ANNUAL FINANCIAL REPORT

2020

CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS

JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84
COMPANY REGISTER OF MILAN MONZA-BRIANZA LODI AND TAX CODE 00607460201
COMPANY SUBJECT TO MANAGEMENT AND COORDINATION BY CIR S.p.A.
REGISTERED OFFICE: 20121 MILAN (ITALY), VIA CIOVASSINO, 1/A - PHONE 02.467501
OFFICES: 78286 GUYANCOURT (FRANCE), PARC ARIANE IV- 7 AVENUE DU 8 MAI 1945 PHONE 0033 01 61374300
WEBSITE: WWW.SOGEFIGROUP.COM

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BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

Chairman	SONIA PERON
Acting Auditors	RICCARDO ZINGALES GIUSEPPE LEONI
Alternate Auditors	ANNA MARIA ALLIEVI MAURO GIRELLI DAVIDE BARBIERI

INDEPENDENT AUDITORS

KPMG S.p.A.

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.*

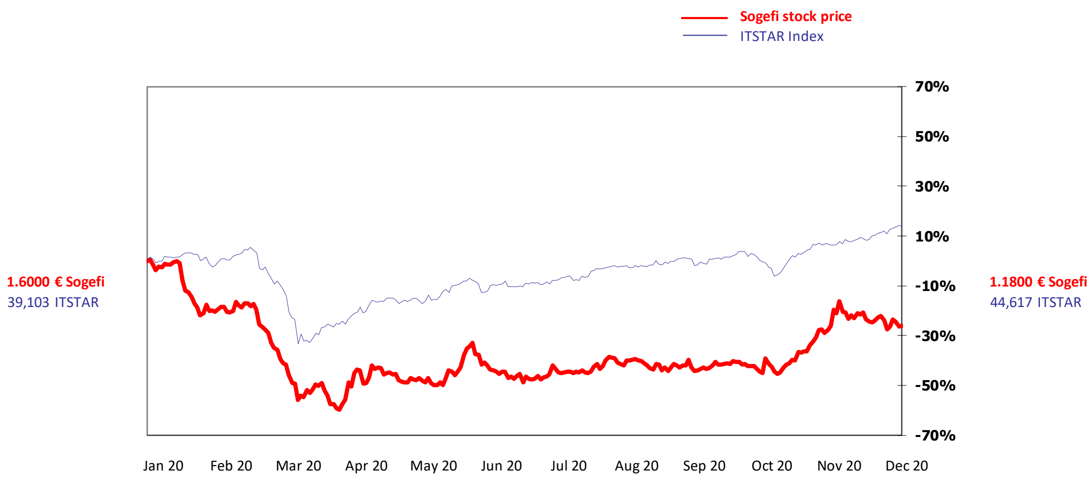
OVERVIEW OF GROUP RESULTS

(in millions of Euro)	2017		2018		2019 (**)		2020	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues	1,647.8	100.0%	1,570.7	100.0%	1,463.8	100.0%	1,203.2	100.0%
EBITDA	206.9	12.6%	176.1	11.2%	177.4	12.1%	137.6	11.4%
Ebit	85.8	5.2%	60.1	3.8%	48.4	3.3%	7.2	0.6%
Net income (loss) from discontinued operations, net of tax effects	-	0.0%	1.1	0.1%	(7.9)	-0.6%	(15.5)	-1.3%
Net result	26.6	1.7%	14.0	0.9%	3.2	0.2%	(35.1)	-2.9%
Self-financing	165.8		134.4		145.3		104.9	
Free cash flow	34.4		2.9		8.4		(38.2)	
Net financial position	(264.0)		(260.5)		(318.9)		(358.1)	
Total shareholders' equity	195.1		213.9		207.8		149.4	
GEARING	1.35		1.22		1.53		2.40	
ROI	37.4%		12.7%		7.9%		1.4%	
ROE	30.0%		7.6%		1.7%		-21.8%	
Number of employees at December 31	6,947		6,967		6,818		6,026	
Dividends per share (Euro)	-		-		-		-	(*)
EPS (Euro)	0.228		0.119		0.027		(0.298)	
Average annual price per share	4.0293		1.5754		1.4058		1.0082	

(*) as proposed to the Meeting by the Board of Directors
(**) The values for the 2019 financial year, relating to "Assets held for sale", have been reclassified following the application of IFRS 5 "Non-current assets held for sale and discontinued operations" to the line "Profit (loss) from discontinued operations, net of tax effects".

STOCK PERFORMANCE

The graph below shows the performance of Sogefi stock and of the ITSTAR index in 2020.



REPORT OF THE BOARD OF DIRECTORS ON PERFORMANCE IN 2020

Dear Shareholders,

THE AUTOMOTIVE MARKET IN 2020

After the first half of 2020 in which global car production suffered an unprecedented slump (-33.2%) due to the effects of the spread of the Covid-19 pandemic, in the second half of the year the market recovered strongly compared to the previous six months (+44%), with volumes essentially stable compared to the same period in 2019 thanks to the growth recorded in the last quarter of 2020 (+2.5%). The recovery in the fourth quarter affected all markets: China, where production was 5.9% higher than in the fourth quarter of the previous financial year, NAFTA, the EU and South America, with volumes broadly equivalent to those of the fourth quarter of 2019 (+0.5%, +1.4% and +1.3% respectively).

Despite the recovery in the second half of the year, extraordinarily significant drops were recorded in the full year 2020 compared to 2019: -16.2% for global car production, -23.3% in the EU, -20.1% in North America, -4.2 % in China and -30.7% in South America.

INFORMATION ON OPERATIONS

In 2020, the **Group's priority was the safety of its employees**; from the moment news of the Covid-19 phenomenon was received in China, measures were immediately taken to reduce the risk of contagion, and subsequently all the recommended measures for health safety in the workplace were adopted, reviewing production processes and implementing new safety protocols, including physical distance and the use of personal protection equipment. In the current phase, it was decided to maintain measures to limit the presence of staff in the workplace, through the use of working from home schemes.

At the same time, **strong measures were put in place to mitigate the impact of the crisis**, and the consequent drop in sales, **on the Group’s results and financial strength**. The measures implemented made it possible to obtain:

- an increase in the contribution margin to 30.8% compared to 30.2% in 2019;
- the reduction of fixed costs by 19.1%, with a stable ratio to revenues at 17% and decreasing in Q4 2020 (15.8% compared to 17.1% in Q4 2019).

In addition, in 2020 Sogefi was awarded **new contracts for a value in line with previous years** and consistent with the objectives of maintaining/increasing market share, with a significant component of new orders for hybrid or full electric vehicles, thereby positioning itself in the markets of the future.

Specifically, 25% of the value of the orders acquired in 2020 by the Air & Cooling division is intended for the cooling of hybrid or full electric cars; in addition, the division obtained an important contract (Life Time Value: Euro 100 million) to supply aluminium air intake manifolds for a leading German OEM, launching a new product line in a sector where the division is already a market leader.

Similarly, 35% of the value of the orders acquired by the Suspension division related to hybrid or full electric cars, thanks to the new product developed to meet the lightness and "time to market" requirements of electric vehicles and the consequent acquisition of an order from a leading North American manufacturer of full electric vehicles.

2020 RESULTS

Before presenting the results of Sogefi for the year 2020, it is worth mentioning that the figures for 2019 have been restated because of the adoption of IFRS 5 ("Non-current assets held for sale and discontinued operations") in the accounting of the values of the Brazilian subsidiary of the Filtration business unit, sold in December 2020, and of the Spanish subsidiary of the same business unit, sold in January 2021.

During 2020, the **sales revenues** of Sogefi amounted to Euro 1,203.2 million, down 17.8% at historical exchange rates and 14.2% at constant exchange rates compared to 2019.

If we were reviewing the performance of revenues during the year, in the first quarter revenues fell by 9.6%, due to the worldwide spread of the pandemic since March; in the second quarter, the drop was 55.6%, in a phase of substantial lockdown in the main markets; during the third quarter, there was a gradual recovery (-6.6% compared to 2019), leading to a fourth quarter that grew by 2% (+8.9% at constant exchange rates) compared to the same period in 2019.

Sales revenues by geographic area

Revenues at constant exchange rates outperformed the market in all the main geographical areas: the decline in Europe was 18.1% compared to -23.3% of the market, and in North America 9.8% compared to -20.1%; in Asia, revenue grew, compared to -7% of the market, thanks in particular to the good performance in China (+15.8% compared to -4.2% of the market).

The table below shows a breakdown of sales by key markets.

(in millions of Euro)	2020	2019	reported change	constant exchange rates	reference market production	weight based on FY 2020
Europe	754.9	923.5	-18.3%	-18.1%	-23.3%	62.7%
North America	250.8	288.7	-13.1%	-9.8%	-20.1%	20.8%
South America	59.5	110.2	-46.0%	-12.1%	-30.7%	4.9%
Asia	145.0	149.9	-3.3%	0.9%	-7.0%	12.1%
- of which China	*86.0*	*75.5*	*13.8%*	*15.8%*	*-4.2%*	*7.1%*
Intercompany	(7.0)	(8.5)				
Total	1,203.2	1,463.8	-17.8%	-14.2%	-16.2%	100.0%

Sales revenues by business sector

Filtration (with a 8.1% drop in revenues at constant exchange rates) and Air & Cooling (-10.7% 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 China and North America, in the case of Air & Cooling. The impact of the crisis on Suspensions was greater, with a 22.7% drop in revenues at constant exchange rates, reflecting the greater concentration of business in Europe and South America and the sector's particularly unfavourable performance in these areas.

The table below shows a breakdown of sales by business sector.

(in millions of Euro)	2020		2019		*var. '20 vs '19*	*var. '20 vs '19 constant exchange rate*
	Amount	*%*	*Amount*	*%*		
Suspensions	399.6	33.2	549.7	37.6	-27.3%	-22.7%
Filtration	434.2	36.1	491.5	33.6	-11.7%	-8.1%
Air&Cooling	371.8	30.9	425.9	29.1	-12.7%	-10.7%
Intercompany eliminations	(2.4)	(0.2)	(3.3)	(0.3)		
TOTAL	1,203.2	100.0	1,463.8	100.0	-17.8%	-14.2%

Sales revenues by customer

Sogefi has a balanced customer portfolio, and its composition remained unchanged during 2020. The main customers of Sogefi are Ford, Renault/Nissan, PSA, FCA (as of now Stellantis), Daimler and GM, which together account for 60.4% of revenues (59.9% in 2019).

The table below shows a breakdown of sales by customers.

(in millions of Euro)	2020		2019	
Group	*Amount*	*%*	*Amount*	*%*
Ford	140.8	11.7	161.3	11.0
Renault/Nissan	135.6	11.3	175.1	12.0
PSA	131.0	10.9	171.8	11.7
FCA/CNH Industrial	114.3	9.5	148.4	10.1
Daimler	104.0	8.6	115.0	7.9
GM	101.6	8.4	105.7	7.2
Volkswagen/Audi	52.4	4.4	66.9	4.6
BMW	50.3	4.2	46.3	3.2
Toyota	32.1	2.7	49.0	3.3
Others (including the Aftermarket)	341.1	28.3	424.3	29.0
TOTAL	1,203.2	100.0	1,463.8	100.0

In the 2020 financial year, the reduction in turnover had a significant impact on the Group's economic results, despite the strength of the mitigation measures adopted.

The group's results were affected by the reduction in sales revenues and non-recurring charges linked to the launch of plans to reduce fixed costs, particularly in Europe, and to rationalise the footprint (sale/shutdown of two production sites in Europe) and geographical presence (sale of the filtering business in Brazil).

EBITDA amounted to Euro 137.6 million compared to Euro 177.4 million in 2019; excluding the non-recurring charges[1] mentioned above, EBITDA decreased from Euro 177.4 million to Euro 156.9 million with a profitability (EBITDA / Revenue %) of 13%, that is higher than in 2019 (12.1%).

(in millions of Euro)	Note(*)	2020		2019	
		Amount	%	Amount	%
Sales revenues		1,203.2	100.0	1,463.8	100.0
CONTRIBUTION MARGIN		370.7	30.8	442.4	30.2
Fixed costs	(a)	203.6	16.9	251.6	17.2
Restructuring costs		30.4	2.5	9.2	0.6
Other expenses (income)	(b)	(0.9)	(0.0)	4.2	0.3
EBITDA	(c)	137.6	11.4	177.4	12.1
Depreciation and amortization	(d)	130.4	10.8	129.0	8.8
EBIT		7.2	0.6	48.4	3.3
Net income (loss) from discontinued operations, net of tax effects		(15.5)	(1.3)	(7.9)	(0.6)
GROUP NET RESULT		(35.1)	(2.9)	3.2	0.2

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

The 2020 contribution margin improved slightly compared to 2019, from 30.2% to 30.8%, and the ratio of fixed costs to sales remained constant, despite the decline in turnover, thanks to the containment measures adopted, some of which were temporary and some of which are set to become structural.

EBIT amounted to Euro 7.2 million compared to Euro 48.4 million in 2019. The decrease in EBIT reflects the reduction in revenue, gross non-recurring expenses of Euro 20 million (Euro 4.3 million in 2019) and additional write-downs of fixed assets of Euro 12.9 million (Euro 4.9 million in 2019), resulting from the actions implemented by the company in response to the crisis.

The Group recorded a negative **net result from continuing operations** of Euro 19.6 million, mainly due to Euro 16.2 million of non-recurring charges for rationalisations (compared to a profit of Euro 11.1 million in 2019). The operations sold between the end of 2020 and the beginning of 2021, i.e., the Brazilian and Spanish subsidiaries of the Filtration business unit, resulted in a loss of Euro 15.5 million, which compares with a loss of Euro 7.9 million in 2019.

In terms of **net result**, in 2020 the Group recorded a loss of Euro 35.1 million compared with a profit of Euro 3.2 million in 2019, after financial expense of Euro 22.8 million (Euro 20.8 million in 2019) and tax expense of Euro 3.5 million compared to Euro 13.5 million in the previous year. The net result includes the loss from the operations sold as reported above (a loss of Euro 15.5 million compared to a loss of Euro 7.9 million in

[1] For more details, please refer to the paragraph "Definition of performance indicators and net financial debt" attached at the end of this report.

2019).

With reference to **Free Cash Flow**, a consumption of Euro 38.2 million was recorded in 2020 (compared to a cash generation of Euro 8.4 million in 2019), resulting mainly from the evolution of working capital caused by the particular circumstances that occurred during the year.

(in millions of Euro)	Note(*)	2020	2019
SELF-FINANCING	(e)	104.9	145.3
Change in net working capital		(32.1)	(2.1)
Other medium/long-term assets/liabilities	(f)	6.0	(0.9)
CASH FLOW GENERATED BY OPERATIONS		**78.8**	**142.3**
Net decrease from sale of fixed assets	(g)	2.3	4.3
TOTAL SOURCES		81.1	146.6
TOTAL APPLICATION OF FUNDS		133.4	137.2
Exchange differences on assets/liabilities and equity	(h)	5.1	(1.0)
FREE CASH FLOW		**(38.2)**	**8.4**
Dividends paid by subsidiaries to non-controlling interests		-	(5.0)
Change in fair value derivative instruments		(1.0)	-
CHANGES IN SHAREHOLDERS' EQUITY		(1.0)	(5.0)
Change in net financial position	(i)	**(39.2)**	**3.4**
Opening net financial position	(i)	**(318.9)**	**(260.5)**
Financial debts for right of use at January 1°, 2019		-	(61.8)
CLOSING NET FINANCIAL POSITION	(i)	**(358.1)**	**(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.

As at 31 December 2020, **equity**, not including non-controlling interests, was Euro 133.0 million (vs. Euro 188.7 million as at 31 December 2019), as illustrated in the table below.

(in millions of Euro)	Note(*)	12.31.2020		12.31.2019	
		Amount	*%*	*Amount*	*%*
Short-term operating assets	(l)	274.1		305.5	
Short-term operating liabilities	(m)	(354.3)		(409.6)	
Net working capital		(80.2)	(15.8)	(104.1)	(19.7)
Equity investments	(n)	-	-	-	-
Intangible, tangible fixed assets and other medium and long-term assets	(o)	774.8	152.7	804.1	152.7
CAPITAL INVESTED		694.6	136.9	700.0	133.0
Other medium and long-term liabilities	(p)	(187.1)	(36.9)	(173.4)	(33.0)
NET CAPITAL INVESTED		507.5	100.0	526.6	100.0
Net financial indebtedness	(q)	358.1	70.6	318.9	60.6
Non-controlling interests		16.4	3.2	19.0	3.6
Consolidated equity of the Group		133.0	26.2	188.7	35.8
TOTAL		507.5	100.0	526.6	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.

Pre-IFRS 16 net financial position at 31 December 2020 was Euro 291.3 million (Euro 256.2 million as at year end 2019), down compared to 30 September 2020 (when net financial position was Euro 299 million).

(in millions of Euro)	12.31.2020	12.31.2019
Cash, banks, financial receivables and securities held for trading	213.7	168.5
Medium/long-term financial receivables	2.2	6.8
Short-term financial debts (*)	(170.1)	(95.8)
Medium/long-term financial debts	(403.9)	(398.4)
NET FINANCIAL POSITION	(358.1)	(318.9)

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

When financial payables for rights of use are included in accordance with IFRS 16, net financial position at 31 December 2020 amounts to Euro 358.1 million compared to Euro 318.9 million at 31 December 2019. It should be noted that during 2020, the Group invested in a new factory for the production of suspensions in Romania - intended to increase the Group's competitiveness in the sector - and signed the lease agreement for the new factory, which resulted in the recognition of an IFRS 16 debt of approximately Euro 19 million.

At 31 December 2020, the covenants provided for in the loan agreements were met.

At 31 December 2020, the Group had committed credit lines in excess of requirements for Euro 340.1 million (of which Euro 100 million for the repayment of the convertible bond maturing in May 2021). In 2020, new medium-term loan agreements were entered into for a total amount of Euro 134.5 million, including a Euro 80 million loan (signed in October 2020) granted by leading Italian institutions and guaranteed by SACE, and new credit lines with French banks for an amount of Euro 54.5 million, also largely guaranteed by the French Government.

As at 31 December 2020, the Sogefi Group's **workforce** was 6,026, compared to 6,818 as at 31 December 2019. The reduction is due, in addition to the reduced operations, to the sale of the filter business in Brazil (492 employees at 31 December 2019).

	12.31.2020		12.31.2019	
	Number	*%*	*Number*	*%*
Suspensions	2,290	38.0	2,400	35.2
Filtration	2,490	41.3	3,132	45.9
Air&Cooling	1,192	19.8	1,231	18.1
Other	54	1.0	55	0.8
TOTAL	6,026	100.0	6,818	100.0

A breakdown by category is provided below.

	12.31.2020		12.31.2019	
	Number	*%*	*Number*	*%*
Managers	72	1.2	91	1.3
Clerical staff	1,663	27.6	1,830	26.8
Blue collar workers	4,291	71.2	4,897	71.9
TOTAL	6,026	100.0	6,818	100.0

INVESTMENTS AND RESEARCH & DEVELOPMENT ACTIVITIES

Investments totalled Euro 133.4 million in 2020 (Euro 137.2 million in the previous year).
The company decided to go ahead with all investments in the development of new products (Euro 51.7 million) and in the start-up of the new Suspension plant in Romania (Euro 12.8 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 (-56%), as they lost their strategic importance in light of the economic situation and forecasts for medium-term volumes.

The following table provides details of the investments by nature:

(in millions of Euro)	2020	2019
Increase in intangible assets	23.3	32.2
Purchase of tangible assets	48.7	60.2
Purchase of Tooling	36.2	35.3
Increase in intangible assets for right of use	25.2	9.5
TOTAL INVESTMENTS	133.4	137.2

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:

(in millions of Euro)	2020	2019
Net result per Sogefi S.p.A. financial statements	(6.2)	7.7
Group share of results of subsidiary companies included in the consolidated financial statements	(14.9)	17.4
Writedowns of equity investments in Sogefi S.p.A.	0.5	32.6
Elimination dividends	(13.5)	(54.2)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related tax effect	(1.0)	(0.3)
NET RESULT PER CONSOLIDATED FINANCIAL STATEMENTS	(35.1)	3.2

(in millions of Euro)	2020	2019
Shareholders' equity per Sogefi S.p.A. financial statements	205.6	211.7
Group share of higher/lower equity value of investments in consolidated companies over carrying value in Sogefi S.p.A. financial statements	(80.5)	(31.9)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related tax effect	7.9	8.9
SHAREHOLDERS' EQUITY PER CONSOLIDATED FINANCIAL STATEMENTS	133.0	188.7

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

Net loss in 2020 amounted to Euro 6.2 million compared to a net profit of Euro 7.7 million in the corresponding period of the previous year. The decrease was primarily attributable to the decreased flow of dividends from subsidiaries and higher financial expense.
It is worth noting that in 2020 the Company booked a write-down of Euro 0.5 million as a result of an impairment test as at 31 December 2020 related to the value of the Chinese subsidiary Sogefi (Suzhou) Auto Parts Co., Ltd. (write-down of Euro 32.6 million in 2019, mainly related to the French subsidiary Sogefi Filtration S.A.).
The increase in "Other non-operating income (expenses)" is mainly due to higher expenses incurred in 2020 in adjusting the *fair value* of certain investment properties of the Company to reflect experts' valuation.

(in millions of Euro)	2020	2019
Financial income/expenses and dividends	(0.4)	45.3
Adjustments to financial assets	(0.5)	(32.6)
Other operating revenues	7.9	8.3
Operating costs	(11.8)	(11.3)
Other non-operating income (expenses)	(2.5)	(2.1)
RESULT BEFORE TAXES	(7.3)	7.6
Income taxes	(1.1)	(0.1)
NET RESULT	(6.2)	7.7

As regards the **statement of financial position**, the table below shows the main items as at 31 December 2020, compared to the figures recorded at the end of the previous year:

(in millions of Euro)	Note(*)	12.31.2020	12.31.2019
Short-term assets	(r)	7.2	6.1
Short-term liabilities	(s)	(3.3)	(3.6)
Net working capital		3.9	2.5
Equity investments	(t)	348.0	348.4
Other fixed assets	(u)	36.2	41.0
CAPITAL INVESTED		388.1	391.9
Other medium and long-term liabilities	(v)	(2.5)	(2.5)
NET CAPITAL INVESTED		385.6	389.4
Net financial indebtedness		180.0	177.7
Shareholders' equity		205.6	211.7
TOTAL		385.6	389.4

(*) The notes in the table are explained in detail in the appendix at the end of this report.

“Shareholders' equity” as at 31 December 2020 amounts to Euro 205.6 million, down from 31 December 2019 (Euro 211.7 million), mainly because of the negative result for the year 2020.

Net **financial indebtedness** as at 31 December 2020 was Euro 180 million, showing a year-over-year worsening of Euro 3 million compared to 31 December 2019.

(in millions of Euro)	12.31.2020	12.31.2019
Short-term cash investments	119.4	89.5
Short/medium-term financial receivables to third and subsidiaries	242.1	202.0
Short-term financial debts (*)	(247.0)	(127.2)
Medium/long-term financial debts	(294.5)	(342.0)
NET FINANCIAL POSITION	(180.0)	(177.7)

(*) including current portions of medium and long-term financial debts.

The table below illustrates the **cash flow statement** of Sogefi S.p.A.:

(in millions of Euro)	Note(*)	2020	2019
SELF-FINANCING	(w)	(0.4)	46.5
Change in net working capital	(x)	(1.4)	1.4
Other medium/long term assets/liabilities	(y)	0.9	0.9
CASH FLOW GENERATED BY OPERATIONS		**(0.9)**	**48.8**
Sale of equity investments	(z)	-	-
Net decrease from sale of intangible assets		-	-
TOTAL SOURCES		(0.9)	48.8
TOTAL APPLICATION OF FUNDS		0.4	0.3
FREE CASH FLOW		**(1.3)**	**48.5**
Holding Company increases in capital		-	-
Change in fair value derivative instruments		(1.0)	-
Dividends paid by the Holding Company		-	-
CHANGES IN SHAREHOLDERS' EQUITY		(1.0)	-
Change in net financial position	(aa)	**(2.3)**	**48.5**
Opening net financial position	(aa)	**(177.7)**	**(225.7)**
Financial debts for right of use at January 1°, 2019		-	**(0.5)**
CLOSING NET FINANCIAL POSITION	(aa)	**(180.0)**	**(177.7)**

(*) The notes in the table are explained in detail in the appendix at the end of this report.

The negative change in free cash flow, amounting to Euro 2.3 million, was mainly generated by the worsening of self-financing in 2020.

PERFORMANCE BY BUSINESS DIVISION

PERFORMANCE OF THE FILTRATION BUSINESS UNIT

The following tables show the key results and economic indicators for the year 2020 and the three previous years recorded by the Filtration business unit.

KEY ECONOMIC DATA

(in millions of Euro)	2017	2018	2019	2020	Change '20 vs '19
Sales revenues	546.4	537.2	491.5	434.2	-11.7%
EBIT	24.4	23.4	24.3	8.2	-66.3%
% on sales revenues	*4.5%*	*4.4%*	*4.9%*	*1.9%*	

OTHER INDICATORS

	2017	2018	2019	2020	Change '20 vs '19
Number of employees	2,831	2,889	3,132	2,490	-20.5%

In 2020, the Filtration business unit reported revenues of Euro 434.2 million, down 11.7% at current exchange rates compared to the same period of the previous year (-8.1% at constant exchange rates), performing significantly better than the market especially in Europe, where business was driven by sales in the OES and Aftermarket.

With regard to profitability, the business unit recorded an EBITDA margin excluding non-recurring charges (very significant and higher than in 2019) of 12.9%, higher than in 2019 (11.7%).

EBIT was slightly positive, Euro +8.2 million compared to Euro +24.3 million in 2019, due to the reduction in operations and higher non-recurring charges.

Employees of the business unit at 31 December 2020 were 2,490 (3,132 at 31 December 2019).

PERFORMANCE OF THE SUSPENSION BUSINESS UNIT

The following tables show the key results and economic indicators for the year 2020 and the three previous years recorded by the Suspensions business unit.

KEY ECONOMIC DATA

(in millions of Euro)	2017	2018	2019	2020	Change '20 vs '19
Sales revenues	609.4	602.6	549.7	399.6	-27.3%
EBIT	39.1	12.7	5.0	(13.2)	-364.9%
% on sales revenues	*6.4%*	*2.1%*	*0.9%*	*-3.3%*	

OTHER INDICATORS

	2017	2018	2019	2020	Change '20 vs '19
Number of employees	2,623	2,541	2,400	2,290	-4.6%

In 2020, the Suspension business unit reported revenues of Euro 399.6 million, down by 27.3% (-22.7% at constant exchange rates), which reflects the sales trend in the different geographical areas in line with the performance of their markets.

The EBITDA margin excluding non-recurring charges remained stable at 8.4%. Despite an improvement in the contribution margin, due to the reduction in raw material purchase prices, there was an increase in the impact of fixed costs mainly due to the particularly significant drop in volumes recorded by the division.

EBIT was negative for Euro 13.2 million compared to Euro +5.0 million during 2019.

Employees of the business unit at 31 December 2020 were 2,290 (2,400 at 31 December 2019).

PERFORMANCE OF THE AIR AND COOLING BUSINESS UNIT

The following tables show the key results and economic indicators for the year 2020 and the three previous years recorded by the Air&Cooling business unit.

KEY ECONOMIC DATA

(in millions of Euro)	2017	2018	2019	2020	Change '20 vs '19
Sales revenues	496.2	433.5	425.9	371.8	-12.7%
EBIT	27.4	21.7	24.7	20.0	-19.0%
% on sales revenues	*5.5%*	*5.0%*	*5.8%*	*5.4%*	

OTHER INDICATORS

	2017	2018	2019	2020	Change '20 vs '19
Number of employees	1,431	1,471	1,231	1,192	-3.1%

In 2020, the Air and Cooling business unit reported revenues of Euro 371.8 million, down by 12.7% at historical exchange rates and by 10.7% at constant exchange rates. In all geographical areas, revenues outperformed the market, with particularly strong growth in China (+25.2%) due to the launch of new programmes.

The contribution margin for 2020 was 32.0%, an improvement on 2019 (30.8%); the EBITDA margin was also 1.2 percentage points (pp) higher than in the corresponding period of 2019 (18.4% versus 17.2% in 2019), with the business unit showing excellent resilience to the crisis.

EBIT amounted to Euro 20.0 million, down compared to Euro 24.7 million in 2019 due to lower revenues.

Employees of the business unit at 31 December 2020 were 1,192 (1,231 at 31 December 2019).

RESULTS FOR THE FOURTH QUARTER OF 2020

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

(in millions of Euro)	Q4 2020		Q4 2019	
	Amount	%	Amount	%
Sales revenues	364.5	100.0	357.4	100.0
CONTRIBUTION MARGIN	115.1	31.6	111.6	31.2
Fixed costs	57.7	15.8	61.1	17.1
Restructuring costs	17.0	4.7	4.0	1.1
Other expenses (income)	1.4	0.4	2.4	0.7
EBITDA	39.0	10.7	44.1	12.3
Depreciation and amortization	35.0	9.6	38.7	10.8
EBIT	4.0	1.1	5.4	1.5
Net income (loss) from discontinued operations, net of tax effects	(7.6)	(2.1)	(4.2)	(1.2)
GROUP NET RESULT	(12.0)	(3.3)	(5.1)	(1.4)

Revenues for the fourth quarter of 2020 grew by 2% at historical exchange rates and +8.9% at constant exchange rates compared to the same period in 2019.

(in millions of Euro)	Q4 2020	Q4 2019	*Variation*
	Amount	*Amount*	*%*
Suspensions	121.7	126.8	(4.0)
Filtration	129.8	125.0	3.8
Air&Cooling	113.6	106.4	6.8
Intercompany eliminations	(0.6)	(0.8)	
TOTAL	364.5	357.4	2.0

EBITDA, excluding charges from rationalisation measures, was 14.5% compared to 12.3% in 2019.

The contribution margin as a percentage of revenue increased to 31.6%, compared to 31.2% in the previous year. The impact of fixed costs decreased from 17.1% in Q4 2019 to 15.8% in Q4 2020.

The Group recorded a negative **net result from continuing operations** of Euro 4.4 million, mainly due to Euro 11.9 million of non-recurring charges for rationalisations (compared to a loss of Euro 0.9 million in the corresponding period of 2019). The operations sold between the end of 2020 and the beginning of 2021, i.e., the Brazilian and Spanish subsidiaries of the Filtration business unit, resulted in a loss of Euro 7.6 million, which compares with a loss of Euro 4.2 million in 2019.

Free Cash Flow before IFRS 16 was positive at Euro 8.7 million, an amount in line with the corresponding period in 2019.

IMPACT OF COVID-19 ON OPERATIONS

As a result of the spread of the Covid-19 pandemic, Sogefi first suspended production in China and then, in the second half of March, in almost all plants. Operations started again first in China and, since May, in all the countries of operation of the Group, although with production volumes significantly lower than the previous year and than expected, until August.

With regard to the assessment of the impact of the pandemic on the Group, prior to Covid-19, 2020 turnover was expected to be substantially in line with 2019 and in the first two months of the year the Company actually achieved volumes equivalent to or higher than expected. However, an extremely significant drop was recorded in the following months and a gradual recovery was only seen from June onwards. As a result of these circumstances, in 2020 Sogefi reported revenues of Euro 1,203.2 million, down by 17.8% at historical exchange rates compared to 2019 – a decline that is nearly totally traced back to the effects of the circumstances brought about by the pandemic. While the decline in volumes was partly offset by the reduction in fixed costs, it nevertheless had a negative impact estimated at Euro 34 million on EBIT and Euro 21 million on net result, with a consequent increase in debt.

In light of the above, in July 2020, the Board of Directors approved a new plan up to 2024 that takes into account the impact of the current crisis in terms of profit and equity and what kind of expectations can be formulated as to market recovery in coming years. The plan was reviewed in February 2021 and, also in light of the 2020 results, substantially confirmed. The plan 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.

As indicated in the section on "Outlook for operations", IHS expects global production to recover by 13.7% in 2021 compared to 2020, although this will remain lower than in 2019 (-4.8%). There are also uncertainties regarding the price trends of raw materials (especially steel) and their availability (semiconductors), as well as logistic difficulties in transport and supply from Asian markets.
In this scenario, Sogefi expects to return to a positive result for the whole of 2021, thanks to the effects of the strong actions put in place in 2020 to reduce the impact of fixed costs and to structurally improve profitability.

In order to guarantee the Group the financial means to support the plan, including a liquidity reserve that will also allow it to deal with possible fluctuations in such an uncertain phase, in October 2020 new loan agreements were entered into for a total amount of Euro 134.5 million, including a Euro 80 million loan granted by leading Italian institutions and guaranteed by SACE, and new credit lines with French banks for an amount of Euro 54.5 million.

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 31 December 2020 and compliance was expected, based on projections, at the subsequent maturities,
- the new loan agreements entered into

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

As regards the impact of Covid-19 on accounting estimates and valuations, it should be noted that the financial statement valuations based on the Company's plans are consistent with each other.
The Company has also taken into account the impacts of Covid-19 in determining the main items in the financial statements, with particular regard to:

- the impairment of assets, in relation to the methods for determining the recoverable amount of goodwill and intangible and tangible assets that may be impacted by the deterioration of the economic outlook. In this context, the Company revised the calculations of some parameters of the discount rate (for example, using averages based on longer time horizons compared to previous years) in order to purify the rate (and the concepts it includes in terms of risk and expected return) from the measures adopted by the European and US central banks aimed at coping with the economic effects deriving from the Covid-19 pandemic. These measures led to a lowering of the interest rate curve, an increase in cash flows with a consequent increase in the value of financial assets and a reduction in the estimated market risk premium. In addition, the Company has developed sensitivity analyses, also combined, on the main parameters of the impairment test calculation;
- the risks related to financial assets and liabilities, with particular focus on the liquidity risk and the measurement of expected credit losses;
- the application of IFRS 16 "Leases", in relation to specific issues related to the consequences of Covid-19. In particular, it was verified that, on the basis of the plan approved in February 2021, there was no need to dispose production plants for which there are leases contracts with associated rights of use pursuant to IFRS16 of significant residual value; furthermore, some reductions in rents, obtained in relation to the pandemic emergency, were taken into account.

For further details on accounting estimates and valuations, please refer to the "Explanatory and Supplementary Notes".

OUTLOOK FOR OPERATIONS

Given the ongoing uncertainty about the evolution of the pandemic, visibility on market behaviour in the coming months remains low.
There are also uncertainties regarding the price trends of raw materials (especially steel) and their availability (semiconductors), as well as logistic difficulties in transport and supply from Asian markets.

IHS expects global production to recover by 13.7% in 2021 compared to 2020, although this will remain lower than in 2019 (-4.8%).

In this scenario, Sogefi expects to return to a positive result for the whole of 2021, thanks to the effects of the strong actions put in place in 2020 to reduce the impact of fixed costs and to structurally improve profitability.

MANAGEMENT OF THE MAIN BUSINESS RISKS

In a context increasingly characterised by market instability and a rapid evolution of business dynamics and regulations, careful and effective risk and opportunity management is essential to support an informed decision-making process consistent with strategic and business goals and ensure corporate sustainability and value creation in the medium-to-long term.

In this regard, as part of this internal control and risk management system and as required by the Corporate Governance Code of Borsa Italiana adopted by the Group as well as by national and international best practices acknowledged in the market, Sogefi adopted and implemented a structured and formalised ERM (Enterprise Risk Management) process as of 2012. The purpose of this ERM process is to identify, assess, manage and systematically monitor the main risks that could hinder the achievement of the Group's strategic and business goals, as well as define appropriate information flows to ensure greater transparency and dissemination of information within the organisation.

Moreover, in line with best practices in corporate governance and risk management, since 2019, the Group has had a Group function headed by a Group Chief Risk Officer ("CRO"), dedicated to risk management and confirming the growing commitment to the effective implementation of the integrated internal control and risk management system.

On this occasion, the Sogefi Group started to work on the evolution of the traditional risk assessment process, by designing and implementing a more structured risk management system in line with the latest industry best practices. The ERM framework was updated in order to strengthen and further customise it to suit the needs of a growing Group, while maintaining continuity with the activities carried out in the past.
The result was laid down in the ERM Group Policy, approved by the Board of Directors, which outlines the approach and reference principles underlying the design of the framework: the governance model of the risk management system that assigns roles and responsibilities to each player involved, and the operating model that includes the analysis and reporting activities to be performed periodically and the tools and methods to support them.

The ERM process is directed and supervised by the Board of Directors which, in addition to defining the main guidelines, also identified the main players:

- the Control and Risk Committee, whose members are appointed among Directors to assist the Board with decisions concerning the risk management process and in assessing their adequacy;
- The Chief Executive Officer, as director in charge of the Internal Control and Risk Management System, is responsible for implementing and maintaining an effective risk management process;
- The Group Chief Risk Officer coordinates the risk management process, facilitating the identification, assessment, management and monitoring of major corporate risks and provides methodological support. They are also responsible for preparing periodic reports on risk management activities;

- The Group's top and senior management is actively involved throughout the process of risk identification, analysis and management in a top-down approach and as the main risk owner.

According to this approach, risks are identified based on the key strategic and economic-financial medium and long-term drivers of the Group. These drivers are assessed to provide the Board of Directors with a better understanding of the risk scenarios that could hinder the achievement of set goals and enable it to determine which actions should be taken to prevent, mitigate or manage the main exposures and their order of priority, taking in account risk appetite.

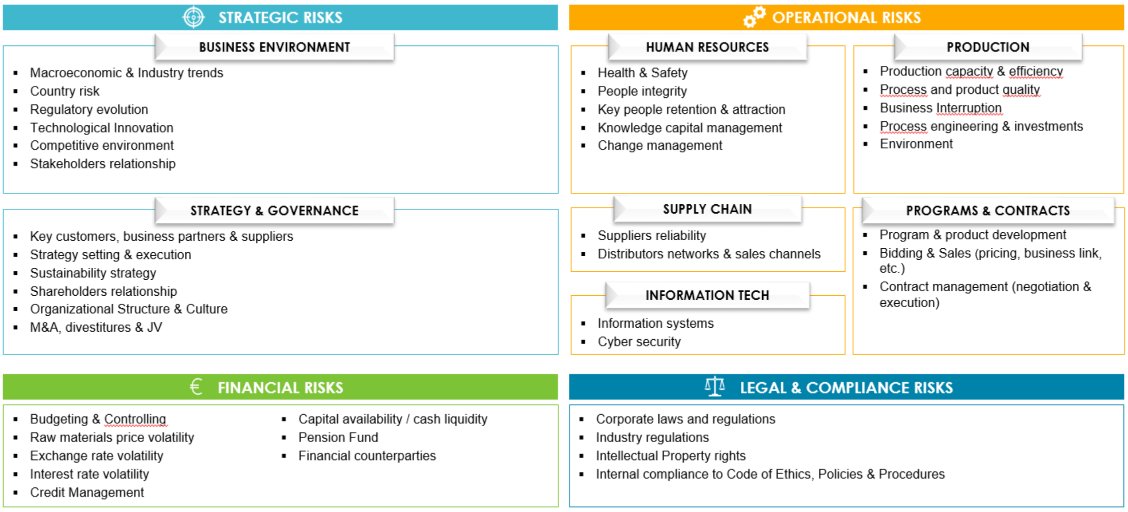
In this context, an active role of management is key in the risk management process. For this reason, the Group has set up an internal Risk Management Committee - with members from the top management and from Internal Audit - that is coordinated by the CRO and meets periodically. The Committee assists the Chief Executive Officer in carrying out evaluations and making decisions concerning the ERM system, promoting a structured process of risk identification and analysis, discussing risk management strategies and monitoring their implementation and effectiveness.

In this context, the ERM framework aims to analyse and evaluate a wide portfolio of risks, which vary in nature and type, including all risks associated with sustainability issues.

The risks potentially applicable to the Group's business model are represented in the so-called Risk Model, characterised by four categories:

- **Strategic Risks**, relating to the external and business environment or governance strategies and decisions that can significantly affect the Group's performance and/or the achievement of the defined strategic objectives;
- **Operational Risks,** which can affect the effectiveness/efficiency of business processes, jeopardising the creation of value;
- **Financial Risks**, connected with the management, for example, of exchange rates, interest rates, liquidity, etc.
- **Legal and ComplianceRisks**, relating to non-compliance with applicable laws and regulations, as well as internal Codes, Policies and Procedures that may lead to legal disputes, financial losses and potential adverse effects on the Group's reputation.

Further areas of main risk events to which the Group could potentially be exposed are identified within these risk categories as outlined below:



The ERM operating model requires that risk assessment activities be carried out on an annual basis with the primary goal of identifying and analysing priority risks for the Group, and possibly carrying out in-depth vertical analyses on further specific risk issues. Priority risks are managed by defining ad hoc action plans, and their evolution is periodically monitored.

Lastly, the results of the ERM process are used by the Internal Audit department to prepare its annual Audit Plan, in a risk-based approach that is in line with best practices, so that resources can be allotted to those areas that are considered to be most critical and/or risky.
For more details on the characteristics and operation of the internal control and risk management system, please read the Annual Report on Corporate Governance available on the Company's website.

In light of the assessments carried out during 2020 with the support of Top and Senior Management, the most significant risks were identified in relation to the business and reference sector and sustainability issues - shown below - for which a periodic assessment of exposure and related mitigation actions is required. Particular attention has been paid to risk management strategies, as well as to the implications of the pandemic on each risk and the possibility of response by the Group, taking into account the emerging priorities.

STRATEGIC RISKS

Risks related to the Group's economic growth[2]

In a macroeconomic context already characterised by a general slowdown in growth trends and by significant changes in trade relations between countries (e.g., the Brexit case, US-China relations, etc.), the Covid-19 represented a disruptive element for the global economy, and pushed it towards recession.

The control measures adopted by governments (e.g. lockdowns) had a significant impact on consumption, with significant consequences on the automotive sector. Specifically, the forced shutdown of production and in some cases the interruption of

[2] This risk is also relevant for sustainability purposes.

the supply chain led to a significant drop in the automotive market in 2020, amounting to -16.2% compared to 2019 (-23.3% in the EU, -20.1% in North America, -4.2% in China and -30.7% in South America).

In this particularly complex and uncertain context, the repercussions on the Group's performance were significant. In fact, since the start of the pandemic Sogefi has had to temporarily suspend production activities first in China and then in the other countries in which it operates, thus recording a physiological decline in volumes and revenues compared to the same period of the previous year (-17.8%).

In response to the crisis, the Company adopted the necessary tools to promptly respond to the changed market circumstances, while also trying to recover its economic-financial balance and ensure the achievement of its medium-long term targets. However, in a context of general uncertainty that is expected to persist also in 2021, the risk related to the Group's economic growth is considered significant.

Risks associated with technological innovation[3]

The automotive industry, driven by the regulatory and market evolution under way, is strategically oriented towards the creation of vehicles with a reduced environmental impact, resulting in significant investments by the main car makers. In particular, greater awareness of the effects of climate change, combined with increased media and political attention, especially at European level (e.g. EU Green Deal), are influencing consumer behaviour, driving them towards the purchase of more sustainable vehicles (e.g., hybrid, full electric, etc.).

Therefore, for Sogefi, as a manufacturer of key components (e.g., oil and air filters, suspension links, etc.), it is essential to renew its product portfolio and promote solutions that guarantee - for example - a reduction in fuel consumption (e.g., through weight reduction of its components) and better control of vehicle performance (e.g., mechatronic parts).

Given the inherent difficulties in developing new and/or innovative technologies, the risk of losing its competitive edge, as well as of incurring extra costs in the development and quality control stages, is considered critical for the Group, due, for example, to delays in the implementation of new solutions or to the introduction of disruptive products by competitors.

The Group invests significant resources annually in Research and Development, promoting an approach to innovation that involves all its employees in the search for new ideas to improve products and processes, as well as through a Market Intelligence programme aimed at identifying customer needs and comparing competitors' offering.
The Company also collaborates with private companies, laboratories and research centres worldwide to develop new materials, products and improve existing technologies.

[3] This risk is also relevant for sustainability purposes. For a complete picture of the risks relating to climate change, this risk of a strategic nature must be read together with “Physical risks relating to climate change”, of an operational nature, described in the following paragraphs.

Risks associated with contract management and pricing policies

The Group's business is strongly oriented to the decisions of a few large customers having high negotiating power, which often translates into strong pressure on prices and strict contractual clauses.

In addition, the current context characterised by the increasing concentration of car makers, the vertical integration of the production processes of operators in the sector with benefits for production and logistics costs and finally the entry into the market of several competing players in low-cost countries, translates in an increasingly high level of competition.

For this reason, the Group may run the risk of not being able to negotiate significantly favourable contractual conditions and pricing policies. In particular, the possible acceptance of contractual specifications that are unfavourable for Sogefi or not consistent with the Group's risk attitude could affect the outcome of the project and the relevant performance and impact its reputation.

For this reason, Sogefi put in place a process that, from the drafting of the offer to the signing of the contract, includes predefined gate reviews aimed at assessing whether the financial targets of the projects are compatible with the profitability targets, as well as the soundness of contractual terms and conditions.

Within this context, already in 2019, the Group launched an in-depth analysis of the risks associated with the Contract Management process, which resulted in a review of the process itself in 2020, that harmonised its rules, the roles and responsibilities at Group level and strengthened the monitoring of the main KPIs.

Country risk - Brexit

The global presence in more than 20 countries potentially exposes the Group to the consequences that any instability emerging from the political and socio-economic contexts of national governments could have on local currency, inflation, society, etc. These consequences could negatively affect current market dynamics and jeopardise the Group's results.

Through the ERM process, Sogefi periodically monitors country risk exposures, initiating specific business impact analyses where necessary, as well as appropriate mitigation measures in the event of significant developments.

Over the last two years, the Group has closely monitored the risk connected with the uncertainty generated by the Brexit terms, analysing the possible economic-financial effects (i.e., exchange rate fluctuations), fiscal effects (i.e., the introduction of customs duties), and operating effects resulting from any delays in the supply of raw materials and in the supply of products, as well as statutory effects for example on the product certification process.

In this regard, a Brexit crisis team has been appointed, coordinated by the CRO, in charge of the periodic monitoring of the evolution of the risk profile and the activation of specific mitigation actions. Following the actual exit of the United Kingdom from the European Union confirmed as of 1 January 2021, said monitoring will continue throughout the transition period and until the European context is fully reorganised.

OPERATIONAL RISKS

Risks related to human resources management[4]

In a multicultural and constantly changing environment, corporate competitiveness is also measured by the ability to identify and manage risks related to human resources, to which Sogefi has always been committed as they are considered an essential factor for the performance of business activities.

In particular, in light of the health emergency linked to the spread of Covid-19 and the consequences that the management of the pandemic has had on business activities in 2020 and that will probably continue in future years, Sogefi considers as significant the risks relating to:

- ***Occupational Health and Safety***: Particular attention is paid to the current risk of infection by Covid-19, which is potentially considered to be higher within production sites where staff must be physically present to carry out their work, sometimes in small areas and/or areas in which particular work is carried out that requires greater interaction between personnel.

  The timely adoption of stringent protocols in line with local regulations ensured in 2020, and still continues to ensure, the continuity of the Group's work in total safety, protecting the health of its employees and their families and preventing the spread of the virus within the organisation.

  With regard to tasks that do not require staff presence in the workplace, the risk of contagion is limited and is managed through the use of working from home schemes, although the same safety protocols are in place.
- ***Talent attraction, retention and professional development***: the economic and business difficulties that the Group had to face in 2020 and the uncertainty connected to future developments in the labour market and in the automotive sector in general, together with the corporate reorganisation policies in place, could have an impact on the ability to maintain the Group's attractiveness as an employer, making it difficult to retain key resources in the short to medium term.

Lastly, Sogefi Group confirms its commitment to spreading practices and policies that help overcome gender differences, contribute to creating a positive and inclusive work environment and also promote the well-being of its employees. Although the current health emergency has required the forced adoption of new working models, subject to stricter rules and/or in remote mode, and given the general uncertainty about the development of the pandemic and the continuing of these conditions, the Group does not see any critical issues in the management of these aspects, which are therefore considered to be at low risk.

[4] This risk is also relevant for sustainability purposes.

Risks related to product reliability (i.e., quality and safety)[5]

For Sogefi, managing the risk associated with the production and marketing of products that potentially do not comply with industry quality and safety standards, as well as with customer expectations, is a top priority. As proof of this, the Group has always been committed to applying the main national and international technical reference standards, in order to guarantee the production of excellent products and ensure that its production processes are in line with the best practices of the industry.

However, any issues referred to product defects and/or non-compliance with standards could result in recall campaigns which, although financially mitigated by the specific international insurance programmes in place, would have a negative effect on the Group's reputation and on the stability of relations with its customers. This risk is therefore closely monitored by the Group.

Over the years, various measures have been implemented that enabled the Group to gradually strengthen control of the processes through periodic gate reviews both in the development and production phases, aimed at preventing the onset of potential critical issues.

Moreover, as part of the quality management system, the so-called *Sogefi Excellence System* (S.E.S.) allows us to improve the Groups' industrial performance, through the daily monitoring of specific KPIs. An integral part of the S.E.S. is also the IATF 16949:2016 certification, which guarantees adequate quality control over the production processes and along the supply chain. In December 2020, 98%[6] of the Group's production sites were IATF 16949:2016 certified.

Supply chain risks

The production process needs an efficient supply chain to operate properly. A sudden interruption of the chain, maybe caused by natural disasters or strong international demand, if prolonged, could put the continuity of production process at risk and cause the delay of the delivery of orders to customers. Moreover, any defective products and/or products with lower quality standards than expected supplied could impact on the sustainability of relationships with customers, affecting the Group's brand reputation.

Supply chain management, which is already complex by nature, becomes even more critical during extraordinary events such as a pandemic. In fact, the uncertainty and economic difficulties generated by the health emergency have put the sustainability of the supply chain to a hard test, sometimes leading to partial and/or temporary interruptions, as well as impacts on the quality of the materials supplied. Companies such as Sogefi have therefore been forced to review and readjust their supplier portfolio in line with current needs.

In particular, the Group has strengthened the supplier selection and monitoring process, so as to ensure a prompt assessment of both financial soundness and adherence to

[5] This risk is also relevant for sustainability purposes.

[6] The calculation includes 39 manufacturing plants, excluding the sites closed in 2020 at Jarinu and Mateus Leme and St. Soupples already excluded in 2019. Bangalore is considered as two different units.

adequate quality standards, and has identified, where possible, alternative suppliers for the most critical raw materials/components to reduce any risk of dependence.

In addition, as part of the review of the Contract Management process that started in 2019, the Group has analysed in depth the critical issues connected with the contracts with suppliers and, where possible, has strengthened or included adequate back-to-back clauses.

Physical risks related to climate change[7]

The intensification of phenomena related to climate change and its impacts on the main areas of the value chain (e.g., operations, suppliers, customers and markets), are some of the main challenges that companies will have to face in the short and medium-long term. Climate change therefore requires organisations to adopt new strategies and evolve their business models towards solutions and technologies that can increase resilience and positively contribute to the transition towards a low-carbon economy. In particular, the automotive sector plays a central role in the green transition process, through the development of alternative and sustainable mobility solutions. Over the next few years, global demand for electric vehicles is expected to grow by 36% annually, reaching 245 million electric vehicles registered in 2030[8].

In this regard, the intensification of physical risks[9] related to climate change is a further element capable of affecting the proper performance of the Group's business. The fast worsening of the climate situation affects the frequency of so-called acute phenomena (e.g., storms, floods, fires or heat waves, etc.) that can damage company assets and/or disrupt value chains.

Consistent with these assumptions, in 2020, the Risk Management function carried out a climate risk assessment, using a special tool, Swiss RE's CatNet, which, through the geographical location of production sites on the world map and the underlying analysis models, allows the potential exposure to climate risk to be assessed on a scale from 0 (Very Low) to 10 (Extreme). Specifically, the score assigned considers the probability that the site will be exposed to changes in average rainfall, absolute and extreme temperatures, in a time horizon up to 2030. The results of the analysis show a low overall exposure of the Group's production facilities to climate risk (i.e., 92% of plants scored less than 4) and only three sites[10] with a medium, albeit not critical, level of exposure (score 4-5). In light of these results, the Risk Management function does not consider it necessary to carry out in-depth studies at local level, but the risk profile assessment will be periodically monitored.

Within this context, in order to combat climate change, Sogefi renews its commitment to implementing actions to contribute to reducing emissions, compatibly with the

[7] This risk is also relevant for sustainability purposes. For a complete picture of the risks relating to climate change, this risk of a operational nature must be read together with "Risks associated with technological innovation", of a strategic nature, described above.
[8] IEA Global EV outlook 2020, Sustainable Development Scenario (https://www.iea.org/reports/global-ev-outlook-2020)
[9] The classification of such risks refers to the guidelines of the Task Force on Climate-related Financial Disclosure (TCFD).
[10] The production sites with scores of 4-5 are: Nules, Cerdanyola and Tangier.

investments that will have to be made to deal with the economic and financial difficulties resulting from the pandemic.

Risks relating to the responsible use of natural resources[11]

The conservation of natural resources is essential to promote a more efficient and virtuous economy that requires new models of production and consumption along the entire value chain. Sogefi, like the entire automotive sector to which it belongs, pays particular attention to factors susceptible to promote a responsible and rational use of natural resources, and sets it as one of the main targets pursued in the development of new and/or innovative products and technologies.

In particular, the Group confirms its commitment to:

- ***Sustainable water management***, with the aim of limiting its impact on water resources, minimising consumption and preserving their quality, as well as guaranteeing their availability to the local communities in which it operates, especially in those contexts where access to water is more difficult.
  Consistently with these assumptions, the Company has set up a periodic water risk assessment process, using a special tool developed by the World Resources Institute[12] and called Aqueduct, aimed at determining which operating sites stand in areas classified as water-stressed and consequently implementing additional measures to protect the water basins concerned. However, due to these countermeasures and the presence of production activities that by their nature cannot be classified as water-intensive, the water risk for the Group's plants is considered to be insignificant.
  Furthermore, with regard to water discharges, the impact of the Group's activities is considered limited, as the processes carried out do not generate highly polluting effluents. As part of its environmental management system, the Group's production plants are equipped to prevent any accidental spills and, where necessary and/or required by local regulations, systems are installed to treat waste water before it is discharged into the environment or the public system.
- ***Optimisation of material cycles in industrial processes***, with the aim of reducing the use of virgin materials, minimising non-reusable waste and thus encouraging the creation of a virtuous circular system. Considering the investments made by the Group over the years and its continuous commitment to the development of increasingly innovative processes and technologies oriented towards a low environmental impact, the Group does not identify significant risk factors in the management of these aspects, although the economic and social situation that characterised 2020 has partly caused a slowdown in some activities dedicated to this purpose. Generally speaking, however, it should be noted that the Group's impact on the generation of waste in 2020 was limited (-25%[13]), also taking into account the forced halt to production following the spread of the pandemic.

[11] This risk is also relevant for sustainability purposes.

[12] The tool provides information on plants located in areas subject to extreme water scarcity by comparing the best available information on water, sanitation, population and biodiversity on a national and basin basis.

[13] In 2020 the Group generated and disposed of approximately 22,322 tons of waste, with a reduction of -25% compared to 2019.

Cyber Security Risks

The risks associated with unauthorised and fraudulent access to its IT systems by third parties, with potential loss and violation of sensitive and confidential data that could lead to financial losses and reputation damage are closely monitored by the Chief Information Officer (CIO) and its Security team.

In particular, in the last few years, the main IT security events of the Group involved phishing incidents for which there were no consequences, thanks to the timely identification and management by the Security Team. However, communication campaigns are periodically launched to increase the awareness of Group employees on security issues, sharing best practices to avoid suffering a cyber breach.

In addition, the increasing use of working from home schemes, to help the management of the health emergency, has imposed the revision and updating of technical and operational measures to ensure high levels of protection of the Group's IT infrastructure, including the introduction of new VPN servers, the subscription to Webex meeting to manage meetings with a large audience, as well as the tools necessary for the digital signature of documents for the management team.

Finally, the activities of the Cyber Security Program, launched in 2018 and aimed at the general strengthening of the Group's cyber security system, continue in line with the defined schedule.

FINANCIAL RISKS

Risks associated with fluctuations in raw material prices

The creation of the Group's product portfolio for the automotive sector is connected to the procurement of raw materials such as steel, plastic materials and aluminium, as well as components and semi-finished products containing them.

The price of these raw materials accounts for a significant part of production cost, and is subject to – sometimes significant – fluctuations, which depend on a wide variety of factors, largely beyond Sogefi's control and hardly predictable, such as, for example, changes in demand levels, the introduction of new laws or regulations, changing exchange rates and price levels.

When the price of raw materials unexpectedly increases, the procurement activities of Group companies typically become more expensive and complex, with negative effects on the Group's economic and financial position and equity.

With the pandemic crisis and the strong stress on the demand for raw materials due to the inevitable production inefficiencies caused by the suspension and resumption of production and low volumes, the Group recorded a lower impact of the cost of raw materials on revenues in 2020 (from 53.3% at 31 December 2019 to 52.2% at 31 December 2020). This effect was obtained in part thanks to market phenomena connected with the overall drop in prices following the cancellation of orders by the main manufacturers and in part thanks to the actions implemented since last year to optimise the purchase prices of steels for the production of suspensions.

In particular, Sogefi seeks to periodically review the contractual conditions agreed upon with its customers, in order to find solutions for indexing sales prices to fluctuations in the prices of raw materials, so as to transfer any cost variations to the final price.

Foreign exchange risk

The Sogefi Group, operating internationally through numerous foreign subsidiaries in various markets where the reference currency is different from that of the individual subsidiaries or from the Group's presentation currency (EUR), is exposed to the risk of potential significant fluctuations in exchange rates.
The risks associated with changes in exchange rates (in particular of the EUR to the USD and to emerging market currencies) include:

- The translation exchange risk arising from the fact that Sogefi prepares its financial statements in Euro, yet holds controlling interests in companies that prepare their financial statements in currencies other than the Euro – as a result, any fluctuations in the exchange rates at which the financial statements of subsidiaries originally expressed in foreign currencies are converted could significantly affect both the Group's economic result and its consolidated shareholders' equity;
- The transaction exchange risk arising from the fact that the Group carries out frequent direct/indirect purchase and sale transactions in currencies other than the functional currency, could affect – in the event of any exchange rate fluctuations – the actual cash outflows/earnings of the Company, limited to the portion that is not offset between purchases and sales.

To mitigate the risk, Sogefi monitors its exposure continuously, trying to offset same-currency sales and purchases and, for the remainder, it uses financial instruments available on the market to hedge its exposure whenever possible.

LEGAL AND COMPLIANCE RISKS

Risks related to the violation of ethical principles[14]

Sogefi recognises the importance of ethical and social responsibility in conducting its business and is committed to respecting the legitimate interests of its stakeholders and the community in which it operates. In particular, the Group has always been determined to achieve excellence and innovation by adopting an approach that places the protection of people's rights at the heart of its strategies, daily operations and procurement policies.

With this in mind, Sogefi has adopted a series of policies and procedures applicable to all Group's subsidiaries to define and transmit in a clear and transparent manner the values that must inspire the organisation in carrying out its activities and achieving its objectives. The cornerstone of this structure of policies and procedures is the Code of Ethics, compliance with which is essential for the correct functioning of the entire value chain, as well as for the Group's reliability, reputation and image.

[14] This risk is also relevant for sustainability purposes.

Operating in more than 20 countries, with over 6,000 employees, and having a very large number of suppliers (over 1,500), there are, however, potential risks associated with the violation of the defined ethical principles, with reference to relations with employees and within the context of commercial transactions.

Moreover, monitoring compliance with the principles and standards within the organisation and along the supply chain - which is complex by nature - becomes even more critical during extraordinary events such as a pandemic. In particular, the uncertainty and economic difficulties generated by the health emergency could lead to a reduction by all operators in their efforts to promote and ensure respect for human rights and environmental protection along their supply chain.

With the aim of promoting the dissemination of the aforementioned policies and procedures, a comprehensive training plan will be launched in 2021 by the central Human Resources department, with the support of the Sustainability Manager, aimed at strengthening the organisation's awareness of key ethical and integrity values.

Lastly, since 2019 the Internal Audit department has been carrying out regular audits at the subsidiaries subject to the verifications envisaged in the Annual Audit Plan, aimed at assessing the effective implementation of Group policies and procedures and of the high-level controls adopted. The activity is carried out through the use of an Entity-level Checklist, prepared in agreement with the Sustainability Manager and based on a method that provides for the assignment of a qualitative score (i.e., Low, Medium, High) to each non-financial aspect audited, taking into account the adequacy of existing local practices and their compliance with Group standards. On the basis of the individual scores, the subsidiary is then assigned an overall rating that confirms the general level of adequacy and effectiveness of the internal control system and any margins for improvement. This method allows the prioritisation of any deficiencies identified and the implementation of the action plans necessary to mitigate any non-compliance.

Finally, it should be noted that in 2020, there were no confirmed incidents of corruption or corruption-related public lawsuits brought against the organisation or its employees. Finally, no further investigations by the authorities that resulted in significant exposures for the Group were carried out during the year under review.

OTHER INFORMATION

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”, as well as in the explanatory and supplementary notes to the statutory financial statements.
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 Resolution no. 17221 of 12 March 2010 as subsequently amended, 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 Procedure on 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.. In this regard, it is worth mentioning that the merger by incorporation of CIR S.p.A. into COFIDE S.p.A. (which was renamed "CIR S.p.A. - Compagnie Industriali Riunite” on the occasion of the merger) became effective on 19 February 2020 and the statement of the entity that exerts direction and coordination pursuant to art. 2497-bis of the Italian Civil Code was amended accordingly.

CORPORATE GOVERNANCE

Note that the “Annual Report on Corporate Governance” for 2020 was approved at the meeting of the Board of Directors that was called to approve the draft financial statements for the year ended 31 December 2020 and is made available to Shareholders as provided for by the law. The Report will also be available on the Company's website at www.sogefigroup.com, in the “Investor – Corporate Governance” section.

The Report also contains the information prescribed by Art. 123-bis of Italian Financial Consolidated Law, including information on ownership structures and compliance with the codes of conduct that the Company has adopted. Generally speaking, the Company's Corporate Governance is in line with the recommendations and rules contained in the Code of Conduct.
As regards Italian Legislative Decree no. 231/2001, which brings domestic regulations on administrative liability of legal entities into line with the international conventions

signed by Italy, in February 2003 the Board of Directors adopted a Code of Ethics for the Sogefi Group (as subsequently amended and integrated). The Code clearly defines the values that the Group believes in as the basis on which to achieve its objectives. It lays down rules of conduct which are binding on directors, employees and others who have ongoing relations with the Group.
On 26 February 2004 the Company also adopted an "Organization, Management and Control Model as per Italian Legislative Decree no. 231 of 8 June 2001" following the guidelines of the decree, with a view to ensuring conditions of fairness and transparency in the carrying on of the company's affairs and business activities. Said Organization, Management and Control Model was last updated on 23 October 2020.
A Supervisory Body was also set up with the task of monitoring the functioning, effectiveness and observance of the Model, as laid down in the decree.

CONSOLIDATED STATEMENT FOR THE DISCLOSURE OF NON-FINANCIAL INFORMATION (UNDER ITALIAN LEGISLATIVE DECREE NO. 254/2016)

Legislative Decree no. 254/2016 (which implemented Directive 2014/95/EU) introduced the obligation for large listed companies to add to the annual report on operations a Statement for the disclosure of non-financial information containing information about environmental, social, and employment matters, as well as details related to human rights, anti-corruption, and bribery issues, consistently with the principle of materiality, i.e. providing relevant information in relation to its business profile, strategies, stakeholder expectations, the context in which it operates, etc.
The Statement also describes the company's model for managing and organising activities in non-financial areas, as well as the policies applied, the main risks and the results achieved in the various areas using non-financial performance indicators.

The aforementioned decree provided that the Statement can be presented in a separate Report from the Report on operations. Moreover, Sogefi is included in the Consolidated statement for the disclosure of non-financial information of CIR S.p.A., the Group's financial holding company that manages and coordinates the Issuer. However, it chose not to make use of the exemption provided for in art. 6, par. 2, letter a) of Legislative Decree No. 254/2016 and prepared its own Consolidated statement for the disclosure of non-financial information in compliance with the Decree, so as to guarantee the utmost transparency for the market and its stakeholders.

Accordingly, the Sogefi Group document "Consolidated statement for the disclosure of non-financial information" has been prepared in accordance with articles 3 and 4 of Legislative Decree 254/2016, in accordance with the Global Reporting Initiative Sustainability Reporting Standards defined by GRI - Global Reporting Initiative. In addition, the European Commission's guidelines on the disclosure of non-financial information and Consob "Warning notice: COVID 19 - Measures to support the economy" were considered. In particular, compared to the latter, the following have been reported: the impacts of the COVID-19 pandemic on non-financial issues, on the existing interconnections between financial and non-financial information, on the business model and on the related mitigation actions in the chapters "Group Profile" and "Sustainability Risks"; the initiatives carried out during the year by the Group in support of employees and local communities to fight covid in the chapter "People and

Communities"; risks related to climate change in the chapter "Group Profile" and "Sustainability Risks".
The Company had been publishing the annual Sustainability Report since 2015, reporting on the Group's performance for sustainability matters and providing stakeholders with complete and transparent information on the Group's strategy and progress in integrating sustainability into corporate processes.
The "Consolidated statement for the disclosure of non-financial information" for the fiscal year 2020 was approved at the meeting of the Board of Directors that was called to approve the draft financial statements for the year ended 31 December 2020 and is made available to Shareholders as provided for by the law. The Statement will also be available on the Company's website www.sogefigroup.com in the “Group – Sustainability” section.

TREASURY SHARES

As at 31 December 2020, the Parent Company has 2,122,229 treasury shares in its portfolio (having a nominal value of Euro 0.52), corresponding to 1.77% of share capital. In 2020, treasury shares decreased after they were assigned to beneficiaries of stock-based compensation plans.

DECLARATIONS PURSUANT TO ARTICLES 15 AND 16 OF MARKET REGULATION (ADOPTED WITH CONSOB REGULATION NO. 20249 OF 28 DECEMBER 2017)

In accordance with the obligations set forth in article 2.6.2. of the Regulations of Borsa Italiana (Italian Stock Exchange), and with reference to the requirements referred to in articles 15 and 16 of Consob Resolution no. 20249 of 28 December 2017, it is hereby stated that there are no circumstances such as to prevent the listing of Sogefi stock on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. insofar as: Sogefi S.p.A. (the “Company”) has obtained the articles of association and the composition and powers of the related control bodies from foreign subsidiaries based in countries that are not part of the European Union and are of material significance to the Company; the same foreign subsidiaries provide the Company’s auditor with information necessary to perform annual and interim audits of Sogefi and use an administrative/accounting system appropriate for regular reporting to the Management and to the auditors of the Company of the income statement, balance and financial data necessary for the preparation of the consolidated financial statements.
Sogefi S.p.A. will also publish the financial statements of foreign subsidiaries (based in non-European countries and with material significance to the Company), prepared for the purpose of the consolidated financial statements as at 31 December 2020, in accordance with the procedures indicated in the Consob regulation.

In consideration of the fact that Sogefi is subject to policy guidance and coordination by its parent company CIR – Compagnie Industriali Riunite S.p.A., it is also hereby stated that there are no circumstances such as to prevent the listing of Sogefi stock on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. insofar as the Company has fulfilled its publication obligations pursuant to article 2497-bis of Italian Civil Code; in this regard, it is worth mentioning that the merger by incorporation of CIR S.p.A. into COFIDE S.p.A. (which was renamed "CIR S.p.A. -

Compagnie Industriali Riunite" on the occasion of the merger) became effective on 19 February 2020 and the statement of the entity that exerts direction and coordination pursuant to art. 2497-bis of the Italian Civil Code was amended accordingly.
Sogefi has independent decision-making powers in relations with customers and suppliers; does not hold a cash pooling system with CIR. The Company has a cash pooling system with subsidiaries that satisfies the interest of the company. This situation enables the Group's finances to be centralised, thus reducing the need to utilise funding from banks, and therefore minimising financial expense.
On 18 April 2000, the Company set up a Control and Risks Committee and an Appointments and Remuneration Committee that at present are fully made up by independent administrators.
Lastly, it is hereby stated that as at 31 December 2020, the Company's Board of Directors comprised 8 members, 5 of which meet the independence criteria, and therefore a sufficient number to guarantee that their contribution has an adequate weight when taking board decisions.

EXEMPTION FROM THE OBLIGATION TO PUBLISH INFORMATION DOCUMENTS UNDER ARTICLE 70, PARAGRAPH 8 AND ARTICLE 71, PARAGRAPH 1-BIS OF THE RULES FOR ISSUERS

In relation to art. 70, paragraph 8 and art. 71, paragraph 1-bis of Consob Regulation no. 11971/99, the Board of Directors resolved to make 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.

OTHER

SOGEFI S.p.A. has its registered office at Via Ciovassino 1/A, Milan (Italy) and its offices at Parc Ariane IV- 7, Avenue du 8 May 1945, Guyancourt (France).

The Sogefi stock has been listed on the Milan Stock Exchange since 1986 and has been traded on the STAR segment since January 2004.

This report, which relates to the period 1 January to 31 December 2020, was approved by the Board of Directors on 26 February 2021.

MAJOR EVENTS OCCURRED AFTER YEAR-END

No significant events occurred after 31 December 2020 that could have had an impact on the income statement, balance sheet and financial data presented.

PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

The statutory financial statements as at 31 December 2020 that we submit for your approval show a net loss of Euro 6,237,929.65, which we propose to cover entirely using "Retained earnings".

Milan, 26 February 2021

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 AND THE PARENT COMPANY'S STATUTORY 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 “Manufacturing and R&D overheads”, “Distribution and sales fixed expenses” and “Administrative and general expenses”;

(b) the heading agrees with the sum of the line items “Losses (gains) on disposal”, “Exchange (gains) losses” and “Other non-operating expenses (income)” with the exception of the amount relating to the write-downs of tangible and intangible fixed assets;

(c) the heading agrees with the sum of the line items "EBIT", “Depreciation and Amortization” and the write-downs of tangible and intangible fixed assets included in the item “Other non-operating expenses (income)”;

(d) the heading agrees with the sum of the line items "Depreciation and amortization” and the write-downs of tangible and intangible fixed assets included in the item “Other non-operating expenses (income)”;

(e) the heading agrees with the sum of the line items “Net result”, “Non-controlling interests”, “Depreciation, amortization and writedowns”, “Accrued costs for stock-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";

(f) the heading is included in line item “Other medium/long-term assets/liabilities” in the Consolidated Cash Flow Statement;

(g) the heading agrees with the sum of the line items “Losses/(gains) on disposal of fixed assets and non-current assets held for sale”, “Cash receipts from the sale of property, plant and equipment and disposal of non-current assets held for sale” and “Cash receipts from the sale of intangible assets” in the Consolidated Cash Flow Statement;

(h) 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;

(i) 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;

(l) 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;

(m) the heading agrees with the sum of the line items “Trade and other payables”, “Current tax liabilities”, “Other current liabilities” and "Liabilities directly related to assets held for sale" in the Consolidated Statement Of Financial Position;

(n) the heading agrees with the line item "Other financial assets" in the Consolidated Statement Of Financial Position;

(o) 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;

(p) 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;

(q) the heading agrees with the sum of the line items “Cash and cash equivalents”, “Other financial assets - current”, “Financial receivables – non-current”, “Bank overdrafts and short-term loans”, “Current portion of medium/long-term financial debts and other loans”, “Current financial payables for rights of use”, “Other short-term liabilities for derivative financial instruments”, “Non-current bank liabilities”, “Non-current portion of medium/long-term financial debts and other loans”, “Medium/long-term financial payables for rights of use” and “Other medium/long-term liabilities for derivative financial instruments” in the Consolidated Statement Of Financial Position;

Notes relating to the Parent Company's Statutory Financial Statements

(r) the heading agrees with the sum of the line items “Trade receivables”, “Other receivables”, “Tax receivables” and “Other assets” in the Statement of Financial Position of the Parent Company;

(s) the heading agrees with the sum of the line items “Trade and other payables” (“Debiti commerciali e altri debiti”), “Tax payables” (“Debiti per imposte”) and “Other current liabilities” (“Altre passività correnti”) in the Parent Company's statutory Statement Of Financial Position;

(t) the heading agrees with the sum of the line items “Equity investments in subsidiaries” (“Partecipazioni in società controllate”), “Equity investments in associates” (“Partecipazioni in società collegate”) and “Other financial assets available for sale” (“Altre attività finanziarie disponibili per la vendita”) in the Parent Company's statutory Statement Of Financial Position;

(u) the heading agrees with the sum of the line items “Total fixed assets” (“Totale immobilizzazioni”), “Other receivables” (“Altri crediti”) and “Deferred tax assets” (“Imposte anticipate”) in the Parent Company's statutory Statement Of Financial Position;

(v) the heading agrees with the line item "Total other long-term liabilities" (“Totale altre passività a lungo termine”) in the Parent Company's statutory Statement Of Financial Position;

(w) the heading is included in line items “Net profit” (“Utile netto d’esercizio”), “Income taxes” (“Imposte sul reddito”), “Dividends” (“Dividendi”), “Net financial expenses” (“Oneri finanziari netti”), “Waiver of receivables from subsidiaries” (“Rinuncia crediti commerciali verso società controllate”), “Writedown of equity investments in subsidiaries” (“Svalutazione partecipazioni in società controllate”), “Difference from passive investments conferred” (“Differenza passiva da conferimento partecipazioni”), “Depreciation and amortization” (“Ammortamenti immobilizzazioni materiali e immateriali”), “Change in fair value of investment properties” (“Variazione fair value investimenti immobiliari”), “Accrual to Income Statement for fair value of cash flow hedging instruments” (“Stanziamento a Conto Economico fair value derivati cash flow hedge”), “Accrued costs for stock-based incentive plans” (“Accantonamenti costi per piani di incentivazione basati su azioni”), “Exchange differences on private placement” (“Differenze cambio su private placement”), “Exchange differences on cross-currency swaps” (“Differenze cambio su Cross currency swap”), “Net change in provision for employment termination indemnities” (“Variazione netta fondo trattamento di fine rapporto”), “Current income taxes collected/(paid)” (“Imposte correnti sul reddito incassate/(pagate)), “Dividends collected” (“Dividendi incassati”) and “Net financial expenses paid” (“Oneri finanziari netti pagati”) of the Parent Company's statutory Cash Flow Statement;

(x) the heading is included in line items “Change in net working capital” (“Variazione del capitale circolante netto”), “Change in tax receivables/payables” (“Variazione dei crediti/debiti per imposte”), "Current income taxes collected/(paid)" ("Imposte correnti sul reddito incassate/(pagate)") and “Income Taxes” (“Imposte sul Reddito”) of the Parent Company's statutory Cash Flow Statement;

(y) the heading is included in the line item “Other medium/long-term assets/liabilities” (“Altre attività/passività a medio lungo termine”) and “Net Financial Expenses” (“Oneri finanziari”) in the Parent Company's Statutory Cash Flow Statement;

(z) the heading agrees with the line “Capital distributions from direct subsidiaries” (“Rimborsi di capitale da società controllate dirette”) of the Parent Company's statutory Cash Flow Statement;

(aa) these headings differ from those posted in the Cash Flow Statement of the Parent Company in that they refer to the total net financial position and not just cash and cash equivalents.

DEFINITION OF PERFORMANCE INDICATORS AND NET FINANCIAL DEBT

In accordance with recommendation CESR/05-178b published on 3 November 2005, 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

Normalised EBITDA (used to calculate covenants): it is calculated by summing "EBITDA" and the following expenses and revenues arising from non-ordinary operations: "Restructuring costs" and "Losses (gains) on disposal".

"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.

"Net financial indebtedness" is calculated by adding up the following items from the Statement Of Financial Position: "Cash and cash equivalents", "Other financial assets - current", "Financial receivables – non-current", "Bank overdrafts and short-term loans", "Current portion of medium/long-term financial debts and other loans", "Current financial payables for rights of use", "Other short-term liabilities for derivative financial instruments", "Non-current bank liabilities", "Non-current portion of medium/long-term financial debts and other loans", "Medium/long-term financial payables for rights of use", "Other medium/long-term liabilities for derivative financial instruments".

Please note that as at 31 December 2020 there were non-recurring expenses as defined in Consob Communication DEM/6064293 of 28 July 2006, as follows:

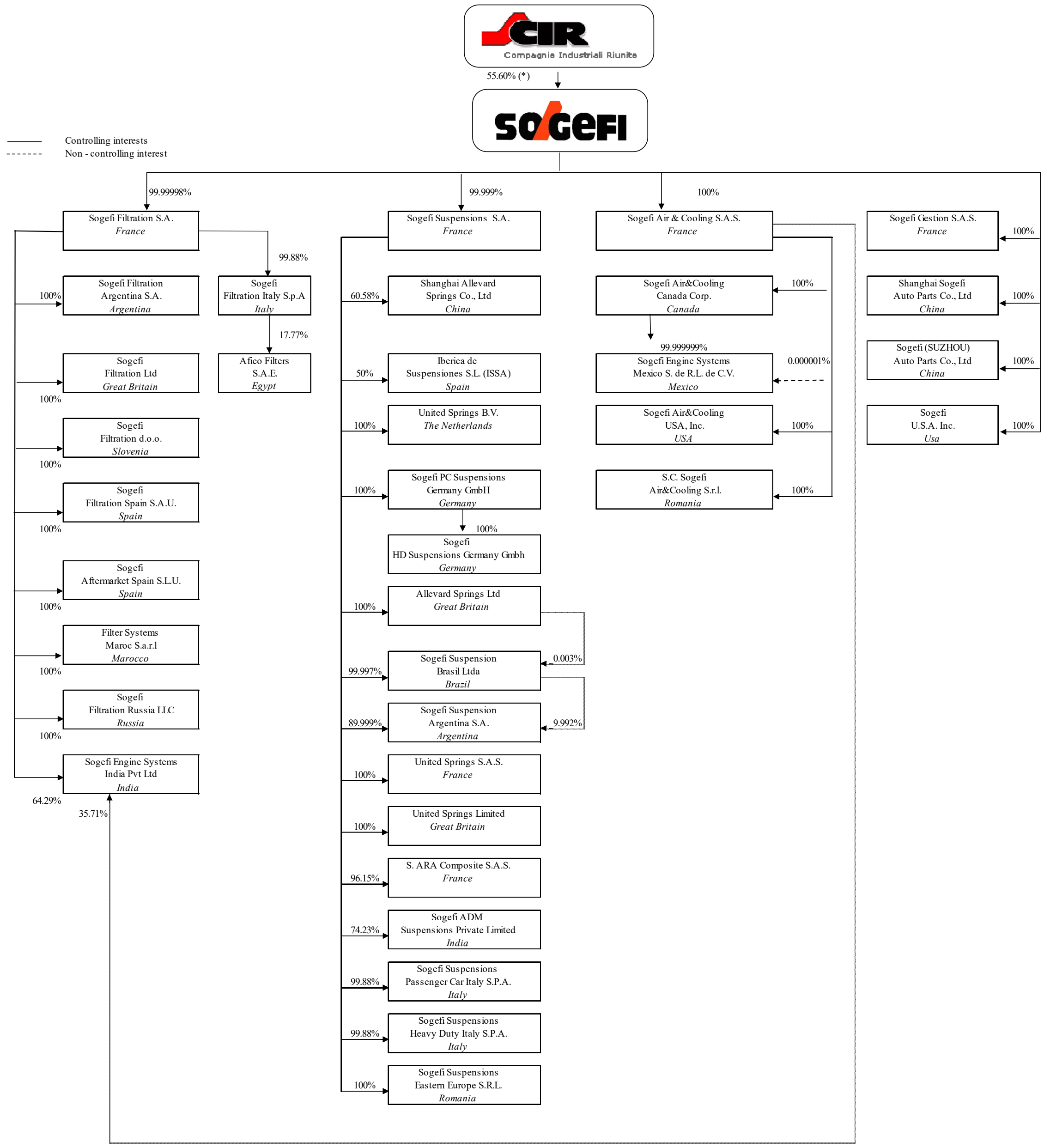
Total Year

(in thousands of Euro)	2020	2019
Restructuring costs	30,389	9,234
- of which non recurring	*19,287*	-
Other non-operating expenses (income)	8,372	9,997
- of which non recurring depreciation	*758*	*4,318*
Total non recurring costs	**20,045**	**4,318**
Tax Effects	3,838	-
Total net non recurring costs	**16,207**	**4,318**

Q4

(in thousands of Euro)	2020	2019
Restructuring costs	17,000	4,000
- of which non recurring	*13,873*	-
Other non-operating expenses (income)	5,142	8,350
- of which non recurring depreciation	*758*	*4,318*
Total non recurring costs	**14,631**	**4,318**
Tax Effects	2,739	-
Total net non recurring costs	**11,892**	**4,318**

SOGEFI GROUP STRUCTURE: CONSOLIDATED COMPANIES



(*) 56.60% of shares outstanding (excluding treasury shares)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)

ASSETS	*Note*	12.31.2020	12.31.2019 (*)
CURRENT ASSETS			
Cash and cash equivalents	*5*	209,673	165,173
Other financial assets	*6*	3,974	3,306
Inventories	*7*	97,731	115,464
Trade receivables	*8*	135,550	149,467
Other receivables	*8*	8,778	9,814
Tax receivables	*8*	23,222	28,600
Other assets	*8*	2,254	2,113
ASSETS HELD FOR SALE	*14*	6,548	-
CURRENT ASSETS		487,730	473,937
NON-CURRENT ASSETS			
Land	*9*	12,400	13,005
Property, plant and equipment	*9*	361,104	382,107
Other tangible fixed assets	*9*	4,533	4,646
Right of use	*9*	66,389	61,260
Intangible assets	*10*	255,384	272,563
Other financial assets available for sale	*11*	46	46
Financial receivables	*12*	2,248	6,803
Other receivables	*12*	33,911	33,532
Deferred tax assets	*13-19*	41,034	36,988
TOTAL NON-CURRENT ASSETS		777,049	810,950
TOTAL ASSETS		1,264,779	1,284,887

(*) The comparative information has been amended following a change in the classification of liabilities from "Trade receivables" to "Trade and other payables". For further details, please refer to notes 8 and 16, respectively.

Explanatory and supplementary notes from page 49 to page 154 are an integral part of this consolidated financial statement.

LIABILITIES	*Note*	12.31.2020	12.31.2019 (*)
CURRENT LIABILITIES			
Bank overdrafts and short-term loans	*15*	3,230	1,942
Current portion of medium/long-term financial debts and other loans	*15*	148,804	78,760
Short-term financial debts for right of use	*15*	17,971	15,044
Other short-term liabilities for derivative financial instruments	*15*	20	21
Trade and other payables	*16*	309,518	361,391
Tax payables	*16*	4,327	9,213
Other current liabilities	*17*	35,156	38,987
LIABILITIES RELATED TO ASSETS HELD FOR SALE	*14*	5,252	-
TOTAL CURRENT LIABILITIES		524,278	505,358
NON-CURRENT LIABILITIES			
Financial debts to bank	*15*	255,407	131,932
Other medium/long-term financial debts	*15*	95,311	213,638
Medium/long-term financial debts for right of use	*15*	52,238	52,806
Other medium/long-term financial liabilities for derivative financial instruments	*15*	1,003	-
Non-current provisions	*18*	98,292	76,298
Other liabilities	*18*	58,660	59,503
Deferred tax liabilities	*19*	30,216	37,602
TOTAL NON-CURRENT LIABILITIES		591,127	571,779
SHAREHOLDERS' EQUITY			
Share capital	*20*	62,461	62,461
Reserves and retained earnings (accumulated losses)	*20*	105,631	123,070
Group net result for the year	*20*	(35,131)	3,202
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY		132,961	188,733
Non-controlling interests	*20*	16,413	19,017
TOTAL SHAREHOLDERS' EQUITY		149,374	207,750
TOTAL LIABILITIES AND EQUITY		1,264,779	1,284,887

(*) The comparative information has been amended following a change in the classification of liabilities from “Trade receivables” to “Trade and other payables”. For further details, please refer to notes 8 and 16, respectively.

Explanatory and supplementary notes from page 49 to page 154 are an integral part of this consolidated financial statement.

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)

	Note	2020		2019 (*)	
		Amount	*%*	*Amount*	*%*
Sales revenues	*22*	1,203,201	100.0	1,463,846	100.0
Variable cost of sales	*23*	832,462	69.2	1,021,420	69.8
CONTRIBUTION MARGIN		370,739	30.8	442,426	30.2
Manufacturing and R&D overheads	*24*	107,216	8.9	136,462	9.3
Depreciation and amortization	*25*	116,726	9.7	119,754	8.2
Distribution and sales fixed expenses	*26*	28,974	2.4	37,758	2.6
Administrative and general expenses	*27*	67,434	5.6	77,339	5.3
Restructuring costs	*29*	30,389	2.5	9,234	0.6
Losses (gains) on disposal	*30*	107	-	138	-
Exchange losses (gains)	*31*	4,309	0.4	3,304	0.2
Other non-operating expenses (income)	*32*	8,372	0.7	9,997	0.7
EBIT		7,212	0.6	48,440	3.3
Financial expenses (income), net	*33*	22,817	1.9	20,853	1.4
Losses (gains) from equity investments	*34*	-	-	-	-
RESULT BEFORE TAXES		(15,605)	(1.3)	27,587	1.9
Income taxes	*35*	3,558	0.3	13,482	0.9
NET INCOME (LOSS) OF OPERATING ACTIVITIES		(19,163)	(1.6)	14,105	1.0
Net income (loss) from discontinued operations	*36*	(15,479)	(1.3)	(7,903)	(0.6)
NET RESULT INCLUDING THIRD PARTY		(34,642)	(2.9)	6,202	0.4
Loss (income) attributable to non-controlling interests		(489)	-	(3,000)	(0.2)
GROUP NET RESULT		(35,131)	(2.9)	3,202	0.2
Earnings per share (EPS) (Euro):	*38*				
Basic		(0.298)		0.027	
Diluted		(0.298)		0.027	

(*) The values for the 2019 financial year, relating to "Assets held for sale", have been reclassified following the application of IFRS 5 "Non-current assets held for sale and discontinued operations" to the line "Profit (loss) from discontinued operations, net of tax effects".

Explanatory and supplementary notes from page 49 to page 154 are an integral part of this consolidated financial statement.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)

	Note	*2020*	*2019*
Net result before non-controlling interests		(34,642)	6,202
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
- Actuarial gain (loss)	*20*	(14,009)	(5,063)
- Tax on items that will not be reclassified to profit or loss	*20*	1,030	1,054
Total items that will not be reclassified to profit or loss		*(12,979)*	*(4,009)*
Items that may be reclassified to profit or loss			
- Profit (loss) booked to cash flow hedging reserve	*20*	(272)	728
- Tax on items that may be reclassified to profit or loss	*20*	65	(175)
- Profit (loss) booked to translation reserve	*20*	(11,195)	(3,829)
Total items that may be reclassified to profit or loss		*(11,402)*	*(3,276)*
Other Comprehensive Income		*(24,381)*	*(7,285)*
Total comprehensive result for the period		(59,023)	(1,083)
Attributable to:			
- Shareholders of the Holding Company		(59,419)	(4,100)
- Non-controlling interests		396	3,017

Explanatory and supplementary notes from page 49 to page 154 are an integral part of this consolidated financial statement.

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Euro)	2020	2019
Cash flows from operating activities		
Net result	(35,131)	3,202
Adjustments:		
- non-controlling interests	489	3,000
- depreciation, amortization and writedowns	135,353	136,513
- expenses recognised for share-based incentive plans	339	178
- exchange rate differences on private placement	(3,707)	(660)
- provision in income statement of fair value derivates in cash flow hedge	3,707	660
- losses/(gains) on disposal of fixed assets and non-current assets held for sale	107	136
- provisions for risks, restructuring and deferred taxes	17,344	1,621
- post-retirement and other employee benefits	(3,855)	(3,327)
- Net financial expenses	22,817	23,770
- income tax	3,558	13,688
- change in net working capital	(32,998)	596
- other medium/long-term assets/liabilities	7,395	(1,791)
CASH FLOWS FROM OPERATING ACTIVITIES	115,418	177,586
Interest paid	(16,346)	(16,735)
Income tax paid	(13,051)	(13,404)
NET CASH FLOWS FROM OPERATING ACTIVITIES	86,021	147,447
INVESTING ACTIVITIES		
Interest received	1,936	935
Net financial position of entities acquired / sold during the year	(39)	-
Purchase of property, plant and equipment	(84,961)	(95,544)
Purchase of intangible assets	(23,270)	(32,204)
Sale of property, plant and equipment and business held for sale	1,878	4,051
Sale of intangible assets	361	-
Dividends collected	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(104,095)	(122,762)
FINANCING ACTIVITIES		
Capital increase in subsidiaries from third parties	-	-
Net change in capital	-	-
Dividends paid to Holding Company shareholders and non-controlling interests	-	(5,012)
New (repayment of) bonds	(39,628)	62,026
New (repayment of) long-term loans	117,345	6,115
New (repayment of) finance leases	(1,419)	(1,614)
New (repayment of) finance leases IFRS16	(12,841)	(12,825)
NET CASH FLOWS FROM FINANCING ACTIVITIES	63,457	48,690
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	45,383	73,375
Balance at the beginning of the period	163,231	89,671
(Decrease) increase in cash and cash equivalents	45,383	73,375
Exchange differences	(2,171)	185
BALANCE AT THE END OF THE PERIOD (*)	206,443	163,231

(*) The heading agrees with the sum of the line items "Cash and cash equivalents" under current assets and "Bank overdrafts and other short-term loans" under current liabilities.

Explanatory and supplementary notes from page 49 to page 154 are an integral part of this consolidated financial statement.

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*	*Share-based incentive plans reserve*	*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*
Allocation of 2018 net profit:																
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,012)	(5,012)
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	14,005	(14,005)	-	-	-
Recognition of share-based incentive plans	-	-	-	-	-	178	-	-	-	-	-	-	-	178	-	178
Other changes	-	516	(516)	516	-	(789)	-	232	-	(67)	-	6,386	-	6,278	-	6,278
Comprehensive result for the period																
Fair value cash flow hedging instruments	-	-	-	-	-	-	-	728	-	-	-	-	-	728	-	728
Actuarial gain (loss)	-	-	-	-	-	-	-	-	(5,063)	-	-	-	-	(5,063)	-	(5,063)
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	879	-	-	-	879	-	879
Currency translation differences	-	-	-	-	-	-	(3,846)	-	-	-	-	-	-	(3,846)	17	(3,829)
Total comprehensive result for the period	-	-	-	-	-	-	-	-	-	-	-	-	3,202	3,202	3,000	6,202
Comprehensive result for the period	-	-	-	-	-	-	*(3,846)*	*728*	*(5,063)*	*879*	-	-	*3,202*	*(4,100)*	*3,017*	*(1,083)*
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*
Allocation of 2019 net profit:																
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,000)	(3,000)
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	3,202	(3,202)	-	-	-
Recognition of share-based incentive plans	-	-	-	-	-	339	-	-	-	-	-	-	-	339	-	339
Other changes	-	314	(314)	314	-	(1,020)	-	-	-	-	-	4,014	-	3,308	-	3,308
Comprehensive result for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value cash flow hedging instruments	-	-	-	-	-	-	-	(272)	-	-	-	-	-	(272)	-	(272)
Actuarial gain (loss)	-	-	-	-	-	-	-	-	(14,009)	-	-	-	-	(14,009)	-	(14,009)
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	1,095	-	-	-	1,095	-	1,095
Currency translation differences	-	-	-	-	-	-	(11,102)	-	-	-	-	-	-	(11,102)	(93)	(11,195)
Total comprehensive result for the period	-	-	-	-	-	-	-	-	-	-	-	-	(35,131)	(35,131)	489	(34,642)
Comprehensive result for the period	-	-	-	-	-	-	*(11,102)*	*(272)*	*(14,009)*	*1,095*	-	-	*(35,131)*	*(59,419)*	*396*	*(59,023)*
Balance at December 31, 2020	*62,461*	*19,042*	*4,847*	*(4,847)*	*12,640*	*1,097*	*(74,708)*	*(2,762)*	*(57,187)*	*15,746*	*12,201*	*179,562*	*(35,131)*	*132,961*	*16,413*	*149,374*

(*) The Group adopted the new IFRS 16 "Leases" using the modified retroactive method as of first-time adoption (1 January 2019). Therefore, the cumulative effect of the adoption of IFRS 16 was recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating comparative data.

Explanatory and supplementary notes from page 49 to page 154 are an integral part of this consolidated financial statement.

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CONTENTS

A) GENERAL ASPECTS

SOGEFI is an Italian Group that is market leader in the field of components for motor vehicles, specializing in engine and cabin filtration systems, air intake and engine cooling systems, and suspension components.
SOGEFI is present in 4 continents and 20 countries, with 53 locations, of which 40 are production sites. It is a multinational group and a *partner* of the world's largest motor vehicle manufacturers.

The Parent Company Sogefi S.p.A. has its registered offices at Via Ciovassino no. 1/A, Milan (Italy) and operational headquarters in Parc Ariane IV- 7, Avenue du 8 May 1945, Guyancourt (France).
The Sogefi stock has been listed on the Milan Stock Exchange, organised and managed by Borsa Italiana S.p.A. since 1986 and has been traded on the STAR segment since January 2004.
The Parent Company, Sogefi S.p.A., is subject to management and coordination of its parent company CIR – Compagnie Industriali Riunite S.p.A..

1. CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements at 31 December 2020 have been prepared in accordance with article 154-ter of Italian Legislative Decree no. 58/1998 and have been drawn up in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as with the measures issued in implementation of article 9 of Italian Legislative Decree no. 38/2005.
These financial statements have been prepared in accordance with Consob resolution no. 11971/1999 as subsequently amended, in particular by resolutions no. 14990 of 14 April 2005 and no. 15519 of 27 July 2006 and include the consolidated accounting schedules and explanatory and supplementary notes of the Group, prepared according to the IFRS international accounting standards issued by the IASB (International Accounting Standards Board) and endorsed by the European Union. IFRS means all the “International Financial Reporting Standards” (IFRS), all the “International Accounting Standards” (IAS) and all the interpretations of the “International Financial Reporting Interpretations Committee” (IFRS IC, formerly IFRIC), previously named the “Standing Interpretations Committee” (SIC).
It is specifically reported that the IFRS have been applied in a consistent manner to all the periods presented in this document, with the specifications indicated below for newly applied standards.

The financial statements have been prepared on the basis of the conventional historical cost principle, except for the measurement of certain financial assets and liabilities, including derivatives instruments, where the application of the *fair value* principle is mandatory.

The financial statements used for consolidation purposes are those prepared by the Boards of Directors for approval by the shareholders of the individual companies or, in particular cases, specific accounting situations prepared for the purposes of the consolidation. Said financial statements have been reclassified and adjusted to comply with International Financial Reporting Standards (IAS/IFRS), and Group accounting policies.

The Consolidated Financial Statements as at 31 December 2020 were approved by the Board of Directors of the Parent Company Sogefi S.p.A. on 26 February 2021.

Regulation (EU) 2021/337 of 16 February 2021, published in the Official Journal of the European Union on 26 February 2021, introduced the possibility for Member States to postpone the adoption of Delegated Regulation (EU) 2019/815 on the European single electronic format (ESEF Regulation) by one year, i.e. starting from the financial year beginning on 1 January 2021 or later, subject to a reasoned notification to the Commission by the relevant Member State.
In the Italian legal system, the Law converting Decree-Law no. 183 of 31 December 2020 (the so-called "*Decreto Milleproroghe*") is expected to be enacted, and its text has provided, in article 3, paragraph 11-sexies, that the provisions of the ESEF Regulation shall apply to financial reports relating to financial years starting from 1 January 2021, in order to take advantage of the aforementioned deferral.
On the basis of the above, the Board of Directors of Sogefi has decided to approve the draft Financial Statements in the traditional format and also in the ESEF version, indicating that it will be approved by the Shareholders' Meeting and published in the traditional format in consideration of the postponement of a year or in the new ESEF' format in the case of not postponement.

1.1 Format of the consolidated financial statements

As regards to the format of the consolidated financial statements, the Company has opted to present the following types of accounting statements:

Consolidated Statement of Financial Position
The Consolidated Statement of Financial Position is presented in two sections, showing assets on one side and liabilities and equity on the other.
Assets and liabilities are in turn shown in the consolidated financial statements on the basis of their classification as current or non-current.

An asset/liability is classified as current when it satisfies one of the following criteria:

- it is expected to be realised/settled or it is expected to be sold or consumed in the normal cycle of operations, or
- it is held primarily for the purpose of trading, or
- it is expected to be realised/settled within twelve months after the reporting period.

If none of the above conditions are met, the assets/liabilities are classified as non-current.

Finally, liabilities are classified as current when the entity does not have unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Consolidated Income Statement
Costs shown in the Consolidated Income Statement are aggregated by function, while also making a distinction between fixed and variable costs.

The Income Statement also provides the following intermediate aggregates 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;
- Profit (loss) from operations;
- Net result before non-controlling interests;
- Profit (loss) of the Group

Consolidated Statement of Other Comprehensive Income
The Consolidated Statement of Other Comprehensive Income includes all the changes occurring in Other comprehensive income of the year, generated by transactions other than those conducted with shareholders and in compliance with specific IAS/IFRS accounting principles. The Group has chosen to present these changes in a separate table to the Consolidated Income Statement.
The changes in Other comprehensive income are shown before the related tax effect with the aggregate amount of the income taxes on said variations being recognised in a single item. Those components that may or may not be reclassified to Consolidated Income Statement at a later time are listed separately in the table.

Consolidated Cash Flow Statement
A Consolidated Cash Flow Statement split by area of formation of the various types of cash flow as indicated in international accounting standards is included.
The Consolidated Cash Flow Statement has been prepared using the indirect method.
Please note that in this cash flow statement, the change in working capital may not coincide with the difference between the opening and closing statement of financial position figures because of exchange differences: in fact, cash flows generated are converted using the average exchange rate for the year, while the difference between the opening and closing consolidated statement of financial position figures in Euro may be influenced by changes in exchange rates at the beginning and end of the year, which have little to do with the generation or absorption of cash flow within working capital. The exchange differences generated by opening and closing statements of financial position are booked to "Exchange differences".

Consolidated Statement of Changes in Equity
A Consolidated Statement of Changes in Equity is included as required by international accounting standards, showing separately the net result for the period and any change that was not charged through the Income Statement, but directly to the consolidated Other comprehensive income on the basis of specific IAS/IFRS, as well as transactions with shareholders in their role as shareholders.

1.2 Content of the consolidated financial statements

The Consolidated Financial Statements as at 31 December 2020 include the Parent Company Sogefi S.p.A. and the directly or indirectly 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.
The consolidated financial statements (prepared on a line-by-line basis) include the financial statements of Sogefi S.p.A., the Parent Company, and of all the Italian and foreign companies under its direct or indirect control, which is normally identified as control over the majority of the voting rights.

During the year the following changes occurred in the scope of consolidation:

- liquidation of the subsidiary Sogefi Engine Systems Hong Kong Ltd. This change did not have a significant impact on the consolidated financial statements at 31 December 2020;
- liquidation of the subsidiary Systemes Moteurs China, S.à.r.l.. This change did not have a significant impact on the consolidated financial statements at 31 December 2020;
- transfer of the subsidiary Sogefi Filtration do Brasil Ltda in December 2020. It should be noted that the subsidiary has been consolidated until 30 November 2020, considering the differences between this date and the date on which control of the company was transferred to be immaterial. The effects resulting from this transfer are described in note 36 "Profit (loss) from discontinued operations, net of tax effects".

It should also be noted that during the year the subsidiary Sogefi Aftermarket Spain S.L.U. was established through a demerger transaction from the subsidiary Sogefi Filtration Spain S.A.U.. The subsidiary Sogefi Filtration Spain S.A.U. was sold in January 2021. As of 31 December 2020, the assets and liabilities of the subsidiary Sogefi Filtration Spain S.A.U. were classified as assets and liabilities available for sale and the related income statement items were classified in "Profit (loss) from discontinued operations, net of tax effects". For further details, please refer to note 36 "Profit (loss) from discontinued operations, net of tax effects".

1.3 Group composition

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

Business Unit	*Region*	*Wholly-owned subsidiaries*	
		December 31, 2020	December 31, 2019
Air&Cooling	Canada	1	1
	France	1	1
	Mexico (*)	1	1
	Romania	1	1
	China (*)	2	2
	Luxembourg	-	1
	USA	1	1
	Hong Kong	-	1
Filtration	Italy (**)	1	1
	France	1	1
	Great Britain	1	1
	Spain	2	1
	Slovenia	1	1
	USA (**)	1	1
	Brazil	-	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
Sofegi Gestion S.A.S.	France	1	1
TOTAL		31	33

(*) This subsidiary works also for Suspensions business unit.
(**) This subsidiary works also for Air&Cooling business unit.

Business Unit	*Region*	*Non-wholly-owned subsidiaries*	
		December 31, 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 main accounting principles and standards applied in preparation of the consolidated financial statements and of the Group aggregate financial disclosures are set forth below.

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.

After the first half of 2020 in which global car production suffered an unprecedented slump (-33.2%) due to the effects of the spread of the Covid-19 pandemic, in the second half of the year the market recovered strongly compared to the previous six months (+44%), with volumes essentially stable compared to the same period in 2019 thanks to the growth recorded in the last quarter of 2020 (+2.5%). Despite the recovery in the second half of the year, significant drops were recorded in the full year 2020: -16.2% for global car production compared to 2019, -23.3% in the EU, -20.1% in North America, -4.2 % in China and -30.7% in South America.

In the year 2020, the revenues of the Group dropped by 17.8% compared to 2019.

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 22.4%, net result was negative for Euro 35.1 million and pre-IFRS 16 net debt increased by 13.7% (from Euro 256.2 million at 31 December 2019 to Euro 291.3 million at 31 December 2020).

In light of the above, in July 2020, the Board of Directors approved a new plan up to 2024 that takes into account the impact of the current crisis in terms of profit and equity and what kind of expectations can be formulated as to market recovery in coming years. The plan was reviewed in February 2021 and, also in light of the 2020 results, substantially confirmed. The plan 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 particular, with reference to financial year 2021, despite uncertainties regarding the price trends of raw materials (especially steel) and their availability (semiconductors), as well as logistic difficulties and supply from Asian markets, the Company incorporated in its expectations the effects of the strong actions put in place in 2020 to

reduce the impact of fixed costs and to structurally improve profitability and expects to be able to achieve a positive result for the full year 2021.

In order to guarantee the Group the financial means to support the plan, including a liquidity reserve that will also allow it to deal with possible fluctuations in such an uncertain phase, in October 2020 new loan agreements were entered into for a total amount of Euro 134.5 million, including a Euro 80 million loan granted by leading Italian institutions and guaranteed by SACE, and new credit lines with French banks for an amount of Euro 54.5 million.

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 31 December 2020 and compliance was expected, based on projections, at the subsequent maturities,
- the new loan agreements entered into,

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

The risks and uncertainties relating to the business are described in the dedicated sections in the Report on Operations. A description of how the Group manages financial risks, including liquidity and capital risk, is provided in note 39 “Financial instruments and financial risk management”.

2.1 Consolidation principles

The financial statements as at 31 December 2020 of the companies included in the scope of consolidation, prepared in accordance with Group accounting policies with reference to IFRS, have been used for consolidation purposes.
The scope of consolidation includes subsidiaries, joint ventures and associates.

All the companies over which the Group has the direct or indirect power to determine the relevant activities (i.e., the financial and operating policies) – in other words, those companies that determine the highest exposure to variable returns – are considered subsidiaries. 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.
The assets, liabilities, costs and revenues of the individual consolidated companies are fully consolidated on a line-by-line basis, regardless of the percentage owned, while the carrying value of consolidated investments held by the Parent Company and other consolidated companies is eliminated against the related share of equity.
All intercompany balances and transactions, including unrealised profits deriving from transactions between consolidated companies, are eliminated. Unrealised losses are eliminated, except when a loss represents an impairment indicator to be recognised in the Income Statement.

The financial statements of the subsidiaries are drawn up using the currency of the primary economic environment in which they operate ("functional currency"). The consolidated financial statements are presented in Euro, the functional currency of the Parent Company and hence the currency of presentation of the consolidated financial statements of the Sogefi Group.
The procedures for translation of the financial statements expressed in foreign currency other than the Euro are the following:
- the items of the Consolidated Statement of Financial Position are translated into Euro at the year-end exchange rates;
- the Income Statement items are translated into Euro using the year's average exchange rates;
- differences arising from the translation of equity's opening balance with year-end exchange rates are recorded in the translation reserve account, together with any difference between the net result of income statement and statement of financial position;
- whenever a subsidiary with a different functional currency from Euro is disposed of, any exchange difference included in line item Other comprehensive income is reclassified to the Income Statement;
- dividends paid by companies that use functional currencies other than the Euro are converted at the average exchange rate of the previous year for the company that pays the dividend and at the current exchange rate for the company that receives the dividend; exchange differences between the two amounts are recorded to the translation reserve account.

The following exchange rates have been used for translation purposes:

	2020		2019	
	Average	*12.31*	*Average*	*12.31*
US dollar	1.1413	1.2271	1.1196	1.1234
Pound sterling	0.8892	0.8990	0.8773	0.8508
Brazilian real	5.8900	6.3735	4.4135	4.5157
Argentine peso	103.2494	103.2494	53.7924	67.2749
Chinese renminbi	7.8709	8.0225	7.7340	7.8205
Indian rupee	84.6024	89.6605	78.8644	80.1870
New romanian Leu	4.8379	4.8683	4.7456	4.7830
Canadian dollar	1.5294	1.5633	1.4858	1.4598
Mexican peso	24.5098	24.4160	21.5564	21.2202
Moroccan dirham	10.8249	10.9190	10.7666	10.7810
Hong Kong dollar	8.8519	9.5142	8.7727	8.7473

A joint venture is an entity for which strategic financial and operating decisions concerning the relevant activities of the company are made with the unanimous approval of the controlling parties.
An associate company is an entity in which the Group is able to exert a significant influence, but without being able to control its relevant activities.
Investments in joint ventures and associates are consolidated applying the equity method, which means that the results of operations of associates and any changes in line item Other comprehensive income of the joint ventures and associates are reflected in the consolidated Income Statement and in Consolidated Statement of Other

Comprehensive Income. If the carrying value exceeds the recoverable amount, the carrying value of the investment in the joint venture or in the associate company is adjusted by booking the related loss to the Income Statement.

Company AFICO FILTERS S.A.E. (Egypt) owned at 17.77% as at 31 December 2020 (unchanged compared to previous fiscal year) was not classified as associate due to the significant lack of Group's members in the management bodies of the company (which means the Group does not exert significant influence on the company).

2.2 Business combinations

Business combinations are recognised under the acquisition method. According to this method, the consideration transferred to a business combination is measured at fair value calculated as the aggregate of the acquisition-date fair value of the assets transferred and liabilities assumed by the Company and of the equity instruments issued in exchange for the control of the acquired entity.
On the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair value; the following items represent exception to the above and are valued according to their reference principle:

- deferred tax assets and liabilities;
- assets and liabilities relating to employee benefits;
- liabilities or equity instruments relating to share-based payments of the acquired entity or share-based payments relating to the Group, issued as a replacement of contracts of the acquired entity;
- assets held for sale and discontinued assets and liabilities.

Goodwill is measured as the surplus between the sum of the consideration transferred to the business combination, the value of non-controlling interests and the fair value of previously-held equity interest in the acquiree with respect to the fair value of the net assets transferred and liabilities assumed as at the acquisition-date. If the fair value of the net assets transferred and liabilities assumed as at the acquisition-date exceeds the sum of the consideration transferred, the value of non-controlling interests and the fair value of the previously-held equity interest in the acquiree, said surplus is immediately booked to the Income Statement as gain resulting from said transaction.
The share of non-controlling interests as at the acquisition-date may be measured at fair value or as a proportion of the fair value of net assets in the acquiree. The measurement method adopted is decided on a transaction-by-transaction basis.

2.3 Accounting policies

The following accounting policies have been applied in the consolidated financial statements as at 31 December 2020.

Cash and cash equivalents

Cash and cash equivalents are those held to meet short-term cash needs, rather than for investment or other purposes. For an investment to be considered as cash or cash equivalent, it must be able to be readily converted into a known amount of cash and must be subject to an insignificant risk of change in value.

Inventories

Inventories are stated at the lower of purchase or manufacturing cost, determined on a weighted average cost basis, and realisable value based on market trends, net of variable selling costs.
Manufacturing cost includes raw materials and all direct or indirect production-related expenses. Financial expenses are excluded. Obsolete and slow-moving inventories are written down according to their realisable value.

Receivables included in current assets

Receivables are initially recognised at fair value of the consideration to be received, which usually corresponds to the nominal value shown on the invoice, adjusted (if necessary) to their estimated realisable value by making provision for doubtful accounts. Subsequently, receivables are measured at amortised cost, which generally corresponds to their nominal value.
Receivables assigned through without-recourse factoring transactions after which the related risks and benefits are definitively transferred to the assignee are derecognised from the statement of financial position at the time of transfer. Receivables assigned through recourse factoring transactions are not derecognised.

Land, property, plant and equipment, other tangible fixed assets and right of use

They mainly relate to industrial sites. Assets are shown at historical cost, net of accumulated depreciation and accumulated impairment losses.
Cost includes related charges, together with the portion of direct and indirect expenses reasonably attributable to individual assets.

They are depreciated each month on a straight-line basis using rates that reflect the technical and economic remaining lives of the related assets.

The depreciable value is the cost of an asset less its residual value, where the residual value of an asset is the estimated value that the entity could receive currently from its disposal, if the asset was already in the condition expected at the end of its useful life net of estimated disposal costs.

Depreciation is calculated from the month that the asset becomes available for use, or when it is potentially able to provide the economic benefits expected of it.

The annual average depreciation/amortisation rates applied are as follows:

	%
Land	n.a.
Industrial buildings and light constructions	2.5-12.5
Plant and machinery	7-14
Industrial and commercial equipment	10-25
Other assets	10-33.3
Tooling	25
Assets under construction	n.a.

Land, assets under construction and payments on account are not depreciated.

Ordinary maintenance costs are charged to the Income Statement.
Maintenance costs that increase the value, functions or useful life of fixed assets are recorded directly as the increase in the value of the assets to which they refer and depreciated over their residual useful lives.
Gains or losses on the disposal of assets are calculated as the difference between the sales proceeds and the net book value of the asset and are charged to the Income Statement for the period.

Grants are shown in the Statement of Financial Position as an adjustment of the book value of the asset concerned. Grants are then recognised as income over the useful life of the asset by effectively reducing the depreciation charge each year.

Rights of use

The standard IFRS 16 provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to differentiate between lease and service agreements according to: asset identification, right to replacement of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.
The standard introduces a single lessee accounting model for recognising and evaluating lease agreements, which provides for the underlying asset to be recognised in assets and counterbalanced by a financial liability. Lessees may elect to not recognise agreements for low-value assets or with a term of up to 12 months as leases.
The Group recognises right of use assets that do not meet the definition of investment property under item "rights of use" and lease liabilities are booked to item "financial payables for rights of use" in the statement of financial position.
On the effective date of the lease agreement, the Group recognises the right of use asset and the lease liability. The right of use asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses and adjusted to reflect the revaluation of the lease liability.
The Group measures the lease liability at the present value of payments due for lease agreements not paid on the effective date, discounted at the marginal borrowing rate.
The lease liability is subsequently adjusted by adding accrued interest and subtracting

the lease payments made and is revalued in the event of changes in future lease payments due to a changing index or rate, in the event the amount that the Group expects to pay as a guarantee on the residual value changes, or when the Group changes its valuation for the reporting period or in the event of a call, extension or termination option.

Intangible assets

An intangible asset is only recognised if it is identifiable and verifiable, it is probable that it will generate economic benefits in the future and its cost can be measured reliably.
Intangible assets with a finite life are valued at purchase or production cost, net of amortization and accumulated impairment losses.

The annual average depreciation/amortisation rates applied are as follows:

	%
Development costs	20-33.3
Industrial patents and intellectual property rights, concessions, licences, trademarks	10-33.3
Customer relation	5
Trade name	5
Software	20-50
Other	20-33.3
Goodwill	n.a.
Assets under construction	n.a.

Amortization is based on the asset's estimated useful life and begins when it is available for use.

Research and development expenses
Research expenses are charged to the income statement as incurred in accordance with IAS 38.
Development expenses relating to specific projects are capitalised when their future benefit is considered reasonably certain by virtue of a customer's commitment; they are then amortised over the entire period of future profits expected to be earned by the project in question.
Costs incurred in developing the range of after-market products are capitalised from the time a certain product is recognised to be missing from the product portfolio. Its future benefit is considered reasonably certain because the new product will be added to the product catalogue and made available to customers.
The capitalised value of the various projects is reviewed annually - or more frequently if there are particular reasons for doing so - analysing its recoverable amount to assess if there have been any impairment losses.

Trademarks and licences
Trademarks and licences are valued at cost, less amortization and accumulated impairment losses. The cost is amortised over the shorter of the contract term and the finite useful life of the asset.

Customer Relations
Customer relations represent the value of the Systemes Moteurs Group's customer portfolio at the acquisition date as determined during the Purchase Price Allocation process.

Brand name
Brand name represents the value of the "Systemes Moteurs" brand name at the acquisition date as determined during the Purchase Price Allocation process.

Software
The costs of software licences, including related charges, are capitalised and shown in the financial statements net of amortization and any accumulated impairment losses.
It should be pointed out that a multi-year project was launched in 2011 to implement a new integrated IT system across the Group. Relating costs are capitalised by Parent Company Sogefi S.p.A., that will licence the intellectual property rights on the IT system for use by the subsidiaries involved in the implementation process receiving the payment of royalty fees. The useful life of the fixed asset is estimated at 10 years and amortization begins when implementation at each individual company is completed.

Goodwill
Goodwill resulting from business combinations is initially recognised at cost as at the acquisition-date, as detailed in the paragraph above entitled "Business combinations".
Goodwill is not amortised but is tested annually for impairment, or more frequently if specific events or changed circumstances indicate a potential loss in value. Unlike other intangible assets, reversal of an impairment loss is not allowed for goodwill.
For impairment test purposes, goodwill was allocated to each of the Cash Generating Units (CGU) due to benefit from the acquisition.
The Sogefi Group currently encompasses five CGUs: Filtration (previously named "Engine Systems – Fluid Filters"), Air Intake&Cooling (previously named "Engine Systems – Air Intake and Cooling"), Car Suspension, Industrial Vehicles Suspension and Precision Springs.
The goodwill currently on the books only concerns the CGUs Filtration, Air Intake&Cooling and Car Suspension.

Impairment losses of tangible and intangible fixed assets

If there are indications of possible losses in value, tangible and intangible fixed assets are subjected to impairment test, estimating the asset's recoverable amount and comparing it with its net book value. If the recoverable amount is less than the book value, the latter is reduced accordingly. This reduction constitutes an impairment loss, which is booked to the income statement.
For goodwill and any other intangible fixed assets with indefinite useful life, an impairment test is carried out at least once a year.
With the exception of goodwill, if a previous writedown is no longer justified, a new recoverable amount is estimated, providing it is not higher than what the carrying value would have been if the writedown had never been made. This reversal is also booked to the Income Statement.

Equity investments in other companies and other securities

Equity investments in entities other than subsidiaries, joint ventures and associates are classified as financial assets available for sale which are measured at fair value, except in situations where the market price or fair value cannot be reliably determined. In this case the cost method is used.
Gains and losses deriving from fair value adjustments are booked to a specific item in Other comprehensive income. In the case of objective evidence that an asset suffered an impairment loss or it is sold, the gains and losses previously recognised under Other Comprehensive Income are reclassified to the Income Statement.
For a more complete discussion of the principles regarding financial assets, reference should be made to the note specifically prepared on this matter (paragraph 3 "Financial assets").

Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups consisting of assets and liabilities are classified as held for sale when it is highly probable that their book value will be recovered mainly through a sale transaction rather than through their continued use.
The assets or the disposal group are usually stated at the lower of book value and fair value net of selling costs. Any impairment loss of a disposal group is allocated first to goodwill and then proportionally to the remaining assets and liabilities, with the exception of inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be valued in accordance with other Group accounting policies. Impairment losses arising from the initial classification of an asset as held for sale or distribution and subsequent valuation differences are recognised in the profit or loss for the period.
Once classified as held for sale, intangible assets and property, plant and equipment cease to be amortised and equity investments recognised using the equity method are no longer recorded using that method.

Loans

Loans are initially recognised at cost, represented by the fair value received, net of related loan origination charges.
After initial recognition, loans are measured at amortised cost by applying the effective interest rate method.
The amortised cost is calculated taking account of issuing costs and any discount or premium envisaged at the time of settlement.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to exchange and interest rate risks. Embedded derivatives are separated from their host contracts and accounted for separately when the related host contract is not a financial asset and when certain criteria are met.
Derivative financial instruments are initially measured at fair value. After initial recognition, derivatives are measured at fair value and any changes are usually recognised in the profit or loss for the year.

The Group designates certain derivatives as hedging instruments to hedge variability in cash flows arising from highly probable forecast transactions connected with fluctuating exchange and interest rates, and certain derivatives and non-derivative financial liabilities as hedges of the exchange risk for a net investment in a foreign operation.
At the beginning of the designated hedging relationship, the Group documents its risk management objectives and hedging strategy, as well as the economic relationship between hedged item and hedging instrument and whether it is expected that changes in the cash flows of the hedged item and hedging instrument will offset each other.

Cash flow hedging
When a derivative financial instrument is designated as a hedge of the exposure to the variability of cash flows, the effective portion of the changes in the fair value of the derivative is reported as a component of Other Comprehensive Income and presented in the cash flow hedging reserve. The effective portion of the changes in the fair value of the derivative that is recognised in Other Comprehensive Income is limited to the change in fair value of the hedged item (at present value) accumulated since the beginning of the hedge. The ineffective portion of the changes in the fair value of the derivative is taken immediately to profit or loss for the year.
In a hedging relationship, the Group designates only the fair value change of the spot element of the forward contract as a hedging instrument in a cash flow hedging relationship. The fair value change of the forward element of the forward foreign exchange contract (swap points) is accounted for separately as costs of hedging and recognised in Shareholders' equity, in the costs of hedging reserve.
If a planned hedged transaction entails the subsequent recognition of a non-financial asset or liability, such as inventories, the amount accrued in the cash flow hedging and costs of hedging reserves is included directly in the initial cost of the asset or liability at recognition.
For all other hedged planned transactions, the amount must be reclassified from the cash flow hedging and costs of hedging reserves to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss for the period.
If the hedge no longer meets the eligibility criteria, upon reaching maturity date or if the hedge is sold or exercised, hedge accounting is discontinued prospectively. When hedge accounting is discontinued for cash flow hedges, the amount accrued in the cash flow hedging reserve is left in Shareholders' equity until (a) if the hedge is for a transaction that entails the recognition of a non-financial asset or liability, it is included in the cost of the non-financial asset or liability at initial recognition, or (b) for other cash flow hedges, it is reclassified to profit or loss for the period in the same period or periods during which the hedged expected future cash flows affect the profit or loss for the period.
If no hedged cash flows are expected, the amount must be reclassified immediately from the cash flow hedging and costs for hedging reserves to profit or loss for the year.

Net investment hedges
When a derivative instrument or a non-derivative financial liability is designated as hedge to hedge a net investment in a foreign operation, the effective portion of the fair value change of derivatives or the foreign exchange gains or losses of non-derivatives are recognised as components of Other Comprehensive Income and posted in Shareholders' equity in the translation reserve. The non-effective portion is taken immediately to profit or loss for the year. The amount recorded as a component of Other Comprehensive Income is reclassified to profit or loss for the year as a reclassification adjustment upon disposal of the foreign operation.

Trade and other payables

Payables are initially recognised at fair value of the consideration to be paid and subsequently at amortised cost, which generally corresponds to their nominal value.

Provisions for risks and charges

Provisions for risks and charges are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
On the other hand, no provision is made in the case of risks for which there is only a possibility that a liability may arise. In this case, the risk is disclosed in the notes on commitments and risks without making any provision.
Provisions relating to corporate reorganizations are only set aside once they have been approved and raised a valid expectation to the parties involved.

Post-retirement and similar employee benefits

Group employees have defined-benefit and/or defined-contribution pension plans, depending on the conditions and local practices of the countries in which the group operates.

The Group’s responsibility is to finance the pension funds for the defined-benefit plans (including the employment termination indemnities currently applicable in Italy) and the annual cost recognised in the Income Statement are calculated on the basis of actuarial valuations that use the projected unit credit method.

The liability relating to benefits to be recognised on termination of employment recorded in the Consolidated Statement of Financial Position represents the present value of the defined-benefit obligation, less the fair value of the plan assets. Any net assets determined are recognised at the lowest of their value and the present value of available repayments and reductions of future contribution to the plan.

Pursuant to the amendment to IAS 19 “Employee Benefits” effective as from 1 January 2013, the Group recognises actuarial gains and losses and books them to “Other comprehensive income” immediately, so that the full net amount of the provisions for the defined benefits (net of plan assets) is recognised in the Consolidated Statement of Financial Position. The amendment further requires any changes in the defined benefit provision and plan assets over the previous period to be subdivided into three components: the cost components of work performed during the reporting period must be recognised in the Income Statement as service costs; net interest costs calculated by applying the appropriate discount rate to the opening balance of defined benefit provision net of assets must be booked to Income Statement as net financial expenses and the actuarial gains and losses resulting from the remeasurement of assets and liabilities must be booked to "Other comprehensive income". In addition, the return on assets included in net financial expenses must be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets. The difference between actual return on plan assets and the return calculated as described above is booked to "Other comprehensive income".

In the event of an amendment to the plan that changes the benefits relating to past service or in the event of the application of a new plan relating to past service, the costs relating to past service are booked to the Income Statement (under service costs). In the event of an amendment to the plan that significantly reduces the number of employees involved in the plan or that changes the clauses of the plan in such a way that a significant part of future service due to employees will no longer accrue the same benefits or will accrue them but to a lesser extent, the profit or loss relating to said reduction is immediately booked to the Income Statement (under service costs).

All of the costs and income resulting from the measurement of funds for pension plans are booked to the Income Statement by functional area of destination, with the exception of the financial component relating to non-financed defined-benefit plans, which is included in Financial expenses.

The costs relating to defined-contribution plans are booked to the Income Statement when incurred.

Other long-term benefits

Other long-term employee benefits relate to the French subsidiaries and include "Jubilee or other long-service benefits" that are not expected to be paid fully within the twelve months following the end of the reporting period during which the employee has rendered service for those benefits.

The valuation of other long-term benefits usually does not present the same degree of uncertainty as post-employment benefits. This is why IAS 19 requires a simplified method of accounting for such benefits. Unlike the accounting method required for post-employment benefits, this method (which requires actuarial valuation) does not require discounting effects to be taken to Other comprehensive income.

Stock-based incentive plans

With regard to "Stock-based incentive plans" (Stock options and Stock grants), as envisaged by IFRS 2, the Group calculates the fair value of the option at the granting date, booking it to the Income Statement as a cost over the vesting period of the benefit. The *ad hoc* equity reserve in the Consolidated Statement of Financial Position has been increased. This imputed cost is measured by specialists with the help of suitable economic and actuarial models.

Deferred taxation

Deferred taxes are calculated on the taxable/deductible temporary differences between the book value of assets and liabilities and their tax bases, and classified under non-current assets and liabilities.
Deferred tax assets are accounted for only to the extent that it is probable that sufficient taxable profits will be available in the future against which they can be utilised.
The carrying amount of the deferred tax assets shown in the financial statements is subject to an annual review.
Deferred tax assets and liabilities are calculated at the tax rates expected to apply in the period when the differences reverse under the law of the countries in which the Group operates, considering current rates and those enacted or substantially enacted at the end of the reporting period.
Deferred tax liabilities are calculated on taxable temporary differences relating to equity investments in subsidiaries, associates and joint ventures, except where the Company can control the reversal of such temporary differences and it is probable that they will not reverse in the foreseeable future.
Current and deferred taxes are recognised in the income statement, except for those relating to items directly charged or credited to Other comprehensive income or other equity items, in which case tax effect is recognised directly under Other comprehensive income or equity.

Participation in CIR's group tax filing system (applicable to Italian companies)

In the year 2019, the Parent Company Sogefi S.p.A. and its subsidiary Sogefi Filtration Italy S.p.A. renewed their participation in the CIR Group tax filing system for the three-year period 2019-2021. In 2020, the subsidiaries Sogefi Suspensions Heavy Duty Italy S.p.A. and Sogefi Suspensions Passenger Car Italy S.p.A. renewed their adhesion to CIR Group tax filing system for the three-year period 2020-2022.
Each company joining to the group Italian tax filing system transfers its tax profit or loss to the parent company. The parent company recognises a credit corresponding to the IRES (Italian tax on company income) that companies have to pay (debit for the transferor company). On the contrary, for companies that booked tax losses, the parent company recognises a debt corresponding to the IRES for the part of loss actually offset at group level (credit for the transferee company). In connection with the Group tax filing system, those companies that record non-deductible net financial expenses may use the excess tax benefits available for offset of other Group companies (thus making such expenses deductible) for a consideration. Such consideration, in an amount proportionate to the resulting tax benefit and applicable to excess tax benefits arising in Italy only, has been paid to the parent company CIR and is treated as expense for those companies that obtain the excess tax benefit and as revenue for those that transfer it.

Treasury shares

Treasury shares are deducted from equity. The original cost of treasury shares and the profit/loss resulting from their subsequent sales are recognised as changes in equity.

Revenues recognition

IFRS 15 entered into force on 1 January 2018 and provides for a new revenue recognition model, which is applicable to all agreements made with customers, with the exception of those falling under the scope of application of other IAS/IFRS standards, such as leases, insurance contracts and financial instruments.
The main steps for revenue recognition according to the new model are:
- identifying the agreement in place with the customer;
- identifying the performance obligations under the agreement;
- defining the transaction price;
- price allocation to the performance obligations under the agreement;
- revenue recognition criteria when the entity satisfies each performance obligation.

Supply of “tooling” and "prototypes" does not meet the requirements to be identified as a separate performance obligation, so related revenues will be recognised on the same duration as the performance obligation identified by the supply of goods.
Revenues from services rendered are recognised at the time the services are provided.

Income Statement Overview

Variable cost of sales
This represents the cost of goods sold. It includes the cost of raw and ancillary materials and goods for resale, as well as variable manufacturing and distribution costs, including the direct labour cost of production.

Manufacturing and R&D overheads
This category includes manufacturing overheads such as indirect labour cost of production, maintenance costs, consumable materials, building rents, and industrial equipment involved in production.
Also included are all R&D overheads, net of any development costs that are capitalised because of their future benefits and excluding amortization which is booked to a separate item in the Consolidated Income Statement.

Distribution and sales fixed expenses
These are costs that are essentially insensitive to changes in sales volumes, relating to personnel, promotion and advertising, external warehousing, rentals and other sales and distribution activities. This category, therefore, includes all fixed costs identified as being incurred after finished products have been stocked in the warehouse and directly related to their sale and distribution.

Administrative and general expenses
This category includes fixed labour costs, telephone expenses, legal and tax consulting fees, rents and rentals, cleaning, security and other general expenses.

Restructuring costs and other non-operating expenses/income
These are figures that do not relate to the Group's normal business activities or refer to non-ordinary activities and are expressly disclosed in the notes if they are of a significant amount.

Operating grants

These are credited to the Consolidated Income Statement when there is a reasonable certainty that the company will meet the conditions for obtaining the grant and that the grants will therefore be received.

Dividends

Dividend income is recorded when the right to receive it arises. This is normally at the time of the shareholders' resolution that approves distribution of the dividends.

Dividends to be distributed are recognised as a payable to shareholders immediately after they have been approved.

Current taxes

Current taxes are booked on the basis of a realistic estimate of taxable income calculated according to current tax legislation in the country concerned, taking account of any exemptions and tax credits that may be due.

Earnings per share (EPS)

Basic EPS is calculated by dividing net result for the period attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, net of treasury shares.

Diluted EPS is obtained by adjusting the weighted average number of shares outstanding to take account of all potential ordinary shares that could have a dilutive effect.

Translation of foreign currency items

Functional currency
The functional currency of the Parent Company is the Euro and this is the presentation currency in which the consolidated financial statements are prepared and published.
Group companies prepare their financial statements in their functional currency; these financial statements are then translated into Euro for the purposes of the consolidated financial statements.

Accounting for foreign currency transactions
Foreign currency transactions are initially translated at the exchange rate ruling on the transaction date.
At the end of the reporting period, monetary assets and liabilities expressed in foreign currency are retranslated at the period-end exchange rate.
Non-monetary foreign currency items valued at historical cost are translated at the exchange rate ruling on the transaction date.
Non-monetary items carried at fair value are translated at the exchange rate ruling on the date this value was determined.

IAS 29 - Financial reporting in hyperinflationary economies

The financial statements of the consolidated Argentine companies were prepared at 31 December 2020 in the functional currency taking into account the effects of the application of IAS 29 "Financial Reporting in Hyperinflationary Economies", so as to present the operating result and the statement of financial position reflecting purchasing power at the end of the period under consideration.
IAS 29 adoption was required starting with periods ending after 30 June 2018.

This standard does not establish an absolute inflation rate above which hyperinflation is deemed to occur. Under the IFRS, the need to restate the financial statements must be evaluated. Conditions that may indicate hyperinflation exists include:

a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Local currency held is immediately invested to maintain purchasing power;
b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
d) interest rates, wages and prices are linked to a price index; and
e) the cumulative inflation rate over three years approaches or exceeds 100%.

Accordingly, the financial statements of the consolidated Argentine companies for the period ending 30 June 2018 and subsequent periods were prepared by applying IAS 29 because the cumulative inflation rate in Argentina over the last three years amounts to approximately 120%.

Non-monetary amounts in the statement of financial position are restated by applying the change in the general price index occurred from the date of recognition in the financial statements to the end of the period. Monetary amounts are not restated because they are expressed in the unit of measurement current at the end of the period. All items in the Income Statement are expressed in terms of the unit of measurement current at the end of the period, applying the change in the general price index occurred since revenue and expense were initially recognised in the financial statements.

The following items of the income statement and non-monetary items were restated as a result of the application of this standard: “Tangible fixed assets”, “Intangible fixed assets”, “Inventories”, “Deferred tax liabilities”, “Tooling contract liabilities” (liabilities recognised as a result of adopting IFRS 15).

Critical estimates and assumptions

Various estimates and assumptions regarding the future have to be made when preparing financial statements. They are the best estimates possible at the end of the reporting period. Given their nature, they could lead to a material difference in statement of financial position items in future years.

The main items affected by these estimates are as follows:

- goodwill (Euro 126.6 million) – impairment test: for the purpose of determining the value in use of the Cash Generating Units, the Group took into account the trends expected as determined based on the budget for 2021 and the forecasts included in the multi-year plan up to 2024 for the following years (adjusted to eliminate any estimated benefits from future projects and reorganisations). The budget and the multi-year plan were approved by the Board of Directors on 12 February 2021. The impairment test, based on such forecasts, does not indicate a need for devaluation;
- pension plans (Euro 62.8 million): included in "Long-term provisions": actuarial consultants 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, future wage inflation rates, mortality and turnover rates;
- recoverability of deferred tax assets on tax losses (Euro 5.6 million compared to Euro 4.9 million in the previous year), booked in "Deferred tax assets": as at 31 December 2020, deferred tax assets on tax losses incurred during the current and previous years were accounted for to the extent that it is probable that taxable income will be available in the future against which they can be utilised. Such probability is also determined based on the fact that such losses have originated mainly under extraordinary circumstances that are unlikely to occur again in the future and that the same could be recovered throughout an unlimited or long-term time frame;
- derivatives (Euro 2.3 million in assets and Euro 1 million in liabilities) recorded in the items "Financial receivables", "Other financial assets available for sale" and "Other short-term liabilities for derivatives financial instruments": the fair value of derivatives (relating to interest and exchange rates) was estimated with the aid of external consultants based on valuation models commonly used in the industry, in line with the requirements of IFRS 13 (calculation of DVA - debit valuation adjustment).

As regards the impact of Covid-19 on accounting estimates and valuations, it should be noted that the financial statement valuations based on the Company's plans are consistent with each other.
The Company has also taken into account the impacts of Covid-19 in determining the main items in the financial statements, with particular regard to:

- the impairment of assets, in relation to the methods for determining the recoverable amount of goodwill and intangible and tangible assets that may be impacted by the deterioration of the economic outlook. In this context, the Company revised the calculations of some parameters of the discount rate (for example, using averages based on longer time horizons compared to previous years) in order to purify the rate (and the concepts it includes in terms of risk and expected return) from the measures adopted by the European and US central banks aimed at coping with the economic effects deriving from the Covid-19 pandemic. These measures led to a lowering of the interest rate curve, an increase in cash flows with a consequent increase in the value of financial assets and a reduction in the estimated market risk premium. In addition, the Company has developed sensitivity analyses, also combined, on the main parameters of the impairment test calculation;

- the risks related to financial assets and liabilities, with particular focus on the liquidity risk and the measurement of expected credit losses;
- the application of IFRS 16 "Leases", in relation to specific issues related to the consequences of Covid-19. In particular, it was verified that, on the basis of the plan approved in February 2021, there was no need to dispose production plants for which there are leases contracts with associated rights of use pursuant to IFRS16 of significant residual value; furthermore, some reductions in rents, obtained in relation to the pandemic emergency, were taken into account.

2.4 Adoption of new accounting standards

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 31 December 2020 did not have any impact on the Sogefi Group's 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 31 December 2020 did not have any impact on the Sogefi Group's 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 31 December 2020 did not have any impact on the Sogefi Group's consolidated financial statements.
- Amendments to IFRS 16 "*Leases Covid 19-Related Rent Concessions*" (issued on 28 May 2020). The document provides lessees with the option to account for lease reductions related to COVID-19 without having to assess, through contract analysis, whether the definition of lease modification under IFRS 16 is met. The new provision at 31 December 2020 had a positive impact on the consolidated income statement of the Sogefi Group of approximately Euro 196 thousand, relating to the subsidiary Sogefi (Suzhou) Auto Parts CO., Ltd.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet mandatory applicable and not early adopted by the Group as at 31 December 2020

The Group has not adopted the following new and amended standards that have been issued but are not yet applicable:

- Temporary extension from application of IFRS 9 (Amendments to IFRS 4); issue date: June 2020; effective date: 1 January 2021; date of EU endorsement Regulation: 15 December 2020.
- Reform of interest rate reference indices - Phase 2 - (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); issue date: August 2020; effective date: 1 January 2021; date of EU endorsement Regulation: 13 January 2021.

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 and updated on 25 June 2020). 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*" and *Deferral effective date* (issued on 23 January 2020 and 17 July 2020, respectively). These amendments are to be applied for financial periods beginning on 1 January 2023.
- *Property, plant and equipment*: *proceeds before intended use (Amendments to* IAS 16) (issued on 14 May 2020). These amendments are to be applied for financial periods beginning on 1 January 2022.
- *Onerous contracts—Cost of fulfilling a contract (Amendments to* IAS 37) (issued on 14 May 2020). These amendments are to be applied for financial periods beginning on 1 January 2022.
- *Annual improvements to IFRS (Cycle* 2018–2020) (*Amendments to* IFRS 1, IFRS 9, IFRS 16 and IAS 41) (issued on 14 May 2020). These amendments are to be applied for financial periods beginning on 1 January 2022.
- *Reference to the Conceptual Framework (Amendments to* IFRS 3) (issued on 14 May 2020). These amendments are to be applied for financial periods beginning on 1 January 2022.

3. FINANCIAL ASSETS

Classification and initial recognition

Trade receivables and debt instruments issued are recognised when they are originated. All other financial assets and liabilities are initially recognised upon trade date, i.e. when the Group becomes a party to the financial instrument.
With the exception of trade receivables that do not contain a significant financing component, financial assets are initially measured at fair value plus or minus, in the case of financial assets or liabilities not measured at fair value recognised through profit or loss for the year (FVTPL), the transaction costs directly attributable to the acquisition or issue of the financial asset. At the time of initial recognition, trade receivables that do not have a significant financing component are valued at their transaction price.

Subsequent measurement

As provided for by IFRS 9, upon initial recognition, a financial asset is classified according to its valuation: amortised cost; fair value recognised in Other Comprehensive Income (FVOCI) - debt instrument; FVOCI - equity instrument; or at fair value recognised in the profit or loss for the year (FVTPL).
Financial assets are not reclassified after initial recognition, unless the Group changes its business model to manage financial assets. In this case, all affected financial assets concerned are reclassified on the first day of the first reporting period following the change in the business model.
A financial asset must be measured at amortised cost if both of the following conditions are met and it is not designated at FVTPL:
– the financial asset is held within a business model whose objective is to hold the financial assets to collect their contractual cash flows; and
– the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be measured at FVOCI if both of the following conditions are met and it is not designated at FVTPL:
– the financial asset is held within a business model whose objective is to collect contractual cash flows and sell financial assets; and
– the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.
At initial recognition of an equity instrument not held for trading, the Group may elect to recognise subsequent changes in fair value in the other comprehensive income. This choice is irrevocable. Such choice is made for each asset.
Any financial assets that are not classified as measured at amortised cost or at FVOCI as indicated above, are measured at FVTPL. All derivative financial instruments are included. At initial recognition, the Group may irrevocably designate a financial asset as measured at fair value through profit or loss if this eliminates or significantly reduces the accounting inconsistency that would otherwise arise from measuring the financial asset at amortised cost or at FVOCI.

Business model assessment

The Group assesses the objective of the business model within which the financial asset is held at portfolio level, as this best reflects how the asset is managed and what information is communicated to management. Such information includes:
– the criteria set out, portfolio objectives and the practical application of those criteria, including, among other things, whether the strategy of corporate management aims to collect interest on the contract, to maintain a specified interest rate profile, to align the life of financial assets with that of related liabilities or is aimed at expected cash flows or to collect cash flows by selling assets;
– how portfolio performance is evaluated and communicated to Group executives with strategic responsibilities;
– the risks that affect the performance of the business model (and of the financial assets held within the business model) and how these risks are managed;
– the method of remuneration of the company's management (for example, whether remuneration is based on the fair value of the assets under management or collected contractual cash flows); and
– the frequency, value and timing of sales of financial assets in previous years, the reasons for selling and the expectations about future sales.
Transfers of financial assets to third parties as part of transactions that do not involve derecognition are not treated as sales for the purposes of business model assessment, in line with the Group's continued recognition of these assets in the financial statements.
Financial assets that meet the definition of financial assets held for trading or whose performance is measured at fair value are measured at FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is the fair value of the financial asset at initial recognition, whereas 'interest' is the consideration for the time value of money, for the credit risk associated with the principal amount to be repaid over a given period of time and for other basic risks and costs associated with the loan (for example, liquidity risk and administrative costs), as well as for the profit margin.
In order to determine whether contractual cash flows are solely principal and interest payments, the Group considers the contractual terms of the instrument. It assesses, among other things, whether the financial asset contains a contractual provision that changes the timing or amount of contractual cash flows such that the following condition is not met. For the purposes of this assessment, the Group takes into account:
– contingent events that would change the timing or amount of financial flows;
– clauses that could entail an adjustment of the contractual rate of the coupon, including variable rate elements;
– prepayment and extension elements; and
– clauses limiting the Group's requests for cash flows from specific assets (for example, elements without recourse).
The prepayment element is consistent with the 'cash flows that are solely principal and interest payments' criterion when the amount of the prepayment basically represents the principal amount outstanding and interest accrued on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. In addition, in the case of a financial asset acquired at a significant premium or

discount on the contractual nominal amount, an element that permits or requires the prepayment of an amount that basically represents the contractual nominal amount plus accrued (yet outstanding) contractual interest (which may include reasonable additional compensation for early termination of the contract) is accounted for in accordance with that criterion if the fair value of the prepayment element is not significant at initial recognition.

B) SEGMENT INFORMATION

4. OPERATING SEGMENTS

In compliance with the provisions of IFRS 8, the following information is provided by operating segments (business segments) and performance indicators that play a key role in the Group's strategic decisions.
The operating segments covered by the Segment Information are the Group’s strategic business sectors, provide different products and are managed separately from a strategic viewpoint.
As the analysis by business segments is given higher priority in the decision-making process, the analysis by geographic areas is not presented.

Business segments

With regard to the business segments, disclosures concerning the three business units: Air Intake&Cooling, Suspensions and Filtration are provided below. 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.
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 Group's income statement and statement of financial position figures for 2020 and 2019:

(in thousands of Euro)	2020					
	Air&Cooling	Suspensions	Filtration	Sogefi S.p.A. / Sogefi Gestion S.A.S.	Adjustments	Sogefi consolidated f/s
REVENUES						
Sales to third parties	371,427	397,919	433,855	-	-	1,203,201
Intersegment sales	372	1,647	302	18,965	(21,286)	-
TOTAL REVENUES	371,799	399,566	434,157	18,965	(21,286)	1,203,201
RESULTS						
EBIT	20,046	(13,216)	8,185	(7,956)	153	7,212
Financial expenses, net						(22,817)
Income from equity investments						-
Losses from equity investments						-
Result before taxes						(15,605)
Income taxes						(3,558)
NET INCOME (LOSS) OF OPERATING ACTIVITIES						(19,163)
Net income (loss) from discontinued operations						(15,479)
NET RESULT INCLUDED THIRD PARTY SHARE						(34,642)
Profit (loss) from third parties						(489)
NET RESULT						(35,131)
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	390,331	472,607	370,441	752,459	(856,648)	1,129,190
Equity investments in associates	-	-	-	-	-	-
Unallocated assets	-	-	-	-	135,589	135,589
TOTAL ASSETS	390,331	472,607	370,441	752,459	(721,059)	1,264,779
LIABILITIES						
Segment liabilities	231,772	402,257	364,856	555,736	(439,216)	1,115,405
TOTAL LIABILITIES	231,772	402,257	364,856	555,736	(439,216)	1,115,405
OTHER INFORMATION						
Increase in tangible and intangible fixed assets	41,603	39,387	27,326	330	(415)	108,231
Depreciation, amortisation and writedowns	43,237	35,387	48,381	7,642	706	135,353

(in thousands of Euro)	2019					
	Air&Cooling	Suspensions	Filtration	Sogefi S.p.A. / Sogefi Gestion S.A.S.	Adjustments	Sogefi consolidated f/s
REVENUES						
Sales to third parties	426,149	547,818	489,879	-	-	1,463,846
Intersegment sales	(253)	1,898	1,633	21,963	(25,241)	-
TOTAL REVENUES	425,896	549,716	491,512	21,963	(25,241)	1,463,846
RESULTS						
EBIT	24,671	4,989	24,271	(4,245)	(1,246)	48,440
Financial expenses, net						(20,853)
Income from equity investments						-
Losses from equity investments						-
Result before taxes						27,587
Income taxes						(13,482)
NET INCOME (LOSS) OF OPERATING ACTIVITIES						14,105
Net income (loss) from discontinued operations						(7,903)
NET RESULT INCLUDED THIRD PARTY SHARE						6,202
Profit (loss) from third parties						(3,000)
GROUP NET RESULT						3,202
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	371,290	443,230	418,723	687,160	(772,463)	1,147,940
Equity investments in associates	-	-	-	-	-	-
Unallocated assets	-	-	-	-	136,947	136,947
TOTAL ASSETS	371,290	443,230	418,723	687,160	(635,516)	1,284,887
LIABILITIES						
Segment liabilities	229,392	341,437	374,908	485,582	(354,182)	1,077,137
TOTAL LIABILITIES	229,392	341,437	374,908	485,582	(354,182)	1,077,137
OTHER INFORMATION						
Increase in tangible and intangible fixed assets	50,595	45,642	31,877	677	(1,043)	127,748
Depreciation, amortisation and writedowns	45,187	41,173	43,900	5,071	1,182	136,513

Please note that the Air and Cooling Business Unit figures include the net book value of the Systemes Moteurs Group (company name is now Sogefi Air & 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 Systemes 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 Systemes Moteurs Group.
"Depreciation, amortization and writedowns" include writedowns of tangible (Euro 9,538 thousand) and intangible fixed assets (Euro 5,944 thousand) for the most part relating to European and North American subsidiaries.

Information on the main customers

Revenues from sales to third parties as of 31 December 2020 accounting for over 10% of Group revenues are shown in the following table:

(in thousands of Euro)	2020				
Group	Group		BU Filtration	BU Air&Cool.	BU Suspensions
	Amount	*%*			
Ford	140,772	11.7	50,219	68,359	22,194
Renault/Nissan	135,589	11.3	60,750	19,123	55,716
PSA	130,960	10.9	32,738	43,934	54,288

Revenues from sales to third parties as of 31 December 2019 accounting for over 10% of Group revenues are shown in the following table:

(in thousands of Euro)	2019				
Group	Group		BU Filtration	BU Air&Cool.	BU Suspensions
	Amount	*%*			
Ford	175,057	12.0	53,808	36,975	84,274
Renault/Nissan	165,516	11.3	38,072	57,406	70,038
PSA	161,283	11.0	52,424	75,565	33,294
FCA/CNH Industrial	148,331	10.1	65,752	34,568	48,011

Information on geographic areas

The breakdown of revenues by geographical area is analysed in the Directors' Report and in note 23 "Sales Revenues".

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

(in thousands of Euro)	2019					
	Europe	South America	North America	Asia	Adjustments	Sogefi consolidated f/s
TOTAL ASSETS	1,655,514	82,721	179,921	175,421	(808,690)	1,284,887

(in thousands of Euro)	2020					
	Europe	South America	North America	Asia	Adjustments	Sogefi consolidated f/s
TOTAL ASSETS	1,680,797	42,996	154,102	173,379	(786,495)	1,264,779

C) NOTES ON THE MAIN INCOME STATEMENT ITEMS: STATEMENT OF FINANCIAL POSITION

C 1) ASSETS

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to Euro 209,673 thousand versus Euro 165,173 thousand as at 31 December 2019 and break down as follows:

(in thousands of Euro)	12.31.2020	12.31.2019
Short-term cash investments	209,644	165,134
Cash on hand	29	39
TOTAL	209,673	165,173

"Short-term cash investments" earn interest at a floating rate.

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

As at 31 December 2020, the Group has unused lines of credit for the amount of Euro 252,040 thousand. These funds are available for use on demand, because the conditions required for their availability are met.

As of 31 December 2020, the losses due to the reduction in value of cash and cash equivalents amounted to Euro 417 thousand.

6. OTHER FINANCIAL ASSETS

"Other financial assets" can be broken down as follows:

(in thousands of Euro)	12.31.2020	12.31.2019
Financial receivables	3,952	3,244
Assets for derivative financial instruments	22	62
TOTAL	3,974	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" amount to Euro 22 thousand and refer to the fair value of forward foreign currency contracts. Further details can be found in the analysis of financial instruments contained in note 39 "Financial instruments and financial risk management".

7. INVENTORIES

The breakdown of inventories is as follows:

(in thousands of Euro)	12.31.2020			12.31.2019		
	Gross	*Write-downs*	*Net*	*Gross*	*Write-downs*	*Net*
Raw, ancillary and consumable materials	54,297	5,594	48,703	59,695	5,430	54,265
Work in progress and semi-finished products	14,314	497	13,817	15,644	729	14,915
Finished goods and goods for resale	42,208	6,997	35,211	52,402	6,118	46,284
TOTAL	110,819	13,088	97,731	127,741	12,277	115,464

The gross value of inventories decreased by Euro 16,922 compared to the previous year, of which Euro 5,165 thousand was due to the effect of exchange rates and Euro 7,768 thousand to the deconsolidation of the subsidiary Sogefi Filtration do Brasil Ltda.

Writedowns consist for the most part of accruals for raw materials that can no longer be used for current production and for obsolete or slow-moving finished goods, goods for resale and ancillary materials. The increase in the provisions by Euro 811 thousand reflects the allocation of an additional Euro 2,942 thousand, partly offset by products scrapped during the year (Euro 1,169 thousand), a negative exchange rate effect for Euro 429 thousand and the deconsolidation of the subsidiary Sogefi Filtration do Brasil Ltda for Euro 533 thousand.

8. TRADE AND OTHER RECEIVABLES

Current receivables break down as follows:

(in thousands of Euro)	12.31.2020	12.31.2019
Trade receivables	138,139	150,700
Less: allowance for bad debts	(5,368)	(4,367)
Trade receivables, net	132,771	146,333
Due from Parent Company	2,779	3,134
Tax receivables	23,222	28,600
Other receivables	8,778	9,814
Other assets	2,254	2,113
TOTAL	169,804	189,994

“Trade receivables, net” are non-interest bearing and have an average due date of 39 days, against 34 days recorded at the end of the previous year.

It should be noted that as at 31 December 2020, the Group factored trade receivables for Euro 97,709 thousand (Euro 94,210 thousand as at 31 December 2019), including an amount of Euro 86,485 thousand (Euro 86,152 thousand as at 31 December 2019) which was not notified 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 97,709 thousand as at 31 December 2020 and Euro 94,210 thousand as at 31 December 2019) and the negative effect of exchange rates (Euro 6,338 thousand), net trade receivables show a decrease of Euro 3,725 thousand mainly as a result of the deconsolidation of the subsidiary Sogefi Filtration do Brasil Ltda.

It should be noted that an amount of Euro 18,812 thousand at 31 December 2020 and Euro 19,051 thousand at 31 December 2019 related to credit notes to be issued to customers for price reductions and discounts granted to Aftermarket customers upon reaching certain levels of turnover. These amounts in previous years were classified as a reduction of trade receivables. Following a better analysis of the contractual clauses, these amounts were classified as "Trade and other payables". For comparison purposes, the 2019 amounts were also reclassified. For further details, please refer to note 16 “Trade and other current payables”.

Further adjustments were booked to “Allowance for doubtful accounts” during the year for a total of Euro 2,691 thousand, against net utilisations of the allowance for the amount of Euro 1,437 thousand (see note 39 “Financial instruments and financial risk management” for further details). Writedowns, net of provisions not used during the period, were charged to Income Statement under the item “Variable cost of sales – Variable sales and distribution costs”.
Please note that the Allowance for doubtful accounts as at 31 December 2020 includes Euro 1,054 thousand reflecting losses on receivables recognised upon adoption of IFRS 9 (Euro 553 thousand at 31 December 2019).

“Due from Parent Company” as at 31 December 2020 is the amount receivable from the Parent Company CIR S.p.A. arising from the participation in the Group tax filing system on the part of the Italian companies of the Group. Outstanding receivables as at 31 December 2019 (totalling Euro 3,134 thousand) collected in 2020 amounted to Euro 2,548 thousand.
See chapter F “Related party transactions” for the terms and conditions governing these receivables from CIR S.p.A.

“Tax receivables” as at 31 December 2020 include tax credits due to the Group companies by the tax authorities of the various countries.
It does not include deferred taxes which are treated separately.

“Other receivables” are made up as follows:

(in thousands of Euro)	12.31.2020	12.31.2019
Amounts due from social security institutions	274	24
Amounts due from employees	243	189
Advances to suppliers	3,166	3,396
Due from others	5,095	6,205
TOTAL	8,778	9,814

The item “Other assets” mainly includes accrued income and prepayments on insurance premiums, indirect taxes relating to buildings and on costs incurred for sales activities.

9. LAND, PROPERTY, PLANT AND EQUIPMENT, OTHER TANGIBLE FIXED ASSETS AND RIGHT OF USE

The net carrying amount of tangible fixed assets as at 31 December 2020 amounted to Euro 444,426 thousand versus Euro 461,018 thousand at the end of the previous year and breaks down as follows:

(in thousands of Euro)	2020							
	Land	Buildings, plant and machinery, commercial and industrial equipment	Other assets	Assets under construction and payments on account	Tooling	Tooling under construction	*Right of use / finance leases IAS 17*	TOTAL
Balance at December 31, 2019								
Historical cost	13,156	874,996	37,176	50,173	160,574	50,792	100,896	1,287,763
Accumulated depreciation	151	640,287	32,530	1,345	112,704	92	39,636	826,745
Net value	13,005	234,709	4,646	48,828	47,870	50,700	61,260	461,018
Additions of the period	-	9,617	486	38,665	4,466	31,727	25,163	110,124
Disposals during the period	-	(185)	(61)	(110)	-	-	-	(356)
Exchange differences	(245)	(10,821)	(284)	(1,527)	(2,594)	(1,617)	(4,081)	(21,169)
Depreciation for the period	-	(40,851)	(1,951)	-	(30,959)	-	(12,601)	(86,362)
Writedowns/revaluations during the period	(360)	(7,708)	22	(62)	(452)	(860)	(118)	(9,538)
Variation of consolidation perimeter	-	(1,195)	(119)	(82)	(787)	-	(4,819)	(7,002)
Reclassification of non-current assets held for sale	-	(1,748)	(7)	(351)	(257)	-	(1,383)	(3,746)
Other changes	-	41,005	1,801	(41,895)	28,237	(30,659)	2,968	1,457
Balance at December 31, 2020	12,400	222,823	4,533	43,466	45,524	49,291	66,389	444,426
Historical cost	12,844	864,166	32,638	44,811	168,535	50,219	101,688	1,274,901
Accumulated depreciation	444	641,343	28,105	1,345	123,011	928	35,299	830,475
Net value	12,400	222,823	4,533	43,466	45,524	49,291	66,389	444,426

(in thousands of Euro)	2019							
	Land	Buildings, plant and machinery, commercial and industrial equipment	Other assets	Assets under construction and payments on account	Tooling	Tooling under construction	*Right of use / finance leases IAS 17*	*TOTAL*
Balance at December 31, 2018								
Historical cost	13,348	860,494	36,962	45,931	145,487	44,106	-	1,146,328
Accumulated depreciation	89	632,504	32,606	1,049	89,182	90	-	755,520
Net value	13,259	227,990	4,356	44,882	56,305	44,016	-	390,808
Reclassification right of use / finance leases IAS 17	-	(4,711)	(10)	-	-	-	4,721	-
Balance at December 31, 2018	13,259	223,279	4,346	44,882	56,305	44,016	4,721	390,808
Adjustment to the date of initial application of IFRS 16	-	-	-	-	-	-	58,604	58,604
Additions of the period	-	18,627	1,145	40,443	5,715	29,032	9,533	104,495
Disposals during the period	-	(373)	(34)	(2)	-	(5)	(486)	(900)
Exchange differences	(191)	(1,554)	239	(109)	514	328	672	(101)
Depreciation for the period	-	(39,524)	(2,380)	-	(33,866)	-	(12,618)	(88,388)
Writedowns/revaluations during the period	(23)	(3,516)	(164)	(296)	(577)	-	(5)	(4,581)
Other changes	(40)	37,770	1,494	(36,090)	19,779	(22,671)	839	1,081
Balance at December 31, 2019	13,005	234,709	4,646	48,828	47,870	50,700	61,260	461,018
Historical cost	13,156	874,996	37,176	50,173	160,574	50,792	100,896	1,287,763
Accumulated depreciation	151	640,287	32,530	1,345	112,704	92	39,636	826,745
Net value	13,005	234,709	4,646	48,828	47,870	50,700	61,260	461,018

Investments during the year amounted to Euro 110,124 thousand compared to Euro 104,495 thousand in the previous year.

The larger projects regarded the “Assets under construction and payments on account”, “Tooling under construction” and “Buildings, plant and machinery, commercial and industrial equipment” categories.

In the "Assets under construction and payments on account" category, the main investments related to the subsidiary Sogefi Suspensions Eastern Europe S.R.L. (Euro 12,756 thousand) for the new factory in Oradea. The remaining investments relate to the development of new products and technologies and process improvements, particularly in the French, Chinese and North American subsidiaries.

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

The most significant projects in the category "Buildings, plant and machinery, commercial and industrial equipment" included investments in the subsidiaries Sogefi HD Suspensions Germany GmbH and Sogefi Air & Cooling S.A.S..

During the 2020, no relevant disposals were made.

Depreciation and amortisation for the period are recorded for Euro 83,400 thousand in the specific item of the Income Statement and for Euro 2,962 thousand in the item “Profit (loss) from discontinued operations, net of tax effects".

Line item “(Writedowns)/revaluations during the period” totalled Euro 9,538 thousand and mainly relates to the subsidiary Filter Systems Maroc S.a.r.l. and the subsidiary Sogefi U.S.A., Inc..
Impairment losses less reversals are booked to “Other non-operating expenses (income)”.

“Variation of consolidation perimeter” relates to the sale of the subsidiary Sogefi Filtration do Brasil Ltda. For further details, please refer to note 36 "Profit (loss) from discontinued operations, net of tax effects".

The item "Reclassification of non-current assets held for sale" refers to the subsidiary Sogefi Filtration Spain S.A.U., sold in January 2021, whose assets and liabilities were classified as assets and liabilities available for sale at 31 December 2020, in accordance with IFRS 5.

“Other changes” 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.

The balance of “Assets under construction and payments on account” as at 31 December 2020 includes Euro 115 thousand of advances for investments.

The main inactive assets, with a total net value of Euro 3,231 thousand, included in the item "Tangible fixed assets" refer to investment properties of the Parent Company Sogefi S.p.A. in San Felice del Benaco. The fair value of these assets, as measured by an independent expert report, exceeds their net book value. The book value of said assets will be recovered through their sale rather than through their continuous use. As we do not expect to sell them within one year, they are not subject to the accounting treatment envisaged by IFRS 5 and depreciation is continued. It should be noted that in December 2020 a preliminary sale agreement, subject to conditions precedent, was signed for the investment property in San Felice del Benaco.

No interest costs were capitalised to "Tangible fixed assets" during the year 2020.

Guarantees
Tangible fixed assets at 31 December 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 31 December 2020, there are binding commitments to buy tangible fixed assets for Euro 1,316 thousand (Euro 1,195 thousand as at 31 December 2019) for the most part relating to the subsidiary Sogefi Suspensions S.A. Said commitments will be settled within 12 months.

Rights of use
The net carrying amount of rights of use as of 31 December 2020 amounted to Euro 66,389 thousand versus Euro 61,260 thousand at 1 January 2020 and breaks down as follows:

(in thousands of Euro)	2020					
	Industrial Buildings	*Other buildings*	*Plant and machinary*	*Commercial and industrial equipment*	*Other assets*	*TOTAL*
Balance at January 1°, 2020						
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	23,380	33	41	227	1,482	25,163
Exchange differences	(3,436)	(334)	(159)	-	(152)	(4,081)
Depreciation for the period	(7,849)	(1,335)	(1,072)	(78)	(2,267)	(12,601)
Writedowns/revaluations during the period	-	-	(118)	-	-	(118)
Variation of consolidation perimeter	(4,767)	-	-	-	(52)	(4,819)
Reclassification of non-current assets held for sale	(1,298)	-	-	(24)	(61)	(1,383)
Other changes	3,670	76	(761)	-	(17)	2,968
Balance at December 31, 2020	54,074	6,481	1,566	215	4,053	66,389
Historical cost	76,313	9,624	7,368	470	7,913	101,688
Accumulated depreciation	22,240	3,142	5,802	255	3,860	35,299
Net value	54,074	6,481	1,566	215	4,053	66,389

(in thousands of Euro)	2019					
	Industrial Buildings	*Other buildings*	*Plant and machinary*	*Commercial and industrial equipment*	*Other assets*	*TOTAL*
Balance at January 1°, 2019						
Historical cost	63,385	9,402	11,138	703	5,892	90,520
Accumulated depreciation	18,701	928	6,812	644	110	27,195
Net value	44,684	8,474	4,326	59	5,782	63,325
Additions of the period	6,981	117	97	68	2,270	9,533
Disposals during the period	(437)	-	-	-	(50)	(487)
Exchange differences	828	(180)	83	1	(60)	672
Depreciation for the period	(7,289)	(2,094)	(871)	(38)	(2,326)	(12,618)
Writedowns/revaluations during the period	-	-	-	-	(5)	(5)
Other changes	(393)	1,724	-	-	(491)	840
Balance at December 31, 2019	44,374	8,041	3,635	90	5,120	61,260
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

The increases for the period amount to Euro 25,163 thousand, mainly refer to the "Industrial property" categories, and particularly refer to the subsidiary Sogefi Suspensions Eastern Europe S.R.L..

“Variation of consolidation perimeter” relates to the sale of the subsidiary Sogefi Filtration do Brasil Ltda.

The item "Reclassification of non-current assets held for sale" refers to the subsidiary Sogefi Filtration Spain S.A.U., sold in January 2021, whose assets and liabilities were classified as assets and liabilities available for sale at 31 December 2020, in accordance with IFRS 5.

Depreciation and amortisation for the period are recorded for Euro 11,732 thousand in the specific item of the Income Statement and for Euro 869 thousand in the item “Profit (loss) from discontinued operations, net of tax effects".

10. INTANGIBLE ASSETS

The net balance as at 31 December 2020 was Euro 255,384 thousand versus Euro 272,563 thousand at the end of the previous year, and breaks down as follows:

(in thousands of Euro)	2020						
	Development costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction 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	11,665	385	11,220	-	-	-	23,270
Disposals during the period, net	(335)	-	(26)	-	-	-	(361)
Exchange differences	(2,799)	(59)	(820)	-	-	-	(3,678)
Amortization for the period	(27,590)	(4,319)	(175)	(990)	(435)	-	(33,509)
Writedowns / revaluations during the period	(3,282)	(2,361)	(301)	-	-	-	(5,944)
Variation of consolidation perimeter	(17)	-	-	-	-	-	(17)
Reclassification of non-current assets held for sale	(238)	(32)	(15)	-	-	-	(285)
Other changes	18,185	860	(15,700)	-	-	-	3,345
Balance at December 31, 2020	72,650	24,366	17,488	9,896	4,345	126,639	255,384
Historical cost	272,642	68,579	22,752	19,215	8,437	149,537	541,162
Accumulated amortization	199,992	44,213	5,264	9,319	4,092	22,898	285,778
Net value	72,650	24,366	17,488	9,896	4,345	126,639	255,384

(in thousands of Euro)	2019						
	Develop-ment costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction and payments on account*	*Customer Relationship*	*Trade name Systemes Moteurs*	*Goodwill*	*TOTAL*
Balance at December 31, 2018							
Historical cost	271,129	71,816	25,013	19,215	8,437	149,537	545,147
Accumulated amortization	188,594	38,042	6,056	7,342	3,226	22,898	266,158
Net value	82,535	33,774	18,957	11,873	5,211	126,639	278,989
Balance at December 31, 2018	82,535	33,774	18,957	11,873	5,211	126,639	278,989
Additions of the period	18,060	325	13,819	-	-	-	32,204
Exchange differences	1,444	4	32	-	-	-	1,480
Amortization for the period	(28,840)	(4,708)	(699)	(990)	(435)	-	(35,672)
Writedowns / revaluations during the period	(3,822)	(6)	(2,242)	-	-	-	(6,070)
Other changes	7,684	503	(6,562)	3	4	-	1,632
Balance at December 31, 2019	77,061	29,892	23,305	10,886	4,780	126,639	272,563
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

Investments during the year amounted to Euro 23,270 thousand.

The increases in "Development costs" for the amount of Euro 11,665 thousand refer to the capitalisation of costs incurred by Group companies to develop new products in collaboration with leading motor vehicle manufacturers (after obtaining the nomination letter from the customer). The most significant investments refer to the subsidiaries Sogefi Air & Cooling Canada Corp., Sogefi Filtration S.A., Sogefi Air & Cooling S.A.S., Allevard Springs Ltd, Sogefi (Suzhou) Auto Parts Co., Ltd and Sogefi Engine Systems Mexico S. de R.L. de C.V..

Increases in “Industrial patents and intellectual property rights, concessions, licences and trademarks” amount to Euro 385 thousand and refer mainly to the development and implementation in process 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 11,220 thousand, refer mainly to a large number of investments in the development and implementation of the new products not yet ready for use. The most significant development costs were recorded in subsidiaries Sogefi Suspensions Eastern Europe S.R.L., Sogefi Air & Cooling S.A.S., S.C. Sogefi Air&Cool S.r.l., Sogefi U.S.A., Inc., Sogefi Engine Systems India Pvt Ltd and Sogefi Suspensions S.A..

Item “Customer relationship” amounts to Euro 9,896 thousand and represents the value of the Systemes Moteurs Group's customer portfolio at the acquisition date (year 2011) as determined during the Purchase Price Allocation process. The item is amortized over a period of approximately 19 years.

Item “Trade name Systemes Moteurs” amounts to Euro 4,345 thousand and represents the value of the trade name “Systemes Moteurs” at the acquisition date (year 2011) as determined during the Purchase Price Allocation process. The item is amortized over a period of approximately 19 years.

The item “Writedowns/revaluations during the period”, amounting to Euro 5,944 thousand, refers to projects no longer recoverable, mainly for the subsidiary Sogefi U.S.A., Inc. and the European subsidiaries and to the portion of the integrated information system of the Group allocated to the Brazilian (sold in December 2020) and to the Spanish (classified as available for sale at 31 December 2020) company.

The item does not include advances to suppliers for the purchase of fixed assets.

“Development costs” principally include costs generated internally, whereas "Industrial patents and intellectual property rights, concessions, licences and trademarks” consist of factors that are acquired externally for the most part.
“Other, assets under construction and payments on account” include around Euro 13,168 thousand of costs generated internally.

“Variation of consolidation perimeter” relates to the sale of the subsidiary Sogefi Filtration do Brasil Ltda. For further details, please refer to note 36 "Profit (loss) from discontinued operations, net of tax effects".
The item "Reclassification of non-current assets held for sale" refers to the subsidiary Sogefi Filtration Spain S.A.U., sold in January 2021, whose assets and liabilities were classified as assets and liabilities available for sale at 31 December 2020, in accordance with IFRS 5.

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

Goodwill and impairment test

Goodwill is not amortised, but subjected each year to impairment test.
The Company identified five Cash Generating Units (CGUs):

- filtration
- air & 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 Intake&Cooling and Car Suspension.

The specific goodwill of CGU “filtration” amounts to Euro 77,030 thousand; the goodwill of CGU “Air & 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 budget for 2021 for the period under consideration and the forecasts included in the plan until 2024 (adjusted to eliminate any estimated benefits from future projects and reorganisations) approved by the Board of Directors on 12 February 2021 for the following years. Budget and plan were prepared taking into account forecasts for the automotive industry made by major sources in the industry.

It should be noted that the impairment test prepared by the Company underwent methodological control by a leading consulting firm.

A discount rate post tax of 8.72%, 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% (based on long-term inflation estimates for the reference countries weighted by revenues) and considering an operating cash flow based on the last year of the forecast (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 Company considered Covid-19 impacts when calculating some parameters of the discount rate (for example, using averages based on longer time horizons compared to previous years) in order to purify the rate (and the concepts it includes in terms of risk and expected return) from the measures adopted by the European and US central banks aimed at coping with the economic effects deriving from the Covid-19 pandemic. These measures led to a lowering of the interest rate curve, an increase in cash flows with a consequent increase in the value of financial assets and a reduction in the estimated market risk premium.

The values used to calculate the average cost of capital (extrapolated from the main financial sources) are as follows:
- financial structure of the industry: 28.8%
- levered beta of the industry: 1.21
- risk-free rate: 3.5% (10 year average of risk-free rates of 10 year sovereign debt of the key markets in which the Group operates, weighted by revenues)
- risk premium: 5.2% (annual average risk premium, calculated by an independent source, associated with AAA-rated countries)
- specific risk: 1.42% additional premium, calculated by an independent source, for the risk connected with small caps
- debt cost spread: 2.3% (estimate based on the 2021 budget)

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): 17.8% for CGU Filtration; 19.2% for CGU Air Intake&Cooling; and 10.5% 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): -59.5% in CGU Filtration; -61.8% in CGU Air Intake&Cooling; and -22.5% in CGU Car Suspension;
- the impairment test reached break-even point at the following growth rates ("g-rate") of the terminal value (all other plan assumptions being equal): -12.8% in CGU Filtration; -14.8% in CGU Air Intake&Cooling; and -0.2% in CGU Car Suspension.

In addition, the Company has developed combined sensitivity analyses on the main parameters of the impairment test calculation (discount rate and "g-rate"); no impairment has emerged from said sensitivity analyses.

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 writedown has been posted.

11. OTHER FINANCIAL ASSETS

As at 31 December 2020, this item amounts to Euro 46 thousand, unchanged compared to the previous fiscal year.

12. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT RECEIVABLES

Non-current financial receivables total Euro 2,248 thousand (Euro 6,803 thousand as at 31 December 2019) and refer to the fair value of cross currency swap and interest rate hedging contracts. Further details can be found in note 39 “Financial instruments and financial risk management”.

The item “Other non-current receivables”, equal to Euro 33,911 thousand (Euro 33,532 thousand at 31 December 2019), includes tax credits relating to the research and development activities of the French subsidiaries, other tax credits, other assets and non-interest bearing guarantee deposits for leased properties.

13. DEFERRED TAX ASSETS

As at 31 December 2020, this item amounts to Euro 41,034 thousand compared to Euro 36,988 thousand as at 31 December 2019.
This amount relates to the expected benefits on deductible temporary differences, booked to the extent that it is probable that it will be recovered. Reference should be made to note 19 for a further discussion of this matter.

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

The item includes the assets and liabilities of the subsidiary Sogefi Filtration Spain S.A.U. classified as “Assets held for sale” at 31 December 2020, in accordance with IFRS 5. The subsidiary was sold in January 2021. For further details, please refer to note 36 "Profit (loss) from discontinued operations, net of tax effects".

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)	12.31.2020	12.31.2019
Bank overdrafts and short-term loans	3,230	1,942
Current portion of medium/long-term financial debts	148,804	78,760
Short-term financial debts for right of use	17,971	15,044
TOTAL SHORT-TERM FINANCIAL DEBTS	170,005	95,746
Other short-term liabilities for derivative financial instruments	20	21
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	170,025	95,767

Non-current portion

(in thousands of Euro)	12.31.2020	12.31.2019
Financial debts to banks	255,407	131,932
Other medium/long-term financial debts	95,311	213,638
Medium/long-term financial debts for right of use	52,238	52,806
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	402,956	398,376
Other medium/long-term liabilities for derivative financial instruments	1,003	-
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	403,959	398,376

Bank overdrafts and short-term loans

For further details, please refer to the Analysis of the net financial position 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:

Balance as at 31 December 2020 (in thousands of Euro):

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 2% year	98,193	-	98,193	N/A
Sogefi S.p.A.	Banca Nazionale del Lavoro S.p.A.	Dec -2018	Dec -2023	80,000	Euribor 3m. + 145 bps	-	79,962	79,962	N/A
Sogefi S.p.A.	Unicredit S.p.A. (guaranteed by Sace)	Oct -2020	Jun -2026	20,000	Euribor 3m. + 190 bps	-	19,925	19,925	N/A
Sogefi S.p.A.	Intesa SanPaolo S.p.A. (guaranteed by Sace)	Oct -2020	Jun -2026	20,000	Euribor 3m. + 190 bps	-	19,925	19,925	N/A
Sogefi S.p.A.	Mediobanca S.p.A. (guaranteed by Sace)	Oct -2020	Jun -2026	20,000	Euribor 3m. + 190 bps	-	19,925	19,925	N/A
Sogefi S.p.A.	ING Bank N.V. (guaranteed by Sace)	Oct -2020	Jun -2026	20,000	Euribor 3m. + 190 bps	-	19,925	19,925	N/A
Sogefi S.p.A.	ING Bank N.V.	Jul - 2015	Sept - 2022	55,000	Euribor 3m. + 165 bps	10,000	14,987	24,987	N/A
Sogefi S.p.A.	Mediobanca S.p.A	Aug- 2019	Aug- 2023	25,000	Euribor 3m. + 170 bps	-	24,950	24,950	N/A
Sogefi S.p.A.	Private placement	May- 2013	May- 2023	USD 115,000	Fixed coupon 600 bps	13,388	(*)	13,388	N/A
Sogefi S.p.A.	Private placement	Nov - 2019	Nov - 2025	75,000	Fixed coupon 3% year	7,500	(*)	7,500	N/A
Sogefi Filtration S.A.	CIC S.A.	Oct - 2020	Oct - 2026	10,000	Euribor 3m. + 250 bps	-	10,000	10,000	N/A
Sogefi Air&Cooling S.A.S	CIC S.A.	Oct - 2020	Oct - 2026	7,000	Euribor 3m. + 250 bps	-	7,000	7,000	N/A
Sogefi Suspensions S.A.	CIC S.A.	Oct - 2020	Oct - 2026	3,000	Euribor 3m. + 250 bps	-	3,000	3,000	N/A
Sogefi Air&Cooling S.A.S	LCL PGE	Oct - 2020	Oct - 2026	9,500	Euribor 3m.	-	9,500	9,500	N/A
Sogefi Filtration S.A.	LCL PGE	Oct - 2020	Oct - 2026	3,500	Euribor 3m.	-	3,500	3,500	N/A
Sogefi Suspensions S.A.	LCL PGE	Oct - 2020	Oct - 2026	2,000	Euribor 3m.	-	2,000	2,000	N/A
Sogefi Air&Cooling S.A.S	BNP PGE	Oct - 2020	Oct - 2026	9,000	Euribor 3m.	-	9,000	9,000	N/A
Sogefi Filtration S.A.	BNP PGE	Oct - 2020	Oct - 2026	6,500	Euribor 3m.	-	6,500	6,500	N/A
Sogefi Suspensions S.A.	BNP PGE	Oct - 2020	Oct - 2026	4,000	Euribor 3m.	-	4,000	4,000	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Feb - 2020	May- 2021	10,533	4.11 % fixed	10,533	-	10,533	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Intesa SanPaolo S.p.A.	Feb - 2020	Dec - 2021	4,363	4.54 % fixed	4,363	-	4,363	N/A
S.C. Sogefi Air & Cooling S.r.l.	ING Bank	Sept - 2019	Mar - 2024	2,465	ROBOR 3m. + 190 bps	616	1,387	2,003	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ICBC Bank	Nov - 2020	Nov - 2021	1,246	4,79 % fixed	1,246	-	1,246	N/A
Other loans/ deferrals of up front fees						2,965	- 79	2,886	
TOTAL						148,804	255,407	404,211	

(*) 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 as at 31 December 2019 (in thousands of Euro):

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	0	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 loans						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".

During financial year 2020, the Parent Company Sogefi S.p.A. exercised its right under the contract to repay in advance the portions in use of the following loans:
- Euro 50 million of the loan at Intesa San Paolo in May 2018;
- Euro 50 million of the loan at Unicredit in September 2019;
- Euro 25 million of the loan at Banco do Brasil in March 2020.

During 2020, the Parent Company Sogefi S.p.A. also entered into a loan, for a total amount of Euro 80 million, guaranteed by SACE S.p.A. for an amount equal to 80% of the nominal value, with the following banks:
- Euro 20 million with Unicredit S.p.A., expiring in June 2026, agreeing a variable rate linked to Euribor plus a spread of 190 basis points;
- Euro 20 million with Intesa San Paolo S.p.A., expiring in June 2026, agreeing a variable rate linked to Euribor plus a spread of 190 basis points;
- Euro 20 million with Mediobanca S.p.A., expiring in June 2026, agreeing a variable rate linked to Euribor plus a spread of 190 basis points;
- Euro 20 million with ING Bank N.V., expiring in June 2026, agreeing a variable rate linked to Euribor plus a spread of 190 basis points.

It should also be noted that during the 2020 financial year, the French subsidiaries opened three new credit lines, two of which are guaranteed by the French Government (BNP PGE and LCL PGE), for a total amount of Euro 54.5 million.

The existing loans are not secured by the Company's assets. Furthermore, note that, contractually, the spreads relating to the loans of the Parent Company Sogefi S.p.A. are reviewed every six months on the basis of the computation of the consolidated NFP/normalised consolidated EBITDA ratio. For an analysis of the covenants relating to loans outstanding at the end of the period, please refer to the note 21 below entitled "Analysis of the financial position".

Other short-term liabilities for derivative financial instruments

The item includes the short-term portion of the *fair value* of the exchange risk hedging contracts.
Reference should be made to chapter E for a further discussion of this matter.

Other medium/long-term financial debts

As at 31 December 2020, details were as follows (in thousands of Euro):

Società	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Total amount at December 31, 2020 (in thousands of Euro)	Real Guaran-tees
Sogefi S.p.A.	Private placement	Nov - 2019	Nov - 2025	Euro 75,000	Fixed coupon 3% year	67,173	N/A
Sogefi S.p.A.	Private placement	May - 2013	May - 2023	USD 115,000	Fixed coupon 600 bps	26,670	N/A
Other financial debts						1,468	
TOTALE						95,311	

Please note that an amount of Euro 13,388 thousand relating to the bond issue of USD 115,000 thousand, Euro 7,500 relating to the bond issue of Euro 75,000 thousand and Euro 98.193 thousand relating to the bond issue of original Euro 100 million were classified under "Current portion of medium/long-term financial debts" as they are to be repaid in 2021.

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

As at 31 December 2019, details were as follows (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan (in thousands)	Interest rate	Total amount at December 31, 2019 (in thousands of Euro)	Real guarantees
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	

The balance in Euro of the bond of original USD 115,000 thousand decreased as a result of the redemption of a portion of USD 16.4 million that was settled during 2020 and of the variation in the Euro-to-USD exchange rate (this variation being hedged; for further details refer to section E).

Financial payables for rights of use

Details are as follows:

(in thousands of Euro)	12.31.2020	12.31.2019
Short-term financial debts for right of use	17,971	15,044
Medium/long-term financial debts for right of use	52,238	52,806
TOTAL	70,209	67,850

The item includes payables for Rights of Use recorded following the application of the accounting standard IFRS 16 "Leases".
This item mainly refers to the residual debt of property rental agreements. The main property rental contracts relate to the subsidiaries Sogefi Suspensions Eastern Europe S.r.l. (Euro 18.6 million first reported in 2020), Filter Systems Maroc S.a.r.l. (Euro 6.4 million), Sogefi Engine Systems Mexico S. de R.L. de C.V. (Euro 11.7 million), Sogefi (Suzhou) Auto Parts Co., Ltd (Euro 5.6 million) and Sogefi Filtration S.A. (Euro 5.1 million).

It should also be noted that the item includes Euro 3,448 thousand (of which Euro 1,404 thousand are current and Euro 2,044 thousand are medium/long-term) relating to financial leases already in place as at 1 January 2019, already accounted for in accordance with the provisions of IAS 17.

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

The item includes the fair value of interest rate risk hedging contracts entered into by the Parent Company Sogefi S.p.A. to hedge the loan of Euro 80 million guaranteed by Sace.
Reference should be made to chapter E for a further discussion of this matter.

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)	12.31.2020	12.31.2019
Trade and other payables	309,518	361,391
Tax payables	4,327	9,213
TOTAL	313,845	370,604

Details of trade and other payables are as follows:

(in thousands of Euro)	12.31.2020	12.31.2019
Due to suppliers	225,638	272,518
Due to the parent company	1,267	2,067
Due to tax authorities for indirect and other taxes	9,254	7,714
Due to social and security institutions	14,546	16,873
Due to employees	26,999	32,255
Other commercial payables to customers	18,812	19,051
Other payables	13,002	10,913
TOTAL	309,518	361,391

Amounts “Due to suppliers” are not interest-bearing and are settled on average in 69 days (73 days as at 31 December 2019).
There is no significant concentration of payables due to any one supplier or small group of suppliers.

Amounts "Due to suppliers" show a decrease of Euro 46,880 thousand, of which Euro 8,038 thousand relates to the effect of exchange rates and Euro 7,679 thousand to the deconsolidation of the subsidiary Sogefi Filtration do Brasil Ltda.

Amounts “Due to the parent company” reflect the consideration of Euro 579 thousand due for the fiscal surplus transferred by companies that have joined the CIR Group tax filing system; Euro 674 thousand represent the tax liability, net of the relevant pre-payments, of the Italian subsidiaries in connection with the CIR Group tax filing system, and Euro 14 thousand reflect outstanding Directors' remuneration charged back to the parent company CIR S.p.A.

The item "Other commercial payables to customers" includes credit notes to be issued to customers for price reductions and discounts granted to Aftermarket customers upon reaching certain levels of turnover. These amounts in previous years were classified as a reduction of trade receivables. Following a better analysis of the contractual clauses, these amounts were classified within this item. For comparison purposes, the 2019 amounts were also reclassified.

“Tax payables” are taxes accrued in 2020.

17. OTHER CURRENT LIABILITIES

The item "Other current liabilities", for the amount of Euro 35,156 thousand (Euro 38,987 thousand as at 31 December 2019), mainly includes the liabilities recorded upon 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. NON-CURRENT PROVISIONS AND OTHER LIABILITIES

These are made up as follows:

Details of the main items are given below.

(in thousands of Euro)	12.31.2020	12.31.2019
Pension funds	62,774	53,235
Employment termination indemnities	3,190	3,467
Provision for restructuring	19,482	2,238
Provision for product warranties	3,960	4,678
Provision for rights of use restoration	4,552	4,586
Provisions for disputes in progress and other risks	4,334	8,094
TOTAL	98,292	76,298

Pension funds

The amount of Euro 62,774 thousand represents the amount set aside at year end by the various Group foreign companies to cover the liabilities of their various pension funds. Changes in the pension funds occurred during the year are shown below:

(in thousands of Euro)	12.31.2020	12.31.2019
Opening balance	53,235	49,019
Cost of benefits charged to income statement	1,463	2,580
"Other Comprehensive Income"	13,936	4,957
Contributions paid	(4,261)	(3,717)
Change in the scope of consolidation	-	(893)
Exchange differences	(1,599)	1,289
TOTAL	62,774	53,235

The following table shows all of the obligations deriving from “Pension funds” and the present value of the plan assets for the year 2020 and the two previous years.

(in thousands of Euro)	12.31.2020	12.31.2019	12.31.2018
Present value of defined benefit obligations	237,546	227,931	200,520
Fair value of plan assets	174,772	174,696	151,501
Deficit	62,774	53,235	49,019

Changes in the "Present value of defined benefit obligations" for the year 2020 were as follows:

(in thousands of Euro)	12.31.2020	12.31.2019
Present value of defined benefit obligations at the beginning of the period	227,931	200,520
Current service cost	1,399	1,438
Financial expenses	4,052	5,394
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(765)	(5,983)
- Actuarial (gains)/losses arising from changes in financial assumptions	26,108	29,823
- Actuarial (gains)/losses arising from experience	(192)	(1,988)
- Actuarial (gains)/losses arising from "Other long-term benefits"- Jubilee benefit	(495)	136
Past service cost	116	-
Contribution paid by plan participants	1	6
Settlements/Curtailments	(709)	(646)
Exchange differences	(11,095)	9,511
Change in the scope of consolidation	-	(893)
Benefits paid	(8,805)	(9,387)
Present value of defined benefit obligations at the end of the period	237,546	227,931

“Actuarial (gains)/losses arising from changes in demographic assumptions” are mainly due to revised mortality assumptions and turnover in French pension funds.
“Actuarial (gains)/losses arising from changes in financial assumptions” are mainly due to a diminished discount rate in British and French pension funds.
“Actuarial (gains)/losses arising from experience adjustments” reflect the difference between actuarial assumptions and what occurred in practice (for instance, in terms of employee turnover, wage inflation or inflation rate).
“Actuarial (gains)/losses relating to other long-term benefits” mainly relate to the French subsidiaries.

With regard to the balances of companies that use functional currencies other than the Euro, please note that the Income Statement items are translated into Euro using the average exchange rate of the reporting period; the present value of obligations at beginning and end of period was translated at the rate of exchange ruling at the relevant date.

Changes in the fair value of plan assets are illustrated in the table below:

(in thousands of Euro)	12.31.2020	12.31.2019
Fair value of plan assets at the beginning of the period	174,696	151,501
Interest income	3,321	4,299
Remeasurement (gains)/losses:		
Return on plan assets	11,215	16,895
Non-management costs of plan assets	(421)	(557)
Contributions paid by the company	2,583	2,443
Contributions paid by the plan participants	1	6
Settlements/Curtailments	-	-
Exchange differences	(9,484)	8,221
Benefits paid	(7,139)	(8,112)
Fair value of plan assets at the end of the period	174,772	174,696

With regard to the balances of companies that use functional currencies other than the Euro, please note that the Income Statement items are translated into Euro using the average exchange rate of the reporting period, whereas the fair value of assets at beginning and end of period was translated at the rate of exchange ruling at the relevant date.

Details of the amounts recognised in Other comprehensive income are given below:

(in thousands of Euro)	12.31.2020	12.31.2019
Return on plan assets (excluding amounts included in net interests expenses on net liability (assets))	(11,215)	(16,895)
Actuarial (gains)/losses arising from changes in demographic assumptions	(765)	(5,983)
Actuarial (gains)/losses arising from changes in financial assumptions	26,108	29,823
Actuarial (gains)/losses arising from experience	(192)	(1,988)
Value of the net liability (asset) to be recognised in "Other Comprehensive income"	13,936	4,957

The amounts charged to the Income Statement can be summarised as follows:

(in thousands of Euro)	12.31.2020	12.31.2019
Current service cost	1,399	1,438
Net interest cost	731	1,095
Past service cost	116	-
Actuarial (gains)/losses recognised during the year on "Other long-term benefits"- Jubilee benefit	(495)	136
Non-management costs of plan assets	421	557
Settlements/Curtailments	(709)	(646)
TOTAL	1,463	2,580

Items “Current service cost” and “Non-management costs of plan assets” are included in the various “Labour cost” lines of Income Statement items.
Line “Financial expenses, net” is included in “Financial expenses (income), net”.

"Actuarial (gains) losses recognized during the year" relating to jubilee benefits, "Settlements/Curtailments" and "Past service cost" are included in "Other non-operating expenses (income)".

Defined-benefit plans expose the Group to the following actuarial risks:

- Investment risk (only applies to British subsidiaries that hold plan assets): the present value of the defined-benefit obligation is calculated at a discount rate determined with reference to returns on AA-rated UK corporate bonds or Eurozone corporate bonds; if the return on plan assets is lower than this rate, the plan will be in deficit. For this reason, and considering the long-term nature of plan liabilities, the British companies' funds diversified their portfolios to include investment in properties, debt instruments and equity instruments.
- Interest risk: a decrease in the discount rate will lead to an increase in plan liability; however, if plan assets are present, such increase will be partially offset by an increase in the return on plan investments.
- Longevity risk: the value of the defined-benefit obligation is calculated taking into account the best possible estimate of the mortality rate of plan beneficiaries; an increase in life expectancy leads to an increase in the resulting obligation.
- Inflation risk/wage inflation risk: the value of the definite-benefit plan with reference to employees in service is calculated taking into account future pay rises and inflation rate: an increase in these elements causes the relevant obligation to increase.

The following table shows the breakdown of "Pension funds" by geographical area of the relevant subsidiaries:

(in thousands of Euro)	12.31.2019			
	Great Britain	France	Other	TOTAL
Present value of defined benefit obligations	201,511	22,665	3,755	227,931
Fair value of plan assets	174,371	-	325	174,696
Deficit	27,140	22,665	3,430	53,235

(in thousands of Euro)	12.31.2020			
	Great Britain	France	Other	TOTAL
Present value of defined benefit obligations	213,267	20,580	3,699	237,546
Fair value of plan assets	174,537	-	235	174,772
Deficit	38,730	20,580	3,464	62,774

Note that the actuarial valuations of the "Pension funds" are carried out in collaboration with external specialists.

The following paragraphs summarise the pension systems in the geographical areas that affect the Group the most: Great Britain and France.

Great Britain
In Great Britain, pension plans are mainly private, being made with fund management companies and administered independently from the company.
They are classified as defined-benefit plans subject to actuarial valuation that are accounted for according to the corridor approach as provided for by IAS 19.

With regard to plan governance, administrators are representatives of employees, former employees and employer; they are required by law to act in the interest of the fund and of all main stakeholders and are responsible for the investment policies adopted for plan assets.
With regard to the nature of employee benefits, employees are entitled to a post-employment annuity calculated by multiplying a portion of the wage earned at retirement age by the number of years of service until retirement age.

The main assumptions used in the actuarial valuation of these "Pension funds" were as follows:

	12.31.2020	12.31.2019
Discount rate %	1.3	2.0-2.1
Annual inflation rate %	2.1-3.0	2.1-3.1
Retirement age	65	65

The diminished "Discount rate" versus the previous year reflects the downward trend in returns on AA-rated UK corporate bonds recorded in 2020.
The "Discount rate" is calculated based on the returns on AA-rated UK corporate bonds with average duration similar to that of the bond (approximately 21 years for the subsidiary Allevard Springs Ltd and 17 years for the subsidiary Sogefi Filtration Ltd).

Changes in the present value of the UK funds obligation for 2020 and 2019 were as follows:

(in thousands of Euro)	12.31.2020	12.31.2019
Present value of defined benefit obligations at the beginning of the period	201,511	175,069
Current service cost	4	(14)
Financial expenses	3,809	4,942
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	423	(6,013)
- Actuarial (gains)/losses arising from changes in financial assumptions	25,494	27,738
- Actuarial (gains)/losses arising from experience	-	(1,707)
Past service cost	116	-
Contribution paid by plan participants	1	6
Settlements/Curtailments	22	-
Exchange differences	(11,058)	9,525
Benefits paid	(7,055)	(8,035)
Present value of defined benefit obligations at the end of the period	213,267	201,511

Changes in the fair value of UK plan assets are illustrated in the table below:

(in thousands of Euro)	12.31.2020	12.31.2019
Fair value of plan assets at the beginning of the period	174,371	151,142
Interest income	3,304	4,276
Remeasurement (gains)/losses:		
Return on plan assets (excluded amounts recognised in interest income)	11,221	16,899
Non-management costs of plan assets	(421)	(557)
Contribution paid by the company	2,573	2,407
Contribution paid by plan participants	1	6
Settlements/Curtailments	-	-
Exchange differences	(9,457)	8,235
Benefits paid	(7,055)	(8,037)
Fair value of plan assets at the end of the period	174,537	174,371

Allocations of the fair value of plan asset based on type of financial instrument were as follows:

	12.31.2020	12.31.2019
Debt instruments	21.0%	23.4%
Equity instruments	24.0%	27.7%
Real estate investments	0.0%	0.3%
Cash	14.7%	13.4%
Derivatives	28.5%	25.5%
Other assets	11.8%	9.7%
TOTAL	100.0%	100.0%

The fair value of these financial instruments was measured based on quoted prices available in active markets.

Debt instruments are mostly foreign corporate securities. Equity instruments are mostly foreign securities (emerging country securities constitute a minimal share).
The Trustee Board periodically reviews the plan's investment strategies and diversifies them by risk and asset profitability. These strategies take into account the nature and duration of liabilities, the fund's financing needs and the employer's ability to meet the fund's commitments. The UK funds use derivative financial instruments to hedge the risk of changes in liability value connected with inflation, exchange and interest rates.

With regard to the impact of the defined-benefit plan of the UK companies on the Group's future cash flows, expected contributions to the plans for the next year total Euro 2,961 thousand.

Average bond duration as at 31 December 2020 is approximately 17 years.

In compliance with the IAS 19, a sensitivity analysis was performed to determine the changes to the present value of the bond as the most significant actuarial assumptions change, other actuarial assumptions being equal.

Considering the peculiar operation of UK funds, the following actuarial assumptions are considered significant:
- Discount rate
- Life expectancy

An overview of the changes in the present value of the obligation triggered by changes in these actuarial assumptions is provided below:

(in thousands of Euro)	12.31.2020	
	+1%	-1%
Discount rate	(28,799)	36,909
Life expectancy	7,237	(7,005)

France
Pensions in France are essentially based on state pension plans and the responsibility of the company is limited to paying the contributions established by law.
In addition to this basic assistance guaranteed by the state, retiring employees are also entitled to other additional amounts under collective labour agreements that are determined based on length of service and salary level, and are only paid if the employee reaches retirement age in the company. An employee leaving the company before retirement age will lose these additional benefits.
These additional benefits are recognised as a liability for the company and, in accordance with IAS 19, they are considered as defined-benefit plans subject to actuarial valuation.

In addition to the retirement indemnity, a collective labour agreement provides for a "*Jubilee benefit*" (which is calculated with a different method at each different French subsidiary) that vests upon reaching 20, 30, 35 and 40 years of service with the company. Under the IAS 19, this "Jubilee benefit" falls under the residual category of "Other long-term benefits" and is subject to actuarial valuation; actuarial gains (losses) must be recognised in the Income Statement for that year. Employees will lose the bonus falling due upon the different service jubilee bonuses if they leave the company before reaching the years of service mentioned above.

The main assumptions used in the actuarial valuation of these "Pension funds" were as follows:

	12.31.2020	12.31.2019
Discount rate %	0.60	0.85
Expected annual wage rise %	1.6-5 based on age	1.6-5 based on age
Annual inflation rate %	1.75	1.75
Retirement age	62-67	62-67

The "Discount rate" is calculated based on the returns on Eurozone AA-rated corporate bonds (average duration of 15 years).

Changes in the "Present value of defined benefit obligations" were as follows:

(in thousands of Euro)	12.31.2020	12.31.2019
Present value of defined benefit obligations at the beginning of the period	22,665	22,020
Current service cost	1,252	1,277
Financial expenses	191	387
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(1,178)	31
- Actuarial (gains)/losses arising from changes in financial assumptions	516	1,793
- Actuarial (gains)/losses arising from experience	(250)	(449)
- Actuarial (gains)/losses related to "Other long-term benefits" - Jubelee benefit	(495)	136
Past service cost	-	-
Settlements/Curtailments	(732)	(646)
Change in the scope of consolidation	-	(893)
Benefits paid	(1,389)	(991)
Present value of defined benefit obligations at the end of the period	20,580	22,665

"Actuarial (gains)/losses arising from experience adjustments" reflect the difference between actuarial assumptions and what occurred in practice (for instance, in terms of employee turnover, wage inflation or inflation rate).

The sensitivity analysis of the French funds was performed by varying the following actuarial assumptions:

- Discount rate
- Wage inflation rate

An overview of the changes in the present value of the obligation triggered by changes in these actuarial assumptions is provided below:

(in thousands of Euro)	12.31.2020	
	+1%	-1%
Discount rate	(3,058)	3,528
Rate of salary increase	3,406	(3,070)

Employment termination indemnities

This aspect only concerns the Group's Italian companies, where pensions are represented by state plans and the company's responsibility is limited to regular payment of social contributions each month.
In addition to state-provided pensions, employees are entitled by law to a termination indemnity that accrues in accordance with length of service and is paid when an employee leaves the company.
The termination indemnity is calculated based on the length of service and taxable remuneration of each employee.

The corresponding liability is put aside in a specific provision and the amounts accrued in previous years are subject to annual revaluation based on the official cost-of-life index and at the legal interest rates; it is not associated with any conditions or accrual periods, nor does it require any financial provision; as a result, there are no assets underlying the provision.
This termination indemnity is considered as a defined-benefit provision, but subject to actuarial valuation for the part relating to the expected future benefits in respect of past service (which is the part subject to annual revaluation).
Further to the amendments to the "Employment termination indemnities" introduced by Law 296 of 27 December 2006 and subsequent decrees and regulations issued in the early part of 2007, for companies with 50 or more employees (Sogefi Filtration Italy S.p.A., Sogefi Suspensions Passenger Car Italy S.p.A. and Sogefi Suspensions Heavy Duty Italy S.p.A.), the portions of the provision accruing as from 1 January 2007 are transferred - at employee's option - to supplementary pension funds or to the treasury fund held by INPS (the Italian social security authority) or to supplementary pension schemes, and are considered as "defined-contribution plans". These amounts therefore do not require actuarial valuation and are no longer booked to "Employment termination indemnities". The "Employment termination indemnities" accruing up to 31 December 2006 is still a "defined-benefit plan", consequently requiring actuarial valuation, which however will no longer take account of the component relating to future wage inflation.
In accordance with the IAS 19, for companies with less than 50 employees (Parent Company Sogefi S.p.A.) the item "Employment termination indemnities" as at 31 December 2020 is entirely accounted for as a "Definite-benefit plan" and is subject to actuarial valuation.

The assumptions taken into consideration when carrying out the actuarial valuation of the "Employment termination indemnities" were as follows:

- Macroeconomic assumptions:
1. annual discount rate (IBoxx Eurozone Corporate AA Index): 0%-0.27% (0.37% as at 31 December 2019);
2. annual inflation rate: 1.2% (as at 31 December 2019: 1.2%);
3. annual increase in termination indemnity: 2.1% (as at 31 December 2019: 2.4%);

- Demographic assumptions:
1. rate of voluntary resignations: 3% - 10% of the workforce (same assumptions adopted as at 31 December 2019);
2. retirement age: it was assumed that employees would reach the first of the requirements valid for mandatory general social security (same assumptions adopted as at 31 December 2019);
3. probability of death: the RG48 mortality tables produced by the General State Accounting Body were used (same assumptions adopted as at 31 December 2019);
4. probability of advanced settlement: an annual value of 2% - 3% each year was assumed (same assumptions adopted as at 31 December 2019);
5. INPS' table split by age and gender was used for the probability of disability (same assumptions adopted as at 31 December 2019).
6. The provision changed as follows during the period:

(in thousands of Euro)	12.31.2020	12.31.2019
Opening balance	3,467	4,478
Accruals for the period	34	49
Amounts recognised in "Other Comprehensive Income"	73	106
Contributions paid	(384)	(1,166)
TOTAL	3,190	3,467

The amounts charged to the Income Statement can be summarised as follows:

(in thousands of Euro)	2020	2019
Current service cost	27	26
Financial charges	7	23
TOTAL	34	49

Average bond duration as at 31 December 2020 is approximately 9 years.

The sensitivity analysis of the provision for employment termination indemnities is outlined below. The table below shows the changes in the provision triggered by changes in the following actuarial assumptions:
- Discount rate
- Wage inflation

(in thousands of Euro)	12.31.2020	
	+0.5%	-0.5%
Discount rate	(109)	113
Rate of salary increase	1	(1)

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)	12.31.2020	12.31.2019
Opening balance	2,238	1,545
Accruals for the period	19,220	1,859
Utilisations	(1,767)	(1,151)
Provisions not used during the period	(107)	(15)
Other changes	(102)	-
Exchange differences	-	-
TOTAL	19,482	2,238

Changes in “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), total Euro 19,113 thousand; this figure is booked to the Income Statement under “Restructuring costs”.

The provision of Euro 19,220 thousand mainly refers to the German subsidiary Sogefi PC Suspensions Germany GmbH and the French subsidiaries Sogefi Filtration S.A. and Sogefi Air & Cooling S.A.S..

Provision for product warranties

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2020	12.31.2019
Opening balance	4,678	4,281
Accruals for the period	1,505	2,974
Utilisations	(938)	(2,001)
Provisions not used during the period	(545)	(410)
Other changes	(750)	(214)
Exchange differences	10	48
TOTAL	3,960	4,678

The item includes provisions for product warranties by Group companies.
The accrual of Euro 1,505 thousand mainly refers to risks connected with disputes relating to the European subsidiaries.
Utilisations mainly refer to the subsidiary Sogefi U.S.A., Inc..

Provision for restoration of rights of use

This item (for the amount of Euro 4,552 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.

Provisions for disputes in progress and other risks

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2020	12.31.2019
Opening balance	8,095	7,926
Accruals for the period	4,599	3,046
Utilisations	(2,108)	(2,350)
Provisions not used during the period	(428)	-
Variation of consolidation perimeter	(2,799)	-
Other changes	(1,612)	(329)
Exchange differences	(1,413)	(198)
TOTAL	4,334	8,095

The provision includes liabilities toward employees and other individuals or entities. Amounts stated in the financial statements represent the best possible estimates of liabilities at year-end date.
The provision at 31 December 2020 mainly refers to liabilities for risks connected with disputes relating to the European subsidiaries.
Please refer to note 44 “Contingent assets/liabilities” for details on liabilities not assessed as probable.

“Other changes” include reclassifications to other items of the financial statements.
“Variation of consolidation perimeter" refers to the deconsolidation of the subsidiary Sogefi Filtration do Brasil Ltda. For further details, please refer to note 36 "Profit (loss) from discontinued operations, net of tax effects".

Other payables

The item “Other payables” amounts to Euro 58,660 thousand (Euro 59,503 thousand as at 31 December 2019), and mainly reflects the non-current portion of the liabilities recorded upon 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 ASSETS AND LIABILITIES

The following details of deferred tax assets and liabilities are provided in light of the IAS/IFRS disclosure requirements.

(in thousands of Euro)	12.31.2020		12.31.2019	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Deferred tax assets:				
Allowance for doubtful accounts	1,814	431	1,877	463
Fixed assets amortisation/writedowns	41,828	10,868	37,290	9,704
Inventory writedowns	4,549	1,195	4,855	1,389
Provisions for restructuring	12,473	2,379	-	-
Other provisions - Other payables	50,715	11,358	51,437	10,846
Fair value derivative financial	2,762	663	2,490	598
IFRS15	11,951	2,677	15,615	3,555
IFRS16	3,776	770	4,577	1,004
Other	19,432	5,060	15,537	4,570
Deferred tax assets for tax losses incurred during the year	8,505	1,761	8,153	1,869
Deferred tax assets for tax losses incurred during previous years	14,958	3,872	14,130	2,991
TOTAL	172,763	41,034	155,961	36,988
Deferred tax liabilities:				
Accelerated/excess depreciation and amortisation	73,814	17,087	95,664	23,094
Difference in inventory valuation methods	1,032	295	1,174	340
Capitalisation of R&D costs	36,402	8,473	38,739	9,222
IFRS16	-	-	-	-
Other	21,221	4,361	25,096	4,946
TOTAL	132,469	30,216	160,673	37,602
Deferred tax assets (liabilities) net		10,818		(614)
Temporary differences excluded from the calculation of deferred tax assets (liabilities):				
Tax losses carried forward	95,159	22,982	114,524	35,530

The tax effect has been calculated on the basis of the rates applicable in the various countries, which are in line with those of the previous year, except for the tax rate applicable to the Indian subsidiary, which decreased from 34% to 25% for deferred taxes that will be reversed starting in 2021, and that applicable to French subsidiaries, which will gradually decrease from 28.92% to 25.85% for deferred taxes expected to be reversed starting in 2022.

The increase in “Deferred tax assets (liabilities), net” compared to 31 December 2019 amounts to Euro 11,432 thousand and differs by Euro 1,858 thousand from the amount shown in the Income Statement under “Income taxes – Deferred tax liabilities (assets)” (Euro 9,574 thousand) due to:

- movements in Balance sheet items that did not have any effect on the income statement and therefore the related positive tax effect amounting to Euro 1,095 thousand has been accounted for as Other comprehensive income (expenses); positive effect of the fair value of derivatives designated as cash flow hedges was Euro 65 thousand; positive effect of actuarial gains/losses arising from the adoption of the IAS 19 was Euro 1,030 thousand;
- reclassification of Balance sheet items that did not have any effect on the income statement, for a positive tax effect amounting to Euro 432 thousand;
- deferred taxes for a negative effect of Euro 107 thousand relating to the subsidiary Sogefi Filtration Spain S.A.U. recorded in the Balance Sheet heading "Assets held for sale";
- deferred taxes for a negative effect of Euro 48 thousand following the adoption of IAS 29;
- exchange differences with a positive effect of Euro 486 thousand;

The increase in the tax effect in the item "Provisions for restructuring" is related to the provisions made for the reorganisations under way mainly of the European subsidiaries.

The increase in the tax effect relating to item “Other provisions - Other payables” mostly originates from the higher liabilities referred to the pension funds of the subsidiary Allevard Springs Ltd.

The increase in the tax effect related to the item "Fair value derivative financial" refers to the Parent Company Sogefi S.p.A..

Item “Other” of deferred tax assets includes various types of items, such as for example costs for which tax deduction is deferred (for example, amounts allocated to remuneration accrued in 2020 not yet paid).

“Deferred tax assets for tax losses incurred during the year”, for the amount of Euro 1,761 thousand, include Euro 1,004 thousand relating to the Parent Company Sogefi S.p.A., Euro 587 thousand to subsidiary Sogefi Suspensions Eastern Europe S.R.L., and Euro 170 thousand to subsidiary Sogefi Filtration Argentina S.A.. These taxes were recognised because it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised.
With reference to the losses of the Parent Company Sogefi S.p.A., in particular, please note that taxes on tax losses of the year are recognised in the income statement under "Current taxes" (Euro 636 thousand) to the extent that the loss is actually offset against

taxable income generated within the CIR Group tax filing system. Tax losses carried forward in excess of the offset amount were recognised as deferred tax assets (Euro 1,004 thousand) as they are likely to be recovered taking into account that the Company has joined the CIR Group tax filing system permanently.

“Deferred tax assets for tax losses incurred during previous years” amount to Euro 3,872 thousand and mainly relate to the subsidiaries Sogefi Air & Cooling S.A.S. (Euro 2,309 thousand as at 31 December 2020 and Euro 1,347 thousand as at 31 December 2019. The increase in the amount relates to the recognition, in the 2020 financial year, of deferred tax assets relating to tax losses from previous years previously not recognised due to the lack of the conditions for their recognition), Sogefi Suspensions S.A. (Euro 1,401 thousand at 31 December 2020, substantially in line with 31 December 2019) and Sogefi Filtration Argentina S.A. (Euro 118 thousand at 31 December 2020 compared to Euro 104 thousand at 31 December 2019).
These taxes were recognised because it is believed to be probable that taxable income will be available in the future 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.

Please also note that the losses of the French subsidiaries can be carried forward indefinitely but the amount that can be utilised each year is limited, making recovery time longer. The losses of the Argentine subsidiary can be carried forward over a period of up to 5 years since they were incurred, while the losses of the Romanian subsidiary can be carried forward over a period of up to 7 years since they were incurred.

Note that the deferred tax assets relating to the “Allowance for doubtful accounts” and to the “Inventory writedowns” include amounts that will mainly be reversed in the twelve months following year end.

Column “Tax effect” of item “Other” of deferred tax liabilities includes:
- Euro 1,053 thousand relating to the taxed portion of dividends expected to be paid to the French subsidiaries in the short term;
- Euro 2,202 thousand relating to deferred tax liabilities allocated to the reserve under tax suspension in connection with the convertible bond of the Parent Company Sogefi S.p.A.;
- Euro 650 thousand relating to deferred tax liabilities generated by the application of IFRS 15;
- other items for the amount of Euro 456 thousand.

As regards the figures shown under "Temporary differences excluded from the calculation of deferred tax assets (liabilities)", deferred tax assets were not booked as, at year end, there was not a probability that they would be recovered. “Tax losses carried forward” relate to subsidiaries Sogefi Suspensions S.A., Sogefi ADM Suspensions Private Limited, Sogefi Suspensions Eastern Europe S.R.L., Sogefi Filtration S.A., Filter Systems Maroc S.a.r.l. and S.ARA Composite S.A.S..

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 at 31 December 2020 (unchanged since 31 December 2019), split into 120,117,992 ordinary shares with a par value of Euro 0.52 each (unchanged since 31 December 2019).
No shares are encumbered by rights, liens or limitations relating to dividend distribution.

As at 31 December 2020, the Company has 2,122,229 treasury shares in its portfolio, corresponding to 1.77% of share capital.

Movements in the shares outstanding are as follows:

(Shares outstanding)	2020	2019
No. shares at start of period	120,117,992	120,117,992
No. shares issued for subscription of stock options	-	-
No. of ordinary shares as of December 31	120,117,992	120,117,992
Treasury shares	(2,122,229)	(2,259,760)
No. of shares outstanding as of December 31	117,995,763	117,858,232

Share premium reserve
It amounts to Euro 19,042 thousand compared to Euro 18,728 thousand in the previous year.
During 2020, the Parent Company Sogefi S.p.A. credited Euro 314 thousand to the Share premium reserve after the free grant of 137,531 treasury shares to Stock Grant Plan beneficiaries.

Treasury shares
Item “Treasury shares” reflects the purchase price of treasury shares. Movements during the year amount to Euro 314 thousand and reflect the free grant of 137,531 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.
Changes during the period show a decrease of Euro 11,102 thousand mainly due to the depreciation of the South American currencies and US dollar against the Euro.

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.

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, including the portion relating to the stock grant plan approved in 2020.

Further to Stock Grant Plan beneficiaries exercising their rights in 2020, and the corresponding free grant of 137,531 treasury shares, the amount of Euro 338 thousand, corresponding to the fair value at right (Unit) allocation date, was reclassified from “Stock-based incentive plans reserve” to “Share premium reserve” (increased by Euro 314 thousand) and to “Retained earnings reserve” (increased by Euro 24 thousand).
During the 2020 financial year, the Company reclassified Euro 682 thousand to the "Retained Earnings Reserve" following the termination of the 2010 Stock Option Plan.

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”. Changes during the period show a decrease of Euro 272 thousand, which breaks down as follows:

- Increase of Euro 731 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;
- Decrease of Euro 1,003 thousand referred to IRS contracts in hedge accounting entered into during the 2020 financial year. Further details can be found in note 39 “Financial instruments and financial risk management”.

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

Retained earnings
These totalled Euro 179,562 thousand and include amounts of profit that have not been distributed.
The increase of Euro 4,014 thousand refers to the following events:

- reclassification from the above mentioned "Stock-based incentive plans reserve" as outlined above for a total amount of Euro 706 thousand;
- the effect of the adoption of IAS 29 "Financial Reporting in Hyperinflationary Economies" in the Argentine subsidiaries, which amounted to Euro 3,174 thousand;
- other positive changes for the amount of Euro 134 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)	2020			2019		
	Gross value	Taxes	Net value	Gross value	Taxes	Net value
- Profit (loss) booked to cash flow hedging reserve	(272)	65	(207)	728	(175)	553
- Actuarial gain (loss)	(14,009)	1,030	(12,979)	(5,063)	1,054	(4,009)
- Profit (loss) booked to translation reserve	(11,195)	-	(11,195)	(3,829)	-	(3,829)
- Total Profit (loss) booked in Other Comprehensive Income	(25,476)	1,095	(24,381)	(8,164)	879	(7,285)

Tax constraints applicable to certain reserves

The equity of Parent Company Sogefi S.p.A. includes Reserves under tax suspension and its share capital is subject to constraints under tax suspension after revaluation reserves were utilised in the past, for a total amount of Euro 24,164 thousand.

The Parent Company has made no allocations for deferred tax liabilities to such reserves, that, if distributed, would count towards taxable income of the Company, because it is not deemed likely that they will be distributed.

Non-controlling interests

The balance amounts to Euro 16,413 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	12.31.2020	12.31.2019	12.31.2020	12.31.2019	12.31.2020	12.31.2019
S.ARA Composite S.A.S.	France	4.21%	4.21%	(76)	(210)	(26)	50
Iberica de Suspensiones S.L.	Spain	50.00%	50.00%	1,433	3,557	14,752	16,319
Shanghai Allevard Spring Co., Ltd	China	39.42%	39.42%	(768)	(353)	1,204	2,010
Sogefi ADM Supensions Private Limited	India	25.77%	25.77%	(103)	2	419	577
Sogefi Filtration Italy S.p.A.	Italy	0.12%	0.12%	1	(1)	29	28
Sogefi Suspensions Passenger Car Italy S.p.A.	Italy	0.12%	0.12%	-	1	18	18
Sogefi Suspensions Heavy Duty Italy S.p.A.	Italy	0.12%	0.12%	2	4	17	15
TOTAL				489	3,000	16,413	19,017

It should be noted that company Iberica de Suspensions S.L. (ISSA) – which is 50% owned – 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.

As required by IFRS 12, an overview of the key financial indicators of the companies showing significant non-controlling interests:

(in thousands of Euro)	*Shanghai Allevard Spring Co., Ltd*		*Iberica de Suspensiones S.L.*	
	12.31.2020	12.31.2019	12.31.2020	12.31.2019
Current Assets	2,307	3,948	32,946	32,444
Non-current Assets	1,031	2,153	20,875	21,489
Current Liabilities	8	723	22,287	19,681
Non-current Liabilities	-	3	2,030	1,612
Shareholders' equity attributable to the Holding Company	2,126	3,365	14,752	16,320
Non-controlling interests	1,204	2,010	14,752	16,320
Sales Revenue	844	2,616	54,475	73,192
Variable cost of sales	690	1,702	34,816	47,028
Other variable costs of sales	121	211	2,770	3,402
Fixed expenses	508	1,524	12,518	12,658
Non-operating expenses (income)	1,472	34	666	241
Income taxes	-	44	839	2,749
Income (loss) for the period	(1,947)	(899)	2,866	7,114
Income (loss) attributable to the Holding Company	(1,179)	(546)	1,433	3,557
Income (loss) attributable to non-controlling interests	(768)	(353)	1,433	3,557
Income (loss) for the period	(1,947)	(899)	2,866	7,114
OCI attributable to the Holding Company	(60)	32	-	-
OCI attributable to non-controlling interests	(39)	21	-	-
OCI for the period	(99)	53	-	-
Total income (losses) attributable to the Holding Company	(1,239)	(514)	1,433	3,557
Total income (losses) attributable to non-controlling interests	(807)	(332)	1,433	3,557
Total income (losses) for the period	(2,046)	(846)	2,866	7,114
Dividends paid to non-controlling interests	-	-	3,000	5,000
Net cash inflow (out flow) from operating activities	(214)	(433)	5,506	14,346
Net cash inflow (out flow) from investing activities	116	3	(2,675)	(6,554)
Net cash inflow (out flow) from financing activities	(30)	-	(91)	(9,788)
Net cash inflow (out flow)	(128)	(430)	2,740	(1,996)

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 table included in the Report on operations:

(in thousands of Euro)	12.31.2020	12.31.2019
A. Cash	209,673	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)	**209,673**	**165,173**
E. Current financial receivables	**3,974**	**3,306**
F. Current payables to banks	3,230	1,942
G. Current portion of non-current indebtedness	148,804	78,760
H. Other current financial debts	17,991	15,065
I. Current financial indebtedness (F) + (G) + (H)	**170,025**	**95,767**
J. Current financial indebtedness, net (I) - (E) - (D)	**(43,622)**	**(72,712)**
K. Non-current payables to banks	255,407	131,932
L. Bonds issued	93,842	212,070
M. Other non-current financial debts	54,710	54,374
N. Non-current financial indebtedness (K) + (L) + (M)	**403,959**	**398,376**
O. Net indebtedness (J) + (N)	**360,337**	**325,664**
Non-current financial receivables (derivates in cash flow hedge)	2,248	6,804
Financial indebtedness, net including non-current financial receivables (as per the "Net financial position" included in the Report on operations)	**358,089**	**318,860**

Details of the covenants applying to loans outstanding at year end are as follows (please read note 15 “Financial debts to banks and other financing creditors” above 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.
- loan of Euro 80,000 thousand guaranteed by SACE: 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.

As at 31 December 2020, the Company was in compliance with these covenants.
As specified in note 2 “Consolidation principles and accounting policies – Going concern”, covenants are expected to be complied with also in 2021.

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

22. SALES REVENUES

Revenues from sales and services

During the year 2020, the sales revenues of the Sogefi Group amounted to Euro 1,203.2 million, down 17.8% at historical exchange rates and 14.2% at constant exchange rates compared to 2019.

Revenues from the sale of goods and services are as follows:

(in thousands of Euro)	2020		2019	
	Amount	*%*	*Amount*	*%*
Suspensions	399,566	33.2	549,716	37.6
Filtration	434,157	36.1	491,508	33.6
Air&Cooling	371,800	30.9	425,897	29.1
Intercompany eliminations	(2,322)	(0.2)	(3,275)	(0.3)
TOTAL	1,203,201	100.0	1,463,846	100.0

By business sector, Filtration (with a 8.1% drop in revenues at constant exchange rates) and Air & Cooling (-10.7% 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 China and North America, in the case of Air & Cooling. The impact of the crisis on Suspensions was greater, with a 22.7% drop in revenues at constant exchange rates, reflecting the greater concentration of business in Europe and South America and the sector's particularly unfavourable performance in these areas.

By geographic area:

(in thousands of Euro)	2020		2019	
	Amount	*%*	*Amount*	*%*
Europe	754,851	62.7	923,504	63.1
South America	59,499	4.9	110,208	7.5
North America	250,836	20.8	288,695	19.7
Asia	144,918	12.1	149,997	10.2
Intercompany eliminations	(6,903)	(0.5)	(8,558)	(0.5)
TOTAL	1,203,201	100.0	1,463,846	100.0

In 2020, revenues at constant exchange rates outperformed the market in all the main geographical areas: -18.1% in Europe, compared to -23.3% for the market, -9.8% in North America, compared to -20.1%, +0.9% in Asia compared to -7.0% especially thanks to the good performance in China (+15.8% compared to -4.2% for the market).

23. VARIABLE COST OF SALES

Details are as follows:

(in thousands of Euro)	2020	2019
Materials	628,286	779,542
Direct labour cost	93,159	108,838
Energy costs	27,454	33,256
Sub-contracted work	34,103	44,188
Ancillary materials	14,340	18,807
Variable sales and distribution costs	28,355	29,493
Royalties paid to third parties on sales	4,646	4,447
Other variable costs	2,119	2,849
TOTAL	832,462	1,021,420

Cost decrease compared to 2019 (-18.5%) reflects the reduced operations due to the Covid-19 pandemic.

The impact of "Variable cost of sales" on revenues stands at 69.2%, down from 69.8% in the previous year.

"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".

24. MANUFACTURING AND R&D OVERHEADS

These can be broken down as follows:

(in thousands of Euro)	2020	2019
Labour cost	84,167	108,219
Materials, maintenance and repairs	24,289	28,322
Rental and hire charges	1,267	1,373
Personnel services	6,291	8,261
Technical consulting	6,275	8,589
Sub-contracted work	1,459	2,956
Insurance	1,978	2,053
Utilities	3,316	4,199
Capitalization of internal construction costs	(21,271)	(27,645)
Other	(555)	135
TOTAL	107,216	136,462

"Manufacturing and R&D overheads" show a decrease of Euro 29,246 thousand, compared to the previous year (-21.4%).
At constant exchange rates, the decrease of this item would amount to Euro 24,715 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 reduction of operations due to the Covid-19 pandemic.

The "Labour costs" line shows an overall decrease of Euro 24,052 thousand (of which Euro 3,008 thousand deriving from the exchange rate effect) mainly due to the 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.

“Capitalization of internal construction costs” mainly reflects capitalised product development costs.

It should be noted that the item “Rents and hires” includes costs relating to variable payments and ancillary costs due for leases not included in the valuation of lease liabilities, short-term leases and leases of small value assets.

Total costs for Research and Development (not reported in the table but included mainly under the headings "Labour cost", "Materials, maintenance and repairs" and "Technical consulting") amount to Euro 27,996 thousand compared to Euro 39,349 thousand as of 31 December 2019.

25. DEPRECIATION AND AMORTIZATION

Details are as follows:

(in thousands of Euro)	2020	2019
Depreciation of tangible fixed assets	71,668	71,711
Depreciation of Right of Use/assets under finance leases IAS 17	11,732	12,618
Amortisation of intangible assets	33,326	35,425
TOTAL	116,726	119,754

Item “Depreciation and amortization” amounts to Euro 116,726 thousand compared to Euro 119,754 thousand in the previous year. The decrease is mainly due to a negative currency exchange effect. At constant exchange rates, this item would increase by Euro 693 thousand overall.

26. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

(in thousands of Euro)	2020	2019
Labour cost	20,471	26,229
Sub-contracted work	4,287	4,323
Advertising, publicity and promotion	1,005	2,530
Personnel services	709	1,930
Rental and hire charges	683	1,073
Consulting	566	491
Other	1,253	1,182
TOTAL	28,974	37,758

"Distribution and sales fixed expenses" decreased by Euro 8,784 thousand. At constant exchange rates, this item would have decreased by Euro 7,670 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 reduction of operations due to the Covid-19 pandemic.

More specifically, "Labour cost" decreased by Euro 5,758 thousand (-22%) compared to the previous year, Euro 870 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.

27. ADMINISTRATIVE AND GENERAL EXPENSES

These can be broken down as follows:

(in thousands of Euro)	2020	2019
Labour cost	29,256	34,901
Personnel services	2,461	4,046
Maintenance and repairs	2,807	3,007
Cleaning and security	1,837	1,981
Consulting	5,426	7,106
Utilities	1,962	2,412
Rental and hire charges	2,060	2,022
Insurance	2,055	1,755
Participation des salaries	706	1,155
Administrative, financial and tax-related services provided by Parent Company	509	780
Audit fees and related expenses	1,568	1,460
Directors' and statutory auditors' remuneration	715	697
Sub-contracted work	214	454
Capitalization of internal construction costs	(158)	(175)
Indirect taxes	7,048	6,683
Other fiscal charges	2,905	3,239
Other	6,063	5,816
TOTAL	67,434	77,339

"Administrative and general expenses" decreased by Euro 9,905 thousand compared to 2019; Euro 2,600 thousand of which reflect exchange rate effects. At constant exchange rates, this item would decrease by Euro 7,305 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 reduction of operations due to the Covid-19 pandemic.

With respect to the previous year, "Labour cost" decreased by Euro 5,645 thousand (-16.2%). 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 mainly traced back to the lower results obtained by the French subsidiaries.

"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.

28. PERSONNEL COSTS

Personnel

Regardless of their destination, "Personnel costs" as a whole can be broken down as follows:

(in thousands of Euro)	2020	2019
Wages, salaries and contributions	223,494	274,256
Pension costs: defined benefit plans	1,847	2,019
Pension costs: defined contribution plans	1,713	1,911
Participation des salaries	706	1,155
Imputed cost of stock option and stock grant plans	339	178
Other costs	13	6
TOTAL	228,112	279,525

"Personnel cost" decreased by Euro 51,413 thousand (-18.4%) compared to the previous year; Euro 6,894 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 reduction of operations due to the Covid-19 pandemic.

The impact of "Personnel costs" on sales revenues is in line with the previous year (19%).

"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".

"*Participation des salaries*" is included in "Administrative and general expenses".

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

"Imputed cost of stock option and 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 Group employees, broken down by category, is shown in the table below:

(Number of employees)	2020	2019
Managers	83	99
Clerical staff	1,772	1,874
Blue collar workers	4,556	4,757
TOTAL	6,411	6,730

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 2020 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.

Until 2019, the plans provided for two categories of units:
• Time-based Units, the vesting of which is subject to the passing of the established time periods;
• Performance Units type A, whose vesting is subject to the passing of the time periods and the achievement of the targets based on the market value of the share, as set out in the regulation.

Starting with the 2020 Stock Grant Plan, an additional category of units was added:
• Performance Units type B, whose vesting is subject to the passing of the time periods and the achievement of the Economic-Financial Targets set out 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.

On 23 October 2020, the Board of Directors executed the 2020 stock grant plan (approved by the Shareholders' Meeting held on 20 April 2020 to assign a maximum of 1,000,000 conditional rights) restricted to employees of the Company and its subsidiaries, who were assigned a total of 790,000 Units (235,000 of which were Time-based Units, 277,500 Performance Units type A and 277,500 Performance Units type B).

Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 31 January 2023 and ending on 31 October 2024.
Performance Units type A 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.
Performance Units type B will vest in three tranches, each equal to up to one third (1/3) of the total number of Performance Units type B granted, starting on 31 January 2023, at the following vesting dates and under the following conditions:
1) the first portion, with effect from 31 January 2023, depending on the achievement of the Economic-Financial Targets for the financial year 2021, in accordance with the Regulation;
2) the second portion, with effect from 31 July 2023, depending on the achievement of the Economic-Financial Targets for the financial year 2022, in accordance with the Regulation;
3) the third portion, with effect from 31 July 2024, depending on the achievement of the Economic-Financial Targets for the financial year 2023, in accordance with the Regulation.

The fair value of the rights assigned during 2020 has been determined by a third-party consultant at the time the rights were assigned using the binomial pricing model for US options (so-called Cox, Ross and Rubinstein model) for Time-based units and Performance Units type B and on the basis of the model called ‘Monte Carlo simulation’ for Performance Units type A; the fair value amounts to a total of Euro 699 thousand.
Input data used for measuring the fair value of the 2020 stock grant plan are provided below:
- curves of EUR/SEK/CHF-riskless interest rates as at 23 October 2020;
- price of the Sogefi S.p.A. share as at 23 October 2020, equal to Euro 0.974, and of the securities included in the benchmark basket, again as at 23 October 2020;
- standard prices of Sogefi S.p.A. share and of the securities included in the benchmark basket, calculated as an average of the prices during the period starting on 22 September 2020 and ending on 20 October 2020 for the determination of the Stock Grant Performance Units limit;
- 260-day historical volatility values observed at 23 October 2020 for stocks and foreign exchange rates;
- Dividend yield equal to zero;
- historical series of the logarithmic returns of involved securities and EUR/SEK and EUR/CHF exchange rates to calculate the correlation among securities and among the two non-EUR denominated securities and associated exchange rates (to adjust for estimated trends), calculated for the period starting on 23 October 2019 and ending on 23 October 2020.

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 31 December 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 31 December 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 31 December 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 31 December 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).
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 October 2017 and ending on 20 July 2019.
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 31 December 2020, 56,911 Time-based Units and 179,805 Performance Units expired as per regulation. While 120,590 Time-based Units and 67,154 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).
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 27 July 2018 and ending on 27 April 2020.
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 31 December 2020, 77,399 Time-based Units and 100,948 Performance Units expired as per regulation. While 138,824 Time-based Units and 181,050 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 31 December 2020, 36,291 Time-based Units and 62,483 Performance Units expired as per regulation. While 59,584 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.
On 31 December 2020, 88,576 Time-based Units and 130,279 Performance Units expired as per regulation. While 18,766 Time-based Units had been exercised.

• 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 469,577 Units (213,866 of which were Time-based Units and 255,711 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 31 December 2020, 57,000 Time-based Units and 68,155 Performance Units expired as per regulation.

The imputed cost for 2020 for existing stock grant plans is Euro 339 thousand, and is 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 2011-2020 plans:

	2020	2019
Not exercised/not exercisable at the start of the period	927,040	1,109,427
Granted during the period	790,000	469,577
Cancelled during the period	(97,248)	(425,999)
Exercised during the period	(137,531)	(225,965)
Not exercised/not exercisable at the end of the period	1,482,261	927,040
Exercisable at the end of the period	46,719	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.

As at 31 December 2020, there were no Stock Option plans adopted by the Board of Directors in previous years, while it should be noted that the 2010 Stock Option plan, for which no options were subscribed in 2020, expired on 30 September 2020, as provided under the regulation.

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

	12.31.2020		12.31.2019	
	Number	Average price of the year	Number	Average price of the year
Not exercised/not exercisable at the start of the period	20,000	2.30	75,000	1.88
Granted during the period	-	-	-	-
Cancelled during the period	(20,000)	2.30	(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
Exercisable at the end of the period	-	-	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 31 December 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	(20,000)
Options exercised during the period	-
Options expired during the period	-
Number of exercisable options remaining at December 31, 2020	-

29. RESTRUCTURING COSTS

Restructuring costs amounted to Euro 30,389 thousand (compared to Euro 9,234 thousand in the previous year) and mainly refer to the costs for the shut-down of a German plant of the Suspension business unit and to personnel rationalisation measures in the Filtration business unit.

"Restructuring costs" mainly include personnel costs and are made up of the accruals to the "Provision for restructuring", Euro 19,113 thousand, net of provisions made during the previous years and not utilised and for the remaining part (Euro 11,276 thousand) of costs incurred and paid during the year.

30. LOSSES (GAINS) ON DISPOSAL

Losses on disposal as at 31 December 2020 amounted to Euro 107 thousand (losses amounted to Euro 138 thousand as at 31 December 2019).

31. EXCHANGE (GAINS) LOSSES

Net exchange losses as at 31 December 2020 amounted to Euro 4,309 thousand (Euro 3,304 thousand as at 31 December 2019).

32. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to Euro 8,372 thousand compared to Euro 9,997 thousand the previous year. The following table shows the main elements:

(in thousands of Euro)	2020	2019
Write-downs of tangible and intangible fixed assets	13,639	9,207
Product warranty costs	1,717	5,309
Cost of stock option and stock grant plans	339	178
Litigations	953	4,590
Actuarial losses (gains)	(495)	136
Past service cost and other items related to pension funds	(593)	(646)
Other ordinary (income) expenses	(7,188)	(8,777)
TOTAL	8,372	9,997

"Writedowns of tangible and intangible fixed assets" amount to Euro 13,639 thousand and include writedowns of tangible (Euro 9,538 thousand) and intangible fixed assets (Euro 4,101 thousand) for the most part relating to European subsidiaries and the subsidiary Sogefi U.S.A., Inc..

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

The line item "Other non-operating expenses (income)" mainly refers to the insurance refund for damage (costs incurred and loss of profit) deriving from a fire at the subsidiaries Sogefi HD Suspensions Germany GmbH and Sogefi Suspensions S.A..

33. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

(in thousands of Euro)	2020	2019
Interests on bonds	12,175	11,476
Interest on amounts due to banks	5,256	3,715
Financial charges under lease contracts	2,585	3,352
Financial component of pension funds and termination indemnities	738	1,078
Financial component IAS 29	261	168
Other interest and commissions	3,010	3,761
TOTAL FINANCIAL EXPENSES	24,025	23,550

Financial income is detailed as follows:

(in thousands of Euro)	2020	2019
Gain on Cross currency swap in cash flow hedge	290	523
Net gain on fair value derivatives not in cash flow hedge	462	1,621
Interest on amounts given to banks	431	460
Other interest and commissions	25	93
TOTAL FINANCIAL INCOME	1,208	2,697
TOTAL FINANCIAL EXPENSES (INCOME), NET	22,817	20,853

Please note that item “Net gain on fair value derivatives not in cash flow hedge” is comprised of:

- a financial expense of Euro 731 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 financial income of Euro 1,193 thousand reflecting the change in the fair value of these derivatives compared to 31 December 2019.

34. LOSSES (GAINS) FROM EQUITY INVESTMENTS

As at 31 December 2020, this item amounts to zero.

35. INCOME TAXES

(in thousands of Euro)	2020	2019
Current taxes	12,842	12,468
Deferred tax liabilities (assets)	(9,574)	284
Gain (loss) from partecipation to fiscal consolidation	290	730
TOTAL	3,558	13,482

The year 2020 recorded a negative tax rate of 22.8% compared to a positive tax rate of 48.9% in the previous year.

A reconciliation between the standard tax rate (that of the Parent Company Sogefi S.p.A.) and the effective tax rate for 2020 and 2019 is shown in the table below. Taxes have been calculated at the domestic rates applicable in the various countries. The differences between the rates applied in the various countries and the standard Italian tax rate are included in the line "Other permanent differences and tax rate differentials".

(in thousands of Euro)	2020		2019	
		Tax rate %		Tax rate %
Result before taxes	(15,605)	24.0%	27,587	24.0%
Theoretical income taxes	(3,745)		6,621	
Effect of increases (decreases) with respect to the standard rate:				
Non-deductible costs, net	3,315	-21.2%	938	3.4%
Use of deferred tax assets not recognised in previous years	-	0.0%	(611)	-2.2%
Deferred tax assets on losses for the year not recognised in the financial statements	4,727	-30.3%	5,542	20.1%
Taxed portion of dividends	264	-1.7%	731	2.6%
Other permanent differences and tax rate differentials	(1,003)	6.4%	261	1.0%
Income taxes in the consolidated income statement	3,558	-22.8%	13,482	48.9%

The item "Non-deductible costs, net" refers for Euro 2,338 thousand to the portion of net financial expenses of the Parent Company Sogefi S.p.A. which, for the year 2020, has been considered non-deductible as it cannot be included in the CIR Group tax filing system.

"Deferred tax assets on losses for the year not recognised in the financial statements" are mainly attributable to subsidiaries Sogefi Suspensions S.A., Filter Systems Maroc S.a.r.l., S.ARA composite S.A.S. and Shanghai Allevard Springs Co., Ltd, for which there was no probability at the end of the year that such losses would be recovered.
The "Taxed portion of dividends" refers to the portion of dividends received from Group companies that is not tax-exempt.

The item "Other permanent differences and tax rate differentials" mainly includes the net charge from the transfer of tax surpluses to the CIR Group (Euro 290 thousand) and the positive effect of the difference between the rates applicable in the individual countries and the ordinary Italian tax rate.

36. PROFIT (LOSS) FROM DISCONTINUED OPERATION, NET OF TAX EFFECTS

The item, amounted to Euro 15,479 thousand, refers to the subsidiaries Sogefi Filtration do Brasil Ltda, sold in December 2020, and Sogefi Filtration Spain S.A.U. sold in January 2021 and classified as "Assets held for sale" at 31 December 2020.
Please note that as at 31 December 2019 the item included also the Fraize production site for an amount of Euro 4,017 thousand.
The item includes the 2020 and 2019 operating result of these subsidiaries and the relevant result from the sale.

The following table shows the Result of discontinued operations at 31 December 2020 and 31 December 2019:

(in thousands of Euro)	31 december 2020		
	Sogefi Filtraiton do Brasil Ltda	Sogefi Filtration Spain S.A.U.	Total
Sales revenues	24,544	9,599	34,143
Costs	(33,820)	(10,403)	(44,223)
Operating income	**(9,276)**	**(804)**	**(10,080)**
Financial expenses (income), net	(2,011)	(4)	(2,015)
Income taxes	343	-	343
Net Operating income	**(10,944)**	**(808)**	**(11,752)**
Income of held for sale activities	3,631	(1,497)	2,134
Reclassification of equity translation reserve to profit and loss	(5,861)	-	(5,861)
Net income (loss) of held for sale activities	**(13,174)**	**(2,305)**	**(15,479)**
Earnings per share (EPS), without discounted operations (Euro):			
Basic			(0.167)
Diluted			(0.167)

It should be noted that the negative impact on the comprehensive income statement is equal to Euro 9,618 thousand.

(in thousands of Euro)	31 december 2019			
	Sogefi Filtraiton do Brasil Ltda	Sogefi Filtration Spain S.A.U.	Fraize	Total
Sales revenues	50,190	12,373	22,527	85,090
Costs	(60,088)	(11,289)	(20,245)	(91,622)
Operating income	**(9,898)**	**1,084**	**2,282**	**(6,532)**
Financial expenses (income), net	(2,903)	(14)	-	(2,917)
Income taxes	-	(189)	(707)	(896)
Net Operating income	**(12,801)**	**881**	**1,574**	**(10,346)**
Income of held for sale activities	-	-	3,542	3,542
Income taxes from sales of discounted operations	-	-	(1,099)	(1,099)
Net income (loss) of held for sale activities	**(12,801)**	**881**	**4,017**	**(7,903)**
Earnings per share (EPS), without discounted operations (Euro):				
Basic				0.094
Diluted				0.094

The following table shows the effect of the sale of the subsidiary Sogefi Filtration do Brasil Ltda on the Group's financial position:

(in thousands of Euro)	30 november 2020
Property, plant and machinery	(6,471)
Intangible assets	(16)
Other non current receivables	(278)
Inventories	(3,271)
Trade and other receivables	(6,619)
Financial Debts for right of use	7,002
Trade and other payables	6,346
Other non current payables	4,082
Net assets and liabilities	**775**

It should be noted that the subsidiary was sold in December 2020, based on the accounting situation as at 30 November 2020, for a consideration of Euro 2,856 thousand (the equivalent in Euro of a consideration of USD 2,500 thousand and a price adjustment, still under negotiation, estimated at USD 1,004 thousand). The consideration will be collected in five annual instalments starting from 2021. As at 31 December 2020, the effect of the sale of the Brazilian investment on the Group's cash and cash equivalents is therefore zero.

Below are details of the assets and liabilities of the subsidiary Sogefi Filtration Spain S.A.U. as reclassified to "Assets held for sale" at 31 December 2020.

(in thousands of Euro)	31 december 2020
Property, plant and machinery	(3,746)
Intangible assets	(285)
Deferred Income Taxes	(107)
Other non current receivables	(113)
Inventories	(657)
Trade and other receivables	(1,600)
Cash and cash equivalents	(39)
Banks Overdraft	98
Financial Debts for right of use	1,398
Trade and other payables	2,106
Other non current payables	152
Net assets and liabilities	**(2,793)**
Provision Risks	1,497

It should be noted that the subsidiary was sold in January 2021 for a consideration of Euro 1,296 thousand. The item "Provision risks", amounting to Euro 1,497 thousand, represents the difference between the sale consideration and the net (assets) and liabilities as at 31 December 2020. This loss was posted under the item "Profit (loss) from discontinued operation, net of tax effects", as shown in the table above.
The application of IFRS 5 to the Spanish subsidiary resulted in a negative effect on the Cash Flow Statement of Euro 39 thousand, shown in the item "Net financial position of companies acquired/sold during the year" in the Cash Flow Statement.

37. DIVIDENDS PAID

No dividends were paid during the year 2020, neither to the Parent Company shareholders nor to non-controlling shareholders.
The Parent Company Sogefi S.p.A. did not issue any shares other than ordinary shares; treasury shares are always excluded from the dividend.

38. EARNINGS PER SHARE (EPS)

Basic EPS

	2020	2019
Net result attributable to the ordinary shareholders (in thousands of Euro)	(35,131)	3,202
Weighted average number of shares outstanding during the year (thousands)	117,996	117,858
Basic EPS (Euro)	*(0.298)*	*0.027*

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.

	2020	2019
Net result attributable to the ordinary shareholders (in thousands of Euro)	(35,131)	3,202
Average number of shares outstanding during the year (thousands)	117,996	117,858
Weighted average number of shares potentially under option during the year (thousands)	-	-
Number of shares that could have been issued at fair value (thousands)	-	-
Adjusted weighted average number of shares outstanding during the year (thousands)	117,996	117,858
Diluted EPS (Euro)	*(0.298)*	*0.027*

The “Weighted average number of shares potentially under option during the 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 amounted to Euro 1.0082 in 2020, compared to Euro 1.4058 in 2019.

E) 39. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

The following table shows a comparison between the book value of the Group's financial instruments and their fair value.

An analysis of the table shows that the fair value is different from the book value only in the case of short-term and long-term fixed-rate financial debts. This difference, corresponding to Euro 10,505 thousand, is generated by a recalculation of these loans at year-end date at current market rates.
The spreads of floating-rate loans are in line with standard market conditions.
The fair value of fixed-rate financial debts is classified as Level 2 in the fair value hierarchy (see paragraph “Categories of financial assets and liabilities stated in the financial statements and fair value hierarchy”) and was measured using generally accepted discounted cash flow models and a free-risk discount rate.
The fair value of the convertible bond amounts to Euro 99,393 thousand (Euro 96,423 thousand as at 31 December 2019) and is classified as Level 1 in the fair value hierarchy, because the financial instrument is quoted on an active market.

(in thousands of Euro)	Book value		Fair value	
	12.31.2020	12.31.2019	12.31.2020	12.31.2019
Financial assets				
Cash and cash equivalents	209,673	165,173	209,673	165,173
Securities held for trading	-	-	-	-
Held-to-maturity investments	-	-	-	-
Assets for derivative financial instruments	22	62	22	62
Current financial receivables	3,952	3,244	3,952	3,244
Trade receivables	135,550	149,467	135,550	149,467
Other receivables	8,778	9,814	8,778	9,814
Other assets	2,254	2,113	2,254	2,113
Other financial assets available for sale	46	46	46	46
Non-current trade receivables	-	-	-	-
Non-current financial receivables	2,248	6,803	2,248	6,803
Other non-current receivables	33,911	33,532	33,911	33,532
Financial liabilities				
Short-term fixed rate financial debts	37,853	72,493	41,722	74,220
Short-term financial debts for right of use	17,971	15,044	17,971	15,044
Equity linked bond included embedded derivative	98,193	93,739	99,393	96,423
Trade and other payables	15,989	8,209	15,989	8,209
Other short-term financial liabilities for derivatives	20	21	20	21
Trade and other payables	309,518	361,391	309,518	361,391
Other current liabilities	35,156	38,987	35,156	38,987
Other non- current liabilities	58,660	59,503	58,660	59,503
Other fixed rate medium/long-term financial debts	95,329	119,969	100,765	130,307
Medium/long-term financial debts for right of use	52,238	52,806	52,238	52,806
Medium / long-term variable rate financial debt	255,388	131,861	255,388	131,861
Other medium / long-term financial liabilities for derivatives	1,003	-	1,003	-

Financial risk management

Given that the Group operates on world markets, its activity is exposed to various kinds of financial risks, including fluctuations, up or down, of interest and exchange rates, and cash flow risks (for cash flows generated outside of the Eurozone). In order to minimise these risks, the Group uses derivatives as part of its risk management activity, whereas it does not use or hold derivatives or similar instruments purely for trading purposes.

The Group also has available a variety of financial instruments other than derivatives, such as bank loans, financial leases, rentals, sight deposits, payables and receivables deriving from normal operating activities.
The Group handles its main hedging operations centrally. Precise instructions have also been issued, laying down guidelines on risk management, while procedures have been introduced to control all transactions in derivatives.

Interest risk

The interest risk to which the Group is exposed mainly arises from long-term debts.

These debts may be fixed or floating rate.

Floating rate debts, which represent 54% of the net book value of Group loans, expose the Group to a risk arising from interest rate volatility (cash flow risk).

With regard to this risk, for the purposes of the related hedging, the Group may use derivative contracts which limit the impacts on the Income Statement of changes in the interest rate. As at 31 December 2020, the Parent Company Sogefi S.p.A. had four Interest Rate Swap contracts in place to hedge loans guaranteed by SACE. Excluding hedging transactions, floating rate payables represent 38% of the net book value of the Group's loans

The following table gives a breakdown, by maturity, of the book value of the Group's financial assets and liabilities instruments, which are exposed to interest rate risk as at 31 December 2020, split according to whether they are contractually at a fixed or floating rate (for further details see the table shown in the analysis of "Liquidity risk"):

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
TOTAL FIXED RATE	(154,016)	(29,215)	(27,477)	(13,807)	(51,412)	(25,657)	(301,585)
TOTAL FLOATING RATE - ASSET	213,648	-	-	-	-	-	213,648
TOTAL FLOATING RATE - LIABILITIES	(15,986)	(26,590)	(83,041)	(57,592)	(17,567)	(71,603)	(272,379)

Financial instruments booked to “Total floating rate – Asset” refer to “Cash and cash equivalents” and “Other financial assets” (Securities held for trading, Held-to-maturity investments, Assets for derivative financial instruments).

Below there is a sensitivity analysis which shows the impact on the Income Statement, net of tax, and on Equity of a change in interest rates that is considered reasonably possible.

An increase or decrease in interest rates of 100 basis points, applied to floating-rate financial assets and liabilities in existence as at 31 December 2020, including interest-rate hedges, would have the following effects:

(in thousands of Euro)	12.31.2020		12.31.2019	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 100 basis points	(402)	2,164	(401)	(401)
- 100 basis points	402	(1,961)	401	401

The effect on Equity differs from the effect on the Income Statement by Euro +2,566 thousand (in the event of an increase in interest rates), and by Euro -2,363 thousand (in the event of a decrease in interest rates), which reflects the change in the fair value of the instruments hedging the interest rate risk.

Foreign currency risk

As it operates at an international level, the Group is exposed to the risk that changes in exchange rates could have an impact on the fair value of some of its assets or liabilities.
Moreover, as can be seen from the segment information given in note 4, the Group produces and sells mainly in countries of the Eurozone, but it is potentially exposed to currency risk, above all in respect of the British Pound, Brazilian Real, US Dollar, Argentine Peso, Chinese Renminbi and Canadian Dollar.
Generally speaking, the Group is not particularly exposed to exchange risk, which is mainly related to the translation of foreign subsidiaries' financial statements, as the currencies in which the foreign operating companies bill and those in which they are invoiced tend to be much the same.

As regards borrowings, there are also policies stating that any funds raised from third parties have to be in the same currency as the functional currency of the company obtaining the loan. If any exception is made to this principle, then the risk is hedged through forward currency purchases.
More specifically, the Parent Company Sogefi S.p.A. made one private placement of bonds for the amount of USD 115 million in 2013 (USD 49.3 million as at 31 December 2020). The exchange risk on this financing was hedged through Cross Currency Swap contracts (please see paragraph “Hedging – Exchange risk hedges” for more details).

A sensitivity analysis is provided below, which shows the impact on the Income Statement, especially on "Exchange (gains) losses", net of tax, and on Equity of a change that is considered reasonably possible in exchange rates of the main foreign currencies. Note that the exchange effect of translating the financial statements of foreign subsidiaries into Euro has not been taken into consideration here.
What has been taken into consideration are the financial assets and liabilities outstanding as at 31 December 2020 denominated in a currency other than the functional currency of the individual subsidiaries. This analysis also takes into account any changes in the fair value of the financial instruments used to hedge exchange risk.

As at 31 December 2020, exchange risk was concentrated mainly in transactions with the Euro.

A 5% appreciation or depreciation of the Euro against the other main currencies would have the following effects:

(in thousands of Euro)	12.31.2020		12.31.2019	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 5%	(1,997)	(1,997)	(1,089)	(1,089)
- 5%	2,203	2,203	1,195	1,195

These effects are mainly due to the following exchange rates:
-EUR/USD due to the net financial exposure in USD of the Parent Company Sogefi S.p.A. and the net exposure for the trade payables in Euro of the US subsidiaries;
-EUR/GBP due to the net exposure for the trade payables and financial debt in Euro of UK companies and for the net financial debt in GBP of the Parent Company Sogefi S.p.A.;
-EUR/MAD due to the net exposure for the financial debt and trade payables in Euro of the Moroccan subsidiary Filter Systems Maroc S.a.r.l.

Please note that a sensitivity analysis of the CAD/USD exchange rate showed that a 5% appreciation/depreciation of the Canadian dollar against the US dollar would cause Group's net profit and equity to increase/decrease by Euro 484 thousand. This effect is due to the exposure for the trade payables and financial debt in USD of the Canadian subsidiary.

Price risk

The Group is partially exposed to price risk as it makes purchases of various raw materials such as steel, plastics, aluminium, cellulose products.
The risk is handled in the best way possible thanks to centralised purchasing at business unit level and to a policy of having various suppliers for each kind of raw material, operating in different parts of the world.
We would also point out that price risk is generally mitigated by the Group's ability to pass on part of the variation in raw material costs to selling prices.

The price risk on Group investments classified as “Securities held for trading” and “Other financial assets available for sale” is not significant.

Credit risk

This is the risk that one of the parties signing a contract of a financial nature defaults on an obligation, thereby provoking a financial loss. This risk can derive from strictly commercial aspects (granting and concentration of credits), as well as from purely financial aspects (choice of counterparties used in financial transactions).

Cash and cash equivalents
As provided by Consob Warning notice no. 1/21 dated 16/02/2021, the Company has taken into account the impacts of Covid-19 in determining the main items in the financial statements, with particular regard to the risks related to financial assets and liabilities, with particular focus on the liquidity risk and the measurement of expected credit losses by credit institutions. No significant impacts have emerged from this analysis.

Cash and cash equivalents held by the Group as at 31 December 2020 amounted to Euro 209,673 thousand (Euro 165,173 thousand as at 31 December 2019). Cash and cash equivalents are held with banks and financial institutions with credit ratings between Aa2 and Caa3 by Moody’s.
Impairment losses of cash and cash equivalents are measured at 12-month expected credit losses and reflect the maturities of short-term exposures. The Group believes its credit risk on cash and cash equivalents to be low, according to the counterparties’ credit ratings by third parties.
The Group measures expected credit loss relating to cash and cash equivalents using a method similar to that adopted for debt instruments.
As at 31 December 2020, impairment losses of cash and cash equivalents were equal to Euro 417 thousand.

Derivative financial instruments
Derivative financial instruments were entered into with banks and financial institutions with credit ratings between Aa3 and Baa1 by Moody’s.

Trade receivables
As provided by Consob Warning notice no. 1/21 dated 16/02/2021, the Company has taken into account the impacts of Covid-19 in determining the main items in the financial statements, with particular regard to the risks related to financial assets and liabilities, with particular focus on the liquidity risk and the measurement of expected credit losses by credit institutions. No significant impacts have emerged from this analysis.

From a commercial point of view, the Group does not have excessive concentrations of credit risk as it operates on distribution channels, both Original Equipment and the Aftermarket, that make it possible not to depend too much on individual customers. For example, Original Equipment sales are largely to car and industrial vehicle manufacturers.
As regards the Aftermarket, on the other hand, the Group’s main customers are important international purchasing groups.
In order to minimise credit risk, however, procedures have in any case been implemented to limit the impact of any customer insolvencies.
As regards counterparties for the management of financial resources, the Group only has recourse to partners that have a safe profile and a high international standing.
The Group's maximum exposure to credit risk as at 31 December 2020 is represented by the book value of the financial assets shown in the financial statements (Euro 396,435 thousand), as well as by the nominal value of the guarantees given in favour of third parties, as mentioned in note 42 (Euro 4,129 thousand).

The exposure to credit risk is essentially linked to trade receivables which amounted to Euro 138,139 thousand as at 31 December 2020 (Euro 150,700 thousand as at 31 December 2019), written down by Euro 5,368 thousand (Euro 4,653 thousand as at 31 December 2019, of which Euro 286 thousand to cover long-term receivables).
Receivables are backed by mainly bank guarantees for Euro 4,283 thousand (Euro 3,289 thousand as at 31 December 2019).
The Group does not have any other guarantees covering trade receivables.

The following table shows the changes in the allowance for doubtful accounts:

(in thousands of Euro)	12.31.2020	12.31.2019
Opening balance	4,653	4,629
Change to the scope of consolidation	(161)	-
Accruals for the period	2,691	1,531
Utilisations	(493)	(752)
Provisions not used during the period	(1,230)	(1,024)
Other changes	-	254
Exchange differences	(92)	15
TOTAL (*)	5,368	4,653

(*) Please note that Allowance for doubtful accounts as at 31 December 2019 is aimed at reducing short-term receivables for the amount of Euro 4,367 thousand and long-term receivables for Euro 286 thousand.

The following is an ageing analysis of gross receivables and the related allowance for doubtful accounts to help evaluate credit risk:

(in thousands of Euro)	12.31.2020		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	11,691	(21)	11,670
30-60 days	2,091	(3)	2,088
60-90 days	1,050	(259)	791
over 90 days	6,710	(3,624)	3,086
Total receivables past due	21,542	(3,907)	17,635
Total receivables still to fall due	116,597	(1,461)	115,136
TOTAL	138,139	(5,368)	132,771

(in thousands of Euro)	12.31.2019		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	17,324	(7)	17,317
30-60 days	5,141	(89)	5,052
60-90 days	2,416	(106)	2,310
over 90 days	7,338	(3,155)	4,183
Total receivables past due	32,219	(3,357)	28,862
Total receivables still to fall due	118,481	(1,010)	117,471
TOTAL	150,700	(4,367)	146,333

As at 31 December 2020, gross receivables past due decreased by Euro 10,677 thousand compared to the previous year. The decrease is concentrated in the ranges of 0-30 day and 30-60 day receivables.
The item “Total receivables still to fall due” does not contain significant positions that have been renegotiated.

Considering the nature of the Sogefi Group's customers (cars and industrial vehicles manufacturers and important international purchasing groups), a Credit risk analysis by type of customer is not considered meaningful.

Liquidity risk

This is the risk that the Group may have trouble meeting its commitments associated with financial liabilities settled by cash or other financial assets. The Group's approach to managing liquidity is to have sufficient funds to meet its commitments upon maturity at all times, whether under normal conditions or under financial pressure, without incurring in excess charges or damaging its reputation.

The Group is subject to a minimum amount of liquidity risk, namely having to handle a situation where it is not able to raise sufficient funds to meet its liabilities.
The Group has always taken an extremely prudent approach to its financial structure, using mainly medium/long-term funding, whereas forms of short-term financing are generally used only to cope with moments of peak requirement.
Its solid capital structure makes it relatively easy for the Group to find additional sources of financing.
It should also be mentioned that the Parent Company Sogefi S.p.A. has implemented a cash pooling system for all of the main European subsidiaries, which makes it possible to optimise liquidity and cash flow management at a supranational level.
The following table shows an analysis of the Group's financial assets and liabilities instruments by maturity, including the amount of future interests to be paid and trade receivables and payables:

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
Fixed rate							
Financial debts for right of use	(17,971)	(8,132)	(6,375)	(6,016)	(6,416)	(25,299)	(70,209)
Private Placement USD 115 million Sogefi S.p.A.	(13,388)	(13,335)	(13,335)	-	-	-	(40,058)
Equity linked bond EUR 100 million Sogefi S.p.A.	(98,193)	-	-	-	-	-	(98,193)
Private Placement EUR 75 million Sogefi S.p.A.	(7,500)	(7,500)	(7,500)	(7,500)	(44,673)	-	(74,673)
Sogefi (Suzhou) Auto Parts Co., Ltd loans	(16,271)	-	-	-	-	-	(16,271)
Government financing	-	(236)	(262)	(291)	(323)	(358)	(1,470)
Other fixed rate loans	(694)	(12)	(5)	-	-	-	(711)
Future interests	(5,618)	(3,168)	(2,136)	(1,577)	(1,219)	-	(13,718)
Future financial income on derivative instruments - interest risk hedging (*)	786	377	111	-	-	-	1,274
TOTAL FIXED RATE	(158,849)	(32,006)	(29,502)	(15,384)	(52,631)	(25,657)	(314,029)
Floating rate							
Cash and cash equivalents	209,673	-	-	-	-	-	209,673
Financial assets	-	-	-	-	-	-	-
Assets for derivative financial instruments	22	-	-	-	-	-	22
Current financial receivables	3,952	-	-	-	-	-	3,952
Non-current financial receivables	-	-	-	-	-	-	-
Bank overdrafts and other short-term loans	(3,230)	-	-	-	-	-	(3,230)
Sogefi S.p.A. loans	(10,000)	(14,987)	(71,446)	(46,538)	(6,667)	(59,700)	(209,338)
S.C. Sogefi Air & Cooling S.r.l. loan	(615)	(616)	(616)	(154)	-	-	(2,001)
Sogefi Air Cooling S.A.S loans	-	(5,100)	(5,100)	(5,100)	(5,100)	(5,100)	(25,500)
Sogefi Filtration S.A. loans	-	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(20,000)
Sogefi Suspension S.A. loans	-	(1,800)	(1,800)	(1,800)	(1,800)	(1,800)	(9,000)
Other floating rate loans	(2,141)	(87)	(78)	-	-	-	(2,306)
Future interests	(3,713)	(6,228)	(6,104)	(4,713)	(3,427)	(1,422)	(25,607)
Liabilities for derivative financial instruments - exchange risk hedging	(20)	-	-	-	-	-	(20)
Future financial expenses on derivative instruments - interest risk hedging (*)	(277)	(278)	(278)	(277)	(277)	(278)	(1,665)
TOTAL FLOATING RATE	193,651	(33,096)	(89,422)	(62,582)	(21,271)	(72,300)	(85,020)
Trade receivables	135,550	-	-	-	-	-	135,550
Trade and other payables	(309,518)	(58,660)	-	-	-	-	(368,178)
TOTAL FINANCIAL INSTRUMENT - ASSET	349,197	-	-	-	-	-	349,197
TOTAL FINANCIAL INSTRUMENT - LIABILITIES	(488,363)	(123,762)	(118,924)	(77,966)	(73,902)	(97,957)	(980,874)

(*) The amount is different from "Net financial assets for derivatives – hedging of interest rate" (equal to a total of Euro 1,245 thousand) because it represents the non-discounted cash flows.

Hedging

The Group decided to continue to use the hedge accounting rules provided for in IAS 39 for all hedges already designated as hedge accounting at 31 December 2019.

a) Exchange risk hedges – not designated in hedge accounting

The Sogefi Group has entered the following contracts to hedge the exchange risk on financial and commercial balances. Note that even though the Group considers these instruments as exchange risk hedges from a risk management point of view, it has chosen not to adopt hedge accounting, as this treatment is not considered suitable for the Group's operating requirements. It therefore measures such contracts at fair value, posting the differences to "Exchange (gains) losses" in the Income Statement (this difference is offset within Income Statement by the fair value change of the asset/liability denominated in a certain currency).

The fair value of these instruments was calculated using the forward curve of exchange rates as at 31 December 2020.

As at 31 December 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 12.31.2020
Sogefi Suspension Brasil Ltda	P	USD 150,000	11/06/2020	BRL/value	6.46	01/20/2021	6.5	(4)
Sogefi Suspension Brasil Ltda	S	USD 200,000	12/29/2020	BRL/value	5.19	02/11/2021	5.2	0
Sogefi Suspension Brasil Ltda	S	USD 200,000	12/29/2020	BRL/value	5.19	02/25/2021	5.2	0
Sogefi Suspension Brasil Ltda	S	USD 250,000	12/15/2020	BRL/value	5.06	01/20/2021	5.1	(3)
Sogefi Suspension Argentina S.A.	P	USD 250,000	11/05/2020	ARS/value	79.29	01/29/2021	92.5	(9)
Sogefi Suspension Argentina S.A.	P	USD 250,000	12/10/2020	ARS/value	82.19	02/26/2021	95.8	(4)

*Fair value was recognised in "Other short-term liabilities for derivative financial instruments".

b) Interest risk hedges – in hedge accounting

On 23 December 2020, the Parent Company Sogefi S.p.A. entered into four Interest Rate Swap contracts that began to exchange their flows as from 31 December 2020, for a total notional amount of Euro 80 million that will be extinguished in June 2026. These contracts were designated to hedge the four loans guaranteed by SACE for a total amount of Euro 80 million.

Description of IRS	Date opened	Contract maturity	Notional (in thousands of Euro)	Fixed rate	Fair value at 12.31.2020
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26)	12/31/2020	06/30/2026	20,000	-0.196%	(251)
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26)	12/31/2021	06/30/2026	20,000	-0.196%	(251)
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26)	12/31/2022	06/30/2026	20,000	-0.196%	(251)
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26)	12/31/2020	06/30/2026	20,000	-0.196%	(251)
TOTAL			80,000		(1,003)

These financial instruments envisage payment by the Group of an agreed fixed rate (-0.196%) and payment by the counterparty of the floating rate (Euribor) that is the basis of the underlying loan.

c) Exchange risk hedges – no longer in hedge accounting

During 2013 the Parent Company Sogefi S.p.A. entered into three Cross currency swap (CCS) contracts 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). Contracts expire in June 2023.
These contracts, initially designated in hedge accounting have become ineffective on 31 December 2017 so that the hedging relationship was discontinued and the derivative contracts were reclassified as profit or loss instruments. The change in fair value (exclusively for the interest rate risk) was recognised in the Income Statement, whereas the reserve initially booked to "Other Comprehensive Income" (if any) was 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 Euro)	Fixed rate	Fair value at 12.31.2020	Fair value at 12.31.2019
Private placement USD 115 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	1,086	3,274
Private placement USD 115 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	777	2,358
Private placement USD 115 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	385	1,171
TOTAL			49,286		2,248	6,803

The discontinuation of hedge accounting, for the interest rate risk, had the following impact on the financial statements as at 31 December 2020:

- immediate recognition to the Income Statement of a financial expense of Euro 731 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. As at 31 December 2020, an amount of Euro 1,760 thousand remains to be reclassified to the Income Statement in the future years;
- immediate recognition to the Income Statement of a financial income of Euro 1,193 thousand reflecting the change in the fair value of these derivatives compared to 31 December 2019.

d) fair value of derivatives

The fair value of all derivatives was calculated using the forward curves of exchange and interest rates as at 31 December 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.

Equity management

The main objectives pursued by the Group through its equity risk management are the creation of value for shareholders and the safeguarding of business continuity. The Group also sets itself the objective of maintaining an optimal equity structure so as to reduce the cost of indebtedness and meet the covenants established by the loan agreements.

The Group monitors equity on the basis of the net financial position/total equity ratio (gearing ratio). For the purposes of determination of the net financial position reference is made to note 21. Total equity is analysed in note 20.

As at 31 December 2020, gearing stands at 2.40 (1.53 as at 31 December 2019).

Categories of financial assets and liabilities stated in the financial statements and fair value hierarchy

In compliance with the requirements of IFRS 7, the table below provides the information on the categories of financial assets and liabilities held by the Group as at 31 December 2020.
For the financial instruments measured at fair value in the statement of financial position the IFRS 7 requires a classification by hierarchy determined by reference to the source of inputs used to derive the fair value. This classification uses the following three levels:
- level 1: if the financial instrument is quoted in an active market;
- level 2: if the fair value is determined using valuation techniques and the inputs used for the valuation (other than quoted prices of financial instruments) are observable in the market. Specifically, fair value was calculated using the forward curves of exchange and interest rates;
- level 3: if the fair value is determined using valuation techniques and the inputs used for the valuation are non-observable in the market.

The following table therefore shows the fair value level of financial assets and liabilities measured at fair value, as at 31 December 2020:

(in thousands of Euro)	Note	Book value 2020	Receivables and financial assets	Financial assets available for sale	Held-to-maturity investments	Financial liabilities	Fair Value with changes booked in the Income	
							Amount	Fair value hierarchy
Current assets								
Cash and cash equivalents	*5*	209,673	209,673	-	-	-	-	-
Securities held for trading	*6*	-	-	-	-	-	-	-
Held-to-maturity investments	*6*	-	-	-	-	-	-	-
Assets for derivative financial instruments	*6*	22	-	-	-	-	22	*2*
Current trade receivables	*6*	3,952	3,952	-	-	-	-	-
Trade receivables	*8*	135,550	135,550	-	-	-	-	-
Other receivables	*8*	8,778	8,778	-	-	-	-	-
Other assets	*8*	2,254	2,254	-	-	-	-	-
Non-current assets								
Other financial assets available for sale	*12*	46	-	46 *	-	-	-	-
Non-current assets for derivative financial instruments	*12*	2,248	-	-	-	-	2,248	*2*
Other non-current receivables	*12*	33,911	33,911	-	-	-	-	-
Current liabilities								
Short-term fixed rate financial debts	*15*	37,853	-	-	-	37,853	-	-
Short-term financial debts for Right of Use	*15*	17,971	-	-	-	17,971	-	-
Equity linked bond included embedded derivative	*15*	98,193	-	-	-	98,193	-	-
Short-term variable rate financial debts	*15*	15,989	-	-	-	15,989	-	-
Other short-term liabilities for derivative financial instruments	*15*	20	-	-	-	-	20	*2*
Trade and other payable	*16*	309,518	-	-	-	309,518	-	-
Other current liabilities	*17*	35,156	-	-	-	35,156	-	-
Non-current liabilities								
Medium/long-term fixed rate financial debts	*15*	95,329	-	-	-	95,329	-	-
Medium/long-term financial debts for Right of Use	*15*	52,238	-	-	-	52,238	-	-
Medium/long-term variable rate financial debts	*15*	255,388	-	-	-	255,388	-	-
Other medium/long-term liabilities for derivative financial instruments	*15*	1,003	-	-	-	-	1,003	*2*

* relating to financial assets valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not avaible.

The following table shows the fair value level of financial assets and liabilities measured at fair value, as at 31 December 2019:

(in thousands of Euro)	Note	Book value 2019	Receivables and financial assets	Financial assets available for sale	Held-to-maturity investments	Financial liabilities	Fair Value with changes booked in the income statement	
							Amount	Fair value hierarchy
Current assets								
Cash and cash equivalents	*5*	165,173	165,173	-	-	-	-	-
Securities held for trading	*6*	-	-	-	-	-	-	-
Held-to-maturity investments	*6*	-	-	-	-	-	-	-
Assets for derivative financial instruments	*6*	62	-	-	-	-	62	*2*
Current financial receivables	*6*	3,244	3,244	-	-	-	-	-
Trade receivables	*8*	149,467	149,467	-	-	-	-	-
Other receivables	*8*	9,814	9,814	-	-	-	-	-
Other assets	*8*	2,113	2,113	-	-	-	-	-
Non-current assets								
Other financial assets available for sale	*11*	46	-	46 *	-	-	-	-
Non-current assets for derivative financial instruments	*12*	6,803	-	-	-	-	6,803	*2*
Other non-current receivables	*12*	33,532	33,532	-	-	-	-	-
Current liabilities								
Short-term fixed rate financial debts	*15*	72,493	-	-	-	72,493	-	-
Short-term financial debts for Right of Use	*15*	15,044	-	-	-	15,044	-	-
Short-term variable rate financial debts	*15*	8,209	-	-	-	8,209	-	-
Other short-term liabilities for derivative financial instruments	*15*	21	-	-	-	-	21	*2*
Trade and other payables	*16*	361,391	-	-	-	361,391	-	-
Other current liabilities	*17*	38,987	-	-	-	38,987	-	-
Non-current liabilities								
Medium/long-term fixed rate financial debts	*15*	119,969	-	-	-	119,969	-	-
Medium/long-term financial debts for Right of Use	*15*	52,806	-	-	-	52,806	-	-
Equity linked bond included embedded derivative	*15*	93,739	-	-	-	93,739	-	-
Medium/long-term variable rate financial debts	*15*	131,861	-	-	-	131,861	-	-
Other medium/long-term liabilities for derivative financial instruments	*15*	-	-	-	-	-	-	-

* relating to financial assets valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not avaible.

F) 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 Fratelli De Benedetti S.p.A.), which as at 31 December 2020 held 55.60% of the share capital (56.60% 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 & 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.
In 2020, the Parent Company Sogefi S.p.A. used the services of CIR S.p.A., paying Euro 405 thousand for them (Euro 525 thousand in the previous year). In addition, during the year 2020 CIR S.p.A. incurred in costs for the amount of Euro 97 thousand for the sole benefit of the Parent Company Sogefi S.p.A. These costs were charged back to Sogefi S.p.A. as at 31 December 2020.

The Parent Company Sogefi S.p.A. has entered into a rental contract, effective from 1 January 2017, on the offices located in Milan, via Ciovassino 1/A where Sogefi has its registered offices and administration.

As at 31 December 2020, the Italian companies of the Sogefi Group had receivables for the amount of Euro 2,779 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 1,253 thousand. As at 31 December 2019, receivables amounted to Euro 3,134 thousand (Euro 2,548 thousand were collected during the course of 2020) and payables amounted to Euro 1,799 thousand.

At the end of 2020, the Italian subsidiaries recorded an income of Euro 289 thousand (Euro 335 thousand in the previous year) 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 Parent Company Sogefi S.p.A. recorded an expense of Euro 579 thousand (Euro 1,065 thousand in the previous year) due to the payment for the fiscal surplus received from the companies that have joined the CIR Group tax filing system.

As regards economic transactions with the Board of Directors, Statutory Auditors, Chief Executive Officer and the Manager with strategic responsibility in 2020, please refer to the attached table.

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

The following table summarises related party transactions:

(in thousands of Euro)	2020	2019
Receivables		
- for the Group tax filing from CIR S.p.A.	2,490	2,799
- for income following the transfer of fiscal surplus to the CIR Group	289	335
Payables		
- for Director's remuneration	14	20
- for services from the CIR Group	-	248
- for the cost of transferring tax surpluses from the CIR Group	579	1,065
- for the Group tax filing from CIR S.p.A.	674	734
Right of use (*)		
- for rental property	225	337
Financial debts for Right of Use (*)		
- for rental property	222	326
Costs		
- for services received from CIR S.p.A.	405	525
- for rental contract from CIR S.p.A	7	7
- for services from the CIR Group	97	248
- for services from other related companies	-	63
-for the cost of transferring tax surpluses from the CIR Group	579	1,065
Revenues		
- for income following the transfer of fiscal surplus to the CIR Group	289	335
Compensation of directors and statutory auditors		
- directors	465	452
- directors charged back to the parent company	20	20
- statutory auditors (**)	98	93
- contribution charges on compensation to directors and statutory auditors	42	64
Compensation and related contributions to the General Manager (***)	636	575
Compensation and related contributions to Managers with strategic responsibilities ex Consob resolution no. 17221/2010 (****)	398	431

(*) Presented here are the components relating to the rental contract for the headquarters in Via Ciovassino1/A, Milan; it should be noted that rents accrued as at 31 December 2020 totalled Euro 112 thousand.
(**) The item also includes remuneration accrued for the office held by members of the Parent Company's Board of Statutory Auditors in other subsidiaries.
(***) The item includes the imputed cost of Stock Grant plans of Euro 14 thousand in 2020 recognised in item “Other non-operating expenses (income)”.
(****) The item also includes the net imputed cost of the Stock Grant plans for Euro 49 thousand in 2020 (Euro 61 thousand in 2019) recognised in item “Other non-operating expenses (income)”.

G) COMMITMENTS AND RISKS

41. INVESTMENT COMMITMENTS

As at 31 December 2020, Group companies have binding commitments for investments relating to the purchase of property, plant and equipment for Euro 1,316 thousand (Euro 1,195 thousand at the end of the previous year), as already disclosed in the explanatory notes regarding tangible fixed assets.

42. GUARANTEES GIVEN

Details of guarantees are as follows:

(in thousands of Euro)	12.31.2020	12.31.2019
PERSONAL GUARANTEES GIVEN		
a) Sureties to third parties	858	2,697
b) Other personal guarantees in favour of third parties	3,271	2,813
TOTAL PERSONAL GUARANTEES GIVEN	4,129	5,510
REAL GUARANTEES GIVEN		
a) Against liabilities shown in the financial statements	556	666
TOTAL REAL GUARANTEES GIVEN	556	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. and to guarantees given to tax authorities by subsidiary Sogefi Filtration Ltd; guarantees are shown at a value equal to the outstanding commitment at the end of 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 Sogefi ADM Suspensions Private Limited, which pledged tangible fixed assets and trade receivables as real guarantees to secure loans obtained from financial institutions.

43. OTHER RISKS

As at 31 December 2020, the Group had third-party goods and materials held at Group companies worth Euro 15,319 thousand (Euro 14,984 thousand as at 31 December 2019).

44. CONTINGENT ASSETS/LIABILITIES

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 Committee, which accepted the Authority's argument.
The judgement of the Regional Tax Committee of Lombardy, Brescia local unit, was challenged by the Company before the Cassation on 30 September 2020. The Authority, through the Avvocatura Generale dello Stato (office of State lawyers), filed a defence. The Company is waiting for the hearing to be held.
On 31 December 2020, the Company paid the amount ordered under Regional Tax Committee judgement no. 1/26/2020. This amount of Euro 1.3 million is included in the item “Tax receivables”.
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. In July 2020, the Company filed again the complaint with the Regional Tax Committee of Lombardy; to date, the Company is waiting for the judgement.
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 31 December 2020.

Consequently, the Company did not set aside any amount for tax risks to contingent liabilities in financial statements as at 31 December 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 2020.

46. OTHER INFORMATION

DISCLOSURE PURSUANT TO ART. 1, PARAGRAPH 125, OF ACT NO. 124 OF 4 AUGUST 2017

During 2020, the subsidiaries that have obtained public grants under the provisions referred to above disclosed the relevant information in their statutory financial statements.

DISCLOSURE PURSUANT TO ARTICLE 2427, 22-QUINQUIES AND ARTICLE 2427, 22-SEXIES

The company that prepares the consolidated financial statements of the largest group of companies the company is part of as a subsidiary, is Fratelli De Benedetti S.p.A. with registered office in Via Valeggio no. 41 - Turin, whose financial statements are filed at the registered office of Fratelli De Benedetti S.p.A..

The company that prepares the consolidated financial statements of the smallest group of companies the company is part of as a subsidiary is CIR – Compagnie Industriali Riunite S.p.A. with registered office in Via Ciovassino no. 1 - Milan, whose financial statements are filed at the registered office of CIR.

47. SUBSEQUENT EVENTS

No significant events occurred after 31 December 2020 such as could have an impact on the consolidated financial statements as at 31 December 2020.

H) GROUP COMPANIES

48. LIST OF GROUP COMPANIES AS AT 31 DECEMBER 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. Guyancourt (France)	Euro	120,596,780	6,029,838	99.99998	20	120,596,760
SOGEFI SUSPENSIONS S.A. Guyancourt (France)	Euro	73,868,383	4,345,198	99.999	17	73,868,366
SOGEFI U.S.A., Inc. Prichard (U.S.A.)	USD	20,055,000	191	100		20,055,000
SOGEFI GESTION S.A.S. Guyancourt (France)	Euro	100,000	10,000	100	10	100,000
SHANGHAI SOGEFI AUTO PARTS Co., Ltd Shanghai (China)	USD	13,000,000	(1)	100	(2)	13,000,000
SOGEFI AIR & COOLING S.A.S. Guyancourt (France)	Euro	54,938,125	36,025	100	1,525	54,938,125
SOGEFI (SUZHOU) AUTO PARTS CO., Ltd 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 Tredegar (Great Britain) held by Sogefi Filtration S.A.	GBP	5,126,737	5,126,737	100	1	5,126,737
SOGEFI FILTRATION SPAIN S.A.U. Cerdanyola (Spain) held by Sogefi Filtration S.A.	Euro	60,004	9,984	100	6.01	60,004
SOGEFI AFTERMARKET SPAIN S.L.U. Cerdanyola (Spain) held by Sogefi Filtration S.A.	Euro	10,503,000	10,503,000	100	1.00	10,503,000
SOGEFI FILTRATION d.o.o. Medvode (Slovenia) 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. Tanger (Morocco) held by Sogefi Filtration S.A.	MAD	215,548,000	215,548	100	1,000	215,548,000
SOGEFI FILTRATION RUSSIA LLC Russia held by Sogefi Filtration S.A.	RUB	6,800,000	1	100	6,800,000	6,800,000
SOGEFI ENGINE SYSTEMS INDIA Pvt Ltd Bangalore (India) 64.29% held by Sogefi Filtration S.A. 35.71% held by Sogefi Air & Cooling S.A.S.	INR	21,254,640	2,125,464	100	10	21,254,640
SOGEFI FILTRATION ARGENTINA S.A. Buenos Aires (Argentina) held by Sogefi Filtration S.A.	ARP	820,510,522	820,510,522	100	1	820,510,522
SOGEFI FILTRATION ITALY S.p.A. Sant'Antonino di Susa (Italy) 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. Nova Scotia (Canada) held by Sogefi Air & Cooling S.A.S.	CAD	9,393,000	2,283	100	(2)	9,393,000
SOGEFI AIR & COOLING USA, Inc. Wilmington (U.S.A.) held by Sogefi Air & Cooling S.A.S.	USD	100	1,000	100	0.10	100
S.C. SOGEFI AIR & COOLING S.r.l. Titesti (Romania) held by Sogefi Air & Cooling S.A.S.	RON	7,087,610	708,761	100	10	7,087,610
SOGEFI ENGINE SYSTEMS MEXICO S. de R.L. de C.V. 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	

(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 Clydach (Great Britain) held by Sogefi Suspensions S.A.	GBP	4,000,002	4,000,002	100	1	4,000,002
SOGEFI PC SUSPENSIONS GERMANY GmbH Volklingen (Germany) held by Sogefi Suspensions S.A.	Euro	50,000	1	100	50,000	50,000
SOGEFI SUSPENSION ARGENTINA S.A. Buenos Aires (Argentina) 89.999% held by Sogefi Suspensions S.A. 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) Alsasua (Spain) held by Sogefi Suspensions S.A.	Euro	10,529,668	5,264,834	50	1	5,264,834
SOGEFI SUSPENSION BRASIL Ltda São Paulo (Brazil) 99.997% held by Sogefi Suspensions S.A. 0.003% held by Allevard Springs Ltd	BRL	37,161,683	37,161,683	100	1	37,161,683
UNITED SPRINGS Limited Rochdale (Great Britain) held by Sogefi Suspensions S.A.	GBP	4,500,000	4,500,000	100	1	4,500,000
UNITED SPRINGS B.V. Hengelo (Holland) held by Sogefi Suspensions S.A.	Euro	254,979	254,979	100	1	254,979
SHANGHAI ALLEVARD SPRINGS Co., Ltd Shanghai (China) held by Sogefi Suspensions S.A.	Euro	5,335,308	1	60.58	(2)	3,231,919
UNITED SPRINGS S.A.S. Guyancourt (France) 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. Guyancourt (France) held by Sogefi Suspensions S.A.	Euro	13,000,000	25,000,000	96.15	0.5	12,500,000
SOGEFI ADM SUSPENSIONS Private Limited Pune (India) held by Sogefi Suspensions S.A.	INR	432,000,000	32,066,926	74.23	10	320,669,260
SOGEFI HD SUSPENSIONS GERMANY GmbH Hagen (Germany) held by Sogefi PC Suspensions Germany GmbH	Euro	50,000	(1)	100	50,000	50,000
SOGEFI SUSPENSIONS HEAVY DUTY ITALY S.P.A. Puegnago sul Garda (Italy) 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. Settimo Torinese (Italy) held by Sogefi Suspensions S.A.	Euro	8,000,000	7,990,043	99.88	1	7,990,043
SOGEFI SUSPENSIONS EASTERN EUROPE S.R.L. Oradea (Romania) 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. Cairo (Egypt) Held by Sogefi Filtration Italy S.p.A.	EGP	14,000,000	24,880	17.77	100	2,488,000

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT ART. 81-TER OF CONSOB RESOLUTION No. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned:
Mauro Fenzi – Chief Executive Officer 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:

- are adequate with respect to the company structure and
- have been effectively applied the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2020 fiscal year.

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

3. It is also certified that:

3.1 the consolidated financial statements at December 31, 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 companies included in the scope of consolidation.

3.2 The report on operations includes a reliable analysis of the performance and result of operations and also the position of the issuer and the companies included in the scope of consolidation together with all principle risks and uncertainties that the Group is exposed.

Milan, February 26, 2021

Signed by Chief Executive Officer Mauro Fenzi	Signed by Manager responsible for preparing financial report Yann Albrand

SOGEFI S.p.A.

Company subject to policy guidance and coordination on the part of Cir S.p.A.

BOARD OF AUDITORS' REPORT

PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE NO. 58/1998 AND ART. 2429 OF THE ITALIAN CIVIL CODE

To the Shareholders' Meeting of SOGEFI S.p.A.

During the financial year closed at 31 December 2020, we carried out our supervisory activity as required by law and the Articles of Association, in accordance with the Rules of Conduct for the Board of Statutory Auditors recommended by the National Council of Accountants and the Corporate Governance Code issued by the Corporate Governance Committee of Borsa Italiana S.p.A., and hereby report on such activity. This report was drawn up following the recommendations set out in Consob Communication no. 1025564 of 6 April 2001 as amended.

As regards the methods employed to perform our duties during the period under consideration, we report as follows:

- we attended the Shareholders' Meetings and Board of Directors meetings held during the period under consideration and obtained timely and adequate information on operations and their outlook, as well as on significant operational, financial and equity-related operations conducted by the Company and subsidiaries within the Group, as required by law and the Articles of Association; all meetings of the Control, Risk and Sustainability Committee and of the Appointment and Remuneration Committee were attended by one or more members of the Board of Statutory Auditors;
- we obtained the necessary information to perform our tasks and determine compliance with the law and the Articles of Association, proper governance principles, adequacy of the Company's organisational structure, internal control system and of the administration-accounting system, by direct investigation, collecting information from the heads of the involved departments and sharing data and significant information with the appointed Independent Auditors;

- we incorporated the results of the quarterly checks on the correct keeping of accounts carried out by the company appointed for the statutory audit of the accounts;
- we received from the independent auditors the Report required under art. 14 of Italian Legislative Decree no. 39/2010 concerning the statutory and consolidated financial statements as at 31 December 2020;
- we received from the independent auditors the Report referred to in art. 11 of European Regulation 537/2014 from which no significant aspects to report emerge;
- we fulfilled the tasks provided for in article 19 of the Italian Legislative Decree No. 39/2010, as the Internal Control and Auditing Committee;
- we monitored the performance of the system used to control subsidiaries and the adequacy of the directions given to them, also under art. 114, para. 2 of Italian Legislative Decree no. 58/1998;
- we monitored the actual methods used to implement the corporate governance rules set out in the Corporate Governance Code issued by Borsa Italiana S.p.A., as adopted by the Company;
- we determined whether the Organization, Management and Control Model as per Legislative Decree no. 231/2001 as amended was updated to comply with the expanded scope of the Decree;
- pursuant to art. 4, para. 6 of the Regulation approved by Consob Resolution no. 17221 of 12 March 2010, we monitored compliance with the Discipline for related-party transactions approved by the Board of Directors;
- we ensured that no significant issues exist that the controlling bodies of SOGEFI S.p.A.'s subsidiaries would have to disclose;
- we ascertained the adequacy, in terms of method, of the impairment test process implemented to identify the presence of any impairment loss on assets entered to the financial statements subject to impairment test;
- we determined compliance with law provisions and regulations concerning the preparation, layout and statements of the statutory and consolidated financial statements as well as their accompanying documents. We also

verified that the Report on Operations complies with the laws and regulations in force and is consistent with the resolutions of the Board of Directors;

- we positively assessed the adequacy of all the procedures, processes and facilities that have produced, reported and represented the results and consolidated non-financial information pursuant to the Italian Legislative Decree no. 254 of 30 December 2016;
- we verified that, with regard to the Consolidated statement for the disclosure of non-financial information prepared for the purposes of the aforementioned Italian Legislative Decree no. 254/2016 the independent auditors, as Designated Auditors, have issued the certification referred to in paragraph 10 of article 3 of the Italian Legislative Decree no. 254/2016 on the compliance of consolidated non-financial information with the law and the reporting principles used.
- we have determined that the Board of Directors properly implemented the verification criteria and procedures to assess the independence of its members, based on the statements made by the Directors and the opinions issued by the Board of Directors.
- the Board of Statutory Auditors, as part of its audits, paid particular attention to the assessments made by the Company regarding the existence of the going concern assumption and the adequacy of the internal control system and monitored the actions taken to deal with the main risks and uncertainties that emerged following the COVID-19 pandemic.
- in its Report on Operations, the Board of Directors provides updated information about the impact, including future impacts, of COVID-19 on the Company's economic situation and operating performance, highlighting the evolution of the business model in response to the pandemic, the risks and uncertainties to which the Company is exposed and the measures adopted and planned to mitigate the effects of the pandemic.

After completing our audit and monitoring activities as outlined above, we did not identify any significant events such as would have to be reported to the Supervisory Authorities, nor any proposals concerning the financial statements, their approval or any other issue within our area of responsibility.

* * *

Outlined below is the information specifically required by the above mentioned Consob Communication of 6 April 2001 as amended.

- We collected adequate information on significant operational, financial and equity-related operations conducted by SOGEFI S.p.A. and its subsidiaries and established their compliance with the law and the Articles of Association; the Directors provide adequate disclosure on such transactions in the Report on Operations; we also obtained information on and assurance that the transactions resolved and carried out were not manifestly imprudent, risky, in conflict with Shareholders' Meeting resolutions or in potential conflict of interest with the same or, in any case, of such a nature as to jeopardise integrity of corporate assets.
- We obtained adequate information on intercompany and related party transactions. Based on obtained information, we determined that such transactions comply with the law and the Articles of Association, satisfy the interest of the company and raise no doubts as to their accurate, exhaustive disclosure in the financial statements, the existence of any conflict-of-interest situations, the protection of corporate assets and of non-controlling shareholders; periodic audits and inspections carried out at the Company's premises did *not* identify any atypical and/or unusual transactions.
- The Directors provided adequate disclosures on key transactions, as well as on the dealings between SOGEFI S.p.A., Group companies and/or related parties in the Report on Operations and in the Notes, and stated that such dealings had been conducted at arm's length, taking into account the quality and type of services rendered; such dealings mainly consisted in the provision of administrative and financial services, including the management of the Group's centralised treasury and interest debiting and crediting, as well as management support and communication services and use of the Group's information system; in addition, SOGEFI S.P.A. made use of administrative, financial, fiscal and corporate services provided by the Parent Company CIR S.p.A. and joined the Group tax filing system; appropriate financial details were provided

and the impact on the statement of financial position was adequately described in the documents accompanying the 2020 statutory financial statements.

- KPMG S.p.A., the company appointed to audit the accounts, issued the audit reports required under art. 14 of Italian Legislative Decree no. 39/2010 relating to the statutory and consolidated financial statements for the year ended as at 31 December 2020 without remarks or disclosure requirements.
- During the year, the Board of Statutory Auditors did not receive any complaints under article 2408 of the Italian Civil Code.
- In relation to the provisions introduced by the Italian Legislative Decree no. 135/2016 in compliance with EU Regulation 537/2014 on this subject, during the year the Board of Statutory Auditors carried out a prior analysis of and authorised, when necessary, any assignment conferred by the Company and its subsidiaries to KPMG or any companies in its network.

  During 2020, the subsidiaries of SOGEFI S.p.A. entrusted the independent auditors with other services and the relevant fees were EUR 13 thousand and USD 61 thousand. The amounts paid for these services were found to be adequate consideration for the scope and complexity of the services rendered and are not deemed liable to affect the independence and discretion of the auditors in performing their auditing tasks.
- During the year under consideration we have given advice pursuant to article 2389 of the Italian Civil Code.
- The following meetings were held during the year 2020: 9 Board of Directors meetings, 7 Control, Risk and Sustainability Committee meetings, 3 Appointment and Remuneration Committee meetings; and 21 Statutory Board of Directors meetings.
- The proper governance principles seem to have been implemented consistently, and we found the organisational structure adequate to meet the requirements for operations management and control.
- We found the internal control system to be adequate to the size and management style of the Company, and were able to confirm this during the meetings of the Control, Risk and Sustainability Committee, which are

attended by the Chairperson of the Board of Statutory Auditors (or by a Statutory Auditor appointed by the Chairperson) as provided for by corporate governance rules. In addition, the Group's Chief Internal Audit Officer and Internal Control Officer under the Corporate Governance Code issued by the Corporate Governance Committee for listed companies acted as a liaison and provided the necessary information on the methods adopted to perform his duties and the results of his audits, among other things by attending certain meetings of the Board of Statutory Auditors.

- There are no observations to be made as to the adequacy of the administrative/accounting system and its ability to provide a reliable view of operations; with regard to the disclosures in the statutory and consolidated financial statements as at 31 December 2020, the Managing Director and the Manager responsible for preparing the Company's financial reports under art. 154-*bis*, paragraph 5 of Legislative Decree 58/1998 and art. 81-*ter* of Consob Regulation no. 11971 of 14 May 1999 as later amended and supplemented.
- There are no observations to be made on the adequacy of information flows from subsidiaries to the Holding Company aimed at ensuring timely compliance with disclosure obligations under the law.
- In the course of periodic exchanges of data and information between the Board of Statutory Auditors and the Independent Auditors, pursuant also to art. 150, paragraph 3 of Italian Legislative Decree no. 58/1998, no aspects emerged that need to be highlighted in this report.

The Company substantially followed the recommendations contained in the Corporate Governance Code drafted by the Corporate Governance Committee for listed companies and described its corporate governance model in the relevant Report, which was prepared among other things under art. 123-*bis* of Legislative Decree no. 58/1998. Within the limits of our responsibility, we monitored the actual methods used to implement the corporate governance rules set out in the above mentioned Corporate Governance Code, as adopted by the Company, and ensured that the findings of the Board's periodic assessment of Statutory Auditors' compliance with the independence requirements according to the same criteria applicable to Independent

Directors under the above mentioned Corporate Governance Code were included in the Corporate Governance Report of SOGEFI S.p.A. In compliance with Legislative Decree no. 231/2001, the Company adopted, implemented and maintained up-to-date an "Organisational Model" that governs its behaviour and business conduct and set up a Supervisory Body as provided for by the regulations. The Company also adopted a Code of Ethics.

- Our auditing and monitoring activities took place during the year 2020 mainly remotely due to the COVID-19 pandemic, in the normal course of business and identified no omissions, reprehensible facts and/or anomalies worth noting.

After completing our audit and monitoring activities, we have no proposals concerning the statutory financial statements as at 31 December 2020, their approval or any other issue within our area of responsibility pursuant to article 153, paragraph 2 of Legislative Decree 58/1998, nor any remarks on the proposed allocation of the profit for the year or the dividend distribution submitted by the Board of Directors for approval.

The three-year term of office of the Board of Statutory Auditors expires with the approval of the Financial Statements under review and the Directors have included the related resolutions in the agenda.

We thank you for the trust you have placed in us.

Milan, 24 March 2021

THE BOARD OF STATUTORY AUDITORS

Sonia Peron - Chairperson of the Board of Statutory Auditors

Riccardo Zingales - Acting Auditor

Giuseppe Leoni - Acting Auditor

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Sogefi S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Sogefi Group (the "group"), which comprise the statement of financial position as at 31 December 2020, the income statement and statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Sogefi Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Sogefi S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

Notes to the consolidated financial statements: Note 2.3 "Accounting policies", sections "Intangible assets - Goodwill" and "Critical estimates and assumptions" and Note 10 "Intangible assets", section "Goodwill and Impairment test"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2020 include goodwill of €126.6 million, allocated to the following cash-generating units ("CGU"): Filtration, Air & Cooling and Car suspension. In accordance with the criteria approved by the board of directors on 12 February 2021, the directors carried out impairment tests in order to identify any impairment losses that would arise should the CGU's carrying amount exceed their recoverable amount. The directors estimated the recoverable amount based on their value in use, calculated using the unlevered discounted cash flow model by discounting the expected cash flows. For impairment testing purposes, the directors used the expected operating cash flows estimated on the basis of the 2021 budget and the plan up to 2024 (approved by the board of directors on 12 February 2021). The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: — the expected operating cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual operating cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures included: — understanding the process adopted for impairment testing approved by the board of directors; — understanding the process adopted to prepare the 2021 budget and the 2021 budget and the plan up to 2024 approved by the board of directors, from which the expected operating cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the directors to prepare the 2021 budget and the plan up to 2024; — checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; — comparing the expected operating cash flows used for impairment testing to the cash flows forecast in the 2021 budget and the plan up to 2024 and analysing any discrepancies for reasonableness; — checking the report of the external management expert engaged by the parent; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions underlying the expected operating cash flows, including by means of comparison with market data and information; — checking the sensitivity analysis made by the directors in relation to the key

Key audit matter	Audit procedures addressing the key audit matter
	assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Measurement of non-current provisions

Notes to the consolidated financial statements: Note 2.3 "Accounting policies", section "Provisions for risks and charges" and Note 18 "Non-current provisions and other liabilities", section "Provision for restructuring", "Provision for product warranties" and "Provisions for disputes in progress and other risks"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2020 include non-current provisions, which comprise the provisions for restructuring, product warranties and disputes in progress and other risks of €19.5 million, €4.0 million and €4.3 million, respectively. Determining with certainty when all IAS 37 requirements for the recognition of provisions are met is difficult and requires a high level of subjective and material estimates and judgements. Therefore, we believe that the measurement of these provisions carries a risk of material misstatement. Specifically: — certain European subsidiaries are undergoing corporate restructuring that, once the related plans have been approved and disclosed to the main parties involved, will require the recognition of specific provisions; — the group is exposed to the risk of product quality/non-conformance claims made by its customers; — the group is exposed to the risk of liabilities with employees and third parties. For the above reasons, we believe that the measurement of the above non-current provisions is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of provisions and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — sending written requests for information to the legal and tax advisors assisting the group's directors about the assessment of the risk of losing pending disputes and the quantification of the related liability; — analysing the assumptions used to determine the provisions through discussions with the relevant internal departments and analysis of the supporting documentation; — analysing the events after the reporting date to gather useful information for the measurement of the provisions; — assessing the appropriateness of the disclosures provided in the notes about provisions.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 26 April 2017, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Sogefi S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 24 March 2021

KPMG S.p.A.

(signed on the original)

Elisabetta C. Forni
Director of Audit