GEFRAN GROUP

ANNUAL FINANCIAL REPORT

AT 31 DECEMBER

2023

GEFRAN
BEYOND TECHNOLOGY

CONTENTS

NOTICE OF CALL

The notice of call to the meeting that will be called to approve the financial statements as at 31 December 2023 is available on the Company's website (www.gefran.com) in the investor relations/governance/ meetings section (at **https://www.gefran.com/governance/shareholders-meetings/**).

Below are the agenda items relating to the approval of the annual financial statements as of 31 December 2023 and the allocation of profit for the year:

1. Financial statements for the year ending 31 December 2023.

Approval of the annual financial statements as of 31 December 2023, 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 2023. Presentation of the Non-financial Statement prepared under Italian Legislative Decree no. 254/2016. Related and consequent resolutions.

2. Allocation of profit for the year ending on 31 December 2023.

Approval of the proposal for distribution of dividends. Related and consequent resolutions.

3. Allocation of profit for the year ending on 31 December 2023.

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

ANNUAL FINANCIAL REPORT

AT 31 DECEMBER 2023

LETTER FROM THE CHAIRWOMAN AND CEO

Dear Shareholders,

We are pleased to present the 2023 Financial Report looking back at the year that just ended. We closed a financial year that consolidated the exceptional results of the previous 24 months, having protected our margins and market shares.

Last year will, unfortunately, also be remembered as the year in which our founder, father and Honorary President Ennio Franceschetti, passed away; the entire company commiserated with the family, remembering the values and strength of a man who deeply influenced Gefran, but also left his dreams and aspirations with the company.

We believe that Gefran has been built on solid foundations that form the basis of past and future successes and remain determined to run the company in which you are shareholders.

Let's make some reflections on the business events of last year: from the first half of the year, it was evident that the macroeconomic situation was deteriorating, and we were confronted from the end of the semester with signs of a general slowdown in order intake..

Germany is lagging and is in recession, while China only showed signs of a possible upturn at the end of the year.

In the international context of a high inflationary economy and rising interest rates at Gefran, we have chosen to stay true to our commitments in terms of product development, delivery times, investments, and projects, including in the area of sustainability.

We have been able to carry out our plan, thanks to focused cost control and change management actions. Hence, during the year, the Group integrated highly competent and experienced international figures and strengthened leadership in the most significant subsidiaries.

The financial and equity strength that characterizes the Group, allows us to face the coming months with serenity, certain that investing in people and assets as we are doing will allow us to create more and more consistent value although the growth that our company has in the ropes and has planned may not be reflected in the numbers in light of international macroeconomic scenarios..

Last April, the shareholders' meeting appointed the new administrative body which, since its inauguration, has worked very hard to understand the dynamics of Gefran and is actively supporting the Group's operational and strategic development.

We have therefore approved an ambitious growth plan, centred on three strategic priorities: expanding the spectrum of industrial applications we can cover with our products, strengthening our international presence and maintaining a strong focus on innovation.

We keep pace with the macro-trends involving the world of programmable automation: digitization, data management, and the evolution of algorithms to manage them - aimed, among other things, at predictive maintenance - expand the number of applications on which our products can be targeted. It is therefore essential that products innovate to meet these new requirements.

In this context, we remain active in seeking growth opportunities, including through external lines that are consistent with these planned strategic changes and are capable of accelerating their execution.

Also with a view to making the most of some of the technological trends mentioned, in late 2023 we acquired part of the share capital of RAW (Robot At Work S.r.l.). This young company dynamically designs and constructs robot cells and adopts innovative approaches, through virtual commissioning based on the digital duals of its installations.

Now let us close with a few notes on the shares: during 2023 the buy-back plan continued until December (which at the end of the year saw Gefran S.p.A. hold 198,405 shares). The performance of the company's share in 2023 was affected by the overall trend on benchmark index, resulting in decreasing of volumes and of average value compared to the previous year.

Finally, the Board of Directors has resolved, and proposed to the Shareholders' Meeting, the distribution of a dividend of 0.42 Euro per share, in line with expectations and higher than last year.

We thank you for your trust in Gefran and assure you of our utmost commitment to ensuring the Group's long-term sustainable growth.

Chairwoman	Chief Executive Officer
Maria Chiara Franceschetti	**Marcello Perini**

CORPORATE BODIES

Board of Directors

Chairwoman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairwoman	Giovanna Franceschetti
Chief Executive Officer	Marcello Perini
Director	Alessandra Maraffini (*)
Director	Enrico Zampedri (*)
Director	Cristina Mollis (*)
Director	Giorgio Metta (*)
Director	Luigi Franceschetti

(*) 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
Deputy auditor	Stefano Guerreschi
Deputy auditor	Simona Bonomelli

Control and Risks Committee

Alessandra Maraffini
Luigi Franceschetti
Enrico Zampedri

Appointments and Remuneration Committee

Cristina Mollis
Giorgio Metta
Enrico Zampedri

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 Financial Statements 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 no. 39/2010.

The **Board of Directors** currently in office has nine members, as resolved by the 21 April 2023 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 2025 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. At its meeting on 21 April 2023, the Board of Directors granted powers of legal representation and other powers to Chair 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 10 times in 2023.

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 nine times in 2023.

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 21 April 2023, the Board of Directors appointed the members of the committee, as stated at the beginning of this paragraph.

The Committee met six times in 2023.

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 executives 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 21 April 2023, the Board of Directors appointed new members of the committee, as listed at the beginning of this paragraph.

The Committee met four times in 2023.

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.

In its meeting of 21 April 2023, the Board of Directors appointed new members of the committee, as described at the beginning of this paragraph.

The Committee met two times in 2023.

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 another company are inapplicable:

- 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

Unless specified otherwise, the amounts shown below refer solely to continuing operations, as described in the introduction to the Report on Operations.

Group income statement highlights

(Euro /000)	31 December 2023		31 December 2022		4Q 2023		4Q 2022	
Revenues	132,778	100.0%	134,427	100.0%	31,552	100.0%	32,878	100.0%
EBITDA	24,145	18.2%	24,636	18.3%	4,468	14.2%	3,642	11.1%
EBIT	16,550	12.5%	17,514	13.0%	2,495	7.9%	1,795	5.5%
Profit (loss) before tax	16,780	12.6%	17,636	13.1%	2,758	8.7%	998	3.0%
Result from operating activities	11,858	8.9%	13,452	10.0%	2,125	6.7%	1,425	4.3%
Net profit (loss) from assets held for sale and discontinued operations	(205)	-0.2%	(3,464)	-2.6%	2	0.0%	567	1.7%
Group net profit (loss)	11,653	8.8%	9,988	7.4%	2,127	6.7%	1,992	6.1%

Group statement of financial position highlights

(Euro /000)	31 December 2023	31 December 2022
Invested capital from operations	71,279	62,695
Invested capital from assets held for sale and discontinued operations	-	3,758
Net working capital	22,136	21,602
Shareholders' equity	93,941	90,723
Net debt relating to operations	22,662	24,270

(Euro /000)	31 December 2023	31 December 2022
Operating cash flow from operations	20,099	22,989
Operating cash flow from assets held for sale and discontinued operations	-	(3,085)
Investments in operations	10,563	6,316
Investments in assets held for sale and discontinued operations	-	646

ALTERNATIVE PERFORMANCE INDICATORS

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

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

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

/ **EBITDA**: this is EBIT before depreciation, amortisation and impairment. The purpose of this indicator is to present the Group's operating profitability before the main non-monetary items;

/ **EBIT:** operating result before financial management and taxes. The purpose of this indicator is to present the Group's operating profitability.

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

/ Net non-current assets: the algebraic sum of the following items in the statement of financial position:

- Goodwill
- Intangible assets
- Property, plant, machinery and tools
- Shareholdings valued at equity
- Equity investments in other companies
- Receivables and other non-current assets
- Deferred tax assets

/ **Working capital**: the algebraic sum of the following items in the statement of financial position:

- Inventories
- Trade receivables
- Trade payables
- Other assets
- Tax receivables
- 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

1

REPORT ON OPERATIONS

1 INTRODUCTION

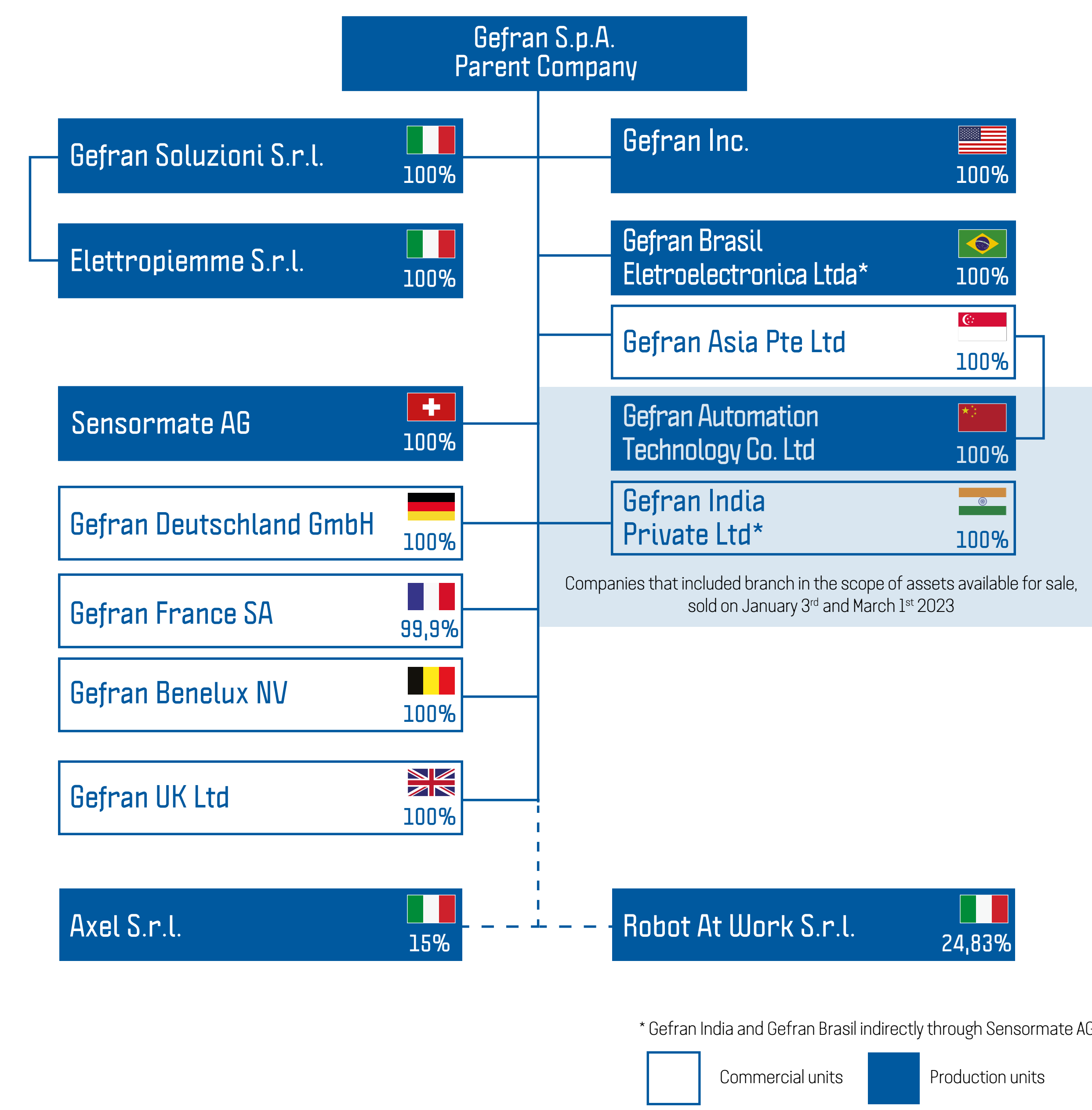
This annual financial report is structured as follows in line with the Annual financial report as at 31 December 2022 and with the half-yearly financial report as of 30 June 2023, in light of the sale of the motion control business to the Brazilian Group WEG S.A.

The scope of the transaction, defined through the framework agreement signed on 1 August 2022 and carried out in several stages until its conclusion in the first quarter of 2023, included the subsidiaries Gefran Drives and Motion S.r.l., with registered office in Gerenzano (Italy), Siei Areg GmbH, with registered office in Pleidelsheim (Germany), whose shares were sold on 3 and 4 October 2022, respectively. The operation also included the business units relating to the motion control business of Gefran Siei Drives Technology Co. Ltd (now called Gefran Automation Technology Co. Ltd), with registered office in Shanghai (China) and Gefran India Private Ltd, with registered office in Pune (India), subsequently sold, specifically on 3 January and 1 March 2023.

Consistent with the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations", the economic results, as well as the assets and liabilities of this disposal group have been classified separately, in specific lines of the income statement and the statement of financial position.

This Report therefore focuses on the performance of continuing operations, while the operational results from the assets held for sale and subsequently discontinued are described in separate paragraphs.

2 GROUP STRUCTURE



3 GEFRAN GROUP ACTIVITIES

The Gefran Group operates in two main business areas: industrial sensors and automation components. For each of them, it carries out design, production and marketing activities through various sales channels. It should be noted that, following the operation described above, this Report classifies the assets connected to the motion control business as "Held for sale", pursuant to IFRS 5. The business was subject to the sale signed with the framework agreement of 1 August 2022 and concluded during the first quarter of 2023.

The Group offers a complete range of products and tailored turnkey solutions in numerous automation sectors. About 67% of 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. Gefran is world leader in certain product families. The sensors business generates about 77% of its revenues abroad.

Automation components

The electronic components business for automation is organized 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 41% of its revenues through exports.

4 BREAKDOWN OF THE GROUP'S MAIN ACTIVITIES

Company	Production of sensors	Production of automation components	Central services	Marketing
Gefran S.p.A.	×	×	×	×
Gefran Soluzioni S.r.l.		×		×
Elettropiemme S.r.l.		×		×
Gefran Inc	×			×
Gefran France SA				×
Gefran Deutschland GmbH				×
Gefran Brasil Electroelectronica Ltda		×		×
Gefran UK Ltd				×
Gefran Benelux NV				×
Gefran Asia Pte Ltd				×
Gefran Automation Technology Co. Ltd	×			×
Gefran India Private Ltd				×
Sensormate AG	×			×
Axel S.r.l.		×		×
Robot At Work 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 2023, is provided below.

The parent company **Gefran S.p.A.**, with registered office in Provaglio d'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 S.p.A. operates through its offices in Via Sebina, Via Cave and Via Galvani, all in Provaglio d'Iseo (BS).

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. On 23 January 2019 it purchased 100% of the shares in the company Elettropiemme S.r.l., previously 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, photovoltaics and energy efficiency equipment.

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, for which it is one of the leading producers on US soil. It sells its own products in North America, as well as the Gefran Group's sensors and automation components products.

Gefran France SA, 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 AG. 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. Acquired in 2013, it took on its current form in 2014, following the merger by acquisition of Gefran Suisse SA. The company produces load cells, strategic sensors completing the Group's range in the business line. 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.

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

Gefran Automation Technology Co. Ltd, with its registered office in Shanghai, China, is 100% owned by Gefran Asia Pte Ltd and indirectly owned by Gefran S.p.A. Since 2009, it has been assembling certain lines of sensors, mainly for the local market. The company branch dedicated to the design, production and sale of motion control products (in operation from 2004 to 2022), is included in the scope of the operation described in the introduction and was sold to WEG (Changzhou) Automation Equipment Co Ltd, the Chinese subsidiary of the WEG Group on 3 January 2023.

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. It should also be noted that from 2016 to 2022 it assembled drive business products intended for the lifting market in India, a business branch included in the scope of the transaction described in the introduction and sold to WEG Industries (India) Private Limited, the Indian subsidiary of the WEG group, on 1 March 2023.

The main associated companies at 31 December 2023 include:

/ **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 S.p.A. owns a 15% share.

/ **Robot At Work S.r.l., with its registered office in** Rovato (BS), a company that carries out the design, construction, sale and installation of industrial plants, including standard robotic cells, collaborative cells (which require the presence of an operator and industrial automation), visual control and Virtual Commissioning, in which Gefran S.p.A. holds 24.83% of the share capital.

5 INFORMATION ON SHAREHOLDERS AND STOCK PERFORMANCE

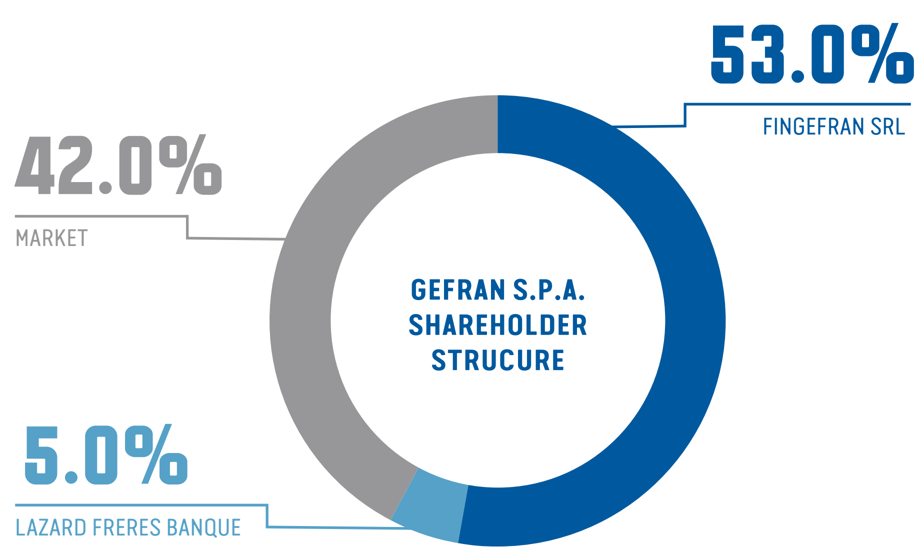
On 31 December 2023, the subscribed and paid-up share capital was 14,400,000.00 Euro, divided into 14,400,000 ordinary shares, with a nominal value of 1.00 Euro per share. No further financial instruments have been issued.

STRUCTURE OF SHARE CAPITAL

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

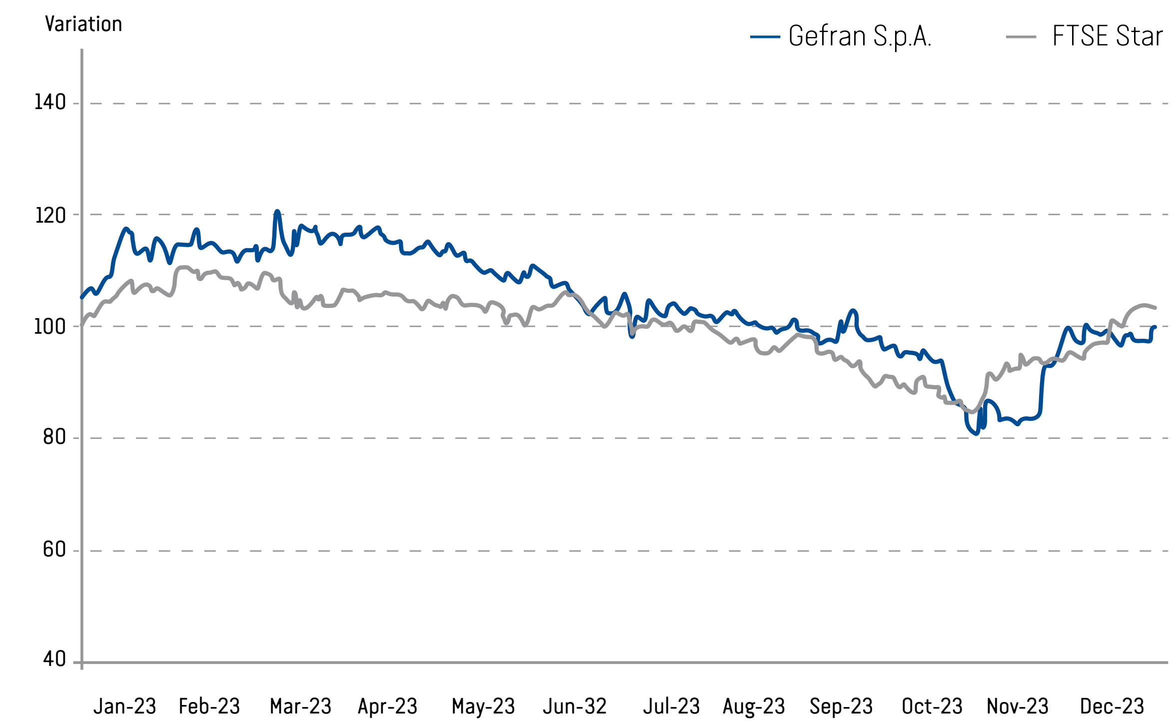
Gefran S.p.A. Shareholding Structure

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*.

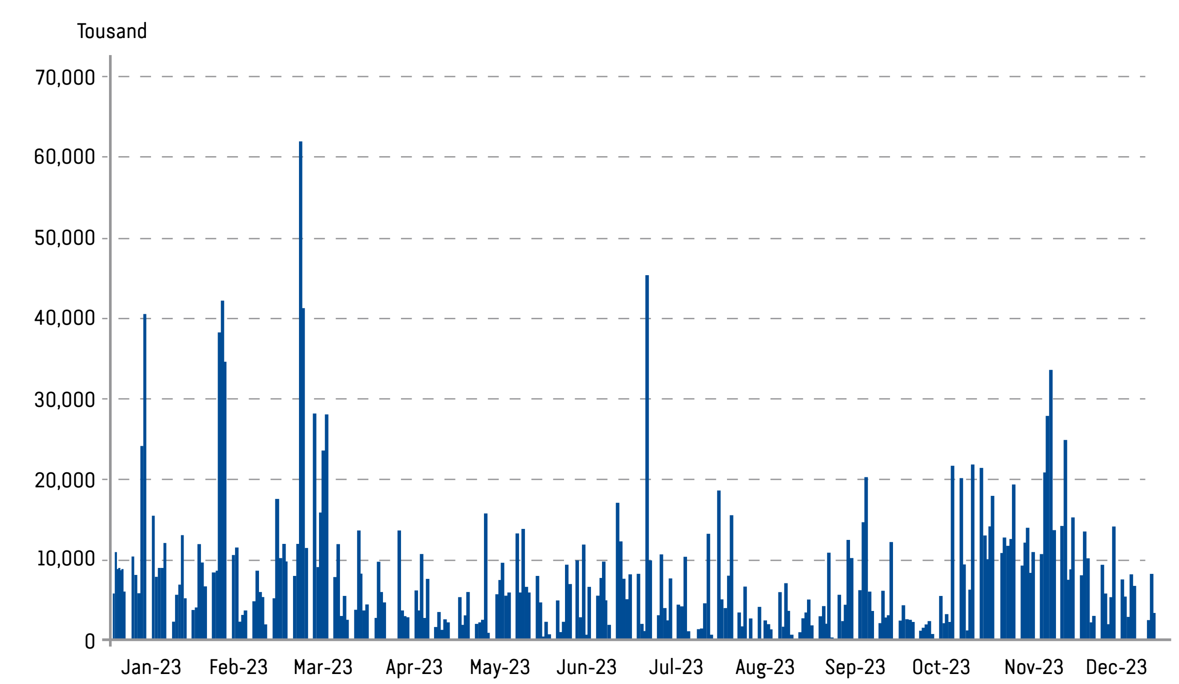


The performance of the stock and volumes traded in the last 12 months are summarised below:

GEFRAN S.P.A. STOCK PERFORMANCE



GEFRAN S.P.A. VOLUME PERFORMANCE



6 GEFRAN CONSOLIDATED RESULTS

With reference to the sale of the motion control business described in the introduction to this annual financial report, and consistent with the application of IFRS 5 "Non-current assets held for sale and discontinued operations", the economic results and asset/liability items associated with the agreement have been reclassified to specific lines of the income statement and statement of financial position.

Consequently, the following paragraphs of this document illustrate and discuss the results of continuing operations. The results of the assets reclassified as "Held for sale and discontinued" are described in separate paragraphs.

Consolidated income statement of the quarter

The income statement for the fourth quarter of 2023 is shown below, compared with the income statement for the fourth quarter of 2022.

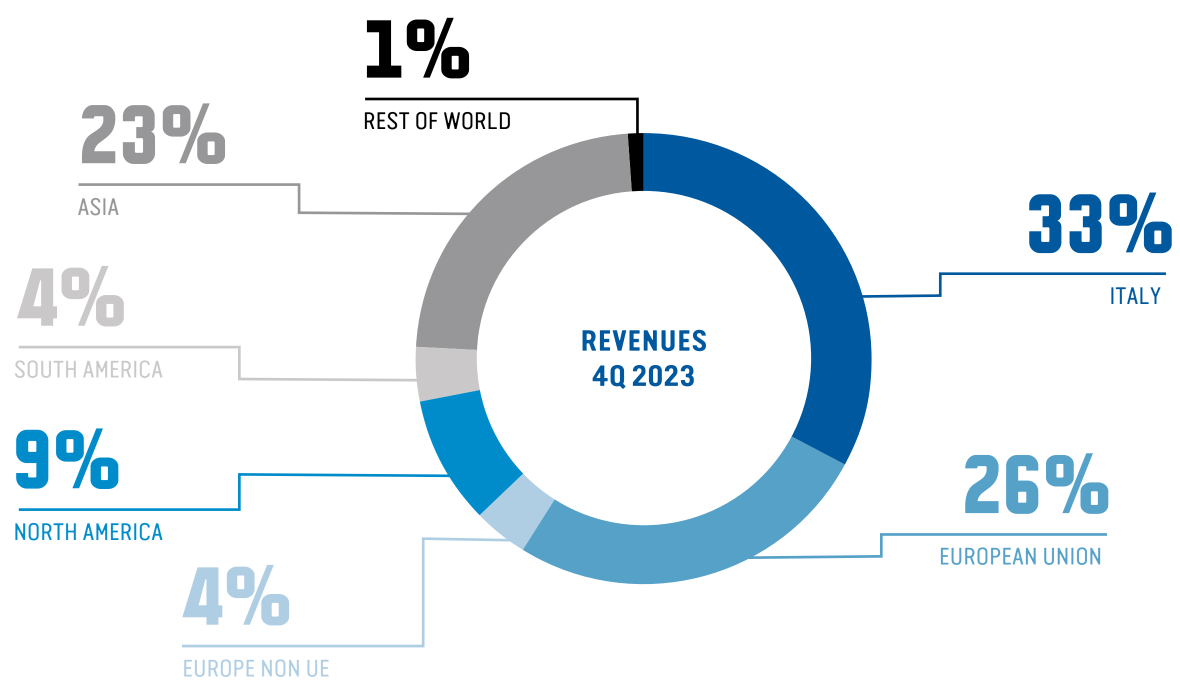
		4Q 2023	4Q 2022	Var. 2023-2022	
	(Euro /000)	Total	Total	Value	%
a	Revenues	31,552	32,878	(1,326)	-4.0%
b	Increases for internal work	628	223	405	181.6%
c	Consumption of materials and products	10,137	10,646	(509)	-4.8%
d	**Added Value (a+b-c)**	**22,043**	**22,455**	**(412)**	**-1.8%**
e	Other operating costs	5,678	5,973	(295)	-4.9%
f	Personnel costs	11,897	12,840	(943)	-7.3%
g	**EBITDA (d-e-f)**	**4,468**	**3,642**	**826**	**22.7%**
h	Depreciation, amortisation and impairment	1,973	1,847	126	6.8%
i	**EBIT (g-h)**	**2,495**	**1,795**	**700**	**39.0%**
l	Gains (losses) from financial assets/liabilities	251	(801)	1,052	131.3%
m	Gains (losses) from shareholdings valued at equity	12	4	8	n.s.
n	**Profit (loss) before tax (i±l±m)**	**2,758**	**998**	**1,760**	**176.4%**
o	Taxes	(633)	427	(1,060)	-248.2%
p	**Result from operating activities (n±o)**	**2,125**	**1,425**	**700**	**49.1%**
q	Net profit (loss) from assets held for sale and discontinued operations	2	567	(565)	-99.6%
r	**Group net profit (loss) (p±q)**	**2,127**	**1,992**	**135**	**6.8%**

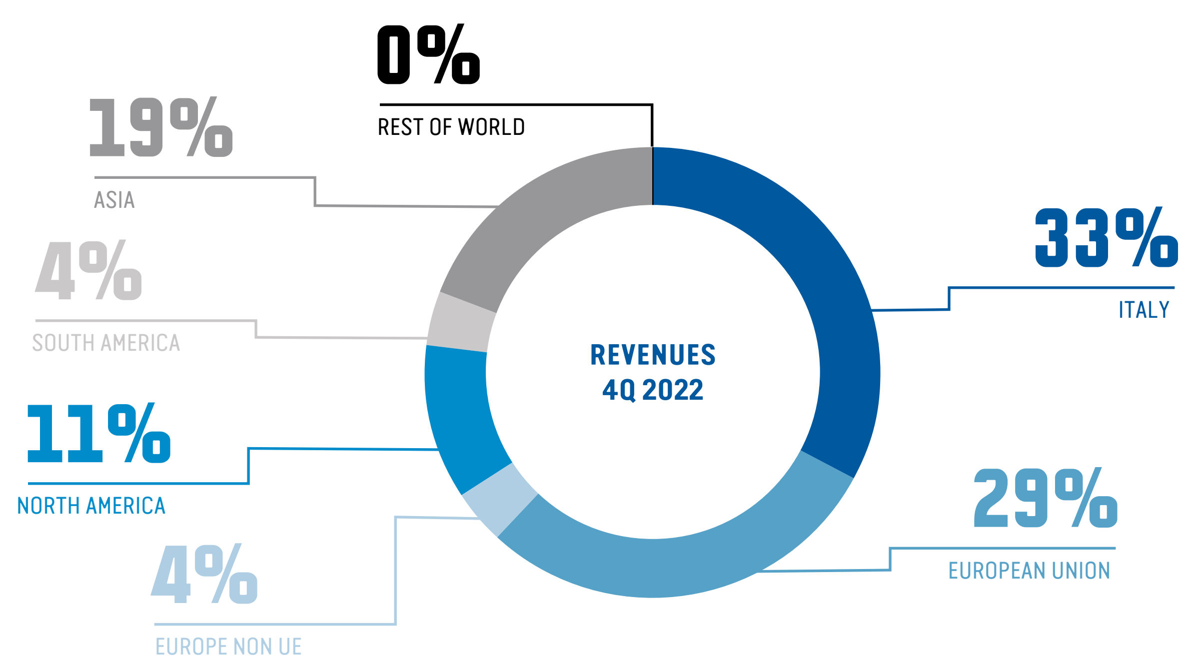
Revenues in the fourth quarter of 2023 amounted to 31,552 thousand Euro, compared to 32,878 thousand Euro in the same period of the previous year, down by 1,326 thousand Euro (equal to 4.0%), which would be 840 thousand Euro (equal to -2.6%) net of the negative effect of exchange-rate changes.

Order collection in the fourth quarter of 2023 was slightly lower than in the comparative period of 2022 (-2.2% overall), due to a decrease in sensors business (-3.3%). The orders acquired in the fourth quarter of 2023 for the automation components business are aligned with the data referring to the same previous period.

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

(Euro /000)	4Q 2023		4Q 2022		Var. 2023-2022	
	Value	%	Value	%	Value	%
Italy	10,444	33.1%	10,944	33.3%	(500)	-4.6%
European Union	8,346	26.5%	9,423	28.7%	(1,077)	-11.4%
Europe non-EU	1,126	3.6%	1,426	4.3%	(300)	-21.0%
North America	2,852	9.0%	3,410	10.4%	(558)	-16.4%
South America	1,335	4.2%	1,220	3.7%	115	9.4%
Asia	7,252	23.0%	6,350	19.3%	902	14.2%
Rest of the world	197	0.6%	105	0.3%	92	87.6%
Total	**31,552**	**100%**	**32,878**	**100%**	**(1,326)**	**-4.0%**





The breakdown of revenues for the quarter by **geographical area** shows a widespread decline in the main geographic areas served by the Group, and in particular in Italy (-4.6%), Europe (overall -12.7%) and America (overall -9.6%). In contrast, revenues generated in the Asia area are growing (+14.2%) compared to the same quarter in the previous year, which, net of the negative effect generated by the performance of foreign currencies (in particular the Indian Rupee and Chinese Renminbi), would be even stronger (+20.9%).

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 2023		4Q 2022		Var. 2023-2022	
	Value	%	Value	%	Value	%
Sensors	19,603	62.1%	20,614	62.7%	(1,011)	-4.9%
Automation components	13,669	43.3%	14,345	43.6%	(676)	-4.7%
Eliminations	(1,720)	-5.5%	(2,081)	-6.3%	361	-17.3%
Total	**31,552**	**100%**	**32,878**	**100%**	**(1,326)**	**-4.0%**

Revenues decreased both for the sensors business (-4.9%), where sales fell in Italy and especially in the European area, and for the automation components sector (-4.7%), due to the decrease in demand observed mainly in Italy and America.

Increases for internal work in the fourth quarter of 2023 amount to 628 thousand Euro, reflecting an increase compared with the same period in the previous year, which amounted to 223 thousand Euro. This item represents the new product development costs incurred in the period that have been capitalised.

Added value in the quarter amount to 22,043 thousand Euro (22,455 thousand Euro in the same quarter in 2022), corresponding to 69.9% of revenues and slightly better than in the same period in the previous year (+1.6%). The higher capitalisation recorded in the quarter and the improvement in margins realised on sales only partially offset the decrease in sales volumes and related revenues.

Other operating costs for the fourth quarter of 2023 amounted to 5,678 thousand Euro and are lower than the figure for fourth quarter of 2022, amounting to 5,973 thousand Euro, representing 18.0% of revenues, an improvement over the same period in the previous year (18.2%). Professional consultancy costs are increasing, while variable costs linked to production volume trends and in particular external processing are decreasing, as well as product warranty costs (also due to the release of provisions) and commercial costs for advertising and fairs.

Personnel costs pertaining to the quarter, equal to 11,897 thousand Euro, were 943 thousand Euro lower than in the comparative period of the previous year, when they totalled 12,840 thousand Euro. As a percentage of revenues, the ratio was 37.7% (39.1% in the fourth quarter of 2022). It should also be noted that in the fourth quarter of 2022, a one-off contribution was granted to all Group employees (a total of 1,300 thousand Euro), as an additional contribution to offset the significant increase in the cost of living and the impact on household budgets. This contribution was not replicated in the current quarter.

EBITDA in the fourth quarter of 2023 amounted to positive 4,468 thousand Euro (3,642 thousand Euro in the same quarter of 2022), corresponding to 14.2% of revenues (11.1% of revenues in 2022), which was 826 thousand Euro higher than in the same quarter of the previous year. The decrease in operating and personnel costs offset the decrease in added value, resulting in the improvement in the gross operating margin compared to the comparative quarter.

The item **depreciation, amortisation and impairment** amounts to 1,973 thousand Euro, compared with a value of 1,847 thousand Euro in the previous fourth quarter, an increase of 126 thousand Euro.

The **EBIT** in the fourth quarter of 2023 is positive at 2,495 thousand Euro (7.9% of revenues), as compared with an EBIT of 1,795 thousand Euro in the same period in 2022 (5.5% of revenues), a 700 thousand Euro increase. As with EBITDA, the change is related to the lower operating costs compared to the comparative quarter and is only partially affected by the higher depreciation/amortisation recorded.

Gains from financial assets/liabilities in the fourth quarter of 2023 equals 251 thousand Euro (in the fourth quarter of 2022 costs totalling 801 thousand Euro were recorded), including:

/ financial income of 545 thousand Euro, including 537 Euro deriving from liquidity management (up by 436 thousand Euro compared with the figure for the fourth quarter of 2022);

/ financial charges related to the Group's indebtedness amounting to 226 thousand Euro (144 thousand Euro up compared to the figures for the same period in 2022);

/ release of 98 thousand Euro of the provision prudently allocated in the first quarter of 2023, to terminate the tax audit carried out in 2019-2020 in respect of the Parent Company and for the tax periods 2016-2017-2018;

/ a negative result of 143 thousand Euro in differences in foreign currency transactions, as compared to a negative result of 879 thousand Euro in the previous fourth quarter. 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 IFRS 16 totalling 27 thousand Euro (8 thousand Euro in the fourth quarter of 2022).

Gains (losses) from shareholdings valued at equity reflects the results reported by Axel S.r.l. and amount to 12 thousand Euro. Income in the fourth quarter of 2022 total 4 thousand Euro.

/ **Taxes** had a negative balance of 633 thousand Euro in the quarter (as compared to a positive balance of 427 thousand Euro in the fourth quarter of 2022). The above amounts are analysed below:

/ current taxes were positive by 322 thousand Euro (negative by 144 thousand Euro in the fourth quarter of 2022).

/ net negative change in deferred tax assets and liabilities of 955 thousand Euro (net positive change of 571 thousand Euro in the fourth quarter of the previous year).

The **Result from operating activities** in the fourth quarter of 2023 amounted to 2,125 thousand Euro, compared with another positive result of 1,425 thousand Euro in the same period of the previous year, up by 700 thousand Euro.

The **Net profit (loss) from assets held for sale and discontinued** in the fourth quarter of 2023 was positive at 2 thousand Euro, compared with another positive result of 567 thousand Euro in the same period of the previous year. This refers exclusively to the adjustment of the results for the divested businesses, recognised in the first quarter of the year, to the average exchange rates in the period.

The **Group net profit (loss)** in the fourth quarter of 2023 amounted to 2,127 thousand Euro, compared with a net profit of 1,992 thousand Euro in the same period of the previous year. The change, which is positive in the amount of 135 thousand Euro, was mainly due to the improvement in the result from operating activities, partially affected by lower net profit from assets held for sale and discontinued, which in the fourth quarter of 2022 included the positive effects of the disposal of the business being sold (567 thousand Euro).

Progressive Consolidated Income Statement

The Group's results at 31 December 2023 are shown below, compared with those recorded at 31 December 2022.

	(Euro /000)	31 December 2023 Total	31 December 2022 Total	Var. 2023-2022 Value	Var. 2023-2022 %
a	Revenues	132,778	134,427	(1,649)	-1.2%
b	Increases for internal work	2,436	907	1,529	168.6%
c	Consumption of materials and products	41,106	39,958	1,148	2.9%
d	**Added Value (a+b-c)**	**94,108**	**95,376**	**(1,268)**	**-1.3%**
e	Other operating costs	22,921	23,545	(624)	-2.7%
f	Personnel costs	47,042	47,195	(153)	-0.3%
g	**EBITDA (d-e-f)**	**24,145**	**24,636**	**(491)**	**-2.0%**
h	Depreciation, amortisation and impairment	7,595	7,122	473	6.6%
i	**EBIT (g-h)**	**16,550**	**17,514**	**(964)**	**-5.5%**
l	Gains (losses) from financial assets/liabilities	200	98	102	104.1%
m	Gains (losses) from shareholdings valued at equity	30	24	6	25.0%
n	**Profit (loss) before tax (i±l±m)**	**16,780**	**17,636**	**(856)**	**-4.9%**
o	Taxes	(4,922)	(4,184)	(738)	-17.6%
p	**Result from operating activities (n±o)**	**11,858**	**13,452**	**(1,594)**	**-11.8%**
q	Net profit (loss) from assets held for sale and discontinued operations	(205)	(3,464)	3,259	94.1%
r	**Group net profit (loss) (p±q)**	**11,653**	**9,988**	**1,665**	**16.7%**

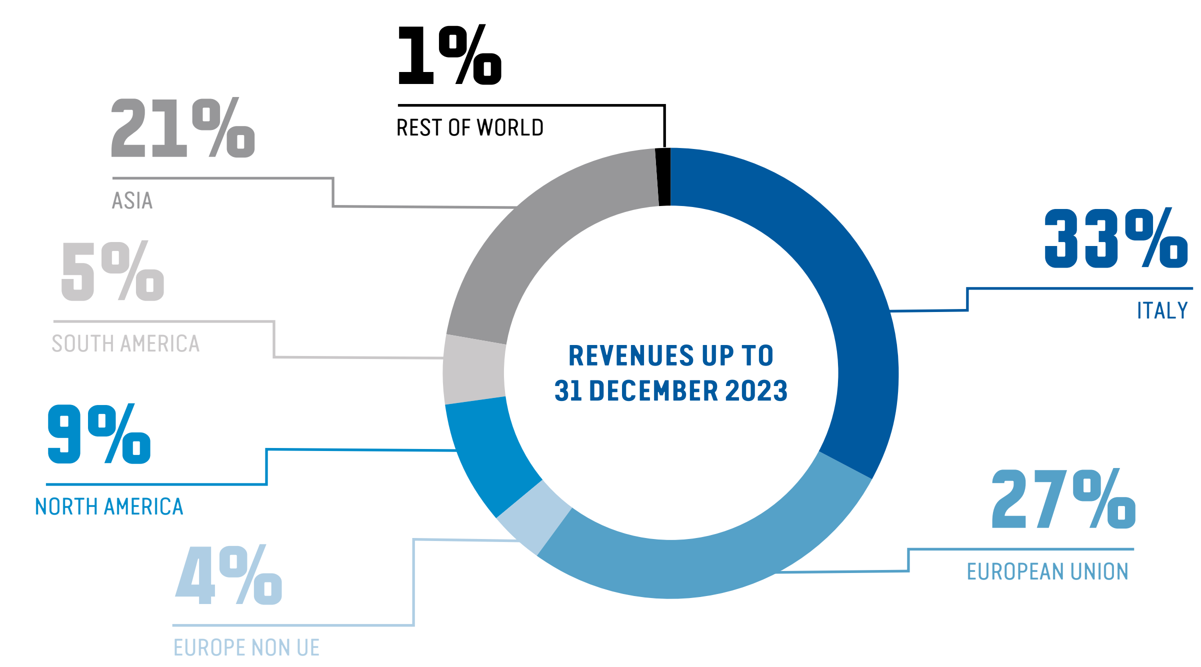
Revenues as of 31 December 2023 were 132,778 thousand Euro, compared with 134,427 thousand Euro in the previous year, revealing a decrease of 1,649 thousand Euro (equal to 1.2%). Net of the negative effect caused by the change in exchange rates, there was a slight growth in revenues compared to the previous year, amounting to 239 thousand Euro (0.2%).

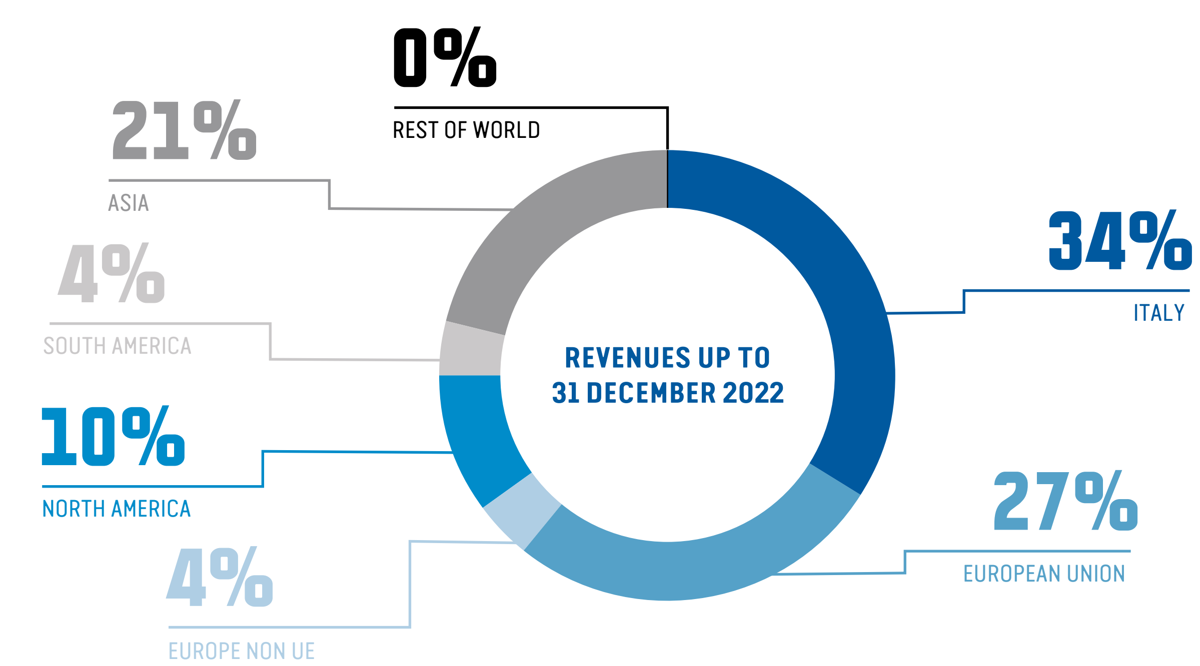
It should also be noted that the Group's revenues at 31 December 2022 included a total of 1,779 thousand Euro, partly related to the invoicing of services (regulated by specific contracts) to companies leaving the consolidation scope as a result of the sale of the motion control business to the WEG group (837 thousand Euro) and partly as a result of residual sales of motion control products not subject to restatement, as they related to companies excluded from the scope of sale of the business (942 thousand Euro). At 31 December 2023, these revenues totalled 943 thousand Euro (of which 161 thousand Euro for services and 782 thousand Euro for product sales). Net of these effects, the decrease in revenues recorded compared to the previous year is believed to be more limited and equal to 813 thousand Euro (-0.6%).

Analysing the order intake, at the end of the 2023 financial year there was a contraction compared to the 2022 figure, of 9.2%. This relates to both business lines: more markedly sensors (-11.3%), but to a lesser extent automation components (-5.2%). The decline is also reflected in the open order book, which is also down compared to the 2022 closing figure (-31.3%).

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

(Euro /000)	31 December 2023		31 December 2022		Var. 2023-2022	
	Value	%	Value	%	Value	%
Italy	44,193	33.3%	45,046	33.5%	(853)	-1.9%
European Union	36,305	27.3%	36,698	27.3%	(393)	-1.1%
Europe non-EU	5,142	3.9%	4,816	3.6%	326	6.8%
North America	12,529	9.4%	13,461	10.0%	(932)	-6.9%
South America	6,192	4.7%	5,690	4.2%	502	8.8%
Asia	27,726	20.9%	28,240	21.0%	(514)	-1.8%
Rest of the world	691	0.5%	476	0.4%	215	45.2%
Total	**132,778**	**100%**	**134,427**	**100%**	**(1,649)**	**-1.2%**





The breakdown of revenues by **geographical area** shows a widespread contraction. Revenues generated by the domestic market (-1.9%), those deriving from the Americas area (-2.2%, which, net of the negative effect of the currency trend, fell to -0.7%), as well as from the Asia area (-1.8%), which was particularly affected by the performance of the Indian Rupee and Chinese Renminbi, net of which revenues are instead believed to be growing (+4%). Essentially in line with the previous year, revenues generated from sales on the European market (-0.2%).

Below is the breakdown of revenues as of 31 December 2023 by **business area** and a comparison with the same period in the previous year:

(Euro /000)	31 December 2023		31 December 2022		Var. 2023-2022	
	Value	%	Value	%	Value	%
Sensors	86,067	64.8%	88,557	65.9%	(2,490)	-2.8%
Automation components	54,324	40.9%	53,796	40.0%	528	1.0%
Eliminations	(7,613)	-5.7%	(7,926)	-5.9%	313	-3.9%
Total	**132,778**	**100%**	**134,427**	**100%**	**(1,649)**	**-1.2%**

The growth trend in revenues generated by the automation components business continues, which in the 2023 year recorded +1% compared to the figure for the previous year, also thanks to the effect of residual revenues linked to the sales of motion control products realised by companies not included in the scope of sale of the business. However, revenues from the sensors business fell (-2.8%), where the decrease stemmed partly from the Italian market and partly from the Europe area, as well as from lesser goods and services invoiced to the companies that have left the Gefran Group scope.

Increases for internal work as of 31 December 2023 amount to 2,436 thousand Euro, up by 1,529 thousand Euro over the figure for 31 December 2022. This item represents the new product development costs incurred in the period that have been capitalised.

Added value in the period ended 31 December 2023 amounted to 94,108 thousand Euro (95,376 thousand Euro reported at 31 December 2022), corresponding to 70.9% of revenues and slightly lower than in the same period of the previous year (-0.1%). The decrease in added value, totalling 1,268 thousand Euro, is related to the lower added value generated by the residual sales of services and drive products not subject to restatement. Other factors that contributed to the decrease were the lower revenues generated by sales (sensors in particular), the lower average margins and the higher provisions for inventory write-downs, effects that were partially offset by the higher capitalisations recognised in the current year compared to the prior year.

Other operating costs in the year 2023 amount to 22,921 thousand Euro and were down by 624 thousand Euro in absolute value compared to the figure for 2022, representing 17.3% of revenues (17.5% in 2022). The decrease relates to the lower costs for external processing and product warranty, while travel and professional consultancy costs are increasing.

Personnel costs in the year 2023 total 47,042 thousand Euro, as compared to a figure of 47,195 thousand in the previous year, a decrease of 153 thousand Euro. The percentage of revenues in 2023 was slightly higher at 35.4% (35.1% as of 31 December 2022).

It should also be noted that in the fourth quarter of 2022, the Group granted a one-off contribution to all employees (a total of 1,300 thousand Euro), as an additional contribution to offset the significant increase in the cost of living and the impact on household budgets. In the year 2023, this contribution was not replicated.

This offsets the higher costs involved in strengthening the workforce and in implementing the salary increase provided for by the CCNL for all employees at the Group's Italian sites; this was increased by the application of the safeguard clause linked to inflation developments, which was defined at national level. The number of employees employed by the Group in continuing operations has risen from 646 at 31 December 2022 to 651 at the end of 2023, and the average number of employees is rising (630 in 2022, rising to 649 in 2023).

Gross Operating Margin (EBITDA) as at 31 December 2023 was positive by 24,145 thousand Euro (24,636 thousand Euro at 31 December 2022) and corresponds to 18.2% of revenues (18.3% of revenues in 2022). It shows a decrease of 491 thousand Euro compared to the figure recorded at 31 December 2022, to which the decrease in revenues generated by residual sales of services and drive products contributes. Net of this effect, the EBITDA would increase by 233 thousand Euro compared to the previous year, thanks to the lower operating and personnel costs recorded in 2023 compared to the previous year.

Depreciation, amortisation and impairment amount to 7,595 thousand Euro, compared with 7,122 thousand Euro in the same period of the previous year, reflecting an increase of 473 thousand Euro.

EBIT at 31 December 2023 was positive and amounted to 16,550 thousand Euro (12.5% of revenues), as compared to an EBIT of 17,514 thousand Euro recorded in the year 2022 (13.0% of revenues), a decrease of 964 thousand Euro. As in the case of EBITDA, the change was the result of the decrease in added value, partially offset by lower operating and personnel costs, and further eroded by higher depreciation/amortisation recorded compared to the comparison year.

/ **Gains from financial assets/liabilities** recognised at the end of the year 2023 totalled 200 thousand Euro (in the year 2022 it was equal to 98 thousand Euro) and includes:

- financial income of 969 thousand Euro, including 917 Euro deriving from liquidity management (up by 800 thousand Euro compared with the figure for the 2022 year);
- financial charges lined to the Group's indebtedness of 410 thousand Euro (up 81 thousand Euro compared with the 2022 figure);
- financial charges for interest, amounting to 22 thousand Euro, relating to taxes in previous years, recognised following the tax audit carried out in 2019 and 2020 on the Parent Company for the tax periods 2016-2017-2018, which was terminated in the fourth quarter of 2023;
- exchange losses from foreign currency transactions of 249 thousand Euro, compared with the previous year when they amounted to positive 256 thousand Euro. The change is primarily a result of the exchange rates in effect between the Euro and the Chinese Renminbi, the Indian Rupee, the Swiss Franc and the Brazilian Real;
- financial charges on the financial payables recognised pursuant to IFRS 16 of 67 thousand Euro (24 thousand Euro in the first nine months of 2022).

/ **Income from shareholdings valued at equity** reflects the results reported by Axel S.r.l. and amounted to 30 thousand Euro. The comparative amount reported at the end of the 2022 year was 24 thousand Euro.

/ In 2023 **taxes** were negative overall and amounted to 4,922 thousand Euro (negative overall by 4,184 thousand Euro in the year 2022). The above amounts are analysed below:

- negative current taxes, amounting to 3,777 thousand Euro (negative at 4,967 thousand Euro at the close of 2022); they include 597 thousand Euro in taxes related to previous years, recognised following the termination of the tax audit carried out on the Parent Company for the 2016-2017-2018 tax periods;
- deferred tax assets and liabilities, on the whole negative for the amount of 1,145 thousand Euro (positive for the amount of 783 thousand Euro at 31 December 2022).

The **Result from operating activities** in the period to 31 December 2023 amounted to positive 11,858 thousand Euro (8.9% of revenues), compared with the 13,452 thousand Euro in net profit in the previous year (10% of revenues), down by 1,594 thousand Euro. Net of the effects recognised from the reduction in revenues generated by residual sales of services and drive products, the result from operating activities in 2023 appears to be 11,344 thousand Euro, compared to 12,214 thousand Euro in the previous year and showing a smaller decrease of 870 thousand Euro.

The **Net loss from assets held for sale and discontinued** in the period to 31 December 2023 totalled 205 thousand Euro, compared with the still negative 3,464 thousand Euro in the same period of the previous year, up by 3,259 thousand Euro. It relates to the operating result of the motion control business units, sold to the WEG Group in the first quarter of 2023 based on the framework agreement signed on 1 August 2022 (negative at 64 thousand Euro). The item also includes an adjustment regarding the initial estimate (negative at Euro 141 thousand) of the net accounting effects of the disposal of the business, already recognised in 2022. In the 2022 year, in addition to the operating results of the divested business (positive by 483 thousand Euro) the expected effects of the divestment of the business were noted (estimated negative by 3,947 thousand Euro).

Group **Net profit** at 31 December 2023 amounts to 11,653 thousand Euro (8.8% of revenues), as compared with a net profit of 9,988thousand Euro in the previous year (7.4% of revenues), a 1,665 thousand Euro increase. The change mainly relates to the decrease in net profit from operating activities (lower than the comparison figure of 1,594 thousand Euro), which was more than offset by the improvement in net profit from assets held for sale and discontinued, which in 2022 was affected by the loss related to the disposal of the business (3,259 thousand Euro).

Reclassified consolidated balance sheet at 31 December 2023

The Gefran Group's reclassified consolidated statement of financial position as of 31 December 2023may be broken down as follows:

(Euro /000)	31 December 2023		31 December 2022	
	Value	%	Value	%
Intangible assets	12,340	17.3	12,037	18.1
Tangible fixed assets	42,100	59.1	37,924	57.1
Other non-current assets	5,733	8.0	6,547	9.9
Net non-current assets	**60,173**	**84.4**	**56,508**	**85.0**
Inventories	17,807	25.0	20,067	30.2
Trade receivables	23,740	33.3	24,183	36.4
Trade payables	(19,411)	(27.2)	(22,648)	(34.1)
Other assets/liabilities	(6,563)	(9.2)	(10,304)	(15.5)
Working capital	**15,573**	**21.8**	**11,298**	**17.0**
Provisions for risks and future liabilities	(1,430)	(2.0)	(1,841)	(2.8)
Deferred tax provisions	(934)	(1.3)	(1,029)	(1.5)
Employee benefits	(2,103)	(3.0)	(2,241)	(3.4)
Invested capital from operations	**71,279**	**100.0**	**62,695**	**94.3**
Invested capital from assets held for sale and discontinued operations	-	-	3,758	5.7
Net invested capital	**71,279**	**100.0**	**66,453**	**100.0**
Shareholders' equity	**93,941**	**131.8**	**90,723**	**136.5**
Non-current financial payables	21,382	30.0	7,205	10.8
Current financial payables	9,633	13.5	10,469	15.8
Financial payables for IFRS 16 leases (current and non-current)	3,779	5.3	2,737	4.1
Financial assets for derivatives (current and non-current)	(185)	(0.3)	(539)	(0.8)
Other non-current financial investments	(112)	(0.2)	(28)	(0.0)
Cash and cash equivalents and current financial receivables	(57,159)	(80.2)	(44,114)	(66.4)
Net debt relating to operations	**(22,662)**	**(31.8)**	**(24,270)**	**(36.5)**
Total sources of financing	**71,279**	**100.0**	**66,453**	**100.0**

Net non-current assets at 31 December 2023 totalled 60,173 thousand Euro, as compared with 56,508 thousand Euro on 31 December 2022. The main changes are indicated below:

- intangible assets have increased overall by 303 thousand Euro. This net change includes the capitalisation of development costs (1,888 thousand Euro) and new investments (446 thousand Euro), as well as decreases due to depreciation/amortisation for the period (1,755 thousand Euro) and divestments (156 thousand Euro). The change in exchange rates had a negative impact on the item amounting to 120 thousand Euro overall;

- tangible fixed assets have increased since 31 December 2022 by 4,176 thousand Euro. Investments in the year 2023 amounted to 8,229 thousand Euro, offset by annual depreciation/amortisation of 4,670 thousand Euro and 83 thousand Euro in decreases due to disposals. This item also includes the value of the right-of-use assets recognised in accordance with IFRS 16. The total has increased following renewals and the signature of new contracts (2,384 thousand Euro) and decreased by the related depreciation/amortisation charge (1,170 thousand Euro) and early termination of contracts (230 thousand Euro). Lastly, the net negative effect of exchange-rate changes was negative at 305 thousand Euro overall;

- other fixed assets at 31 December 2023 amounted to Euro 5,733 thousand Euro (6,547 thousand Euro at 31 December 2022), with a decrease amounting to Euro 814 thousand. This item mainly relates to the release of deferred tax assets, a decrease of 1,153 thousand Euro overall over the previous year. In addition to this, the item includes the effects of acquiring the stake in Robot At Work, equal to 576 thousand Euro.

Working capital at 31 December 2023 totals 15,573 thousand Euro, compared to 11,298 thousand Euro at 31 December 2022, reflecting a net increase of 4,275 thousand Euro. The main changes are indicated below:

- inventories changed from 20,067 thousand Euro on 31 December 2022 to 17,807 thousand Euro on 31 December 2023, with a net decrease of 2,260 thousand Euro. There was a decrease in stocks of raw materials (123 thousand Euro), as well as semi-finished products (839 thousand Euro) and, above all, finished products for sale (1,298 thousand Euro); exchange rate fluctuations, negative in the amount of 262 thousand Euro, partially contributed to the decrease;

- trade receivables total 23,740 thousand Euro, down by 443thousand Euro since 31 December 2022. The Group analyses receivables carefully, taking various factors into account (geographical area, business area, solvency of individual customers). These checks have not identified any positions that might jeopardise their collectability;

- trade payables amounted to 19,411 thousand Euro, a decrease of 3,237 thousand Euro compared to 31 December 2022; the change is due to a decrease in orders relating to the purchase of raw materials and components, offset by an increase in purchases of tangible fixed assets from suppliers, with shorter payment terms than suppliers of raw materials and components, which led to a general decrease in payment terms;

- Other net assets and liabilities at 31 December 2023 were negative by a total of 6,563 thousand Euro (negative by 10,304 thousand Euro as of 31 December 2022). They include payables to employees and social security institutions, receivables and payables for direct and indirect taxes; the change is a result of the increase in receivables for current taxes and the decrease in payables to employees and social security institutions.

Provisions for risks and future liabilities total 1,430 thousand Euro after a decrease of 411 thousand Euro since 31 December 2022. This item includes provisions for outstanding legal disputes and various other risks. The change is attributable to the movement in non-current provisions, which saw an overall decrease of 23 thousand Euro, and to the movement in current provisions with an overall decrease of 388 thousand Euro, mainly related to the changes in the product warranty provision.

Employee benefits amount to 2,103 thousand Euro, compared to 2,241 thousand Euro as at 31 December 2022. The item comprises the Post-employment Benefits Reserve for employees. At the end of the 2023 year, as at 31 December 2022, there are no

residual payables to employees for the signing of Company protection agreements from any competitive activities (so-called no-competition agreements).

Shareholders' equity at 31 December 2023 amounted to 93,941 thousand Euro, up by 3,218 thousand Euro over the end of the year 2022. The net profit for the period, amounting to 11,653 thousand Euro, is absorbed by the distribution of dividends which took place in May in the amount of 5,713 thousand Euro, as well as by the negative effects of changes in the reserves, in particular by changes in the translation reserve of 995 thousand Euro, the stock reserve at fair value of 344 thousand Euro, and the reserve for own shares held among other reserves of 1,322 thousand Euro.

The following schedule reconciles the shareholders' equity and result for the period of the Parent Company with the related amounts reported in the consolidated financial statements:

(Euro /000)	31 December 2023 Shareholders' equity	31 December 2023 Result for the period	31 December 2022 Shareholders' equity	31 December 2022 Result for the period
Parent Company shareholders' equity and operating result	**80,387**	**10,932**	**76,821**	**9,520**
Shareholders' equity and operating result of the consolidated companies	41,140	6,899	43,069	8,480
Net profit (loss) from assets held for sale and discontinued operations	(205)	(205)	(3,464)	(3,464)
Elimination of the carrying value of consolidated investments	(30,287)	(1,964)	(28,322)	-
Goodwill	3,755	-	3,773	-
Elimination of the effects of transactions conducted between consolidated companies	(849)	(4,009)	(1,154)	(4,548)
Group share of shareholders' equity and operating result	**93,941**	**11,653**	**90,723**	**9,988**
Minorities' share of shareholders' equity and operating result	-	-	-	-
Shareholders' equity and operating result	**93,941**	**11,653**	**90,723**	**9,988**

The **Net financial position** at 31 December 2023 is positive by 22,662 thousand Euro, down by 1,608 thousand Euro since the end of 2022, when it was positive by 24,270 thousand Euro.

The total comprises net short-term cash and cash equivalents of 46,521 thousand Euro and net medium/long-term debt of 23,859 thousand Euro.

During 2023, specifically in the third quarter, the Parent Company Gefran S.p.A. signed a medium-long term loan agreement with Crédit Agricole for a total of 13 million Euro, at a variable rate (Euribor 3 months) with a spread of 0.88%. The loan in question has been accounted for using the "amortised cost" method and requires compliance with a financial parameter (covenant), calculated at the consolidated level, and in particular the ratio of net financial debt (NFP) to EBITDA < 3.25x. For further details, please refer to the paragraph "Net financial position" reported in the "Specific explanatory notes to the accounts" of this Report.

It should also be noted that, on 27 October 2023, the Parent Company Gefran S.p.A. signed an additional loan with the BNL institution for a total of 10 million Euro, lasting 72 months, at a variable rate (Euribor 3 months) with a spread of 0.93%. The loan has been accounted using the "amortised cost" method and does not require any compliance with financial parameters (covenants).

In general, the change in net financial position is essentially due to the positive cash flows generated by typical operations (20,099 thousand Euro), the collection related to the conclusion of the sale of the motion control business, with the sale of the business branch of Gefran Automation Technology and Gefran India (3,917 thousand Euro), absorbed by disbursements for technical investments made in the 2023 year (10,563 thousand Euro), as well as the purchase or equity investments and securities (676 thousand Euro), the purchase of own shares (1,322 thousand Euro), the payment of dividends (5,713 thousand Euro) and interest, taxes and rental fees (overall 5,476 thousand Euro).

This item is analysed below:

(Euro /000)	31 December 2023	31 December 2022	Change
Cash and cash equivalents and current financial receivables	57,159	44,114	13,045
Current financial payables	(9,633)	(10,469)	836
Current financial payables for IFRS 16 leases	(1,005)	(955)	(50)
(Debt)/short-term cash and cash equivalents	**46,521**	**32,690**	**13,831**
Non-current financial payables	(21,382)	(7,205)	(14,177)
Non-current financial payables for IFRS 16 leases	(2,774)	(1,782)	(992)
Non-current financial investments for derivatives	185	539	(354)
Other non-current financial investments	112	28	84
(Debt)/medium-/long-term cash and cash equivalents	**(23,859)**	**(8,420)**	**(15,439)**
Net financial position	**22,662**	**24,270**	**(1,608)**

It should be noted that in the statement of "Net financial position" the item "Other non-current financial assets" is included. It includes prepaid financial expenses totalling 12 thousand Euro, net of which, and for the purposes of EU Regulation 2017 1129, the net financial position at 31 December 2023 is positive and equal to 22,650 thousand Euro, while at 31 December 2022 it was positive and equal to 24,242 thousand Euro.

Statement of consolidated cash flows at 31 December 2023

The Gefran Group's consolidated cash flow statement 31 December 2023 showed a positive net change in cash at hand of 13,045 thousand Euro, compared with a positive change of 8,617 thousand Euro in 2022. These changes are analysed below:

(Euro /000)	31 December 2023	31 December 2022
A) Cash and cash equivalents at the start of the period	**44,114**	**35,497**
B) Cash flow generated by (used in) operations in the period	20,099	19,904
C) Cash flow generated by (used in) investment activities	(8,108)	15,738
D) Free Cash Flow (B+C)	**11,991**	**35,642**
E) Cash flow generated by (used in) financing activities	636	(25,881)
F) Cash flow from continuing operations (D+E)	**12,627**	**9,761**
G) Cash flow from assets held for sale and discontinued operations	-	(1,066)
H) Exchange rate translation differences on cash at hand	418	(78)
I) Net change in cash at hand (F+G+H)	**13,045**	**8,617**
J) Cash and cash equivalents at the end of the period (A+I)	**57,159**	**44,114**

The cash flow from operations in the period was positive by 20,099 thousand Euro; in particular, operations for the year at the close of 2023, netted of the effect of provisions, amortisation and financial entries, generated 25,229 thousand Euro in cash (26,975 thousand Euro in the year 2022), while the net change in other assets and liabilities in the same period absorbed 1,944 thousand Euro in resources (whereas in the year 2022 it had contributed 2,666 thousand Euro) and management of operating capital absorbed 3,009 thousand Euro in cash (5,189 thousand Euro in the previous year). The changes in provisions (risks and future liabilities, deferred taxes) in the year absorbed 177 thousand Euro (in 2022 it eroded by 697 thousand Euro).

The financial resources absorbed by technical investments amounted to 10,563 thousand Euro and the purchase of equity investments and shares in 2023 absorbed a total of 676 thousand Euro, while the sale of drives business units, completed during the first quarter of 2023, generated a positive net cash flow of 2,851 thousand Euro. In 2022, investment activities had brought a total cash flow of 15,738 thousand Euro, where the liquidity generated by the sale of the shares in Gefran Drives and Motion S.r.l. and Siei Areg GmbH, which took place in the fourth quarter of 2022 (22,710 thousand Euro), offset the technical investments made during the year (6,316 thousand Euro).

Free cash flow (operating cash flow net of investment activities) was positive by 11,991 thousand Euro, compared with 35,642 thousand Euro in the period ended 31 December 2022.

The financing activities brought total resources to 636 thousand Euro. The year 2023 saw new loans in the Parent Company Gefran S.p.A., which brought in new cash totalling 22,946 thousand Euro (full description is provided in the "Net financial position" section in the "Specific explanatory notes to the accounts" of this Report), while the repayment of non-current financial payables and the decrease in current financial payables absorbed resources in the amount of 8,500 thousand Euro and 1,121 thousand Euro respectively. In addition, in 2023 own shares (1,322 thousand Euro), dividends (5,713 thousand Euro) and direct taxes (4,042 thousand Euro) were purchased.

In the 2022 year, financing activities had absorbed cash for a total of 25,881 thousand Euro, including 11,757 thousand Euro for the repayment of non-current financial payables, 5,971 thousand Euro for the payment of direct taxes and 5,462 thousand Euro for the payment of dividends.

7

PERFORMANCE OF THE ASSETS HELD FOR SALE AND DISCONTINUED AT 31 DECEMBER 2023

Pursuant to IFRS 5, the comparative reclassified income statement at 31 December 2023 of the assets reclassified as "Held for sale and discontinued" is presented below: Specifically, the assets recognised in the 2023 year related to the January and February operations of the motion control business unit of the subsidiary Gefran India, which was sold to WEG on 1 March 2023. This also includes the effects of the sale of the assets (storage, other assets and employees) of the motion control business unit within the Chinese subsidiary Gefran Automation Technology (China), sold on 3 January 2023.

Otherwise, with reference to the 2022 financial year, in addition to the operations of the aforementioned business units, the results of the subsidiaries Gefran Drives and Motion S.r.l. and Siei Areg GmbH, sold to the WEG group on 3 and 4 October 2022 respectively, are also included.

		31 December 2023	31 December 2022	Var. 2023-2022	
	(Euro /000)	Total	Total	Value	%
a	Revenues	2,338	36,733	(34,395)	-93.6%
b	Increases for internal work	-	436	(436)	-100.0%
c	Consumption of materials and products	2,319	21,618	(19,299)	-89.3%
d	**Added Value (a+b-c)**	**19**	**15,551**	**(15,532)**	**-99.9%**
e	Other operating costs	-	4,980	(4,980)	-100.0%
f	Personnel costs	82	8,062	(7,980)	-99.0%
g	**EBITDA (d-e-f)**	**(63)**	**2,509**	**(2,572)**	**-102.5%**
h	Depreciation, amortisation and impairment	1	1,301	(1,300)	-99.9%
i	**EBIT (g-h)**	**(64)**	**1,208**	**(1,272)**	**-105.3%**
l	Gains (losses) from financial assets/liabilities	4	(588)	592	100.7%
m	Impairment of assets held for sale and discontinued operations	(145)	(3,947)	3,802	96.3%
n	**Profit (loss) before tax (i±l±m)**	**(205)**	**(3,327)**	**3,122**	**93.8%**
o	Taxes	-	(137)	137	100.0%
p	**Group net profit (loss) (n±o)**	**(205)**	**(3,464)**	**3,259**	**94.1%**

Revenues as of 31 December 2023 were 2,338 thousand Euro, compared with 36,733 thousand Euro in the same period in the previous year, revealing a decrease of 34,395 thousand Euro (equal to 93.6%).

The **increases for internal work** at 31 December 2023 were zero, while at 31 December 2022 they amounted to 436 thousand Euro, due to new product development costs incurred during the period and capitalised.

Added value as at 31 December 2023 amounts to 19 thousand Euro, while amounting to 15,551 thousand Euro (42.3% of revenues) as at 31 December 2022.

Other operating costs in 2023 were zero, when they amounted to a total of 4,980 thousand Euro in the previous year.

Personnel costs in 2023 amount to 82 thousand Euro (3.5% of revenues), compared with 8,062 thousand Euro in the previous year (21.9% of revenues).

Gross Operating Margin (EBITDA) as at 31 December 2023 was negative by 64 thousand Euro and corresponds to -2.7% of revenues (positive at Euro 2,509 thousand and equal to 6.3% of revenues in 2022).

EBIT was negative at 64 thousand Euro at 31 December 2023 (-2.7% of revenues), compared with a positive EBIT of 1,208 thousand Euro in the year 2022 (3.3% of revenues).

Gains from financial assets/liabilities recognised in 2023 amounted to 4 thousand Euro, whereas at 31 December 2022 charges were recorded totalling 588 thousand Euro.

As at 31 December 2023, the **Write-down of assets held for sale** reflects the adjustment from the initial estimate (negative 145 thousand Euro) of the net accounting effects from the disposal of the business, already recognised in 2022 (when as at 31 December 2022 they were estimated to be negative by 3,947 thousand Euro).

The **Net loss from assets held for sale** in the period to 31 December 2023 totalled 205 thousand Euro. This compares with the figure recorded at the end of 2022, which was negative overall and amounted to 3,464 thousand Euro.

8 INVESTMENTS

The total gross technical investments made by the Group in 2023 amounted to 10,563 thousand Euro (6,316 thousand Euro in 2022) and relate to:

- production/laboratory machinery and equipment in the Group's Italian plants totalling 3,820 thousand Euro, including 2,283 thousand Euro for production lines in the sensors business unit and 1,537 thousand Euro to those of the automation components business (in 2022, 3,124 thousand Euro had been invested);
- production/laboratory machinery and equipment in the Group's foreign subsidiaries totalling 460 thousand Euro (in 2022, 97 thousand Euro invested);
- plants and adaptation of the buildings related to the Group's Italian plants totalling 2,767 thousand Euro, which include 955 thousand Euro for the construction of a photovoltaic system aimed at covering about a third of the electricity needs of the Provaglio d'Iseo plant in Via Sebina (in 2022, 983 thousand Euro had been invested in Italy);
- plants and adaptation of buildings of the Group's foreign subsidiaries totalling 595 thousand Euro (144 thousand Euro in 2022);
- renewal of electronic office machines and IT equipment, amounting to 427 thousand Euro at the Parent Company and 137 thousand Euro at the Group's subsidiaries (in 2022, 257 thousand Euro and 287 thousand Euro respectively);
- miscellaneous equipment in the Group's subsidiaries amounting to 29 thousand Euro (97 thousand Euro in2022);
- capitalisation of costs incurred in the period for new product development, totalling 1,888 thousand Euro (1,271 thousand Euro in 2022);
- investments in intangible assets amounting of 444 thousand Euro, mainly relating to management software licences and SAP ERP development (other intangible assets totalling 701 thousand Euro were recognised in 2022).

The investments carried out by the Group in continuing operations alone are summarised below by type and geographical area:

(Euro /000)	31 December 2023	31 December 2022
Intangible assets	2,334	1,524
Tangible assets	8,229	4,792
Total	**10,563**	**6,316**

(Euro /000)	31 December 2023		31 December 2022	
	intangible	tangible assets	intangible	tangible assets
Italy	2,326	7,030	1,503	4,226
European Union	5	123	5	112
Europe non-EU	-	44	7	18
North America	-	225	-	52
South America	1	284	4	168
Asia	2	523	5	216
Total	**2,334**	**8,229**	**1,524**	**4,792**

9 RESULTS BY BUSINESS AREA

The following sections comment on the performance of the individual continuing 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 trade between different businesses;
- inter-sector sales (trade) are booked at transfer prices that are broadly in line with market prices;
- the central operations costs, which principally 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 11 of the notes to the Consolidated Financial Statements for an examination of the consolidated balance sheet by business area.

9.1 SENSORS

Significant events and strategy

2023 was characterised, for the sensors business, as a year of consolidation of the growth achieved in 2021 and 2022. Despite the decrease in demand, highlighted especially in the second half of the year, the overall margins generated by the business remain largely positive, as a result of the effectiveness of the cost containment actions undertaken without jeopardising any business opportunity.

The macroeconomic environment, characterised by uncertainty and critical indicators, led to a decrease in revenue generated by the business compared to the previous year. The general decrease in demand compared to previous periods is driven by the supply difficulties noted in previous years and now overcome, which led our customers to high warehouse volume, particularly in 2022.

In 2023, moreover, qualification times for the introduction of new products to customers are back in line with pre-pandemic and pre-crisis supply chain lead time, with articulated processes involving significantly longer timelines than those noted in 2021 and 2022, which in light of the objective criticality of supply chains had been reduced to as little as a few weeks).

Gefran continued with the organisational reinforcement and investment planned for the sensor business. The year just ended saw almost all the Group's subsidiaries (United States, China, Germany) strengthen their sales force employed on the territory and increase local technical skills, with the aim of consolidating and accelerating business growth in the core vertical markets *and strengthening* business development initiatives. The chance to grow the market share in core applications, with opportunities to reach new customers or expand existing ones with cross-selling actions, continues to be one of the focuses of the sales network in this business area, which is expected to allow solid and sustainable development even in the years to come. Gefran continues its commitment to growth in new vertical markets, transferring these successes to all the geographical areas where the Group operates, either directly or through sales partners.

From a technological point of view, during the year 2023 innovative products such as the miniaturised pressure sensor KM were launched on the market, which enriches the range of pressure sensors, offering the market a high-performance and space-saving solution for Mobile Hydraulics applications. The new product has been designed and engineered paying particular attention to the requirements of the Mobile Hydraulic market, while respecting its technical and regulatory aspects.

Meanwhile, the new GSH-A transducer with integrated tilt angle measurement completes the family of high-end wire position sensors: a compact sensor that ensures repeatable measurements while also guaranteeing reliability and robustness in the difficult application conditions that typify the mobile hydraulics market. It is a multi-variable sensor with CANopen digital output, characterised by two distinct transducers within a single casing: a non-contact linear position sensor with Hall-effect technology and a single-axis Z-axis inclinometer with MEMS technology to measure tilt angle.

Innovations have also been made in terms of Gefran's sensor connectivity, Hence, the new WxA-E represents an important range extension of the communication interfaces, with the portfolio of linear sensors featuring RTE connectivity. Moreover, the CANopen over EtherCAT (CoE) protocol was implemented after the introduction of the WxA-F range with Profinet interface.

Introduced in 2003 before becoming an international standard in 2007, EtherCAT is an RTE technology characterised by flexible topology, high performance, low cost and ease of use. The main feature is the "on-the-fly" principle, whereby each node reads and writes its own data into the Ethernet frame without interrupting the frame's progress in the network, improving bandwidth utilisation. These features, in combination with the key aspects of Gefran's Hyperwave technology, represent selling points for the WxA-E magnetostrictive line.

The business investment plan continued in 2023, focusing mainly on strengthening production areas and improving efficiency. The plan materialised with the introduction of automation and digital technologies such as robotics, vision systems and full-proof quality control.

In addition to improving efficiency, investments have been made to support the growth in production volumes envisaged in the long-term plans. The up-skill or re-skill of operational staff will help to take full advantage of the innovative technologies introduced in factories tailored to women and men, where the skills developed allow companies like Gefran to excel in the international arena.

For the sensors business, 2024 is expected to be a highly uncertain year fuelled by inflation, interest rates, monetary policies, wars and geopolitical instability. Forecasts from plastics machinery manufacturers, one of the main markets for Gefran sensors, predict a decrease in sales in 2024 compared to the previous year, which is why business development actions are underway in alternative sectors to explore and acquire market shares that are not currently covered by the Group.

In 2024, therefore, the strategic line will again be oriented toward efficiency, bringing the investments initiated in 2023, which aim to improve production capacity, into full swing; while maintaining a focus on design with the aim of responding even more quickly and effectively to market requirements and being ready to react in the event of an upturn in demand.

Designing a sensor requires various skills, including mechanical, technological, material science, electronic design and firmware development. In 2023, we worked on how we organise and select professionals in order to have the key skills necessary to design each of the product families of the business. From today on, this will allow us to improve the process with the aim of reducing the time to market in the design of new products. This will take place through the management of complete work teams focused on specific business lines.

In Gefran's industrial plans, the sensors business reaffirms itself as a significant and driving force for the Group, in a market characterised by high demand where the primary aim is still to respond to different needs both in terms of incremental demand from existing customers and in addition to supporting new customers in different types of applications.

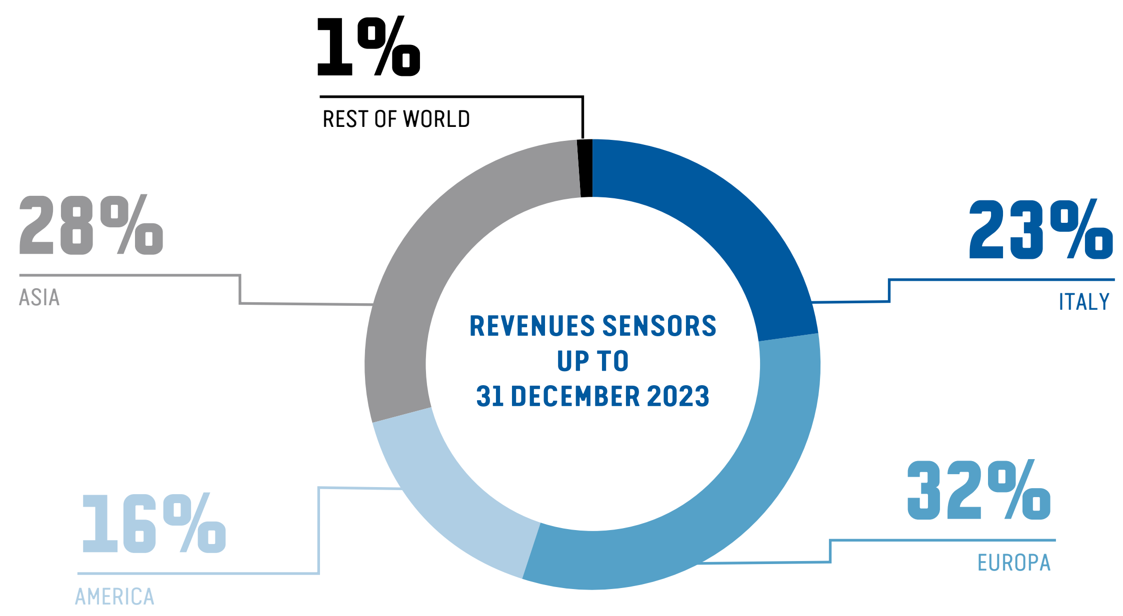
Summary results

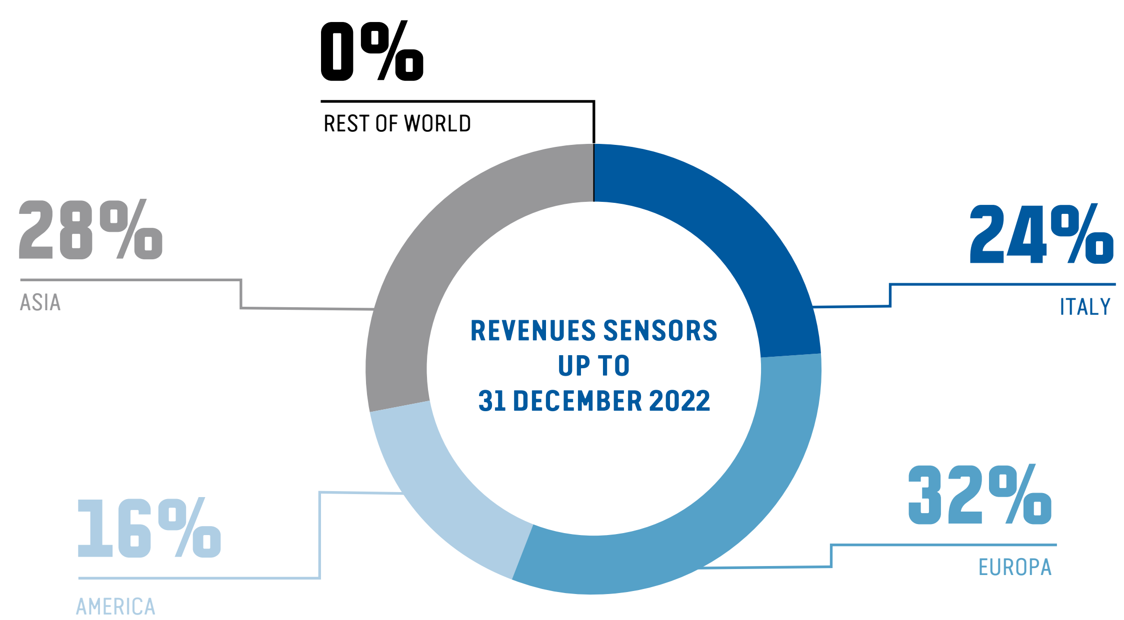
The table below shows the key economic figures:

(Euro /000)	31 December 2023	31 December 2022	Var. 2023 - 2022 Value	Var. 2023 - 2022 %	4Q 2023	4Q 2022	Var. 2023 - 2022 Value	Var. 2023 - 2022 %
Revenues	86,067	88,557	(2,490)	-2.8%	19,603	20,614	(1,011)	-4.9%
EBITDA	19,825	20,460	(635)	-3.1%	3,547	3,182	365	11.5%
% of revenues	23.0%	23.1%			18.1%	15.4%		
EBIT	15,462	16,295	(833)	-5.1%	2,407	2,107	300	14.2%
% of revenues	18.0%	18.4%			12.3%	10.2%		

The revenues of the sensors business are analysed by geographical area below:

(Euro /000)	31 December 2023 Value	31 December 2023 %	31 December 2022 Value	31 December 2022 %	Var. 2023 - 2022 Value	Var. 2023 - 2022 %
Italy	19,442	22.6%	20,846	23.5%	(1,404)	-6.7%
Europe	27,873	32.4%	28,756	32.5%	(883)	-3.1%
America	13,755	16.0%	13,976	15.8%	(221)	-1.6%
Asia	24,524	28.5%	24,674	27.9%	(150)	-0.6%
Rest of the world	473	0.5%	305	0.3%	168	55.1%
Total	**86,067**	**100%**	**88,557**	**100%**	**(2,490)**	**-2.8%**





Business performance

Revenues from the business as of 31 December 2023 total 86,067 thousand Euro, down over the 31 December 2022 figure, when it amounted to 88,557 thousand Euro (-2.8%). Contributing to the decrease was the effect of the exchange rate trend (negative and equal to 1,640 thousand Euro), net of which the percentage decrease would be more limited (-1%). It should also be noted that revenues from the business are further affected by the decrease in residual revenues related to services and drive products not subject to restatement, as they are excluded from the scope of the sale of the business. As of 31 December 2023, this share, allocated to the sensors business, amounted to 161 thousand Euro, while in 2022 it amounted to 1,618 thousand Euro. Net of this, revenues from the sensors business at the end of 2023 would be 1,033 thousand Euro lower than the figure for the previous year (-1.2%).

Unlike in previous periods, where a constant growth trend was observed from 2021 to the end of the first half of 2023, driven by the development of new products and the application of new technologies to existing ranges – helping to expand the product range and allowing a high level of service to be maintained – in the second half of the year there was a fall in revenues, which was affected by the signs of a widespread slowdown.

The families that experienced a decrease in sales compared to the previous year were deformation sensors, non-contact position transducers and melt sensors. However, revenues generated by sales of products dedicated to the mobile hydraulics market are on the rise, including for non-contact angle sensors, inclination sensors and flush position sensors.

Turning to the fourth quarter of 2023, revenues amounted to 19,603 thousand Euro, down by 4.9% compared with the same period in 2022, when they totalled 20,614 thousand Euro.

The slowdown in demand also emerges from an analysis of order intake, which in 2023 totals 76,960 thousand Euro and is down compared to 2022 (-11.3%). The same trend has been observed with reference to the backlog as at 31 December 2023, which is lower than the closing figure for the 2022 financial year (-39.1%).

Analysing the business revenues by geographic area, it can be seen that the decrease is widespread in the main areas reached by the business, and in particular in Italy (-6.7%), America (-1.6% overall) and Europe (-3.1%). A smaller contraction was recorded in the Asia area (-0.6%), which reflects the negative effect of foreign currencies against the Euro, net of which there was a growth in revenues over the previous year (+5.3%).

EBITDA for the period ended 31 December 2023 amounted to 19,825 thousand Euro (23.0% of the business unit's revenues), down by 635 thousand Euro compared with the period ended 31 December 2022, when it was 20,460 thousand Euro (23.1% of revenues). The decrease is affected by residual sales of services and products related to the drives business not subject to restatement, as they are excluded from the scope of the sale of the business, and from the related added value generated. Excluding this effect, the change in EBITDA for the 2023 year would see an increase compared to the figure for the previous year, and in particular of 442 thousand Euro (+2.3%).

EBIT for the year 2023 amounted to 15,462 thousand Euro, equal to 18.0% of revenues, compared with 16,295 thousand Euro in the same period of the previous year (18.4% of revenues), a decrease of 833 thousand Euro. The decrease compared to the previous year is mainly due to the same trends as the gross operating margin (EBITDA), as well as the increase in depreciation/amortisation allocated to the business.

Comparing the figures by quarter, EBIT in the fourth quarter of 2023 amounted to 2,407 thousand Euro (12.3% of revenues), compared with 2,107 thousand Euro (10.2% of revenues) in the same quarter of 2022.

Investments

Investments in 2023 total 6,144 thousand Euro and include 858 thousand Euro in investments in intangible assets, 682 thousand Euro of which was for research and development in new products. The remainder was for the purchase of software programmes and licences.

Increases in tangible fixed assets amount to 5,286 thousand Euro, including 4,572 thousand Euro invested by the Parent Company, primarily for the renovation of one of the buildings dedicated to the activities of the business, and for the purchase of production equipment to increase the capacity and efficiency of production. Investment by Group subsidiaries totalled 714 thousand Euro, primarily reflecting the purchase of equipment and the renovation of buildings in the subsidiaries Gefran GmbH, Gefran Inc, Gefran India and Gefran Automation Technology.

9.2 AUTOMATION COMPONENTS

Significant events and strategy

In the year 2023, in a context of a general contraction, the automation components business was able to grow even if more modestly, maintaining a final operating margin slightly lower than that recorded in 2022, despite the decline in demand recorded in the second part of the year (decline recorded in Italy and subsequently in Europe). Other elements influenced business performance: the reduction in supply difficulties worldwide deprived Gefran of what had proved to be a competitive advantage in the previous two years, thanks to its ability to ensure a high level of service despite supply chain uncertainties, and the increase in product stock levels with many customers who found that they had to reduce their orders to rebalance inventory values.

The strategic line of business over the past year has been driven by the consolidation of baseline customers acquired thanks to the high level of service offered and the organisation's ability to identify and exploit new applications and new products that in the power control sector are particularly popular in the market.

In terms of volumes, the instruments business line saw a slight decrease compared to what was placed on the market in the previous year. Applications adopting these products are partly shifting towards PLC-based solutions, which influenced Gefran's strategic decision to redesign its range of programmable automation. The power line showed slightly declining volumes on static units, mainly as a result of the normalisation of the customer supply chain, while the growth of power controllers, increasingly adopted by system integrators and end customers in energy transition projects, continued.

The introduction of new products to the market continued in 2023, in line with the strategy of renewal and completion of the range offered. The products launched on the market have proved to be competitive, thanks to the combination of functionality and price positioning, supported by the improvement of the internal organisation in providing assistance and customisations to end customers. Customers find Gefran to be a technological partner prepared to support them in the digital evolution of their machinery and plants. This has allowed for further consolidation of the relationship with existing customers while stabilising it with those recently acquired and identifying opportunities achieved or to be pursued even in markets that are less traditional for the Group, but particularly interesting in terms of future prospects, such as semiconductors, glass, energy transition and decarbonisation of industrial plants.

Consistent with 2022, during 2023 sales efforts focused on specific geographical regions such as Europe (Italy, France and Germany), the United States of America and Brazil, where resources with specific expertise of the business focused on generating new opportunities. With the commissioning of a local GTXTermo4 assembly line, special emphasis has been placed on the growth of opportunities in China and the varied used that applications in this market require, including technical and delivery service.

During the year, in line with what was done in previous years, products were released in the market with new innovative features particularly appreciated by end users. The new products were particularly related to the product lines of static units and power controllers for which the product offer has been expanded both by adding new families to the catalogue, and by developing special executions at the request of certain customers. Solutions required by specific markets, such as the 5-digit thermoregulator for the Chinese market, or necessary in some segments, such as the evolution of control capabilities through PID algorithms in semiconductor applications, have also been developed.

The intensity of action dedicated to the development of new products and the introduction of innovative features will remain unchanged in 2024. In addition to range expansion in power control, the technical and product management areas will focus on the development and market launch of the new programmable automation platform, the first elements of which were made available in the first few months of 2024.

The objective for 2024, regarding the commercial development of the markets, is once again our concentration on Europe (Italy, France and Germany), the United States of America, Brazil and China. The effort put into identification of significant opportunities in industrial applications other than the traditional ones for the Group will continue to play a crucial role. Constantly monitoring the level of customer satisfaction remains a fundamental competitive factor, which is why investments were made in 2023 to increase the production capacity of semi-finished electronic products in the parent company Gefran S.p.A. and a project is ongoing to improve the localisation lines in China and Brazil.

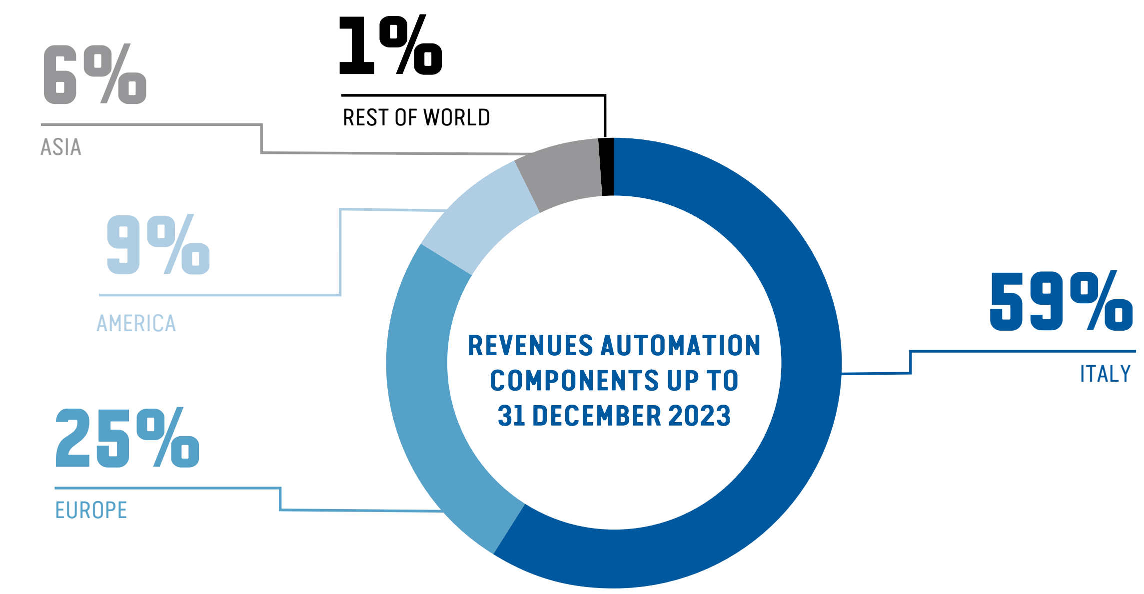
Summary results

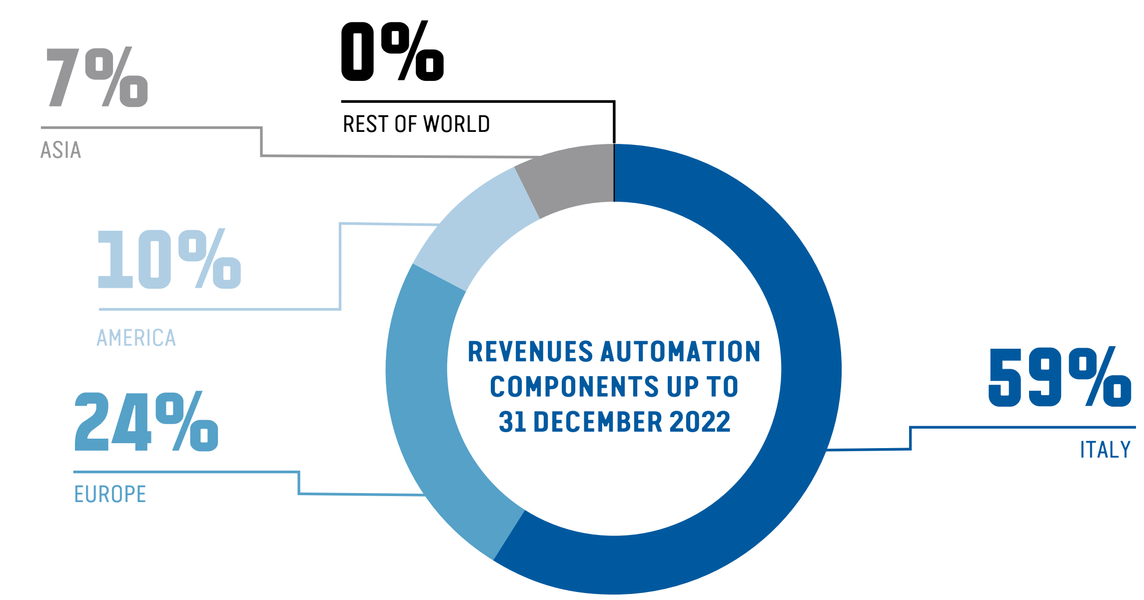
The table below shows the key economic figures:

(Euro /000)	31 December 2023	31 December 2022	Var. 2023 - 2022		4Q 2023	4Q 2022	Var. 2023 - 2022	
			Value	%			Value	%
Revenues	54,324	53,796	528	1.0%	13,669	14,345	(676)	-4.7%
EBITDA	4,320	4,176	144	3.4%	921	460	461	100.2%
% of revenues	8.0%	7.8%			6.7%	3.2%		
EBIT	1,088	1,219	(131)	-10.7%	88	(312)	400	128.2%
% of revenues	2.0%	2.3%			0.6%	-2.2%		

The revenues of the automation components business are analysed by geographical region below:

(Euro /000)	31 December 2023		31 December 2022		Var. 2023 - 2022	
	Value	%	Value	%	Value	%
Italy	31,924	58.8%	31,598	58.7%	326	1.0%
Europe	13,660	25.1%	12,942	24.1%	718	5.5%
America	5,064	9.3%	5,286	9.8%	(222)	-4.2%
Asia	3,458	6.4%	3,799	7.1%	(341)	-9.0%
Rest of the world	218	0.4%	171	0.3%	47	27.5%
Total	**54,324**	**100%**	**53,796**	**100%**	**528**	**1.0%**





Business performance

The revenues of the business unit in the period to 31 December 2023 amounted to 54,324 thousand Euro, up by 1.0% compared with those for the period ended 31 December 2022. The residual revenue generated by the sales of drive products from the companies not included in the scope of the business transfer in the amount of 782 thousand Euro contributed to the growth. Overall, net of the aforementioned effect, it would close with lower revenues than the previous year (-0.5%).

The post-pandemic growth trend, observed since the last quarter of 2020, which was also confirmed in the first nine months of 2023. This was supported, among other things, by the business's ability to effectively cope with the critical issues facing supply chains, thanks to the in-depth product knowledge and the synergy activity carried out by the various business areas. In the fourth quarter of the year, there was a setback, with a fall in revenues generated by the business compared to the same period in 2022.

In the analysis of revenues by geographic area, there was an increase compared to the previous year in Italy (+1%) and in Europe (+5.5%). Revenues generated in Asia decreased (-9%) compared to 2022, only partially affected by the impact of currency translations determined by the performance of the Rupee and Renminbi currencies against the Euro (excluding this there would be a 4.1% decline).

The orders received in 2023 amount to 45,151 thousand Euro and were overall lower than in the first half of the previous year (-5.2%). The same trend can be observed by analysing the backlog at the end of 2023, a decrease compared to the value recorded at 31 December 2022 (-15.1%).

In the fourth quarter of 2023 revenues amounted to 13,669 thousand Euro, down 4.7% over the same period in 2022, when they came to 14,345 thousand Euro.

The gross operating margin (EBITDA) as at 31 December 2023 is positive by 4,320 thousand Euro (equal to 8.0% of revenues), up by 144 thousand Euro over the figure at 31 December 2022, when it was 4,176 thousand Euro (7.8% of revenues). The sales growth in 2023 compared to 2022, and the higher added value achieved were partially absorbed by the additional operating costs recorded during the period, in particular personnel costs for strengthening the structure and other operating costs.

EBIT of the year 2023 is positive and amounts to 1,088 thousand (2% of revenues). By comparison, EBIT in the period to 31 December 2022 was positive by 1,219 thousand Euro (2.3% of revenues). The total decrease of 131 thousand Euro reflects the changes described above: greater sales volume and added value, as offset by higher ordinary operating costs, as well as increased depreciation/amortisation recorded.

Comparing the figures by quarter, EBIT in the fourth quarter of 2023 is positive by 88 thousand Euro (0.6% of revenues); whereas the figure for the fourth quarter of 2022 was negative by 312 thousand Euro (-2.2% of revenues).

Investments

Investments made during 2023 totalled 4,419 thousand Euro. Investments in intangible assets amounted to 1,476 thousand Euro, of which 1,206 thousand Euro reflects capitalisation of the cost of developing the new range of controllers and solid-state relays. The remainder was for the purchase of software programmes and licences.

Investments in tangible fixed assets amount to 2,943 thousand Euro, including 2,744 thousand Euro invested in Italy for new machinery to enhance both production capacity and the efficiency needed for new products, and for the installation of an additional photovoltaic system in the parent company and to renew electronic office machines and IT equipment. The remaining 199 thousand Euro mainly relate to investments by the Brazilian subsidiary in laboratory and production equipment, for the production lines of the local business.

10 RESEARCH AND DEVELOPMENT

The Gefran Group invests significant financial and human resources in product research and development. In 2023, about 4.6% of revenues were invested overall 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 are concentrated in Italy, at the laboratories in Provaglio d'Iseo (BS). R&D is managed by the technical area and includes development of new technologies, evolution of the characteristics of existing products, product certification and the design of custom products at the request of specific customers.

The cost of technical personnel involved in these activities, consultancy and materials used is charged in full to the income statement, except for the capitalisation of costs 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 activity in 2023 on further expanding the offering of products, focusing on mobile hydraulics sensors and on the launch of sensors with digital connectivity for use in Industry 4.0 architecture. In particular, the developments are consistent with the trends that the Group considers to be current and near-future drivers such as a) digital communication, an indispensable prerequisite for data transmission, b) certifications, especially safety due to the growing need to ensure safe systems for operators (and sensors are frontline devices to guarantee this functionality), c) multivariability to provide customers with more than one piece of information and guarantee a higher level of control aimed at the operational continuity of the machine and system, d) completion of the product portfolio for the mobile hydraulics market.

The development of Gefran's first magnetostrictive sensor for Ethercat machine architectures, with high metrological performance, has been completed; this fits in the context of the Ethercat-based automation architecture being developed by Gefran.

The KM pressure probe was also brought to the market, whose dimensions are among the most compact on the market and whose specifications are ideal for agricultural, construction and material handling machines. The KM probe is UL, E1 and PLd'/SIL2 certified, respectively for the US market, for "mobile" applications and for "functional safety" applications.

Based on the KM sensor, development of the KMC sensor began, which implements communication according to the CanOpen protocol while maintaining the same specifications as the analogue sensor.

As for the position sensors for mobile hydraulics, the GSH-A multi-variable sensor has been launched, which combines tilt and acceleration measurement with linear measurement with thread technology. This sensor allows you to identify the movements of the machine to which it is applied, anticipating malfunctions and providing useful information to improve the efficiency of the process. Finally, still in the field of mobile hydraulics, the range of the GSH-S linear sensor was extended to 12.5 metres, extending the machine fleet that can be equipped with Gefran solutions.

Research and development work in 2023 in the field of **automation components** focused on various projects. In particular, the developments are consistent with trends that the Group considers to be current and near-future drivers, such as a) evolution of control algorithms in instruments dedicated to certain potentially relevant markets such as the semiconductor market, b) expansion of the range and functionality of power controllers to support customers' transition to electric power, and c) expansion of machine and plant control capabilities by offering, in addition to the precise control guaranteed by the instruments, automation platforms capable of performing advanced control functions.

The GRM-H range of power controllers, launched in 2022 with the IO-Link digital bus option, has been upgraded, adding the version with communication on the Modbus RTU standard and even more sensitive current measurement sensors, improving the accuracy of thermal process control.

The two- and three-phase static unit GRZ-H was also developed, based on the same technology platform that generated GRS-H, GRP-H and GRM-H in previous years. The GRZ-H is a particularly compact device capable of controlling current up to 75A per phase.

Finally, work has begun on versions of the GRP, GRM and GRZ products without integrated heat sink, which will be released in early 2024. These products meet the needs of customers who independently implement the thermal dissipation of static units.

In terms of certifications, considerable efforts have been dedicated to completing the UL certifications for the North American market, with projects covering the entire GRM-H range (digital, analogue, IO-Link and serial), the GRZ-Hs and also the G-Start motor starters, launched in 2022.

SCCR 100kA certification has also been achieved for GRTS-H, GRP-H and GRM-H devices, thus ensuring that the highest standards of short-circuit resistance are met.

Also in the field of certifications, the SIL3 level (maximum applicable) was achieved for the STO certification of G-Start motor starts, which allows controlled motors to continue running safely without torque application.

For the instrumentation range, attention was focused on the development of the new 1550 regulator in the performance range, which is an evolution of the 1250 regulator and allows the implementation of PID control cycles instead of a single one. The development of the five-digit display version of the 1850 regulator was also completed, which is the most complete model in the performance range.

Work has also been done to further improve the ability of Gefran regulators to make the customer's thermal processes more efficient: the results of this activity consist of a new version of the "PID" control algorithms implemented on the GFX Termo4.

The R&D team finally completed the development of the G-Mation G3 modular input-output system, which allows a large variety of devices controlled in analogue or digital mode or as temperature sensors to be connected to a PLC via the Ethercat fieldbus. The modularity of the G-Mation G3 will help to integrate further forms of control, which will be developed in 2024.

11 ENVIRONMENT, HEALTH AND SAFETY

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 objectives set and the ways in which they are reached will require everyone to make the required effort on all levels, shared and periodically verified.

- Training continued at various levels on the protection of health and safety in the workplace, by means of 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, near-misses and potentially hazardous situations;
- 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 business activities and managing impacts on the environment, 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 operations.

Although Gefran is not considered an energy-intensive company, third-party audits and the continuous analysis of energy consumption, allowed by the installation of monitoring systems, highlighted the areas in which the most energy is consumed. As a result, an energy efficiency plan has been launched by making various improvements:

- gradual replacement of old fluorescent tube light fixtures with new LED lamps; the same technology is also the standard used in the redevelopment of areas and in the construction of new buildings in the last three years;
- investments in plants and machinery with high energy efficiency;
- 100% of energy used from renewable sources, through the signing of contracts for the supply of "GREEN" certified electricity and the production of energy through photovoltaic systems installed at Group companies.

According to the guidelines listed above, in 2023 a new plant was built for the production of electricity from photovoltaic panels to cover the "employee parking" area of the Gefran S.p.A. plant in Via Sebina, with a capacity of 400KWp; this will make it possible to reduce energy withdrawals from the grid for the plant by about 30% from 2024 onwards, as well as offering employees a roof for their cars while at work.

Industrial waste management is an aspect to which Gefran pays very careful attention and the company focuses on numerous improvement activities to minimise the impacts its activities might have on the planet. In particular, starting from specific data collections on waste and types produced, specific actions are carried out to reduce the share of hazardous waste and reduce categories destined for disposal, seeking to maximise the use of recovery and recycling.

As in previous years, in 2023 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.

The organisational structure that Gefran has adopted since 2021 remains in place, where the integrated Quality, Safety and Environment function (with responsibilities at Group level) aims to develop an integrated and harmonised management system for the Q-HSE areas; previously, these activities were managed independently by the individual entities. The function was gradually strengthened, 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 2023, an important objective of Gefran's strategic plan was achieved, with environmental (ISO 14001:2015), occupational health and safety (ISO 45001:2018) and corporate social responsibility (SA 8000:2014) certifications being obtained on all the Group's Italian sites. The project to extend the integrated management system is continuing towards the main production branches abroad, based on the model developed on Italian companies.

12 HUMAN RESOURCES

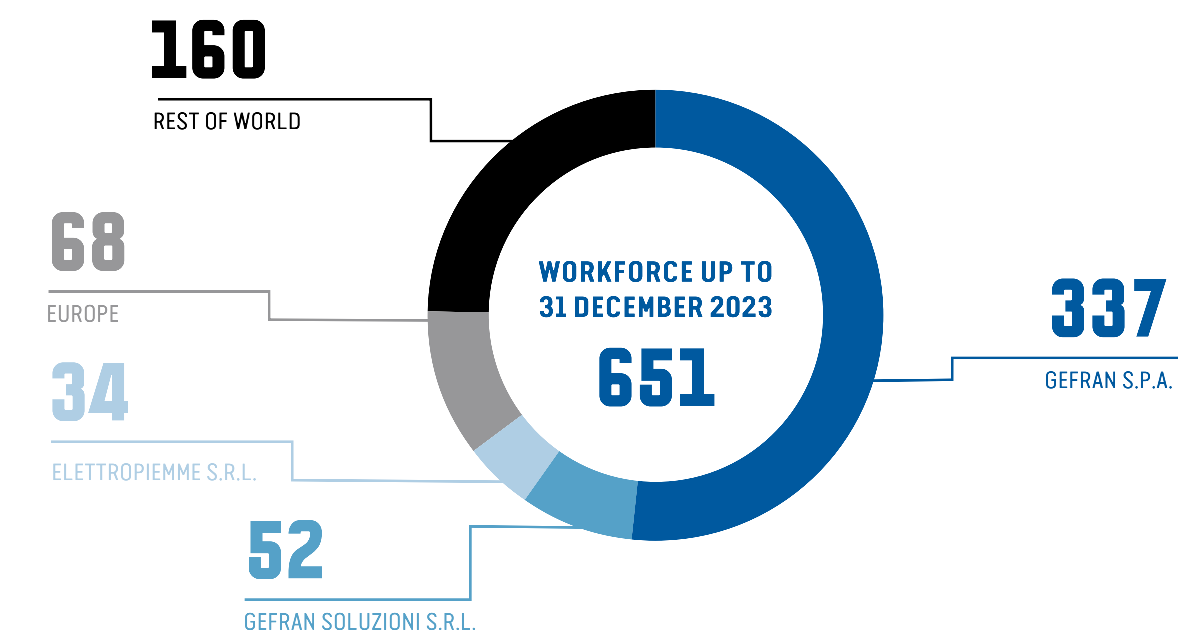
Workforce

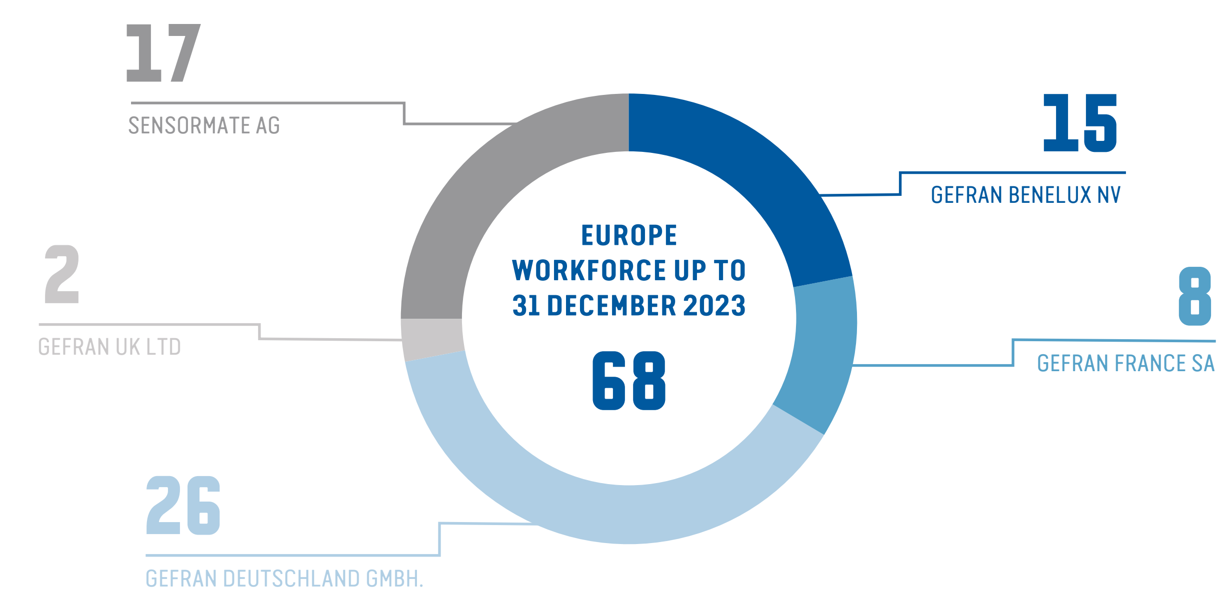
The Group's workforce as at 31 December 2023 totalled 651 persons, up by 5 since the end of 2022 (with regard to personnel involved in activities related to continuing operations only). The change was marked by a Group turnover rate of 23.3% in the year 2023.

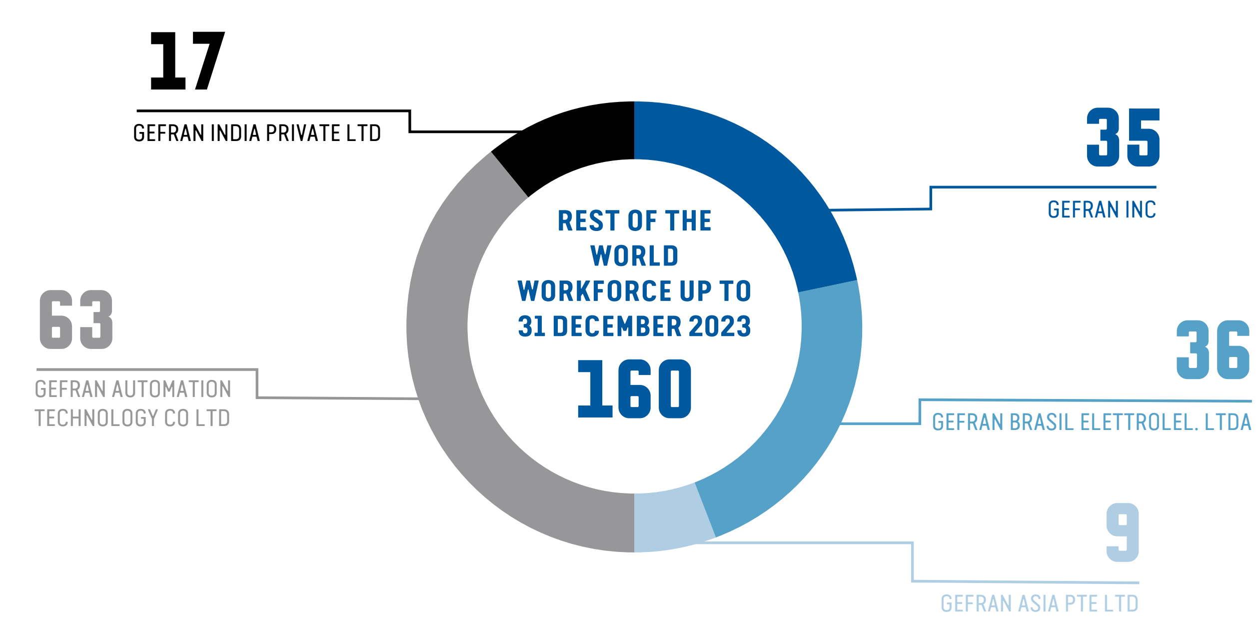
The changes that occurred during the year can be summarised as follows:

- a total of 78 employees joined the Group, including 13 manual workers, 64 clerical staff and 1 executive;
- 73 employees left the Group, including 17 manual workers, 53 clerical staff and 3 executives.

With regard to the framework disposal agreement described in the introduction, the business units included within the scope of this transaction had a total of 13 people at 31 December 2022, and they all exited the Group in the first quarter of 2023, following the disposal.







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. In addition to this, in 2023 Gefran sponsored and led the YOU&AI Project at the higher education institutions of the province of Brescia; it was organised by the Francesco Soldano Foundation. Focusing on education in the use of technology, the event sparked discussions on the relationship between the scientific and technological worlds and the human sphere, between AI (artificial intelligence, i.e. technology) and "I", to understand how these two worlds can dialogue, interact, and meet consciously and responsibly. This is the educational perspective of the so-called STEAM approach, an acronym for Science, Technology, Engineering, Art and Mathematics: a synergy of scientific knowledge that focuses on the individual.

FLY Youth is a session for recent graduates who are progressively being integrated in the company due to the generational turnover the company is currently undergoing. 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. For 2023, the contest led young participants to work together on the Gefran people's awareness and engagement development plan on the objectives and projects of the Strategic Sustainability Plan.

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 Sole 24 Ore'; in 2023 it was also confirmed as a hub for sharing ideas, experiences, best practices and cooperation, as well as the platform that hosts the new *onboarding* process.

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, Academy initiatives were completed by *kenFLY*, FLY's digital hub. Employees from across the Group in every country have access to the platform, with the opportunity to develop skills and competences, exchange experiences and knowledge. *kenFLY was born from the need to ensure the FLY* Gefran Talent Academy talent development paths are equally open to all people within the organisation, through an open and empowering 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 acknowledgements (shortlisted for an innovation award of the Observatory of Politecnico di Milano; She SPS Italia Award 2022, winner of Idee Contest by Confindustria for Bergamo Brescia Capital of Culture 2023), and its communication, learning and engagement dynamics were designed taking into account the cultural characteristics and the peculiar characteristics of each generation. One of these is the *gamification of the learning process through the digital game* Beyond Quest and the offer of content organized in seasons: these modalities represent a unique innovation applied to vocational training.

During 2023, the company continued to implement *FLY* Performance, the performance evaluation and continuous feedback tool. It will represent a positioning radar of each person with respect to the organisation's strategy and challenges, offering each individual the opportunity for continuous growth and thus improving their employability. In concrete terms, it is 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. It is based on the matrix of competences, which is shared. 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.

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 onboarding process to help them become familiar with processes, products/services and people in their own department and in interdependent functions. This process takes place both in a digital space on *kenFLY* where content is personalised for each new person, and through meetings with colleagues in the real space. The new onboarding process also includes feedback sessions for the company from new recruits on their experience first as candidates and then as employees.

The use of the smart working system applied to business areas compatible with this practice, used in a flexible way, by alternating working days in attendance and other days remotely, is an important evolution of the traditional working system.

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.

13 STRATEGY

In 2023, the Group was able to consolidate the important results achieved in the previous year. These results, which have been achieved in a complex environment influenced by various factors including inflation developments, geopolitical tensions, and managing the consequences of critical issues in the supply chain (which led many customers to increase their stock levels at the end of 2022), confirms Gefran's ability to reliably face and manage highly uncertain situations while remaining sustainable and profitable.

In 2023 Gefran decided, despite the fall in demand, to continue to resolutely pursue its industrial development plan based on reinforcement of the organisation's key functions and investments to support the development of manufacturing capacity in Italy and abroad. In so doing, it was aware of the Group's economic and financial solidity, its distinctive characteristics which the market has repeatedly shown it appreciates (such as reliability and quality of supplies, and product innovation), and the indispensable need to be competitive in the long-term in a rapidly evolving environment like programmable automation.

The pillars of the industrial strategy are confirmed for the coming years: the market, research and development and innovation, operational efficiency and development of people, ensuring continuity of the actions already taken in previous years.

With reference to market development, the priority remains to constantly monitor territories and to expand industrial outlet applications aimed at generating business development opportunities capable of mitigating any fall in demand in the traditional sectors where the group operates. The new resources made available to the sales forces in the subsidiaries, the new products that were released on the market during 2023 and the guidelines for market development introduced by the Group's new Sales Department have helped to achieve this important objective.

Gefran's products are recognised by the market as enabling technological devices for the digital and sustainable transformation of machines and plants. This is also the essence of the Group's purpose, therefore it will continue to be crucial to develop new products in the coming year, both to expand the product range on the market and to make them functionally innovative. The expansion of the Research and Development areas in 2023 is in fact aimed at increasing the capacity to design new solutions aligned with market requirements that focus, among other things, on digital data generation and transmission, self-diagnostics, virtualisation of measurements and energy-saving features.

In addition to reliable, on-time delivery and the ability to keep promises to customers, the year just ended made it even more obvious how indispensable the pursuit of efficiency is to ensure the sustainability of the business. Precisely for this last reason, even in a complex year like the one just ended, we have sought to stay on course with the manufacturing investment plan, which will be fundamental in the upturn in demand in low visibility environments, such as those we are about to face.

People prove to be a key factor for success. The Group strengthened the organisation of key areas in 2023 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.

Looking ahead to the coming years, the Group has also included sustainability and external growth among its strategic pillars.

The sustainability plan is shared with all the Group's companies in Italy and abroad and is based on four key areas that are essential for the realisation of the business plan. The centrality of people, the contribution to the energy transition, sustainable product innovation, and supply chain sustainability materialise in operational projects on which we will continue to work with impact objectives in terms of ESG and business.

The Group believes that growth by external lines, where consistent with the strategic direction and compatible with the organisational structure, can accelerate the execution of the industrial plan, leading the company to achieve even more ambitious goals. Therefore, Gefran is ready to pursue any development projects should they meet the requirements sought.

14

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, financial, operational situation as well as on health, safety and the environment 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 the creation of value in the organisation. The ability to respond to risk correctly helps the Company to address corporate and strategic choices with confidence and prevent adverse consequences for the corporate and business targets set at Group level.

The Group adopts specific procedures for management of risk factors that may have an impact on expected results. The organisational structure of relevance to the internal control and risk management system is set up as follows:

/ the **Board of Directors**, which defines guidelines for the internal control and risk management system, consistent 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 assessments and decisions of the Board of Directors regarding the internal control and risk management system, as well as checking the proper application of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;

/ the **Chief Executive Officer**, as defined in the *Corporate Governance Code*, who is entrusted with the task of identifying key corporate risks, implementing the risk management guidelines and checking their adequacy;

/ the **Executive in charge of financial reporting**, who is responsible for direct supervision of the control model within the meaning of Law no. 262/2005 and the related administrative and accounting procedures, in relation to its constant updating;

/ the **Internal Audit** function which, in compliance with international standards, has the task of checking continuously and in relation to specific requirements, the operation and suitability of the internal control and risk management system, via an audit plan approved by the Board of Directors that 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 Decree 231/2001;

/ the **Risk Management** function plays an executive role, facilitating, methodological support and coordination of *Enterprise Risk Management* activities.

Gefran has for some time started a structured *Enterprise Risk Management* process and has developed a process of periodic identification, assessment and management of the main risks. *Enterprise Risk Management* activities, through the identification of areas of attention and *risk owners*, promotes risk management also by supporting the main corporate decision-making processes.

From 2022 onwards, Gefran further developed its *Enterprise Risk Management* model, and this development continued during 2023, with the aim of updating the catalogue and identifying new risks, as well as greater integration of the *Enterprise Risk Management* business with its business processes in order to ensure its constant alignment with strategic, management and operational decisions, and to ensure sustainability over time, also in the light of sustainability issues. For each risk, a link with the objectives set in the business plan was identified and with the elements of the Strategic Sustainability Plan, and the risks associated with ESG issues were specifically identified.

The Enterprise Risk Management Policy

During 2023, the first **Enterprise Risk Management Policy** (so-called ERM Policy) was approved by the Board of Directors and disclosed to the Group.

The procedure defines the *Enterprise Risk Management* (so-called ERM) governance and process, as well as providing guidelines for the identification, evaluation, management and monitoring of risks that could threaten the Group's ability to achieve its company strategies and optimise their performance.

In more detail, the ERM Policy regulates:

/ the reference principles on which the ERM model is based;

/ the roles and responsibilities of the functions and/or individuals involved in the ERM process;

/ the steps involved in the process of identifying, assessing and managing risks;

/ the main information flows whose adoption enables adequate dissemination of risk information and informed decision-making.

The Risk Management Function

Gefran has also established the **Risk Management Function**, whose roles and responsibilities are attributed to the Group's Legal and Corporate Affairs Department and regulated in the ERM Policy.

In coordination with the CEO, the function is responsible for defining, implementing and maintaining an ERM methodology, by promoting a systematic, structured and homogeneous process of risk identification, measurement and management, as well as being responsible for routinely carrying out and coordinating the risk assessment process, by facilitating and providing methodological support in identifying, analysing and managing risks and periodically monitoring the progress and effectiveness of defined risk response strategies, as well as the evolution of the organisation's risk profile.

The Enterprise Risk Management Process

The process that Gefran conducted in 2023 was marked by four main moments:

1. Risk Monitoring
2. Enterprise Risk Management Workshop
3. Risk Assessment, Monitoring & Reporting
4. ERM Maturity Assessment

1. Risk Monitoring

In the first months of 2023, monitoring of the progress and implementation of mitigation actions to monitor the most relevant risks took place (so-called Tier 1 or Top Risk), identified during the previous Risk Assessment, which took place in the period July-September 2022.

The *Owners* of each action have expressed evaluations on the progress of the same.

2. Enterprise Risk Management Workshop

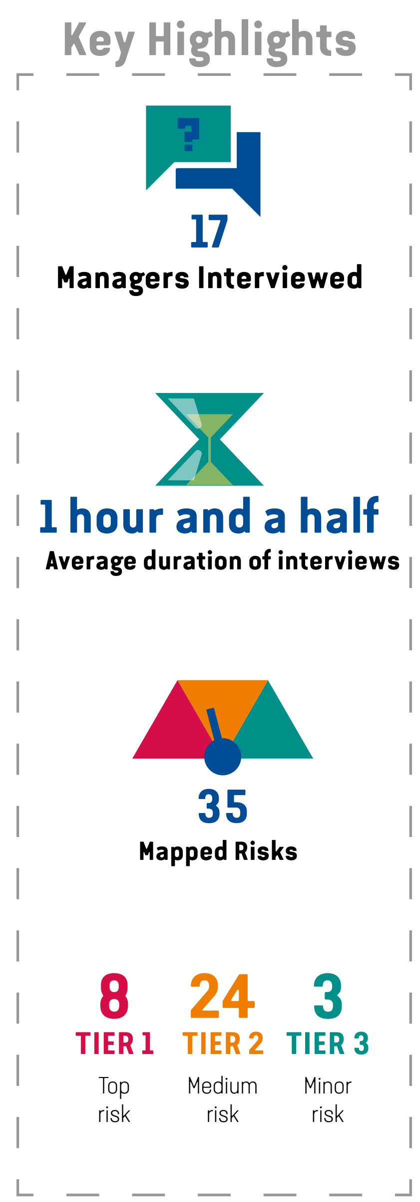
With the aim of spreading the Risk Management culture with a view to promoting the creation and protection of corporate value, a workshop dedicated to ERM activity, led by the Chief Executive Officer, was subsequently held with the involvement of the Managers responsible for all company functions and some functional reports.

It was an opportunity to review the fundamental elements of the Enterprise Risk Management system adopted by Gefran and to present the newly approved ERM Policy. During the work, a *brainstorming session* on emerging risks was carried out, preparatory to the start of the Risk Assessment, the next phase of the process.

3. Risk Assessment, Monitoring & Reporting

After the brainstorming on emerging risks, a Risk Assessment session was carried out. The risk assessment phase was carried out through interviews with the managers of the Parent Company and the main subsidiaries; the process of revising the risk catalogue was based on the results of the 2022 risk assessment, which were confirmed, modified and/or eliminated in order to provide an updated view of the risk profile.

This allows the Board of Directors and management to assess knowledgeably those risk scenarios that might compromise the achievement of strategic goals and take additional action to mitigate or manage significant exposures, thus strengthening the Group's corporate governance and Internal Control system.



The risks mapped at this stage are represented in the ***Risk Model*** and grouped into **four categories** and **eleven families**, outlined below:

NATURE OF THE RISK: **EXTERNAL RISKS**

MACRO RISK CATEGORY: **1 COUNTRY/MARKET**

SUB-CATEGORY OF RISK:

- [1.1] Macroecoomic context
- [1.2] Instability of the Countries in which the Group produces or sells
- [1.3] Catastrophic Events / Business Interruption
- [1.4] Evolving law, regulations and industry standards
- [1.5] Competition
- [1.6] Unexpected changes in demand (including consumer habits)

MACRO RISK CATEGORY: **2 FINANCIAL**

SUB-CATEGORY OF RISK:

- [2.1] Unpredictability of raw material prices / financial markets
- [2.2] Commercial/financial counterparts
- [2.3] Exchange rate
- [2.4] Interest rate
- [2.5] Liquidity
- [2.6] Capital availability / debt repayment capacity

NATURE OF THE RISK: **STRATEGIC RISKS**

MACRO RISK CATEGORY: **3 STRATEGIC**

SUB-CATEGORY OF RISK:

- [3.1] Business sustainability
- [3.2] Investment decision
- [3.3] Product Portfolio
- [3.4] Peoduct/process innovation
- [3.5] Effectiveness / Delay of short-, medium-, and long-term strategies
- [3.6] Effectiveness of extraordinary transactions
- [3.7] Strategic planning
- [3.8] Effectiveness of Crisis Management Plans
- [3.9] Dependence on key customer
- [3.10] Dependence on contractor/critical suppliers
- [3.11] Digital Transformation & Change Management

NATURE OF THE RISK: **INTERNAL RISKS**

MACRO RISK CATEGORY: **4 GOVERNANCE AND INTEGRITY**

SUB-CATEGORY OF RISK:

- [4.1] Change resistence
- [4.2] Integrity of behavior/fraud
- [4.3] Delegations and Powers
- [4.4] R&R (Rles and Responsibilities) / SoD
- [4.5] Direction and government, including foreign branches

MACRO RISK CATEGORY: **5 OPERATIONAL AND REPORTING**

SUB-CATEGORY OF RISK:

- [5.1] Adequacy/saturation of production capacity
- [5.2] Incorrect/inefficient production planning
- [5.3] Obsolescence/Unavailability of plant / machinery
- [5.4] Product quality / Recall
- [5.5] Obsolescence stock
- [5.6] Unavailability of raw materials/ semi-finished goods/ other goods and extra cost of supplies
- [5.7] Reliability of supplier portfolio
- [5.8] Ineffectiveness of sales channels
- [5.9] Ineffectiveness/reducing prices, complexity and extra business costs
- [5.10] Budget, Planning and Reporting
- [5.11] Unavailability of data and information
- [5.12] Transfer Pricing
- [5.13] Orders execution risk
- [5.14] Parcelizing out suppliers
- [5.15] Delays in the execution of investments plans
- [5.16] Interruptions/Delays in logistics

MACRO RISK CATEGORY: **6 LEGAL AND COMPLIANCE**

SUB-CATEGORY OF RISK:

- [6.1] Protection of product exclusivity
- [6.2] Litigation
- [6.3] Contractual/force majeure risks
- [6.4] Compliance with lobour law regulations
- [6.5] Compliance with 262 / financial reporting
- [6.6] Compliance with of tax regulation
- [6.7] Compliance with industry regulation (e.g., ISO)
- [6.8] Compliance with customs regulations

MACRO RISK CATEGORY: **7 IT**

SUB-CATEGORY OF RISK:

- [7.1] IT & Data Security (Cybersecurity and SoD)
- [7.2] Disaster Recovery / Business Continuity
- [7.3] IT Governance
- [7.4] IT infrastructure/technology capacity limits
- [7.5] Web Domains

MACRO RISK CATEGORY: **8 HUMAN RESOURCES**

SUB-CATEGORY OF RISK:

- [8.1] Attraction and Retention
- [8.2] Dependence on key figures
- [8.3] Poor communication between the first lines of management
- [8.4] Timeliness of communications regarding organisational changes
- [8.5] Risk of Ageing
- [8.6] Staff unavailability
- [8.7] Staff Performance

NATURE OF THE RISK: **ESG RISKS**

MACRO RISK CATEGORY / SUB-CATEGORY OF RISK

9 ENVIRONMENTAL

- [9.1] Natural disasters
- [9.2] Climate change (physical and transitional risks)
- [9.3] Pollution and contamination (e.g., waste management, emissions, spills and wastewater, noise pollution)
- [9.4] Resource availability and consumption (e.g. nonrenewable resources: water, gas)
- [9.5] Product sustainability (e.g., product end-of-life management, environmental impact of products)
- [9.6] Evolution/adaptation of environmental regulations (e.g., carbon tax, Emission Trading Scheme)

11 GOVERNANCE

- [11.1] Corporate integrity, anti-money laudering and anti-corruption
- [11.2] Non-compliance with internal regulations (e.g., Code of Ethics, policies and procedures)
- [11.3] Governance of ESG topics
- [11.4] Reporting on ESG topics

10 SOCIAL

- [10.1] User health and safety
- [10.2] Employees health and safety
- [10.3] Sustainable supply chain management
- [10.4] Respect for humn/workers' rights
- [10.5] Non-compliance/compliance with Privacy regulations
- [10.6] Biological risks
- [10.7] Customer experience, customer satisfaction and claims
- [10.8] Responsible Marketing and communication transparency
- [10.9] Non-compliance with product regulations (e.g., labeling)
- [10.10] Evolving expectation of stakeholders and end-users in terms of environmental and social performance
- [10.11] Evolution/compliance with H & S regulations
- [10.12] Relations with local communities

Focus HR

- [10.13] Professional development and compensation
- [10.14] Generational transitions
- [10.15] Industrial relations
- [10.16] Business climate
- [10.17] Smart working/remote working managing

Enterprise Risk Management extends to all types of risk/opportunity of potential significance for the Group, represented in the Risk Model which divides into eleven categories the risks areas Gefran is exposed to:

- **country/market**: risks arising from factors such as macroeconomic environment, changes in the regulatory and/or market environment, changes in economic or political stability in countries or geographic areas;
- **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, ex**traordinary 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 attraction, retention, availability, management and development of the resources and skills necessary to conduct business and management of trade union relations;
- **ESG risks:** risks tied to sustainability issues, divided among **environmental**, **social** and **governance**.

Management involved in the *Enterprise Risk Management* 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** of a certain event occurring within the time horizon of the Plan, measured on the basis of a scale from improbable/remote risk (1) to highly probable (4);
- **impact**: depending on the category estimate of the economic and financial impacts, or on the HSE issue, or of image or repercussions for operations within the time horizon under consideration, measured on the basis of a scale from insignificant (1) to critical (4);
- **level of risk management** or of maturity and efficiency of existing risk management systems and processes, measured on the basis of a scale from optimal (1) to be initiated (4).

The mapped risks are broken down, depending on seriousness, into three categories (Tier 1, Tier 2 and Tier 3), taking into account both the risk in the abstract (the so-called inherent risk), and the mitigation effects of the internal control system (so-called residual risk). Both types were evaluated.
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. In addition, the risks identified and assessed were linked to the objectives defined in the Group's strategic plan to integrate risk management into the Group's overall strategy, and to the pillars of the Strategic Sustainability Plan with the aim of integrating risk management into sustainability initiatives.

The assessment is repeated annually on the basis of the risk mitigation actions implemented and the evolution of the situation, and the process involves the main company representatives representing the Parent Company and subsidiaries. The principal risks detected and assessed through *Enterprise Risk Management* are described and discussed with all organisations of significance for the purposes of the internal control and risk management system and with the Board of Directors.

The overview of the risks the Group is exposed to allows the Board of Directors and Management to reflect on the group's propensity for risk and identify risk management strategies to be adopted or assess which risks and priorities are considered to require new mitigation actions, or improvement or optimisation of existing ones, or simple monitoring of exposure over time.

In order to ensure the adequacy of the risk management system and assess its effectiveness, a reporting system and a dashboard are provided for monitoring the mitigation actions taken by individual functions.

Risk reporting and related information provides an authentic view of the strengths and weaknesses of risk management. The disclosure of this information to key stakeholders also supports decision-making processes and increases transparency on risks that could have an impact on the attainment of targets. Systematic monitoring of the risks identified and assets to manage them according to established metrics enables timely and proactive responses.

4. ERM Maturity Assessment

Following the strengthening of the ERM process based on the insights that emerged from the analysis of the first Maturity Assessment in 2021, in 2023 Gefran decided to renew the maturity assessment of its *Enterprise Risk Management system, carried out using the same methodology used previously, and with the aim of updating the level of maturity of the* risk management system.

The Maturity Assessment demonstrates the Group's good level with an improved assessment compared to 2021, in particular with reference to the areas of risk culture and governance, management, monitoring and reporting. By analysing the Group's governance, the documents and the tools relating to risk management, the evolutionary guidelines have been defined to encourage alignment with best practices.

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

Based on the economic and cash flows achieved in the last few years and available funds, and based on the results of *Enterprise Risk Management* activities, there are currently no significant uncertainties that raise significant doubts as to the company's ability to continue to operate as a going concern.

14.1 RISKS ASSOCIATED WITH COUNTRIES AND MARKETS

Risks associated with the general economic conditions and market trends

The forecast for 2024 is for steady growth compared to what was observed for 2023: according to the International Monetary Fund, global growth in 2024 will be maintained at 3.1%, the same as in 2023, increasing to 3.2% in 2025. The so-called "advanced" economies are expected to grow more slowly in 2024 than in 2023 (+1.5% in 2024 vs +1.6% registered in 2023), recovering in 2025 (+1.8%).

Headline inflation will continue to decline steadily: from 8.7% in 2022 and 6.9% in 2023, it will fall to 5.8% in 2024 and 4.4% in 2025, although it will not reach pre-pandemic levels when it was 3.5%. This is due to a more restrictive monetary and fiscal policy aided by falling international commodity prices.

Despite the persistence of potentially negative factors, global economic activity in 2023 was resilient, thanks mainly to the services sector and progress in reducing inflation from last year's peaks, despite being not yet consolidated. Economic activity remains below the pre-pandemic target and there are increasing divergences between different areas of the world, where possible further geo-political developments are creating uncertainty in medium-term forecasts.

With reference to the Eurozone, compared to +0.5% in 2023, GDP is projected to grow by 0.9% in 2024 (in the previous report published, the forecasts were 1.2% growth for 2024) and 1.7% in 2025.

As far as the national scenario is concerned, growth is estimated at 0.7% for 2023. For 2024, the latest projections see steady growth for 2024 (0.7%) and more sustained in 2025 (1.1%).

In this scenario, where there are still uncertainties about the geopolitical future, it should be noted that the Group does not possess strategic assets in the territories currently involved in the hostilities and that sales in these regions are limited. Although the scenario is changeable, given current considerations, Gefran does not believe that the hostilities will have a significant direct impact on its activities and, consequently, on its ability to generate income in addition to what has already been absorbed during the year.

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 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 ability to focus 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, Gefran 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 Gefran believes that it can adapt its cost structure if sales volumes or prices decrease, the risk is that such a change will not be sufficiently large and timely, and thus there may be negative effects on the economic and financial situation.

Risks associated with changes in the regulatory framework

Since Gefran makes and distributes electronic components used in various applications, it is subject to numerous legal and regulatory requirements in the various countries in which it operates, as well as to the national and international technical standards applicable to companies operating in the same industry and to the products made and sold, with reference to the certifications required for the products.

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

Moreover, 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. This could have a negative impact on the Group's business, its operations and image and/or influence its ability to expand business in new markets.

Lastly, changes to or tightening of the regulatory environment by government bodies (supranational or national) in the areas in which Gefran operates could have an impact on the Group's economic results; this includes the introduction of increasingly stringent regulations to encourage sustainable business management and greater transparency on the impact of the business on the surrounding environment. In particular, by operating through production plants located in several countries, Gefran is exposed to risks deriving from changes in labour safety regulations, although there are currently no areas that are not managed by the implemented practices, operational procedures and management policies.

Country risk

A significant portion of the Group's production and sales activities is carried out outside the European Union, particularly in Asia, the US, Brazil and Switzerland. 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;
- possible disruptions in the supply chain.

Unfavourable political and/or economic developments in the countries in which the Group operates could adversely affect – the extent of which would vary by country – the Group's prospects, operations and economic and financial results. Such risk is, however, mitigated by the fact that the production sites where there are certain productions, and are therefore not easily interchangeable with productions of other countries, are operational in the USA and Switzerland, where the country risk is significantly reduced.

In the light of political developments linked to the Russian-Ukraine conflict, Gefran has formally expressed its desire to terminate business relations with customers residing in Russia and Belarus. Noting that the Group does not possess strategic assets in those regions and that the volume of business affected is modest, this decision has not significantly affected the ability of the Group to generate revenues.

Although the scenario is evolving, given current considerations, Gefran does not believe that the hostilities will have a significant direct impact on its activities and, consequently, on its ability to generate income.

14.2 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 some countries (particularly Switzerland and the United States) and sales in various geographic areas 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 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 the exchange-rate risk resulting from future commercial transactions and the recognition of assets and liabilities denominated in foreign currencies, the Group primarily makes use of so-called "natural hedging", seeking to match the inflows and outflows of all currencies other than the functional currency of the Group; additionally, where necessary, Gefran considers whether to engage in hedging transactions on the main currencies by arranging forward contracts with the parent company. However, since it prepares its Consolidated Financial Statements in Euro, fluctuations in the exchange rates used to translate the financial statements of subsidiaries, originally denominated 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 for the income statement. The interest-rate risk to which the Group is exposed mainly originates from long-term financial payables. The Group is exposed almost exclusively to fluctuations in the Euro rate, since the majority of bank loans have been arranged by Gefran S.p.A.

These are primarily floating-rate loans that expose the Company to a risk associated with interest-rate volatility (cash flow risk). To limit exposure to this risk, the Parent Company evaluates and subsequently signs contracts hedging contracts (so-called derivative 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.

Given developments in the current political and monetary situation, both domestically and internationally, the rise in interest rates represents a risk factor in the coming quarters, although this is limited by hedging contracts in place.

Risks associated with fluctuations in commodity prices

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

The Group is exposed to changes in basic commodity prices (e.g. metals) to a small extent, as the product cost component represented by these materials is quite limited.

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

The overall market situation has seen generalised price increases in the last two years (2022 in particular), mainly driven by the scarcity of raw materials and electronic components in particular, and is leading to significant price fluctuations with a subsequent impact on the overall cost of products. In 2023, the market situation became relatively stable, in terms of both prices and the availability of components.

Thanks to careful and efficient management of the supply chain and logistic-production processes within the organisation, any further price fluctuations will not lead to significant impacts.

Risks associated with funding requirements and cash risk

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

Gefran's capital structure is strong; in particular, own funds total 93.9 million Euro, while liabilities amount to 72.2 million Euro (data related to only continuing operations).

Operations in the year 2023 generated free cash flow of 12 million Euro.

At 31 December 2023, the net financial position is positive overall and equal to 22.7 million Euro, reflecting a reduction of 1.6 million Euro since the end of the previous year, after having distributed 5.7 million Euro in dividends and making technical investments of 10.6 million Euro.

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

Most existing loan contracts were negotiated at floating rates, based on the Euribor, increased by an average spread of 0.92% over the last two years.

During 2023, loan agreements were signed for a total of 22.9 million Euro.

Specifically in the third quarter, the Parent Company Gefran S.p.A. signed a medium-long term loan agreement with Crédit Agricole for a total of 13 million Euro, at a variable rate (Euribor 3 months) with a spread of 0.88%. The loan in question has been accounted for using the "amortised cost" method and requires compliance with a financial parameter (covenant) and in particular the ratio of net financial debt (NFP) to EBITDA < 3.25x.

It should also be noted that, on 27 October 2023, the Parent Company Gefran S.p.A. signed an additional loan with the BNL institution for a total of 10 million Euro, lasting 72 months, at a variable rate (Euribor 3 months) with a spread of 0.93%. The loan in question has been accounted for using the "amortised cost" method and does not provide for compliance with financial parameters (covenants).

For further details, please refer to the paragraph "Net financial position" reported in the "Specific explanatory notes to the accounts" of this Report.

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 an integral part of the customer's product design, being incorporated into their end products and having a significant influence on their 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. The solvency of all customers is monitored regularly and any risks are periodically covered by appropriate provisions. Despite these precautions, under current market conditions, it is possible that some customers may be unable to generate sufficient cash flow or access sufficient sources of funding, resulting in payment delays or failure to honour their obligations.

Receivables are adjusted to their estimated realisable value by the allowance for doubtful accounts, which is determined pursuant to IFRS 9 with reference to the expected credit losses on each position, taking account of past experience in each business area and geographical region.

The Group has developed estimates based on the best information available about past events, current economic conditions and forecasts for the future. With reference to the latter point, the Group has carried out analyses using a risk matrix that considers geographical region, business sector and individual customer solvency.

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

14.3 STRATEGIC RISKS

Risks associated with implementation of the Group's strategy

Gefran's ability to improve profitability and achieve the expected profit margins also depends 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 the 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.

The strategy also aims to diversify as much as possible the markets and their customers in order to avoid repercussions from the performance of a single market or client.

In this light, the sale of the motion control business completed in the first quarter of 2023 confirms the focused strategic evolution of the Group, which aims to strengthen its long-established and strategic sectors: sensors and automation components, where Gefran has invested most heavily in recent years.

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 shares, consequently impacting on revenue generation. The impact of this risk would increase should one or more competitors propose business models or technologies that are more innovative than Gefran's.

In order to mitigate the impact of this risk, the Gefran Group has invested in software that introduces new production and process controls via the reorganisation of production flows, as well as in human resources, through the addition of specialised personnel focused on innovative technological trends and the identification of a specific company department dedicated to innovation.

Risks linked to dependence on certain unique or critical suppliers

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

Dependence on some suppliers of technological components or platforms could result in delays in production in some particular periods due to lack of supply and/or extra costs due to the need to search for alternative components in the market, specifically components. To date, this phenomenon appears to have subsided for most of the components used in the production stages.

In fact, the electronic components market is marked by the saturation of production capacity, with the consequent need to use the production allocation process to assign the quantities of material available to its customers. By its cyclical nature, the few world players of active electronic components can suffer, in case of increased market demand.

Back in early 2020, in response to the spread of Covid-19, the Group promptly set up a task force to identify the location of suppliers considered critical and, when they were located in areas and countries subject to lockdowns, sent orders to the plants that were still in operation. The Group Purchasing function also took prompt action to research and qualify alternative suppliers to mitigate the risk of interruption of supply by reducing dependence on a single supplier wherever possible.

Some of the operating methods developed at the outset of the emergency turned out to be particularly effective including coping with the subsequent market "shortage" phase and have therefore been integrated into the Group's standard procedures, with the goal of mitigating, wherever possible, some of the risks associated with possible supply chain interruptions caused by events beyond the Group's control.

Lastly, it is confirmed that the Group does not have direct supply relationships in countries currently involved in the Russian-Ukraine conflict. In this regard, Gefran complies with the applicable regulatory requirements and restrictive measures established by the European Union and recommends that its suppliers comply with the same high standard.

14.4 GOVERNANCE AND INTEGRITY RISKS

Risks arising from ineffective Group coordination

The proper implementation of company strategies requires sufficient coordination between the Parent Company and the Group's subsidiaries.

The restrictions on international mobility and the impossibility of in person meetings with foreign branch contacts could adversely affect coordination and, jeopardize the pursuit of business objectives and/or implementation of specific projects. In order to allow meetings to be held between teams from the various Group entities, the Company promotes the use of hardware and software solutions for organising digital meetings and conferences, so as to mitigate the risk of slowing down the progress of joint projects.

It should be noted that as of the date of publication of this document, the constraints on mobility issued by governments to deal with the Covid-19 pandemic have been repealed and travel has resumed.

14.5 OPERATING RISKS AND REPORTING RISKS

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, all the way down to 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 creation is of the utmost importance for Gefran. This is evident from the organisation of the activities of the integrated Quality, Safety and Environment function, which has Group-wide responsibilities; over the years, the function has been endowed with new resources and skills to ensure the proper supervision of this fundamental aspect.

In line with the practices of many operators in the sector, Gefran has arranged insurance policies deemed sufficient to protect against product liability risks. Furthermore, a specific product warranty provision is recorded to cover these risks, in line with the volume of business and the historical occurrence of claims.

Nevertheless, should the insurance cover and risk provisions prove inadequate, the Group's economic and financial position could be adversely affected. In addition, the Group's involvement in disputes concerning product quality and any adverse rulings could expose the Group to reputational damage, which might also indirectly affect the economic 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 not been any significant interruptions of activity in recent years, except for limited periods and in relation to the healthcare emergency linked to the ongoing Covid-19 pandemic; however, future interruptions cannot be ruled out, and if they occur for lengthy periods, the Group's economic and financial position could be adversely affected if the losses exceed 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.

Moreover, to mitigate this risk, Gefran has developed plans for investment in plant and machinery, aiming for the digitalisation of processes, the expansion and reorganisation of productive areas and the hiring of new employees. Additionally, the uniformity of production processes and use of the same bill of materials means, if required by external conditions, that production can be transferred to plants not specified in the standard operating processes.

However, possible major fluctuations in demand that prevent effective production planning, or demand in excess of productive capacity, could result in lost business opportunities or even lost revenues.

14.6 LEGAL AND COMPLIANCE RISKS

Legal risks and product liability

In the context of the Group's core business, issues may arise linked to product defects and consequent civil liabilities towards customers or third parties. The Group is therefore exposed to the risk of product liability claims, provided for in the different countries in which it operates.

In line with the practices of many operators in the sector, Gefran has arranged insurance policies deemed sufficient to protect against product liability risks.

Nevertheless, should the insurance cover and risk provisions prove inadequate, the Group's economic and financial position could be adversely affected. In addition, the Group's involvement in legal disputes relating to product liability and any adverse rulings could expose Gefran to reputational damage, which might also affect the economic and financial position.

Risks related to the protection of exclusivity and intellectual property rights

The Group believes that it has adopted an appropriate system to protect its intellectual property rights, but is exposed to the risk related to higher costs, related to any actions to be taken to defend those rights.

Furthermore, the intellectual property rights of third parties could inhibit or limit the Group's capacity to place new products on the market. These events could have an adverse impact on the development of the Group business.

14.7 IT RISKS

Data security and IT (Cybersecurity) risks

The digitisation of processes, the adoption of new technologies (e.g. artificial intelligence) and new methods of agile work increase exposure to hacker attacks, which can cause business interruptions and loss of sensitive data with increasing costs; In view of the increasing phenomenon of so-called cybercrime and its constant evolution, the Group is exposed to IT attacks that could compromise the company's data published on the internet, its internal network or other company systems. However, the risk is considered partially mitigated as the critical systems adopted by the various Group entities (SAP ERP, email, etc.) are installed and managed directly by the Parent Company from a central location, where a control plan and risk assessment have been defined.

Gefran has placed a strong focus on cybersecurity, adopting procedures and systems to monitor and prevent attacks on the corporate network by hackers, arranging specific insurance cover as well as by launching special training and awareness-raising initiatives on IT security issues.

14.8 RISKS ASSOCIATED WITH HUMAN RESOURCES

Difficulty in attraction and retention of personnel

Gefran is exposed to the tensions that are affecting the world of work concerning the attraction and retention of personnel with the necessary knowledge and critical skills in strategic areas for the Group (e.g. R&D and production engineering).

Gefran has implemented actions to increase its reputational value, including by engaging in projects aimed at creating a professional organisation to which it is desirable to belong. This goes beyond guaranteeing health and a safe working environment, but more generally concerns the quality of life inside and outside the company, the training and development of talents, promoting diversity as a value, as well as the strengthening of partnerships with universities, allowing the Group to increase its ability to attract and retain its personnel and to stand up to the fierce competition among market players in the recruitment phase.

14.9 ESG RISKS

Environmental damage risks

Although the Group's activities do not include the 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 the environmental protection regulations.

Gefran has implemented a series of controls and monitoring to identify and prevent risks related to safety and environment, and has prepared and disseminated the "Health, Safety and Environment System" management policy at every level. As a guarantee of the appropriate management methods implemented, the Group's Italian companies have now obtained ISO 14001:2015 Environmental Management *System* certification, which is being extended to the Group's foreign production subsidiaries.

If potential liabilities deriving from environmental damage arise, the Group may have recourse on the insurance policies taken out to cover such effects.

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 arise in the various business sectors, in order to define opportunities and take action to minimise these risks wherever possible.

Protecting health and safety is essential for Gefran. Confirming the importance of these issues, the organisation established an integrated "Quality, Safety and Environment" function that still operates today, drawing on Group-wide expertise. The policy for the "Health, Safety and Environment System", which defines guiding principles in these areas, has also been signed and disseminated throughout the Group.

As a guarantee of the appropriate management methods implemented, the Group's Italian companies have now obtained Occupational Health and Safety Management System ISO 45001:2018 certification, which is being extended to the Group's foreign production subsidiaries.

Risk of non-compliance with adequate labour standards in the supply chain

Gefran purchases some raw materials and semi-finished products required for its production from suppliers outside the Group. For this reason, it is exposed to the risk that the same standards of compliance with the rights of workers guaranteed by the Group are not guaranteed in the supply chain and this risk is greater in some of the geographical areas in which the Group operates.

This could result in accidents leading to disruption of the supply chain and, therefore, impact on business continuity, as well as possible impact on its reputation.

To this end, Gefran has modified the accreditation process for new suppliers, requesting the signing of the Sustainability Pact, a document which requires compliance with certain sustainability principles (guarantee of a healthy and safe working environment, respect for human rights in working conditions and discrimination, fight against corruption, etc.). Today the Group is striving to extend its sustainability commitments to an ever larger share of its supply chain.

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 at its 10 March 2022 meeting, the related internal compliance procedures put in place and the controls adopted together 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 the "Management of dialogue with Shareholders and Investors" policy (so-called Code of Engagement), in application of the Corporate Governance Code approved by the Italian Corporate Governance Committee. The adoption of this policy, 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 and the "Sustainability Pact" required of suppliers.

The Group has also effectively adopted an Organisation, Management and Control Model pursuant to Decree 231/2001 ("Organisational Model"). The Organisational Model, drawn up on the basis of the Confindustria Guidelines, is periodically updated in line with the evolution of the legislation. At least annually, Gefran carries out the updating of the risk assessment 231 activity, with the aim of evaluating any changes in the Company's risk profile and of incorporating any organisational changes or the introduction of new "predicate offences" or changes thereto. This activity is carried out both through interviews with the departments involved and through document analysis.

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 administrative and process control systems.

It is stipulated that 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 funded projects. This further limits the risks of reputational or economic damage resulting from unacceptable ethical conduct.

To ensure the appropriate management methods are implemented, today the Group's Italian companies have completed the process to obtain certification as per the SA 8000:2014 Social Accountability standard, and the process will be gradually extended to the Group's foreign production subsidiaries.

15 SIGNIFICANT EVENTS IN 2023

/ On 3 January 2023, as part of the framework agreement signed by the Group on 1 August 2022 for the sale of the entire motion control business, the sale of the motion control business unit of Gefran Siei Drives Technology (Shanghai) Co Ltd (now called Gefran Automation Technology (Shanghai) Co. Ltd), a subsidiary of Gefran Siei Asia Pte Ltd (now called Gefran Asia Pte. Ltd), in turn a subsidiary of Gefran S.p.A., WEG (Changzhou) Automation Equipment Co Ltd, a Chinese subsidiary of the WEG Group, became effective.

/ On 9 February 2023, the Board of Directors of Gefran S.p.A. examined the preliminary consolidated results at 31 December 2022.

/ On 1 March 2023, under the framework agreement signed by the Group on 1 August 2022 for the sale of the entire motion control business, the last phase of the operation realised with the sale of the motion control business unit of Gefran India Private Limited, a subsidiary of Gefran S.p.A., to WEG Industries (India) Private Limited, the Indian subsidiary of the WEG group, became effective.

On the same date, the companies Gefran Siei Asia Pte Ltd e Gefran Siei Drives Technology (Shanghai) Co. Ltd adopted new names, Gefran Asia Pte Ltd and Gefran Automation Technology (Shanghai) Co. Ltd respectively.

/ On 9 March 2023, the Board of Directors of Gefran S.p.A. unanimously approved the separate financial statements as at 31 December 2022, the Consolidated Financial Statements and the consolidated non-financial statement.

The Board of Directors also resolved to propose to the Shareholders' Meeting the distribution of a dividend of 0.40 Euro per share in circulation (not including own shares) by drawing on the net profit for the year, with allocation of the residual amount to retained earnings.

During the same meeting, the Board resolved to propose to the Shareholders' Meeting approval of the authorisation to purchase and dispose of, on one or more occasions, a maximum of 1,440,000.00 shares equal to 10% of the share capital. The authorisation was requested for a period of 18 months from the date of the shareholders' resolution.

/ On 17 April 2023 Gefran S.p.A. was very sad to announce the sudden passing of the Honorary Chairman and founder of the Company, Mr Ennio Franceschetti, which occurred on the night of 16-17 April. Since 2018 Ennio Franceschetti had been acting as Honorary Chairman. Although certain specific powers have been conferred on this office, all the operational powers necessary for the general management of the Company are held by the Chairman and the Chief Executive Officer. Mr Ennio Franceschetti did not have direct shareholdings in the Company.

/ On 21 April 2023, the Ordinary Shareholders' Meeting of Gefran S.p.A. resolved to:

- Approve the 2022 financial statements and distribute an ordinary dividend, gross of withholding taxes, of 0.40 Euro per eligible share (ex-dividend date 8 May 2023, record date 9 May 2023 and payment date 10 May 2023). The remainder of the annual profit was allocated to retained earnings reserve.
- Appoint the Board of Directors for the three-year period 2023-2025, by setting the number of its members at 9, in line with the previous three-year period. Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti, Marcello Perini, Alessandra Maraffini, Enrico Zampedri, Cristina Mollis and Giorgio Metta were appointed to the majority list while Luigi Franceschetti was appointed to the minority list. The newly-established Board will remain in office until the approval of the financial statements as at 31 December 2025.
- Authorise the Board of Directors to purchase 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.

The Shareholders' Meeting, pursuant to Article 123-ter of Italy's Consolidated Finance Act (TUF), the Shareholders' Meeting held a binding vote that approved the Group's 2023 Remuneration Policy and also expressed a favourable opinion on its 2022 Remuneration Report.

Following the Shareholders' Meeting, the new Board of Directors met and appointed Maria Chiara Franceschetti as Chair thereof, Andrea Franceschetti and Giovanna Franceschetti as Vice-Chairs and Marcello Perini as Managing Director. Marcello Perini was also appointed Chief Executive Officer pursuant to the Corporate Governance Code. At the meeting, the independence requirements of the newly appointed Board were also checked: non-executive directors Alessandra Maraffini, Cristina Mollis, Enrico Zampedri and Giorgio Metta were in possession of the independence requirements; Lead Independent Director is Cristina Mollis.

- On 4 May 2023 the tax assessment process was completed for the 2016 tax period following the notification of the relevant assessment notice by the Italian Revenue Agency on 5 December 2022. In light of the new elements, a specific provision for risks has been recorded, including the amount (interest and portion of taxes) contained in the tax assessment for the 2016 tax period, and a forecast of the amount for 2017 and 2018 tax periods based on the same content and principles defined in the act relating to 2016.

  Procedures are currently at an advanced stage for the out-of-court settlement of the matter concerning 2017 and 2018, which, it is reasonable to assume, will lead to the emergence of a liability that is in any case fully covered by the dedicated provision booked.

- On 11 May 2023, the Board of Directors of Gefran S.p.A. unanimously approved the consolidated results of the Group at 31 March 2023.
- On 3 August 2023, the Gefran S.p.A. Board of Directors unanimously voted to approve the Group's consolidated financial statement as at 30 June 2023.
- On 8 November 2023, the Board of Directors of Gefran S.p.A. unanimously approved the consolidated results of the Group at 30 September 2023.
- On 10 December 2023, Gefran S.p.A. signed an investment agreement for the acquisition of a minority stake in Robot at Work S.r.l., an Italian startup based in Rovato (BS). Founded in 2017, RAW is a dynamic and innovative young company that carries out the design, construction, sale and installation of industrial plants, including standard robotic cells, collaborative cells (which require the presence of an operator and industrial automation), visual control and Virtual Commissioning. The transaction was finalised through the sale of part of the share capital belonging to the majority shareholders and a subsequent capital increase, following which Gefran S.p.A. holds a 24.83% stake in Robot at Work for a total consideration of 576 thousand Euro (consideration paid in cash, through the use of own funds). As a result of this acquisition, Gefran integrates within its business the solutions and technical skills of the RAW team in the area of Virtual Commissioning, namely the new virtual development method that uses a digital replica of the process to be carried out (called "Digital Twin") in order for the result to be predicted thoroughly. This allows customers to visualise both the robotised system alone and its integration into the existing production line.

16 SIGNIFICANT EVENTS FOLLOWING THE END OF THE YEAR 2023

Nothing to report.

17 OUTLOOK

In the latest report published at the end of January, the International Monetary Fund's basic estimates predict a substantial slowdown in global growth, which will also be confirmed at 3.1% by 2024, as observed for 2023. A slight increase is expected in 2025, to 3.2%, but falling short of the pre-pandemic historic average (years 2000-2019) of 3.8% per year. Online trends for "emerging" markets and "developing" economies that will register +4.1% in 2024, consistent with the figure for 2023. The slowdown in the "advanced" economies is slightly more pronounced: from 1.6% in 2023, it should fall to +1.5% in 2024 and +1.8% in 2025.

As already analysed in the previous reports, deadline inflation will continue to decline steadily: from 8.7% in 2022 and 6.9% in 2023, it will fall to 5.8% in 2024 and 4.4% in 2025, although it will not reach pre-pandemic levels when it was 3.5%. This is due to a more restrictive monetary and fiscal policy aided by falling international commodity prices.

Despite the persistence of potentially negative factors, global economic activity in 2023 was resilient, thanks mainly to the services sector and progress in reducing inflation from last year's peaks, even though it cannot yet be considered consolidated. Economic activity is still below the pre-pandemic target, and there are increasing divergences between different areas of the world. In addition, recent geopolitical developments that have led to the outbreak of a new conflict in the Middle East is creating fresh uncertainty in medium-term forecasts. New surges in commodity prices due to possible geopolitical shocks – including continued attacks in the Red Sea – and supply disruptions or more persistent underlying inflation could prolong restrictive monetary conditions. The worsening difficulties affecting the real estate sector in China or elsewhere may also represent a disruptive move towards tax increases and spending cuts could cause growth disappointments.

With reference to the Eurozone, compared to +0.5% in 2023, GDP is projected to grow by 0.9% in 2024 (in the previous report published, the forecasts were 1.2% growth for 2024) and 1.7% in 2025.

As far as the national scenario is concerned, growth is estimated at 0.7% for 2023. For 2024, the latest projections see steady growth for 2024 (0.7%) and more sustained in 2025 (1.1%).

After the performance recorded during 2022 was consolidated in the first half of 2023, in the second half of the year the Group's business clearly experienced a general slowdown mainly due to the continuing economic weakness and uncertainty in the main markets in which it operates.

This trend is confirmed at the beginning of 2024; visibility has decreased compared to previous years, aligning with that of the pre-pandemic period. In light of this environment, it is conservatively expected that revenues for 2024 will be in line with 2023, but without ruling out the possibility of growth (low single digit) if, in the second half of this year, the fall in interest rates expected by global organisations and the relaxation in geopolitical tensions encourage a recovery in demand. As a result of the investments and organisational reinforcements made in previous years, the Group is structured to respond rapidly to all business opportunities underlying increased demand in the various markets.

A largely positive margin is also expected for 2024. In this environment of high uncertainty and reduced visibility, in comparison with previous years, the growth in sales volumes in the second half of the year will be a decisive factor in determining margin growth; in fact, the Group has continued and will continue to pursue the strategic progress plan based on product and process innovation.

18 POSSIBLE IMPACTS OF ONGOING CONFLICTS AND RELATED RISKS

The geopolitical crisis dictated by the escalating tensions between Russia and Ukraine and leading to the current conflict has progressively involved the international community, leading NATO countries to introduce sanctions against the invading country.

Gefran, by supporting the international community in demanding peace, remains committed to supporting the economic sanctions applied by the European Union and, in accordance with them, has stated that is not undertaking any new activities or signing any new contracts involving Russian and Belarusian customers or suppliers. Noting that the Group does not own strategic assets in the territories directly involved in the conflict and that sales in these regions, held until early 2022, can be considered limited, no direct impacts are currently estimated.

This global uncertainty further fuelled the general rise in inflation during the 2022 financial year, as reflected in higher raw material costs, particularly for energy commodities, as Russia is one of the world's leading energy suppliers. During 2023, including as a result of the monetary and fiscal policies adopted by governments, inflation began to fall gradually.

With regard to possible increases in the prices of raw materials, the Group continues to carefully monitor and control procurement costs, through careful and efficient management of the supply chain and logistics-production processes, as well as by involving the R&D departments in re-engineering activities where it is necessary to make up for component shortages.

Specifying further that the Group's production activities do not require gas consumption, which is only used for work space heating, no significant impacts were identified for Gefran.

In light of the most recent conflict in the Middle East, new increases could appear in European markets, although they are currently difficult to predict meaning that there are no significant impacts on the Group's economic and financial situation at present.

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

Analysis of risk factors, through assessment of their impact and the preparation of mitigation/containment plans, is a pre-requisite for the creation of value in the organisation. The ability to monitor and respond to risk correctly helps the Company to address corporate and strategic choices with confidence, as well as to prevent adverse consequences for the corporate and business targets set at Group level.

Based on the performance of operations in the 2023 financial year and the reference macroeconomic context, these risks are not different from those illustrated in the paragraph "Main risks and uncertainties to which the Gefran Group is exposed" of this document to which explicit reference is made.

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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 Italian Legislative Decree no. 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;

/ systematically carrying out stakeholder engagement and materiality analysis, even in relation to the update of legislation;

/ 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;

/ the development of strategic sustainability plans, aligned with the Group's industrial plans.

A significant step has been launch of the Group's sustainability strategy, through formalisation of the initial Strategic Sustainability Plan issued in November 2020, in which some projects were identified, 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.

During 2022, a further significant step was taken: through a process structured in various phases, where a benchmark analysis of the sector was first conducted in order to identify the trends underway in relation to setting ESG objectives and targets, an assessment was carried out on possible ESG objectives and targets, through the involvement of corporate functions, seeking to set a priority for them in the short and medium to long term. This resulted in the definition of a new and longer Strategic Sustainability Plan, meant to be a natural integration and expansion of the previous one.

The plan, referring to the previous one, is inspired by the six SDGs already identified, and is based on four pillars: to put people at the centre, to contribute to a society projected to the carbon transition, creation of innovative, low-impact products, the promotion of responsible supply chains. A broad description is provided in the document in "2023 Sustainability Report - 2023 Consolidated Non-Financial Statement pursuant to Legislative Decree no. 254/2016" published at the same time as this Annual Financial Report.

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. The plan's projects which focus on mapping the carbon footprint along the entire value chain and the development of a decarbonisation strategy – including the use of electricity exclusively from renewable sources and sustainable mobility projects – are also to be understood as focused in this direction.

Innovation and sustainability are increasingly interconnected: 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.

With regard to environmental issues, Gefran has always paid attention and invested resources in managing the impacts deriving from its activities, systematically seeking to limit them in a coherent, effective and above all sustainable manner. This enabled the Group to obtain ISO 14001:2015 certification for all its Italian sites in the first quarter of 2023.

In periodic risk analysis related to the Group's activities (referred to as Risk Assessment), Gefran integrated the assessment of the impacts of climate change currently taking place in its risk mapping (for further details, please see the section "Main risks and uncertainties to which the Gefran Group is exposed" in this Report on Operations).

20 OWN SHARES

As at 31 December 2022, Gefran S.p.A. held 53,273 shares, equal to 0.37% of the total, with an average book value of 7.3993 Euro per share, and a total value of 394 thousand Euro.

During 2023 the purchase of own shares for a total of 145,132 shares was made for an average cost of Euro 9.1068 per share and a total value of 1,322 thousand Euro. Therefore, at 31 December 2023, Gefran S.p.A. held a total of 198,405 shares (1.38% of the total) with an average carrying value of Euro 8.6483 per share, and an overall value of 1,716 thousand Euro.

21 DEALINGS WITH RELATED PARTIES

On 12 November 2010, the Board of Directors of Gefran S.p.A. approved the "Internal Procedure for Transactions with Related Parties", in application of Consob Resolution no. 17221 of 12 March 2010. The procedure in question was subsequently updated by the Board of Directors, on 24 June 2021, to implement the new provisions of EU Directive 2017/828 (so-called "Shareholders' Rights II"), which was transposed into Italian law by Decree 49/2019, with regard to the primary legislation, and by Consob Resolution no. 21624 of 10 December 2020, with regard to the secondary regulations.

This document is published in the section "Investor Relations/Governance/Statuto e procedure" of the Company's website, available at https://www.gefran.com/governance/documents-and-procedures/.

The "Internal Procedure for Transactions with Related Parties" 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.

It 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.

Please refer to paragraph 40 of the notes to the Consolidated Financial Statements for details of the transactions between Group companies and related parties.

22 CONSOLIDATED NON-FINANCIAL STATEMENT

The 2023 Consolidated Non-Financial Statement, pursuant to Italian Legislative Decree no. 254/2016, consistent with the 2022 financial year document, is contained in a separate report from this Annual Financial Report. That document, approved jointly with the latter, is referred to as "2023 Sustainability Report - 2023 Consolidated Non-Financial Statement pursuant to Italian Legislative Decree no. 254/2016" and is available on the company's website (https://www.gefran.com/investing-in-gefran/).

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DISCLOSURE SIMPLIFICATION

On 1 October 2012, the Board of Directors of Gefran S.p.A. resolved to make the election for simplified disclosure envisaged in article 70, paragraph 8, and article 71, paragraph 1-bis, of Consob Regulation no. 11971/1999 as amended.

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PROVISIONS UNDER ARTICLE 15 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 Article 15 of the Consob Regulation on Markets, it is to be noted that this applies to the subsidiaries Gefran Asia Pte Ltd (Singapore), Gefran Automation Technology Co Ltd (China), Gefran Inc (USA), Gefran Brasil Eletroelectronica Ltda (Brazil) and Sensormate AG (Switzerland).

The Group also made the adjustments necessary to meet the conditions set out under paragraph 1 of the aforementioned Article 15, and there are procedural provisions in place designed to ensure they are maintained.

Provaglio d'Iseo, 12 March 2024

For the Board of Directors

Chairwoman	Chief Executive Officer
Maria Chiara Franceschetti	**Marcello Perini**

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CONSOLIDATED FINANCIAL STATEMENTS

Statement of profit/(loss) for the period

(Euro /000)	Notes	progress. 31 December 2023	2022
Revenue from product sales	28	131,307	132,491
of which related parties:	40	68	101
Other revenues and income	29	1,471	1,936
Increases for internal work	13,14	2,436	907
TOTAL REVENUES		**135,214**	**135,334**
Change in inventories	19	(2,091)	5,537
Costs for raw materials and accessories	30	(39,015)	(45,495)
of which related parties:	40	(619)	-
Service costs	31	(22,243)	(22,887)
of which related parties:	40	(266)	(257)
Miscellaneous management costs	33	(1,055)	(701)
Other operating income	33	311	99
Personnel costs	32	(47,042)	(47,195)
of which related parties:	40	(80)	(77)
Impairment/reversal of trade and other receivables	19	66	(56)
Amortisation and impairment of intangible assets	34	(1,755)	(1,808)
Depreciation and impairment of tangible assets	34	(4,670)	(4,169)
Depreciation/amortisation total usage rights	34	(1,170)	(1,145)
EBIT		**16,550**	**17,514**
Gains from financial assets	35	5,341	4,639
Losses from financial liabilities	35	(5,141)	(4,541)
(Losses) gains from shareholdings valued at equity	36	30	24
PROFIT (LOSS) BEFORE TAX		**16,780**	**17,636**
Current taxes	37	(3,777)	(4,967)
Deferred tax assets and liabilities	37	(1,145)	783
TOTAL TAXES		**(4,922)**	**(4,184)**
NET PROFIT (LOSS) FOR THE PERIOD FROM CONTINUOUS OPERATING ACTIVITIES		**11,858**	**13,452**
Net profit (loss) from assets held for sale and discontinued operations	38	(205)	(3,464)
NET PROFIT (LOSS) FOR THE PERIOD		**11,653**	**9,988**
Attributable to:			
Group		11,653	9,988
Third parties		-	-

Earnings per share (Euro)	Notes	progress. 31 December 2023	2022
Basic earnings per ordinary share	24	0.82	0.70
Diluted earnings per ordinary share	24	0.82	0.70

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

(Euro /000)	Notes	progress. 31 December 2023	2022
NET PROFIT (LOSS) FOR THE PERIOD		**11,653**	**9,988**
Items that will not subsequently be reclassified in the statement of profit/(loss) for the period			
- revaluation of employee benefits: IAS 19	25	(8)	380
- overall tax effect	25	7	(102)
- equity investments in other companies	17	(75)	(114)
Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period			
- conversion of foreign companies' financial statements	23	(995)	256
- fair value of cash flow hedging derivatives	23	(269)	476
Total changes, net of tax effect		**(1,340)**	**896**
Comprehensive result for the period		**10,313**	**10,884**
Attributable to:			
Group		10,313	10,884
Third parties		-	-

Statement of financial position

(Euro /000)	Notes	31 December 2023	31 December 2022
NON-CURRENT ACTIVITIES			
Goodwill	12	5,921	6,016
Intangible assets	13	6,419	6,021
Property, plant, machinery and tools	14	38,385	35,217
of which related parties:	40	294	294
Usage rights	15	3,715	2,707
Shareholdings valued at equity	16	725	119
Equity investments in other companies	17	1,926	2,003
Receivables and other non-current assets	18	88	278
Deferred tax assets	37	2,994	4,147
Non-current financial investments for derivatives	22	185	539
Other non-current financial investments	22	112	28
TOTAL NON-CURRENT ACTIVITIES		**60,470**	**57,075**
CURRENT ACTIVITIES			
Inventories	19	17,807	20,067
Trade receivables	19	23,740	24,183
of which related parties:	40	35	3
Other receivables and assets	20	4,000	3,432
Current tax receivables	21	2,008	764
Cash and cash equivalents	22	57,159	44,114
TOTAL CURRENT ACTIVITIES		**104,714**	**92,560**
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	9	**-**	**4,629**
TOTAL ASSETS		**165,184**	**154,264**

(Euro /000)	Notes	31 December 2023	31 December 2022
SHAREHOLDERS' EQUITY			
Share capital	23	14,400	14,400
Reserves	23	67,888	66,335
Profit / (Loss) for the year	23	11,653	9,988
Total Group Shareholders' Equity	23	93,941	90,723
Shareholders' equity of minority interests		-	-
TOTAL SHAREHOLDERS' EQUITY		**93,941**	**90,723**
NON-CURRENT LIABILITIES			
Non-current financial payables	22	21,382	7,205
Non-current financial payables for IFRS 16 leases	22	2,774	1,782
Employee benefits	25	2,103	2,241
Non-current provisions	26	531	554
Deferred tax provisions	37	934	1,029
TOTAL NON-CURRENT LIABILITIES		**27,724**	**12,811**
CURRENT LIABILITIES			
Current financial payables	22	9,633	10,469
Current financial payables for IFRS 16 leases	22	1,005	955
Trade payables	19	19,411	22,648
of which related parties:	40	328	556
Current provisions	26	899	1,287
Current tax payables	21	796	1,158
Other payables and liabilities	27	11,775	13,342
TOTAL CURRENT LIABILITIES		**43,519**	**49,859**
LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	9	**-**	**871**
TOTAL LIABILITIES		**71,243**	**63,541**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**165,184**	**154,264**

Consolidated cash flow statement

(Euro /000)	Notes	31 December 2023	31 December 2022
(A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**44,114**	**35,497**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD			
Net profit (loss) for the period		11,653	9,988
Depreciation, amortisation and impairment	34	7,595	7,122
Provisions (Releases)	19,25,26	2,358	1,532
Capital (gains) losses on the sale of non-current assets	13,14	136	24
Net profit (loss) from assets held for sale and discontinued operations	38	(60)	3,464
Net result from financial operations	35	(230)	(122)
Taxes	37	3,777	4,967
Change in provisions for risks and future liabilities	25,26	(1,316)	(697)
Change in other assets and liabilities	20,27	(1,944)	2,666
Change in deferred taxes	37	1,139	(766)
Change in trade receivables	19	315	558
of which related parties:	40	(32)	65
Change in inventories	19	355	(7,015)
Change in trade payables	19	(3,679)	1,268
of which related parties:	40	(228)	182
Operating flows from assets and liabilities held for sales	9	-	(3,085)
TOTAL		**20,099**	**19,904**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	13,14	(10,563)	(6,316)
of which related parties:	40	(294)	(294)
- Equity investments and securities	16,17	(676)	22,710
- Financial receivables	18	190	(189)
Disposal of non-current assets	13,14	2,941	179
Investments flows from assets and liabilities held for sales	9	-	(646)
TOTAL		**(8,108)**	**15,738**
D) FREE CASH FLOW (B+C)		**11,991**	**35,642**

(Euro /000)	Notes	31 December 2023	31 December 2022
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	22	22,946	-
Repayment of financial debts	22	(8,500)	(11,757)
Increase (decrease) in current financial payables	22	(1,121)	(5,924)
Outgoing cash flow due to IFRS 16	22	(1,220)	(1,183)
Taxes paid	37	(4,042)	(5,971)
Interest paid	35	(767)	(231)
Interest received	35	375	88
Sale (purchase) of own shares	23	(1,322)	(238)
Change in equity reserves	23	-	-
Dividends paid	23	(5,713)	(5,462)
Financial flows from assets and liabilities held for sales	9	-	4,797
TOTAL		**636**	**(25,881)**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**12,627**	**9,761**
G) CASH FLOW FROM OPERATING ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		**-**	**(1,066)**
H) Exchange rate translation differences on cash at hand	22	418	(78)
I) NET CHANGE IN CASH AT HAND (F+G+H)		**13,045**	**8,617**
J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)		**57,159**	**44,114**

Statement of changes in shareholders' equity

(Euro /000)	Notes	Share capital	Capital reserves	Consolidation reserve	Other reserves	Retained profit /(loss)
Balance at 1 January 2022		**14,400**	**21,926**	**4,894**	**10,087**	**17,039**
Destination of profit 2021						
- Other reserves and provisions	23	-	-	4,487	-	9,205
- Dividends	23	-	-	-	-	(5,462)
Income/(Expenses) recognised at equity	23	-	-	-	59	-
Change in translation reserve	23	-	-	-	-	-
Other changes	23	-	-	(420)	(303)	-
Profit 2022	23	-	-	-	-	-
Balance at 31 December 2022		**14,400**	**21,926**	**8,961**	**9,843**	**20,782**
Destination of profit 2022						
- Other reserves and provisions	23	-	-	468	-	9,520
- Dividends	23	-	-	-	-	(5,713)
Income/(Expenses) recognised at equity	23	-	-	-	(20)	-
Change in translation reserve	23	-	-	-	-	-
Other changes	23	-	-	(39)	(1,323)	-
Profit 31 December 2023	23	-	-	-	-	-
Balance at 31 December 2023		**14,400**	**21,926**	**9,390**	**8,500**	**24,589**

(Euro /000)	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
Balance at 1 January 2022	**280**	**3,885**	**(665)**	**13,692**	**85,538**	**-**	**85,538**
Destination of profit 2021							
- Other reserves and provisions	-	-	-	(13,692)	-	-	-
- Dividends	-	-	-	-	(5,462)	-	(5,462)
Income/(Expenses) recognised at equity	362	-	278	-	699	-	699
Change in translation reserve	-	256	-	-	256	-	256
Other changes	-	427	-	-	(296)	-	(296)
Profit 2022	-	-	-	9,988	9,988	-	9,988
Balance at 31 December 2022	**642**	**4,568**	**(387)**	**9,988**	**90,723**	**-**	**90,723**
Destination of profit 2022							
- Other reserves and provisions	-	-	-	(9,988)	-	-	-
- Dividends	-	-	-	-	(5,713)	-	(5,713)
Income/(Expenses) recognised at equity	(344)	-	(1)	-	(365)	-	(365)
Change in translation reserve	-	(995)	-	-	(995)	-	(995)
Other changes	-	-	-	-	(1,362)	-	(1,362)
Profit 31 December 2023	-	-	-	11,653	11,653	-	11,653
Balance at 31 December 2023	**298**	**3,573**	**(388)**	**11,653**	**93,941**	**-**	**93,941**

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

On 12 March 2024, the Consolidated Financial Statements of the Gefran Group for the year ending 31 December 2023 were approved by the Board of Directors, which authorised their publication. The tagging of the financial statements, as well as the explanatory notes, has been prepared in compliance with the provisions of ESMA and the ESEF taxonomy. Some information contained in the notes (explanatory/explanatory) to the Consolidated Financial Statements when extracted from the XHTML format in an XBRL instance, due to certain technical limitations may not be reproduced in an identical manner with respect to the corresponding information that can be displayed in the Consolidated Financial Statements in XHTML format.

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., its subsidiaries and its direct and indirect associates, approved by their respective Boards of Directors. The consolidated companies have adopted international accounting standards, with the exception of a number of companies whose financial statements have been restated in accordance with IAS/IFRS for consolidation purposes.

The official audit of the Consolidated Financial Statements was carried out by PricewaterhouseCoopers S.p.A.

These Consolidated Financial Statements are presented in Euro, the functional currency of most Group companies. Unless otherwise stated, all amounts are expressed in thousands of Euro.

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

3. Accounting schedules

The Gefran Group has adopted:

/ a statement of financial position, according to which assets and liabilities are separated into current and non-current categories;

/ a statement of profit/(loss) for the year, in which costs are categorised by nature;

/ a statement of profit/(loss) for the year and other items of comprehensive income, which shows income and charges posted directly to shareholders' equity, net of tax effects;

/ the cash flow statement prepared using the indirect method, which adjusts the net profit for the period to eliminate taxes and the effects of non-monetary transactions, any deferral or allocation from previous or future operating collections or payments, and revenues or costs associated with the cash flows deriving from investment or financing activities; with a view to greater transparency, the Company has chosen to present the cash flow statement in a format that better represents its own dynamics, starting with net profit for the period and then eliminating the taxes charged to the income statement, rather than starting with the pre-tax profit.

It should be noted that with reference to Consob Resolution no. 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. Consolidation principles and measurement 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 2023; 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 and discontinued, 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 and discontinued", 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 and discontinued" 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 consolidation area at 31 December 2023 is different from that at 31 December 2022, as with effect from 3 January 2023, under the aforementioned agreement Gefran Asia Pte Ltd, a subsidiary of Gefran S.p.A., sold to WEG (Changzhou) Automation Equipment Co Ltd, the Chinese subsidiary of the WEG group, the business unit involved in the motion control business of the subsidiary Gefran Automation Technology Co. Ltd respectively. Finally, on 1 March 2023, the sale of the motion control business unit of Gefran India Private Limited, a subsidiary of Gefran S.p.A., to WEG Industries (India) Private Limited, the Indian subsidiary of the WEG group, became effective.

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 no. Dem/11070007 of 5 August 2011, it is also recalled that the Group's portfolio does not contain 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 no. 12 "Goodwill" includes the required information, and specifically the references to the external information and the sensitivity analysis.

With reference to Consob communication no. 0092543 dated 3 December 2015, it is noted that the Report on Operations follows the ESMA guidelines (ESMA/2015/1415) for the disclosures needed to ensure the comparability, reliability and comprehensibility of the Alternative Performance Indicators.

With reference to Consob communication no. 0007780 of 28 January 2016, it is noted that the impact of market conditions on the information disclosed in the financial statements was considered in the Directors' Report on Operations. We also note that the application of IFRS 13 "Fair Value Measurement" by Gefran did not involve significant changes to the financial statements.

It should also be noted that the Company has applied the amendment "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" issued by the IASB on 7 May 2021 and referred to IAS 12 "Income Taxes". The application takes effect from 1 January 2023 and the effects are recognised from the first comparative year presented (modified retrospective basis), in addition to what is represented in the annual financial report published as at 31 December 2022.

Finally, with reference to the amendment called "International Tax Reform-Pillar Two Model Rules – Amendments to IAS 12 (the Amendments)" published by the IASB on 23 May 2023, it should be noted that the rules of the Pillar Two Model Rules apply to multinational groups with revenues in their Consolidated Financial Statements exceeding 750 million Euro, in at least two of the four previous financial years. For this reason as well, all the amendments related to the so-called "Global Antibase Erosion Model Rules", including the one published by the IASB on 23 May 2023 and aimed at simplifying deferred tax accounting, are not applicable to the Gefran Group.

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 (loss) 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/amortisation 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 as "Right-of-Use assets";

/ 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 payments, as defined in the contract and revalued where applicable;

/ initial ancillary costs, if specified in the contract;

/ final restoration costs, if specified in the contract;

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

Value in use is 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 AND DISCONTINUED

Non-current assets classified as held for sale and discontinued 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 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 Severance Pay (TFR), mandatory for Italian companies pursuant to Law no. 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 potential 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 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

At the date of this annual financial report, the following amendments have been endorsed by the EU and will be applicable from 1 January 2024:

- amendment concerning IAS 1 "Presentation of Financial Statements - Current Liabilities and Covenants", which concerns the classification of a liability as "non-current" only if the company has the right to defer its settlement for at least 12 months beyond the reporting date. This right is often subject to the company's compliance with covenants beyond the reporting date of the balance sheet. The proposed amendments specify that such deferred covenants should not affect the classification of a liability as "current" or "non-current" at the reporting date;
- amendment relating to IFRS 16 "Lease Liabilities in a Sale and Lease Back", which specifies the requirements for seller tenants, to measure the lease liability in a sale-leaseback transaction;
- amendment to IAS 7 and IFRS 7 "Supplier Finance Arrangements" (Amendments to IAS 7 and IFRS 7) with the aim of introducing new disclosure requirements regarding the qualitative and quantitative information that is provided regarding financing agreements with suppliers

A preliminary assessment by the Company did not reveal any significant effects on its financial statements.

8. Main decisions in the application of accounting standards and uncertainties when 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 that are assessed regularly and, if necessary, updated, with effect on the income statement for the period and prospectively. The uncertainty inherent in these assessments may lead to misalignment between the estimates made and recognition in the financial statements of the actual effects of the forecasted events.

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:

INVENTORY ALLOWANCE

Inventories are stated at their purchase cost (measured using the weighted average cost method) or, if lower, their net realisable value. The inventory allowance is needed to align the value of inventories with their estimated realisable value: inventories are analysed to identify slow-moving items, in order to recognise a provision that reflects their potential obsolescence.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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.

Following the introduction of IFRS 9 and, in particular, the new approach to measuring the impairment of financial assets, the Group now determines the allowance for doubtful accounts with reference to the lifetime expected credit losses attributable to the assets concerned, as envisaged in the new standard.

GOODWILL AND INTANGIBLE ASSETS WITH A FINITE LIFE

These are measured periodically using impairment tests, with the aim of determining their present value and recognising any differences with respect to their carrying amounts; for details, see the specific notes to the financial statements.

EMPLOYEE BENEFITS AND NO-COMPETITION AGREEMENTS

The provisions for post-employment benefits and NCAs are recorded in the financial statements and remeasured annually by external actuaries who inter alia make assumptions about the discount rate, inflation and certain demographics; for details, see the specific note 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 that will probably have an adverse 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. Assets held for sale and discontinued pursuant to IFRS 5

On 1 August 2022, the Board of Directors of Gefran S.p.A., the Parent Company, resolved to sign a framework agreement for the disposal of the motion control business to the Brazilian WEG Group for a total of 23 million Euro. This business comprises the design, production and sale of products and solutions governing the speed and control of AC and DC motors, inverters, armature converters and servo drives. These products, which guarantee maximum performance in terms of system precision and dynamics are used in a variety of applications such as lift control, cranes, metal rolling lines and the processing of paper, plastics, glass and metals.

The scope of the transaction consists of the subsidiaries Gefran Drives and Motion S.r.l., with registered office in Gerenzano (Italy), Siei Areg Gmbh, with registered office in Pleidelsheim (Germany), and the company branches relating to the motion control business of the subsidiaries Gefran Siei Drives Technology Co. Ltd (now called Gefran Automation Technology Co. Ltd), with registered office in Shanghai (China) and Gefran India Private Ltd, with registered office in Pune, India.

The sale was finalised in several stages: the first, completed in the fourth quarter of 2022, saw WEG being sold the equity investments in Gefran Drives and Motion S.r.l. and Siei Areg Gmbh, respectively on 3 and 4 October 2022. Subsequently, the business units of the business divested by Gefran Automation Technology Co. Ltd (effective as of 3 January 2023) were sold by Gefran India Private Ltd (on 1 March 2023).

The final consideration, settled in cash, has been determined using the calculation mechanisms normally used for transactions of this type.

The transaction comes as the Group focuses its evolutionary strategy aimed at strengthening the strategic sectors: sensors and automation components in which Gefran has supported its main investments in recent years and aims to accelerate a major growth process both organically and through external lines.

Following the operation described above, the activities to be sold are presented in the schedules of this annual financial report as "Held for sale and discontinued" pursuant to the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations". The economic results, assets and liabilities of the disposal groups have therefore been consistently reclassified.

For a better understanding of the economic information of assets classified as "Held for sale and discontinued", please refer to the section "Breakdown as of 31 December 2023 of the Group's scope for sale and discontinued".

10. 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 unpredictability of markets and is intended to minimise the potential adverse 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 collaboration 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 managing the risks listed above and the use of financial derivatives and other financial instruments. In the context of the sensitivity analyses described below, the effect on net profit and 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, which is the Group's functional currency. Around 30% of sales are denominated in a different currency. Specifically, the Group is most exposed to the following exchange rates:

- Euro/USD, about 10%, primarily in relation to the commercial relations of Gefran Inc. (operating in the United States) and Gefran Asia and Gefran Automation Technology (operating on the Asian market), which are both foreign subsidiaries;
- Euro/RMB, about 11%, in relation to Gefran Automation Technology, which operates in China;
- the remainder is divided between Euro/BRL, Euro/GBP, Euro/CHF, and Euro/INR.

With reference to the two main currencies, at 31 December 2023 trade receivables include 2,410 thousand US dollars and trade payables include 1,432 thousand US dollars (at 31 December 2022, receivables included 2,945 thousand US dollars and payables included 1,777 US dollars); trade receivables also include 16,052 thousand renminbi and trade payables also include 2,541 thousand renminbi (at 31 December 2022, receivables included 16,310 thousand renminbi and payables included 2,084 thousand renminbi).

The sensitivity of the fair value of reported assets and liabilities to hypothetical and unexpected 5% and 10% shifts in exchange rates is shown below:

	31 December 2023		31 December 2022	
(Euro /000)	-5%	+5%	-5%	+5%
Chinese renminbi	91	(82)	102	(92)
U.S. dollar	47	(43)	48	(43)
Total	**138**	**(125)**	**150**	**(135)**

	31 December 2023		31 December 2022	
(Euro /000)	-10%	+10%	-10%	+10%
Chinese renminbi	191	(156)	214	(175)
U.S. dollar	99	(81)	101	(82)
Total	**290**	**(237)**	**315**	**(257)**

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

	31 December 2023		31 December 2022	
(Euro /000)	-5%	+5%	-5%	+5%
Chinese renminbi	(11)	10	65	(59)
U.S. dollar	60	(54)	57	(52)
Total	**49**	**(44)**	**122**	**(111)**

	31 December 2023		31 December 2022	
(Euro /000)	-10%	+10%	-10%	+10%
Chinese renminbi	(23)	19	137	(112)
U.S. dollar	126	(103)	121	(99)
Total	**103**	**(84)**	**258**	**(211)**

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

	31 December 2023		31 December 2022	
(Euro /000)	-5%	+5%	-5%	+5%
Chinese renminbi	569	(515)	621	(562)
U.S. dollar	522	(473)	500	(452)
Total	**1,091**	**(988)**	**1,121**	**(1,014)**

	31 December 2023		31 December 2022	
(Euro /000)	-10%	+10%	-10%	+10%
Chinese renminbi	1,202	(983)	1,312	(1,073)
U.S. dollar	1,103	(902)	1,055	(863)
Total	**2,305**	**(1,885)**	**2,367**	**(1,936)**

INTEREST-RATE RISK

The interest-rate risk to which the Group is exposed mainly originates from short- and long-term financial payables with a floating rate (totalling 30,143 thousand Euro at 31 December 2023). Floating-rate loans expose the Group to a risk associated with interest-rate volatility (cash flow risk). The Group evaluates and subsequently uses derivatives to hedge its exposure to interest rate risk, stipulating Interest Rate Swap (IRS) and Interest Rate CAP contracts.

The Group's Administration and Finance Department monitors the exposure to interest-rate risk and proposes appropriate hedging strategies to contain the 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 2023 and at31 December 2022, while keeping other variables unchanged.

	31 December 2023		31 December 2022	
(Euro /000)	(100)	100	(100)	100
Euribor	342	(342)	430	(430)
Total	**342**	**(342)**	**430**	**(430)**

The potential impacts described above have been calculated on the basis of the net liabilities representing the most significant part of the Group's debt as of the date of this Half-yearly Financial Report and calculating, on the basis of this amount, the effect on net financial charges of a change in the annual interest rate.

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 2023, 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	9,548	18,021	3,361	30,930
Financial payables due to leasing under IFRS 16	1,005	2,137	637	3,779
Other accounts payable	85	-	-	85
Total liabilities	**10,638**	**20,158**	**3,998**	**34,794**
Cash in current accounts	57,142	-	-	57,142
Total assets	**57,142**	**-**	**-**	**57,142**
Total variable rate	**46,504**	**(20,158)**	**(3,998)**	**22,348**

By contrast with the analysis of the Net Financial Position, the amounts shown in the table above exclude the fair value of derivatives (positive by 185 thousand Euro), cash on hand (positive by 17 thousand Euro) and other non-current assets that include prepaid financial assets and bond coupons (total 112 thousand Euro).

The table below shows the carrying value at 31 December 2022, 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	9,277	7,205	-	16,482
Financial payables due to leasing under IFRS 16	955	1,516	266	2,737
Other accounts payable	25	-	-	25
Account overdrafts	1,167	-	-	1,167
Total liabilities	**11,424**	**8,721**	**266**	**20,411**
Cash in current accounts	44,090	-	-	44,090
Total assets	**44,090**	**-**	**-**	**44,090**
Total variable rate	**32,666**	**(8,721)**	**(266)**	**23,679**

LIQUIDITY RISK

Prudent management of the liquidity risk arising from the Group's normal operations means that an appropriate level of cash on hand and short-term securities must be maintained, together with an ability to drawn funds from an appropriate amount of committed credit lines.

The Group's Administration and Finance Department monitors forecast usage of the Group's available liquidity based on expected cash flows. The following table analyses available liquidity on the specified reporting dates:

(Euro /000)	31 December 2023	31 December 2022	Change
Cash and cash equivalents	17	24	(7)
Cash in bank deposits	57,142	44,090	13,052
Total liquidity	**57,159**	**44,114**	**13,045**
Multiple mixed credit lines	21,200	24,200	(3,000)
Cash flexibility credit lines	3,225	3,935	(710)
Invoice factoring credit lines	2,150	7,750	(5,600)
Total credit lines available	**26,575**	**35,885**	**(9,310)**
Total available liquidity	**83,734**	**79,999**	**3,735**

To complete the disclosure about financial risks, the following table reconciles the financial assets and liabilities reported in the Group's statement of financial position with those identified pursuant to IFRS 7:

(Euro /000)	Level 1	Level 2	Level 3	Total
Available-for-sale assets and discontinued operations valued at fair value:				
Shareholdings valued at fair value with a balancing item in other overall	317	-	1,609	1,926
Hedging transactions	-	185	-	185
Total assets	**317**	**185**	**1,609**	**2,111**
Total liabilities	**-**	**-**	**-**	**-**

The following table reconciles the financial assets and liabilities reported in the Group's statement of financial position at 31 December 2022 with those identified pursuant to IFRS 7:

(Euro /000)	Level 1	Level 2	Level 3	Total
Available-for-sale assets and discontinued operations valued at fair value:				
Shareholdings valued at fair value with a balancing item in other overall	394	-	1,609	2,003
Hedging transactions	-	539	-	539
Total assets	**394**	**539**	**1,609**	**2,542**
Total liabilities	**-**	**-**	**-**	**-**

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 2022 corresponds to the equity investment Woojin Plaimm Co Ltd, the value of which increased by 77 thousand Euro.

Level 2: Fair values determined using measurement techniques based on variables that may be observed in active markets, which in this case include the measurement of interest-rate and exchange-rate hedges. As with the Level 1 inputs, reference is made to the mark-to-market value, using a measurement method that adjusts the value of financial instruments or contracts systematically to reflect their current market prices.

Level 3: Fair values determined using measurement techniques based on market variables that may not be observable, particular in the case of investments in other companies not listed on international markets. This item mainly relates to the investment held in Colombera S.p.A. (1,582 thousand Euro).

CREDIT RISK

The Group grants its customers deferred payment conditions, which vary according to the market practices in individual countries. The solvency of all customers is monitored regularly and any risks are periodically covered by appropriate provisions. Despite these precautions, under current market conditions, it is possible that some customers may be unable to generate sufficient cash flow or access sufficient sources of funding, resulting in payment delays or failure to honour their obligations.

Receivables are adjusted to their estimated realisable value by the allowance for doubtful accounts, which is determined pursuant to IFRS 9 with reference to the expected credit losses on each position, taking account of past experience in each business area and geographical region.

The Group has developed estimates based on the best information available about past events, current economic conditions and forecasts for the future. The analyses conducted to determine the existence of this risk are based primarily on a few factors:

- the potential effects of extraordinary events (e.g. ongoing conflicts) on the economic system;
- the support measures implemented by governments;
- the recoverability of receivables following changes in the probability of default by customers.

With reference to this last point, the Group has performed analyses using a risk matrix that takes geographical region, business area and individual customer solvency in account.

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

Below are the values of gross trade receivables at 31 December 2023 and 31 December 2022:

(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 2023	24,775	22,200	1,407	130	28	273	737
Gross trade receivables at 31 December 2022	25,283	22,570	1,323	147	160	177	906

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

RISK OF CHANGE IN RAW MATERIAL PRICES

Since production by the Group mainly involves mechanical, electronic and assembly processes, the 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 that the product cost component contributed by these materials is very limited.

The purchase prices of key components are usually agreed with counterparts for the full year and reflected in the budget. The structured and formalised governance systems adopted by the Group mean that the margins earned can be analysed periodically.

As regards the recent rise in prices, also related to developments in the geo-political situation, key factors were in-depth knowledge of the product and the synergy between the various company areas, which has made it possible to promptly navigate new technological roads, broaden the panorama of choices and introduce new supply opportunities, in order to mitigate the effect of rising prices.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

All financial instruments are recorded in the Group's financial statements at fair value. The carrying value of the financial liabilities measured at amortised cost is deemed to approximate their fair value at the reporting date.

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

(Euro /000)	carrying value		fair value	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Financial assets				
Cash and cash equivalents	17	24	17	24
Cash in bank deposits	57,142	44,090	57,142	44,090
Financial investments for derivatives	185	539	185	539
Non-current financial investments	112	28	112	28
Total financial assets	**57,456**	**44,681**	**57,456**	**44,681**
Financial liabilities				
Current portion of long-term debt	(9,548)	(9,277)	(9,548)	(9,277)
Short-term bank debt	-	(1,167)	-	(1,167)
Payables due to leasing contracts under IFRS 16	(3,779)	(2,737)	(3,779)	(2,737)
Other financial payables	(85)	(25)	(85)	(25)
Non-current financial debt	(21,382)	(7,205)	(21,382)	(7,205)
Total financial liabilities	**(34,794)**	**(20,411)**	**(34,794)**	**(20,411)**
Total net financial position	**22,662**	**24,270**	**22,662**	**24,270**

11. Information by business area

Primary segment – sector of activity

In the light of the operation described in the Introduction to this document, the organisational structure of the Gefran Group is now organised into two sectors of activity: sensors and automation components. The economic trends and principal investments are discussed in the Report on Operations.

FIGURES BY SECTOR OF ACTIVITY

	(Euro /000)	Sensors	Automation components	Eliminations	Not Divided	31 December 2023
a	Revenues	86,067	54,324	(7,613)		132,778
b	Increases for internal work	735	1,701	-		2,436
c	Consumption of materials and products	25,812	22,907	(7,613)		41,106
d	**Value Added (a+b-c)**	**60,990**	**33,118**	**-**	**-**	**94,108**
e	Other operating costs	14,335	8,586	-		22,921
f	Personnel costs	26,830	20,212	-		47,042
g	**EBITDA (d-e-f)**	**19,825**	**4,320**	**-**	**-**	**24,145**
h	Depreciation, amortisation and impairment	4,363	3,232			7,595
i	**EBIT (g-h)**	**15,462**	**1,088**	**-**	**-**	**16,550**
l	Gains (losses) from financial assets/ liabilities				200	200
m	Gains (losses) from shareholdings valued at equity				30	30
n	**Profit (loss) before tax (i±l±m)**	**15,462**	**1,088**		**230**	**16,780**
o	Taxes				(4,922)	(4,922)
p	**Result from operational activities (n±o)**	**15,462**	**1,088**		**(4,692)**	**11,858**
q	Net income from assets available for sale and discontinued operations				(205)	(205)
r	**Group net profit (loss) (p±q)**	**15,462**	**1,088**		**(4,897)**	**11,653**

	(Euro /000)	Sensors	Automation components	Eliminations	Not Divided	31 December 2022
a	Revenues	88,557	53,796	(7,926)		134,427
b	Increases for internal work	411	496	-		907
c	Consumption of materials and products	24,712	23,172	(7,926)		39,958
d	**Value Added (a+b-c)**	**64,256**	**31,120**	**-**	**-**	**95,376**
e	Other operating costs	16,310	7,235	-		23,545
f	Personnel costs	27,486	19,709	-		47,195
g	**EBITDA (d-e-f)**	**20,460**	**4,176**	**-**	**-**	**24,636**
h	Depreciation, amortisation and impairment	4,165	2,957	-		7,122
i	**EBIT (g-h)**	**16,295**	**1,219**	**-**	**-**	**17,514**
l	Gains (losses) from financial assets/ liabilities				98	98
m	Gains (losses) from shareholdings valued at equity				24	24
n	**Profit (loss) before tax (i±l±m)**	**16,295**	**1,219**	**-**	**122**	**17,636**
o	Taxes				(4,184)	(4,184)
p	**Result from operational activities (n±o)**	**16,295**	**1,219**	**-**	**(4,062)**	**13,452**
q	Net income from assets available for sale and discontinued operations				(3,464)	(3,464)
r	**Group net profit (loss) (p±q)**	**16,295**	**1,219**	**-**	**(7,526)**	**9,988**

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 trade between different businesses;

/ inter-sector sales (trade) are booked at transfer prices that are broadly in line with market prices;

/ the central operations costs, which principally 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.

STATEMENT OF FINANCIAL POSITION FIGURES BY SECTOR OF ACTIVITY

(Euro /000)	Sensors	Automation components	Not Divided	31 December 2023	Sensors	Automation components	Not Divided	31 December 2022
Intangible assets	8,994	3,346		12,340	9,734	2,303	-	12,037
Tangible fixed assets	26,715	15,385		42,100	24,058	13,866	-	37,924
Other non-current assets			5,733	5,733	-	-	6,547	6,547
Net non-current assets	**35,709**	**18,731**	**5,733**	**60,173**	**33,792**	**16,169**	**6,547**	**56,508**
Inventories	7,760	10,047		17,807	9,982	10,085	-	20,067
Trade receivables	13,057	10,683		23,740	13,380	10,803	-	24,183
Trade payables	(9,634)	(9,777)		(19,411)	(11,595)	(11,053)	-	(22,648)
Other assets/liabilities	(4,040)	(3,534)	1,011	(6,563)	(5,240)	(3,597)	(1,466)	(10,304)
Working capital	**7,143**	**7,419**	**1,011**	**15,573**	**6,527**	**6,238**	**(1,466)**	**11,298**
Provisions for risks and future liabilities	(748)	(654)	(28)	(1,430)	(1,153)	(622)	(66)	(1,841)
Deferred tax provisions			(934)	(934)	-	-	(1,029)	(1,029)
Employee benefits	(803)	(1,300)		(2,103)	(844)	(1,397)	-	(2,241)
Invested capital from operations	**41,301**	**24,196**	**5,782**	**71,279**	**38,322**	**20,388**	**3,986**	**62,695**
Invested capital from assets held for sale and discontinued operations			-	-			3,758	3,758
Net invested capital	**41,301**	**24,196**	**5,782**	**71,279**	**38,322**	**20,388**	**7,744**	**66,453**
Shareholders' equity	**-**	**-**	**93,941**	**93,941**	**-**	**-**	**90,724**	**90,723**
Non-current financial payables			21,382	21,382			7,205	7,205
Current financial payables			9,633	9,633			10,469	10,469
Financial payables for IFRS 16 leases (current and non-current)			3,779	3,779			2,737	2,737
Financial assets for derivatives (current and non-current)			(185)	(185)			(539)	(539)
Other non-current financial investments			(112)	(112)			(28)	(28)
Current financial receivables			-				-	
Cash and cash equivalents and current financial receivables			(57,159)	(57,159)			(44,114)	(44,114)
Net debt relating to operations	**-**	**-**	**(22,662)**	**(22,662)**	**-**	**-**	**(24,270)**	**(24,270)**
Total sources of financing	**-**	**-**	**71,279**	**71,279**	**-**	**-**	**66,454**	**66,453**

Secondary segment - geographical region

REVENUES BY GEOGRAPHICAL REGION

(Euro /000)	31 December 2023	31 December 2022	Change	%
Italy	42,897	43,210	(313)	-0.7%
European Union	36,285	36,603	(318)	-0.9%
Europe non-EU	5,142	4,816	326	6.8%
North America	12,529	13,461	(932)	-6.9%
South America	6,192	5,690	502	8.8%
Asia	27,571	28,235	(664)	-2.4%
Rest of the world	691	476	215	45.2%
Total	**131,307**	**132,491**	**(1,184)**	**-0.9%**

INVESTMENTS BY GEOGRAPHICAL REGION

	31 December 2023		31 December 2022	
(Euro /000)	intangible	tangible assets	intangible	tangible assets
Italy	2,326	7,030	1,503	4,226
European Union	5	123	5	112
Europe non-EU	-	44	7	18
North America	-	225	-	52
South America	1	284	4	168
Asia	2	523	5	216
Total	**2,334**	**8,229**	**1,524**	**4,792**

NON-CURRENT ASSETS BY GEOGRAPHICAL REGION

(Euro /000)	31 December 2023	31 December 2022	Change	%
Italy	41,815	38,692	3,123	8.1%
European Union	2,860	2,342	518	22.1%
Europe non-EU	2,959	2,992	(33)	-1.1%
North America	7,354	7,625	(271)	-3.6%
South America	801	688	113	16.4%
Asia	4,681	4,736	(55)	-1.2%
Total	**60,470**	**57,075**	**3,395**	**5.9%**

12. Goodwill

The item "Goodwill" amounts to 5,921 thousand Euro as of 31 December 2023, a 95 thousand Euro decrease since 31 December 2022, due exclusively to differences in exchange rates, broken down below:

(Euro /000)	31 December 2022	Increases	Decreases	Exchange rate differences	31 December 2023
Gefran France SA	1,310	-	-	-	1,310
Gefran Inc	2,752	-	-	(95)	2,657
Sensormate AG	1,954	-	-	-	1,954
Total	**6,016**	**-**	**-**	**(95)**	**5,921**

The goodwill acquired on business combinations was allocated to specific Cash Generating Units for impairment testing purposes.

The carrying value of goodwill is analysed below:

(Euro /000)	Year	Goodwill France	Goodwill USA	Goodwill Switzerland	Total
Sensors	2023	1,310	2,657	1,954	5,921
	2022	1,310	2,752	1,954	6,016

In examining the possible impairment indicators and in calculating its valuations, Management took into account, among other things, the relationship between market capitalisation (125.3 million Euro) and the carrying value of the Group's shareholders' equity (93.9 million Euro) at 31 December 2023, revealing definitely positive coverage.

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 CGUs France, USA and Switzerland has been attributed to the sensors 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 December 2023	Net invested capital at 31 December 2022	Explicit forecast	WACC (%)	Value in use at 31 December 2023	Risk free	Risk premium	Theoretical tax rate
Gefran France SA	1,310	1,310	2024 - 2026	9.0%	3,548	3.0%	5.5%	25.0%
Gefran Inc	2,657	2,752	2024 - 2026	8.7%	8,676	4.4%	5.5%	27.0%
Sensormate AG	1,954	1,954	2024 - 2026	7.0%	7,524	0.9%	5.5%	16.3%
Total	**5,921**	**6,016**						

When determining value in use, specific cash flows deriving from the Group Plan for the period 2024 - 2026 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 2023, 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 yield in the last three months of 2023 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 general change in the WACC at consolidated level between 2023 and 2022 is mainly related to the increase in the "risk-free" rate and the decrease in the "cost of debt".

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 20.13%, significantly higher than the current discount rate. Note that in 2022 this rate was 25.61%.

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 2024 - 2026 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	1.6%	9.0%	-19.8%	20.5%
Gefran Inc	2.1%	8.7%	0.6%	10.0%
Sensormate AG	1.5%	7.0%	-6.3%	12.8%

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

13. Intangible assets

This item comprises solely assets with a finite life. Their carrying amount has decreased from 6,021 thousand Euro at 31 December 2022 to 6,419 thousand Euro at 31 December 2023, as analysed below:

Historical cost	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2023
(Euro /000)						
Development costs	14,321	785	-	438	-	15,544
Intellectual property rights	8,539	232	(64)	140	(13)	8,834
Assets in progress and payments on account	1,089	1,190	(129)	(583)	-	1,567
Other assets	8,788	127	40	5	(28)	8,932
Total	**32,737**	**2,334**	**(153)**	**-**	**(41)**	**34,877**

Accumulated depreciation	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2023
(Euro /000)						
Development costs	11,331	933	-	-	-	12,264
Intellectual property rights	7,555	510	(24)	-	(10)	8,031
Other assets	7,830	312	27	-	(6)	8,163
Total	**26,716**	**1,755**	**3**	**-**	**(16)**	**28,458**

Net value	31 December 2022	31 December 2023	Change
(Euro /000)			
Development costs	2,990	3,280	290
Intellectual property rights	984	803	(181)
Assets in progress and payments on account	1,089	1,567	478
Other assets	958	769	(189)
Total	**6,021**	**6,419**	**398**

The table below shows movements in the year 2022:

Historical cost	31 December 2021	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	31 December 2022
(Euro /000)							
Development costs	12,858	333	-	1,130	-	-	14,321
Intellectual property rights	8,160	356	(104)	135	(3)	(5)	8,539
Assets in progress and payments on account	1,708	676	(1)	(1,297)	-	3	1,089
Other assets	8,613	159	-	28	-	(12)	8,788
Total	**31,339**	**1,524**	**(105)**	**(4)**	**(3)**	**(14)**	**32,737**

Accumulated depreciation	31 December 2021	Increases	Decreases	Reclassifications	Change scope of consolidation	Exchange rate differences	31 December 2022
(Euro /000)							
Development costs	10,514	818	-	-	-	(1)	11,331
Intellectual property rights	6,997	669	(104)	-	(2)	(5)	7,555
Other assets	7,513	321	-	-	-	(4)	7,830
Total	**25,024**	**1,808**	**(104)**	**-**	**(2)**	**(10)**	**26,716**

Net value	31 December 2021	31 December 2022	Change
(Euro /000)			
Development costs	2,344	2,990	646
Intellectual property rights	1,163	984	(179)
Assets in progress and payments on account	1,708	1,089	(619)
Other assets	1,100	958	(142)
Total	**6,315**	**6,021**	**(294)**

The net carrying amount of **development costs** includes the capitalisation of costs incurred for the following activities:

- 1,735 thousand Euro relating to new projects for magnetorestrictive sensors, pressure sensors and melt as well as for the development of the new Twiister Hall 3D technology;
- Euro 1,546 thousand for component lines to expand the range of regulators and static units.

These assets are estimated to have a useful life of 5 years.

Intellectual property rights comprise the costs incurred to purchase IT system management software and user licences for third-party software, as well as patents. These assets have a useful life of 3 years.

Assets in progress and payments on account include payments made to the suppliers of software programs and licences, as well as the purchase of patents for technologies still under developed, totalling 22 thousand Euro. This item also includes 1,301 thousand Euro in development costs, of which 1,216 thousand Euro allocated to the automation components business unit and 85 thousand Euro for the sensors business unit, the benefits of which will be reflected in the income statement from next year, so they have not been amortised.

Other assets almost entirely comprise costs incurred by Gefran S.p.A. in the current and prior years to implement the SAP/R3 ERP system and other software for the management of specific operational environments. These assets have a useful life of 5 years.

The increases in the historical value of "Intangible assets", amounting to 2,334 thousand Euro in 2023, include 1,888 thousand Euro for the capitalisation of internal costs, all related to capitalisation of development costs (1,524 thousand Euro in 2022, of which 835 thousand Euro in development costs).

14. Property, plant, machinery and tools

The carrying amount of this item has increased from 35,217 thousand Euro at 31 December 2022 to 38,385 thousand Euro at 31 December 2023, as analysed below:

Historical cost	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2023
(Euro /000)						
Land	3,846	-	-	-	(22)	3,824
Industrial buildings	34,643	1,451	(5)	112	(282)	35,919
Plant and machinery	38,148	2,835	(168)	1,403	(276)	41,941
Industrial and commercial equipment	16,636	1,127	(206)	416	-	17,973
Other assets	6,498	862	(271)	70	(70)	7,089
Assets in progress and payments on account	2,027	1,955	-	(1,774)	(8)	2,199
Total	**101,798**	**8,230**	**(650)**	**227**	**(658)**	**108,945**

Accumulated depreciation	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2023
(Euro /000)						
Industrial buildings	17,662	971	(4)	-	(43)	18,586
Plant and machinery	28,441	2,496	(168)	166	(233)	30,702
Industrial and commercial equipment	15,350	730	(204)	13	(4)	15,885
Other assets	5,128	473	(191)	27	(50)	5,387
Total	**66,581**	**4,670**	**(567)**	**206**	**(330)**	**70,560**

Net value	31 December 2022	31 December 2023	Change
(Euro /000)			
Land	3,846	3,824	(22)
Industrial buildings	16,981	17,333	352
Plant and machinery	9,707	11,239	1,532
Industrial and commercial equipment	1,286	2,088	802
Other assets	1,370	1,702	332
Assets in progress and payments on account	2,027	2,199	172
Total	**35,217**	**38,385**	**3,168**

The changes compared to 2022 are shown in the table below:

Historical cost	31 December 2021	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2022
(Euro /000)						
Land	3,809	-	-	-	37	3,846
Industrial buildings	34,156	377	(108)	3	215	34,643
Plant and machinery	35,781	1,825	(1,377)	1,879	40	38,148
Industrial and commercial equipment	17,250	544	(421)	(754)	17	16,636
Other assets	6,032	457	(162)	120	51	6,498
Assets in progress and payments on account	1,740	1,589	(3)	(1,313)	14	2,027
Total	**98,768**	**4,792**	**(2,071)**	**(65)**	**374**	**101,798**

Accumulated depreciation	31 December 2021	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2022
(Euro /000)						
Industrial buildings	16,798	935	(104)	-	33	17,662
Plant and machinery	26,483	2,217	(1,204)	924	21	28,441
Industrial and commercial equipment	16,111	568	(420)	(924)	15	15,350
Other assets	4,828	449	(141)	(54)	46	5,128
Total	**64,220**	**4,169**	**(1,869)**	**(54)**	**115**	**66,581**

Net value	31 December 2021	31 December 2022	Change
(Euro /000)			
Land	3,809	3,846	37
Industrial buildings	17,358	16,981	(377)
Plant and machinery	9,298	9,707	409
Industrial and commercial equipment	1,139	1,286	147
Other assets	1,204	1,370	166
Assets in progress and payments on account	1,740	2,027	287
Total	**34,548**	**35,217**	**669**

The change in the exchange rate had a negative impact of 328 thousand Euro.

The increases in the historical value of "Property, plant, machinery and tools" in 2023 amounted to 8,230 thousand Euro. The most significant changes related to:

- investment of 3,820 thousand Euro in production and laboratory machinery and equipment at the Group's Italian plants and 460 thousand Euro at other Group subsidiaries;
- upgrading of industrial buildings in the Group's Italian factories in the amount of 2,767 thousand Euro, which includes 955 thousand Euro for the installation of an additional photovoltaic system in the Parent Company, and 595 thousand Euro in the Group's other subsidiaries;
- renewal of electronic office machines and IT equipment amounting to 427 thousand Euro by the Parent Company and to 137 thousand Euro by Group subsidiaries;
- miscellaneous equipment at Group subsidiaries amounting to 29 thousand Euro.

In addition, the increases in historical cost of 2023 include 549 thousand Euro due to capitalisation of internal costs (35 thousand Euro in 2022).

15. Right-of-Use assets

This item reflects the recognition of leased assets in accordance with IFRS 16. The value of "Usage rights" at 31 December 2023 amounts to 3,715 thousand Euro, and shows the following changes:

Historical cost	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2023
(Euro /000)						
Real estate	3,754	1,447	(391)	-	22	4,832
Vehicles	3,016	912	(221)	-	5	3,712
Office machines	-	25	-	-	1	26
Machinery and equipment	57	-	-	-	-	57
Total	**6,827**	**2,384**	**(612)**	**-**	**28**	**8,627**

Accumulated depreciation	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2023
(Euro /000)						
Real estate	2,209	539	(283)	-	2	2,467
Vehicles	1,880	613	(99)	-	3	2,396
Office machines	-	4	-	-	1	4
Machinery and equipment	31	14	-	-	(1)	45
Total	**4,120**	**1,170**	**(382)**	**-**	**5**	**4,912**

Net value	31 December 2022	31 December 2023	Change
(Euro /000)			
Real estate	1,545	2,365	820
Vehicles	1,136	1,316	180
Office machines	-	22	22
Machinery and equipment	26	12	(14)
Total	**2,707**	**3,715**	**1,008**

The changes compared to 2022 are shown in the table below:

Historical cost	31 December 2021	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2022
(Euro /000)						
Real estate	3,565	175	-	-	14	3,754
Vehicles	2,134	922	(45)	-	5	3,016
Machinery and equipment	46	11	-	-	-	57
Total	**5,745**	**1,108**	**(45)**	**-**	**19**	**6,827**

Accumulated depreciation	31 December 2021	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2022
(Euro /000)						
Real estate	1,640	586	-	-	(17)	2,209
Vehicles	1,357	547	(35)	-	11	1,880
Machinery and equipment	19	12	-	-	-	31
Total	**3,016**	**1,145**	**(35)**	**-**	**(6)**	**4,120**

Net value	31 December 2021	31 December 2022	Change
(Euro /000)			
Real estate	1,925	1,545	(380)
Vehicles	777	1,136	359
Machinery and equipment	27	26	(1)
Total	**2,729**	**2,707**	**(22)**

At 1 January 2023, there are 161 outstanding lease contracts for vehicles, machinery, industrial equipment and electronic office machines, as well as for the rental of property. Practical expedients allowed by the IASB have been employed, such as excluding contracts with a residual duration of less than 12 months and contracts for assets whose fair value is below the conventional threshold of 5 thousand US dollars (modest unit value).

Based on their value and duration, of the 161 contracts outstanding at 1 January 2023:

- 132 fell within the scope of application of IFRS 16;
- 29 were excluded from the scope of application, 23 of which had a residual duration of less than 12 months, while the unit fair value of the assets associated with the remaining 6 was deemed to be modest.

Overall, 158 contracts were active at 31 December 2023, including:

- 142 of these fell within the scope of application of IFRS 16, including 128 for car rental, 3 for machinery, 1 for electronic equipment and 10 for the rental of property (offices or plants);
- 16 were excluded from the scope of application, 11 of which have a residual duration of less than 12 months, while the unit fair value of the assets associated with the remaining 5 was deemed to be modest.

These assets are classified in the financial statements as follows:

- in non-current tangible assets as "Right-of-Use assets";
- the corresponding residual lease liabilities are classified in the Net Financial Position as "Financial payables for IFRS 16 leases", with both current (due within one year) and non-current (due beyond one year) elements.

The following factors are considered when measuring the fair value and useful lives of leased assets subject to IFRS 16:

- the amount of the periodic lease or rental payments, as defined in the contract and revalued where applicable;
- initial ancillary costs, if specified in the contract;
- final restoration costs, if specified in the contract;
- the number of outstanding instalments;
- where not stated in the contract, embedded interest is estimated using the Group's average borrowing rates.

The increases in the historical cost of the item "Usage rights" include the effect of adjusting contracts that have been extended or for which new conditions have been defined. In addition, they include the effects of new contracts signed. The increases are summarised as follows:

- real estate, 1,447 thousand Euro, relating to 1 new rental contract signed for an expired contract;
- vehicles, for the amount of Euro 912 thousand Euro, which include both the effect of extensions and 43 new car rental contracts signed by the Group in 2023, partly for replacing expired contracts;
- electronic office equipment, Euro 25 thousand, for new printer contracts.

As of 31 December 2023 this item had decreased by 612 thousand Euro as a result of termination of property and vehicle rental agreements in advance of their original expiry date.

16. Shareholdings valued at equity

(Euro /000)		31 December 2023	31 December 2022	Change
Axel S.r.l.	Shareholding	15.00%	15.00%	
Via del Cannino, 3	Investment value	137	137	-
Crosio della Valle (VA)	Adjustment provision	12	(18)	30
	Net value	149	119	30
Robot At Work S.r.l.	Shareholding	24.83%	-	
Via Primo Maggio, 40/E	Investment value	576	-	576
Rovato (BS)	Adjustment provision	-	-	-
	Net value	576	-	576
Total		**725**	**119**	**606**

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

In 2023 Gefran S.p.A. finalised the acquisition of 24.83% of Robot At Work S.r.l. for 576 thousand Euro, a dynamic and innovative young company that carries out the design, construction, sale and installation of industrial plants, including standard robotic cells, collaborative cells (which require the presence of an operator and industrial automation), visual control and Virtual Commissioning. It should be noted that this investment is recorded "at cost" as the value of the Company's shareholders' equity is not representative of its value, since implicit goodwill emerged at the time of acquisition.

It should also be noted that the agreements signed between the parties provide for call and put options in favour of Gefran S.p.A., which may be exercised within one year from the approval of the start-up company's financial statements as at 31 December 2027. Exercising the call option would lead to an additional 30% of Robot at Work S.r.l.'s voting share capital being purchased, at a price calculated as per the provisions stipulated in the investment agreement. The put option may also be exercised before that date upon the occurrence of certain conditions that are usual for this type of operation. The investment agreement also provides for the signing of long-term management contracts with the startup's current management to ensure the continuity and development of the company.

17. Equity investments in other companies

The value of "Equity investments in other companies" totalled 1,926 thousand Euro, a decrease of 77 thousand Euro compared with the figure at 31 December 2022. The change relates to the adjustment of the value of the investment in Woojin Plaimm Co Ltd.

The shareholdings in Colombera S.p.A. and those listed under the item "Others" are entered at cost, as specified in note 10, "Financial instruments: additional information provided under IFRS 7".

The remaining shareholding is 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 2023	31 December 2022	Change
Colombera S.p.A.	16.56%	1,582	1,582	-
Woojin Plaimm Co Ltd	2.00%	159	159	-
Other	-	27	27	-
Adjustment provision	-	158	235	(77)
Total		**1,926**	**2,003**	**(77)**

The adjustment provision, down by 77 thousand Euro compared to the previous year's balance, is attributable to fair value adjustments and is broken down as follows:

(Euro /000)	Shareholding	31 December 2023	31 December 2022	Change
Colombera S.p.A.	16.56%	-	-	-
Woojin Plaimm Co Ltd	2.00%	158	235	(77)
Other	-	-	-	-
Total		**158**	**235**	**(77)**

18. Receivables and other non-current assets

"Receivables and other non-current assets" represent security deposits paid by Group companies, and present a balance of 88 thousand Euro.

(Euro /000)	31 December 2023	31 December 2022	Change
Guarantee deposits	88	278	(190)
Total	**88**	**278**	**(190)**

19. Net working capital

"Net working capital" totals 22,136 thousand Euro, compared with 21,602 thousand Euro as at 31 December 2022, and is analysed below:

(Euro /000)	31 December 2023	31 December 2022	Change
Inventories	17,807	20,067	(2,260)
Trade receivables	23,740	24,183	(443)
Trade payables	(19,411)	(22,648)	3,237
Net amount	**22,136**	**21,602**	**534**

The carrying amount of **inventories** at 31 December 2023 is 17,807 thousand Euro, down by 2,260 thousand Euro since 31 December 2022, where the change in exchange rates contributes 262 thousand Euro to the decrease. The economic effect of the change in inventories since 31 December 2022 was lower, amounting to 2,091 thousand Euro, as it is determined using the moving-average exchange rates for the period.

The balance is analysed as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Raw materials, consumables and supplies	9,914	10,267	(353)
provision for impairment of raw materials	*(1,250)*	*(1,480)*	*230*
Work in progress and semi-finished products	6,667	8,558	(1,891)
provision for impairment of work in progress	*(1,318)*	*(2,370)*	*1,052*
Finished products and goods for resale	5,653	6,955	(1,302)
provision for impairment of finished products	*(1,859)*	*(1,863)*	*4*
Total	**17,807**	**20,067**	**(2,260)**

The gross value of inventories was 22,234 thousand Euro, down by 3,546 thousand Euro since the end of 2022.

The provision for obsolescence and slow-moving inventories was adjusted according to need in 2023, through specific provisions amounting to 1,699 thousand Euro (as compared to 1,444 thousand Euro in the year 2022).

Movements in the provision in 2023 are listed below:

(Euro /000)	31 December 2022	Provisions	Uses	Releases	Exchange rate differences	31 December 2023
Provision for impairment of inventory	5,713	1,699	(2,882)	(49)	(53)	4,427

Movements in the provision as of 31 December 2022appear below:

(Euro /000)	31 December 2021	Provisions	Uses	Releases	Exchange rate differences	31 December 2022
Provision for impairment of inventory	4,617	1,444	(357)	(22)	30	5,713

Trade receivables amount to 23,740 thousand Euro, compared to 24,183 thousand Euro at 31 December 2022, down by 443 thousand Euro:

(Euro /000)	31 December 2023	31 December 2022	Change
Receivables from customers	24,775	25,283	(508)
Provision for doubtful receivables	(1,035)	(1,100)	65
Net amount	**23,740**	**24,183**	**(443)**

Receivables are adjusted to their estimated realisable value by the allowance for doubtful accounts, which is determined by analysing individual debtor positions and considering past experience in each business area and geographical region, as required by IFRS 9. The provision as at 31 December 2023 represents a prudential estimate of the current risk, and registered the following changes during the year:

(Euro /000)	31 December 2022	Provisions	Uses	Releases	Other changes	Exchange rate differences	31 December 2023
Provision for doubtful receivables	1,100	79	(149)	(127)	131	1	1,035

Movements in the provision in 2022, on the other hand, appear below:

(Euro /000)	31 December 2021	Provisions	Uses	Releases	Other changes	Exchange rate differences	31 December 2022
Provision for doubtful receivables	1,200	71	(142)	(46)	-	16	1,100

Uses of the allowance include the coverage of losses on receivables that are no longer recoverable. The Group monitors the receivables most at risk and also initiates appropriate legal action. The carrying amount of trade receivables is deemed to approximate their fair value.

There is no significant concentration of sales to individual customers: this phenomenon involves less than 10% of Group revenues.

Trade payables total 19,411 thousand Euro, compared to 22,648 thousand Euro as at 31 December 2022. This item is analysed below:

(Euro /000)	31 December 2023	31 December 2022	Change
Payables to suppliers	15,994	18,093	(2,099)
Payables to suppliers for invoices to be received	2,842	3,505	(663)
Advance payments received from customers	575	1,050	(475)
Total	**19,411**	**22,648**	**(3,237)**

Trade payables are down by 3,237 thousand Euro compared to 31 December 2022.

20. Other receivables and assets

"Other receivables and assets" amount to 4,000 thousand Euro, as compared to 3,432 thousand Euro on 31 December2022. The item breaks

down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Insurance	7	15	(8)
Rents and leasing	3	3	-
Services and maintenance	313	455	(142)
Receivables from employees	32	27	5
Advances payments to suppliers	384	384	-
Other tax receivables	1,106	888	218
Other current financial investments	447	-	447
Other	1,708	1,660	48
Total	**4,000**	**3,432**	**568**

The item "Other tax receivables", amounting to 1,106 thousand Euro at 31 December 2022 and down by 218 thousand Euro compared to the previous year, relates to VAT receivables.

The item "Other", amounting to 1,708 thousand Euro includes, among other things, R&D tax receivables and tax credits for operating assets.

The carrying value of other current assets is believed to approximate their fair value.

21. Current tax receivables and payables

Current tax receivables as of 31 December 2023 amount to 2,008 thousand Euro, up since 31 December 2022, when the item was worth 764 thousand Euro. The balance breaks down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
IRES (corporate income tax)	1,129	149	980
IRAP (regional production tax)	277	8	269
Foreign tax receivables	602	607	(5)
Total	**2,008**	**764**	**1,244**

The balance of "**Current tax payables**" as of 31 December 2023 amounts to 796 thousand Euro, 362 thousand Euro lower than the 31 December 2022 balance amounting to 1,158 thousand Euro. This was determined as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
IRES (corporate income tax)	44	243	(199)
IRAP (regional production tax)	11	18	(7)
Foreign tax payables	741	897	(156)
Total	**796**	**1,158**	**(362)**

22. Net financial position

The net financial position is analysed in the following table:

(Euro /000)	31 December 2023	31 December 2022	Change
Cash and cash equivalents and current financial receivables	57,159	44,114	13,045
Financial investments for derivatives	185	539	(354)
Current financial receivables	-	-	-
Other non-current financial investments	112	28	84
Non-current financial payables	(21,382)	(7,205)	(14,177)
Non-current financial payables for IFRS 16 leases	(2,774)	(1,782)	(992)
Current financial payables	(9,633)	(10,469)	836
Current financial payables for IFRS 16 leases	(1,005)	(955)	(50)
Total	**22,662**	**24,270**	**(1,608)**

The net financial position at 31 December 2023 is positive by 22,662 thousand Euro, down by 1,608 thousand Euro since the end of 2022, when it was positive by 24,270 thousand Euro overall.

In general, the change in net financial position is essentially due to the positive cash flows generated by typical operations (20,099 thousand Euro), the collection linked to the conclusion of the sale of the motion control business, with the sale of the business units of Gefran Automation Technology and Gefran India (3,917 thousand Euro), absorbed by disbursements for technical investments made in the 2023 year (10,563 thousand Euro), as well as the purchase or equity investments and securities (676 thousand Euro), the purchase of own shares (1,322 thousand Euro), the payment of dividends (5,713 thousand Euro) and interest, taxes and rental fees (overall 5,476 thousand Euro).

A breakdown of financial debt, as per Esma and Consob regulations, is set out below:

(Euro /000)	31 December 2023	31 December 2022	Change
A. Cash	57,159	44,114	13,045
B. Cash equivalents	-	-	-
C. Other current financial assets	-	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**57,159**	**44,114**	**13,045**
E. Current financial payables	(1,090)	(2,147)	1,057
F. Current portion of long-term debt	(9,548)	(9,277)	(271)
G. Total current financial debts (E) + (F)	**(10,638)**	**(11,424)**	**786**
H. Net current financial debt (I) + (D)	**46,521**	**32,690**	**13,831**
I. Non-current financial debt	(24,156)	(8,987)	(15,169)
J. Financial debt instruments	-	-	-
K. Trade payables and Other non-current financial debts	-	-	-
L. Non-current financial debt (I) + (J) + (K)	**(24,156)**	**(8,987)**	**(15,169)**
M. Total financial debt (H) + (L)	**22,365**	**23,703**	**(1,338)**
of which to minorities:	22,365	23,703	(1,338)

The balance of **cash and cash equivalents** amounts to 57,159 thousand Euro as of 31 December 2023, as compared to 44,114 thousand Euro on 31 December 2022. This item is analysed below:

(Euro /000)	31 December 2023	31 December 2022	Change
Cash in bank deposits	57,142	44,090	13,052
Cash	17	24	(7)
Total	**57,159**	**44,114**	**13,045**

The technical forms used as at 31 December 2023 are shown below:

- maturities: collectible on demand;
- counterparty risk: deposits are made with leading banks;
- country risk: deposits are made in the countries in which Group companies have their registered offices.

Current financial payables at 31 December 2023have decreased by 836 thousand Euro since the end of 2022; the balance is analysed as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Current portion of debt	9,548	9,277	271
Current overdrafts	-	1,167	(1,167)
Other payables	85	25	60
Total	**9,633**	**10,469**	**(836)**

The banks' debit balance at 31 December 2023 is zero and compares with a balance at 31 December 2022 of 1,167 thousand Euro, when it included one-year loans stipulated with Banca Intesa by the Chinese subsidiary Gefran Automation Technology, for a total of 1,166 thousand Euro and with an average interest rate of 5.09%. These loans were terminated during the third quarter of 2023.

Non-current financial payables are analysed as follows:

Bank (Euro /000)	31 December 2023	31 December 2022	Change
BNL	-	1,000	(1,000)
Unicredit	-	1,110	(1,110)
BNL	-	1,556	(1,556)
Intesa (ex UBI)	1,757	2,752	(995)
SIMEST	360	480	(120)
Crédit Agricole	10,712	-	10,712
BNL	8,323	-	8,323
SIMEST	230	307	(77)
Total	**21,382**	**7,205**	**14,177**

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

Bank (Euro /000)	Amount disbursed	Signing date	Balance at 31 December 2023	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
entered into by Gefran S.p.A. (IT)								
BNL	10,000	29Apr 19	1,000	1,000	-	Euribor 3m + 1%	29Apr 24	quarterly
Unicredit	5,000	30Apr 20	1,111	1,111	-	Euribor 6m + 0.95%	31Dec 24	half-yearly
BNL	7,000	29May 20	2,333	2,333	-	Euribor 6m + 1.1%	31Dec 24	half-yearly
Intesa (ex UBI)	3,000	24Jul 20	2,753	996	1,757	Euribor 6m + 1%	24Jul 26	half-yearly
SIMEST	480	9Jul 21	480	120	360	Fixed 0.55%	31Dec 27	half-yearly
Crédit Agricole	13,000	29Sep 23	12,961	2,249	10,712	Euribor 3m + 0.88%	00/01/00	quarterly
BNL	10,000	27Oct 23	9,985	1,662	8,323	Euribor 3m + 0.93%	00/01/00	quarterly
entered into by Gefran Soluzioni S.r.l. (IT)								
SIMEST	307	21May 21	307	77	230	Fixed 0.55%	31Dec 27	half-yearly
Total			**30,930**	**9,548**	**21,382**			

In the third quarter of 2023, the Parent Company Gefran S.p.A. signed a medium-long term loan agreement with Crédit Agricole for a total of 13 million Euro, at a variable rate (Euribor 3 months) with a spread of 0.88%. The loan in question has been accounted for using the "amortised cost" method and requires compliance with a financial parameter (covenant), calculated at the consolidated level, and in particular the ratio of net financial debt (NFP) to EBITDA < 3.25x. Failure to comply with the ratio could result in the lending institution being entitled to demand repayment. The Administration, Finance and Control Director is responsible for checking these contractual restrictions every quarter. The ratio calculated on the figures at 31 December 2023 is largely respected and the financing is distributed in the maturity schedule in accordance with the forms originally stipulated in the contracts.

During the fourth quarter, on 27 October 2023, the Parent Company Gefran S.p.A. signed an additional loan with the BNL institution for a total of 10 million Euro, lasting 72 months, at a variable rate (Euribor 3 months) with a spread of 0.93%. This loan was accounted for using the "amortized cost" method and does not require compliance with financial parameters (covenants).

Excluding the Crédit Agricole loan described above, none of the other loans outstanding at 31 December 2023 have clauses requiring compliance with economic and financial requirements (covenants).

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

Financial investments for derivatives total 185 thousand Euro, reflecting the positive fair value of the IRS contracts arranged by the Parent Company to hedge the interest-rate risk on floating-rate loans, which would crystallise on an increase in Euribor. The following analysis of hedges shows their fair value:

Bank (Euro /000)	Notional principal	Signing date	Maturity	Notional as at 31 December 2023	Derivative	Fair Value as at 31 December 2023	Long position rate	Short position rate
BNL	10,000	29Apr 19	29Apr 24	1,000	IRS	8	Fixed 0.05%	Euribor 3m (Floor: -1.00%)
Unicredit	5,000	30Apr 20	31Dec 24	1,111	IRS	29	Fixed 0.05%	Euribor 6m (Floor: -0.95%)
BNL	7,000	29May 20	31Dec 24	2,333	IRS	43	Fixed -0.12%	Euribor 6m (Floor: -1.10%)
Intesa (ex UBI)	3,000	24Jul 20	24Jul 26	2,753	IRS	105	Fixed -0.115%	Euribor 3m
Total financial assets for derivatives – Interest rate risk						**185**		

As of 31 December 2023, no derivatives have been taken out to hedge exchange rate risk.

All the contracts described above are recognised at their fair value:

(Euro /000)	as at 31 December 2023		as at 31 December 2022	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	185	-	539	-
Total cash flow hedge	**185**	**-**	**539**	**-**

As of 31 December 2023 all derivatives had been tested for effectiveness, with positive outcomes.

In order to support its operations, the Group has various credit lines available from banks and other financial institutions, mainly in the form of invoice factoring credit lines, cash flexibility and mixed credit lines totalling 36,285 thousand Euro. As of 31 December 2023 there is no use of these lines, so the remaining liquid assets are equal to the total amount granted. No fees are due if these lines are not used.

The balance of financial payables due to leasing under IFRS 16 (current and non-current) at 31 December 2023 amounts to 3,779 thousand Euro and complies with IFRS 16, 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 payables for IFRS 16 leases are classified on the basis of their maturity as

either current payables (due within one year), amounting to 1,005 thousand Euro, or non-current payables (due beyond one year), amounting to 2,774 thousand Euro.

Changes in this item in the year 2023 are detailed below:

(Euro /000)	31 December 2022	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2023
Leasing payables under IFRS 16	2,737	2,424	(1,403)	-	21	3,779
Total	**2,737**	**2,424**	**(1,403)**	**-**	**21**	**3,779**

Changes in this item in the year 2022 are detailed below:

(Euro /000)	31 December 2021	Increases	Decreases	Reclassifications	Exchange rate differences	31 December 2022
Leasing payables under IFRS 16	2,761	1,146	(1,197)	-	27	2,737
Total	**2,761**	**1,146**	**(1,197)**	**-**	**27**	**2,737**

23. Shareholders' equity

Consolidated shareholders' equity is analysed as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Portion pertaining to the Group	93,941	90,723	3,218
Portion pertaining to minority interests	-	-	-
Net amount	**93,941**	**90,723**	**3,218**

The Group's portion of Shareholders' Equity at 31 December 2023 is 93,941 thousand Euro, up by 3,218 thousand Euro over the figure for 31 December 2022. The net profit for the period, amounting to 11,653 thousand Euro, is absorbed by the distribution of dividends which took place in May in the amount of 5,713 thousand Euro, as well as by the negative effects of changes in the reserves, in particular by changes in the translation reserve of 995 thousand Euro, the stock reserve at fair value of 344 thousand Euro, and the reserve for own shares held among other reserves of 1,322 thousand Euro.

Share capital amounts to 14,400 thousand Euro, represented by 14,400,000 ordinary shares with a nominal value of 1 Euro each.

The results achieved by the Group in the 2023 financial year are in line with expectations, both in terms of revenues and cash flows generated. Based on this, also assessing the capitalisation value, no indicators of impairment were found in the Consolidated Financial Statements.

(Euro /000)	Net invested capital at 31 December 2023	Net invested capital at 31 December 2022	Explicit forecast	WACC (%)	Value in use at 31 December 2023	Risk free	Risk premium	Theoretical tax rate
Group consolidated	71,279	66,453	2024 - 2026	10.2%	173,932	4.2%	5.5%	27.9%

As at 31 December 2022, Gefran S.p.A. held 53,273 shares, equal to 0.37% of the total for a total value of 394 thousand Euro. During 2023 the purchase of own shares for a total of 145,132 shares was made for an average of 9.1068 Euro per share and a total value of 1,322 thousand Euro. Following the changes described, at 31 December 2023, Gefran S.p.A. held a total of 198,405 shares (1.38% of the total) with an average carrying value of Euro 8.6483 per share, and an overall value of 1,716 thousand Euro.

The Company has not issued any convertible bonds.

In consideration of the result for the year, in its 12 March 2024 meeting, the Board of Directors proposed, subject to approval of the Shareholders' Meeting, in view of the annual profit of the year 2023, to pay a dividend of 0.42 Euro per unrestricted share.

See the "Statement of changes in shareholders' equity" for an analysis of changes in the equity reserves during the period.

The changes in the reserve for the measurement of securities at fair value are shown in the table below:

(Euro /000)	31 December 2023	31 December 2022	Change
Balance at 1 January	232	346	(114)
Woojin Plaimm Co Ltd Shares	(77)	(115)	38
Tax effect	2	1	1
Net amount	**157**	**232**	**(75)**

The changes in the reserve for the measurement of derivatives at fair value are shown below:

(Euro /000)	31 December 2023	31 December 2022	Change
Balance at 1 January	410	(66)	476
Change in fair value derivatives	(354)	627	(981)
Tax effect	85	(151)	236
Net amount	**141**	**410**	**(269)**

24. Earnings per share

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

	31 December 2023	31 December 2022
Basic earnings per share		
- Profit (loss) for the period pertaining to the Group (Euro/000)	11,653	9,988
- Average No. of ordinary shares (No./000,000)	14.261	14.369
- Basic earnings per ordinary share	0.817	0.695
Diluted earnings per share		
- Profit (loss) for the period pertaining to the Group (Euro/000)	11,653	9,988
- Average No. of ordinary shares (No./000,000)	14.261	14.369
- Basic earnings per ordinary share	0.817	0.695
Average number of ordinary shares	14,260,955	14,369,284

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.

25. Employee benefits

The liabilities for "Employee benefits" show a decrease of 138 thousand Euro compared to the balance at 31 December 2022 and show the following changes in 2023:

(Euro /000)	31 December 2022	Increases	Decreases	Discounting	Exchange rate differences	31 December 2023
Post-employment benefits	2,241	25	(234)	73	(3)	2,102
Total	**2,241**	**25**	**(234)**	**73**	**(3)**	**2,102**

Changes relating to 2022 were as follows:

(Euro /000)	31 December 2021	Increases	Decreases	Discounting	Exchange rate differences	31 December 2022
Post-employment benefits	2,693	47	(207)	(291)	(1)	2,241
Non-competition agreements	148	-	(148)	-	-	-
Total	**2,841**	**47**	**(355)**	**(291)**	**(1)**	**2,241**

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 25 thousand Euro increase, 234 thousand Euro in payments to employees, and the effect of discounting of the payable in existence as of 31 December 2022 under IFRS standards, positive by 73 thousand Euro, as a result of assessment of demographic assumptions and experience (a negative impact of 27 thousand Euro) and changes to financial assumptions (a positive impact of 100 thousand Euro).

At the end of the 2023 year, as at 31 December 2022, there are no residual payables to employees for the signing of Company protection agreements from any competitive activities (so-called no-competition agreements).

Pursuant to IAS 19, the post-employment benefit reserve was 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	2023	2022
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 reaching AGO requirements	100% upon reaching AGO requirements

Hypothetical turnover and advances	2023	2022
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	2023	2022
Discount rate	3.17%	3.63%
Annual inflation rate	2%	2.30%
Annual rate of increase of post-employment benefit	3%	3.225%

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 annual rate of increase in post-employment benefit reserve, as provided for in Article 2120 of the Civil Code, is equal to 75% of inflation plus 1.5 percentage points.

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 2023		31 December 2022	
	-1%	+1%	-1%	+1%
Post-employment benefit reserve	(202)	175	(215)	186
Total	**(202)**	**175**	**(215)**	**186**

(Euro /000)	31 December 2023		31 December 2022	
	-1%	+1%	-1%	+1%
Post-employment benefit reserve	(97)	90	(103)	96
Total	**(97)**	**90**	**(103)**	**96**

26. Current and non-current provisions

The non-current provisions, which include those for outstanding legal disputes and various other risks, amount to 531 thousand Euro at 31 December 2023, compared with 554 thousand Euro at 31 December 2022. The change is essentially due to the recognition of a provision against an ongoing lawsuit with a former employee of the subsidiary Gefran Brasil and to the change in the risk provisions in the Parent Company, down 9 thousand Euro, against surplus releases after having set aside and utilised 696 thousand Euro for the tax audit described above. In addition to this, changes were made to the provision for restructuring in the US subsidiary following the departure of an employee, and to the risk provisions in the subsidiary Elettropiemme S.r.l. following the settlement of a dispute.

Movements in the provisions in 2023 are broken down below:

(Euro /000)	31 December 2022	Provisions	Uses	Releases	Exchange rate differences	31 December 2023
Gefran S.p.A. risk provisions						
- other provisions	9	696	(696)	(9)	-	-
Gefran Inc risk provisions						
- for restructuring	36	-	(34)	(2)	-	-
Gefran Brasil risk provisions						
- other provisions	-	46	-	-	-	46
Elettropiemme S.r.l. risk provisions						
- other provisions	509	-	(24)	-	-	485
Total	**554**	**742**	**(754)**	**(11)**	**-**	**531**

"Current provisions" totalled 899 thousand Euro at 31 December 2023, down by 388 thousand Euro compared with 31 December 2022, and break down as follows:

(Euro /000)	31 December 2022	Provisions	Uses	Releases	Exchange rate differences	31 December 2023
FISC	23	4	-	-	-	27
Product warranty	1,264	491	(317)	(568)	2	872
Total	**1,287**	**495**	**(317)**	**(568)**	**2**	**899**

The change relates to the item "Product warranty", which relates to charges provided for repairs on products under warranty; during the year, surplus releases were recorded for a total of 598 thousand Euro, mainly in the parent company Gefran S.p.A. and in the Chinese and American subsidiaries. As of 31 December 2023, provisions have been verified as meeting needs, with a positive outcome.

27. Other payables and liabilities

"Other payables and liabilities" at 31 December 2023 amount to 11,775 thousand Euro, as compared to 13,342 thousand Euro on 31 December 2022. This item is analysed below:

(Euro /000)	31 December 2023	31 December 2022	Change
Payables to personnel	5,403	6,259	(856)
Social security payables	2,437	2,500	(63)
Accrued interest on loans	25	25	-
Payables to directors and statutory auditors	232	191	41
Other accruals	1,907	1,821	86
Other payables for taxes	1,754	2,005	(251)
Other current liabilities	17	541	(524)
Total	**11,775**	**13,342**	**(1,567)**

The change mainly relates to the decrease in payables to employees, as well as tax payables and other current liabilities.

28. Revenues from product sales

"Revenues from product sales" during the period ended 31 December 2023 amounted to 131,307 thousand Euro, down 0.9% compared with those reported at 31 September 2022, which amounted to 132,491thousand Euro.

Contrary to what was observed from the fourth quarter of 2020 until the first half of 2023, when a tendency towards a steady growth in sales volumes was observed, a fall in sales volumes was observed in the second half of the financial year, leading to an overall decrease in sales revenues compared to the previous year.

Revenues from sales and services are analysed by sector of activity in the following table:

(Euro /000)	31 December 2023	31 December 2022	Change	%
Sensors	84,888	86,924	(2,036)	-2.3%
Automation components	46,419	45,567	852	1.9%
Total	**131,307**	**132,491**	**(1,184)**	**-0.9%**

Total revenues include revenues from services of 2,173 thousand Euro (2,727 thousand Euro in the period ended 31 December 2022); see the section on "Gefran consolidated results" included in the Report on Operations of this Annual financial report for information about the performance of the various business areas and geographical regions.

29. Other revenues and income

"Other operating revenues and income" amount to 1,471 thousand Euro, compared to 1,936 thousand Euro related to the year 2022, as shown in the table below:

(Euro /000)	31 December 2023	31 December 2022	Change	%
Recovery of company canteen expenses	20	28	(8)	-28.6%
Insurance reimbursements	9	-	9	n.s.
Rental income	274	260	14	5.4%
Fees	11	6	5	83.3%
Government grants	58	2	56	2800.0%
Other income	1,099	1,640	(541)	-33.0%
Total	**1,471**	**1,936**	**(465)**	**-24.0%**

The item "Other income", amounting to 1,099 thousand Euro, includes among other things the recognition of tax credits for R&D, investing in fixed assets and Industry 4.0 (total of 610 thousand Euro). In addition to this, other income was recorded (161 thousand Euro) from technical-administrative services provided by the parent company Gefran S.p.A. to companies in the WEG Group, based on a specific contract.

The item "Government contributions", up by 56 thousand Euro compared to the figure for the 2022 year, includes grants for the "I-Gap" development project.

30. Costs of raw materials and accessories

The cost of raw materials and accessories amount to 39,015 thousand Euro, compared with 45,495 thousand Euro related to the year 2022. The change is shown below:

(Euro /000)	31 December 2023	31 December 2022	Change
Raw materials and accessories	39,015	45,495	(6,480)
Total	**39,015**	**45,495**	**(6,480)**

31. Service costs

"Service costs" amount to 22,243 thousand Euro, an overall decrease of 644 thousand Euro over the figure for 31 December 2022, when these costs amounted to 22,887 thousand Euro. They are analysed below:

(Euro /000)	31 December 2023	31 December 2022	Change
Services	21,399	22,147	(748)
Use of third-party assets	844	740	104
Total	**22,243**	**22,887**	**(644)**

Lease fees no longer allocated to the income statement under operating costs due to implementation of the new accounting standard IFRS 16 amount to 1,221 thousand Euro (1,183 thousand Euro on 31 December 2022). Contracts excluded from the 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 an entry of 844 thousand Euro in costs for use of third-party assets at 31 December 2023 (as compared to 740 thousand Euro in 2022).

With regard to "Services", other than rental fees described above, the item was down 748 thousand Euro in the year 2023 from the previous year; variable costs (external processing and third-party services) decreased in particular, as a result of the growth in production volumes and product warranty costs, while commercial expenses were on the rise, as a direct consequence of the resumption of travel and trade fairs after the setback caused by the pandemic, as well as professional consultancy costs.

32. Personnel costs

"Personnel costs" amounted to 47,042 thousand Euro, a decrease over the figure for 31 December 2022 of 153 thousand Euro, and may be broken down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Salaries and wages	35,624	36,369	(745)
Social security contributions	9,013	8,696	317
Post-employment benefit reserve	1,862	1,747	115
Other costs	543	383	160
Total	**47,042**	**47,195**	**(153)**

It should also be noted that in the fourth quarter of 2022, a one-off contribution was granted to all Company employees (overall equal to 1,300 thousand Euro), as an additional contribution to offset the significant increase in the cost of living and the impact on household budgets. This contribution is not replicated in 2023 and offsets the higher costs that reflect the growth in the Group's workforce: as at 31 December 2022, there were 646 employees in the Group's continuing business segments, and 651 employees as at 31 December 2023 (year-end figure).

"Social security contributions" include costs for defined contribution plans for management (Previndai and Azimut Previdenza pension plan) amounting to 75 thousand Euro (62 thousand Euro at 31 December 2022).

Other costs, up by 160 thousand Euro, include, among other items, restructuring costs resulting from the reorganisation of Group companies, as well as sales commissions recognised to employees.

As for the precise number, the average number of Group employees at continuing businesses in the year 2023, compared with 2022, has also increased by 19 specifically:

	31 December 2023	31 December 2022	Change
Managers	15	13	2
Clerical staff	422	412	10
Manual workers	212	205	7
Total	**649**	**630**	**19**

33. Miscellaneous management costs and other operating income

Miscellaneous management costs have a balance of 1,055 thousand Euro, higher than on 31 December 2022. The breakdown is as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Capital losses on the sale of assets	(152)	(31)	(121)
Losses on other receivables	-	16	(16)
Other taxes and duties	(471)	(351)	(120)
Membership fees	(230)	(196)	(34)
Miscellaneous	(202)	(139)	(63)
Total	**(1,055)**	**(701)**	**(354)**

The item **Other operating income** amounts to 311 thousand Euro, as compared to 99 thousand Euro in 2022. This item is analysed below:

(Euro /000)	31 December 2023	31 December 2022	Change
Capital gains on the sale of assets	16	21	(5)
Collection of doubtful receivables	4	2	2
Release of risk provisions	9	68	(59)
Miscellaneous	282	8	274
Total	**311**	**99**	**212**

34. Depreciation, amortisation and impairment

These items amount to 7,595 thousand Euro, as compared to 7,122 thousand Euro in the year 2022. These totals are analysed below:

(Euro /000)	31 December 2023	31 December 2022	Change
Intangible assets	1,755	1,808	(53)
Tangible assets	4,670	4,169	501
Usage rights	1,170	1,145	25
Total	**7,595**	**7,122**	**473**

Since 1 January 2019, this item includes depreciation/amortisation of usage rights in accordance with accounting standard IFRS 16; its value as of 31 December 2023 totals 1,170 thousand Euro (1,145 thousand Euro on 31 December 2022).

"Depreciation, amortisation and impairment" are analysed by sector of activity in the following table:

(Euro /000)	31 December 2023	31 December 2022	Change
Sensors	4,363	4,165	198
Automation components	3,232	2,957	275
Total	**7,595**	**7,122**	**473**

35. Gains (losses) from financial assets/liabilities

The net gain of 200 thousand Euro compares with a net gain of 98 thousand Euro in the period ended 31 December 2022. The change is shown below:

(Euro /000)	31 December 2023	31 December 2022	Change
Cash management			
Income from cash management	917	117	800
Other financial income	52	78	(26)
Medium-/long-term interest	(303)	(224)	(79)
Short-term interest	(34)	(37)	3
Factoring interest and fees	(34)	(32)	(2)
Other financial charges	(61)	(36)	(25)
Total income (charges) from cash management	**537**	**(134)**	**671**
Currency transactions			
Exchange gains	1,820	2,831	(1,011)
Positive currency valuation differences	2,547	1,604	943
Exchange losses	(2,357)	(2,842)	485
Negative currency valuation differences	(2,259)	(1,337)	(922)
Total other income (charges) from currency transactions	**(249)**	**256**	**(505)**
Other			
Gains from financial instruments	5	-	5
Losses from disposal of financial assets	1	(1)	2
Interest on financial payables due to leasing under IFRS 16	(94)	(32)	(62)
Total other financial income (charges)	**(88)**	**(24)**	**(64)**
Gains (losses) from financial assets/liabilities	**200**	**98**	**102**

Cash management, which was positive overall in the year, consisted of income of 969 thousand Euro (195 thousand Euro in 2022) and charges totalling 432 thousand Euro (329 thousand Euro in 2022). They include 22 thousand Euro relating to interest on taxes from previous years, recognised in the Parent Company in response to the closure of the tax audit carried out in 2019 and 2020 and for the tax periods 2016-2017-2018.

The balance of differences on currency transactions was negative and amounted to 249 thousand Euro, compared with the previous year when they amounted to 256 thousand Euro. The change is primarily a result of the exchange rates in effect between the Euro and the Swiss Franc, the Chinese renminbi and the Brazilian Real.

The item "Other financial charges" includes charges on financial payables resulting from application of new accounting standard IFRS 16, worth 94 thousand Euro in the year 2023 (32 thousand Euro in 2022).

36. Gains (losses) from valuation at equity

(Euro /000)	31 December 2023	31 December 2022	Change
Result of companies valued at equity	30	24	6
Total	**30**	**24**	**6**

In the year 2023, charges were recorded from shareholdings valued at equity totalling 30 thousand Euro, reflecting the results of Axel S.r.l. This compares with income of 24 thousand Euro recognised in the year 2022.

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

The item "Taxes" is negative overall and equal to 4,922 thousand Euro while at 31 December 2022 it was negative by 4,184 thousand Euro. Taxation is analysed below:

(Euro /000)	31 December 2023	31 December 2022	Change
Current taxes			
IRES (corporate income tax)	(1,981)	(2,636)	655
IRAP (regional production tax)	(390)	(629)	239
Foreign taxes	(1,406)	(1,761)	355
Total current taxes	**(3,777)**	**(5,026)**	**1,249**
Deferred tax assets and liabilities			
Deferred tax liabilities	(28)	(457)	429
Deferred tax assets	(1,117)	1,162	(2,279)
Total deferred tax assets and liabilities	(1,145)	705	(1,850)
Total taxes	**(4,922)**	**(4,321)**	**(601)**
of which:			
Allocated to assets held for sale and discontinued operations	-	(137)	137
Relating to the operative part	(4,922)	(4,184)	(738)
Total taxes	**(4,922)**	**(4,321)**	**(601)**

Current taxes were on the whole equal to 3,777 thousand Euro, down by 1,249 thousand Euro over the figure for the year 2022.

Deferred taxes, which were on the whole negative by 1,145 thousand Euro, mainly originated out of use of advance taxes entered on prior tax losses in the Chinese and French subsidiaries, as well as in the Italian Elettropiemme S.r.l.

It should also be noted that, in application of the amendment to IAS 12 "Income Taxes" published by the IASB on 7 May 2021 and which came into effect on 1 January 2023, deferred tax assets and liabilities are recognised in the year 2023 on transactions related to leasing contracts for a positive and negative value of 15 thousand Euro and 3 thousand Euro respectively. The amendment is applied retroactively to the first comparative year, therefore the effects were implemented in addition to what was published in the Half-yearly Financial Report as at 31 December 2022. The amount of deferred tax assets and liabilities on transactions relating to leasing contracts as at 31 December 2022 is positive and negative by 531 thousand Euro respectively. For the presentation in the statement of financial position, deferred tax assets and liabilities have been offset, as required by IAS 12.

See the Report on Operations for more information about the changes in 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 2023	31 December 2022
Profit (loss) before tax	16,780	17,636
Gross profit (loss) from assets held for sale and discontinued operations	(205)	(3,327)
Profit (loss) before tax	**16,575**	**14,309**
Theoretical income taxes	(4,024)	(4,534)
Effect from use of losses carried forward	253	305
Rate effect for affiliates	(204)	(292)
Net effect of permanent differences	(367)	29
Net effect of permanent differences for affiliates	683	(63)
Net effect of temporary deductible and taxable differences	393	(205)
Effect of taxes from previous years	(120)	362
Current taxes	**(3,386)**	**(4,398)**
Income tax – deferred tax assets/liabilities	(1,078)	664
Income tax entered in the financial statement (excluding current and deferred regional production tax IRAP)	**(4,464)**	**(3,734)**
IRAP - current taxes	(390)	(628)
IRAP – deferred tax assets/liabilities	(68)	41
Recognised income taxes (current and deferred)	**(4,922)**	**(4,321)**

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 2023:

(Euro /000)	31 December 2022	Posted to the income statement	Recognised in shareholders' equity	Change in scope of consolida-tion	Exchange rate differences	Other changes	31 December 2023
Deferred tax assets							
Impairment of inventories	1,646	(664)	-	-	(14)	-	968
Impairment of trade receivables	268	(31)	-	-	(3)	-	234
Impairment of assets	544	(2)	-	-	(1)	-	541
Deductible losses to be brought forward	718	(57)	-	-	(26)	-	635
Exchange rate balance	11	(11)	-	-	-	-	-
Elimination of unrealised margins on inventories	493	(140)	-	-	-	-	353
Provision for product warranty risk	321	(102)	-	-	-	-	219
Provision for miscellaneous risks	146	(125)	7	-	1	-	29
Fair value hedging	-	-	-	-	-	-	-
Other deferred tax assets	-	15	-	-	-	-	15
Total deferred tax assets	**4,147**	**(1,117)**	**7**	**-**	**(43)**	**-**	**2,994**
of which:							
Allocated to assets held for sale and discontinued operations	-	-	-	-	-	-	-
Relating to the operative part	4,147	(1,117)	7	-	(43)	-	2,994
Deferred tax liabilities							
Discounting post-employment benefits	-	2	8	-	-	(17)	(7)
Fair value measurement	-	(1)	86	-	-	(129)	(44)
Exchange valuation differences	(149)	(6)	-	-	-	149	(6)
Other deferred tax liabilities	(880)	(23)	-	-	29	(3)	(877)
Total deferred taxes	**(1,029)**	**(28)**	**94**	**-**	**29**	**-**	**(934)**
of which:							
Allocated to assets held for sale and discontinued operations	-	-	-	-	-	-	-
Relating to the operative part	(1,029)	(28)	94	-	29	-	(934)
Total	**3,118**	**(1,145)**	**101**	**-**	**(14)**	**-**	**2,060**

It should be noted that the column "Other changes" shows the effects of reclassifying the opening balances of the item "Deferred tax liabilities", according to the classification represented in the 2023 financial year.

The table below shows a breakdown of deferred tax assets and deferred tax liabilities for the year 2022:

(Euro /000)	31 December 2021	Posted to the income statement	Recognised in shareholders' equity	Change in scope of consoli-dation	Exchange rate differences	Other changes	31 December 2022
Deferred tax assets							
Impairment of inventories	1,449	683	-	(474)	(12)	-	1,646
Impairment of trade receivables	274	26	-	(29)	(3)	-	268
Impairment of assets	535	10	-	-	(1)	-	544
Deductible losses to be brought forward	754	(27)	-	-	(9)	-	718
Elimination of unrealised margins on inventories	536	(43)	-	-	-	-	493
Provision for product warranty risk	368	2	-	(49)	-	-	321
Provision for miscellaneous risks	342	(32)	(112)	(52)	-	-	146
Fair value hedging	21	-	(21)	-	-	-	-
Other deferred tax assets	-	531	-		-	(531)	-
Total deferred tax assets	**4,279**	**1,162**	**(133)**	**(605)**	**(25)**	**(531)**	**4,147**
of which:							
Allocated to assets held for sale and discontinued operations	682	(77)	-	(605)	-	-	-
Relating to the operative part	3,597	1,239	(133)	-	(25)	(531)	4,147
Deferred tax liabilities							
Exchange valuation differences	(11)	(2)	(136)	-	-	-	(149)
Other deferred tax liabilities	(905)	(455)	-	-	(51)	531	(880)
Total deferred taxes	**(916)**	**(457)**	**(136)**	**-**	**(51)**	**531**	**(1,029)**
of which:							
Allocated to assets held for sale and discontinued operations	-	-	-	-	-	-	-
Relating to the operative part	(916)	(457)	(136)	-	(51)	531	(1,029)
Total	**3,363**	**705**	**(269)**	**(605)**	**(76)**	**-**	**3,118**

38. Profit (loss) from assets held for sale and discontinued

The "Net results of disposal groups held for sale" as at 31 December 2023 are negative overall at 205 thousand Euro, compared with the still negative 3,464 thousand Euro in the same period of the previous year, up by 3,259 thousand Euro. It relates to the operating result of the motion control business units, sold to the WEG Group in the first quarter of 2023 based on the framework agreement signed on 1 August 2022 (negative at 64 thousand Euro). The item also includes an adjustment with respect to the initial estimate (negative at 141 thousand Euro) of the net accounting effects expected on the disposal of the business, already recognised in 2022. In the 2022 year, in addition to the operating results of the divested business (positive by 483 thousand Euro) the expected effects of the divestment of the business were noted (estimated negative by 3,947 thousand Euro).

For a better understanding of the economic information of assets classified as "Held for sale and discontinued", please refer to the section "Economic breakdown as of 31 December 2023 of the Group's scope for sale and discontinued".

39. Guarantees given, commitments and other contingent liabilities

a. Guarantees given

At 31 December 2023, the Group has given guarantees for the payables or commitments of third parties or subsidiaries totalling 2,710 thousand Euro. These are summarised in the table below:

(Euro /000)	31 December 2023	31 December 2022
Sandrini Costruzioni	66	66
Sandrini Costruzioni	29	29
WEG Equipamentos Elétricos S.A.	2,300	2,300
Tenova S.p.A.	200	-
Tenova S.p.A.	115	-
Total	**2,710**	**2,395**

The two sureties issued in favour of Sandrini Costruzioni guarantee the rent of the industrial property used by Elettropiemme S.r.l. under 2 leases, one of which will expire on 31 January 2027 while the other will expire on 31 December 2029.

On 30 September 2022, with regard to the sale of the motion control business to the Brazilian group WEG, Gefran S.p.A. issued a bank guarantee of 2,300 thousand Euro to WEG Equipamentos Eléctricos S.A., expiring on 30 September 2026.

During 2023, two bank guarantees were issued in favour of Tenova S.p.A., a customer of Gefran Soluzioni S.r.l., to guarantee the quality of products supplied. The first guarantee, for a value of 200 thousand Euro, expires on 30 September 2024, while the second, with a value of 115 thousand Euro, expires on 19 August 2025.

b. Legal proceedings and disputes

The Parent Company and certain subsidiaries are involved in various legal proceedings and disputes. However, the resolution of these disputes is not thought likely to generate significant liabilities not already covered by existing provisions.

c. Commitments

The Group has entered into contracts for the rental of buildings and the lease of equipment, electronic machinery and company vehicles. Pursuant to IFRS 16, the initial lease liability is capitalised as a RoU asset with a matching entry to Financial payables for IFRS 16 leases; see the related explanatory notes for more information.

As required under the accounting standard, some residual existing contracts have been excluded from the scope of application as they met the requirements for exclusion; leasing costs for these contracts entered in the income statement amount to a total of 844 thousand Euro in the year 2023 (740 thousand Euro in the year 2022).

At 31 December 2023, the total value of the Group's commitments was 891 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 720 thousand Euro at 31 December 2022). This amount mainly refers to ancillary services pertaining to contracts subject to IFRS 16, as well as to contracts for which, based on their value and duration, the above standard has not been applied.

40. Transactions with related parties

The following information on Group companies' transactions with related parties in the years 2023 and 2022 is provided in accordance with IAS 24.

In accordance with the provisions of Consob Resolution no. 17221 of 12 March 2010, the Board of Directors of Gefran S.p.A. has adopted a Regulation governing transactions with related parties, the current version of which was approved on 24 June 2021 to implement the new requirements of Directive (EU) 2017/828 (so-called "Shareholders' Rights II"), and can be viewed on the Company's website, at https://www.gefran.com/governance/documents-and-procedures/.

Transactions with related parties are part of normal operations and the typical business of each entity involved and are carried out under normal market conditions. There have not been any atypical or unusual transactions.

Noting that the economic and equity effects of consolidated infragroup transactions are eliminated in the consolidation process, the most significant transactions with related parties are listed below. These transactions have no material impact on the Group's economic and financial structure. They are summarised in the following tables:

(Euro /000)	Marfran S.r.l.	Total
Revenue from product sales		
2022	101	101
2023	68	68

(Euro /000)	Marfran S.r.l.	Imet S.p.A.	Total
Costs for raw materials and accessories			
2022	-	-	-
2023	(40)	(579)	(619)

(Euro /000)	Climat S.r.l.	#REF!	Total
Service costs			
2022	(155)	(102)	(257)
2023	(160)	(106)	(266)

(Euro /000)	M. Pedro	Total
Personnel costs		
2022	(77)	(77)
2023	(80)	(80)

(Euro /000)	Climat S.r.l.	Marfran S.r.l.	Imet S.p.A.	Total
Property, plant, machinery and tools				
2022	294	-	-	294
2023	294	-	-	294
Trade receivables				
2022	-	3	-	3
2023	-	35	-	35
Trade payables				
2022	278	-	278	556
2023	144	14	170	328

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.

As part of its intercompany activities, Gefran S.p.A. has provided technical-administrative and management services and charged royalties to operational subsidiaries totalling 3 million Euro under specific contracts (3.9 million Euro in the period to 31 December 2022, of which 0.8 million Euro to Gefran Drives and Motion S.r.l. and Siei Areg, both being subsidiaries included within the scope of the framework agreement for the disposal of the motion control business).

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

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

In the year 2023, the Parent Company Gefran S.p.A. recognised dividends from subsidiaries amounting to 3.3 million Euro (3 million Euro in 2022).

Members of the Board of Directors and the Board of Statutory Auditors were paid the following aggregate remuneration: 264 thousand Euro included in personnel costs and 1,318 thousand Euro included in service costs (312 thousand Euro included in personnel costs and 1,400 thousand Euro included in service costs in 2022). With regard to the remuneration of executives with strategic responsibilities, reference is made to the Remuneration Report as at 31 December 2023.

Persons of strategic importance have been identified as members of the Executive Board of Directors of Gefran S.p.A. and of other Group companies, as well as executives with strategic responsibilities, identified in the General Manager of Gefran S.p.A., as well as in the Chief Financial Officer, Chief People & Organisation Officer, Group Chief Technology Officer and Chief Sales Officer.

41. Information pursuant to Article 149-duodecies of the Consob Issuers' Regulation

The table below shows fees paid in relation to the year 2023 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 31 December 2023
Accounts audit	PwC S.p.A.	Parent company Gefran S.p.A.	120
	PwC S.p.A.	Subsidiaries	60
	PwC network	Subsidiaries	213
Accounts audit on Non-Financial Declaration	PwC S.p.A.	Parent company Gefran S.p.A.	21
Certification services	PwC network	Parent company Gefran S.p.A.	7
Total			**421**

42. Events after 31 December 2023

With regard to operating performance at the beginning of 2024, we refer to the paragraphs on "Significant events after the end of 2023" and "Outlook for the year" contained in the Report on Operations.

In view of the current geo-political scenario and in particular the Russia-Ukraine and Middle East conflicts, 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.

43. Summary of public funds pursuant to Article 1, paragraphs 125-129, Law no. 124/2017

In compliance with the transparency and publicity requirements provided for under Law no. 124 of 4 August 2017, Article 1, paragraphs 125-129, which made it compulsory for companies to disclose "subsidies, contributions, and other economic advantages of any kind" in the notes to the financial statements, the details of the relevant amounts are given below, in addition to what has already been published in the Italian national register of state aid – transparency of individual aid.

(Euro /000)	Providing body	Values at 31 December 2023
R&D Tax credit	Italian government	179
Industry 4.0 Tax credit	Italian government	673
Energy Tax credit	Italian government	120
Total		**972**

Other information

Pursuant to Article 70, paragraph 8, and Article 71, paragraph 1bis, 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, spinoffs, capital increases through contribution in kind, acquisitions and disposals.

Provaglio d'Iseo, 12 March 2024

For the Board of Directors

Chairwoman

Maria Chiara Franceschetti

Chief Executive Officer

Marcello Perini

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ATTACHMENTS

a) Consolidated income statement by quarter

	(Euro /000)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	TOT 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	TOT 2023
a	Revenues	35,171	34,137	32,241	32,878	134,427	36,064	35,424	29,738	31,552	132,778
b	Increases for internal work	241	270	173	223	907	445	715	648	628	2,436
c	Consumption of materials and products	10,199	10,094	9,019	10,646	39,958	10,415	11,186	9,368	10,137	41,106
d	**Value Added (a+b-c)**	**25,213**	**24,313**	**23,395**	**22,455**	**95,376**	**26,094**	**24,953**	**21,018**	**22,043**	**94,108**
e	Other operating costs	5,351	5,903	6,318	5,973	23,545	6,080	5,755	5,408	5,678	22,921
f	Personnel costs	11,255	11,617	11,483	12,840	47,195	11,775	12,239	11,131	11,897	47,042
g	**EBITDA (d-e-f)**	**8,607**	**6,793**	**5,594**	**3,642**	**24,636**	**8,239**	**6,959**	**4,479**	**4,468**	**24,145**
h	Depreciation, amortisation and impairment	1,716	1,763	1,796	1,847	7,122	1,870	1,870	1,882	1,973	7,595
i	**EBIT (g-h)**	**6,891**	**5,030**	**3,798**	**1,795**	**17,514**	**6,369**	**5,089**	**2,597**	**2,495**	**16,550**
l	Gains (losses) from financial assets/ liabilities	237	249	413	(801)	98	(115)	(46)	110	251	200
m	Gains (losses) from shareholdings valued at equity	8	5	7	4	24	16	(4)	6	12	30
n	**Profit (loss) before tax (i±l±m)**	**7,136**	**5,284**	**4,218**	**998**	**17,636**	**6,270**	**5,039**	**2,713**	**2,758**	**16,780**
o	Taxes	(1,790)	(1,403)	(1,418)	427	(4,184)	(2,346)	(1,340)	(603)	(633)	(4,922)
p	**Result from operational activities (n±o)**	**5,346**	**3,881**	**2,800**	**1,425**	**13,452**	**3,924**	**3,699**	**2,110**	**2,125**	**11,858**
q	Net income from assets available for sale and discontinued operations	(503)	(3,893)	365	567	(3,464)	(31)	(179)	3	2	(205)
r	**Group net profit (loss) (p±q)**	**4,843**	**(12)**	**3,165**	**1,992**	**9,988**	**3,893**	**3,520**	**2,113**	**2,127**	**11,653**

b) Exchange rates used to translate the financial statements of foreign companies

END-OF-PERIOD EXCHANGE RATES

Currency	31 December 2023	31 December 2022
Swiss franc	0.9260	0.9847
Pound sterling	0.8691	0.8869
U.S. dollar	1.1050	1.0666
Brazilian real	5.3618	5.6386
Chinese renminbi	7.8509	7.3582
Indian rupee	91.9045	88.1710

AVERAGE EXCHANGE RATES IN THE PERIOD

Currency	31 December 2023	31 December 2022	4Q 2023	4Q 2022
Swiss franc	0.9717	1.0052	0.9541	0.9832
Pound sterling	0.8699	0.8526	0.8667	0.8697
U.S. dollar	1.0816	1.0539	1.0758	1.0205
Brazilian real	5.4016	5.4432	5.3300	5.3698
Chinese renminbi	7.6591	7.0801	7.7719	7.2573
Indian rupee	89.3249	82.7145	89.5683	83.8648

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
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	San 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 Asia Pte Ltd	Singapore	Singapore	EUR	3,359,369	Gefran S.p.A.	100.00
Gefran Automation Technology (Shanghai) Co Ltd	Shanghai	China (PRC)	RMB	28,940,000	Gefran Siei Asia Pte Ltd	100.00
Sensormate AG	Aadorf	Switzerland	CHF	100,000	Gefran S.p.A.	100.00
Gefran Soluzioni S.r.l.	Provaglio d'Iseo	Italy	EUR	100,000	Gefran S.p.A.	100.00
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.	15.00
Robot At Work S.r.l.	Rovato	Italy	EUR	14,500	Gefran S.p.A.	24.83

e) List of other affiliates

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 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

The undersigned **Marcello Perini,** in his capacity as Chief Executive Officer, and **Paolo Beccaria**, in his 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 2023.

There are no significant matters to report in this regard.

They further certify that

/ the **Consolidated financial statements**:

- were prepared in accordance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the entries made in accounting ledgers and records;
- provide a true and accurate representation of the economic and 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, results and 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, 12 March 2024

Chief Executive Officer

Marcello Perini

The Executive in charge of financial reporting

Paolo Beccaria

GEFRAN S.P.A. SEPARATE FINANCIAL STATEMENTS

AT 31 DECEMBER 2023

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REPORT ON OPERATIONS OF GEFRAN S.P.A.

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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 2023 Total	31 December 2022 Total	Var. 2023-2022 Value	%
a	Revenues	78,494	82,568	(4,074)	-4.9%
b	Increases for internal work	1,969	850	1,119	131.6%
c	Consumption of materials and products	26,070	27,399	(1,329)	-4.9%
d	**Value Added (a+b-c)**	**54,393**	**56,019**	**(1,626)**	**-2.9%**
e	Other operating costs	15,201	15,894	(693)	-4.4%
f	Personnel costs	25,400	25,195	205	0.8%
g	**EBITDA (d-e-f)**	**13,792**	**14,930**	**(1,138)**	**-7.6%**
h	Depreciation, amortisation and impairment	5,780	5,300	480	9.1%
i	**EBIT (g-h)**	**8,012**	**9,630**	**(1,618)**	**-16.8%**
l	Gains (losses) from financial assets/liabilities	5,618	4,350	1,268	29.1%
n	**Profit (loss) before tax (i±l)**	**13,630**	**13,980**	**(350)**	**-2.5%**
o	Taxes	(2,698)	(2,960)	262	8.9%
p	**Result from operating activities (n±o)**	**10,932**	**11,020**	**(88)**	**-0.8%**
q	Profit (loss) from assets held for sale and disposed	-	(1,500)	1,500	100.0%
r	**Net profit (loss) (p±q)**	**10,932**	**9,520**	**1,412**	**14.8%**

Annual revenues for the year 2023 amounted to 78,494 thousand Euro, down 4,074 thousand Euro over the prior year, equal to 4.9%.

It should be noted that the Company's revenues at 31 December 2023 include 161 thousand Euro for the invoicing of services (regulated by specific contracts) to the WEG group. As at 31 December 2022, a total of 921 thousand Euro was invoiced for the services provided to the WEG group in the fourth quarter of the year, and to companies that left the Gefran Group's scope as a result of the sale of the drives business. Net of these effects, the decrease in revenues recognised over the previous year would be more limited and amount to 3,314 thousand Euro compared to the same previous period (-4.1%), and mainly linked to lower volumes of sales to subsidiaries. With regard to revenues generated from third party revenues, growth was registered compared to the previous year (+0.9%).

Analysing the breakdown of **revenues by geographical region**, there was a widespread contraction against the 2022 financial year in all the main market areas in which Gefran S.p.A. operates: -4.9% in the domestic market, -1.7% in Europe, -8% overall in America and -9.2% in Asia.

From the point of view of **business area,** sensors recorded a 4.6% decrease in revenue, while the decrease was smaller for revenue generated by the automation components business, which recorded a -3.7% decline compared to the previous year's figure.

Added value in the year amounted to 54,393 thousand Euro, representing 69.3% of revenues, as compared to 56,019 thousand Euro in the previous year, equal to 67.8% of revenues. The change recorded, equal to 1,626 thousand Euro in absolute value, is related to the lower sales volumes and the lower value of services invoiced to companies leaving the scope as a result of the sale of the drives business to the WEG group. They partially offset the improvement in margins achieved on sales and increases for internal work, due to the higher capitalisations recorded compared to the previous year.

The **other operating costs** for the year 2023 amount to 15,201 thousand Euro and compare with 15,894 thousand Euro as at 31 December 2022, showing a decrease of Euro 693 thousand Euro; the change mainly relates to the lower external processing, sales volumes and product warranty costs. On the other hand, the costs for cars and travel, certifications and quality, as well as software licenses are on the increase.

Personnel costs at 31 December 2023 amounted to 25,400 thousand Euro and compares with 23,117 thousand Euro in the year 2022, showing an increase of 205 thousand Euro. This is attributable to the increased workforce designed to strengthen the organisation, and to the salary increase stipulated by the CCNL for all employees, further increased by applying the safeguard clause (linked to the evolution of inflation) which was defined at national level. Both the number of employees employed by the company at the year end (+10 employees as at 31 December 2023 compared to the year-end figure for 31 December 2022) and the annual average (337 in 2023 and 321 in 2022) increased.

It should also be noted that in the fourth quarter of 2022, a one-off contribution was granted to all Company employees (overall equal to 606 thousand Euro), as an additional contribution to offset the significant increase in the cost of living and the impact on household budgets. This contribution was not replicated in the 2023 year.

Depreciation/amortisation for the year just ended amounted to 5,780 thousand Euro, up 480 thousand Euro over the figure for 31 December 2022, reflecting the substantial investment plan carried out by the Company (5,560 thousand Euro in 2022 and 9,520 thousand Euro in 2023).

In the year 2023 **EBIT** was positive at 8,012 thousand Euro (10.1% of revenues), compared with a positive EBIT of 9,630 thousand Euro in December 2022 (11.7% of revenues). The decrease in operating costs compared to the previous year only partially offsets the lower added value achieved and the higher depreciation/amortisation recognised in the year, resulting in an overall decrease in the Company's EBIT.

Financial management for the year shows an overall positive balance of 5,618 thousand Euro; in the previous year it showed a positive balance of 4,350 thousand Euro. The following are included:

/ dividends from equity investments totalling 3,323 thousand Euro, compared to 2,657 thousand Euro in dividends in 2022;

/ financial income of 901 thousand Euro (189 thousand Euro in 2022);

/ the positive result of differences in foreign currency transactions, totalling 107 thousand Euro, as compared to another positive result of 1,758 thousand Euro in 2022;

/ financial expenses related to the Company's indebtedness, amounting to 673 thousand Euro, which include 22 thousand Euro for interest on the payment of taxes from previous years, after the completion of the tax audit carried out in 2019 and 2020 for the 2016-2017-2018 tax periods; overall, the item increased compared to the figure for the 2024 financial year, when it amounted to 249 thousand Euro, also as a result of 2 new loans being taken out;

/ value adjustments to non-current assets, positive at 1,964 thousand Euro and related to the adjustment in the value of the investments in the Indian and Brazilian subsidiaries, based on the impairment assessment performed; no value adjustments were recorded in the previous year.

Taxes were, on the whole, negative by 2,698 thousand Euro (negative by 2,960 thousand Euro as of 31 December 2022). The change in taxes is proportionate to the lower profit, and may be broken down as follows:

/ negative current taxes, amounting to 2,209 thousand Euro (negative at 3,125 thousand Euro as at 31 December 2022), include 597 thousand Euro of taxes for previous years, recognised following the termination of the tax audit carried in 2019 and 2020 and referring to the 2016-2017-2018 tax periods;

/ deferred tax assets and liabilities were negative overall and amounted to 489 thousand Euro (positive by 153 thousand Euro at 31 December 2023); the item mainly refers to the release of deferred tax assets related to changes in the inventory write-down provision and product warranty provision.

The **Result from operating activities** of Gefran S.p.A. as at 31 December 2023 was positive at 10,932 thousand Euro, and remains substantially in line with the previous year's figure of 11,020 thousand Euro, recording a fall in absolute value of 88 thousand Euro, but with an increase in the percentage share (13.9% in 2023 and 13.3% in 2022).

Gefran S.p.A.'s **Profit (loss) from assets held for sale and discontinued** as at 31 December 2023 was zero, while it was negative by 1,500 thousand Euro as at 31 December 2022. In the previous year, the loss incurred on the sale of the shares of Gefran Drives and Motion S.r.l., a company incorporated under Italian law, and of Siei Areg Gmbh, under German law, to WEG S.A., under the framework agreement signed on 1 August 2022 and on the sale of the motion control business (1,800 thousand Euro in total) was recognised, as was the reclassification of 300 thousand Euro of financial income, related to the dividend paid to Gefran S.p.A. by Siei Areg GmbH, pursuant to IFRS 5.

The **Net result** of Gefran S.p.A. as at 31 December 2023 was positive at 10,932 thousand Euro (13.9% of revenues) compared with the net result of 9,520 thousand Euro in the previous year (11.5% of revenues), net of the capital loss realised and described above, showing a total improvement of 1,412 thousand Euro.

Gefran S.p.A.'s reclassified balance sheet at 31 December 2023 is as follows:

(Euro /000)	31 December 2023 Value	%	31 December 2022 Value	%
Intangible assets	5,797	7.5	5,209	7.8
Tangible fixed assets	30,091	39.1	26,898	40.3
Other non-current assets	30,648	39.8	28,844	43.2
Net non-current assets	**66,536**	**86.5**	**60,951**	**91.3**
Inventories	9,795	12.7	10,586	15.9
Trade receivables	20,492	26.6	20,438	30.6
Trade payables	(14,898)	(19.4)	(17,649)	(26.4)
Other assets/liabilities	(2,706)	(3.5)	(4,829)	(7.2)
Working capital	**12,683**	**16.5**	**8,546**	**12.8**
Provisions for risks and future liabilities	(720)	(0.9)	(1,111)	(1.7)
Deferred tax provisions	(58)	(0.1)	(146)	(0.2)
Employee benefits	(1,505)	(2.0)	(1,514)	(2.3)
Net invested capital	**76,936**	**100.0**	**66,726**	**100.0**
Shareholders' equity	**80,387**	**104.5**	**76,821**	**115.1**
Non-current financial payables	21,152	27.5	6,898	10.3
Current financial payables	21,429	27.9	16,544	24.8
Financial payables for IFRS 16 leases (current and non-current)	651	0.8	549	0.8
Financial assets for derivatives (current and non-current)	(185)	(0.2)	(539)	(0.8)
Non-current financial investments	(111)	(0.1)	(28)	(0.0)
Cash and cash equivalents and current financial receivables	(46,387)	(60.3)	(33,519)	(50.2)
Net debt relating to operations	**(3,451)**	**(4.5)**	**(10,095)**	**(15.1)**
Total sources of financing	**76,936**	**100.0**	**66,726**	**100.0**

Net non-current assets amounted to 66,536 thousand Euro, up by 5,585 thousand Euro from the figure for 31 December 2022. The following changes are highlighted:

/ tangible and intangible assets include increases for new investments totalling 9,520 thousand Euro, decreases related to depreciation/amortisation totalling 5,487 thousand Euro and disposals totalling 356 thousand Euro, and entry of usage rights with reference to IFRS 16 accounting standard for new contracts signed in 2023 amounting to 48 thousand Euro, offset by the amortisation of such rights totalling 293 thousand Euro and the early termination of some contracts for 11 thousand Euro;

- the other fixed assets show a total increase of 1,804 thousand Euro, mainly due to the write-back in the value of the Company's investments in the subsidiaries Gefran India and Gefran Brasil, by virtue of the impairment valuation carried out, totalling 1,964 thousand Euro; in addition to this, during the year Gefran S.p.A. acquired 24.83% of the shares of the technology start-up Robot At Work S.r.l., based in Rovato (BS), for a value of 576 thousand Euro; the 489 thousand Euro decrease in prepaid taxes offsets the increase.

Working capital amounts to 12,683 thousand Euro, 4,137 thousand Euro higher than on 31 December 2022; the changes in individual components are as follows:

- inventories at 31 December 2023 amounted to 9,795 thousand Euro, lower than the 2022 value of 10,586 thousand Euro;
- trade receivables amounted to 20,492 thousand Euro, largely in line with the figures for 31 December 2022, revealing an increase of 54 thousand Euro;
- trade payables totalled 14,898 thousand Euro, as compared to 17,649 thousand Euro at 31 December 2022, showing a decrease of 2,751 thousand Euro;
- other net assets and liabilities, negative by 2,706 thousand Euro at 31 December 2023, compare with a negative figure of 4,829 thousand Euro at 31 December 2022; the change primarily relates to the increase in tax receivables.

The **provisions for risks and future liabilities** amount to 720 thousand Euro and compare with the figure of 1,111 thousand Euro for 31 December 2022; the product warranty provision and agent commission provision are included. The change compared to 31 December 2022 relates mainly to the change in the product warranty provision, and in particular to surplus releases amounting to 460 thousand Euro.

Employee benefits were 1,505 thousand Euro, a decrease of 9 thousand Euro from 31 December2022. The change concerns payments to employees totalling 146 thousand Euro and increases amounting to 94 thousand Euro, linked to the movement of the post-employment benefit reserve transferred during the 2023 financial year by Gefran Soluzioni S.r.l. to Gefran S.p.A., following the reorganisation of activities in the programmable automation sector. Furthermore, the effect of discounting of the existing payable as per IAS regulations is included, and is positive at 43 thousand Euro.

Shareholders' equity as at 31 December 2023 amounted to 80,387 thousand Euro, an increase of 3,566 thousand Euro compared to the previous year as a result of the recognition of the net profit for the year (10,932 thousand Euro), offset by the payment of dividends (5,713 thousand Euro) and the purchase of own shares (1,322 thousand Euro). The other changes (negative overall totalling 330 thousand Euro) relate to the adjustment of the cash flow hedging reserves, the measurement of securities at fair value and IAS 19.

Net financial position at 31 December 2023 is positive by 3,451 thousand Euro, down by 6,644 thousand Euro compared to 31 December 2022, when it was positive by 10,095 thousand Euro. This change originates essentially from the positive cash flows generated by typical operations (10,330 thousand Euro), from disbursements for investment activities (total 9,736 thousand Euro), from the payment of dividends (5,713 thousand Euro) and from the purchase of own shares (1,322 thousand Euro).

(Euro /.000)	31 December 2023	31 December 2022	Change
Cash and cash equivalents and current financial receivables	46,176	33,101	13,075
Financial receivables from subsidiaries	211	418	(207)
Current financial payables	(9,556)	(9,302)	(254)
Current financial payables for IFRS 16 leases	(274)	(246)	(28)
Financial payables to subsidiaries	(11,873)	(7,242)	(4,631)
(Indebitamento)/disponibilità finanziaria a breve termine	**24,684**	**16,729**	**7,955**
Non-current financial payables	(21,152)	(6,898)	(14,254)
Non-current financial payables for IFRS 16 leases	(377)	(303)	(74)
Financial assets for derivative instruments	185	539	(354)
Non-current financial investments	111	28	83
(Debt)/medium-/long-term cash and cash equivalents	**(21,233)**	**(6,634)**	**(14,599)**
Net financial position	**3,451**	**10,095**	**(6,644)**

It should be noted that in the statement of "Net financial position" the item "Other non-current financial assets" is included, which includes financial deferrals totalling 11 thousand Euro, net of which, and for the purposes of EU Regulation 2017 1129, the net financial position at 31 December 2022 was positive and equal to 3,440 thousand Euro, while at 31 December 2022 it was positive and equal to 10,095 thousand Euro.

Cash flow from operations for the period was positive, and relates entirely to operations in 2023 which, net of allocations, depreciation/amortisation and financial items, generated cash of 15,025 thousand Euro (positive at 16,085 thousand Euro in 2022).

Technical and financial investments, net of disposals, absorbed resources of 9,231 thousand Euro, compared with investments of 5,531 thousand Euro in 2022. In addition, 676 thousand Euro was absorbed for the acquisition of new equity investments and securities, of which 576 thousand Euro related to the shares of Robot At Work S.r.l. Contrary to 2022, the dynamics linked to shareholdings, in particular the sale of the shares in the subsidiaries Gefran Drives and Motion S.r.l. and Siei Areg GmbH, brought in cash for Gefran S.p.A. in the total amount of 22,618 thousand Euro.

In view of these dynamics, operating cash flow excluding investment was positive by 594 thousand Euro, as compared with a positive figure of 32,196 thousand Euro in 2022.

The financing activities, which in 2022 absorbed cash for a total of 24,289 thousand Euro, brought in total resources equal to 12,481 thousand Euro in 2023, as a result of new loans being taken out (22,946 thousand Euro), dividends received (3,323 thousand Euro), and an increase in current financial payables (4,717 thousand Euro), which are partially offset by the repayment of mortgages (8,500 Euro), the payment of taxes (2,805 thousand Euro) and dividends (5,713 thousand Euro), as well as by disbursements for the purchase of own shares (1,322 thousand Euro).

(Euro /000)	31 December 2023	31 December 2022
A) Cash and cash equivalents at the start of the period	**33,101**	**25,194**
B) Cash flow generated by (used in) operations in the period	10,330	15,280
C) Cash flow generated by (used in) investment activities	(9,736)	16,916
D) Free Cash Flow (B+C)	**594**	**32,196**
E) Cash flow generated by (used in) financing activities	12,481	(24,289)
F) Cash flow from continuing operations (D+E)	**13,075**	**7,907**
G) Cash flow from assets held for sale and disposed	-	-
H) Net change in cash at hand (F+G)	**13,075**	**7,907**
I) Cash and cash equivalents at the end of the period (A+H)	**46,176**	**33,101**

2 SIGNIFICANT EVENTS IN GEFRAN S.P.A. IN 2023

- On 3 January 2023, as part of the framework agreement signed by the Group on 1 August 2022 for the sale of the entire motion control business, the sale of the motion control business unit of Gefran Siei Drives Technology (Shanghai) Co Ltd (now called Gefran Automation Technology (Shanghai) Co. Ltd), a subsidiary of Gefran Siei Asia Pte Ltd (now called Gefran Asia Pte. Ltd), in turn a subsidiary of Gefran S.p.A., WEG (Changzhou) Automation Equipment Co Ltd, a Chinese subsidiary of the WEG Group, became effective.
- On 9 February 2023, the Board of Directors of Gefran S.p.A. examined the preliminary consolidated results at 31 December 2022.
- On 1 March 2023, under the framework agreement signed by the Group on 1 August 2022 for the sale of the entire motion control business, the last phase of the operation realised with the sale of the motion control business unit of Gefran India Private Limited, a subsidiary of Gefran S.p.A., to WEG Industries (India) Private Limited, the Indian subsidiary of the WEG group, became effective.

  On the same date, the companies Gefran Siei Asia Pte. Ltd e Gefran Siei Drives Technology (Shanghai) Co. Ltd adopted new names, Gefran Asia Pte Ltd and Gefran Automation Technology (Shanghai) Co. Ltd respectively.
- On 9 March 2023, the Board of Directors of Gefran S.p.A. unanimously approved the separate financial statements as at 31 December 2022, the Consolidated Financial Statements and the consolidated non-financial statement.

  The Board of Directors also resolved to propose to the Shareholders' Meeting the distribution of a dividend of 0.40 Euro per share in circulation (not including own shares) by drawing on the net profit for the year, with allocation of the residual amount to retained earnings.

  During the same meeting, the Board resolved to propose to the Shareholders' Meeting approval of the authorisation to purchase and dispose of, on one or more occasions, a maximum of 1,440,000.00 shares equal to 10% of the share capital. The authorisation was requested for a period of 18 months from the date of the shareholders' resolution.
- On 17 April 2023 Gefran S.p.A. was very sad to announce the sudden passing of the Honorary Chairman and founder of the Company, Mr Ennio Franceschetti, which occurred on the night of 16-17 April. Since 2018 Ennio Franceschetti had been acting as Honorary Chairman. Although certain specific powers have been conferred on this office, all the operational powers necessary for the general management of the Company are held by the Chairman and the Chief Executive Officer. Mr Ennio Franceschetti did not have direct shareholdings in the Company.

/ On 21 April 2023, the Ordinary Shareholders' Meeting of Gefran S.p.A. resolved to:

- Approve the 2022 financial statements and distribute an ordinary dividend, gross of withholding taxes, of 0.40 Euro per eligible share (ex-dividend date 8 May 2023, record date 9 May 2023 and payment date 10 May 2023). The remainder of the annual profit was allocated to retained earnings reserve.
- Appoint the Board of Directors for the three-year period 2023-2025, by setting the number of its members at 9, in line with the previous three-year period. Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti, Marcello Perini, Alessandra Maraffini, Enrico Zampedri, Cristina Mollis and Giorgio Metta were appointed to the majority list while Luigi Franceschetti was appointed to the minority list. The newly-established Board will remain in office until the approval of the financial statements as at 31 December 2025.
- Authorise the Board of Directors to purchase 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.

The Shareholders' Meeting, pursuant to Article 123-ter of Italy's Consolidated Finance Act (TUF), the Shareholders' Meeting held a binding vote that approved the Group's 2023 Remuneration Policy and also expressed a favourable opinion on its 2022 Remuneration Report.

Following the Shareholders' Meeting, the new Board of Directors met and appointed Maria Chiara Franceschetti as Chair thereof, Andrea Franceschetti and Giovanna Franceschetti as Vice-Chairs and Marcello Perini as Managing Director. Marcello Perini was also appointed Chief Executive Officer pursuant to the Corporate Governance Code. At the meeting, the independence requirements of the newly appointed Board were also checked: non-executive directors Alessandra Maraffini, Cristina Mollis, Enrico Zampedri and Giorgio Metta were in possession of the independence requirements; Lead Independent Director is Cristina Mollis.

/ On 4 May 2023 the tax assessment process was completed for the 2016 tax period following the notification of the relevant assessment notice by the Italian Revenue Agency on 5 December 2022. In light of the new elements, a specific provision for risks has been recorded, including the amount (interest and portion of taxes) contained in the tax assessment for the 2016 tax period, and a forecast of the amount for 2017 and 2018 tax periods based on the same content and principles defined in the act relating to 2016.

Procedures are currently at an advanced stage for the out-of-court settlement of the matter concerning 2017 and 2018, which, it is reasonable to assume, will lead to the emergence of a liability that is in any case fully covered by the dedicated provision booked.

/ On 11 May 2023, the Board of Directors of Gefran S.p.A. unanimously approved the consolidated results of the Group at 31 March 2023.

/ On 3 August 2023, the Gefran S.p.A. Board of Directors unanimously voted to approve the Group's consolidated financial statement as at 30 June 2023.

/ On 8 November 2023, the Board of Directors of Gefran S.p.A. unanimously approved the consolidated results of the Group at 30 September 2023.

/ On 10 December 2023, Gefran S.p.A. signed an investment agreement for the acquisition of a minority stake in Robot at Work S.r.l., an Italian startup based in Rovato (BS). Founded in 2017, RAW is a dynamic and innovative young company that carries out the design, construction, sale and installation of industrial plants, including standard robotic cells, collaborative cells (which require the presence of an operator and industrial automation), visual control and Virtual Commissioning. The transaction was finalised through the sale of part of the share capital belonging to the majority shareholders and a subsequent capital increase, following which Gefran S.p.A. holds a 24.83% stake in Robot at Work for a total consideration of 576 thousand Euro (consideration paid in cash, through the use of own funds). As a result of this acquisition, Gefran integrates within its business the solutions and technical skills of the RAW team in the area of Virtual Commissioning, namely the new virtual development method that uses a digital replica of the process to be carried out (called "Digital Twin") in order for the result to be predicted thoroughly. This allows customers to visualise both the robotised system alone and its integration into the existing production line.

3 SIGNIFICANT EVENTS AFTER YEAR END IN GEFRAN S.P.A.

Nothing to report.

4 OUTLOOK FOR GEFRAN S.P.A.

In the latest report published at the end of January, the International Monetary Fund's basic estimates predict a substantial slowdown in global growth, which will also be confirmed at 3.1% by 2024, as observed for 2023. A slight increase is expected in 2025, to 3.2%, but falling short of the pre-pandemic historic average (years 2000-2019) of 3.8%. Online trends for "emerging" markets and "developing" economies that will register +4.1% in 2024, consistent with the figure for 2023. The slowdown in the "advanced" economies is slightly more pronounced: from 1.6% in 2023, it should fall to +1.5% in 2024 and +1.8% in 2025.

As already analysed in the previous reports, deadline inflation will continue to decline steadily: from 8.7% in 2022 and 6.9% in 2023, it will fall to 5.8% in 2024 and 4.4% in 2025, although it will not reach pre-pandemic levels when it was 3.5%. This is due to a more restrictive monetary and fiscal policy aided by falling international commodity prices.

Despite the persistence of potentially negative factors, global economic activity in 2023 was resilient, thanks mainly to the services sector and progress in reducing inflation from last year's peaks, despite being not yet consolidated. Economic activity is still below the pre-pandemic target and there are increasing divergences between different areas of the world. In addition, recent geopolitical developments that have led to the outbreak of a new conflict in the Middle East is creating fresh uncertainty in medium-term forecasts. New surges in commodity prices due to possible geopolitical shocks – including continued attacks in the Red Sea – and supply disruptions or more persistent underlying inflation could prolong restrictive monetary conditions. The worsening difficulties affecting the real estate sector in China or elsewhere may also represent a disruptive move towards tax increases and spending cuts could cause growth disappointments.

With reference to the Eurozone, compared to +0.5% in 2023, GDP is projected to grow by 0.9% in 2024 (in the previous report published, the forecasts were 1.2% growth for 2024) and 1.7% in 2025.

As far as the national scenario is concerned, growth is estimated at 0.7% for 2023. For 2024, the latest projections see steady growth for 2024 (0.7%), and more sustained in 2025 (1.1%). According to the Bank of Italy's bulletin, national industrial production decreased in the fourth quarter of 2023, continuing the negative trend underway since the second half of 2022. The decrease in demand and still high energy costs contributed. A period of stagnation is also being observed in the tertiary sector, as a result of the slump in recovery that began when economic activities resumed after the severest phase of the pandemic. As a result of tougher financing conditions, companies have slowed down their investment activities.

After the performance recorded during 2022 was consolidated in the first half of 2023, in the second half of the year the Company's business clearly experienced a general slowdown particularly due to the continuing economic weakness and uncertainty in the main markets in which it operates.

This trend is confirmed at the beginning of 2024; visibility has decreased compared to previous years, aligning with that of the pre-pandemic period. In light of this context, a conservative estimate of revenues is expected for 2024 in line with 2023, and largely positive margins for 2024 as well.

5 GEFRAN S.P.A.'S OWN SHARES

As at 31 December 2022, Gefran S.p.A. held 53,273 shares, equal to 0.37% of the total, with an average book value of 7.3993 Euro per share, and a total value of 394 thousand Euro.

During 2023 the purchase of own shares for a total of 145,132 shares was made for an average of Euro 9.1068 per share and a total value of 1,322 thousand Euro. Therefore, at 31 December 2023, Gefran S.p.A. held a total of 198,405 shares (1.38% of the total) with an average carrying value of Euro 8.6483 per share, and an overall value of 1,716 thousand Euro.

6 GEFRAN S.P.A.'S TRANSACTIONS WITH RELATED PARTIES

On 12 November 2010, the Board of Directors of Gefran S.p.A. approved the "Internal Procedure for Transactions with Related Parties", in application of Consob Resolution no. 17221 of 12 March 2010. The above document is published in the "Governance/Documents and procedures" section of the company's web site, available at https://www.gefran.com/governance/documents-and-procedures.

The procedure was updated by the Board of Directors on 24 June 2021 to implement the new requirements of Directive (EU) 2017/828 (a.k.a. "Shareholders' Rights II"), introduced into Italian law by means of Italian 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 the secondary regulations.

Information about it is also provided in the Report on Corporate Governance and Ownership Structure.

See note 34, "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 2023 as well, 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 current regulations.

This commitment is confirmed and signed through the policy of the "Health, Safety and Environment System", which defines the principles that guide the Group the Company belongs to: 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 and physical agents with the aim of safeguarding the work environment.

Training activities have continued at various levels to protect health and safety in the workplace, thanks to the work of qualified in-house staff. Activities have been supported in part by an external team of professionals in the industry.

The Group is committed to the development of 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 S.p.A. is not considered an energy-intensive company, an "energy efficiency plan" has been carried out in recent years, in the concrete form of a campaign to replace old fluorescent tube light fixtures with new LED lamps, and with point-by-point analysis of consumption data to highlight specific opportunities for improvement. In 2023, a specific energy audit was carried out by a specialised company on the two main production plants of Gefran S.p.A. and based on energy consumption figures from 2022, which confirmed the positive trend of overall system efficiency.

Gefran S.p.A. is always highly attentive to the management of industrial waste produced, one of the most important environmental aspects of its activities. Improvement activities have been developed to minimise the impacts that business activities might cause to the planet. In particular, starting from specific data collections on quantities of waste and types produced, specific actions are carried out to reduce the share of hazardous waste and to reduce categories destined for disposal, seeking to maximise the use of recovery and recycling.

Moreover, as in previous years, the Group confirmed its commitment to separate collection of wastes for recycling on all its premises. In particular, once again for 2023 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 and to best implement the practical projects defined in the Strategic Sustainability Plan formalised in the fourth quarter of 2020, Gefran SPA's management system has obtained environmental certifications (ISO 14001:2015) on health and safety in the workplace (ISO 45001:2018) and corporate social responsibility (SA 8000:2014), like all the Italian companies in the Group. The integrated system in place in the Parent Company today represents the model to be expanded abroad and to work towards to ensure the same certifications are obtained in the coming years, including in the main production branches.

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. 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.

All new employees go through a structured onboarding 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.

Development paths of skills are designed and managed in *FLY*, the Talent Academy, intended for all employees, and in *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, in person and innovative digital initiatives were organised in *kenFLY*, the digital hub of *FLY*, through which employees can hone their skills and know-how and share experiences and knowledge. It stems from a need to bring the talent development paths of *FLY* Gefran Talent Academy to the whole Group to make the most of people's abilities with an open approach encouraging acceptance of responsibility.

During the course of 2023, the Company continued the implementation of *FLY* Performance, the performance evaluation and continuous feedback tool. It 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, it is 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 pursued 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.

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.

The use of the smart working system applied to business areas compatible with this practice, used in a flexible way, by alternating working days in attendance and other days remotely, is an important evolution of the traditional working system.

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.

From the point of view of employees, during 2023 32 people joined Gefran S.p.A., including 4 manual workers and 27 clerical staff to strengthen the technical, commercial and staff areas, and 1 executive. A total of 22 people left, including 7 manual workers, 13 clerical staff and 2 executives.

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 in the Group's annual financial report.

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 no. 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 2023, which show a net profit for the period of 10,931,864 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 noted the Board of Statutory Auditors' Report and the External Auditors' Report, votes:

to approve the Board of Directors' Report on Operations and the annual financial statements for the period ending 31 December 2023, which show a profit of 10,931,864 Euro, as presented by the Board of Directors;

to distribute to the shareholders, by way of dividend, gross of the legal withholdings, 0.42 Euro for each of the outstanding shares (net of the own shares), using, for the necessary amount, the net profit for the year;

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 6 May 2024, record date 7 May 2024, in payment beginning on 8 May 2024.

The amount of the dividend is fully covered by the profit for the period and sufficient financial funds are already available for the payment.

Provaglio d'Iseo, 12 March 2024

For the Board of Directors

Chairwoman	Chief Executive Officer
Maria Chiara Franceschetti	**Marcello Perini**

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FINANCIAL STATEMENTS OF GEFRAN S.P.A.

Statement of profit/(loss) for the period

(Euro)	Notes	progress. 31 December 2023	2022
Revenue from product sales	23	73,975,708	77,327,240
of which related parties:	34	38,230,379	41,907,698
Other revenues and income	24	4,518,559	5,241,363
of which related parties:	34	3,264,273	4,180,527
Increases for internal work	8,9	1,968,977	849,540
TOTAL REVENUES		**80,463,244**	**83,418,143**
Change in inventories	15	(791,292)	2,842,704
Costs for raw materials and accessories	25	(25,278,788)	(30,242,165)
of which related parties:	34	(1,956,728)	(1,535,615)
Service costs	26	(14,913,577)	(15,473,521)
of which related parties:	34	(326,406)	(82,961)
Miscellaneous management costs	28	(637,339)	(429,002)
Other operating income	28	323,126	7,412
Personnel costs	27	(25,399,925)	(25,195,061)
Impairment/reversal of trade and other receivables	15	26,932	2,400
Amortisation and impairment of intangible assets	29	(1,584,654)	(1,624,474)
Depreciation and impairment of tangible assets	29	(3,902,534)	(3,419,245)
Depreciation/amortisation total usage rights	29	(293,132)	(257,435)
EBIT		**8,012,061**	**9,629,756**
Gains from financial assets	30	5,945,326	5,064,891
of which related parties:	34	3,340,581	2,982,911
Losses from financial liabilities	30	(2,291,286)	(715,119)
of which related parties:	34	1,618,362	(28,341)
Value adjustments on non-current assets	30	1,964,000	-
Profit (loss) before tax		**13,630,101**	**13,979,528**
Current taxes	31	(2,209,026)	(3,113,151)
Deferred taxes	31	(489,211)	153,160
TOTAL TAXES		**(2,698,237)**	**(2,959,991)**
NET PROFIT (LOSS) FOR THE PERIOD FROM CONTINUOUS OPERATING ACTIVITIES		**10,931,864**	**11,019,537**
Net profit (loss) from assets held for sale and disposed	32	-	(1,499,714)
NET PROFIT (LOSS) FOR THE PERIOD		**10,931,864**	**9,519,823**

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

(Euro)	Notes	progress. 31 December 2023	2022
NET PROFIT (LOSS) FOR THE PERIOD		**10,931,864**	**9,519,823**
Items that will not subsequently be reclassified in the statement of profit/(loss) for the period			
- revaluation of employee benefits: IAS 19	20	11,090	373,653
- overall tax effect	20	2,662	(100,704)
- equity investments in other companies	13	(75,486)	(114,364)
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	(268,873)	475,879
Total changes, net of tax effect		**(330,607)**	**634,464**
Comprehensive result for the period		**10,601,257**	**10,154,287**

Statement of financial position

(Euro)	Notes	31 December 2023	31 December 2022
NON-CURRENT ACTIVITIES			
Intangible assets	8	5,797,020	5,208,964
Property, plant, machinery and tools	9	29,443,834	26,354,459
of which related parties:	34	294,150	293,915
Usage rights	10	647,670	544,494
Equity investments in subsidiaries	11	26,262,508	24,298,508
Equity investments valued at purchase cost	12	712,553	136,552
Equity investments in other companies	13	1,926,120	2,002,523
Receivables and other non-current assets	14	-	171,160
Deferred tax assets	31	1,745,930	2,234,509
Non-current financial investments for derivatives	18	184,853	538,633
Non-current financial investments	18	111,538	28,452
TOTAL NON-CURRENT ACTIVITIES		**66,832,026**	**61,518,254**
CURRENT ACTIVITIES			
Inventories	15	9,794,613	10,585,903
Trade receivables	15	8,841,454	10,340,257
Trade receivables from subsidiaries	15	11,650,545	10,097,845
Other receivables and assets	16	2,792,712	2,161,357
Current tax receivables	17	1,840,334	527,475
Cash and cash equivalents	18	46,175,877	33,100,573
Financial receivables from subsidiaries	18	211,254	417,535
TOTAL CURRENT ACTIVITIES		**81,306,789**	**67,230,945**
ASSETS HELD FOR SALE AND DISPOSED		-	-
TOTAL ASSETS		**148,138,815**	**128,749,199**

(Euro)	Notes	31 December 2023	31 December 2022
SHAREHOLDERS' EQUITY			
Share capital	19	14,400,000	14,400,000
Reserves	19	55,055,576	52,901,089
Profit / (Loss) for the year	19	10,931,864	9,519,823
Total Group Shareholders' Equity	19	80,387,440	76,820,912
TOTAL SHAREHOLDERS' EQUITY		**80,387,440**	**76,820,912**
NON-CURRENT LIABILITIES			
Non-current financial payables	18	21,151,548	6,898,878
Non-current financial payables for IFRS 16 leases	18	376,988	303,316
Employee benefits	20	1,504,821	1,513,895
Non-current provisions	21	-	8,500
Deferred tax provisions	31	58,228	146,080
TOTAL NON-CURRENT LIABILITIES		**23,091,585**	**8,870,669**
CURRENT LIABILITIES			
Current financial payables	18	9,556,591	9,302,546
Current financial payables for IFRS 16 leases	18	274,499	245,065
Financial payables to subsidiaries	18	11,872,955	7,241,557
Trade payables	15	14,331,240	17,296,887
of which related parties:	34	313,149	278,445
Trade payables to subsidiaries	15	565,361	352,748
Current provisions	21	719,961	1,101,662
Current tax payables	17	-	242,793
Other payables and liabilities	22	7,339,183	7,274,360
TOTAL CURRENT LIABILITIES		**44,659,790**	**43,057,618**
TOTAL LIABILITIES		**67,751,375**	**51,928,287**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**148,138,815**	**128,749,199**

Cash flow statement

(Euro /000)	Notes	31 December 2023	31 December 2022
(A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**33,101**	**25,194**
B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD			
Net profit (loss) for the period		10,932	9,520
Depreciation, amortisation and impairment	29	5,780	5,300
Provisions (Releases)	15,20,21	1,789	997
Capital (gains) losses on the sale of non-current assets	8,9, 32	(67)	1,500
Net result from financial operations	30	(5,618)	(4,345)
Taxes	31	2,209	3,113
Change in provisions for risks and future liabilities	21	(748)	(693)
Change in other assets and liabilities	14,16,22	(896)	480
Change in deferred taxes	31	404	144
Change in trade receivables	15	(26)	2,114
Change in inventories	15	(678)	(4,026)
Change in trade payables	15	(2,751)	1,176
of which related parties:	34	35	182
TOTAL		**10,330**	**15,280**
C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES			
Investments in:			
- Property, plant & equipment and intangible assets	8,9	(9,520)	(5,560)
of which related parties:	34	(294)	(294)
- Equity investments and securities	11,12,13	(676)	22,618
- Financial receivables	14	171	(171)
Disposal of non-current assets	8,9	289	29
TOTAL		**(9,736)**	**16,916**
D) FREE CASH FLOW (B+C)		**594**	**32,196**

(Euro /000)	Notes	31 December 2023	31 December 2022
E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES			
New financial payables	18	22,946	-
Repayment of financial debts	18	(8,500)	(11,590)
Increase (decrease) in current financial payables	18	4,717	(4,824)
Outgoing cash flow due to IFRS 16	18	(312)	(267)
Taxes paid	31	(2,805)	(4,692)
Interest (paid)	30	(228)	(229)
Interest received	30	375	56
Sale (purchase) of own shares	19	(1,322)	(238)
Dividends received	30	3,323	2,957
Dividends paid	19	(5,713)	(5,462)
TOTAL		**12,481**	**(24,289)**
F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)		**13,075**	**7,907**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+F)		**46,176**	**33,101**

Statement of changes in shareholders' equity

(Euro /000)	Notes	Share capital	Capital reserves	Other reserves	Overall EC reserves		Retained profit / (loss)	Profit/(loss) for the year	Total shareholders' equity
					Fair value measurement reserve	Other reserves			
Balance at 1 January 2022		**14,400**	**21,926**	**10,095**	**280**	**(578)**	**17,039**	**9,205**	**72,367**
Destination of 2021 profit									
- Other reserves and provisions	19	-	-	-	-	-	9,205	(9,205)	-
- Dividends	19	-	-	-	-	-	(5,462)	-	(5,462)
Income/(Charges) acknowledged in Shareholders' Equity	19	-	-	-	362	273	-	-	635
Other changes	19	-	-	(239)	-	-	-	-	(239)
Profit 2022	19	-	-	-	-	-	-	9,520	9,520
Balance at 31 December 2022		**14,400**	**21,926**	**9,856**	**642**	**(305)**	**20,782**	**9,520**	**76,821**
Destination of 2022 profit									
- Other reserves and provisions	19	-	-	-	-	-	9,520	(9,520)	-
- Dividends	19	-	-	-	-	-	(5,713)	-	(5,713)
Income/(Charges) acknowledged in Shareholders' Equity	19	-	-	-	(344)	14	-	-	(330)
Other changes	19	-	-	(1,323)	-	-	-	-	(1,323)
Profit 2023	19	-	-	-	-	-	-	10,932	10,932
Balance at 31 December 2023		**14,400**	**21,926**	**8,533**	**298**	**(291)**	**24,589**	**10,932**	**80,387**

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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 2023 was authorised by resolution of the Board of Directors on 12 March 2024, and they were made available to the public on the company website www.gefran.com on 29 March 2024.

It should be noted that the information referred to in 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 website, in the governance/meetings section at the address (https://www.gefran.com/governance/shareholders-meetings/)

2. Form and content

The Financial Statements for the year 2023 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 prepared using the indirect method, which adjusts the net profit for the period to eliminate taxes and the effects of non-monetary transactions, any deferral or allocation from previous or future operating collections or payments, and revenues or costs associated with the cash flows deriving from investment or financing activities; with a view to greater transparency, the Company has chosen to present the cash flow statement in a format that better represents its own dynamics, starting with net profit for the period and then eliminating the taxes charged to the income statement, rather than starting with the pre-tax profit.

It should be noted that with reference to Consob Resolution no. 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 no. Dem/11070007 of 5 August 2011, it is also noted that Gefran S.p.A'. portfolio does not contain 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 no. 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 no. 0007780 of 28 January 2016, it is noted that the impact of market conditions on the information disclosed in the financial statements was considered 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.

It should also be noted that the Company has applied the amendment "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" issued by the IASB on 7 May 2021 and referred to IAS 12 "Income Taxes". The application takes effect from 1 January 2023 and the effects are recognised from the first comparative year presented (modified retrospective basis), in addition to what is represented in the annual financial report published as at 31 December 2022.

Finally, with reference to the amendment called "International Tax Reform-Pillar Two Model Rules – Amendments to IAS 12 (the Amendments)" published by the IASB on 23 May 2023, it should be noted that the rules of the Pillar Two Model Rules apply to multinational groups with revenues in their Consolidated Financial Statements exceeding 750 million Euro, in at least two of the four previous financial years. For this reason as well, all the amendments related to the so-called "Global Antibase Erosion Model Rules", including the one published by the IASB on 23 May 2023 and aimed at simplifying deferred tax accounting, are not applicable to the Gefran Group.

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/amortisation on the basis of a systematic plan, taking into account the remaining possibility of economic use of the assets and also considering their physical wear and tear. Tangible assets are depreciated on a monthly basis from the time of entry into operation until they are sold or derecognised in the financial statements.

If significant parts of tangible assets in use have different useful lives, the components identified are recognised and depreciated separately.

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

Costs for maintenance and ordinary repairs are charged to the income statement in the year in which they are incurred.

Extraordinary maintenance costs that entail significant and tangible improvements to plant production capacity or safety or their economically useful lives are capitalised.

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

The main change concerns the recognition in the accounts by the lessees which, on the basis of IAS 17, were obliged to make a distinction between a finance lease (recognised in accordance with the discounted cash flow method) and an operating lease (recognised on a straight-line basis). With IFRS 16, the accounting treatment of operating leases is placed on the same footing as finance leases. This standard is applicable from 1 January 2019, and early application was possible, together with the adoption of IFRS 15 "Revenues from contracts with customers". The Group has decided to apply the new standard starting on 1 January 2019, on the basis of what is known as the *modified retrospective approach*, in which the value of the assets has been entered as 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 as "Right-of-Use assets";
- 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 payments, as defined in the contract and revalued where applicable;
- initial ancillary costs, if specified in the contract;
- final restoration costs, if specified in the contract;
- the number of outstanding 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 the impairment testing of tangible and intangible assets and equity investments if there are indicators suggesting that such a problem might exist. In the case of goodwill, this test is carried out at least once a year, while intangible assets are tested whenever there are indications of impairment. The recoverability of the asset is assessed by comparing the carrying value recognised in the financial statements with the greater between the net selling price, if an active market exists, and the value in use of the asset.

Value in use is 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 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 Severance Pay (TFR), mandatory for Italian companies pursuant to Law no. 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 when 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 that are assessed regularly and, if necessary, updated, with effect on the income statement for the period and prospectively. The uncertainty inherent in these assessments may lead to misalignment between the estimates made and recognition in the financial statements of the actual effects of the forecasted events.

The following processes require management to make accounting estimates, and for which a change in the underlying conditions could have a significant impact on the consolidated financial data:

INVENTORY ALLOWANCE

Inventories are stated at their purchase cost (measured using the weighted average cost method) or, if lower, their net realisable value. The inventory allowance is needed to align the value of inventories with their estimated realisable value: inventories are analysed to identify slow-moving items, in order to recognise a provision that reflects their potential obsolescence.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

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 measured periodically using impairment tests, with the aim of determining their present value and recognising any differences with respect to their carrying amounts; for details, see the specific notes to the financial statements.

EMPLOYEE BENEFITS AND NO-COMPETITION AGREEMENTS

The provisions for post-employment benefits and NCAs are recorded in the financial statements and remeasured annually by external actuaries who inter alia make assumptions about the discount rate, inflation and certain demographics; for details, see the specific note to the financial statements.

DEFERRED TAX ASSETS

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

CURRENT AND NON-CURRENT PROVISIONS

Provisions are made for risks that will probably have an adverse outcome. The provisions recorded in the financial statements reflect management's best estimate of the risk 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. In the context of the sensitivity analyses described below, the effect on net profit and 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 2023 is about 5% (it was 6% in 2022).

As of 31 December 2023 the company had 981 thousand dollars US in receivables and 310 thousand dollars US in payables (as of 31 December 2022, it had 1,112 thousand dollars in receivables and 238 thousand 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 2023		31 December 2022	
	-5%	+5%	-5%	+5%
U.S. dollar	32	(29)	43	(39)
Total	**32**	**(29)**	**43**	**(39)**

(Euro /000)	31 December 2023		31 December 2022	
	-10%	+10%	-10%	+10%
U.S. dollar	68	(55)	91	(74)
Total	**68**	**(55)**	**91**	**(74)**

INTEREST-RATE RISK

The interest rate risk to which the Company is exposed mainly originates from medium to long-term financial payables with a variable rate (totalling 30,143 thousand Euro as at 31 December 2023 and 14,563 thousand Euro as at 31 December 2022). Variable rate loans expose the Company to a risk associated with interest rate volatility (cash flow risk). The Company evaluates and subsequently 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 2023 and 31 December 2022, while keeping other variables unchanged.

(Euro /000)	31 December 2023		31 December 2022	
	(100)	100	(100)	100
Euro	232	(232)	331	(331)
Total	**232**	**(232)**	**331**	**(331)**

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 2023, 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	9,471	21,152	-	30,623
Financial payables due to leasing under IFRS 16	274	375	2	651
Other accounts payable	85	-	-	85
Cash pooling current account overdrafts	11,873	-	-	11,873
Total liabilities	**21,703**	**21,527**	**2**	**43,232**
Cash in current accounts	46,169	-	-	46,169
Cash in cash pooling current accounts	211	-	-	211
Total assets	**46,380**	**-**	**-**	**46,380**
Total variable rate	**24,677**	**(21,527)**	**(2)**	**3,148**

By contrast with the analysis of the Net financial position, the 2023 amounts shown in the table above exclude the fair value of derivatives (positive by 185 thousand Euro), cash on hand (positive by 7 thousand Euro) and other non-current assets that includes prepaid financial assets and bond coupons (total 111 thousand Euro).

The table below shows the carrying value at 31 December 2022, 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	9,277	6,898	-	16,175
Financial payables due to leasing under IFRS 16	246	303	-	549
Other accounts payable	25	-	-	25
Cash pooling current account overdrafts	7,242	-	-	7,242
Total liabilities	**16,790**	**7,201**	**-**	**23,991**
Cash in current accounts	33,094	-	-	33,094
Cash in cash pooling current accounts	418	-	-	418
Total assets	**33,512**	**-**	**-**	**33,512**
Total variable rate	**16,722**	**(7,201)**	**-**	**9,521**

By contrast with the analysis of the net financial position, the 2022 amounts shown in the table above exclude the fair value of derivatives (positive by 539 thousand Euro), cash on hand (positive by 7 thousand Euro) and deferred financial income (positive by 28 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 2023	31 December 2022	Change
Cash and cash equivalents	46,176	7	46,169
Cash in bank deposits	-	33,094	(33,094)
Total liquidity	**46,176**	**33,101**	**13,075**
Multiple mixed credit lines	19,450	22,450	(3,000)
Cash flexibility credit lines	3,100	3,810	(710)
Invoice factoring credit lines	2,000	7,600	(5,600)
Total credit lines available	**24,550**	**33,860**	**(9,310)**
Total available liquidity	**70,726**	**66,961**	**3,765**

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	317	-	1,609	1,926
Foreign exchange forward transactions	-	-	-	-
Hedging transactions	-	185	-	185
Total assets	**317**	**185**	**1,609**	**2,111**
Hedging transactions	-	-	-	-
Foreign exchange forward transactions	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

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 2022:

(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	394	-	1,609	2,003
Foreign exchange forward transactions	-	-	-	-
Hedging transactions	-	539	-	539
Total assets	**394**	**539**	**1,609**	**2,542**
Hedging transactions	-	-	-	-
Foreign exchange forward transactions	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

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 2022 corresponds to the equity investment Woojin Plaimm Co Ltd, the value of which increased by 77 thousand Euro.

Level 2: Fair values determined using measurement techniques based on variables that may be observed in active markets, which in this case include the measurement of interest-rate and exchange-rate hedges. 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 measurement techniques based on market variables that may not be observable, particular in the case of investments in other companies not listed on international markets. This item mainly relates to the investment held in Colombera S.p.A. (1,582 thousand Euro).

CREDIT RISK

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

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

Below are the values of gross trade receivables at 31 December 2023 and 31 December 2022:

(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 2023	9,515	8,744	91	-	-	-	680
Gross trade receivables at 31 December 2022	11,148	10,231	100	6	6	-	805

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. The exposure to other forms of credit, such as financial receivables, is monitored constantly and reviewed monthly, or at least quarterly, in order to identify any losses or collection 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, impact of 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.

On the other hand, Gefran S.p.A. purchases electronic and electromechanical components for production of finished products. These materials may be exposed to significant price changes that could adversely affect the Company's economic results.

The purchase prices of key components are usually agreed with counterparts for the full year and reflected in the budget. The structured and formalised governance systems adopted by the Company mean that the margins earned can be analysed periodically.

As regards the rise in prices observed in 2021 and 2022 in particular, also related to developments in the geo-political situation, key factors were in-depth knowledge of the product and the synergy between the various company areas, which has made it possible to promptly navigate new technological roads, broaden the panorama of choices and introduce new supply opportunities, in order to mitigate the effect of rising prices.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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 2023	2022	fair value 2023	2022
Financial assets				
Cash and cash equivalents	7	7	7	7
Cash in bank deposits	46,380	33,512	46,380	33,512
Financial investments for derivatives	185	539	185	539
Non-current financial investments	111	28	111	28
Total financial assets	**46,683**	**34,086**	**46,683**	**34,086**
Financial liabilities				
Current portion of long-term debt	(9,471)	(9,277)	(9,471)	(9,277)
Payables due to leasing contracts under IFRS 16	(651)	(549)	(651)	(549)
Other financial payables	(11,958)	(7,267)	(11,958)	(7,267)
Non-current financial debt	(21,152)	(6,898)	(21,152)	(6,898)
Total financial liabilities	**(43,232)**	**(23,991)**	**(43,232)**	**(23,991)**
Total net financial position	**3,451**	**10,095**	**3,451**	**10,095**

8. Intangible assets

The item "Intangible assets" includes only assets with a definite lifespan, and decreased from 5,209 thousand Euro on 31 December 2022 to 5,797 thousand Euro on 31 December 2023. Taxation is analysed below:

Historical cost	31 December 2022	Increases	Decreases	Reclassifications	31 December 2023
(Euro /000)					
Development costs	14,321	785	-	438	15,544
Intellectual property rights	6,553	206	-	129	6,888
Assets in progress and payments on account	1,045	1,191	(119)	(566)	1,551
Other assets	7,416	110	-	-	7,526
Total	**29,335**	**2,292**	**(119)**	**1**	**31,509**

Accumulated depreciation	31 December 2022	Increases	Decreases	Reclassifications	31 December 2023
(Euro /000)					
Development costs	11,331	933	-	-	12,264
Intellectual property rights	5,902	431	-	-	6,333
Other assets	6,893	221	-	1	7,115
Total	**24,126**	**1,585**	**-**	**1**	**25,712**

Net value	31 December 2022	31 December 2023	Change
(Euro /000)			
Development costs	2,990	3,280	290
Intellectual property rights	651	555	(96)
Assets in progress and payments on account	1,045	1,551	506
Other assets	523	411	(112)
Total	**5,209**	**5,797**	**588**

The changes over the year 2022 are as follows:

Historical cost	31 December 2021	Increases	Decreases	Reclassifications	31 December 2022
(Euro /000)					
Development costs	12,858	333	-	1,130	14,321
Intellectual property rights	6,173	285	(33)	128	6,553
Assets in progress and payments on account	1,692	644	(1)	(1,290)	1,045
Other assets	7,237	151	-	28	7,416
Total	**27,960**	**1,413**	**(34)**	**(4)**	**29,335**

Accumulated depreciation	31 December 2021	Increases	Decreases	Reclassifications	31 December 2022
(Euro /000)					
Development costs	10,514	817	-	-	11,331
Intellectual property rights	5,361	574	(33)	-	5,902
Other assets	6,660	233	-	-	6,893
Total	**22,535**	**1,624**	**(33)**	**-**	**24,126**

Net value	31 December 2021	31 December 2022	Change
(Euro /000)			
Development costs	2,344	2,990	646
Intellectual property rights	812	651	(161)
Assets in progress and payments on account	1,692	1,045	(647)
Other assets	577	523	(54)
Total	**5,425**	**5,209**	**(216)**

The net carrying amount of **development costs** includes the capitalisation of costs incurred for the following activities:

- 1,735 thousand Euro relating to new projects for magnetorestrictive sensors, pressure sensors and melt as well as for the development of the new Twiister Hall 3D technology;
- Euro 1,546 thousand for component lines to expand the range of regulators and static units.

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 1,301 thousand Euro in development costs, of which 1,216 thousand Euro allocated to the automation components business unit and 85 thousand Euro for the sensors business unit, the benefits of which will be reflected in the income statement from next year, so they have not 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 5 years.

The increases in the historical value of "Intangible assets", amounting to 2,292 thousand Euro in 2023, include 1,888 thousand Euro linked to capitalisation of internal costs (835 thousand Euro in 2022).

9. Property, plant, machinery and tools

"Property, plant, machinery and equipment" came to 29,443 thousand Euro, compared with 26,354 thousand Euro at 31 December 2022. The change is shown in the table below:

Historical cost	31 December 2022	Increases	Decreases	Reclassifications	31 December 2023
(Euro /000)					
Land	3,002	-	-	-	3,002
Industrial buildings	26,169	1,239	-	112	27,520
Plant and machinery	32,972	2,788	(463)	1,001	36,298
Industrial and commercial equipment	15,771	985	(208)	388	16,936
Other assets	3,372	394	(99)	38	3,705
Assets in progress and payments on account	1,749	1,822	(1)	(1,539)	2,031
Total	**83,035**	**7,228**	**(771)**	**-**	**89,492**

Accumulated depreciation	31 December 2022	Increases	Decreases	Reclassifications	31 December 2023
(Euro /000)					
Industrial buildings	14,961	739	-	-	15,700
Plant and machinery	24,257	2,259	(232)	-	26,284
Industrial and commercial equipment	14,632	675	(203)	-	15,104
Other assets	2,831	229	(99)	-	2,961
Total	**56,681**	**3,902**	**(534)**	**-**	**60,049**

Net value	31 December 2022	31 December 2023	Change
(Euro /000)			
Land	3,002	3,002	-
Industrial buildings	11,208	11,820	612
Plant and machinery	8,715	10,014	1,299
Industrial and commercial equipment	1,139	1,832	693
Other assets	541	744	203
Assets in progress and payments on account	1,749	2,031	282
Total	**26,354**	**29,443**	**3,089**

The changes relating to 2022 are as follows:

Historical cost	31 December 2021	Increases	Decreases	Reclassifications	31 December 2022
(Euro /000)					
Land	3,002	-	-	-	3,002
Industrial buildings	25,965	309	(108)	3	26,169
Plant and machinery	31,152	1,721	(820)	919	32,972
Industrial and commercial equipment	15,285	463	(173)	196	15,771
Other assets	3,114	222	(25)	61	3,372
Assets in progress and payments on account	1,495	1,432	(3)	(1,175)	1,749
Total	**80,013**	**4,147**	**(1,129)**	**4**	**83,035**

Accumulated depreciation	31 December 2021	Increases	Decreases	Reclassifications	31 December 2022
(Euro /000)					
Industrial buildings	14,359	707	(105)	-	14,961
Plant and machinery	23,108	1,955	(806)	-	24,257
Industrial and commercial equipment	14,279	525	(172)	-	14,632
Other assets	2,622	232	(23)	-	2,831
Total	**54,368**	**3,419**	**(1,106)**	**-**	**56,681**

Net value	31 December 2021	31 December 2022	Change
(Euro /000)			
Land	3,002	3,002	-
Industrial buildings	11,606	11,208	(398)
Plant and machinery	8,044	8,715	671
Industrial and commercial equipment	1,006	1,139	133
Other assets	492	541	49
Assets in progress and payments on account	1,495	1,749	254
Total	**25,645**	**26,354**	**709**

The biggest changes during the current period related to:

- production and laboratory machinery and equipment totalling 4,038 thousand Euro, of which 2,470 thousand Euro dedicated to improving efficiency and adapting the production capacity of the sensor business departments and 1,568 thousand Euro for the production lines and technical departments of the automation components business;

- plants and adaptation of buildings totalling 2,767 thousand Euro, including 955 thousand Euro for the installation of an additional photovoltaic system in the plant in via Sebina, aimed at covering one third of the plant's energy needs;
- investment in renewal of electronic office machines and IT equipment amounting to 427 thousand Euro.

The increases in the historical value of "Buildings, plant and machinery and equipment", which amounted to 7,228 thousand Euro in 2023, include 82 thousand Euro linked to capitalisation of internal costs (15 thousand Euro in 2022).

10. Right-of-Use assets

This item reflects entry of the value of assets covered by lease contracts, according to accounting standard IFRS 16. The value of "Usage rights" at 31 December 2023 amounts to 648 thousand Euro, and shows the following changes:

Historical cost	31 December 2022	Increases	Decreases	Reclassifications	Other changes	31 December 2023
(Euro /000)						
Vehicles	1,349	408	(82)			1,675
Machinery and equipment	57	-	-			57
Total	**1,406**	**408**	**(82)**	**-**	**-**	**1,732**

Accumulated depreciation	31 December 2022	Increases	Decreases	Reclassifications	Other changes	31 December 2023
(Euro /000)						
Vehicles	831	279	(71)	-	-	1,039
Machinery and equipment	31	14	-			45
Total	**862**	**293**	**(71)**	**-**	**-**	**1,084**

Net value	31 December 2022	31 December 2023	Change
(Euro /000)			
Vehicles	518	636	118
Machinery and equipment	26	12	(14)
Total	**544**	**648**	**104**

The changes compared to 2022 are shown in the table below:

Historical cost	31 December 2021	Increases	Decreases	Reclassifications	31 December 2022
(Euro /000)					
Vehicles	1,057	337	(45)		1,349
Machinery and equipment	45	12	-		57
Total	**1,102**	**349**	**(45)**	**-**	**1,406**

Accumulated depreciation	31 December 2021	Increases	Decreases	Reclassifications	31 December 2022
(Euro /000)					
Vehicles	620	245	(34)	-	831
Machinery and equipment	19	12	-		31
Total	**639**	**257**	**(34)**	**-**	**862**

Net value	31 December 2021	31 December 2022	Change
(Euro /000)			
Vehicles	437	518	81
Machinery and equipment	26	26	-
Total	**463**	**544**	**81**

As of 1 January 2023, the Group had a total of 81 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).

Based on their value and duration, of the 81 contracts outstanding at 1 January 2023:

- 62 fell within the scope of application of IFRS 16;
- 19 were excluded from the scope of application, 10 of which had a residual duration of less than 12 months, while the unit fair value of the assets associated with the remaining 2 was deemed to be modest.

Overall, 81 contracts were active at 31 December 2023, including:

- 70 of them falling within the scope of application of IFRS 16, including 67 for car rental and 3 for machinery;
- 11 were excluded from the scope of application, 9 of which have a residual duration of less than 12 months, while the unit fair value of the assets associated with the remaining 2 was deemed to be modest.

The assets analysed here are entered in the financial statements:

- in non-current tangible assets as "Right-of-Use assets";
- 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".

The following factors are considered when measuring the fair value and useful lives of leased assets subject to IFRS 16:

- the amount of the periodic lease or rental payments, as defined in the contract and revalued where applicable;
- initial ancillary costs, if specified in the contract;
- final restoration costs, if specified in the contract;
- the number of outstanding instalments;
- where not stated in the contract, embedded interest is estimated using the Group's average borrowing rates.

The increases in the historical cost of the item "Usage rights" include the effect of adjusting contracts that have been extended or for which new conditions have been defined. In particular, they refer to vehicles, totalling 408 thousand Euro, for extensions of existing contracts and to 20 new vehicle leasing agreements signed by the Company in 2023 (compared to 11 expired agreements).

Decreases in the historical cost of "Usage rights" in 2023, totalling 82 thousand Euro, refer to 13 terminated contracts: 2 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 26,263 thousand Euro as of 31 December 2023, and the balance breaks down as follows:

(Euro /000)	Shareholding	31 December 2023	31 December 2022	Change
Gefran Deutschland GmbH (Germany)	100.00%	365	365	-
Gefran Brasil Elettroel. Ltda (Brazil)	100.00%	2,924	2,924	-
Gefran UK Ltd (United Kingdom)	100.00%	5,141	5,141	-
Gefran Soluzioni S.r.l. (Italy)	100.00%	1,012	1,012	-
Sensormate AG (Switzerland)	100.00%	4,123	4,123	-
Gefran Benelux NV (Belgium)	100.00%	344	344	-
Gefran Inc (U.S.)	100.00%	7,848	7,848	-
Gefran France SA (France)	99.99%	4,338	4,338	-
Gefran Asia Pte Ltd (Singapore)	100.00%	2,883	2,883	-
Gefran India Private Ltd (India)	100.00%	1,723	1,723	-
Adjustment provision		(4,438)	(6,402)	1,964
Total		**26,263**	**24,299**	**1,964**

During 2023, the reversal of the adjustment provision for the value of the investment in Gefran India Private Ltd and Gefran Brasil Elettroel Ltda. was noted, in the amount of 712 thousand Euro and 1,252 thousand Euro respectively.

The following is a breakdown of the adjustment provision:

(Euro /000)	31 December 2023	31 December 2022	Change
Gefran Brasil Elettroel. Ltda (Brazil)	-	1,252	(1,252)
Gefran UK Ltd (United Kingdom)	4,438	4,438	-
Gefran India Private Ltd (India)	-	712	(712)
Total	**4,438**	**6,402**	**(1,964)**

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 2024 - 2026 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 2023, 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 yield in the last three months of 2023 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, 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 general reduction in the WACC between 2023 and 2022 is mainly related to the decrease in the market risk premium and the decrease in the "Beta" coefficient. In addition, there is also a reduction in the "cost of post-tax debt".

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 31Dec 2023	Net carrying value 31Dec 2022	Explicit forecast	Wacc (%)	Equity value 31Dec 2023	Risk free (%)	Risk premium (%)	Theoretical tax rate (%)
Gefran Brasil Elettroel. Ltda (Brazil)	2,924	1,672	2024 - 2026	16.9%	5,015	11.1%	5.5%	34.0%
Gefran India Private Ltd (India)	1,723	1,011	2024 - 2026	10.1%	8,080	7.3%	5.5%	27.8%
Gefran UK Ltd (United Kingdom)	703	703	2024 - 2026	10.1%	2,006	4.1%	5.5%	19.0%

The impairment test carried out on equity investments showed an equity value above the carrying value, especially for Brazil and India, and the stress tests carried out were also positive. It was therefore decided to proceed with the write back of the value of the investments based on the positive outcome of the impairment test and based on the positive trends recorded by the investee companies in question. Otherwise, Gefran UK has decided not to write back of the value of the investment, due to the difficulties facing the Company in achieving the approved Budgets and the uncertainties and volatility of the market in which it operates.

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

The item amounts to 713 thousand Euro as at 31 December 2023, an increase of 576 thousand Euro compared to December 2022; the balance is broken down as follows:

(Euro /000)		31 December 2023	31 December 2022	Change
Axel S.r.l.	Shareholding	15.00%	15.00%	
Via del Cannino, 3	Investment value	137	137	-
Crosio della Valle (VA)	Adjustment provision	-	-	-
	Net value	137	137	-
Robot At Work S.r.l.	Shareholding	24.83%	-	
Via Primo Maggio, 40/E	Investment value	576	-	576
Rovato (BS)	Adjustment provision	-	-	-
	Net value	576	-	576
Total		**713**	**137**	**576**

In 2023 Gefran S.p.A. finalised the acquisition of 24.83% of Robot At Work S.r.l. for 576 thousand Euro, a dynamic and innovative young company that carries out the design, construction, sale and installation of industrial plants, including standard robotic cells, collaborative cells (which require the presence of an operator and industrial automation), visual control and Virtual Commissioning.

It should also be noted that the agreements signed between the parties provide for call and put options in favour of Gefran S.p.A., which may be exercised within one year from the approval of the start-up company's financial statements as at 31 December 2027. Exercising the call option would lead to an additional 30% of Robot at Work S.r.l.'s voting share capital being purchased, at a price calculated as per the provisions stipulated in the investment agreement. The put option may also be exercised before that date upon the occurrence of certain conditions that are usual for this type of operation. The investment agreement also provides for the signing of long-term management contracts with the startup's current management to ensure the continuity and development of the company.

13. Equity investments in other companies

"Equity investments in other companies" totalled 1,926 thousand Euro, disclosing an increase of 77 thousand Euro compared with the figure at 31 December 2022. The rise from 31 December 2022 relates to the movement of the adjustment provision for the investment in Woojin Machinery Co Ltd, negative by 77 thousand Euro.

(Euro /000)	Shareholding	31 December 2023	31 December 2022	Change
Colombera S.p.A.	16.56%	1,582	1,582	-
Woojin Plaimm Co Ltd	2.00%	159	159	-
Other	-	27	27	-
Adjustment provision	-	158	235	(77)
Total		**1,926**	**2,003**	**(77)**

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 2023	31 December 2022	Change
Woojin Plaimm Co Ltd	2.00%	158	235	(77)
Total		**158**	**235**	**(77)**

14. Receivables and other non-current assets

As at 31 December 2023 the balance was zero, while at 31 December 2022 it was equal to 171 thousand Euro.

(Euro /000)	31 December 2023	31 December 2022	Change
Guarantee deposits	-	171	(171)
Total	**-**	**171**	**(171)**

15. Net working capital

"Net working capital" totals 15,389 thousand Euro, compared with 13,375 thousand Euro as at 31 December 2022, and is analysed below:

(Euro /000)	31 December 2023	31 December 2022	Change
Inventories	9,795	10,586	(791)
Trade receivables	8,841	10,340	(1,499)
Trade receivables from subsidiaries	11,651	10,098	1,553
Trade payables	(14,333)	(17,296)	2,963
Trade payables to subsidiaries	(565)	(353)	(212)
Net amount	**15,389**	**13,375**	**2,014**

Specifically, net working capital generated from dealings with subsidiaries was 11,086 thousand Euro, down by 1,341 thousand Euro compared with 2022, while the same item vis-à-vis third parties is positive and came to 4,303 thousand Euro (equal to 3,603 thousand Euro as at 31 December 2022).

The overall change is attributable to the decrease in trade payables (2,751 thousand Euro), partially offset by the lower value of inventories (791 thousand Euro).

Inventories amount to 9,795 thousand Euro, and may be broken down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Raw materials, consumables and supplies	6,678	7,129	(451)
provision for impairment of raw materials	(671)	(766)	95
Work in progress and semi-finished products	4,260	5,727	(1,467)
provision for impairment of work in progress	(1,207)	(2,347)	1,140
Finished products and goods for resale	1,824	1,970	(146)
provision for impairment of finished products	(1,089)	(1,127)	38
Total	**9,795**	**10,586**	**(791)**

The provision for obsolescence and slow-moving inventories was adjusted according to need in 2023, through specific provisions amounting to 1,469 thousand Euro (as compared to 1,184 thousand Euro in the year 2022).

Movements in the provision in the years 2023 and 2022 are listed below:

(Euro /000)	31 December 2022	Provisions	Uses	Releases	31 December 2023
Provision for impairment of inventory	4,240	1,469	(2,742)	-	2,967

(Euro /000)	31 December 2021	Provisions	Uses	Releases	31 December 2022
Provision for impairment of inventory	3,168	1,184	(112)	-	4,240

Trade receivables are up by 54 thousand Euro overall compared to the previous year.

Trade receivables from third parties are as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Receivables from customers due within 12 months	9,515	11,148	(1,633)
Provision for doubtful receivables	(674)	(808)	134
Net amount	**8,841**	**10,340**	**(1,499)**

Receivables are adjusted to their estimated realisable value by the allowance for doubtful accounts, which is determined by analysing individual debtor positions and considering past experience in each business area and geographical region, as required by IFRS 9. The provision as at 31 December 2023 represents a prudential estimate of the current risk, and registered the following changes:

(Euro /000)	31 December 2022	Provisions	Uses	Releases	31 December 2023
Provision for doubtful receivables	808	15	(106)	(43)	674

The changes in the provision for doubtful receivables relating to 2022 are as follows:

(Euro /000)	31 December 2021	Provisions	Uses	Releases	31 December 2022
Provision for doubtful receivables	874	20	(64)	(22)	808

The value of **trade receivables from subsidiaries** amounted to 11,651 thousand Euro, compared with a balance of 10,098 thousand Euro at 31 December 2022. 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 Company monitors the riskiest receivables and also implements specific legal measures. The carrying value of trade receivables and intercompany trade receivables is believed to approximate their fair value.

Trade payables at 31 December 2023 are up by 2,751 thousand Euro compared to 31 December 2022.

Trade payables to third parties are represented below:

(Euro /000)	31 December 2023	31 December 2022	Change
Payables to suppliers	12,091	14,192	(2,101)
Payables to suppliers for invoices to be received	2,207	2,889	(682)
Advance payments received from customers	35	215	(180)
Total	**14,333**	**17,296**	**(2,963)**

The value of **trade payables to subsidiaries** was 565 thousand Euro, compared with 353 thousand Euro at 31 December 2022. 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 2023 amount to 2,793 thousand Euro, as compared to 2,161 thousand Euro on 31 December 2022. The balance breaks down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Services and maintenance	445	310	135
Bank transaction fees	17	28	(11)
Other tax receivables	445	469	(24)
Other	1,886	1,354	532
Total	**2,793**	**2,161**	**632**

The main change is given by the item "Other", up by 532 thousand Euro, which includes tax credits for research and development and tax credits for capital goods. The carrying value of this item is believed to approximate its fair value.

17. Current tax receivables and payables

Current tax receivables totalled 1,840 thousand Euro at 31 December 2023, compared with 527 thousand Euro at 31 December 2022. The balance breaks down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
IRES (corporate income tax)	1,129	-	1,129
IRAP (regional production tax)	240	5	235
Other taxes	471	522	(51)
Total	**1,840**	**527**	**1,313**

The balance of **current tax payables** as at 31 December 2023 totalled zero, while as at 31 December 2022 it amounted to Euro 243 thousand, and was determined as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
IRES (corporate income tax)	-	243	(243)
Total	-	243	(243)

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 net financial position is analysed in the following table:

(Euro /000)	31 December 2023	31 December 2022	Change
Cash and cash equivalents and current financial receivables	46,176	33,101	13,075
Financial investments for derivatives	185	539	(354)
Non-current financial investments	111	28	83
Financial receivables from subsidiaries	211	418	(207)
Non-current financial payables	(21,152)	(6,898)	(14,254)
Non-current financial payables for IFRS 16 leases	(377)	(303)	(74)
Current financial payables	(9,556)	(9,302)	(254)
Current financial payables for IFRS 16 leases	(274)	(246)	(28)
Financial payables to subsidiaries	(11,873)	(7,242)	(4,631)
Total	**3,451**	**10,095**	**(6,644)**

The net financial position at 31 December 2023 is positive by 3,451 thousand Euro, down by 6,644 thousand Euro as at 31 December 2022. This change originates essentially from the positive cash flows generated by typical operations (10,330 thousand Euro), from disbursements for investment activities (total 9,736 thousand Euro), from the payment of dividends (5,713 thousand Euro) and from the purchase of own shares (1,322 thousand Euro).

A breakdown of financial debt, as per Esma and Consob regulations, is set out below:

(Euro /000)	31 December 2023	31 December 2022	Change
A. Cash	46,176	33,101	13,075
B. Cash equivalents	-	-	-
C. Other current financial assets	211	418	(207)
D. Cash and cash equivalents (A) + (B) + (C)	**46,387**	**33,519**	**12,868**
E. Current financial debts	(12,232)	(7,513)	(4,719)
F. Current portion of financial long-term debt	(9,471)	(9,277)	(194)
G. Current financial payables (E) + (F)	**(21,703)**	**(16,790)**	**(4,913)**
H. Net current financial payables (G) + (D)	**24,684**	**16,729**	**7,955**
I. Non current financial debts	(21,529)	(7,201)	(14,328)
J. Financial debt instruments	-	-	-
K. Trade payables and Other non-current debts	-	-	-
L. Non-current financial debt (I) + (J) + (K)	**(21,529)**	**(7,201)**	**(14,328)**
M. Total financial debt (H) + (L)	**3,155**	**9,528**	**(6,373)**
of which to minorities:	14,817	16,352	(1,535)

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 46,176 thousand Euro at 31 December 2023, 13,075 thousand Euro higher than on 31 December 2022:

(Euro /000)	31 December 2023	31 December 2022	Change
Cash in bank deposits	46,169	33,094	13,075
Cash	7	7	-
Total	**46,176**	**33,101**	**13,075**

The technical forms used as at 31 December 2023 are shown below:

- maturities: collectible on demand;
- counterparty risk: deposits are made with 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 211 thousand Euro, compared with 418 thousand Euro at 31 December 2022.

In the cash flow statement and the breakdown of net financial position, this item is classed as "Current financial receivables".

The balance of **current financial payables** at 31 December 2023 was down 254 thousand Euro over the year 2022, and breaks down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Current portion of debt	9,471	9,277	194
Other payables	85	25	60
Total	**9,556**	**9,302**	**254**

The current portion of loans is 194 thousand Euro higher than in December 2022, and refers to short-term loans according to the depreciation plans envisaged.

Financial payables to subsidiaries at 31 December 2023 amounted to 11,873 thousand Euro (7,242 thousand Euro at 31 December 2022) 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 and the Singapore subsidiary.

In the cash flow statement and the breakdown of net financial position, this item is classed as "Current financial payables".

Non-current financial payables are analysed as follows:

Bank	31 December 2023	31 December 2022	Change
BNL	-	1,000	(1,000)
Unicredit	-	1,110	(1,110)
BNL	-	1,556	(1,556)
Intesa (ex UBI)	1,757	2,752	(995)
UBI Banca S.p.A.	360	480	(120)
Crédit Agricole	10,712	-	10,712
BNL	8,323	-	8,323
Total	**21,152**	**6,898**	**14,254**

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 2023	Of which within 12 months	Of which beyond 12 months	Interest rate	Maturity	Repayment method
BNL	10,000	29Apr 19	1,000	1,000	-	Euribor 3m + 1%	29Apr 24	quarterly
Unicredit	5,000	30Apr 20	1,111	1,111	-	Euribor 6m + 0.95%	31Dec 24	half-yearly
BNL	7,000	29May 20	2,333	2,333	-	Euribor 6m + 1.1%	31Dec 24	half-yearly
Intesa (ex UBI)	3,000	24Jul 20	2,753	996	1,757	Euribor 6m + 1%	24Jul 26	half-yearly
UBI Banca S.p.A.	480	9Jul 21	480	120	360	Fixed 0.55%	31Dec 27	half-yearly
Crédit Agricole	13,000	29Sep 23	12,961	2,249	10,712	Euribor 3m + 0.88%	21Sep 29	quarterly
BNL	10,000	27Oct 23	9,985	1,662	8,323	Euribor 3m + 0.93%	27Oct 29	quarterly
Total			**30,623**	**9,471**	**21,152**			

In the third quarter of 2023, a medium-long term loan agreement was signed with Crédit Agricole for a total of 13 million Euro, at a variable rate (Euribor 3 months) with a spread of 0.88%. The loan in question has been accounted for using the "amortised cost" method and requires compliance with a financial parameter (covenant), calculated at the consolidated level, and in particular the ratio of net financial debt (NFP) to EBITDA < 3.25x. Failure to comply with the ratio could result in the lending institution being entitled to demand repayment. The Administration, Finance and Control Director is responsible for checking these contractual restrictions every quarter. The ratio calculated on the figures at 30 September 2023 is largely respected and the financing is distributed in the maturity schedule in accordance with the forms originally stipulated in the contracts.

During the fourth quarter, on 27 October 2023, Gefran S.p.A. signed an additional loan with the BNL institution for a total of 10 million Euro, lasting 72 months, at a variable rate (Euribor 3 months) with a spread of 0.93%. This loan was accounted for using the "amortized cost" method and does not require compliance with financial parameters (covenants).

Excluding the Crédit Agricole loan described above, none of the other loans outstanding at 31 December 2023 have clauses requiring compliance with economic and financial requirements (covenants).

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

Financial asset for derivatives total 185 thousand Euro, owing to the positive fair value of certain IRS contracts, entered into by the Company to hedge interest rate risks. A breakdown is provided in the following table:

Bank (Euro/000)	Notional principal	Signing date	Maturity	Notional as at 31 December 2023	Derivatives	Fair Value as at 31 December 2023	Long position rate	Short position rate
BNL	10,000	29Apr 19	29Apr 24	1,000	IRS	8	Fixed 0.05%	Euribor 3m (Floor: -1.00%)
Unicredit	5,000	30Apr 20	31Dec 24	1,111	IRS	29	Fixed 0.05%	Euribor 6m (Floor: -0.95%)
BNL	7,000	29May 20	31Dec 24	2,333	IRS	43	Fixed -0.12%	Euribor 6m (Floor: -1.10%)
Intesa (ex UBI)	3,000	24Jul 20	24Jul 26	2,753	IRS	105	Fixed -0.115%	Euribor 3m
Total financial assets for derivatives – Interest rate risk						**185**		

All the contracts described above are recognised at their fair value:

(Euro /000)	as at 31 December 2023		as at 31 December 2022	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate risk	185	-	539	-
Total cash flow hedge	**185**	**-**	**539**	**-**

All derivatives were tested for effectiveness, with positive outcomes.

In order to support its current operations, the Company has various credit lines granted by banks and other financial institutions available, mainly in the form of loans for advances on invoices, cash flexibility and mixed loans for totalling 34,260 thousand Euro. As of 31 December 2023, the entire ceiling is available in full.

The balance of **Financial payables for IFRS 16 leases (current and non-current)** as of 31 December 2023 amounts to 651 thousand Euro and complies with the IFRS 16, 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 payables for IFRS 16 leases are classified on the basis of their maturity as either current payables (due within one year), amounting to (274) thousand Euro, or non-current payables (due beyond one year), amounting to (377) thousand Euro.

The changes in the item in 2023 and 2022 are reported below:

(Euro /000)	31 December 2022	Increases	Decreases	Reclassifications	31 December 2023
Leasing payables under IFRS 16	549	408	(306)	-	651

(Euro /000)	31 December 2021	Increases	Decreases	Reclassifications	31 December 2022
Leasing payables under IFRS 16	465	353	(269)	-	549

19. Shareholders' equity

"Shareholders' equity" at 31 December 2023 amounted to 80,387 thousand Euro, up by 3,566 thousand Euro from 31 December 2022. The change mainly concerns the recognition of the net profit for the year (10,932 thousand Euro), offset by the payment of dividends (5,713 thousand Euro) and the purchase of own shares (1,322 thousand Euro). The other changes (negative overall totalling 330 thousand Euro) relate to the adjustment of the cash flow hedging reserves, the measurement of securities at fair value and IAS 19.

Share capital amounts to 14,400 thousand Euro, represented by 14,400,000 ordinary shares with a nominal value of 1 Euro each.

As at 31 December 2022, Gefran S.p.A. held 53,273 shares, equal to 0.37% of the total for a total value of 394 thousand Euro. During 2023 the purchase of own shares for a total of 145,132 shares was made for an average of 9.1068 Euro per share and a total value of 1,322 thousand Euro. Following the changes described, at 31 December 2023, Gefran S.p.A. held a total of 198,405 shares (1.38% of the total) with an average carrying value of Euro 8.6483 per share, and an overall value of 1,716 thousand Euro.

The Company has not issued any 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 "Extraordinary reserve" (9,255 thousand Euro), which is recognised under "Other reserves";
- the "Reserve for conversion to IAS/IFRS" (137 thousand Euro), which is included under "Other reserves";
- the "Share fair value measurement reserve" (positive by 157 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 positive at 141 thousand Euro;
- the "Employee benefits valuation reserve pursuant to IAS 19", which is negative at 292 thousand Euro, and is included under "Other reserves".
- The "Own shares reserve" (1,716 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".

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	157		
- cash flow hedging reserve	141		
- IAS 19 reserve	(292)		
- own shares reserve	(1,716)		
- merger surplus reserve	858	A-B-C	858
- retained earnings/losses	24,589	A-B-C	24,589
- profit (loss) for the period	10,932		
Total	**80,387**		**53,748**
Restricted portion			4,990
Residual portion available	80,387		48,758

NB: Legend of possibility of utilisation:
A: for a share capital increase;
B: for coverage of losses;
C: for distribution to shareholders;

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

The changes in the reserve for the measurement of securities at fair value are shown in the table below:

(Euro /000)	31 December 2023	31 December 2022	Change
Balance at 1 January	232	346	(114)
Woojin Plaimm Co Ltd Shares	(77)	(115)	38
Tax effect	2	1	1
Net amount	**157**	**232**	**(75)**

The changes in the reserve for the measurement of derivatives at fair value are shown below:

(Euro /000)	31 December 2023	31 December 2022	Change
Balance at 1 January	410	(66)	476
Change in fair value derivatives	(354)	627	(981)
Tax effect	85	(151)	236
Net amount	**141**	**410**	**(269)**

20. Employee benefits

Liabilities for "Employee benefits" showed the following changes:

(Euro /000)	31 December 2022	Increases	Decreases	Discounting	Other changes	31 December 2023
Post-employment benefits	1,514	-	(146)	43	94	1,505
Total	**1,514**	**-**	**(146)**	**43**	**94**	**1,505**

Changes relating to 2022 were as follows:

(Euro /000)	31 December 2021	Increases	Decreases	Discounting	Other changes	31 December 2022
Post-employment benefits	1,799	-	(72)	(213)	-	1,514
Non-competition agreements	148	-	(148)	-	-	-
Total	**1,947**	**-**	**(220)**	**(213)**	**-**	**1,514**

The item "Provisions for post-employment benefits" consists of post-employment benefit for Company employees. The change concerns payments to employees totalling 146 thousand Euro (72 thousand Euro in 2022) and increases amounting to 94 thousand Euro, linked to the movement of the post-employment benefit reserve transferred during the 2023 financial year by Gefran Soluzioni S.r.l. to Gefran S.p.A., following the reorganisation of the activities in the programmable automation sector. In addition to this, the effect of discounting of the existing payable according to IFRS regulations is taken into account, positive by 43 thousand Euro, as a result of the assessment of demographic assumptions and experience (a negative impact of 42 thousand Euro), changes to financial assumptions (positive impact of 31 thousand Euro) and Interest cost (positive impact of 54 thousand Euro).

At the end of the 2023 year, as at 31 December 2022, there are no residual payables to employees for the signing of Company protection agreements from any competitive activities (so-called no-competition agreements).

Pursuant to IAS 19, the post-employment benefit reserve was valued using the "benefits accrued" method on the basis of the "Projected Unit Credit" (PUC) criterion, broken 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	2023	2022
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 reaching AGO requirements	100% upon reaching AGO requirements

Hypothetical turnover and advances	2023	2022
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	2023	2022
Discount rate	3.17%	3.63%
Annual inflation rate	2%	2.30%
Annual rate of increase of post-employment benefit	3%	3.225%

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 2023		31 December 2022	
	-1%	+1%	-1%	+1%
Post-employment benefit reserve	(144)	126	(152)	133
Total	**(144)**	**126**	**(210)**	**181**

(Euro /000)	31 December 2023		31 December 2022	
	-1%	+1%	-1%	+1%
Post-employment benefit reserve	(69)	65	(73)	69
Total	**(69)**	**65**	**(102)**	**94**

21. Current and non-current provisions

"Non-current provisions" were reduced to zero at 31 December 2023, as compared to 9 thousand Euro recorded at 31 December 2022; they are detailed as follows:

(Euro /000)	31 December 2022	Provisions	Uses	Releases	31 December 2023
- for legal disputes	9	696	(696)	(9)	-
Total	**9**	**696**	**(696)**	**(9)**	**-**

The movement of the provision for risks in 2023 concerns the provision for 696 thousand Euro and use of the same amount, in response to the tax audit described above. In addition, surplus releases were made in the amount of 9 thousand Euro, after the resolution of the dispute.

The balance of **current provisions** was 720 thousand Euro as of 31 December 2023, compared with provisions of 1,102 thousand Euro at 31 December 2022. The item breaks down as follows:

(Euro /000)	31 December 2022	Provisions	Uses	Releases	31 December 2023
FISC	23	4	-	-	27
Product warranty	1,079	289	(215)	(460)	693
Total	**1,102**	**293**	**(215)**	**(460)**	**720**

This item referring to the expected cost of repairs to products under warranty saw provision (289 thousand Euro) and use to cover the cost of repair and replacement of products under warranty (215 thousand Euro); during 2023, releases were made (460 thousand Euro) for the provision surplus, which as of 31 December 2023 was proportionate to the volume of revenues and the regularity with which events have historically occurred.

22. Other liabilities

"Other liabilities" at 31 December 2023 amounted to 7,339 thousand Euro and break down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Payables to personnel	3,068	3,270	(202)
Social security payables	1,766	1,831	(65)
Accrued interest on loans	25	25	-
Payables to directors and statutory auditors	81	15	66
Other accruals	1,406	1,158	248
Other payables for taxes	980	939	41
Other current liabilities	13	36	(23)
Total	**7,339**	**7,274**	**65**

The change is primarily attributable to decreased payables to employees, social security institutions and the increase in payables to directors and statutory auditors, as well as other accruals.

23. Revenues from sales of products and services

"Revenues from sales of products and services" in 2023 amount to 73,976 thousand Euro, as compared to 77,327 thousand Euro in the year 2022. Revenues from sales and services are analysed by sector of activity in the following table:

(Euro /000)	31 December 2023	31 December 2022	Change	%
Sensors	53,456	56,013	(2,557)	-4.6%
Automation components	20,520	21,314	(794)	-3.7%
Total	**73,976**	**77,327**	**(3,351)**	**-4.3%**

The decrease compared to the previous year (4.3%) derives from lower revenues generated by the sensors business (-4.6%), as well as for the automation components business (-3.7%), although to a more limited extent.

Total revenues include revenues from services provided totalling 191 thousand Euro (115 thousand Euro in the previous year).

24. Other operating revenues and income

"Other operating revenues and income" amount to 4,518 thousand Euro, 723 thousand Euro lower than on 31 December 2022, as shown in the table below:

(Euro /000)	31 December 2023	31 December 2022	Change	%
Royalty income	342	190	152	80.0%
Services to Group companies	2,645	2,886	(241)	-8.4%
Recovery of company canteen expenses	17	16	1	6.3%
Rental income	511	497	14	2.8%
Government grants	56	-	56	n.a.
Other income	947	1,652	(705)	-42.7%
Total	**4,518**	**5,241**	**(723)**	**-13.8%**

During the 2023 financial year, the Company received contributions totalling 56 thousand Euro for the "I-Gap" development project.

The item "Other income", amounting to 947 thousand Euro, includes the recognition of tax credits for R&D, investing in fixed assets and Industry 4.0 (total of 610 thousand Euro). In addition to this, other income was recorded (161 thousand Euro) from technical-administrative services provided by Gefran S.p.A. to companies in the WEG group, based on a specific contract (in 2022 Gefran S.p.A. had provided services to the companies sold to WEG for 826 thousand Euro and directly to the WEG group for 95 thousand Euro).

25. Costs of raw materials and accessories

"Costs for raw materials and accessories" resulted in a decrease of 4,963 thousand Euro, going from 30,242 thousand Euro in 2022 to 25,279 thousand Euro in the year 2023.

(Euro /000)	31 December 2023	31 December 2022	Change
Raw materials and accessories	25,279	30,242	(4,963)
Total	**25,279**	**30,242**	**(4,963)**

The decrease in the item is related to the development of production volumes.

26. Service costs

"Service costs" amount to 14,914 thousand Euro, as compared to 15,474 thousand Euro in the year 2022, an increase of 560 thousand Euro. They may be broken down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Services	14,360	14,992	(632)
Use of third-party assets	554	482	72
Total	**14,914**	**15,474**	**(560)**

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 299 thousand Euro (260 thousand Euro in 2022). Contracts excluded from the 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 an entry of 554 thousand Euro in costs in 2023 (482 thousand Euro in 2022).

The decrease recorded under "Services", amounting to 632 thousand Euro, mainly relates to lower variable costs concerning production volumes, such as external processing, and product warranty costs. On the other hand, costs for travel, certifications and quality, as well as annual software licenses are on the increase.

27. Personnel costs

"Personnel costs" amounted to 25,400 thousand Euro, up by 205 thousand Euro compared with 2022, and break down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Salaries and wages	19,002	19,240	(238)
Social security contributions	5,010	4,826	184
Post-employment benefit reserve	1,245	1,117	128
Other costs	143	12	131
Total	**25,400**	**25,195**	**205**

The change recorded in 2023 compared to the previous year is attributable to the increased workforce designed to strengthen the organisation, and to the salary increase stipulated by the CCNL for all employees, further increased by applying the safeguard clause (linked to the evolution of inflation) which was defined at national level. Both the number of employees employed by the company at the year end (+10 employees as at 31 December 2023 compared to the year-end figure for 31 December 2022) and the annual average (337 in 2023 and 321 in 2022) increased.

It should also be noted that in the fourth quarter of 2022, a one-off contribution was granted to all Company employees (overall equal to 606 thousand Euro), as an additional contribution to offset the significant increase in the cost of living and the impact on household budgets. This contribution was not replicated in the 2023 year.

"Social security contributions" specifically include costs for defined contribution plans for management (Previndai and Azimut Previdenza pension plan) amounting to 70 thousand Euro (77 thousand Euro at 31 December 2022).

The average number of employees in 2023 and 2022 is shown below:

	2023	2022	Change
Managers	13	12	1
Clerical staff	194	187	7
Manual workers	130	122	8
Total	**337**	**321**	**16**

The average number of employees has risen by 16 individuals compared to 2022.

28. Miscellaneous management costs and other operating income

"Miscellaneous management costs" present a balance of637 thousand Euro, as compared to a balance of 429 thousand Euro in 2022, and may be broken down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Capital losses on the sale of assets	(120)	-	(120)
Losses on other receivables	(14)	-	(14)
Other taxes and duties	(170)	(168)	(2)
Membership fees	(135)	(129)	(6)
Miscellaneous	(198)	(132)	(66)
Total	**(637)**	**(429)**	**(208)**

"Other operating income" amounts to 323 thousand Euro and is made up as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Capital gains on the sale of assets	53	5	48
Collection of doubtful receivables	4	2	2
Release of risk provisions	9	-	9
Miscellaneous	257	-	257
Total	**323**	**7**	**316**

The change compared to the previous year is mainly determined by the item "Miscellaneous", which includes the write-off of a debt due to bankruptcy (169 thousand Euro) and the closure of previously allocated items.

29. Depreciation, amortisation and impairment

(Euro /000)	31 December 2023	31 December 2022	Change
Intangible assets	1,585	1,624	(39)
Tangible assets	3,902	3,419	483
Usage rights	293	257	36
Total	**5,780**	**5,300**	**480**

They are equal to 5,780 thousand Euro, with an increase of 480 thousand Euro compared to the figure for 31 December 2022. There were no write-downs in 2023 and 2022.

Since 1 January 2019, moreover, the item also includes amortisation of usage rights in accordance with accounting standard IFRS 16, totalling 293 thousand Euro at 31 December 2023 (257 thousand Euro at 31 December 2022).

30. Gains and losses from financial assets/liabilities

"Gains from financial assets" totalled 5,618 thousand Euro, as compared to 4,350 thousand Euro in 2022, and break down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Cash management			
Interest from subsidiaries	18	26	(8)
Income from cash management	870	96	774
Other financial income	13	67	(54)
Medium-/long-term interest	(300)	(220)	(80)
Interest to subsidiaries	(346)	(28)	(318)
Other financial charges	(27)	(1)	(26)
Total income (charges) from cash management	**228**	**(60)**	**288**
Currency transactions			
Exchange gains	1,686	2,220	(534)
Positive currency valuation differences	30	-	30
Exchange losses	(1,604)	(418)	(1,186)
Negative currency valuation differences	(5)	(44)	39
Total other income (charges) from currency transactions	**107**	**1,758**	**(1,651)**
Other			
Gains from financial instruments	5	-	5
Dividends from equity investments	3,323	2,657	666
Value adjustments on non-current assets	1,964	-	1,964
Interest on financial payables due to leasing under IFRS 16	(9)	(5)	(4)
Total other financial income (charges)	**5,283**	**2,652**	**2,631**
Total	**5,618**	**4,350**	**1,268**

Financial income at 31 December 2023 amounted to 901 thousand Euro (189 thousand Euro in 2022), while financial expenses related to the Company's indebtedness amounted to 673 thousand Euro; overall the item is up compared to the figure for 2022, when it amounted to 249 thousand Euro as a result of two new loans being taken out. They include 22 thousand Euro in interest on tax payments for previous years, following the termination of the tax audit carried out in 2019 and 2020 and for the 2016-2017-2018 tax periods; the positive result of differences in foreign currency transactions, totalling 107 thousand Euro, as compared to another positive result of 1,758 thousand Euro in 2022;

It is to be noted that value adjustments to non-current assets were recorded during 2023, positive in the amount of 1,964 thousand Euro and related to the write-back of the value of the investments in the Indian and Brazilian subsidiaries, based on the impairment assessment performed; no value adjustments were recorded in the previous year.

The positive result of differences in foreign currency transactions, totalling 107 thousand Euro, as compared to another positive result of 1,758 thousand Euro in 2022;

The item also includes dividends received by Gefran Group companies totalling 3,323 thousand Euro (2,957 thousand Euro in 2022), broken down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Gefran Asia Pte Ltd (Singapore)	300	500	(200)
Gefran Soluzioni S.r.l. (Italy)	300	500	(200)
Gefran Deutschland GmbH (Germany)	1,500	1,000	500
Gefran Inc (U.S.)	758	357	401
Sensormate AG (Switzerland)	385	300	85
Gefran France SA (France)	80	-	80
Total	**3,323**	**2,657**	**666**

31. Income taxes, deferred tax assets and deferred tax liabilities

"Taxes" as at 31 December 2023 were, on the whole, negative by 2,698 thousand Euro, and negative by 2,960 thousand Euro as at 31 December 2022. The item breaks down as follows:

(Euro /000)	31 December 2023	31 December 2022	Change
Current taxes			
IRES (corporate income tax)	(1,825)	(2,556)	731
IRAP (regional production tax)	(384)	(569)	185
Total current taxes	**(2,209)**	**(3,125)**	**916**
Deferred taxes			
Deferred tax liabilities	(1)	1	(2)
Deferred tax assets	(488)	152	(640)
Total deferred taxes	**(489)**	**153**	**(642)**
Total taxes	**(2,698)**	**(2,972)**	**274**
of which:			
Allocated to assets held for sale and disposed	-	(12)	12
Relating to the operative part	(2,698)	(2,960)	262
Total taxes	**(2,698)**	**(2,972)**	**274**

Current taxes amounted to 2,209 thousand Euro. They relate to the recognition of IRES and IRAP taxable amounts and the change compared to the previous year is attributable to the greater result achieved by Gefran S.p.A. In addition to this, 597 thousand Euro in taxes from previous years are included, recorded as a result of the termination of the tax audit carried out in 2020 and 2021, which concerned intra-group transactions (so-called Transfer Price) and its transfers of trademark-related know-how, during the 2016-2017-2018 tax years.

The balance of the item deferred tax assets and deferred taxes was negative by 489 thousand Euro, as compared to a positive balance of 153 thousand Euro on 31 December 2022; the change is mainly a result of the release of deferred tax assets entered in relation to the provision for write-down of inventory and product warranties.

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 2023	31 December 2022
Profit (loss) before tax	13,630	13,980
Theoretical income taxes	(3,256)	(3,355)
Effect from use of losses carried forward	-	-
Net effect of permanent differences	1,153	739
Net effect of temporary deductible and taxable differences	393	(209)
Effect of taxes from previous years	(114)	341
Current taxes	**(1,824)**	**(2,484)**
Income tax – deferred tax assets/liabilities	(425)	110
Income tax entered in the financial statement (excluding current and deferred regional production tax IRAP)	**(2,249)**	**(2,374)**
IRAP - current taxes	(384)	(569)
IRAP – deferred tax assets/liabilities	(65)	43
Recognised income taxes (current and deferred)	**(2,698)**	**(2,900)**

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 2022	Posted to the income statement	Recognised in shareholders' equity	Other changes	31 December 2023
Deferred tax assets					
Impairment of inventories	1,183	(355)	-	-	828
Impairment of trade receivables	205	(20)	-	(1)	184
Impairment of assets	535	-	-	-	535
Exchange rate balance	11	(11)	-	-	-
Provision for product warranty risk	301	(108)	-	-	193
Provision for miscellaneous risks	-	6	-	-	6
Total deferred tax assets	**2,235**	**(488)**	**-**	**(1)**	**1,746**
Deferred tax liabilities					
Discounting post-employment benefits	-	5	3	(14)	(6)
Fair value measurement	-	(1)	86	(129)	(44)
Exchange valuation differences	(146)	(6)	-	146	(6)
Other deferred tax liabilities	-	1	-	(3)	(2)
Total deferred taxes	**(146)**	**(1)**	**89**	**-**	**(58)**
Net total	**2,089**	**(489)**	**89**	**(1)**	**1,688**

Deferred tax assets and deferred tax liabilities for the year 2022 break down as follows:

(Euro /000)	31 December 2021	Posted to the income statement	Recognised in shareholders' equity	Other changes	31 December 2022
Deferred tax assets					
Impairment of inventories	884	299		-	1,183
Impairment of trade receivables	217	(11)		(1)	205
Impairment of assets	535	-		-	535
Exchange rate balance	-	11		-	11
Provision for product warranty risk	295	6		-	301
Provision for miscellaneous risks	244	(153)	(91)	-	-
Fair Value hedging	21	-	(21)	-	-
Total deferred tax assets	**2,196**	**152**	**(112)**	**(1)**	**2,235**
Deferred tax liabilities					
Exchange valuation differences	(11)	1	(136)		(146)
Total deferred taxes	**(11)**	**1**	**(136)**	**-**	**(146)**
Net total	**2,185**	**153**	**(248)**	**(1)**	**2,089**

32. Profit (loss) from assets held for sale and discontinued

Gefran S.p.A.'s "Result from assets held for sale" as at 31 December 2023 was zero, while it was negative by 1,500 thousand Euro as at 31 December 2022. In the previous year, the loss incurred on the sale of the shares of Gefran Drives and Motion S.r.l., a company incorporated under Italian law, and of Siei Areg Gmbh, under German law, to WEG S.A., under the framework agreement signed on 1 August 2022 and on the sale of the motion control business (1,800 thousand Euro in total) was recognised, as was the reclassification of 300 thousand Euro of financial income, related to the dividend paid to Gefran S.p.A. by Siei Areg GmbH, pursuant to IFRS 5.

33. Guarantees given, commitments and other contingent liabilities

a. Guarantees given

On 30 September 2022, with regard to the sale of the motion control business to the Brazilian group WEG, Gefran S.p.A. issued a bank guarantee of 2,300 thousand Euro to WEG Equipamentos Eléctricos S.A., expiring on 30 September 2026.

b. Legal proceedings and disputes

Gefran S.p.A. is involved in various legal proceedings and disputes. However, the resolution of these disputes is not thought able to generate significant liabilities not already covered by existing provisions.

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 IFRS 16", 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 scope of application as they met the requirements for exclusion; leasing costs for these contracts entered in the income statement amount to 554 thousand Euro in the year 2022 (482 thousand Euro on 31 December 2022).

At 31 December 2023, the total value of the Company's commitments was 637 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 606 thousand Euro at 31 December 2022). This amount mainly refers to ancillary services pertaining to contracts subject to IFRS 16, as well as to contracts for which, based on their value and duration, the above standard has not been applied.

34. Dealings with related parties

The following information is provided on dealings with related parties in the years 2023 and 2022, in accordance with IAS 24.

In accordance with the provisions of Consob Resolution no. 17221 of 12 March 2010, the Gefran S.p.A. Board of Directors of Gefran S.p.A. has adopted the "Regulations governing transactions with related parties", the current version of which was approved on 24 June 2021 and may be consulted on the Company's website at the internet address https://www.gefran.com/governance/documents-and-procedures/.

Transactions with related parties are part of normal operations and the typical business of each entity involved and are carried out under normal market conditions. There have not been any 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)	Imet S.p.A.	Climat S.r.l.	Total
Costs for raw materials and accessories			
2022	-	-	-
2023	(579)	-	(579)
Service costs			
2022	-	(155)	(155)
2023	-	(159)	(159)

(Euro /000)	Imet S.p.A.	Climat S.r.l.	Total
Property, plant, machinery and tools			
2022	-	294	294
2023	-	294	294
Trade payables			
2022	-	278	278
2023	170	143	313

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 million Euro under specific agreements (3.9 million Euro as of 31 December 2022).

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

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

In the year 2023 Gefran S.p.A. earned 3,323 thousand Euro in dividends from subsidiaries (2,957 thousand Euro in 2022).

Members of the Board of Directors and the Board of Statutory Auditors of Gefran S.p.A were paid the following aggregate remuneration: 264 thousand Euro included in personnel costs and 1,283 thousand Euro included in service costs (312 thousand Euro included in personnel costs and 1,313 thousand Euro included in service costs in 2022). With regard to the remuneration of executives with strategic responsibilities, reference is made to the Remuneration Report as at 31 December 2023.

It should be noted that the information referred to in 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 website at address http://www.gefran.com/governance/meetings/.

Persons of strategic importance have been identified as members of the Executive Board of Directors of Gefran S.p.A. and of other Group companies, as well as executives with strategic responsibilities, identified in the General Manager of Gefran S.p.A., as well as in the Chief Financial Officer, Chief People & Organisation Officer, Group Chief Technology Officer and Chief Sales Officer.

35. Information pursuant to Article 149-duodecies of the Consob Issuers' Regulation

The table below shows fees paid in relation to the year 2023 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 2023
Accounts audit	PwC S.p.A.	120
Audit Non-Financial Declaration	PwC S.p.A.	21
Certification services	PwC S.p.A.	7
Other services	PwC S.p.A.	0
Total		**148**

36. Events after 31 December 2023

With regard to operating performance at the beginning of 2024, we refer to the paragraphs on "Significant events after year end in Gefran S.p.A." and "Outlook" contained in the Report on Operations.

In view of the current geo-political scenario and in particular the Russia-Ukraine and Middle East conflicts, it should be noted that the Company 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.

37. Allocation of net profit for the year

The year 2023 ended with a profit of 10,931,864 Euro. In specifying that the legal reserve has long since reached the limit set by the Civil Code and that the available reserves largely cover the development costs recorded in non-current assets, taking note of the Report of the Board of Statutory Auditors and the Independent Auditors' Report, it is proposed to the Shareholders' Meeting to:

- approve the Board of Directors' Report on Operations and the annual financial statements for the period ending 31 December 2023, which show a profit of 10,931,864 Euro, as presented by the Board of Directors;
- to distribute to the shareholders, by way of dividend, gross of the legal withholdings, 0.42 Euro for each of the outstanding shares (net of the own shares), using, for the necessary amount, the net profit for the year;
- 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 the previous point.

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 6 May 2024, record date 7 May 2024, in payment beginning on 8 May 2024.

The amount of the dividend is fully covered by the profit for the period and sufficient financial funds are already available for the payment.

38. Summary of public funds pursuant to Article 1, paragraphs 125-129, Law no. 124/2017

In compliance with the transparency and publicity requirements provided for under Law no. 124 of 4 August 2017, Article 1, paragraphs 125-129, which made it compulsory for companies to disclose "subsidies, contributions, and other economic advantages of any kind" in the notes to the financial statements, the details of the relevant amounts are given below, in addition to what has already been published in the Italian national register of state aid – transparency of individual aid.

(Euro /000)	Providing body	Values in 2023
R&D Tax credit	Italian Government	179
Industry 4.0 Tax credit	Italian Government	673
Energy Tax credit	Italian Government	120
Total		**972**

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, 12 March 2024

For the Board of Directors

Chairwoman	Chief Executive Officer
Maria Chiara Franceschetti	**Marcello Perini**

CERTIFICATION OF THE ANNUAL FINANCIAL STATEMENTS PURSUANT TO ARTICLE.81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

The undersigned **Marcello Perini,** in his capacity as Chief Executive Officer, and **Paolo Beccaria**, 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 01/01/2023 and 31/12/2023.

There are no significant events to report in this regard.

They further certify that

/ the **annual financial statements** at 31 December 2023 of Gefran S.p.A.:

- were prepared in accordance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the 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, 12 March 2024

Chief Executive Officer	The Executive in charge of financial reporting
Marcello Perini	**Paolo Beccaria**

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 2023, the statement of profit/(loss) for the year, the statement of profit/(loss) for the year and other items of comprehensive income, statement of changes in shareholders' equity, cash flows statement for the year then ended, and specific explanatory notes to the financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2023, 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 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 judgement, 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.

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of Goodwill	
Note 12 to the specific explanatory notes to the accounts "Goodwill" The carrying amount of goodwill as at 31 December 2023 is Euro 5,921 thousand (3,6% of total assets and 6,3% of consolidated equity) and impairment testing is required at least once a year. Goodwill is allocated to specific Cash Generating Units (CGU) identified on a geographical basis (France, India, USA and Switzerland). The recoverability of goodwill is assessed by comparing the book value recognised in the consolidated financial statements with the value in use, even in the absence of possible loss indicators. Value in use is the discounted value of the expected cash flows from use of the asset and the valuation methodology adopted by the company is based on the discounting of cash flows (*Unlevered Discounted Cash Flows Method*). 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. The valuation of the recoverable amount of goodwill is a key audit matter considering the significant carrying amount and the complexity of the valuation process that requires significant Management estimation, based on economic and market assumptions, including cash flow forecast and the discount rate applied.	We evaluated the consistency of the allocations of goodwill to the Cash Generating Units with the previous year and we obtained an understanding of the valuation process adopted by the Group in order to determine the recoverability of the carrying amount of goodwill. We obtained and examined the impairment tests prepared by the Management. We also analysed the main assumptions on which the prospective economic-financial plans used by the management for preparing the impairment test. In particular, we focused on the reasonableness of economic forecasts and those related to the investments planned over the plan period. 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) and the calculation of and the long-term growth rate, as well as to verify the mathematical accuracy of the models. In addition, in order to assess the ability of the Management to make reliable forecasts, we compared the final figures as at 31 December 2023 with the related budget data. We compared the forecasts approved by the Boards of Directors for the parent company and the forecast presented to the Group Management for the subsidiaries with the assumptions used in the context of the impairment tests. We also performed procedures to verify the accuracy of the net invested capital used in the impairment test. 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

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	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, actions taken to eliminate the related risks, or safeguards applied.

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 the board of statutory auditors, in its 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 as of 31 December 2023, 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 as of 31 December 2023 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.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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 2023, 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 2023 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 2023 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.

Verona, 28 March 2024

PricewaterhouseCoopers SpA

Signed by

Alessandro Vincenzi
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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 2023, the statement of profit/(loss) for the year, the statement of profit/(loss) for the year and other items of comprehensive income, statement of changes in shareholders' equity, cash flows statement for the year then ended, and specific explanatory notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2023, 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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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 2023 is Euro 26,263 thousand (17,7% 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*). 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. The valuation of the recoverable amount of equity investments in subsidiaries is a key audit matter considering the complexity of the valuation process that requires significant Management estimation, based on economic and market assumptions, including cash flow forecast and the discount rate applied.	We obtained an understanding of the valuation process adopted by the Company in order to determine the recoverability of the carrying amount of investments in subsidiaries and we examined the impairment tests prepared by the Management. We compared the forecasts approved by the Boards of Directors regarding the parent company and the forecast financial plans prepared and presented to the company management of the subsidiaries, with the assumptions used in the context of the impairment tests. We also analysed the main assumptions on which the prospective economic-financial plans used by the management for preparing the impairment test were prepared. In particular, we focused on the reasonableness of economic forecasts and those related to the investments planned over the plan period. 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) and the calculation of and the long-term growth rate, as well as to verify the mathematical accuracy of the models. In addition, in order to assess the ability of the Management to make reliable forecasts, we compared the final figures as at 31 December 2023 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 impairment tests. We assessed the accuracy and completeness of the disclosures in the specific explanatory notes.

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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, actions taken to eliminate the related risks, or safeguards applied.

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 the board of statutory auditors, in its 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 as of 31 December 2023, 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 as of 31 December 2023 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 2023, 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 2023 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 2023 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.

Verona, 28 March 2024

PricewaterhouseCoopers SpA

Signed by

Alessandro Vincenzi
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative

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 153 of Legislative Decree no. 58 of 24 February 1998 (TUF) and article 2429, second paragraph, of the Italian Civil Code

Dear Shareholders,

Gefran SpA's Board of Statutory Auditors, in compliance with article 153 of Legislative Decree no. 58/1998 and article 2429, second paragraph, of the Italian Civil Code, reports to the Shareholders' Meeting called to approve the Financial Statements on the supervisory and other activities carried out during the year ended 31 December 2023.
During the 2023 financial year, the Board carried out its activities in compliance with the Law, aligning operations with the "Rules of conduct applied to the Board of Statutory Auditors of listed companies" issued by the National Council of Chartered Accountants and Accounting Experts, the recommendations and provisions of 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 Corporate Governance Code.

As regards regulatory auditing tasks, note that pursuant to Legislative Decree no. 39 of 27 January 2010 (Legislative Decree no. 39/2010), they have been assigned to the external auditors PricewaterhouseCoopers SpA, appointed by the Shareholders' Meeting of 21 April 2016 for a nine-year period, from 2016 to 2024.
The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting held on 28 April 2021.

Also pursuant to the recommendations issued by Consob with Communication DEM/1025564 of 6 April 2001, as amended, within the scope of its functions, the Board of Statutory Auditors:

- monitored on the compliance with the Law and with the Articles of Association;
- attended the meetings of the Shareholders' Meeting, the Board of Directors, the Control and Risks Committee, the Appointments and Remuneration Committee and the Sustainability Committee, as well as the specific induction meetings on specific issues; it obtained periodic information from the directors on the general performance of the company, its anticipated evolution, and the most significant business, financial and equity transactions carried out by the Company; moreover, we have ensured that the resolutions issued and implemented were compliant with the Law and the Articles of Association and that they were clearly not imprudent, risky, in potential conflict of interest and in contrast with the resolutions issued by the Shareholders' Meeting or such as to jeopardise the integrity of the company's assets. During the auditing carried out, no atypical and/or unusual transactions emerged. In order to fulfil its mandate, it analysed the information flows from the various corporate structures, from the outsourced Internal Audit Department;
- assessed the preparation of the "Annual Remuneration Report" prepared pursuant to article 123-ter of the TUF, article 84-quater of the Consob Issuers' Regulation and in compliance with the provisions of article 5 of the Corporate Governance Code, approved by the Board of Directors at the meeting held on 12 March 2024, upon proposal of the Appointments and Remuneration Committee;
- 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, and regulated by article 4 of the Consob Regulation, under Resolution no. 17221 of 12 March 2010, as supplemented and amended;

- monitored the functioning of the corporate information process, verifying compliance with the laws and regulations regarding the preparation and arrangement of the consolidated financial statements and related documents, while also examining the certificates, pursuant to article 81-ter of Consob Regulation no.11971 of 14 May 1999, with subsequent amendments and additions, of the Financial Statements, the Consolidated Financial Statements and the Report on Operations, issued by the Executive in charge of preparing the financial documents, together with the Chief Executive Officer and attached to the Financial Statements;
- ascertained compliance with the regulations on procedures for corporate body meetings and the fulfilment of the periodic reporting obligation by the delegated bodies on the exercise of delegated powers;
- monitored the actual implementation arrangements for the corporate governance rules set out in the Corporate Governance Code, also examining the "Annual Report on Corporate Governance and Ownership Structure".

THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

The Company has prepared its **2023 financial statements** according to the international accounting standards (IAS/IFRS). These financial statements were submitted for an independent audit to be conducted by PricewaterhouseCoopers SpA, which issued its Report on 28th March 2024.
The Company has also prepared the **2023 consolidated financial statements** of 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 28th March 2024.

In compliance with the provisions of Delegated Regulation (EU) 2019/815 of the European Commission, the Company prepared **the 2023 Financial Statements, and the 2023 Consolidated Financial Statements and the Explanatory Notes in the European Single Electronic Format (ESEF).** The external auditors PricewaterhouseCoopers SpA carried out the specific audit procedures in this regard confirming compliance with the provisions of the Delegated Regulation.

The Company also prepared its Sustainability Report including the **Consolidated Non-Financial Statement as at 31 December 2023** pursuant to Legislative Decree no. 254/2016 and with reference to the international reporting standards issued by the Global Reporting Initiative "Sustainability Reporting Standards" in the GRI Standard 2021 version, with a "GRI-Referenced" application level. This Statement was also submitted for audit by PricewaterhouseCoopers SpA, which issued its report on 28th March 2024. In this regard, the Board, in accordance with Legislative Decree no. 254 of 30 December 2016, monitored the 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.

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 2023 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 no. 38/05;
- expressed the opinion that the Reports on Operations accompanying the separate and consolidated financial statements as at 31 December 2023 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 28th March 2024, the external auditor also submitted to the Board of Statutory Auditors the Additional Report provided for in Article 11 of EU Regulation No. 537/2014, which did not reveal any significant deficiencies in the internal control system for the financial reporting process worthy of being brought to the attention of those responsible for 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 13 of the same Regulation.

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 2023 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, please refer to the Directors' Report on Operations for additional details:

Accounts audit	Pwc Spa	Parent Company	120
Accounts audit	Pwc Spa	Subsidiaries	60
Accounts audit	Pwc network	Subsidiaries	213
External audit Non-Financial Statement	Pwc Spa	Parent Company	21
Certification services.	Pwc Spa	Parent Company	7
Total Euro			421

Taking into account the tasks assigned to them and to their network by Gefran S.p.A. 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 2023 FINANCIAL YEAR

The most important transactions carried out in the 2023 financial year are described in detail by the directors in the Report on Operations, to which reference is therefore made.

SUPERVISORY ACTIVITY

The Board acknowledges:

- that is has acquired knowledge and monitored, within its 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;
- that it has 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 2023 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;
- that it has 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 Risks Committee and acquisition of the related documentation; d) meetings with the Executive in charge of financial reporting. Participation in the meetings of the Control and Risks Committee enabled the Board of Statutory Auditors to coordinate with the Committee the performance of its functions as "Internal Control and Audit Committee" pursuant to article 19 of Legislative Decree no. 39/2010 and, in particular, to supervise; a) on the financial reporting process; b) the effectiveness of internal control systems, internal audit and risk management; c) on the legal audit of the accounts; d) on aspects relating to the independence of the external auditor;
- that it has 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 from the exchange of information. Moreover, no significant matters nor significant deficiencies in the internal control system, with reference to the financial reporting process, have emerged during the auditing.
- that it has met with the Sole Auditor of the Italian subsidiaries and no significant data and information worthy of mention in this report emerged from the exchange of information;
- that is has **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 12 March 2024. In particular, we inform you that the Board of Statutory Auditors:
  1. has checked the correct application of the criteria and procedures for the assessment of independence adopted by the Board of Directors;

  2. has verified whether the independence requirement applicable to its members is met, initially after its appointment and subsequently on an annual basis; this occurred more recently during the Board of Statutory Auditors' meeting of 22 February 2024, as part of the periodic self-assessment process regarding its composition, size and activities.
- that it has **monitored** the correct application by the Company of the procedure to **manage inside and material information** drawn up in the light of the CONSOB Guidelines no. 1/2017 and the procedure relating to the Communication of transactions in shares and financial instruments carried out by Relevant Persons (Internal Dealing);
- that the Organisational and Management Model adopted by the Company, pursuant to Legislative Decree no. 231 of 8 June 2001, is consistent with best practice and is constantly updated in line with new legal requirements. The Board of Statutory Auditors has met with the representatives of the Supervisory Body and 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;
- that it is has not received any complaints pursuant to article 2408 of the Italian Civil Code, nor does it have any knowledge of facts or claims that need to be brought to the attention of the Shareholders' meeting;
- that during the year under way it has issued a favourable opinion on the proposal for the remuneration of directors with special duties, pursuant to article 2389 of the Italian Civil Code, also in light of the assessments of the Appointments and Remuneration Committee;
- that it has issued, during the year, a favourable opinion on the appointment of the Executive in charge of preparing the company's accounting documents;
- that it has monitored the external auditor selection procedure for 2025–2033, which started in the second half of the year, and that at the end of the procedure on 22 February 2024 issuing its own reasoned recommendation for the appointment of the Deloitte & Touche SpA company preferentially, or the EY SpA company as second choice;
- that it has 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 it does not have any particular observations to report. In this regard, pursuant to article 2426, first paragraph, point 5, it has expressed its consent to include in the annual financial statements of development costs equal to Euro 785,000;
- that the Company, in the 2023 Financial Report, provided information on the current and future effects deriving from the **ongoing conflict in Ukraine and in the Middle East**, believing that the ongoing hostilities cannot have a significant impact on its activities and on its ability to generate income, insofar as the Group does not own strategic assets in the territories currently affected by the conflict and commercial activities 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 its ability to generate income;
- that it agrees 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";
- that the members of the Board of Statutory Auditors have met the communication requirements applied to the assignment of administration and auditing of Italian companies, 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 Issuers' Regulation.

ATTENDANCE AT MEETINGS

During the year 2023, the Board of Statutory Auditors met 9 times and attended 9 meetings held by the Board of Directors, 5 meetings held by the Control and Risks Committee, the meeting held by the Control and Risks Committee in the role of Related Parties Committee, 4 meetings held by the Appointments and Remuneration Committee, and 2 meetings held by the Sustainability Committee.

CONSIDERATIONS OF THE OUTGOING BOARD OF STATUTORY AUDITORS

With the approval of the Financial Statements as at 31 December 2023, the current Board of Statutory Auditors expires and Gefran SpA's Shareholders' Meeting, called to approve the Financial Statements, must also resolve upon the renewal of the Control Body. In this regard, on 7 March 2024 the Board of Statutory Auditors issued a report to the Company for disclosure to the Shareholders; it contained the considerations issued in compliance with the provisions of the "Rules of conduct for the board of statutory auditors of listed companies of the National Council of Chartered Accountants and Accounting Experts (CNDCEC)" dated 21 December 2023.

* * *

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 2023, has no objections regarding the proposal for resolutions submitted by the Board of Directors.

Milan, 28 March 2024

THE BOARD OF STATUTORY AUDITORS

Roberta Dell'Apa	Chairwoman	Signed
Luisa Anselmi	Standing Auditor	Signed
Primo Ceppellini	Standing Auditor	Signed

GEFRAN
BEYOND TECHNOLOGY

GEFRAN S.p.A.
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