# INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2020

(Translation from the Italian original which remains the definitive version)

JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84
COMPANY REGISTER OF MILAN MONZA-BRIANZA LODI AND TAX NO. 00607460201
COMPANY SUBJECT TO MANAGEMENT AND COORDINATION BY CIR S.p.A.
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# CORPORATE BODIES

| | |
|---|---|
| Honorary Chairman | CARLO DE BENEDETTI |
| Chairman | MONICA MONDARDINI (1) |
| Managing Director and General Manager | MAURO FENZI (1) |
| Directors | PATRIZIA CANZIANI (3)<br>RODOLFO DE BENEDETTI<br>ROBERTA DI VIETO (3)<br>MAURO MELIS (2) - (3) - (4)<br>ERVINO RICCOBON (2)<br>CHRISTIAN STREIFF (2) |
| Secretary to the Board | NICCOLO' MORESCHINI |

## BOARD OF STATUTORY AUDITORS

| | |
|---|---|
| Chairman | SONIA PERON |
| Acting Auditors | RICCARDO ZINGALES<br>GIUSEPPE LEONI |
| Alternate Auditors | ANNA MARIA ALLIEVI<br>MAURO GIRELLI<br>DAVIDE BARBIERI |

## INDEPENDENT AUDITORS

KPMG S.p.A.

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Disclosure under Consob Recommendation no. 97001574 of 20 February 1997:

(1) Powers as per Corporate Governance.

(2) Members of the Appointment and Remuneration Committee.

(3) Members of the Control and Risk Committee and of the Committee for Related Party Transactions.

(4) Lead independent director.

# BOARD OF DIRECTORS' REPORT
# ON OPERATIONS OF THE SOGEFI GROUP
# IN THE FIRST HALF YEAR

These condensed interim financial statements include the Group consolidated financial statements and explanatory and supplementary notes prepared in accordance with International Accounting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) approved by the European Union and prepared according to “IAS 34 - Interim Financial Reporting” applicable on interim financial reporting.

## THE AUTOMOTIVE MARKET IN THE FIRST HALF YEAR 2020

In the first half of 2020 the world automotive market suffered an unprecedented decline following the spread of the Covid-19 pandemic throughout the world and the resulting necessary restrictive measures adopted by local governments or applied independently by businesses with a view to protecting their workers and the population at large. These measures led to an almost total suspension of non-essential production activities and in particular of automotive production. This shutdown took place first of all in China and then in March and April in the remaining geographical areas. The current situation is that business has resumed everywhere, in China with volumes even greater than those of last year and in Europe and NAFTA with significantly reduced volumes. The most critical areas in terms of production are currently South America and India.

In figures, the world's automotive production recorded a 33.2% fall compared to the first half of 2019: -41.7% in the EU, -39.9% in North America, -24.9% in Asia and -50.6% in South America. In June 2020, the market recovered to some extent (with the gap compared to world volumes in 2019 falling to -21.2%), mainly thanks to the Chinese market (+14.1%); the trend in the EU and NAFTA also improved, but volumes were still very small (- 31.2% and - 24.3%, respectively). Lastly, the situation remains very critical in Mercosur (-56%).

## INFORMATION ON OPERATIONS

During the first half of the year **the company’s top priority was the safety of its workforce**. From the moment when news of the Covid-19 phenomenon in China was received, action was taken immediately to reduce the risk of contagion, starting with an increase in working from home. Subsequently all the health and safety precautions defined and required by the various local authorities or by the company were put in place in the factories and workplaces. In this context the company has revised its production procedures in all geographical areas to implement the safety protocols with regard to social distancing and the use of personal protection equipment.

Secondly, every effort was made to mitigate the impact of the crisis and the resulting decline in sales on the company's results and financial standing as much as possible; **a plan was rapidly adopted to variabilize costs and limit cash consumption**, and more specifically:

- variable costs of sales decreased in proportion to the decline in sales, and reduced the impact of production inefficiencies associated with business discontinuity and low volumes to a minimum;
- fixed costs were reduced by 27% in the first half and by 45% just in the second quarter, percentages lower than the fall in sales but still very significant;
- investments were reduced by 24% compared to the same period in 2019, although investments in safety and in Group strategic activities were not impacted.

Lastly, **the group has reformulated its medium-long term plan** (2020-2024), with the aim of preserving profitability and cash generation despite the uncertain prospects regarding the recovery of the market.

**RESULTS FOR THE FIRST HALF YEAR 2020**

During the first half of 2020, the **sales revenues** of Sogefi amounted to Euro 519.5 million, down 33.2% at historical exchange rates and 31.2% at constant exchange rates compared to the first half of 2019.

After the first two months of the year when revenues at constant exchange rates were up by 1%, as from March the effects of the Covid-19 pandemic were evident and became particularly serious in April (-79.5%) and May (-64.5%), while June saw a significant recovery with a considerably lower decline than in the same period of 2019 (-24.9%).

In the different geographical areas where the Group operates, the performance of revenues at constant exchange rates was significantly better than that of the market: -32.2% in Europe, compared to -41.7% for the market, -30.5% in North America, compared to -39.9% for the market, +4% in China, compared to -19.7% for the market. On the other hand, the overall decline in revenues was in line with that recorded by the world market, as the group's business is concentrated in the markets that recorded the worst decline (Europe and NAFTA), compared with a less significant presence in China, where the decline in the market was decidedly smaller.

**Sales revenues by geographic area**

| (in millions of Euro) | *1st half 2020* | | *1st half 2019* | | *% change 1h 20/1h 19* | *% change 1h 20/1h 19 constant exchange rates* |
|---|---|---|---|---|---|---|
| | *Amount* | *%* | *Amount* | *%* | | |
| Europe | 329.6 | 63.5 | 486.8 | 62.6 | (32.3) | (32.2) |
| North America | 102.5 | 19.7 | 146.8 | 18.9 | (30.2) | (30.5) |
| South America | 35.6 | 6.9 | 77.6 | 10.0 | (54.2) | (36.7) |
| Asia | 54.7 | 10.5 | 71.0 | 9.1 | (22.9) | (21.5) |
| Intercompany eliminations | (2.9) | (0.6) | (4.4) | (0.6) | - | - |
| TOTAL | 519.5 | 100.0 | 777.8 | 100.0 | (33.2) | (31.2) |

Among the different business sectors, Filtration (with a 25.7% drop in revenues at constant exchange rates) and Air and Cooling (-29.1% at constant exchange rates) performed decidedly better than the market thanks to the greater resilience of the

OES and *Aftermarket* channels in the case of Filtration, and to the development of the contract portfolio, particularly in North America, in the case of Air and Cooling. The impact of the crisis on Suspensions was greater, with a 38.2% drop in revenues at constant exchange rates, reflecting the greater concentration of business in Europe and Mercosur and the sector's performance in these areas.

**Sales revenues by business unit**

| (in millions of Euro) | *1st half 2020* | | *1st half 2019* | | *% change 1h 20/1h 19* | *% change 1h 20/1h 19 constant exchange rates* |
|---|---|---|---|---|---|---|
| | *Amount* | *%* | *Amount* | *%* | | |
| Suspensions | 172.7 | 33.2 | 292.3 | 37.6 | (40.9) | (38.2) |
| Filtration | 197.0 | 37.9 | 274.0 | 35.2 | (28.1) | (25.7) |
| Air&Cooling | 150.8 | 29.0 | 213.4 | 27.4 | (29.3) | (29.1) |
| Intercompany eliminations | (1.0) | (0.1) | (1.9) | (0.2) | - | - |
| TOTAL | 519.5 | 100.0 | 777.8 | 100.0 | (33.2) | (31.2) |

Sogefi's client portfolio remains highly diversified, with the top client accounting for 12%. Key clients are Renault/Nissan, Ford, PSA, FCA, Daimler and GM, which together account for 59.4% of revenues (60.2% in first half year 2019).

**Sales revenues by customer**

| (in millions of Euro) | 1st half 2020 | | 1st half 2019 | | *% change* |
|---|---|---|---|---|---|
| *Group* | *Amount* | *%* | *Amount* | *%* | *1h 20/1h 19* |
| Renault/Nissan | 61.6 | 11.9 | 94.2 | 12.1 | (34.6) |
| Ford | 59.1 | 11.4 | 81.7 | 10.5 | (27.7) |
| PSA | 55.8 | 10.7 | 87.0 | 11.2 | (35.9) |
| FCA/CNH Industrial | 48.8 | 9.4 | 80.2 | 10.3 | (39.2) |
| Daimler | 43.3 | 8.3 | 60.4 | 7.8 | (28.3) |
| GM | 39.4 | 7.6 | 64.5 | 8.3 | (38.9) |
| Volkswagen/Audi | 23.9 | 4.6 | 38.7 | 5.0 | (38.2) |
| BMW | 21.7 | 4.2 | 23.0 | 3.0 | (5.7) |
| Toyota | 14.3 | 2.7 | 25.5 | 3.3 | (43.9) |
| Other (including Aftermarket) | 151.6 | 29.2 | 222.6 | 28.5 | (31.9) |
| TOTAL | 519.5 | 100.0 | 777.8 | 100.0 | (33.2) |

The dramatic drop in volumes caused by market trends as a result of the Covid-19 pandemic greatly affected the Group's economic results, despite the bold mitigation measures adopted.

**EBITDA**[1] amounted to Euro 47.0 million, compared to Euro 86.4 million in the same period of 2019, mainly due to the drop in volumes. However, profitability (EBITDA / Revenues %) was 9.1% and was only 2 percentage points below that of the same period of 2019 (11.1%), thanks to the cost variabilization measures implemented.

[1] EBITDA is calculated by adding "EBIT", the item "Depreciation and amortization" and the amount of writedowns of tangible and intangible assets posted in "Other non-operating expenses (income)" for Euro 6.4 million at 30 June 2020 (Euro 1.9 million in the corresponding period last year).

In particular, the contribution margin showed a slight improvement compared to the first half of 2019, rising from 29.4% to 29.8% due to the favourable development of the impact of the cost of raw materials, partly due to market phenomena and partly to the plans implemented since last year to optimise the purchase prices of steel for the production of suspensions, which offset the impact of the inevitable production inefficiencies when production is suspended and resumed, as well as by low volumes.

The relative impact of fixed costs rose by approximately 2 percentage points, an increase that was relatively limited considering the size of the collapse in revenues. This was thanks to the limitation measures adopted, some of which were temporary while others are destined to be become structural.

**Reclassified consolidated income statement for the first half of 2020**

| (in millions of Euro) | *1st half 2020* | | *1st half 2019* | | *Year 2019* | |
|---|---|---|---|---|---|---|
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| Sales revenues | 519.5 | 100.0 | 777.8 | 100.0 | 1,519.2 | 100.0 |
| Variable cost of sales | 364.5 | 70.2 | 549.2 | 70.6 | 1,063.4 | 70.0 |
| CONTRIBUTION MARGIN | 155.0 | 29.8 | 228.6 | 29.4 | 455.8 | 30.0 |
| Manufacturing and R&D overheads | 51.6 | 9.9 | 74.4 | 9.7 | 142.7 | 9.4 |
| Depreciation and amortization | 59.5 | 11.4 | 60.1 | 7.7 | 124.0 | 8.2 |
| Distribution and sales fixed expenses | 15.4 | 3.0 | 20.5 | 2.6 | 40.7 | 2.7 |
| Administrative and general expenses | 33.7 | 6.5 | 42.0 | 5.4 | 80.7 | 5.3 |
| Restructuring costs | 7.3 | 1.4 | 4.3 | 0.6 | 9.8 | 0.6 |
| Losses (gains) on disposal | (0.3) | (0.1) | 0.1 | - | 0.1 | - |
| Exchange (gains) losses | 4.0 | 0.8 | 1.8 | 0.2 | 3.9 | 0.3 |
| Other non-operating expenses (income) | 2.6 | 0.5 | 1.0 | 0.1 | 14.3 | 0.9 |
| EBIT | (18.8) | (3.6) | 24.4 | 3.1 | 39.6 | 2.6 |
| Financial expenses (income), net | 11.6 | 2.2 | 11.0 | 1.4 | 23.7 | 1.6 |
| RESULT BEFORE TAXES | (30.4) | (5.8) | 13.4 | 1.7 | 15.9 | 1.0 |
| Income taxes | (1.0) | (0.2) | 8.3 | 1.0 | 13.7 | 0.9 |
| NET INCOME (LOSS) OF OPERATING ACTIVITIES | (29.4) | (5.6) | 5.1 | 0.7 | 2.2 | 0.1 |
| Net income (loss) from discontinued operations | - | - | 4.0 | 0.5 | 4.0 | 0.3 |
| NET RESULT BEFORE NON - CONTROLLING INTERESTS | (29.4) | (5.6) | 9.1 | 1.2 | 6.2 | 0.4 |
| Loss (Income) attributable to non - controlling interests | 0.6 | 0.1 | (2.2) | (0.3) | (3.0) | (0.2) |
| GROUP NET RESULT | (28.8) | (5.5) | 6.9 | 0.9 | 3.2 | 0.2 |

## Reclassified consolidated income statement for 2020 by quarter

| (in millions of Euro) | *Period 1st quarter 2020* | | *Period 2nd quarter 2020* | |
|---|---|---|---|---|
| | *Amount* | *%* | *Amount* | *%* |
| Sales revenues | 350.2 | 100.0 | 169.3 | 100.0 |
| CONTRIBUTION MARGIN | 105.1 | 30.0 | 49.9 | 29.5 |
| Fixed Costs | 63.8 | 18.2 | 36.9 | 21.8 |
| Restructuring costs | 2.8 | 0.8 | 4.5 | 2.7 |
| Write downs of tang. and intangible assets | 0.9 | 0.3 | 5.5 | 3.2 |
| Other non-operating expenses (income) | 33.9 | 9.7 | 25.5 | 15.1 |
| EBIT | 3.7 | 1.1 | (22.5) | (13.3) |

**EBIT** was negative for Euro 18.8 million compared to a positive result of Euro 24.4 million in the first half of 2019. The reduction in EBIT reflects the reduction in EBITDA as a result of the drop in revenues mentioned above; it also reflects the negative effect of exchange rate fluctuations of Euro 4 million (Euro 1.8 million in the first half of 2019) recorded by the Group's assets in North and South America, restructuring charges of Euro 7.3 million (Euro 4.3 million in the first half of 2019) and write-downs of assets of Euro 6.4 million (Euro 1.9 million in the previous year).

In terms of **net profit**, the Group recorded a loss of Euro 28.8 million compared with a profit of Euro 6.9 million in the first half of 2019, after financial charges substantially in line with those of the previous year and tax income of Euro 1 million compared with tax expense of Euro 8.3 million in the previous year.

## Consolidated net invested capital

| (in millions of Euro) | Note* | *June 30, 2020* | | *December 31, 2019* | | *June 30, 2019* | |
|---|---|---|---|---|---|---|---|
| | | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| Short-term operating assets | (a) | 242.1 | | 286.4 | | 322.7 | |
| Short-term operating liabilities | (b) | (294.5) | | (390.5) | | (404.0) | |
| Net working capital | | (52.4) | (9.6) | (104.1) | (19.8) | (81.3) | (14.9) |
| Equity investments | (c) | - | - | - | - | - | - |
| Intangible, tangible fixed assets and other medium and long-term assets | (d) | 771.7 | 142.1 | 804.1 | 152.7 | 803.8 | 146.7 |
| CAPITAL INVESTED | | 719.3 | 132.5 | 700.0 | 132.9 | 722.5 | 131.8 |
| Other medium and long-term liabilities | (e) | (176.1) | (32.5) | (173.4) | (32.9) | (174.5) | (31.8) |
| NET CAPITAL INVESTED | | 543.2 | 100.0 | 526.6 | 100.0 | 548.0 | 100.0 |
| Net financial indebtedness | | 382.9 | 70.5 | 318.9 | 60.6 | 334.6 | 61.1 |
| Non-controlling interests | | 15.4 | 2.8 | 19.0 | 3.6 | 19.8 | 3.6 |
| Consolidated equity of the Group | | 144.9 | 26.7 | 188.7 | 35.8 | 193.6 | 35.3 |
| TOTAL | | 543.2 | 100.0 | 526.6 | 100.0 | 548.0 | 100.0 |

*(*) See the notes at the end of this report for a detailed explanation of the reasons for the reclassifications that we have made.*

Regarding **Free Cash Flow**, in the first half of 2020 Euro 64.0 million were consumed compared to Euro 8.8 million in the first half of 2019. The reduction in business activity and thus in EBITDA led to a contraction of operating cash flow that was only partly offset by the lower outflow for investments. It should also be noted that around 80% of the amount consumed was due to the increase in working capital caused by the particular circumstances that occurred in the second quarter of the year. Indeed, as is generally the case in the sector, customer receivables are received more quickly than the timing of payment to suppliers, partly because of factoring. As sales plummeted in the second quarter, sums received from customers were lower, while disbursements to suppliers continued. This imbalance should gradually be absorbed as business recovers.

**Consolidated management cash flow statement**

| (in millions of Euro) | Note* | *1st half 2020* | *1st half 2019* | *Year 2019* |
|---|---|---|---|---|
| SELF-FINANCING | (f) | 33.3 | 74.7 | 145.3 |
| Change in net working capital | | (54.2) | (23.0) | (2.1) |
| Other medium/long-term assets/liabilities | (g) | 0.4 | - | (0.9) |
| **CASH FLOW GENERATED BY OPERATIONS** | | **(20.5)** | **51.7** | **142.3** |
| Net decrease from sale of fixed assets | (h) | 0.4 | 3.6 | 4.3 |
| TOTAL SOURCES | | (20.1) | 55.3 | 146.6 |
| Increase in intangible assets | | 11.3 | 15.9 | 32.2 |
| Purchase of tangible assets | | 21.0 | 19.0 | 60.2 |
| Purchase of Tooling | | 14.5 | 19.1 | 35.3 |
| Increase in tangible assets for rights of use | | 0.9 | 8.9 | 9.5 |
| TOTAL APPLICATION OF FUNDS | | 47.7 | 62.9 | 137.2 |
| Exchange differences on assets/liabilities and equity | (i) | 3.8 | (1.2) | (1.0) |
| **FREE CASH FLOW** | | **(64.0)** | **(8.8)** | **8.4** |
| Holding Company increases in capital | | - | - | - |
| Increases in share capital of consolidated subsidiaries | | - | - | - |
| Dividends paid by the Holding Company to shareholders | | - | (3.5) | (5.0) |
| Change in fair value derivative instruments | | - | - | - |
| CHANGES IN SHAREHOLDERS' EQUITY | | - | (3.5) | (5.0) |
| **Change in net financial position** | (l) | **(64.0)** | **(12.3)** | **3.4** |
| **Opening net financial position** | (l) | **(318.9)** | **(260.5)** | **(260.5)** |
| Financial debts for right of use at January 1°, 2019 | | - | (61.8) | (61.8) |
| **CLOSING NET FINANCIAL POSITION** | (l) | **(382.9)** | **(334.6)** | **(318.9)** |

*(*) See the notes at the end of this report for a detailed explanation of the reasons for the reclassifications that we have made.*

**Net debt** at 30 June 2020 before IFRS 16 rose to Euro 327.0 million from Euro 256.2 million at the end of 2019 and Euro 267.3 million at the end of June 2019. Including the financial payables for rights of use, in accordance with IFRS 16, net financial debt stood at Euro 382.9 million at 30 June 2020 compared to Euro 318.9 million at 31 December 2019.

**As at 30 June 2020, the Group had committed credit lines in excess of the debt of Euro 194.2 million and as at 30 June 2020 the covenants provided for in existing loan agreements had been met.**

As at 30 June 2020, equity, not including non-controlling interests, was Euro 144.9 million (vs. Euro 188.7 million as at 31 December 2019).

### Consolidated net financial position

| (in millions of Euro) | *June 30, 2020* | *December 31, 2019* | *June 30, 2019* |
|---|---|---|---|
| Cash, banks, financial receivables and securities held for trading | 190.8 | 168.5 | 119.6 |
| Medium/long-term financial receivables | 6.3 | 6.8 | 5.2 |
| Short-term financial debts (*) | (297.0) | (95.8) | (128.2) |
| Medium/long-term financial debts | (283.0) | (398.4) | (331.2) |
| NET FINANCIAL POSITION | (382.9) | (318.9) | (334.6) |

*(*) Including current portions of medium/long-term financial debts.*

As at 30 June 2020, the Sogefi Group's workforce was 6,365, compared with 6,683 as at 30 June 2019 and 6,818 as at 31 December 2019.

### Number of employees

| | *June 30, 2020* | | *December 31, 2019* | | *June 30, 2019* | |
|---|---|---|---|---|---|---|
| | *Number* | *%* | *Number* | *%* | *Number* | *%* |
| Managers | 83 | 1.3 | 91 | 1.3 | 100 | 1.5 |
| Clerical staff | 1,771 | 27.8 | 1,830 | 26.8 | 1,873 | 28.0 |
| Blue collar workers | 4,511 | 70.9 | 4,897 | 71.9 | 4,710 | 70.5 |
| TOTAL | 6,365 | 100.0 | 6,818 | 100.0 | 6,683 | 100.0 |

## RECONCILIATION BETWEEN THE PARENT COMPANY'S STATUTORY FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

The following is a reconciliation of the Group's net result and equity at the end of the year with the equivalent figures for the Parent Company (hereinafter also the "Company").

### Net profit for the period

| (in millions of Euro) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Net result per Sogefi S.p.A. financial statements | (5.8) | 32.7 |
| Group share of results of subsidiary companies included in the consolidated financial statements | (23.8) | 12.8 |
| Elimination of Sogefi S.p.A. dividends | - | (38.3) |
| Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation | 0.8 | (0.3) |
| NET RESULT PER CONSOLIDATED FINANCIAL STATEMENTS | (28.8) | 6.9 |

### Shareholders' equity

| (in millions of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| Shareholders' equity per Sogefi S.p.A. financial statements | 206.4 | 211.7 |
| Group share of higher/lower equity value of investments in consolidated companies over carrying value in Sogefi S.p.A. financial statements | (71.2) | (31.9) |
| Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation | 9.7 | 8.9 |
| SHAREHOLDERS' EQUITY PER CONSOLIDATED FINANCIAL STATEMENTS | 144.9 | 188.7 |

## PERFORMANCE OF THE PARENT COMPANY SOGEFI S.p.A.

Net loss in the first half of 2020 amounted to Euro 5.8 million compared to a net profit of Euro 32.7 million in the corresponding period of the previous year. Because the situation is particularly uncertain in almost all of the countries where the group operates, the distribution of dividends from subsidiaries to Sogefi S.p.A. has been suspended.

### Reclassified income statement of the Parent Company

| (in millions of Euro) | *1st half 2020* | *1st half 2019* | *Year 2019* |
|---|---|---|---|
| Financial income/expenses and dividends | (4.2) | 34.3 | 45.3 |
| Adjustments to financial assets | - | - | (32.6) |
| Other operating revenues | 3.9 | 4.1 | 8.3 |
| Operating costs | (5.1) | (5.7) | (11.3) |
| Other non-operating income (expenses) | (0.8) | - | (2.1) |
| RESULT BEFORE TAXES | (6.2) | 32.7 | 7.6 |
| Income taxes | (0.4) | (0.0) | (0.1) |
| NET RESULT | (5.8) | 32.7 | 7.7 |

The following table shows the main items of the statement of financial position as at 30 June 2020, compared with the figures as at 31 December 2019 and 30 June 2019:

### Parent Company's net invested capital

| (in millions of Euro) | *June 30, 2020* | *December 31, 2019* | *June 30, 2019* |
|---|---|---|---|
| Short-term assets | 6.2 | 6.1 | 5.0 |
| Short-term liabilities | (4.6) | (3.6) | (3.4) |
| Net working capital | 1.6 | 2.5 | 1.6 |
| Equity investments | 348.5 | 348.4 | 381.1 |
| Other fixed assets | 38.8 | 41.0 | 43.6 |
| CAPITAL INVESTED | 388.9 | 391.9 | 426.3 |
| Other medium and long-term liabilities | (2.1) | (2.5) | (1.2) |
| NET CAPITAL INVESTED | 386.8 | 389.4 | 425.1 |
| Net financial indebtedness | 180.4 | 177.7 | 188.6 |
| Shareholders' equity | 206.4 | 211.7 | 236.5 |
| TOTAL | 386.8 | 389.4 | 425.1 |

The following table shows the main items of the statement of financial position of the Company as at 30 June 2020, compared with the figures as at 31 December 2019 and 30 June 2019.

## Parent Company's net financial position

| (in millions of Euro) | *June 30, 2020* | *December 31, 2019* | *June 30, 2019* |
|---|---|---|---|
| Short-term cash investments | 116.2 | 89.5 | 47.3 |
| Short/medium-term financial receivables to third and subsidiaries | 233.0 | 202.0 | 173.7 |
| Short-term financial debts (*) | (295.9) | (127.2) | (141.4) |
| Medium/long-term financial debts | (233.7) | (342.0) | (268.2) |
| NET FINANCIAL POSITION | (180.4) | (177.7) | (188.6) |

*(*) Including current portions of medium/long-term financial debts*

The net indebtedness as at 30 June 2020 was Euro 180.4 million, basically in line with the amounts recorded as at 31 December 2019 (Euro 177.7 million) and 30 June 2019 (Euro 188.6 million).

## PERFORMANCE OF THE SOGEFI GROUP (*)

### PERFORMANCE OF THE FILTRATION BUSINESS UNIT

In the first half of 2020, the Filtration business unit reported revenues of Euro 197.0 million, down 28.1% at current exchange rates compared to the same period of the previous year (-25.7% at constant exchange rates), performing significantly better than the market especially in Europe, where business was driven by sales in the OES and Aftermarket channels.

In terms of profitability, the business unit was affected more severely by the crisis than the Group's other businesses, with EBITDA margin before restructuring costs dropping by 4.2 p.p. and non-recurring charges for restructuring and exchange rate differences significantly higher than in the previous year.

EBIT was negative for Euro 11.6 million compared to Euro +8.9 million during the first half of 2019.

Employees of the business unit at 30 June 2020 were 2,730 (3,132 at 31 December 2019).

### PERFORMANCE OF THE SUSPENSION BUSINESS UNIT

In the first six months of 2020, the Suspension business unit reported revenues of Euro 172.7 million, down by 40.9% (-38.2% at constant exchange rates), which reflects the sales trends in the different geographical areas in line with the performance of their markets.

In terms of profitability, the EBITDA margin before restructuring costs fell by 2.5 p.p., with a slight improvement in the contribution margin, an increase in the impact of fixed costs, despite the containment measures taken, due to division volumes falling significantly.

EBIT amounted to Euro -8.1 million compared to Euro 6.4 million during the first half of 2019. The decline reflects lower volumes and deteriorating profitability.

Employees of the business unit at 30 June 2020 were 2,360 (2,400 at 31 December 2019).

### PERFORMANCE OF THE AIR AND COOLING BUSINESS UNIT

In the first six months of 2020, the Air and Cooling business unit reported revenues of Euro 150.8 million, down by 29.3% at historical exchange rates and by 29.1% at constant exchange rates. In all geographical areas, revenue performance was better than that of the market.

The EBIT amounted to Euro 0.3 million, compared to Euro 11.1 million in the first six months of 2019. Noteworthy is the resilience of the business unit in the face of crisis, reporting an EBITDA margin in line with that of 2019.

Employees of the business unit at 30 June 2020 were 1,217 (1,231 at 31 December 2019).

*(*) It should be noted that in 2020 the management redefined the perimeter of the Filtration Business Unit and Air and Cooling Business Unit. For comparative purposes, the 2019 values have also been reclassified on the basis of the new perimeter.*

## PERFORMANCE IN THE SECOND QUARTER OF 2020

The following table provides comparative figures of the income statement for the second quarter compared with the corresponding quarter of the previous year.

| (in millions of Euro) | *Period 4.1 - 6.30.2020* | | *Period 4.1 - 6.30.2019* | | *Change* | |
|---|---|---|---|---|---|---|
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| Sales revenues | 169.3 | 100.0 | 388.0 | 100.0 | (218.7) | (56.4) |
| Variable cost of sales | 119.4 | 70.5 | 272.0 | 70.1 | (152.6) | (56.1) |
| CONTRIBUTION MARGIN | 49.9 | 29.5 | 116.0 | 29.9 | (66.1) | (57.0) |
| Manufacturing and R&D overheads | 17.4 | 10.3 | 36.1 | 9.3 | (18.7) | (51.8) |
| Depreciation and amortization | 29.2 | 17.2 | 30.2 | 7.8 | (1.0) | (3.3) |
| Distribution and sales fixed expenses | 5.6 | 3.3 | 10.2 | 2.6 | (4.6) | (45.1) |
| Administrative and general expenses | 13.9 | 8.2 | 20.4 | 5.3 | (6.5) | (31.9) |
| Restructuring costs | 4.5 | 2.7 | 2.4 | 0.6 | 2.1 | 87.5 |
| Losses (gains) on disposal | (0.3) | (0.2) | 0.1 | - | (0.4) | - |
| Exchange (gains) losses | (1.3) | (0.8) | 0.8 | 0.2 | (2.1) | - |
| Other non-operating expenses (income) | 3.4 | 2.0 | 2.8 | 0.7 | 0.6 | 21.4 |
| EBIT | (22.5) | (13.3) | 13.0 | 3.4 | (35.5) | (273.1) |
| Financial expenses (income), net | 4.8 | 2.8 | 4.7 | 1.3 | 0.1 | 2.1 |
| RESULT BEFORE TAXES | (27.3) | (16.1) | 8.3 | 2.1 | (35.6) | (428.9) |
| Income taxes | (3.5) | (2.1) | 4.7 | 1.1 | (8.2) | (174.5) |
| NET INCOME (LOSS) OF OPERATING ACTIVITIES | (23.8) | (14.1) | 3.6 | 1.0 | (27.4) | - |
| Net income (loss) from discontinued operations | - | - | 2.7 | 0.7 | (2.7) | (100.0) |
| NET RESULT BEFORE NON - CONTROLLING INTERESTS | (23.8) | (14.1) | 6.3 | 1.7 | (30.1) | - |
| Loss (Income) attributable to non - controlling interests | 0.6 | 0.4 | (1.0) | (0.3) | 1.6 | (160.0) |
| GROUP NET RESULT | (23.2) | (13.7) | 5.3 | 1.4 | (28.5) | - |

In the second quarter of 2020, Sogefi posted revenue drop of 56.4% (-54.5% at constant exchange rates) amounting to Euro 169.3 million.

The **EBITDA** amounted to Euro 12.1 million (Euro 45.1 million in the corresponding period of 2019), as a result of fixed costs being curbed at 45% (amounting to Euro 29.8 million). Impact on sales revenues fell from 11.6% to 7.1%.

**EBIT** was negative for Euro 22.5 million (compared to Euro +13.0 million in the second quarter of 2019), due to the dramatic drop in volumes.

The **result before taxes** was a negative Euro 27.3 million (Euro +8.3 million in the second quarter 2019), after financial expenses of Euro 4.8 million (Euro 4.7 million in the same period of the previous year).

The Group's **net result** in the second quarter 2020 was negative at Euro 23.2 million compared with Euro +5.3 million in the previous year.

## INVESTMENTS AND RESEARCH & DEVELOPMENT ACTIVITIES

The investments totalled Euro 47.7 million in the first half year 2020 (Euro 62.9 million in the first half of the previous year).

The company decided to go ahead with all investments in the development of new products (Euro 20.4 million) and in the start-up of the new Suspension plant in Romania (Euro 7.5 million), which are essential for growth and improvement of business profitability.
Conversely, investments aimed at increasing the production capacity of existing plants and lines were reduced (-66%), as they lost their strategic importance in light of the economic situation and forecasts for medium-term volumes.

In detail, investment in tangible fixed assets amounted to Euro 36.4 million (Euro 47 million in the first half year 2019) and include capitalised tooling (IFRS 15) for Euro 14.5 million (Euro 19.1 million in the first six months of 2019) and recognised rights of use (IFRS 16) for Euro 0.9 million (Euro 8.9 million in the first half of 2019). The investments in tangible fixed assets (excluding IFRS 15/16 effects) hence totalled Euro 21 million (Euro 19 million in the first half of 2019). While the investments in intangible fixed assets amounted to Euro 11.3 million (Euro 15.9 million in the first half of 2019).

## IMPACT OF COVID-19 ON OPERATIONS

Following the spread of the Covid-19 pandemic, Sogefi first suspended production in China and then in the second half of March suspended production in almost all of its facilities. At the present time, production in China has returned to monthly levels in line with the Company's estimates made before the crisis. In the other factories production has gradually resumed since May, after their main customers started up again. However volumes are still significantly lower than forecast at the start of the year.

With regard to the impact of the pandemic on the Group, pre-Covid-19 estimates predicted a 2020 turnover basically in line with 2019.
In the first two months of the year, the Company achieved higher than expected volumes, followed by an extremely significant drop and a gradual recovery in June. As a result of these circumstances, Sogefi reported revenues of Euro 519.5 million, down by 33.2% compared to the same period of the previous year – a decline that is nearly totally traced back to the effects of the crisis. While the decline in volumes was partly offset by the reduction in fixed costs, it nevertheless had a negative impact estimated at Euro 50 million on EBIT and Euro 39 million on Net Result, as well as a significant increase in debt.

In addition to putting in place a response to reduce the impact of the crisis from March to the present, the company has also taken action in order to adapt to changed market conditions and quickly restore a balanced economic/financial standing, even in a scenario of reduced volumes – such as presently forecast for the second half of the year and 2021.

## TREASURY SHARES

As at 30 June 2020, the Parent Company has 2,164,214 treasury shares in its portfolio, corresponding to 1.8017% of share capital, at an average price of Euro 2.28 each. In the first half year 2020, treasury shares decreased after they were assigned to beneficiaries of stock-based compensation plans. No treasury shares were purchased during the first half of 2020.

## RELATED PARTY TRANSACTIONS

Information on the most important economic transactions and balances with related parties is provided in the explanatory and supplementary notes to the consolidated financial statements, in the section entitled “Related Party Transactions”.
Dealings between Group companies are conducted at arm’s length, taking into account the quality and type of services rendered.

We point out that no transactions have been carried out with related parties or with entities or individuals other than related parties that, according to the definition used by Consob, are atypical or unusual, do not relate to the normal business activity or have a significant impact on the Group's results, balance and financial position.

In 2010 in accordance with Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments, the Company’s Board of Directors appointed the Related Party Transactions Committee, establishing that the members are to be the same as those of the Control and Risks Committee and approved the “*Discipline for related-party transactions*”, which had previously received a favourable opinion of the Control and Risks Committee. The purpose of this Procedure is to establish the principles of conduct that the Company is bound to observe to guarantee the correct management of related-party transactions. This Procedure is available on the Company's website at www.sogefigroup.com, in the “Investor – Corporate Governance” section.

In accordance with Art. 2497 bis of Italian Civil Code, we point out that Sogefi S.p.A. is subject to management and coordination by its parent company CIR S.p.A.

## DISCLOSURES PURSUANT TO ART. 70 AND 71 OF CONSOB RULES FOR ISSUERS

Under a resolution of the Board of Directors of 23 October 2012, the Company adopted the simplified procedure provided for by art. 70, paragraph 8 and art. 71, paragraph 1-bis of Consob Regulation issued under Consob Resolution no. 11971 of 14 May 1999 as amended, and made use of the exemption from the obligation to publish the information documents required for significant transactions consisting in mergers, spin-offs, capital increases by means of the conferral of assets in kind, takeovers and transfers.

## SIGNIFICANT SUBSEQUENT EVENTS AFTER 30 JUNE 2020

No significant events occurred after 30 June 2020 such as could have an impact on the condensed interim consolidated financial statements.

## OUTLOOK FOR OPERATIONS

It is hard to tell how markets will behave in the coming months; as regards the pandemic, it seems to have been reliably contained in Europe, whereas North and South America have not yet entered the containment phase. Moreover, there is still the risk of a second wave of Covid-19 and at present it is still difficult to predict how the macroeconomic circumstances created by the pandemic will impact demand in the automotive sector.

For the second half of 2020, IHS predicts that, if a second wave of Covid-19 and the subsequent restrictions on production and associated adverse market impacts are avoided, world production could stand at -10% compared to the second half of 2019. On the other hand, market analysts tend to be more cautious with their forecasts, and expect a decline of the world market ranging from -15% to -30% – the latter figure being forecast in the event of a second wave of Covid-19.

In this uncertain scenario, Sogefi has built its expectations for the second half of the year on an assumed decline of around -20% in world markets, in which case it expects to achieve a slightly positive EBIT, excluding restructuring costs, a significant reduction in net loss compared to the first half of the year and a slightly positive free cash flow.

Moreover, in light of such uncertain market outlook for future years, Sogefi has launched a plan to significantly cut fixed costs, which will be completed by the first half of 2021, as well as actions to downsize its footprint and reorganise the management of suppliers.

Although the Company owns financial resources in excess of its current needs and does not foresee an increase in debt above the level recorded at the end of June 2020, uncertainty over future market trends and the oncoming natural maturities of existing loans have led it to begin negotiations with its long-standing financial partners to renew existing loans and obtain new medium-term loans for a total value in the order of Euro 100 million.

Milan, 27 July 2020

FOR THE BOARD OF DIRECTORS
The Managing Director
Mauro Fenzi

## ANNEX: NOTES RECONCILING THE FINANCIAL STATEMENTS SHOWN IN THE REPORT ON OPERATIONS AND THE FINANCIAL STATEMENTS CONTAINED IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IAS/IFRS

**Notes relating to the Consolidated Financial Statements**

a) the heading agrees with the sum of the line items "Inventories", "Trade receivables", "Other receivables", "Tax receivables", "Other assets" and "Assets held for sale" in the Consolidated Statement of Financial Position;

b) the heading agrees with the sum of the line items "Trade and other payables", "Tax payables", "Other current liabilities" and "Liabilities related to assets held for sale" in the Consolidated Statement of Financial Position;

c) the heading agrees with the line item "Other financial assets" in the Consolidated Statement of Financial Position;

d) the heading agrees with the sum of the line items "Land", "Property, plant and equipment", "Other tangible fixed assets", "Rights of use", "Intangible assets", "Other receivables" and "Deferred tax assets" in the Consolidated Statement of Financial Position;

e) the heading agrees with the sum of the line items "Long-term provisions", "Other payables" and "Deferred tax liabilities" in the Consolidated Statement of Financial Position;

f) the heading agrees with the sum of the line items "Net result", "Non-controlling interests", "Depreciation, amortization and writedowns", "Expenses recognised for share-based incentive plans", "Provisions for risks and restructuring" and "Post-retirement and other employee benefits" in the Consolidated Cash Flow Statement with the exception of the financial component relating to pension funds and the deferred taxes included in the item "Income taxes";

g) the heading is included in line item "Other medium/long-term assets/liabilities" in the Consolidated Cash Flow Statement;

h) the heading agrees with the sum of the line items "Losses/(gains) on disposal of fixed assets and non-current assets held for sale", "Sale of property, plant, equipment and businesses held for sale" and "Sale of intangible assets" in the Consolidated Cash Flow Statement;

i) the heading agrees with the line items "Exchange differences" in the Consolidated Cash Flow Statement, excluding exchange differences on medium/long-term financial receivables and payables;

(l) these headings differ from those shown in the Consolidated Cash Flow Statement as they refer to the total net financial position and not just to cash and cash equivalents.

# DEFINITION OF THE PERFORMANCE INDICATORS

In accordance with recommendation CESR/05-178b published on 3 November 2005 and subsequent new ESMA guideline no. 1095/2010/EU of 15 October 2015, the criteria used for constructing the main performance indicators deemed by the management to be useful for the purpose of monitoring Group performance are provided below.

EBITDA: EBITDA is calculated as the sum of "EBIT", “Depreciation and Amortization” and the impairment losses of tangible and intangible fixed assets included in the item “Other non-operating expenses (income)”.

“Other non-operating expenses (income)” include amounts that do not relate to ordinary business activities such as:

- writedowns of tangible and intangible fixed assets
- imputed cost of stock grant plans
- accruals to provisions for legal disputes with employees and third parties
- product warranty costs
- strategic consulting services

“Restructuring costs” include voluntary redundancy incentives for all employee categories (managers, clerical staff, blue collar workers) and costs relating to the shutdown of a plant or the discontinuation of individual business lines (personnel costs and related costs associated with shutdown).

“Losses (gains) on disposal” include the difference between the net book value of sold assets and selling price.

Please note that at 30 June 2020 there are no non-recurring charges as defined by Consob in its communication no. DEM/6064293 of 28 July 2006.

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020 OF THE SOGEFI GROUP

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)

| ASSETS | *Note* | *June 30, 2020* | *December 31, 2019* |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | *4* | 188,126 | 165,173 |
| Other financial assets | *5* | 2,646 | 3,306 |
| Inventories | *6* | 107,008 | 115,464 |
| Trade receivables | *7* | 94,385 | 130,416 |
| Other receivables | *7* | 11,430 | 9,814 |
| Tax receivables | *7* | 25,396 | 28,600 |
| Other assets | *7* | 3,886 | 2,113 |
| ASSETS HELD FOR SALE | *14* | - | - |
| TOTAL CURRENT ASSETS | | 432,877 | 454,886 |
| NON-CURRENT ASSETS | | | |
| Land | *8* | 12,491 | 13,005 |
| Property, plant and equipment | *8* | 367,313 | 382,107 |
| Other tangible fixed assets | *8* | 4,832 | 4,646 |
| Right of use | *8* | 53,649 | 61,260 |
| Intangible assets | *9* | 263,475 | 272,563 |
| Other financial assets available for sale | *11* | 46 | 46 |
| Financial receivables | *12* | 6,367 | 6,803 |
| Other receivables | *12* | 32,247 | 33,532 |
| Deferred tax assets | *13-19* | 37,716 | 36,988 |
| TOTAL NON-CURRENT ASSETS | | 778,136 | 810,950 |
| TOTAL ASSETS | | 1,211,013 | 1,265,836 |

| LIABILITIES | *Note* | *June 30, 2020* | *December 31, 2019* |
|---|---|---|---|
| CURRENT LIABILITIES | | | |
| Bank overdrafts and short-term loans | *15* | 2,098 | 1,942 |
| Current portion of medium/long-term financial debts and other loans | *15* | 278,441 | 78,760 |
| Short-term financial debts for right of use | *15* | 16,260 | 15,044 |
| Other short-term liabilities for derivative financial instruments | *15* | 221 | 21 |
| Trade and other payables | *16* | 254,173 | 342,340 |
| Tax payables | *16* | 6,302 | 9,213 |
| Other current liabilities | *17* | 34,049 | 38,987 |
| LIABILITIES RELATED TO ASSETS HELD FOR SALE | *14* | - | - |
| TOTAL CURRENT LIABILITIES | | 591,544 | 486,307 |
| NON-CURRENT LIABILITIES | | | |
| Financial debts to bank | *15* | 133,602 | 131,932 |
| Other medium/long-term financial debts | *15* | 105,355 | 213,638 |
| Medium/long-term financial debts for right of use | *15* | 44,061 | 52,806 |
| Other medium/long-term financial liabilities for derivative financial instruments | *15* | - | - |
| Long-term provisions | *18* | 81,660 | 76,298 |
| Other payables | *18* | 58,834 | 59,503 |
| Deferred tax liabilities | *19* | 35,654 | 37,602 |
| TOTAL NON-CURRENT LIABILITIES | | 459,166 | 571,779 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | *20* | 62,461 | 62,461 |
| Reserves and retained earnings (accumulated losses) | *20* | 111,223 | 123,070 |
| Group net result for the period | *20* | (28,761) | 3,202 |
| TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY | | 144,923 | 188,733 |
| Non-controlling interests | *20* | 15,380 | 19,017 |
| TOTAL SHAREHOLDERS' EQUITY | | 160,303 | 207,750 |
| TOTAL LIABILITIES AND EQUITY | | 1,211,013 | 1,265,836 |

## CONSOLIDATED INCOME STATEMENT
(in thousands of Euro)

| | Note | 1st half 2020 | | 1st half 2019 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| Sales revenues | 22 | 519,498 | 100.0 | 777,830 | 100.0 |
| Variable cost of sales | 24 | 364,489 | 70.2 | 549,236 | 70.6 |
| CONTRIBUTION MARGIN | | 155,009 | 29.8 | 228,594 | 29.4 |
| Manufacturing and R&D overheads | 25 | 51,724 | 9.9 | 74,380 | 9.7 |
| Depreciation and amortization | 26 | 59,473 | 11.4 | 60,053 | 7.7 |
| Distribution and sales fixed expenses | 27 | 15,372 | 3.0 | 20,558 | 2.6 |
| Administrative and general expenses | 28 | 33,700 | 6.5 | 41,990 | 5.4 |
| Restructuring costs | 30 | 7,294 | 1.4 | 4,364 | 0.6 |
| Losses (gains) on disposal | 31 | (333) | (0.1) | 63 | - |
| Exchange losses (gains) | 32 | 3,996 | 0.8 | 1,773 | 0.2 |
| Other non-operating expenses (income) | 33 | 2,600 | 0.5 | 1,021 | 0.1 |
| EBIT | | (18,817) | (3.6) | 24,392 | 3.1 |
| Financial expenses (income), net | 34 | 11,581 | 2.2 | 11,034 | 1.4 |
| Losses (gains) from equity investments | 35 | - | - | - | - |
| RESULT BEFORE TAXES | | (30,398) | (5.8) | 13,358 | 1.7 |
| Income taxes | 36 | (1,039) | (0.2) | 8,250 | 1.0 |
| NET INCOME (LOSS) OF OPERATING ACTIVITIES | | (29,359) | (5.6) | 5,108 | 0.7 |
| Net income (loss) from discontinued operations | 37 | - | - | 4,017 | 0.5 |
| NET RESULT BEFORE NON - CONTROLLING INTERESTS | | (29,359) | (5.6) | 9,125 | 1.2 |
| Loss (Income) attributable to non - controlling interests | 39 | 598 | 0.1 | (2,253) | (0.3) |
| GROUP NET RESULT | | (28,761) | (5.5) | 6,872 | 0.9 |
| Earnings per share (EPS) (Euro): | 39 | | | | |
| Basic | | (0.244) | | 0.058 | |
| Diluted | | (0.244) | | 0.058 | |

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
(in thousands of Euro)

| | *Note* | *1st half 2020* | *1st half 2019* |
|---|---|---|---|
| Net result before non-controlling interests | | (29,359) | 9,125 |
| *Other Comprehensive Income:* | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| - Actuarial gain (loss) | *20* | (10,162) | (3,894) |
| - Tax on items that will not be reclassified to profit or loss | *20* | 931 | 661 |
| *Total items that will not be reclassified to profit or loss* | | *(9,231)* | *(3,233)* |
| *Items that may be reclassified to profit or loss* | | | |
| - Profit (loss) booked to cash flow hedging reserve | *20* | 365 | 364 |
| - Tax on items that may be reclassified to profit or loss | *20* | (88) | (87) |
| - Profit (loss) booked to translation reserve | *20* | (7,539) | 64 |
| *Total items that may be reclassified to profit or loss* | | *(7,262)* | *341* |
| *Other Comprehensive Income* | | *(16,493)* | *(2,892)* |
| Total comprehensive result for the period | | (45,852) | 6,233 |
| Attributable to: | | | |
| - Shareholders of the Holding Company | | (45,215) | 3,950 |
| - Non-controlling interests | | (637) | 2,283 |

CONSOLIDATED CASH FLOW STATEMENT
(in thousands of Euro)

| | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Cash flows from operating activities | | |
| Net result | (28,761) | 6,872 |
| Adjustments: | | |
| - non-controlling interests | (598) | 2,253 |
| - depreciation, amortization and writedowns | 65,850 | 63,788 |
| - expenses recognised for share-based incentive plans | 177 | 385 |
| - exchange rate differences on private placement | (1,899) | (1,411) |
| - exchange rate differences on cross currency swap | 1,899 | 1,411 |
| - losses/(gains) on disposal of fixed assets and non-current assets held for sale | (333) | 63 |
| - provisions for risks and for restructuring | (217) | 1,049 |
| - post-retirement and other employee benefits | (1,357) | (1,397) |
| - net financial expenses | 11,581 | 11,034 |
| - income taxes | (1,039) | 8,250 |
| - change in net working capital | (52,510) | (20,329) |
| - other medium/long-term assets/liabilities | 1,854 | (349) |
| CASH FLOWS FROM OPERATING ACTIVITIES | (5,352) | 71,619 |
| Interests paid | (9,217) | (8,789) |
| Income tax paid | (2,784) | (9,709) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | (17,353) | 53,121 |
| INVESTING ACTIVITIES | | |
| Interest received | 863 | 1,078 |
| Purchase of property, plant and equipment | (35,525) | (38,068) |
| Purchase of intangible assets | (11,338) | (15,885) |
| Sale of property, plant, equipment and businesses held for sale | 562 | 3,456 |
| Sale of intangible assets | 141 | 49 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | (45,297) | (49,370) |
| FINANCING ACTIVITIES | | |
| Capital increase in subsidiaries from third parties | - | - |
| Net change in capital | - | - |
| Dividends paid to Holding Company shareholders and non-controlling interests | - | (3,512) |
| New (repayment of) bonds | (37,584) | (12,584) |
| New (repayment of) long-term loans | 133,564 | 41,573 |
| New (repayment of) leases | (8,655) | (6,801) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 87,325 | 18,676 |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | 24,675 | 22,427 |
| Balance at the beginning of the period | 163,231 | 89,671 |
| (Decrease) increase in cash and cash equivalents | 24,675 | 22,427 |
| Exchange differences | (1,878) | 1 |
| BALANCE AT THE END OF THE PERIOD | 186,028 | 112,099 |

Note: this table shows the elements that bring about the change in cash and cash equivalents, as expressly required by IAS 7. The cash flow statement included in the Report of the board of directors on operations shows the various operational components of cash flow, thereby explaining all of the changes in the overall net financial position.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of Euro)

| | Attributable to the shareholders of the parent company | | | | | | | | | | | | | | Third | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Share capital* | *Share premium reserve* | *Reserve for treasury shares* | *Treasury shares* | *Legal reserve* | *Stock-based incentive plans reverve* | *Translation reserve* | *Cash flow hedging reserve* | *Actuarial gain (loss) reserve* | *Tax on items booked in Other Comprehensive Income* | *Other reserves* | *Retained earnings* | *Net result for the period* | *Total* | | |
| *Balance at December 31, 2018* | *62,461* | *18,212* | *5,677* | *(5,677)* | *12,640* | *2,389* | *(59,760)* | *(3,450)* | *(38,115)* | *12,644* | *12,201* | *159,629* | *14,005* | *192,856* | *21,012* | *213,868* |
| Adjustment to the date of initial application of IFRS 16 | - | - | - | - | - | - | - | - | - | *1,195* | - | *(7,674)* | - | *(6,479)* | - | *(6,479)* |
| Balance at January 1°, 2019 | *62,461* | *18,212* | *5,677* | *(5,677)* | *12,640* | *2,389* | *(59,760)* | *(3,450)* | *(38,115)* | *13,839* | *12,201* | *151,955* | *14,005* | *186,377* | *21,012* | *207,389* |
| Paid share capital increase | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Allocation of 2018 net profit: | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (3,512) | (3,512) |
| Retained earnings | - | - | - | - | - | - | - | - | - | - | - | 14,005 | (14,005) | - | - | - |
| Recognition of share-based incentive plans | - | - | - | - | - | 385 | - | - | - | - | - | - | - | 385 | - | 385 |
| Other changes | - | 250 | (250) | 250 | - | (170) | - | 232 | - | (67) | - | 2,681 | - | 2,926 | - | 2,926 |
| *Comprehensive result for the period* | | | | | | | | | | | | | | | | |
| Fair value cash flow hedging instruments | - | - | - | - | - | - | - | 364 | - | - | - | - | - | 364 | - | 364 |
| Actuarial gain (loss) | - | - | - | - | - | - | - | - | (3,894) | - | - | - | - | (3,894) | - | (3,894) |
| Tax on items booked in Other Comprehensive Income | - | - | - | - | - | - | - | - | - | 574 | - | - | - | 574 | - | 574 |
| Currency translation differences | - | - | - | - | - | - | 34 | - | - | - | - | - | - | 34 | 30 | 64 |
| Net result for the period | - | - | - | - | - | - | - | - | - | - | - | - | 6,872 | 6,872 | 2,253 | 9,125 |
| *Total comprehensive result for the period* | - | - | - | - | - | - | 34 | 364 | (3,894) | 574 | - | - | 6,872 | 3,950 | 2,283 | 6,233 |
| *Balance at June 30, 2019* | *62,461* | *18,462* | *5,427* | *(5,427)* | *12,640* | *2,604* | *(59,726)* | *(2,854)* | *(42,009)* | *14,346* | *12,201* | *168,641* | *6,872* | *193,638* | *19,783* | *213,421* |
| | | | | | | | | | | | | | | | | |
| *Balance at December 31, 2019* | *62,461* | *18,728* | *5,161* | *(5,161)* | *12,640* | *1,778* | *(63,606)* | *(2,490)* | *(43,178)* | *14,651* | *12,201* | *172,346* | *3,202* | *188,733* | *19,017* | *207,750* |
| Paid share capital increase | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Allocation of 2019 net profit: | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (3,000) | (3,000) |
| Retained earnings | - | - | - | - | - | - | - | - | - | - | - | 3,202 | (3,202) | - | - | - |
| Recognition of share-based incentive plans | - | - | - | - | - | 177 | - | - | - | - | - | - | - | 177 | - | 177 |
| Other changes | - | 218 | (218) | 218 | - | (186) | - | - | - | - | - | 1,196 | - | 1,228 | - | 1,228 |
| *Comprehensive result for the period* | | | | | | | | | | | | | | | | |
| Fair value cash flow hedging instruments | - | - | - | - | - | - | - | 365 | - | - | - | - | - | 365 | - | 365 |
| Actuarial gain (loss) | - | - | - | - | - | - | - | - | (10,162) | - | - | - | - | (10,162) | - | (10,162) |
| Tax on items booked in Other Comprehensive Income | - | - | - | - | - | - | - | - | - | 843 | - | - | - | 843 | - | 843 |
| Currency translation differences | - | - | - | - | - | - | (7,500) | - | - | - | - | - | - | (7,500) | (39) | (7,539) |
| Net result for the period | - | - | - | - | - | - | - | - | - | - | - | - | (28,761) | (28,761) | (598) | (29,359) |
| *Total comprehensive result for the period* | - | - | - | - | - | - | (7,500) | 365 | (10,162) | 843 | - | - | (28,761) | (45,215) | (637) | (45,852) |
| *Balance at June 30, 2020* | *62,461* | *18,946* | *4,943* | *(4,943)* | *12,640* | *1,769* | *(71,106)* | *(2,125)* | *(53,340)* | *15,494* | *12,201* | *176,744* | *(28,761)* | *144,923* | *15,380* | *160,303* |

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CONTENTS

## *A) GENERAL ASPECTS*

### *1. CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS*

The condensed interim consolidated financial statements (also half-year condensed consolidated financial statements) for the period 1 January - 30 June 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union and have been prepared according to IAS 34 – "Interim Financial Reporting", applying the same accounting policies used in the preparation of the Consolidated Financial Statements at 31 December 2019 except as provided by note no. 2 "Consolidation principles and accounting policies". "IFRS" also means the International Accounting Standards ("IAS") currently in force, as well as all of the interpretation documents issued by the International Financial Reporting Standards Interpretations Committee ("IFRS IC", formerly "IFRIC") previously called the Standing Interpretations Committee ("SIC"). To this end, the figures of the financial statements of the consolidated subsidiaries have been appropriately reclassified and adjusted.
As a partial exception to IAS 34 provisions, these condensed interim consolidated financial statements provide detailed as opposed to condensed statements in order to provide a better and clearer overview of the changes that have taken place in the Company's assets and liabilities, financial position and results during the half-year.
They also contain the explanatory and supplementary notes required by IAS 34 with the additional information considered useful for a clearer understanding of these half-year consolidated financial statements.
The condensed interim consolidated financial statements as at 30 June 2020 should be read in conjunction with the annual financial statements as at 31 December 2019.
With reference to IAS 1, the Board Directors confirm that, considering the economic forecasts, the capitalisation and the financial position of the Group, the same operates as a going concern (for more details, please refer to note 2 "Consolidation principles and accounting policies").
The condensed interim consolidated financial statements as at 30 June 2020 were approved by the Board of Directors on 27 July 2020.

#### ***1.1 Format of the consolidated financial statements***

The financial statements as at 30 June 2020 are consistent with those used for the annual report as at 31 December 2019.

The Income Statement also provides the following intermediate results in order to give a clearer understanding of the typical results of normal manufacturing activities, the financial side of the business and the impact of taxation:

- Contribution margin;
- EBIT (earnings before interest and tax);
- Result before taxes;
- Net income (loss) of operating activities;
- Net result before non-controlling interests;
- Group net result

### *1.2 Content of the consolidated financial statements*

The condensed interim consolidated financial statements for the six-month period ending 30 June 2020 include the Parent Company Sogefi S.p.A. and its controlled subsidiaries.
Section H of these notes gives a list of the companies included in the scope of consolidation and the percentages held.

These financial statements are presented in Euro and all figures are rounded up or down to the nearest thousand Euro, unless otherwise indicated.

Group companies prepare their financial statements in the local functional currency of the country concerned.
The functional currency of the Parent Company is the Euro and this is the presentation currency in which the consolidated financial statement is prepared and published.

The condensed interim consolidated financial statements have been prepared according to the consolidation method on a line-by-line basis of the statements of Sogefi S.p.A., the Parent Company, and those of all Italian and foreign companies under its control.

No changes were made to the scope of consolidation during the period.

### *1.3 Group composition*

As required by IFRS 12, Group composition as at 30 June 2020 and 31 December 2019 was as follows:

| *Business Unit* | *Region* | *Wholly-owned subsidiaries* | |
|---|---|---|---|
| | | June 30, 2020 | December 31, 2019 |
| Air&Cooling | Canada | 1 | 1 |
| | France | 1 | 1 |
| | Mexico (*) | 1 | 1 |
| | Romania | 1 | 1 |
| | China (*) | 2 | 2 |
| | Luxembourg | 1 | 1 |
| | USA | 1 | 1 |
| | Hong Kong | 1 | 1 |
| Filtration | Italy | 1 | 1 |
| | France | 1 | 1 |
| | Great Britain | 1 | 1 |
| | Spain | 1 | 1 |
| | Slovenia | 1 | 1 |
| | USA (**) | 1 | 1 |
| | Brazil | 1 | 1 |
| | Argentina | 1 | 1 |
| | India | 1 | 1 |
| | Russia | 1 | 1 |
| | Morocco | 1 | 1 |
| Suspensions | France | 2 | 2 |
| | Italy | 2 | 2 |
| | Great Britain | 2 | 2 |
| | Germany | 2 | 2 |
| | The Netherlands | 1 | 1 |
| | Romania | 1 | 1 |
| | Brazil | 1 | 1 |
| | Argentina | 1 | 1 |
| Sogefi Gestion S.A.S. | France | 1 | 1 |
| TOTAL | | 33 | 33 |

(*) These subsidiaries work also for Suspensions business unit.

(**) These subsidiaries work also for Air and Cooling business units.

| *Business Unit* | *Region* | *Non-wholly-owned subsidiaries* | |
|---|---|---|---|
| | | June 30, 2020 | December 31, 2019 |
| Suspensions | France | 1 | 1 |
| | Spain | 1 | 1 |
| | China | 1 | 1 |
| | India | 1 | 1 |
| TOTAL | | 4 | 4 |

*2. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES*

The consolidation and accounting policies applied in preparing the condensed consolidated financial statements for the six-month period ended 30 June 2020 are consistent with those used for the annual financial statements as of 31 December 2019 to which the reader should refer.

**Going concern**

These consolidated financial statements have been prepared on a going concern basis.

In this regard, it should be noted that the Company, like the entire automotive sector in which it operates, is experiencing a totally unpredictable crisis of extraordinary severity due to the Covid-19 pandemic and its consequences in terms of suspended production activities and sharply falling demand. This gave rise to certain uncertainty factors that have been and continue to be monitored by management, which also initiated activities aimed specifically at mitigating these uncertainties as far as possible.

In the first half of 2020, the Group's turnover fell by more than 30% compared with 2019 and a significant reduction in volumes, albeit lower than that in the first half, is expected for the second half of the year, too.

This drop in volumes resulted in a significant worsening of economic results and financial and equity indicators: EBITDA, despite the mitigation measures adopted, fell by 46%, net result was negative for Euro 28.8 million and pre-IFRS 16 net debt increased by 28% (from Euro 256.2 million at 31 December 2019 to Euro 327.0 million at 30 June 2020).

In light of the above, management developed a new five-year plan that takes into account the impact of the current crisis in terms of profit and equity and what kind of expectations can be formulated presently as to market recovery in coming years.

On 6 July 2020, management presented the plan to the Board of Directors, that approved it. It points out that, even based on prudential assumptions about the speed and extent of the recovery, the measures proposed in the plan to protect margins and reduce fixed costs would make it possible to safeguard the company's profitability and financial balance.

In addition, with regard to specific financial risks, the Company was in compliance with the covenants at 30 June and, based on the plan, there is currently no risk of breach upon the next maturity dates.

Based on the expected cash flows and the maturity dates of existing loan agreements, the plan assumes that the company will be able to renew lines at maturity and open new lines for a total of Euro 100 million over the next nine months. This will provide the Group with the financial resources needed to fund the plan, including a liquidity reserve that enable it to deal with possible fluctuations in such an uncertain phase.

In this regard, management has begun negotiations with key long-standing financial partners to renew an existing line and obtain new credit lines within the framework of the regulations in force in France and Italy on loans backed by state guarantees, as it has been confirmed that the Company meets the eligibility requirements.

Based on the above considerations, and taking into account:

- the plan, that provides for sustainable debt over the period under consideration,
- that the loan agreement conditions, with special regard to the covenants, were complied with at June 30 and compliance was expected, based on projections, at the subsequent maturities,
- that the French and Italian governments have made available certain facilities to companies in order to mitigate the risk of difficult access to credit,
- that management assessments confirmed that the company is eligible for the loans backed by public guarantees,
- the information provided by management concerning the willingness of banks to evaluate new loans to support the Company,

the Board of Directors believes that the going concern assumption remains appropriate.

**Critical estimates and assumptions**

The preparation of the condensed interim consolidated financial statements requires Directors to make estimates and assumptions, which affect the values of revenues, costs, assets and liabilities and the information regarding potential assets and liabilities as at the date of the condensed interim consolidated financial statements. If in the future said estimates and assumptions, which are based on the best estimates of the Directors, should change due to actual circumstances, they will be adjusted accordingly in the period in which said circumstances change.
It should also be noted that some measurement processes, in particular the more complex ones, such as the calculation of any impairment of non-current assets, are generally fully made only when the annual financial statements are prepared, when all of the information that may be required is available, with the exception of the cases in which there are impairment indicators that require the performance of an impairment test.

Sogefi believes the spread of the Covid-19 pandemic and the associated worsening economic and financial results of the Group to be trigger events of a possible impairment loss on non-financial assets. In accordance with IAS 36, the main fixed assets at 30 June 2020 were tested for impairment.

The impairment tests were based on the new 2020-2024 plan prepared by management and approved by the Board of Directors on 6 July 2020. These impairment tests led to write-downs of Euro 1.8 million for the most part of research and development projects.

The risks that non-financial assets connected the active revenue cycle (e.g. inventory and receivables) and deferred tax assets may become impossible to recover were also assessed. As a result of these assessments, no significant write-downs were made.
The potential impacts of the following items were also assessed:

- amendments to lease contracts;
- changes in contractual relations with customers;
- government grants and effects on the recognition/classification of costs and employee benefits;

- derivatives

The assessments made did not reveal any significant impact on the consolidated half-year financial statements.

More specifically, the main items subjected to such assessments are as follows:

- goodwill (Euro 126,639 thousand at 30 June 2020): the Group carried out the impairment test at 30 June 2020, taking into account expected trends as determined based on the 2020-2024 multi-year plan (adjusted to eliminate any estimated benefits from future projects and reorganisations). The 2020-2024 plan was approved by the Board of Directors on 6 July 2020. The impairment test, based on such forecasts, does not indicate a need for write-down;
- recoverability of deferred tax assets for tax losses (Euro 4,483 thousand as at 30 June 2020): as at 30 June 2020 recognised deferred tax assets for tax losses incurred during previous years (referred to subsidiaries Sogefi Suspension S.A., Sogefi Air and Cooling S.A.S., Sogefi Filtration d.o.o., Sogefi (Suzhou) Auto Parts Co., Ltd, Sogefi Filtration Spain S.A.U., Sogefi Filtration Argentina S.A.) and deferred tax assets for tax losses of the period (referred to subsidiaries Sogefi (Suzhou) Auto Parts Co., Ltd, Sogefi Filtration d.o.o. and Sogefi Suspension Argentina S.A.) to the extent that the availability of future taxable income is considered probable, over the time horizon of the plan, against which the tax losses can be used for the subsidiaries. Such probability is also determined based on the fact that such losses have originated under extraordinary circumstances, such as past or on-going restructuring, that are unlikely to occur again in the future.
  With reference to the Parent Company Sogefi S.p.A., taxes are recognised in the income statement under “Current taxes” to the extent that the loss is actually offset against taxable income generated within the CIR Group tax filing system. Any tax losses carried forward in excess of the offset amount will be recognised as deferred tax assets as they are likely to be recovered taking into account that the Parent Company has joined the CIR Group tax filing system permanently. Any ability to recover such tax will be based on expected future taxable income according to the forecasts involving the companies participating in the CIR Group tax filing system;
- pension plans (Euro 60,305 thousand as of 30 June 2020): actuaries who offer their consulting services to the Group use different statistic assumptions in order to anticipate future events for the purpose of estimating pension plan expenses, liabilities and assets. Such assumptions concern discount rate, expected return on pension plan assets (this particular assumption concerns nearly exclusively British pension funds), future wage inflation rates, mortality and turnover rates;
- derivatives (Euro 6,431 thousand for assets and Euro 221 thousand for liabilities as at 30 June 2020): the estimate of derivatives fair value and the efficacy test on derivatives held for “hedge accounting” were performed with the aid of external consultants based on valuation models commonly used in the industry.

***IFRS accounting standards, amendments and interpretations applicable since 1 January 2020***

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group as from 1 January 2020:

- Amendment to "*Conceptual Framework in IFRS Standards*" (issued on 29 March 2018).
- Amendments to IFRS 3 "*Business combinations*" (issued on 22 October 2018). These amendments are intended to help determine whether a transaction is an acquisition of a business or of a group of assets that does not meet the definition of business under IFRS 3. The new provisions as at 30 June 2020 did not have any impact on the Sogefi Group's condensed interim consolidated financial statements.
- Amendments to IAS 1 and IAS 8 "*Definition of material*" (issued on 31 October 2018). These amendments clarify the definition of the concept of materiality provided in IAS 1 to help preparers determine whether a piece of information on an item of the financial statements, a transaction or an event should be provided to users of the financial statements. The new provisions as at 30 June 2020 did not have any impact on the Sogefi Group's condensed interim consolidated financial statements.
- Amendments to IFRS 9, IAS 39 and IFRS 7 "*Interest Rate Benchmark Reform*" (issued on 26 September 2019). The new provisions as at 30 June 2020 did not have any impact on the Sogefi Group's condensed interim consolidated financial statements.

**IFRS and IFRIC accounting standards, amendments and interpretations not yet endorsed by the European Union**

The European Union has not yet completed its endorsement process for the standards and amendments below reported at the date of these Financial Statements. The Directors are evaluating the possible effects of applying these amendments to the Group's Consolidated Financial Statements.

- IFRS 17 "*Insurance Contracts*" (issued on 18 May 2017). These amendments are to be applied for financial periods beginning on 1 January 2023.
- Amendments to IAS 1 "*Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*" (issued on 23 January 2020). These amendments are to be applied for financial periods beginning on 1 January 2023.
- Amendments to IFRS 16 *"Leases Covid 19-Related Rent Concessions"* (issued on 28 May 2020). The amendments will be endorsed in the second half of 2020.

**Exchange rates**

The following exchange rates have been used for translation purposes:

| | *1st half 2020* | | *1st half 2019* | | *2019* |
|---|---|---|---|---|---|
| | *Average* | *06.30* | *Average* | *06.30* | *12.31* |
| US dollar | 1.1015 | 1.1198 | 1.1345 | 1.1380 | 1.1234 |
| Pound sterling | 0.8743 | 0.9124 | 0.8750 | 0.8966 | 0.8508 |
| Brazilian real | 5.4168 | 6.1118 | 4.3277 | 4.3511 | 4.5157 |
| Argentine peso | 78.7859 | 78.7859 | 46.8165 | 48.5678 | 67.2749 |
| Chinese renminbi | 7.7483 | 7.9219 | 7.6799 | 7.8185 | 7.8205 |
| Indian rupee | 81.6993 | 84.6235 | 79.5545 | 78.5240 | 80.1870 |
| New romanian Leu | 4.8174 | 4.8397 | 4.7301 | 4.7343 | 4.7830 |
| Canadian dollar | 1.5031 | 1.5324 | 1.5079 | 1.4893 | 1.4598 |
| Mexican peso | 23.8550 | 25.9470 | 21.7960 | 21.8201 | 21.2202 |
| Moroccan Dirham | 10.7643 | 10.8740 | 10.8743 | 10.8990 | 10.7810 |
| Hong Kong dollar | 8.5485 | 8.6788 | 8.8976 | 8.8866 | 8.7473 |

*B) SEGMENT INFORMATION*

*3. OPERATING SEGMENTS*

In compliance with the provisions of IFRS 8, the following information is provided by operating segments (business segments).
The operating segments and performance indicators have been determined on the basis of the reports used by corporate management to take strategic decisions.

***Business* segments**

With regard to the business segments, disclosures concerning the three business units are as follows: Suspensions, Filtration, and Air and Cooling. Figures for the Parent Company Sogefi S.p.A. and the subsidiary Sogefi Gestion S.A.S. are also provided for the purpose of reconciliation with consolidated values. For further details, please refer to note 40 “Related party transactions”.
It should be noted that management redefined the scope of the Filtration and Air and Cooling business units in 2020. For comparative purposes, the 2019 figures have also been reclassified based on the new scope.

The tables below provide the income statement and statement of financial position figures of the Group for the first half of 2019 and 2020:

| (in thousands of Euro) | June 30, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Air & Cooling | Suspensions | Filtration | Sogefi SpA / Sogefi Gestion S.A.S. | Adjust-ments | Sogefi Group consolida-tion |
| REVENUES | | | | | | |
| Sales to third parties | 213,385 | 291,350 | 273,095 | - | - | 777,830 |
| Intersegment sales | 61 | 965 | 881 | 11,683 | (13,590) | 0 |
| TOTAL REVENUES | 213,446 | 292,315 | 273,976 | 11,683 | (13,590) | 777,830 |
| *RESULTS* | | | | | | |
| EBIT | 11,137 | 6,411 | 8,948 | (1,568) | (536) | 24,392 |
| Financial expenses, net | | | | | | (11,034) |
| Income from equity investments | | | | | | - |
| Losses from equity investments | | | | | | - |
| Result before taxes | | | | | | 13,358 |
| Income taxes | | | | | | (8,250) |
| Net income (loss) of operating activities | | | | | | 5,108 |
| Net income (loss) from discontinued operations | | | | | | 4,017 |
| NET RESULT INCLUDED THIRD PARTY SHARE | | | | | | 9,125 |
| Profit (loss) from third parties | | | | | | (2,253) |
| GROUP NET RESULT | | | | | | 6,872 |

| *STATEMENT OF FINANCIAL POSITION* | | | | | | |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Segment assets | 355,666 | 454,914 | 430,049 | 638,932 | (765,924) | 1,113,636 |
| Unallocated assets | - | - | - | - | 137,562 | 137,562 |
| TOTAL ASSETS | 355,666 | 454,914 | 430,049 | 638,932 | (628,362) | 1,251,198 |
| LIABILITIES | | | | | | |
| Segment liabilities | 223,998 | 331,204 | 372,199 | 424,763 | (314,385) | 1,037,779 |
| TOTAL LIABILITIES | 223,998 | 331,204 | 372,199 | 424,763 | (314,385) | 1,037,779 |
| *OTHER INFORMATION* | | | | | | |
| Increase in tangible and intangible fixed assets | 24,519 | 14,293 | 14,622 | 554 | (35) | 53,953 |
| Depreciation, amortization and writedowns | 22,102 | 18,710 | 20,123 | 2,253 | 601 | 63,788 |

| (in thousands of Euro) | June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Air & Cooling | Suspensions | Filtration | Sogefi SpA / Sogefi Gestion S.A.S. | Adjust-ments | Sogefi Group consolida-tion |
| REVENUES | | | | | | |
| Sales to third parties | 150,590 | 172,061 | 196,847 | - | - | 519,498 |
| Intersegment sales | 236 | 684 | 175 | 9,913 | (11,008) | 0 |
| TOTAL REVENUES | 150,826 | 172,745 | 197,022 | 9,913 | (11,008) | 519,498 |
| *RESULTS* | | | | | | |
| EBIT | 281 | (8,146) | (11,565) | (410) | 1,023 | (18,817) |
| Financial expenses, net | | | | | | (11,581) |
| Income from equity investments | | | | | | - |
| Losses from equity investments | | | | | | - |
| Result before taxes | | | | | | (30,398) |
| Income taxes | | | | | | 1,039 |
| Net income (loss) of operating activities | | | | | | (29,359) |
| Net income (loss) from discontinued operations | | | | | | - |
| NET RESULT INCLUDED THIRD PARTY SHARE | | | | | | (29,359) |
| Profit (loss) from third parties | | | | | | 598 |
| GROUP NET RESULT | | | | | | (28,761) |
| *STATEMENT OF FINANCIAL POSITION* | | | | | | |
| ASSETS | | | | | | |
| Segment assets | 346,428 | 417,034 | 357,129 | 742,060 | (789,338) | 1,073,313 |
| Unallocated assets | - | - | - | - | 137,700 | 137,700 |
| TOTAL ASSETS | 346,428 | 417,034 | 357,129 | 742,060 | (651,638) | 1,211,013 |
| LIABILITIES | | | | | | |
| Segment liabilities | 202,404 | 338,399 | 335,722 | 545,238 | (371,053) | 1,050,710 |
| TOTAL LIABILITIES | 202,404 | 338,399 | 335,722 | 545,238 | (371,053) | 1,050,710 |
| *OTHER INFORMATION* | | | | | | |
| Increase in tangible and intangible fixed assets | 19,027 | 18,775 | 9,375 | 77 | (392) | 46,863 |
| Depreciation, amortization and writedowns | 21,388 | 18,323 | 22,474 | 3,063 | 602 | 65,850 |

Please note that the Air and Cooling Business Unit figures include the net book value of the Systèmes Moteurs Group (company name is now Sogefi Air and Cooling S.A.S.), deriving from local accounts – in other words, not including the fair value adjustment of net assets after the Purchase Price Allocation of 2011 – and only the adjustments arising from the Purchase Price Allocation and relating to the change in product warranty provisions (contingent liabilities booked upon PPA); the remaining adjustments arising from the Purchase Price Allocation are posted in column "Adjustments".

Adjustments to "Intersegment sales" mainly refer to services provided by the Parent Company Sogefi S.p.A. and by subsidiary Sogefi Gestion S.A.S. to other Group companies (see note 40 for further details on the nature of the services provided). This item also includes intersegment sales between the business units. Intersegment transactions are conducted according to the Group's transfer pricing policy.

The adjustments to “EBIT” mainly refer to depreciation and amortization linked to the revaluation of assets resulting from the acquisition of the Systèmes Moteurs Group in 2011.
In the Statement of Financial Position, the adjustments to the item “Segment assets” refer to the consolidation entry of investments in subsidiaries and intercompany receivables.
Adjustments to “Unallocated assets” mainly include the goodwill and the fixed assets revaluations resulting from the acquisitions of: the Allevard Ressorts Automobile Group, Sogefi Rejna S.p.A., the Filtrauto Group, 60% of Sogefi M.N.R. Filtration India Private Ltd (now merged into Sogefi Engine Systems India Pvt Ltd) and Systèmes Moteurs Group.
“Depreciation, amortization and writedowns” include writedowns of tangible and intangible fixed assets of Euro 6,376 thousand for the most part relating to European, Chinese and North American subsidiaries.

These assets were written down based on the recoverable amount of assets at the end of the first half of 2020.

**Information on the main customers**

Revenues from sales to third parties as at 30 June 2020 accounting for over 9% of Group revenues are shown in the following table:

| (in thousands of Euro) | *June 30, 2020* | | | | |
|---|---|---|---|---|---|
| Group | Group | | BU Filtration | BU Air & Cooling | BU Suspensions |
| | *Amount* | *%* | | | |
| Renault/Nissan | 61,555 | 11.9 | 27,745 | 8,838 | 24,972 |
| Ford | 59,149 | 11.4 | 20,713 | 28,356 | 10,080 |
| PSA | 55,847 | 10.7 | 15,450 | 18,057 | 22,340 |
| FCA/CNH Industrial | 48,815 | 9.4 | 25,604 | 9,737 | 13,474 |

**Information on geographic areas**

The breakdown of revenues by geographical area is analysed in note 22 “Sales Revenues”.

The following table shows a breakdown of total assets by geographical area:

| (in thousands of Euro) | *June 30, 2019* | | | | | |
|---|---|---|---|---|---|---|
| | Europe | South America | North America | Asia | Adjust-ments | Sogefi Group consolidation |
| TOTAL ASSETS | 1,598,281 | 95,297 | 189,193 | 79,718 | (711,291) | 1,251,198 |

| (in thousands of Euro) | *June 30, 2020* | | | | | |
|---|---|---|---|---|---|---|
| | Europe | South America | North America | Asia | Adjust-ments | Sogefi Group consolidation |
| TOTAL ASSETS | 1,657,789 | 56,711 | 163,276 | 70,904 | (737,667) | 1,211,013 |

*C) NOTES ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION*

## *C 1) ASSETS*

### *4. CASH AND CASH EQUIVALENTS*

Cash and cash equivalents amount to Euro 188,126 thousand versus Euro 165,173 thousand as of 31 December 2019 and break down as follows:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| Short-term cash investments | 188,094 | 165,134 |
| Cash on hand | 32 | 39 |
| TOTAL | 188,126 | 165,173 |

Bank deposits earn interest at a floating rate.

For further details on changes in the various components of the net financial position, please see note 21.

As at 30 June 2020, the Group has unused lines of credit for the amount of Euro 134,967 thousand. These funds are available for use on demand, because the conditions required for their availability are met.

### *5. OTHER FINANCIAL ASSETS*

“Other financial assets” can be broken down as follows:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| Financial receivables | 2,582 | 3,244 |
| Assets for derivative financial instruments | 64 | 62 |
| TOTAL | 2,646 | 3,306 |

“Financial receivables” mainly refer to financial instruments issued by leading Chinese banks, at the request of some customers, as payment for supplies made by the Chinese subsidiaries.
“Assets for derivative financial instruments” refer to the fair value of forward foreign currency contracts not designated in hedge accounting.

## 6. *INVENTORIES*

The breakdown of inventories is as follows:

| (in thousands of Euro) | *June 30, 2020* | | | *December 31, 2019* | | |
|---|---|---|---|---|---|---|
| | *Gross* | *Write-downs* | *Net* | *Gross* | *Write-downs* | *Net* |
| Raw, ancillary and consumable materials | 62,906 | 5,696 | 57,210 | 59,695 | 5,430 | 54,265 |
| Work in progress and semi-finished products | 14,537 | 736 | 13,801 | 15,644 | 729 | 14,915 |
| Finished goods and goods for resale | 42,281 | 6,284 | 35,997 | 52,402 | 6,118 | 46,284 |
| TOTAL | 119,724 | 12,716 | 107,008 | 127,741 | 12,277 | 115,464 |

The net value of inventories decreased by Euro 8,456 thousand compared to 31 December 2019, Euro 4,801 thousand of which account for exchange rate effects.

## 7. *TRADE AND OTHER RECEIVABLES*

Current receivables break down as follows:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| Trade receivables | 95,755 | 131,649 |
| Less: Allowance for doubtful accounts | (4,298) | (4,367) |
| Trade receivables, net | 91,457 | 127,282 |
| Due from Parent Company | 2,928 | 3,134 |
| Tax receivables | 25,396 | 28,600 |
| Other receivables | 11,430 | 9,814 |
| Other assets | 3,886 | 2,113 |
| TOTAL | 135,097 | 170,943 |

"Trade receivables" are non-interest bearing and have an average due date of 25 days, against 30 days at the end of the previous year.

It should be noted that as at 30 June 2020, the Group factored trade receivables for Euro 57,599 thousand (Euro 94,210 thousand as at 31 December 2019), including an amount of Euro 52,161 thousand which was not notified (Euro 86,152 thousand as at 31 December 2019) and for which the Group continues to manage collection services. The risks and benefits related to these receivables have been transferred to the factor; therefore these receivables have been derecognised in the Statement of Financial Position debiting the consideration received from the factoring company.

Excluding the factoring transactions (Euro 57,599 thousand as at 30 June 2020 and Euro 94,210 thousand as at 31 December 2019), net trade receivables decreased by Euro 72,436 thousand mainly as a result of the slowdown in business activities in the second quarter of 2020 due to the Covid-19 pandemic.

"Due from Parent Company" includes net receivables resulting from the participation in the Group tax filing system, due to Italian companies from the Parent Company CIR S.p.A.. Outstanding receivables as at 31 December 2019 collected in the first half-year 2020 amounted to Euro 2,488 thousand. For further details, please refer to note 40.

“Tax receivables” include tax credits due to Group companies by the tax authorities of various countries for direct and indirect taxation.
It does not include deferred tax assets which are treated separately.

“Other receivables” break down as in the following table:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| Amounts due from social security institutions | 1,069 | 24 |
| Amounts due from employees | 286 | 189 |
| Advances to suppliers | 3,587 | 3,396 |
| Due from others | 6,488 | 6,205 |
| TOTAL | 11,430 | 9,814 |

“Amounts due from social security institutions” mainly refer to refunds owed by social security institutions to European companies for redundancy benefits and similar schemes.

“Other assets” mainly consist of accrued income and prepayments on insurance premiums and indirect taxes on buildings.
The increase in this item is seasonal and it is mainly due to the prepaid insurance policies, the indirect taxes on buildings, and the IT maintenance fees paid in the first few months of the year but relative to the year as a whole.

## 8. *TANGIBLE FIXED ASSETS*

The net carrying amount of tangible fixed assets as at 30 June 2020 amounted to Euro 438,285 thousand versus Euro 461,018 thousand at the end of the previous year and breaks down as follows:

| (in thousands of Euro) | *Land* | *Property, plant and equipment* | | | | *Other tangible fixed assets* | *Right of use / finance leases IAS 17* | *TOTAL* |
|---|---|---|---|---|---|---|---|---|
| | | *Buildings, plant and machinery, commercial and industrial equipment* | *Assets under construction and payments on account* | *Tooling* | *Tooling under construction* | | | |
| *Balance at December 31, 2019* | | | | | | | | |
| Historical cost | 13,156 | 874,996 | 50,173 | 160,574 | 50,792 | 37,176 | 100,896 | 1,287,763 |
| Accumulated depreciation | 151 | 640,287 | 1,345 | 112,704 | 92 | 32,530 | 39,636 | 826,745 |
| Net value | 13,005 | 234,709 | 48,828 | 47,870 | 50,700 | 4,646 | 61,260 | 461,018 |
| | | | | | | | | |
| Additions of the period | - | 4,394 | 16,451 | 2,060 | 12,436 | 184 | 899 | 36,424 |
| Disposals during the period | - | (21) | (175) | - | - | (32) | - | (228) |
| Exchange differences | (154) | (6,491) | (845) | (1,420) | (770) | (211) | (2,274) | (12,165) |
| Depreciation for the period | - | (20,632) | - | (14,851) | - | (985) | (6,038) | (42,506) |
| Writedowns/revaluations during the period | (360) | (2,536) | - | (156) | - | (35) | - | (3,087) |
| Other changes | - | 15,098 | (15,341) | 3,788 | (5,783) | 1,265 | (198) | (1,171) |
| *Balance at June 30, 2020* | 12,491 | 224,521 | 48,918 | 37,291 | 56,583 | 4,832 | 53,649 | 438,285 |
| Historical cost | 12,968 | 878,264 | 50,272 | 161,191 | 56,675 | 36,778 | 93,786 | 1,289,934 |
| Accumulated depreciation | 477 | 653,743 | 1,354 | 123,900 | 92 | 31,946 | 40,137 | 851,649 |
| Net value | 12,491 | 224,521 | 48,918 | 37,291 | 56,583 | 4,832 | 53,649 | 438,285 |

Investments during the period amounted to Euro 36,424 thousand and mainly refer to “Assets under construction and payments on account” and “Tooling under construction”.

In the category “Assets under construction and payments on account”, the main investments concerned the subsidiaries Sogefi Suspensions Eastern Europe S.R.L. for the new plant in Oradea, Sogefi (Suzhou) Auto Parts Co., Ltd to increase production capacity and develop new products, Sogefi Filtration S.A. for the development of new products, Sogefi Suspensions S.A. to increase production capacity and improve processes, subsidiaries Sogefi U.S.A., Inc. and Sogefi Air & Cooling Canada Corp. for new products.

In the category “Tooling under construction”, the main investments concerned in particular the subsidiaries Sogefi Air and Cooling S.A.S., Sogefi (Suzhou) Auto Parts Co., Ltd, Sogefi U.S.A., Inc. and Sogefi Suspensions S.A..

During the first half year 2020, no relevant disposals were made.

“Depreciation for the period” has been recorded in the appropriate item in the Income Statement.

“(Writedowns)/revaluations during the period” totalled Euro 3,087 thousand and relates to Sogefi U.S.A., Inc., Sogefi S.p.A., Shanghai Allevard Spring Co. Ltd., Sogefi (Suzhou) Auto Parts Co., Ltd, Filter Systems Maroc S.a.r.l. and Sogefi Air & Cooling Canada Corp..
Impairment losses less reversals are booked to “Other non-operating expenses (income)”.

“Other changes” mainly refer to the completion of projects that were under way at the end of the previous year and their reclassification under the pertinent items.
The item also includes the revaluation of the tangible fixed assets of the Argentine subsidiaries as a result of the application of IAS 29.

*Guarantees*
Tangible fixed assets at 30 June 2020, and at 31 December 2019, were not encumbered by mortgages or liens in favour of financial institutions as loan collaterals.

*Purchase commitments*
As at 30 June 2020, there are binding commitments to buy tangible fixed assets for the amount of Euro 1,138 thousand (Euro 1,195 thousand as at 31 December 2019). Said commitments will be settled for the most part within 12 months.

*Rights of use*
The net carrying amount of rights of use as of 30 June 2020 amounted to Euro 53,649 thousand versus Euro 61,260 thousand at 31 December 2019 and breaks down as follows:

| (in thousands of Euro) | *Industrial Buildings* | *Other buildings* | *Plant and machinary* | *Commercial and industrial equipment* | *Other assets* | *TOTAL* |
|---|---|---|---|---|---|---|
| *Balance at December 31, 2019* | | | | | | |
| Historical cost | 70,201 | 10,968 | 11,435 | 784 | 7,507 | 100,895 |
| Accumulated depreciation | 25,827 | 2,927 | 7,800 | 694 | 2,387 | 39,635 |
| Net value | 44,374 | 8,041 | 3,635 | 90 | 5,120 | 61,260 |
| | | | | | | |
| Additions of the period | 339 | - | - | 203 | 357 | 899 |
| Disposals during the period | - | - | - | - | - | - |
| Exchange differences | (2,088) | (125) | 32 | - | (93) | (2,274) |
| Depreciation for the period | (3,017) | (1,241) | (558) | (42) | (1,180) | (6,038) |
| Other changes | 477 | 89 | (774) | - | 10 | (198) |
| *Balance at June 30, 2020* | 40,085 | 6,764 | 2,335 | 251 | 4,214 | 53,649 |
| Historical cost | 67,769 | 9,957 | 8,047 | 478 | 7,535 | 93,786 |
| Accumulated depreciation | 27,684 | 3,193 | 5,712 | 227 | 3,321 | 40,137 |
| Net value | 40,085 | 6,764 | 2,335 | 251 | 4,214 | 53,649 |

The increases for the period amount to Euro 899 thousand, mainly refer to the categories “Industrial buildings” and “Other assets”, and particularly refer to the subsidiaries Sogefi Suspensions Passenger Car Italy S.p.A., Sogefi PC Suspensions Germany GmbH and Sogefi HD Suspensions Germany GmbH.

“Depreciation for the period” has been recorded in the appropriate item in the Income Statement.

## 9. INTANGIBLE ASSETS

At 30 June 2020 intangible assets amount to Euro 263,475 thousand against Euro 272,563 thousand at the end of the previous year and break down as follows:

| (in thousands of Euro) | Develop-ment costs | Industrial patents and intellectual property rights, concessions licences and trademarks | Other, assets under constructi-on and payments on account | Customer Relationship | Trade name Systemes Moteurs | Goodwill | TOTAL |
|---|---|---|---|---|---|---|---|
| *Balance at December 31, 2019* | | | | | | | |
| Historical cost | 284,344 | 72,717 | 32,210 | 19,215 | 8,437 | 149,537 | 566,460 |
| Accumulated amortization | 207,283 | 42,825 | 8,905 | 8,329 | 3,657 | 22,898 | 293,897 |
| Net value | 77,061 | 29,892 | 23,305 | 10,886 | 4,780 | 126,639 | 272,563 |
| | | | | | | | |
| *Balance at December 31, 2019* | 77,061 | 29,892 | 23,305 | 10,886 | 4,780 | 126,639 | 272,563 |
| Additions of the period | 5,469 | 144 | 5,725 | - | - | - | 11,338 |
| Disposals during the period, net | - | - | (142) | - | - | - | (142) |
| Exchange differences | (1,202) | (17) | (584) | - | - | - | (1,803) |
| Amortization for the period | (13,780) | (2,142) | (828) | - | (218) | - | (16,968) |
| Writedowns / revaluations during the period | (2,713) | (518) | (58) | - | - | - | (3,289) |
| Other changes | 6,094 | 296 | (4,614) | - | - | - | 1,776 |
| *Balance at June 30, 2020* | 70,929 | 27,655 | 22,804 | 10,886 | 4,562 | 126,639 | 263,475 |
| Historical cost | 287,708 | 70,790 | 32,213 | 19,215 | 8,437 | 149,537 | 567,900 |
| Accumulated amortization | 216,779 | 43,135 | 9,409 | 8,329 | 3,875 | 22,898 | 304,425 |
| Net value | 70,929 | 27,655 | 22,804 | 10,886 | 4,562 | 126,639 | 263,475 |

Investments in the half year amounted to Euro 11,338 thousand.

The increases in “Development costs” amount to Euro 5,469 thousand and refer to the capitalisation of costs incurred by Group companies to develop new products in collaboration with leading motor vehicle manufacturers. The most significant investments refer to the subsidiaries Sogefi Air & Cooling Canada Corp., Sogefi (Suzhou) Auto Parts Co., Ltd, Sogefi Filtration S.A. and Sogefi Air and Cooling S.A.S..

Increases in “Industrial patents and intellectual property rights, concessions, licences and trademarks” amount to Euro 144 thousand and refer to the development and implementation of the new information system across the Sogefi Group. This integrated information system is amortised on a ten-year basis, based on its estimated useful life, starting from the date of implementation in each subsidiary.

Increases in “Other, assets under construction and payments on account”, for the amount of Euro 5,725 thousand, refer mainly to a large number of investments in the development and implementation of the new products not yet flowed into production. The most significant among them were recorded in subsidiaries Sogefi Air & Cooling S.A.S., S.C. Sogefi Air & Cooling S.r.l. Inc., Sogefi U.S.A., Inc., Sogefi Suspensions Eastern Europe S.R.L., Sogefi Engine Systems India Pvt Ltd. and Sogefi Suspensions S.A..

“Write-downs/revaluations during the period” totalled Euro 3,289 thousand and relates to no longer recoverable research and development projects, mainly of Sogefi U.S.A., Inc. (Euro 1,170 thousand) and of the European subsidiaries.

There are no intangible assets with an indefinite useful life except for goodwill.

***Goodwill and impairment test***

Goodwill is not amortised, but at least subjected each year to impairment test or in case of trigger events.
The Company identified five Cash Generating Units (CGUs):

- filtration
- Air and Cooling
- car suspension
- industrial vehicle suspension
- precision springs

For the moment, it is possible to identify goodwill deriving from external acquisitions in three CGUs: Filtration, Air and Cooling and Car Suspension.

The specific goodwill of CGU “filtration” amounts to Euro 77,030 thousand; the goodwill of CGU “Air and Cooling” amounts to Euro 32,560 thousand; and the goodwill of C.G.U. “Car Suspension” amounts to Euro 17,049 thousand.

Impairment tests have been carried out in accordance with the procedure laid down in IAS 36 to check whether there have been any losses in the value of this goodwill, by comparing the book value of the individual CGUs with their value in use, given by the present value of estimated future cash flows that are expected to result from the continuing use of the asset being tested for impairment.
We used the Discounted Cash Flow Unlevered model. The Group took into account the expected performance as determined based on the new 2020-2024 plan (adjusted to eliminate any estimated benefits from future projects and reorganisations) approved by the Board of Directors on 6 July 2020 for the following years. The plan was prepared taking into account forecasts for the automotive industry made by major sources in the industry.

A discount rate of 8.97%, which reflects the weighted average cost of capital, was used. The same discount rate is used for all three CGUs. As a matter of fact, the three CGUs operate in the same sector and deal with the same kind of customers, and it is estimated that they are exposed to the same risks.

The terminal value was calculated using the “perpetual annuity” approach, assuming a growth rate (“g-rate”) of 2% (assumed to be conservative when compared to the forecasts for the automotive segment available from major sources of the industry) and considering an operating cash flow based on the last year of the projection (the year 2024), adjusted to project a stable situation “in perpetuity”, based on the following main assumptions:

- a balance between capital investment and depreciation (according to the rationale of considering the level of investment needed to “maintain” the business);
- change in working capital equal to zero.

As regards the average cost of capital, we calculated a weighted average of the cost of debt (taking into consideration the benchmark interest rates plus a spread) and the Company's own cost of capital, based on parameters for a group of firms operating in the European car components sector which are considered by the leading industry analysts to be Sogefi's peers. The values used to calculate the average cost of capital (extrapolated from the main financial sources) are as follows:

- financial structure of the industry: 31.6%
- levered beta of the industry: 1.10
- risk-free rate: 3.13% (annual average of risk-free rates of 10 year sovereign debt of the key markets in which the Group operates, weighted by revenues)
- risk premium: 8.1% (average risk premium calculated by an independent source for the key markets in which the Group operates, weighted by revenues)
- debt cost spread: 3.1% (estimate based on the 2020 forecast)

As far as the sensitivity analysis goes, it should be noted that:
- the impairment test reached the break-even point at the following discounting rates (growth rate of terminal value remaining unchanged at 2% and all other plan assumptions being equal): 13.8% for CGU Filtration; 18.8% for CGU Air and Cooling; and 10.9% for CGU Car Suspension;
- the impairment test reached break-even point with a significant reduction in EBIT during the explicit period covered by the plan that was also applied to terminal value (all other plan assumptions being equal): -44.7% in CGU Filtration; -60.4% in CGU Air and Cooling; and -24.7% in CGU Car Suspension;
- the impairment test reached break-even point at the following decreasing rates of the terminal value “g-rate” (all other plan assumptions being equal): -5.3% in CGU Filtration; -15.2% in CGU Air and Cooling; and -0.5% in CGU Car Suspension.

The test based on the present value of the estimated future cash flows turns out a value in use of the CGUs that exceeds their carrying value, so no write-down has been posted.

*10. INVESTMENTS IN JOINT VENTURES*

As at 30 June 2020, this item amounts to zero.

*11. OTHER FINANCIAL ASSETS*

As at 30 June 2020, this item amounts to Euro 46 thousand, unchanged compared to the previous fiscal year.

*12. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT RECEIVABLES*

Financial receivables total Euro 6,367 thousand (Euro 6,803 thousand as of 31 December 2019) and refer to the fair value of Cross Currency Swap (CCS) hedging contracts. For further details, please refer to note 47.

The item “Other receivables” also includes tax credits relating to the research and development activities of the French subsidiaries, other tax credits and non-interest bearing guarantee deposits for leased properties. These receivables will be collected over the coming years.

*13. DEFERRED TAX ASSETS*

As at 30 June 2020, this item amounts to Euro 37,716 thousand compared to Euro 36,988 thousand as of 31 December 2019.
This amount mainly relates to the expected benefits on deductible temporary differences, booked to the extent that it is likely to be recovered.

This item also includes deferred tax assets for tax losses of Euro 4,483 thousand (Euro 4,860 thousand as at 31 December 2019).
Taxes for tax losses incurred during the period amount to Euro 237 thousand and relate to subsidiaries Sogefi (Suzhou) Auto Parts Co., Ltd, Sogefi Filtration d.o.o. and Sogefi Suspension Argentina S.A..
Taxes for tax losses incurred in previous years amount to Euro 4,246 thousand and relate to subsidiaries Sogefi Suspensions S.A. (Euro 1,397 thousand; same amount as at 31 December 2019), Sogefi Air & Cooling S.A.S. (Euro 1,072 thousand, Euro 1,347 thousand as at 31 December 2019), Sogefi (Suzhou) Auto Parts Co., Ltd (Euro 332 thousand; Euro 531 thousand as at 31 December 2019), Sogefi Filtration Spain S.A.U. (Euro 876 thousand; same amount as at 31 December 2019), Sogefi Filtration d.o.o. (Euro 351 thousand, same amount as at 31 December 2019) and Sogefi Filtration Argentina S.A. (Euro 218 thousand; Euro 233 thousand at 31 December 2019).
With regard to the above mentioned subsidiaries, these taxes were recognised because it is believed to be probable that taxable income will be available in the future - within the time frame of the business plan - against which such tax losses can be utilised. Such probability is determined based on the fact that losses have originated under extraordinary circumstances that are unlikely to occur again, such as restructuring plans currently under way or occurred in the past.
The losses of the French and Spanish subsidiaries can be carried forward indefinitely but new law passed in 2012 in France and in 2016 in Spain has maintained a limit for the amount that can be utilised each year, making recovery time longer. The losses of the Slovenian subsidiary can also be carried forward indefinitely but there is a limit for the amount that can be utilised each year. The losses of the Chinese and Argentine subsidiaries can be carried forward over a period of up to 5 years since they were incurred.

*14. ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY RELATED TO ASSETS HELD FOR SALE*

As at 30 June 2020, this item amounts to zero.

## *C 2) LIABILITIES AND EQUITY*

### *15. FINANCIAL DEBTS TO BANKS AND OTHER FINANCING CREDITORS*

These break down as follows:

*Current portion*

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
| --- | --- | --- |
| Bank overdrafts and short-term loans | 2,098 | 1,942 |
| Current portion of medium/long-term financial debts and other loans | 278,441 | 78,760 |
| Short-term financial debts for right of use | 16,260 | 15,044 |
| TOTAL SHORT-TERM FINANCIAL DEBTS | 296,799 | 95,746 |
| Other short-term liabilities for derivative financial instruments | 221 | 21 |
| TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS | 297,020 | 95,767 |

*Non-current portion*

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
| --- | --- | --- |
| Financial debts to banks | 133,602 | 131,932 |
| Other medium/long-term financial debts | 105,355 | 213,638 |
| Medium/long-term financial debts for right of use | 44,061 | 52,806 |
| TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS | 283,018 | 398,376 |

***Bank overdrafts and short-term loans***

For further details, please refer to the Analysis of the net financial position included in note 21 and to the Consolidated Cash Flow Statement included in the financial statements.

### *Current and non-current portions of medium/long-term financial debts*

Details are as follows (in thousands of Euro):

Balance at 30 June 2020:

| Company | Bank/Credit Institute | Signing date | Due date | Original amount loan | Interest rate | Current portion | Non-current portion | Total amount | Real Guaran-tees |
|---|---|---|---|---|---|---|---|---|---|
| Sogefi S.p.A. | Equity linked bond | May - 2014 | May - 2021 | 100,000 | Fixed coupon 200 bps | 95,929 | - | 95,929 | N/A |
| Sogefi S.p.A. | Banca Nazionale del Lavoro S.p.A. | Dec -2018 | Dec -2023 | 80,000 | Euribor 3m. + 145 bps | - | 79,956 | 79,956 | N/A |
| Sogefi S.p.A. | Unicredit S.p.A. | Sept - 2019 | Sept - 2024 | 50,000 | Euribor 3m. + 150 bps | 50,000 | - | 50,000 | N/A |
| Sogefi S.p.A. | Intesa SanPaolo S.p.A. | May - 2018 | May - 2023 | 50,000 | Euribor 3m. + 155 bps | 50,000 | - | 50,000 | N/A |
| Sogefi S.p.A. | Banco do Brasil S.A. | Mar -2020 | Mar - 2023 | 25,000 | Euribor 6m. + 140 bps | 25,000 | - | 25,000 | N/A |
| Sogefi S.p.A. | ING Bank N.V. | Jul - 2015 | Sept - 2022 | 55,000 | Euribor 3m. + 165 bps | - | 24,977 | 24,977 | N/A |
| Sogefi S.p.A. | Mediobanca S.p.A | Aug- 2019 | Aug- 2023 | 25,000 | Euribor 3m. + 170 bps | - | 24,940 | 24,940 | N/A |
| Sogefi S.p.A. | Private placement | May - 2013 | May - 2023 | USD 115.000 | Fixed coupon 600 bps | 14,718 | (*) | 14,718 | N/A |
| Sogefi Filtration S.A. | CIC S.A. | Mar -2020 | Feb - 2021 | 10,000 | 0,75% fixed | 10,000 | - | 10,000 | N/A |
| Sogefi (Suzhou) Auto Parts Co., Ltd | Unicredit S.p.A. | Feb - 2020 | May - 2021 | 10,667 | 4,02% fixed | 10,667 | - | 10,667 | N/A |
| Sogefi Suspensions S.A. | CIC S.A. | Apr - 2020 | Feb - 2021 | 6,000 | 0,75% fixed | 6,000 | - | 6,000 | N/A |
| Sogefi Filtration do Brasil Ltda | Banco Itau | Apr - 2020 | Sept - 2021 | 4,137 | 7% fixed | 2,637 | 1,758 | 4,395 | N/A |
| Sogefi Air&Cooling S.A.S | CIC S.A. | Mar - 2020 | Feb - 2021 | 4,000 | 0,75 % fixed | 4,000 | - | 4,000 | N/A |
| Sogefi (Suzhou) Auto Parts Co., Ltd | Intesa SanPaolo S.p.A. | Feb - 2020 | Apr - 2021 | 2,525 | 4,16 % fixed | 2,525 | - | 2,525 | N/A |
| S.C. Sogefi Air & Cooling S.r.l. | ING Bank | Sept - 2019 | Mar - 2024 | 2,479 | ROBOR 3m. + 190 bps | 620 | 1,705 | 2,325 | N/A |
| Sogefi Filtration do Brasil Ltda | Banco do Brasil S.A. | Dec - 2019 | Dec - 2020 | 1,113 | 9,65 % fixed | 953 | - | 953 | N/A |
| Sogefi Filtration do Brasil Ltda | Banco do Brasil S.A. | May - 2019 | Aug - 2020 | 510 | 4,50 % fixed | 578 | - | 578 | N/A |
| Other financial debts | | | | | | 4,814 | 266 | 5,080 | N/A |
| TOTAL | | | | | | 278,441 | 133,602 | 412,043 | |

(*) The medium/long-term portion of the bonds of the Parent company Sogefi S.p.A. is detailed in the following paragraph "Other medium/long-term financial debts".

The line "Other medium/long-term financial debts" includes other minor loans.

Balance at 31 December 2019:

| Company | Bank/Credit Institute | Signing date | Due date | Original amount loan | Interest rate | Current portion | Non-current portion | Total amount | Real Guaran-tees |
|---|---|---|---|---|---|---|---|---|---|
| Sogefi S.p.A. | Banca Nazionale del Lavoro S.p.A. | Dec - 2018 | Dec -2023 | 80,000 | Euribor 3m. + 145 bps | - | 79,950 | 79,950 | N/A |
| Sogefi S.p.A. | Private placement | May - 2013 | May - 2020 | 25,000 | Fixed coupon 505 bps | 24,995 | - | 24,995 | N/A |
| Sogefi S.p.A. | ING Bank | Jul - 2015 | Sept - 2022 | 55,000 | Euribor 3m. + 165 bps | - | 24,957 | 24,957 | N/A |
| Sogefi S.p.A. | Mediobanca S.p.A | Aug- 2019 | Aug- 2023 | 25,000 | Euribor 3m. + 170 bps | - | 24,931 | 24,931 | N/A |
| Sogefi S.p.A. | Private placement | May- 2013 | May- 2023 | USD 115,000 | Fixed coupon 600 bps | 14,624 | (*) | 14,624 | N/A |
| Sogefi S.p.A. | Banco do Brasil S.A. | May - 2018 | Sept - 2020 | 20,000 | 0.98% fixed | 11,621 | - | 11,621 | N/A |
| Sogefi (Suzhou) Auto Parts Co., Ltd | Unicredit S.p.A. | Nov- 2019 | May- 2020 | 11,125 | 4.39 % fixed | 11,125 | - | 11,125 | N/A |
| Sogefi (Suzhou) Auto Parts Co., Ltd | Intesa SanPaolo S.p.A. | Nov - 2019 | May - 2020 | 1,279 | 4.06% fixed | 1,279 | - | 1,279 | N/A |
| S.C. Sogefi Air & Cooling S.r.l. | ING Bank | Sept - 2019 | Mar - 2024 | 2,509 | ROBOR 3m. + 190 bps | 470 | 2,038 | 2,508 | N/A |
| Sogefi Filtration do Brasil Ltda | Banco Itau | Nov - 2018 | Jul -2020 | 2,090 | 4.89% fixed | 2,231 | - | 2,231 | N/A |
| S.C. Sogefi Air & Cooling S.r.l. | ING Bank | Mar - 2018 | May- 2020 | 4,600 | ROBOR 3m. + 150 bps | 1,225 | - | 1,225 | N/A |
| Sogefi Filtration do Brasil Ltda | Banco Itau | Sept - 2019 | Aug- 2020 | 1,561 | 4.38% fixed | 1,517 | - | 1,517 | N/A |
| Sogefi Filtration do Brasil Ltda | Banco do Brasil | Dec - 2018 | Dec -2020 | 1,506 | CDI + 4.80% | 1,506 | - | 1,506 | N/A |
| Sogefi Filtration do Brasil Ltda | Banco Itau | Apr - 2018 | Mar - 2020 | 1,107 | 10.2% fixed | 1,107 | - | 1,107 | N/A |
| Sogefi Filtration do Brasil Ltda | Banco do Brasil | May -2019 | Aug - 2020 | 690 | 4.5% fixed | 669 | - | 669 | N/A |
| Sogefi Filtration do Brasil Ltda | Banco do Brasil | Nov - 2018 | Oct -2020 | 1,107 | 9.21% fixed | 615 | - | 615 | N/A |
| Other financial debts | | | | | | 5,776 | 56 | 5,832 | |
| TOTAL | | | | | | 78,760 | 131,932 | 210,692 | |

(*) The medium/long-term portion of the bonds of the Parent company Sogefi S.p.A. is detailed in the following paragraph "Other medium/long-term financial debts".

### *Other short-term liabilities for derivative financial instruments*

The item includes the short-term portion of the fair value of exchange risk hedging contracts and interest risk hedging contracts.
Please refer to chapter G for a further discussion of this matter.

### *Other medium/long-term financial debts*

Details are as follows:

| Company | Bank/Credit Institute | Signing date | Due date | Original amount loan | Interest rate | Total amount at June 30, 2020 (in thousands of Euro) | Real guarantees |
|---|---|---|---|---|---|---|---|
| Sogefi S.p.A. | Private placement | May - 2013 | May - 2023 | USD 115,000 | Fixed coupon 600 bps | 29,166 | N/A |
| Sogefi S.p.A. | Private placement | Nov - 2019 | Nov - 2025 | EUR 75,000 | Fixed coupon 3% year | 74,640 | N/A |
| Other financial debts | | | | | | 1,549 | |
| TOTAL | | | | | | 105,355 | |

Please note that an amount of Euro 14,718 thousand relating to the private placement, whose original amount was USD 115,000 thousand, was classified under “Current portion of medium/long-term financial debts” as it will get to maturity in May 2021.

The line “Other medium/long-term financial debts” includes other minor loans.

As at 31 December 2019, details are as follows:

| Company | Bank/Credit Institute | Signing date | Due date | Original amount loan | Interest rate | Total amount at December 31, 2019 (in thousands of Euro) | Real Guaran-tees |
|---|---|---|---|---|---|---|---|
| Sogefi S.p.A. | Private placement | May - 2013 | May - 2023 | USD 115,000 | Fixed coupon 600 bps | 43,722 | N/A |
| Sogefi S.p.A. | Equity linked bond | May - 2014 | May - 2021 | Euro 100,000 | Fixed coupon 2% year | 93,739 | N/A |
| Sogefi S.p.A. | Private placement | Nov - 2019 | Nov - 2025 | Euro 75,000 | Fixed coupon 3% year | 74,610 | N/A |
| Other financial debts | | | | | | 1,567 | |
| TOTAL | | | | | | 213,638 | |

During the first half of 2020, the Parent Company Sogefi S.p.A.:
- in March reimbursed in advance the final instalment of Euro 11.6 million for the loan taken out at Banco do Brasil S.A. (instalment expiring in September 2020), whose original amount was Euro 20 million.
- in March took entered into a new loan agreement with Banco do Brasil S.A. for a total amount of Euro 25 million, at a floating rate linked to Euribor plus a spread of 140 basis points.
- in April used the entire portion of the loan taken out in May 2018 at Intesa San Paolo S.p.A. for a total amount of Euro 50 million. This loan accrues floating rate interest linked to Euribor plus a spread of 155 basis points.
- in April, it used the entire portion of the loan renegotiated with Unicredit S.p.A. in September 2019 for a total amount of Euro 50 million. This loan accrues floating rate interest linked to Euribor plus a spread of 150 basis points.

With reference to the private placement, originally for USD 115 million, expiring in May 2023, as per the relative contract the Parent Company Sogefi S.p.A. paid the fourth instalment in May, for a total amount of USD 16.4 million.

Lastly, with reference to the bond loan for USD 25 million taken out in May 2013, as per the relative contract the Parent Company Sogefi S.p.A. paid the full balance in May 2020.

The existing loans are not secured by the Company’s assets.

***Other medium/long-term financial liabilities for derivative financial instruments***

Please refer to chapter G for a further discussion of this matter.

***Financial debts for rights of use***

Details are as follows:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| Short-term financial debts for right of use | 16,260 | 15,044 |
| Medium / long-term financial debts for rights of use | 44,061 | 52,806 |
| TOTAL | 60,321 | 67,850 |

The item includes debts for rights of use recorded following the application of the accounting standard IFRS 16 “Leases”. This item mainly refers to the residual debt under the rental agreements for “Industrial property” and “Other property” and mainly includes the rental agreements for the production plants of the subsidiaries: Sogefi Engine Systems Mexico S. de R.L. de C.V., Filter Systems Maroc S.a.r.l., Sogefi Filtration Do Brasil Ltda, Sogefi (Suzhou) Auto Parts Co. Ltd, Sogefi Filtration S.A., Sogefi U.S.A., Inc. and Sogefi Air & Cooling Canada Corp..

It should also be noted that the item includes Euro 4,421 thousand (of which Euro 1,451 thousand are current and Euro 2,970 thousand are medium/long-term) relating to financial leases already in place as at 1 January 2019, accounted for in accordance with the provisions of IAS 17.

*16. TRADE AND OTHER CURRENT PAYABLES*

The amounts shown in the financial statements can be broken down into the following categories:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| Trade and other payables | 254,173 | 342,340 |
| Tax payables | 6,302 | 9,213 |
| TOTAL | 260,475 | 351,553 |

Details of trade and other payables are as follows:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| Due to suppliers | 177,836 | 272,518 |
| Due to Parent company | 1,061 | 2,067 |
| Due to tax authorities for indirect and other taxes | 8,002 | 7,714 |
| Due to social and security institutions | 25,410 | 16,873 |
| Due to employees | 30,882 | 32,255 |
| Other payables | 10,982 | 10,913 |
| TOTAL | 254,173 | 342,340 |

The amounts "Due to suppliers" decreased by Euro 94,682 thousand as compared with 31 December 2019, mainly as a result of the slowdown in business activities in the second quarter of 2020 due to the Covid-19 pandemic.

Amounts "Due to the parent company" refer to the debt amounting to Euro 263 thousand due to Parent Company CIR S.p.A. for services rendered in the first half of 2020 (Euro 263 thousand in the first half of 2019); Euro 708 thousand reflect the consideration due for the fiscal surplus transferred by companies that have joined the CIR Group tax filing system; the amount of Euro 58 thousand reflects the tax liabilities in connection with the CIR Group tax filing system and the amount of Euro 32 thousand refer to insurance for the third-party liability of directors, statutory auditors and managers. For further details, please refer to note 40.

The increase in the amount "Due to social and security institutions" mainly refers to the French subsidiaries and reflects the deferred payment of social security and pension contributions, under the regulations issued after the Covid-19 pandemic.

*17. OTHER CURRENT LIABILITIES*

"Other current liabilities" mainly includes liabilities recognised for the adoption of IFRS 15. These liabilities represent the amounts received from customers for the sale of tooling and prototypes that will be recognised in the income statement over the life of the product.
This item also includes adjustments to costs and revenues for the period so as to ensure compliance with the accruals based principle (accrued expenses and deferred income) and advances received from customers for orders still to be delivered.

*18. LONG-TERM PROVISIONS AND OTHER PAYABLES*

***Long-term provisions***

These are made up as follows:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| Pension funds | 60,305 | 53,235 |
| Employment termination indemnities | 3,356 | 3,467 |
| Provision for restructuring | 2,805 | 2,238 |
| Provision for product warranties | 4,136 | 4,678 |
| Provision for rights of use restoration | 4,505 | 4,586 |
| Lawsuits and other risks | 6,553 | 8,094 |
| TOTAL | 81,660 | 76,298 |

Details of the main items are given below.

***Pension funds***

Changes in this item over the period are shown below:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| Opening balance | 53,235 | 49,019 |
| Cost of benefits charged to income statement | 1,163 | 2,580 |
| Amounts recognised in "Other Comprehensive Income" | 10,162 | 4,957 |
| Contributions paid | (2,028) | (3,717) |
| Change in the scope of consolidation | - | (893) |
| Exchange differences | (2,227) | 1,289 |
| TOTAL | 60,305 | 53,235 |

The following table shows the balances of pension funds by geographical area of the relevant subsidiaries:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| Great Britain | 34,196 | 27,140 |
| France | 22,662 | 22,665 |
| Other | 3,447 | 3,430 |
| TOTAL | 60,305 | 53,235 |

***Employment termination indemnities***

Changes in this item over the period are shown below:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---:|---:|
| Opening balance | 3,467 | 4,478 |
| Accruals for the period | 20 | 49 |
| Amounts recognised in "Other Comprehensive Income" | - | 106 |
| Contributions paid | (131) | (1,166) |
| TOTAL | 3,356 | 3,467 |

***Provision for restructuring***

These are amounts set aside for restructuring operations that have been officially announced and communicated to those concerned, as required by IAS/IFRS.

The provision changed as follows during the period:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---:|---:|
| Opening balance | 2,238 | 1,545 |
| Accruals for the period | 2,525 | 1,859 |
| Utilizations | (1,697) | (1,151) |
| Provisions not used during the period | (158) | (15) |
| Other changes | (103) | - |
| Exchange differences | - | - |
| TOTAL | 2,805 | 2,238 |

The “Accruals for the period” and "Utilizations" (recorded as a reduction of the provisions previously allocated) mainly refer to the European subsidiaries.

“Accruals for the period” net of the “Provisions not used during the period” (amounts set aside during previous years in excess of amounts actually paid) are booked to the Income Statement under “Restructuring costs”.

***Provision for product warranties***

The provision changed as follows during the period:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---:|---:|
| Opening balance | 4,678 | 4,281 |
| Accruals for the period | 487 | 2,974 |
| Utilizations | (982) | (2,001) |
| Provisions not used during the period | - | (410) |
| Other changes | (51) | (214) |
| Exchange differences | 4 | 48 |
| TOTAL | 4,136 | 4,678 |

***Provision for restoration of rights of use***

This item (for the amount of Euro 4,505 thousand) includes an estimate of the costs that the lessees of leased assets will have to incur in order to dismantle and remove the asset and restore the site or asset to the condition provided for in the lease terms. This provision was recorded upon first-time adoption of IFRS 16 “Leases”.

### *Provision for lawsuits and other risks*

The provision changed as follows during the period:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---:|---:|
| Opening balance | 8,094 | 7,926 |
| Accruals for the period | 1,260 | 3,046 |
| Utilizations | (1,095) | (2,350) |
| Provisions not used during the period | - | - |
| Other changes | (404) | (329) |
| Exchange differences | (1,303) | (199) |
| Total | 6,553 | 8,094 |

The provision includes liabilities toward employees and other individuals or entities. The "Accruals for the period" mainly refer to the Brazilian subsidiary Sogefi Filtration do Brasil Ltda.

Amounts stated in the financial statements represent the best possible estimates of liabilities at the reporting date.

### *Other payables*

The item “Other payables” mainly reflects the non-current portion of liabilities recorded in connection with the adoption of IFRS 15. These liabilities represent the amounts received from customers for the sale of tooling and prototypes that will be recognised in the income statement over the life of the product.

## *19. DEFERRED TAX LIABILITIES*

As at 30 June 2020, this item amounts to Euro 35,654 thousand compared to Euro 37,602 thousand as at 31 December 2019.
This amount relates to the expected taxation on taxable temporary differences.

## *20. SHARE CAPITAL AND RESERVES*

*Share capital*
The share capital of the Parent Company Sogefi S.p.A. is fully paid in and amounts to Euro 62,461 thousand as of 30 June 2020 (not changed compared to 31 December 2019), split into 120,117,992 ordinary shares with a par value of Euro 0.52 each.

As at 30 June 2020, the Company has 2,164,214 treasury shares (2,259,760 as at 31 December 2019) in its portfolio, corresponding to 1.80% of share capital (1.88% as at 31 December 2019), at an average price of Euro 2.28 each.

*Share premium reserve*
It amounts to Euro 18,946 thousand compared to Euro 18,728 thousand in the previous year.
In the first half year 2020, the Parent Company Sogefi S.p.A. credited Euro 218 thousand to the Share premium reserve after the free grant of 95,546 treasury shares to Stock Grant beneficiaries.

*Treasury shares*
Item "Treasury shares" reflects the purchase price of treasury shares. Movements during the year amount to Euro 218 thousand and reflect the free grant of 95,546 treasury shares as reported in the note to "Stock-based incentive plans reserve".

*Translation reserve*
This reserve is used to record the exchange differences arising from the translation of foreign subsidiaries' financial statements.

*Reserve for actuarial gains/losses*
This reserve reflects the net impact of the application of the amendment to IAS 19 "Employee Benefits" on other actuarial gains (losses) as at 1 January 2012. The item also includes actuarial gains and losses accrued after 1 January 2012 and recognised under Other Comprehensive Income.

*Cash flow hedging reserve*
This reserve has changed as a result of accounting for the cash flows deriving from instruments that for IAS 39 purposes are designated as "cash flow hedging instruments". Movements in the period show an increase of Euro 365 thousand reflecting the portion of the negative reserve relating to contracts no longer in hedge accounting that will be recognised to the Income Statement over the same period of time as the differentials relating to the underlying hedged item.

*Stock-based incentive plans reserve*
The reserve refers to credit to equity for stock-based incentive plans, assigned to Directors, employees and co-workers, resolved after 7 November 2002.
In the first half of 2020, further to Stock Grant Plan beneficiaries exercising their rights and due to the corresponding free grant of 95,546 treasury shares, the amount of Euro 186 thousand, corresponding to the fair value at right (Unit) allocation date, was reclassified from "Stock- based incentive plans reserve" to "Share premium reserve" (increased of Euro 218 thousand) and "Retained earnings reserve" (decreased of Euro 32 thousand).
While the increase by Euro 177 thousand refers to the cost of accruing plans.

*Other reserves*
This item amounts to Euro 12,201 thousand (unchanged compared to 31 December 2019).

*Retained earnings*
These totalled Euro 176,744 thousand and include amounts of profit that have not been distributed.
The increase of Euro 1,196 thousand refers to the following events:
- reclassification from the above mentioned "Stock-based incentive plans reserve" as outlined above (decrease of Euro 32 thousand);
- the effect of the adoption of IAS 29 "Financial Reporting in Hyperinflationary Economies" in the Argentine subsidiaries (increase of Euro 1,429 thousand).
- other decreases for the amount of Euro 201 thousand.

*Tax on items booked in Other Comprehensive Income*

The table below shows the amount of income taxes relating to each item of Other Comprehensive Income:

| (in thousands of Euro) | *1st half 2020* | | | *1st half 2019* | | |
|---|---|---|---|---|---|---|
| | Gross Amount | Tax effect | Net Amount | Gross Amount | Tax effect | Net Amount |
| - Profit (loss) booked to cash flow hedge reserve | 365 | (88) | 277 | 364 | (87) | 277 |
| - Actuarial profit (loss) | (10,162) | 931 | (9,231) | (3,894) | 661 | (3,233) |
| - Profit (loss) booked to translation reserve | (7,539) | - | (7,539) | 64 | - | 64 |
| Total Other Comprehenive Income, net of tax effect | (17,336) | 843 | (16,493) | (3,466) | 574 | (2,892) |

*NON-CONTROLLING INTERESTS*

The balance amounts to Euro 15,380 thousand and refers to the portion of shareholders' equity attributable to non-controlling interests.

Details of non-controlling interests are given below:

| (in thousands of Euro) | | *% owned by third parties* | | | *Loss (profit) attributable to non-controlling interests* | | *Shareholders' equity attributable to non-controlling interests* | |
|---|---|---|---|---|---|---|---|---|
| Subsidiary's name | Region | June 30, 2020 | December 31, 2019 | June 30, 2019 | June 30, 2020 | June 30, 2019 | June 30, 2020 | December 31, 2019 |
| S.ARA Composite S.A.S. | France | 4.21% | 4.21% | 4.21% | (46) | (28) | 4 | 50 |
| Iberica de Suspensiones S.L. | Spain | 50.00% | 50.00% | 50.00% | 235 | 2,444 | 13,554 | 16,319 |
| Shanghai Allevard Spring Co., Ltd | China | 39.42% | 39.42% | 39.42% | (722) | (163) | 1,276 | 2,010 |
| Allevard IAI Supensions Pvt Ltd | India | 25.77% | 25.77% | 25.77% | (65) | (3) | 485 | 577 |
| Sogefi Engine Systems India Pvt Ltd | India | 0.00% | 0.00% | 0.00% | - | - | - | - |
| Sogefi Filtration Italy S.p.A. | Italy | 0.12% | 0.12% | 0.12% | - | - | 28 | 28 |
| Sogefi Suspensions Passenger Car Italy S.p.A. | Italy | 0.12% | 0.12% | 0.12% | - | - | 18 | 18 |
| Sogefi Suspensions Heavy Duty Italy S.p.A. | Italy | 0.12% | 0.12% | 0.12% | - | 3 | 15 | 15 |
| TOTAL | | | | | (598) | 2,253 | 15,380 | 19,017 |

Specifically, 50% owned company Iberica de Suspensiones S.L. is treated as a subsidiary because the Group controls the majority of votes of the Board of Directors, which is the corporate body tasked with deciding on the entity's relevant activities.

## *21. ANALYSIS OF THE NET FINANCIAL POSITION*

The following table provides details of the net financial position as required by Consob in its communication no. DEM/6064293 of 28 July 2006 with a reconciliation of the net financial position shown in the report on operations:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| A. Cash | 188,126 | 165,173 |
| B. Other cash at bank and on hand (held-to-maturity investments) | - | - |
| C. Financial instruments held for trading | - | - |
| **D. Liquid funds (A) + (B) + (C)** | **188,126** | **165,173** |
| **E. Current financial receivables** | **2,646** | **3,306** |
| F. Current payables to banks | 2,098 | 1,942 |
| G. Current portion of non-current indebtedness | 278,441 | 78,760 |
| H. Other current financial debts | 16,481 | 15,065 |
| **I. Current financial indebtedness (F) + (G) + (H)** | **297,020** | **95,767** |
| **J. Current financial indebtedness, net (I) - (E) - (D)** | **106,248** | **(72,712)** |
| K. Non-current payables to banks | 133,602 | 131,932 |
| L. Bonds issued | 103,806 | 212,070 |
| M. Other non-current financial debts | 45,610 | 54,374 |
| **N. Non-current financial indebtedness (K) + (L) + (M)** | **283,018** | **398,376** |
| **O. Net indebtedness (J) + (N)** | **389,266** | **325,664** |
| | | |
| Non-current financial receivables (derivates in cash flow hedge) | 6,367 | 6,804 |
| **Financial indebtedness, net including non-current financial receivables (as per the "Net financial position" included in the Report on operations)** | **382,899** | **318,860** |

Details of the covenants applying to loans outstanding at the end of the first half year 2020 are as follows (see note 15 for further details on loans):

- loan of Euro 25,000 thousand from Mediobanca S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- loan of Euro 50,000 thousand from Unicredit S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- loan of Euro 80,000 thousand from Banca Nazionale del Lavoro S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- loan of Euro 55,000 thousand from Ing Bank N.V.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- loan of Euro 50,000 thousand from Intesa Sanpaolo S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;

- loan of Euro 25,000 thousand from Banco do Brasil S.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- bond issue of USD 115,000 thousand: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;
- bond issue of Euro 75,000 thousand: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3.

As at 30 June 2020, these covenants were complied with.

*D) NOTES ON THE MAIN INCOME STATEMENT ITEMS: INCOME STATEMENT*

*22. SALES REVENUES*

*Revenues from sales and services*

During the first half of 2020, Sogefi reported sales revenues for the amount of Euro 519.5 million, down 33.2% at historical exchange rates and 31.2% at constant exchange rates compared to the first half of 2019.

Revenues from the sale of goods and services break down as follows:

By business sector:

| (in thousands of Euro) | *1st half 2020* | | *1st half 2019* | |
|---|---|---|---|---|
| | *Amount* | *%* | *Amount* | *%* |
| Suspensions | 172,745 | 33.2 | 292,315 | 37.6 |
| Filtration | 197,021 | 37.9 | 273,976 | 35.2 |
| Air&Cooling | 150,826 | 29.0 | 213,447 | 27.4 |
| Intercompany eliminations | (1,094) | (0.1) | (1,908) | (0.2) |
| TOTAL | 519,498 | 100.0 | 777,830 | 100.0 |

Among the different business sectors, Filtration (with a 25.7% drop in revenues at constant exchange rates) and Air and Cooling (-29.1% at constant exchange rates) performed decidedly better than the market thanks to the greater resilience of the OES and *Aftermarket* channels in the case of Filtration, and to the development of the contract portfolio, particularly in North America, in the case of Air and Cooling. The impact of the crisis on Suspensions was greater, with a 38.2% drop in revenues at constant exchange rates, reflecting the greater concentration of business in Europe and Mercosur and the sector's performance in these areas.

By geographic area:

| (in thousands of Euro) | *1st half 2020* | | *1st half 2019* | |
|---|---|---|---|---|
| | *Amount* | *%* | *Amount* | *%* |
| Europe | 329,582 | 63.5 | 486,751 | 62.6 |
| North America | 102,463 | 19.7 | 146,763 | 18.9 |
| South America | 35,583 | 6.9 | 77,625 | 10.0 |
| Asia | 54,740 | 10.5 | 70,996 | 9.1 |
| Intercompany eliminations | (2,870) | (0.6) | (4,305) | (0.6) |
| TOTAL | 519,498 | 100.0 | 777,830 | 100.0 |

In the different geographical areas where the Group operates, the performance of revenues at constant exchange rates was significantly better than that of the market: -32.2% in Europe, compared to -41.7% for the market, -30.5% in North America, compared to -39.9% for the market, +4% in China, compared to -19.7% for the market. On the other hand, the overall decline in revenues was in line with that recorded by the world market, as the group's business is concentrated in the markets that recorded the worst decline (Europe and NAFTA), compared with a less significant presence in China, where the decline in the market was decidedly smaller.

*23. SEASONAL NATURE OF SALES*

The type of products sold by the company and the sectors in which the Group operates mean that revenues record a reasonably linear trend over the course of the year and are not subject to particular cyclical phenomena when considered on a like-for-like basis.

Sales by half-year period for the past two years are shown below:

| (in thousands of Euro) | *1st half* | *2nd half* | *Total year* |
|---|---|---|---|
| FY 2018 | 812,595 | 758,114 | 1,570,709 |
| FY 2019 | 777,830 | 741,416 | 1,519,246 |

*24. VARIABLE COST OF SALES*

Details are as follows:

| (in thousands of Euro) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Materials | 269,769 | 416,962 |
| Direct labour cost | 45,328 | 59,484 |
| Energy costs | 13,117 | 18,378 |
| Sub-contracted work | 12,861 | 24,450 |
| Ancillary materials | 6,310 | 10,105 |
| Variable sales and distribution costs | 12,222 | 16,075 |
| Royalties paid to third parties on sales | 2,278 | 2,204 |
| Other variable costs | 2,604 | 1,578 |
| TOTAL | 364,489 | 549,236 |

The impact of “Variable cost of sales” on revenues stands at 70.2%, down from 70.6% in the first six months of the previous year.

When measured in percentage, the 33.6% reduction in costs compared to the first half of 2019 is basically in line with the 33.2% reduction in sales caused by the decline in business due to the Covid-19 pandemic.

“Other variable costs” represent the portion of direct labour cost and fixed cost included in the increase in the inventory of finished goods and semi-finished products. Please note that the portion of change in inventory relating to raw materials is included in the row “materials”.

*25. MANUFACTURING AND R&D OVERHEADS*

Details are as follows:

| (in thousands of Euro) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Labour cost | 41,549 | 59,065 |
| Materials, maintenance and repairs | 10,161 | 13,910 |
| Rental and hire charges | 647 | 863 |
| Personnel services | 3,332 | 4,201 |
| Technical consulting | 2,723 | 4,349 |
| Sub-contracted work | 832 | 1,584 |
| Insurance | 1,031 | 1,109 |
| Utilities | 607 | 679 |
| Capitalization of internal construction costs | (10,686) | (13,414) |
| Other | 1,528 | 2,034 |
| TOTAL | 51,724 | 74,380 |

"Manufacturing and R&D overheads" show a decrease of Euro 22,656 thousand, -30% compared with the first half year 2019. At constant exchange rates, the decrease of this item would amount to Euro 20,771 thousand.

The decrease of this item can be traced back to all lines and reflects the cost reduction measures implemented to lessen the adverse effect of the decline in business due to the Covid-19 pandemic.
More specifically, the "Labour costs" line shows a reduction of Euro 17,516 thousand compared to the first half of 2019, which accounts for welfare support provisions utilised, such as redundancy benefits in Italy and similar schemes in other countries, more annual leave days enjoyed and a lower average number of employees.

Total costs for Research and Development (not reported in the table but included mainly in the items "Labour costs", "Materials and maintenance and repairs" and "Technical consulting") amount to Euro 13,953 thousand compared to Euro 20,945 thousand as of 30 June 2019.

*26. DEPRECIATION AND AMORTIZATION*

Details are as follows:

| (in thousands of Euro) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Depreciation of tangible fixed assets | 36,467 | 36,771 |
| Depreciation of right of use/finance leases IAS 17 | 6,038 | 6,267 |
| Amortization of intangible assets | 16,968 | 17,015 |
| TOTAL | 59,473 | 60,053 |

Item "Depreciation and amortization" amounts to Euro 59,473 thousand compared with Euro 60,053 thousand in the first half year 2019. The decrease in this item is mainly due to a negative currency exchange effect for the amount of Euro 1,257 thousand. At constant exchange rates, this item would have increased by Euro 677 thousand.

*27. DISTRIBUTION AND SALES FIXED EXPENSES*

The table below shows the main components of this item:

| (in thousands of Euro) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Labour cost | 10,602 | 14,581 |
| Sub-contracted work | 2,068 | 2,167 |
| Advertising, publicity and promotion | 738 | 1,413 |
| Personnel services | 426 | 1,031 |
| Rental and hire charges | 418 | 534 |
| Consulting | 433 | 137 |
| Other | 687 | 695 |
| TOTAL | 15,372 | 20,558 |

"Distribution and sales fixed expenses" decreased by Euro 5,186 thousand. At constant exchange rates, this item would have decreased by Euro 4,576 thousand.

The decrease of this item can be traced back to nearly all lines and reflects the cost reduction measures implemented to lessen the adverse effect of the decline in business due to the Covid-19 pandemic.

More specifically, "Labour cost" decreased by Euro 3,979 thousand (-27.3%) compared with the previous year, Euro 434 thousand of which account for exchange rate effects. Lower labour cost is mainly due to welfare support provisions utilised, such as redundancy benefits in Italy and similar schemes in other countries, more annual leave days enjoyed and a lower average number of employees.

The item "Consulting" increased by Euro 296 thousand, reflecting a growth in sales consulting services of the French subsidiary Sogefi Filtration S.A., mainly related to aftermarket business .

*28. ADMINISTRATIVE AND GENERAL EXPENSES*

These can be broken down as follows:

| (in thousands of Euro) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Labour cost | 13,770 | 19,232 |
| Personnel services | 1,324 | 2,037 |
| Maintenance and repairs | 1,485 | 1,631 |
| Cleaning and security | 1,003 | 1,236 |
| Consulting | 2,783 | 3,685 |
| Utilities | 1,039 | 1,325 |
| Rental and hire charges | 1,036 | 1,082 |
| Insurance | 1,161 | 1,082 |
| *Participation des salaries* | 21 | 382 |
| Administrative, financial, tax-related services provided by Parent Company | 298 | 299 |
| Audit fees and related expenses | 859 | 937 |
| Directors' and statutory auditors' remuneration | 401 | 424 |
| Sub-contracted work | 162 | 195 |
| Capitalization of internal construction costs | (61) | (198) |
| Indirect taxes | 3,340 | 3,597 |
| Other fiscal charges | 1,684 | 1,624 |
| Other | 3,395 | 3,420 |
| TOTAL | 33,700 | 41,990 |

In the first half of 2020, “Administrative and general expenses” decreased by Euro 8,290 thousand compared to the previous year; Euro 1,159 thousand of which reflect exchange rate effects. At constant exchange rates, this item would have decreased by Euro 7,131 thousand.

The decrease of this item can be traced back to nearly all lines and reflects the cost reduction measures implemented to lessen the adverse effect of the decline in business due to the Covid-19 pandemic.

With respect to the first half of the previous year, “Labour cost” decreased by Euro 5,462 thousand (-28.4%). Lower labour cost is mainly due to welfare support provisions utilised, such as redundancy benefits in Italy and similar schemes in other countries, more annual leave days enjoyed and a lower average number of employees.

The decrease of item “*Participation des salaries*” is traced back to the lower results obtained in the French subsidiary Sogefi Air and Cooling S.A.S..

“Indirect taxes” include tax charges such as property tax, taxes on sales revenues (*taxe organic* of the French companies), non-deductible VAT and taxes on professional training.

“Other fiscal charges” consist of the *cotisation économique territoriale* (previously called *taxe professionnelle*) relating to the French companies, which is calculated on the value of fixed assets and on added value.

*29. PERSONNEL COSTS*

***Personnel***

Personnel costs can be broken down as follows:

| (in thousands of Euro) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Wages, salaries and contributions | 109,738 | 150,516 |
| Pension costs: defined benefit plans | 931 | 936 |
| Pension costs: defined contribution plans | 580 | 910 |
| *Participation des salaries* | 21 | 382 |
| Imputed cost of stock option and stock grant plans | 177 | 385 |
| Other costs | 9 | 4 |
| TOTAL | 111,456 | 153,133 |

"Personnel costs" decreased by Euro 41,677 thousand (-27.2%) compared with the previous year, Euro 3,725 thousand of which account for exchange rate effects. Lower labour cost is mainly due to welfare support provisions utilised, such as redundancy benefits in Italy and similar schemes in other countries, more annual leave days enjoyed and a lower average number of employees. These measures were adopted in order to lessen the adverse effects of the decline in business due to the Covid-19 pandemic.

The ratio of "Personnel costs" to sales revenues was 21.5% (19.7% as at 30 June 2019). The increase in the impact is due to the fact that labour costs are not fully flexible compared to the reduction in revenues.

"Wages, salaries and contributions", "Pension costs: defined benefit plans" and "Pension costs: defined contribution plans" are posted in the tables provided above at line "Labour cost".

"Other costs" is included in "Administrative and general expenses".

"Imputed cost of stock grant plans" is included in "Other non-operating expenses (income)". The following paragraph "Personnel benefits" provides details of the stock option and stock grant plans.

The average number of employees broken down by category is as follows:

| (Number of employees) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Managers | 86 | 104 |
| Clerical staff | 1,809 | 1,904 |
| Blue collar workers | 4,669 | 4,752 |
| TOTAL | 6,564 | 6,760 |

***Personnel benefits***

Sogefi S.p.A. implements stock-based incentive plans for the employees of the Company and of its subsidiaries that hold important positions of responsibility within the Group. The purpose is to foster greater loyalty to the Group and to provide an incentive that will raise their commitment to improving business performance and generating value in the long term.

The stock-based incentive plans of Sogefi S.p.A. are first approved by the Shareholders' Meeting.

Except as outlined at the following paragraphs "*Stock grant plans*" and "*Stock option plans*", the Group has not carried out any other transaction that involves the purchase of goods or services with payments based on shares or any other kind of instrument representing portions of equity. As a result, it is not necessary to disclose the fair value of such goods or services.
The Group has issued plans from 2009 to 2019 of which the main details are provided blow.

*Stock grant plans*

The *stock grant plans* provide for the free assignment of conditional rights (called units) that cannot be transferred to third parties or other beneficiaries; each of them entitles to the free assignment of one Sogefi S.p.A. share. There are two categories of rights under these plans: Time-based Units, that vest upon the established terms and Performance Units, that vest upon the established terms provided that shares have achieved the target price value established in the regulation.
The regulation provides for a minimum holding period during which the shares held for the plan can not be disposed of.
All shares assigned under these plans will be treasury shares held by Sogefi S.p.A. According to the regulation, a pre-condition for assigning the shares is a continued employer-employee relationship or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period of the rights.

The main characteristics of the stock grant plans approved during previous years and still under way are outlined below:

• 2011 stock grant plan to assign a maximum of 1,250,000 conditional rights, restricted to the Director who filled the post of Managing Director of the Parent Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries, who were assigned a total of 757,500 Units (320,400 of which were Time-based Units and 437,100 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2013 and ending on 20 January 2015.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the price value of shares at vesting date is at least equal to the percentage of the initial value indicated in the regulation.
As at 30 June 2020 29,837 Time-based Units and 134,866 Performance Units expired as per regulation. While 291,325 Time-based Units and 298,333 Performance Units had been exercised.
• 2012 stock grant plan to assign a maximum of 1,600,000 conditional rights, restricted to the Director who filled the post of Managing Director of the Parent Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries, who were assigned a total of 1,152,436 Units (480,011 of which were Time-based Units and 672,425 Performance Units).

The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2014 and ending on 31 January 2016.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
As at 30 June 2020 82,374 Time-based Units and 596,630 Performance Units expired as per regulation. While 392,252 Time-based Units and 74,852 Performance Units had been exercised.
• 2013 stock grant plan to assign a maximum of 1,700,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 1,041,358 Units (432,434 of which were Time-based Units and 608,924 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2015 and ending on 31 January 2017.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
As at 30 June 2020 256,954 Time-based Units and 608,924 Performance Units expired as per regulation. While 167,665 Time-based Units had been exercised.
• 2014 stock grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 378,567 Units (159,371 of which were Time-based Units and 219,196 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2016 and ending on 20 January 2018.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
As at 30 June 2020 109,543 Time-based Units and 219,196 Performance Units expired as per regulation. While 48,472 Time-based Units had been exercised.
• 2015 stock grant plan to assign a maximum of 1,500,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 441,004 Units (190,335 of which were Time-based Units and 250,669 Performance Units).
Time-based Units vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 October 2017 and ending on 20 July 2019.
Performance Units vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
As at 30 June 2020 56,911 Time-based Units and 179,805 Performance Units expired as per regulation. While 118,723 Time-based Units and 66,365 Performance Units had been exercised.
• 2016 stock grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of

500,095 Units (217,036 of which were Time-based Units and 283,059 Performance Units).
Time-based Units vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 27 July 2018 and ending on 27 April 2020.
Performance Units vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
As at 30 June 2020 77,399 Time-based Units and 100,948 Performance Units expired as per regulation. While 138,010 Time-based Units and 179,989 Performance Units had been exercised.
• 2017 stock grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 287,144 Units (117,295 of which were Time-based Units and 169,849 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 26 July 2019 and ending on 26 April 2021.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
On 30 June 2020, 35,313 Time-based Units and 57,998 Performance Units expired as per regulation. While 40,896 Time-based Units had been exercised.
• 2018 stock grant plan to assign a maximum of 500,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 415,000 Units (171,580 of which were Time-based Units and 243,420 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 23 July 2020 and ending on 23 April 2022.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
As at 30 June 2020, 83,939 Time-based Units and 122,775 Performance Units expired as per regulation.
• 2019 stock grant plan to assign a maximum of 500,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 482,244 Units (219,635 of which were Time-based Units and 262,609 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 22 October 2021 and ending on 22 July 2023.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
As at 30 June 2020, 47,439 Time-based Units and 56,721 Performance Units expired as per regulation.

The imputed cost for the first half year 2020 for existing stock grant plans is Euro 177 thousand, booked to the Income Statement under “Other non-operating expenses (income)”.

The following table shows the total number of existing rights with reference to the 2011-2019 plans:

| | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| Not exercised/not exercisable at the start of the year | 927,040 | 1,109,427 |
| Granted during the period | - | 469,577 |
| Cancelled during the period | (58,645) | (425,999) |
| Exercised during the period | (95,546) | (225,965) |
| Not exercised/not exercisable at the end of the period | 772,849 | 927,040 |
| Exercisable at the end of the period | 47,923 | 50,133 |

The line “Not exercised/not exercisable at the end of the period” refers to the total number of options, net of those exercised or cancelled during the current and previous periods.
The line “Exercisable at the end of the period” refers to the total amount of options matured at the end of the period and not yet subscribed.

*Stock option plans*

The stock option plans provide beneficiaries with the opportunity to exercise an option to subscribe to newly-issued Sogefi shares at a set price and within a specific period of time. According to the regulation, a pre-condition for exercising the option is a continued employer-employee relationship with or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period.
The main characteristics of the *stock option* plan approved during previous years and still under way are outlined below:
• 2010 stock option plan restricted to the Director who filled the post of Managing Director of the Parent Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries for a maximum of 2,440,000 shares (2.03% of the share capital as of 30 June 2020) with a subscription price of Euro 2.3012, to be exercised between 30 September 2010 and 30 September 2020.

The following table shows the total number of existing options with reference to the plan for period 2010 and their average exercise price:

| | *June 30, 2020* | | *December 31, 2019* | |
|---|---|---|---|---|
| | *Number* | *Average price of the period* | *Number* | *Average price of the period* |
| Not exercised/not exercisable at the start of the year | 20,000 | 2.30 | 75,000 | 1.88 |
| Granted during the period | - | - | - | - |
| Cancelled during the period | - | - | (55,000) | 1.73 |
| Exercised during the period | - | - | - | - |
| Expired during the period | - | - | - | - |
| Not exercised/not exercisable at the end of the period | 20,000 | 2.30 | 20,000 | 2.30 |
| Exercisable at the end of the period | 20,000 | 2.30 | 20,000 | 2.30 |

The line “Not exercised/not exercisable at the end of the period” refers to the total number of options, net of those exercised or cancelled during the current and previous years.
The line “Exercisable at the end of the period” refers to the total amount of options matured at the end of the period and not yet subscribed.

Details of the number of options exercisable at 30 June 2020 are given below:

| | Total |
|---|---|
| Number of exercisable options remaining at December 31, 2019 | 20,000 |
| Options matured during the period | - |
| Options cancelled during the period | - |
| Options exercised during the period | - |
| Number of exercisable options remaining at June 30, 2020 | 20,000 |

## *30. RESTRUCTURING COSTS*

The "Restructuring costs" amount to Euro 7,294 thousand (Euro 4,364 thousand in the first half year of the previous year).
This item is comprised of costs incurred and paid during the half-year in the amount of Euro 4,927 thousand, and of allocations to "Provision for restructuring" net of the provisions not used during the period in the amount of Euro 2,367 thousand.

## *31. LOSSES (GAINS) ON DISPOSAL*

Net gains on disposal amounted to Euro 333 thousand compared to Euro 63 thousand net loss in the first six months of the previous year.

## *32. EXCHANGE (GAINS) LOSSES*

Net exchange losses as of 30 June 2020 amount to Euro 3,996 thousand compared to Euro 1,773 thousand in the first half of 2019, and mainly refer to the South American subsidiaries.

## *33. OTHER NON-OPERATING EXPENSES (INCOME)*

These amount to Euro 2,600 thousand (Euro 1,021 thousand in the first six months of the previous year).
The following table shows the main elements:

| (in thousands of Euro) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Write-downs of tangible and intangible fixed assets | 6,376 | 1,925 |
| Product warranty costs | 822 | 2,366 |
| Cost of stock options and stock grant plans | 177 | 385 |
| Litigations | 777 | 1,729 |
| Actuarial losses (gains) | (130) | 39 |
| Insurance Refunds | (5,021) | (5,113) |
| Other ordinary income (expenses) | (401) | (310) |
| TOTAL | 2,600 | 1,021 |

The item "Writedowns of tangible and intangible fixed assets", amounting to Euro 6,376 thousand, includes Euro 3,087 thousand for writedowns of tangible fixed assets (for the most part equipment), Euro 3,289 thousand for writedowns of intangible fixed assets mainly related to research and development projects capitalised in previous years for which the capitalisation requirements no longer exist.

The item "Litigations" mainly refers to risks connected with existing or possible disputes mainly relating to the Brazilian and Indian subsidiaries.

The line item "Insurance compensation" mainly refers to compensation for damage (costs incurred and loss of profit) in connection with a fire at the subsidiary Sogefi HD Suspensions Germany GmbH.

## *34. FINANCIAL EXPENSES (INCOME), NET*

Financial expenses are detailed as follows:

| (in thousands of Euro) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Interest on bonds | 6,540 | 5,688 |
| Interest on amounts due to banks | 2,612 | 2,041 |
| Financial charges under lease contracts | 2,004 | 2,178 |
| termination indemnities | 380 | 564 |
| Financial component IAS 29 | (215) | (295) |
| Other interest and commissions | 1,727 | 2,523 |
| TOTAL FINANCIAL EXPENSES | 13,048 | 12,699 |

Financial income is detailed as follows:

| (in thousands of Euro) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Gain on *Cross currency swap* in cash flow hedge | 177 | 191 |
| Net gain from derivatives not in cash flow hedge | 1,097 | 1,140 |
| Interest on amounts given to banks | 180 | 224 |
| Other interest and commissions | 13 | 110 |
| TOTAL FINANCIAL INCOME | 1,467 | 1,665 |
| TOTAL FINANCIAL EXPENSES (INCOME), NET | 11,581 | 11,034 |

Net financial expenses show an increase of Euro 547 thousand mainly reflecting higher financial indebtedness.

It should be noted that as at 30 June 2020, the impact of the change in fair value of Cross currency swap contracts no longer designated in hedge accounting is positive by an amount of Euro 1,097 thousand (positive by Euro 1,140 thousand as at 30 June 2019), and is comprised of:

- a financial expense of Euro 365 thousand reflecting the portion of the reserve previously booked to “Other Comprehensive Income” that will be reclassified to Income Statement over the same period of time expected for the differentials relating to the former underlying hedged item;
- a net financial income of Euro 1,462 thousand reflecting the change in their fair value compared to 31 December 2019.

## *35. LOSSES (GAINS) FROM EQUITY INVESTMENTS*

As at 30 June 2020, this item amounts to zero.

*36. INCOME TAXES*

The detail is given below:

| (in thousands of Euro) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| Current taxes | 322 | 8,312 |
| Deferred tax liabilities (assets) | (1,963) | (411) |
| Gain (loss) from partecipation to fiscal consolidation | 602 | 349 |
| TOTAL | (1,039) | 8,250 |

The average tax rate at 30 June 2020 is 3.4% (61.8% as at 30 June 2019).

The ratio of tax assets to negative pre-tax income is lower due to certain countries reporting a loss, because a decision was made to not recognise any deferred tax assets in those countries.

*37. NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS*

The item is equal to zero at 30 June 2020 (profit of Euro 4,017 thousand as at 30 June 2019).

*38. DIVIDENDS PAID*

No dividends were paid to the Parent Company shareholders during the first half year 2020.

*39. EARNINGS PER SHARE (EPS)*

*Basic EPS*

| | *June 30, 2020* | *June 30, 2019* |
|---|---|---|
| Net result attributable to the ordinary shareholders (in thousands of Euro) | (28,761) | 6,872 |
| Weighted average number of shares outstanding during the period (thousands) | 117,954 | 117,564 |
| *Basic EPS (Euro)* | *(0.244)* | *0.058* |

*Diluted EPS*

The Company only has one category of potential ordinary shares, namely those deriving from the potential conversion of the stock options granted to Group employees.

| | *June 30, 2020* | *June 30, 2019* |
|---|---|---|
| Net result attributable to the ordinary shareholders (in thousands of Euro) | (28,761) | 6,872 |
| Average number of shares outstanding during the period (thousands) | 117,954 | 117,564 |
| Weighted average number of shares potentially under option during the period (thousands) | - | - |
| Number of shares that could have been issued at fair value (thousands) | - | - |
| Adjusted weighted average number of shares outstanding during the period (thousands) | 117,954 | 117,564 |
| *Diluted EPS (Euro)* | *(0.244)* | *0.058* |

The "Weighted average number of shares potentially under option during the half-year" represents the average number of shares that are potentially outstanding under stock option plans (only for potentially dilutive options, i.e. with an exercise price lower than the average annual fair value of the ordinary shares of Sogefi S.p.A.), for which the subscription right has vested but has not yet been exercised at the end of reporting period. These shares have a potentially dilutive effect on basic EPS and are therefore taken into consideration in the calculation of diluted EPS.

The "Number of shares that could have been issued at fair value" represents the normalisation factor, being the number of shares that would have been issued dividing the proceeds that would have been received from subscription of the stock options by the average annual fair value of the Sogefi S.p.A. ordinary shares, which in the first half of 2020 amounted to Euro 1.0245, compared to Euro 1.4623 in the first half of 2019.

Please note that 20,000.00 shares that could dilute basic EPS in the future were not included in the calculation of diluted EPS for the first half of 2020 because their exercise price is higher than the average half-year fair value of the ordinary shares of Sogefi S.p.A. in 2020.

*E) 40. RELATED PARTY TRANSACTIONS*

See IAS 24 and the related communications from Consob for the definition of related party transactions.

The Group is controlled by the Parent Company CIR S.p.A. (which in turn is controlled by the ultimate Parent Company F.lli De Benedetti S.p.A.), which as at 30 June 2020 held 55.60% of the share capital (56.62 % of outstanding shares, excluding treasury shares). Sogefi S.p.A.'s shares are listed on the STAR segment of Mercato Telematico Azionario managed by Borsa Italiana S.p.A.

The Group's consolidated financial statements include the financial statements of the consolidated companies, listed in chapter H along with the stake held in the same by the Group.

Dealings between Group companies are conducted at arm's length, taking into account the quality and type of services rendered.

The Parent Company Sogefi S.p.A., because of its role of Holding company, provides administrative, financial and management services directly to the three French sub-holding operative companies (Sogefi Filtration S.A., Sogefi Suspensions S.A. and Sogefi Air and Cooling S.A.S.) which, in turn, beside dealing with the services provided by the Parent Company to the companies operating in the relevant business units, provide directly to the latter support services as well as operating and business services. The Parent Company also debits and credits interest at a market spread to those subsidiaries that have joined the Group's cash pooling system. The Parent Company is also charging royalties fees on the Group "SAP" information system to those subsidiaries at which implementation has been completed.

The subsidiary Sogefi Gestion S.A.S. carries out centralised functions and charges Group companies for administrative, financial, legal, industrial and IT services as well as royalties for the use of Group-wide IT applications.

As part of its activity, the Parent Company Sogefi S.p.A. makes use of the services provided by CIR S.p.A., its Parent Company, in areas such as strategic development and of an administrative, financial, fiscal, corporate and investor relator nature. This relationship is regulated by contracts at arm's-length conditions and the cost is commensurate to the effective value of such services to the Sogefi Group in terms of the resources devoted to them and the specific economic advantages obtained as a result. It should be noted that Sogefi's interest in the provision of services by the parent company is considered to be preferable to services provided by third parties because of, among other things, its extensive knowledge acquired over time in its specific business and market environment.

Services provided to Sogefi S.p.A. by the Parent Company CIR S.p.A. as at 30 June 2020 amount to Euro 263 thousand (same amount as in the first half of 2019). At 30 June 2020, amounts payable to the Parent Company CIR S.p.A. by Sogefi S.p.A. totalled Euro 263 thousand.

The Parent Company Sogefi S.p.A. had entered into a rental contract with the holding company CIR S.p.A. on the offices located in Milan, via Ciovassino 1/A where Sogefi has its registered offices and administration.

The Italian companies of the Sogefi Group had receivables for the amount of Euro 2,822 thousand owed by CIR S.p.A. in connection with their participation in the group tax filing system, and payables for the amount of Euro 58 thousand. Outstanding receivables as at 31 December 2019 collected in the first half-year 2020 amounted to Euro 2,488 thousand.

At the end of the first half of 2020, the Italian subsidiaries recorded an income of Euro 106 thousand following the transfer of fiscal surplus to companies that have joined the CIR Group tax filing system in order to have an interest deduction; the amount receivable as at 30 June 2020 of the Italian subsidiaries from the Parent Company CIR S.p.A. is equal to Euro 106 thousand.
At 30 June 2020, the Parent Company Sogefi S.p.A. records a liability amounting to Euro 708 thousand (Euro 527 thousand as at 30 June 2019) reflecting the consideration due for the fiscal surplus transferred by companies that have joined the CIR Group tax filing system. The amount payable by Sogefi S.p.A. to Parent Company CIR S.p.A. for such consideration as at 30 June 2020 is Euro 708 thousand.

As regards economic transactions with the Board of Directors, Statutory Auditors, the Chief Executive Officer and the Managers with strategic responsibility, please refer to the attached table for remuneration paid in the first half of 2020.

Apart from those mentioned above and shown in the tables below, at the date of these condensed interim consolidated financial statements, we are not aware of any other related party transactions.

The following tables summarise related party transactions:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| **Receivables** | | |
| - for the Group tax filing to CIR S.p.A. | 2,822 | 2,799 |
| - for income following the transfer of fiscal surplus to the CIR Group | 106 | 335 |
| **Payables** | | |
| - for services received from CIR S.p.A. | 263 | - |
| - for Director's remuneration | - | 20 |
| - for services from the CIR S.p.A. | 32 | 248 |
| - for the cost of transferring tax surpluses from the CIR Group | 708 | 1,065 |
| - for the Group tax filing to CIR S.p.A. | 58 | 734 |
| **Right of use (*)** | | |
| - for rental property | 281 | 337 |
| **Financial debts for right of use (*)** | | |
| - for rental property | 274 | 326 |

| (in thousands of Euro) | *1st half 2020* | *1st half 2019* |
|---|---|---|
| **Costs** | | |
| - for services received from CIR S.p.A. | 263 | 263 |
| - for rental contract from CIR S.p.A. | 3 | 3 |
| - for services from the CIR S.p.A. | 32 | 33 |
| - Amortization of right of use (*) | 56 | 56 |
| - for the cost of transferring tax surpluses from the CIR Group | 708 | 527 |
| **Revenues** | | |
| - for income following the transfer of fiscal surplus to the CIR Group | 106 | 178 |
| **Compensation of directors and statutory auditors** | | |
| - directors | 272 | 261 |
| - directors charged back to the parent company | 10 | 10 |
| - statutory auditors (**) | 49 | 49 |
| - contribution charges on compensation to directors and statutory auditors | 33 | 42 |
| **Compensation and related contributions to the General Manager (***)** | 317 | 462 |
| **Compensation and related contributions to Manager with strategic responsibilities ex Consob resolution no. 17221/2010 (****)** | 157 | 244 |

(*) also including components relating to the rental of the Milan office, via Ciovassino 1/A; at June 30, 2020 accrued rental payments amounted to Euro 56 thousand;

(**) including also compensation of staturory auditors of the Holding Company in other subsidiaries;

(***) including also the imputed cost of stock grant plans for Euro 94 thousand in the first half of 2019;

(****) including also the imputed cost of stock grant plans for Euro 23 thousand (imputed cost of Euro 29 thousand in first half 2019) booked under the item "Other non-operating expenses (income)".

*F) COMMITMENTS AND RISKS*

*41. INVESTMENT COMMITMENTS*

At 30 June 2020, Group companies have binding commitments for investments relating to the purchase of property, plant and equipment for Euro 1,138 thousand (Euro 1,195 thousand at 31 December 2019), as already disclosed in the explanatory notes regarding tangible fixed assets.

*42. GUARANTEES GIVEN*

Details of guarantees are as follows:

| (in thousands of Euro) | *June 30, 2020* | *December 31, 2019* |
|---|---|---|
| PERSONAL GUARANTEES GIVEN | | |
| a) Sureties to third parties | 2,185 | 2,697 |
| b) Other personal guarantees in favour of third parties | 2,813 | 2,813 |
| TOTAL PERSONAL GUARANTEES GIVEN | 4,998 | 5,510 |
| REAL GUARANTEES GIVEN | | |
| a) against liabilities shown in the financial statement | 590 | 666 |
| TOTAL REAL GUARANTEES GIVEN | 590 | 666 |

The guarantees given in favour of third parties relate to guarantees given to certain customers by subsidiary Sogefi Suspensions Heavy Duty Italy S.p.A., to the provider of the lease contract by subsidiary Sogefi Filtration do Brasil Ltda, to tax authorities for VAT and other indirect taxes by subsidiary Sogefi Filtration Ltd; guarantees are shown at a value equal to the outstanding commitment at the reporting period. These accounts indicate risks, commitments and guarantees provided by Group companies to third parties.

The “Other personal guarantees in favour of third parties” relate to the commitment of the subsidiary Sogefi HD Suspensions Germany GmbH to the employee pension fund for the two business lines at the time it was acquired in 1996; this commitment is covered by the contractual obligations of the seller, who is a leading German operator.

“Real guarantees given” refer to subsidiary Allevard IAI Suspensions Pvt Ltd, which pledged tangible fixed assets and trade receivables as real guarantees to secure loans obtained from financial institutions.

*43. OTHER RISKS*

As at 30 June 2020, the Group had third-party goods and materials held at Group companies worth Euro 15,786 thousand (Euro 14,984 thousand as at 31 December 2019).

## *44. CONTINGENT ASSETS AND LIABILITIES*

*Contingent assets*

In 2006, the subsidiary Sogefi Filtration do Brasil Ltda filed a lawsuit in order to obtain the right to exclude ICMS (value added tax on sales) from the basis for calculating PIS (social inclusion program) and COFINS (federal tax on social contributions on revenues) taxes for the period from January 2002 to July 2019.
On 25 July 2019, the corresponding court ruled in favour of the subsidiary Sogefi Filtration do Brasil Ltda, which therefore obtained the legal right to recognise these tax credits.
It should also be noted that in October 2017 the Brazilian Supreme Court (STF) ruled in favour of taxpayers on the issue at hand; this decision has generated general case law in the country.
The Brazilian subsidiary is awaiting a ruling from the Court, that is to clarify what amount of receivables may be used over what time period.
As at 30 June 2020, there were not the conditions of the registration of tax credit in the financial statements of the Brazilian subsidiary, with reference to this issue, as it awaits clarifications from the Court.

*Potential liabilities*

Sogefi Group is managing environmental issues in some production plants. No relevant costs are expected.

In October 2016, the Parent Company Sogefi S.p.A. received four notices of assessment relating to fiscal periods 2011 and 2012, as a result of a tax audit carried out during the first half year 2016, with two irregularities: i) undue detraction of Euro 0.6 million of VAT paid on purchases of goods and services, ii) non-deductibility from IRES tax (and relating non-deductibility for VAT of Euro 0.2 million) of the expense for services performed by parent company CIR S.p.A., for the overall taxable amount of Euro 1.3 million, not including interest and fines. The notices were challenged by the Company before the Province Tax Commission of Mantua, which on 14 July 2017 filed judgement no. 119/02/2017, ruling in favour of the Company on all claims. The Italian Tax Agency filed an appeal against parts of the judgement, requesting that only the notices of VAT assessment be sustained, and finally waiving the notices of IRES assessment (Italian Corporate Income Tax). The Company has filed its rebuttal arguments against this partial appeal. On 19 November 2019, a hearing was held at the Lombardy Regional Tax Commission, which accepted the Agency's argument in its judgement no. 1/26/2020 of 2 January 2020.
Under Italian Law Decrees D.L. no. 18 of 03/17/2020, which suspended the terms for any filing in civil and tax proceedings from 9 March to 15 April 2020 and D.L. no. 23 of 08/04/2020, which extended the suspension of terms from 15 April 2020 until 11 May 2020, the company may challenge the judgement before the Supreme Court of Cassation by 5 October 2020.
Based on the tax advisor's opinion, Directors believe the risk of losing to be possible but not likely.

The subsidiary Sogefi Filtration Italy S.p.A. has a pending dispute with the tax authorities for tax year 2004. The purpose of the proceedings, which were initiated in

2009, is to challenge the elusion/abuse of the merger by incorporation through the cancellation of shares of the "old" Sogefi Filtration S.p.A. into Filtrauto Italia S.r.l., which led to the derecognition of the cancellation deficit (generated by the merger), which was partly booked under goodwill and partly to the revaluation of a property, in addition to interest on the loan granted by Sogefi S.p.A. to Filtrauto S.r.l. as part of the transaction.
The Company challenged the notices of assessment and defended the full legitimacy of its actions. In 2012, the Milan Provincial Tax Committee voided the notices of assessment for the part concerning the assessment of elusion/abuse. The Authority challenged the above judgements before the Regional Tax Committee of Milan. On 21 March 2014, the Regional Tax Committee of Milan filed the judgement confirming the annulment of the orders already filed at first instance. On 16 June 2014, the Tax Agency filed an appeal before the Court of Cassation through the Legal Council of State. The Company lodged a defence. On 5 December 2019, the Supreme Court upheld one of the grounds of appeal raised by the Legal Council of State and, as a result, overruled the judgement passed by the court of second instance. The assessment of this aspect was therefore remanded to the Regional Tax Committee, which has to issue an opinion with a petition to resume proceedings that will be filed during the second half of 2020.

Based on the opinion offered by the tax advisor who has been following the litigation, as well as on legal theory, that supports the arguments on circumvention of law and abuse of rights put forward by the company almost without exception, the company believes the risk of losing pending disputes concerning disputed taxes amounting to nearly Euro 3 million, penalties in the same amount as disputed taxes and interest estimated at around Euro 2 million – totalling an estimated Euro 8 million approximately – to be possible but not likely as at 30 June 2020.

Consequently, the Company did not set aside any amount for tax risks to contingent liabilities in financial statements as at 30 June 2020.

### *45. ATYPICAL OR UNUSUAL TRANSACTIONS*

Pursuant to Consob Communication dated 28 July 2006, it is specified that the Group did not implement any atypical and/or unusual transactions during the first half-year 2020.

### *46. SUBSEQUENT EVENTS*

No significant events occurred after 30 June 2020 such as could have an impact on the condensed interim consolidated financial statements.

## *G) 47. FINANCIAL INSTRUMENTS*

### *A) Exchange risk – not designated in hedge accounting*

As at 30 June 2020 the following forward purchase/sale contracts were maintained to hedge the exchange risk on intercompany financial positions and on commercial positions:

| Company | Forward purchase/ Forward sale | | Date opened | Currency exchange | Spot price | Date closed | Forward price | Fair value* at 06.30.2020 |
|---|---|---|---|---|---|---|---|---|
| Sogefi Suspension Brasil Ltda | A | USD 200,000 | 05/25/2020 | BRL/value | 5.4868 | 07/09/2020 | 5.5097 | (1) |
| Sogefi Suspension Brasil Ltda | A | USD 200,000 | 05/25/2020 | BRL/value | 5.4853 | 07/16/2020 | 5.5125 | (2) |
| Sogefi Suspension Brasil Ltda | A | USD 200,000 | 06/23/2020 | BRL/value | 5.1967 | 08/05/2020 | 5.2083 | 8 |
| Sogefi Suspension Brasil Ltda | A | EUR 200,000 | 06/23/2020 | BRL/value | 5.8757 | 07/21/2020 | 5.8935 | 7 |
| Sogefi Suspension Argentina S.A. | A | USD 120,000 | 06/22/2020 | ARS/value | 69.9800 | 07/31/2020 | 74.1000 | (1) |
| Sogefi Suspension Argentina S.A. | A | USD 120,000 | 06/22/2020 | ARS/value | 69.9800 | 08/31/2020 | 76.7000 | (0) |
| Sogefi Filtration do Brasil Ltda | A | USD 965,109 | 04/27/2020 | BRL/value | 5.6510 | 10/05/2020 | 5.7635 | (38) |
| Sogefi Filtration do Brasil Ltda | A | USD 965,109 | 04/27/2020 | BRL/value | 5.6510 | 12/31/2020 | 5.7928 | (36) |
| Sogefi Filtration do Brasil Ltda | A | USD 965,109 | 04/27/2020 | BRL/value | 5.6510 | 04/05/2021 | 5.8500 | (36) |
| Sogefi Filtration do Brasil Ltda | A | USD 965,109 | 04/27/2020 | BRL/value | 5.6510 | 07/02/2021 | 5.8879 | (36) |
| Sogefi Filtration do Brasil Ltda | A | USD 965,109 | 04/27/2020 | BRL/value | 5.6510 | 08/31/2021 | 5.9500 | (37) |
| Sogefi Filtration do Brasil Ltda | A | USD 172,356 | 04/27/2020 | BRL/value | 5.6510 | 06/10/2020 | 5.7662 | (7) |
| Sogefi Filtration do Brasil Ltda | A | USD 172,356 | 04/27/2020 | BRL/value | 5.6510 | 12/30/2020 | 5.7924 | (6) |
| Sogefi Filtration do Brasil Ltda | A | USD 172,356 | 04/27/2020 | BRL/value | 5.6510 | 04/05/2021 | 5.8325 | (6) |
| Sogefi Filtration do Brasil Ltda | A | USD 172,356 | 04/27/2020 | BRL/value | 5.6510 | 07/06/2021 | 5.8901 | (6) |
| Sogefi Filtration do Brasil Ltda | A | USD 172,356 | 04/27/2020 | BRL/value | 5.6510 | 09/01/2021 | 5.9350 | (6) |
| Sogefi Filtration do Brasil Ltda | A | USD 250,000 | 04/30/2020 | BRL/value | 5.4291 | 07/21/2021 | 5.5065 | (1) |
| Sogefi Filtration do Brasil Ltda | A | USD 250,000 | 05/29/2020 | BRL/value | 5.3405 | 08/31/2020 | 5.4855 | 3 |

* Positive fair value was recognised in "Other financial assets - Asset for derivative financial instruments", whereas negative fair value was recognised in "Other short-term liabilities" for derivative financial instruments.

*B) Exchange risk (Cross currency swap) no longer in hedge accounting*

During 2013 the parent company Sogefi S.p.A. entered into three Cross currency swap (CCS) contracts maturing in June 2023, initially designated in hedge accounting, in order to hedge interest and exchange rate risks relating to the private placement currently of USD 49.3 million bonds. Under these contracts, a fixed interest receivable of 600 basis points on subscribed notional USD amount is collected by the Company on a quarterly basis against payment of a fixed interest payable on a notional amount in EUR corresponding to the USD notional amount converted at the fixed exchange rate of 1.3055 (totalling Euro 37.752 thousand).
Based on the tests carried out on 31 December 2017, they have become ineffective so that the hedging relationship was discontinued and the derivative contracts were reclassified as fair value through profit or loss instruments. The change in fair value (exclusively for the interest rate risk) compared to 31 December 2017 was recognised in the income statement, whereas the reserve booked to “Other Comprehensive Income” (if any) is reclassified in the income statement over the same period of time as the differentials relating to the underlying hedged item.

Details of these contracts are as follows:

| Description of CCSwap | Date opened | Contract maturity | Notional (in thousands of USD) | Fixed rate | Fair value at 06.30.2020 (in thousands of Euro) | Fair value at 12.31.2019(in thousands of Euro) |
|---|---|---|---|---|---|---|
| Private placement USD 49.3 million (05/03/2013 maturity 06/01/2023), coupon 600 bps | 04/30/2013 | 06/01/2023 | 23,571 | 6.0% USD receivable 5.6775% Euro payables | 3,060 | 3,274 |
| Private placement USD 49.3 million (05/03/2013 maturity 06/01/2023), coupon 600 bps | 04/30/2013 | 06/01/2023 | 17,143 | 6.0% USD receivable 5.74% Euro payables | 2,208 | 2,358 |
| Private placement USD 49.3 million (05/03/2013 maturity 06/01/2023), coupon 600 bps | 04/30/2013 | 06/01/2023 | 8,572 | 6.0% USD receivable 5.78% Euro payables | 1,099 | 1,171 |
| TOTAL | | | 49,286 | | 6,367 | 6,803 |

The discontinuation of hedge accounting, for the interest rate risk, had the following impact on the financial statements as at 30 June 2020:

- a financial income of Euro 1,462 thousand reflecting the change in fair value compared to 31 December 2019 was immediately recognised in the income statement;
- a financial expense of Euro 365 thousand was recognised in the income statement; this amount reflects the portion of the reserve previously booked to "Other Comprehensive Income" that is recognised in the income statement over the same period of time as the differentials relating to the former underlying hedged item. As at 30 June 2020, an amount of Euro 2,125 thousand remains to be recycled to the income statement in the future years.

C) Fair value of derivatives in hedge accounting and no longer in hedge accounting

The fair value of all derivatives was calculated using the forward curves of exchange and interest rates as at 30 June 2020, also taking into account a credit valuation adjustment / debit valuation adjustment. The fair value amounts of derivatives are classified as Level 2 in fair value hierarchy, based on the significance of the inputs used in fair value measurements.

## *H) GROUP COMPANIES*

## *48. LIST OF GROUP COMPANIES AS AT 30 JUNE 2020*

### SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

| **Direct equity investments** | Currency | Share capital | Number of shares | % held | Par value per share | Par value of the interest held |
|---|---|---|---|---|---|---|
| SOGEFI FILTRATION S.A.<br>Guyancourt (France) | Euro | 120,596,780 | 6,029,838 | 99.99998 | 20 | 120,596,760 |
| SOGEFI SUSPENSIONS S.A.<br>Guyancourt (France) | Euro | 73,868,383 | 4,345,198 | 99.999 | 17 | 73,868,366 |
| SOGEFI U.S.A., Inc.<br>Prichard (U.S.A.) | USD | 20,055,000 | 191 | 100 | - | 20,055,000 |
| SOGEFI GESTION S.A.S.<br>Guyancourt (France) | Euro | 100,000 | 10,000 | 100 | 10 | 100,000 |
| SHANGHAI SOGEFI AUTO PARTS Co., Ltd<br>Shanghai (China) | USD | 13,000,000 | (1) | 100 | (2) | 13,000,000 |
| SOGEFI AIR & COOLING S.A.S.<br>Guyancourt (France) | Euro | 54,938,125 | 36,025 | 100 | 1,525 | 54,938,125 |
| SOGEFI (SUZHOU) AUTO PARTS CO., Ltd<br>Wujiang (China) | USD | 37,400,000 | (1) | 100 | (2) | 37,400,000 |

(1) The share capital is not divided in shares or quotas.
(2) There is no unit nominal value.

| **Indirect equity investments** | Currency | Share capital | Number of shares | % held | Par value per share | Par value of the interest held |
|---|---|---|---|---|---|---|
| **FILTRATION BUSINESS UNIT** | | | | | | |
| SOGEFI FILTRATION Ltd<br>Tredegar (Great Britain)<br>held by Sogefi Filtration S.A. | GBP | 5,126,737 | 5,126,737 | 100 | 1 | 5,126,737 |
| SOGEFI FILTRATION SPAIN S.A.U.<br>Cerdanyola (Spain)<br>held by Sogefi Filtration S.A. | Euro | 14,249,084.96 | 2,370,896 | 100 | 6.01 | 14,249,084.96 |
| SOGEFI FILTRATION d.o.o.<br>Medvode (Slovenia)<br>held by Sogefi Filtration S.A. | Euro | 10,291,798 | 1 | 100 | 10,291,798 | 10,291,798 |
| FILTER SYSTEMS MAROC S.a.r.l.<br>Tanger (Morocco)<br>held by Sogefi Filtration S.A. | MAD | 95,000,000 | 95,000 | 100 | 1,000 | 95,000,000 |
| SOGEFI FILTRATION RUSSIA LLC<br>Russia<br>held by Sogefi Filtration S.A. | RUB | 6,800,000 | 1 | 100 | 6,800,000 | 6,800,000 |
| SOGEFI ENGINE SYSTEMS INDIA Pvt Ltd<br>Bangalore (India)<br>64.292174% held by Sogefi Filtration S.A.<br>35.684349% held by Sogefi Air & Cooling S.A.S.<br>0.023477% held by Systemes Moteurs China. S.à.r.l. | INR | 21,254,640 | 2,125,464 | 100 | 10 | 21,254,640 |
| SOGEFI FILTRATION DO BRASIL Ltda<br>São Bernardo do Campo (Brazil)<br>92.048379% held by Sogefi Filtration S.A.<br>7.95162% held by Sogefi Filtration Spain S.A.U.<br>0.000001% held by Sogefi Suspension Brasil Ltda | BRL | 108,185,246 | 108,185,246 | 100 | 1 | 108,185,246 |
| SOGEFI FILTRATION ARGENTINA S.A.<br>Buenos Aires (Argentina)<br>99.681788% held by Sogefi Filtration S.A.<br>0.31821% held by Sogefi Filtration Italy S.p.A. | ARP | 118,423,329 | 118,423,327 | 99.999998 | 1 | 118,423,327 |
| SOGEFI FILTRATION ITALY S.p.A.<br>Sant'Antonino di Susa (Italy)<br>held by Sogefi Filtration S.A. | Euro | 8,000,000 | 7,990,043 | 99.88 | 1 | 7,990,043 |

| **Indirect equity investments** | Currency | Share capital | Number of shares | % held | Par value per share | Par value of the interest held |
|---|---|---|---|---|---|---|
| **AIR&COOLING BUSINESS UNIT** | | | | | | |
| SOGEFI AIR & COOLING CANADA CORP.<br>Nova Scotia (Canada)<br>held by Sogefi Air & Cooling S.A.S. | CAD | 9,393,000 | 2,283 | 100 | (2) | 9,393,000 |
| SOGEFI AIR & COOLING USA, Inc.<br>Wilmington (U.S.A.)<br>held by Sogefi Air & Cooling S.A.S. | USD | 100 | 1,000 | 100 | 0.10 | 100 |
| SYSTEMES MOTEURS CHINA, S.à.r.l.<br>Lussemburgo (Luxembourg)<br>held by Sogefi Air & Cooling S.A.S. | Euro | 12,500 | 125 | 100 | 100 | 12,500 |
| S.C. SOGEFI AIR & COOLING S.r.l.<br>Titesti (Romania)<br>99.9997% held by Sogefi Air & Cooling S.A.S.<br>0.0003% held by Sogefi Filtration Spain S.A.U. | RON | 7,087,610 | 708,761 | 100 | 10 | 7,087,610 |
| SOGEFI ENGINE SYSTEMS MEXICO S. de R.L. de C.V.<br>Apodaca (Mexico) | MXN | 126,246,760 | | 100 | | 126,246,760 |
| 0.0000007921% held by Sogefi Air & Cooling S.A.S. | | | 1 | | 1 | |
| 99.9999992079% held by Sogefi Air & Cooling Canada Corp. | | | 1 | | 126,246,759 | |
| SOGEFI ENGINE SYSTEMS HONG KONG Ltd<br>Hong Kong (Hong Kong)<br>held by Systemes Moteurs China, S.à.r.l. | HKD | 1,000 | 1,000 | 100 | 1 | 1,000 |

(2) There is no unit nominal value.

| **Indirect equity investments** | Currency | Share capital | Number of shares | % held | Par value per share | Par value of the interest held |
|---|---|---|---|---|---|---|
| **SUSPENSIONS BUSINESS UNIT** | | | | | | |
| ALLEVARD SPRINGS Ltd<br>Clydach (Great Britain)<br>held by Sogefi Suspensions S.A. | GBP | 4,000,002 | 4,000,002 | 100 | 1 | 4,000,002 |
| SOGEFI PC SUSPENSIONS GERMANY GmbH<br>Volklingen (Germany)<br>held by Sogefi Suspensions S.A. | Euro | 50,000 | 1 | 100 | 50,000 | 50,000 |
| SOGEFI SUSPENSION ARGENTINA S.A.<br>Buenos Aires (Argentina)<br>89.999% held by Sogefi Suspensions S.A.<br>9.9918% held by Sogefi Suspension Brasil Ltda | ARP | 61,356,535 | 61,351,555 | 99.99 | 1 | 61,351,555 |
| IBERICA DE SUSPENSIONES S.L. (ISSA)<br>Alsasua (Spain)<br>held by Sogefi Suspensions S.A. | Euro | 10,529,668 | 5,264,834 | 50 | 1 | 5,264,834 |
| SOGEFI SUSPENSION BRASIL Ltda<br>São Paulo (Brazil)<br>99.997% held by Sogefi Suspensions S.A.<br>0.003% held by Allevard Springs Ltd | BRL | 37,161,683 | 37,161,683 | 100 | 1 | 37,161,683 |
| UNITED SPRINGS Limited<br>Rochdale (Great Britain)<br>held by Sogefi Suspensions S.A. | GBP | 4,500,000 | 4,500,000 | 100 | 1 | 4,500,000 |
| UNITED SPRINGS B.V.<br>Hengelo (Holland)<br>held by Sogefi Suspensions S.A. | Euro | 254,979 | 254,979 | 100 | 1 | 254,979 |
| SHANGHAI ALLEVARD SPRINGS Co., Ltd<br>Shanghai (China)<br>held by Sogefi Suspensions S.A. | Euro | 5,335,308 | 1 | 60.58 | (2) | 3,231,919 |
| UNITED SPRINGS S.A.S.<br>Guyancourt (France)<br>held by Sogefi Suspensions S.A. | Euro | 5,109,000 | 2,043,600 | 100 | 2.5 | 5,109,000 |
| S.ARA COMPOSITE S.A.S.<br>Guyancourt (France)<br>held by Sogefi Suspensions S.A. | Euro | 13,000,000 | 25,000,000 | 96.15 | 0.5 | 12,500,000 |
| ALLEVARD IAI SUSPENSIONS Pvt Ltd<br>Pune (India)<br>held by Sogefi Suspensions S.A. | INR | 432,000,000 | 32,066,926 | 74.23 | 10 | 320,669,260 |
| SOGEFI HD SUSPENSIONS GERMANY GmbH<br>Hagen (Germany)<br>held by Sogefi PC Suspensions Germany GmbH | Euro | 50,000 | (1) | 100 | 50,000 | 50,000 |
| SOGEFI SUSPENSIONS HEAVY DUTY ITALY S.P.A.<br>Puegnago sul Garda (Italy)<br>held by Sogefi Suspensions S.A. | Euro | 6,000,000 | 5,992,531 | 99.88 | 1 | 5,992,531 |
| SOGEFI SUSPENSIONS PASSENGER CAR ITALY S.P.A.<br>Settimo Torinese (Italy)<br>held by Sogefi Suspensions S.A. | Euro | 8,000,000 | 7,990,043 | 99.88 | 1 | 7,990,043 |
| SOGEFI SUSPENSION EASTERN EUROPE S.R.L.<br>Oradea (Romania)<br>held by Sogefi Suspensions S.A. | RON | 31,395,890 | 3,139,589 | 100.00 | 10 | 31,395,890 |

(1) The share capital is not divided in shares or quotas.
(2) There is no unit nominal value.

## EQUITY INVESTMENTS IN OTHER COMPANIES CARRIED AT COST

| **Indirect equity investments** | Currency | Share capital | Number of shares | % held | Par value per share | Par value of the interest held |
|---|---|---|---|---|---|---|
| AFICO FILTERS S.A.E.<br>Cairo (Egypt)<br>Held by Sogefi Filtration Italy S.p.A. | EGP | 14,000,000 | 24,880 | 17.77 | 100 | 2,488,000 |

**DECLARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-*TER* OF CONSOB RESOLUTION No. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS**

1. The undersigned:

   Mauro Fenzi –Managing Director and General Manager of Sogefi S.p.A.
   Yann Albrand – Manager responsible for preparing Sogefi S.p.A.'s financial reports

   hereby certify, having also taken into consideration the provisions of Article 154-*bis*, paragraph 3 and 4, of Italian Legislative Decree n. 58 of February 24, 1998, that:

   the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements for the 2020 first half:
   - are adequate with respect to the company structure and
   - have been effectively applied.

2. No relevant aspects are to be reported on this subject.

3. It is also certified that:

3.1 the condensed interim consolidated financial statements as at June 30, 2020:
- have been prepared in accordance with international accounting standards as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002;
- correspond to the books and accounting records;
- provide a true and fair representation of the financial position, result of operations and cash flow of the issuer and the subsidiaries included in the scope of consolidation.

3.2 the interim report on operations of the Group includes a reliable analysis of the significant events that occurred in the first half of the year and their impact on the half-year condensed interim consolidated financial statements. In addition, the report includes a description of the main risks and uncertainties for the remaining six months of the year and a reliable analysis of the information about any significant related party transactions.

Milan, July 27, 2020

| Managing Director<br>and General Manager | Manager responsible for<br>preparing financial reports |
|---|---|
| Mauro Fenzi | Yann Albrand |

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**(Translation from the Italian original which remains the definitive version)**

# Report on review of condensed interim consolidated financial statements

*To the shareholders of*
*Sogefi S.p.A.*

### *Introduction*

We have reviewed the accompanying condensed interim consolidated financial statements of the Sogefi Group comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of other comprehensive income, consolidated cash flow statement, consolidated statement of change in equity and explanatory and supplementary notes thereto, as at and for the six-month period ended 30 June 2020. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

## _Conclusion_

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Sogefi Group as at and for the six-month ended 30 June 2020 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 31 July 2020

KPMG S.p.A.

(signed on the original)

Elisabetta C. Forni
Director of Audit