

# **INTERIM FINANCIAL REPORT AS AT SEPTEMBER 30, 2020**

(Translation into English of the original Italian version)



JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84  
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## **BOARD OF DIRECTORS' REPORT ON OPERATIONS AS AT SEPTEMBER 30, 2020**

### **THE AUTOMOTIVE MARKET IN THE FIRST NINE MONTHS OF 2020**

After the first half of 2020 in which world car production suffered an unprecedented decline (-33.2%) due to the effects of the spread of the Covid-19 pandemic, in the third quarter the market reported a strong recovery compared to the previous quarter (+60.7%), with volumes just 3.5% below those of the same period of 2019 (after a second quarter at -42.9%). The recovery affected all markets: China, where production was greater than that of the third quarter of the previous year (+10.7%), NAFTA, with volumes equivalent to those of third quarter 2019 (+0.5%), the EU, with volumes gradually rising, although lower in the third quarter than in 2019 (-10.7%). In South America, the situation was still decidedly critical (-20.9%).

Despite the recovery in the third quarter, the first nine months of 2020 as a whole again posted very significant declines: -23.2% for world car production compared to the first nine months of 2019, -31.3% in the EU, -26.5% in North America, -8.9 % in China and -40.4% in South America.

### **INFORMATION ON OPERATIONS**

During the first half of the year the Group's 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. In the second quarter almost all activity in the factories and other workplaces was suspended in compliance with the instructions issued by the various local authorities or at the decision of the company, which had recourse everywhere to working from home whenever possible. All measures recommended for health and safety in the workplace were adopted and production processes were reviewed in all geographical areas with the formulation and implementation of new safety protocols including social distancing and the use of systems for individual protection. In the current phase, the new wave of contagion is leading to the adoption of further restrictive measures to limit the number of people present in the workplace with the adoption of flexible working.

At the same time, incisive measures were put in place to mitigate the impact of the crisis and the consequent contraction in sales and these made it possible to achieve a positive result in the third quarter. In particular, this result was due to the following:

- The increase in the contribution margin to 31%, up from 30.3% in the third quarter of 2019 and 29.5% in the second quarter;
- The 20.2% reduction in fixed costs with their ratio to revenues falling from 17% in third quarter 2019 to 14.8% in 2020.

Despite the situation of the first nine months, since the beginning of the year Sogefi has obtained new contracts for a total amount estimated to be in line with previous years and with the objectives of maintaining/growing its market share.

More specifically, Air and Cooling obtained an important contract (Euro 100 million) to supply air intake manifolds in aluminum to a prime German OEM. This material to all extents and purposes introduces a new product line in a date 25% of the value of orders received in the first nine months of the year were for components for cooling hybrid or full-electric vehicles, which forms a basis for the division to achieve an excellent positioning in the markets in future.

The Suspensions division received an order from a prime North American producer of full-electric vehicles and thus, at global level, orders for hybrid and full-electric applications reached 35% of the total orders for the 9-month period. This growth was obtained partly thanks to the new product developed specifically to meet the demand for lightweight parts and rapid time-to-market for electric vehicles. The division has in fact engineered a conical progressive rate spring suspension for this type of application.

## **RESULTS OF THE FIRST NINE MONTHS OF 2020**

In the first nine months of 2020, Sogefi's revenues came in at Euro 860.6 million, posting a decline compared with the same period of 2019 of 25.1% at historical exchange rates and of 21.9% at constant exchange rates.

Looking back at the trend of revenues during the year, after the first two months of the year when sales were in line with 2019, in March the first effects of the pandemic were recorded (-29.5% on 2019), which then became seriously worse in the months of April (-79.5%) and May (-64.5%); in June the recovery began (with a more limited fall in revenues compared to 2019, -24.9 %), continuing then in July (-18%), August (-7.5%) and September, when revenues showed slight growth compared to 2019 (+0.8%).

### Monthly revenue trend

(in millions of Euro)	January	February	March	April	May	June	July	August	September
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Sales 2019	128.7	125.9	135.2	128.6	133.1	126.3	128.0	107.8	135.3
Sales 2020	129.0	126.5	95.3	26.4	47.3	94.9	105.0	99.7	136.4
Change %	0.3	0.5	(29.5)	(79.5)	(64.5)	(24.9)	(18.0)	(7.5)	0.8

The performance of revenues at constant exchange rates in the first nine months was better than the market in all the main geographical areas: -24.6% in Europe versus the market's -31.3%, -17.9% in NAFTA versus -26.5%, +12.6% in China versus -8.9%.

### Sales revenues by geographic area

(in millions of Euro)	9M 2020	9M 2019	reported change	constant exchange rates	reference market production	weight based on Q1 2020
	Amount	Amount	%	%	%	%
Europe	530.9	705.1	(24.7)	(24.6)	(31.3)	61.7
North America	177.2	220.8	(19.8)	(17.9)	(26.5)	20.6
South America	60.4	120.7	(50.0)	(27.0)	(40.4)	7.0
Asia	97.0	109.1	(11.1)	(7.6)	(13.4)	11.3
- of which China	58.7	53.1	10.5	12.6	(8.9)	6.8
Intercompany eliminations	(4.9)	(6.7)	-	-	-	-
TOTAL	860.6	1,149.0	(25.1)	(21.9)	(23.2)	100.0

By business sector, Filtration (with a fall in revenues of 16.2% at constant exchange rates) and Air and Cooling (-17.8% at constant exchange rates) reported a distinctly less unfavorable performance than the market thanks, for Filtration, to the greater resilience of the OES and Aftermarket channels and, for Air and Cooling, to the development of the contract portfolio particularly in North America. The impact of the crisis was greater for Suspensions, where revenues fell by 30.6% at constant exchange rates, reflecting the greater concentration of the business in Europe and South America and the particularly unfavorable performance of the sector in these areas.

## Performance of revenues by Business Unit

(in millions of Euro)	9M 2020	9M 2019	reported change	constant exchange rates
	Amount	Amount	%	%
Suspensions	277.9	422.9	(34.3)	(30.6)
Filtration	326.3	409.2	(20.3)	(16.2)
Air&Cooling	258.2	319.5	(19.2)	(17.8)
Intercompany eliminations	(1.8)	(2.6)	-	-
<b>TOTAL</b>	<b>860.6</b>	<b>1,149.0</b>	<b>(25.1)</b>	<b>(21.9)</b>

In the nine months period the fall in revenues had significant effects on the economic results of the group, despite the positive impact of the mitigation measures adopted.

**EBITDA**<sup>1</sup> for the first nine months came in at Euro 94.7 million, down from Euro 130.7 million in the same period of 2019; it should be noted that profitability (EBITDA / Revenues %) came to 11.0%, which was substantially in line with the same period of 2019 (11.4%).

(in millions of Euro)	9M 2020		9M 2019		Change	
	Amount	%	Amount	%	Amount	%
Sales revenues	860.6	100.0	1,149.0	100.0	(288.4)	(25.1)
<b>CONTRIBUTION MARGIN</b>	<b>260.7</b>	<b>30.3</b>	<b>341.1</b>	<b>29.7</b>	<b>(80.4)</b>	<b>(23.6)</b>
Fixed Costs	151.0	17.6	200.0	17.5	(49.0)	(24.5)
Restructuring costs	14.2	1.7	5.7	0.4	8.5	151.8
Other non-operating expenses (income)	0.8	0.0	4.7	0.4	(3.9)	(81.6)
<b>EBITDA</b>	<b>94.7</b>	<b>11.0</b>	<b>130.7</b>	<b>11.4</b>	<b>(36.0)</b>	<b>(27.6)</b>
Write downs of tang. and intangible assets	97.9	11.4	93.3	8.1	4.6	4.9
<b>EBIT</b>	<b>(3.2)</b>	<b>(0.4)</b>	<b>37.4</b>	<b>3.3</b>	<b>(40.6)</b>	<b>(108.5)</b>
<b>NET INCOME (LOSS) OF THE GROUP</b>	<b>(23.2)</b>	<b>(2.7)</b>	<b>8.3</b>	<b>0.7</b>	<b>(31.5)</b>	<b>(380.4)</b>

The contribution margin of the first nine months of the year was slightly better than that of 2019, rising from 29.7% to 30.3%; the impact of the cost of raw materials was lower thanks partly to market phenomena and partly to the plans put in place as from last year to optimize the purchase prices of steel for the production of suspension systems and this offset the impact of the inevitable production inefficiencies caused by the shutdown and subsequent return to production and the low volumes. The ratio of fixed costs to sales in the first nine months was substantially unchanged from the same period of 2019, thanks to the reductions obtained, part of which were temporary while part were destined to become structural.

<sup>1</sup> EBITDA is calculated by adding to “EBIT”, the item “Depreciation and amortization” and the amount of write downs of tangible and intangible assets posted in “Other non-operating expenses (income)” for Euro 8.2 million in the first quarter of 2020 (Euro 2.2 million in the corresponding period of the previous year).

**EBIT** was a negative Euro 3.2 million, which compared to a positive result of Euro 37.4 million in the first nine months of 2019. The lower EBIT reflects the fall in revenues and the non-recurring charges incurred as a result of the situation: restructuring charges of Euro 14.2 million (Euro 5.7 million in the first nine months of 2019) and the write-down of fixed assets for Euro 8.2 million (Euro 2.2 million in the same period of the previous year).

The group's **net result** was a loss of Euro 23.2 million compared to net income of Euro 8.3 million in 2019, after financial expense that was substantially in line with that of the previous year and tax expense of Euro 2.8 million versus Euro 12.6 million last year.

Regarding **Free Cash Flow**, in the first nine months of 2020, before IFRS 16, absorption of Euro 42.8 million was reported (versus -Euro 0.5 million in the first nine months of 2019), most of which was due to the evolution of working capital caused by the particular circumstances that arose during the year. As is generally the case in the sector, amounts due from customers are received more promptly compared to the payment terms of suppliers, thanks partly to the use of factoring. The decline in sales resulted in lower cash receipts, while payments to suppliers continued to be made. This imbalance is gradually being re-absorbed as business recovers. Free Cash Flow including IFRS 16 payables amounted to -Euro 55.6 million compared to -Euro 4.3 million in the first nine months of 2019.

**Net debt before IFRS 16** stood at Euro 299.0 million at September 30 2020, higher than at the end of 2019 (Euro 256.2 million), but significantly lower than the figure at June 30 2020 (when the net debt amounted to Euro 327 million).

Including the financial payables for rights of use, as per IFRS 16, net debt at September 30 2020 totaled Euro 374.5 million, up from Euro 318.9 million at December 31 2019 and Euro 330.0 million at September 30 2019. It should be noted that in 2020 the group has been developing a new site for the production of suspensions in Romania, which will increase the group's competitiveness in the sector. In the third quarter the signing of the lease contract for the new facility led to the recognition of an IFRS 16 payable of approximately Euro 19 million.

As is known, as of June 30 the covenants of the loan agreements in force were being complied with and to the best of our knowledge at present and based on our forecasts, no breaches of contract are expected to emerge by December 31 2020.

At September 30 2020 the group had committed credit lines Euro 220.0 million in excess of its requirements and has also concluded new medium-term loan agreements for a total amount of Euro 134.5 million, including a loan of Euro 80 million (already signed at the beginning of October) granted by prime Italian institutions and guaranteed by SACE, and new credit lines with French banks for an amount equal to Euro 54.5 million, also largely backed by a guarantee from the French state.

At September 30 2020 **shareholders' equity**, excluding minority interests, amounted to Euro 146.6 million (Euro 188.7 million at December 31 2019).

The Sogefi Group had 6,284 **employees** at September 30, 2020, compared to 6,663 at the end of September 2019 and 6,818 at December 31, 2019.

## **PERFORMANCE OF BUSINESS UNIT**

### **PERFORMANCE OF THE FILTRATION BUSINESS UNIT**

In the first nine months of 2020, the revenues of the Filtration business unit amounted to Euro 326.3 million, down by 20.3% at current exchange rates compared to the same period of the previous year (-16.2% 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.

With reference to profitability, the business unit recorded an EBITDA margin, excluding restructuring costs that are very significant and higher than in 2019, in line with that of the first nine months of 2019 and close to 11%.

EBIT was slightly negative, Euro -0.6 million, compared to Euro +14.6 million in the first nine months of 2019, due to the reduction in activity, restructuring costs and exchange differences.

The business unit had 2,719 employees at September 30, 2020 (3,132 at December 31, 2019).

### **PERFORMANCE OF THE SUSPENSIONS BUSINESS UNIT**

In the first nine months of 2020, the revenues of the Suspensions business unit amounted to Euro 277.9 million, down to 34.3% (-30.6% at constant exchange rates), which reflects the sales trends in the different geographical areas in line with the performance of their markets.

The EBITDA margin decreased by 1.3 pp, despite the improvement in the contribution margin due to the reduction in the purchase prices of raw materials, due to the increase in the incidence of fixed costs mainly due to the particularly pronounced decrease in volumes recorded from division.

EBIT was negative for Euro 8.4 million, compared to Euro +7.6 million in the first nine months of 2019.

The business unit had 2,328 employees at September 30, 2020 (2,400 at December 31, 2019).

### **PERFORMANCE OF THE AIR & COOLING BUSINESS UNIT**

In the first nine months of 2020, the Air and Cooling business unit reported revenues of Euro 258.2 million, down by 19.2% at historical exchange rates and by 17.8% at constant exchange rates. In all geographical areas, revenue performance was better than that of the market.

The contribution margin for the first nine months of 2020 was 32.6%, better than the corresponding period of 2019 (30.1%); the EBITDA margin was also higher than the corresponding period of 2019 by 1.9 p.p. (18.3% versus 16.4% in 2019), with excellent resilience of the business unit to the crisis.



EBIT amounted to Euro 10.6 million, down from Euro 17.9 million in the first nine months of 2019 due to lower revenues.

The business unit had 1,182 employees at September 30, 2020 (1,231 at December 31, 2019).

## PERFORMANCE IN THE THIRD 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)	Q3 2020		Q3 2019		Change	
	Amount	%	Amount	%	Amount	%
Sales revenues	341.1	100.0	371.1	100.0	(30.0)	(8.1)
CONTRIBUTION MARGIN	105.7	31.0	112.4	30.3	(6.7)	(6.1)
Fixed Costs	50.2	14.8	62.9	17.0	(12.7)	(20.2)
Restructuring costs	6.9	1.9	1.3	0.3	5.6	437.9
Other non-operating expenses (income)	1.0	0.3	3.8	1.0	(2.8)	(73.8)
EBITDA	47.6	14.0	44.4	12.0	3.2	7.3
Write downs of tang. and intangible assets	32.0	9.4	31.3	8.5	0.7	2.2
EBIT	15.6	4.6	13.1	3.5	2.5	19.8
NET INCOME (LOSS) OF THE GROUP	5.6	1.6	1.4	0.4	4.2	304.5

**Revenues** in the third quarter recorded a significant recovery compared to the previous period, almost in line with the third quarter of 2019 at constant exchange rates (-8.1% at current exchange rates); Filtration and Air and Cooling revenues recorded, at constant exchange rates, slight growth while Suspensions still recorded a decline of 12.9%.

(in milioni di Euro)	Q3 2020	Q3 2019	Change	constant exchange rates
	Amount	Amount	%	%
Suspensions	105.1	130.6	(19.5)	(12.9)
Filtration	129.3	135.2	(4.4)	3.9
Air&Cooling	107.3	106.1	1.2	5.9
Intercompany eliminations	(0.6)	(0.8)		
TOTAL	341.1	371.1	(8.1)	(1.3)

The results were positive, thanks to the recovery in turnover and the measures adopted, which affected the contribution margin and fixed costs. EBITDA was 14% compared to 12% in the same period of 2019.

The contribution margin in relation to revenues increased to 31%, compared to 30.3% in the previous year and to 29.5% in the second quarter. The incidence of fixed costs decreased from 17% in the third quarter of 2019 to 14.8%.

**EBIT** was positive for Euro 15.6 million, an amount higher than that of 2019, equal to Euro 13.1 million; the incidence of EBIT on turnover went from 3.5% to 4.6%.

In the period, the Group recorded a **net profit** of Euro 5.6 million compared to Euro 1.4 million in 2019.

**Free Cash Flow** before IFRS16 was positive for Euro 28 million compared to Euro 2.8 in 2019; also taking into account the IFRS16 payables, the flow amounted to Euro 8.4 million compared to Euro 4.6 million in 2019, after the recognition of tangible fixed assets for rights of use for Euro 20.3 million compared to Euro 0,3 million in the corresponding quarter of 2019, linked to the development of Romania

#### **PERFORMANCE OF THE HOLDING COMPANY SOGEFI S.p.A.**

In the first nine months of 2020 the Company recorded a net loss of Euro 10.1 million compared to the net profit recorded in the corresponding period of the previous year of Euro 45.7 million. In view of the particularly uncertain situation in almost all the countries where the group operates, the distribution of dividends from subsidiaries to Sogefi S.p.A was suspended.

## **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 production at almost all of its sites. Business started to resume everywhere, first in China and then from May onwards in all the other countries in which the group operates, albeit with production volumes that were until August significantly lower than those of the previous year and those forecast.

As for the evaluation of the impact that the pandemic is having on the group, the pre Covid-19 forecasts had envisaged that sales revenues for 2020 would be substantially in line with 2019 and in the first two months of the year the Company did in fact report volumes equivalent to or higher than those expected. However, during subsequent months there was an extremely significant decline with a recovery only from June onwards. Consequently Sogefi reported revenues of Euro 860.6 million, down by 25.1% compared to the same period of last year. This reduction was almost entirely attributable to the effects of the circumstances generated by the pandemic. The contraction in volumes, even though partly offset by the reduction in fixed costs, nonetheless had a negative impact that can be estimated at Euro 42.0 million on EBIT and of Euro 27.0 million on the net result. It also led to a significant rise in debt.

The Company has been taking action to reduce the impact of the crisis since March but in addition to this it is now working to adapt itself structurally to the changed market circumstances and to rapidly regain economic and financial stability, albeit in a context of lower volumes which are today forecast even for the fourth quarter of 2020 and for 2021.

## **SIGNIFICANT SUBSEQUENT EVENTS AFTER 30 SEPTEMBER 2020**

In October, the group obtained new medium-term loan agreements for a total amount of Euro 134.5 million, including a loan of Euro 80 million granted by prime Italian institutions backed by a SACE guarantee and new credit lines disbursed by French banks for an amount of Euro 54.5 million, largely backed by a guarantee from the French state.

## OUTLOOK FOR OPERATIONS

Visibility as to the evolution of the market in the coming months remains limited despite the improvement in volumes seen in the third quarter.

With regard to the pandemic, in Europe the risk of a second wave of Covid-19 appears to be materializing with recent figures showing that it is spreading at higher levels than during the lockdown phase. In North and South America the evolution of the pandemic remains most concerning and it is difficult, therefore, to predict what measures will be taken by the authorities. The adoption in coming months of new measures limiting production and private business cannot be ruled out. It is also extremely uncertain as to what impact the current circumstances will have on demand in the automotive sector.

After a third quarter 2020 that was better than expected, for the fourth quarter of 2020 IHS expects that world production could come in at -2.7% compared to the fourth quarter of 2019. The year 2020 could therefore close with a market downturn of 17.9% on the whole year.

In this uncertain scenario Sogefi has factored into its projections for the fourth quarter the assumption that the market will be around -10%, in which it expects that it will be able to achieve a positive EBIT for the whole year, excluding restructuring charges.

## **SOGEFI GROUP**

### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(in millions of Euro)

<b>ASSETS</b>	<b>09.30.2020</b>	<b>12.31.2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	215.1	165.2
Other financial assets	2.6	3.3
Inventories	106.4	115.5
Trade receivables	140.0	130.4
Other receivables	8.9	9.8
Tax receivables	25.7	28.6
Other assets	3.8	2.1
<b>TOTAL CURRENT ASSETS</b>	<b>502.5</b>	<b>454.9</b>
<b>NON-CURRENT ASSETS</b>		
Land	12.4	13.0
Property, plant and equipment	365.6	382.1
Other tangible fixed assets	4.8	4.6
Right of use	73.0	61.3
Intangible assets	259.0	272.6
Other financial assets	-	-
Financial receivables	4.4	6.8
Other receivables	30.2	33.5
Deferred tax assets	37.1	37.0
<b>TOTAL NON-CURRENT ASSETS</b>	<b>786.5</b>	<b>810.9</b>
<b>TOTAL ASSETS</b>	<b>1,289.0</b>	<b>1,265.8</b>

<b>LIABILITIES</b>	<b>09.30.2020</b>	<b>12.31.2019</b>
<b>CURRENT LIABILITIES</b>		
Bank overdrafts and short-term loans	1.4	1.9
Current portion of medium/long-term financial debts and other loans	280.2	78.8
Short-term financial debts for right of use	18.9	15.1
Other short-term liabilities for derivative financial instruments	0.1	-
Trade and other payables	309.8	342.3
Tax payables	3.6	9.2
Other current liabilities	31.3	39.0
<b>TOTAL CURRENT LIABILITIES</b>	<b>645.3</b>	<b>486.3</b>
<b>NON-CURRENT LIABILITIES</b>		
Financial debts to bank	131.4	131.9
Current portion of medium/long-term financial debts and other loans	104.1	213.7
Medium/long-term financial debts for right of use	60.5	52.8
Other medium/long term financial liabilities for derivative financial instruments	-	-
Long-term provisions	83.8	76.3
Other payables	65.4	59.5
Deferred tax liabilities	36.6	37.6
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>481.8</b>	<b>571.8</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	62.5	62.5
Reserves and retained earnings (accumulated losses)	107.3	123.0
Group net result for the period	(23.2)	3.2
<b>TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY</b>	<b>146.6</b>	<b>188.7</b>
Non-controlling interests	15.3	19.0
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>161.9</b>	<b>207.7</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,289.0</b>	<b>1,265.8</b>

## CONSOLIDATED INCOME STATEMENT

(in millions of Euro)	Period		Period		Change	
	01.01 – 09.30.2020		01.01 – 09.30.2019			
	Amount	%	Amount	%	Amount	%
Sales revenues	860.6	100.0	1,149.0	100.0	(288.4)	(25.1)
Variable cost of sales	599.9	69.7	807.9	70.3	(208.0)	(25.7)
<b>CONTRIBUTION MARGIN</b>	<b>260.7</b>	<b>30.3</b>	<b>341.1</b>	<b>29.7</b>	<b>(80.4)</b>	<b>(23.6)</b>
Manufacturing and R&D overheads	79.0	9.2	108.7	9.5	(29.7)	(27.4)
Depreciation and amortization	89.6	10.4	91.2	7.8	(1.6)	(1.7)
Distribution and sales fixed expenses	22.1	2.6	30.6	2.7	(8.5)	(28.0)
Administrative and general expenses	50.0	5.8	60.7	5.3	(10.7)	(17.6)
Restructuring costs	14.2	1.7	5.7	0.4	8.5	151.8
Losses (gains) on disposal	(0.4)	(0.1)	0.1	-	(0.5)	(488.6)
Exchange (gains) losses	5.2	0.6	3.2	0.4	2.0	61.0
Other non-operating expenses (income)	4.2	0.5	3.5	0.3	0.7	20.0
<b>EBIT</b>	<b>(3.2)</b>	<b>(0.4)</b>	<b>37.4</b>	<b>3.3</b>	<b>(40.6)</b>	<b>(108.5)</b>
Financial expenses (income), net	17.9	2.0	17.6	1.5	0.3	1.3
Losses (gains) from equity investments	-	-	-	-	-	-
<b>RESULT BEFORE TAXES</b>	<b>(21.1)</b>	<b>(2.4)</b>	<b>19.8</b>	<b>1.8</b>	<b>(40.9)</b>	<b>(206.6)</b>
Income taxes	2.8	0.3	12.6	1.1	(9.8)	(78.3)
<b>NET INCOME (LOSS) OF OPERATING ACTIVITIES</b>	<b>(23.9)</b>	<b>(2.7)</b>	<b>7.2</b>	<b>0.7</b>	<b>(31.1)</b>	<b>(432.0)</b>
Net income (loss) from discontinued operations	-	-	4.0	0.3	(4.0)	(100.0)
<b>NET RESULT BEFORE NON - CONTROLLING INTERESTS</b>	<b>(23.9)</b>	<b>(2.7)</b>	<b>11.2</b>	<b>1.0</b>	<b>(35.1)</b>	<b>(312.8)</b>
Loss (Income) attributable to non - controlling interests	0.7	0.0	(2.9)	(0.3)	3.6	122.2
<b>GROUP NET RESULT</b>	<b>(23.2)</b>	<b>(2.7)</b>	<b>8.3</b>	<b>0.7</b>	<b>(31.5)</b>	<b>(380.4)</b>

## CONSOLIDATED INCOME STATEMENT FOR THE THIRD QUARTER 2020

(in millions of Euro)	Period		Period		Change	
	07.01 – 09.30.2020		07.01 – 09.30.2019			
	Amount	%	Amount	%	Amount	%
Sales revenues	341.1	100.0	371.1	100.0	(30.0)	(8.1)
Variable cost of sales	235.4	69.0	258.7	69.7	(23.3)	(9.0)
<b>CONTRIBUTION MARGIN</b>	<b>105.7</b>	<b>31.0</b>	<b>112.4</b>	<b>30.3</b>	<b>(6.7)</b>	<b>(6.1)</b>
Manufacturing and R&D overheads	27.2	8.0	34.1	9.3	(6.9)	(20.7)
Depreciation and amortization	30.2	8.8	31.1	8.4	(0.9)	(3.0)
Distribution and sales fixed expenses	6.7	2.0	10.1	2.7	(3.4)	(33.6)
Administrative and general expenses	16.3	4.8	18.7	5.0	(2.4)	(12.8)
Restructuring costs	6.9	1.9	1.3	0.3	5.6	437.9
Losses (gains) on disposal	(0.1)	-	0.0	-	(0.1)	(289.0)
Exchange (gains) losses	1.2	0.4	1.5	0.4	(0.3)	(16.9)
Other non-operating expenses (income)	1.7	0.5	2.5	0.7	(0.8)	(35.2)
<b>EBIT</b>	<b>15.6</b>	<b>4.6</b>	<b>13.1</b>	<b>3.5</b>	<b>2.5</b>	<b>19.8</b>
Financial expenses (income), net	6.3	1.8	6.6	1.8	(0.3)	(4.8)
Losses (gains) from equity investments	-	-	-	-	-	-
<b>RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS</b>	<b>9.3</b>	<b>2.8</b>	<b>6.5</b>	<b>1.7</b>	<b>2.8</b>	<b>45.4</b>
Income taxes	3.8	1.1	4.4	1.1	(0.6)	(13.4)
<b>NET INCOME (LOSS) OF OPERATING ACTIVITIES</b>	<b>5.5</b>	<b>1.6</b>	<b>2.1</b>	<b>0.6</b>	<b>3.4</b>	<b>169.4</b>
Net income (loss) from discontinued operations	-	-	-	-	-	-
<b>NET RESULT BEFORE NON - CONTROLLING INTERESTS</b>	<b>5.5</b>	<b>1.6</b>	<b>2.1</b>	<b>0.6</b>	<b>3.4</b>	<b>169.4</b>
Loss (Income) attributable to non - controlling interests	0.1	-	(0.7)	(0.2)	0.8	(107.8)
<b>GROUP NET RESULT</b>	<b>5.6</b>	<b>1.6</b>	<b>1.4</b>	<b>0.4</b>	<b>4.2</b>	<b>304.5</b>



## CONSOLIDATED NET FINANCIAL POSITION

(in millions of Euro)	09.30.2020	12.31.2019	09.30.2019
A. Cash	215.1	165.2	137.0
B. Other cash at bank and on hand (held to maturity investments)	-	-	-
C. Financial instruments held for trading	-	-	-
<b>D. Liquid funds (A) + (B) + (C)</b>	<b>215.1</b>	<b>165.2</b>	<b>137.0</b>
<b>E. Current financial receivables</b>	<b>2.5</b>	<b>3.3</b>	<b>3.7</b>
F. Current payables to banks	(1.4)	(1.9)	(7.9)
G. Current portion of non-current indebtedness	(280.2)	(78.8)	(130.3)
H. Other current financial debts	(18.9)	(15.1)	(0.1)
<b>I. Current financial indebtedness (F) + (G) + (H)</b>	<b>(300.5)</b>	<b>(95.8)</b>	<b>(138.3)</b>
<b>J. Current financial indebtedness, net (I) + (E) + (D)</b>	<b>(82.9)</b>	<b>72.7</b>	<b>2.4</b>
K. Non-current payables to banks	(131.4)	(131.9)	(144.1)
L. Bonds issued	(102.6)	(212.1)	(137.8)
M. Other non-current financial debts	(62.0)	(54.4)	(58.4)
<b>N. Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(296.0)</b>	<b>(398.4)</b>	<b>(340.3)</b>
<b>O. Net indebtedness (J) + (N)</b>	<b>(378.9)</b>	<b>(325.7)</b>	<b>(337.9)</b>
Non-current financial receivables ( <i>derivatives in cash flow hedge</i> )	4.4	6.8	7.9
<b>Financial indebtedness, net including non-current financial receivables</b>	<b>(374.5)</b>	<b>(318.9)</b>	<b>(330.0)</b>

## CONSOLIDATED CASH FLOW STATEMENT

(in millions of Euro)	09.30.2020	12.31.2019	09.30.2019
<b>SELF-FINANCING</b>	<b>75.1</b>	<b>145.3</b>	<b>107.2</b>
Change in net working capital	(49.6)	(2.1)	(25.5)
Other medium/long-term assets/liabilities	8.3	(0.9)	1.8
<b>CASH FLOW GENERATED BY OPERATIONS</b>	<b>33.8</b>	<b>142.3</b>	<b>83.5</b>
Net decrease from sale of fixed assets	0.7	4.3	3.5
<b>TOTAL SOURCES</b>	<b>34.5</b>	<b>146.6</b>	<b>87.0</b>
Increase in intangible assets	17.1	32.2	22.7
Purchase of tangible assets	31.8	60.2	33.0
Purchase of Tooling	25.6	35.3	25.8
Increase in tangible assets for right of use	21.2	9.5	9.3
<b>TOTAL APPLICATION OF FUNDS</b>	<b>95.7</b>	<b>137.2</b>	<b>90.8</b>
Exchange differences on assets/liabilities and equity	5.6	(1.0)	(0.5)
<b>FREE CASH FLOW</b>	<b>(55.6)</b>	<b>8.4</b>	<b>(4.3)</b>
Holding Company increases in capital	-	-	-
Increase in share capital of consolidated subsidiaries	-	-	-
Dividends paid by subsidiaries to non-controlling interests	-	(5.0)	(3.5)
Change in fair value of effective derivative instruments	-	-	-
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>(5.0)</b>	<b>(3.5)</b>
<b>Change in net financial position</b>	<b>(55.6)</b>	<b>3.4</b>	<b>(7.8)</b>
<b>Opening net financial position</b>	<b>(318.9)</b>	<b>(260.5)</b>	<b>(260.5)</b>
Financial debts for right of use at January 1 <sup>o</sup> , 2019	-	(61.8)	(61.8)
<b>CLOSING NET FINANCIAL POSITION</b>	<b>(374.5)</b>	<b>(318.9)</b>	<b>(330.0)</b>

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

### **1. INTRODUCTION**

The consolidated Interim financial report as at September 30, 2020, which has not been externally audited, has been prepared in compliance with International Accounting Standards (IAS/IFRS) and to this end, the financial statements of consolidated investee companies have been appropriately reclassified and adjusted.

The interim financial report has been drawn up in accordance with the provisions of art. 154-ter, paragraph 5 of Legislative Decree no. 58 of 2/24/98 (Consolidated Law on Finance) and subsequent amendments. Therefore, the provisions of the international accounting standard regarding interim financial information (IAS 34 “Interim financial reporting”) have not been adopted.

### **2. CONSOLIDATION PRINCIPLES**

Consolidation is performed on a line-by-line basis. The criteria adopted for the application of this method have not changed with respect to those used as at December 31, 2019.

### **3. ACCOUNTING STANDARDS APPLIED**

The accounting standards applied in the preparation of the financial statements as at September 30, 2020 are the same as those applied to the financial statements as at December 31, 2019.

This financial information has been prepared on a going concern basis. With reference to the considerations set out by the Board of Directors in the half-yearly financial report as at 30 June 2020 relating to the financial requirement in the coming months of new lines for a total of Euro 100 million, the Board of Directors took note that in October the Company has signed medium-term loan agreements for a total amount of Euro 134.5 million, as described in the paragraph “Significant subsequent events after 30 September 2020”.

## COMMENTS ON THE FINANCIAL STATEMENTS

### SHAREHOLDERS' EQUITY

Changes in the Group's consolidated shareholders' equity and in total shareholders' equity during the first nine months of 2020 are as follows:

(in millions of Euro)	Consolidated shareholders' equity - Group	Capital and reserves pertaining to non-controlling interests	Total Group and non-controlling shareholders' equity
Balance at December 31, 2019	188.7	19.0	207.7
Dividends	-	(3.0)	(3.0)
Currency translation differences and other changes	(18.9)	-	(18.9)
Net result for the period	(23.2)	(0.7)	(23.9)
Balance at September 30, 2020	146.6	15.3	161.9

At September 30, 2020 shareholders' **equity** excluding minority interests amounted to Euro 146.6 million (Euro 188.7 million at December 31, 2019).

### REVENUE TREND

In the first nine months of 2020, Sogefi's revenues came in at Euro 860.6 million, posting a decline compared with the same period of 2019 of 25.1% at historical exchange rates and of 21.9% at constant exchange rates.

### REVENUES BY BUSINESS UNIT (\*)

(in millions of Euro)	09.30.2020		09.30.2019		Change	
	Amount	%	Amount	%	Amount	%
Suspensions	277.9	32.3	422.9	36.8	(145.0)	(34.3)
Filtration	326.3	37.9	409.2	35.6	(82.9)	(20.3)
Air&Cooling	258.2	30.0	319.5	27.8	(61.3)	(19.2)
Intercompany eliminations	(1.8)	(0.2)	(2.6)	(0.2)	0.8	(12.0)
<b>TOTAL</b>	<b>860.6</b>	<b>100.0</b>	<b>1,149.0</b>	<b>100.0</b>	<b>(288.4)</b>	<b>(25.1)</b>

(\*) In 2020 the management redefined the perimeter of the Filtration and Air and Cooling Business Unit. For comparative reasons, the 2019 values have been reclassified based on the new perimeter.

By Business sector, at constant exchange rates, Suspensions reported a decline of 30.6% (-34.3% at current exchange rates), Filtration was down by 16.2% (-20.3% at current exchange rates) and lastly, Air and Cooling declined by 17.8% (-19.2% at current exchange rates).

## REVENUES BY GEOGRAPHICAL AREA

Revenues, at constant exchange rates, were down in Europe by 24.6%, in North America by 17.9%, in Asia by 7.6% and in Sud America -27%.

The breakdown of revenues by geographical area is as follows:

(in millions of Euro)	09.30.2020		09.30.2019		Change	
	Amount	%	Amount	%	Amount	%
Europe	530.9	61.7	705.1	61.4	(174.2)	(24.7)
South America	60.4	7.0	120.7	10.5	(60.3)	(50.0)
North America	177.2	20.6	220.8	19.2	(43.6)	(19.8)
Asia	97.0	11.3	109.1	9.5	(12.1)	(11.1)
Intercompany eliminations	(4.9)	(0.6)	(6.7)	(0.6)	1.8	28.1
<b>TOTAL</b>	<b>860.6</b>	<b>100.0</b>	<b>1,149.0</b>	<b>100.0</b>	<b>(288.4)</b>	<b>(25.1)</b>

## EMPLOYEES

The Sogefi Group had 6,284 employees at September 30, 2020, in comparison with 6,818 at December 31, 2019.

	09.30.2020	12.31.2019	09.30.2019
Managers	82	91	95
Clerical staff	1,721	1,830	1,842
Blue collar workers	4,481	4,897	4,726
<b>TOTAL</b>	<b>6,284</b>	<b>6,818</b>	<b>6,663</b>

Milan, October 23, 2020

THE BOARD OF DIRECTORS

**DECLARATION PURSUANT TO ART. 154 BIS, PARAGRAPH 2,  
LEGISLATIVE DECREE NO. 58/1998**

**Subject: Interim financial report as at September 30, 2020**

The undersigned, Mr. Yann Albrand - Manager responsible for preparing the Company's financial reports -

declares

pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance that the accounting information contained in this document corresponds to the document results, books and accounting records.

Milan, October 23, 2020

SOGEFI S.p.A  
(Yann Albrand)