance despite the emergency. The synergic work of various company departments made it possible to pursue new technological avenues, expand the horizon of the company's choices and introduce new supply opportunities, supported by industrial processes in operation that have been able to support and guarantee an adequate level of customer service. This feature will allow the business line to remain competitive despite the highly uncertain supply chain.

Gefran's factories were further modernised in 2021, with the introduction of automation and digital technologies such as robotics, vision systems and foolproof quality control, with significant investments, expected to continue in the coming years, supporting the expected growth in volumes and reflected in long-term plans.

KEY EVENTS

In continuity with the previous year, there was a special focus on protection of the health and safety of everyone who works in the Group in 2021. This did not prevent a number of trips, both within the country and to visit international customers. The ideal combination of remote and on-site work, using appropriate tools and processes, allowed the company to plan and implement activities of strategic importance for the management and development of this business line.

In both research and development and operations, the projects planned proceeded on schedule, and it was even possible to anticipate and implement some of the investments that had been planned for 2022; this will permit the company to seize additional opportunities for growth of the business line ahead of schedule, supporting and increasing the production capacity of the plants in this business line on the global level.

The sensors business reaffirms itself as a significant and driving force for the Group, in a market characterised by high demand in which Gefran aims to respond to all its customers' different needs quickly and satisfactorily, fulfilling growing demand from existing customers while supporting new customers in different types of applications.

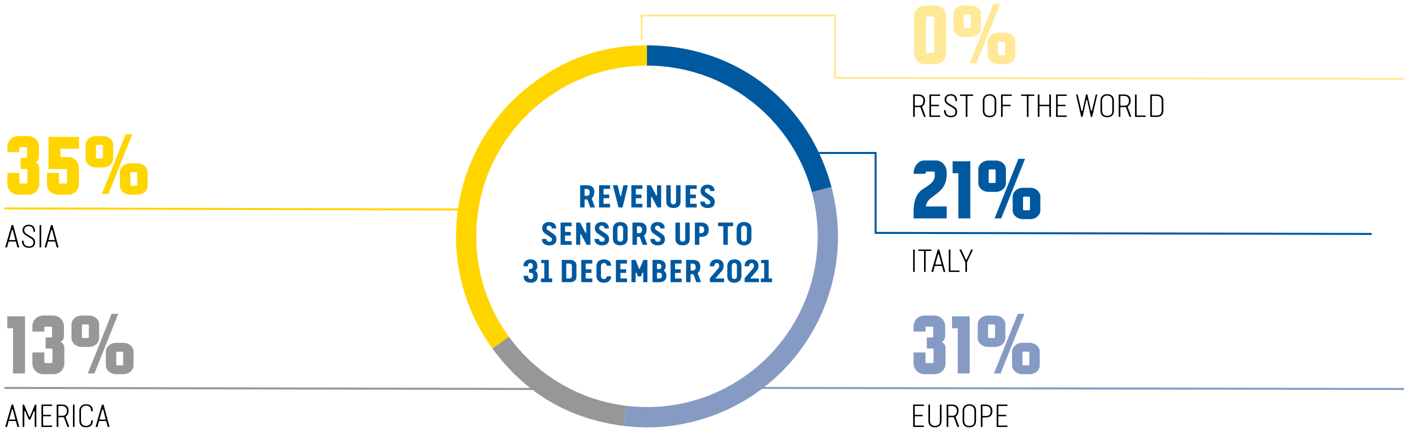
SUMMARY RESULTS

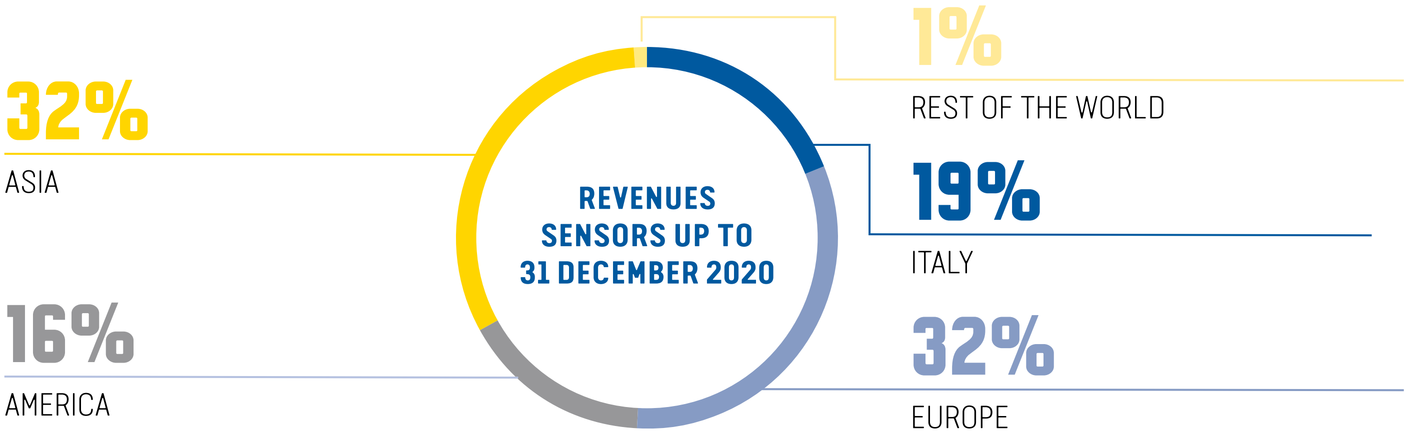
The table below shows the key economic figures:

(Euro /000)	31 December 2021	31 December 2020	Var. 2021 - 2020		4Q 2021	4Q 2020	Var. 2021 - 2020	
			Value	%			Value	%
Revenues	77,400	57,734	19,666	34.1%	20,447	15,224	5,223	34.3%
EBITDA	21,301	13,563	7,738	57.1%	4,981	3,600	1,382	38.4%
% of revenues	27.5%	23.5%			24.4%	23.6%		
EBIT	17,866	10,054	7,812	77.7%	4,100	2,687	1,414	52.6%
% of revenues	23.1%	17.4%			20.1%	17.6%		

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

(Euro /000)	31 December 2021		31 December 2020		Var. 2021 - 2020	
	Value	%	Value	%	Value	%
Italy	16,164	20.9%	11,214	19.4%	4,950	44.1%
Europe	24,048	31.1%	18,450	32.0%	5,598	30.3%
America	10,263	13.3%	9,186	15.9%	1,077	11.7%
Asia	26,631	34.4%	18,611	32.2%	8,020	43.1%
Rest of the world	294	0.4%	273	0.5%	21	7.7%
Total	**77,400**	**100%**	**57,734**	**100%**	**19,666**	**34.1%**





BUSINESS PERFORMANCE

Revenues from the business unit as of 31 December 2021 amount to 77,400 thousand Euro, an increase over the figure for 31 December 2020, when they amounted to 57,734 thousand Euro, registering a change of 34.1% including the effect of exchange rate differences (negative by 156 thousand Euro). The figure for the previous year had been penalised by the initial effects of the Covid-19 pandemic on international markets, leading to the temporary closure of some of the business unit's production plants. In the year 2021, despite the fact that many of the measures for containment of the virus were still in place, such as limitations on travel for business meetings and trade fairs, thanks to investment and the new operating methods introduced, the business unit was able to pick up on the strong signs of recovery, especially in Asia, and particularly China, where activities implemented in 2020 to promote increased sales allowed it to take full advantage of the recovery of the local economy. this, in addition to the concrete appearance of commercial opportunities in other areas, especially in Italy and Europe, which had begun in 2019 and been suspended due to the pandemic, led to a complete recovery of revenues, recording even better performance than in the year 2019 (+27.8%).

Compared to the figure for 31 December 2020, all geographic areas reached by this business line saw growth in revenues in the year 2021, particularly Asia (+43.1%), Europe (+30.3%) and Italy (44.1%). Growth in revenues was lower in America (+11.7%), an area also affected by exchange rates, and the only area to perform worse than in 2019 (-14.3%).

Positive signs were also recorded in orders received in the year 2021, totalling 85,861 thousand Euro, an increase over the figure for the year 2020 (+40.8%), when this item amounted to 60,999 thousand Euro. The order backlog as of 31 December 2021 was also higher than on 31 December 2020 (+84%) and in relation to the close of the year 2019 (+175.4%).

Orders in 2021 were also higher than the 2019 figure (+43.2%), when orders amounted to 59,939 thousand Euro.

In the fourth quarter of 2021, revenues amounted to 21,020 thousand Euro, up 16.6% over the same period in 2020, when they came to 18,031 thousand Euro.

EBITDA at 31 December 2021 is 21,301 thousand Euro (27.5% of the revenues from the business), an increase of 7,738 thousand Euro over 31 December 2020, when it amounted to 13,563 thousand Euro (23.5% of revenues). The change in EBITDA is attributable to the increased volume of sales, only partially affected by higher operating costs, primarily as a result of higher volumes of production, as well as the increased cost of commodities and electronic components.

EBITDA for the year 2021 was higher than the figure for 31 December 2019, both in absolute terms (6,638 thousand Euro) and as a percentage, increasing from 24.2% in 2019 to 27.5% in 2021.

EBIT in the year 2021 amounts to 17,866 thousand Euro, equal to 23.1% of revenues, as compared to the previous year's EBIT of 10,054 thousand Euro (17.4% of revenues), an increase of 7,812 thousand Euro. The change in this figure for the year 2021 as compared to the figure for the previous year is essentially attributable to increased revenues. EBIT increased by 7,906 thousand Euro compared with the figure at 31 December 2019, when it amounted to 9,960 thousand Euro (16.4% of revenues) and included recognition of a reduction in the value of a property dedicated to the Sensors business (1,531 thousand Euro), to adjust its carrying value to fair value.

Comparing the figures by quarter, EBIT in the fourth quarter of 2021 is 4,100 thousand Euro (20.1% of revenues), as compared to a figure for the fourth quarter of 2020 of 2,687 thousand Euro (17.6% of revenues).

Also note that the effect of adoption of accounting standard IFRS16 in the sensors business resulted in reversal of 520 thousand Euro in leasing fees (523 thousand Euro at 31 December 2020) and entry of amortisation of usage rights totalling 510 thousand Euro (523 thousand Euro at 31 December 2020).

INVESTMENTS

Investments in the year 2021 total 3,844 thousand Euro, and include 631 thousand Euro in investments in intangible assets, 384 thousand Euro of which was for research and development in new products. The remainder is for purchase of software programmes and licences.

Increases in tangible assets totalled 3,213 thousand Euro, including 2,647 thousand Euro invested by the Parent Company, primarily for the purchase of production equipment for increasing the capacity and efficiency of production. Investments in the Group's subsidiaries totalled 566 thousand Euro, primarily for the adaptation of the Chinese production plant and purchase of equipment for the American subsidiary.

7.2 AUTOMATION COMPONENTS

STRATEGY

The market travelled at two different speeds in the year 2021, with an acceleration of the recovery in demand in the last quarter, reaching and even surpassing pre-pandemic levels, at least in terms of revenues, by the end of the year. Travel restrictions due to the global pandemic that began in 2020 only partially affected the Group's ability to generate new sales opportunities. Indeed, in the final months of the year, a series of new sales were successfully closed, both in traditional (core) sectors and in new applications.

The goal for 2022, with regard to commercial development of markets, continues to be concentration on specific geographic areas, such as Europe (Italy, France and Germany), the United States of America and Brazil, where resources with specific expertise in the business will focus on generating new opportunities. China will be added to these areas of interest. The company's sales organisation covering these areas was strengthened in the year 2021 with the addition of new resources focusing on the components business, who are taking advantage of the first opportunities for growth in the area.

Identification of significant opportunities in industrial applications other than the traditional ones for the Group will continue to play a crucial role. To achieve this goal, the Group will intensify its inbound marketing campaigns and digital presence while recruiting Commercial Marketing and Business Development staff, with the aim of promoting successful cases, applications in which customers have obtained tangible, measurable benefits, and new technological solutions that stand out on the market. The Digital Ambassador programme, launched in 2021 through the "LinkedIn Sales Navigator" platform will be extended from the sensors business to include automation components, accelerating readiness for connection with customers.

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

The year 2021 saw major challenges in the supply chain, with a risk of potential discontinuity of raw materials supplies, including both electronic components and other commodities such as metal parts (aluminium and steel). The business line was able to cope with this emergency without ever failing to ensure the availability of products ordered on the market thanks to its ability to promptly pursue new technological paths, even when this involved product re-engineering, in order to make way for new supply opportunities that industrial processes were able to welcome and support quickly and reliably.

Business development is supported by a product range which was enriched with new features and products during the year 2021:

- in the area of power control, expansion of the range of solid state relays (completely renewed in 2020) continued, leading to the launch of a new product family offering outstanding diagnostic, communication and connectivity functions;
- in instrumentation, additional functions were introduced for use in heavy-duty applications in the appropriate sectors of the process industry.

In general, the product range has implemented (or is ready to implement) all the innovative features that will make it able to interface with advanced digital industrial processes.

Constant monitoring of the level of customer satisfaction is crucial to maintain and improve the competitiveness of this business line. For this reason, during the year 2021 a number of production islands were fully automated in order to respond to rising demand with reliability and efficiency. The evolution of Industry 4.0 production processes (automation and digitisation) is a process that will continue in 2022 with introduction of additional robotic islands to support production capacity.

KEY EVENTS

2021, like the previous year, was characterised by a special focus on protection of the health and safety of our people. This did not compromise the opportunity to organise a number of business trips, both within Italy and to reach international customers. The ideal combination of remote and on-site work, using appropriate tools and processes, allowed the company to plan and implement activities of strategic importance for the management and development of this business line.

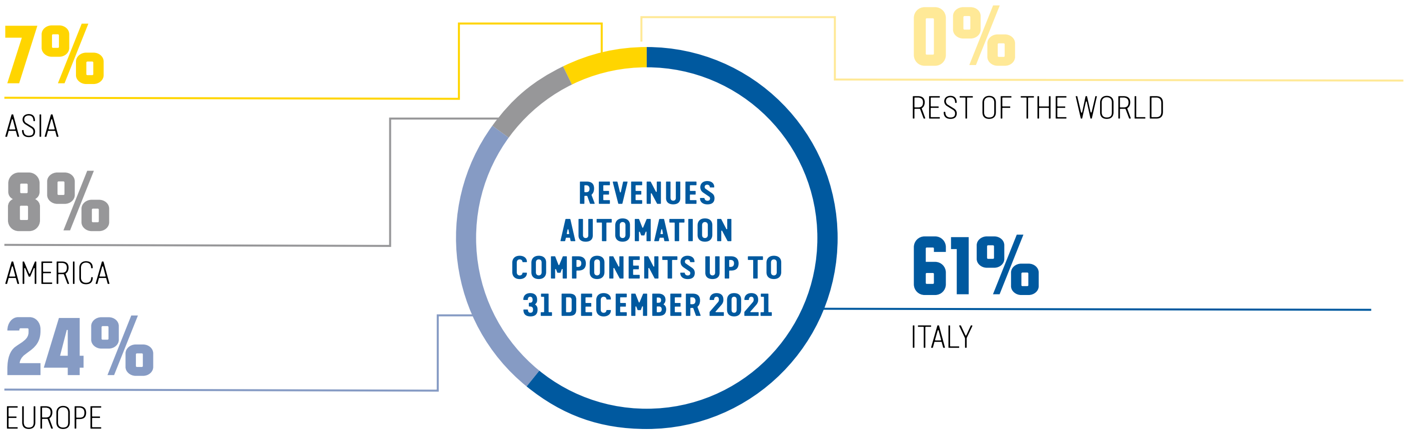
SUMMARY RESULTS

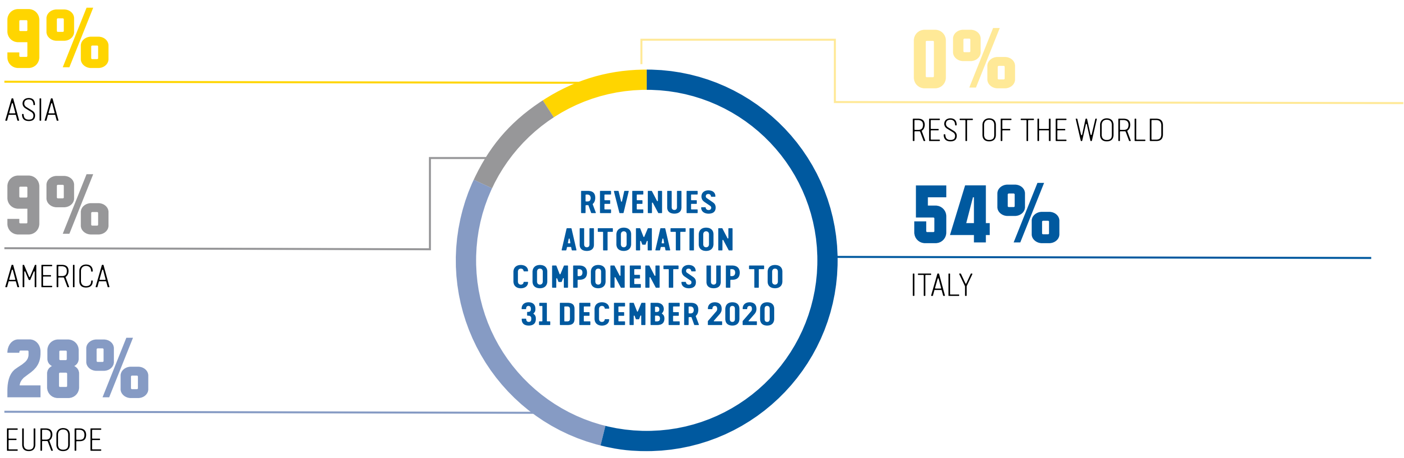
The table below shows the key economic figures:

(Euro /000)	31 December 2021	31 December 2020	Var. 2021-2020 Value	%	4Q 2021	4Q 2020	Var. 2021 - 2020 Value	%
Revenues	46,286	37,238	9,048	24.3%	12,473	9,723	2,750	28.3%
EBITDA	4,601	3,578	1,023	28.6%	923	1,167	(244)	-20.9%
% of revenues	9.9%	9.6%			7.4%	12.0%		
EBIT	1,830	1,047	783	74.7%	238	526	(288)	-54.8%
% of revenues	4.0%	2.8%			1.9%	5.4%		

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

(Euro /000)	31 December 2021		31 December 2020		Var. 2021-2020	
	Value	%	Value	%	Value	%
Italy	28,078	60.7%	20,235	54.3%	7,843	38.8%
Europe	10,968	23.7%	10,244	27.5%	724	7.1%
America	3,596	7.8%	3,387	9.1%	209	6.2%
Asia	3,526	7.6%	3,229	8.7%	297	9.2%
Rest of the world	118	0.3%	143	0.4%	(25)	-17.5%
Total	**46,286**	**100%**	**37,238**	**100%**	**9,048**	**24.3%**


7%
ASIA
8%
AMERICA
24%
EUROPE
REVENUES AUTOMATION COMPONENTS UP TO 31 DECEMBER 2021
0%
REST OF THE WORLD
61%
ITALY


9%
ASIA
9%
AMERICA
28%
EUROPE
REVENUES AUTOMATION COMPONENTS UP TO 31 DECEMBER 2020
0%
REST OF THE WORLD
54%
ITALY

BUSINESS PERFORMANCE

At 31 December 2021 the business line's revenues amounted to 46,286 thousand Euro, up by 24.3% over the figure at 31 December 2020. In the year 2020, performance was adversely affected by the initial effects of the global pandemic, particularly the necessary travel restrictions, which affected the business unit's commercial activities. This made it necessary to review some of the ways in which the sales network approaches customers, including implementation of digital tools. This, in addition to the activities carried out by the technical area for the development of new product families (such as the new SSR solid state relays), as well as new and more modern functions applied to existing products (such as reduction of energy consumption and of the maintenance operations necessary in the event of machine downtime), allowed the business to pick up the first signs of recovery. The trend of improving revenues began in the last quarter of 2020 and continued in the year 2021, with sales returning to pre-pandemic levels (revenues in the year 2021 were up +11.8% over the same period in 2019).

All the main geographical regions covered by the business have seen an increase in revenues compared to the previous year, with particular reference to Italy (+38.8%), Europe (+7.1%), and Asia (+9.2%). Comparison with the figure for the year 2019 shows that growth in revenues was concentrated in Italy (+23%) and in the Asian market (+17.5%).

Orders received in2021 amounted to 43,186 thousand Euro, higher than the total for the previous year (+31.3%). The order backlog as at 31 December 2021 was also higher than the figure for 31 December 2020 (+88%) and the value at the end of the year 2019 (+109.3%).

In the fourth quarter of 2021, revenues amounted to 12,473 thousand Euro, 28.3% higher than in the same period in the year 2020, when they came to 9,723 thousand Euro.

The gross operating margin (EBITDA) as at 31 December 2021 is positive by 4,601 thousand Euro (equal to 9.9% of revenues), up by 1,023 thousand Euro over the figure at 31 December 2020, when it was 3,578 thousand Euro (9.6% of revenues). The increase in sales recorded in the current year and the higher added value achieved are the variables determining the improvement in EBITDA compared to the figure for 31 December 2020.

EBITDA for the current year was up by 473 thousand Euro in comparison with 2019, though substantially aligned as a percentage of revenues (-0.1%).

EBIT for the year 2021 is positive, amounting to 1,830 thousand Euro (3.9% as a percentage of revenues). This compares with an EBIT at 31 December 2020 which was positive by 1,047 thousand Euro (2.8% of revenues). The increase of 783 thousand Euro is a result of the dynamics described above: growing volumes of sale and therefore added value, only partially compensated by greater operating costs for ordinary management. EBIT is also up, by 222 thousand Euro, over the figure for 31 December 2019, when it amounted to 1,608 thousand Euro (3.9% of revenues).

Comparing the figures by quarter, EBIT in the fourth quarter of 2021 is 238 thousand Euro (1.9% of revenues), as compared to the figure for the corresponding quarter in 2020, 526 thousand Euro (5.4% of revenues).

Also note that adoption of accounting standard IFRS16 led the automation components business unit to reverse leasing fees of 459 thousand Euro (481 thousand on 31 December 2020) and enter 437 thousand Euro in amortisation of usage rights (467 thousand Euro at 31 December 2020).

INVESTMENTS

Investments in 2021 totalled 3,445 thousand Euro. Investments in intangible assets amounted to 972 thousand Euro, 711 thousand Euro of which were to capitalise the cost of development of the new range of controllers and solid state relays. The remainder represented the cost of purchasing software programs and licenses.

Investments in tangible assets amounted to 2.473 thousand Euro, including 2,392 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. In particular, the second part of 2021 saw the extension of an existing building, which has housed the headquarters of Gefran Soluzioni S.r.l. since January 2022. This investment will permit better support for business development.

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.

Development of custom projects continued in 2021, to a sufficient extent to guarantee the stability of volumes over time and greater efficiency of the factory, which is due to be completed in the year 2022. In addition, creation of a new product family for non-industrial lifting has been completed, introducing important innovations in technology and connectivity. In the future, the business line's strategic orientation will therefore focus in particular on the development of product families for industrial applications. Special attention will be paid to the development of increasingly sustainable, energy-efficient applications.

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 continue to be on traditional markets in which 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 2021, 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 2022.

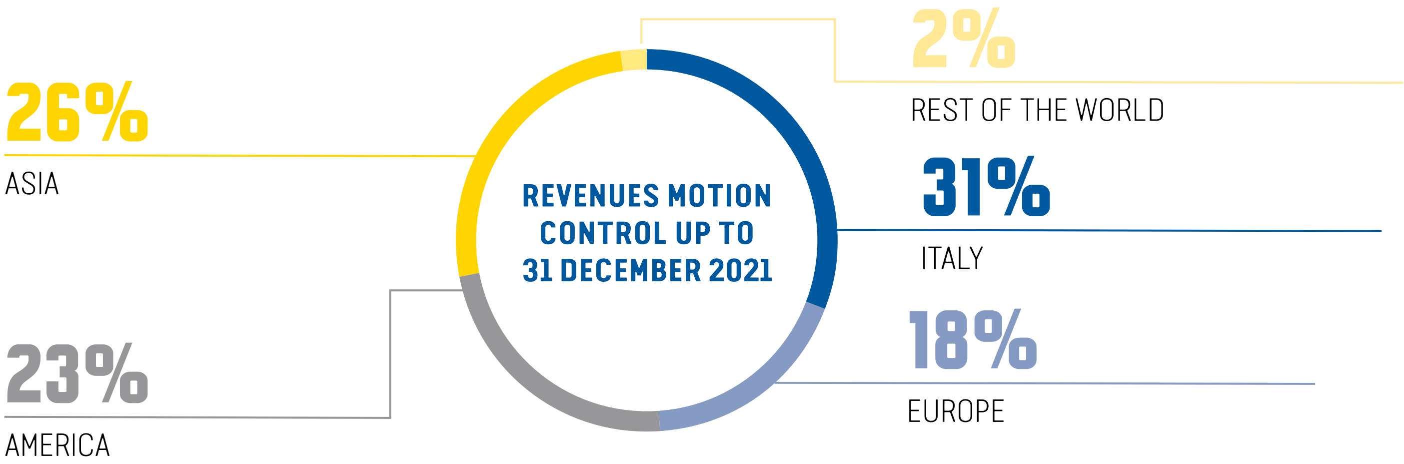
SUMMARY RESULTS

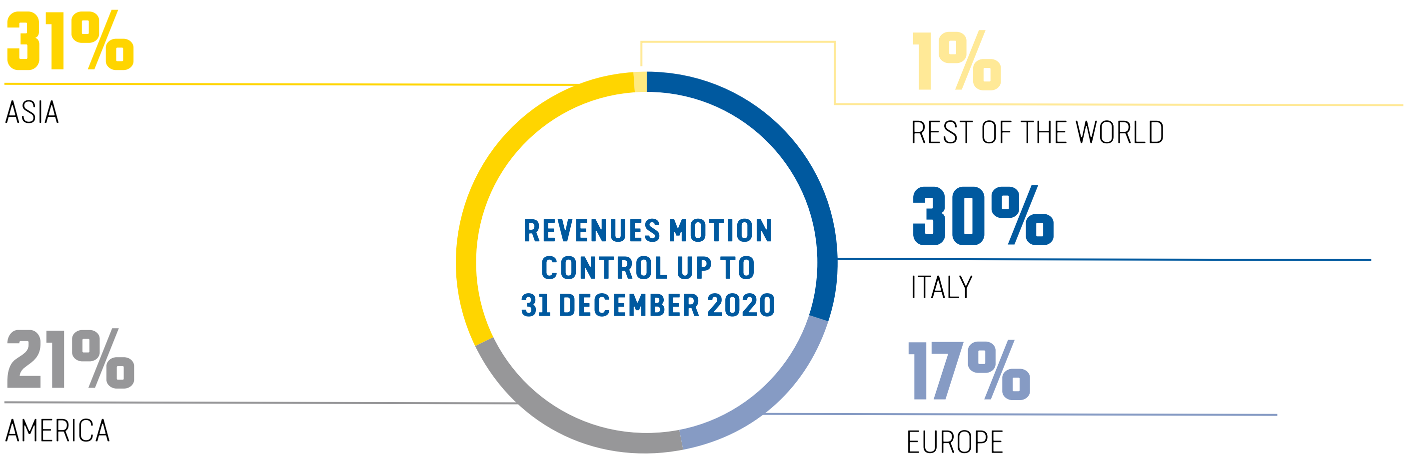
The table below shows the key economic figures:

(Euro /000)	31 December 2021	31 December 2020	Var. 2021-2020 Value	Var. 2021-2020 %	4Q 2021	4Q 2020	Var. 2021 - 2020 Value	Var. 2021 - 2020 %
Revenues	44,812	40,194	4,618	11.5%	11,980	12,350	(370)	-3.0%
EBITDA	252	408	(156)	-38.2%	204	847	(643)	-75.9%
% of revenues	0.6%	1.0%			1.7%	6.9%		
EBIT	(1,611)	(1,703)	92	5.4%	(262)	320	(582)	-181.9%
% of revenues	-3.6%	-4.2%			-2.2%	2.6%		

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

(Euro /000)	31 December 2021		31 December 2020		Var. 2021-2020	
	Value	%	Value	%	Value	%
Italy	13,932	31.1%	11,959	29.8%	1,973	16.5%
Europe	8,000	17.9%	6,913	17.2%	1,087	15.7%
America	10,194	22.7%	8,525	21.2%	1,669	19.6%
Asia	11,667	26.0%	12,278	30.5%	(611)	-5.0%
Rest of the world	1,019	2.3%	519	1.3%	500	96.3%
Total	**44,812**	**100%**	**40,194**	**100%**	**4,618**	**11.5%**


2%
REST OF THE WORLD
26%
ASIA
REVENUES MOTION
CONTROL UP TO
31 DECEMBER 2021
31%
ITALY
23%
AMERICA
18%
EUROPE


31%
ASIA
1%
REST OF THE WORLD
REVENUES MOTION
CONTROL UP TO
31 DECEMBER 2020
30%
ITALY
21%
AMERICA
17%
EUROPE

BUSINESS PERFORMANCE

Revenues in the year 2021 amount to 44,812 thousand Euro, up by Euro 4,618 thousand Euro (+11.5%) over the figure for the previous year. Almost all geographical areas of interest to the business unit, particularly Italy (+16.5%) and the Americas (+19.6%), improved, even displaying growth over the pre-pandemic figures for the year 2019 (+14.5% and +3.3%, respectively). Good performance was also registered in Europe (2021 revenues up +15.7% over 2020), though it did not return to pre-pandemic levels (2021 revenues -7.8% below 2019). The Asian market saw a decline in 2021, both compared to the previous year (-5%) and with respect to the 2019 financial year (-9.9%).

Commercial activities aimed at consolidating the Group's presence in the areas historically covered and developing new areas, as well as technological product development, made it possible to partially bridge the revenue gap caused by the Covid-19 pandemic in the industrial, lifting and customised product ranges.

The order portfolio in the year 2021 amounts to 50,697 thousand Euro, up 29.1% over the figure for the previous year, when it totalled 39,263 thousand Euro. The order backlog as at 31 December 2021 was 75.9% higher than at the end of2020. Orders (+17.8%) and order backlog (+77%) even increased over with the first half of 2019.

EBITDA at 31 December 2021 is positive by 252 thousand Euro (0.6% of revenues). Compared with the figure at 31 December 2020, which was positive by 408 thousand Euro (6.9% of revenues), this represents a drop of 156 thousand Euro, a result of greater volumes of sale registered in the year, partially eroded by the higher incidence of raw material costs. In comparison with the figure recorded at 31 December 2019, equal to 939 thousand Euro (2.1% of revenues), EBITDA for the year 2021 was down by 687 thousand Euro.

EBIT at 31 December 2021 is negative by 1,611 thousand Euro, as compared with an EBIT for the fourth quarter of 2020 which was negative by 1,703 thousand Euro, representing an improvement of 92 thousand Euro, linked to the same dynamics described in reference to the change in EBITDA. Comparing EBIT achieved in 2021 with the same figure at 31 December 2019, negative by 1,193 thousand Euro, a decrease of 418 thousand Euro may be noted.

Comparing the figures by quarter, EBIT in the fourth quarter of 2021 is negative by 262 thousand Euro (2.2% of revenues); whereas the figure for the fourth quarter of 2020 was positive by 320 thousand Euro (2.6% of revenues).

Also note that adoption of accounting standard IFRS16 led the motion control business unit to reverse leasing fees of 268 thousand Euro (274 thousand Euro at 31 December 2020) and enter 262 thousand Euro in amortisation of usage rights (276 thousand Euro at 31 December 2020).

INVESTMENTS

Investments in the year 2021 total 1,617 thousand Euro, including 544 thousand Euro invested in tangible assets, primarily for renewal of production equipment and improvement of the efficiency of production.

Increases in intangible assets amounted to 1.073 thousand Euro and primarily concerned the capitalisation of development costs (986 thousand Euro) relating to new products for the industrial sector and the lifting sector.

8 RESEARCH AND DEVELOPMENT

The Gefran Group invests significant financial and human resources in product research and development. In 2021, about 5% of revenues were invested in these activities, considered 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 in 2021 on further expanding Gefran's offering in the areas of certification and connectivity, focusing on high-end melt sensors and magnetostrictive position sensors in the HYPERWAVE range.

With regard to melt products in particular, development projects are aimed at expanding the geographical focus of certifications and leveraging IECEx certification, obtained in 2020, necessary to achieve multiple regional certifications. In particular, Factory Mutual (FM) Explosion Proof certification was completed, necessary to compete on the US market, as well as EAC Ex certification for Russia and Kazhakistan. PESO certification for the Indian market, Kosha certification for the Korean market and NEPSI Ex certification for China has also been achieved, thus covering key geographical areas for polymer manufacturing.

From the point of view of processes, 2021 began with the completion of localisation of the production process of certain magnetostrictive sensor lines at the Shanghai site, in order to better support the Asian market. This extension of the geographical scope of production, together with the initiatives completed in 2020 regarding the manufacturing of melt sensors in the United States and China, optimises Gefran's global operations configuration, increasing resilience, efficiency and customer proximity.

On the subject of magnetostrictive sensors, the development of products to implement communication protocols from an Industry 4.0 perspective continued. In this context, the new series employing the Profinet communication protocol has become part of the HYPERWAVE family, joining the IO-Link series already released. IO-Link is the smartcom solution with the best cost-to-benefit ratio, offering advantages in terms of cabling, auto-parameterisation and acyclic data generation, indispensable requirements for Industry 4.0. The Profinet series, offering superior performance in terms of both primary performance and data transfer capacity, will be at the top of Gefran's magnetostrictive range, for use in faster and higher-performing machines. The products developed have completed the final steps in the certification process and been tested by customers.

Both protocols are widely used in many segments of the industrial machinery market today, and both have a very high and increasing number of connections.

Finally, 2021 saw the production of Gefran's first multivariable position sensor capable of transmitting multiple measures on broad-based digital communications buses in the world of industry and mobile hydraulics. This sensor, tested by several customers during the year and based on innovative physical principles of measurement with integrated intelligence, represents a technological turning point for Gefran and the market and lays the foundations for progressive evolution of the Group's product portfolio.

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 market sectors such as processing of metals and pharmaceuticals:

/ evolution of the 2805T-3805T controllers with advanced recording, recipe management and graphics features, preparatory to compliance with requirements of standard CFR21 (for the chemical/pharmaceutical market);

/ implementation in 1650-1850 controllers of specific HW and SW features required in the metal heat treatment sector.

In the power controller range, work focused mainly on extension of the family of solid state relays launched in 2020, characterised by development of particularly small size. The evolution of the solid state relay platform was aimed at developing modular products relying heavily on use of common architectural elements (such as power modules) which can be produced in a highly automated production process. This platform began with the launch of the GRS-H solid state relay in 2020 and will continue next year with a series of releases culminating in the launch of mini-power controllers for controlling complex loads. In this context, 2021 saw the launch of the GRP at the end of December: the world's first sold state relay with IO-Link connectivity and smartphone configurability (NFC interface). The GRP is also equipped with advanced features for diagnostics and for control of resistive loads.

Development work 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; and on the other, implementation of custom products responding to specific *ad hoc* technical requirements (job orders) requested by important market leaders in industry.

In more detail, the worked carried out in 2021 by the R&D departments concerned the following projects:

/ development and launch of the ADL500 series for the lifting industry, producing the first release for Basic, Mid and High versions;

/ release of an additional size (Size 7) in order to complete the high powers of the ADV200SP inverter range for hybrid (network and photovoltaic) pumping systems with high energy performance;

/ continuation of development of the range of DC converters, which will be equipped with cloud, security and maintenance functions to meet the expectations of key players in the industry;

- development of a new range of converters for lifts with high power, performance and reliability, to order for a specific project;

- development, again to order, of an inverter for the air conditioning sector (HVAC) offering high level performance, reduced electromagnetic emissions and optimised cost.

Finally, research and development area in the motion control business focused even more on development of new technologies for improving product performance and introducing new functions and services (such as remote assistance and preventive maintenance). These activities were carried out both by an in-house team and in collaboration with universities and research centres.

9 ENVIRONMENT, HEALTH AND SAFETY

"Gefran provides employees with a healthy, safe and efficient working environment, a formal commitment made in Gefran's Health, Safety and Environment Policy and in its People in Gefran policy".

(from the Gefran Group Code of Ethics and Conduct)

The Group realises that the team spirit of all the workers who share in its organisation, goals and strategies has made a major contribution to its success. 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 is a matter 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 "Health, Safety and Environment" policy, covering the entire Group, which outlines the principles guiding management of these issues. Protection of employees' safety, health and well-being and the environment are key values in the organisation of the Group's activities, creating added value for all its internal and external stakeholders.

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

In the year 2021, Gefran maintained a series of actions it had begun in response to the Covid-19 pandemic in 2020 aimed at limiting the risk of contagion in the workplace, ensuring that its employees and external collaborators enjoy the best health and safety conditions, and, at the same time, ensuring business continuity in its factories. The most significant measures taken include:

- constant updating 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;

- cleaning initiatives involving intensified sanitisation of the premises and widespread availability of products for sanitisation of the hands and of shared workstations;

- use of agile working (with remote working), particularly at times of increased intensity of the epidemic, and in a more flexible form during less acute phases;

- monitoring and evaluation of spaces, in both production areas and offices, in order to ensure essential distancing, reorganising workstations where necessary;

- organisation of seasonal flu vaccination campaigns on a voluntary basis.

Centralised management of the supply chain, implemented in 2020 and aided by synergies of supply among Group companies, was maintained with the aim of optimising procurement of materials and PPE required to prevent the spread of Covid-19. This made it possible to ensure harmonised, consistent management in all Group companies, in all countries, especially where there was particular difficulty obtaining these materials.

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 continued at various levels on the protection of health and safety in the workplace, using both internal skills and the support of an external team of health and safety professionals. 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, good practice in the sector, and accurate analysis of accidents and near-misses;

- considering protection of its employees' occupational health and safety in all activities an essential element of the company's organisation;

- 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. 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, third-party auditing and ongoing analysis of the Group's energy consumption, permitted 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. The same technology was also used in the redevelopment and construction of the new areas in 2020 and 2021. As in previous years, in 2021 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. The function was further developed in 2021, both at organisational level and in terms of acquisition of skills, and worked on harmonising the approaches and methods of management of the Group's various Italian companies in relation to the most important aspects of occupational health and safety and environment. In addition, Gefran took its first steps on the path to obtaining certification for its environment (ISO 14001), health and safety (ISO 45001) and social (SA800) responsibility.

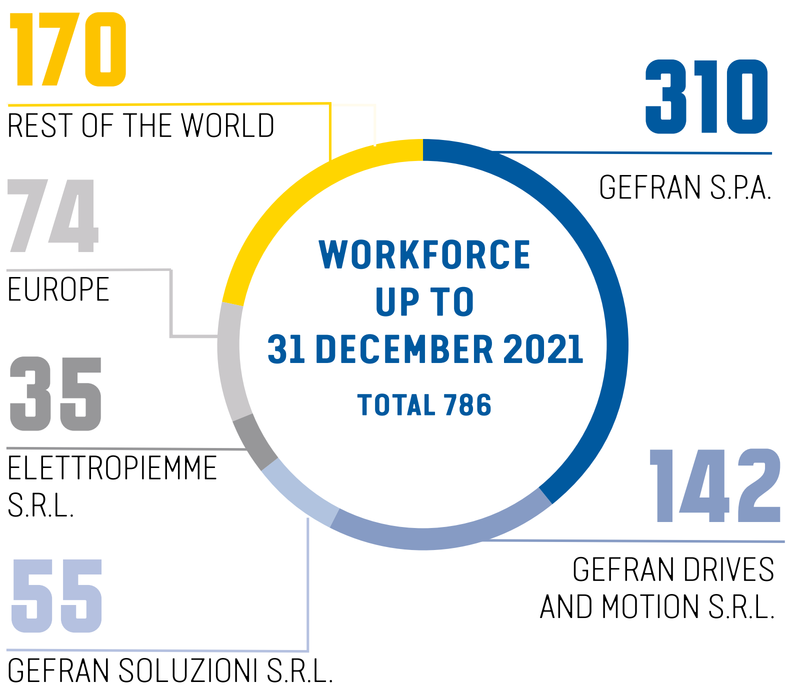
10 HUMAN RESOURCES

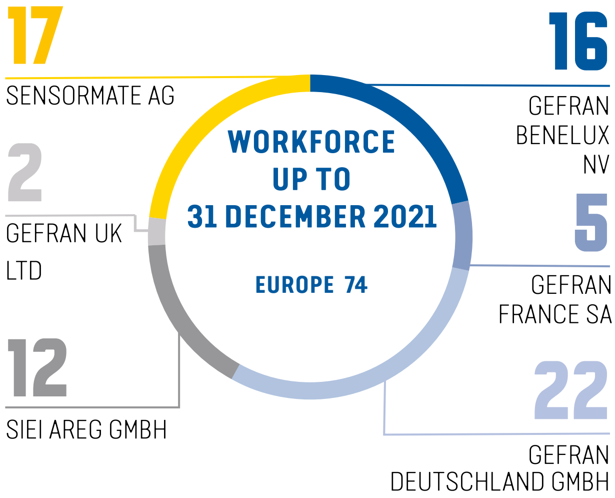
WORKFORCE

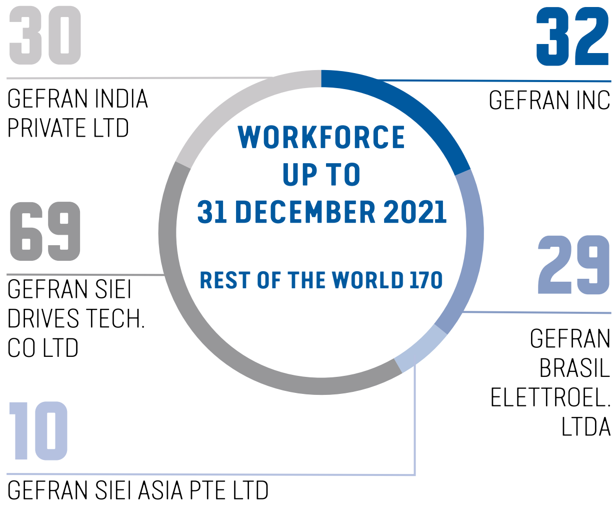
The Group's workforce as of 31 dicembre 2021 included 786 people, 1 less than at the end of 2020.This change results in an overall turnover rate within the Group of 18.9%.

The changes recorded during the year 2021 may be broken down as follows:

- 74 people joined the Group, including 12 manual workers and 62 clerical staff;
- 75 people left the Group, including 20 manual workers and 55 clerical staff.







The **Gefran Way** contains the spirit, identity and values of Gefran and the brand, explained through the Gefran *Promise*, *Purpose*, *Guiding Principles* and *Manifesto*.

Gefran's *Brand Identity* has been formally stated and shared at all levels of the Group, and is present in all initiatives involving Gefran people. After the launch in 2019 with a series of events in various locations around the world and a digital event held in 2020, the *Gefran Way* inspired every event and initiative organised at Group level in 2021: the International Sales Meeting, a digital event attended by people from all the countries where Gefran is active, with initiatives conducted in partnership by multicultural crews, as well as a variety of other events held both through digital media and in person.

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 is not considered an identity, but a unique set of individual characteristics, skills and abilities, aligned with *Gefran Way* and consistently with the organisation required to implement the Group's business strategy.

Gefran uses a variety of tools and methods targeting both its existing staff and new employees.

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.

Gefran also continues to offer opportunities for students and recent secondary school and university graduates. It has various collaborative ventures with universities and secondary schools. Gefran 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.

FLY Youth is a session for recent graduates who are progressively being integrated in the company due to generational turnover. It includes a programme called "4x4", consisting of 4 laboratories on the development of 4 fundamental soft skills (focusing on results, ability to cooperate, communication, self-management), held with the guidance of external teachers and coaches. The programme also includes sessions held by managers of the company's key business functions promoting a vision of Gefran as a "corporate system". At the end of the training programme, participants in *FLY Youth* put themselves to the test in a contest for specific projects, one of which resulted in the creation of "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 Gefran's Academy for talent development, recognised as one of the best in Italy by the financial newspaper *Il Sole24 Ore*; in 2021 it also became a hub for sharing ideas, experiences, best practices and cooperation.

Gefran promotes talent by focusing on readiness to innovate and renew, a concept that is given concrete meaning in the pragmatic work Gefran's people do together every day. The Group 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 integration and uniformity in terms of development and training for people at all levels of the organisation, in March 2021 Gefran launched *kenFLY*, the digital hub of its Academy. Employees in all countries throughout the entire Group have access to this platform for practising their skills and know-how, and for exchanging experience and knowledge. *KenFLY* s inspired by the need to promote development of talent in the *FLY* Gefran Talent Academy in an equal way among all members of the organisation, on the basis of an open and responsible approach. Through *kenFLY*, the Group commits to reinforcing and completing its training methodology based on individual strengths, bearing in mind that inclusiveness and value of diversity, considered in terms of appreciation of individuals' talent and characteristics, are key themes.

Through *kenFLY*, employees can make use of training content focusing on the six skill areas that make up the matrix of Gefran's expertise. Each employee can make use of the content he or she deems most interesting, and at the same time the company can create targeted and tailor-made paths. It is possible to view and be aware of which strengths are being trained the most, and which areas could be successfully improved, using a common language shared by the entire Group that empowers people in their own training and provides clear, structured feedback.

The platform, which has already received awards and recognitions (shortlisted for an Innovation Award by the Observatory of Politecnico di Milano), and its communication, learning and engagement dynamics have been designed taking into account both cultural features and the specific characteristics of each generation. One of these is the *gamification* of the learning process.

The system will enable all employees to align themselves in relation to the strategy and challenges of the organisation, offering everyone the opportunity to continue growing and strengthening their *employability*. In concrete terms, the project will be completed in the year 2022 with creation of a transparent, structured performance management system permitting periodic analysis and comparison of the assessment of performance and development of skills, as well as the sharing of structured feedback. The goal the Group pursues through this integrated system is twofold: strengthening people's cross-sectoral skills and techniques while, at the same time, activating and empowering the management team, strengthening their aptitude for mentoring and providing continuous feedback thanks to growing employability.

This project is an integral part of the formalised *Sustainability Strategic Plan* drawn up in November 2020.

INVOLVEMENT AND PARTICIPATION

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 ensuring employee engagement and loyalty include welfare (such as the organisational well-being programme "WELLFRAN People in Gefran"), through which the company offers products, services and initiatives that aim to improve the quality of people's experience in the company in balance with private life.

In terms of communications, inspiration and engagement, all employees are offered 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.

New employees are encouraged to participate through a special 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. Mapping of the business areas compatible with this practice meant that the company was prepared when the spread of the Covid-19 pandemic required implementation of this way of working. This operating method was first employed at the beginning of 2020, with the involvement of all office staff, in advance of the local regulations requiring social distancing, in order to protect the employees' health as much as possible. Maximised at the times of greatest intensity of the epidemic, this practice continues to be used today, in a more flexible way.

For workers in production areas, through a participatory plan defined with the involvement of the trade unions, flexible working hours were introduced that help to improve life/work balance and ensure flexibility, effectiveness and efficiency in production processes.

In keeping with the Gefran Group's spirit of social involvement and support, an interactive digital event took place at the end of 2021, attended by all the Group's employees, who, exchanging best wishes for the holidays at the end of the year, interacted and played together in order to create a virtual prize pool that Gefran donated to Save the Children.

11 STRATEGY

The year that ended was extremely positive for the Gefran Group: the results achieved, the best in the Group's history, offer concrete evidence of Gefran's ability to respond to trends in demand, even in highly unpredictable circumstances.

Gefran's distinctive features, including vertical process integration, a wide range of expertise and effectiveness in product re-engineering, emphasized the company's ability to be close to the customer, respecting supply commitments and strengthening the Group's position as a market partner. All in an economic and industrial context adversely affected by the spread of Coronavirus, ongoing uncertainties in the supply chain, and, more recently, by the current geopolitical situation.

Development in the years to come will be based on four pillars: market, research and development, innovation, operation and people.

With reference to development of the market, the gradual opening of the countries served by the Group, making it possible to travel and meet with current and potential customers in person once again, will permit acceleration of existing commercial actions, strengthening the Group's presence in key territories to continuing to develop its business, also through digital initiatives and development of e-commerce.

Product innovation will continue to be an essential competitive element for the Group. New product lines were released during the year by all the main business units, responding to the most advanced technical and technological needs of the sector, and in many cases, proposing innovative functions for the industrial applications of reference. Looking ahead, the drive for to come up with new products and solutions and the introduction of additional functions is expected to be further reinforced, consolidating Gefran's position as a technological partner in the digital transition of industrial processes.

Reliable delivery deadlines and an ability to live up to its promises to customers continued to be essential elements of the company's competitiveness on the market in 2020 and 2021. Gefran has always been aware of the importance of these aspects, investing in innovation in its industrial processes in pursuit of efficiency and ongoing improvement of its level of service. The Group took action in this direction in 2021, and will continue to do so in the years to come, consolidating the transition to smart manufacturing and further automation of the processes involved in transformation of raw materials beginning in the next year.

In highly unpredictable circumstances such as those the Group is currently facing, people remain the essential key to success. The Group has invested and will continue to invest in the development of both vertical and cross-sectoral skills of its people by implementing innovative digital tools to guide and support all employees in this process of growth.

The focus on sustainability remains the key theme inspiring all the initiatives described in the previous paragraphs.

Though not a short-term priority, the Group does not exclude the possibility of growth extending externally, provided consistency is maintained with the Group's strategic guidelines and 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 and on its reputation. 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 through:

- the **Board of Directors**, which defines the guidelines for the internal control and risk management system in line with the Company's strategies and assesses its adequacy and effectiveness;
- the **Risk Control Committee** (RCC), which has the task of supporting, with adequate preliminary investigation, the evaluations and decisions of the Board of Directors regarding the internal auditing and risk management system, as well as checking proper application of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- the **Chief Executive Officer,** as stated in the *Corporate Governance Code*, is entrusted with the task of identifying key corporate risks, implementing risk management guidelines and checking their adequacy;
- the **Executive in charge of financial reporting**, who directly oversees preparation of the control model under Law 262/2005 and the related administrative and accounting procedures, in view of its constant updating;
- the **Internal Audit** function, entrusted 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;
- the **Board of Statutory Auditors**, which monitors the effectiveness of the internal

control and risk management system;

- the **Supervisory Body**, which monitors the implementation and correct application of the Organisational Model pursuant to Legislative Decree 231/2001.

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 through identification of 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 potential 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 responability) / 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 remaining 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 assessment is repeated annually on the basis of actions to mitigate the risk triggered and the evolution of the contingent situation.

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**, in which, 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 2021 involved key 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 and reporting risks;

f) legal and compliance risks.

Note that, with reference to IT risk, the risk management processes 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, a strong focus was placed on cybersecurity, adopting procedures and systems to monitor and prevent attacks on the corporate network by hackers and underwriting a specific insurance policy.

Moreover, with reference to human resources risks, there are no specific risks to be reported, thanks to initiatives undertaken since 2017 and still underway; the reader is referred to the section of this annual financial report on "Human Resources" for more details.

Lastly, on the basis of economic results and cash flows in recent years, as well as available funds, 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

The global growth prospects projected recently by the International Monetary Fund (IMF) for 2021 are around 5.9% (in line with the estimate published in October 2021), while growth is expected to be lower in 2022, at 4.4%, down half a percentage point from the October 2021 estimate. The IMF estimates a global growth rate of 3.8% in the year 2023.

According to the IMF, the Eurozone closed the year 2021 with a 5.2% growth rate, while the rate for Italy is estimated a +6.2% and the projection for the next two years is +3.9% in 2022 and 2.5% in 2023. In this scenario, Italy is slightly below average, +3.8% in 2022 and +2.2% in 2023.

The Gefran Group serves international markets through its subsidiaries, and although the spread of Covid-19 is worldwide, the timing of outbreaks in different places and the limitations imposed by certain governments to limit the health emergency, have led to different trends in orders and revenues. The subsequent economic recovery also took place at different times and in different ways all over the world: China, for example, had already recovered fully by the second half of 2020, while recovery was delayed in other countries.

As soon as the first signs of the spread of Covid-19 appeared the Gefran Group reviewed some of its organisational methods, also in view of the limitations on the mobility of the sales force, focusing its activities on both monitoring existing markets and launching marketing automation projects with the aim of developing contacts with prospective customers through digital platforms. This has allowed the Group to reap the benefits of the significant recovery in certain markets (such as China and Southeast Asia) and enabled it to record good performance in 2021: revenues were 23.6% higher than in 2020, and even 14% higher than the pre-pandemic figure for 31 December 2019.

A number of factors, including the support of economic policies and the acceleration of vaccination campaigns, have allowed activity to be resumed and permitted an improvement in the global outlook, although in light of the peaks in the pandemic that occurred at the end of the year and the possibility of new variants spreading, it is not possible to exclude that critical situations may yet occur with a potential impact on the Group's business and economic and financial situation.

The possible evolution of the conflict between Russia and Ukraine could have an impact on global growth expectations, with a combined effect of diminishing growth and fuelling inflation. In particular, due to the effect of the expected increase in energy prices, global growth estimates could be reduced by 0.1% to 0.3%, with a small, albeit limited impact, which would affect Europe in particular.

In light of these forecasts, as of the date of publication of this Report, Gefran does not consider the hostilities that have occurred to have a significant impact on its activities and consequently its ability to generate income.

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.

In order to mitigate the impact of this risk, the Gefran Group has invested in human resources through the inclusion of specialised personnel with a focus on innovation and innovative trends in technology.

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 or national governmental bodies in the countries where Gefran operates that could have an impact on the Group's operating results.

Although the Group's activities do not include processing or treatment of materials or components to an extent representing a significant risk of pollution or, in any case, of environmental damage, the Group also pays special attention to environmental protection and safety regulations.

The Group has introduced a series of controls and monitoring aimed at identifying and preventing any potential increase in this risk and prepared and distributed at all levels a "Health, Safety and Environment System". 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 are not at the moment been known 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.

In view of the recent political developments related to the Russia-Ukraine conflict, it should be noted that the Group does not own strategic assets in the territories currently involved and that sales in these regions are limited. In the year 2021, only 0.6% of the Group's revenues were generated in the countries involved in the conflict. Although the scenario may evolve further, in light of the current forecasts, Gefran does not consider the hostilities that have occurred to have a significant impact on its activities and consequently its ability to generate income.

12.2 FINANCIAL RISKS

EXCHANGE RATE RISK

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

Exposure to exchange rate risk is linked to the presence of production activities concentrated in Italy and sales 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, 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. To manage exchange risk resulting from future commercial transactions and accounting for assets and liabilities denominated in foreign currencies, the Group primarily makes use of so-called "natural hedging", seeking to level incoming and outgoing flows of all currencies other than the currency in which the Group operates; moreover, Gefran assesses and, if necessary, carries out hedging transactions on the main currencies, through stipulation of forward contracts by the Parent Company. 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 the majority of bank loans have been taken out by the Parent Company Gefran S.p.A.

These are primarily variable-rate loans, exposing 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 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. However, at the moment the market is growing strongly and this leads to a significant price oscillation that affects the overall cost of the product, albeit in a moderate manner.

The Russia-Ukraine conflict could lead to a generalised increase in commodities prices, the effects of which on the Group's economic results are currently not estimated to be significant, though this is difficult to predict.

On the other hand, the Group purchases electronic and electromechanical components for production of finished products. These materials are exposed to significant price fluctuations that could adversely affect the Group's results.

RISKS ASSOCIATED WITH FUNDING REQUIREMENTS AND CASH RISK

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

Gefran's capital structure is strong; it has own funds of Euro 85.5 million versus overall liabilities of Euro 87.8 million. Most existing loan contracts were negotiated at variable rates, determined by the Euribor plus a fixed spread, which in the last two years was always below 110 bps.

In the year 2021, the companies Gefran Soluzioni S.r.l. and Gefran S.p.A. participated in Simest's call for tenders for capitalisation and support for the development of international sales, under which they received a non-repayable grant pursuant to the Temporary Framework for the Integrated Promotion Fund, along with a second portion of medium/long-term financing pertaining to the 394/81 Fund.

This resulted in the recognition of a non-repayable grant of 524 thousand Euro (204 thousand Euro for Gefran Soluzioni S.r.l. and 320 thousand Euro for Gefran S.p.A.) and non-current financial payables totalling 787 thousand Euro (307 thousand Euro for Gefran Soluzioni S.r.l. and 480 thousand Euro for Gefran S.p.A.).The loans taken out are to be repaid in 8 half-yearly instalments starting at the end of the pre-amortisation period of 2 years.

To date, none of the loans outstanding includes covenants (for details, please refer to the section 21, "Net Financial Position", in the Explanatory Notes).

Operations in the year 2021, only partially affected by capital expenditure, generated a positive free cash flow of 18.6 million Euro.

As of 31 December 2021, net financial position was positive at 3.3 million Euro, an improvement of 7 million Euro compared to the end of the previous year, after distributing 8.5 million Euro in dividends.

Credit lines and cash on hand are sufficient for the Group's operations and the expected economic outlook.

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.

The current Russia-Ukraine conflict could lead to an indirect insolvency risk for Gefran, as the Group's customers could in turn have customers located in the conflict areas, preventing them from fulfilling their commitments. The Group promptly intervened, implementing procedures to minimise these impacts, which are currently considered insignificant.

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 geographic region.

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 collectability 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 geographic 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 development 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 about the future macroeconomic environment, partly due to the evolution of the geo-political crisis to the east, the operations described could take longer than expected or be performed in a manner that is not 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, in the event of delays due to certain factors, these 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 Conduct*, updated by the Board of Directors during its 10 March 2022 meeting, 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.

On 10 March 2022 Gefran approved a policy for "Management of dialogue with Shareholders and Investors" (so-called Code of Engagement), in application of the Corporate Governance Code approved by the Italian Corporate Governance Committee. The adoption of the policy in question, aimed at regulating and promoting dialogue with shareholders and institutional analysts, is consistent with one of the principles that has always characterised the Company, encouraging honest dialogue with stakeholders with a view to creating value in the medium to long term.

Respect for people and appreciation of their skills, protection of diversity and equal opportunities are the ethical principles inspiring the Group's HR Policy and expressed in the "Persons in Gefran" policy, which applies to 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 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.

Some of the operating methods developed at the outset of the emergency have turned out to be particularly effective and have therefore been integrated into the Group's standard procedures with the goal of mitigating, wherever possible, some of the risks linked with the possibility of interruption of the supply chain as a result of events outside the Group. These procedures have found immediate application and implementation to address a market situation currently in a difficult structural condition characterised by a shortage of electronic components, resulting in major price increases and significant extension of procurement times.

Finally, it should be noted that the Group does not have direct supply relationships in the countries currently involved in the Russian-Ukraine conflict.

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, or demand in excess of its productive capacity, could cause Gefran to miss out on business opportunities or even 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 the necessary 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 were subjected to massive sanitisation as soon as the pandemic began to spread, and since the beginning of 2020 all offices have been cleaned and sanitised several times a day; this practice still continues;
- 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.

Protecting the health and safety of its stakeholders is essential for Gefran. Confirming the importance of these issues, in the year 2020 the company's organisation implemented an integrated "Quality, Safety and Environment" function, still operative today with expertise at the Group-wide level. The "Health, Safety and Environment System Policy" was also signed and distributed throughout the entire Group, for the definition of guiding principles in these areas.

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 SIGNIFICANT EVENTS IN 2021

- On 10 February 2021, the Gefran S.p.A. Board of Directors examined the preliminary results as of 31 December 2020.

- On 11 March 2021, the Gefran S.p.A. Board of Directors unanimously approved the financial statements for the year ending on 31 December 2020, the consolidated financial statements and the consolidated non-financial statement.

  The Board of Directors also resolved to propose to the Shareholders' Meeting distribution of a dividend of Euro 0.26 per share in circulation (not including own shares), through use of the necessary amount of the net profit for the year, carrying over the residual amount.

  During the same meeting, the Board resolved to propose to the Shareholders' Meeting approval of the authorisation to purchase and dispose of, in one or more instalments, a number of ordinary shares in the company up to a maximum of 1,440,000.00 shares, equal to 10% of the company's share capital. The authorisation is requested for a period of 18 months from the date of the shareholders' resolution.

- On 23 April 2021 Gefran S.p.A. was informed by its majority shareholder of the completion of the acquisition of 45.98% of Fingefran S.r.l. by Ennio Franceschetti (Honorary Chairman of Gefran S.p.A.), who, following the transaction, controls 100% of the voting rights of Fingefran S.r.l. The share of Gefran S.p.A. held by Fingefran S.r.l., post-transaction, amounts to 53.02% of its share capital.

- On 27 April 2021, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:

  - Approve the Financial Statements for the financial year 2020 and to distribute an ordinary dividend, gross of withholding taxes, of 0.26 Euros per eligible share (ex-dividend date 10 May 2021, record date 11 May 2021 and payment date 12 May 2021). The remainder of the annual profit will be allocated to the retained earnings reserve.
  - Appoint the Board of Statutory Auditors for the 2021- 2023 three-year period: Roberta Dell'Apa, Chair, Primo Ceppellini and Luisa Anselmi. The substitute statutory auditors are Stefano Guerreschi and Simona Bonomelli.

- 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 held a binding vote approving the Group's 2021 Remuneration Policy and its Remuneration Report for the year 2020.

/ On 5 August 2021, the Gefran S.p.A. Board of Directors unanimously voted to approve the Group's consolidated financial statement as at 30 June 2021.

On the same occasion, the Board of Directors delegated the Chairman to summon a Gefran S.p.A. shareholders' meeting for 30 September 2021, to which to submit a proposal for distribution of an additional dividend of Euro 0.33 per share in circulation (net of treasury shares), through use of the previous years' profit reserve.

/ On 30 September 2021, the Ordinary Shareholders' Meeting of Gefran SpA accepted and approved the Board of Directors' proposal to distribute a dividend, gross of withholding taxes, equal to 0.33 Euro for each share with rights (for a total of approximately 4.7 million euros).

This distribution took place through use of the previous year's profit reserve, with coupon detachment date 11 October 2021, record date 12 October 2021 and payment date 13 October 2021.

/ On 16 December 2021 the Board of Directors of Gefran S.p.A. resolved that Director Daniele Piccolo no longer met the requirements for independence pursuant to Article 2, Recommendation 7 (e) of the Code. As a result, Cristina Mollis was appointed to the position of Chairman of the Appointments and Remuneration Committee, while Monica Vecchiati was appointed Lead Independent Director; both are non-executive, independent directors.

/ On 22 December 2021 Gefran S.p.A. was informed by its majority shareholder Fingefran S.r.l., which owns 53.02% of its shares, of the conclusion of an agreement to transfer, free of charge, 99% of Fingefran S.r.l.'s voting rights from Ennio Franceschetti to Maria Chiara Franceschetti, Giovanna Franceschetti and Andrea Franceschetti, as joint owners.

14 SIGNIFICANT EVENTS FOLLOWING THE END OF THE YEAR 2021

/ On 10 February 2022 the Board of Directors was informed that the Company had received the resignation of Dr. Fausta Coffano, Group Chief Financial Officer, Executive in Charge of Financial Reporting and Investor Relator. The resignation will be effective as of 30 April 2022. The search for a successor is under way, and the chosen candidate will be announced to the public as required by law.

15 OUTLOOK

Despite the continuation of the pandemic, the year 2021 has stood out for a number of factors boosting recovery, such as support with economic and fiscal policies, a change of administration in the United States, and the intensification of vaccination campaigns, which have benefited the overall growth outlook.

While uncertainties persist due to the rapid spread of variants, the adoption of vaccines has led to an acceleration in economic activity, driven by higher consumer spending and backed up by the supportive stance of monetary policy.

In early 2022, in the light of trends observed in the year 2021, the International Monetary Fund confirmed its economic growth projections, while revising them downwards in its report published at the end of January: global growth in 2021 was 5.9% (in line with the October 2021 estimate), while it is projected to grow by 4.4% in 2022 (half a percentage point below the previous estimate). The downward revision of projections for 2022 is driven by uncertainties related to economic and monetary dynamics in the world's two main economies: on the one hand, the fiscal and monetary policies and ongoing shortage of supply in the US, and on the other, the disruptions induced by the zero tolerance policy measures for containment of the pandemic and prolonged financial stress in China. A further 3.8% growth is estimated for the year 2023 (0.2% lower than the October 2021 projection). The forecast is dependent resolution of the Covid-19 emergency by the end of 2022 in the majority of countries, thanks to the improvement of vaccination rates and treatment protocols.

China stands out in this context, and in fact the IMF has projected higher growth in China than the global average: +8.1% in 2021. It has revised its forecasts for 2022, now estimated at +4.8% (down 1.2% over the previous estimate) and 2023, projected at +5.2%.

The International Monetary Fund's projection for the next two years in the Eurozone is a growth rate of 3.9% in 2022 (with the rate for Italy estimated at +3.8%) and 2.5% in 2023 (Italy at +2.2%).

The focus on the health and safety of all employees remains high in the Group, while maintaining a high level of service to the market in the face of significant growth in demand, particularly in certain product lines.

The greatest uncertainties regarding the possibility of converting the business opportunities that are gradually arising into revenues come from the supply chain, which remains highly uncertain, both as regards the possibility of receiving all the materials necessary for production, and the actual timing of receipt of these materials.

The overall increase in the purchase price of raw materials is a potential risk factor for the margins that growth in demand could generate.

A number of current and potential market segments show room for growth for those who will be able to guarantee products and services in this context of uncertainty; the Group's concentration on meeting the demands of the market has been maximised in order to seize these opportunities of growth.

Finally, worsening of the geopolitical crisis that has produced the Russia-Ukraine conflict could also have an impact on the macroeconomic scenario, particularly in European countries. Noting that the Group does not own strategic assets in the territories currently involved and that sales in these regions are limited (in 2021 only 0.6% of Group revenues were generated in the countries currently involved), although the scenario could evolve further, in light of current assessments, Gefran does not consider that the current hostilities will have a significant impact on its activities and consequently its ability to generate income.

In light of these considerations, the Group believes that revenues in 2022 will exceed the figure for 2021, with margins in line with previous years.

16 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.

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 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. Last but not least, following the introduction of the obligation to obtain a Green Pass to access workplaces, the company has organised the necessary checkpoints at all its Italian sites, providing them with verification devices in compliance with the regulations in force.

Synergies were set up in the Group to respond to the initial shortage of PPE, ensuring that all employees had 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 resulting from suppliers' geographical location and local lockdowns; there have so far been no interruptions in production attributable to shortages of materials, and all financial commitments to suppliers have been met.

As of the date of publication of this annual financial report, a number of the measures already introduced by Gefran in 2020 to ensure human health and business continuity remain in place. The Group's 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.

The Group's actions over the past two years, with a view to investments and new operating methods, technological leadership and constant improvement in products, have enabled us to take full advantage of the signs of recovery of the economy. As a result, results in 2021 exceeded expectations and even improved on the results achieved in 2019, the last year before the pandemic. 2021 revenues were up 23.6% compared to 2020 and 14% compared to 2019. EBIT for the year that just ended improved by 92.4% compared to the previous year and by 74.3% compared to 2019. Net financial position at the end of 2021 was positive at 3,260 thousand Euro, following investment of 8,906 thousand Euro and payment of dividends totalling 8,480 thousand Euro.

17 SUSTAINABILITY AND CLIMATE CHANGE MITIGATION ACTIONS

The importance and urgency of taking environmental aspects into consideration as increasingly important factors in business decisions has resulted in growing international debate aimed at agreeing on identification of concrete measures for mitigating climate change and adapting to its effects. Investors and the financial community are increasingly interested in companies that have integrated these considerations into their business strategies. Sustainability is therefore increasingly essential for accessing the financial resources necessary for business development.

In line with its principles, the Group is committed to improving its responsibility in relation to sustainability issues, in order to generate long-term value and benefits: sustainable development means a form of development that meets the needs of the present without compromising the ability of future generations to meet their needs in turn.

The process begun following introduction of the European Directive 2014/95/EU and its application in Italy through the entry into force of Legislative Decree 254/16, requiring objective reporting of the non-financial impact of corporations' business activities, has seen some key steps:

/ definition and structuring of sustainability governance;

/ stakeholder engagement and materiality analysis;

/ dissemination of sustainability policies throughout the entire Group, in particular "People in Gefran" and the "Health, Safety and Environment" policy, both available on the Group's website and on the company's intranet.

A further significant step has been definition of the Group's sustainability strategy, leading to formalisation of a *Strategic Sustainability Plan* issued in November 2020, in which four projects were identified through which the strategy will be implemented, covering three areas essential for the sustainability of Gefran's development: people, the environment, and territory.

In defining its strategy, Gefran has embraced a number of the targets of Agenda 2030, those most closely connected with the Group's commitments and activities, also assessing the degree to which they effectively contribute to achieving these targets. These are:

7 AFFORDABLE AND CLEAN ENERGY – Ensure access to affordable, reliable, sustainable and modern energy for all.

8 DECENT WORK AND ECONOMIC GROWTH – Promote inclusive and sustainable economic growth, employment and decent work for all

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE – Build resilient infrastructure, promote sustainable industrialisation and foster innovation.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION – Ensure sustainable consumption and production patterns.

13 CLIMATE ACTION – Take urgent action to combat climate change and its impacts.

17 PARTNERSHIPS FOR THE GOALS – Strengthen the means of implementation and revitalise the global partnership for sustainable development.

With reference to SDG 13, which calls for action to combat climate change, the Group pays particular attention to improving its energy performance and safeguarding environmental resources, seeking solutions that are more appropriate and consistent with this objective through ongoing analysis of risks and opportunities. This results in the form of management of ordinary operations that is described in the Consolidated Non-Financial Declaration, and in a number of specific projects. In the context of implementation of its *Strategic Plan*, the Group has in fact started a process aimed at obtaining ISO 14001 certification, which sets out the requirements for a form of management which monitors the environmental impact of the company's activities and systematically strives for improvement in a coherent, effective and above all sustainable manner.

Innovation and sustainability are increasingly interconnected, so much so that one is fuelled by the other. The goal of sustainable innovation is to provide goods and services that ensure the achievement of targets of social and environmental value. Gefran promotes responsible use of energy resources through study and implementation of new technological solutions for application to its product range in order to reduce consumption and improve efficiency. Along similar lines, the Group is committed to investing in innovation, research and the development of quality solutions and services, constantly and creatively updating its expertise in order to drive the evolution of processes for a more efficient and effective organisation. Under the Group's sustainability strategy, the "Sustainable Innovation" project is developed along two lines, both focusing on the development of products with advanced functions capable of guaranteeing better performance and saving on energy consumption for end users: incremental innovation on one hand and discontinuous innovation on the other, both of which are in turn organised into macro-areas of activity.

In periodic risk analysis related to the Group's activities (referred to as Risk Assessment), Gefran has also planned to include assessment of the impact of climate change in its risk mapping.

18

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 in the year 2021 and as of the date of this report the situation is unchanged.

19 DEALINGS WITH RELATED PARTIES

On 12 November 2010, the Gefran S.p.A. Board of Directors approved its "Procedure on Internal Dealing" 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 "Documents and procedures" section.

The procedure in question was updated by the Board of Directors on 24 June 2021 to implement the new requirements of the EU Directive 2017/828 (referred to as "Shareholders' Rights II"), introduced into Italian law by means of Legislative Decree No. 49 of 2019, with regard to primary regulations, and by means of Consob Resolution no. 21624 of 10 December 2020, with regard to secondary regulations.

The "Procedure on Internal Dealing" is based, *inter alia*, on the following general principles:

- ensuring the essential and procedural transparency and probity of transactions with related parties;
- providing the Board of Directors and the Board of Statutory Auditors with an appropriate assessment, decision-making and control tool regarding transactions with related parties.
- The "Internal Dealing Procedure" is structured as follows:
- **first section**: definitions (related parties, significant and insignificant transactions, transactions of negligible amount, etc.);
- **second section**: procedures to approve significant and insignificant transactions, exemptions;
- **third section**: notification obligations and supervision of compliance with the procedure.

See paragraph 38, "Transactions with related parties", of the Notes to the Consolidated Financial Statements for details on internal dealings.

20 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.

21 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), 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, 10 March 2022

For the Board of Directors

The Chiarwoman	Chief Executive Officer
MARIA CHIARA FRANCESCHETTI	**MARCELLO PERINI**

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CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF PROFIT/(LOSS) FOR THE YEAR

(Euro /000)		progress. 31 December	
	Notes	2021	2020
Revenue from product sales	27	158,382	128,371
of which related parties:	38	347	5
Other revenues and income	28	1,850	1,274
Increases for internal work	12,13	2,261	2,213
TOTAL REVENUES		**162,493**	**131,858**
Change in inventories	18	7,047	(3,581)
Costs for raw materials and accessories	29	(66,549)	(44,457)
of which related parties:	38	-	(45)
Service costs	30	(24,340)	(19,195)
of which related parties:	38	(315)	(271)
Miscellaneous management costs	32	(970)	(1,224)
Other operating income	32	37	331
Personnel costs	31	(51,541)	(46,118)
of which related parties:	38	(59)	(58)
Impairment/reversal of trade and other receivables	18	(23)	(65)
Amortisation and impairment of intangible assets	33	(2,057)	(2,100)
Depreciation and impairment of tangible assets	33	(4,802)	(4,784)
Depreciation/amortisation total usage rights	33	(1,210)	(1,267)
EBIT		**18,085**	**9,398**
Gains from financial assets	34	2,532	764
Losses from financial liabilities	34	(2,838)	(2,577)
(Losses) gains from shareholdings valued at equity	35	20	(2)
PROFIT (LOSS) BEFORE TAX		**17,799**	**7,583**
Current taxes	36	(4,126)	(682)
Deferred tax assets and liabilities	36	19	(2,548)
TOTAL TAXES		**(4,107)**	**(3,230)**
NET PROFIT (LOSS) FOR THE PERIOD		**13,692**	**4,353**
Attributable to:			
Group		13,692	4,353
Third parties		-	-

Earnings per share		progress. 31 December	
(Euro)	Notes	2021	2020
Basic earnings per ordinary share	23	0.95	0.30
Diluted earnings per ordinary share	23	0.95	0.30

STATEMENT OF PROFIT/(LOSS) AND OTHER ITEMS OF COMPREHENSIVE INCOME

(Euro /000)	Notes	progress. 31 December 2021	2020
NET PROFIT (LOSS) FOR THE PERIOD		**13,692**	**4,353**
Items that will not subsequently be reclassified in the statement of profit/(loss) for the period			
- revaluation of employee benefits: IAS 19	22	58	(112)
- overall tax effect	22	(14)	27
- equity investments in other companies	22	167	273
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period			
- conversion of foreign companies' financial statements	22	1,694	(1,173)
- fair value of cash flow hedging derivatives	22	183	(128)
Total changes, net of tax effect		**2,088**	**(1,113)**
Comprehensive result for the period		**15,780**	**3,240**
Attributable to:			
Group		15,780	3,240
Third parties		-	-

STATEMENT OF FINANCIAL POSITION

(Euro /000)	Notes	31 December 2021	31 December 2020
NON-CURRENT ACTIVITIES			
Goodwill	11	5,894	5,692
Intangible assets	12	9,543	8,935
Property, plant, machinery and tools	13	44,034	41,961
of which related parties:	38	188	247
Usage rights	14	2,973	2,605
Shareholdings valued at equity	15	95	76
Equity investments in other companies	16	2,118	1,949
Receivables and other non-current assets	17	89	94
Deferred tax assets	36	4,279	4,265
Other non-current financial investments	21	67	108
TOTAL NON-CURRENT ACTIVITIES		**69,092**	**65,685**
CURRENT ACTIVITIES			
Inventories	18	28,039	20,301
Trade receivables	18	34,803	30,059
of which related parties:	38	68	4
Other receivables and assets	19	5,251	4,393
Current tax receivables	20	407	581
Cash and cash equivalents	21	35,723	41,943
TOTAL CURRENT ACTIVITIES		**104,223**	**97,277**
TOTAL ASSETS		**173,315**	**162,962**

(Euro /000)	Notes	31 December 2021	31 December 2020
SHAREHOLDERS' EQUITY			
Share capital	22	14,400	14,400
Reserves	22	57,446	59,426
Profit / (Loss) for the year	22	13,692	4,353
Total Group Shareholders' Equity	22	85,538	78,179
Shareholders' equity of minority interests	22	-	-
TOTAL SHAREHOLDERS' EQUITY		**85,538**	**78,179**
NON-CURRENT LIABILITIES			
Non-current financial payables	21	16,483	27,441
Non-current financial payables for IFRS 16 leases	21	1,258	1,669
Non-current financial liabilities for derivatives	21	88	328
Employee benefits	24	4,008	4,479
Non-current provisions	25	1,035	924
Deferred tax provisions	36	916	833
TOTAL NON-CURRENT LIABILITIES		**23,788**	**35,674**
CURRENT LIABILITIES			
Current financial payables	21	12,952	15,368
Current financial payables for IFRS 16 leases	21	1,749	968
Trade payables	18	31,682	20,561
of which related parties:	38	102	273
Current provisions	25	1,625	1,462
Current tax payables	20	2,789	179
Other payables and liabilities	26	13,192	10,571
TOTAL CURRENT LIABILITIES		**63,989**	**49,109**
TOTAL LIABILITIES		**87,777**	**84,783**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**173,315**	**162,962**

CONSOLIDATED CASH FLOW STATEMENT

(Euro /000)	Notes	31 December 2021	31 December 2020
(A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**41,943**	**24,427**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD			
Net profit (loss) for the period	22	13,692	4,353
Depreciation, amortisation and impairment	33	8,069	8,151
Provisions (Releases)	18,24,25	2,231	2,684
Capital (gains) losses on the sale of non-current assets	12,13	12	6
Net result from financial operations	34	286	1,815
Taxes	36	4,126	682
Change in provisions for risks and future liabilities	25	(1,219)	(1,009)
Change in other assets and liabilities	19,21,26	1,759	2,066
Change in deferred taxes	36	(26)	2,551
Change in trade receivables	18	(4,267)	(1,774)
of which related parties:	38	(64)	(4)
Change in inventories	18	(8,216)	1,702
Change in trade payables	18	10,931	(4,274)
of which related parties:	38	(171)	153
TOTAL		**27,378**	**16,953**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	12,13	(8,906)	(6,003)
of which related parties:	38	(188)	(247)
- Equity investments and securities	15,16	1	1,050
- Financial receivables	17	5	-
Disposal of non-current assets	12,13,15,16	93	12
TOTAL		**(8,807)**	**(4,941)**
D) FREE CASH FLOW (B+C)		**18,571**	**12,012**

(Euro /000)	Notes	31 December 2021	31 December 2020
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	21	787	18,000
Repayment of financial debts	21	(11,099)	(10,604)
Increase (decrease) in current financial payables	21	(3,224)	1,040
Outgoing cash flow due to IFRS 16	21	(1,246)	(1,278)
Taxes paid	36	(1,223)	(656)
Interest paid	34	(719)	(1,089)
Interest received	34	64	59
Dividends paid	22	(8,480)	-
TOTAL		**(25,140)**	**5,472**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**(6,569)**	**17,484**
G) Exchange rate translation differences on cash at hand	21	349	32
H) NET CHANGE IN CASH AT HAND (F+G)		**(6,220)**	**17,516**
(I) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+H)		**35,723**	**41,943**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Euro /000)	Notes	Share capital	Capital reserves	Consolidation reserve	Other reserves	Retained profit / (loss)
Balance at 1 January 2020		**14,400**	**21,926**	**5,864**	**10,099**	**13,174**
Destination of profit 2019						
- 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)
Profit 2020	22	-	-	-	-	-
Balance at 31 December 2020		**14,400**	**21,926**	**6,742**	**10,107**	**19,239**
Destination of profit 2020						
- Other reserves and provisions	22	-	-	(1,927)	-	6,280
- Dividends	22	-	-	-	-	(8,480)
Income/ (Expenses) recognised at equity	22	-	-	-	(18)	-
Change in translation reserve	22	-	-	-	-	-
Other changes	22	-	-	79	(2)	-
Profit 2021	22	-	-	-	-	-
Balance at 31 December 2021		**14,400**	**21,926**	**4,894**	**10,087**	**17,039**

	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
(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**
-	-	-	(4,353)	-	-	-
-	-	-	-	(8,480)	-	(8,480)
350	-	44	-	376	-	376
-	1,694	-	-	1,694	-	1,694
-	-	-	-	77	-	77
-	-	-	13,692	13,692	-	13,692
280	**3,885**	**(665)**	**13,692**	**85,538**	**-**	**85,538**

3

SPECIFIC EXPLANATORY NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION, FORM AND CONTENT

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

The consolidated financial statements of the Gefran Group for the year ending 31 December 2021 were approved by the Board of Directors on 10 March 2022, authorising 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 Pricewaterhouse Coopers 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;
- the cash flow statement according to the indirect method, through which the profit for the year was offset by taxes and the effects of non-monetary transactions, any deferral or allocation from previous or future operating collections or payments, and revenue or costs associated with cash flows deriving from investment or financial activities; with a view to greater transparency, the Company has chosen to represent the cash flow statement with a layout that better represents its own typical dynamics, starting with annual profit adjusted according to the taxes charged to the income statement, rather than starting with pre-tax annual profit.

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 AND VALUATION CRITERIA

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 2021; 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 as of 31 December 2021 varies from that of 31 December 2020 as the process of liquidation of the Chinese company Gefran Siei Electric, which had not been operational since the beginning of 2009, was completed.

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 No. 0003907 of 19 January 2015, note 11 "Goodwill" 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 geographic region; this format shows revenues, investment and non-current assets based on the location of activities for each business unit. In the Gefran Group, the location of the activity essentially coincides with the location of the customer or entity that made the investment.

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 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 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:

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

Goodwill is recognised as the difference between:

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

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

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

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

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

ASSET IMPAIRMENT

IAS 36 requires assessment of the existence of impairments (referred to as Impairment testing) of tangible and intangible fixed assets and equity investments in the presence of indicators suggesting that this problem may 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 defined on the basis of discounting of cash flows expected to result from use of the asset, or from a combination of assets (referred to as a Cash Generating Unit), as well as the value expected to be recovered from disposal at the end of its useful life. The cash-generating units have been identified in line with the organisational structure and the Group's business, as homogeneous combinations that generate independent cash flows through the continued use of the assets allocated to them.

OTHER INTANGIBLE ASSETS

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

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

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

NON-CURRENT ASSETS HELD FOR SALE

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

INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

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

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

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

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

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

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 annual profit/(loss) and other comprehensive income, among items that will not be subsequently reclassified to annual profit/(loss).

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" provided the requirements for applying so-called "hedge accounting" are met, even if they carried out with the intention of managing exposure to risk, and recognised 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. These may be divided into current funds, when the financial outlay is planned to take place by the end of the year, and non-current provisions, if the financial outlay is planned beyond 12 months.

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 2021 or earlier, which, once entered into force, could affect the Company's financial statements:

- amendments pertaining to IAS 1 "Presentation of Financial Statements", which concerns the presentation of accounting policies;
- amendment concerning IAS 8 "Accounting Principles, Changes in Accounting Estimates and Errors" in order to determine the exposure of accounting estimates;
- amendment on IAS 12 "Income taxes," which aims to manage deferred taxation in relation to fixed assets and payables deriving from a single transaction.

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

In addition, the following amendments have been endorsed by the EU and will be applicable from 1 January 2022:

- amendment pertaining to IFRS 3 "Business combinations," which establishes the principles and requirements on how the acquiring company in a business combination recognises acquired assets and liabilities and goodwill, if any, and provides its stakeholders with appropriate disclosures; the intention is to distinguish more clearly between a transaction for "acquisition of an enterprise" or acquisition of a "group of assets";
- 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 of 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".

A preliminary breakdown of the company did not reveal any significant impact on the company's financial statements.

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. This 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 28% of sales are denominated in a different currency. Specifically, the Group is most exposed to the following exchange rates:

- Euro/USD, about 7%, 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 12%, referring to Gefran Siei Drives Technology, operating in China;
- the remainder is divided between Euro/BRL, Euro/GBP, Euro/CHF, and Euro/INR.

With reference to the two main currencies, as of 31 December 2021 there were trade receivables totalling 2,954 thousand dollars and trade payables totalling 2,995 thousand dollars (as of 31 December 2020, receivables totalled 2,616 thousand dollars and payables totalled 1,789 dollars), and trade receivables totalling 16,739 thousand renminbi and trade payables totalling 5,659 thousand renminbi (the figures for 31 December 2020 were receivables totalling 20,081 thousand renminbi and payables totalling 3,895 thousand renminbi).

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 2021		31 December 2020	
	-5%	+5%	-5%	+5%
Chinese renminbi	82	(74)	107	(97)
U.S. dollar	31	(15)	40	(34)
Total	**113**	**(89)**	**147**	**(131)**

(Euro /000)	31 December 2021		31 December 2020	
	-10%	+10%	-10%	+10%
Chinese renminbi	173	(141)	226	(185)
U.S. dollar	65	(28)	84	(65)
Total	**238**	**(169)**	**310**	**(250)**

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 2021		31 December 2020	
	-5%	+5%	-5%	+5%
Chinese renminbi	77	(69)	(50)	45
U.S. dollar	22	(20)	29	(27)
Total	**99**	**(89)**	**(21)**	**18**

(Euro /000)	31 December 2021		31 December 2020	
	-10%	+10%	-10%	+10%
Chinese renminbi	162	(132)	(106)	86
U.S. dollar	47	(38)	62	(51)
Total	**209**	**(170)**	**(44)**	**35**

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 2021		31 December 2020	
	-5%	+5%	-5%	+5%
Chinese renminbi	565	(511)	447	(404)
U.S. dollar	416	(376)	365	(331)
Total	**981**	**(887)**	**812**	**(735)**

(Euro /000)	31 December 2021		31 December 2020	
	-10%	+10%	-10%	+10%
Chinese renminbi	1,192	(975)	943	(772)
U.S. dollar	878	(718)	771	(631)
Total	**2,070**	**(1,693)**	**1,714**	**(1,403)**

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 (totalling 24,824 thousand Euro). 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 2021 and 31 December 2020, while keeping other variables unchanged.

(Euro /000)	31 December 2021		31 December 2020	
	-100	100	-100	100
Euribor	324	(334)	333	(353)
Libor	(1)	1	(7)	7
Total	**322**	**(332)**	**326**	**(346)**

The potential impacts reported above have been calculated on the basis of the net liabilities representing the most significa

nt 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 2021, 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	11,756	16,286	197	28,239
Financial payables due to leasing under IFRS 16	1,749	1,248	10	3,007
Other accounts payable	-	-	-	-
Account overdrafts	1,196	-	-	1,196
Total liabilities	**14,701**	**17,534**	**207**	**32,442**
Cash in current accounts	35,690	-	-	35,690
Total assets	**35,690**	**-**	**-**	**35,690**
Total variable rate	**20,989**	**(17,534)**	**(207)**	**3,248**

Unlike the "Net financial position" figures, the amounts shown in the table above do not include the fair value of derivatives (negative at 88 thousand Euro), cash on hand (positive at 33 thousand Euro) or deferred financial income (positive at 67 thousand Euro).

The table with the same details showing carrying value as at 31 December 2020 is shown below:

(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)**

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 2021	31 December 2020	Change
Cash and cash equivalents	33	27	6
Cash in bank deposits	35,690	41,916	(6,226)
Total liquidity	**35,723**	**41,943**	**(6,220)**
Multiple mixed credit lines	24,700	23,348	1,352
Cash flexibility credit lines	3,955	3,955	-
Invoice factoring credit lines	8,250	8,250	-
Total credit lines available	**36,905**	**35,553**	**1,352**
Total available liquidity	**72,628**	**77,496**	**(4,868)**

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	509	-	1,609	2,118
Total assets	**509**	**-**	**1,609**	**2,118**
Hedging transactions	-	(88)	-	(88)
Total liabilities	-	**(88)**	**-**	**(88)**

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. The change compared to the value at 31 December 2020 corresponds to the equity investment Woojin Plaimm Co Ltd, the value of which increased by 169 thousand Euro.

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. This item mainly relates to the shareholdings held by the Parent Company in 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 2020:

(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)**

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 geographic region.

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 collectability 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 geographic 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 2021 and 31 December 2020:

(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 2021	36,712	32,082	1,503	1,211	135	580	1,201
Gross trade receivables at 31 December 2020	32,011	27,606	2,249	124	40	580	1,412

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		fair value	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
FINANCIAL ASSETS				
Cash and cash equivalents	33	27	33	27
Cash in bank deposits	35,690	41,916	35,690	41,916
Securities held for trading	-	-	-	-
Financial investments for derivatives	-	-	-	-
Non-current financial investments	67	108	67	108
Total financial assets	**35,790**	**42,051**	**35,790**	**42,051**
FINANCIAL LIABILITIES				
Current portion of long-term debt	(11,756)	(11,079)	(11,756)	(11,079)
Short-term bank debt	(1,196)	(4,286)	(1,196)	(4,286)
Financial liabilities for derivatives	(88)	(328)	(88)	(328)
Factoring	-	(3)	-	(3)
Payables due to leasing contracts under IFRS 16	(3,007)	(2,637)	(3,007)	(2,637)
Other financial payables	-	-	-	-
Non-current financial debt	(16,483)	(27,441)	(16,483)	(27,441)
Total financial liabilities	**(32,530)**	**(45,774)**	**(32,530)**	**(45,774)**
Total net financial position	**3,260**	**(3,723)**	**3,260**	**(3,723)**

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 2021
a	Revenues	77,400	46,286	44,812	(8,266)		160,232
b	Increases for internal work	399	876	986	-		2,261
c	Consumption of materials and products	22,808	19,100	25,860	(8,266)		59,502
d	**Value Added (a+b-c)**	**54,991**	**28,062**	**19,938**		**-**	**102,991**
e	Other operating costs	12,387	6,242	6,667	-		25,296
f	Personnel costs	21,304	17,219	13,019	-		51,541
g	**EBITDA (d-e-f)**	**21,301**	**4,601**	**252**		**-**	**26,154**
h	Depreciation, amortisation and impairment	3,435	2,771	1,863	-		8,069
i	**EBIT (g-h)**	**17,866**	**1,830**	**(1,611)**		**-**	**18,085**
l	Gains (losses) from financial assets/ liabilities					(306)	(306)
m	Gains (losses) from shareholdings valued at equity					20	20
n	**Profit (loss) before tax (i±l±m)**	**17,866**	**1,830**	**(1,611)**		**(286)**	**17,799**
o	Taxes					(4,107)	(4,107)
p	**Group net profit (loss) (n±o)**	**17,866**	**1,830**	**(1,611)**		**(4,393)**	**13,692**

	(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**

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 2021	Sensors	Automation components	Motion control	Not Divided	31 December 2020
Intangible assets	8,834	2,536	4,067		15,437	8,706	2,606	3,315		14,627
Tangible fixed assets	18,082	13,937	14,988		47,007	16,914	12,166	15,486		44,566
Other non-current assets				6,581	6,581				6,384	6,384
Net non-current assets	**26,916**	**16,473**	**19,055**	**6,581**	**69,025**	**25,620**	**14,772**	**18,801**	**6,384**	**65,577**
Inventories	7,887	6,833	13,319		28,039	5,616	4,448	10,237		20,301
Trade receivables	13,330	10,244	11,229		34,803	9,490	7,215	13,354		30,059
Trade payables	(10,289)	(10,374)	(11,019)		(31,682)	(7,582)	(6,094)	(6,885)		(20,561)
Other assets/ liabilities	(3,511)	(2,994)	(2,408)	(1,410)	(10,323)	(2,828)	(2,286)	(2,042)	1,380	(5,776)
Working capital	7,417	3,709	11,121	(1,410)	20,837	4,696	3,283	14,664	1,380	24,023
Provisions for risks and future liabilities	(1,153)	(643)	(338)	(527)	(2,660)	(1,350)	(645)	(321)	(70)	(2,386)
Deferred tax provisions				(916)	(916)				(833)	(833)
Employee benefits	(1,014)	(1,709)	(1,285)		(4,008)	(1,135)	(1,765)	(1,579)		(4,479)
Net invested capital	**32,166**	**17,830**	**28,553**	**3,728**	**82,278**	**27,831**	**15,645**	**31,565**	**6,861**	**81,902**
Shareholders' equity	-	-	-	**85,538**	**85,538**	-	-	-	**78,179**	**78,179**
Non-current financial payables				16,483	16,483				27,441	27,441
Current financial payables				12,952	12,952				15,368	15,368
Financial payables for IFRS 16 leases (current and non-current)				3,007	3,007				2,637	2,637
Financial liabilities for derivatives (current and non-current)				88	88				328	328
Other non-current financial investments				(67)	(67)				(108)	(108)
Cash and cash equivalents and current financial receivables				(35,723)	(35,723)				(41,943)	(41,943)
Net debt relating to operations	-	-	-	**(3,260)**	**(3,260)**	-	-	-	**3,723**	**3,723**
Total sources of financing	-	-	-	**82,278**	**82,278**	-	-	-	**81,902**	**81,902**

SECONDARY SEGMENT - GEOGRAPHIC REGION

REVENUES BY GEOGRAPHIC REGION

(Euro /000)	31 December 2021	31 December 2020	Change	%
Italy	49,440	38,063	11,377	29.9%
European Union	36,233	29,907	6,326	21.2%
Europe non-EU	6,071	4,781	1,290	27.0%
North America	19,419	17,405	2,014	11.6%
South America	4,265	3,585	680	19.0%
Asia	41,524	33,694	7,830	23.2%
Rest of the world	1,430	936	494	52.8%
Total	**158,382**	**128,371**	**30,011**	**23.4%**

INVESTMENTS BY GEOGRAPHIC REGION

(Euro /000)	31 December 2021		31 December 2020	
	intangible	tangible assets	intangible	tangible assets
Italy	2,667	5,548	3,255	2,303
European Union	2	46	4	87
Europe non-EU	-	16	6	32
North America	-	199	-	51
South America	7	54	52	45
Asia	-	367	89	79
Total	**2,676**	**6,230**	**3,406**	**2,597**

NON-CURRENT ASSETS BY GEOGRAPHIC REGION

(Euro /000)	31 December 2021	31 December 2020	Change	%
Italy	51,100	48,392	2,708	5.6%
European Union	2,325	2,633	(308)	-11.7%
Europe non-EU	3,054	3,132	(78)	-2.5%
North America	7,292	6,513	779	12.0%
South America	414	484	(70)	-14.5%
Asia	4,907	4,531	376	8.3%
Rest of the world	-	-	-	n.s.
Total	**69,092**	**65,685**	**3,407**	**5.2%**

11. GOODWILL

The item "Goodwill" amounted to 5,894 thousand Euro at 31 December 2021, an increase of 202 thousand Euro over 31 December 2020 due exclusively to exchange rate differences, as described below:

(Euro /000)	31 December 2020	Increases	Decreases	Exchange rate differences	31 December 2021
Gefran France SA	1,310	-	-	-	1,310
Gefran India Private Ltd	36	-	-	2	38
Gefran Inc.	2,392	-	-	200	2,592
Sensormate AG	1,954	-	-	-	1,954
Total	**5,692**	**-**	**-**	**202**	**5,894**

The goodwill acquired following business combinations was allocated to specific Cash Generating Units 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	2021	1,310	-	2,592	1,954	5,856
	2020	1,310	-	2,392	1,954	5,656
Motion control	2021	-	38	-	-	38
	2020	-	36	-	-	36
Total	**2021**	**1,310**	**38**	**2,592**	**1,954**	**5,894**
	2020	**1,310**	**36**	**2,392**	**1,954**	**5,692**

In examining the possible impairment indicators and in calculating its valuations, Management took into account, among other things, the relationship between market capitalisation (162 million Euro) and the carrying value of the Group's shareholders' equity (85.5 million Euro) at 31 December 2021, revealing definitely positive coverage. The effects of the Covid-19 pandemic of the last two years were also examined.

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

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

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

(Euro /000)	Net invested capital at 31.12.2021	Net invested capital at 31.12.2020	Explicit forecast	WACC (%)	Value in use at 31.12.2021	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
Consolidated	82,279	84,546	2022 - 2024	8.2%	213,587	2.0%	5.3%	27.1%

(Euro /000)	Net invested capital at 31.12.2021	Net invested capital at 31.12.2020	Explicit forecast	WACC (%)	Value in use at 31.12.2021	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
Gefran France SA	1,311	1,310	2022 - 2024	6.5%	3,762	0.1%	5.3%	26.5%
Gefran India Private Ltd	37	39	2022 - 2024	12.8%	609	6.2%	5.3%	25.0%
Gefran Inc.	2,591	2,612	2022 - 2024	7.7%	22,867	1.5%	5.3%	21.0%
Sensormate AG	1,954	1,954	2022 - 2024	6.5%	5,913	0.0%	5.3%	16.0%
Total	**5,893**	**5,915**						

Despite the spread of Covid-19 and the effects of the continuing pandemic on the world economy, the results achieved by the Group in 2021 were better than expected, in terms of both revenues and cash flows generated.

When determining value in use, specific cash flows deriving from the Group Plan for the period 2022 - 2024 were considered, along with terminal value, representing ability to generate cash flows beyond the explicit forecast time horizon.

The main assumptions that Management has used to calculate value in use concern the discount rate (Weighted Average Cost of Capital, so-called WACC) and the long-term growth rate (g rate), 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 2021, determined by 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 expressing 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 average 2021 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. For this component and for the "beta", the reference used for all CGUs, regardless of geographic region of reference, was so-called global value, according to Professor Damodaran's calculations, in order to reduce the volatility of the component from one year to the next.

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.

The overall change in WACC between 2021 and 2020 is limited: the increase in the "risk free" and "beta" rate is partially offset by the reduction of market risk premium.

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 16.68%, significantly higher than the current discount rate. Note that in 2020 this rate was 16.1%.

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 2022 - 2024 Plan, approved by

Management. The cash flows in the Group Plan include application of the IFRS 16 accounting standard, the effects of which are reflected in the WACC applied, as the average ratio between equity and financial debt is influenced by the adoption of this principle.

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:

Goodwill - STEADY CASE	"g" rate %	WACC %	A	B
Gefran France SA	1.3%	6.5%	-10.0%	15.7%
Gefran India Private Ltd	4.1%	12.8%	-67.0%	n.d.
Gefran Inc.	2.3%	7.7%	-15.0%	19.2%
Sensormate AG	1.0%	6.5%	-4.4%	10.1%

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

B = WACC % of break-even point with unchanged 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 8,935 thousand Euro on 31 December 2020 to 9,543 thousand Euro on 31 December 2021. The changes during the period are shown below:

Historical cost	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2021
(Euro /000)						
Development costs	20,299	727	-	2,359	-	23,385
Intellectual property rights	8,744	296	-	36	52	9,128
Assets in progress and payments on account	3,419	1,521	(39)	(2,436)	-	2,465
Other assets	10,667	132	(1,838)	20	56	9,037
Total	**43,129**	**2,676**	**(1,877)**	**(21)**	**108**	**44,015**

Accumulated depreciation	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2021
(Euro /000)						
Development costs	17,514	1,064	-	(1)	-	18,577
Intellectual property rights	7,282	632	-	-	44	7,958
Other assets	9,398	361	(1,838)	-	16	7,937
Total	**34,194**	**2,057**	**(1,838)**	**(1)**	**60**	**34,472**

Net value	31 December 2020	31 December 2021	Change
(Euro /000)			
Development costs	2,785	4,808	2,023
Intellectual property rights	1,462	1,170	(292)
Assets in progress and payments on account	3,419	2,465	(954)
Other assets	1,269	1,100	(169)
Total	**8,935**	**9,543**	**608**

The table below shows movements in the year 2020:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	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	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 net carrying value of **development costs** includes capitalisation of costs incurred for the following activities:

- 903 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);
- 1,440 thousand Euro for component lines for the new range of controllers and solid state relays, GF Project VX, G Cube Performa and G Cube Fit;
- 2,464 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. 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 and purchase of patents for technologies currently being developed, totalling 595 thousand Euro. This item also includes 2,141 thousand Euro in development costs, which include 714 thousand Euro for the automation components business unit, 670 thousand Euro for the sensors business unit, and 757 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.

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

The increases in the historical value of "Intangible assets", amounting to 2,676 thousand Euro in 2021, include 2,081 thousand Euro linked to the capitalisation of internal costs (3,406 thousand Euro in 2020).

13. PROPERTY, PLANT, MACHINERY AND TOOLS

This item decreased from 41,961 thousand Euro on 31 December 2020 to 44,034 thousand Euro on 31 December 2021 and shows the following changes:

Historical cost	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2021
(Euro /000)						
Land	5,171	-	-	-	46	5,217
Industrial buildings	44,105	982	-	227	568	45,882
Plant and machinery	46,091	2,680	(117)	440	729	49,823
Industrial and commercial equipment	20,608	477	(131)	30	108	21,092
Other assets	7,395	351	(648)	90	172	7,360
Assets in progress and payments on account	951	1,740	(39)	(871)	13	1,794
Total	**124,321**	**6,230**	**(935)**	**(84)**	**1,636**	**131,168**

Accumulated depreciation	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2021
(Euro /000)						
Industrial buildings	22,047	1,237	-	-	94	23,378
Plant and machinery	35,122	2,461	(116)	(50)	596	38,013
Industrial and commercial equipment	19,096	673	(131)	-	107	19,745
Other assets	6,095	431	(610)	(54)	136	5,998
Total	**82,360**	**4,802**	**(857)**	**(104)**	**933**	**87,134**

Net value	31 December 2020	31 December 2021	Change
(Euro /000)			
Land	5,171	5,217	46
Industrial buildings	22,058	22,504	446
Plant and machinery	10,969	11,810	841
Industrial and commercial equipment	1,512	1,347	(165)
Other assets	1,300	1,362	62
Assets in progress and payments on account	951	1,794	843
Total	**41,961**	**44,034**	**2,073**

The changes compared to 2020 are shown in the table below:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	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	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 change in the exchange rate had a positive impact of 703 thousand Euro.

The increase in the historical value of "Property, plant, machinery and equipment," amounting to 6,230 thousand Euro in the first half of 2021. The most significant changes were:

- investment of 3,680 thousand Euro in production and laboratory plant and equipment in the Group's Italian factories and 156 thousand Euro in other Group subsidiaries;
- investment in industrial buildings totalling 1,580 thousand Euro in the Group's Italian plants, and 401 thousand Euro in the Group's other subsidiaries;
- renewal of electronic office machines and IT system equipment, amounting to 216 thousand Euro in the Parent Company and 167 thousand Euro in the Group's subsidiaries;
- miscellaneous equipment in the Group's subsidiaries amounting to 30 thousand Euro.

The increases also include 180 thousand Euro due to capitalisation of internal costs (140 thousand Euro in 2020).

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" at 31 December 2021 amounts to 2,973 thousand Euro, and shows the following changes:

Historical cost	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2021
(Euro /000)						
Real estate	2,676	802	-	-	87	3,565
Vehicles	2,007	595	(66)	-	14	2,550
Machinery and equipment	175	153	-	-	-	328
Total	**4,858**	**1,550**	**(66)**	**-**	**101**	**6,443**

Accumulated depreciation	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2021
(Euro /000)						
Real estate	1,051	560	(11)	-	40	1,640
Vehicles	1,083	596	(43)	-	10	1,646
Machinery and equipment	119	65	-	-	-	184
Total	**2,253**	**1,221**	**(54)**	**-**	**50**	**3,470**

Net value	31 December 2020	31 December 2021	Change
(Euro /000)			
Real estate	1,625	1,925	300
Vehicles	924	904	(20)
Machinery and equipment	56	144	88
Total	**2,605**	**2,973**	**368**

The changes compared to 2020 are shown in the table below:

Historical cost	31 December 2019	Increases	Decreases	Reclassifications	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	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)**

As of 1 January 2021 the Group had a total of 180 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 180 contracts in effect as of 1 January 2021:

- 161 fell within the perimeter of application of IFRS 16;
- 19 were excluded from the perimeter of application of the standard, 12 of which had a term of less than 12 months, while for the 7, 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 58 new leasing agreements were signed in the year 2021, 43 of which are subject to application of IFRS 16. The remaining 15 contracts entered into are excluded from the scope of application of the new accounting standard, as their duration is less than 12 months or the fair value of the asset is below the conventional threshold of 5 thousand US dollars

A total of 54 contracts ended, only 45 of which fell within the perimeter of application of IFRS 16 on the basis of their value and term as specified above; six of these, all for vehicle leasing, were terminated in advance of their original expiration date.

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

- real estate, totalling 802 thousand Euro, primarily representing a 4-year extension of one of the company Elettropiemme S.r.l.'s rental contracts, for an industrial building;

- vehicles, totalling 595 thousand Euro, representing extension of 24 existing contracts and introduction of 32 new vehicle leasing agreements signed by the Group in 2021 upon expiry or advance termination of 35 previous agreements;

- machinery and equipment, in the amount of 153 thousand Euro, linked to 10 new contracts for the rental of forklift trucks, signed in2021 upon expiration of the previous contracts, as well as a new contract signed for rental of an uninterrupted power supply unit.

As of 31 December 2021 this item had decreased by 66 thousand Euro as a result of termination of vehicle rental agreements in advance of their original expiry date.

15. SHAREHOLDINGS VALUED AT EQUITY

(Euro /000)		31 December 2021	31 December 2020	Change
Axel S.r.l.	Shareholding	15.00%	15.00%	
Via del Cannino, 3	Investment value	137	137	-
Crosio della Valle (VA)	Adjustment provision	(42)	(61)	19
	Net value	95	76	19

Note that 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 2,118 thousand Euro, an increase of 169 thousand Euro over with the figure at 31 December 2020.

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 2021	31 December 2020	Change
Colombera S.p.A.	16.56%	1,582	1,582	-
Woojin Plaimm Co Ltd	2.00%	159	159	-
Other	-	27	27	-
Adjustment provision	-	350	181	169
Total		**2,118**	**1,949**	**169**

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

(Euro /000)	Shareholding	31 December 2021	31 December 2020	Change
Woojin Plaimm Co Ltd	2.00%	350	181	169
Total		**350**	**181**	**169**

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 89 thousand Euro:

(Euro /000)	31 December 2021	31 December 2020	Change
Guarantee deposits	89	94	(5)
Total	**89**	**94**	**(5)**

18. NET WORKING CAPITAL

"Net working capital" totals 31,160 thousand Euro, as compared with 29,799 thousand Euro on 31 December 2020 and breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Inventories	28,039	20,301	7,738
Trade receivables	34,803	30,059	4,744
Trade payables	(31,682)	(20,561)	(11,121)
Net amount	**31,160**	**29,799**	**1,361**

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

The value of **inventories** at 31 December 2021, net of the provision for write-downs recorded, amounted to 28,039 thousand Euro, up by 7,738 thousand Euro over 31 December 2020; the change in exchange rates contributed to the 690 thousand Euro increase. The gross value of inventories was 36,138 thousand Euro, up by 8,629 thousand Euro since the end of 2020.

The balance breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Raw materials, consumables and supplies	18,504	13,488	5,016
provision for impairment of raw materials	(3,689)	(3,775)	86
Work in progress and semi-finished products	9,780	8,201	1,579
provision for impairment of work in progress	(2,357)	(1,635)	(722)
Finished products and goods for resale	7,854	5,820	2,034
provision for impairment of finished products	(2,053)	(1,798)	(255)
Total	**28,039**	**20,301**	**7,738**

The economic impact of the change in inventories saw a more limited decrease compared to 31 December 2020 of 7,048 thousand Euro, since the average progressive exchange rate for the year is used for the economic recognition of events.

The provision for obsolescence and slow-moving inventories was adjusted according to need in 2021, through specific provisions amounting to 1,320 thousand Euro (as compared to 2,095 thousand Euro in the year 2020).

Movements in the provision in 2021 are listed below:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	Exchange rate differences	31 December 2021
Provision for impairment of inventory	**7,208**	**1,320**	**(475)**	**(152)**	**198**	**8,099**

Movements in the provision as of 31 December 2020 appear below:

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

Trade receivables amount to 34,803 thousand Euro, as compared to 30,059 thousand Euro on 31 December 2020, up by 4,744 thousand Euro:

(Euro /000)	31 December 2021	31 December 2020	Change
Receivables from customers	36,712	32,011	4,701
Provision for doubtful receivables	(1,909)	(1,952)	43
Net amount	**34,803**	**30,059**	**4,744**

It should be noted that as of 31 December 2020 this figure included receivables transferred without recourse to a leading factoring company by the Parent Company, worth a total of 44 thousand Euro. This was not the case on 31 December 2021.

The change is directly related to higher sales revenues recorded in the year 2021.

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 geographic region, as required by IFRS 9. The provision as at 31 December 2021 represents a prudential estimate of the current risk, and registered the following changes:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	Exchange rate differences	31 December 2021
Provision for doubtful receivables	**1,952**	**140**	**(100)**	**(117)**	**34**	**1,909**

Movements in the provision in 2020, on the other hand, appear below:

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

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 total 31,682 thousand Euro, as compared to 20,561 thousand Euro on 31 December 2020. This item breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Payables to suppliers	26,595	17,171	9,424
Payables to suppliers for invoices to be received	4,341	2,885	1,456
Advance payments received from customers	746	505	241
Total	**31,682**	**20,561**	**11,121**

Trade payables increased by 11,121 thousand Euro over 31 December 2020. The increase is related to the increased investments and purchases recorded in the period, both of raw materials, necessary to cope with the growth in sales volumes, and service costs, in particular variable costs related to sales volumes.

19. OTHER RECEIVABLES AND ASSETS

"Other receivables and assets" amount to 5,251 thousand Euro, as compared to 4,393 thousand Euro on 31 December 2020. The item breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Insurance	37	33	4
Rents and leasing	4	1	3
Services and maintenance	590	501	89
Receivables from employees	28	43	(15)
Advances payments to suppliers	309	277	32
Other tax receivables	2,952	2,797	155
Other	1,331	741	590
Total	**5,251**	**4,393**	**858**

The item "Other tax receivables," amounting to 2,952 thousand Euro as of 31 December 2021, refers to VAT receivables.

The overall increase in "Other receivables and assets" mainly relates to the item "Other", which includes research and development tax credits and tax credits for operating assets; the carrying amount of other current assets is deemed to approximate their fair value.

20. CURRENT TAX RECEIVABLES AND PAYABLES

Current tax receivables as of 31 December 2021 amount to 407 thousand Euro, down since 31 December 2020, when the item was worth 581 Euro. The balance breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
IRES (corporate income tax)	47	113	(66)
IRAP (regional production tax)	7	89	(82)
Foreign tax receivables	353	379	(26)
Total	**407**	**581**	**(174)**

The balance of **current tax payables** at 31 December 2021 amounts to 2,789 thousand Euro, 2,610 thousand Euro higher than the balance on 31 December 2019, which was 179 thousand Euro. This was determined as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
IRES (corporate income tax)	2,141	97	2,044
IRAP (regional production tax)	349	-	349
Foreign tax payables	299	82	217
Total	**2,789**	**179**	**2,610**

The increase in this item reflects the increase in current taxes recorded in 2021 with respect to the prior year, in relation to the higher income generated by Group companies.

21. NET FINANCIAL POSITION

The table below shows a breakdown of "Net financial position":

(Euro /000)	31 December 2021	31 December 2020	Change
Cash and cash equivalents and current financial receivables	35,723	41,943	(6,220)
Other non-current financial investments	67	108	(41)
Non-current financial payables	(16,483)	(27,441)	10,958
Non-current financial payables for IFRS 16 leases	(1,258)	(1,669)	411
Current financial payables	(12,952)	(15,368)	2,416
Current financial payables for IFRS 16 leases	(1,749)	(968)	(781)
Financial liabilities for derivatives	(88)	(328)	240
Total	**3,260**	**(3,723)**	**6,983**

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

(Euro /000)	31 December 2021	31 December 2020	Change
A. Cash on hand	33	27	6
B. Cash in bank deposits	35,690	41,916	(6,226)
D. Cash and cash equivalents(A) + (B)	**35,723**	**41,943**	**(6,220)**
E. Fair value current hedging derivatives	-	-	-
F. Current portion of long-term debt	(11,756)	(11,079)	(677)
G. Other current financial payables	(2,945)	(5,257)	2,312
H. Total current financial payables(F) + (G)	**(14,701)**	**(16,336)**	**1,635**
I. Total current payables (E) + (H)	**(14,701)**	**(16,336)**	**1,635**
J. Net current financial debt (I) + (D)	**21,022**	**25,607**	**(4,585)**
Non-current financial liabilities for derivatives	(88)	(328)	240
Non-current financial investments for derivatives	-	-	-
K. Fair value non-current hedging derivatives	(88)	(328)	240
L. Non-current financial debt	(17,741)	(29,110)	11,369
M. Other non-current financial investments	67	108	(41)
N. Net non-current financial debt (K) + (L) + (M)	**(17,762)**	**(29,330)**	**11,568**
O. Net financial debt (J) + (N)	**3,260**	**(3,723)**	**6,983**
of which to minorities:	3,260	(3,723)	6,983

Net financial position at 31 December 2021 is positive at 3,260 thousand Euro, up by 6,983 thousand Euro over the end of 2020, when it was on the whole negative by 3,723 thousand Euro.

The change in net financial position is mainly due to the positive cash flow from typical operations (27,378 thousand Euro), partially mitigated by expenditure on technical investments in the year (8,906 thousand Euro), by payment of dividends (8,480 thousand Euro) and by payment of interest, taxes and rental fees (totalling 2,248 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** amounts to 35,723 thousand Euro as of 31 December 2021, as compared to 41,943 thousand Euro on 31 December 2020. This item breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Cash in bank deposits	35,690	41,916	(6,226)
Cash	33	27	6
Total	**35,723**	**41,943**	**(6,220)**

The technical forms used as at 31 December 2021 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.

The balance of **current financial payables** at December 31 2021wasdown by 2,416 thousand Euro compared to the end of 2020; it breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Current portion of debt	11,756	11,079	677
Current overdrafts	1,196	4,286	(3,090)
Factoring	-	3	(3)
Total	**12,952**	**15,368**	**(2,416)**

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 2021 totalled 1,196 thousand Euro, as compared with a balance at 31 December 2020 of 4,286 thousand Euro. The 2021 figure mainly relates to the Chinese subsidiary Gefran Siei Drives Technology, for advances from Banca Intesa with a 1-year maturity and interest rates ranging from 2.85%-3.2%.

Non-current financial payables break down as follows:

Bank (Euro /000)	31 December 2021	31 December 2020	Change
Unicredit	-	1,200	(1,200)
BNL	-	1,000	(1,000)
BPER	1,009	2,014	(1,005)
Mediocredito	2,222	4,444	(2,222)
BNL	3,000	5,000	(2,000)
Unicredit	2,222	3,333	(1,111)
BNL	3,111	4,667	(1,556)
Intesa (ex UBI)	1,132	2,628	(1,496)
Intesa (ex UBI)	3,000	3,000	-
SIMEST	480	-	480
SIMEST	307	-	307
Intesa	-	19	(19)
Unicredit S.p.A. - New York Branch	-	136	(136)
Total	**16,483**	**27,441**	**(10,958)**

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 2021	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
entered into by Gefran S.p.A. (IT)								
Unicredit	6,000	14/11/17	1,200	1,200	-	Euribor 3m + 0.90%	30/11/22	quarterly
BNL	5,000	23/11/17	1,000	1,000	-	Euribor 3m + 0.85%	23/11/22	quarterly
BPER	5,000	28/11/18	2,013	1,004	1,009	Euribor 3m + 0.75%	30/11/23	quarterly
Mediocredito	10,000	28/03/19	4,444	2,222	2,222	Euribor 3m + 1.05%	31/12/23	quarterly
BNL	10,000	29/04/19	5,000	2,000	3,000	Euribor 3m + 1%	29/04/24	quarterly
Unicredit	5,000	30/04/20	3,333	1,111	2,222	Euribor 6m + 0.95%	31/12/24	half-yearly
BNL	7,000	29/05/20	4,667	1,556	3,111	Euribor 6m + 1.1%	31/12/24	half-yearly
Intesa (ex UBI)	3,000	24/07/20	2,628	1,496	1,132	Fixed 1%	24/07/23	half-yearly
Intesa (ex UBI)	3,000	24/07/20	3,000	-	3,000	Euribor 6m + 1%	24/07/26	half-yearly
SIMEST	480	09/07/21	480	-	480	Fixed 0.55%	31/12/27	half-yearly
entered into by Gefran Soluzioni S.r.l. (IT)								
SIMEST	307	21/05/21	307	-	307	Fixed 0.55%	31/12/27	half-yearly
entered into by Elettro-piemme S.r.l. (IT)								
Intesa	300	29/01/18	19	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	148	148	-	Libor 3m + 2.50%	29/03/22	quarterly
Total			**28,239**	**11,756**	**16,483**			

In the year 2021, the companies Gefran Soluzioni S.r.l. and Gefran S.p.A. participated in Simest's call for tenders for capitalisation and support for the development of international sales, under which they received a non-repayable grant pursuant to the Temporary Framework for the Integrated Promotion Fund, along with a second portion of medium/long-term financing pertaining to the 394/81 Fund.

This resulted in the recognition of a non-repayable grant of 524 thousand Euro (204 thousand Euro for Gefran Soluzioni S.r.l. and 320 thousand Euro for Gefran S.p.A.) and non-current financial payables totalling 787 thousand Euro (307 thousand Euro for Gefran Soluzioni S.r.l. and 480 thousand Euro for Gefran S.p.A.).

The loans taken out are to be repaid in 8 six-monthly instalments starting from the end of the two-year pre-amortisation period, and are subject to the "de minimis" rule for a value of 8 thousand Euro.

None of the loans outstanding at 31 December 2021 have 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 88 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 (CAP) contracts, as set out below:

Bank (Euro /000)	Notional principal	Signing date	Maturity	Notional as at 31 December 2021	Derivative	Fair Value as at 31 December 2021	Long position rate	Short position rate
Unicredit	6,000	14/11/17	30/11/22	1,200	CAP	-	Strike Price 0%	Euribor 3m
BNL	5,000	23/11/17	23/11/22	1,000	CAP	-	Strike Price 0%	Euribor 3m
Total financial assets for derivatives – Interest rate risk				-				

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

Bank (Euro /000)	Notional principal	Signing date	Maturity	Notional as at 31 December 2021	Derivative	Fair Value as at 31 December 2021	Long position rate	Short position rate
Intesa	10,000	29/03/19	29/12/23	4,444	IRS	(20)	Fixed -0.00%	Euribor 3m (Floor: -1.05%)
BNL	10,000	29/04/19	29/04/24	5,000	IRS	(25)	Fixed 0.05%	Euribor 3m (Floor: -1.00%)
Unicredit	5,000	24/06/19	28/11/23	2,013	IRS	(7)	Fixed -0.10%	Euribor 3m (Floor: -0.75%)
Unicredit	5,000	30/04/20	31/12/24	3,333	IRS	(19)	Fixed 0.05%	Euribor 6m (Floor: -0.95%)
BNL	7,000	29/05/20	31/12/24	4,667	IRS	(13)	Fixed -0.12%	Euribor 6m (Floor: -1.10%)
Intesa (ex UBI)	3,000	24/07/20	24/07/26	3,000	IRS	(4)	Fixed -0.115%	Euribor 3m
Total financial liabilities for derivatives– Interest rate risk						**(88)**		

As of 31 December 2021, 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 2021		as at 31 December 2020	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	-	(88)	-	(328)
Total cash flow hedge	**-**	**(88)**	**-**	**(328)**

As of 31 December 2021 all derivatives had been 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 38,098 thousand Euro. Overall use of these lines at 31 December 2021 totalled 1,193 thousand Euro, with a residual available amount of 36,905 thousand Euro.

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

The balance of **financial payables due to leasing under IFRS 16** (current and non-current) at 31 December 2021 amounts to 3,007 thousand Euro and complies with IFRS16, applied by the Group from 1 January 2019, which requires the recording of financial payables corresponding to the value of the usage rights recorded under non-current assets. Financial liabilities under IFRS 16 leases are classified on the basis of maturity as current liabilities (within one year), amounting to 1,258 thousand Euro, and non-current liabilities (beyond one year), amounting to 1,749 thousand Euro.

Changes in this item in the year 2021 are detailed below:

(Euro /000)	31 December 2020	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2021
Leasing payables under IFRS 16	2,637	1,569	(1,249)	-	50	3,007
Total	**2,637**	**1,569**	**(1,249)**	**-**	**50**	**3,007**

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

(Euro /000)	31 December 2019	Increases	Decreases	Reclassifications	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**

22. SHAREHOLDERS' EQUITY

Consolidated Shareholders' Equity may be broken down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Portion pertaining to the Group	85,538	78,179	7,359
Portion pertaining to minority interests	-	-	-
Net amount	**85,538**	**78,179**	**7,359**

The Group's portion of Shareholders' Equity at 31 December 2021 is 85,538 thousand Euro, up by 7,359 thousand Euro over the figure for 31 December 2020. The positive result of the year 2021 (13,692 thousand Euro), and changes in the translation reserve (positive by 1,694 thousand Euro), were partly absorbed by the distribution of dividends on the results for 2020 and previous years (8,480 thousand Euro).

In consideration of the result for the year, in its 10 March 2022 meeting, the Board of Directors proposed, subject to approval of the Shareholders' Meeting, in view of the annual profit of the year 2021, to pay a dividend of 0.38 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 2020 Gefran S.p.A. held 27,220 of its own 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);

- the "Share fair value measurement reserve" (positive by 346 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 66 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 pursuant to IAS 19 reserve", which is negative at 577 thousand Euro and is included under "Other reserves";

- the "Own shares reserve", deducted from the Company's shareholders' equity (156 thousand Euro) and classed under "Other reserves".

- For details of 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 2021	31 December 2020	Change
Balance at 1 January	179	(94)	273
UBI Banca S.p.A. Shares	-	157	(157)
Woojin Plaimm Co Ltd Shares	169	140	29
Tax effect	(2)	(24)	22
Net amount	**346**	**179**	**167**

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

(Euro /000)	31 December 2021	31 December 2020	Change
Balance at 1 January	(249)	(121)	(128)
Change in fair value derivatives	240	(168)	408
Tax effect	(57)	40	(97)
Net amount	**(66)**	**(249)**	**183**

23. EARNINGS PER SHARE

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

	31 December 2021	31 December 2020
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group (Euro/000)	13,692	4,353
- Average No. of ordinary shares (No./000,000)	14.373	14.373
- Basic earnings per ordinary share	0.953	0.303
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group (Euro/000)	13,692	4,353
- Average No. of ordinary shares (No./000,000)	14.373	14.373
- Basic earnings per ordinary share	0.953	0.303
Average number of ordinary shares	**14,372,780**	**14,372,780**

Reconciliation of the profit of the Parent Company Gefran S.p.A. and the portion of this profit pertaining to the Group for calculating "Earnings per share" is referred to in the "Gefran consolidated results" section of the Report on Operations included in this Annual Financial Report.

24. EMPLOYEE BENEFITS

Liabilities for "Employee benefits" decreased by 471 thousand Euro and registered the following movements:

(Euro /000)	31 December 2020	Increases	Decreases	Discounting	Other changes	Exchange rate differences	31 December 2021
Post-employment benefits	3,997	36	(389)	134	-	3	3,781
Non-competition agreements	482	-	(108)	(155)	8	-	227
Total	**4,479**	**36**	**(497)**	**(21)**	**8**	**3**	**4,008**

Changes relating to 2020 were as follows:

(Euro /000)	31 December 2019	Increases	Decreases	Discounting	Other changes	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**	**133**	**(5)**	**4,479**

This item consists primarily of employee severance indemnities entered for the benefit of the Group's Italian companies. The change in the year is the result of a 36 thousand Euro increase, 389 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 143 thousand Euro, based on assessment of demographic assumptions and experience (a positive impact of 100 thousand Euro) and changes to financial assumptions (a positive impact of 34 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 competition. The change with respect to the previous balance relates to the provision of 108 thousand Euro to employees in 2021, as well as the effect of discounting the obligation, which is on the whole negative by 155 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	2021	2020
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

Turnover and advaces assumptions	2021	2020
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	2021	2020
Discount rate	0.98%	0.34%
Annual inflation rate	1.75%	0.8%
Annual rate of increase of post-employment benefit	2.813%	2.100%

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 probabilised 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;
- discounting of each probabilised payment as of the valuation date.

In greater detail, the technical foundations employed are:

Demographic assumptions	2021	2020
Probability of death	RG48 mortality tables published by the Italian State General Accounting Department	RG48 mortality tables published by the Italian State General 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	2021	2020
Real annual increase	1.50%	1.50%
Annual time-discount rate	0.98%	0,.29%
Annual inflation rate	0.80%	0.80%

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:

(Euro /000)	31 December 2021		31 December 2020	
	-1%	+1%	-1%	+1%
Post-employment benefit reserve	(380)	327	(406)	349
Non-competition agreements	(5)	5	(15)	14
Total	(385)	332	(421)	363

(Euro /000)	31 December 2021		31 December 2020	
	-1%	+1%	-1%	+1%
Post-employment benefit reserve	(183)	170	(195)	181
Non-competition agreements	(3)	3	(7)	7
Total	**(186)**	**173**	**(202)**	**188**

25. CURRENT AND NON-CURRENT PROVISIONS

The value of "Current and non-current provisions" increased compared with 31 December 2020 by a total of 274 thousand Euro.

Specifically, **non-current provisions** at 31 December 2021 amounted to 1,035 thousand Euro, increasing by 111 thousand Euro over the previous year, and break down as follows:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	Exchange rate differences	31 December 2021
Gefran S.p.A. risk provisions						
- other provisions	38	484	(30)	(10)	-	482
Gefran France risk provisions						
- for restructuring	5	-	(5)	-	-	-
Gefran Gmbh risk provisions						
- for restructuring	323	65	(388)	-	-	-
Elettropiemme S.r.l. risk provisions						
- for restructuring	-	18	(18)	-	-	-
- other provisions	553	-	-	-	-	553
Gefran Soluzioni S.r.l. risk provisions						
- for restructuring	5	-	(5)	-	-	-
Total	**924**	**567**	**(446)**	**(10)**	**-**	**1,035**

During the year 2021, a provision for risks was recorded in the Parent Company, amounting to 474 thousand euro, in view of an ongoing legal dispute.

The balance of **current provisions** as of 31 December 2021 was 1,528 thousand Euro, up by 163 thousand Euro compared with 31 December 2020, and may be broken down as follows:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	Exchange rate differences	31 December 2021
FISC	86	3	(9)	-	-	80
Product warranty	1,351	465	(311)	-	15	1,520
Other provisions	25	-	-	-	-	25
Total	**1,462**	**468**	**(320)**	**-**	**15**	**1,625**

The item refers to envisaged charges for repairs on products under warranty ("Product warranty"), equal to 1,520 thousand Euro, up by a total of 169 thousand Euro since 31 December 2020; 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 2021 amount to 13,192 thousand Euro, as compared to 10,571 thousand Euro on 31 December 2020. This item breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Payables to personnel	6,645	4,942	1,703
Social security payables	3,003	2,719	284
Accrued interest on loans	24	24	-
Payables to directors and statutory auditors	236	223	13
Other accruals	1,264	785	479
Other payables for taxes	1,980	1,737	243
Other current liabilities	40	141	(101)
Total	**13,192**	**10,571**	**2,621**

27. REVENUES FROM PRODUCT SALES

"Revenues from product sales" as of 31 December 2021 amounted to 158,382 thousand Euro, up 23.4% compared to the figure recorded on 31 December 2020, which had been affected by the effects of the Covid-19 pandemic. Revenues in the year 2021 were 13.3% higher than the 2019 figure of 139,832 thousand Euro.

The following table provides a breakdown of sales and service revenues by business line:

(Euro /000)	31 December 2021	31 December 2020	Change	%
Sensors	76,285	57,049	19,236	33.7%
Automation components	38,561	32,247	6,314	19.6%
Motion control	43,536	39,075	4,461	11.4%
Total	**158,382**	**128,371**	**30,011**	**23.4%**

The amount shown under total revenues includes service revenues of 3,100 thousand Euro (2,754 thousand Euro in the year 2020); 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 1,850 thousand Euro, compared to 1,274 thousand Euro in 2020, as shown in the table below:

(Euro /000)	31 December 2021	31 December 2020	Change	%
Recovery of company canteen expenses	35	20	15	75.0%
Insurance reimbursements	13	10	3	30.0%
Rental income	253	252	1	0.4%
Fees	0	9	(9)	-100.0%
Government grants	603	569	34	6.0%
Other income	946	414	532	128.5%
Total	**1,850**	**1,274**	**576**	**45.2%**

"Other proceeds" amount to 946 thousand Euro, up 532 thousand Euro over the previous year, and include, among other items, chargeback for R&D specifically requested by customers.

The item "Government contributions" down by 34 thousand Euro compared to the figure for the year 2020, includes grants collected from Simest in 2021 by the subsidiary Gefran Soluzioni S.r.l. (204 thousand Euro) and by the Parent Company Gefran S.p.A. (320 thousand Euro). In 2020 contributions were received for the purchase of PPE and for investments in the Group's premises in response to the Covid-19 pandemic, as well as grants for the I-Mec development project, which ended in May 2020, and part of the EU Horizon 2020 project, co-financed by the Ministry of Education.

29. COSTS OF RAW MATERIALS AND ACCESSORIES

"Costs of raw materials and accessories" amount to 66,549 thousand Euro, as compared to 44,457 thousand Euro at 31 December 2020. They break down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Raw materials and accessories	66,549	44,457	22,092
Total	**66,549**	**44,457**	**22,092**

The increase in the item reflects the need for more raw materials, in order to meet the higher production volumes associated with increased sales.

30. SERVICE COSTS

"Service costs" amount to 24,340 thousand Euro, an overall increase of 5,145 thousand Euro over the figure for 31 December 2020, when these costs amounted to 19,195 thousand Euro. They may be broken down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Services	23,423	18,298	5,125
Use of third-party assets	917	897	20
Total	**24,340**	**19,195**	**5,145**

Lease fees no longer allocated to the income statement under operating costs due to implementation of the new accounting standard IFRS 16 amount to 1,246 thousand Euro (1,278 thousand Euro on 31 December 2020). 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 917 thousand Euro in costs for use of third-party assets in 2021 (as compared to 897 thousand Euro in 2020).

With reference to the item "Services", other than the rental fees described above, this item increased by 5,125 thousand Euro in the year 2021 over the previous year; in particular, variable production costs (external work and third-party services) increased as a result of growth in revenues, as well as consulting, research and personnel training costs.

31. PERSONNEL COSTS

"Personnel costs" amounted to 51,541 thousand Euro, an increase over the figure for 31 December 2020 of 5,423 thousand Euro, and may be broken down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Salaries and wages	39,436	34,705	4,731
Social security contributions	9,700	8,779	921
Post-employment benefit reserve	2,019	2,002	17
Other costs	386	632	(246)
Total	**51,541**	**46,118**	**5,423**

The change is mainly due to higher costs for wages and salaries, compared to 2020, when cost containment actions such as reduction of provisions for holidays and M.B.O. bonuses, were implemented as soon as the first signs of the spread of the Covid-19 virus appeared.

"Social security contributions" include costs for defined contribution benefit plans for management (Previndai pension plan) totalling 59 thousand Euro (57 thousand Euro as of 31 December 2020).

The item "Other costs", down by 246 thousand Euro, includes, among other items, restructuring costs resulting from reorganisation of Group companies.

The average number of Group employees in the year 2021 is as follows, compared with the 2020 figure:

	31 December 2021	31 December 2020	Change
Managers	17	18	(1)
Clerical staff	513	519	(6)
Manual workers	257	272	(15)
Total	**787**	**809**	**(22)**

The average number of employees decreased by 22 compared to the figure for the year 2020; the exact number of employees as of 31 December 2021 is 786, down overall from 31 December 2020 by 1 employee, the combined effect of 75 resignations/retirements and 74 new hires in the year 2021.

32. MISCELLANEOUS MANAGEMENT COSTS AND OTHER OPERATING INCOME

Miscellaneous management costs have a balance of 970 thousand Euro, lower than on 31 December 2020. The breakdown is as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Capital losses on the sale of assets	(45)	-	(45)
Losses on other receivables	-	(313)	313
Other taxes and duties	(489)	(457)	(32)
Membership fees	(228)	(252)	24
Miscellaneous	(208)	(202)	(6)
Total	**(970)**	**(1,224)**	**254**

The decrease relates to the item "Losses on other receivables," which was null on 31 December 2021 and equal to 313 thousand Euro on 31 December 2020, when it incurred losses on receivables of the subsidiary Gefran Siei Asia.

The item **Other operating income** amounts to 37 thousand Euro, as compared to 331 thousand Euro in 2020. This item breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Capital gains on the sale of assets	33	5	28
Collection of doubtful receivables	-	3	(3)
Miscellaneous	4	323	(319)
Total	**37**	**331**	**(294)**

The item "Miscellaneous" amounted to 4 thousand Euro, compared with a 2020 balance of 323 thousand Euro, when it included the reversal of payables recorded in the Chinese subsidiary Gefran Siei Drives Technology.

33. DEPRECIATION, AMORTISATION AND IMPAIRMENT

These items amount to 8,069 thousand Euro, as compared to 8,151 thousand Euro in the year 2020. These items include:

(Euro /000)	31 December 2021	31 December 2020	Change
Intangible assets	2,057	2,100	(43)
Tangible assets	4,802	4,784	18
Usage rights	1,210	1,267	(57)
Total	**8,069**	**8,151**	**(82)**

There were no write-downs in 2021 and 2020.

Since 1 January 2019, this item includes amortisation of usage rights in accordance with accounting standard IFRS16; its value as of 31 December 2021 totals 1,210 thousand Euro (1,267 thousand Euro on 31 December 2020).

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

(Euro /000)	31 December 2021	31 December 2020	Change
Sensors	3,435	3,509	(74)
Automation components	2,771	2,531	240
Motion control	1,863	2,111	(248)
Total	**8,069**	**8,151**	**(82)**

34. GAINS (LOSSES) FROM FINANCIAL ASSETS/ LIABILITIES

The item had a positive balance of 306 thousand Euro; this compares with a negative balance of 1,813 thousand Euro on 31 December 2020, and breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Cash management			
Income from cash management	18	32	(14)
Other financial income	46	27	19
Medium-/long-term interest	(329)	(369)	40
Short-term interest	(62)	(51)	(11)
Factoring interest and fees	(28)	(28)	-
Other financial charges	(255)	(24)	(231)
Total income (charges) from cash management	**(610)**	**(413)**	**(197)**
Currency transactions			
Exchange gains	297	342	(45)
Positive currency valuation differences	2,171	353	1,818
Exchange losses	(905)	(1,071)	166
Negative currency valuation differences	(1,220)	(991)	(229)
Total other income (charges) from currency transactions	**343**	**(1,367)**	**1,710**
Other			
Gains from disposal of financial assets	-	10	(10)
Interest on financial payables due to leasing under IFRS 16	(39)	(39)	-
Total other financial income (charges)	**(39)**	**(33)**	**(6)**
Gains (losses) from financial assets/ liabilities	**(306)**	**(1,813)**	**1,507**

Costs for cash management, amounting to 610 thousand Euro, include 225 thousand relating to the recognition of a risk provision in the Parent Company for interest on arrears, linked to an ongoing legal dispute; this item increased by a total of 197 thousand Euro over the year 2020.

The balance of the differences on the currency transactions presented a positive value of 373 thousand Euro, compared with a negative value of 1,367 thousand Euro in 2020. The change is a result of the dynamics of the Euro in relation to the other currencies used by the Group.

The item "Other financial charges" includes charges on financial payables resulting from application of the new accounting standard IFRS 16, worth 39 thousand Euro in the year 2021, in line with the figure for 2020.

35. GAINS (LOSSES) FROM VALUATION AT EQUITY

(Euro /000)	31 December 2021	31 December 2020	Change
Result of companies valued at equity	20	(2)	22
Total	**20**	**(2)**	**22**

In the year 2021, profits were recorded from shareholdings valued at equity of totalling 20 thousand Euro, reflecting the results of Axel S.r.l. These compare with charges of 2 thousand Euro recorded in 2020 and are linked not only with the results of Axel S.r.l. but with the effects of the closure of the investment in Ensun S.r.l. following the liquidation of the company.

36. INCOME TAX, DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The “Taxes” item was negative by 4,107 thousand Euro; this compares with a negative balance of 3,230 thousand Euro in 2020, and breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Current taxes			
IRES (corporate income tax)	(2,455)	(391)	(2,064)
IRAP (regional production tax)	(760)	(200)	(560)
Foreign taxes	(911)	(91)	(820)
Total current taxes	(4,126)	(682)	(3,444)
Deferred tax assets and liabilities			
Deferred tax liabilities	(19)	(246)	227
Deferred tax assets	38	(2,302)	2,340
Total deferred tax assets and liabilities	**19**	**(2,548)**	**2,567**
Total taxes	**(4,107)**	**(3,230)**	**(877)**

Current taxes were on the whole up by 3,444 thousand Euro over the figure for the year 2020. The change was due to the better results achieved in 2021 by the Parent Company and its subsidiaries, as well as the effect of the release of the first IRAP advance in the first half of 2020.

Deferred taxes, which totalled 19 thousand Euro, may be compared with deferred taxes recorded as of December 31, 2021, which were negative by 2,548 thousand Euro, mainly as a result of use of deferred tax assets recorded on past tax losses of the Parent Company and the Chinese subsidiary.

It should be noted that in 2019 and 2020 the Parent Company Gefran S.p.A. was assessed by the tax authorities, investigating intercompany (Transfer Price) transactions and the transfer of know-how related to trademarks, relating to the 2016-2017-2018 fiscal years. This procedure was concluded in 2021 and, on the basis of the information obtained by the Company to date, no risk factors have been identified for which specific provisions should be recorded.

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 2021	31 December 2020
Profit (loss) before tax	17,799	7,583
Theoretical income taxes	(4,272)	(1,820)
Effect from use of losses carried forward	800	1,100
Rate effect for affiliates	(149)	(38)
Net effect of permanent differences	486	203
Net effect of permanent differences for affiliates	92	10
Net effect of temporary deductible and taxable differences	(309)	(54)
Effect of taxes from previous years	4	95
Current taxes	**(3,348)**	**(504)**
Income tax – deferred tax assets/liabilities	(18)	(2,584)
Income tax entered in the financial statement (excluding current and deferred regional production tax IRAP)	**(3,366)**	**(3,088)**
IRAP – current taxes	(778)	(178)
IRAP – deferred tax assets/liabilities	37	36
Recognised income taxes (current and deferred)	**(4,107)**	**(3,230)**

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 2021:

(Euro / 000)	31 December 2020	Posted to the income statement	Recognised in shareholders' equity	Change scope of consolidation	Other changes	Exchange rate differences	31 December 2021
Deferred tax assets							
Impairment of inventories	1,218	231		-		-	1,449
Impairment of trade receivables	294	(20)		-		-	274
Impairment of assets	535	-		-		-	535
Deductible fiscal losses to be brought forward	1,074	(359)		-		39	754
Exchange rate balance	1	(1)		-		-	-
Elimination of unrealised margins on inventories	436	100		-		-	536
Provision for product warranty risk	327	41		-		-	368
Provision for miscellaneous risks	301	46	(10)	-	5	-	342
Fair value hedging	79	-	(58)	-		-	21
Total deferred tax assets	**4,265**	**38**	**(68)**	**-**	**5**	**39**	**4,279**
Deferred tax liabilities							
Exchange valuation differences	(2)	(6)	(2)	-	-	(1)	(11)
Other deferred tax liabilities	(831)	(13)		-	-	(61)	(905)
Total deferred taxes	**(833)**	**(19)**	**(2)**	**-**	**-**	**(62)**	**(916)**
Net total	**3,432**	**19**	**(70)**	**-**	**5**	**(23)**	**3,363**

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 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 fiscal 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**

37. GUARANTEES GRANTED, COMMITMENTS AND OTHER CONTINGENT LIABILITIES

A. GUARANTEES GRANTED

As of 31 December 2021, 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 2020. These are summarised in the table below:

(Euro /000)	31 December 2021	31 December 2020
Sandrini Costruzioni	66	66
Sandrini Costruzioni	29	29
Total	**95**	**95**

The two sureties, issued in favour of Sandrini Construction, refer to the guarantee of the rental of the industrial property where the activities of Elettropiemme S.r.l.

are operational, for which 2 leases are assets, the first of which ended on 31 January 2027 and the second ends on December 31, 2023 with tacit renewal clause for a further 6 years.

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 917 thousand Euro as of 31 December 2021 (897 thousand Euro in the year 2020).

At 31 December 2021, the total value of the Group's commitments was 1,540 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 898 thousand Euro at 31 December 2020). 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 2021 and 2020 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 "Internal Dealing Regulation", the current version of which was approved on 24 June 2021 to implement the new regulations of EU Directive 2017/828, known as 'Shareholders' Rights II', and can be viewed in the "Internal Dealing" section of the website https://www.gefran.com/en/gb/governance.

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.	B. T. Schlaepfer	Climat S.r.l.	M.Vecchiati	Total
Service costs					
2020	(22)	(92)	(157)	-	(271)
2021	-	(95)	(167)	(53)	(315)

(Euro /000)	Climat S.r.l.	Marfran S.r.l.	Total
Property, plant, machinery and tools			
2020	247	-	247
2021	188	-	188
Trade receivables			
2020	-	4	4
2021	-	68	68
Trade payables			
2020	257	16	273
2021	102	-	102

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 3.8 million Euro under specific contracts (3.2 million Euro as of 31 December 2020).

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

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

In the year 2021, the Parent Company Gefran S.p.A. recognised dividends from subsidiaries amounting to 1.7 million Euro (2.2 million Euro in 2020).

Members of the Board of Directors and the Board of Statutory Auditors and managers with strategic responsibilities were paid the following aggregate remuneration: 1,316 thousand Euro included in personnel costs and 1,355 thousand Euro included in service costs (977 thousand Euro included in personnel costs and 1,079 thousand Euro included in service costs in 2020).

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 Group's Chief Sales Officer and the Sensors Business Unit General Manager, as well as 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' REGULATION

The table below shows fees paid in relation to the year 2021 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 2021
Accounts audit	PwC S.p.A.	Parent Company Gefran S.p.A.	102
	PwC S.p.A.	Subsidiaries	63
	PwC network	Subsidiaries	184
External audit Non-Financial Statement	PwC S.p.A.	Parent Company Gefran S.p.A.	19
Certification services	PwC S.p.A.	Parent Company Gefran S.p.A.	8
	PwC S.p.A.	Subsidiaries	7
Other services	PwC S.p.A.	Parent Company Gefran S.p.A.	22
Total			**405**

40. EVENTS AFTER 31 DECEMBER 2021

With regard to operating performance at the beginning of 2022, we refer to the paragraphs on "Significant events after the end of 2021" and "Outlook for the year" contained in the Report on Operations.

In view of the recent political developments related to the Russia-Ukraine conflict, it should be noted that the Group does not own strategic assets in the territories currently involved and that sales in these regions are limited. In the year 2021, only 0.6% of the Group's revenues were generated in the countries involved in the conflict. Although the scenario may evolve further, in light of the current forecasts, Gefran does not consider the hostilities that have occurred to have a significant impact on its activities and consequently its ability to generate income.

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' Regulation, the Board of Directors decided to take advantage of the option to derogate from the obligation to publish the information documents prescribed in relation to significant mergers, spin-offs, capital increases through contribution in kind, acquisitions and disposals.

Provaglio d'Iseo, 10 March 2022

For the Board of Directors

The Chairwoman

MARIA CHIARA FRANCESCHETTI

Chief Executive Officer

MARCELLO PERINI

4

ATTACHMENTS

A) CONSOLIDATED INCOME STATEMENT BY QUARTER

	(Euro /000)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	TOT 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	TOT 2021
a	Revenues	31,426	31,309	31,186	35,724	129,645	37,407	42,172	37,879	42,774	160,232
b	Increases for internal work	495	459	508	751	2,213	494	525	429	813	2,261
c	Consumption of materials and products	11,411	11,237	11,585	13,805	48,038	13,250	15,557	14,417	16,278	59,502
d	**Value Added (a+b-c)**	**20,510**	**20,531**	**20,109**	**22,670**	**83,820**	**24,651**	**27,140**	**23,891**	**27,309**	**102,991**
e	Other operating costs	5,425	4,681	4,869	5,178	20,153	5,673	6,274	5,954	7,395	25,296
f	Personnel costs	11,858	11,741	10,641	11,878	46,118	12,372	13,133	12,230	13,806	51,541
g	**EBITDA (d-e-f)**	**3,227**	**4,109**	**4,599**	**5,614**	**17,549**	**6,606**	**7,733**	**5,707**	**6,108**	**26,154**
h	Depreciation, amortisation and impairment	1,997	2,018	2,055	2,081	8,151	2,031	2,013	1,993	2,032	8,069
i	**EBIT (g-h)**	**1,230**	**2,091**	**2,544**	**3,533**	**9,398**	**4,575**	**5,720**	**3,714**	**4,076**	**18,085**
l	Gains (losses) from financial assets/ liabilities	(667)	(439)	(467)	(240)	(1,813)	137	(83)	(369)	9	(306)
m	Gains (losses) from shareholdings valued at equity	2	(3)	2	(3)	(2)	5	1	3	11	20
n	**Profit (loss) before tax (i±l±m)**	**565**	**1,649**	**2,079**	**3,290**	**7,583**	**4,717**	**5,638**	**3,348**	**4,096**	**17,799**
o	Taxes	(486)	(589)	(532)	(1,623)	(3,230)	(1,018)	(1,283)	(817)	(989)	(4,107)
p	**Group net profit (loss) (n±o)**	**79**	**1,060**	**1,547**	**1,667**	**4,353**	**3,699**	**4,355**	**2,531**	**3,107**	**13,692**

B) EXCHANGE RATES USED TO TRANSLATE THE FINANCIAL STATEMENTS OF FOREIGN COMPANIES

END-OF-PERIOD EXCHANGE RATES

Currency	31 December 2021	31 December 2020
Swiss franc	1.0331	1.0802
Pound sterling	0.8403	0.8990
U.S. dollar	1.1326	1.2271
Brazilian real	6.3101	6.3735
Chinese renminbi	7.1947	8.0225
Indian rupee	84.2292	89.6605
Turkish lira	15.2335	9.1131

AVERAGE EXCHANGE RATES IN THE PERIOD

Currency	2021	2020	4Q 2021	4Q 2020
Swiss franc	1.0814	1.0703	1.0546	1.0779
Pound sterling	0.8600	0.8892	0.8479	0.9032
U.S. dollar	1.1835	1.1413	1.1440	1.1928
Brazilian real	6.3813	5.8900	6.3827	6.4384
Chinese renminbi	7.6340	7.8708	7.3140	7.8993
Indian rupee	87.4861	84.5795	85.7124	88.0175
Turkish lira	10.4670	8.0436	12.7738	9.4013

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
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
CSMT GESTIONE S.C.A.R.L.	Brescia	Italy	EUR	1,400,000	Gefran S.p.A.	1.78

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81 TER OF CONSOB REGULATION NO. 11971 DATED 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND ADDED TO

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 the administrative and accounting procedures applied in the preparation of the consolidated financial statements in 2021.

There are no significant findings to report in this regard.

They further certify that

/ the **Consolidated financial statements**:

- were prepared in accordance with applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to entries made in accounting ledgers and records;
- provide a true and accurate representation of the financial situation of the issuer and all companies included in the scope of consolidation.

/ 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, 10 March 2022

Chief Executive Officer	**The Executive in charge of financial reporting**
MARCELLO PERINI	**FAUSTA COFFANO**

CONSOLIDATED NON-FINANCIAL STATEMENT

AT 31 DECEMBER 2021

Gefran Group

1

THE BUSINESS MODEL ADOPTED BY GEFRAN

OUR PURPOSE

The future is our present.

Be protagonist in technology evaluation, 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!

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.

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 a regulation tool that would set the standard in the industry. In the 1980s the company extended its production to include sensors, subsequently expanding its range of technologies thanks to acquisition of a historic brand in the electrical motion control business.

The Company has been listed on the Milan Stock Exchange since 1998, and is now included in the Euronext STAR Milan 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.

EURONEXT STAR MILAN

1	OEM		ELECTRICAL FURNACES		PLASTIC
2	DISTRIBUTOR		WATER		HVAC
3	SYSTEM INTEGRATOR		LIFT		MOBILE HYDRAU-LICS
4	END USERS		HOIST AND CRANE		METAL

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 15 companies in Italy and abroad, 10 of which are production units, 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.

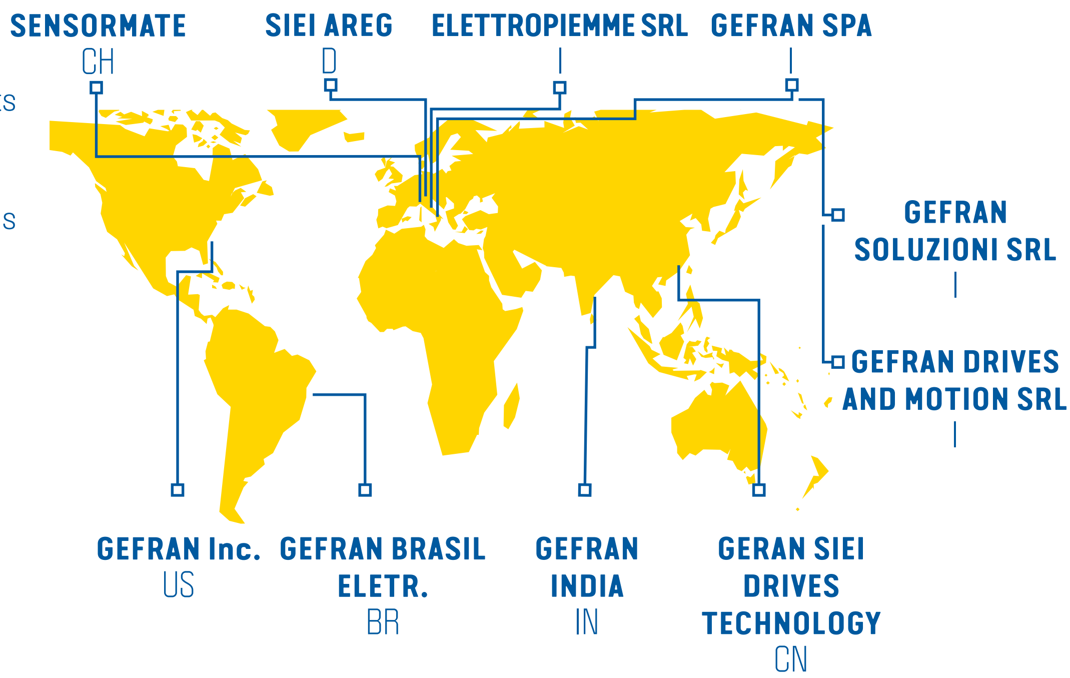
12
production plants

4
sensors factories

2
automation components factories

4
motion control factories

2
electic panels



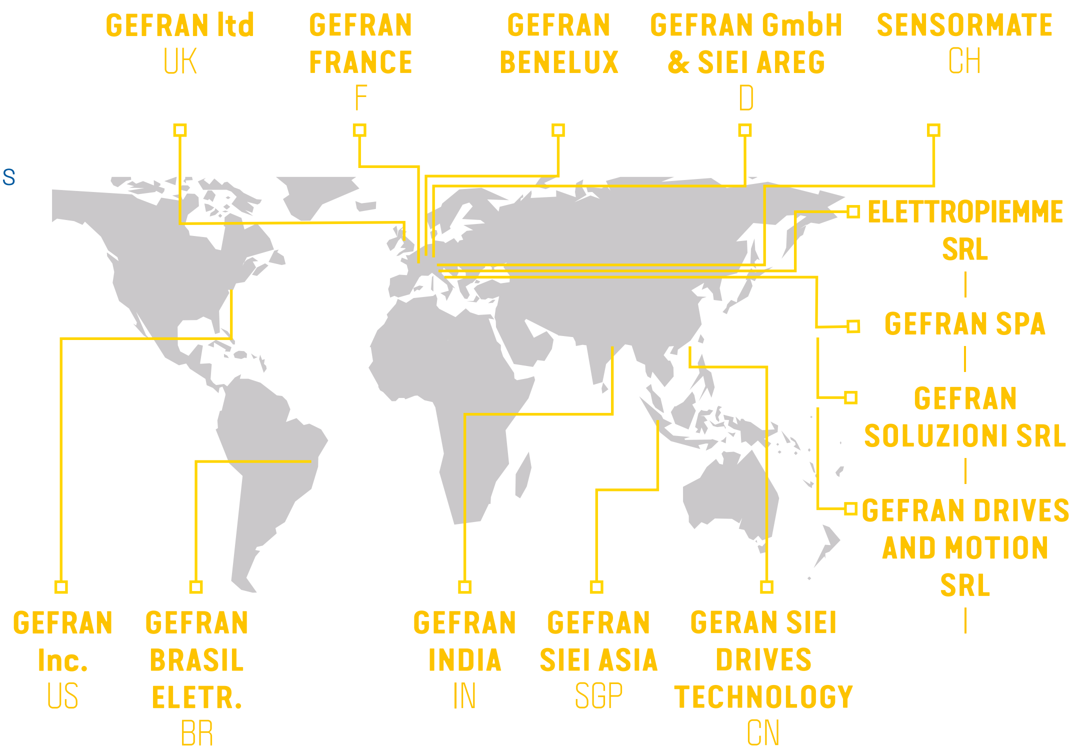
15
Commercial sales organisations

10
in Europe

3
in Asia

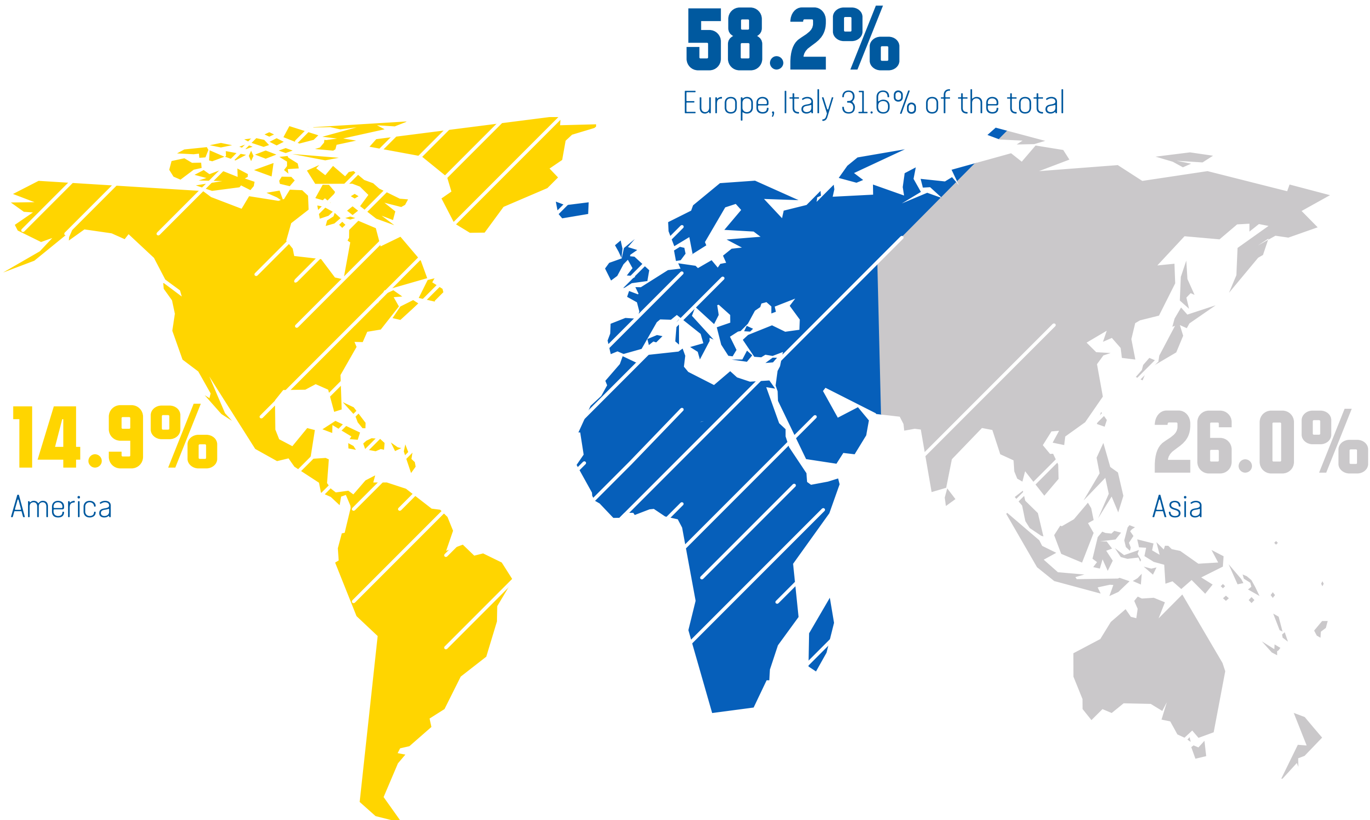
1
in Latin America

1
in US



REVENUES BY GEOGRAPHIC REGION

The Group operates directly in 11 countries and distributes its products through its sales network in more than 80 countries all over the world.



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

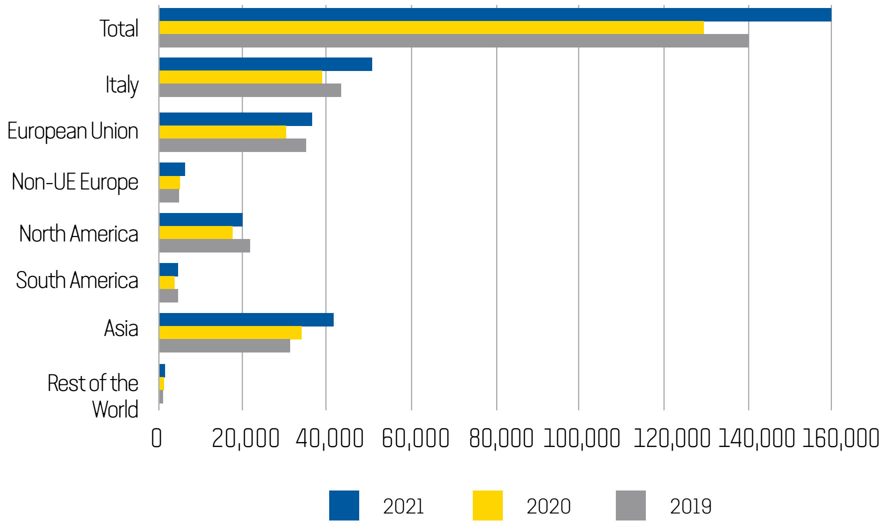
160,232
Total Revenues 2021

129,645
Total Revenues 2020

140,535
Total Revenues 2019

SALES BREAKDOWN BY GEOGRAPHIC REGION

(values in Euro/000)



The Group's revenues in the year 2021 amounted to 160.2 million Euro, compared to 129.6 million Euro in revenues in 2020, an increase of 30.6 million Euro (23.6%). The increase in revenues applied to all business sectors: sensors (+34.1%), thanks in particular to the strong recovery of Asian markets, followed by recovery in Italy and Europe; automation components (+24.3%), mainly concentrated in Italy; and motion control (+11.5%), driven by sales of industrial and lifting products, as well as customised products. All businesses units recovered the gap in revenues recorded in 2020 due to the effects of the Covid-19 pandemic: sensors performed 27.8% better than the figure for 2019, while components and motion control grew by 11.8% and 2% over 2019.

The breakdown of revenues by geographic region reveals double-digit growth in all areas served by the Group, particularly Asia (+22.9%) and Italy (30.6%). Revenues were also up in Europe (+21.4%) and in the Americas (+13.9%).

KEY PERFORMANCE INDICATORS (KPIS)

KPIs - Economic indicators		2021	2020	2019
Revenues	(Euro / 000)	160,232	129,645	140,535
EBITDA	(Euro / 000)	26,154	17,549	19,730
	%	16.3%	13.5%	14.0%
EBIT	(Euro / 000)	18,085	9,398	10,375
	%	11.3%	7.2%	7.4%
Profit (loss) before tax	(Euro / 000)	17,799	7,583	10,069
Group net profit (loss)	(Euro / 000)	13,692	4,353	7,042
	%	8.5%	3.4%	5.0%

KPIs - Equity and financial indicators		2021	2020	2019
Invested capital from operations	(Euro / 000)	82,278	81,902	88,331
Net working capital	(Euro / 000)	31,160	29,799	28,542
Shareholders' equity	(Euro / 000)	85,538	78,179	75,044
Net financial position	(Euro / 000)	3,260	(3,723)	(13,287)
Investments	(Euro / 000)	8,906	6,003	16,006
Operating cash flow	(Euro / 000)	27,378	16,953	18,045
Return on investment ROI (EBIT/net invested capital)	%	22.0%	11.5%	11.7%

KPIs - Human capital		2021	2020	2019
Total employees	no.	786	787	829
of whom Women	no.	241	238	251
	%	30.7%	30.2%	30.3%
of whom Men	no.	545	549	578
	%	69.3%	69.8%	69.7%

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 stands 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 line for the last three years focused on expansion of production lines and development of the larger new spaces essential to support its expansion. In particular, in 2019 Gefran Inc (US) transferred its activities to the new larger building, purchased and adapted to house the company's production lines. In order to better support the expansion of the business, in the same year the Parent Company started and completed the construction of a new building featuring cutting-edge technological and energy-saving solutions, which has since the beginning of 2020 welcomed a number of the production departments, allowing a revision of the layout of the production lines of the business as a whole.

In 2020 and 2021, business investments focused on the industrial area, with objectives of improvement in terms of process efficiency and adaptation of production capacity. Among other things, the year 2020 saw significant investment in R&D for acquisition of a patent for development of the new TWIIST technology, applied to position transducers.

The turnover of the business line in the past year increased sharply with respect to the figure for 2020, when it was penalised by the impact of the Covid-19 pandemic on the international markets, leading to temporary closure of some of the business line's production plants. During 2021, thanks to investment and introduction of new operating methods, the business line was able to take advantage of strong signals of recovery on the market, especially in Asia, and business opportunities in other areas, especially in Italy and Europe, which had been suspended during the pandemic. This made it possible to register an increase of +34.1% over 2020 and +27.8% over the year 2019.

+34.1%
2021 vs 2020

+ 27.8%
2021 vs 2019

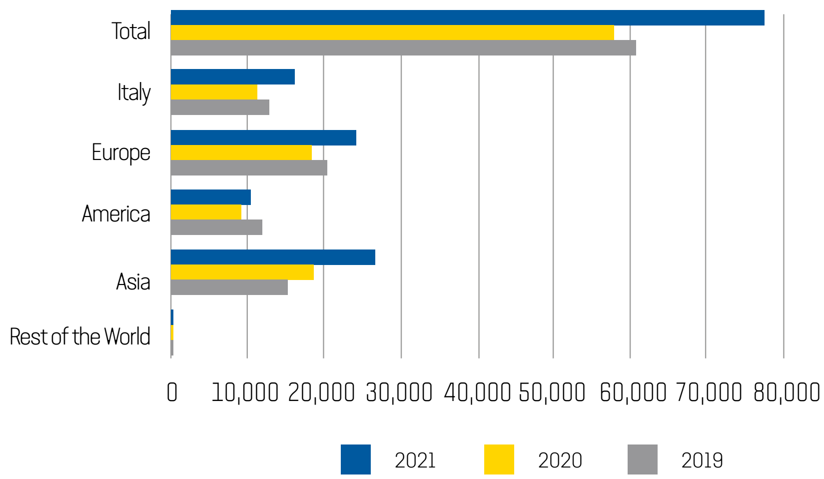
77,400
Total Revenues 2021

57,734
Total Revenues 2020

60,582
Total Revenues 2019

SENSORS SALES BREAKDOWN BY GEOGRAPHIC REGION

(values in Euro/000)



AUTOMATION COMPONENTS

The electronic automation components business line includes three macro-lines of products 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 40% 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.

In 2021, business investments, consistent with the multi-year plan for the strengthening and development of the Group's infrastructure to support growth, focused on the construction of a new area, built in compliance with the energy efficiency requirements, which at the end of 2021 welcomed the management offices of Gefran Soluzioni S.r.l., a subsidiary of Gefran S.p.A. concerned with the design and production of systems and panels for industrial automation.

The shrinkage in sales of automation components recorded in 2020 as a result of the pandemic has now been fully recovered. Business revenue in 2021 was 24.3% higher than in 2020, and is 11.8% higher than in 2019. This was made possible by the work of the technical area on development of new product families and new and more modern features applied to existing products (in terms of reducing energy consumption and maintenance work requiring shutdowns).

+24.3%
2021 vs 2020

+11.8%
2021 vs 2019

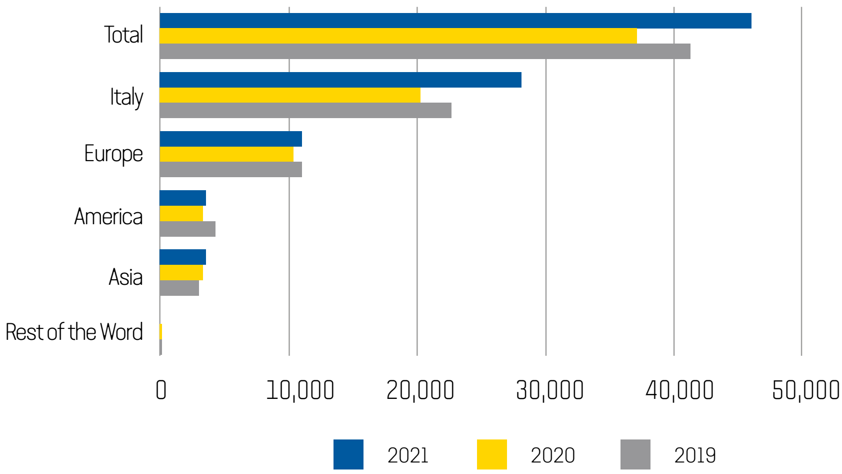
46,286
Total Revenues 2021

37,238
Total Revenues 2020

41,391
Total Revenues 2019

AUTOMATION COMPONENTS SALES BREAKDOWN BY GEOGRAPHIC REGION

(values in Euro/000)



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 for specific markets, characterised by optimisation of 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 business line's sales were up in 2021 over the year 2020 (+11.5%), in line with the figures recorded in 2019 (+2%).

Commercial activities aimed at consolidating the Group's presence in the areas historically covered and the development of new areas, as well as technological development of the products, have made it possible to partially recover the revenue gap caused by the Covid-19 pandemic, especially as regards the lifting range and customised products.

+11.5%
2021 vs 2020

+2%
2021 vs 2019

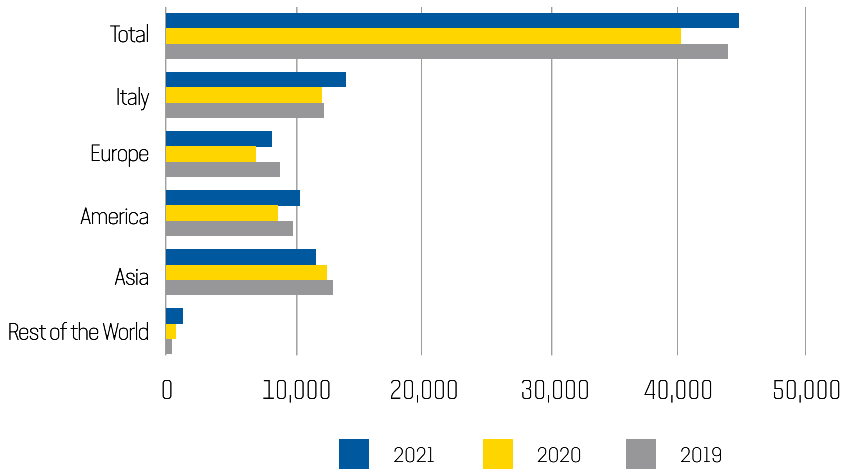
44,812
Total Revenues 2021

40,194
Total Revenues 2020

43,953
Total Revenues 2019

MOTION CONTROL SALES BREAKDOWN BY GEOGRAPHIC REGION

(values in Euro/000)



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 subsidiaries** of the Group. This function is performed by the HQ team, composed of the managers of the individual functions. Each business line:

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

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
- Quality, safety and environment

On 13 February 2008, the Board of Directors approved the adoption of an Organisation, Management and Control Model (referred to simply as the Organisational Model), aimed at preventing the offences envisaged in Decree 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. At its meeting of 16 December 2020, the Gefran S.p.A. Board of Directors decided to adhere to the January 2020 edition of the *Corporate Governance Code*, approved by the Corporate Governance Committee on 31 January 2020 and adopted as of 1 January 2021.

The Group also has a *Code of Ethics and Conduct*, which was updated by the Board of Directors on 10 March 2022. 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 aimed at ensuring 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.

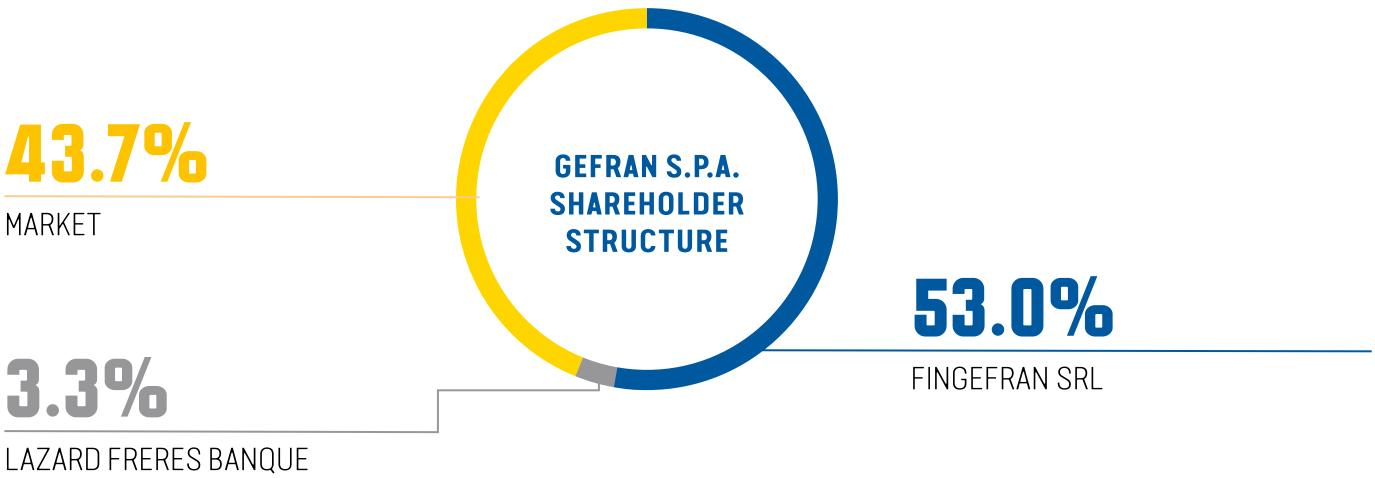
Finally, on 10 March 2022 Gefran approved a policy for "Management of dialogue with Shareholders and Investors" (referred to as the Code of Engagement), in application of the *Corporate Governance Code* approved by the Italian Corporate Governance Committee. The adoption of the policy in question, aimed at regulating and promoting dialogue with shareholders and institutional analysts, is consistent with one of the principles that has always characterised the Company, encouraging honest dialogue with stakeholders with a view to creating value in the medium to long term.

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 the name *FTSE Italia STAR* following the 1 June 2009 merger of Borsa Italiana with the London Stock Exchange before being given its current name, *Euronext STAR Milan*.

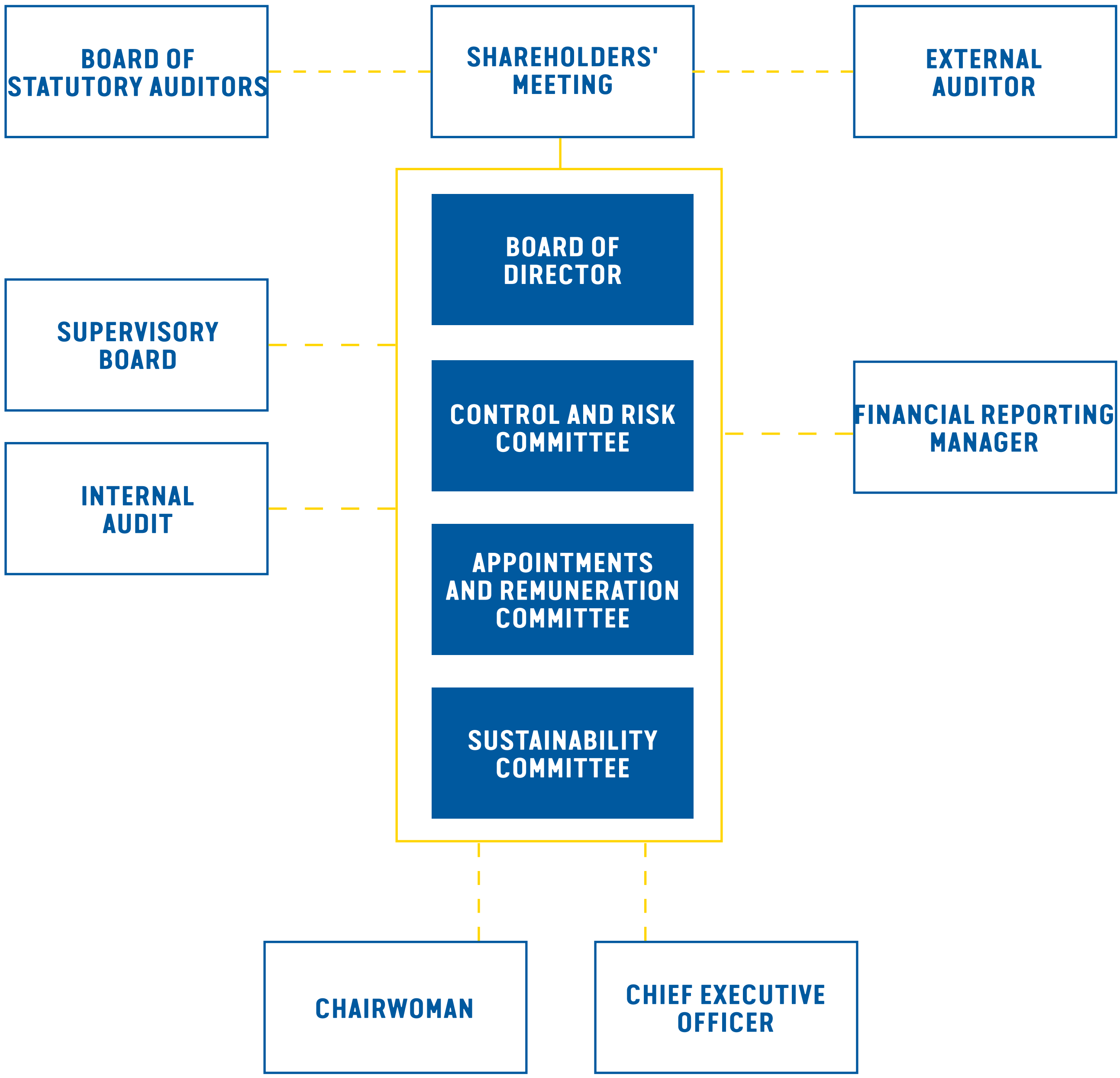
STRUCTURE OF SHARE CAPITAL

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



ADMINISTRATION AND CONTROL ACTIVITIES

The Company's corporate governance structure is based on the recommendations and regulations set forth in the *Corporate Governance Code* promoted by Borsa Italiana S.p.A., which the Company has adopted, as well as the Organisation, Management and Control Model (Organisational Model) adopted since 2008, in order to prevent the commission of the offences envisaged in Legislative Decree 231/01.



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/ Vice-Chairwoman and Marcello Perini was appointed to the post of Chief Executive Officer.

The independence requirements are verified annually, and with reference to this, as at the date of this Declaration, the non-executive directors Monica Vecchiati, Cristina Mollis and Giorgio Metta meet these requirements. Monica Vecchiati is Lead Independent Director. Director Daniele Piccolo is a non-independent non-executive director. Ennio Franceschetti, Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti and Marcello Perini are Executive Directors.

In accordance with and by effect of principle XIV and recommendations 19 and 21 of the *Corporate Governance Code*, on 11 March 2021 the Board of Directors expressed its 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.

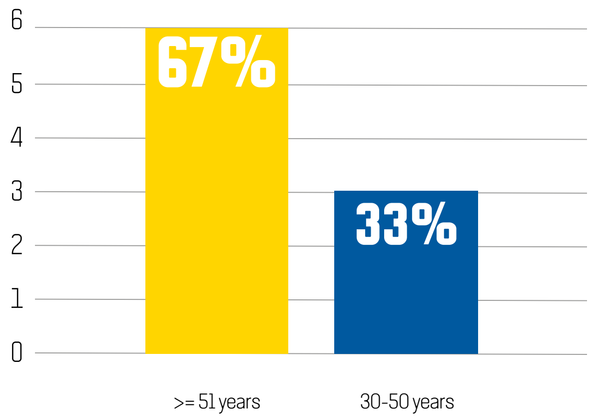
Three Advisory Committees were appointed within the Board of Directors: the Control and Risks Committee, consisting of three non-executive directors, including two independent directors, the Appointments and Remuneration Committee, also made up of three non-executive directors, including two independent directors, and the Sustainability Committee, composed of the Vice-Chairman, the Chief Executive Officer 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 (*):

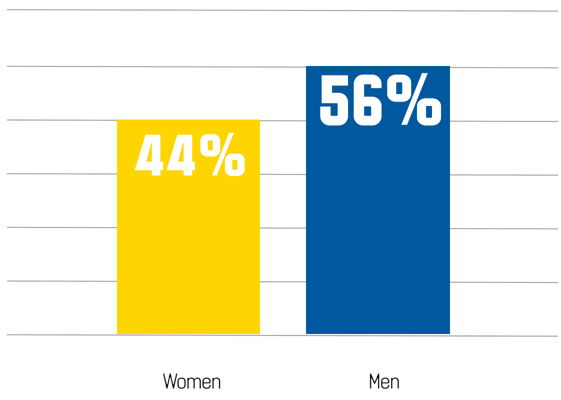
CARICA	COMPONENTI
Honorary Chairman	**Ennio Franceschetti**
Chairwoman	**Maria Chiara Franceschetti**
Vice Chairman	**Andrea Franceschetti**
Vice Chairwoman	**Giovanna Franceschetti**
Chief Executive Officer	**Marcello Perini**
Director	**Daniele Piccolo**
Director	**Monica Vecchiati (*)**
Director	**Cristina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

(*) Independent directors pursuant to the Consolidated Law on Finance (TUF) and the *Corporate Governance Code*.

AVERAGE AGE OF THE BoDs

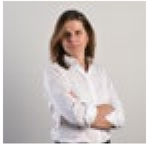


RATIO WOMEN VS MEN IN THE BoDs



Number of Board of Directors' meetings:

Board of Directors	2021	2020	2019
Number of meetings	8	13	10
average attendance %	98.6%	98.3%	91.1%



Giovanna Franceschetti
Vice Chairwoman

With a degree in Public Relations and a Master's Degree in Business Administration, she began her career as a Product Manager for consumer goods multinational Unilever.

She was Head of Communications and Image for Gefran and the Group's Investor Relator from 2004 to 2018.

Member of the Board of Directors of Fingefran S.r.l., Gefran S.p.A.'s parent company, and 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 began working for Gefran S.p.A. in 2002, holding a number of positions in production and quality, becoming International Sales Manager in February 2013 and then Drives Business Unit Sales Manager until 2017; currently Chairman of the Board of Directors of the subsidiary Gefran Soluzioni Srl and Vice Chairman 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
Non-executive Director

Completed his education in financial markets and marketing at prestigious international institutes. From 1982 to 2007, he held numerous positions of increasing seniority within the Credito Emiliano Group. From 2001 to 2006, he was also Chief Executive Officer of Istifid S.p.A. 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.

Monica Vecchiati
Independent Director

Holds a degree in Business Economics, specialising in "Corporate Governance", and a Master's Degree in "Social Security".

She is a Certified Accountant and Statutory Auditor. She serves as 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

Entrepreneur and digital strategist, 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 Chairwoman of Value Partners Group. In 2008 she founded NuvO', which she led until it became a part of HFarm in 2015. 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.

Giorgio Metta
Independent *Director*

Current Scientific Director of *Istituto Italiano di Tecnologia* (IIT). Metta holds a Ph.D. in Electronic Engineering. He conducted research at Leeds University (UK) and MIT (U.S.A.) before beginning his academic career at Genoa University in 2005, with a special focus on robotics. He has authored numerous scientific publications and conducts assessments for the European Commission and various national and supranational bodies in robotics and artificial intelligence.

The **Control and Risks Committee** of the Board is currently made up of three no--executive directors, including two independent directors(1 woman and 2 men), all accounting and financial and/or risk management experts; this membership was considered adequate by the Board of Directors, which appointed it.

OFFICE	MEMBERS
Committee Chairwoman	**Monica Vecchiati**
Non-executive Director	**Daniele Piccolo**
Independent Director	**Giorgio Metta**

Number of meetings of the Control and Risks Committee:

Control and Risks Committee	2021	2020	2019
Number of meetings	5	6	5
average attendance %	100%	100%	100%

The **Appointments and Remuneration Committee** set up by the Board of Directors currently consists of three non-executive directors, including two 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.

OFFICE	MEMBERS
Committee Chairwoman	**Cristina Mollis**
Independent Director	**Monica Vecchiati**
Non-executive Director	**Daniele Piccolo**

Number of meetings of the Appointments and Remuneration Committee:

Appointments and Remuneration Committee	2021	2020	2019
Number of meetings	3	5	4
average attendance %	100%	100%	100%

The **Board of Statutory Auditors**, appointed by the Shareholders' Meeting on 27 April 2021 and in office until the financial statements for 2023 are approved, is currently made up of three standing auditors and two deputy auditors.

OFFICE	MEMBERS
Chairwoman	**Roberta Dell'Apa**
Standing auditor	**Luisa Anselmi**
Standing auditor	**Primo Ceppellini**
Deputy auditor	**Simona Bonomelli**
Deputy auditor	**Stefano Guerreschi**

Prior to the meeting held on 27 April 2021, the Board of Statutory Auditors had the following composition: Marco Gregorini (Chairman), Roberta Dell'Apa (Standing Auditor) Luisa Anselmi (Standing Auditor), Guido Ballerio (Deputy Auditor).

Number of meetings of the Board of Statutory Auditors:

Board of Statutory Auditors	2021	2020	2019
Number of meetings	10	10	9
average attendance %	100%	100%	92.6%

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 231/01, 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.

In 2021 responsibility for the **Internal Audit** function was attributed to PierMario Barzaghi, an external party meeting the requirements of autonomy and independence; he was appointed by the Board of Directors on 10 February 2021, with the approval of the Control and Risks Committee and the Board of Statutory Auditors.

KPMG Advisory S.p.A. was tasked with conducting internal audit activities in the past year.

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

For Gefran, financial, social and environmental sustainability have always represented a way of being and operating, as well as a precise responsibility horizon. In line with its principles, throughout its history the Group has in fact shown a continuous interest and commitment in carrying out initiatives and activities related to the sustainable development of the areas in which it operates, with the aim of creating value for its stakeholders. Territory, people and the environment are therefore the guidelines of a common and shared path, which is part of Gefran's very identity.

The Board of Directors plays a central role in pursuing the Group's sustainable success, as required by principle I of the Corporate Governance Code. 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 S.p.A. 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:

OFFICE	MEMBERS
Committee Chairwoman	**Giovanna Franceschetti**
Chief Executive Officer	**Marcello Perini**
Independent Director	**Cristina Mollis**

The Sustainability Committee met twice in 2021, with an average attendance of 100%.

To perform its functions operationally, the Committee avails itself of a *working group* led by the Group's Chief Financial Officer, 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, and specifically the preparation of the Strategic Sustainability Plan, formalised in November 2020. The Working Group started the four projects of the Plan in 2021, proceeding from the theoretical design phase to implementation of the activities, reporting progress in a new document published in November 2021, which is to be considered a natural evolution of the previous one.

The projects the Group is working on concern three guidelines (People, Environment and Territory), and are concretely linked to the Group's business processes: innovation, certifications, people and their value, supply chain.

For each project, detailed in the *2020 Strategic Plan of Sustainability - 2021 Update*, medium-term guidelines (three-five years) have been outlined as well as commitments, investments and targets.

Both documents are available on the Company's website, in the sustainability section (https://www.gefran.com/en/gb/pages/168-the-future-is-our-present).

MANAGEMENT OF TAX ISSUES AND COUNTRY REPORTING

The Gefran Group operates directly in Italy, through the Parent Company Gefran S.p.A. and its subsidiaries Gefran Drives and Motion S.r.l., Gefran Soluzioni S.r.l. and Elettropiemme S.r.l., as well as in 10 other countries around the world, through a network of subsidiaries located in geographical areas of strategic importance for sales, with the possibility of serving various markets.

Given that proximity to the customer is essential to provide a complete quality service, the geographical location of Gefran Group companies meets the primary need to effectively monitor the markets. Being close to customers and responding promptly to their needs has allowed the Group to maintain a competitive position in its sector, with study of specific applications, local technical support services, prompt delivery and after-sales service.

Other factors, such as guaranteeing an adequate speed of response and ease of interaction (the customer can be reached faster and communication takes place in the same language), are considered strategic to better serve the customer, and consequently to better monitor the markets.

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 also 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 all the risks to which it is exposed, including fiscal risks.

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 specific country in question.

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 years 2021 and 2020, and in particular with regard to the item *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 and Marketing	
	Elettropiemme S.r.l.	Production and Marketing	
Belgium	Gefran Benelux NV	Marketing	16
France	Gefran France S.A.	Marketing	5
Germany			34
	Gefran Deutschland GmbH	Marketing	
	Siei Areg Gmbh	Production and Marketing	
UK	Gefran UK Ltd	Marketing	2
Switzerland	Sensormate AG	Production and Marketing	17
Turkey	Gefran Middle East Ltd Sti	Marketing	-
US	Gefran Inc	Production and Marketing	32
Brazil	Gefran Brasil Elettroel. Ltda	Production and Marketing	29
Singapore	Gefran Siei Asia Pte Ltd	Marketing	10
China (PRC)	Gefran Siei Drives Tech. Pte Ltd	Production and Marketing	69
India	Gefran India Private Ltd	Production and Marketing	30
Total current taxes within the Group attributable to companies			

2021

Revenues from sales to third parties Euro/000	Revenues from infragroup transactions with other tax jurisdictions Euro/000	Pre-tax profit/(loss) Euro/000	Corporate income taxes accrued on profits/losses Euro/000
75,532	42,503	14,312	(3,215)
5,284	-	426	(119)
4,646	-	558	-
20,996	107	1,337	(375)
615	4	52	-
1,481	2,671	(57)	-
-	-	(48)	-
9,943	1,194	593	(131)
3,725	2	472	(142)
7,587	1	538	(65)
20,233	983	1,455	-
8,340	6	391	-
			(4,047)

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 and Marketing	
	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	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 within the Group attributable to companies			

2020

Revenues from sales to third parties Euro/000	Revenues from infragroup transactions with other tax jurisdictions Euro/000	Pre-tax profit/ (loss) Euro/000	Corporate income taxes accrued on profits/losses 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 and on its reputation. 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 **Board of Directors**, which defines the guidelines of the internal control and risk management system, in line with the company's strategies, and assesses its adequacy and effectiveness;
- the **Control and Risks Committee**, 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 **Chief Executive Officer**, as stated in the Corporate Governance Code, entrusted with identifying the principal risks in the Company, implementing risk management guidelines and verifying their adequacy;
- the **Executive in charge of financial reporting** who directly oversees preparation of the control model under Law 262/2005 and the related administrative and accounting procedures, in view of its constant updating;
- the **Internal Audit** function, entrusted with the task of verifying the operation and suitability of the internal control and risk management system (both continuously and in response to specific needs, and in compliance with international standards), through an audit plan approved by the Board of Directors and based on structured analysis of the main risks;
- the **Board of Statutory Auditors**, which monitors the effectiveness of the internal control and risk management system;
- the **Supervisory Body**, which monitors the implementation and correct application of the Organisational Model pursuant to Legislative Decree 231/01.

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 took the opportunity to strengthen its governance model and implemented Enterprise Risk Management, which, through the identification of any particular areas requiring attention and focal points, promotes proactive risk management to support key decision-making processes in the company.

The main risks, represented in the so-called 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.

Following this activity, all the risks to which the Group appears to be exposed are mapped and assessed in terms of the impact and likelihood of occurrence, also with reference to the risk management system.

The assessment is repeated annually, considering the actions that have been put in place to mitigate risk and the evolution of the contingent situation.

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 new mitigation actions, or improvement or optimisation of existing ones, or simple monitoring of exposure over time.

An internal emergency committee, still operational, was promptly set up in response to the spread of the Covid-19 pandemic, with the aim of assessing health-related risks and implementing the necessary actions aimed at mitigating them, reacting promptly to the worsening pandemic.

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 stakeholder. 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.

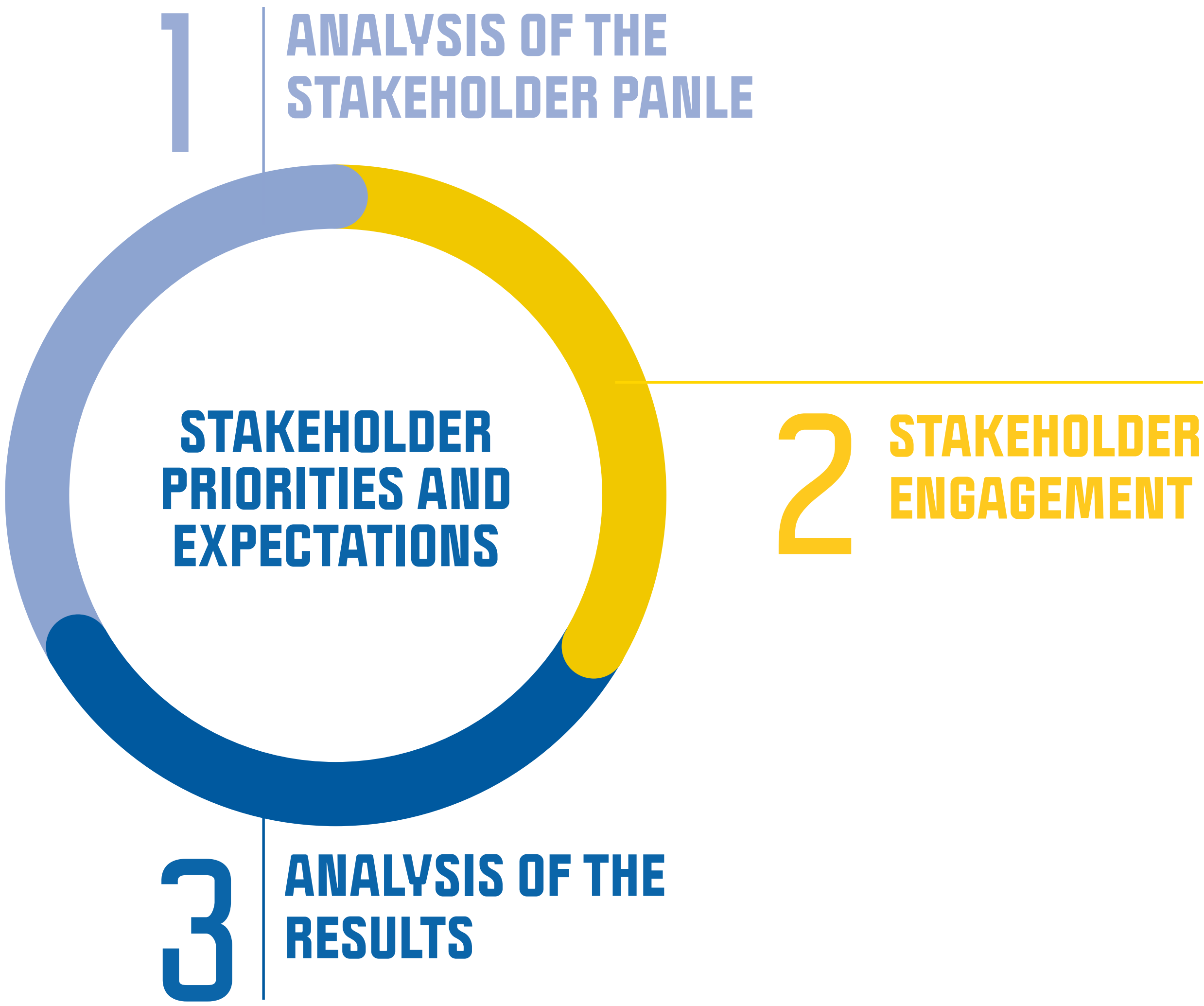
In this context, the information available to the Group has been collected and analysed. The internal team, with the involvement of the management of all Italian and foreign companies, has analysed the information and the context in which Gefran operates. The resulting output was a list of 20 potentially 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 that various ways of responding to these may exert over stakeholders' evaluations and decisions.

The themes identified are economic, environmental, social or cross-sectoral 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			

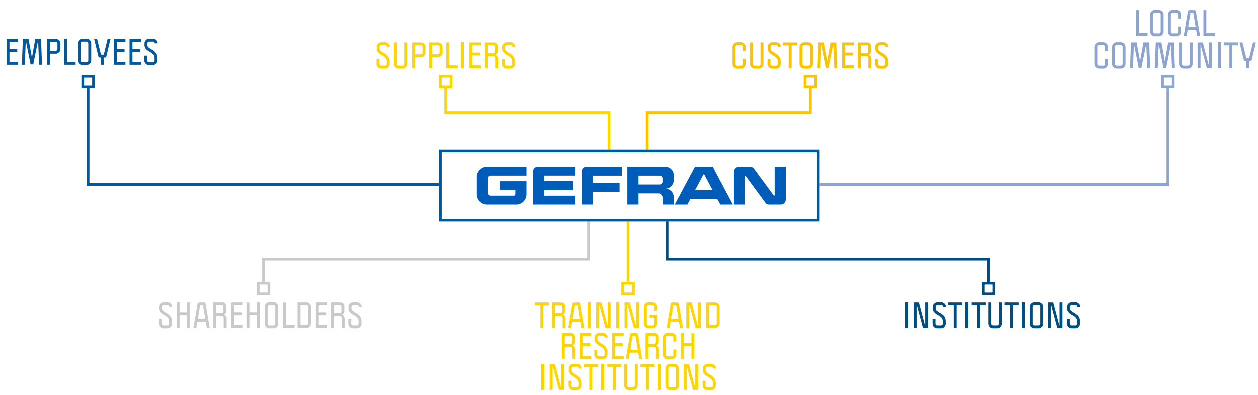
This activity was conducive to the construction of the materiality matrix, as a starting point for reporting in the 2017 Consolidated Non-Financial Statement, also adopted in the 2018 statement.

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.

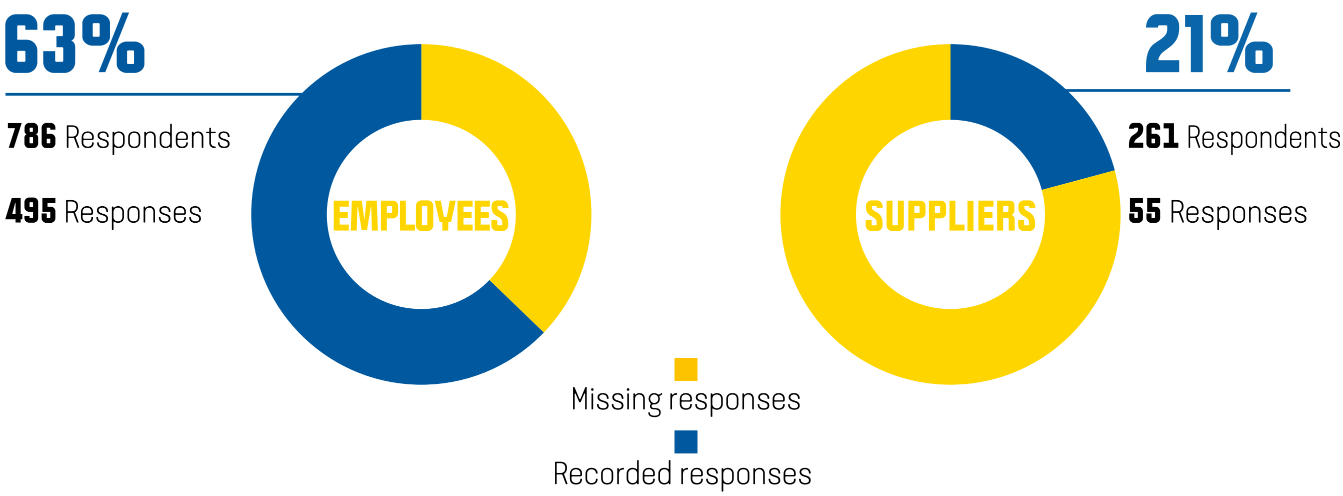
Panel analysis led to identification of 7 stakeholder categories, in relation to whom certain initiatives encouraging involvement were already underway, in both individual (visits, dedicated events in the company) and collective form (publications on websites, social networks and media, participation in and organisation of conferences).

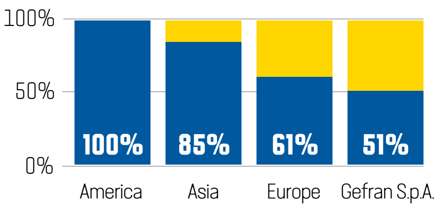


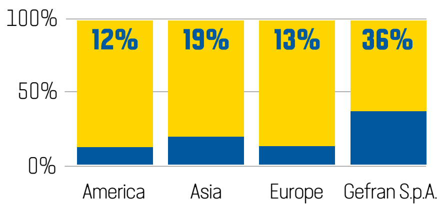
These engagement activities were mostly of an informative and consultative nature, while true partnerships were initiated with only a few stakeholders (particularly suppliers).

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.

The first activity encouraging collective engagement was carried out in July and August 2019, with the aim of understanding the opinions and expectations of certain specific categories of stakeholders, specifically employees and suppliers.





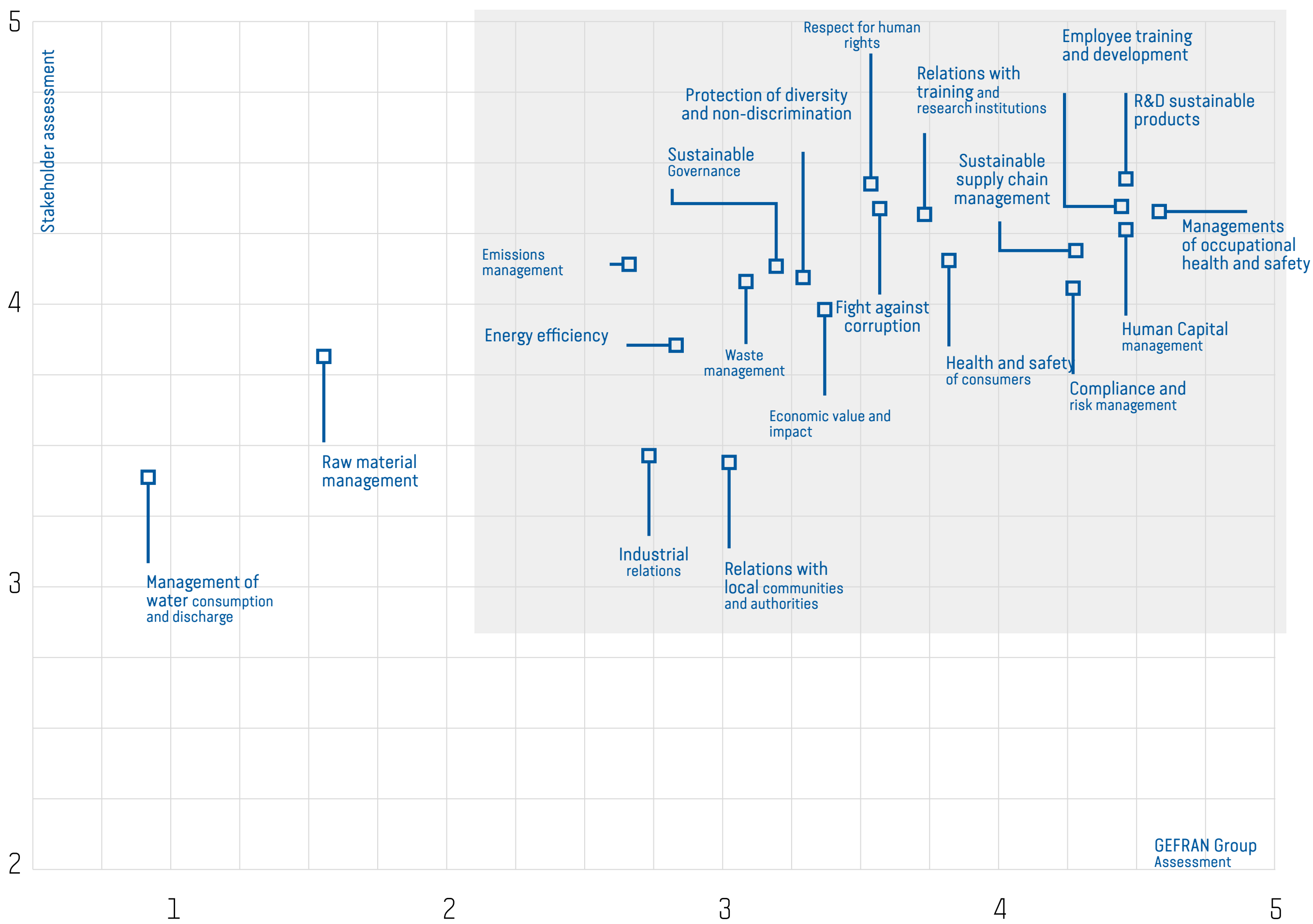


Online questionnaires prepared in all languages used in the Group were used in order to ensure maximum stakeholder engagement. A total of 1,047 questionnaires were sent, and 550 responses received (equal to a 52% response rate), 63% of which came from employees and 21% from suppliers.

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 engaging representatives of the Group's various types of stakeholders (Shareholders, Employees, Customers, Institutions, Suppliers, Training and Research Bodies, and 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 with the aid of an interactive platform.

The information obtained from the stakeholder engagement activity described 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.



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 Statement:

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 Gefran Sustainability Committee considered that the stakeholder engagement activities carried out at the end of 2019 and referred to in the 2020 Statement may be considered valid for the year 2021. This decision was made in view of the considerations set forth below.

a) The Group's organisational axis did not change in the years 2020 or 2021: the scope of reporting did not change, nor did the practices applied to management of these issues. In general terms, the information included in this Statement refers to the companies consolidated using the line-by-line method in the Gefran Group's Annual Financial Report. The changes to the scope of consolidation of the Group implemented in 2021 are a result of conclusion in September 2021 of the process of liquidation of the Chinese company Gefran Siei Electric (not operational since 2009), and the liquidation, in February 2021, of the Turkish company Gefran Middle East. For the purposes of the Consolidated Non-Financial Statement, the Turkish company was already considered "of marginal importance" as a trading company with limited volume of business and a small number of employees, and was therefore not included in the scope of reporting.

b) The reference standards (GRI) have not undergone any changes of particular significance or relevance to Gefran. On the issues reported, the most recent GRIs published concern:

- 303 Water and wastewater (2018): 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 water taken from the public drinking water supply or the aquifer, is modest, and indicators are already reported consistently with the new GRIs;
- 403 Occupational health and safety (2018): this is one of the most important issues for Gefran, and indicators are already reported consistently with the new GRIs;
- 306 Waste (2020): this concerns the reporting of the waste produced, for which reports are already provided on the weight of the waste produced, divided by type and disposal method, consistently with the new GRI; on this point, note that more than 85% of the total weight of the wastes produced is NOT hazardous, and more than 65% of the total weight of the waste produced is reclaimed (2021 data).

Taking these aspects into account, the stakeholder engagement activity conducted at the end of 2019 and the materiality matrix that has been achieved can therefore still be considered current.

With reference to the pandemic of the last two years, 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 a matter of the utmost importance. This was clearly demonstrated by 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 at the start of 2020, 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 GRI standard 207 Taxes, requiring disclosure of tax management methods. Although this issue did not emerge in the materiality analysis conducted by the Group, given its cross-sectoral applicability, Gefran has decided to include a high-level report on its approach to taxation in its Statement.

5 SUSTAINABILITY STRATEGY

The Group has chosen to implement a broad group-wide strategic initiative, defining a series of commitments in line with the United Nations' Sustainable Development Goals.

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).

With the goal of pursuing an inclusive approach, identification of the material themes set forth in the previous paragraphs 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.

SUSTAINABLE DEVELOPMENT GOALS

Through collection and analysis of current and potential initiatives, with the contribution of consultants experienced in the field, the Group has identified the *Sustainable Development Goals (SDGs)* most relevant to its business, identifying priorities for action and specifying the specific targets to which the Group can make a tangible contribution for each of these goals. These are:

Ensure access to affordable, reliable, sustainable and modern energy systems for all

Ensure sustainable production and consumption patterns

Stimulate long lasting, inclusive and sustainable economic growth, full and productive employment and decent work for all

Take urgent measures to combat climate change and its consequences

Build a resilient infrastructure and promoting innovation and fair, responsible and sustainable industrialisation

Strenghten sustainable development implementation means and renew its global partnership

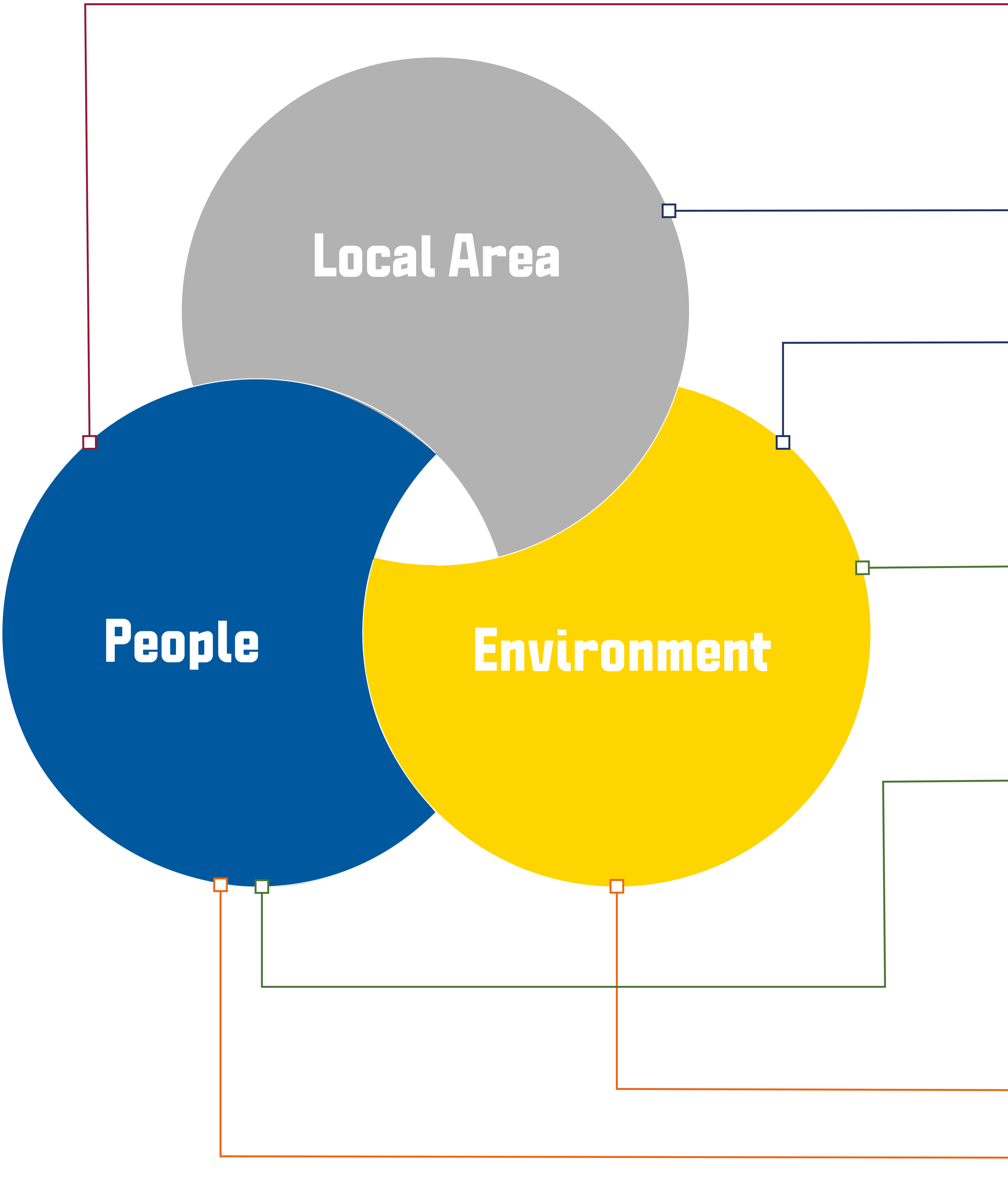
"I propose that you, the business leaders gathered in Davos, and we, the United Nations, initiate a Global Compact of shared principles and values, which will give a human face to the global market"

(Kofi Annan, Secretary General of the United Nations,
World Economic Forum, 31 January 1999, Davos)

Based on the priorities defined, Gefran's commitments have been identified in order to make a tangible contribution to achieving the chosen SDGs, implementing these commitments in the Group's organisation and business.

Following the declaration of commitments and initiatives in relation to each SDG, the Sustainability Committee has 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 chosen directions for sustainable development: People, Environment and Territory. Starting in the year 2021, and for the next three to five years, the Sustainability Team will undertake these projects:

STRATEGY AND PROJECTS IN PRACTICE



Project

01

Talent development and guarantee of constant feedback

A project dedicated to our people

- Continuous training
- Professional growth
- Feedback on performance
- kenFLY Academy

Project

02

Diffusion of sustainability culture

A project dedicated to our suppliers

- Internal training
- Workshop with local suppliers
- Planning of co-design and co-engineering initiatives

Project

03

Obtaining new certifications

A project focused on our processes

- Health and safety on workplaces ISO 45001
- Environmental impacts ISO 14001
- Social responsibility SA8000

Project

04

Sustainable innovation

A project focused on our products

- Development of technological solutions aimed to energy efficiency
- Digital Twin
- IT-OT convergence
- Industry 4.0 processes

The projects outlined are a fundamental part of the *Strategic Sustainability Plan*, which is designed to formalise Gefran's commitment to quality of life within and outside the company. 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 25 November 2020 (exactly one year after the first multi-stakeholder engagement event, held on 25 November 2019) 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.

As a sign of continuity, as part of the project "Promoting a Culture of Sustainability", a day focusing on one kind of strategic stakeholder for the Group, suppliers, was organised on 25 November 2021. *Supplier Day*, a collective event held in person providing training on the basic concepts of sustainability, sharing of Gefran's strategy and involvement in sustainability-related initiatives, activities and projects, was attended by just under 40 guests representing about 30 companies.

With a view to transparency and consistency, at the end of 2021, Gefran published an update to its *Strategic Sustainability Plan*. The objective of this second document, to be understood as a natural evolution of the previous publication (November 2020), is to share with stakeholders the current state of the projects, progress and activities carried out over the past year.

Both documents are available on the Company's website, in the sustainability section (https://www.gefran.com/en/gb/pages/168-the-future-is-our-present).

6 MANAGEMENT OF INDUSTRIAL RELATIONS IN THE GROUP

Partners have demonstrated great interest in Gefran's commitment to non-financial aspects and sustainability by actively participating in the stakeholder engagement events organised by 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***: 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, unions and associations with the goal of achieving shared sustainable development goals (see SDGs 17). In this context, Gefran has identified a number of projects in line with global goal 17 and decided to implement them in the next three to five years. These projects concern sustainable innovation and promotion of a culture of sustainability, targeting one of the Group's most important stakeholders: its suppliers, the focus of the ***Supplier Day*** held on 25 November 2021.

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.
ANIMA Confindustria various mechanical industries	This is the industrial organisation in the Confindustria system that represents companies in mechanical industry. The federation consists of 30 associations and product groups, and counts more than 1,000 member companies, at the top of their respective sectors of production.
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

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 supported 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 allows Gefran to be classified as a non-energy-intensive company. The Group's operational activities do not normally include the manufacture or processing of materials or components that could result in a significant risk for the environment.

Despite this, in relation to environmental issues, the Group is continuously looking at ways to improve its energy performance and protect resources, with the goal of promoting reduction of greenhouse gas emissions. This is made possible by 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 definition and implementation of an investment plan aimed at ensuring a high degree of energy efficiency of the Group's plants.

In addition, 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, in Italy and abroad, could force the Group to adopt more rigorous standards or limit its freedom of action in its areas of operation. These factors could result in additional costs for adaptation of factories and production facilities to the new standards, or processes of reviewing the technical characteristics of the products made. 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.

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*: obtaining new certifications.

ets out the requirements for an adequate management system to keep the environmental impacts of its activities under control, and systematically seeks their improvement in a consistent, effective and above all sustainable manner.

With an ongoing focus on the territory in which the Group works, and with the intention of contributing to the achievement of shared global goals (SDG 13 "Combatting climate change"), Gefran has decided to give its commitment official, substantial form, starting out on a path that will lead the Group to implement an Integrated Management System through extension of its current certifications, in addition to ISO9001, which has already been implemented, to include internationally recognised standards applying to control of the environmental impact of from the company's activities. In 2021, the Integrated Quality and Environment function, operating at the Group-wide level, started work on a project for obtaining ISO14001 environmental certification. Certification of the Group's Italian companies is expected to be completed by the end of 2023, after which it will be extended to Gefran's international subsidiaries through a plan for gradual integration.

Gefran has always been on the lookout for innovative solutions to be applied to its products, and, as noted above, it is not an energy-intensive company, so the greatest contribution the Group can make to promoting responsible use of resources takes the form of development of products and new solutions which, when used in our partners' production processes, will enable them to reduce and/or improve the efficiency of their energy consumption (SDG 7 "Ensure access to affordable, reliable, sustainable and modern energy"). This is the heart of a second project reported in the Strategic Sustainability Plan: Sustainable Innovation.

With regard to the possible environmental risks deriving from the use of Gefran's products, the Group's Research & Development departments focus on analysing their potential impact in order to identify and anticipate trends, developing and, in conjunction with the Sales department, proposing to the market new products which are sustainable and on the cutting edge of energy efficiency and resource conservation.

PARENT COMPANY HIGHLIGHTS

RISK MAPPING AND MITIGATION

The energy audit conducted in 2019 confirmed the success of the management and actions implemented in previous years. The company areas in which actions could further improve energy performance were then 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 is therefore to implement actions aimed at improving performance by planning specific actions and investments.

The monitoring carried out has revealed that the most significant electricity consumption is by machinery in the production departments, the cooling and ventilation circuits and, in particular, lighting. 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;

- replacement, begun in 2021 and to be completed and made operational in 2022, of a furnace for the treatment of sensitive elements in pressure sensors with a more energy-efficient system.

In 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 Certificate (EPC).

2021 saw the construction of a new area adjacent to the factory that now houses the production and sales of the subsidiary Gefran Soluzioni S.r.l. This investment was aimed at creating new and better workspaces to support the development of the market of solutions in the automation components business line. Thanks to the focus on energy efficiency criteria in construction of this building, it was classified as "Class A2" in the Energy Performance Certificate (EPC), in line with the energy performance of new building units. Work took place during 2021, and the building became the management offices of Gefran Soluzioni S.r.l. in January 2022.

With a view to contributing to the aforementioned SDG 13, "Combating 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.

Gefran S.p.A. is convinced that the development of business today must necessarily include digital transformation. Gefran S.p.A. has started work on a number of important projects aimed at optimising the processes of operations ("Gefran Smart Factory") and logistics ("Gefran Smart Logistic"). The projects, launched in 2021 and still in progress, include an analysis and review of the processes carried out in the two areas, with a view to rationalisation and improvement of their quality and efficiency. The fundamental focus is on digitalisation of processes, which will also bring benefits for the environment. While the greater analytical capacity deriving from the implementation of monitoring systems and standardised procedures will permit implementation of actions aimed at improving the efficiency of production, also in terms of the amount of waste materials generated by production processes, on the other hand management of documentation in digital form will reduce the use of paper and printed material, and optimised management of the different types of packaging for finished products will permit rationalisation of transportation.

Finally, a number of initiatives were launched in collaboration with partners and in line with goals such as SDG 17, "revitalise the global partnership for sustainable development".

In particular, Gefran has decided to make a further tangible contribution by paying attention to the sources of energy purchased from the grid. In view of the benefits to be obtained, despite the higher cost, the Group's Procurement department has signed 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 84% in 2021). Thanks to the Guarantee of Origin of 100% energy from renewable sources certified by the supplier, Gefran S.p.A. is classified as a "company sensitive to environmental issues".

Gefran S.p.A. continues to use inkjet printers to reduce the consumption of resources in terms of toner, consumables, packaging and transportation. In addition, the machines installed offer superior energy performance, saving on electricity and emissions (approximately 11,064 kWh of consumption and 3,662 kg of CO2 over the period 2020-2025, according to the Energy Savings *Certificate* issued by the supplier). Another step was the signing, at the beginning of 2022, of a new contract for the same type of printers by the subsidiary Gefran Drives and Motion S.r.l., which will lead to further reduction of energy consumption and the related emissions (about 1,062 kWh of consumption and 345 kg of CO2 in the period 2022-2025, according to the Energy Savings *Certificate* issued by the supplier).

7.2 MANAGEMENT METHODS IN THE GROUP

Gefran is committed to contributing actively to an environmental responsibility policy with the goal of reducing greenhouse gas emissions in the atmosphere, through continuous improvement of the energy efficiency of its plants and to the search for sustainable solutions in various areas through concrete initiatives.

To this end, the Group's integrated Quality, Safety and Environment department, with expertise focusing, among other things, on environmental issues and energy conservation, 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 operates Group-wide, coordinating the activities carried out by individual companies, which managed these issues without central coordination until 2019, without central coordination.

Certain management methods have been implemented by the Group in previous years and are now consolidated:

- use of product packaging made entirely of recyclable material;
- replacement of the printed product manuals, initial with digital media on CDs in 2012, and subsequently, since 2019, through publication of this documentation on-line, ensuring that customers and end users are always consulting the most up-to-date version;
- management of HR information (pay slips, expense refunds, etc.) via a dedicated digital platform, without paper forms;
- management of meetings of the Company's governing bodies with the aid of digital tools, making it unnecessary to print out the related documentation;

- optical archiving of invoices payable and receivable and accounting books has saved on paper consumption and disposal.

The Group's focus on environmental protection is further confirmed by research and development work aimed at studying and applying more environmentally friendly solutions to the products made.

"Historic" products in the Gefran range include, for example, Impact, a melt sensor without filling fluid which was developed starting in 2007 and put on the market in 2009 ahead of the European RoHS directive 2011/65/EU, which came into force in June 2011, regulating the sale on the market of industrial monitoring and control devices since 22 July 2017. 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.

For Gefran, promoting the responsible use of energy resources, contributing to reducing energy consumption and/or improving energy efficiency, requires the study and implementation of new technology solutions, to be applied to its range of products.

Research and Development have always been key elements for Gefran, levers for creating value: innovation necessarily involves key processes to achieve sustainability goals. As mentioned above, one of the key projects in the Group's sustainability strategy, officially defined in November 2020, concerns sustainable innovation.

The project is proceeding in two key directions, both focusing on the development of products with advanced functionalities capable of guaranteeing better performance and energy savings for end users: incremental innovation on one hand, and discontinuous innovation on the other.

The first of these two projects involves enhancement and development of new capabilities and functionalities in existing products, guaranteeing energy savings thanks to both the intrinsic efficiency of the product itself and the possibility of managing the entire process more efficiently because of the greater availability of field data and more advanced control functions. A roadmap has been drawn up for product development across the Group's three business lines, with a focus on certain specific products in 2021:

I PRODOTTI DELL'INNOVAZIONE SOSTENIBILE

GPC SERIES

Power Controllers from 40A to 600A with predictive maintenance features for Industry 4.0 applications

GSLM

Electrical loads power management unit with smart functions for heating resistances

ADL500

Inverter with advanced technology and performance for elevator industry

WPL

Linear position transducer with IO-Link connectivity for integration into Industry 4.0 architectures

At the same time, discontinuous innovation aims to extend the range of products within the context of Industry 4.0, with the aim of contributing to the dissemination of “digital culture” and the service-based approach to business, extending our orientation toward open innovation to this ecosystem through integration of process control and data acquisition/processing architectures, development of digital twins of products to support virtual design and implementation of predictive maintenance solutions and optimisation of performance, and, finally, development of predictive algorithms for condition monitoring and progressive opening to machine learning solutions.

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. Pte Ltd plant (CN)	
Siei Areg GmbH (DE)	
Sensormate AG (CH)	
Gefran India Private Ltd (IN)	

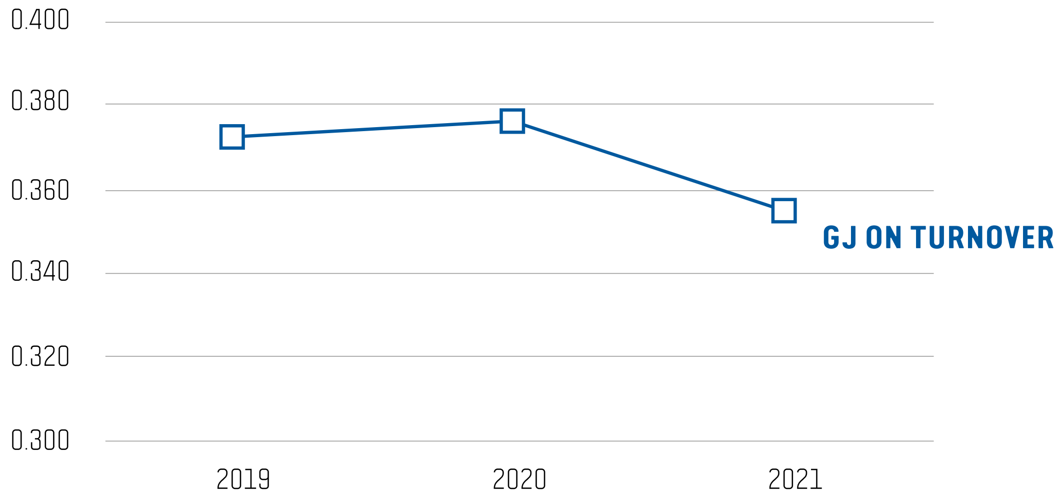
Certain companies have been omitted because though they are included in the Group's structure, they are purely concerned with marketing, and have a limited volume of business and a small number of employees. For these reasons, their impact on reporting energy and environmental data is deemed to be of 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 last of which is currently undergoing liquidation.

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

The Group's **energy intensity indicator** is calculated as the ratio between the energy consumed (GJ) and the sales achieved (in thousands of Euro), limited to the companies included in the scope of reporting.

ENERGY INTENSITY



It should be noted that although total energy consumption was down compared to the previous year, the 2020 indicator does not show an improvement with respect to this period, as it is affected by lower revenues due to the pandemic.

Although energy consumption was higher than in the previous two years in 2021 in absolute terms, an increase determined largely by the larger surface area and more intensive use of plants, the energy intensity indicator improved, from 0.371 GJ in 2019 (pre-pandemic) to 0.376 GJ in 2020 and the current figure of 0.354 Gjs per thousand Euro in sales. As a percentage, the 2021 indicator is 5.8% better than the figure for 2020 and 4.7% better than the 2019 figure.

This result was achieved thanks to the Group's constant focus on implementation of investments and the adoption of technologically advanced solutions aimed not only at satisfying the requirements of the business but improving energy performance, in both buildings and production plants, and in the organisation of processes.

Energy intensity	2021	2020	2019
GJ over revenues	0.354	0.376	0.371

+16.8%

2021 vs 2020

+10.2%

2021 vs 2019

The Group's total energy consumption in 2021 was 52,986 GJ, up 16.8% compared to 2020, when it was 45,359 GJ. Comparing the data with the pre-pandemic figures for 2019, when total consumption was 48,078 GJ, there is an increase of 10.2%.

It should be noted that the consumption curve fell in 2020 with respect to the previous years, as Covid-19 pandemic had an impact on the Group resulting in lower energy consumption: temporary closure of plants during lockdowns imposed by the governments of various different countries, and above all limitation of mobility, are the two key factors that led to this reduction.

In 2021, the Group's production and commercial activities took place at full capacity, even exceeding pre-pandemic levels. Hence the need to organise daily production on multiple shifts, even working night hours, resulting in greater use of electricity for lighting and the plants' power supply.

In addition, the increase in energy consumption recorded in 2021 is also due to the expansion of the surface area dedicated to production processes, necessary to cope with growing volumes of sales.

In particular, a new production unit for the production of sensors has been operational since January 2020 at the Group's Italian headquarters, and during 2020 a number of the activities that were originally carried out in the company's historic plant were transferred to this area.

Total energy consumption in GJ	2021	2020	2019
GJ energy consumption	52,986	45,359	48,078

The overall increase in consumption in 2021 compared to the previous two years is a direct consequence of the recovery of business and revenues. Comparing the two dynamics, the growth in revenues was more than proportional to the increase in energy consumption, confirming the good degree of energy efficiency achieved by the Group.

Reporting on consumption in the 2021-2019 three-year period confirms that the energy sources used by the Group are: electricity (52.2% of the total in 2021), fuels (16.7% of the total in 2021) and natural gas (31% of total energy consumption in 2021). A breakdown of each item is provided below.

The **electricity** consumed by the Group, which accounts for more than half of its total energy consumption (52.2% in 2021), is mainly used in production processes, in the cooling and ventilation circuits and for lighting of the workspace.

Electricity in GJ	2021	2020	2019
Self-generated electricity	1,506	738	813
Mains electricity	4,103	16,869	25,041
Electricity acquired from the grid, from certified renewable sources	22,066	6,894	-
Total Electricity	**27,675**	**24,501**	**25,854**
Percentage of total energy consumption	52.2%	54.0%	53.8%

As already mentioned in relation to total consumption, electricity consumption also grew: the figure for 2021 represents a 13% increase over 2020 and a 7% increase over consumption in 2019. The dynamics illustrated above applied to the three-year period: expansion of production facilities and more intensive use of plants. In the year 2020, the effects of the Covid-19 pandemic had an impact on energy consumption, continuing throughout most of the year: temporary closure of the Group's plants and reorganisation of certain activities contributed to a reduction of electricity consumption compared to previous years.

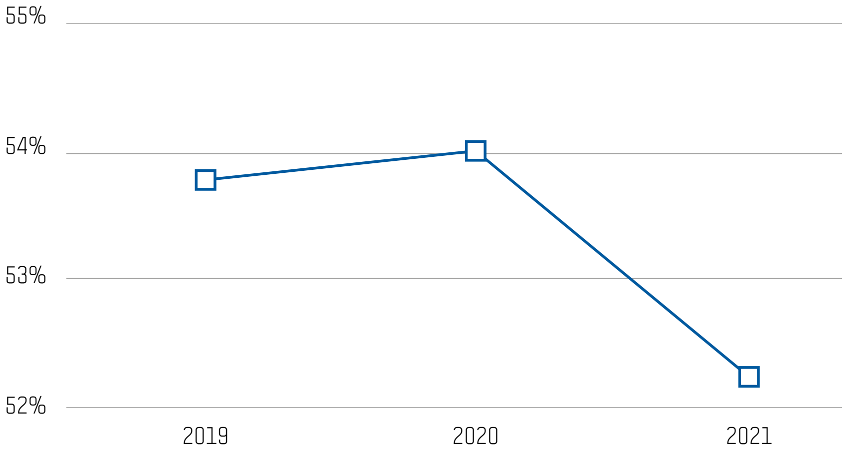
Breaking down energy consumption by type, about 85% of the total electricity consumed in 2021 came from renewable sources: a portion of this, 5.4% of the total (from 2021), is produced by means of a photovoltaic installation on the roofs of some of the Italian plants of Gefran S.p.A., Gefran Soluzioni S.r.l. and Gefran Drives and Motion S.r.l. (self-generated electricity), while the most significant share, 79.4% of the total (in 2021), is derived from certified renewable sources (electricity purchased on the grid, from certified renewable sources).

The share of self-generated energy increased from 3% in 2020 to 5.4% in 2021, while the portion of energy purchased on the grid with "green" certification increased from 28% in 2020 to 79.7% in 2021. The latter achievement is a result of signature of contracts for the purchase of 100% green energy from certified renewable sources (*), which took place in September 2020. As a result, reporting on consumption covers only 4 months in 2020, while in 2021 the entire 12-month duration of the contract is taken into consideration.

(*) 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".

With regard to the share of self-produced electricity, the 2020 figure was lower than in previous periods; this decrease was assessed as a consequence of the normal physiological deterioration of the system, as well as detection of a number of faulty panels. In light of this, maintenance and replacement work was carried out, as required to maintain the efficiency of the installations. This led to a doubling of production from 738 GJ in 2020 to 1,506 GJ in 2021.

ELECTRIC ENERGY INCIDENCE ON TOTAL ENERGY CONSUMPTIONS



In general, the weight of electricity consumption as a percentage of total consumption of energy from all sources is decreasing, from 54% in 2020 (in line with the previous year) to 52.2% in 2021.

With regard to **natural gas**, the second most important energy source used by the Group on a consumption basis (31% in 2021), note that gas is not used in the production process. Consumption is therefore for heating of the workplace.

Natural gas in GJ	2021	2020	2019
Total Natural gas for heating	**16,438**	**13,682**	**12,041**
Percentage of total energy consumption	31.0%	30.2%	25.0%

As shown in the figures appearing in the table, the growth trend in the most recent three-year period is justified by expansion of operating premises, mainly areas dedicated to the sensors business. During the year 2019 Gefran Inc (US) transferred its production, sales and administrative activities to a new factory about three times larger than the previous one, and in the year 2020 a number of the production lines of Gefran S.p.A. (IT) were transferred to a new area built in 2019. These operations were dictated by a need to expand the production lines of the business in order to respond to the growth in sales volumes.

Fuel consumption represents 16.7% of the Group's total energy consumption. This mainly consists of diesel and gasoline for company vehicles; "Diesel for other uses" is used to fuel fire-fighting pumps and generators.

Fuel in GJ	2021	2020	2019
Diesel for company vehicles	7,763	6,186	8,616
Diesel for other uses	18	26	48
Petrol for company vehicles	1,092	964	1,519
Total Fuel	**8,873**	**7,175**	**10,182**
Percentage of total energy consumption	16.7%	15.8%	21.2%

Although the number of company vehicles has not changed significantly, the years 2021 and 2020 saw a decrease in fuel consumption over 2019. The limitation of business travel and visits by sales staff, widespread use of remote working and new ways of approaching business partners making use of digital meetings and conferences permitted a 12.9% reduction in fuel consumption in 2021 compared to 2019.

Comparison with the year 2020 reveals an increase in fuel consumption in 2021 (from a total of 7,175 GJ 2020 to 8,873 GJ in 2021). The temporary lockdowns imposed by various countries to contain the spread of the pandemic in 2020, which were not replicated in 2021, had an impact on vehicle travel and therefore fuel consumption for company vehicles.

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.

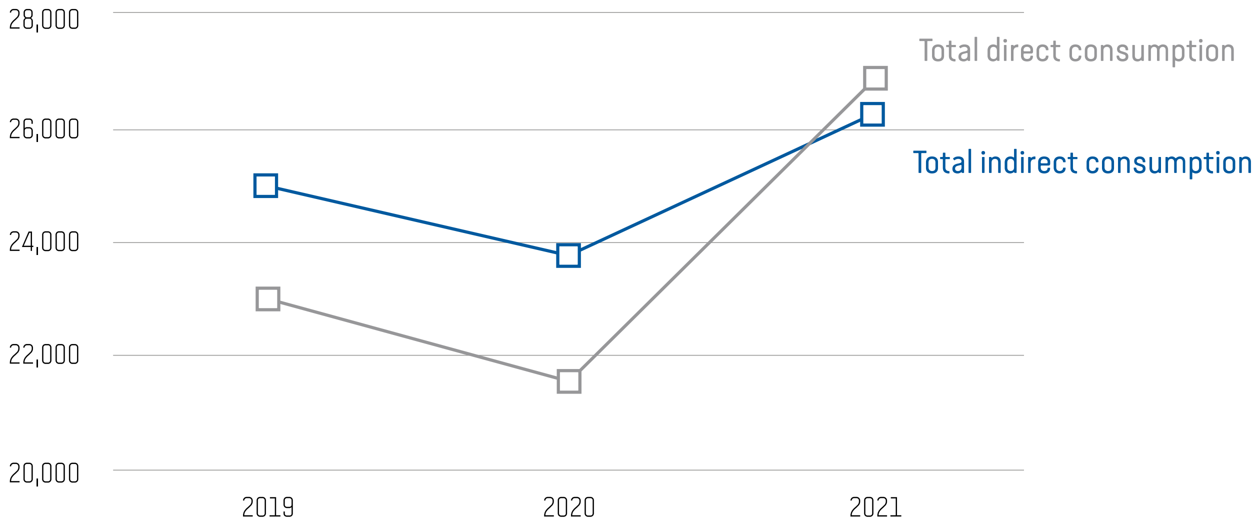
A summary is given in the table below:

Direct energy consumption in GJ	2021	2020	2019
Diesel	7,781	6,211	8,664
Petrol	1,092	964	1,519
Self-generated electricity	1,506	738	813
Natural gas	16,438	13,682	12,041
Total direct consumption	**26,817**	**21,595**	**23,036**

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	2021	2020	2019
Mains electricity	4,103	16,869	25,041
Electricity acquired from the grid, from certified renewable sources	22,066	6,894	-
Total indirect consumption	**26,169**	**23,764**	**25,041**

CONSUMPTION 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	2021	2020	2019
Diesel for company vehicles	576	459	639
Diesel for other uses	1	2	4
Petrol for company vehicles	74	65	103
Natural gas	794	661	582
Other (F Gas)	26	61	-
Total direct emissions	**1,471**	**1,249**	**1,328**

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 (*)	2021	2020	2019
Mains electricity	550	1,869	2,677
Electricity acquired from the grid, from certified renewable sources	1,931	688	-
Total indirect emissions	**2,480**	**2,556**	**2,677**

(*) 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.

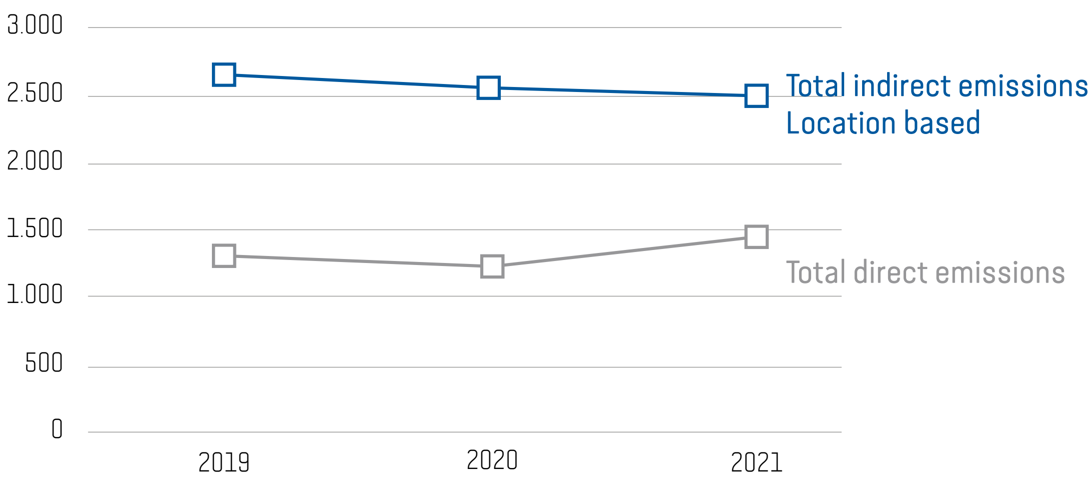
Emissions in tCO2 - Market-based method (**)	2021	2020	2019
Mains electricity	532	2,215	3,274
Electricity acquired from the grid, from certified renewable sources	-	-	-
Total indirect emissions	**532**	**2,215**	**3,274**

(**) 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 dynamics described above led to a decrease in emissions from indirect consumption in 2021 compared to previous years, according to both the location-based method (-3% 2021 vs. 2020 and -7,3% 2021 vs 2019) and the market-based method (-76% 2021 vs. 2020 and -83,8% 2021 vs. 2019).

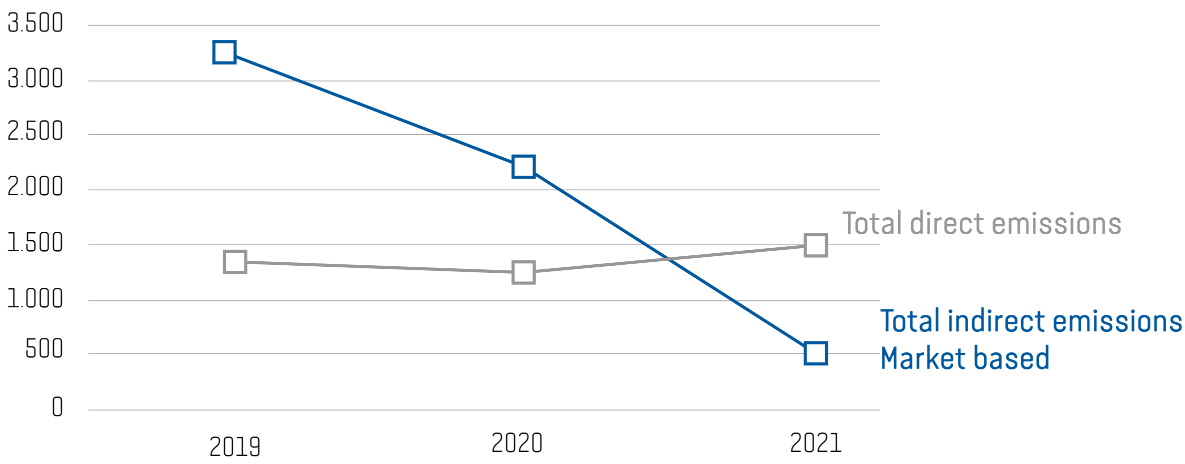
GREENHOUSE GAS EMISSIONS IN tCO2

LOCATION BASED



GREENHOUSE GAS EMISSIONS IN tCO2

MARKET BASED



The **emissions intensity indicator** for the last three years, calculated as the ratio between the emissions produced and the turnover (in thousands of Euro) of the plants reported, is set out below:

Emissions intensity	2021	2020	2019
tCO2 over revenues	0.026	0.032	0.031

+16.8%
2021 vs 2020

+15.6%
2021 vs 2019

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 thanks to the production of electricity through the photovoltaic plants installed at the Italian plants in Provaglio d'Iseo (BS) and Gerenzano (VA) and to the purchase of electricity from certified renewable sources. The figure for 2021 (equal to 2,063 tCO2) is significantly higher than the figure recorded in 2020 (761 tCO2), as a result of both improved performance of the plants achieved thanks to the measures described and the increase in the share of electricity purchased from the green certified network, specifying that the contracts underlying this supply were signed in September 2020.

+171%
2021 vs 2020

A conversion factor of 315 KgCO2/MWh (Terna 2019 figures) for the year 2021, while a conversion factor of 359 KgCO2/MWh (Terna 2014 figures) was used for 2020 and 2019, on the basis of the location-based method.

	2021	2020	2019
Yield of PV systems (in MWh)	418	205	226
Electricity purchased from the grid, certified renewable sources (in MWh)	6,130	1,915	-
Emissions not emitted into the atmosphere (in tCO2)	**2,063**	**761**	**81**

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	2021	2020	2019
Emissions into the atmosphere from motor vehicles			
NOx	2.344	1.874	2.622
SO2	0.003	0.002	0.003
PM10	0.150	0.120	0.169
VOC	0.275	0.239	0.369
Emissions into the atmosphere from production processes			
VOC	1.180	0.223	0.293

All types of emissions increased in 2021 compared to 2020 as a result of increased activity in operations areas, due to growth of volumes.

In particular, starting in 2021, in addition to atmospheric emissions from the production cycle in the Gefran Drives and Motion S.r.l. plant, reported in 2020 and 2019, emissions of the plants of Gefran S.p.A. and Gefran Soluzioni S.r.l. are also reported with precision. This has led to an increase in the volume of VOC in 2021 over previous periods.

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 primarily from the water mains.

As with the energy data, the Group's water withdrawals decreased in 2020 compared to the previous year: the effects of the pandemic were the same, and primarily took the form of reorganisation of certain activities necessary to limit the spread of Covid-19, with particular reference to use of agile working. In 2021, the Group made less use of this working method, contributing to the increase in water consumption. It should also be noted that beginning in 2021, Gefran S.p.A.'s consumption of water from the water table for watering gardens is also reported. Overall, the effects of the dynamics described have led to an increase in the total volume of water consumed in 2021 compared to 2020 (+14.2%), which, however, remains below pre-pandemic 2019 levels.

in m3	2021	2020	2019
Underground water	2,055	-	-
Third-party water resources (from water mains)	17,648	17,252	19,970
Total volume of water taken	**19,703**	**17,252**	**19,970**

Some companies were not able to report precise figures on water consumption (particularly Gefran India, Gefran Siei Asia and Sensormate), and so estimates were made on the basis of average consumption per employee for companies of similar size. In 2021, this applied to Gefran Siei Asia Pte Ltd (SG), while up to the year 2020, estimates were made not only for Gefran Siei Asia Pte Ltd (SG) but for Gefran India Private Ltd (IN) as well.

Water consumption in the years 2021 and 2020 was conducted in relation to the different classification of geographical areas from the point of view of water stress.

54.6% of the Group's total water consumption in 2021 (56.8% of the total volume in 2020) took place in areas classified as "high" or "extremely high" 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 Elettroel. 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 provided below:

in m3	2021	2020	2019
Underground water	2,055	-	-
Third-party water resources (from water mains)	8,711	9,796	9,707
Total volume of water taken	**10,766**	**9,796**	**9,707**

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. The company is purely commercial and operates in the market through triangulation sales with other Group companies. Therefore, the specific nature of its activities means that no waste of an industrial nature is produced.

in kg	2021	2020	2019
Total waste produced	**531,899**	**467,989**	**507,379**
of which hazardous	72,039	39,498	34,347
% of total	13.5%	8.4%	6.8%
of which non-hazardous	459,860	428,492	473,032
% of total	86.5%	91.6%	93.2%

Analysis of the type of waste produced reveals that in 2021, 86.5% of the wastes produced were of a non-hazardous nature (more than 90% in the years 2020 and 2019), and therefore represent materials with limited environmental impact involving no need to apply specific disposal practices.

The total weight of waste produced increased in 2021 compared to the two previous years (+13.7% 2021 vs. 2020, and +4.8% 2021 vs 2019). The reason for this is the increase in volumes of production, naturally resulting in increased waste materials.

More specifically, the figure reported for hazardous waste increased from 39.5 t in 2020 to 72 t in 2021. This increase, in Gefran S.p.A., is due both to the increase in volume of production and significant activity disposing of scrap materials from production in previous years. With reference to this activity, it should be noted that the waste generated daily by the production process is promptly stored in dedicated areas for periodic disposal (generally on a yearly basis). More specifically, disposal of scrap material discarded in previous years was not scheduled in the year 2020 due to definition of different priorities for operations following the pandemic.

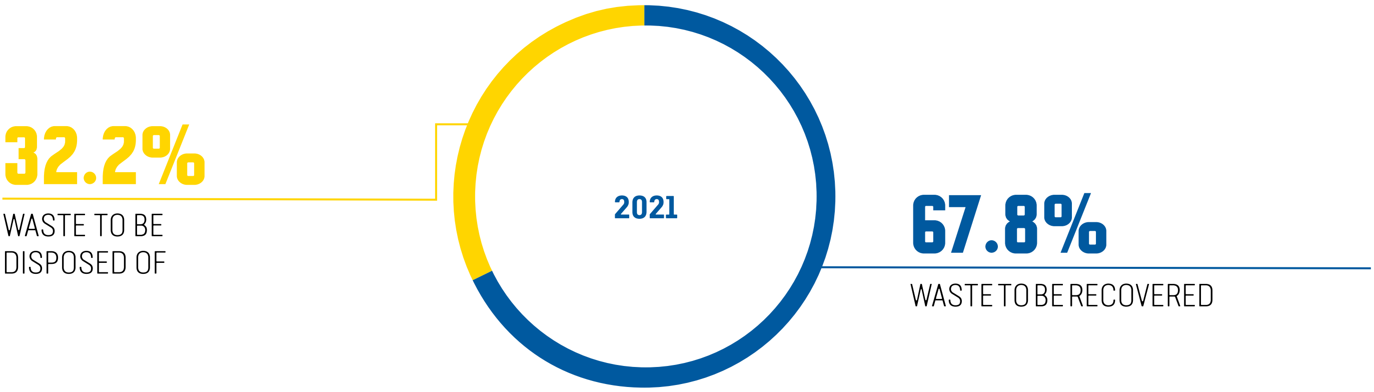
Note that the 2020 figure of 39.5 tonnes and the increase of 5.1 t compared to 2019 includes disposal of an old refrigeration unit by Gefran Drives and Motion S.r.l., now replaced by a more efficient new unit.

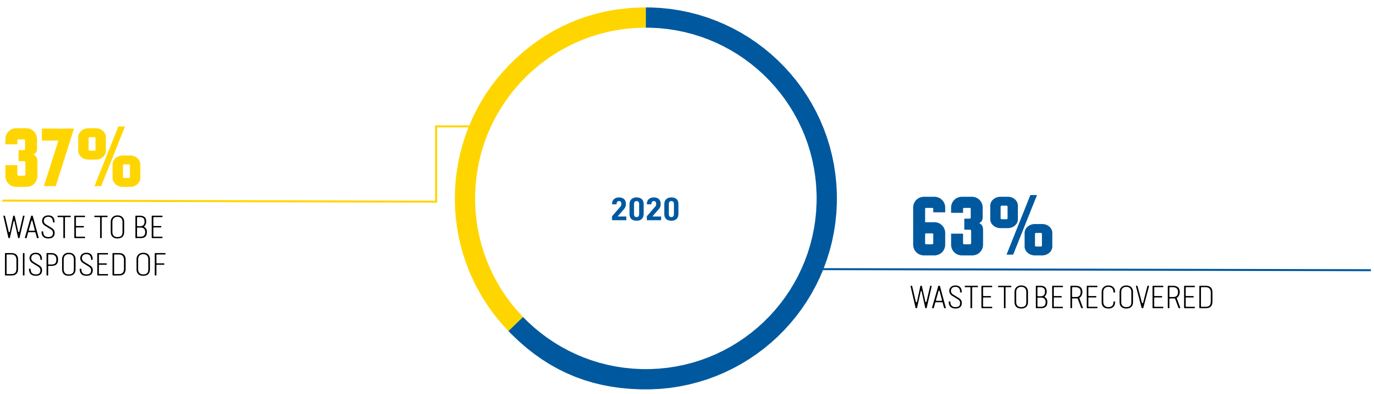
Non-hazardous waste produced in 2021, equal to 459,9 tonnes, is up from the figure for 2020, which amounted to 428,5 tonnes, but lower than the figure reported in 2019, 473 tonnes. No exogenous factors are reported, and the trend is consistent with the production volumes of different periods (the drop linked to the pandemic in 2020, the upswing in volume of production 2021) and with the number of employees employed in the Group (786 as at 31.12.2021, 787 at 31.12.2020 and 829 as of 31.12.2019).

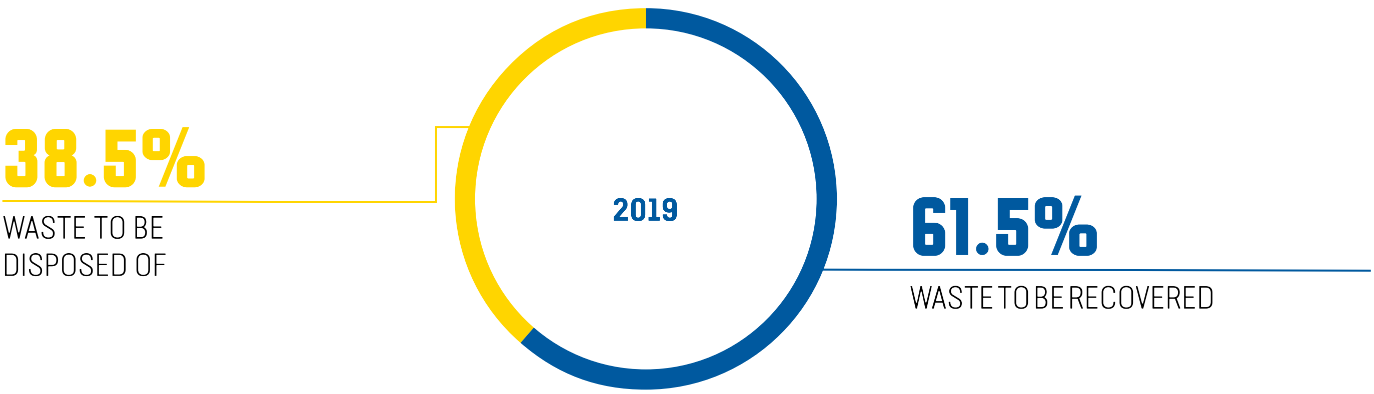
Data deriving from reporting on the Group's waste production, expressed in kg and with reference to the perimeter indicated below, are presented below, broken down by destination.

in kg, by destination	2021	2020	2019
Total waste to be recovered (reuse or recycle)	**360,500**	**294,987**	**312,123**
% of total	67.8%	63.0%	61.5%
of which hazardous	10,858	11,934	10,509
of which non-hazardous	349,642	283,053	301,614
Total waste to be disposed of (landfill or waste-to-energy)	**171,400**	**173,002**	**195,256**
% of total	32.2%	37.0%	38.5%
of which hazardous	61,181	27,564	23,838
of which non-hazardous	110,219	145,439	171,418

The analysis carried out shows a steady increase in the share of waste destined for reclamation (61.5% of the total in 2019, 63% in 2020, reaching 67.8% in 2021), made possible by separate collection of wastes under the supervision of the Quality, Safety and Environment function.







8 MANAGEMENT OF 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, along with periodic meetings with the safety supervisors and workers' health and safety representatives to discuss plans for improvement.

With particular reference to the pandemic that began in 2020 and is still underway, 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. 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 7.1 of this document), will also include standards SA8000 (Corporate Responsibility) and ISO45001 (Safety). The project, approved at the end of 2020, was launched in the first quarter of 2021 and will be fully implemented in 2023. The first activities carried out involved a series of preliminary analyses, aimed at verifying compliance with the requirements defined by the reference standards and regulatory aspects, from which no particular criticalities emerged. The team is currently working on developing the work plan to fully align it with requirements.

During 2021, the integrated Quality and Environment function, which has competence at the Group-wide level and is responsible for developing the project, was structured better in terms of resources and skills, working on the most relevant issues in management, standardising methods and procedures in the Group's Italian companies, mainly in relation to:

- assessment of risks to workers' health and safety;
- reporting and management of specific training;
- system for monitoring safety supervision in plants;
- spreading a culture of safety with the progressive involvement of safety supervisors, workers' health and safety representatives, and the workers themselves.

USER HEALTH AND SAFETY - RISKS CONNECTED TO COMPLIANCE WITH THE REGULATORY FRAMEWORK

Since the Group makes electronic components, 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, in concert with Product Compliance, is therefore continually seeking to adapt product features to comply with the safety requirements of the various sectors of application and to respond to customers' needs in the best possible way.

USER HEALTH AND SAFETY - RISKS ASSOCIATED WITH PRODUCT DEVELOPMENT, MANAGEMENT AND QUALITY

The Group's value chain covers all the areas the company works in, 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 financial performance.

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 Sales staff jointly with the Marketing area, which work together to study the customer's specific needs, 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 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

SAFETY

Gefran's commitment in the area of occupational health and safety is to provide the people who work with the company (both its own employees and employees of other companies 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 policy of the "Health, Safety and Environment System", which defines the principles that guide the Group in the management of the issues in question.

One of the activities that the Group carries on and considers essential is training in protection of health and safety, constantly provided to its employees. While the company is legally obliged to carry out this work, Gefran has chosen to rely on a group of external professionals in the field, so that training can become an opportunity to find out more about these issues in a proactive way, experimenting with more effective teaching methods. By taking advantage of the skills of the company's in-house team, it is possible to intervene and change individuals' behaviour, promoting the culture of safety as much as possible, and revising the company's organisation where necessary.

In 2020 and 2021, activities in this area focused specifically on the role of management in safety, to ensure that every function in the company 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 in the Gefran organisation chart, effectively find themselves managing and coordinating the work of others.

In addition to the training and alignment activities carried out within the Group in 2020, monitoring continued in 2021 in relation to the risk of interference during work on contract, and the adequacy of operations was confirmed without identification of any critical issues.

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 2021 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.

In the second part of 2021, an existing building was expanded, which has hosted the headquarters of Gefran Soluzioni S.r.l. since January 2022. This will provide better support business development, thanks to new workspaces that are more comfortable for both employees and external visitors. At the same time, the conditions were created for improving and expanding the layout of the production area, which the Group has planned for 2022.

WORKERS' HEALTH AND SAFETY IN RELATION TO COVID-19

With regard to the biological risk associated with the Covid-19 emergency, Gefran promptly introduced measures to ensure the health and safety of its people (both employees and external) while ensuring the continuity of production and therefore the economic sustainability of the company. This led, in early 2020, to the establishment of the Internal Emergency Committee and to definition of specific procedures for managing access and regulating behaviour on company premises, as well as to the drawing up of health and safety protocols. In addition, a number of operating methods, such as agile working, were reviewed to minimise the risk of contagion.

Work continued during 2021 to monitor the health situation and related provisions issued by the governments of the countries in which the Group operates. The measures and protocols adopted have been constantly adapted in response to the changing scenario of the pandemic.

The most significant measures taken in 2020 and 2021 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 (surgical masks or FFP2 masks, as appropriate to the situation of the epidemic at the time);

- 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;

- an agreement with local public health units to test employees rapidly, if necessary in order to contain possible outbreaks;

- instruction and dissemination of useful information at various levels in the organisation (personal hygiene guidelines, instructions for dealing with persons with symptoms or in quarantine in the family);

- use of the contract tracing system for people who have come closer than the safe distance ("Smart Proximity") in the Provaglio d'Iseo (BS) plants.

The procedures implemented were announced and updated through internal communication channels and published on the company's portal in order to reach all interested parties.

A seasonal flu vaccination campaign was conducted in the Group companies with the largest number of employees once again in 2021, vaccinating about 300 employees in Italy. In 2020, the same initiative involved some 350 employees, in Italy and in China.

Although there have been some cases of contagion by Covid-19 among employees since the year 2020, no hotbeds of transmission were found within the company, as those cases which did occur were attributable to the personal circumstances of the persons involved. Excluding the temporary closures of certain Group plants in 2020 following national lockdowns, there have been no interruptions in the Group's activities, ensuring the business continuity of all business functions.

Centralised supply chain management began in 2020 on the basis of supply synergies between Group companies and continued in 2021 for the procurement of PPE. This made it possible to operate with harmonised, consistent management in all companies and 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.

USER HEALTH AND SAFETY

One of the Gefran Group's key goals 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 that enables the Group to maintain its leadership in user health and safety matters is maintaining an effective and up-to-date Quality Management System compliant with UNI EN ISO 9001:2015; its purposes 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; / Product plan approval; / Three-year plan.	/ Commercial; / Innovation; / Operations; / Procurement.	/ Management control; / Information systems; / Human resources; / Measurement, analysis and improvement.

For each of the processes listed above, the inputs/outputs, specific activities and responsibilities, the sequence and interactions with other processes have all been identified to ensure product quality and therefore safety:

- the division management and the Chief Technology Officer define the product plan and submit it for the Chief Executive Officer's approval, also for the purposes of integration into the Company's three-year plan;
- Product Managers determine the requirements of the customer or the market served (with the assistance of the Sales staff), integrate input from the Innovation area regarding trends in technological evolution, and monitor the development of binding regulations and certifications which are not mandatory but useful for obtaining a competitive advantage;
- 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 oversees manufacturing: the necessary control points will be included in the manufacturing process to ensure compliance with the product characteristics; Gefran currently carries out production process controls on 100% of its 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, FM, EAC Ex, Kosha, PESO, Nepsi 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.

In 2021, new products were released by R&D in the automation components business line, permitting substantial evolution of customers' production processes in terms of performance optimization, energy efficiency and prediction/prevention of faults. In this sense, the evolution of controllers with *Carbon Control* and *Recorder* software releases is intended to serve the metals industry, along with pharmaceuticals and related products. The new GRP series was launched at the end of the year: these are solid state relays with unique features unmatched on the market in terms of diagnostics, thermal process control and integration into Industry 4.0 architectures. The evolution of the GRx platform will continue in 2022, with three further series releases dedicated to controlling complex loads in single, two and three configurations, with Industry 4.0 functions which have evolved further compared to GRP. Further software developments are also expected for controllers and release of programmable automation products characterised by the ability to manage process control as well as the acquisition and management of data aimed at monitoring and optimising machines/production lines.

In the Research and Development area of the sensors business, in addition to intensive work aimed at obtaining certification for products for use in potentially explosive areas, already mentioned, significant resources have been invested in expanding the range of available field buses. In particular, Gefran's first magnetostrictive sensor for *Profinet* machine architectures was released, offering advanced metrological performance and the ability to collect and transmit diagnostic data. The extension of the field bus portfolio implemented will be applied to additional families of pressure and position sensors in 2022. 2022 will also see the launch of the first Gefran sensor able to measure multiple dimensions of position/inclination and implement algorithms for onboard data analysis. Finally, the process of obtaining certifications for melt pressure detection products will continue to meet the requirements of all the major world markets.

In 2021 the R&D area of the Motion control business brought to the market the first version of the ADL inverters dedicated to control and optimisation of the performance of lifting systems. In addition, significant resources were dedicated to the development of ADV200 drives for solar pump applications. 2022 will see the continuation of development work on the ADL and ADV series, as well as those aimed at the release at year end of the first versions of the TDP family's direct current drives.

Other projects launched by Innovation in the year 2021 included scouting of technological standards for modelling data, apparatuses and processes for digital twinning, analysis of IT-OT architectures and development of pilot Industry 4.0 algorithms and solutions to support processes such as predictive maintenance or performance optimisation. These projects will continue in 2022.

SUPPLY CHAIN

In accordance with its official sustainability strategy, the Group works proactively to protect the health of people and the environment through the choice of the materials used in the manufacture of its products and monitoring over time.

The Group has adopted a series of policies, published on the company's website (https://www.gefran.com/it/pages/85-product-compliance), and monitors supplies to provide its customers with a guarantee of product compliance with the main European and international regulations.

As regards minerals from conflict zones (referred to as Conflict Minerals), Gefran undertakes to procure responsibly and considers mining activities that fuel conflicts to be unacceptable. Gefran's commitment is in line with the activity of the Electronic Industry Citizenship Coalition® (EICC®) and the Global and Sustainability Initiative (GeSI) to improve the transparency and traceability of metals in the supply chain.

In this area, mapping of the bill of materials of the products produced by the Group is carried out periodically in order to identify the presence of the four minerals covered by the legislation: tungsten, tantalum, gold and tin. After this first check, suppliers are then identified who could potentially use such minerals in their production process, and they are required to certify that their procurement does not occur in conflict zones, collecting information according to standards made available by *Responsible Minerals Initiatives* (RMI).

With regard to the protection of human health and the environment against the risks associated with hazardous chemicals, Gefran complies with the European ROHS Directive related to hazardous materials in electrical and electronic equipment, while it is not directly involved in the obligations deriving from the application of the European REACH regulation 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; therefore, it ensures that its supply chain performs the tasks required by the European REACH Regulation, so as to ensure sustainable continuity in supplies and provide customers with product information when required.

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. Pte Ltd plant (CN)	
Siei Areg GmbH (DE)	
Sensormate AG (CH)	
Gefran India Private Ltd (IN)	

Data is collected on each of these, 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 this form of 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 last of which is currently undergoing liquidation.

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.

ACCIDENTS TO EMPLOYEES IN THE GROUP

The Group's policies and practices, with sustainable aims in terms of health and safety, have been confirmed with the lower number of accidents in the last three-year period.

The figures below represent the number of injuries on the job suffered by Group employees:

Type of employee injury	2021	2020	2019
Total accidents on the job	**2**	**5**	**5**
Injuries registered without lost work days	-	-	-
Fatal accidents (no. of deaths)	-	-	-
Accidents recorded with lost work days	2	5	5
including serious injuries (with serious consequences)	-	-	-
Working days lost due to accidents	**44**	**119**	**317**
Total hours worked	**1,368,376**	**1,286,899**	**1,467,541**

No fatal injuries or accidents have been reported during the last three years (that is, causing permanent injury 6 months after the accident).

There were fewer accidents in 2021 compared to the previous years (2 in 2021 and 5 in both 2020 and 2019). The number of days missed due to accidents in 2021 also decreased, by 63% compared to 2020 and 86.1% compared to 2019, when a single accident led to 252 days of work lost. This was an accident causing injury to an employee of Elettropiemme S.r.l., while working on industrial machinery on a customer's premises.

Examining the main causes of accidents, it may be noted that the most common causes are blows, slipping and cuts during the assembly phase of production, as well incorrect handling of goods.

All accidents in 2021 occurred in the Group's Italian plants, as follows:

- one accident occurred in the Parent Company's plants in Provaglio d'Iseo (BS), due to impact against a structure, leading to twisting of an ankle, causing the employee concerned to lose 15 days of work;
- one accident occurred on the premises of the subsidiary Gefran Soluzioni S.r.l. in Provaglio d'Iseo (BS), a lacerated contused wound incurred during assembly of equipment, resulting in 7 lost days.

A further 22 days were lost in 2021 as the result of an accident that occurred at the end of 2020 on the premises of the subsidiary Gefran Drives and Motion S.r.l. in Gerenzano (VA), due to slipping on ice outside the building; the same accident caused 2 days of work to be lost in 2020.

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	2021	2020	2019
Accidents on the way to or from work	3	-	2
Working days lost due to accidents on the way to or from work	**25**	**-**	**5**

The procedures and practices described in chapter 8.1 of this document were implemented in response to these accidents to Group employees.

Accident rates are shown below:

Accident ratios - accidents to employees	2021	2020	2019
Total accident frequency rate no. of accidents, excluding accidents on the way to or from work, per 1,000,000 hours worked	1.46	3.89	3.41
Accident frequency rate recorded (with number of lost working days) no. accidents recorded, with number of lost working days, per 1,000,000 hours worked	1.46	3.89	3.41
Severity ratio no. of working days lost due to accidents recorded per 1,000 hours worked	0.03	0.09	0.22

The ratio of between days of work missed to hours worked, representing the severity index of accidents, is improving steadily over the years.

The ratio between the number of injuries and hours worked also displays a positive trend, except in the year 2020, when the indicator was affected by the decrease in hours worked as a result of the Covid-19 pandemic.

ACCIDENTS OCCURRING IN THE GROUP TO NON-EMPLOYEES

With reference to GRI 403 "Occupational health and safety 2018", in the years 2020 and 2019 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. An accident was reported in 2021 causing injury to a temporary worker on one hand during assembly of a tool on a machine in the mechanical workshop of the Parent Company Gefran S.p.A. The accident led to loss of 7 days.

Type of non-employee injury	2021
Total accidents on the job	**1**
Injuries registered without lost work days	-
Fatal accidents (no. of deaths)	-
Accidents recorded with lost work days	1
including serious injuries (with serious consequences)	-
Total hours worked	**171,993**
Working days lost due to accidents	**7**

The accident ratios for accidents are shown below:

Accident ratios - accidents to non-employees	2021
Total accident frequency rate no. of accidents, excluding accidents on the way to or from work, per 1,000,000 hours worked	5.81
Accident frequency rate recorded (with number of lost working days) no. accidents recorded, with number of lost working days, per 1,000,000 hours worked	5.81
Severity ratio no. of working days lost due to accidents recorded per 1,000 hours worked	0.04

HOURS OF INSTRUCTION IN SPECIFIC HEALTH AND SAFETY ISSUES IN THE GROUP

In 2021, employee training in specific health and safety issues continued, as in previous years. Reporting, organised at the Group-wide level since 2018, shows a decrease in the number of hours of training provided in 2020 compared to 2019, as a result of the necessary reorganisation of business activities and corporate priorities responding directly to the pandemic and economic crisis that characterised the year. While not returning to 2019 pre-pandemic levels, in 2021 the number of hours dedicated to these activities was 70.3% higher than in the previous year. Below is a breakdown by classification and by gender.

Hours of Occupational Health and Safety instruction	2021			2020			2019		
	W	M	T	W	M	T	W	M	T
Managers	7	191	198	12	186	198	-	18	18
Middle managers	39	157	196	4	66	70	8	187	195
Clerical staff	169	891	1,060	12	544	556	181	1,531	1,712
Manual workers	195	633	828	160	356	516	1,126	1,543	2,669
TOTAL hours in the Group	**410**	**1,871**	**2,281**	**188**	**1,152**	**1,340**	**1,315**	**3,279**	**4,594**

9 MANAGEMENT OF SOCIAL ISSUES

9.1

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 "Gefran and its People" 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 to maintaining competitiveness. For this to happen, it is necessary to implement systems for integration, inclusion, engagement, 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. Gefran 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.

RISKS AND OPPORTUNITIES

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 Group 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 the *FLY Gefran Talent Academy*, organised under a close partnership with universities, research centres and secondary schools; all these initiatives were launched and implemented in recent years, and have allowed the Group to reinforce its employer branding and the employee experience.

With a view to achieving digitalisation, and with the goal of optimising information management, the Group 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 among the protagonists of the HR Innovation Practice Observatory of Politecnico di Milano, the Polytechnic University of Milan.

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 2021.

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. The suppliers in Gefran's supply chain primarily fall into 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 procedure, supported by procedures, which is applied in different ways depending on the type of supplier, described above.

In the case of suppliers of materials employed directly in the production process, information on the supplier's structure is collected through evaluation questionnaires and information from third parties. 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 suppliers of indirect materials and services, as the strategic nature and importance of these supplies is different. An exception to this is waste disposal suppliers and supply contracts, who are asked to produce all the documentation required under current regulations.

The e-procurement portal has a supplier accreditation section. All new suppliers of materials used in bills of materials 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.

Since 2020, a dedicated procedure has also been developed for 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 of the Group's 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. Today, 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.

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, identity and values of Gefran and the brand, which are explained through the Gefran Promise, Purpose, Guiding Principles and Manifesto.

Gefran's Brand Identity has been formally stated and shared at all levels of the Group, and is present in all Gefran initiatives. After the launch in 2019 with a series of events held at various Gefran locations all over the world and a digital event dedicated to it in 2020, the Gefran Way inspired all Group-wide events and initiatives in 2021: the International Sales Meeting held in January, attended by people from every nation with collaborative initiatives in intercultural crews, the digital and physical events described in the other sections of this report, and the year-end holiday event at which all the Group's employees celebrated and played together to raise funds for Save the Children.

One of the concepts used to describe 2021 is "new normal". The historic changes brought about by the pandemic, the gradual return to working in the office while maintaining agile working policies and use of digital tools has led to a hybrid form of management that requires a new approach and upskilling of competences.

Digitalisation has made it possible to reach everybody, effectively and equally, and its use will increasingly be implemented in the Group.

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 important challenge in a systematic way, making the most of its employees' work, considering talent not as an identity, but as the unique set of features of each individual.

We use a variety of tools and methods aimed as much at existing staff as at new employees. 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. 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. This is a concept we fill with significance by working pragmatically together every day. 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 integration and uniformity in the paths and methods for developing and training the Group's people, adding digital initiatives to physical events, in March 2021 Gefran opened *kenFLY*, the digital hub of its Academy, through which employees all over the world can train their skills and know-how and exchange experience and knowledge. It stems from a need to bring the talent development paths of *FLY Gefran Talent Academy* to all Gefran personnel around the world, making the most of people's abilities with an open approach encouraging acceptance of responsibility. It is a strategic project through which the Group is reinforcing and completing its training methodology based on individual strengths, bearing in mind that inclusiveness and the value of diversity, considered in terms of appreciation of individuals' talent and characteristics, are key themes.

In fact, in *kenFLY* employees can make use of training content focusing on the six areas of ability that make up the skills matrix. Every person can make use of the content he or she deems most interesting, while the Company creates targeted and tailor-made paths. It is possible to view and be aware of which strengths are being trained the most, and which areas could be successfully improved, using a common language shared by the entire Group that empowers people in their own training and provides clear, structured feedback.

The platform and its dynamics of communication, learning and engagement have been designed taking into account both cultural characteristics and the particular features of each generation. One of these is the gamification of the learning process.

The system will enable all employees to align themselves in relation to the strategy and challenges of the organisation, offering everyone the opportunity to continue growing and strengthening their employability. In concrete terms, the project will be completed in the year 2022 with creation of a transparent, structured performance management system permitting periodic analysis and comparison of the assessment of performance and development of skills, as well as the sharing of structured feedback. The goal the Group pursues through this integrated system is twofold: strengthening people's cross-sectoral skills and techniques while, at the same time, activating and empowering the management team, strengthening their aptitude for mentoring and providing continuous feedback and internal job posting processes thanks to growing employability.

kenFLY has already received a number of awards and acknowledgements, and was shortlisted for an innovation award by the Observatory of Politecnico di Milano.

Gefran 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. Mapping of business areas has made it possible to identify which of these are compatible with this practice. This permitted early implementation of agile working, in advance of government social distancing regulations, for all clerical staff in order to protect employees' health as much as possible.

For workers in production areas, through a participatory plan defined with the involvement of the trade unions, flexible working hours were introduced that 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, the adoption of these principles does not warrant the Company to be fully evaluated.

Although there is no objective way of mitigating the potential risk that human rights are not respected in its supply chain and that the activities of suppliers are subject to a significant risk of incidents involving child labour, forced labour and violation of the right to freedom of association and collective bargaining, it was decided to take a number of actions to partially mitigate the risks mentioned above:

- a special section on sustainability focusing in particular on occupational health, safety and ethics has been added to the supplier evaluation and qualification form;
- similarly, a sustainability section has been included in the supplier assessment form used during supplier qualification audits;
- a 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, finalised 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 most strategic stakeholders: its suppliers. The aim of the "Promoting a culture of sustainability" 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 started in 2021 with a multi-year implementation horizon, has unfolded along three lines. The first saw the organisation of an in-house training session, necessary for the work team (the Purchasing and Quality, Safety and Environment functions) to acquire basic skills in these areas. The second resulted in a review of the documentation used for supplier assessment audits with the addition of a sustainability section. Finally, an engagement event was held on 25 November 2021, the day that the Group has been dedicating to sustainability for the past three years: *Supplier Day*. The basic concepts and principles of sustainability were illustrated during the event, which saw the participation of about 40 guests representing 30 companies in the area. The meeting was also an opportunity to present the milestones of the "Promoting a Culture of Sustainability" project and talking to stakeholders to collect ideas and identify projects to work on together during 2022. The event was anticipated by an assessment questionnaire sent to all participants, permitting objective representation of the state of awareness and the degree of adoption of the principles of sustainability in their companies.

With reference to the situation resulting from the spread of the Covid-19 pandemic, the Group's Procurement 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.

Following this, it was essential to guarantee continuity of production. A task force was therefore set up to better manage the supply chain in view of the problems resulting from suppliers' geographical location and local lockdowns in certain areas.

In addition to the continuation of the pandemic, the year 2021 saw a strong tendency toward allocation of active electronic components, especially microcontrollers (chips). This resulted in a significant extension of supply times, a general shortage of available material, and widespread uncertainty about the timing of availability and delivery of such components. For this reason, purchases made on the open market were also used, resorting to suppliers who were not local.

The experience and methods used to mitigate risk and to tackle the Covid-19 emergency have proven ideal for coping with this new market condition. Thanks to these methods, it has so far been possible to guarantee the continuity of the flows of materials along the supply chain and avoid interruption of production.

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 2021, Gefran continued its tradition, over a decade long, of supporting 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.

With the assistance of 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.

In 2021, the Parent Company Gefran S.p.A. joined the "Impresa per i bambini" or "Enterprise for Children" programme promoted by the Italian branch of Save the Children, which allows companies to support projects for disadvantaged children in Italy and elsewhere in the world, contributing an annual quota.

TRAINING PROJECTS

In 2021 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 provided a scholarship supporting a student's participation in the I.S.E.O Summer School, an academic course focusing on world economics organised by the Institute for Studies on Economics and Occupation, currently chaired by Professor Robert Solow, Nobel Prize for the Economy in 1987.

In addition, training projects were promoted with the University of Brescia: the pandemic continued to make life difficult for students in 2021, and in many institutions access to university laboratories is limited to permit social distancing. Gefran participated in an educational initiative at the Faculty of Engineering of Brescia University, contributing to the purchase of a number of "electronic system kits" for students. This tool is essential for following up on experiences in the laboratory, both at the university and at home, encouraging the students' imagination and passion.

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 Brescia and providing support for the major cultural events.

SUPPORT FOR SPORT

Gefran sponsored a number of youth football and basketball teams and participated in "Gimondi Bike", an event for having fun, competing and enjoying the natural landscape on the pathways of the Franciacorta district, along the shores of Lake Iseo and in the hills around it.

Another project aimed at supporting young people was sponsorship of the Rugby Brescia team, which has over the past two years been carrying out a project that is not only athletic but above all social, focusing on young people and interaction between health, education, sports, and inclusion.

SUPPORT FOR MEDICAL RESEARCH

Gefran supports medical research: the Parent Company Gefran S.p.A. contributed funding for a project by the Neuroscience department of the University of Padua.

9.3

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.

NON-FINANCIAL PERFORMANCE

BREAKDOWN OF PERSONNEL, DIVERSITY AND EQUAL OPPORTUNITIES IN THE GROUP

As of 31 December 2021 the Group had 786 employees, 1 less than at the end of 2020 and 43 more than at the end of 2019.

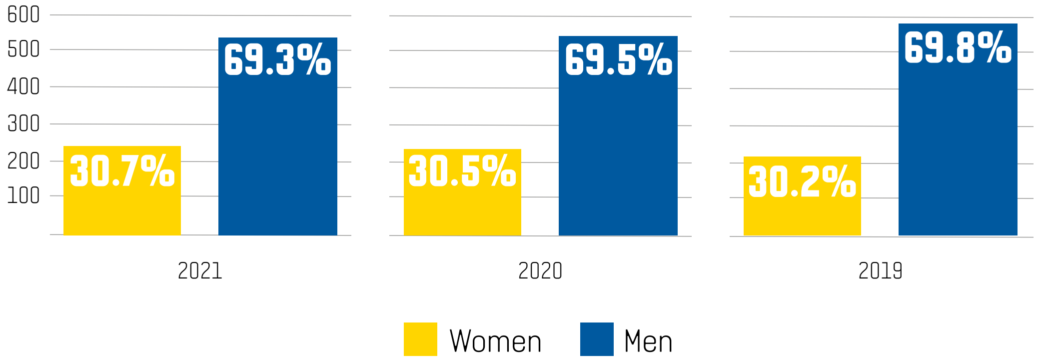
We give the breakdown in the Group companies below:

no. employees per company		2021			2020			2019		
		W	M	T	W	M	T	W	M	T
Gefran S.p.A.	Italy	127	183	310	130	181	311	137	185	322
Gefran Drives and Motion S.r.l.	Italy	32	110	142	31	116	147	31	118	149
Gefran Soluzioni S.r.l.	Italy	9	46	55	7	41	48	6	47	53
Elettropiemme S.r.l.	Italy	2	33	35	2	34	36	3	39	42
Gefran Benelux NV	Belgium	4	12	16	4	12	16	4	11	15
Gefran France S.A.	France	1	4	5	1	7	8	1	6	7
Gefran Deutschland GmbH	Germany	7	15	22	6	16	22	6	16	22
Siei Areg Gmbh	Germany	1	11	12	-	12	12	1	13	14
Gefran UK Ltd	UK	1	1	2	1	1	2	1	1	2
Sensormate AG	Switzerland	3	14	17	4	12	16	4	15	19
Gefran Middle East Ltd Sti	Turkey	-	-	-	-	2	2	1	3	4
Gefran Inc	US	6	26	32	7	24	31	7	25	32
Gefran Brasil Elettroel. Ltda	Brazil	7	22	29	6	21	27	9	21	30
Gefran Siei Asia Pte Ltd	Singapore	5	5	10	5	5	10	5	5	10
Gefran Siei Drives Tech. Pte Ltd	China (PRC)	32	37	69	31	36	67	32	44	76
Gefran India Private Ltd	India	4	26	30	3	29	32	3	29	32
TOTAL GROUP		**241**	**545**	**786**	**238**	**549**	**787**	**251**	**578**	**829**

The breakdown by geographic region in the year 2021 reveals that 69% of the Group's employees work in Italy, 13.9% in Asia, 9.4% in Europe and 7.8% in America:

breakdown by geographic region	2021			2020			2019		
	W	M	T	W	M	T	W	M	T
Italy	170	372	542	170	372	542	177	389	566
Europe	17	57	74	16	62	78	18	65	83
America	13	48	61	13	45	58	16	46	62
Asia	41	68	109	39	70	109	40	78	118
TOTAL GROUP	**241**	**545**	**786**	**238**	**549**	**787**	**251**	**578**	**829**

The ratio of the number of women employees to men in 2021 is broadly in line with the previous year.



The composition of employees by age group, with reference to 2021, sees 11% of employees under 30 years, down by two percentage points compared to 2020. 59% of the Group's employees are aged 30 to 50 (aligned with the 2020 figure), while 30% are over 50 (29% in 2020).

division by age		2021			2020			2019	
	W	M	T	W	M	T	W	M	T
<= 29 years	26	57	83	27	72	99	26	74	100
30-50 years	159	308	467	162	301	463	174	337	511
>= 51 years	56	180	236	49	176	225	51	167	218
TOTAL GROUP	**241**	**545**	**786**	**238**	**549**	**787**	**251**	**578**	**829**
<= 29 years	3%	7%	11%	3%	9%	13%	3%	9%	12%
30-50 years	20%	39%	59%	21%	38%	59%	21%	41%	62%
>= 51 years	7%	23%	30%	6%	22%	29%	6%	20%	26%
TOTAL GROUP	**31%**	**69%**	**100%**	**30%**	**70%**	**100%**	**30%**	**70%**	**100%**

Analysis of the types of contract reveals that almost all contracts of employment were permanent as of the end of 2021, substantially in line with the figure for the end of 2020. As of 31 December 2019, on the other hand, 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	2021			2020			2019		
	W	M	T	W	M	T	W	M	T
Open-ended	240	545	785	238	549	787	250	575	825
Fixed term	1	-	1	-	-	-	1	3	4
TOTAL GROUP	**241**	**545**	**786**	**238**	**549**	**787**	**251**	**578**	**829**

The breakdown by job type reveals that in 2021, 4.2% of employees, prevalently women, signed part-time contracts (4.4% in 2020 and 5.7% in 2019).

job type	2021			2020			2019		
	W	M	T	W	M	T	W	M	T
No. full time employees	214	539	753	212	540	752	214	568	782
No. part-time employees	27	6	33	26	9	35	37	10	47
TOTAL GROUP	**241**	**545**	**786**	**238**	**549**	**787**	**251**	**578**	**829**

Group employees are broken down by job classification below:

classification	2021			2020			2019		
	W	M	T	W	M	T	W	M	T
Managers	2	31	33	2	29	31	2	29	31
Middle managers	14	52	66	12	54	66	12	61	73
Clerical staff	111	311	422	105	305	410	114	308	422
Manual workers	114	151	265	119	161	280	123	180	303
TOTAL GROUP	**241**	**545**	**786**	**238**	**549**	**787**	**251**	**578**	**829**

MOVEMENTS OF PERSONNEL WITHIN THE GROUP

The tables below show details of personnel movements in Group companies:

2021 movements		No. EMPLOYEES 31.12.2020	NEW HIRES			LEAVERS			No. EMPLOYEES 31.12.2021
			W	M	T	W	M	T	
Gefran S.p.A.	Italy	311	6	17	23	(9)	(15)	(24)	310
Gefran Drives and Motion S.r.l.	Italy	147	2	6	8	(1)	(12)	(13)	142
Gefran Soluzioni S.r.l.	Italy	48	2	10	12	-	(5)	(5)	55
Elettropiemme S.r.l.	Italy	36	-	6	6	-	(7)	(7)	35
Gefran Benelux NV	Belgium	16	-	-	-	-	-	-	16
Gefran France S.A.	France	8	-	-	-	-	(3)	(3)	5
Gefran Deutschland GmbH	Germany	22	1	2	3	-	(3)	(3)	22
Siei Areg Gmbh	Germany	12	1	-	1	-	(1)	(1)	12
Gefran UK Ltd	UK	2	-	-	-	-	-	-	2
Sensormate A.G.	Switzerland	16	-	3	3	(1)	(1)	(2)	17
Gefran Middle East Ltd Sti	Turkey	2	-	-	-	-	(2)	(2)	-
Gefran Inc	US	31	1	6	7	(2)	(4)	(6)	32
Gefran Brasil Elettroel. Ltda	Brazil	27	1	4	5	-	(3)	(3)	29
Gefran Siei Asia Pte Ltd	Singapore	10	-	-	-	-	-	-	10
Gefran Siei Drives Tech. Pte Ltd	China (PRC)	67	3	2	5	(2)	(1)	(3)	69
Gefran India Private Ltd	India	32	1	4	5	-	(7)	(7)	30
TOTAL GROUP		**787**	**18**	**60**	**78**	**(15)**	**(64)**	**(79)**	**786**

5 employees moved to a different company during 2021, but still within the Group; five people (-5) are therefore recorded as having left the company they worked for until 31 December 2020 and been hired by their new company (+5). Below is a breakdown of these movements within the Group:

- 1 employee went from Gefran S.p.A. to Sensormate AG;
- 1 employee went from Gefran Middle East Ltd Sti to Sensormate AG;
- 1 employee has moved from Gefran Middle East Ltd Sti to Gefran S.p.A.;
- 1 employee has switched from Gefran S.p.A. to Gefran Soluzioni S.r.l.;
- 1 employee went from Gefran Drives and Motion S.r.l. to Gefran Soluzioni S.r.l.

2020 movements		No. EMPLOYEES 31.12.2019	NEW HIRES			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 S.A.	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	Switzerland	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 Elettroel. Ltda	Brazil	30	-	2	2	(3)	(2)	(5)	27
Gefran Siei Asia Pte Ltd	Singapore	10	-	1	1	-	(1)	(1)	10
Gefran Siei Drives Tech. Pte 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 reflected in the above table for the year 2020.

2019 movements		No. EMPLOYEES 31.12.2018	NEW HIRES			LEAVERS			No. EMPLOYEES 31.12.2019
			W	M	T	W	M	T	
Gefran S.p.A.	Italy	316	12	16	28	(4)	(18)	(22)	322
Gefran Drives and Motion S.r.l.	Italy	146	1	8	9	-	(6)	(6)	149
Gefran Soluzioni S.r.l.	Italy	49	1	3	4	-	-	-	53
Elettropiemme S.r.l.	Italy	-	3	44	47	-	(5)	(5)	42
Gefran Benelux NV	Belgium	15	-	-	-	-	-	-	15
Gefran France S.A.	France	9	-	2	2	(1)	(3)	(4)	7
Gefran Deutschland GmbH	Germany	22	1	-	1	-	(1)	(1)	22
Siei Areg Gmbh	Germany	16	-	-	-	-	(2)	(2)	14
Gefran UK Ltd	UK	2	-	-	-	-	-	-	2
Sensormate AG	Switzerland	22	-	3	3	(1)	(5)	(6)	19
Gefran Middle East Ltd Sti	Turkey	5	-	-	-	-	(1)	(1)	4
Gefran Inc	US	29	1	5	6	(1)	(2)	(3)	32
Gefran Brasil Elettroel. Ltda	Brazil	31	2	1	3	(1)	(3)	(4)	30
Gefran Siei Asia Pte Ltd	Singapore	9	-	2	2	-	(1)	(1)	10
Gefran Siei Drives Tech. Pte Ltd	China (PRC)	71	4	14	18	(4)	(9)	(13)	76
Gefran India Private Ltd	India	29	-	6	6	-	(3)	(3)	32
TOTAL GROUP		**771**	**25**	**104**	**129**	**(12)**	**(59)**	**(71)**	**829**

Note that Elettropiemme S.r.l., the company purchased by Gefran Soluzioni S.r.l. in January 2019, had 41 employees at the time of the takeover (3 women and 38 men), while on 31 December 2019 it had 42 employees (3 women and 39 men). These changes are reflected in the above table for the year 2019.

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	2021 (*)			2020 (*)			2019		
	W	M	T	W	M	T	W	M	T
Turnover rate of leavers	6.2%	11.6%	9.9%	10.5%	9.5%	9.8%	4.8%	10.2%	8.6%

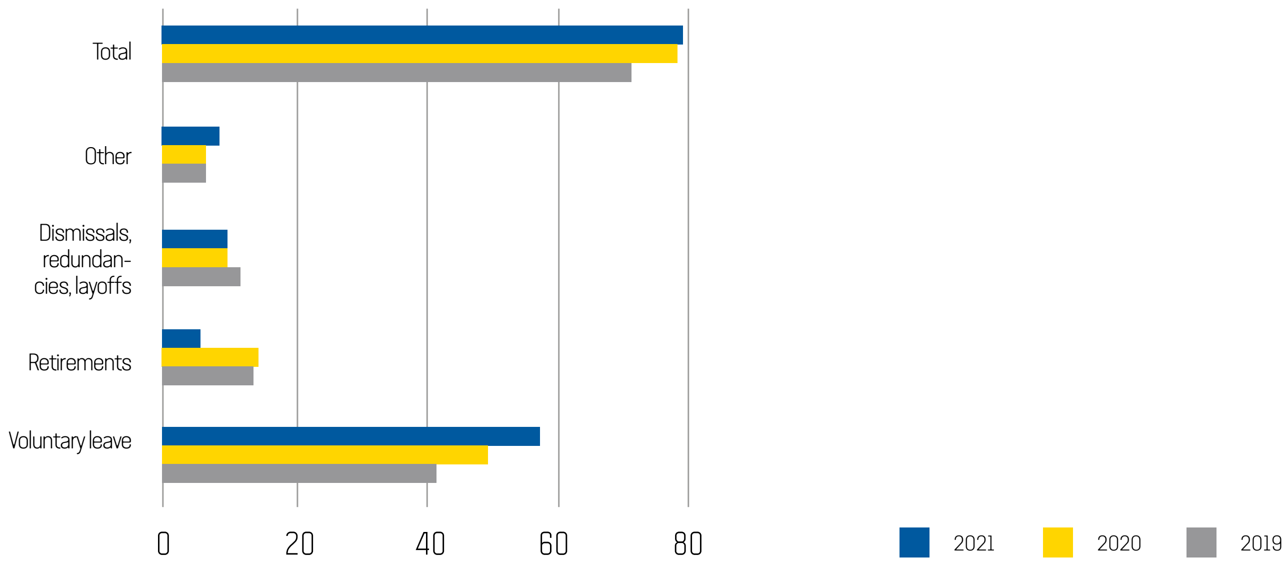
(*) calculated net of extraordinary movements between Group companies described above.

Below we summarise the reasons for people leaving in the last three years:

reasons for leaving	2021			2020			2019		
	W	M	T	W	M	T	W	M	T
Voluntary leavers	9	48	57	16	33	49	7	34	41
Retirement	1	4	5	7	7	14	2	11	13
Dismissal	3	6	9	1	8	9	2	9	11
Other	2	6	8	1	5	6	1	5	6
TOTAL LEAVERS	**15**	**64**	**79**	**25**	**53**	**78**	**12**	**59**	**71**

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 2021 and 2020.

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	2021	2020	2019
GROUP average	**81%**	**83%**	**83%**
Managers	101%	106%	106%
Middle managers	91%	85%	82%
Clerical staff	75%	77%	78%
Manual workers	89%	90%	89%

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.	2021	2020	2019
Average Gefran S.p.A.	**87%**	**89%**	**89%**
Managers	101%	106%	106%
Middle managers	90%	87%	85%
Clerical staff	80%	82%	82%
Manual workers	96%	95%	95%

PARENTAL LEAVE

The number of Group employees who used the right to parental leave in 2021 was 26, including 10 in the Parent Company. The 2020 figure was 26 (including 13 employees of the Parent Company), while in 2019 it was 25 (including 16 employees of the Parent Company). Below are details of the three-year period:

Parental leave rate		2021		
		Parent Company Gefran S.p.A.	Subsidiaries	TOTAL GROUP
Employees using the right to parental leave	**no.**	**10**	**16**	**26**
of whom returned to work after using the right to parental leave	no.	9	13	22
Rate of return after parental leave	**%**	**90.0%**	**81.3%**	**84.6%**
Employees working at Gefran 12 months after using the right to parental leave the previous year	no.	13	10	23
Rate of jobs retained after parental leave (ref. previous year)	**%**	**100.0%**	**76.9%**	**88.5%**

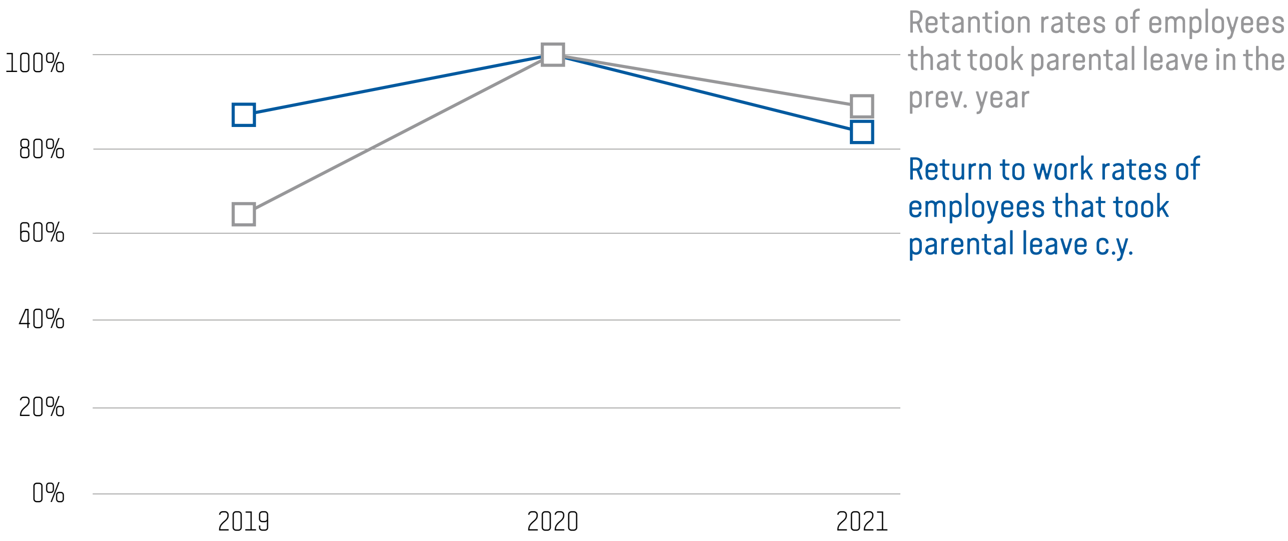
Parental leave rate 2020

		Parent Company Gefran S.p.A.	Subsidiar-ies	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%**

RATE OF RETURN AND JOB RETENTION AFTER PARENTAL LEAVE



The rate of employees who took parental leave and then returned to work at the Group-wide level was 88.5% in 2021 (100% in 2020 and 88% in 2019), 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. Two types of training activities were carried out in 2021:

- 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 cross-sectoral skills: among other things, Public Speaking, followed by 18 participants and held with the support of the kenFLY platform as well as sessions held in person, and the cross-functional Gefran Top Decision Makers course, held by an INSEAD instructor and attended by 27 employees.

A number of projects were organised remotely, using digital media in order to encourage the use of such media and involvement of a wider-ranging, more international company population; while 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 chapter 8.3 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			2021			2020			2019
	W	M	T	W	M	T	W	M	T
Managers	70	1,775	1,845	-	1,852	1,852	66	2,859	2,925
Middle managers	749	1,243	1,992	669	857	1,526	973	3,010	3,983
Clerical staff	1,066	5,410	6,476	1,017	3,195	4,212	2,980	7,396	10,376
Manual workers	904	1,522	2,426	320	1,013	1,332	1,666	2,382	4,048
TOTAL TRAINING HOURS	**2,788**	**9,950**	**12,738**	**2,006**	**6,916**	**8,921**	**5,685**	**15,647**	**21,332**
AVERAGE NUMBER OF HOURS (hours/no. employees)	**11.9**	**18.8**	**16.7**	**8.7**	**13.1**	**11.8**	**23.3**	**28.1**	**26.6**

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%). Activity picked up in 2021, but did not reach pre-pandemic 2019 levels. In 2021, a total of 12,746 hours of training (+42.8% compared to 2020) were reported.

Specifically, the types of training provided may be broken down as follows:

Technical training hours		2021			2020			2019	
	W	M	T	W	M	T	W	M	T
Managers	42	874	916	-	1,202	1,202	-	1,398	1,398
Middle managers	186	584	770	141	359	500	141	502	643
Clerical staff	668	4,731	5,399	875	2,954	3,829	2,008	5,054	7,062
Manual workers	726	1,246	1,972	272	819	1,090	734	1,283	2,017
TOTAL TECHNICAL TRAINING HOURS	**1,621**	**7,435**	**9,056**	**1,288**	**5,333**	**6,621**	**2,883**	**8,237**	**11,120**

Training hours on cross-functional skills development		2021			2020			2019	
	W	M	T	W	M	T	W	M	T
Managers	28	901	929	-	650	650	66	1,461	1,527
Middle managers	563	659	1,222	528	498	1,026	832	2,508	3,340
Clerical staff	398	679	1,077	142	241	383	972	2,342	3,314
Manual workers	178	276	454	48	194	242	932	1,099	2,031
TOTAL CROSS-FUNCTIONAL TRAINING HOURS	**1,167**	**2,515**	**3,682**	**718**	**1,583**	**2,301**	**2,802**	**7,410**	**10,212**

Below is a breakdown by geographic region:

Training hours by geographic region		2021			2020			2019	
	W	M	T	W	M	T	W	M	T
Italy	610	4,591	5,201	168	1,504	1,672	2,980	7,800	10,780
Europe	-	138	138	52	12	64	54	573	627
America	339	2,585	2,924	302	2,624	2,926	1,087	3,504	4,591
Asia	1,839	2,637	4,476	1,484	2,776	4,260	1,564	3,770	5,334
TOTAL GROUP	**2,788**	**9,950**	**12,738**	**2,006**	**6,916**	**8,921**	**5,685**	**15,647**	**21,332**

GROUP PROCUREMENT EXPENDITURE AND LOCALISATION BY GEOGRAPHIC 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 on purchases 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 76% 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 93.2 million Euro (66.5 million Euro in 2020 and 82.3 million Euro in 2019), with local supplies accounting for 85.8% of total purchases (88.1% in 2020 and 89.6% in 2019).

Group procurement expenditure (Euro /000)	2021	2020	2019
Group procurement expenditure	**93,178**	**66,501**	**82,284**
of which from local suppliers	79,951	58,563	73,691
% expenditure from market	85.8%	88.1%	89.6%

The decrease in total expenditure recorded in 2020 over the year 2019 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. In the year 2021, the increase in production volumes, which exceeded pre-pandemic 2019 levels, led to an increase in overall expenditure on procurement, equal to 40.1% compared to 2020 and 13.2% compared to 2019.

The year 2021 was also characterised by a marked trend toward allocation of active electronic components, especially microcontrollers (chips). This resulted in significant lengthening of supply times and a widespread shortage of materials. For this reason, purchases were also made on the open market, and therefore from non-local suppliers, in order to guarantee the continuity of flows of materials and prevent production shutdowns. This resulted in a decrease in the share of purchases made from local suppliers, from 88.1% in 2020 to

85.8% in 2021 in relation to the total value of procurement.

The value of expenditure on procurement in each plant is shown below. Note that the company 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 assess the company's operations for the entire year and permit homogeneous comparison.

procurement expenditure (Euro /000)	2021	2020	2019
Gefran S.p.A. plants (IT)	**45,832**	**30,479**	**37,976**
from the market	44,123	29,177	36,274
of which from local suppliers	38,479	26,474	33,672
% expenditure from market	87.2%	90.7%	92.8%
Gefran Drives and Motion S.r.l. plant (IT)	**28,119**	**19,520**	**23,469**
from the market	26,130	17,811	20,708
of which from local suppliers	21,825	15,221	17,924
% expenditure from market	83.5%	85.5%	86.6%
Gefran Soluzioni S.r.l. plant (IT)	**7,037**	**5,011**	**6,318**
from the market	3,740	2,251	3,168
of which from local suppliers	3,532	2,066	2,937
% expenditure from market	94.4%	91.8%	92.7%
Elettropiemme S.r.l. plant (IT)	**4,452**	**2,004**	**3,438**
from the market	4,366	1,977	3,414
of which from local suppliers	4,343	1,932	3,343
% expenditure from market	99.5%	97.7%	97.9%
Gefran Inc plant (US)	**7,217**	**9,404**	**12,862**
from the market	2,599	6,023	7,248
of which from local suppliers	2,493	5,892	7,088
% expenditure from market	95.9%	97.8%	97.8%

procurement expenditure (Euro /000)	2021	2020	2019
Gefran Brasil Eletroel. Ltda plant (BR)	**2,786**	**2,081**	**2,252**
from the market	1,083	949	887
of which from local suppliers	1,083	949	887
% expenditure from market	100.0%	100.0%	100.0%
Gefran Siei Drives Tech. Pte Ltd plant (CN)	**17,614**	**11,231**	**10,194**
from the market	5,442	3,594	3,714
of which from local suppliers	5,129	3,367	3,606
% expenditure from market	94.2%	93.7%	97.1%
Siei Areg GmbH plant (DE)	**3,083**	**3,994**	**5,637**
from the market	1,431	1,956	3,097
of which from local suppliers	880	1,168	2,048
% expenditure from market	61.5%	59.7%	66.1%
Sensormate AG plant (CH)	**2,547**	**1,983**	**2,798**
from the market	1,713	1,061	1,676
of which from local suppliers (*)	1,449	821	1,451
% expenditure from market (*)	84.6%	77.4%	86.6%
Gefran India Private Ltd plant (IN)	**7,175**	**4,292**	**5,355**
from the market	2,551	1,702	2,098
of which from local suppliers	738	673	735
% expenditure from market	28.9%	39.5%	35.0%

10

MANAGEMENT OF THE FIGHT AGAINST CORRUPTION

10.1 RISKS AND OPPORTUNITIES

RISK MAPPING

The Gefran Group operates in industry internationally and reaches countries all over the world. The Group conducts business in various markets, on the basis of 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 231/01. 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 analysis 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 benefits (also through consultants managing relations on behalf of the Company) to public officials or public service employees in order 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 benefits 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 benefits 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 benefits 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 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 and 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, the Group Code of Ethics and Conduct 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	2021	2020	2019
in the Parent Company Gefran S.p.A. (*)	8	9	10
in the Subsidiaries	3	4	7
TOTAL AUDITS	**11**	**13**	**17**

type of audit	2021	2020	2019
Administrative and Accounting Control Model under Law 262/05	-	4	5
231 Organisational Model	-	5	5
Other (**)	11	4	7
TOTAL AUDITS	**11**	**13**	**17**

(*) Audits of the Parent Company apply 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	2021	2020	2019
High	**9**	**1**	**4**
of which:			
Administrative and Accounting Control Model under Law 262/05	-	-	-
231 Organisational Model	-	1	-
Other (**)	9	-	4
Medium	**44**	**61**	**64**
of which:			
Administrative and Accounting Control Model under Law 262/05	-	3	-
231 Organisational Model	-	32	29
Other (**)	44	26	35
Low	**13**	**20**	**13**
of which:			
Administrative and Accounting Control Model under Law 262/05	-	2	2
231 Organisational Model	-	10	10
Other (**)	13	8	1
TOTAL IRREGULARITIES	**66**	**82**	**81**

(**) 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	2021	2020	2019
Related to corruption offences	-	-	-
Other	66	82	81
TOTAL IRREGULARITIES	**66**	**82**	**81**

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 TAXONOMY REGULATION ART. 8

In order to urge companies to be more sensitive about the effects of climate change, also through analysis of the risks and opportunities deriving from their activities, the European Union calls for more and more important consideration of environmental and social factors in their choices, to ensure that they are increasingly integrated into business strategies.

In order to guarantee transparency and comparability, the European Union has defined common criteria to establish the effective sustainability of an economic activity. These criteria are collected in the so-called EU Taxonomy (Reg. EU 2020/852), an important step towards clear reporting of the commitments undertaken and the activities carried out by companies which has established a system of classification of unified economic activities at the European level, aimed at identifying which among them can be considered eligible.

To date, according to the Regulation, an economic activity can be considered eligible if it contributes concretely to achieving at least one of the two global environmental objectives defined:

- mitigation of climate change;
- adaptation to climate change.

Other environmental goals will subsequently be introduced, such as transition to a circular economy, as well as social and governance targets.

In order for an activity to be admissible, it is also necessary for it not to cause any significant damage to achievement of any of the environmental goals identified, to be carried out in compliance with the minimum safeguards (CSR and Human Rights Requirements, OECD Guidelines and UN Guiding Principles on Business and Human Rights, etc.) and comply with the technical criteria set out in the Delegate Act of 4.6.2021 and its Annexes I and II.

Regulation 2020/852, Article 8, requires in particular that companies subject to the obligation to publish non-financial information pursuant to article 19 bis or article 29 bis of Directive 2013/34/EU (and therefore, Directive 2014/95/EU - NFRD and its transposition in Italy through Legislative Decree no. 254 of 30 December 2016) include, in their Non-financial Statements starting on 1 January 2022, information on how and to what extent their activities are environmentally sustainable. The methodology and indicators to be reported are specified in the underlying Delegate Act C2021/4987 and its Annexes. For this first year of application, the European legislator is required to provide a measure of the so-called “eligibility” of economic activities in relation to the scope of application of the taxonomy. It should be noted in this sense that “eligible activity” means an economic activity described in the delegated acts adopted pursuant to Articles 10 to 15 of EU Regulation 2020/852, regardless of whether this economic activity meets some or all of the technical examination criteria laid down in the delegated acts.

In this section, Gefran highlights the activities carried out by Gefran which refer to economic activities eligible for the taxonomy relating to the first two environmental goals (mitigation of climate change and adaptation to climate change), the share of turnover generated, investments (Capex) and operating costs (Opex) for the 2021 financial year.

Share of turnover, Capex, Opex of eligible activities vs ineligible activities			2021
	Total Group Euro/000	Portion relating to eligible economic activities %	Portion relating to non-eligible economic activities %
Revenues from sales to third parties	158,382	0.4%	99.6%
Investments	8,906	0.0%	100.0%
Operating costs	76,814	0.03%	99.97%

Please note that, for the disclosure shown, the following are taken into consideration for the 2021 reporting period:

/ revenues from the sale of goods and services to third parties by the Group in accordance with international accounting standards as set forth in the Group's Annual Financial Report;

/ investments made by the Group, as an increase in the historical cost of intangible assets, tangible fixed assets and usage rights, in accordance with international accounting standards as set forth in the Group's Annual Financial Report;

/ the Group's total operating costs, including labour costs, service costs, other operating expenses/income and any other ancillary costs, as set out in the Group's Annual Financial Report.

For the purpose of calculating the share of operating costs relating to eligible economic activities, repair and maintenance costs (including functional IT costs), research and development costs, personnel costs for repairs and maintenance, building renovation refurbishment measures, and short-term rentals for implementation of the activities subject to reporting shall be taken into account.

In order to identify eligible activities under the Regulation, the Group conducted the analysis with reference to the various areas in which it works.

First, complete mapping of the activities declared by the companies included in the scope of reporting was carried out, with reference to the NACE classification, identifying any correlations with the eligible activities declared in the Delegated Act and Annexes thereto.

As a result of the analysis conducted, the following economic activities carried out by the Group are deemed to be aimed at the goals of mitigation and adaptation to climate change and appropriate for the taxonomy:

Eligible economic activities			NACE	Description of the Group's activities	Climate change mitigation	Adaptation to climate change
Construction and real estate activities	7.3	Installation, maintenance and repair of energy efficiency equipment	F.43.21	Installation of photovoltaic or lighting systems employing energy-saving technologies	x	x
Construction and real estate activities	7.6	Installation, maintenance and repair of renewable energy technologies	F.43.21	Installation of photovoltaic or lighting systems employing energy-saving technologies	x	x

With reference to the above activities, the values attributable to the individual eligible activities are shown below:

Share of turnover, Capex, Opex of eligible activities		2021
(Euro / 000)	7.3 Installation, maintenance and repair of energy efficiency equipment	7.6 Installation, maintenance and repair of renewable energy technologies
Revenues from sales to third parties	176	439
Investments	-	-
Operating costs	23	-

The analysis was then expanded, focusing on specific business areas, such as R&D and Operations. Finally, the investment plan implemented in 2021 was analysed to identify which investments were aimed at increasing energy efficiency and reducing CO_2 emissions from the Group's activities.

Analysis of investments in the year 2021 resulted in identification of a number of Capex figures in line with the assets included in the taxonomy, for a total value of 1,303 thousand Euro, attributable to the following points (point c of Annex 1):

- 7.1 "Construction of new buildings": the investment in question, with a total value of Euro 1,162 thousand, involved the construction of a new area attached to the building that currently houses the production and commercial activities of the subsidiary Gefran Soluzioni S.r.l.; thanks to the focus on energy efficiency criteria in construction of this building, it was classified as "Class A2" in the Energy Performance Certificate (EPC), in line with the energy performance of new building units;

- 7.4 "Installation, maintenance and repair of charging stations for electric vehicles in buildings": a charging station for electric cars was set up outside the Gefran S.p.A. plant;

- 3.6 "Manufacture of other low carbon technologies": this investment refers to the purchase of a firing kiln for installation in the primary sensors technology centre, which will, when operational, save electricity by replacing obsolete, less energy-efficient equipment (to date there are no actual measurements available).

While the search for innovative solutions aimed at achieving the overall environmental objectives applicable to the Group's products is an integral part of Gefran's business strategy, at present, with particular reference to the activities carried out in the Operation and Research and Development areas, the available information is not sufficient to permit classification of these activities as eligible according to the taxonomy. The advantages offered by these activities, and therefore the degree of contribution to the achievement of global targets, are not objectively measurable, since they are only appreciable by end-users of the products, and are therefore based on levers and factors external to the Group (for example, the intensity of use of installations or the environmental conditions of application). A more in-depth analysis will be carried out in 2022 in order to identify assets that may be eligible but are not included in the scope of reporting at present and assess their actual alignment with the technical criteria of eco-sustainability of the taxonomy, for which the necessary disclosure may be provided in the 2022 Consolidated Non-Financial Statement.

12 NOTE ON METHODOLOGY

The Gefran Group's Consolidated Non-Financial Statement was drawn up pursuant to Legislative Decree 254/16 and with reference 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 2021 and 31 December 2021. 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 Statement refer to the companies consolidated using the line-by-line method in the Gefran Group's Annual Financial Report at 31 December 2021.

Specifically, based on the distribution of personnel within the Gefran Group (where 93% 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.

Please refer to paragraph 1, "Business Model adopted by Gefran", 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 76% of their procurement comes from intercompany purchases and the remainder from local supplies.

In addition, this Statement includes the information required by art. 8 of EU Regulation 2020/852 of 18 June 2020 (referred to as the Taxonomy Regulation) and the related Delegated Regulations (EU) 2021/2178 and (EU) 2021/2139. The limited examination carried out by the external auditor (PricewaterhouseCoopers S.p.A.) on this Consolidated Non-Financial Statement does not extend to the information provided pursuant to the Taxonomy Regulation in "Art. 8 Taxonomy Regulations" of the Statement.

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TABLE OF CORRELATION UNDER LEGISLATIVE DECREE 254/16

Theme under Legislative Decree 254/16

Material theme (from materiality matrix)	Energy efficiency
Risks identified (reference to paragraph)	7.1
Policies implemented (reference to section on "MANAGEMENT METHODS IN THE GROUP")	7.1, 7.2 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
Reference to paragraph	paragraph 7.3, pages 261-274
Scope of reporting (in view of the instructions provided in Legislative Decree 254/16)	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.
Actions	

		Environmental
Emissions management	**Waste management**	**Research and development into sustainable products**
7.1	7.1	7.1
7.1, 7.2 Health, safety and environment policy.	7.1, 7.2 Health, safety and environment policy.	7.1, 7.2 Quality Policy Statement.
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	306-3 a, b: Waste produced 306-4 a: Waste not intended for disposal 306-5 a: Waste for disposal	103-1 a: Explanation of material theme and its perimeter 103-2 a, b, c: Management method and components 103-3 a: Assessment of management methods
paragraph 7.3, pages 269-273	paragraph 7.3, pages 275-277	paragraph 7.2, pages 257-260
Parent Company Gefran S.p.A., all the Group's production plants and its two main sales companies, as defined in the "Note on Methodology".	Parent Company Gefran S.p.A., all the Group's production plants and its two main sales companies, as defined in the "Note on Methodology".	Parent company Gefran S.p.A. 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 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 254/16		
Material theme (from materiality matrix)	**Human capital management**	**Industrial relations**
Risks identified (reference to paragraph)	9.1	----
Policies implemented (reference to section on "MANAGEMENT METHODS IN THE GROUP")	9.2 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 311-318	paragraph 6, pages 249-251
Scope of reporting (in view of the instructions provided in Legislative Decree 254/16)	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 geographic region, while 401-1 b is provided by gender only. Disclosure relating to 401-3 c, d, and e is reported at an aggregated level, not broken down by gender.	Information only partially available for foreign subsidiaries. The analysis does not reveal any risks of this type.
Actions		

		Pertaining to personnel
Employee health and safety management	**Personnel training and development**	**Protection of employee diversity and non-discrimination**
8.1	9.1	9.1
8.2 Health, safety and environment policy.	9.2 Persons in Gefran policy.	9.2 Group Code of Ethics and practice 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 290-294	paragraph 9.3, pages 319-320	paragraph 2, pages 221-228 paragraph 9.1, page 298 paragraph 9.3, pages 306-316
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 the following foreign subsidiaries: Gefran Uk Ltd, Gefran France S.A., Gefran Benelux Nv, and Gefran Middle East Ltd Sti as these are sales companies with a limited turnover and a small n umber 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, and Gefran Middle East Ltd Sti as these are sales companies with a limited turnover and a small number of employees, whose impact is considered marginal.	

Theme under Legislative Decree 254/16	
Material theme (from materiality matrix)	**Relations with local communities and organisations**
Risks identified (reference to paragraph)	-----
Policies implemented (reference to section on "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 305-306
Scope of reporting (in view of the instructions provided in Legislative Decree 254/16)	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	

Social

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
-----	2 and 9.1	8.1
9.1 and 9.2 Protocols referred to in the 231 Procedures Manual.	9.1 and 9.2 Policies regarding Conflict Minerals, the supplier qualification process and the signature of the "Sustainability Pact" and the Health, safety and environment policy.	8.2 Quality Policy Statement.
413-1 a (iv), a (vii): Activities involving local communities, impact assessments and development programmes	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 249-251 paragraph 9.2, pages 305-306	paragraph 2, pages 229-234 paragraph 9.3, pages 321-323	paragraph 8.1, pages 281-282 paragraph 8.2, pages 286-289
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 Parent Company Gefran S.p.A. The analysis does not reveal any risks of this type.	The scope does not include sales companies, as only about 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 254/16	
Material theme (from materiality matrix)	**Respect for human rights**
Risks identified (reference to paragraph)	9.1
Policies implemented (reference to section on "MANAGEMENT METHODS IN THE GROUP")	9.2 Group Code of Ethics and practice. Persons in Gefran policy.
GRI - Referenced Topic specific standard/disclosure (corresponding reported disclosure)	406-1 a: Episodes of discrimination and corrective measures taken
Reference to paragraph	paragraphs 9.1 and 9.2, pages 297-305
Scope of reporting (in view of the instructions provided in Legislative Decree 254/16)	Gefran Group, all companies consolidated by the line-by-line method, as defined in the "Note on Methodology".
NB:	
Actions	

Social

Fight against corruption	Compliance and risk management	Sustainable governance
10.1	3, 10.1	-----
10.2 Group Code of Ethics and practice.	3, 10.2	2
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	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 10.1, pages 326-328 paragraph 10.2, pages 329-330 paragraph 10.3, pages 331-332	paragraph 3, pages 235-236	paragraph 2, pages 227-228 paragraph 4, pages 237-243
Gefran Group, all companies consolidated by the line-by-line method, as defined in the "Note on Methodology".	Gefran Group, all companies consolidated by the line-by-line method, as defined in the "Note on Methodology".	Gefran Group, all companies consolidated by the line-by-line method, as defined in the "Note on Methodology".

GEFRAN S.P.A.
SEPARATE FINANCIAL STATEMENTS
AT 31 DECEMBER 2021

1

REPORT ON OPERATIONS OF GEFRAN

S.P.A.

1 GEFRAN S.P.A. RESULTS

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

	(Euro /000)	31 December 2021 Total	31 December 2020 Total	Var. 2021-2020 Value	%
a	Revenues	74,927	56,259	18,668	33.2%
b	Increases for internal work	1,107	1,213	(106)	-8.7%
c	Consumption of materials and products	24,053	16,382	7,671	46.8%
d	**Value Added (a+b-c)**	**51,981**	**41,090**	**10,891**	**26.5%**
e	Other operating costs	13,630	10,709	2,921	27.3%
f	Personnel costs	23,117	19,849	3,268	16.5%
g	**EBITDA (d-e-f)**	**15,234**	**10,532**	**4,702**	**44.6%**
h	Depreciation, amortisation and impairment	5,020	4,714	306	6.5%
i	**EBIT (g-h)**	**10,214**	**5,818**	**4,396**	**75.6%**
l	Gains (losses) from financial assets/liabilities	1,500	1,719	(219)	-12.7%
n	**Profit (loss) before tax (i±l)**	**11,714**	**7,537**	**4,177**	**55.4%**
o	Taxes	(2,509)	(1,257)	(1,252)	-99.6%
p	**Net profit (loss) (n±o)**	**9,205**	**6,280**	**2,925**	**46.6%**

Annual **revenues** amounted to 74,927 thousand Euro, up 18,668 thousand Euro over the prior year, equal to 33.2%. The global economic recovery drove the increase in the Company's sales volumes.

The increase is widespread and affects all the market areas in which Gefran S.p.A. operates: +30.4% in Italy, +27.6% in Europe, +27.9% in North America, and +45.6% in Asia.

In terms of individual business sectors, sensors recorded an increase of 41.9%, while the increase in revenues from the components sector was 15.9%.

Added value in the year amounted to 51,981 thousand Euro, representing 69.4% of revenues, as compared to 41,090 thousand Euro in the previous year, equal to 73% of revenues. The increase of 10,891 thousand Euro in absolute value is primarily due to the effects of the post-pandemic economic recovery mentioned above.

Other operating costs in the year 2021 totalled 13,630 thousand Euro, compared with 10,709 thousand Euro as of 31 December 2020, an increase of 2,921 thousand Euro; the change mainly reflects recognition of greater expenditure on trade fairs, consultancy, travel expenses and external processing, as a direct consequence of the slackening of restrictions imposed by the pandemic and the increase in volumes of production compared to the previous year.

Personnel costs as of 31 December 2021 amounted to 23,117 thousand Euro, compared with 19,849 thousand Euro in 2020, an increase of 3,268 Euro; while the average number of employees in 2021 is lower than the previous year's figure by 5 (317 people in 2020 and 312 in 2021), personnel costs are on the rise; as a result of the spread of the pandemic in 2020, measures were implemented to contain labour costs, such as recourse to wage support and greater use of holidays, which were not repeated in 2021.

Depreciation/amortisation in the current year amounts to 5,020 thousand Euro, a 306 thousand Euro increase over the figure for 31 December 2020. The main investments made during 2021 related to process automation and the introduction of new production machinery worth 2,358 thousand Euro, as well as the construction of a new office building, for which there is a rental contract in effect with the subsidiary Gefran Soluzioni S.r.l.

In the year 2020 **EBIT** was positive at 10,214 thousand Euro (13.6% of revenues), compared with a negative EBIT of 5,818 thousand Euro in December 2020 (10.3% of revenues). The increase in sales volumes permitted creation of efficiency in operating and personnel costs, resulting in an improvement in the ratio of EBIT to sales.

Financial income was 1,500 thousand Euro, down by 219 thousand Euro over the previous year. It includes:

- dividends from equity investments totalling 1,700 thousand Euro, compared to 2,200 thousand Euro in dividends in 2020;
- financial income of 16 thousand Euro (14 thousand Euro in 2020);
- the positive result of differences in foreign currency transactions, totalling 332 thousand Euro, as compared to a negative result of 163 Euro in 2020;
- financial charges linked with the Company's indebtedness totalling 320 thousand Euro, down since 2020, when this item totalled 333 thousand Euro as the result of the end of a number of loans;
- other financial charges, negative by 225 thousand Euro, allocated by Gefran S.p.A. in connection with legal proceedings in progress relating to the purchase of the equity investment in Gefran Brasil.

Taxes were, on the whole, negative by 2,509 thousand Euro (1,257 thousand Euro as of 31 December 2020). The increase in taxes is proportionate to the higher profit earned, and may be broken down as follows:

- negative current taxes of 2,707 thousand Euro (negative by 430 thousand Euro on 31 December 2020), as a result of the economic results of the period;
- deferred tax assets and liabilities were positive overall and amounted to 197 thousand Euro (negative by 826 thousand Euro at 31 December 2020); this item mainly relates to the

increase in the provision for impairment of inventory and the provision for the legal proceedings underway in relation to the equity investment in Gefran Brasil.

The **Net profit** of Gefran S.p.A. at 31 December 2021 was positive, amounting to 9,205 thousand Euro, representing an increase over the figure for the previous year, which was positive by 2,925 thousand Euro.

Gefran S.p.A.'s reclassified balance sheet at 31 December 2021 is as follows:

(Euro /000)	31 December 2021		31 December 2020	
	Value	%	Value	%
Intangible assets	5,425	6.6	5,474	6.7
Tangible fixed assets	26,108	31.6	24,411	29.8
Other non-current assets	46,866	56.6	46,560	56.9
Net non-current assets	**78,399**	**94.8**	**76,445**	**93.4**
Inventories	7,744	9.4	5,284	6.5
Trade receivables	22,550	27.3	18,652	22.8
Trade payables	(16,457)	(19.9)	(11,431)	(14.0)
Other assets/liabilities	(5,991)	(7.2)	(3,941)	(4.8)
Working capital	**7,846**	**9.5**	**8,564**	**10.5**
Provisions for risks and future liabilities	(1,556)	(1.9)	(996)	(1.2)
Deferred tax provisions	(11)	(0.0)	(2)	(0.0)
Employee benefits	(1,947)	(2.4)	(2,160)	(2.6)
Net invested capital	**82,731**	**100.0**	**81,851**	**100.0**
Shareholders' equity	**72,367**	**87.5**	**71,268**	**87.1**
Non-current financial payables	16,176	19.6	27,286	33.3
Current financial payables	30,323	36.7	27,050	33.0
Financial payables for IFRS 16 leases (current and non-current)	465	0.6	412	0.5
Financial liabilities for derivatives (current and non-current)	88	0.1	328	0.4
Non-current financial investments	(67)	(0.1)	(108)	(0.1)
Cash and cash equivalents and current financial receivables	(36,621)	(44.3)	(44,385)	(54.2)
Net debt relating to operations	**10,364**	**12.5**	**10,583**	**12.9**
Total sources of financing	**82,731**	**100.0**	**81,851**	**100.0**

Net non-current assets decreased by 1,954 thousand Euro over 31 December 2020 and showed the following trends:

- tangible and intangible assets include increases for new investments totalling 6,535 thousand Euro, depreciation/amortisation totalling 4,770 Euro, and entry of usage rights with reference to IFRS16 accounting standard for new contracts signed in 2021 amounting to 317 thousand Euro, offset by the amortisation of such rights totalling 250 thousand Euro.

- other non-current assets changed by a total of 306 thousand Euro, as a result of increased receivables due to deferred tax assets (137 thousand Euro), and the effect of revaluation of the IAS assessment of the value of shareholdings in Woojin, equal to 169 thousand Euro.

Working capital amounted to 7,846 thousand Euro, down by 718 thousand Euro since 31 December 2020; the changes in individual items were as follows:

- inventories at 31 December 2021 amounted to 7,744 thousand Euro, higher than the 2020 value of 5,284 thousand Euro;

- trade receivables totalled 22,550 thousand Euro, an increase of 3,898 thousand Euro over 31 December 2020;

- trade payables amounted to 16,457 thousand Euro, compared with 11,431 thousand Euro at 31 December 2020, up by 5,026 thousand Euro due primarily to the increase in purchases;

- other net assets and liabilities, negative by 5,991 thousand Euro at 31 December 2021, compare with a negative figure of 3,941 thousand Euro at 31 December 2020; the change is primarily a result of increased payables to employees.

Provisions for risks and charges totalled 1,556 thousand Euro and increased by 560 thousand Euro compared with 31 December 2020; these include provisions for legal disputes in progress and miscellaneous risks, and the increase in the year mainly relates to the product warranty provision (114 thousand Euro) and the legal dispute provision (444 thousand Euro), due to the allocation of funds in relation to the proceedings underway in connection with the equity investment in Gefran Brasil.

Employee benefits total 1,947 thousand Euro, 213 thousand Euro lower than on 31 December 2020; the change is a result of payment of 188 thousand Euro in benefits to employees and discounting of existing payables in accordance with IAS standards, which has a positive impact of 15 thousand Euro.

Shareholders' equity increased by 1,099 thousand Euro compared with 31 December 2020, due to the recognition of the profit for the period (9,205 thousand Euro), offset by payment of two dividends totalling 8,480 thousand Euro.

Net debt at 31 December 2021 is equal to 10,364 thousand Euro, an improvement of 219 thousand Euro over 31 December 2020. This change was essentially originated by the positive cash flows from normal operations (16,475 thousand Euro), mitigated by negative flows due to investment (6,338 thousand Euro).

(Euro / 000)	31 December 2021	31 December 2020	Change
Cash	25,194	32,792	(7,598)
Financial receivables from subsidiaries	11,427	11,593	(166)
Current financial payables	(11,589)	(13,464)	1,875
Current financial payables for IFRS 16 leases	(217)	(195)	(22)
Financial payables to subsidiaries	(18,734)	(13,586)	(5,148)
(Debt)/short-term cash and cash equivalents	**6,081**	**17,140**	**(11,059)**
Non-current financial payables	(16,176)	(27,286)	11,110
Non-current financial payables for IFRS 16 leases	(248)	(217)	(31)
Non-current financial liabilities for derivatives	(88)	(328)	240
Other non-current financial investments	67	108	(41)
(Debt)/medium-/long-term cash and cash equivalents	**(16,445)**	**(27,723)**	**11,278**
Net financial position	**(10,364)**	**(10,583)**	**219**

Note that the "Net financial position" table includes "Other non-current financial assets" corresponding to prepaid financial expenses. Net of this item, and for the purposes of EU Regulation 2017 1129, net financial position at 31 December 2021 was negative by10,431 thousand Euro, while net financial position at 31 December 2020 was negative by 10,691 thousand Euro.

Cash flow from operations for the period was positive at 16,475 thousand Euro and relates entirely to operations in 2021 which, net of allocations, depreciation/amortisation and financial items, generated cash of 17,664 thousand Euro.

Technical and financial investments, net of disposals, absorbed resources of 6,338 thousand Euro, compared with investments of 3,018 thousand Euro in 2020.

Free cash flow (operating cash flow excluding investment activities) was positive at 10,137 thousand Euro, compared with an again positive figure of 8,346 thousand Euro in 2020, an improvement of 1,791 thousand Euro, mainly owing to the additional flows generated by operations during the period.

Financial activities absorbed 15,963 thousand Euro in cash, mainly for repayment of instalments due on outstanding loans (a total of 10,462 thousand Euro) and payment of dividends (equal to 8,480 Euro) offset by the receipt of dividends from subsidiaries (1,700 thousand Euro) and an increase in short-term financial payables due to the Group's cash pooling (1,704 thousand Euro).

(Euro /000)	31 December 2021	31 December 2020
A) Cash and cash equivalents at the start of the period	**32,792**	**16,560**
B) Cash flow generated by (used in) operations in the period	14,766	11,364
C) Cash flow generated by (used in) investment activities	(6,338)	(3,018)
D) Free Cash Flow (B+C)	**8,428**	**8,346**
E) Cash flow generated by (used in) financing activities	(16,026)	7,886
F) Cash flow from continuing operations (D+E)	**(7,598)**	**16,232**
G) Cash and cash equivalents at the end of the period (A+F)	**25,194**	**32,792**

2 SIGNIFICANT EVENTS IN GEFRAN S.P.A. IN 2021

- On 10 February 2021, the Gefran S.p.A. Board of Directors examined the preliminary results as of 31 December 2020.

- On 11 March 2021, the Gefran S.p.A. Board of Directors unanimously approved the financial statements for the year ending on 31 December 2020, the consolidated financial statements and the consolidated non-financial statement.

  The Board of Directors also resolved to propose to the Shareholders' Meeting distribution of a dividend of Euro 0.26 per share in circulation (not including own shares), through use of the necessary amount of the net profit for the year, carrying over the residual amount.

  During the same meeting, the Board resolved to propose to the Shareholders' Meeting approval of the authorisation to purchase and dispose of, in one or more instalments, a number of ordinary shares in the company up to a maximum of 1,440,000.00 shares, equal to 10% of the company's share capital. The authorisation is requested for a period of 18 months from the date of the shareholders' resolution.

- On 23 April 2021 Gefran S.p.A. was informed by its majority shareholder of the completion of the acquisition of 45.98% of Fingefran S.r.l. by Ennio Franceschetti (Honorary Chairman of Gefran S.p.A.), who, following the transaction, controls 100% of the voting rights of Fingefran S.r.l. The share of Gefran S.p.A. held by Fingefran S.r.l., post-transaction, amounts to 53.02% of its share capital.

- On 27 April 2021, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:

  - Approve the Financial Statements for the financial year 2020 and to distribute an ordinary dividend, gross of withholding taxes, of 0.26 Euros per eligible share (ex-dividend date 10 May 2021, record date 11 May 2021 and payment date 12 May 2021). The remainder of the annual profit will be allocated to the retained earnings reserve.
  - Appoint the Board of Statutory Auditors for the 2021- 2023 three-year period: Roberta Dell'Apa, Chair, Primo Ceppellini and Luisa Anselmi. The substitute statutory auditors are Stefano Guerreschi and Simona Bonomelli.
  - 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 held a binding vote approving the Group's 2021 Remuneration Policy and its Remuneration Report for the year 2020.

- On 5 August 2021, the Gefran S.p.A. Board of Directors unanimously voted to approve the Group's consolidated financial statement as at 30 June 2021.

  On the same occasion, the Board of Directors delegated the Chairman to summon a Gefran S.p.A. shareholders' meeting for 30 September 2021, to which to submit a proposal for distribution of an additional dividend of Euro 0.33 per share in circulation (net of treasury shares), through use of the previous years' profit reserve.

- On 30 September 2021, the Ordinary Shareholders' Meeting of Gefran S.p.A. accepted and approved the Board of Directors' proposal to distribute a dividend, gross of withholding taxes, equal to 0.33 Euro for each share with rights (for a total of approximately 4.7 million euros).

  This distribution took place through use of the previous year's profit reserve, with coupon detachment date 11 October 2021, record date 12 October 2021 and payment date 13 October 2021.

- On 16 December 2021 the Board of Directors of Gefran S.p.A. resolved that Director Daniele Piccolo no longer met the requirements for independence pursuant to Article 2, Recommendation 7 (e) of the Code. As a result, Cristina Mollis was appointed to the position of Chairman of the Appointments and Remuneration Committee, while Monica Vecchiati was appointed Lead Independent Director; both are non-executive, independent directors.

- On 22 December 2021 Gefran S.p.A. was informed by its majority shareholder Fingefran S.r.l., which owns 53.02% of its shares, of the conclusion of an agreement to transfer, free of charge, 99% of Fingefran S.r.l.'s voting rights from Ennio Franceschetti to Maria Chiara Franceschetti, Giovanna Franceschetti and Andrea Franceschetti, as joint owners.

3 SIGNIFICANT EVENTS AFTER YEAR END IN GEFRAN S.P.A.

On 10 February 2022 the Board of Directors was informed that the Company had received the resignation of Dr. Fausta Coffano, Group Chief Financial Officer, Executive in Charge of Financial Reporting and Investor Relator. The resignation will be effective as of 30 April 2022. The search for a successor is under way, and the chosen candidate will be announced to the public as required by law.

4 OUTLOOK FOR GEFRAN S.P.A.

As of January 2021 the International Monetary Fund expected an improvement in world GDP, with growth of 5.5% in 2021 and 4.2% in 2022, while lower growth was estimated for the Italian market (3% in 2021 and 3.6% in 2022). In the light of the trends seen in 2021, these estimates were revised at the end of the year, and the IMF projected a global growth rate of 4.9% for the year 2022, 4.2% in Italy.

In January 2022, in a scenario of global slowdown, affected by the slowdown in the US and Chinese economies, caused the International Monetary Fund to revise its estimates downwards, both globally and for Italy. The most recent projections are for a global growth rate of 4.4% in 2022 (down by 0.5 points compared to the previous estimate) and 3.8% in 2023, while for the scenario for Italy forecasts a growth rate of 3.8% in 2022 (down by 0.4 points compared to the previous estimate) and 2.2% in 2023.

The downward revision of projections for 2022 is driven by uncertainties related to economic and monetary dynamics in the world's two main economies: on the one hand, the fiscal and monetary policies and ongoing shortage of supply in the US, and on the other, the disruptions induced by the pandemic, with the introduction of zero tolerance policy measures for containment of the pandemic, and prolonged financial stress in China.

On the contrary, the estimate of growth in the year 2023 was raised by 0.2 points to 3.8%; this forecast is subject to improvement of the situation of the pandemic in the majority of countries by the end of 2022, "assuming that vaccination rates will improve worldwide and that treatments will become more effective". The reduction in estimates of global growth for 2022 is a result of the different but equally worrying problems affecting the world's two major economies, the US and China. The IMF lowered the current year's GDP forecast for the US by 1.2 percentage points to 4.0%, only partly offset by the rise of 0.4 percentage points in the estimated growth rate for 2023, to 2.6%, while for China, the only major economy to continue growing even in 2020, this year is expected to see a sharp slowdown in growth, to 4.8%. from +8.1% in 2021.

According to Banca d'Italia's economic bulletin, growth in Italy remained high in the third quarter of 2021, supported by growth in household spending. GDP growth then slowed down, growing by only half a percentage point in the fourth quarter. The increase in added value was weaker in both industry and services.

Since the summer of 2021, the upswing in demand for labour has resulted in an increase in the number of hours worked, reduction of the use of wage support, and an upswing in permanent hires. The removal of the ban on termination of employment in all sectors has not had a significant impact. The stagnation of the unemployment rate reflects the gradual recovery of the labour market, which is approaching pre-pandemic values. The dynamics of contract renewals will not lead to significant wage acceleration in 2022.

GDP, which was 1.3 percentage points below pre-pandemic levels at the end of last summer, is expected to recover around the middle of 2022. Economic activity is then expected to continue growing at a robust pace, albeit less intense than the growth observed following the re-opening in the middle of the year 2021. The average increase in GDP is expected to be 3.8% in 2022, 2.5% in 2023 and 1.7% in 2024. The number of people employed is expected to grow more gradually, returning to pre-crisis levels by the end of 2022.

The current macroeconomic environment is still affected by uncertainties stemming from the continued pandemic, rising inflation and commodities shortages.

On top of this, the worsening geopolitical crisis that has recently resulted in the Russia-Ukraine conflict could have an impact on global growth expectations, with the combined effect of lower growth and rising inflation, particularly as a result of higher energy prices. Considering that the Company does not own strategic assets in the areas currently affected by the conflict and has a limited volume of business with them, no significant impact is expected on its ability to generate income.

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 in 2022 and maintain profit margins in line with those of previous years.

5 GEFRAN S.P.A.'S OWN SHARES

As of 31 December 2021, 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 2021. As of the date of this report the situation was unchanged.

6 GEFRAN S.P.A.'S TRANSACTIONS WITH RELATED PARTIES

On 12 November 2010, the Gefran S.p.A. Board of Directors approved its "Procedure on Internal Dealing" 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 "Documents and Procedures" section.

The procedure in question was updated by the Board of Directors on 24 June 2021 to implement the new requirements of the EU Directive 2017/828 (referred to as "Shareholders' Rights II"), introduced into Italian law by means of Legislative Decree No. 49 of 2019, with regard to primary regulations, and by means of Consob Resolution no. 21624 of 10 December 2020, with regard to secondary regulations.

Information about it is also provided in the Report on Corporate Governance and Ownership Structure.

See note 33, "Transactions with related parties", of these notes to the accounts for details of transactions with related parties.

7 ENVIRONMENT, HEALTH AND SAFETY IN GEFRAN S.P.A.

In 2021 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 policy of the "Health, Safety and Environment System", which defines the principles that guide 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.

In the year 2021, Gefran maintained a series of actions begun in response to the Covid-19 pandemic aimed at limiting the risk of contagion in the workplace, ensuring that its employees and external collaborators enjoy the best health and safety conditions, and, at the same time, ensuring business continuity in its factories. The most significant measures taken include:

- maintenance 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;
- maintenance of cleaning initiatives involving intensified sanitisation of the premises and widespread availability of products for sanitisation of the hands and of shared workstations;
- continued use of agile working (with remote working), particularly at times of increased in-

tensity of the epidemic, and in a more flexible form during less acute phases;

- monitoring and continuous evaluation of spaces, in both production areas and offices, in order to ensure the required distancing, reorganising workstations where necessary;

- organisation of a voluntary seasonal flu vaccination campaign.

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 continued 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. Third-party audits and analyses of the company's energy consumption, made possible by installation of monitoring systems, identified the areas that consume the greatest amount of energy. Although Gefran is not considered an energy-intensive company, an "energy efficiency plan" has been launched, in the concrete form of a campaign to replace old fluorescent tube light fixtures with new LED lamps, completed in 2020, and with point-by-point analysis of consumption data to highlight specific opportunities for improvement.

As in previous years, in 2021 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, to confirm the importance of the issues at stake and implement the concrete actions defined in the *Strategic Sustainability Plan* formalised in the fourth quarter of 2020 in the best possible way, in 2021 the Group-wide integrated Quality, Safety and Environment function developed and worked concretely on laying the foundations for an integrated management system, harmonising the approaches to the relevant aspects of health and safety and environment in Gefran S.p.A. and its Italian subsidiaries.

8 GEFRAN S.P.A. HUMAN RESOURCES

Gefran is made up of its people, and the valorisation of their talents, knowledge and skills contributes to the Company's heritage and therefore its competitiveness.

In 2021, the Company recruited new people who will contribute their value to enriching its patrimony of skills and knowledge.

Gefran addresses this major challenge with the systematic aim of developing its employees. It sees talent not as an identity, but as a set of skills, aligned with corporate values and consistent with the specific nature of the organisation called for to implement the company's strategy.

Development paths are designed and managed in FLY, the Gefran Talent Academy, intended for all employees, and *FLY Youth*, a session for new graduates, because the tools and methodologies used represent a combination of actions targeting both its existing staff and new employees.

In order to ensure integration and uniformity in the paths and methods for developing and training people throughout the Group, both digital initiatives and physical events were held; in March 2021 Gefran inaugurated *kenFLY*, the digital hub of its Academy, through which employees all over the world can train their skills and know-how and exchange experience and knowledge. It stems from a need to bring the talent development paths of *FLY* Gefran Talent Academy to all Gefran personnel around the world, making the most of people's abilities with an open approach encouraging acceptance of responsibility.

In this context, an important training initiative was the Workshop on "Makaing decisions in the presence of uncertainty" conducted with Prof. Enrico Diecidue of INSEAD Paris for first and second-level management. A video summing up the concepts is available to all staff on the kenFLY platform.

Alongside its training plans, the Company implements a series of other initiatives: plans for ensuring employee engagement and loyalty include welfare (such as the organisational well-being programme "WELLFRAN People in Gefran", through which the company offers products and services) and initiatives aiming to improve the quality of people's experience in the company in balance with private life.

All new employees continue to go through a structured induction process to help them become familiar with processes, products/services and people in their own department and in interdependent functions.

In 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.

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 "Main risks and uncertainties to which the Gefran Group is exposed" section of 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 refer to 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 2021, which show a net profit for the period of 9,204,709 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 2021, which show a profit of 9,204,709 Euro, as presented by the Board of Directors;*
2. *to distribute to the shareholders, by way of dividend, gross of the legal withholdings, 0.38 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 compliance 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 9 May 2022, record date 10 May 2022, in payment beginning on 11 May 2022.

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, 10 March 2022

For the Board of Directors

The Chairwoman

MARIA CHIARA FRANCESCHETTI

Chief Executive Officer

MARCELLO PERINI

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FINANCIAL STATEMENTS OF GEFRAN S.P.A.

STATEMENT OF PROFIT/(LOSS) FOR THE YEAR

(Euro)		progress. 31 December	
	Notes	2021	2020
Revenue from product sales	23	70,012,821	52,212,077
of which related parties:	33	40,891,268	30,085,670
Other revenues and income	24	4,913,804	4,046,660
of which related parties:	33	3,907,059	3,393,361
Increases for internal work	8,9	1,107,094	1,213,059
TOTAL REVENUES		**76,033,719**	**57,471,796**
Change in inventories	15	2,459,030	59,546
Costs for raw materials and accessories	25	(26,513,063)	(16,441,238)
of which related parties:	33	(1,454,193)	(1,137,215)
Service costs	26	(13,171,272)	(10,314,355)
of which related parties:	33	(15,255)	(96,263)
Miscellaneous management costs	28	(465,778)	(403,229)
Other operating income	28	6,591	7,918
Personnel costs	27	(23,115,537)	(19,848,596)
Amortisation and impairment of intangible assets	29	(1,658,774)	(1,473,470)
Depreciation and impairment of tangible assets	29	(3,110,996)	(3,002,221)
Depreciation/amortisation total usage rights	29	(249,668)	(239,328)
EBIT		**10,214,252**	**5,816,823**
Gains from financial assets	30	2,399,538	2,435,390
of which related parties:	33	1,700,000	2,200,000
Losses from financial liabilities	30	(899,486)	(711,912)
of which related parties:	33	(3)	(1,018)
Value adjustments on non-current assets	30	-	(4,034)
Profit (loss) before tax		**11,714,304**	**7,536,267**
Current taxes	31	(2,706,942)	(430,353)
Deferred taxes	31	197,347	(826,143)
TOTAL TAXES		**(2,509,595)**	**(1,256,496)**
NET PROFIT (LOSS) FOR THE PERIOD		**9,204,709**	**6,279,771**

STATEMENT OF PROFIT/(LOSS) AND OTHER ITEMS OF COMPREHENSIVE INCOME

(Euro)	Notes	progress. 31 December 2021	2020
NET PROFIT (LOSS) FOR THE PERIOD		**9,204,709**	**6,279,771**
Items that will not subsequently be reclassified in the statement of profit/(loss) for the period			
- revaluation of employee benefits: IAS 19	20	30,889	(84,543)
- overall tax effect	20	(7,413)	20,290
- equity investments in other companies	19	167,471	272,690
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	182,558	(128,104)
Total changes, net of tax effect		**373,505**	**80,333**
Comprehensive result for the period		**9,578,214**	**6,360,104**

STATEMENT OF FINANCIAL POSITION

(Euro)	Notes	31 December 2021	31 December 2020
NON-CURRENT ACTIVITIES			
Intangible assets	8	5,424,804	5,474,162
Property, plant, machinery and tools	9	25,644,713	23,999,782
of which related parties:	33	188,406	139,720
Usage rights	10	462,959	411,195
Equity investments in subsidiaries	11	42,415,960	42,415,960
Equity investments valued at purchase cost	12	136,553	136,553
Equity investments in other companies	13	2,118,276	1,948,770
Receivables and other non-current assets	14	-	1,200
Deferred tax assets	31	2,195,427	2,056,979
Non-current financial investments for derivatives	18	61	266
Non-current financial investments	18	67,373	108,382
TOTAL NON-CURRENT ACTIVITIES		**78,466,126**	**76,553,249**
CURRENT ACTIVITIES			
Inventories	15	7,743,199	5,284,170
Trade receivables	15	9,564,572	6,094,171
Trade receivables from subsidiaries	15	12,985,892	12,557,393
Other receivables and assets	16	2,332,247	1,132,085
Current tax receivables	17	193,140	139,900
Cash and cash equivalents	18	25,193,873	32,791,983
Financial receivables from subsidiaries	18	11,427,363	11,593,069
TOTAL CURRENT ACTIVITIES		**69,440,286**	**69,592,771**
TOTAL ASSETS		**147,906,412**	**146,146,020**
SHAREHOLDERS' EQUITY			
Share capital	19	14,400,000	14,400,000
Reserves	19	48,761,932	50,588,596
Profit / (Loss) for the year	19	9,204,709	6,279,771
Total Group Shareholders' Equity	19	72,366,641	71,268,367
TOTAL SHAREHOLDERS' EQUITY		**72,366,641**	**71,268,367**

(Euro)	Notes	31 December 2021	31 December 2020
NON-CURRENT LIABILITIES			
Non-current financial payables	18	16,176,182	27,285,611
Non-current financial payables for IFRS 16 leases	18	247,746	217,165
Non-current financial liabilities for derivatives	18	87,584	327,996
Employee benefits	20	1,947,301	2,159,598
Non-current provisions	21	482,350	38,500
Deferred tax provisions	31	10,565	2,368
TOTAL NON-CURRENT LIABILITIES		**18,951,728**	**30,031,238**
CURRENT LIABILITIES			
Current financial payables	18	11,589,373	13,463,317
Current financial payables for IFRS 16 leases	18	217,184	194,594
Financial payables to subsidiaries	18	18,734,554	13,587,435
Trade payables	15	15,891,396	10,897,477
of which related parties:	33	96,933	173,095
Trade payables to subsidiaries	15	565,609	533,728
Current provisions	21	1,073,979	957,156
Current tax payables	17	2,285,133	97,252
Other payables and liabilities	22	6,230,815	5,115,456
TOTAL CURRENT LIABILITIES		**56,588,043**	**44,846,415**
TOTAL LIABILITIES		**75,539,771**	**74,877,653**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**147,906,412**	**146,146,020**

CONSOLIDATED CASH FLOW STATEMENT

(Euro /000)	Notes	31 December 2021	31 December 2020
(A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**32,792**	**16,560**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD			
Net profit (loss) for the period		9,205	6,280
Depreciation, amortisation and impairment	29	5,020	4,714
Provisions (Releases)	15,20,21	1,669	1,367
Capital (gains) losses on the sale of non-current assets	8,9	(7)	(5)
Net result from financial operations	30	(932)	(1,718)
Taxes	31	2,707	431
Change in provisions for risks and future liabilities	21	(218)	(396)
Change in other assets and liabilities	14,16,22	(150)	1,111
Change in deferred taxes	31	(76)	826
Change in trade receivables	15	(3,898)	1,500
Change in inventories	15	(3,564)	(1,115)
Change in trade payables	15	5,010	(1,631)
of which related parties:	33	(76)	59
TOTAL		**14,766**	**11,364**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	8,9	(6,535)	(4,073)
of which related parties:	33	(188)	(140)
- Equity investments and securities	11,12,13	-	1,050
- Financial receivables	14	1	-
Disposal of non-current assets	8,9	196	5
TOTAL		**(6,338)**	**(3,018)**
D) FREE CASH FLOW (B+C)		**8,428**	**8,346**

(Euro /000)	Notes	31 December 2021	31 December 2020
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	18	480	18,000
Repayment of financial debts	18	(10,462)	(10,006)
Increase (decrease) in current financial payables	18	1,704	(1,155)
Outgoing cash flow due to IFRS 16	18	(262)	(244)
Taxes paid	31	(386)	(394)
Interest (paid)	30	(337)	(529)
Interest received	30	17	14
Dividends received	30	1,700	2,200
Dividends paid	19	(8,480)	-
TOTAL		**(16,026)**	**7,886**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**(7,598)**	**16,232**
H) NET CHANGE IN CASH AT HAND (F+G)		**(7,598)**	**16,232**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+F)		**25,194**	**32,792**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Euro /000)	Notes	Share capital	Capital reserves	Other reserves
Balance at 1 January 2020		**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**
Destination of 2020 profit				
- Other reserves and provisions	19	-	-	-
- Dividends	19	-	-	-
Income/(Charges) acknowledged in Shareholders' Equity	19	-	-	-
Other changes	19	-	-	1
Profit 2021	19	-	-	-
Balance at 31 December 2021		**14,400**	**21,926**	**10,095**

Overall EC reserves				
Fair value measurement reserve	Other reserves	Retained profit / (loss)	Profit/(loss) for the year	Total shareholders' equity
(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**
-	-	6,280	(6,280)	-
-	-	(8,480)	-	(8,480)
350	23	-	-	373
-	-	-	-	1
-	-	-	9,205	9,205
280	**(578)**	**17,039**	**9,205**	**72,367**

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SPECIFIC EXPLANATORY NOTES ON GEFRAN S.P.A.

1. COMPANY INFORMATION

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

Publication of the financial statements of Gefran S.p.A. for the year ended 31 December 2021 was authorised by resolution of the Board of Directors on 10 March 2022, and they were made available to the public on the company website www.gefran.com on 31 March 2022.

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 2021 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;
- the cash flow statement according to the indirect method, through which the profit for the year was offset by taxes and the effects of non-monetary transactions, any deferral or allocation from previous or future operating collections or payments, and revenue or costs associated with cash flows deriving from investment or financial activities; with a view to greater transparency, the Company has chosen to represent the cash flow statement with a layout that better represents its own typical dynamics, starting with annual profit adjusted according to the taxes charged to the income statement, rather than starting with pre-tax annual profit.

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 the external information and the sensitivity analysis.

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

This section summarises the most significant measurement criteria used by the Company.

REVENUES

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

The new principle, which replaced all the current requirements of the IFRS for acknowledgement of revenues, was adopted by the 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 the 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, on the basis of which the identifiable assets, liabilities and potential liabilities of the company purchased which meet the conditions for entry under IFRS 3 are measured at their current value as of the purchase date. Deferred taxes are then allocated on the adjustments made to the previous carrying values to align them with the present value.

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 assessment of the existence of impairments (referred to as Impairment testing) of tangible and intangible fixed assets and equity investments in the presence of indicators suggesting that this problem may 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 defined on the basis of discounting of cash flows expected to result from use of the asset, or from a combination of assets (referred to as a Cash Generating Unit), as well as the value expected to be recovered 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.

The 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.

These may be divided into current funds, when the financial outlay is planned to take place by the end of the year, and non-current provisions, if the financial outlay is planned beyond 12 months.

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 2021 is about 6% (it was less than 1% in 2020).

As of 31 December 2021 the company had 4,217 thousand dollars US in receivables and 1,245 thousand dollars US in payables (as of 31 December 2020, it had 1,121 thousand dollars in receivables and 226 dollars in payables).

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 2021		31 December 2020	
	-5%	+5%	-5%	+5%
U.S. dollar	138	(125)	38	(35)
Total	**138**	**(125)**	**38**	**(35)**

(Euro /000)	31 December 2021		31 December 2020	
	-10%	+10%	-10%	+10%
U.S. dollar	291	(238)	81	(66)
Total	**291**	**(238)**	**81**	**(66)**

INTEREST RATE RISK

The interest rate risk to which the Company is exposed mainly originates from long-term loans (totalling 24,657 thousand Euro). 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 2021 and 31 December 2020, while keeping other variables unchanged.

(Euro /000)	31 December 2021		31 December 2020	
	-100	100	-100	100
Euro	233	(243)	292	(312)
Total	**233**	**(243)**	**292**	**(312)**

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 2021, 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	11,589	16,176	-	27,765
Financial payables due to leasing under IFRS 16	217	248	-	465
Cash pooling current account overdrafts	18,734	-	-	18,734
Total liabilities	**30,540**	**16,424**	**-**	**46,964**
Cash in current accounts	25,182	-	-	25,182
Cash in cash pooling current accounts	11,427	-	-	11,427
Total assets	**36,609**	**-**	**-**	**36,609**
Total variable rate	**6,069**	**(16,424)**	**-**	**(10,355)**

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	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 88 thousand Euro), cash on hand (positive at 12 thousand Euro) or deferred financial income (positive at 67 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 2021	31 December 2020	Change
Cash and cash equivalents	12	6	6
Cash in bank deposits	25,182	32,786	(7,604)
Total liquidity	**25,194**	**32,792**	**(7,598)**
Multiple mixed credit lines	22,450	20,450	2,000
Cash flexibility credit lines	3,810	3,810	-
Invoice factoring credit lines	7,600	7,600	-
Total credit lines available	**33,860**	**31,860**	**2,000**
Total available liquidity	**59,054**	**64,652**	**(5,598)**

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	509	-	1,609	2,118
Foreign exchange forward transactions	-	-	-	-
Hedging transactions	-	-	-	-
Total assets	**509**	**-**	**1,609**	**2,118**
Hedging transactions	-	(88)	-	(88)
Foreign exchange forward transactions	-	-	-	-
Total liabilities	**-**	**(88)**	**-**	**(88)**

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. This item mainly relates to the shareholdings held by the Company in 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 2020:

(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
Foreign exchange forward transactions	-	-	-	-
Hedging transactions	-	-	-	-
Total assets	**340**	**-**	**1,609**	**1,949**
Hedging transactions	-	(328)	-	(328)
Foreign exchange forward transactions	-	-	-	-
Total liabilities	**-**	**(328)**	**-**	**(328)**

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.

The current Russia-Ukraine conflict could lead to an indirect insolvency risk for the Company, as its customers could in turn have customers located in the conflict areas, preventing them from fulfilling their commitments. Gefran promptly intervened, implementing procedures to minimise these impacts, which are currently considered insignificant.

Below are the values of gross trade receivables at 31 December 2021 and 31 December 2020:

(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 2021	10,438	9,556	9	1	0	0	872
Gross trade receivables at 31 December 2020	6,984	6,060	19	7	0	0	898

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

Since Gefran S.p.A.'s production mainly involves mechanical, electronic and assembly processes, exposure to energy price fluctuations is very limited.

The Company 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. However, at the moment the market is growing strongly and this leads to a significant price oscillation that affects the overall cost of the product, albeit in a moderate manner.

The Russia-Ukraine conflict could lead to a generalised increase in commodities prices, the effects of which on the Company's economic results are currently not estimated to be significant, though this is difficult to predict.

On the other hand, Gefran S.p.A. purchases electronic and electromechanical components for production of finished products. These materials are exposed to significant price fluctuations that could adversely affect the Company's results.

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	
	2021	2020	2021	2020
Financial assets				
Cash and cash equivalents	12	6	12	6
Cash in bank deposits	36,609	44,379	36,609	44,379
Financial investments for derivatives	-	-	-	-
Non-current financial investments	67	108	67	108
Total financial assets	**36,688**	**44,493**	**36,688**	**44,493**
Financial liabilities				
Current portion of long-term debt	(11,589)	(10,461)	(11,589)	(10,461)
Short-term bank debt	-	(3,000)	-	(3,000)
Financial liabilities for derivatives	(88)	(328)	(88)	(328)
Factoring	-	(3)	-	(3)
Payables due to leasing contracts under IFRS 16	(465)	(412)	(465)	(412)
Other financial payables	(18,734)	(13,586)	(18,734)	(13,586)
Non-current financial debt	(16,176)	(27,286)	(16,176)	(27,286)
Total financial liabilities	**(47,052)**	**(55,076)**	**(47,052)**	**(55,076)**
Total net financial position	**(10,364)**	**(10,583)**	**(10,364)**	**(10,583)**

8. INTANGIBLE ASSETS

The item "Intangible assets" includes only assets with a definite lifespan, and decreased from 5,474 thousand Euro on 31 December 2020 to 5,425 thousand Euro on 31 December 2021. It may be broken down as follows:

Historical cost	31 December 2020	Increases	Decreases	Reclassifications	Other changes	31 December 2021
(Euro /000)						
Development costs	12,177	179	-	502	-	12,858
Intellectual property rights	5,910	248	-	15	-	6,173
Assets in progress and payments on account	1,172	1,078	-	(558)	-	1,692
Other assets	8,929	126	(1,838)	20	-	7,237
Total	**28,188**	**1,631**	**(1,838)**	**(21)**	**-**	**27,960**

Accumulated depreciation	31 December 2020	Increases	Decreases	Reclassifications	Other changes	31 December 2021
(Euro /000)						
Development costs	9,620	894	-	-	-	10,514
Intellectual property rights	4,840	521	-	-	-	5,361
Other assets	8,254	244	(1,838)	-	-	6,660
Total	**22,714**	**1,659**	**(1,838)**	**-**	**-**	**22,535**

Net value	31 December 2020	31 December 2021	Change
(Euro /000)			
Development costs	2,557	2,344	(213)
Intellectual property rights	1,070	812	(258)
Assets in progress and payments on account	1,172	1,692	520
Other assets	675	577	(98)
Total	**5,474**	**5,425**	**(49)**

The changes over the year 2020 are 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 net carrying value of **development costs** includes capitalisation of costs incurred for the following activities:

- 385 thousand Euro related to new projects for magnetorestrictive and pressure sensors and polymer melt sensors;
- 710 thousand Euro for component lines for the new range of controllers and solid state relays, 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.

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 917 thousand Euro in development costs, 664 thousand Euro of which pertain to the automation components business line and 253 thousand Euro to the sensors business line, the benefits of which will be reflected in the income statement starting in the next years, which have not therefore been amortised.

Other assets include, almost entirely, costs incurred to implement ERP SAP/R3, Business Intelligence (BW), Customer Relationship Management (CRM) and management software in previous years and in the current year. These assets have a useful life of five years.

The increases in the historical value of "Intangible assets", amounting to 1,630 thousand Euro in 2021, include 1,095 thousand Euro linked to capitalisation of internal costs (1,209 thousand Euro in 2020).

9. PROPERTY, PLANT, MACHINERY AND TOOLS

Property, plant, machinery and equipment came to 25,645 thousand Euro, compared with 24,000 thousand Euro at 31 December 2020. The change is shown in the table below:

Historical cost	31 December 2020	Increases	Decreases	Reclassifications	Other changes	31 December 2021
(Euro /000)						
Land	3,002	-	-	-	-	3,002
Industrial buildings	25,044	886	-	35	-	25,965
Plant and machinery	28,653	2,185	(271)	585	-	31,152
Industrial and commercial equipment	14,952	414	(101)	20	-	15,285
Other assets	3,097	142	(142)	17	-	3,114
Assets in progress and payments on account	846	1,298	(13)	(636)	-	1,495
Total	**75,594**	**4,925**	**(527)**	**21**	**-**	**80,013**

Accumulated depreciation	31 December 2020	Increases	Decreases	Reclassifications	Other changes	31 December 2021
(Euro /000)						
Industrial buildings	13,678	681	-	-	-	14,359
Plant and machinery	21,462	1,741	(95)	-	-	23,108
Industrial and commercial equipment	13,899	481	(101)	-	-	14,279
Other assets	2,555	208	(141)	-	-	2,622
Total	**51,594**	**3,111**	**(337)**	**-**	**-**	**54,368**

Net value	31 December 2020	31 December 2021	Change
(Euro /000)			
Land	3,002	3,002	-
Industrial buildings	11,366	11,606	240
Plant and machinery	7,191	8,044	853
Industrial and commercial equipment	1,053	1,006	(47)
Other assets	542	492	(50)
Assets in progress and payments on account	846	1,495	649
Total	**24,000**	**25,645**	**1,645**

The changes relating to 2020 are as follows:

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 biggest changes during the current period related to:

/ production and laboratory plant and equipment totalling 1,120 thousand Euro;

/ production machinery worth 2,358 thousand Euro;

/ adaptation of industrial buildings housing the Group's Italian plants, totalling 56 thousand Euro;

/ construction of a new office building amounting to 832 thousand Euro and construction of new plants totalling 323 thousand Euro;

/ investment in renewal of electronic office machines and IT equipment amounting to 236 thousand Euro.

The increases in the historical value of "Buildings, plant and machinery and equipment", which amounted to 4,925 thousand Euro in 2021, include 12 thousand Euro linked to capitalisation of internal costs (4 thousand Euro in 2020).

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 2021 amounts to 463 thousand Euro, and shows the following changes:

Historical cost	31 December 2020	Increases	Decreases	Reclassifications	Other changes	31 December 2021
(Euro /000)						
Vehicles	791	309	(43)			1,057
Machinery and equipment	37	8	-			45
Total	**828**	**317**	**(43)**	**-**	**-**	**1,102**

Accumulated depreciation	31 December 2020	Increases	Decreases	Reclassifications	Other changes	31 December 2021
(Euro /000)						
Vehicles	408	240	(28)	-	-	620
Machinery and equipment	9	9	1			19
Total	**417**	**249**	**(27)**	**-**	**-**	**639**

Net value	31 December 2020	31 December 2021	Change
(Euro /000)			
Vehicles	383	437	54
Machinery and equipment	28	26	(2)
Total	**411**	**463**	**52**

The changes compared to 2020 are shown in the table below:

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)**

As of 1 January 2021 the Group had a total of 72 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 72 contracts in effect as of 1 January 2021:

/ 67 fell within the perimeter of application of IFRS 16;

/ 9 were excluded from the perimeter of application of the standard, 8 of which had a term of less than 12 months, while for the 1, 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 21 new leasing agreements were signed in 2021, 17 of which are subject to application of IFRS 16. Of the remaining 4 contracts signed in 2021, excluded from the perimeter of application of the new accounting standard, 3 pertain to contracts with a duration of less than 12 months and one represents a contract regarding goods of modest value.

Moreover, 21 contracts ended, 20 of which fell within the perimeter of application of IFRS 16 on the basis of their value and term as specified above, 4 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:

- vehicles, totalling Euro 309 thousand, representing 16 new vehicle leasing agreements signed by the Company in 2021 upon expiry of previous agreements;
- machinery and equipment totalling 8 thousand Euro, linked with a new contract for rental of uninterrupted power supply units signed in 2021.

Decreases in the historical cost of "Usage rights" in 2021, totalling 43 thousand Euro, refer to 20 terminated contracts: 4 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 2021, aligned with the figure for the previous year. The balance breaks down as follows:

(Euro /000)	Shareholding	31 December 2021	31 December 2020	Change
Gefran GmbH (Germany)	100.0%	365	365	-
Gefran Brasil Ltda (Brazil)	100.0%	2,924	2,924	-
Gefran UK Ltd (United Kingdom)	100.0%	5,141	5,141	-
Gefran Soluzioni S.r.l. (Italy)	100.0%	1,012	1,012	-
Sensormate AG (Switzerland)	100.0%	4,123	4,123	-
Gefran Benelux Bvba (Belgium)	100.0%	344	344	-
Gefran Inc. (U.S.)	100.0%	7,848	7,848	-
Gefran France SA (France)	100.0%	4,338	4,338	-
Siei Areg GmbH (Germany)	100.0%	1,032	1,032	-
Gefran Siei Asia Pte (Singapore)	100.0%	2,883	2,883	-
Gefran India Ltd (India)	100.0%	1,723	1,723	-
Gefran Middle East (Turkey)	100.0%	1,457	1,457	-
Gefran Drives and Motion S.r.l. (Italy)	100.0%	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 2021	31 December 2020	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 2022 - 2024 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 expressing 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. For this component and for the "beta", the reference used for all CGUs, regardless of geographic region of reference, was so-called global value, according to Professor Damodaran's calculations, in order to reduce the volatility of the component from one year to the next.

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 31/12/2021	Net carrying value 31/12/2020	Explicit forecast	Wacc (%)	Equity value 31/12/2021	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
Gefran Brasil	1,672	1,672	2022 - 2024	15.4%	2,073	9.7%	5.3%	34.0%
Gefran India	1,011	1,011	2022 - 2024	12.7%	1,446	6.2%	5.3%	25.0%
Gefran UK	703	703	2022 - 2024	7.2%	1,050	0.8%	5.3%	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 accentuated 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 amounts to 136 thousand Euro as of 31 December 2021, unchanged over December 2020, and the balance breaks down as follows:

(Euro /000)		31 December 2021	31 December 2020	Change
Axel S.r.l.	*Shareholding*	15.0%	15.0%	
Via del Cannino, 3	Investment value	136	136	
Crosio della Valle (VA)	Adjustment provision	-	-	
	Net value	136	136	-
Total		**136**	**136**	**-**

13. EQUITY INVESTMENTS IN OTHER COMPANIES

"Equity investments in other companies" totalled 2,118 thousand Euro, disclosing an increase of 169 thousand Euro compared with the figure at 31 December 2020. The change is linked to the adjustment provision relating to the holding in Woojin Machinery Co Ltd.

(Euro /000)	Shareholding	31 December 2021	31 December 2020	Change
Colombera S.p.A.	16.6%	1,582	1,582	-
Woojin Plaimm Co Ltd	2.0%	159	159	-
Other	-	27	27	-
Adjustment provision	-	350	181	169
Total		**2,118**	**1,949**	**169**

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 fair value adjustment, and changed as follows:

(Euro /000)	Shareholding	31 December 2021	31 December 2020	Change
Woojin Plaimm Co Ltd	2.0%	350	181	169
Total		**350**	**181**	**169**

14. RECEIVABLES AND OTHER NON-CURRENT ASSETS

As of December 31, 2021, the balance is zero.

(Euro /000)	31 December 2021	31 December 2020	Change
Guarantee deposits	-	1	(1)
Total	**-**	**1**	**(1)**

15. NET WORKING CAPITAL

"Net working capital" totals 13,837 thousand Euro, compared to 12,505 thousand Euro on 31 December 2020, and breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Inventories	7,744	5,284	2,460
Trade receivables	9,564	6,094	3,470
Trade receivables from subsidiaries	12,986	12,558	428
Trade payables	(15,891)	(10,897)	(4,994)
Trade payables to subsidiaries	(566)	(534)	(32)
Net amount	**13,837**	**12,505**	**1,332**

"Net Working Capital" generated by relations with subsidiaries totals 12,420 thousand Euro, 396 thousand Euro lower than in 2020, while "Net Working Capital" from relations with third parties is positive by 1,417 thousand Euro (positive by 481 thousand Euro on 31 December 2020): the change is attributable to the increase in inventories (2,460 thousand Euro) and the increase in trade receivables (3,470 thousand Euro), compensated by increased trade payables (4,994 thousand Euro).

Inventories amount to 7,744 thousand Euro, and may be broken down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Raw materials, consumables and supplies	4,872	2,865	2,007
provision for impairment of raw materials	(588)	(528)	(60)
Work in progress and semi-finished products	4,476	3,392	1,084
provision for impairment of work in progress	(1,800)	(1,113)	(687)
Finished products and goods for resale	1,564	1,283	281
provision for impairment of finished products	(780)	(615)	(165)
Total	**7,744**	**5,284**	**2,460**

The provision for obsolescence and slow-moving inventories was adjusted according to need in 2021, through specific provisions amounting to 912 thousand Euro (as compared to 1,056 thousand Euro in the year 2020).

Movements in the provision in the years 2021 and 2020 are listed below:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	31 December 2021
Provision for impairment of inventory	**2,256**	**1,104**	**(192)**	**-**	**3,168**

(Euro /000)	31 December 2019	Provisions	Uses	Releases	31 December 2020
Provision for impairment of inventory	**1,424**	**1,056**	**(224)**	**-**	**2,256**

Trade receivables increased by 3,470 thousand Euro during the year and break down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Receivables from customers due within 12 months	10,438	6,984	3,454
Provision for doubtful receivables	(874)	(890)	16
Net amount	**9,564**	**6,094**	**3,470**

There were no receivables transferred with recourse in 2021 (44 thousand Euro at 31 December 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 geographic region, as required by IFRS 9. The provision as at 31 December 2021 represents a prudential estimate of the current risk, and registered the following changes:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	31 December 2021
Provision for doubtful receivables	**890**	**-**	**(16)**	**-**	**874**

The changes in the provision for doubtful receivables relating to 2020 are as follows:

(Euro /000)	31 December 2019	Provisions	Uses	Releases	31 December 2020
Provision for doubtful receivables	**915**	**-**	**(25)**	**-**	**890**

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.

The value of **trade receivables from subsidiaries** amounted to 12,986 thousand Euro, compared with a balance of 12,558 thousand Euro at 31 December 2020. 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 up 4,994 thousand Euro at 31 December 2021 compared with 31 December 2020, as shown below:

(Euro /000)	31 December 2021	31 December 2020	Change
Payables to suppliers	12,549	8,851	3,698
Payables to suppliers for invoices to be received	3,308	2,033	1,275
Advance payments received from customers	34	13	21
Total	**15,891**	**10,897**	**4,994**

Trade payables at the end of 2020 were a result of purchases of materials for production and above all payables to suppliers for investments in the last quarter of the year, paid in 2021. 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.

The value of **trade payables to subsidiaries** was 566 thousand Euro, compared with 534 thousand Euro at 31 December 2020. 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 2021 amount to 2,332 thousand Euro, as compared to 1,132 thousand Euro on 31 December 2020. The balance breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Services and maintenance	298	203	95
Receivables from employees	-	25	(25)
Bank transaction fees	108	108	-
Other tax receivables	1,258	373	885
Other	668	423	245
Total	**2,332**	**1,132**	**1,200**

The main change relates to VAT receivable, shown in the item "Other tax receivables," which increased by 885 thousand Euro during the year. In addition, "Other" includes research and development tax credits and tax credits for capital goods worth a total of 343 thousand Euro, not present at 31 December 2020. The carrying value of this item is believed to approximate its fair value.

17. CURRENT TAX RECEIVABLES AND PAYABLES

Current tax receivables totalled 193 thousand Euro at 31 December 2021, compared with 140 thousand Euro at 31 December 2020. The balance breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
IRAP (regional production tax)	-	61	(61)
Other taxes	193	79	114
Total	**193**	**140**	**53**

The balance of **current tax payables** totalled 2,285 thousand Euro at 31 December 2021, as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
IRES (corporate income tax)	1,989	98	1,891
IRAP (regional production tax)	296	-	296
Total	**2,285**	**98**	**2,187**

IRAP (regional production tax) and IRES (corporate income tax) are recognised on taxable income, to which prior tax losses are applied in full, in accordance with current legislation.

18. NET FINANCIAL POSITION

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

(Euro /000)	31 December 2021	31 December 2020	Change
Cash and cash equivalents and current financial receivables	25,194	32,792	(7,598)
Non-current financial investments	67	108	(41)
Financial receivables from subsidiaries	11,427	11,593	(166)
Non-current financial payables	(16,176)	(27,286)	11,110
Non-current financial payables for IFRS 16 leases	(248)	(217)	(31)
Current financial payables	(11,589)	(13,464)	1,875
Current financial payables for IFRS 16 leases	(217)	(195)	(22)
Financial payables to subsidiaries	(18,734)	(13,586)	(5,148)
Financial liabilities for derivatives	(88)	(328)	240
Total	**(10,364)**	**(10,583)**	**219**

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

(Euro / 000)	31 December 2021	31 December 2020	Change
A. Cash on hand	12	6	6
B. Cash in bank deposits	25,182	32,786	(7,604)
C. Securities held for trading	-	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**25,194**	**32,792**	**(7,598)**
E. Current financial receivables from subsidiaries	11,427	11,593	(166)
F. Current financial payables to subsidiaries	(18,734)	(13,586)	(5,148)
G. Fair value hedging derivatives	-	-	-
H. Current portion of long-term debt	(11,589)	(10,461)	(1,128)
I. Other current financial payables	(217)	(3,198)	2,981
J. Total current financial payables to third parties (I) +(H)	**(11,806)**	**(13,659)**	**1,853**
L. Total current payables (F) +(G) + (J)	**(30,540)**	**(27,245)**	**1,853**
M. Net current financial debt (D) + (E) + (L)	**6,081**	**17,140**	**(11,059)**
Non-current financial liabilities for derivatives	(88)	(328)	240
Non-current financial investments for derivatives	-	-	-
N. Fair value of hedging transactions	(88)	(328)	240
O. Non-current financial debt	(16,424)	(27,503)	11,079
P. Other non-current financial investments	67	108	(41)
Q. Net non-current financial debt (N) + (O) + (Q)	**(16,445)**	**(27,723)**	**11,278**
R. Net financial debt (M) + (Q)	**(10,364)**	**(10,583)**	**219**
of which to minorities:	(3,057)	(8,590)	5,533

The net debt at 31 December 2021 is equal to 10,364 thousand Euro, an improvement over 31 December 2020 of 219 thousand Euro. The improvement in non-current financial debt was mitigated by the increase in current financial debt.

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 25,194 thousand Euro as at 31 December 2021, lower than the balance at 31 December 2020, which was 7,598 thousand Euro:

(Euro /000)	31 December 2021	31 December 2020	Change
Cash in bank deposits	25,182	32,786	(7,604)
Cash	12	6	6
Term deposits – less than 3 months	-	-	-
Other cash	-	-	-
Total	**25,194**	**32,792**	**(7,598)**

The technical forms used as at 31 December 2021 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 11,427 thousand Euro, compared with 11,593 thousand Euro at 31 December 2020.

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 2021 was down 1,875 thousand Euro over the year 2020, and breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Current portion of debt	11,589	10,461	1,128
Current overdrafts	-	3,000	(3,000)
Factoring	-	3	(3)
Payables for leasing contracts	-	-	-
Other payables	-	-	-
Total	**11,589**	**13,464**	**(1,875)**

The current portion of debt increased by a total of 1,128 thousand Euro over December 2020, representing a 11,589 thousand Euro increase due to short-term entry of instalments on a loan payable over the next 12 months, partially compensated by repayment under the amortisation plan for individual loans, equal to 10,461 thousand Euro.

Factoring was written off in the year 2021. Factoring had consisted 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 (3 thousand Euro as of 31 December 2020).

There were no bank overdrafts as of 31 December 2020; this item totalled 3,000 thousand Euro on 31 December 2019. 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 2021 amounted to 18,734 thousand Euro (13,586 thousand Euro at 31 December 2020) 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 break down as follows:

Bank	31 December 2021	31 December 2020	Change
Unicredit	-	1.200	(1.200)
BNL	-	1.000	(1.000)
BPER	1.009	2.014	(1.005)
Mediocredito	2.222	4.444	(2.222)
BNL	3.000	5.000	(2.000)
Unicredit	2.222	3.333	(1.111)
BNL	3.111	4.667	(1.556)
Intesa (ex UBI)	1.132	2.628	(1.496)
Intesa (ex UBI)	3.000	3.000	-
SIMEST	480	-	480
Total	**16.176**	**27.286**	**(11.110)**

The loans, detailed in the table, are all arranged at variable rates, with the exception of the loan entered into in 2021 with Simest, which has a preferential fixed rate. Details of each loan are given below:

Bank	Amount disbursed (Euro /000)	Signing date	Balance at 31 December 2021	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
Unicredit	6,000	14/11/17	1,200	1,200	-	Euribor 3m + 0.90%	30/11/22	quarterly
BNL	5,000	23/11/17	1,000	1,000	-	Euribor 3m + 0.85%	23/11/22	quarterly
BPER	5,000	28/11/18	2,013	1,004	1,009	Euribor 3m + 0.75%	30/11/23	quarterly
Mediocredito	10,000	28/03/19	4,444	2,222	2,222	Euribor 3m + 1.05%	31/12/23	quarterly
BNL	10,000	29/04/19	5,000	2,000	3,000	Euribor 3m + 1%	29/04/24	quarterly
Unicredit	5,000	30/04/20	3,333	1,111	2,222	Euribor 6m + 0.95%	31/12/24	half-yearly
BNL	7,000	29/05/20	4,667	1,556	3,111	Euribor 6m + 1.1%	31/12/24	half-yearly
Intesa (ex UBI)	3,000	24/07/20	2,628	1,496	1,132	Fixed 1%	24/07/23	half-yearly
Intesa (ex UBI)	3,000	24/07/20	3,000	-	3,000	Euribor 6m + 1%	24/07/26	half-yearly
UBI Banca S.p.A.	480	09/07/21	480	-	480	Fixed 0.55%	31/12/27	half-yearly
Total			**27,765**	**11,589**	**16,176**			

In the year 2021, the Gefran S.p.A. participated in Simest's call for tenders for capitalisation and support for the development of international sales, under which it received a non-repayable grant pursuant to the Temporary Framework for the Integrated Promotion Fund, along with a second portion of medium/long-term financing pertaining to the 394/81 Fund.

This resulted in the recognition of grants totalling 320 thousand Euro and non-current financial payables totalling 480 thousand Euro.

The loan taken out is to be repaid in 8 six-monthly instalments starting from the end of the two-year pre-amortisation period, and is subject to the "de minimis" rule for a value of 5 thousand Euro.

None of the loans outstanding as of 31 December 2021 have 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 88 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 (IRC) contracts, as set out below:

Bank (Euro /000)	Notional principal	Signing date	Maturity	Notional as at 31 December 2021	Derivative	Fair Value as at 31 December 2021	Long position rate	Short position rate
Unicredit	6,000	14/11/17	30/11/22	1,200	CAP	-	Strike Price 0%	Euribor 3m
BNL	5,000	23/11/17	23/11/22	1,000	CAP	-	Strike Price 0%	Euribor 3m
Total financial assets for derivatives – Interest rate risk						-		

Gefran S.p.A. has also taken out interest rate Swaps (IRS's), as set out in the table below:

Bank (Euro /000)	Notional principal	Signing date	Maturity	Notional as at 31 December 2021	Derivative	Fair Value as at 31 December 2021	Long position rate	Short position rate
Intesa	10,000	29/03/19	29/12/23	4,444	IRS	(20)	Fixed -0.00%	Euribor 3m (Floor: -1.05%)
BNL	10,000	29/04/19	29/04/24	5,000	IRS	(25)	Fixed 0.05%	Euribor 3m (Floor: -1.00%)
Unicredit	5,000	24/06/19	28/11/23	2,013	IRS	(7)	Fixed -0.10%	Euribor 3m (Floor: -0.75%)
Unicredit	5,000	30/04/20	31/12/24	3,333	IRS	(19)	Fixed 0.05%	Euribor 6m (Floor: -0.95%)
BNL	7,000	29/05/20	31/12/24	4,667	IRS	(13)	Fixed -0.12%	Euribor 6m (Floor: -1.10%)
Intesa (ex UBI)	3,000	24/07/20	24/07/26	3,000	IRS	(4)	Fixed -0.115%	Euribor 3m
Total financial liabilities for derivatives– Interest rate risk						**(88)**		

All the contracts described above are booked at fair value:

(Euro /000)	as at 31 December 2021 Positive fair value	as at 31 December 2021 Negative fair value	as at 31 December 2020 Positive fair value	as at 31 December 2020 Negative fair value
Interest rate risk	-	(88)	-	(328)
Total cash flow hedge	**-**	**(88)**	**-**	**(328)**

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 33,860 thousand Euro. As of 31 December 2021, the entire ceiling is available in full.

There are no non-use fees on these lines, with the exception of the revolving loan of 3,000 thousand Euro arranged by BNL at the Euribor 6M rate + 1.10%, which has a non-utilisation rate of 0.4%. This loan was repaid at its natural expiry in June 2021 and was not reopened.

The balance of **Financial payables for IFRS 16 leases (current and non-current)** as of 31 December 2021 amounts to 465 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 217 thousand Euro, and non-current liabilities (beyond one year), amounting to Euros 248 thousand Euro.

The changes in the item in 2021 and 2020 are reported below:

(Euro /000)	31 December 2020	Increases	Decreases	Reclassifications	31 December 2021
Leasing payables under IFRS 16	**412**	**308**	**(255)**	**-**	**465**

(Euro /000)	31 December 2019	Increases	Decreases	Reclassifications	31 December 2020
Leasing payables under IFRS 16	**488**	**197**	**(273)**	**-**	**412**

19. SHAREHOLDERS' EQUITY

"Shareholders' equity" at 31 December 2021 amounted to 72,367 thousand Euro, up by 1,099 thousand Euro from 31 December 2020. The change mainly reflects recognition of the positive result for the year, equal to 9,205 thousand Euro, offset by the payment of dividends with a total value of 8,480 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 2020 Gefran S.p.A. held 27,220 of its own shares, representing 0.2% of the total; the situation was unchanged on 31 December 2021, 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 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);
- the "Share fair value measurement reserve" (positive by 346 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 67 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 578 thousand Euro, 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 2021	31 December 2020	Change
Balance at 1 January	179	(94)	273
UBI Banca S.p.A. Shares	-	157	(157)
Woojin Plaimm Co Ltd Shares	169	140	29
Tax effect	(2)	(24)	22
Net amount	**346**	**179**	**167**

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

(Euro /000)	31 December 2021	31 December 2020	Change
Balance at 1 January	(249)	(121)	(128)
Change in fair value derivatives	240	(168)	408
Tax effect	(57)	40	(97)
Net amount	**(66)**	**(249)**	**183**

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	346		
- cash flow hedging reserve	(66)		
- IAS 19 reserve	(578)		
- own shares reserve	(156)		
- merger surplus reserve	858	A-B-C	858
- retained earnings/losses	17,039	A-B-C	17,039
- profit (loss) for the period	9,205		
Total	**72,366**		**46,198**
Restricted portion			3,144
Residual portion available	72,366		43,054

NB: Legend of possibility of utilisation:

A: for a share capital increase;

B: for coverage of losses;

C: for distribution to shareholders;

20. EMPLOYEE BENEFITS

Liabilities for "Employee benefits" showed the following changes:

(Euro / 000)	31 December 2020	Increases	Decreases	Discounting	Other changes	31 December 2021
Post-employment benefits	1,892	-	(136)	52	(9)	1,799
Non-competition agreements	268	-	(53)	(67)	-	148
Total	**2,160**	**-**	**(189)**	**(15)**	**(9)**	**1,947**

Changes relating to 2020 were as follows:

(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**

The item "Provisions for post-employment benefits" consists of post-employment benefit for Company employees. The change in the year is due to 135 thousand Euro in payments to employees and to the effect of discounting of the payable in existence as of 31 December 2021 according to IAS standards, positive by 52 thousand Euro, as a result of assessment of demographic assumptions and experience (a positive impact of 34 thousand Euro) changes to financial assumptions (a positive impact of 12 thousand Euro), and Interest cost (a positive impact of 6 thousand Euro).

"Non-competition agreements" refer to the amount of the obligation to certain employees who have signed such agreements to protect the company from any competitive activities. The change in the year is due to 53 thousand Euro in payments to employees and to the effect of discounting of the payable in existence as of 31 December 2020 according to IAS standards, positive by 68 thousand Euro, as a result of assessment of interest cost (1 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	2021	2020
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	2021	2020
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	2021	2020
Discount rate	0.98%	0.34%
Annual inflation rate	1.75%	0.8%
Annual rate of increase of post-employment benefit	2.813%	2.100%

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 probabilised 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;

- discounting of each probabilised payment as of the valuation date.

In greater detail, the technical foundations employed are:

Demographic assumptions	2021	2020
Probability of death	RG48 mortality tables published by the Italian State General Accounting Department	RG48 mortality tables published by the Italian State General 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	2021	2020
Real annual increase	1.50%	1.50%
Annual time-discount rate	0.98%	0.29%
Annual inflation rate	0.80%	0.80%

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 2021		31 December 2020	
	-1%	+1%	-1%	+1%
Post-employment benefit reserve	(207)	178	(219)	187
Non-competition agreements	(3)	3	(8)	8
Total	**(210)**	**181**	**(227)**	**195**

(Euro /000)	31 December 2021		31 December 2020	
	-0.5%	0.5%	-0.5%	0.5%
Post-employment benefit reserve	(100)	92	(105)	97
Non-competition agreements	(2)	2	(4)	4
Total	**(102)**	**94**	**(109)**	**101**

21. CURRENT AND NON-CURRENT PROVISIONS

Non-current provisions amount to 482 thousand Euro, as compared to 39 thousand Euro on 31 December 2020, and break down as follows:

(Euro / 000)	31 December 2020	Provisions	Uses	Releases	Other changes	31 December 2021
- for legal disputes	39	474	(20)	(10)	-	482
Total	**39**	**474**	**(20)**	**(10)**	**-**	**482**

In 2021, provisions for legal disputes totalling 474 thousand Euro were recorded in the provision for exchange rate losses and default interest linked to the ongoing proceedings for the equity investment of Gefran Brasil.

The balance of **current provisions** was 1,074 thousand Euro as of 31 December 2021, compared with provisions of 958 thousand Euro at 31 December 2020. The item breaks down as follows:

(Euro /000)	31 December 2020	Provisions	Uses	Releases	Other changes	31 December 2021
FISC	16	2	-	-	-	18
Product warranty	942	232	(118)	-	-	1,056
Total	**958**	**234**	**(118)**	**-**		**1,074**

This item referring to the expected cost of repairs to products under warranty saw provision (232 thousand Euro) and use to cover the cost of repair and replacement of products under warranty (118 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 2021 amounted to 6,231 thousand Euro and break down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Payables to personnel	2,947	2,226	721
Social security payables	1,746	1,520	226
Accrued interest on loans	24	24	-
Payables to directors and statutory auditors	50	52	(2)
Other accruals	535	359	176
Other payables for taxes	904	862	42
Other current liabilities	25	72	(47)
Total	**6,231**	**5,115**	**1,116**

The change is primarily attributable to increased payables to employees and to social security institutions.

23. REVENUES FROM SALES OF PRODUCTS AND SERVICES

"Revenues from sales of products and services" in 2021 amount to 70,013 thousand Euro, as compared to 57,127 thousand Euro in the year 2019. The following table provides a breakdown of sales and service revenues by business line:

(Euro /000)	31 December 2021	31 December 2020	Change	%
Sensors	52,005	36,657	15,348	41.9%
Automation components	17,965	15,495	2,470	15.9%
Motion control	43	60	(17)	-28.3%
Total	**70,013**	**52,212**	**17,801**	**34.1%**

The increase in 2021 compared to 2020, equal to 34.1%, is linked to the global economic recovery.

Total revenues include revenues from services provided totalling 122 thousand Euro (135 thousand Euro in the previous year).

24. OTHER OPERATING REVENUES AND INCOME

"Other operating revenues and income" amount to 4,914 thousand Euro, 867 thousand Euro higher than on 31 December 2020, as shown in the table below:

(Euro /000)	31 December 2021	31 December 2020	Change	%
Royalty income	218	161	57	35.4%
Services to Group companies	3,487	3,037	450	14.8%
Recovery of company canteen expenses	15	10	5	50.0%
Insurance reimbursements	1	10	(9)	-90.0%
Rental income	400	399	1	0.3%
Government grants	320	241	79	32.8%
Other income	473	189	284	150.3%
Total	**4,914**	**4,047**	**867**	**21.4%**

During 2021 the Company received government grants amounting to 320 thousand Euro, representing the grant connected with the loan entered into with Simest.

"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" increased by 10,072 thousand Euro, from 16,441 thousand Euro in 2020 to 26,513 thousand Euro in 2021.

(Euro /000)	31 December 2021	31 December 2020	Change
Raw materials and accessories	26,513	16,441	10,072
Total	**26,513**	**16,441**	**10,072**

The increase in the item is linked to the increase in production volumes, following the upswing in demand.

26. SERVICE COSTS

"Service costs" amount to 13,171 thousand Euro, as compared to 10,314 thousand Euro in the year 2020, an increase of 2,857 thousand Euro. They may be broken down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Services	12,702	9,848	2,854
Use of third-party assets	469	466	3
Total	**13,171**	**10,314**	**2,857**

Note that transition to accounting standard IFRS 16, "Leasing", 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 253 thousand Euro (245 thousand Euro in 2020). 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 469 thousand Euro in costs in 2021 (466 thousand Euro in 2020).

The 2,857 thousand Euro increase in "Services" is a result of higher variable costs linked to increased volumes of sale (external work and third-party services).

27. PERSONNEL COSTS

"Personnel costs" amounted to 23,117 thousand Euro, up by 3,268 thousand Euro compared with 2020, and break down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Salaries and wages	17,561	14,696	2,865
Social security contributions	4,445	4,075	370
Post-employment benefit reserve	1,044	1,044	-
Other costs	67	34	33
Total	**23,117**	**19,849**	**3,268**

The change recorded in 2021 with respect to the previous year is mainly due to the return to full-swing operation of factories.

“Social security contributions” include costs for defined contribution plans for management (Previndai pension plan) amounting to 47 thousand Euro (45 thousand Euro at 31 December 2020).

The average number of employees in 2021 and 2020 is shown below:

	2021	2020	Change
Managers	11	12	(1)
Clerical staff	184	182	2
Manual workers	117	123	(6)
Total	**312**	**317**	**(5)**

The average number of employees decreased by 5 individuals compared to 2020.

The exact number of employees at the end of 2021 was 310 individuals, compared with 311 individuals at 31 December 2020. Movements in 2021 saw the entry of 24 new employees (all clerical staff) and the exit of 25 people (including 1 manager, 17 clerical staff and 7 workers).

28. MISCELLANEOUS MANAGEMENT COSTS AND OTHER OPERATING INCOME

Miscellaneous management costs presented a balance of 466 thousand Euro, compared with 403 thousand Euro in 2020, and break down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Other taxes and duties	(171)	(157)	(14)
Membership fees	(117)	(134)	17
Miscellaneous	(178)	(112)	(66)
Total	**(466)**	**(403)**	**(63)**

Other operating income amounted to 7 thousand Euro, compared with 8 thousand Euro in the previous year, and breaks down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Capital gains on the sale of assets	7	5	2
Collection of doubtful receivables	-	3	(3)
Total	**7**	**8**	**(1)**

29. DEPRECIATION, AMORTISATION AND IMPAIRMENT

(Euro /000)	31 December 2021	31 December 2020	Change
Intangible assets	1,659	1,473	186
Tangible assets	3,112	3,002	110
Usage rights	249	239	10
Total	**5,020**	**4,714**	**306**

Equal to 5,020 thousand Euro, 306 thousand Euro higher than on 31 December 2020. There were no write-downs in 2021 and 2020.

A new building was constructed in Provaglio d'Iseo in 2021, containing offices. Use of the new building began on 20 December 2021, and on the same date the entire investment was capitalised and the corresponding depreciation recorded in the income statement.

Since 1 January 2019, moreover, the item also includes amortisation of usage rights in accordance with accounting standard IFRS16, totalling 249 thousand Euro at 31 December 2021 (239 thousand Euro at 31 December 2020).

30. GAINS AND LOSSES FROM FINANCIAL ASSETS/LIABILITIES

"Gains from financial assets" totalled 1,500 thousand Euro, as compared to 1,719 thousand Euro in 2020, and break down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Cash management			
Income from cash management	2	8	(6)
Other financial income	15	6	9
Medium-/long-term interest	(312)	(322)	10
Short-term interest	(7)	(17)	10
Interest from subsidiaries	-	(1)	1
Factoring interest and fees	-	(1)	1
Other financial charges	(225)	8	(233)
Total income (charges) from cash management	**(527)**	**(319)**	**(208)**
Currency transactions			
Exchange gains	109	207	(98)
Positive currency valuation differences	573	4	569
Exchange losses	(350)	(208)	(142)
Negative currency valuation differences	-	(166)	166
Total other income (charges) from currency transactions	**332**	**(163)**	**495**
Other			
Gains from disposal of financial assets	-	10	(10)
Dividends from equity investments	1,700	2,200	(500)
Value adjustments on non-current assets	-	(4)	4
Interest on financial payables due to leasing under IFRS 16	(5)	(5)	-
Total other financial income (charges)	**1,695**	**2,201**	**(506)**
Total	**1,500**	**1,719**	**(219)**

The item includes dividends received by Gefran Group companies totalling 1,700 thousand Euro (2,200 thousand Euro in 2020), broken down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Gefran Siei Asia (Singapore)	500	1,500	(1,000)
Gefran Soluzioni S.r.l. (Italy)	300	-	300
Gefran Deutschland Gmbh (Germany)	700	500	200
Gefran Benelux	200	200	-
Total	**1,700**	**2,200**	**(500)**

Medium/long term financial charges decreased by 10 thousand Euro, primarily due to completion of repayment of a number of loans.

The item “Other financial charges” (negative by 225 Euro in 2021) refers to the recognition of a provision for interest on arrears in connection with the pending legal dispute relating to the equity investment of Gefran Brasil.

The balance of differences in currency transactions is positive by 332 thousand Euro, as compared to a negative balance of 163 thousand Euro in 2020; the change is a result of dynamics in the Euro exchange rate.

There are no “Value adjustments for non-current assets”, an item which amounted to 4 thousand Euro on 31 December 2020; this item may be broken down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Ensun S.r.l.	-	(4)	4
Total	**-**	**(4)**	**4**

For further details, refer to note 12, “Shareholdings valued at purchase cost”, of these notes to the accounts.

31. INCOME TAXES, DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The item "Taxes" is negative by 2,509 thousand Euro, as compared to a negative balance of 1,257 thousand in the year 2020, and may be broken down as follows:

(Euro /000)	31 December 2021	31 December 2020	Change
Current taxes			
IRES (corporate income tax)	(2,056)	(220)	(1,836)
IRAP (regional production tax)	(651)	(211)	(440)
Total current taxes	**(2,707)**	**(431)**	**(2,276)**
Deferred taxes			
Deferred tax liabilities	(6)	-	(6)
Deferred tax assets	204	(826)	1,030
Total deferred taxes	**198**	**(826)**	**1,024**
Total taxes	**(2,509)**	**(1,257)**	**(1,252)**

Current taxes amounted to 2,707 thousand Euro 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 due to the better results achieved by Gefran S.p.A., in addition to offsetting a lower amount of previous losses, 400 thousand Euro (4,567 thousand Euro in 2020).

The balance of the item deferred tax assets and deferred taxes was positive by 198 thousand Euro, as compared to a negative balance of 826 thousand Euro on 31 December 2020; the change is a result of use of deferred tax assets entered in relation to the provision for write-down of inventory and the provision for legal disputes.

It should be noted that in 2019 and 2020 the Parent Company Gefran S.p.A. was assessed by the tax authorities, investigating intercompany (Transfer Price) transactions and the transfer of know-how related to trademarks, relating to the 2016-2017-2018 fiscal years. This procedure was concluded in 2021 and, on the basis of the information obtained by the Company to date, no risk factors have been identified for which specific provisions should be recorded.

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 2021	31 December 2020
Profit (loss) before tax	11,714	7,537
Theoretical income taxes	(2,811)	(1,809)
Effect from use of losses carried forward	96	1,070
Net effect of permanent differences	913	731
Net effect of temporary deductible and taxable differences	(299)	(208)
Effect of taxes from previous years	45	(4)
Current taxes	**(2,056)**	**(220)**
Income tax – deferred tax assets/liabilities	158	(860)
Income tax entered in the financial statement (excluding current and deferred regional production tax IRAP)	**(1,898)**	**(1,080)**
IRAP - current taxes	(651)	(211)
IRAP – deferred tax assets/liabilities	40	34
Recognised income taxes (current and deferred)	**(2,509)**	**(1,257)**

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 2020	Posted to the income statement	Recognised in shareholders' equity	Exchange rate differences	Other changes	31 December 2021
Deferred tax assets						
Impairment of inventories	630	254	-	-	-	884
Impairment of trade receivables	217	-	-	-	-	217
Impairment of assets	535	-	-	-	-	535
Deductible losses to be brought forward	166	(166)	-	-	-	-
Exchange rate balance	1	(1)	-	-	-	-
Provision for product warranty risk	263	32	-	-	-	295
Provision for miscellaneous risks	167	85	(8)	-	-	244
Fair value hedging	79	-	(58)	-	-	21
Total deferred tax assets	**2,058**	**204**	**(66)**	**-**	**-**	**2,196**
Deferred tax liabilities						
Exchange valuation differences	(2)	(6)			(3)	(11)
Total deferred taxes	**(2)**	**(6)**	**-**	**-**	**(3)**	**(11)**
Net total	**2,056**	**198**	**(66)**	**-**	**(3)**	**2,185**

The IRES tax losses recognised among deferred tax assets refer to all existing tax losses, and this amount was recovered in full in 2020.

Deferred tax assets and deferred tax liabilities for the year 2020 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**
Deferred tax liabilities						
Exchange valuation differences	-	-	-	-	(2)	(2)
Total deferred taxes	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Net total	**2,849**	**(826)**	**35**	**-**	**(2)**	**2,056**

32. GUARANTEES GRANTED, COMMITMENTS AND OTHER CONTINGENT LIABILITIES

A. GUARANTEES GRANTED

At 31 December 2021, Gefran S.p.A. did not guarantee the debts or commitments of third parties or subsidiaries.

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 469 thousand Euro in the year 2020 (466 thousand Euro on 31 December 2020).

At 31 December 2021, the total value of the Company's commitments was 534 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 495 thousand Euro at 31 December 2020). 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 2021 and 2020, 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/en/gb/governance, "Documents and procedures" section.

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			
2020	1	-	1
2021	-	-	-
Service costs			
2020	(67)	(134)	(201)
2021	-	(147)	(147)

(Euro /000)	Marfran S.r.l.	Climat S.r.l.	Total
Property, plant, machinery and tools			
2020	-	140	140
2021	-	188	188
Trade payables			
2020	16	157	173
2021	-	97	97

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 2021 Gefran S.p.A. earned 1,700 thousand Euro in dividends from subsidiaries (2,200 thousand Euro in 2020).

Members of the Board of Directors and the Board of Statutory Auditors and managers with strategic responsibilities were paid the following aggregate remuneration: 1,316 thousand Euro included in personnel costs and 1,355 thousand Euro included in service costs (977 thousand Euro included in personnel costs and 1,079 thousand Euro included in service costs in 2020).

Please note that the information required by art. 123-bis of 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 Group's Chief Sales Officer and the Sensors Business Unit General Manager, as well as 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 2021 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 2021
Accounts audit	PwC S.p.A.	102
External audit Non-Financial Statement	PwC S.p.A.	19
Certification services	PwC S.p.A.	8
Other services	PwC S.p.A.	22
Total		**151**

35. EVENTS AFTER 31 DECEMBER 2021

With regard to operating performance at the beginning of 2022, we refer to the paragraphs on "Significant events after the end of 2021" and "Outlook for the year" contained in the Report on Operations.

In view of the recent political developments related to the Russia-Ukraine conflict, it should be noted that the Group does not own strategic assets in the territories currently involved and that sales in these regions are limited. Although the scenario may evolve further, in light of the current forecasts, Gefran does not consider the hostilities that have occurred to have a significant impact on its activities and consequently its ability to generate income.

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' Regulation, the Board of Directors decided to take advantage of the option to derogate from the obligation to publish the information documents prescribed in relation to significant mergers, spin-offs, capital increases through contribution in kind, acquisitions and disposals.

Provaglio d'Iseo, 10 March 2022

For the Board of Directors

The 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 01.01.2021 and 31.12.2021.

There are no significant events to report in this regard.

They further certify that

/ the **Annual financial statements** at 31 December 2021 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, 10 March 2022

Chief Executive Officer	The Executive in charge of financial reporting
MARCELLO PERINI	**FAUSTA COFFANO**

EXTERNAL AUDITOR'S 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 2021, 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 2021, 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 2021 is Euro 5,894 thousand (3,4% of total assets and 6,8% 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. Management has developed a sensitivity analysis 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 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 2021 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. We reviewed the sensitivity analysis developed by management 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 on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Gefran SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

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 2021, 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 2021 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 2021 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, 31 March 2022

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 CONSOLIDATED NON-FINANCIAL STATEMENTS

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

To the Board of Directors of Gefran SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Gefran SpA and its subsidiaries (the "Group") for the year ended 31 December 2021 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 10 March 2022 (the "NFS").

Our review does not extend to the information set out in the paragraph "11. Taxonomy regulation art. 8" of the NFS, required by article 8 of European Regulation 2020/852.

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 articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016, and updated to 2020, 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 and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC 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 detail, 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 standard 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 the information reported in the Group's Consolidated Financial Statements*;*
4. understanding of the following matters:
    a. business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
    b. policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
    c. key risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

    With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In detail, we held meetings and interviews with the management and with the personnel of Gefran SpA 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 group 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 its 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 Gefran SpA, which was selected on the basis of its activities, its contribution to the performance indicators at a consolidated level and its location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Gefran Group for the year ended 31 December 2021 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.

Our conclusions on the NFS of Gefran Group do not extend to the information set out in the paragraph "11. Taxonomy regulation art. 8" of the NSF, required by article 8 of European Regulation 2020/852.

Brescia, 31 March 2022

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

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 2021 translation

EXTERNAL AUDITOR'S REPORT ON THE ANNUAL 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 2021, 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 2021, 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.

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, less any impairment losses, which are recognized in the income statement. The carrying amount as of 31 December 2021 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. Management has developed a sensitivity analysis 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 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 2021 with the related budget data. We reviewed the sensitivity analysis developed by management 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 on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Gefran SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

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 2021, 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 2021 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 2021 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, 31 March 2022

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 2021, 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 and with the guidelines contained in the Code of Corporate Governance.
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 held on 28 April 2021.
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 about the agenda items, as well as the meetings held by the Control and Risk Committee, the Appointments and Remuneration Committee, and the Sustainability Committee, and we have obtained from the Directors periodic information 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 10 March 2022, 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 SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

The Company has prepared its **2021 financial statements** according to the international accounting standards (IAS/IFRS). These financial statements were submitted for an

independent audit conducted by PricewaterhouseCoopers SpA, which issued its Report on 31 March 2022.
The Company has also prepared the **2021 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 conducted by PricewaterhouseCoopers SpA, which issued its Report on 31 March 2022.

In compliance with the provisions of the European Commission Delegated Regulation (EU) 2018/815, the Company prepared the **2021 financial statements and the 2021 consolidated financial statements according to the European Single Electronic Format (ESEF)**. The audit company PricewaterhouseCoopers SpA performed the dedicated audit procedures and confirmed the compliance with the provisions of the Delegated Regulation.

The Company has also prepared a **Consolidated Non-Financial Declaration as of 31/12/2021** 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 31 March 2022. 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 2021 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 2021 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 2022 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 2021 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	102
Accounts audit	Pwc Spa	Subsidiaries	63
Accounts audit	Pwc network	Subsidiaries	184
External audit Non-Financial Statement	Pwc Spa	Parent Company	19
Certification services.	Pwc Spa	Parent Company	8
	Pwc Spa	Subsidiaries	7
Other services	Pwc Spa	Parent Company	22
Total Euro			405

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.

SIGNIFICANT TRANSACTIONS DURING THE 2021 FINANCIAL YEAR

Among the most relevant transactions reported for 2021, the following should be noted, referencing the Directors' Report on Operations for additional details:

- On 27 April 2021, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:
  Approve the financial statements for the year 2021 showing a profit of 6,279,771 Euro and distribute a gross dividend of 0.26 Euro per share, allocating the amount corresponding to the portion of the net profit after distribution to previous years' profits.
  Appoint the Board of Statutory Auditors for the 2021-2024 three-year period, in the persons of Roberta Dell'Apa (Chair of the Board of Statutory Auditors), Luisa Anselmi (Statutory Auditor), Primo Ceppellini (Statutory Auditor), Simona Bonomelli (Deputy Auditor) and Stefano Guerreschi (Deputy Auditor).
  Revoke the previous authorisation for the purchase and sale of own shares approved by the resolution of the Shareholders' Meeting of 28 April 2020 and authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares, or a different number representing 10 % of the share capital, for a period of 18 months from the date of the Shareholders' Meeting.
  Pursuant to art. 123-ter TUF, the shareholders voted in favour of the General Remuneration Policy adopted by the Gefran Group.

- On September 30, 2021, the ordinary Shareholders' Meeting of Gefran SpA resolved to distribute an extraordinary dividend of 0.33 Euro per share, using a portion of the earnings reserve from previous years.

SUPERVISORY ACTIVITY

- 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** and **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-accounting system**, as well as the reliability thereof, in correctly representing the operational facts; this was accomplished by obtaining information from the executive in charge of financial reporting, reviewing the company's documentation, and analysing the results of the work carried out by the external auditors PricewaterhouseCoopers SpA. The CEO and the executive in charge of financial reporting have declared, in an appropriate report attached to the 2021 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 executive in charge of financial reporting. Participation in meetings of 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 met with the Sole Auditor of the Italian subsidiaries and no significant data and information emerged worthy of mention in this report
- We have monitored the methods applied to the enactment of the Corporate Governance Code adopted by the Company, in accordance with the Report on Corporate Governance and Ownership Structure approved by the Board of Directors on 10 March 2022. In particular, with reference to the specific recommendations, within the area of competence of the Board of Statutory Auditors, please be informed that:

1. we have checked the correct application of the criteria and procedures for the assessment of independence adopted by the Board of Directors;
2. 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 1 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 issued 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.
- 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 681,000 Euro.
- 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.
- In the 2021 Financial Report, the Company provided, as far as possible at the date of preparation of the same, information on the current and future effects deriving from the **ongoing conflict in Ukraine**, as per Consob's Reminder of 18 March 2022, believing that the ongoing hostilities cannot have a significant impact on its activities and on its ability to generate income; the Group does not own strategic assets in the territories currently affected by the conflict and commercial activities in these regions are limited. The credit risk for Gefran is not considered to be significant. In general terms, the conflict could generate a further increase in the cost of raw materials and a further increase in energy prices, having repercussions on overall growth estimates and on the increase in inflation.
- Finally, we agree with the Directors' opinion **considering the company to be a going concern**, as 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.

ATTENDANCE AT MEETINGS

During the year 2021, the Board of Statutory Auditors met 8 times and attended 8 meetings held by the Board of Directors, meetings held by the Control and Risk Committee, 3 meetings held by the Appointments and Remuneration Committee, and 2 meetings held by the Sustainability Committee.

* * *

Based on its own activity and on the acquired information, the Board of Statutory Auditors has found no omissions, reprehensible facts, irregularities, or any circumstance that would require reporting to the supervisory body or mentioning in this Report.

The Board of Statutory Auditors, acknowledging the financial statements at 31 December 2021, has no objections regarding the proposal for resolutions submitted by the Board of Directors.

Brescia, 31 March 2022

THE BOARD OF STATUTORY AUDITORS

Roberta Dell'Apa	Chair
Luisa Anselmi	Standing Auditor
Primo Ceppellini	Standing Auditor

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

www.gefran.com

EDITORIAL COORDINATION
Gefran

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