Elica S.p.A.

Half-Year Report

at June 30, 2020

Half-Year Report

A.1.Contents
A.2.Corporate boards at the reporting date
A.3. Interim H1 2020 Directors' Report
A.3.1. Key Financial Highlights
A.3.1.1. H1 2020 performance
A.3.1.2. Definitions and reconciliations
A.3.2. Significant events in H1 2020
A.3.3. Subsequent events and outlook
A.3.4. Elica Group structure and consolidation scope
A.4. Compliance with Article 5, paragraph 8, Consob Regulation 17221 of 12.03.2010 regarding transactions with subsidiaries, associates and other related parties
A.5. Compliance with Section VI of the regulation implementing Legislative Decree no. 58 of February 24, 1998 concerning market regulations ("Market Regulations")
A.6. Compliance with Article 70, paragraph 8 and Article 71, paragraph 1-bis of the "Issuers Regulation"

B. Condensed Interim Consolidated Financial Statements as at and for the six months ended June 30, 2020
B.1.Consolidated financial statements at June 30, 2020
B.1.1. H1 2020 Consolidated Income Statement
B.1.2. H1 2020 Statement of Comprehensive Income
B.1.3. Consolidated Statement of Financial Position at June 30, 2020
B.1.4. H1 2020 Consolidated Statement of Cash Flows
B.1.5. Statement of changes in Consolidated Equity at June 30, 2020
B.2. Notes to the Condensed Interim Consolidated Financial Statements at June 30, 2020
B.2.1. Group structure and brief description of its activities
B.2.2. Approval of the 2020 Half-Year Report
B.2.3. Accounting policies and basis of consolidation
B.2.4. Changes in accounting standards
B.2.4.1. Amendments to IAS 1 and IAS 8
B.2.4.2. Amendments to IFRS 3
B.2.5. New accounting standards not yet in force
B.2.6. Utilisation of estimates
B.3.Composition and main changes in the Income Statement and Statement of Financial Position
B.3.1. Revenue and other operating income
B.3.2. Operating costs
B.3.3. Net financial expenses
B.3.4. Property, plant and equipment and rights-of-use
B.3.5. Goodwill
B.3.6. Other intangible assets
B.3.7. Deferred tax assets – Deferred tax liabilities
B.3.8. Trade receivables and payables
B.3.9. Inventories
B.3.10. Provisions for risks and charges
B.3.11. Liabilities for post-employment benefits
B.3.12. Other receivables and other payables
B.3.13. Tax Assets and Payables
B.3.14. Equity
B.3.15. Net Financial Position
B.3.16. Significant non-recurring events and operations
B.3.17. Related party transactions and balances
B.3.18. Contingent liabilities
B.3.19. Risk management
B.3.19.1 Introduction
B.3.19.2. Market risk
B.3.19.2.1. Currency risk
B.3.19.2.2. Commodity risk
B.3.19.2.3. Interest rate risk
B.3.19.3. Credit risk
B.3.19.4. Liquidity risk

B.3.20. Positions or transactions arising from exceptional and/or unusual transactions
B.3.21. Subsequent events after the period end

C. Statement of the corporate financial reporting manager in accordance with Article 154 *bis*, paragraph 5 of Legislative Decree 58/1998

D. Limited audit report by KPMG on the consolidated half-year financial statements

A.2.Corporate boards at the reporting date

Members of the Board of Directors

Francesco Casoli
Executive Chairman,
born in Senigallia (AN) on 05/06/1961, appointed by resolution of 27/04/2018.

Mauro Sacchetto
Chief Executive officer, born in Vercelli on 09/01/1959, appointed by resolution of 08/07/2019.

Cristina Finocchi Mahne
Independent Director, born in Trieste on 01/07/1965, appointed by resolution of 27/04/2018.

Federica De Medici
Independent Director and Lead Independent Director, born in Pavia on 24/08/1972, appointed by resolution of 27/04/2018.

Elio Cosimo Catania
Independent Director, born in Catania on 05/06/1946, appointed by resolution of 27/04/2018.

Barbara Poggiali
Independent Director, born in Milan on 04/03/1963, appointed by resolution of 27/04/2018.

Giovanni Tamburi
Non-executive director, born in Rome on 21/04/1954, co-opted by the Board of Directors on 26/09/2019.

Members of the Board of Statutory Auditors

Giovanni Frezzotti

Chairman, born in Jesi (AN) on 22/02/1944, appointed by resolution of 27/04/2018.

Massimiliano Belli

Statutory Auditor, born in Recanati (MC) on 22/08/1972, appointed by resolution of 27/04/2018.

Monica Nicolini

Statutory Auditor, born in Pesaro on 16/04/1963, appointed by resolution of 27/04/2018.

Leandro Tiranti

Alternate Auditor, born in Sassoferrato (AN) on 04/05/1966, appointed by resolution of 27/04/2018.

Serenella Spaccapaniccia

Alternate Auditor, born in Montesangiorgio (AP) on 04/04/1965, appointed by resolution of 27/04/2018.

Internal Control, Risk Management and Sustainability Committee
Cristina Finocchi Mahne (Chairperson)
Elio Cosimo Catania
Federica De Medici

Appointments and Remuneration Committee
Elio Cosimo Catania (Chairman)
Barbara Poggiali
Federica De Medici

Independent Audit Firm
KPMG S.p.A.

Investor Relations Manager
Giulio Cocci - Group Controlling & Investor Relations Director
Francesca Cocco – Lerxi Consulting – Investor Relations
Tel: +39 (0)732 610 4205
E-mail: investor-relations@elica.com

Registered office and Company data
Elica S.p.A.
Registered office: Via Ermanno Casoli,2 – 60044 Fabriano (AN)
Share capital: Euro 12,664,560.00
Tax Code and Company Registration No.: 00096570429
Ancona REA No. 63006 – VAT Number 00096570429

A.3. Interim H1 2020 Directors' Report

A.3.1. Key Financial Highlights

A.3.1.1. H1 2020 performance

In Euro thousands	**HY 20**	**% revenue**	**HY 19**	**% revenue**	**20 Vs 19%**
Revenue	184,197		238,666		(22.8%)
Adjusted EBITDA	**12,245**	6.7%	**21,249**	8.9%	(42.4%)
EBITDA	11,301	6.1%	19,277	8.1%	(41.4%)
Adjusted EBIT	**70**	0.0%	**8,826**	3.7%	(99.2%)
EBIT	(874)	(0.5%)	6,854	2.9%	(112.8%)
Net financial expenses	(1,921)	(1.0%)	(2,051)	(0.9%)	6.3%
Income taxes	(163)	(0.1%)	(1,717)	(0.7%)	90.5%
Adjusted profit/(loss) for the period	**(2,241)**	(1.2%)	**4,585**	1.9%	(148.9%)
Profit/(loss) for the period	(2,958)	(1.6%)	3,086	1.3%	(195.9%)
Adjusted Profit/(loss) att. to the owners of the Parent	**(4,062)**	(2.2%)	**2,881**	1.2%	(241.0%)
Profit/(loss) attributable to the owners of the Parent	(4,779)	(2.6%)	1,382	0.6%	(445.8%)
Basic earnings per share on continuing operations and discontinued operations (Euro/cents)	(7.55)		2.23		(438.6%)
Diluted earnings per share on continuing operations and discontinued operations (Euro/cents)	(7.55)		2.23		(438.6%)

Market dynamics have progressively been impacted by the COVID-19 emergency, with global kitchen hood segment demand estimated to contract 16.9%[1] in H1 2020. This downturn impacted all markets. Asia reported a drop of 19.9% and, in all countries - with the exception of China - the most significant impact was seen from Q2 2020, although unevenly among the various entities - depending on their level of integration with the global value chain and the efficacy of the containment measures adopted in each country. The decline in the EMEA region (-12.6%) particularly reflects the Q2 2020 effects, with the extension of the containment measures impacting mainly Italy, France, Spain and the UK. The American market reported a contraction of 17.4%, with a considerable impact in Q2 2020 due to the acceleration of the virus - both in North and South America - with a knock-on drop in demand and trade.

Elica for H1 2020, due to the gradual drop in sales volumes in March due to the COVID-19 emergency and the consequent lockdown, reports Consolidated revenues of Euro 184.2 million, -22.8% on the same period of 2019 (-22.9% at like-for-like exchange rates).
The H1 2020 results in fact were severely impacted by the COVID-19 emergency, which necessitated the total or partial closure of production plant and resulted in a drop in demand, following the restrictions imposed with the lockdown. The global health emergency, which resulted in a gradual slowdown from March, had an even greater impact in Q2 2020, with revenues down 40% on the same period of the previous year.

Cooking segment overall declined 25.2% due to this backdrop.
Own brand sales were down 19.8% on H1 2019, particularly as a result of the drop in April, while a quick recovery was seen in May and June 2020. These sales accounted for 54% of Cooking Revenue in H1 2020 (58% in Q2 2020). The NicolaTesla product accounted for 8% of total revenue in H1 2020 (9% in Q2 2020).
OEM revenue was down 30.8% on the same period of the previous year (-31% at like-for-like exchange rates), declining across all markets and particularly following the closure of the Mexican facility for nearly 2 months.

The Motors segment, representing 15% of total revenue, continued to manufacture and in Q1 reported growth, although impacted by slowing demand from the month of March, resulting in a 5.8% contraction on H1 2020 (-5.6% at like-for-like exchange rates).

[1] Source: Elica Group, internal estimates

The EMEA and Asia markets were impacted to a lesser decree by the progressive lockdown policies, thanks to a quick B2C (in particular in EMEA and Japan) and Motors division recovery.

The American market performance was more than proportionally impacted by the pandemic due to the two months lockdown of the Mexican facility when compared to Asia and EMEA, which by May had already seen a quick B2C recovery and a softer Motors division decline.

Adjusted EBITDA[2] of Euro 12.2 million was down 42.4% on the same period of 2019 (Euro 21.2 million), with a margin of 6.7% (8.9% in H1 2019). The drop in volumes was partially offset by a positive price/mix effect and the company's quickly drafted cost containment plan, bringing operating efficiencies on personnel costs and on SG&A costs[3] of approx. Euro 7 million compared to the same period of 2019. Elica in fact promptly set up work and discussion Groups to inform, decide, manage and monitor the measures needed to tackle the consequences of the pandemic.

Adjusted EBIT[4] was Euro 0.1 million, substantial break-even in the period, thanks to cost containment measures and the flexibility of Elica's business model.

In the first half of 2020, the Euro at average exchange rates strengthened against some of the main currencies to which the Group is exposed, in particular PLN, MXN, RUB, INR and CNY. The Revenue against Costs coverage mix created a neutral effect at EBITDA level.

	Average H1 2020	Average H1 2019	%	Jun 30, 20	Dec 31, 19	%
USD	1.10	1.13	(2.7%)	1.12	1.12	0.0%
JPY	119.27	124.28	(4.0%)	120.66	121.94	(1.0%)
PLN	4.41	4.29	2.8%	4.46	4.26	4.7%
MXN	23.84	21.65	10.1%	25.95	21.22	22.3%
INR	81.70	79.12	3.3%	84.62	80.19	5.5%
CNY	7.75	7.67	1.0%	7.92	7.82	1.3%
RUB	76.67	73.74	4.0%	79.63	69.96	13.8%
GBP	0.87	0.87	0.0%	0.91	0.85	7.1%

Net financial expense was Euro 1.9 million, slightly reducing on Euro 2.1 million in H1 2019.
This improvement is mainly due to prudent currency hedging on exposures to currencies other than the Euro, with a reduction in the relative hedging costs.

The Adjusted Net Result was a loss of Euro 2.2 million, contracting on a profit of Euro 4.6 million for H1 2019.

The Adjusted Group Net Result was a loss of Euro 4.1 million, compared to a profit of Euro 2.9 million in H1 2019. The Minorities profit of Euro 1.8 million slightly increased on Euro 1.7 million in H1 2019, mainly reflecting the strong Japanese market performance, where the COVID-19 related crisis developed subsequently, and of the Indian subsidiary - thanks to the business model's flexibility.

The Group Net Result was a loss of Euro 4.8 million, compared to a profit of Euro 1.4 million in H1 2019.

[2] The figure for H1 2020 was adjusted considering the extraordinary effect related to Brazil for Euro 0.7 million, related to the closure of the dispute with Esperança Real S/A (Brazil) and other restructuring charges of Euro 0.2 million. The adjustment to the 2019 result concerns the extraordinary charge for the replacement of the Chief Executive Officer of approx. Euro 1.3 million, and to a lesser extent other restructuring charges for a total of Euro 2.0 million.
[3] General and administrative expenses
[4] The figure for H1 2020 was adjusted considering the extraordinary effect related to Brazil for Euro 0.7 million, related to the closure of the dispute with Esperança Real S/A (Brazil) and other restructuring charges of Euro 0.2 million. The adjustment to the 2019 result concerns the extraordinary charge for the replacement of the Chief Executive Officer of approx. Euro 1.3 million, and to a lesser extent other restructuring charges for a total of Euro 2.0 million.

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Jun 30, 19**
Trade receivables	55,489	55,022	62,788
Inventories	68,731	72,890	79,377
Trade payables	(81,775)	(110,100)	(115,391)
Managerial Working Capital	**42,445**	**17,812**	**26,774**
% annualised revenue	*11.5%*	*3.7%*	*5.6%*
Other net receivables/payables	(9,993)	(9,671)	(12,307)
Net Working Capital	**32,452**	**8,141**	**14,467**
% annualised revenue	*8.8%*	*1.7%*	*3.0%*

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Jun 30, 19**
Cash and cash equivalents	48,128	35,613	24,018
Bank loans and borrowings (current)	(23,375)	(27,317)	(38,532)
Bank loans and borrowings (non-current)	(99,416)	(55,451)	(48,206)
Net Financial Position	**(74,663)**	**(47,155)**	**(62,720)**
Lease payables IFRS 16 (current)	(4,088)	(3,525)	(3,050)
Lease payables IFRS 16 (non-current)	(6,736)	(8,233)	(8,168)
Net Financial Position - Including IFRS 16 impact	**(85,487)**	**(58,913)**	**(73,938)**
Assets for derivatives	1,122	498	194
Liabilities for derivatives (current)	(356)	(386)	(1,232)
Liabilities for derivatives (non-current)	-	(198)	(259)
Net Financial Position - Including IFRS 16 and derivatives effect	**(84,721)**	**(58,999)**	**(75,235)**

The Net Financial Position at June 30, 2020, net of the IFRS 16 effect of Euro 10.8 million, was Euro -74.7 million, compared to Euro -62.7 million at June 30, 2019 (Euro -47.2 million at December 31, 2019). The increase, partially contained by a Capex reduction of approx. 50%, was mainly due to the negative impact on net working capital by the Covid-19 health emergency.

On June 29, 2020, a new Euro 100 million loan contract was signed to support medium/long-term requirements, the partial refinancing of the existing debt, in addition to the working capital and treasury needs of Elica and its subsidiaries. The transaction involved Banca IMI and BNL Group BNP Paribas as Global Coordinators, with Intesa Sanpaolo S.p.A., Banca Nazionale del Lavoro S.p.A., Credit Agricole, BPM Milano and Unicredit taking part in the Club Deal as lending banks.

Managerial Working Capital on annualised revenue was 11.5% in H1 2020, increasing on 5.6% in H1 2019.

A.3.1.2. Definitions and reconciliations

Definitions

EBITDA is the operating result (EBIT) plus amortisation and depreciation and any impairment losses on goodwill and brands.

EBIT is the operating result as reported in the consolidated Income Statement.

Adjusted EBITDA is EBITDA net of the relative adjustment items.

Adjusted EBIT is EBIT net of the relative adjustment items.

Net financial income/(expense) is the sum of the Share of profit/(loss) from associates, Financial income, Financial Expense, Impairment of available-for-sale financial assets and Exchange rate gains and losses.

The adjusted profit is the result for the period, as published in the Consolidated Income Statement, net of the relative adjustment items.

The adjusted profit attributable to the owners of the Parent is the result for the period attributable to the Group, as published in the Consolidated Income Statement, net of the relative adjustment items.
Adjustment items: earnings items are considered for adjustment where they: (i) derive from non-recurring events and operations or from operations or events which do not occur frequently; (ii) derive from events and operations not considered as in the normal course of business operations, as is the case for impairments, disputes considered atypical in terms of frequency and amount and restructuring charges.
The earnings per share for H1 2020 and H1 2019 was calculated by dividing the Group profit attributable to the owners of the Parent, as defined in the Consolidated Income Statement, by the number of outstanding shares at the respective reporting dates. The numbers of shares in circulation at the reporting date was unchanged on December 31, 2019 at 63,322,800, while at June 30, 2019 was 62,047,302.
The earnings per share so calculated coincide with the earnings per share as per the consolidated income statement, as there were no changes to the number of shares in circulation in the period.
Managerial Working Capital is the sum of Trade receivables with Inventories, net of Trade payables, as presented in the Consolidated Statement of Financial Position.
Net Working Capital is the amount of Managerial Working Capital and Other net receivables/payables. Other net receivables/payables comprise the current portion of Other receivables and Tax Receivables, net of the current portion of Provisions for risks and charges, Other payables and Tax payables, as presented in the Consolidated Statement of Financial Position.
Net Financial Position (NFP) is the sum of Cash and Cash equivalents and Other financial assets less Current and Non-current bank loans and borrowings and amounts due under finance leases and to other lenders, as reported in the Statement of Financial Position. Amounts due under finance leases were zero.
The Net Financial Position - Including IFRS 16 Impact is the sum of the Net Financial Position and current and non-current lease payables from application of IFRS 16, as per the Statement of Financial Position.
The Net Financial Position - Including IFRS 16 impact and Derivatives Effect is the sum of the Net Financial Position - Including IFRS 16 impact and the derivative instrument assets and liabilities, as per the Consolidated Statement of Financial Position.

Reconciliations

In Euro thousands	**H1 20**	**H1 19**
Operating profit/(loss) - EBIT	**(874)**	**6,854**
(Amortisation & Depreciation)	12,175	12,423
EBITDA	**11,301**	**19,277**
(CEO replacement risk provision)	-	1,280
(Additional Accrual to the risks provision for the case with Esperança Real)	750	-
(Restructuring charges)	194	692
Adjusted EBITDA	**12,245**	**21,249**

In Euro thousands	**H1 20**	**H1 19**
Operating profit/(loss) - EBIT	**(874)**	**6,854**
(CEO replacement risk provision)	-	1,280
(Additional Accrual to the risks provision for the case with Esperança Real)	750	-
(Restructuring charges)	194	692
Adjusted EBIT	**70**	**8,826**

In Euro thousands	**H1 20**	**H1 19**
Profit/(loss) for the period	**(2,958)**	**3,086**
(CEO replacement risk provision)	-	1,280
(Additional Accrual to the risks provision for the case with Esperança Real)	750	-
(Restructuring charges)	194	692
(Income taxes & adjusted items)	(227)	(473)
Adjusted profit/(loss) for the period	**(2,241)**	**4,585**
(Loss attributable to non-controlling interests)	**(1,821)**	**(1,704)**
(Non-controlling interest profit adjustment items)	-	-
Profit/(loss) attributable to the owners of the Parent - Adjusted	**(4,062)**	**2,881**

	H1 20	H1 19
Profit/(loss) attributable to owners of the Parent *(in Euro thousands)*	(4,779)	1,382
Shares in circulation at period-end	63,322,800	62,047,302
Earnings (loss) per share (Euro/cents)	**(7.55)**	**2.23**

In Euro thousands	Jun 30, 20	Dec 31, 19	Jun 30, 19
Other receivables	6,717	5,374	6,218
Tax assets	10,225	14,966	14,052
(Provision for risks and charges)	(3,038)	(6,487)	(7,028)
(Other payables)	(14,655)	(15,749)	(17,442)
(Tax liabilities)	(9,242)	(7,775)	(8,107)
Other net receivables / payables	**(9,993)**	**(9,671)**	**(12,307)**

A.3.2. Significant events in H1 2020

On January 29, 2020, in accordance with Article 2.6.2, paragraph 1, letter b) of the Regulations of the Markets Organised and Managed by Borsa Italiana S.p.A., Elica S.p.A. published the Financial Calendar for the year 2020.

On February 12, 2020, Elica S.p.A. took note of the resignation of Mr. Davide Croff from the position of independent director tendered on February 11, 2020 with immediate effect, due to "personal reasons that made it impossible to continue to carry out the activities associated with the office of director with the necessary diligence." Mr. Davide Croff, as far as the company is aware, did not hold Elica shares at the date of the relationship's conclusion.

On February 13, 2020, the Board of Directors of Elica S.p.A. approved the additional periodic disclosure for the fourth quarter of 2019, prepared according to IFRS and the 2019 preliminary consolidated results.

On March 12, 2020, the Board of Directors of Elica S.p.A. approved the consolidated results at December 31, 2019 and the statutory financial statements at December 31, 2019, prepared in accordance with IFRS, in addition to the Directors' Report.

On April 28, 2020, the Shareholders' Meeting of Elica S.p.A. met in ordinary session and approved the following matters on the agenda:

- Separate financial statements at December 31, 2019 of Elica S.p.A., the Directors' Report, the Board of Statutory Auditors' Report, the Non-Financial Report and the Independent Auditors' Report. The Shareholders' Meeting also noted the consolidated results for 2019.

- Number of directors established at seven and remuneration approved; the Shareholders' AGM approved the proposal of the Board of Directors to reduce from eight to seven the number of Board members, consequently reducing the overall gross remuneration accruing and confirming the insurance coverage, as approved by the Shareholders' AGM of April 27, 2018 for the entire duration of mandate.

- Two directors proposed by the Board of Directors appointed, Mauro Sacchetto and Giovanni Tamburi who will remain in office until the Shareholders' AGM called for the approval of the 2020 Annual Accounts. According to the company, the appointed directors do not hold Elica S.p.A. shares. Their curricula vitae of the two appointed directors are available on the website https://elica.com/corporation (Corporate Governance - Other Documents section).

- Amendment to the 2019-2025 long-term incentive plan called the Phantom Stock & Voluntary Co-investment Plan, as per the conditions indicated in the updated Disclosure Document. The Illustrative Report of the Directors to the Shareholders' AGM on the proposal to amend the long-term incentive plan called the 2019-2025 Phantom Stock & Voluntary Co-investment Plan and the updated Disclosure Document, drawn up as per Annex 3, Schedule 7 of the Issuers' Regulation, were published on March 27, 2020 and are available to the public at the registered office, in addition to the 1Info authorised storage mechanism at www.1info.it and on the website http://corporation.elica.com (Investor Relations - Shareholders' Meeting Section).

In accordance with Article 123-*ter*, paragraphs 3 *bis* and 6 of Legislative Decree 58/1998, the Elica S.p.A. Shareholders' AGM, noting its content, approved the remuneration policy and report and voted in favour of its second section. The report was filed on March 27, 2020 and is available to the public on the company website https://elica.com/corporation (Investor Relations / Shareholders' Meeting section), in addition to the 1Info authorised storage mechanism at www.1info.it. The results of the vote will be made available to the public in accordance with Article 125-*quater*, paragraph 2 of the same Decree.

On April 28, 2020, the Board of Directors of Elica S.p.A. confirmed the appointment of Mauro Sacchetto as Chief Executive Officer of the company. The assessments of the Directors Mauro Sacchetto and Giovanni Tamburi as non-independent, appointed by the Shareholders' AGM, were unchanged.

On June 29, 2020, Elica S.p.A. signed, as announced on July 3, 2020, a loan contract for a maximum amount of Euro 100 million with a final maturity of 5 years, on a Club deal basis with a syndicate of 5 banks and, in particular, with Banca IMI S.p.A. and BNL Gruppo BNP Paribas as co-ordinating banks and Intesa Sanpaolo S.p.A., BNL Gruppo BNP Paribas, Banco BPM S.p.A., Crédit Agricole Italia S.p.A. and UniCredit S.p.A. as lending banks. The loan is principally intended to support medium/long term needs, the partial refinancing of the existing debt, in addition to the working capital and treasury needs of Elica S.p.A. and its subsidiaries, mainly stipulating the following terms and conditions: - breakdown of the loan into two tranches, a Term Loan (TL) for an amount of Euro 90 million and a Revolving Loan (RCF) for an amount of Euro 10 million; - the Term Loan (TL) tranche maturing on June 29, 2025, with the first two years as a grace period and the following three years involving six increasing value instalments and a seventh balloon final repayment; - the Revolving (RCF) tranche maturing on June 29, 2025; Financial covenants are stipulated concerning the ratio between NFP/EBITDA, EBITDA/Net Financial Charges and NFP/Shareholders' Equity and tested half-yearly on an LTM basis on the Group's consolidated figures. With this transaction, the Group confirms the solidity of its business model, its ability to access ordinary sources of funding even in an uncertain general economic environment and its commitment to optimising its debt structure. Reference should be made to the subsequent notes for further details.

Managing the COVID-19 emergency

The COVID-19 pandemic initially affected supply chains to a limited extent, although subsequently becoming global and forcing more than half of the global population into lockdown measures. The measures taken by the governments to contain the spread of the virus presented a double-shock - both in terms of supply and demand - and hit a wide range of businesses.

Although the going concern has not been called into question, in order to effectively handle the COVID-19 emergency, the Elica Group immediately put in place all available worker protection measures and set up a Crisis Committee to monitor the developing situation. This Committee meets periodically and coordinates daily with the Leadership Team.

Managing the crisis centres on three key pillars:

1. Protection of individuals and the community through:
   - The adoption of the available health protection measures (health protocol)
   - Remote working from the first week of March
   - The extension of COVID-19 health insurance to all employees
   - Communication through internal and external channels
   - Radio Elica

2. Achieving business objectives and serving customers through:
   - Introduction of technical-organisational support for the protection of health
   - The reorganisation of operations and the operational management of emergencies (adapting to customer needs and the regulatory framework)
   - The introduction of significant actions to support margins and improve liquidity
   - Continued 100% focus on new key products and strategic initiatives

3. Strong governance and ESG commitment [5]through:
   - Analysis of the technical-organisational measures adopted against that set out by the applicable regulation
   - The analysis of possible significant impacts as per Legislative Decree 231/01
   - Real-time monitoring of potential IT security threats

All employees globally from the initial week of March 2020 began to work remotely, while during the period gradually - where possible - began to resume some duties on-site.

Since April 23, 2020, Elica has begun to reopen in a gradual manner the factories in the Marche region - at Mergo and Cerreto - which were closed from March 24, 2020 following the imposition of restrictions by the government through the Presidential Decree of March 22, 2020. The Castelfidardo facility (Motors division), as covered by a permitted Ateco code, was however authorised to continue its operations and therefore was not subject to closure. The Polish facility has been operative since April 19, with the Mexican facility resuming from June 1 and the Indian plant from May 18.

A.3.3. Subsequent events and outlook

The Group continues extensive monitoring of demand dynamics across all markets, in order to develop the business model for the delivery of results both over the short and long-term.

The company is analysing the impact of COVID-19 on the business and the potential market demand recovery curve, which is currently difficult to forecast. The key points are:

- focus on cost containment measures and financial sustainability;
- solid fundamentals to properly capture the potential recovery in demand in the second half of the year.

The Group has outlined the pillars of its growth strategy:
- focus on boosting EBITDA margin and cash flow generation;
- expanded B2C portfolio and market share;
- research and development investment;
- transformation of the distribution model;
- geographical expansion.

These actions relate to the internal reorganisation, which has laid the foundations for an additional acceleration over the coming three years and a strong managerial team.

A.3.4. Elica Group structure and consolidation scope

Parent
- Elica[6] S.p.A. - Fabriano (Ancona, Italy) is the parent of the Group (in short Elica).

Subsidiaries
- Elica Group Polska Sp.zo.o – Wroclaw – (Poland) (in short Elica Group Polska). This wholly-owned company has been operational since September 2005 in the production and sale of electric motors and from December 2006 in the production and sale of exhaust hoods for domestic use;
- Elicamex S.A. de C.V. – Queretaro (Mexico) (in short Elicamex). This company was incorporated at the beginning of 2006 (the parent owns 98% directly and 2% through Elica Group Polska). The Group intends to concentrate production for the American markets with this company in Mexico and reap the benefits of optimising operations and logistics;
- Leonardo Services S.A. de C.V. – Queretaro (Mexico) (in short Leonardo). This wholly-owned subsidiary was incorporated in January 2006 (the Parent owns 98% directly and 2% indirectly through Elica Group Polska Sp.zo.o.). Leonardo Services S.A. de C.V. manages the Mexican staff, providing services to Elicamex S.A. de C.V;
- Ariafina CO., LTD – Sagamihara-Shi (Japan) (in short Ariafina). Incorporated in September 2002 as an equal Joint Venture with Fuji Industrial of Tokyo, the Japanese range hood market leader, Elica S.p.A. acquired control in May 2006 (51% holding) to provide further impetus to the development of the important Japanese market, where high-quality products are sold;

[5] Environmental social governance.
[6] The company also has a stable organisation in Spain, in Avda, Generalitat de Catalunya Esc.9, bayos 1 08960 Sant Just Desvern – Barcelona.

- Airforce S.p.A. – Fabriano (Ancona, Italy) (in short Airforce). This company operates in a special segment of the production and sale of hoods. Elica S.p.A. owns 60% of this company;
- Elica Inc – Chicago, Illinois (United States), offices in Issaqua, Washington (United States). This company aims to develop the Group's brands in the US market by carrying out marketing and trade marketing with resident staff. The company is a wholly owned subsidiary of Elicamex S.A. de C.V.;
- Elica PB India Private Ltd. – Pune (India) (in short Elica India). Elica PB India Private Ltd. is involved in the production and sale of Group products. At December 31, 2017, Elica S.p.A. held 51% of the Indian company's share capital. In 2018, following the conversion of the Debenture, the Elica Group increased its holding to 58% and thereafter sold its share to a third party, holding at year-end 25.5%. Thanks to the signing of a shareholder agreement with the Indian shareholders, the Elica Group continues to have control.
- Zhejiang Elica Putian Electric CO., LTD. – Shengzhou (China) (in short Putian), a Chinese company held 99% and operating under the Puti brand, a leader in the Chinese home appliances sector, producing and marketing range hoods, gas hobs and kitchenware sterilisers. Putian is one of the main players in the Chinese hood market and the principal company developing Western-style hoods. The production site is located in Shengzhou, a major Chinese industrial district for the production of cooking appliances.
- Elica Trading LLC – St. Petersburg (Russian Federation) (in short Elica Trading), a Russian company held 100%, incorporated on June 28, 2011 and selling Elica Group products on the Russian market.
- Elica France S.A.S. - Paris (France) (in short Elica France), a wholly-owned French company incorporated in 2014 and selling Elica Group products on the French market.
- Elica GmbH – Munich (Germany), a German company wholly-owned by Elica S.p.A. and incorporated in 2017 and selling Elica Group products on the German market.

Associates

- I.S.M. S.r.l. – Cerreto d'Esi (AN-Italy). The company, of which Elica S.p.A. holds 49.385% of the Share Capital, operates within the real estate sector.

Changes in the consolidation scope

There were no changes in the consolidation scope compared to December 31, 2019.

A.4. Compliance with Article 5, paragraph 8, Consob Regulation 17221 of 12.03.2010 regarding transactions with subsidiaries, associates and other related parties

In the first half of 2020, transactions were entered into with subsidiaries, associates and other related parties. All transactions were conducted on an arm's length basis in the ordinary course of business.
There are no particular issues to highlight in accordance with Article 5, paragraph 8 of Consob Regulation 17221 of 12.03.2010[7].

A.5. Compliance with Section VI of the regulation implementing Legislative Decree no. 58 of February 24, 1998 concerning market regulations ("Market Regulations")

Elica S.p.A. confirms compliance with the conditions for listing pursuant to Articles 36 and 37 of Consob's Market Regulations. In particular, having control, directly or indirectly, over some companies registered in countries outside of the European Union, the financial statements of the above-mentioned companies, prepared for the purposes of the Elica Group Consolidated Financial Statements, were made available in accordance with the provisions required by the current regulations enacted on March 30, 2009.

[7] The article provides that: "Companies that have issued listed shares and that have Italy as their home Member State, pursuant to Article 154-ter of the Consolidated Act, shall provide information, in their interim report on operations and annual report on operations: a) on individual transactions of greater importance concluded during the reporting period; b) on any other individual transactions with related parties as defined under Article 2427, second subsection, of the Italian Civil Code, concluded in the reporting period, that have materially affected the financial position or results of the companies; c) any change in or development of transactions with related parties described in the most recent annual report that has had a material effect on the financial situation or operating results of the companies in the reporting period".

A.6. Compliance with Article 70, paragraph 8 and Article 71, paragraph 1-bis of the "Issuers Regulation"

In accordance with Article 70, paragraph 8 and Article 71, paragraph 1-*bis* of the Consob Issuers' Regulation, on January 16, 2013, Elica announced that it would employ the exemption from publication of the required disclosure documents concerning significant merger, spin-off, and share capital increase operations through conferment of assets in kind, acquisitions and sales.

Elica S.p.A.

B. Condensed Interim Consolidated Financial Statements

as at and for the six months ended

June 30, 2020

B.1.Consolidated financial statements at June 30, 2020

B.1.1. H1 2020 Consolidated Income Statement

In Euro thousands	***Note***	**H1 20**	**H1 19**
Revenue	B.3.1.	184,197	238,666
Other operating income	B.3.1.	1,567	1,071
Changes in inventories finished/semi-finished goods	B.3.2.	(3,007)	755
Increase in internal work capitalised		1,265	1,928
Raw materials and consumables	B.3.2.	(97,482)	(127,368)
Services	B.3.2.	(32,990)	(42,028)
Personnel expenses	B.3.2.	(39,001)	(48,192)
Amortisation & depreciation		(12,175)	(12,423)
Other operating expenses and provisions	B.3.2.	(3,054)	(4,863)
Restructuring charges	B.3.2.	(194)	(692)
Impairment of Goodwill		-	-
Operating Profit/(loss)		**(874)**	**6,854**
Share of profit/(loss) of associates		-	9
Financial income	B.3.3.	270	175
Financial expenses	B.3.3.	(2,063)	(1,942)
Exchange rate losses	B.3.3.	(128)	(293)
Profit/(loss) before taxes		**(2,795)**	**4,803**
Income taxes		(163)	(1,717)
Profit/(loss) from continuing operations		**(2,958)**	**3,086**
Profit/(loss) from discontinued operations		-	
Profit/(loss) for the period		**(2,958)**	**3,086**
of which:			
Attributable to non-controlling interests		1,821	1,704
Attributable to the owners of the Parent		(4,779)	1,382
Basic earnings/(loss) per Share (Euro/cents)		(7.55)	2.23
From continuing and discontinued operations (Euro/cents)		(7.55)	2.23
From continuing operations (Euro/cents)		(7.55)	2.23
Diluted earnings/(loss) per Share (Euro/cents)		(7.55)	2.23
From continuing and discontinued operations (Euro/cents)		(7.55)	2.23
From continuing operations (Euro/cents)		(7.55)	2.23

B.1.2. H1 2020 Statement of Comprehensive Income

In Euro thousands	***Note***	**H1 20**	**H1 19**
Profit/(loss)		**(2,958)**	**3,086**
Other comprehensive income/(expense) which may not be subsequently reclassified to profit/(loss) for the period:			
Actuarial gains/(losses) on defined employee benefit plans	B.3.11.	60	(837)
Tax effect of Other income/(expense) which will not be subsequently reclassified to the profit/(loss) for the period		(4)	0
Total other comprehensive income/(expense) which may not be subsequently reclassified to profit/(loss) for the period, net of the tax effect		**56**	**(837)**
Other comprehensive income/(expense) which may be subsequently reclassified to profit/(loss):			
Exchange differences on the conversion of foreign financial statements	B.3.14.	(8,526)	1,692
Net change in cash flow hedges	B.3.14.	(28)	284
Tax effect concerning the Other income/(expense) which may be subsequently reclassified to the profit/(loss) for the period	B.3.14.	290	(68)
Total other comprehensive income/(expense) which may be subsequently reclassified to profit/(loss) for the period, net of the tax effect		**(8,264)**	**1,908**
Total other comprehensive income/expense, net of the tax effect:		**(8,207)**	**1,071**
Total comprehensive income/(loss) for the period		**(11,165)**	**4,157**
of which:			
Attributable to non-controlling interests		1,385	1,834
Attributable to the owners of the parent		(12,550)	2,323

B.1.3. Consolidated Statement of Financial Position at June 30, 2020

In Euro thousands	***Note***	**Jun 30, 20**	**Dec 31, 19**
Property, plant & equipment	B.3.4.	93,241	101,399
Goodwill	B.3.5.	39,145	39,340
Other intangible assets	B.3.6.	26,228	28,276
Rights-of-use as per IFRS 16	B.3.6.	10,730	12,679
Investments in associates		770	770
Other receivables and other assets	B.3.12.	378	393
Deferred tax assets	B.3.7.	21,092	19,925
Total non-current assets		**191,585**	**202,783**
Trade receivables	B.3.8.	55,489	55,022
Inventories	B.3.9.	68,731	72,890
Other receivables	B.3.12.	6,717	5,374
Tax assets	B.3.13.	10,225	14,966
Derivative financial instruments	B.3.19.1.	1,122	498
Cash and cash equivalents	B.3.15.	48,128	35,613
Current assets		**190,412**	**184,363**
Assets of discontinued operations		**-**	**-**
Total assets		**381,997**	**387,146**
Liabilities for post-employment benefits	B.3.11.	10,712	10,737
Provisions for risks and charges	B.3.10.	12,448	12,377
Deferred tax liabilities	B.3.7.	3,330	3,496
Finance leases and other lenders as per IFRS 16	B.3.15.	6,736	8,233
Bank loans and borrowings	B.3.15.	99,416	55,451
Derivative financial instruments	B.3.19.1.	-	198
Non-current liabilities		**132,642**	**90,492**
Provisions for risks and charges	B.3.10.	3,038	6,487
Finance leases and other lenders as per IFRS 16	B.3.15.	4,088	3,525
Bank loans and borrowings	B.3.15.	23,375	27,317
Trade payables	B.3.8.	81,775	110,100
Other payables	B.3.12.	14,655	15,749
Tax liabilities	B.3.13.	9,242	7,775
Derivative financial instruments	B.3.19.1.	356	386
Current liabilities		**136,529**	**171,339**
Liabilities of discontinued operations			
Share capital		12,665	12,665
Capital reserves		71,123	71,123
Hedging and translation reserve		(19,580)	(11,759)
Reserve for actuarial losses		(3,295)	(3,345)
Retained earnings		42,705	39,395
Profit/(loss) attributable to the owners of the Parent		(4,779)	3,063
Equity attributable to the owners of the Parent		**98,839**	**111,142**
Capital and reserves attributable to non-controlling interests		12,166	9,857
Profit attributable to non-controlling interests		1,821	4,316
Equity attributable to non-controlling interests		**13,987**	**14,173**
Total equity	B.3.14.	**112,826**	**125,315**
Total equity and liabilities		**381,997**	**387,146**

B.1.4. H1 2020 Consolidated Statement of Cash Flows

In Euro thousands	**H1 20**	**H1 19**
Opening cash and cash equivalents	**35,613**	**35,612**
Operating activities		
Profit/(loss) for the period	**(2,958)**	**3,086**
Amortisation & Depreciation	12,175	12,423
Non-monetary (income)/charges	-	(9)
Trade working capital	(25,762)	(9,004)
Other working capital accounts	5,459	3,899
Income taxes paid	(2,303)	(2,443)
Change in provisions	(3,247)	(512)
Other changes	632	255
Cash flow from operating activities	**(16,004)**	**7,695**
Investing activities		
Investments		
- Intangible	(2,167)	(3,844)
- Tangible	(3,428)	(5,954)
- Rights-of-use	(257)	(1,436)
Cash flow used in investing activities	**(5,853)**	**(11,234)**
Financing activities		
Dividends	(1,584)	(1,479)
Increase (decrease) in loans and borrowings	39,223	(5,363)
Net changes in other financial assets/liabilities	(294)	(220)
Interest paid	(1,742)	(1,583)
Cash flow from (used in) financing activities	**35,603**	**(8,645)**
Increase/(Decrease) in cash and cash equivalents	**13,747**	**(12,184)**
Net translation effect on cash and cash equivalents	(1,229)	590
Closing cash and cash equivalents	**48,130**	**24,018**

B.1.5. Statement of changes in Consolidated Equity at June 30, 2020

In Euro thousands	**Share capital**	**Share premium reserve**	**Acquisition/Sale treasury shares**	**Retained earnings**	**Hedge, trans. & post-employ ben. res.**	**Profit/(loss) for the period**	**Equity owners of parent**	**Equity non-control. int.**	**Total**
Balance at December 31, 2018	**12,665**	**71,123**	**(3,551)**	**41,535**	**(17,898)**	**(961)**	**102,913**	**11,270**	**114,183**
Change in cash flow hedges net of the tax effect					216		**216**		216
Actuarial gains/(losses) on post-employment benefits					(805)		**(805)**	(32)	**(837)**
Exchange rate gains/(losses) on translation of foreign subsidiaries' financial statements					1,530		**1,530**	162	**1,692**
Total gains/(losses) recognised directly in equity	**-**	**-**	**-**	**-**	**941**		**941**	**130**	**1,071**
Profit for the period						1,382	**1,382**	1,704	**3,086**
Total gains/(losses) recognised in profit or loss	**-**	**-**	**-**	**-**	**941**	**1,382**	**2,323**	**1,834**	**4,157**
Allocation of profit/(loss) for the period				(961)		961	-		-
Other movements				(17)			(17)	134	117
Dividends				-			-	(1,479)	(1,479)
Balance at June 30, 2019	**12,665**	**71,123**	**(3,551)**	**40,557**	**(16,957)**	**1,382**	**105,219**	**11,759**	**116,978**
Balance at December 31, 2019	**12,665**	**71,123**	**-**	**39,395**	**(15,104)**	**3,063**	**111,142**	**14,173**	**125,315**
Fair value changes on cash flow hedges net of the tax effect					262		**262**		**262**
Actuarial gains/(losses) on post-employment benefits					50		**50**	6	**56**
Exchange rate gains/(losses) on translation of foreign subsidiaries' financial statements					(8,083)		**(8,083)**	(443)	**(8,526)**
Total gains/(losses) recognised directly in equity	**-**	**-**	**-**	**-**	**(7,771)**	**-**	**(7,771)**	**(437)**	**(8,208)**
Profit/(loss) for the period						(4,779)	**(4,779)**	1,821	**(2,958)**
Total gains/(losses) recognised in profit or loss	**-**	**-**	**-**	**-**		**(4,779)**	**(12,550)**	**1,384**	**(11,166)**
Allocation of profit/(loss) for the period				3,063		(3,063)	-		-
Other movements				248			**248**	5	**262**
Dividends				-			-	(1,584)	**(1,584)**
Balance at June 30, 2020	**12,665**	**71,123**	**-**	**42,706**	**(22,875)**	**(4,779)**	**98,840**	**13,987**	**112,827**

B.2. Notes to the Condensed Interim Consolidated Financial Statements at June 30, 2020

B.2.1. Group structure and brief description of its activities

The Elica Group has been active in the kitchen hood and stoves market since the 1970's. It is chaired by Francesco Casoli and led by Mauro Sacchetto. In Europe, it is also engaged in the design, manufacture and sale of motors for central heating boilers. With approx. 3,400 employees, the Elica Group has seven plants, including in Italy, Poland, Mexico, India and China. With many years' experience in the sector, Elica has combined meticulous care for design with judicious choice of high-quality materials and cutting-edge technology to guarantee maximum efficiency and low energy consumption, making the Elica Group the prominent market figure it is today. This has enabled the Group to revolutionize the traditional image of cooker hoods: they are no longer seen as simple accessory but as a design element that improves the quality of life.

The Euro is the functional and reporting currency for Elica and all consolidated companies, except for such foreign subsidiaries as Elica Group Polska Sp.zo.o, Elicamex S.A. de C.V., Leonardo Services S.A. de. C.V., Ariafina CO., LTD, Elica Inc., Elica PB India Private Ltd., Zhejiang Elica Putian Electric Co. Ltd. and Elica Trading LLC, which prepare their financial statements in the Polish Zloty (Elica Group Polska Sp.zo.o), the Mexican Peso (Elicamex S.A. de C.V. and Leonardo Services S.A. de C.V.), Japanese Yen, US Dollar, Indian Rupee, Chinese Renminbi and Russian Ruble respectively.

The exchange rates used for the translation to Euro of the financial statements of companies consolidated in a currency other than the consolidation currency, compared with those used in the previous periods, are shown in the table below:

	Average H1 2020	Average H1 2019	%	Jun 30, 20	Dec 31, 19	%
USD	1.10	1.13	(2.7%)	1.12	1.12	0.0%
JPY	119.27	124.28	(4.0%)	120.66	121.94	(1.0%)
PLN	4.41	4.29	2.8%	4.46	4.26	4.7%
MXN	23.84	21.65	10.1%	25.95	21.22	22.3%
INR	81.70	79.12	3.3%	84.62	80.19	5.5%
CNY	7.75	7.67	1.0%	7.92	7.82	1.3%
RUB	76.67	73.74	4.0%	79.63	69.96	13.8%
GBP	0.87	0.87	0.0%	0.91	0.85	7.1%

B.2.2. Approval of the 2020 Half-Year Report

The report for the period ended June 30, 2020 was approved by the Board of Directors on July 30, 2020.

B.2.3. Accounting policies and basis of consolidation

The annual consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union through Regulation No. 1606/2002.

These condensed consolidated half-year financial statements were prepared, in summary form, in conformity with IAS 34 "Interim Financial Statements" and in conformity with the requirements of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments and integrations.
The condensed consolidated half-year financial statements therefore do not include all the information published in the annual report and must be read together with the consolidated financial statements as at December 31, 2019.

The accounting and consolidation principles adopted for the preparation of the current condensed consolidated half-year financial statements are unchanged compared to those adopted for the preparation of the Group annual consolidated financial statements for the year ended December 31, 2019.

The Condensed Consolidated Half-Year Financial Statements were prepared on the basis of the historical cost convention, except for some financial instruments which are recognised at fair value. The financial statement accounts have been measured in accordance with the general criteria of prudence and accruals and on a going concern basis, and also take into consideration the economic function of the assets and liabilities.

The Condensed Consolidated Interim Financial Statements at June 30, 2020 consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity. The condensed interim consolidated financial statements are compared with the corresponding period of the previous year for the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity and with the consolidated statement of financial position.

The present consolidated financial statements are presented in thousands of Euro and all the amounts are rounded to the nearest thousandth, unless otherwise specified.

B.2.4. Changes in accounting standards

B.2.4.1. Amendments to IAS 1 and IAS 8

On October 31, 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)", which introduced a change to make the definition of the term "relevant" contained in IAS 1 and IAS 8 more specific. The amendment also introduces the concept of "obscured information" alongside the concepts of "omitted" or "misstated" information previously included in the two amended Standards. The amendment clarifies that information is obscured if it is described in a way that results in an effect for the users of the financial statements similar to that which would have resulted if the information in question had been omitted or misstated. The amendments to IAS 1 and IAS 8 are effective from periods beginning on, or subsequent to, January 1, 2020.

B.2.4.2. Amendments to IFRS 3

On October 22, 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)", introducing amendments to IFRS 3 to better clarify the definition of a business. In particular, the amendment clarifies that the existence of an output is not strictly necessary to identify a business when there is however an integrated set of activities, processes and assets. However, in order to meet the definition of a business, an integrated set of activities, processes and assets must include, at minimum, an input and a substantial process that together contribute significantly to the capacity to create output. Accordingly, the IASB has replaced the term "ability to create outputs" with "ability to contribute towards the creation of outputs" in order to clarify that a business may exist even without the presence of all of the inputs and processes necessary to create an output. The amendment also introduced an optional test ("concentration test") for an entity to determine whether a set of activities, processes and assets acquired is a business. To this end, the amendment adds numerous examples illustrating IFRS 3 to help understand the practical application of the new definition of a business in specific cases. The amendments apply to business combinations and acquisitions of activities after January 1, 2020, although advance application is permitted.

B.2.5. New accounting standards not yet in force

As required by IAS 8 - Accounting standards, changes in accounting estimates and errors - the main new accounting standards and interpretations, in addition to amendments to the existing standards and interpretations that are already applicable, not yet in force or not yet approved by the European Union (EU), which could be applied in the future to the financial statements, are illustrated below. From January 1, 2022, the amendments to IAS 37 will enter into force, which concern onerous contracts and in particular contract fulfilment costs, in addition to the amendments to IAS 16 concerning income matured before the allocation of use. The application of IFRS 17 relating to Insurance has been set for January 1, 2023, with the definition of payables as current and non-current.

The amendment to IFRS 16 Leasing: the recognition of concessions to lessees as a result of the COVID-19 pandemic will enter into force on June 1, 2020. European companies will only be able to apply the amendment after endorsement by the European Union. Consequently, Elica did not apply this amendment, the purpose of which is to simplify for lessees the accounting of concessions on lease instalments relating to COVID-19. The amendment allows lessees to not analyse individual lease contracts to determine whether lease instalment concessions that occur as a direct consequence of the COVID-19 pandemic are amendments to the lease contract in accordance with IFRS 16 and allows lessees to recognise such concessions as if they were not amendments to the lease, but to recognise them directly to the income statement. This amendment applies to concessions on lease instalments relating to COVID-19 which reduce the payments due by the lessor under the contract by June 30, 2021. IFRS 16 specifies how lessees should account for changes in lease payments, including concessions. However, applying these requirements to a high volume of concessions on COVID-19 lease payments could be very complex, especially in view of the many complications, including of an accounting nature, that companies are already facing as a result of the pandemic. This optional supportive expedient provides a timely solution for lessees and allows them to continue to provide useful information on leases. Lessees using the exemption introduced by the amendment will be required to provide specific information in the notes to the financial statements.

For all the newly issued standards, as well as the revision and amendments to existing standards, the Group is assessing impacts which are currently unforeseeable that will derive from their future application.

B.2.6. Use of estimates

In the preparation of the condensed half-year financial statements, the Group's management made accounting estimates and assumptions which have an effect on the values of the assets and liabilities and disclosures. The actual results may differ from these estimates. The estimates and assumptions are periodically reviewed and the effects of any changes are promptly recognised in the consolidated financial statements. In particular, the current situation, which is defined by COVID 19, has made all forecasts even more uncertain, although not calling into question the key going concern principle.

In this context, the Group made assumptions about the future performance characterised by significant uncertainty, in which results in the coming years could differ from such estimates and, therefore, require adjustments that is not currently possible to estimate or forecast, and these adjustments might even be significant.

The account items principally concerned by uncertainty are: goodwill, the allowance for impairment and inventory obsolescence provision, non-current assets (property, plant and equipment and intangible assets), pension funds and other post-employment benefits, provisions for risks and charges and deferred tax assets and liabilities.

Reference is made to the previous year annual accounts and the notes to the present condensed consolidated half-year financial statements for the details relating to the estimates stated above.

B.3.Composition and main changes in the Income Statement and Statement of Financial Position

B.3.1. Revenue and other income

In Euro thousands	**H1 20**	**H1 19**	**Changes**
Revenue	184,197	238,666	(54,469)
Revenue	**184,197**	**238,666**	**(54,469)**

In Euro thousands	**H1 20**	**H1 19**	**Changes**
Grants related to income	753	436	317
Ordinary gains	9	19	(10)
Claims and insurance settlement	185	69	116
Other revenues and income	621	547	74
Other revenues and income	**1,568**	**1,071**	**497**

Reference should be made to paragraph A.3.1.1 for the account's performance. H1 2020 performance. Customers who comprise more than 10% of total revenue constituted 11.83% of revenue in the first six months of 2020 (13.64% in 2019).
The Group carried out an analysis to identify the separate performance obligations which indicated that it was not necessary to further breakdown revenue. The criteria applied by the Group are in line with those established by IFRS 15. Finally, no circumstances were identified whereby a Group company had the role of "agent".

The increase in other operating income was concentrated in the Grants related to income account, which includes state grants received as support in view of the COVID-19 emergency, particularly those by the Polish subsidiary.

B.3.2. Operating costs

In Euro thousands	**H1 20**	**H1 19**	**Changes**
Purchase of raw materials	75,830	98,434	(22,604)
Purchase of finished goods	13,369	15,359	(1,990)
Purchases of semi-finished products	6,181	9,065	(2,884)
Transport of purchases	2,073	3,229	(1,156)
Purchases of consumables	842	1,102	(260)
Packaging	730	1,153	(423)
Other purchases	665	795	(130)
Purchases of supplies	340	576	(236)
Change in inventory of raw materials, consumables, supplies and goods	(2,548)	(2,345)	(203)
Raw materials and consumables	**97,482**	**127,368**	**(29,886)**
Changes in inventories of finished and semi-finished goods	**3,007**	**(755)**	**3,762**
Total	**100,489**	**126,613**	**(26,124)**

In Euro thousands	**H1 20**	**H1 19**	**Changes**
Outsourcing	10,050	13,041	(2,991)
Other professional services	4,430	5,954	(1,524)
Transport	3,871	5,439	(1,568)
Consulting	3,096	3,070	26
Management of finished products	2,729	2,806	(77)
Directors' and Statutory Auditors' fees	1,968	911	1,057
Utilities	1,957	2,323	(366)
Trade fairs and promotional events	980	1,677	(697)
Maintenance	834	1,141	(307)
Travel	700	1,392	(692)
Commissions	691	937	(246)
Insurance	655	671	(16)
Advertising	529	2,099	(1,570)

Industrial services	358	415	(57)
Banking commissions and charges	143	152	(9)
Services	**32,990**	**42,028**	**(9,038)**

In Euro thousands	**H1 20**	**H1 19**	**Changes**
Wages and salaries	27,557	33,796	(6,239)
Social security expenses	7,672	9,353	(1,681)
Post-employment benefits	1,372	1,521	(149)
Other costs	2,399	3,522	(1,123)
Personnel expense	**39,001**	**48,192**	**(9,192)**

In Euro thousands	**H1 20**	**H1 19**	**Changes**
Leases and rentals	570	1,194	(624)
Rental of cars and industrial vehicles	(4)	41	(45)
Hardware, software and patents	322	317	6
Other taxes	554	558	(4)
Magazine and newspaper subscriptions	3	6	(3)
Sundry equipment	102	94	8
Catalogues and brochures	144	222	(78)
Losses on receivables and allowance for impairment	13	262	(250)
Provisions for risks and charges	551	1,450	(900)
Other prior year expenses and losses	799	720	(79)
Other operating expenses and accruals	**3,054**	**4,863**	**(1,809)**

In Euro thousands	**H1 20**	**H1 19**	**Changes**
Restructuring charges	194	692	(498)
Restructuring charges	**194**	**692**	**(498)**

Consumables, including the impact of changes to finished and semi-finished products, accounted for 54.6% of revenues (53.1% in the previous year). This aggregate includes also the risk assessment by Management upon inventory obsolescence.

The decrease in service costs related to almost all items, demonstrating the reaction by the Group to the difficulties created by the COVID-19 emergency, with costs contained. In particular, advertising, trade fairs and promotional event costs were cut, in addition to “Other professional services”. “Directors’ and statutory auditors’ fees” increased due to the impact of the portion maturing in the period of the Long-Term Incentive provision, whose value is linked to the share performance, which increased from Euro 2.015 at June 30, 2019 to Euro 2.695 at June 30, 2020.

Personnel expenses also reflects the Group’s capacity to react to contracting revenue, through on the one hand the use of instruments made available by the local governments as support, related particularly to personnel expenses, the drop in demand due to the lockdown and on the other hand the commitment of management personnel through waiving fees, such as, mainly, variable remuneration.

Other operating expenses and provisions in H1 2020 decreased on the same period of the previous year. Provisions for risks and charges include the cost of Euro 1,280 thousand for the Chief Executive Officer replacement risk, offset only partly by the further provision made in 2020 to increase the provision for the dispute with Esperança Real S/A, Madson Eletrometalurgica Ltd (Euro 0.7 million).

Restructuring charges include the costs incurred by the Group, mainly by the Chinese subsidiary and the parent to cover outflows as part of the workforce downsizing plan to reduce and optimise the Group’s organisational structure. They principally concern personnel expense.

B.3.3. Net financial expense

In Euro thousands	**H1 20**	**H1 19**	**Changes**
Financial income	270	175	95
Financial expenses	(2,063)	(1,942)	(121)
Exchange rate gains/(losses)	(128)	(293)	165

Total net financial expenses	**(1,921)**	**(2,060)**	**139**

The financial management performance reflects principally the improvements in currency movements regarding those used by the Group, in addition to the effects from the settlement of the previously existing loans.

B.3.4. Property, plant and machinery rights-of-use as per IFRS 16

The breakdown of property, plant and equipment at June 30, 2020 and December 31, 2019 is detailed below.

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Changes**
Land, land usage rights and buildings	41,364	44,219	(2,855)
Plant and machinery	26,570	29,717	(3,147)
Industrial and commercial equipment	19,496	22,289	(2,793)
Other assets	4,028	4,310	(282)
Assets in progress and advances	1,783	864	919
Total property, plant and equipment	**93,241**	**101,399**	**(8,158)**

Property, plant and equipment decreased from Euro 101,399 thousand at December 31, 2019 to Euro 93,241 thousand at June 30, 2020, a decrease of Euro 8,158 thousand as a result of the sales, purchases and of depreciation recorded in the income statement of Euro 6,582 thousand (Euro 7,297 thousand in 2019). The change includes exchange losses of approx. Euro 5 million. Among the actions drawn up by management to deal with the COVID-19 impacts, in order to maintain financial sustainability, Capex was significantly cut, i.e. the purchase of fixed assets, which contributed to reducing this account. As required by IAS 16 “Property, plant and equipment”, given the ongoing significant changes to the economic environment, Management has updated the estimate of the residual useful life of the assets, extending it for the assets involved in the production process, with an impact on the Group's income statement of Euro 0.7 million.

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Changes**
Buildings rights-of-use	3,803	4,737	(934)
Plant & machinery rights-of-use	1,197	1,442	(245)
Other assets rights-of-use	5,730	6,500	(770)
Total rights-of-use as per IFRS 16	**10,730**	**12,679**	**(1,949)**

The Group has many assets under lease, such as buildings, production machinery, cars and IT equipment. These rights decreased from Euro 12,679 thousand at December 31, 2019 to Euro 10,730 thousand at June 30, 2020, a decrease of Euro 1,949 thousand as a result of the sales, purchases and of depreciation recorded in the income statement of Euro 1,872 thousand (Euro 1,521 thousand in 2019). The change includes exchange rate losses of approx. Euro 334 thousand.

B.3.5. Goodwill

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Changes**
Goodwill allocated to subsidiaries	39,145	39,340	(195)
Goodwill	**39,145**	**39,340**	**(195)**

At each reporting date, and in any case at least once a year, the Group assesses whether events or circumstances exist that raise doubts as to the recoverability of the carrying amount of property, plant and equipment and intangible assets with definite useful lives. If there are any indications of impairment, the company estimates the recoverable amount of the assets to determine any impairment loss.
According to the Group accounting policy, based on IAS 36, the goodwill and intangible assets with indefinite useful lives are tested at least annually for impairment and whenever there is an indication of a possible loss in value. The test was carried out as usual in December 2019, although considering that the COVID-19 emergency is viewed as an impairment indicator, the test is also carried out during the present half-year, on the basis of the most up-to-date information held by the Group.

The goodwill, amounting to Euro 39.1 million, is allocated to the Elica Group, as the only Cash Generating Unit (CGU). The change in goodwill is due to the translation effect.
The recoverable amount of the CGU was tested by calculating its value in use, which is the present value of expected cash flows using a discount rate which reflects the risks of the CGU at the valuation date.
The impairment test was approved by the Board of Directors on July 30, 2020, independently and prior to the preparation of the financial statements.
The estimate of the future operating cash flows used for the impairment test, prepared and approved by the Directors, was made based on the best estimates of the directors, for the sole purposes of the impairment test.

Assumptions of the Discounted cash flow
The principal assumptions utilised by the Company for the estimate of the future cash flows for the impairment test were as follows:

	Jun 30, 20
Weighted average cost of capital (WACC)	8.5%
Growth rate terminal value	2.17%
CAGR revenue period 2020-2024	10.5%

The Weighted Average Cost of Capital (WACC) utilised to discount the future cash flows was determined utilising the Capital Asset Pricing Model (CAPM). For the calculation of the WACC a free risk rate of 2.2% was used, a market premium risk of 6% and a beta-unlevered factor of 0.86.

Assumptions utilised in estimating cash flows
The discounted cash flow model is based on the financial cash flows, calculated on the basis of the best estimates made by the directors, for the sole purposes of the impairment test, for a period of five years. The main assumptions utilised in the determination of the cash flows were as follows:

- average EBITDA on revenue equal to 9.7% (12.26% at December 31, 2019);
- average EBIT on revenue equal to 4.9% (6.87% at December 31, 2019);
- average Capex on revenue equal to 4.5% (4.01% at December 31, 2019);
- level of Free Operating Cash flow After Taxes on revenue equal to 4.6% (4.25% at December 31, 2019).

The assumptions utilised in the estimates are based on historical and forecast data of the Group, and are in line with information available from independent sector and market analysts (Consensus) in which the Group operates. These estimates are subject to changes, even significant, deriving from uncertainties which continue to effect the markets, and for this reason management continues to periodically monitor the circumstances and events which affect these assumptions and future trends.

Results of the impairment test
The impairment test did not result in the recognition of loss in value of the goodwill. The value in use of the CGU was 2.30 times its book value (Euro 432 million).

Sensitivity Analysis
Various sensitivity analyses were carried out assuming reasonable changes to the base assumptions of these estimates, and in particular the growth rate (+/- 5%), the WACC (+/- 5%), the cost of raw materials (+2%/-2%) and the CAPEX (+/-10%). None of the changes considered resulted in a CGU recoverable amount equal to or below the respective book values. In particular, upon changes in the growth rate coverage would fluctuate between 2.21 and 2.41, upon changes in the WACC coverage would fluctuate between 2.00 and 2.71, upon changes in the cost of consumption of raw materials it would fluctuate between 1.91 and 2.40, while the coverage would fluctuate between 2.16 and 2.45 for changes in Capex.

Multi-scenario analysis
In view of the difficulties in making future estimates, an additional analysis based on an alternative scenario which forecasts the possibility of a second COVID 19 emergency in the second half of 2020 was drawn up. The solidity of the fundamentals of the Elica Group is in any case evident from this year, so much so that there are no signs of impairment.

B.3.6. Other intangible assets

The breakdown of the "Other intangible assets" at June 30, 2020 and December 31, 2019 is shown below.

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Changes**
Development costs	7,504	9,297	(1,793)
Industrial patents and intellectual property rights	13,817	14,770	(952)
Concessions, licenses, trademarks & similar rights	399	451	(53)
Assets in progress and advances	3,180	2,281	899
Other intangible assets	1,327	1,476	(149)
Total other intangible assets	**26,228**	**28,276**	**(2,048)**

The other intangible assets decreased from Euro 28,276 thousand at December 31, 2019 to Euro 26,228 thousand at June 30, 2020, a reduction of Euro 2,048 thousand as a result of the purchases, sales and amortisation recorded to the income statement of Euro 3,721 thousand (Euro 3,605 thousand at June 30, 2019). The reduction is due also on the one hand to the currency impact on the opening values for approx. Euro 0.5 million, while on the other to a reduction in the 2020 increases.
Assets in progress and payments on account refer to advances and the development of projects for the implementation of new IT platforms and the design, development and creation of new software applications, and also the development of new products.

B.3.7. Deferred tax assets – Deferred tax liabilities

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Changes**
Deferred tax assets	21,092	19,925	1,167
Deferred tax liabilities	(3,330)	(3,496)	166
Total	**17,762**	**16,429**	**1,333**

Deferred tax assets maturing in relation, principally, to the following accounts: amortisation and depreciation, accruals to non-deductible provisions, employee bonuses and tax losses.
The deferred tax asset was recorded as it is considered recoverable in relation to the assessable results for the periods in which deferred taxes will reverse in the financial statements and as Group management considers that such commitments will be respected. The parent's portion is Euro 17 million, of which Euro 10 million relating to prior year losses.

B.3.8. Trade receivables and payables

Trade receivables and trade payables were as follows:

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Changes**
Trade receivables	55,489	55,022	467
Trade payables	(81,775)	(110,100)	28,325
Total	**(26,286)**	**(55,078)**	**28,792**

Trade receivables are recorded net of the allowance for impairment of Euro 3,884 thousand (Euro 4,497 thousand at December 31, 2019) made following an analysis of the credit risk on receivables and on the basis of historical data on credit losses, considering that a substantial portion of the receivables are insured by prime international insurance companies. Management considers that the value approximates the fair value of the receivables.
The decrease in trade payables reflects the drop in business during the preceding months, while trade receivables remain substantially in line due to the solid equity and financial position of the Group's customers.

B.3.9. Inventories

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Changes**
Raw material, ancillaries and consumables	29,287	28,487	801
Raw materials obsolescence provision	(3,416)	(3,457)	41
Total	25,872	25,030	842
Work-in-progress and semi-finished products	15,002	15,348	(346)
Semi-finished goods obsolescence provision	(894)	(827)	(67)
Total	14,108	14,521	(413)

Finished products and goods	32,766	36,301	(3,535)
Finished products obsolescence provision	(4,015)	(2,962)	(1,053)
Total	28,751	33,339	(4,588)
Total inventories	**68,731**	**72,890**	**(4,159)**

The account increased from Euro 72,890 thousand at December 31, 2019 to Euro 68,731 thousand at June 30, 2020. Inventories are stated net of the obsolescence provisions of Euro 8,324 thousand (Euro 7,246 thousand at December 31, 2019), in order to take into consideration the effect of waste, obsolete and slow moving items and the risk estimates of the use of some categories of raw and semi-finished materials based on assumptions made by management. The inventory obsolescence provision of raw materials, semi-finished and finished products amounts to 10.8% of inventories (9% at December 31, 2019).
Inventories also include materials and products that were not physically held by the Group at the balance sheet date. These items were held by third parties on display, for processing or for examination.

B.3.10. Provisions for risks and charges

The details are reported below.

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Changes**
Accruals for agents' termination benefits	646	632	14
Product warranties	1,880	2,423	(543)
Legal, tax and other risks provision	6,581	6,989	(408)
Restructuring provision	-	156	(156)
Personnel provision	834	2,708	(1,874)
Long Term Incentive Provision	3,461	3,275	186
Other Provisions	2,084	2,681	(597)
Total	**15,486**	**18,864**	**(3,378)**
of which			
Non-current	12,448	12,377	71
Current	3,038	6,487	(3,449)
Total	**15,486**	**18,864**	**(3,378)**

Accruals for agents' termination benefits cover possible charges upon the termination of contracts with agents and sales representatives.

Product warranties represent an estimate of the costs likely to be incurred to repair or replace items sold to customers. These provisions reflect the average warranty costs historically incurred by the company as a percentage of sales still covered by warranty.

The provision for legal risks relates to likely costs and charges to be incurred as a result of ongoing legal disputes, estimated by Management on the basis of the best information available.
As was the case at December, the provision includes, among others, the estimate made by the Board of Directors with regards to the risk upon outstanding cases.
With regards to the case between Esperança Real S/A, Madson Eletrometalurgica Ltda and Elica S.p.A, Elica announces that it has signed a settlement, whose efficacy is subject to judicial endorsement. The settlement stipulates the payment by Elica to the counterparties and their lawyers of Euro 4,150 thousand, including any court costs and excluding the fees due to their lawyers. The company has provisioned to the financial statement an additional maximum amount of Euro 620 thousand for the settlement.
Therefore, the relative risks provision at June 30, 2020 was Euro 4.8 million, of which approx. Euro 4 million already accrued to December 2019 and the difference allocated during the present period.

The amount, Euro 156 thousand, still carried in the personnel redundancy provision at December 31, 2019 is used to cover part of the Parent's downsizing plan, designed to reduce and optimise the Company's organisational structure. They principally concern personnel expense.

The Personnel provision includes contractual indemnities and employee bonuses accrued in the year, based on the best estimates according to the information available. The utilisations relate to payments in 2020 in this regard.

The Long-Term Incentive Plan provision concerns the accrued liability at June 30, 2020 for the 2016-2022 Phantom Stock and Voluntary Co-investment Plan and the 2019-2025 Phantom Stock and Voluntary Co-investment Plan. The provision refers to the second and third cycle of the first Plan, which was approved by the Board of Directors of Elica S.p.A. respectively on June 26, 2017 and February 12, 2018, and the first and second cycle of the second Plan, which was approved by the Board of Directors of Elica S.p.A. on July 30, 2019 and May 7, 2020.

The impact of the discounting on the non-current provisions is not material.

B.3.11. Liabilities for post-employment benefits

The most recent actuarial calculation of the present value of the provision was performed at December 31, 2019 and June 30, 2020 by an actuarial services company. The changes in the present value of post-employment benefit obligations in the reporting period were as follows:

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**
Opening balance	10,737	10,465
Current service cost	1,372	3,106
Actuarial gains and losses	(60)	575
	12,049	**14,147**
Financial expenses	40	122
Pension fund	(1,230)	(2,900)
Benefits provided	(148)	(632)
	(1,337)	**(3,410)**
Liabilities for post-employment benefits	**10,712**	**10,737**

B.3.12. Other Receivables and Other Payables

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Changes**
Other receivables (non-current)	378	393	(15)
Other receivables (current)	6,717	5,374	1,343
Total	**7,096**	**5,767**	**1,328**

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Changes**
Other payables (current)	14,655	15,749	(1,094)
Total	**14,655**	**15,749**	**(1,094)**

Other receivables increased Euro 1.3 million, particularly relating to the parent following the advances on consultancy. The movement in the current portion of other payables relates, among other matters, to the reduction in the parent's payable to the social security institutions.

B.3.13. Tax Assets and Payables

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Changes**
Tax assets (current)	10,225	14,966	(4,741)
Tax liabilities (current)	(9,242)	(7,775)	(1,467)
Total	**983**	**7,191**	**(6,208)**

The movement in current tax receivables and payables is concentrated principally in the reduction in the VAT receivable, on the basis of the current business performance.

B.3.14. Equity

Equity attributable to owners of the parent at June 30, 2020 amounted to Euro 98,840 thousand (Euro 111,142 thousand at December 31, 2019). Movements in the half-year principally concerned the translation reserve, the hedging reserve and the Post-employment benefit reserve. For further details, reference should be made to the Statement of changes in Consolidated Equity. The movement in the translation reserve, negative at consolidated level for Euro 8.5 million and at Group level for Euro 8.1 million, mainly relates to the Mexican subsidiary Elicamex and the Polish subsidiary Elica Group Polska and therefore to the performance of the Mexican Peso and US Dollar and of the Polish Zloty against the Euro.
The movement in the Cash Flow Hedge reserve is positive for Euro 262 thousand, with Euro 290 thousand due to the valuation and an opposing tax impact of Euro 28 thousand. This includes the valuation of commodities, of currency derivatives and the movement in currency derivatives.
The account Non-controlling interest Equity at June 30, 2020 amounted to Euro 13,987 thousand (Euro 14,173 thousand at December 31, 2019). The movements in the account in the period principally related to: an increase of Euro 1.8 million following the recording of the profit for the period and a decrease of Euro 1,584 thousand for the distribution of dividends to third parties.

B.3.15. Net Financial Position

The Net Financial Debt at June 30, 2020 and at December 31, 2019 is detailed below:

In Euro thousands	**Jun 30, 20**	**Dec 31, 19**	**Jun 30, 19**
Cash and cash equivalents	48,128	35,613	24,018
Bank loans and borrowings (current)	(23,375)	(27,317)	(38,532)
Bank loans and borrowings (non-current)	(99,416)	(55,451)	(48,206)
Net Financial Position	**(74,663)**	**(47,155)**	**(62,720)**
Lease payables IFRS 16 (current)	(4,088)	(3,525)	(3,050)
Lease payables IFRS 16 (non-current)	(6,736)	(8,233)	(8,168)
Net Financial Position - Including IFRS 16 impact	**(85,487)**	**(58,913)**	**(73,938)**
Assets for derivatives	1,122	498	194
Liabilities for derivatives (current)	(356)	(386)	(1,232)
Liabilities for derivatives (non-current)	-	(198)	(259)
Net Financial Position - Including IFRS 16 and derivatives effect	**(84,721)**	**(58,999)**	**(75,235)**

The Net Financial Position - Including IFRS 16 impact and Derivatives effect at June 30, 2020 is a debt position of Euro 84.7 million.

On June 29, 2020, Elica S.p.A. signed, as announced on July 3, 2020, a loan contract for a maximum amount of Euro 100 million with a final maturity of 5 years, on a Club deal basis with a syndicate of 5 banks and, in particular, with Banca IMI S.p.A. and BNL Gruppo BNP Paribas as co-ordinating banks and Intesa Sanpaolo S.p.A., BNL Gruppo BNP Paribas, Banco BPM S.p.A., Crédit Agricole Italia S.p.A. and UniCredit S.p.A. as lending banks. The loan is principally intended to support medium/long term needs, the partial refinancing of the existing debt, in addition to the working capital and treasury needs of Elica S.p.A. and its subsidiaries, mainly stipulating the following terms and conditions: - breakdown of the loan into two tranches, a Term Loan (TL) for an amount of Euro 90 million and a Revolving Loan (RCF) for an amount of Euro 10 million; - the Term Loan (TL) tranche maturing on June 29, 2025, with the first two years as a grace period and the following three years involving six increasing value instalments and a seventh balloon final repayment; - the Revolving (RCF) tranche maturing on June 29, 2025; - financial covenants concerning the ratio between NFP/EBITDA, EBITDA/Net Financial Charges and NFP/Shareholders' Equity, tested half-yearly on an LTM basis on the Group's consolidated figures. With this transaction, the Group confirms the solidity of its business model, its ability to access ordinary sources of funding even in an uncertain general economic environment and its commitment to optimising its debt structure. Based on Management's visibility of the future, it is expected that the covenants will be complied with.

Management believes that at the present moment, the funds available, in addition to those that will be generated from operating and financial activities, will permit the Group to satisfy its requirements deriving from investment activities, working capital management and repayment of debt in accordance with their maturities.

B.3.16. Significant non-recurring events and operations

There were none in the period.

B.3.17. Related party transactions and balances

Inter-company transactions are eliminated in the Condensed Consolidated Half-Year Financial Statements and therefore not shown in this note.
Related party transactions were carried out in accordance with law and based on reciprocal business needs.
The income statement and statement of financial position amounts deriving from the transactions carried out as per IAS 24 with related parties are summarised below.

Elica Group vs Related parties

In Euro thousands	**Receivables**	**Payables/ IFRS16 Payables**	**Revenues**	**Costs**
Fastnet S.p.A.	-	0	-	9
La Ceramica	-	1	-	10
Ermanno Casoli Foundation	-	67	-	67
Other physical persons	-	73	-	46
Indian shareholders (*)	-	19	-	764
	-	**160**	**-**	**896**

In accordance with IAS 24, remuneration paid to Directors, Statutory Auditors and Key Management Personnel are included in related party transaction, and their amounts are in line with previous periods; reference should be made to the Annual Report in this regard. There are no balances with the parents Fan and Fintrack, nor with the associated company I.S.M. srl.

B.3.18. Contingent liabilities
Group companies have valued the contingent liabilities that could arise from pending judicial proceedings and have made appropriate provisions in their financial statements on a prudent basis.

The allocation in the Group consolidated financial statements at June 30, 2020 for contingent risks and charges relating to legal disputes amounts to Euro 6,581 thousand and is mainly held by the Parent.

Management considers that the provision for risks in order to cover possible liabilities from pending or potential disputes is, on the whole, adequate.

B.3.19. Risk management policy

B.3.19.1 Introduction
The active management of risk is essential for the Elica Group's achievement of strong results. The ongoing Coronavirus pandemic adds uncertainty to 2020 financial results. An analysis of Group risks is reported below, while reference should be made to the 2019 Annual financial report for further details.
The Elica Group's operations are exposed to different types of financial risks, including risks associated with fluctuations in exchange rates, interest rates, the cost of its main raw materials and cash flows. In order to mitigate the impact of these risks on the company's results, the Elica Group has implemented a financial risk monitoring system through a "Financial Risk Policy" approved by the Board of Directors of the Parent Company. Within this policy, the Group constantly monitors the financial risks of its operations in order to assess any potential negative impact and takes corrective action where necessary.
The main guidelines for the Group's risk policy management are as follows:
- identify the risks related to the achievement of the business objectives;
- assess the risks to determine whether they are acceptable considering the controls in place and if they require additional treatment;
- respond appropriately to risks;
- monitor and report on the current state of the risks and the effectiveness of their control.

The Group's Financial Risk Policy is based on the principle of active management and the following assumptions:

- prudent management of the risk with a view to protecting the expected value of the business;
- use of "natural hedges" in order to minimise the net exposure on the financial risks described above;
- undertake hedging transactions within the limits approved by management and only for actual, clearly identified exposures.

The process for the management of the financial risks is structured on the basis of appropriate procedures and controls, based on the correct segregation of conclusion, settlement, registration and reporting of results.
The following table breaks down the derivative instruments in place:

	Jun 30, 20		Dec 31, 19	
In Euro thousands	**Assets**	**Liabilities**	**Assets**	**Liabilities**
FX derivatives on foreign exchange	582	356	189	211
Interest rate derivatives			-	373
Commodities derivatives	539		309	-
Derivative financial instruments	**1,121**	**356**	**498**	**584**
of which				
Non-current			-	198
Current	1,121	356	498	386
Derivative financial instruments	**1,121**	**356**	**498**	**584**

B.3.19.2. Market risk
According to IFRS 7, market risk includes all the risks directly or indirectly related to the fluctuations of the general market prices and the financial markets in which the company is exposed:

- currency risk;
- commodity risk, related to the volatility of the prices of the raw materials utilised in the production processes;
- interest rate risk.

In relation to these risk profiles, the Group uses derivative instruments to hedge its risks. The Group does not engage in derivative trading.

B.3.19.2.1. Currency risk
The Group's operating currency is the Euro. However, the Group companies trade also in American Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Polish Zloty (PLN), Mexican Pesos (MXN), Swiss Francs (CHF), Russian Roubles (RUB), Chinese Yuan (CNY) and the Indian Rupee (INR).
The amount of the currency risk, defined in advance by management of the Group on the basis of the budget for the reporting period, is gradually hedged over the acquisition process of the orders, up to the amount of the orders corresponding to budget projections or emerging during the year.
The hedge is entered into through agreements with third party lenders for forward contracts and options for the purchase and sale of foreign currency. As previously described, these hedges are entered into without any speculative or trading purposes, in line with the strategic policies of prudent cash flow management.
In addition to the aforementioned transaction risks, the Group is also exposed to translation risk. The assets and liabilities of consolidated companies whose currency differs from the Euro may be translated into Euro with carrying amounts that vary according to different exchange rates, with recognition in the translation reserve under equity.
The Group monitors this exposure, against which there were no hedging operations at the reporting date; in addition, given the Parent's control over its subsidiaries, governance over the respective foreign currency transactions is greatly simplified.

B.3.19.2.2. Commodity risk
The Group is subject to market risk deriving from price fluctuations in commodities used in the production process. The raw materials purchased by the Group (including copper and aluminium) are affected by the trends of the principal markets. The Group regularly evaluates its exposure to the risk of changes in the price of commodities and manages this risk through fixing the price of contracts with suppliers and through hedging contracts with financial counterparties.
In particular, between the end of the previous year and the beginning of the year, on the basis of the production budget for the year, the prices and quantities were fixed through both channels described above. Operating in this manner, the Group covers the standard cost of the raw materials contained in the budget from possible increases in commodity prices, achieving the operating profit target.

B.3.19.2.3. Interest rate risk

The management of interest rate risk by the Elica Group is in line with longstanding, consolidated practices to reduce the volatility risk on the interest rates, while at the same time minimising the borrowing costs within the established budget limits.
The Group's debt mainly bears a floating rate of interest.

B.3.19.3. Credit risk

The credit risks represent the exposure of the Elica Group to potential losses deriving from the non-compliance of obligations by trading partners. This risk derives in particular from economic-financial factors related to a potential solvency crisis of one or more counterparties.

For further details, see paragraph B.3.8 "Trade receivables and payables" of these notes.

B.3.19.4. Liquidity risk

The liquidity risk represents the risk related to the unavailability of financial resources necessary to meet short-term commitments assumed by the Group and its own financial needs.
The principal factors which determine the liquidity of the Group are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the due dates and the renewal of the payable or liquidity of the financial commitments and also market conditions. These factors are monitored constantly in order to guarantee a correct equilibrium of the financial resources.

Management believes that at the present time, the funds available, in addition to those that will be generated from operating and financial activities, will permit the Group to satisfy its requirements deriving from investment activities, working capital management and repayment of debt in accordance with their maturities.
For details on the net financial position, reference should be made to note B.3.15 of the notes.

B.3.20. Positions or transactions arising from atypical and/or unusual operations

In the first half of 2020, no transactions classifiable in this category were recorded.

B.3.21. Subsequent events after period-end

The Group continues extensive monitoring of demand dynamics across all markets, in order to develop the business model for the delivery of results both over the short and long-term.

The company is analysing the impact of COVID-19 on the business and the potential market demand recovery curve, which is currently difficult to forecast. The key points are:

- focus on cost containment measures and financial sustainability;
- solid fundamentals to properly capture the potential recovery in demand in the second half of the year.

The Group has outlined the pillars of its growth strategy:

- focus on boosting EBITDA margin and cash flow generation;
- expanded B2C portfolio and market share;
- research and development investment;
- transformation of the distribution model;
- geographical expansion.

These actions relate to the internal reorganisation, which has laid the foundations for an additional acceleration over the coming three years and a strong managerial team.

Fabriano, July 30, 2020

The Chairman
Francesco Casoli

C. Statement of the corporate financial reporting manager in accordance with Article 154 bis, paragraph 5 of Legislative Decree 58/1998

The undersigned Mauro Sacchetto, as Chief Executive Officer, and Giulio Cocci, Corporate financial reporting manager of Elica S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

- the accuracy of the information on company operations and
- the effective application of the administrative and accounting procedures for the compilation of the condensed half-year consolidated financial statements in the first half-year of 2020.

In addition, we declare that the condensed consolidated half-year financial statements:

a) were prepared in accordance with international accounting standards, endorsed by the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;

b) correspond to the underlying accounting documents and records;

c) provide a true and fair view of the financial position and results of operations of the issuer and of the companies included in the consolidation.

The Directors' Report on the First Half 2020 includes a reliable analysis of the significant events in the first six months of the year and their impact on the condensed consolidated half-year financial statements, with a description of the principal risks and uncertainties for the remaining six months. The condensed consolidated half-year financial statements also contain a reliable analysis of the significant transactions with related parties.

Fabriano, July 30, 2020

The Chief Executive Officer
Mauro Sacchetto

Corporate financial
reporting manager
Giulio Cocci

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

Report on review of condensed interim consolidated financial statements

To the Shareholders of
Elica S.p.A.

Introduction

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

Scope of Review

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

Conclusion

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

Ancona, 31 July 2020

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit