

**GEFRAN GROUP**  
**INTERIM FINANCIAL**  
**STATEMENTS**  
**AT 31 MARCH 2018**





## SUMMARY

1.	CORPORATE BODIES .....	5
2.	ALTERNATIVE PERFORMANCE INDICATORS .....	6
3.	STRUCTURE OF THE GEFRAN GROUP .....	7
4.	KEY CONSOLIDATED INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION FIGURES .....	8
5.	FINANCIAL STATEMENTS .....	9
6.	GROUP PERFORMANCE IN THE FIRST QUARTER OF 2018 .....	14
7.	RECLASSIFIED CONSOLIDATED FINANCIAL POSITION AT 31 March 2018.....	17
8.	CONSOLIDATED CASH FLOW STATEMENT AT 31 March 2018 .....	20
9.	INVESTMENTS .....	21
10.	ASSETS HELD FOR SALE .....	22
11.	RESULTS BY BUSINESS AREA .....	22
11.1.	SENSORS .....	23
11.2.	AUTOMATION COMPONENTS .....	24
11.3.	MOTION CONTROL .....	25
12.	HUMAN RESOURCES.....	26
13.	SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2018.....	26
14.	SIGNIFICANT EVENTS FOLLOWING THE END OF THE FIRST QUARTER OF 2018.....	27
15.	OUTLOOK .....	27
16.	SHARES AND STOCK PERFORMANCE .....	27
17.	OTHER INFORMATION .....	29
18.	DEALINGS WITH RELATED PARTIES.....	29
19.	EXPLANATORY NOTES.....	30
	ANNEXES .....	33
20.	DECLARATION OF THE EXECUTIVE IN CHARGE OF FINANCIAL REPORTING.....	37



## 1. CORPORATE BODIES

### Board of Directors

Honorary Chairman	Ennio Franceschetti
Managing Director	Alberto Bartoli
Chairman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairman	Giovanna Franceschetti
Director	Romano Gallus
Director	Mario Benito Mazzoleni (*)
Director	Daniele Piccolo (*)
Director	Monica Vecchiati (*)

### Board of Statutory Auditors

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

### Control and Risks Committee

- Daniele Piccolo
- Mario Benito Mazzoleni
- Monica Vecchiati

### Remuneration Committee

- Romano Gallus
- Daniele Piccolo
- Monica Vecchiati

### External auditor

PricewaterhouseCoopers S.p.A.

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

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

## 2. ALTERNATIVE PERFORMANCE INDICATORS

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

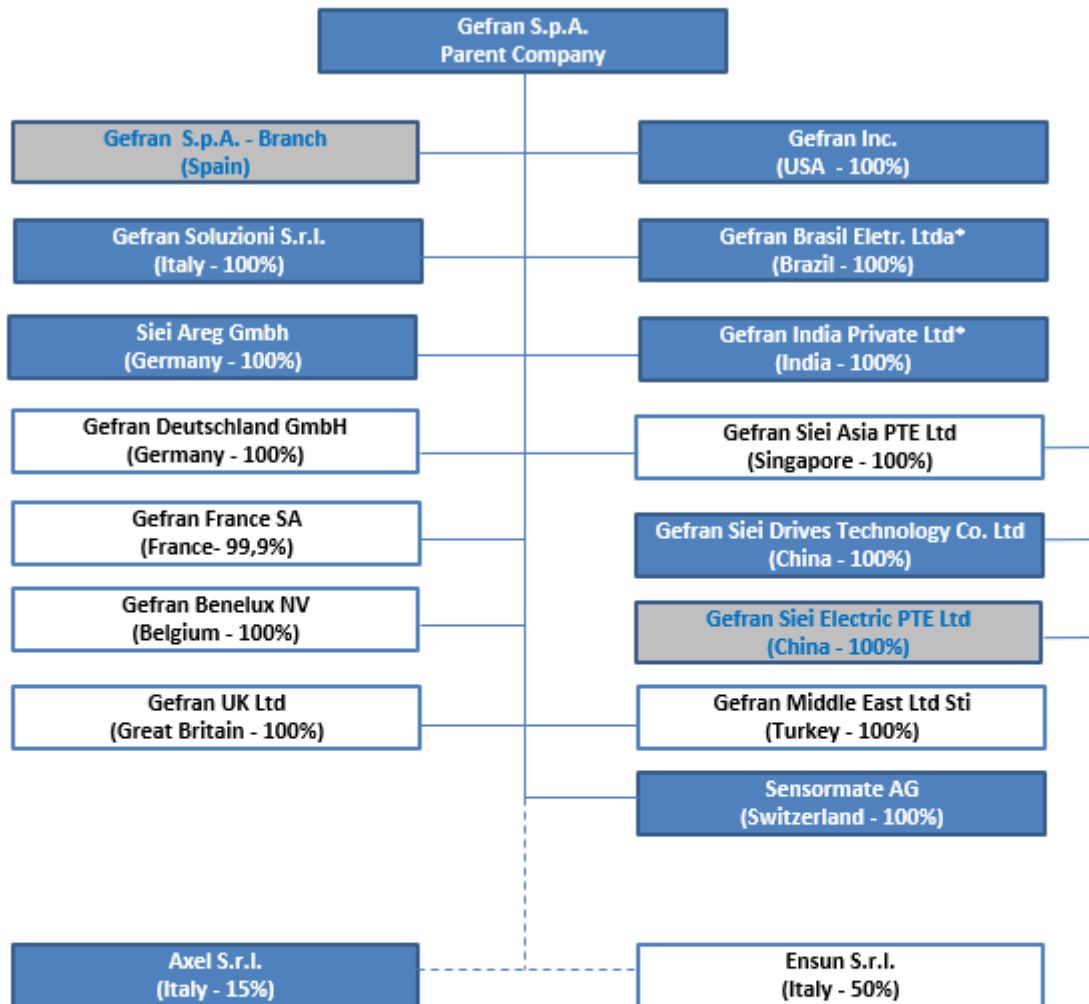
Specifically, the alternative indicators used in the notes to the income statement are:

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

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

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

### 3. STRUCTURE OF THE GEFRAN GROUP



Production unit

Commercial unit

Non operative unit

(\*) Gefran India and Gefran Brazil indirectly through Gefran UK

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

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

##### Group income statement highlights

<i>(EUR / 000)</i>	Q1 2018		Q1 2017	
Revenues	34,717	100.0%	32,278	100.0%
EBITDA	5,777	16.6%	4,296	13.3%
EBIT	4,251	12.2%	2,802	8.7%
Profit (loss) before tax	3,895	11.2%	2,559	7.9%
Result from operating activities	2,610	7.5%	1,808	5.6%
Profit (loss) from assets held for sale	(414)	-1.2%	0	0.0%
Group net profit (loss)	2,196	6.3%	1,808	5.6%

##### Group income statement highlights, excluding non-recurring items

<i>(EUR / 000)</i>	Q1 2018		Q1 2017	
Revenues	34,717	100.0%	32,278	100.0%
EBITDA	5,777	16.6%	4,617	14.3%
EBIT	4,251	12.2%	3,123	9.7%
Profit (loss) before tax	3,895	11.2%	2,880	8.9%
Result from operating activities	2,610	7.5%	2,129	6.6%
Profit (loss) from assets held for sale	(414)	-1.2%	0	0.0%
Group net profit (loss)	2,196	6.3%	2,129	6.6%

##### Group statement of financial position highlights

<i>(EUR / 000)</i>	31 March 2018	31 December 2017
Invested capital from operations	74,941	73,477
Net working capital	31,046	30,621
Shareholders' equity	71,861	69,911
Net financial position	(3,880)	(4,780)

<i>(EUR / 000)</i>	31 March 2018	31 March 2017
Operating cash flow	3,821	4,252
Investments	1,942	1,256



## 5. FINANCIAL STATEMENTS

### Statement of profit/(loss)

(EUR / 000)	cumulative 31 March	
	2018	2017
Revenues from product sales	34,570	32,144
<i>of which related parties:</i>	0	30
Other revenues and income	147	134
Increases for internal work	365	168
<b>TOTAL REVENUES</b>	<b>35,082</b>	<b>32,446</b>
Change in inventories	2,869	(300)
Costs of raw materials and accessories	(14,374)	(10,821)
Service costs	(5,744)	(5,346)
<i>of which related parties:</i>	(43)	(51)
Miscellaneous management costs	(267)	(238)
Other operating income	2	53
Personnel costs	(11,735)	(11,445)
<i>of which non-recurring:</i>	0	(321)
Impairment of trade and other receivables	(56)	(53)
Amortisation	(593)	(579)
Depreciation	(933)	(915)
<b>EBIT</b>	<b>4,251</b>	<b>2,802</b>
<i>of which non-recurring:</i>	0	(321)
Gains from financial assets	208	466
Losses from financial liabilities	(527)	(703)
(Losses) gains from shareholdings valued at equity	(37)	(6)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>3,895</b>	<b>2,559</b>
<i>of which non-recurring:</i>	0	(321)
Current taxes	(858)	(753)
Deferred taxes	(427)	2
<b>TOTAL TAXES</b>	<b>(1,285)</b>	<b>(751)</b>
<b>PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>2,610</b>	<b>1,808</b>
<i>of which non-recurring:</i>	0	(321)
Net profit (loss) from assets held for sale	(414)	0
<i>of which non-recurring:</i>	0	0
<b>NET PROFIT (LOSS) FOR THE YEAR</b>	<b>2,196</b>	<b>1,808</b>
<i>of which non-recurring:</i>	0	(321)
Attributable to:		
Group	2,196	1,808
Third parties	0	0

(Euro)	Earnings per share	cumulative 31 March	
		2018	2017
	Basic earnings per ordinary share	0.15	0.13
	Diluted earnings per ordinary share	0.15	0.13

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

<i>(EUR / 000)</i>	cumulative 31 March	
	2018	2017
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>2,196</b>	<b>1,808</b>
<b>Items that will not subsequently be reclassified in the statement of profit/(loss) for the period</b>		
- revaluation of employee benefits: IAS 19	0	0
- overall tax effect	0	0
<b>Items that will or could subsequently be reclassified in the statement of profit/(loss) for the period</b>		
- conversion of foreign companies' financial statements	(171)	(162)
- equity investments in other companies	(95)	238
- fair value of cash flow hedging derivatives	21	107
<b>Total changes, net of tax effect</b>	<b>(245)</b>	<b>183</b>
<b>Comprehensive result for the period</b>	<b>1,951</b>	<b>1,991</b>
Attributable to:		
Group	1,951	1,991
Third parties	0	0

## Statement of financial position

(EUR / 000)	31 March 2018	31 December 2017
<b>NON-CURRENT ASSETS</b>		
Goodwill	5,686	5,753
Intangible assets	6,595	6,852
Property, plant, machinery and tools	36,184	35,563
	<i>of which related parties:</i>	152
Shareholdings valued at equity	1,034	1,071
Equity investments in other companies	1,910	2,006
Receivables and other non-current assets	84	89
Deferred tax assets	8,121	8,567
Non-current financial assets	153	166
<b>TOTAL NON-CURRENT ASSETS</b>	<b>59,767</b>	<b>60,067</b>
<b>CURRENT ASSETS</b>		
Inventories	23,038	20,264
Trade receivables	30,966	29,386
	<i>of which related parties:</i>	-
Other receivables and assets	5,228	4,859
Current tax receivables	717	668
Cash and cash equivalents	23,530	24,006
Financial assets for derivatives	61	56
<b>TOTAL CURRENT ASSETS</b>	<b>83,540</b>	<b>79,239</b>
<b>ASSETS HELD FOR SALE</b>	<b>800</b>	<b>1,214</b>
<b>TOTAL ASSETS</b>	<b>144,107</b>	<b>140,520</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	14,400	14,400
Reserves	55,265	48,647
Profit/(loss) for the year	2,196	6,864
<b>Total Group Shareholders' Equity</b>	<b>71,861</b>	<b>69,911</b>
Shareholders' equity of minority interests	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>71,861</b>	<b>69,911</b>
<b>NON-CURRENT LIABILITIES</b>		
Non-current financial payables	12,435	13,933
Employee benefits	5,066	5,092
Non-current provisions	164	279
Deferred tax provisions	621	647
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>18,286</b>	<b>19,951</b>
<b>CURRENT LIABILITIES</b>		
Current financial payables	15,134	14,999
Trade payables	22,958	19,029
	<i>of which related parties:</i>	180
Financial liabilities for derivatives	55	76
Current provisions	1,407	1,473
Current tax payables	1,386	2,502
Other payables and liabilities	13,020	12,579
<b>TOTAL CURRENT LIABILITIES</b>	<b>53,960</b>	<b>50,658</b>
<b>TOTAL LIABILITIES</b>	<b>72,246</b>	<b>70,609</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>144,107</b>	<b>140,520</b>

## Consolidated cash flow statement

(EUR / 000)	31 March 2018	31 March 2017
<b>A) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	<b>24,006</b>	<b>20,477</b>
<b>B) CASH FLOW GENERATED BY (USED IN) OPERATIONS IN THE PERIOD:</b>		
Net profit (loss) for the period	2,196	1,808
Depreciation/amortisation	1,526	1,494
Capital (gains) losses on the sale of non-current assets	4	(36)
Capital (gains) losses on the sale of assets held for sale	414	0
Net result from financial operations	356	243
Taxes	858	753
Change in provisions for risks and future liabilities	(206)	(450)
Change in other assets and liabilities	(1,108)	(2,049)
Change in deferred taxes	435	(4)
Change in trade receivables	(1,729)	448
	<i>of which related parties:</i>	<i>55</i>
Change in inventories	(2,869)	301
Change in trade payables	3,944	1,744
	<i>of which related parties:</i>	<i>90</i>
<b>TOTAL</b>	<b>3,821</b>	<b>4,252</b>
<b>C) CASH FLOW GENERATED BY (USED IN) INVESTMENT ACTIVITIES</b>		
Investments in:		
- Property, plant & equipment and intangible assets	(1,943)	(1,256)
	<i>of which related parties:</i>	<i>(152)</i>
- Equity investments and securities	1	0
- Acquisitions net of acquired cash	0	0
- Financial receivables	5	(8)
Disposal of non-current assets	29	36
<b>TOTAL</b>	<b>(1,908)</b>	<b>(1,228)</b>
<b>D) FREE CASH FLOW (B+C)</b>	<b>1,913</b>	<b>3,024</b>
<b>E) CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES</b>		
New financial payables	0	0
Repayment of financial payables	(1,682)	(2,553)
Increase (decrease) in current financial payables	2,000	(821)
Taxes paid	(1,995)	(313)
Interest (paid)	(92)	(169)
Interest (received)	70	27
Sale of own shares	0	1,127
Change in shareholders' equity reserves	(605)	(17)
Dividends paid	0	0
<b>TOTAL</b>	<b>(2,304)</b>	<b>(2,719)</b>
<b>F) CASH FLOW FROM CONTINUING OPERATIONS (D+E)</b>	<b>(391)</b>	<b>305</b>
<b>G CASH FLOW FROM OPERATING ASSETS HELD FOR SALE</b>	<b>-</b>	<b>-</b>
H) Exchange rate translation differences on cash at hand	(85)	(82)
<b>I) NET CHANGE IN CASH AT HAND (F+G+H)</b>	<b>(476)</b>	<b>223</b>
<b>J) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+I)</b>	<b>23,530</b>	<b>20,700</b>

## Statement of changes in shareholders' equity

(EUR / 000)	Share capital	Capital reserves	Consolidation reserve	Other reserves	Retained profit / (loss)	overall EC reserves			Profit / (loss) for the year	Group Total shareholders' equity	Shareholders' equity of minority interests	Total shareholders' equity
						Fair value measurement reserve	Currency translation reserve	Other reserves				
Balances at 1 January 2017	14,400	21,926	11,022	9,555	1,706	(65)	5,076	(661)	3,948	66,908	0	66,908
Allocation of 2016 profit												
- Other reserves and provisions			(4,094)	0	8,042				(3,948)	0		0
- Dividends					(3,600)					(3,600)		(3,600)
Income/(expenses) recognised at equity			1,278			254		110		1,642		1,642
Change in translation reserve							(1,951)	0	0	(1,951)		(1,951)
Other changes			(1,235)	696	587					48		48
2016 profit									6,864	6,864		6,864
Balances at 31 December 2017	14,400	21,926	6,971	10,251	6,735	189	3,125	(551)	6,864	69,911	0	69,911
Allocation of 2017 profit												
- Other reserves and provisions			(1,584)	0	8,448				(6,864)	0		0
- Dividends					0					0		0
Income/(expenses) recognised at equity			0			(74)		0		(74)		(74)
Change in translation reserve							(171)	0	0	(171)		(171)
Other changes			1	(2)						(1)		(1)
2017 profit									2,196	2,196		2,196
Balances at 31 March 2018	14,400	21,926	5,388	10,249	15,183	115	2,954	(551)	2,196	71,861	0	71,861

## 6. GROUP PERFORMANCE IN THE FIRST QUARTER OF 2018

(EUR / 000)	Q1 2018			Q1 2017			Changes 2018-2017	
	Excl. non rec.	Incl. non rec.	Total	Excl. non rec.	Incl. non rec.	Total	Value Excl. non rec.	%
a Revenues	34,717	0	34,717	32,278	0	32,278	2,439	7.6%
b Increases for internal work	365		365	168		168	197	117.3%
c Consumption of materials and products	11,505		11,505	11,121		11,121	384	3.5%
d Added value (a+b-c)	23,577	0	23,577	21,325	0	21,325	2,252	10.6%
e Other operating costs	6,065		6,065	5,584		5,584	481	8.6%
f Personnel costs	11,735	0	11,735	11,124	(321)	11,445	611	5.5%
g EBITDA (d-e-f)	5,777	0	5,777	4,617	321	4,296	1,160	25.1%
h Depreciation, amortisation and impairment	1,526		1,526	1,494		1,494	32	2.1%
i EBIT (g-h)	4,251	0	4,251	3,123	321	2,802	1,128	36.1%
l Gains (losses) from financial assets/liabilities	(319)		(319)	(237)		(237)	(82)	34.6%
m Gains (losses) from shareholdings valued at equity	(37)		(37)	(6)		(6)	(31)	516.7%
n Profit (loss) before tax (i±l±m)	3,895	0	3,895	2,880	321	2,559	1,015	35.2%
o Taxes	(1,285)		(1,285)	(751)		(751)	(534)	71.1%
p Result from operating activities (n±o)	2,610	0	2,610	2,129	321	1,808	481	22.6%
q Profit (loss) from assets held for sale	(414)		(414)	0		0	(414)	
r Group net profit (loss) (p±q)	2,196	0	2,196	2,129	321	1,808	67	3.1%

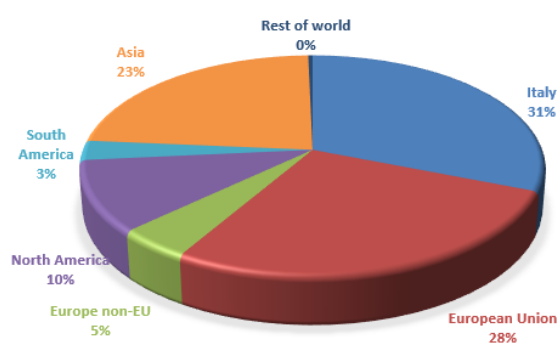
**Revenues** for the first quarter of 2018 were EUR 34,717 thousand, an increase of EUR 2,439 thousand or 7.6% on the same period in 2017, mainly thanks to the positive results recorded in the Italian and Asian markets, driven by the excellent performance of the plastics market.

The growth is also confirmed by the new orders in the first quarter of 2018, with an overall increase on the same period of 2017 (+5.5%).

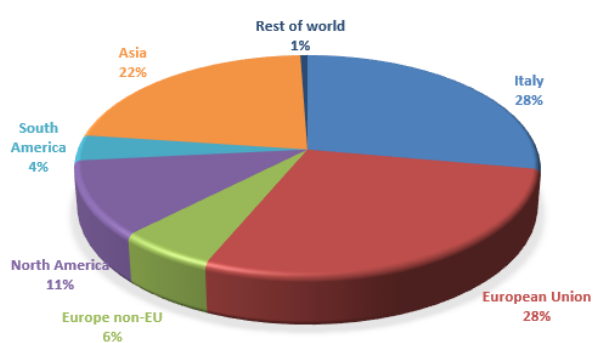
The following table shows revenues by the Group's key geographical regions:

(EUR / 000)	Q1 2018		Q1 2017		Changes 2018-2017	
	value	%	value	%	value	%
Italy	10,753	31.0%	8,981	27.8%	1,772	19.7%
European Union	9,554	27.5%	9,206	28.5%	348	3.8%
Europe non-EU	1,576	4.5%	1,948	6.0%	(372)	-19.1%
North America	3,634	10.5%	3,555	11.0%	79	2.2%
South America	996	2.9%	1,209	3.7%	(213)	-17.6%
Asia	8,083	23.3%	7,196	22.3%	887	12.3%
Rest of the World	121	0.3%	183	0.6%	(62)	-33.9%
<b>Total</b>	<b>34,717</b>	<b>100%</b>	<b>32,278</b>	<b>100%</b>	<b>2,439</b>	<b>7.6%</b>

## REVENUES 1Q 2018



## REVENUES 1Q 2017



The division by **geographical region** sees double-figure growth compared with the first quarter of 2017, in Italy (+19.7%) and in Asia (+12.3%); however, there was a contraction in the American market, especially in South America (-17.6%), which was affected by exchange rates. Non-EU Europe saw a fall (-19.1%), offset by the increase in revenues in the EU region (+3.8%).

The breakdown of business revenue for the first quarter of 2018 and the comparison with the same period of the previous year is as follows:

(EUR / 000)	Q1 2018		Q1 2017		Changes 2018-2017	
	value	%	value	%	value	%
Sensors	16,131	46.5%	14,724	45.6%	1,407	9.6%
Automation Components	10,060	29.0%	9,305	28.8%	755	8.1%
Motion Control	9,861	28.4%	9,222	28.6%	639	6.9%
Eliminations	(1,335)	-3.8%	(973)	-3.0%	(362)	37.2%
<b>Total</b>	<b>34,717</b>	<b>100%</b>	<b>32,278</b>	<b>100%</b>	<b>2,439</b>	<b>8%</b>

The breakdown of **revenues by business area** shows growth on the same period in 2017 in all business areas: EUR 1,407 thousand (+9.6%) for sensors, EUR 755 thousand (+8.1%) for automation components and EUR 639 thousand (+6.9%) for motion control.

**Increases for internal work** at 31 March 2018 came to EUR 365 thousand, compared with EUR 168 thousand at 31 March 2017. The item mainly includes the share of development costs incurred in the period and capitalised (EUR 255 thousand) and the internal production of equipment for new production lines (EUR 110 thousand).

**Added value** for the first quarter of 2018 was EUR 23,577 thousand (EUR 21,325 thousand at 31 March 2017), equivalent to 67.9% of revenues (66.1% in the same period in 2017). The rise of EUR 2,252 thousand on the first quarter of the previous year was achieved as a result of an increase in volumes of EUR 1,683 thousand and a reduction in provisions for inventory write-down of EUR 454 thousand, and an increase in capitalised costs of EUR 197 thousand, as described in the previous paragraph.

**Other operating costs** in the first quarter of 2018 amounted to EUR 6,065 thousand, an increase in absolute value on the value at 31 March 2017, when they were EUR 5,584 thousand. They have stayed at the same percentage of revenues (17.5% in the first quarter of 2018 and 17.3% in the first quarter of 2017).

**Personnel costs** in the first quarter of 2018 amounted to EUR 11,735 thousand (33.8% of revenues), compared with EUR 11,445 thousand in the same period of the previous year (35.5% of revenues), an increase of EUR 290 thousand, relating to new employees joining the Group.

The increase in operating costs and personnel costs reflects the investments in projects to support growth under the three-year plan.

**EBITDA** for the first quarter of 2018 was positive at EUR 5,777 thousand (EUR 4,296 thousand for the same period in 2017) and amounted to 16.6% of revenues (13.3% in 2017), an increase over the first quarter of 2017 of EUR 1,481 thousand in absolute value and 3.3 percentage points. The growth is primarily attributable to the improvement of added value, obtained thanks to the growth of volumes, as described above.

**EBIT** for the first quarter of 2018 was positive at EUR 4,251 thousand (12.2% of revenues), compared with EUR 2,802 thousand in March 2017 (8.7% of revenues), an increase of EUR 1,449 thousand in absolute value and 3.5 percentage points. The EBIT performance mirrored the dynamics of the EBITDA performance.

**Charges from financial assets/liabilities** in the first quarter of 2018 were EUR 319 thousand (EUR 237 thousand at 31 March 2017) and include:

- financial income of EUR 70 thousand (EUR 27 thousand at 31 March 2017);
- financial charges, mainly relating to Group debt of EUR 83 thousand (EUR 164 thousand in the same period in 2017), down thanks to the downsizing of medium-/long-term financial debt, and to the reduction in average spreads on the loans;
- negative differences on currency transactions of EUR 306 thousand, compared with the also negative figure of EUR 100 thousand in the first quarter of 2017;

**Losses from shareholdings valued at equity** were EUR 37 thousand (EUR 6 thousand in the first quarter of 2017). This change mainly relates to the pro-rata result of the Ensun S.r.l. Group.

Current and deferred **tax** assets and liabilities were negative and totalled EUR 1,285 thousand, compared with an also negative figure of EUR 751 thousand in the same period in 2017. They comprise negative current taxes of EUR 858 thousand, an increase of EUR 105 thousand on the first quarter of 2017, and negative deferred taxes amounting to EUR 427 thousand (positive and equal to EUR 2 thousand in the first quarter of 2017) mainly arising from the release of deferred tax assets.

**Result from operating activities** in the first quarter of 2018 was EUR 2,610 thousand, compared to a profit of EUR 1,808 thousand in the same period of 2017, an improvement of EUR 802 thousand.

The **loss from assets held for sale** for the first quarter of 2018 was EUR 414 thousand; it relates to the adjustment of the amount of assets held for sale relating to the know-how of the photovoltaic business to their estimated realisable value. This figure compares to no profit or loss in the same period of 2017.

**Group net profit** in the first quarter of 2018 was EUR 2,196 thousand, compared with a profit of EUR 1,808 thousand in the first quarter of 2017, an improvement of EUR 388 thousand.



## 7. RECLASSIFIED CONSOLIDATED FINANCIAL POSITION AT 31 March 2018

The Gefran Group's reclassified consolidated balance sheet at 31 March 2018 is shown below.

GEFRAN GROUP (EUR / 000)	31 March 2018		31 December 2017	
	value	%	value	%
Intangible assets	12,281	16.2	12,605	16.9
Tangible assets	36,184	47.8	35,563	47.6
Other non-current assets	11,149	14.7	11,733	15.7
<b>Net non-current assets</b>	<b>59,614</b>	<b>78.7</b>	<b>59,901</b>	<b>80.2</b>
Inventories	23,038	30.4	20,264	27.1
Trade receivables	30,966	40.9	29,386	39.3
Trade payables	(22,958)	(30.3)	(19,029)	(25.5)
Other assets/liabilities	(8,461)	(11.2)	(9,554)	(12.8)
<b>Working capital</b>	<b>22,585</b>	<b>29.8</b>	<b>21,067</b>	<b>28.2</b>
Provisions for risks and future liabilities	(1,571)	(2.1)	(1,752)	(2.3)
Deferred tax provisions	(621)	(0.8)	(647)	(0.9)
Employee benefits	(5,066)	(6.7)	(5,092)	(6.8)
<b>Invested capital from operations</b>	<b>74,941</b>	<b>98.9</b>	<b>73,477</b>	<b>98.4</b>
<b>Invested capital from assets held for sale</b>	<b>800</b>	<b>1.1</b>	<b>1,214</b>	<b>1.6</b>
<b>Net invested capital</b>	<b>75,741</b>	<b>100.0</b>	<b>74,691</b>	<b>100.0</b>
<b>Shareholders' equity</b>	<b>71,861</b>	<b>94.9</b>	<b>69,911</b>	<b>93.6</b>
Non-current financial payables	12,435	16.4	13,933	18.7
Current financial payables	15,134	20.0	14,999	20.1
Financial liabilities for derivatives	55	0.1	76	0.1
Financial assets for derivatives	(61)	(0.1)	(56)	(0.1)
Non-current financial assets	(153)	(0.2)	(166)	(0.2)
Cash and cash equivalents and current financial receivables	(23,530)	(31.1)	(24,006)	(32.1)
<b>Net debt relating to operations</b>	<b>3,880</b>	<b>5.1</b>	<b>4,780</b>	<b>6.4</b>
<b>Total sources of financing</b>	<b>75,741</b>	<b>100.0</b>	<b>74,691</b>	<b>100.0</b>

Net **non-current assets** at 31 March 2018 were EUR 59,614 thousand, compared with EUR 59,901 thousand at 31 December 2017. The main changes were as follows:

- intangible assets registered an overall decrease of EUR 324 thousand. This includes increases for new investments (EUR 80 thousand) and the capitalisation of development costs (EUR 255 thousand), as well as decreases due to amortisation for the period (EUR 593 thousand) and the negative effect of exchange rate differences on goodwill and other intangible assets (EUR 66 thousand);
- tangible assets increased by EUR 621 thousand compared with 31 December 2017. Investments in the first quarter of 2018 amounted to EUR 1,607 thousand, partially offset by depreciation of EUR 933 thousand, plus net decreases for disposals (EUR 33 thousand) and negative exchange rate differences (EUR 20 thousand);

- other non-current assets totalled EUR 11,149 thousand at 31 March 2018 (EUR 11,733 thousand at 31 December 2017), a decrease of EUR 584 thousand. This change is mainly attributable to the reduction in deferred tax assets of EUR 446 thousand.

**Working capital** was EUR 22,585 thousand at 31 March 2018, compared with EUR 21,067 thousand at 31 December 2017, an overall increase of EUR 1,518 thousand. The main changes were as follows:

- Inventories fell from EUR 20,264 thousand at 31 December 2017 to EUR 23,038 thousand at 31 March 2018. The increase of EUR 2,774 thousand is mainly attributable to the increase in stocks of raw materials to cope with temporary sourcing difficulties and the resulting lengthening of delivery times by electronic material suppliers, and to the increase in finished product inventory to respond to customers' requirements better;
- Trade receivables totalled EUR 30,966 thousand, an increase of EUR 1,580 thousand compared to 31 December 2017, mainly due to the increase in revenues;
- Trade payables amounted to EUR 22,958 thousand, an increase of EUR 3,929 thousand on 31 December 2017, reflecting the increase in purchases both of material for inventory stocks and for technical investments;
- Other net assets and liabilities were negative at EUR 8,461 thousand at 31 March 2018, down by EUR 1,093 thousand compared to 31 December 2017, when they amounted to EUR 9,554 thousand. They include payables to employees and social security institutions for March and receivables and payables for direct and indirect taxes. The reduction relates to the payment of foreign taxes for previous years.

**Provisions for risks and future liabilities** were EUR 1,571 thousand, a decrease of EUR 181 thousand from 31 December 2017. These include provisions for legal disputes in progress and miscellaneous risks. The change relates to the use of provisions made in previous years, for personnel restructuring and post-employment benefits, by the German subsidiaries.

**Employee benefits** amounted to EUR 5,066 thousand, in line with the value at 31 December 2017, when they amounted to EUR 5,092 thousand.

**Shareholders' equity** at 31 March 2018 was EUR 71,861 thousand, compared with EUR 69,911 thousand at 31 December 2017. The increase is mainly due to the profit for the period of EUR 2,196 thousand.

**Invested capital from assets held for sale** at 31 March 2018 amounted to EUR 800 thousand, compared with EUR 1,214 thousand at 31 December 2017. It includes the know-how of the photovoltaic business and the change relates to the adjustment to the estimated realisable value of the assets in question.

The **net financial position** at 31 March 2018 was negative at EUR 3,880 thousand, an improvement of EUR 900 thousand compared with 31 December 2017. It breaks down as follows:

(EUR / 000)	31 March 2018	31 December 2017	Changes
Cash and cash equivalents and current financial receivables	23,530	24,006	(476)
Current financial payables	(15,134)	(14,999)	(135)
Financial liabilities for derivatives	(55)	(76)	21
Financial assets for derivatives	61	56	5
<b>(Debt)/short-term cash and cash equivalents</b>	<b>8,402</b>	<b>8,987</b>	<b>(585)</b>
Non-current financial assets	153	166	(13)
Non-current financial payables	(12,435)	(13,933)	1,498
<b>(Debt)/medium-/long-term cash and cash equivalents</b>	<b>(12,282)</b>	<b>(13,767)</b>	<b>1,485</b>
<b>Net financial position</b>	<b>(3,880)</b>	<b>(4,780)</b>	<b>900</b>

The following table show the composition of the net debt by maturity:

(EUR / 000)	31 March 2018	31 December 2017	Changes
A. Cash on hand	24	34	(10)
B. Cash in bank deposits	23,506	23,972	(466)
<b>C. Cash and cash equivalents (A+B)</b>	<b>23,530</b>	<b>24,006</b>	<b>(476)</b>
Financial liabilities for derivatives	(55)	(76)	21
Financial assets for derivatives	61	56	5
D. Fair value of hedging derivatives	6	(20)	26
E. Current portion of long-term debt	(9,278)	(9,462)	184
F. Other current financial payables	(5,856)	(5,537)	(319)
<b>G. Total current financial payables (E+F)</b>	<b>(15,134)</b>	<b>(14,999)</b>	<b>(135)</b>
<b>H. Total current payables (D+G)</b>	<b>(15,128)</b>	<b>(15,019)</b>	<b>(109)</b>
<b>I. Net current financial debt (H+C)</b>	<b>8,402</b>	<b>8,987</b>	<b>(585)</b>
<b>J. Non-current financial assets</b>	<b>153</b>	<b>166</b>	<b>(13)</b>
<b>L. Non-current financial debt</b>	<b>(12,435)</b>	<b>(13,933)</b>	<b>1,498</b>
<b>M. Net financial debt (I+J+N)</b>	<b>(3,880)</b>	<b>(4,780)</b>	<b>900</b>
<i>of which to minorities:</i>	<i>(3,880)</i>	<i>(4,780)</i>	<i>900</i>

Net financial debt comprises short-term cash and cash equivalents of EUR 8,402 thousand and medium-/long-term debt of EUR 12,282 thousand.

No new loans were taken out during the first quarter of 2018, whereas EUR 1,682 thousand was repaid.

The change in net financial position was mainly due to positive cash flows from ordinary operations (EUR 3,821 thousand), partly mitigated by the technical investments (EUR 1,908 thousand).

## 8. CONSOLIDATED CASH FLOW STATEMENT AT 31 March 2018

The Gefran Group consolidated cash flow statement as at 31 March 2018 shows a negative net change in cash at hand of EUR 476 thousand, compared to a positive change of EUR 223 thousand for the first quarter of 2017. The change was as follows:

<i>(EUR / 000)</i>	<b>31 March 2018</b>	<b>31 March 2017</b>
A) Cash and cash equivalents at the start of the period	24,006	20,477
B) Cash flow generated by (used in) operations in the period:	3,821	4,252
C) Cash flow generated by (used in) investment activities	(1,908)	(1,228)
D) Free cash flow (B+C)	1,913	3,024
E) Cash flow generated by (used in) financing activities	(2,304)	(2,719)
F) Cash flow from continuing operations (D+E)	(391)	305
G) Cash flow from assets held for sale	0	0
H) Exchange rate translation differences on cash at hand	(85)	(82)
I) Net change in cash at hand (F+G+H)	(476)	223
J) Cash and cash equivalents at the end of the period (A+I)	23,530	20,700

Cash flow from operations in the period had a positive balance of EUR 3,821 thousand; specifically, operations in the first three months of the year, net of the effect of provisions, amortisation and depreciation and financial items, generated cash of EUR 4,475 thousand (EUR 1,759 at 31 March 2017), while the decrease in working capital in the same period generated a negative cash flow of EUR 654 thousand (positive at EUR 2,493 thousand in 2017).

Technical investments amounted to EUR 1,908 thousand overall, an increase of EUR 680 thousand compared to EUR 1,228 thousand in the first quarter of 2017.

Free cash flow (operating cash flow excluding investment activities) was positive at EUR 1,913 thousand, compared with an again positive figure of EUR 3,024 thousand in the first quarter of the previous year, a decrease therefore of EUR 1,111 thousand mainly due to the additional investments made and the performance of working capital.

Financing activities absorbed cash amounting to EUR 2,304 thousand, principally due to repayment of instalments due on outstanding loans (EUR 1,682 thousand), and the payment of taxes (EUR 1,995 thousand, of which EUR 1,796 thousand was for foreign taxes for previous years), partly offset by the increase in short-term financial debt (EUR 2,000 thousand).

However, during the first quarter of 2017, loans absorbed EUR 2,719 thousand in resources overall, for the repayment of loan instalments falling due (EUR 2,553 thousand) and for the reduction in short-term financial liabilities (EUR 821 thousand), offset by the amount received following the sale of own shares in the portfolio (EUR 1,127 thousand).

## 9. INVESTMENTS

Gross technical **investments** made in the first quarter of 2018 amounted to EUR 1,942 thousand (EUR 1,256 thousand in the first quarter of 2017), and related to:

- investments in production and laboratory plant and equipment of EUR 496 thousand in the Parent Company's Italian factories, of EUR 307 thousand in the Chinese factory and EUR 50 thousand in the factories of other Group subsidiaries;
- investments to upgrade the industrial buildings of the Parent Company, amounting to EUR 413 thousand;
- investments related to the renewal of electronic office machines and IT system equipment in the Parent Company amounting to EUR 254 thousand and EUR 51 thousand in the Group's subsidiaries;
- investments in miscellaneous equipment in the Group's subsidiaries amounting to EUR 36 thousand;
- capitalisation of costs incurred in the period for new product development, totalling EUR 255 thousand;
- other investments in intangible assets totalling EUR 80 thousand, for management software licences and SAP ERP development.

The investments are summarised below by type:

<i>(EUR / 000)</i>	<b>at 31 March 2018</b>	<b>at 31 March 2017</b>
Intangible assets	335	219
Tangible assets	1,607	1,037
<b>Total</b>	<b>1,942</b>	<b>1,256</b>

The investments are summarised by business area below:

<i>(EUR / 000)</i>	<b>Sensors</b>	<b>Components</b>	<b>Motion Control</b>	<b>Total</b>
Intangible assets	56	151	128	335
Tangible assets	828	307	472	1,607
<b>Total</b>	<b>884</b>	<b>458</b>	<b>600</b>	<b>1,942</b>

The investments are summarised below in accordance with the geographical region:

Geographical region	31 March 2018		31 March 2017	
	intangible assets and goodwill	tangible assets	intangible assets and goodwill	tangible assets
<i>(EUR / 000)</i>				
Italy	329	1,187	214	1,004
European Union	6	21	0	9
Europe non-EU	0	38	0	5
North America	0	0	0	4
South America	0	43	0	11
Asia	0	318	4	3
Rest of the World	0	0	1	1
<b>Total</b>	<b>335</b>	<b>1,607</b>	<b>219</b>	<b>1,037</b>

## 10. ASSETS HELD FOR SALE

Operating assets held for sale include the assets related to the know-how of the photovoltaic business.

The economic impacts specifically attributable to this business recorded in the first quarter of 2018 relate to adjusting the amount of these assets to the estimated realisable value.

## 11. RESULTS BY BUSINESS AREA

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

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

- the business represents the sum of revenues and related costs of the Parent Company Gefran S.p.A. and of the Group subsidiaries;
- the figures for each business are provided gross of internal trade between different businesses;
- the central operations costs, which pertain to Gefran S.p.A., are fully allocated to the businesses, where possible, and quantified according to actual use; they are otherwise divided according to economic-technical criteria.

## 11.1. SENSORS

### Summary results

The table below shows the key economic figures.

<i>(EUR / 000)</i>	31 March 2018	31 March 2017	Changes 2018 - 2017	
			value	%
Revenues	<b>16,131</b>	<b>14,724</b>	1,407	9.6%
EBITDA	<b>5,238</b>	<b>3,771</b>	1,467	38.9%
<i>% of revenues</i>	<i>32.5%</i>	<i>25.6%</i>		
EBIT	<b>4,647</b>	<b>3,186</b>	1,461	45.8%
<i>% of revenues</i>	<i>28.8%</i>	<i>21.6%</i>		

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

<i>(EUR / 000)</i>	31 March 2018		31 March 2017		Changes 2018 - 2017	
	value	%	value	%	value	%
Italy	3,750	23.2%	2,945	20.0%	805	27.3%
Europe	5,700	35.3%	5,173	35.1%	527	10.2%
America	2,628	16.3%	2,631	17.9%	(3)	-0.1%
Asia	4,007	24.8%	3,922	26.6%	85	2.2%
Rest of the World	46	0.3%	53	0.4%	(7)	-13.2%
<b>Total</b>	<b>16,131</b>	<b>100%</b>	<b>14,724</b>	<b>100%</b>	<b>1,407</b>	<b>9.6%</b>

### Business performance

Business revenues at 31 March 2018 were EUR 16,131 thousand, an increase of EUR 1,407 thousand (9.6%) compared with the first quarter of 2017. Increases were recorded in all the key geographical regions.

New orders in the first quarter of 2018, amounting to EUR 17,141 thousand, showed an increase on the same period in 2017 (+4.8%) when they amounted to EUR 16,361 thousand; the backlog at the end of the first quarter of 2018 grew compared with the same period of 2017 by around 5.2% and compared with the end of 2017 by around 12.8%.

EBITDA at 31 March 2018 was EUR 5,238 thousand, an increase of EUR 1,467 thousand (+38.9%) on the first quarter of 2017, when it was EUR 3,771 thousand. The improvement in EBITDA can be attributed to the increase in volumes and higher margins, only partially offset by the increase in management costs, following the investments made to support growth.

EBIT at 31 March 2018 was EUR 4,647 thousand, equal to 28.8% of revenues, compared with EUR 3,186 thousand in the same period of 2017 (21.6% of revenues), a positive change of EUR 1,461 thousand (+45.8%).

### Investments

Group investments in the sensors business in the first quarter of 2018 amounted to EUR 884 thousand and included EUR 56 thousand of investments in intangible assets.

Investments in tangible assets amounted overall to EUR 828 thousand, of which EUR 450 thousand were in the Parent Company, mainly for the purchase of production equipment to increase production capacity and efficiency (EUR 279 thousand), and for upgrading buildings (EUR 97 thousand), and EUR 378 thousand in the Group's subsidiaries, mostly related to the installation of new production lines or the expansion of existing lines (EUR 340 thousand).

## 11.2. AUTOMATION COMPONENTS

### Summary results

The table below shows the key economic figures.

(EUR / 000)	31 March 2018	31 March 2017	Changes 2018-2017	
			value	%
Revenues	10,060	9,305	755	8.1%
EBITDA	1,233	896	337	37.6%
<i>% of revenues</i>	12.3%	9.6%		
EBIT	742	448	294	65.6%
<i>% of revenues</i>	7.4%	4.8%		

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

(EUR / 000)	31 March 2018		31 March 2017		Changes 2018-2017	
	value	%	value	%	value	%
Italy	4,878	48.5%	4,182	44.9%	696	16.6%
Europe	3,143	31.2%	2,783	29.9%	360	12.9%
America	962	9.6%	1,111	11.9%	(149)	-13.4%
Asia	1,012	10.1%	1,200	12.9%	(188)	-15.7%
Rest of the World	65	0.6%	29	0.3%	36	124.1%
<b>Total</b>	<b>10,060</b>	<b>100%</b>	<b>9,305</b>	<b>100%</b>	<b>755</b>	<b>8.1%</b>

### Business performance

Revenues totalled EUR 10,060 thousand at 31 March 2018, up 8.1% compared with the first quarter of 2017. The improvement was due to the increase in revenues on the Italian and European markets (+16.6% and +12.9% respectively compared with the first quarter of 2017), only partially offset by the contraction recorded in America and in Asia.

New orders at 31 March 2018, amounting to EUR 9,420 thousand, were in line with the same period of the previous year (+2.1%), whereas the backlog, amounting to EUR 4,704 thousand, was up on the figure for the first quarter of 2017 (+16.5%), and on the figure for the end of 2017 (+10.7%).

EBITDA at 31 March 2018 was positive at EUR 1,233 thousand (12.3% of revenues), up by EUR 337 thousand compared with 31 March 2017 (+37.6%). This growth was possible due to greater sales volumes and the higher added value, so that the increase in management costs could be absorbed.



EBIT was positive and amounted to EUR 742 thousand, an improvement on the same period of the previous year of EUR 294 thousand (+65.6%).

## Investments

Investments totalled EUR 458 thousand in the first quarter of 2018.

Investments in intangible assets amounted to EUR 151 thousand, of which EUR 121 thousand were to capitalise development costs of the new range of regulators and power controllers.

The business's investments in tangible assets amounted to EUR 307 thousand and were mostly made in the Italian plants (EUR 253 thousand overall), in particular for completing the more highly automated production lines, a project started in 2017, and for installing new lines for the new product ranges, and for upgrading the buildings.

## 11.3. MOTION CONTROL

### Summary results

The table below shows the key economic figures.

(EUR / 000)	31 March 2018	31 March 2017	Changes 2018-2017	
			value	%
Revenues	9,861	9,222	639	6.9%
EBITDA	(694)	(371)	(323)	86.9%
<i>% of revenues</i>	<i>-7.0%</i>	<i>-4.0%</i>		
EBIT	(1,138)	(832)	(306)	36.7%
<i>% of revenues</i>	<i>-11.5%</i>	<i>-9.0%</i>		

The breakdown of revenues by geographical region is as follows:

(EUR / 000)	31 March 2018		31 March 2017		Changes 2018-2017	
	value	%	value	%	value	%
Italy	3,239	32.8%	2,753	29.9%	486	17.7%
Europe	2,473	25.1%	3,259	35.3%	(786)	-24.1%
America	1,062	10.8%	1,023	11.1%	39	3.8%
Asia	3,079	31.2%	2,087	22.6%	992	47.5%
Rest of the World	8	0.1%	100	1.1%	(92)	-92.0%
<b>Total</b>	<b>9,861</b>	<b>100%</b>	<b>9,222</b>	<b>100%</b>	<b>639</b>	<b>6.9%</b>

### Business performance

Revenues totalled EUR 9,861 thousand at 31 March 2018, up EUR 639 thousand (+6.9%) compared with the same period in 2017; Growth was concentrated in the Asia (+47.5%) and Italy (+17.7%) regions, mainly thanks to custom products, whereas sales in Europe fell (-24.1%).

At 31 March 2018 there was a negative EBITDA of EUR 694 thousand (7% of revenues), a decrease (EUR 323 thousand) compared with the figure for the same period in 2017, when it was negative and amounted to EUR 371 thousand. The growth in revenues compared with the first quarter of 2017 was not enough to recover the loss of added value, due to the unfavourable mix of products sold and to the higher provision made for inventory write-downs during the period.

At 31 March 2018 there was a negative EBIT of EUR 1,138 thousand, compared with a negative EBIT of EUR 832 thousand in the same period of 2017, a decrease of EUR 306 thousand.

### Investments

Investments totalled EUR 600 thousand in the first quarter of 2018.

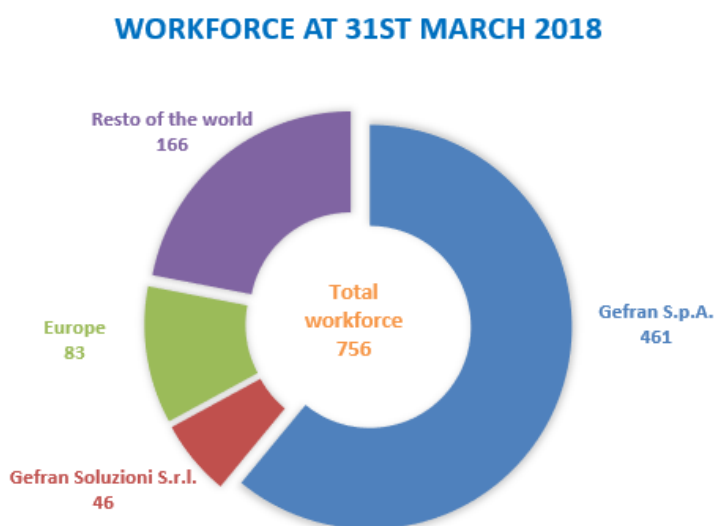
Technical investments amounted to EUR 472 thousand and were mainly for the installation of new assembly lines and upgrades to the Gerenzano plant.

The increases in intangible assets amounted to EUR 128 thousand and mainly concerned the capitalisation of development costs (EUR 107 thousand), relating to new products for the industrial sector and the lifting sector.

## 12. HUMAN RESOURCES

At 31 March 2018, the Group's workforce numbered 756, an increase of 31 on the end of the first quarter of 2017, and of 26 compared with December 2017. This change marks an overall turnover rate within the Group of 6.5%, which breaks down as follows:

- 37 people joined the Group, including 11 manual workers and 26 clerical staff;
- 11 people left the Group, including 3 manual workers and 8 clerical staff.



## 13. SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2018

Nothing to report

#### 14. SIGNIFICANT EVENTS FOLLOWING THE END OF THE FIRST QUARTER OF 2018

- On 24 April 2018, the Ordinary Shareholders' Meeting of Gefran S.p.A. voted to:
  - o Approve the Financial Statements for the financial year 2017 and distribute a dividend of EUR 0.35 per share;
  - o Appoint the following as members of the Board of Statutory Auditors for the three-year period 2018–2020: Marco Gregorini (Chairman), Roberta Dell'Apa and Primo Ceppellini;
  - o Appoint Ennio Franceschetti as Honorary Chairman;
  - o Authorise the Board of Directors to purchase up to a maximum of 1,440,000 own shares for a period of 18 months from the date of the Shareholders' Meeting.
  
- The shareholders also expressed a favourable opinion of the general Group remuneration policy adopted by Gefran, pursuant to Article 123-ter of the TUF.
  
- The Gefran S.p.A. Board of Directors, meeting at the end of the annual meeting, appointed Maria Chiara Franceschetti as Chairman of the Board of Directors and Giovanna Franceschetti and Andrea Franceschetti as Vice Chairmen. Alberto Bartoli continues as the Group's Managing Director.
  
- From 2 May the Engineer Christian Pampallona joined Gefran Group and took over the general management of the Motion Control Business Unit.

#### 15. OUTLOOK

In a positive international economic context, since the start of the year, the Italian economy has kept growing at the rate seen in the last three months of 2017; however, there are still risks of the rate falling, related to US customs duties and the Italian political deadlock.

In this context the Group's key markets are seeing a continuation of the growth trend started in 2017 and there are no signs of it coming to a halt. This will enable Gefran to improve on last year's already very positive results from the point of view of revenues, which then affect margins, which are expected to be in line with 2017.

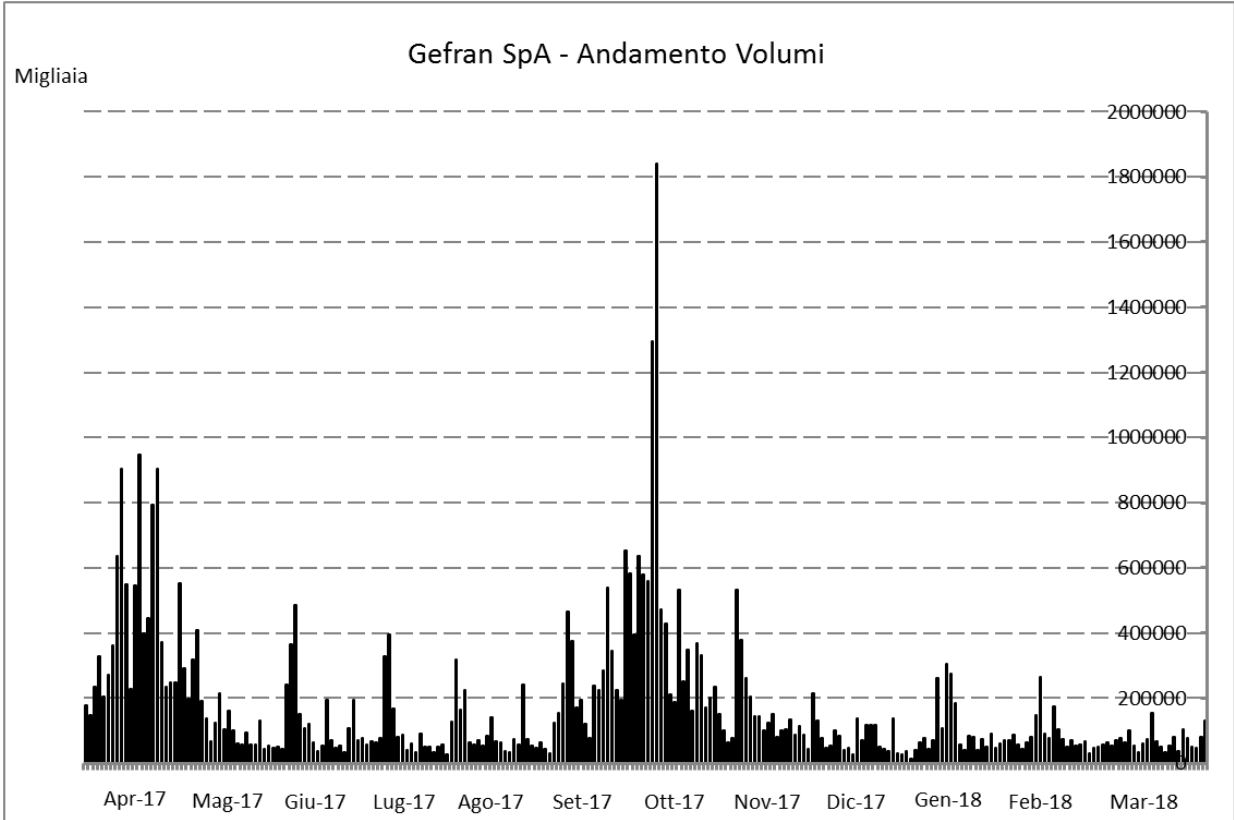
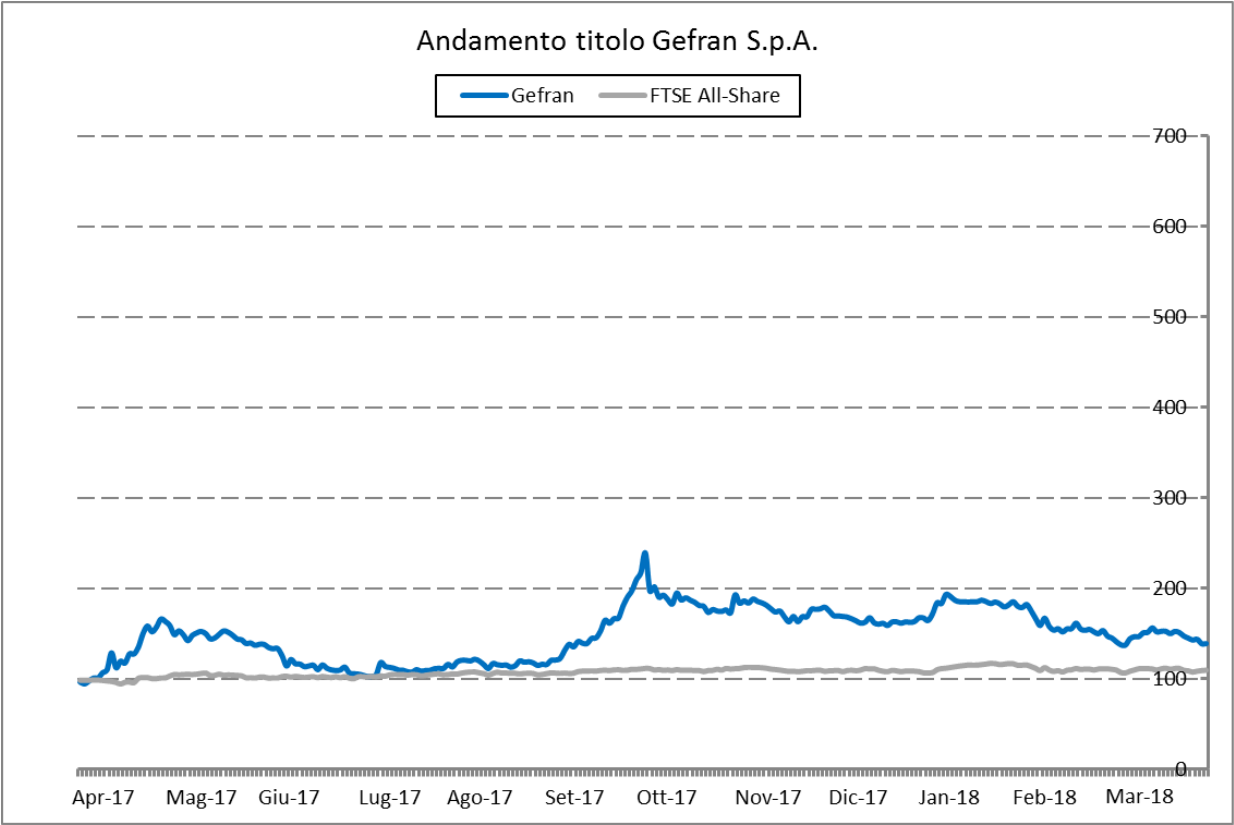
#### 16. SHARES AND STOCK PERFORMANCE

At 31 March 2018 Gefran S.p.A. did not hold any own shares in its portfolio and at the reporting date the situation is unchanged.

No own shares were bought or sold during the first three months of 2018.

Brokerage on Gefran's shares took place regularly.

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



## 17. OTHER INFORMATION

Pursuant to Article 70, paragraph 8, and article 71, paragraph 1-*bis*, of Consob's Issuers' Regulation, the Board of Directors decided to take advantage of the option to derogate from the obligations to publish the information documents prescribed in relation to significant mergers, spin-offs, capital increases through contribution in kind, acquisitions and disposals.

## 18. DEALINGS WITH RELATED PARTIES

In accordance with IAS 24, information relating to dealings with related parties for the first quarter of 2018 and the same period of the previous year is provided below.

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. The Group did not carry out any unusual and/or abnormal transactions that could have a material impact on its economic, equity and financial situation.

The Board of Directors of Gefran S.p.A. has adopted Regulations for transactions with related parties, the current version of which was approved on 3 August 2017 and published on the website [www.gefran.com](http://www.gefran.com) in the "corporate governance" section.

Transactions with related parties are part of the Group's normal business management and typical activity. Dealings with other related parties are as follows:

- Elettropiemme S.r.l., a subsidiary of Ensun S.r.l.: a company of which Ennio Franceschetti (Honorary Chairman of Gefran S.p.A.) is Chairman and Giovanna Franceschetti (Vice Chairman of Gefran S.p.A.) is a director.
- Climat S.r.l.: a company of which the director and shareholder is a relative of Maria Chiara Franceschetti (Chairman of Gefran S.p.A.);
- Francesco Franceschetti Elastomeri S.r.l.: a company of which Ennio Franceschetti (Honorary Chairman of Gefran S.p.A.) is a member of the Board of Directors;
- Ensun S.r.l., a company of which Ennio Franceschetti (Honorary Chairman of Gefran S.p.A.) is Chairman, and Giovanna Franceschetti (Vice Chairman of Gefran S.p.A.) is a director.

These dealings, summarised below, have no material impact on the Group's economic and financial structure. They are summarised in the following tables:

<i>(EUR / 000)</i>	Elettropiemme S.r.l.	Climat S.r.l.	Ensun S.r.l.	Francesco Franceschetti Elastomeri S.r.l.	Total
<b>Revenues from product sales</b>					
2017	19	0	11	0	30
2018	0	0	0	0	0
<b>Service costs</b>					
2017	-23	-28	0	0	-51
2018	0	-43	0	0	-43

<i>(EUR / 000)</i>	Elettropiemme S.r.l.	Climat S.r.l.	Ensun S.r.l.	Francesco Franceschetti Elastomeri S.r.l.	Total
<b>Intangible assets</b>					
2017	0	0	0	0	0
2018	0	0	0	0	0
<b>Property, plant, machinery and tools</b>					
2017	0	168	0	0	168
2018	0	152	0	0	152
<b>Trade receivables</b>					
2017	12	0	0	43	55
2018	0	0	0	0	0
<b>Trade payables</b>					
2017	2	88	0	0	90
2018	0	180	0	0	180

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

With regard to dealings with subsidiaries, the Parent Company Gefran S.p.A. provided technical, administrative and management services as well as royalties to the Group's operating subsidiaries amounting to around EUR 625 million, regulated by specific contracts.

The Gefran Group provides a Group cash pooling service, partly through a "Zero Balance" service, which involves all the European subsidiaries and the subsidiary based in Singapore.

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

## 19. EXPLANATORY NOTES

### General information, form and content

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

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

These interim financial statements as at 31 March 2018 were approved by the meeting of the Board of Directors held on 14 May 2018, which authorised their publication.

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

In preparing these interim financial statements, the same accounting criteria were applied as in the preparation of the annual financial report for the year ending 31 December 2017. The interim financial statements for the quarter ending 31 March 2018 do not contain all the additional information required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ending 31 December 2017, prepared in accordance with IFRS.

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

These interim financial statements for the quarter ending 31 March 2018 are consolidated on the basis of the income statement and statement of financial position figures of Gefran S.p.A. and its subsidiaries relating to the first three months of 2018, prepared in accordance with international accounting standards. These accounting statements were prepared using valuation criteria in line with those of the Parent Company, or adjusted owing to consolidation.

Interim financial statements are not subject to an audit.

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

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

The scope of consolidation at 31 March 2018 is different from the scope at 31 December 2017 as Gefran S.p.A.'s share in Axel S.r.l., a company consolidated by the equity method, was reduced from 30% to 15% on 26 July 2017. There have been no changes to the scope of consolidation since 31 December 2017.

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

The valuation criteria adopted for the preparation of these interim financial statements as at 31 March 2018 are the same as those adopted in preparing the annual financial report for the year ending 31 December 2017.

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

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

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

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

Provaglio d'Iseo, 14 May 2018

For the Board of Directors

Chairman

**Maria Chiara Franceschetti**

Managing Director

**Alberto Bartoli**



## ANNEXES



### a) Consolidated income statement by quarter

(EUR / 000)	Q1	Q2	Q3	Q4	TOT	Q1
	2017	2017	2017	2017	2017	2018
a Revenues	32,278	32,772	29,101	34,488	128,639	34,717
b Increases for internal work	168	142	113	187	610	365
c Consumption of materials and products	11,121	11,446	9,600	11,578	43,745	11,505
d Added value (a+b-c)	21,325	21,468	19,614	23,097	85,504	23,577
e Other operating costs	5,584	5,744	5,220	5,617	22,165	6,065
f Personnel costs	11,445	10,962	9,889	12,004	44,300	11,735
g EBITDA (d-e-f)	4,296	4,762	4,505	5,476	19,039	5,777
h Depreciation, amortisation and impairment	1,494	1,473	2,336	2,587	7,890	1,526
i EBIT (g-h)	2,802	3,289	2,169	2,889	11,149	4,251
l Gains (losses) from financial assets/liabilities	(237)	(756)	(169)	(1,238)	(2,400)	(319)
m Gains (losses) from shareholdings valued at equity	(6)	(69)	58	173	156	(37)
n Profit (loss) before tax (i±l±m)	2,559	2,464	2,058	1,824	8,905	3,895
o Taxes	(751)	171	(419)	(1,229)	(2,228)	(1,285)
p Result from operating activities (n±o)	1,808	2,635	1,639	595	6,677	2,610
q Profit (loss) from assets held for sale	0	0	0	187	187	(414)
r Group net profit (loss) (p±q)	1,808	2,635	1,639	782	6,864	2,196

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

#### End-of-period exchange rates

Currency	31 March 2018	31 December 2017
Swiss franc	1.1779	1.1702
Pound sterling	0.8749	0.8872
US dollar	1.2321	1.1993
Brazilian real	4.0938	3.9729
Chinese renminbi	7.7468	7.8044
Indian rupee	80.2960	76.6055
Turkish lira	4.8976	4.5464

#### Average exchange rates in the period

Currency	2018	2017	Q1 2018	Q1 2017
Swiss franc	1.1650	1.1116	1.1650	1.0693
Pound sterling	0.8834	0.8762	0.8834	0.8598
US dollar	1.2295	1.1293	1.2295	1.0647
Brazilian real	3.9901	3.6041	3.9901	3.3455
Chinese renminbi	7.8149	7.6264	7.8149	7.3341
Indian rupee	79.1566	73.4980	79.1566	71.2990
Turkish lira	4.6910	4.1214	4.6910	3.9369

### c) List of companies included in the scope of consolidation

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Gefran UK Ltd	Warrington	UK	GBP	4,096,000	Gefran S.p.A.	100.00
Gefran Deutschland GmbH	Seligenstadt	Germany	EUR	365,000	Gefran S.p.A.	100.00
Siei Areg GmbH	Pleidelsheim	Germany	EUR	150,000	Gefran S.p.A.	100.00
Gefran France S.A.	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	Winchester	US	USD	1,900,070	Gefran S.p.A.	100.00
Gefran Brasil Eletroel. Ltda	Sao Paolo	Brazil	BRL	450,000	Gefran S.p.A. Gefran UK	99.90 0.10
Gefran India Private Ltd	Pune	India	INR	100,000,000	Gefran S.p.A. Gefran UK	95.00 5.00
Gefran Siei Asia Pte Ltd	Singapore	Singapore	EUR	3,359,369	Gefran S.p.A.	100.00
Gefran Siei Drives Tech. Pte Ltd	Shanghai	China (PRC)	RMB	28,940,000	Gefran Siei Asia	100.00
Gefran Siei Electric Pte Ltd	Shanghai	China (PRC)	RMB	1,005,625	Gefran Siei Asia	100.00
Sensormate AG	Aadorf	Switzerland	CHF	100,000	Gefran S.p.A.	100.00
Gefran Middle East Ltd Sti	Istanbul	Turkey	TRY	1,030,000	Gefran S.p.A.	100.00
Gefran Soluzioni S.r.l.	Provaglio d'Iseo	Italy	EUR	100,000	Gefran S.p.A.	100.00

### d) List of companies consolidated at equity

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Ensun S.r.l.	Brescia	Italy	EUR	30,000	Gefran S.p.A.	50
Bs Energia 2 S.r.l.	Rodengo Saiano	Italy	EUR	1,000,000	Ensun S.r.l.	50
Elettropiemme S.r.l.	Trento	Italy	EUR	70,000	Ensun S.r.l.	50
Axel S.r.l.	Dandolo	Italy	EUR	26,008	Gefran S.p.A.	15

### e) List of other subsidiaries

Name	Registered office	Country	Currency	Share capital	Parent Company	% of direct ownership
Colombera S.p.A.	Iseo	Italy	EUR	8,098,958	Gefran S.p.A.	16.56
Woojin Plaimm Co Ltd	Seoul	South Korea	KRW	3,200,000,000	Gefran S.p.A.	2.00
UBI Banca S.p.A.	Bergamo	Italy	EUR	2,254,368,000	Gefran S.p.A.	n/s

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

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

The undersigned, **Fausta Coffano**, the executive in charge of financial reporting, hereby declares, pursuant to paragraph 2, article 154-*bis* of the TUF, that the information contained in these interim financial statements as at 31 March 2018 accurately represents the figures contained in the Group’s accounting records.

Provaglio d’Iseo, 14 May 2018

Executive in charge of  
financial reporting

**Fausta Coffano**