

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



Elica Group

2020 ANNUAL REPORT

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Elica Group

A. DIRECTORS' REPORT

A.1. The Elica Group today

The Elica Group has been active in the kitchen hood and stoves market since the 1970's. Chaired by Francesco Casoli and led by Mauro Sacchetto, today it is the world leader in terms of units sold. It is also a European leader in the design, manufacture and sale of motors for central heating boilers. With approx. 3,900¹ employees, the Elica Group has seven plants - 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.

¹ Of which 680 temporary.

A.2. Message from the Chief Executive Officer and the Chairman

Despite the challenging landscape of 2020, which saw the emergence of the global health emergency and its major impact on the world's economies, the Elica Group was able to demonstrate the validity and resilience of its strategy.

In this highly complex situation, the Elica Group has proven its capacity to react quickly and effectively, setting up a Crisis Committee and adopting an internal protocol to ensure employee safety and protect the Group's financial stability.

Product innovation, unique designs, and our commercial strength have enabled us to react to a weak second quarter of the year and to both maintain and consolidate our competitive positioning, while pursuing our further growth and development, particularly in relation to our own brand products, which now account for 55% of cooking revenue. The Nicola Tesla product drove this development, with year-on-year growth of 23%.

We have consistently focused on cost efficiency and margins, concentrating investment on key projects and product innovation, reporting at year-end a Net Financial Position substantially in line with the previous year.

All our strategic projects continue in line with expectations, supporting the medium/long-term growth objectives and improving margins and cash generation.

Francesco Casoli
Elica Group Chairman

Mauro Sacchetto
Chief Executive Officer

A.3. 2020 Economic overview and Outlook for 2021²

A.3.1. International developments

The global COVID-19 health emergency radically altered the international environment in 2020 - exacting and indeed continuing to cause - significant costs in terms of human lives across the world and the introduction of outbreak containment measures, with consequent significant impacts on the global economy.

Overall estimates in 2020 indicate a global economic contraction of 3.5%. After an initial phase featuring stringent global lockdowns in the first quarter of 2020, economies began to recover - particularly among the advanced nations from May and June - following the easing of restrictions and prompting recovery in GDP. However, in the latter part of the year, the subsequent wave of the pandemic forced many countries to reimpose closures and far-reaching outbreak containment measures. While China's rapid recovery has surprised to the upside, the global recovery and the economy's return to pre-pandemic levels remain subject to setbacks.

The downturn triggered by the COVID-19 pandemic has been very different to past recessions. In previous crises, in fact, service sectors have on average suffered a milder blow than the manufacturing sectors. In the current emergency however, the need to stem outbreaks has required measures which have altered daily routines, reducing interaction between individuals and therefore having significant impacts on those sectors such as retail, tourism, art and entertainment, which depend on personal interaction.

The impacts on the global economy are evident in the jobs markets and in terms of inflation. According to the International Labour Organisation, the global reduction in hours worked in Q2 2020 compared to Q4 2019 was equivalent to the loss of 400 million full-time jobs - adding even more to the 155 million lost in Q1. From May, employment levels improved on the back of the economic recovery. In terms of inflation, the prices of some goods - such as medical supplies - increased and commodity prices recovered from the depression experienced in April. The effects of weak aggregate demand appear to have had more impact than the interruption to supply. Inflation in the advanced economies therefore remains below pre-pandemic levels. In the emerging and developing economies however, inflation significantly reduced in the early stages of the pandemic, only to re-emerge in a number of countries (for example India, following supply disruptions and rising food prices).

With regards to the 2021 outlook - although the recent approvals of vaccines have raised hopes for a turning point in the pandemic - the new wave of infections, together with new virus variants, give rise to worries for the future. Amid the highly uncertain environment, the global economy is expected to grow by 5.5% in 2021 and 4.2% in 2022. The extent of the recovery will vary significantly across countries, depending on vaccine uptake and the effectiveness of supportive policies. Policy actions should ensure effective support until the recovery is truly underway. The advanced economies have generally been able to provide ample fiscal support to households and businesses, and central banks have further strengthened this support by expanding purchasing plans. The overall loss compared to the pre-pandemic outlook may not be as severe in the advanced economies as in the developing economies, thanks to major political support and vaccine uptake by summer 2021. The recovery will therefore diverge among individual countries, with the United States and Japan expected to regain end-2019 activity levels as early as the second half of 2021, while for the Eurozone and the United Kingdom output is expected to remain below end-2019 levels also in 2022. The emerging economies and developing countries are also expected to follow a different path. In particular, a major divergence between China - where effective containment measures, a strong response in terms of public investment and the liquidity support from the

² Data sources: International Monetary Fund, World Economic Outlook. World Bank, Global Economic Prospects.

Central Bank, have supported a significant recovery - and elsewhere is expected. Oil export and tourism focused economies are expected to face into a more complex recovery, considering the slow pace of cross-border travel normalisation and the contained prospects for oil prices.

The pandemic could reverse the progress made in poverty reduction over the past two decades. Nearly 90 million people are likely to fall below the extreme poverty line over the 2020-2021 period.

An exceptional level of uncertainty surrounds the 2021 growth projections. While on the one hand in fact the increase in infections and the emergence of new variants may suggest weaker growth than forecast at the beginning of 2021, news on the distribution of vaccines and the efficacy of therapies may give rise to expectations of a quicker end to the pandemic than initially assumed, boosting business and household confidence and generating a consumption, investment and jobs recovery.

A.3.2 Cooker hoods market³

The **global cooker hoods market** in 2020 declined 7.4% on the previous year. Market dynamics have progressively been impacted by the COVID-19 emergency, which has hit every country.

Asia saw a 9.3% decline amid divergent performances across the region. China for example in Q4 2020 saw growth ahead of expectations, closing 2020 with a partial recovery. Japan's recovery slowed following a fresh rise in infections. Finally, India demonstrated itself to be more resilient than expected and saw a small recovery in the final part of the year.

The decrease in the **EMEA** region (-4.2%) in particular reflects the impact of the pandemic in Western Europe and in economies with a greater tourism focus - despite a strong second half to the year - while in Eastern Europe the significant recovery in the fourth quarter almost completely offset the decline in the initial part of the year.

The **American** market was down 8.8%, although with the recovery in the second half of the year partially slowed - both in the US and in Brazil - by increases in infections at the end of 2020.

A.4. Currency markets

In 2020, at average exchange rates the Euro strengthened against all currencies, except for the Japanese Yen.

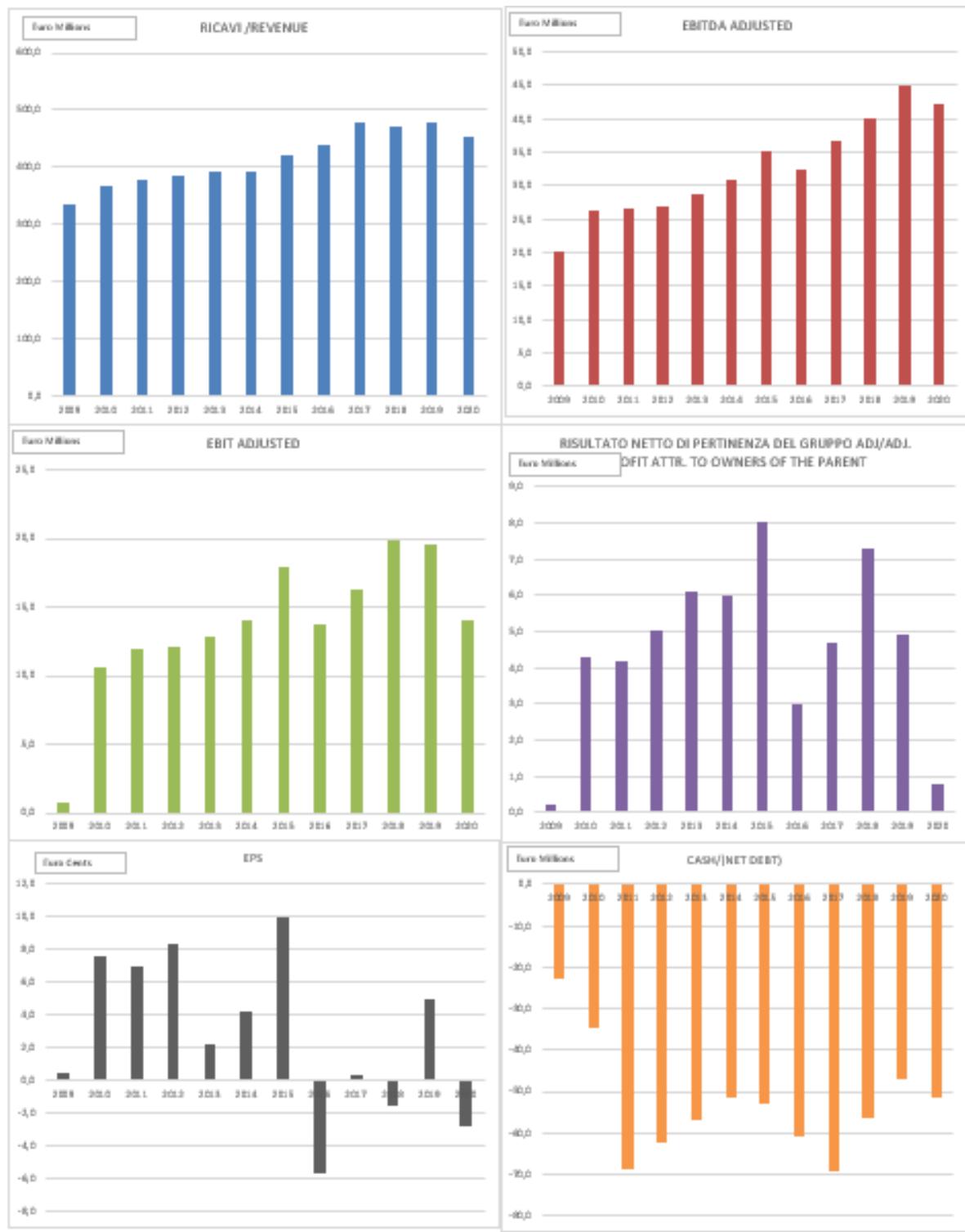
	2020 average	2019 average		Dec 31, 20	Dec 31, 19	
EUR	1.00	1.00	0.00%	1.00	1.00	0.00%
USD	1.14	1.12	1.79%	1.23	1.12	9.82%
PLN	4.44	4.30	3.26%	4.56	4.26	7.04%
INR	84.64	78.84	7.36%	89.66	80.19	11.81%
RUB	82.72	72.46	14.16%	91.47	69.96	30.75%
CNY	7.87	7.74	1.68%	8.02	7.82	2.56%
MXN	24.52	21.56	13.73%	24.42	21.22	15.08%
JPY	121.85	122.01	(0.13%)	126.49	121.94	3.73%

Source: ECB data

³ Source: company estimate.

A.5. The Elica Group: Operating results and performance

A.5.1. Financial highlights



A.5.2. The Elica Group: Financial results and performance

A.5.2.1. Elica Group Operating Performance

<i>In Euro thousands</i>	2020	% revenue	2019	% revenue	20 Vs 19%
Revenue	452,639		479,986		(5.7%)
Adjusted EBITDA	42,204	9.3%	45,038	9.4%	(6.3%)
EBITDA	38,817	8.6%	42,467	8.8%	(8.6%)
Adjusted EBIT	15,864	3.5%	19,623	4.1%	(19.2%)
EBIT	10,665	2.4%	17,052	3.6%	(37.5%)
Net financial expense	(3,989)	(0.9%)	(5,119)	(1.1%)	22.1%
Income taxes	(2,531)	(0.6%)	(4,554)	(0.9%)	44.4%
Profit from continuing operations	4,145	0.9%	7,379	1.5%	(43.8%)
Adjusted profit for the year	8,531	1.9%	9,333	1.9%	(8.6%)
Profit for the year	4,145	0.9%	7,379	1.5%	(43.8%)
Adjusted profit attributable to owners of the parent	2,584	0.6%	5,017	1.0%	(48.5%)
Profit/(loss) attributable to owners of the Parent	(1,787)	(0.4%)	3,063	0.6%	(158.3%)
Basic earnings/(loss) per share on continuing operations and discontinued operations (Euro/cents)	(2.82)		4.84		(158.3%)
Diluted earnings/(loss) per share on continuing operations and discontinued operations (Euro/cents)	(2.82)		4.84		(158.3%)

Elica for 2020, due to the drop in sales volumes in March and in Q2 due to the COVID-19 emergency and the consequent lockdown, reports **Consolidated revenue** of Euro 452.6 million, -5.7% on 2019 (-4.4% at like-for-like exchange rates).

Own brand sales were down 2.1% on 2019, particularly as a result of the drop in April, while a quick recovery was already apparent by May 2020, with a further consolidation in Q3 and Q4 (+18.6% in Q4 2020 compared to the same period of 2019, +22.4% net of the currency effect). The NicolaTesla product accounted for 9% of total revenue in 2020. Own brand sales in the Cooking segment accounted for 55% in 2020.

OEM revenue was down 11.4% on the previous year (-10.2% at like-for-like exchange rates), particularly following the closure of the Mexican facility for nearly 2 months and partially offset by a recovery in Q2 2020 (+13.9% in Q4 2020 against Q4 2019, +17.1% at like-for-like exchange rates).

The **Motors** segment, representing 13.5% of total revenue, was impacted by slowing demand in March and Q2. This reduction was totally offset by the strong performance in the final quarter (+11.4% in Q4 2020 compared to the same period of 2019), resulting in an increase of 0.3% in 2020 compared to 2019.

Adjusted EBITDA⁴ of Euro 42.2 million was down 6.3% on 2019 (Euro 45.0 million), with a margin of 9.3% (9.4% in 2019). The revenue growth, together with operating efficiencies in terms of personnel expense, SG&A costs and Opex, supported an improved margin in Q4 2020 to 12.0% (+38.0%, +190 bps compared to 2019).

Adjusted EBIT³ of Euro 15.9 million in 2020 (Euro 19.6 million in 2019), with a significant recovery in Q4 (+55.1%, +160 bps in terms of EBIT margin compared to Q4 2019).

Net financial expense was Euro 4.0 million, improving on Euro 5.1 million in 2019.

The Adjusted Profit for the year was Euro 8.5 million, compared to Euro 9.3 million in 2019. The Adjusted Profit for the year attributable to owners of the Parent was Euro 2.6 million, compared to Euro 5.0 million in 2019. The Group's Tax Rate reflects the low profit margins of the Italian Entity. The profit for the year attributable to non-controlling interests of Euro 5.9 million, improving on Euro 4.3 million in 2019, mainly reflects the flexibility of the Elica Group's business model in Japan and in India where, against revenue pressure, the margin did not suffer significant impacts.

The Adjusted Profit for Q4 attributable to owners of the Parent, thanks to the strong operating performance and reduced financial expense, was up significantly to Euro 3.7 million (compared to Euro 0.6 million in 2019).

The **Loss for the Year attributable to owners of the Parent** was Euro 1.8 million, compared to a profit of Euro 3.1 million in 2019.

A.5.2.2 Elica Group Financial Position and Performance

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Cash and cash equivalents	59,147	35,613	23,534
Bank loans and borrowings (current)	(16,459)	(27,317)	10,858
Bank loans and borrowings (non-current)	(94,053)	(55,451)	(38,602)
Net Financial Position	(51,365)	(47,155)	(4,210)
Lease liabilities and loans and borrowings from other lenders as per IFRS 16 (current)	(3,650)	(3,525)	(125)
Lease liabilities and loans and borrowings from other lenders as per IFRS 16 (non-current)	(6,027)	(8,233)	2,206
Net Financial Position - Including the effects of IFRS 16	(61,042)	(58,913)	(2,129)
Derivative assets -(current)	4,078	498	3,580
Derivative liabilities (current)	(551)	(386)	(165)
Derivatives liabilities (non-current)	(690)	(198)	(492)
Net Financial Position - Including the effects of IFRS 16 and derivatives	(58,205)	(58,999)	794

The **Net Financial Position** at December 31, 2020, net of the IFRS 16 effect of Euro 9.7 million, was a debt of Euro 51 million, compared to Euro 47.2 million at December 31, 2019. The improvement, partially contained thanks to an approx. 37% decrease in CAPEX, was mainly due to the EBITDA impact in Q2 on operating cash generation and a one-off cash-out of Euro 4.9 million, for the settlement between Elica S.p.A. and Esperança Real S/A (Brazil)

⁴ The figure for 2020 was adjusted considering the extraordinary effect related to Brazil for Euro 0.7 million, related to the settlement of the dispute with Esperança Real S/A (Brazil) and other restructuring charges of Euro 2.6 million. The adjustment to the 2019 result concerns the extraordinary charge for the departure of the Chief Executive Officer of approx. Euro 1.3 million and other restructuring charges for a total of Euro 2.6 million. At EBIT level, the extraordinary effect of the impairment of intangible assets of Euro 1.8 million was also adjusted by 2020.

in July 2020, in addition to a further Euro 2.6 million of restructuring charges in Italy and China.

Managerial Working Capital on annualised revenue was 7.2% at December 31, 2020, increasing on 3.7% at December 31, 2019.

<i>In Euro thousands</i>	31/12/2020	31/12/2019
Trade receivables	88,821	55,022
Inventories	76,876	72,890
Trade payables	(133,247)	(110,100)
Managerial Working Capital	32,450	17,812
% annualised revenue	7.2%	3.7%
Other net assets/liabilities	(8,495)	(9,673)
Net Working Capital	23,955	8,139

A.5.2.3 Definitions and reconciliations

A.5.2.3.1. Definitions

EBITDA is the operating profit/loss (EBIT) plus amortisation and depreciation and any impairment losses on goodwill, brands and other intangible assets.

EBIT is the operating profit/loss as reported in the 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 year, as presented in the Income Statement, net of the relative adjustment items.

The adjusted profit/loss attributable to owners of the Parent is the profit/loss for the year attributable to owners of the Parent, as presented in the 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 impairment losses, disputes considered atypical in terms of frequency and amount and restructuring charges.

The earnings per share for 2020 and 2019 were calculated by dividing the Profit attributable to owners of the parent, as presented in the Income Statement, by the number of outstanding shares at the respective reporting dates. The numbers of shares in circulation at the reporting date is unchanged on December 31, 2019 (63,322,800).

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 outstanding shares in the year.

Managerial Working Capital is the sum of Trade receivables with Inventories, net of Trade payables, as presented in the Statement of Financial Position.

Net Working Capital is the amount of Managerial Working Capital and Other net assets/liabilities. Other net assets/liabilities comprise the current portion of Other Assets and Tax Assets, net of the current portion of Provisions for risks and charges, Other liabilities and Tax liabilities, as presented in the 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 Lease liabilities and loans and borrowings from other lenders, as reported in the Statement of Financial Position. Lease liabilities amounted to zero.

The Net Financial Position - Including the effects of IFRS 16 is the sum of the Net Financial Position and current and non-current lease liabilities due to the application of IFRS 16, as per the Statement of Financial Position.

The Net Financial Position - Including the effects of IFRS 16 and derivatives is the sum of the Net Financial Position - Including the effects of IFRS 16 and derivatives, as per the Statement of Financial Position.

A.5.2.3.2. Reconciliations

<i>in Euro thousands</i>	2020	2019
EBIT	10,665	17,052
(Impairment of intangible assets)	2,715	-
(Amortisation and depreciation)	25,437	25,415
EBITDA	38,817	42,467
(Allowance for the replacement of the CEO)		1,280
(Additional accrual to the risks provision for the litigation with Esperança Real)	750	
(Restructuring charges)	2,637	1,291
Adjusted EBITDA	42,204	45,038

<i>in Euro thousands</i>	2020	2019
EBIT	10,665	17,052
(Impairment of intangible assets)	1,812	-
(Allowance for the replacement of the CEO)	-	1,280
(Additional Accrual to the risks provision for the litigation with Esperança Real)	750	-
(Restructuring charges)	2,637	1,291
Adjusted EBIT	15,864	19,623

<i>in Euro thousands</i>	2020	2019
Profit for the year	4,145	7,379
(Impairment of intangible assets)	1,812	-
(Allowance for the replacement of the CEO)	-	1,280
(Additional Accrual to the risks provision for the litigation with Esperança Real)	750	-
(Restructuring charges)	2,637	1,291
(Income taxes on adjusted items)	(813)	(617)
Adjusted profit for the year	8,531	9,333
(Profit attributable to non-controlling interests)	(5,932)	(4,316)
(Adjustments to non-controlling interests)	(15)	-
Adjusted profit attributable to owners of the parent	2,584	5,017
	2020	2019
Profit/(loss) attributable to owners of the Parent (<i>in Euro thousands</i>)	(1,787)	3,063
Number of outstanding shares at year-end	63,322,800	63,322,800
Earnings (loss) per share (Euro/cents)	(2.82)	4.84
<i>In Euro thousands</i>	31/12/2020	31/12/2019
Other assets (current)	4,803	5,374
Tax assets (current)	17,049	14,966
Provision for risks and charges (current)	(5,351)	(6,487)
Other liabilities (current)	(15,908)	(15,751)
Tax liabilities (current)	(9,088)	(7,775)
Other net assets/liabilities	(8,495)	(9,673)

A.6. The Parent, Elica S.p.A: Financial results and performance

A.6.1. Operating performance of Elica S.p.A.

<i>In Euro thousands</i>	2020	2019	20 Vs 19%
Revenue	339,799	353,705	-3.9%
EBITDA	11,159	12,312	-9.4%
% of revenue	3.28%	3.62%	-9.4%
EBIT	(5,174)	(2,195)	135.7%
% of revenue	-1.52%	-0.65%	135.7%
Net interest expense	(2,277)	(1,886)	20.7%
% of revenue	-0.67%	-0.55%	20.7%
Dividends from subsidiaries	4,638	4,277	8.4%
% of revenue	1.37%	1.26%	8.4%
Impairment losses in subsidiaries and associates	(2,495)	(2,607)	-4.3%
% of revenue	-0.73%	-0.77%	-4.3%
Exchange rate gains/losses	(575)	(219)	162.5%
% of revenue	-0.17%	-0.06%	162.5%
Loss for the year	(3,176)	(1,457)	118.0%
% of revenue	-0.93%	-0.43%	118.01%

In 2020, revenue reduced by 3.9% on the previous year. The decline reflects the drop in volumes in March and in Q2 due to COVID-19 and the consequent lockdown, impacting mainly OEM revenue, which however recovered from the third quarter of the year and picked up even further in Q4. Own brand product sales, driven by the buoyant performance of the Nicola Tesla range, saw volumes impacted to a lesser degree and strong growth in the second half of the year.

2020 EBITDA of Euro 11.2 million decreased on 2019 (Euro 12.3 million), despite the cost-cutting measures put in place following the drop in revenue, also due to extraordinary costs for the settlement of the dispute with Esperança Real S/A (Brazil) and restructuring charges. In 2019 the indicator was affected by the extraordinary charge for the replacement of the previous Chief Executive Officer (Euro 1.3 million) and restructuring charges.

Net interest expense was Euro 2.3 million, increasing on 2019 against the interest incurred by the company to replace the existing bank debt with the new loan agreed in June.

The net loss for 2020 was Euro 3.2 million, compared to Euro 1.5 million in 2019. This result reflects the operating performance and the low profit margins which affects also the Tax Rate of the Italian Entity.

A.6.2 Elica S.p.A. Financial Position and Performance

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Cash and cash equivalents	33,676	10,600	23,076
Financial assets from group companies	17,002	15,137	1,865
Financial liabilities to group companies	(11,964)	(3,355)	(8,609)
Bank loans and borrowings (current)	(12,122)	(17,938)	5,816
Current net financial liabilities	(7,084)	(6,156)	(928)
Bank loans and borrowings (non-current)	(94,030)	(55,413)	(38,617)
Non-current net financial liabilities	(94,030)	(55,413)	(38,617)
Net Financial Position	(67,438)	(50,969)	(16,469)
Lease liabilities and loans and borrowings from other lenders as per IFRS 16 (current)	(1,655)	(1,625)	(30)
Lease liabilities and loans and borrowings from other lenders as per IFRS 16 (non-current)	(3,911)	(5,086)	1,175
Net Financial Position - Including the effects of IFRS 16	(73,004)	(57,680)	(15,324)
Derivative assets (current)	4,077	651	3,426
Derivative liabilities (current)	(725)	(383)	(342)
Derivative liabilities (non-current)	(690)	(198)	(492)
Net Financial Position - Including the effects of IFRS 16 and derivatives	(70,342)	(57,610)	(12,732)

<i>In Euro thousands</i>	31/12/2020	31/12/2019
Trade receivables	51,467	23,515
Trade receivables - related parties	29,305	25,617
Inventories	39,497	34,543
Trade payables	(83,761)	(69,761)
Trade payables - related parties	(23,884)	(18,290)
Managerial Working Capital	12,624	(4,377)
% of revenue	3.72%	-1.24%
Other net assets/liabilities	238	(495)
Net Working Capital	12,862	(4,872)
% of revenue	3.79%	-1.38%

Managerial Working Capital on annualised revenue was 3.72% at December 31, 2020, increasing on the negative value at December 31, 2019.

The Net Financial Position at December 31, 2020, net of the IFRS 16 effect of Euro 5.6 million, was a debt of Euro 67.4 million, compared to Euro 51.0 million at December 31, 2019. The increase is mainly due to the negative EBITDA impact in Q2 on operating cash generation, the greater impact of working capital and the one-off cash out for the settlement of the dispute between Elica S.p.A. and Esperança Real S/A (Brazil) in July 2020, in addition to restructuring charges incurred in Italy.

A.6.3. Definitions

EBITDA is the operating profit/loss (EBIT) plus amortisation and depreciation and any impairment losses on goodwill, brands and other intangible assets.

EBIT is the operating profit/loss as reported in the Income Statement.

Adjusted EBITDA is EBITDA net of the relative adjustment items.

Adjusted EBIT is EBIT net of the relative adjustment items.

Net interest expense is the sum of Financial Income and Financial Expense, as per the Income Statement.

Dividends from subsidiaries account for the entirety of Share of profit/loss from associates and subsidiaries, as per the Income Statement.

The adjusted profit/loss is the profit/loss for the year, as presented in the 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.

Managerial Working Capital is the sum of Trade receivables and Trade receivables from subsidiaries with Inventories, net of Trade payables and Trade payables to subsidiaries, as presented in the Statement of Financial Position.

Net Working Capital is the amount of Managerial Working Capital plus Other net assets/liabilities. Other net assets/liabilities comprise the current portion of Other Assets and Tax Assets, net of the current portion of Provisions for risks and charges, Other liabilities and Tax liabilities, as presented in the Statement of Financial Position.

Net Financial Position is the sum of Cash and Cash equivalents and Other financial assets less Current and Non-current bank loans and borrowings and Lease liabilities and loans and borrowings from other lenders, as reported in the Statement of Financial Position. Lease liabilities amounted to zero.

The Net Financial Position - Including the effects of IFRS 16 is the sum of the Net Financial Position and current and non-current lease liabilities due to the application of IFRS 16, as per the Statement of Financial Position.

The Net Financial Position - Including the effects of IFRS 16 and derivatives is the sum of the Net Financial Position - Including the effects of IFRS 16 and derivatives, as per the Statement of Financial Position.

A.6.4. Reconciliations

<i>In Euro thousands</i>	31/12/2020	31/12/2019
EBIT	(5,174)	(2,195)
(Amortisation and depreciation)	15,430	14,507
(Impairment of Brands - Goodwill)	903	-
EBITDA	11,159	12,312
<i>In Euro thousands</i>	31/12/2020	31/12/2019
Financial income	565	915
Financial expense	(2,842)	(2,800)
Net interest expense	(2,277)	(1,886)
<i>In Euro thousands</i>	31/12/2020	31/12/2019
Other assets - current	2,988	3,866
Tax assets - current	10,115	7,281
(Provisions for risks and charges) - current	(3,045)	(1,266)
(Other liabilities) - current	(6,773)	(7,360)
(Tax liabilities) - current	(3,047)	(3,016)
Other net assets/ liabilities	238	(495)

A.7. Elica S.p.A. and financial markets



Source: Borsa Italiana

The graph shows (in black) the performance of the Elica S.p.A. share price in 2020 in comparison to the average of other companies listed on the STAR segment (performance of the FTSE Italia STAR index indicated), in purple. On January 2, 2020, the official share price was Euro 3.070. The share began to perform well in January, while consolidating further in February, hitting a high of Euro 3.855. This period featured not only a substantial increase in the share price, but also a considerable improvement in volumes traded.

With the arrival of the COVID-19 public health emergency, the Elica share sharply declined, in line with the market, coming to lose approx. 36% of its value during the most difficult period of COVID-19 emergency against 2019 year-end (low of 1.9560 in March). It however began to show signs of recovery from March, closing 2020 up 1.1% on 2019 year-end.

Elica's stock market performance in 2020 featured, in addition to major price volatility, also significant variations in terms of volumes traded during the year. Between January and April 2020 in fact, the share saw daily average trades in excess of 300 thousand (reflected also in the volume peaks of the February/March period following the onset of the health emergency), while between May and December average trades significantly dropped to approx. 60 thousand - although in a period in which volumes increased.

Despite the challenges arising from COVID-19, financial communications and interaction with investors and analysts continued normally in 2020. More specifically, interactions with the financial community involved the organization of quarterly conference calls for the presentation of financial results, as well as participation in numerous virtual meetings. In particular, the Group participated in the Star Conference (held in May and October 2020) and in Consumer Day (in September 2020), virtual events which were organized by Borsa Italiana, as well as in the Virtual Roadshows organized by Intermonte SIM and Intesa Sanpaolo IMI in November and December 2020, respectively. Therefore, opportunities for communication and interaction with the markets were no fewer than in 2019, and actually

increased, thereby ensuring constant updates for the financial community in this period of great uncertainty.

The Elica Group closed 2020 with a market capitalisation of approximately Euro 193.7 million (average market capitalisation in December), up from 2019's Euro 191.8 million.

The Share Capital consists of 63,322,800 ordinary voting shares. The ownership structure of Elica S.p.A. at December 31, 2020 is shown in the Corporate Governance and Shareholder Ownership Report, available on the company website <http://elica.com/corporation> (Corporate Governance section).

A.8. Significant events in 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 and the draft separate financial statements as at and for the year ended 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 points on the agenda:

- **Separate financial statements as at and for the year ended 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’ Meeting approved the proposal of the Board of Directors to reduce the number of Board members from eight to seven, consequently reducing the overall gross remuneration due to them and confirming the insurance coverage, as approved by the Shareholders’ Meeting of April 27, 2018 for the entire duration of their term of office.
- **Confirmation of the appointment of the two directors proposed by the Board of Directors**, Mauro Sacchetto and Giovanni Tamburi who will remain in office until the Shareholders’ Meeting called for the approval of the financial statements as at and for the year ending December 31, 2020. 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’ Meeting 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' Meeting, 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' Meeting, were unchanged.

On May 7, 2020, the Board of Directors of Elica S.p.A. approved the 2020 First Quarter results, prepared in accordance with IFRS.

On July 3, 2020, Elica S.p.A. announced the signing on June 29, 2020 of 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.

On July 22, 2020, Elica S.p.A. agreed a settlement regarding the case between Esperança Real S/A, Madson Eletrometalurgica Ltda and the company. The case concerns the signing of preliminary agreements in September 1999 for the establishment of a Joint Venture by Elica Spa and Esperança Real S/A, which were not executed. The settlement stipulates the payment by Elica to the counterparties and their lawyers of Euro 4.2 million, excluding 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 0.6 million for the settlement.

On July 30, 2020, the Board of Directors of Elica S.p.A., meeting in Milan, approved the 2020 Half-Year Report, prepared in accordance with IFRS.

On October 30, 2020, the Board of Directors of Elica S.p.A., meeting in Fabriano, approved the 2020 Third Quarter results, prepared in accordance with IFRS.

A.9. Events after the reporting date and outlook

A.9.1. Events after December 31, 2020

On February 12, 2021, the Board of Directors of Elica S.p.A. approved the additional periodic report for the fourth quarter of 2020, prepared according to IFRS, and the 2020 preliminary consolidated results.

A.9.2. Outlook

The company continues to analyse the impact of COVID-19 on the business and the 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 adequately respond to the current recovery in demand and expected medium-term developments.

The Group has outlined the pillars of its growth strategy:

- focus on boosting the EBITDA margin and cash flow generation;
- expanded own brand sales portfolio and market share;
- sustainable research and development investment;
- geographical expansion.

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

A.10. The environment and personnel

This information is outlined in detail in the Consolidated Non-Financial Report, referred to in paragraph A.18 below.

A.11. Research and development

Reference should be made to Notes B.6.5.16 and B.6.5.19.1 for further details on Group research and development.

Elica S.p.A. development activities are a central part of the company's operations: resources have devoted substantial efforts to developing, producing and offering customers innovative products both in terms of design and the utilisation of materials and technological solutions.

During the year, the company was involved in industrial research, seeking to improve products as well as organisational, process and structural improvements.

Total research and development costs incurred amounted to Euro 8,419 thousand. For further details on the Parent's activities, reference should be made to Notes D.6.4.16 and D.6.4.18.2.

A.12. Exposure to risks and uncertainties and financial risk factors

The Elica Group's operations are exposed to different types of financial risks, or risks associated to changes in exchange rates, interest rates, commodity prices and cash flow. In order to mitigate the impact of these risks on results, the Elica Group has commenced the implementation of a financial risk monitoring system through a "Financial Risk Policy" approved by the Parent's Board of Directors. 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.

We examine in detail the risks to which the Group and the parent are exposed. In the notes, we report all the relative figures. **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.

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. These operations are undertaken without any speculative or trading purpose, in line with the strategic policies of a prudent management of the cash flows.

In addition to the aforementioned transaction risks, the Group is 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.

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 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.

Among the market risks in addition, the Group is exposed to 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.

Further to market risks, the Group is exposed to **credit risk**. This concerns the exposure to potential losses deriving from the non-compliance with obligations by trading partners. This risk derives in particular from economic-financial factors related to a potential solvency crisis of one or more counterparties.

The Group follows the Credit Policy (related to the Financial Risk Policy) which governs credit management and the reduction of the related risk, partly through insurance policies with leading international insurance companies.

Liquidity risk is also managed and 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 liability 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.

A.13. Company bodies

Members of the Board of Directors at December 31, 2020

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 Sassoferato (AN) on 04/05/1966, appointed by resolution of 27/04/2018.

Serenella Spaccapaniccia

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

Control, Risks and Sustainability Committee

Committee

Cristina Finocchi Mahne (Chairperson)

Elio Cosimo Catania

Federica De Medici

Appointments and Remuneration Committee

Committee

Elio Cosimo Catania (Chairman)

Barbara Poggiali

Federica De Medici

Independent Auditors

KPMG S.p.A.

Investor Relations Manager

Giulio Coccia - 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.14. Elica Group structure and consolidation scope

Parent

- Elica⁵ 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.;
- Ariaflina CO., LTD – Sagamihara-Shi (Japan) (in short Ariaflina). 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;
- 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 Issaquah, 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. Elica S.p.A. since 2018 has held 25.5%. Thanks to the signing of a shareholder agreement with the Indian shareholders, the Elica Group holds control.
- Zhejiang Elica Putian Electric CO.,LTD. - Shengzhou (China) (in short Putian), a 99% owned Chinese company. 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.

⁵ The company also has a permanent establishment in Spain, in Avda, Generalitat de Catalunya Esc.9, bayos 1 08960 Sant Just Desvern – Barcelona.

- 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.14.1. Related party transactions

Compliance with Article 5, paragraph 8, Consob Regulation 17221 of March 12, 2010 regarding transactions with subsidiaries, associates and other related parties

In 2020, transactions with subsidiaries were undertaken by the parent company and with associates and other related parties by the parent company and other Group companies.

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 March 12, 2010⁶.

For information regarding associates and other related parties, in addition to the transactions discussed above, refer to note B.6.8. of the consolidated financial statements and note D.6.7 of the parent’s financial statements below.

In the subsequent note on related party transactions, disclosure is also provided as per Article 2497 bis of the Civil Code.

A.15. IFRS

The Consolidated Financial Statements of the Elica Group and the separate Financial Statements of Elica S.p.A. as at and for the year ended December 31, 2020 have been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission and in accordance with Article 9 of Legislative Decree no. 38/2005.

The accounting policies utilised for the preparation of these financial statements are consistent with those utilised for the preparation of the financial statements as at and for the year ended December 31, 2019.

The Consolidated Financial Statements are presented in thousands of Euro and all the amounts are rounded to the nearest thousand, unless otherwise specified. The primary in the

⁶ 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”.

separate Financial Statements are presented in Euro, while the notes are presented in Euro thousands with all amounts rounded to the nearest thousand, unless otherwise specified.

A.16. Corporate Governance and Ownership Structure Report

In accordance with Article 123-*bis* of Legislative Decree 58/1998, with Article 89-*bis* of Consob Resolution No. 11971/1999 and successive amendments and integrations, Elica S.p.A. provides complete disclosure on the Corporate Governance system adopted, in line with the recommendations of the Self-Governance Code (July 2018 edition), in the Annual Corporate Governance Report, available on the Company website <https://elica.com/corporation> (Corporate Governance section).

A.17. Remuneration Report

In accordance with Article 123-*ter* of Legislative Decree 58/1998 and Article 84-*quater* of the Consob Resolution No. 11971/1999 and subsequent amendments, Elica S.p.A. prepares a Remuneration Report in accordance with the indications at Attachment 3A, Table 7-*bis* of the same Consob Resolution No. 11971/1999 and subsequent amendments. This report is available on the Parent's website <https://elica.com/corporation> (Investor Relations section).

A.18. Consolidated non-financial disclosure

In accordance with Legislative Decree 254/2016 enacting Directive 2014/95/EC, the Elica Group produces a non-financial report disclosing upon environmental, social, personnel, human rights and anti-corruption matters, helping the reader to understand Group activities, its performance and results and the related impacts. This report is available to the public according to the means and deadlines established by the applicable regulation and on the company website <https://elica.com/corporation> (Investor Relations/Financial Statements and Reports section).

As described in greater detail in the report - to which reference should be made - the Group constantly monitors the Environmental Social Governance indicators, in addition to those regarding financial sustainability.

- o The average number of training hours provided to blue-collar staff increased from 9.8 in 2019 to 10.7 in 2020 (+9.2% vs 2019);
- o The less-represented gender accounted for 24% of the LTI - Long Term Incentive System (compared to 5% in 2019);
- o The executive category waived the 2020 bonus and middle management contributed by waiving 50% of the nominal amount due;
- o All Cooking Business Unit sites (Fabriano, Mergo and Cerreto d'Esi) have achieved ISO 45001:2018 certification. The number of injuries in Italy dropped from 6 in 2019 to 1 in 2020 (-83%);
- o The Customer Orientation of our After Sales Support Service has been recognised by our customers with its receipt of the major sector award presented by the German Institute for Quality and Finance (ITQF);
- o Elica is efficiently employing energy resources for its production processes and has reduced emissions (reduction at the Italian and Polish sites for kWh/machine hour of between 2% and 4% compared to 2019), monitoring the impact of operations on the factors that prompt climate change.

A.19. Compliance with Section II of the regulation implementing Legislative Decree no. 58 of February 24, 1998 concerning market regulations (“Market Regulations”)

In accordance with article 15 of the Regulation implementing Legislative Decree no. 58 of February 24, 1998, as Elica S.p.A. has direct or indirect control over certain companies registered in countries outside of the European Union, the financial statements of such companies, prepared for the purposes of these consolidated financial statements, were made available within the terms required by current legislation.

For the basis upon which it is considered that the company is not under the direction and control of the parent, in accordance with Article 16, fourth section, reference should be made to paragraph B.6.8. Disclosure pursuant to IAS 24 on management remuneration and related-party transactions.

A.20. 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 Consob’s Issuers Regulation, on January 16, 2013, Elica announced that it would apply the exemption from publication of the required disclosure documents concerning significant mergers, demergers and share capital increases through the contribution of assets in kind, acquisitions and sales.

Fabriano, March 16, 2021

On behalf of the Board of Directors
The Executive Chairman
Francesco Casoli



**B. CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR
ENDED 31 DECEMBER 2020**

Elica Group

Name of the company preparing the financial statements or other means of identification: Elica S.p.A. – <i>Share Capital: Euro 12,664,560 fully paid-in</i>
Explanation of the changes relating to the name of the entity preparing the financial statements or other means of identification with respect to the end of the previous year: n/a
Address of the entity: <i>Registered office in Via Ermanno Casoli, 2 – 60044 Fabriano (AN)</i>
Legal form of entity: Company limited by shares
Country of registration: Italy
Address of the entity's registered office: <i>Registered office in Via Ermanno Casoli, 2 – 60044 Fabriano (AN)</i>
Principal place of business: <i>Via Ermanno Casoli, 2 – 60044 Fabriano (AN)</i>
Description of the nature of the business of the entity or its principal operations: see note B.6.1 below
Name of the Holding Company: Fan s.r.l.
Name of the Parent: Elica S.p.A.

B.1. Income Statement

<i>In Euro thousands</i>	<i>Note</i>	2020	2019
Revenue	B.6.5.1	452,639	479,986
Other operating income	B.6.5.2	2,643	3,109
Changes in inventories finished/semi-finished products	B.6.5.4	4,230	(622)
Increase in internal work capitalised	B.6.5.3	2,523	3,528
Raw materials and consumables	B.6.5.4	(242,783)	(255,137)
Services	B.6.5.5	(83,435)	(84,718)
Personnel expense	B.6.5.6	(85,385)	(93,899)
Amortisation and depreciation	B.6.5.7	(25,437)	(25,415)
Other operating expenses and accruals	B.6.5.8	(8,979)	(8,489)
Restructuring charges	B.6.5.9	(2,637)	(1,292)
Impairment of Goodwill and other intangible assets	B.6.5.7	(2,715)	0
Operating profit		10,664	17,051
Share of loss of associates	B.6.5.20	(494)	(617)
Financial income	B.6.5.10	566	387
Financial expenses	B.6.5.11	(3,772)	(3,919)
Exchange rate gains/(losses)	B.6.5.12	(288)	(971)
Profit before taxes		6,676	11,931
Income taxes	B.6.5.13	(2,531)	(4,554)
Profit from continuing operations		4,145	7,377
Profit/(loss) from discontinued operations		0	0
Profit for the year		4,145	7,377
of which:			
Attributable to non-controlling interests	B.6.5.14	5,932	4,316
Attributable to owners of the Parent		(1,787)	3,061
Basic earnings (loss) per share (Euro/cents)	B.6.5.15	(2.82)	4.89
Diluted earnings (loss) per share (Euro/cents)		(2.82)	4.89

B.2. Statement of comprehensive income

<i>In Euro thousands</i>	<i>Note</i>	2020	2019
Profit for the year		4,145	7,377
Other comprehensive income/(expense) which will not be subsequently reclassified to profit or loss for the year:			
Actuarial gains/(losses) on defined employee benefit plans	B.6.5.26	96	(575)
Tax effect of Other income/(expense) which will not be subsequently reclassified to profit or loss		(22)	(28)
Total items which will not be subsequently reclassified to profit or loss, net of the tax effect		74	(603)
Other comprehensive income/(expense) which will be subsequently reclassified to profit or loss			
Exchange differences on the translation of foreign financial statements	B.6.5.34.3	(8,853)	2,307
Net change in cash flow hedges	B.6.5.34.3	2,107	1,347
Tax effect of Other income/(expense) which will be subsequently reclassified to profit or loss	B.6.5.34.3	(362)	(324)
Total items which will be subsequently reclassified to profit or loss, net of the tax effect		(7,108)	3,330
Total other comprehensive income/expense, net of the tax effect:		(7,034)	2,727
Comprehensive income/(expense)		(2,889)	10,104
of which:			
Attributable to non-controlling interests		4,624	4,249
Attributable to owners of the parent		(7,513)	5,855

B.3. Statement of financial position

<i>In Euro thousands</i>	<i>Note</i>	31/12/2020	31/12/2019
Property, plant and equipment	B.6.5.17	91,875	101,399
Goodwill	B.6.5.18	39,017	39,340
Other intangible assets	B.6.5.19.1	22,363	28,276
Right-of-use assets as per IFRS 16	B.6.5.19.2	10,270	12,679
Investments in associates	B.6.5.20	275	770
Deferred tax assets	B.6.5.28	22,876	19,925
Other assets	B.6.5.21	307	393
Non-current assets		186,983	202,782
Trade receivables	B.6.5.22	88,821	55,022
Inventories	B.6.5.23	76,876	72,890
Other assets (current)	B.6.5.24	4,802	5,375
Tax assets (current)	B.6.5.25	17,049	14,966
Derivative assets - current	B.6.5.33.3	4,078	498
Cash and cash equivalents	B.6.5.33.1	59,147	35,613
Current assets		250,773	184,364
Assets of discontinued operations		-	-
Total Assets		437,756	387,146
Liabilities for post-employment benefits	B.6.5.26	10,475	10,737
Provisions for risks and charges (non-current)	B.6.5.27	17,228	12,377
Deferred tax liabilities	B.6.5.28	4,017	3,496
Lease liabilities and loans and borrowings from other lenders as per IFRS 16	B.6.5.33.4	6,027	8,233
Bank loans and borrowings (non-current)	B.6.5.33.2	94,053	55,451
Derivative liabilities (non-current)	B.6.5.33.3	690	198
Non-current liabilities		132,490	90,492
Provision for risks and charges (current)	B.6.5.27	5,351	6,487
Lease liabilities and loans and borrowings from other lenders as per IFRS 16	B.6.5.33.4	3,650	3,525
Bank loans and borrowings (current)	B.6.5.33.2	16,459	27,317
Trade payables	B.6.5.32	133,247	110,100
Other liabilities (current)	B.6.5.30	15,908	15,751
Tax liabilities (current)	B.6.5.31	9,088	7,775
Derivative liabilities (current)	B.6.5.33.3	551	386
Current liabilities		184,254	171,341
Liabilities directly related to discontinued operations		-	-
Share capital	B.6.5.34.1	12,665	12,665
Equity-related reserves	B.6.5.34.2	71,123	71,123
Hedging and translation reserve	B.6.5.34.3	(17,562)	(11,758)
Actuarial reserve	B.6.5.26	(3,264)	(3,345)
Income-related reserves	B.6.5.34.4	42,621	39,394
Profit/(loss) attributable to owners of the Parent		(1,787)	3,061
Equity attributable to owners of the Parent		103,796	111,140
Capital and reserves attributable to non-controlling interests	B.6.5.35	11,284	9,857
Profit/(loss) attributable to non-controlling interests		5,932	4,316
Equity attributable to non-controlling interests		17,216	14,173
Total equity		121,012	125,313
Total equity and liabilities		437,756	387,146

B.4. Statement of Cash Flows

<i>In Euro thousands</i>	2020	2019
Opening cash and cash equivalents	35,613	35,612
Operating activities		
Profit for the year	4,145	7,377
Amortisation and depreciation	25,437	25,415
<i>Impairment losses</i>	2,715	-
Non-monetary (income)/expense	494	617
Trade working capital	(16,316)	(184)
Other working capital accounts	5,133	5,679
Income taxes paid	(5,000)	(4,809)
Change in provisions	3,581	1,724
Other changes	345	126
Cash flow from operating activities	20,534	35,945
Investing activities		
Investments		
- Intangible assets	(5,796)	(8,474)
- Property, plant and equipment	(8,150)	(12,772)
- Right-of-use assets	(1,491)	(3,218)
Cash flow used in investing activities	(15,437)	(24,464)
Financing activities		
(Acquisition)/Sale of treasury shares and investments (maintaining of control)	-	2,540
Dividends	(1,584)	(1,479)
Increase (decrease) financial liabilities	28,009	(9,190)
Net changes in other financial assets/liabilities	(1,524)	(821)
Increase/(decrease) in lease liabilities - IFRS 16	(1,726)	(32)
Interests paid	(2,974)	(3,226)
Cash flow from (used in) financing activities	20,201	(12,208)
Increase/(Decrease) in cash and cash equivalents	25,298	(727)
Net translation effect on cash and cash equivalents	(1,764)	728
Closing cash and cash equivalents	59,147	35,613

B.5. Statement of changes in Equity

In Euro thousands	Share capital	Equity-related reserve	Acquisition/Sale Treasury shares	Hedging, trans. & actuarial reserves	Income-related reserves	Profit/(loss) for the year	Equity attr. to owners of the parent	Equity attr. to non-controlling interests	Total equity	
	31/12/2018	12,665	71,123	(3,551)	(17,898)	41,535	(961)	102,913	11,270	114,183
Fair value changes on cash flow hedges net of the tax effect	0	0	0	1,023	0	0	1,023	0	1,023	
Actuarial gains/(losses) on post-employment benefits	0	0	0	(543)	0	0	(543)	(60)	(603)	
Exchange rate gains/(losses) on translation of foreign subsidiaries' financial statements	0	0	0	2,314	0	0	2,314	(7)	2,307	
Total gains/(losses) recognised directly in equity	0	0	0	2,794	0	0	2,794	(67)	2,727	
Profit for the year	0	0	0	0	0	3,061	3,061	4,316	7,377	
Total gains/(losses) recognised in the income statement	0	0	0	2,794	0	3,061	5,855	4,249	10,104	
Allocation of profit/(loss) for the year	0	0	0	0	(961)	961	0	0	0	
Change from dividends distributed	0	0	0	0	0	0	0	(1,479)	(1,479)	
Change in % of ownership	0	0	0	0	0	0	0	0	0	
Other changes	0	0	3,551	1	(1,180)	0	2,372	133	2,505	
	31/12/2019	12,665	71,123	0	(15,103)	39,394	3,061	111,140	14,173	125,313
	31/12/2019	12,665	71,123	0	(15,103)	39,394	3,061	111,140	14,173	125,313
Fair value changes on cash flow hedges net of the tax effect	0	0	0	1,745	0	0	1,745	0	1,745	
Actuarial gains/(losses) on post-employment benefits	0	0	0	81	0	0	81	(7)	74	
Exchange rate gains/(losses) on translation of foreign subsidiaries' financial statements	0	0	0	(7,552)	0	0	(7,552)	(1,301)	(8,853)	
Total gains/(losses) recognised directly in equity	0	0	0	(5,726)	0	0	(5,726)	(1,308)	(7,034)	
Profit/(loss) for the year	0	0	0	0	0	(1,787)	(1,787)	5,932	4,145	
Total gains/(losses) recognised in the income statement	0	0	0	(5,726)	0	(1,787)	(7,513)	4,624	(2,889)	
Allocation of profit/(loss) for the year	0	0	0	0	3,061	(3,061)	0	0	0	
Change from dividends distributed	0	0	0	0	0	0	0	(1,584)	(1,584)	
Change in % of ownership	0	0	0	3	1	0	4	(4)	0	
Other changes	0	0	0	0	165	0	165	7	172	
	31/12/2020	12,665	71,123	0	(20,826)	42,621	(1,787)	103,796	17,216	121,012

B.6. Notes to the Consolidated Financial Statements as at and for the year ended December 31, 2020

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- B.6.2. Accounting policies and basis of consolidation
- B.6.3. Significant accounting estimates
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- B.6.11. Events after the reporting date

B.6.1. Group structure and activities

Elica S.p.A. is a company incorporated under Italian law based in Fabriano (Ancona, Italy). The main activities of the Company and its subsidiaries, as well as its registered office and other offices are illustrated in the Directors' Report at point A.14. Elica Group structure and consolidation scope

The Euro is the functional and presentation currency of Elica S.p.A. and of the consolidated companies, except for the foreign subsidiaries Elica Group Polska Sp.zo.o, Elicamex S.A.de C.V., Leonardo Services S.A.de C.V., Ariaflina 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, 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 Consolidated Financial Statements for the year ended December 31, 2020 were approved by the Board of Directors on March 16, 2021 which authorised their publication.

B.6.2. Accounting policies and basis of consolidation

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board and endorsed by the European Union, as well as in accordance with Article 9 of Legislative Decree no. 38/2005 and related CONSOB regulations.

The Consolidated Financial Statements as at and for the year ended December 31, 2020 are compared with the previous year and consist of the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and these notes.

The consolidated financial statements and related notes comply with the minimum disclosure requirements of IFRS, as supplemented, where applicable, by the provisions of the law and CONSOB regulations.

The statement of cash flows was prepared applying the indirect method. It classifies cash flows respectively from (used in) operating activities, investing activities and financing activities, in line with IAS 7. Specifically, operating activities are activities that generate revenue and are not investing or financing activities. Investing activities are those concerning the purchase and sale of non-current assets and other investments, while financing activities are those resulting in a change to the sources of financing, therefore in the size and composition of the share capital and share premium and Group loans. Unrealised exchange rate gains and losses are not considered cash flows. However, the effect of such exchange rate gains and losses on cash and cash equivalents is included to reconcile the change in the opening and closing balances of cash and cash equivalents. It is, however, presented separately.

The Group did not make any changes in the accounting policies applied between the comparative dates of December 31, 2019 and December 31, 2020, except as indicated below in the specific paragraph B.6.2.3 Accounting standards, amendments and interpretations applied from January 1, 2020.

The financial statements items 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.

B.6.2.1 Basis of consolidation

The Consolidated Financial Statements as at and for the year ended December 31, 2020 include the financial statements of the parent and the companies it controls directly or indirectly (the subsidiaries). Control exists where the Group contemporaneously has decision-making power over the investee, rights upon variable returns (positive or negative) and the ability to affect those returns through power over the entity.

The separate financial statements at December 31, 2020 of the Parent Elica S.p.A. were prepared in accordance with IFRS, in accordance with Legislative Decree No. 38/2005 and CONSOB regulations. The financial statements of the Italian subsidiary were prepared in accordance with the Italian Civil Code as supplemented, where necessary, by the accounting standards issued by the Italian Accounting Standards Setter (“OIC”) and those issued by the IASB.

All the Group companies have provided the data and information required to prepare the Consolidated Financial Statements in accordance with IFRS.

For information on the consolidation scope and the associates, reference should be made to section B.6.4 “Composition and changes in the consolidation scope” and B.6.8 “Disclosure pursuant to IAS 24 on management compensation and related party transactions”.

If the consolidation scope changes in the year, the results of subsidiaries acquired or sold during the year are included in the consolidated profit or loss from the date of acquisition until the date of sale. All significant transactions between companies included in the consolidation scope are eliminated. Gains and losses arising on intercompany sales of operating assets are eliminated, where considered material.

Non-controlling interests in the net assets of consolidated subsidiaries are recorded separately from equity attributable to the owners of the parent and include the amount attributable to the non-controlling interests at the original acquisition date (see below) and changes in equity after that date.

Consolidation of foreign companies and foreign currency translation

The assets and liabilities of consolidated foreign companies in currencies other than the Euro are translated using the closing exchange rates. Revenue and costs are translated into Euro using the average exchange rate for the year. Translation differences are recognised in the translation reserve until the investment is sold.

At December 31, 2020, the consolidated foreign companies whose functional currency differs from the Euro are 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 use the Polish Zloty, the Mexican Pesos (ELICAMEX S.A. de C.V. and Leonardo Services S.A. de C.V.), the Japanese Yen, the US Dollar, the Indian Rupee, the Chinese Renminbi and the Russian Ruble respectively.

The exchange rates used for translation purposes are set out below:

	2020 average	2019 average		31/12/2020	31/12/2019	
EUR	1.00	1.00	0.00%	1.00	1.00	0.00%
USD	1.14	1.12	1.79%	1.23	1.12	9.82%
PLN	4.44	4.30	3.26%	4.56	4.26	7.04%
INR	84.64	78.84	7.36%	89.66	80.19	11.81%
RUB	82.72	72.46	14.16%	91.47	69.96	30.75%
CNY	7.87	7.74	1.68%	8.02	7.82	2.56%
MXN	24.52	21.56	13.73%	24.42	21.22	15.08%
JPY	121.85	122.01	(0.13%)	126.49	121.94	3.73%

Source: ECB
data

Business combinations

Business combinations are recognised according to the acquisition method. According to this method, the amount transferred in a business combination is recognised at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and of the equity instruments issued in exchange for control of the company acquired. Transaction costs are recognised to profit or loss when they are incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at fair value at this date; except for the following items, which are instead measured according to the applicable standard:

- Deferred tax assets and liabilities;
- Assets and liabilities for employee benefits;
- Liability or equity instruments relating to share-based payments of the company acquired or share-based payments relating to the Group issued to replace contracts of the entity acquired;
- Assets held for sale and discontinued operations.

Goodwill is calculated as the excess of the amounts transferred in the business combination, of the value of equity attributable to non-controlling interests and the fair value of any holding previously held in the acquired company compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and the liabilities assumed at the acquisition date exceeds the sum of amounts transferred, of any non-controlling interest and the fair value of any holding previously held in the acquired company, this excess is immediately recorded to the income statement as income deriving from the transaction concluded.

The share of equity attributable to non-controlling interests, at the acquisition date may be measured at fair value or in proportion to the acquiree's recognised net assets. The valuation method is chosen on the basis of each individual transaction.

In a step acquisition of a subsidiary, a business combination is only deemed to occur when control is acquired, which is when the fair value of all the acquiree's identifiable net assets is measured; non-controlling interests are measured at their fair value or in proportion to the fair value of the acquiree's identifiable net assets.

In a step acquisition of an investee, the previously held interest, which was until that time recognised must be treated as if it were sold and repurchased at the date of the acquisition of control. The investee is therefore recognised at the fair value at the acquisition date and the profits and losses arising on measurement are taken to profit or loss. Any amount previously recognised as Other comprehensive income (expense), which must be taken to profit or loss following the sale of the assets to which it refers, is reclassified to profit or loss. Goodwill or income deriving from an acquisition of control of a subsidiary must be calculated as the sum of the price paid to gain control, the value of non-controlling interests (measured using one of the methods permitted by the standard) and fair value of the previously held non-controlling interest, net of the fair value of the identifiable net assets acquired.

Any payments subject to conditions are considered part of the transfer price of the net assets acquired and are measured at fair value at the acquisition date. If the combination contract establishes a right of repayment of some price elements on the fulfilment of certain conditions, this right is classified as an asset by the acquirer. Any subsequent changes in the fair value are recognised as an adjustment to the original accounting treatment only if they result from additional or improved information concerning fair value and if they occur within 12 months of the acquisition date; all other changes must be recognised in profit or loss.

Once control of an entity has been acquired, transactions in which the Parent acquires or sells further non-controlling interests without changing the control exercised over the subsidiary are considered transactions with equity owners and therefore must be recognised in equity. The carrying amount of the controlling interest and the non-controlling interest must be adjusted to reflect the change in the percentage of the investment held and any difference between the amount of the adjustments allocated to non-controlling interests and the fair value of the price paid or received against the transaction is taken directly to equity and allocated to the owners of the Parent. No adjustments are made to goodwill or the profits or losses recognised in the income statement. Related costs are recognised in equity in accordance with paragraph 35 of IAS 32.

Business combinations before January 1, 2010 were recognised in accordance with the previous version of IFRS 3.

Investments in associates and joint ventures

An associate is a company in which the Group has significant influence, but not control or joint control. The Group exerts its influence by taking part in the associate's financial and operating policy decisions.

A joint venture is a contractual agreement whereby the Group undertakes a jointly controlled business venture with other parties. Joint control is defined as a contractually shared control over a business. Joint control is defined as the contractually shared control over a business activity and only exists when the financial and operating strategic decisions of the activities requires the unanimous consent of the parties sharing control.

The profits and losses, assets and liabilities of associates and joint ventures are recognised in the Consolidated Financial Statements using the equity method, except where the investments are classified as held for sale.

Under this method, investments in associates and joint ventures are recognised in the Statement of Financial Position at cost, as adjusted for changes after the acquisition of the net assets of the associates, less any impairment in the individual investments. Losses of the associates and joint ventures in excess of the Group share are not recognised unless the Group has an obligation to cover them. Any excess of the acquisition cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date, is recognised as Goodwill. Goodwill is included in the carrying value of the investment and is tested for impairment. Any excess of the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the associate over the cost of acquisition is taken to profit or loss in the year of acquisition.

Unrealised profits and losses on transactions between a Group company and an associate or joint venture are eliminated to the extent of the Group's share in the associate or joint venture, except when the unrealised losses constitute a reduction in the value of the asset transferred.

B.6.2.2 Accounting policies

The main accounting policies adopted in the preparation of the Consolidated Financial Statements are described below.

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, including any directly attributable costs. Some assets have been adjusted under specific revaluation legislation prior to January 1, 2004 and are deemed to reflect the fair value of the asset at the revaluation date (“deemed cost” as per IFRS 1).

Depreciation is calculated on a straight-line basis over the estimated useful life of the relative assets applying the following percentage rates:

buildings	3%
light constructions	10%
plant and machinery	6 % - 15%
industrial and commercial equipment	10% - 25%
office furniture and equipment	12%
EDP	20%
commercial vehicles	20%
automobiles	25%

Purchase cost is adjusted for grants related to assets already approved to the Group companies. These grants are recognised in profit or loss by gradually reducing the depreciation charged over the useful life of the assets to which they relate.

Maintenance, repair, expansion, updating and replacement costs that do not lead to a significant, measurable increase in the production capacity and useful life of an asset are taken to profit or loss when they are incurred.

Goodwill

Goodwill arising on the acquisition of a subsidiary or other business combinations represents the excess of the acquisition cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date.

At each reporting date the Group reviews the recoverable value of the goodwill to assess whether an impairment loss has occurred and determine the amount of any impairment. An impairment loss is immediately taken to profit or loss and is not reversed in a subsequent period.

On the sale of a subsidiary, any goodwill attributable to the subsidiary that has not been impaired is included in the calculation of the gain or loss on the sale.

Goodwill arising on acquisitions prior to January 1, 2004 is carried at the amount recognised under Italian GAAP after an impairment test.

Research costs

The research costs are taken to profit or loss when incurred.

Development costs

Development costs in relation to specific projects are capitalised when all of the following conditions are satisfied:

- the costs can be reliably determined;
- the technical feasibility of the product is demonstrated;
- the volumes, and expected prices indicate that costs incurred for development will generate future economic benefits;
- the technical and financial resources necessary for the completion of the project are available.

Where the above conditions are not met; the cost is recorded in the Income Statement.

Capitalised development costs are amortised on a straight-line basis, commencing from the beginning of the production over the estimated life of the product to which these costs refer.

The carrying amount of development costs are tested annually for impairment when the asset is no longer in use, or with greater frequency when there is indication of impairment. The recoverability test requires estimates by the Directors, as dependent on the cash flows deriving from the sale of products sold by the Group. These estimates are impacted both by the complexity of the assumptions underlying the projected revenues and future margins and by the strategic industrial choices of the Directors.

Other intangible assets

The other intangible assets acquired or produced internally are recorded under assets, in accordance with the provisions of IAS 38 – Intangible Assets, when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined reliably.

The useful life of an intangible asset may be considered definite or indefinite. Intangible assets with definite useful lives are amortised monthly for the duration of their useful lives. According to management and expert, the Group's most important software has a useful life of seven years. The useful life is reviewed on an annual basis and any changes are made in accordance with future estimates.

Intangible assets with indefinite useful lives are not amortised but tested annually for impairment or more frequently where there is an indication that the asset may be impaired.

At present, the Group only owns intangible assets with definite useful lives.

Impairment testing

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.

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 impairment test compares the carrying amount with the recoverable amount, which is the greater of fair value less costs to sell and value in use. Any excess of the carrying amount results in an impairment loss. An impairment loss is recognised to profit and loss. When the reasons for the impairment no longer exist, the impairment losses on the assets are reversed bringing the carrying amount up to the revised estimate of its recoverable amount. The restatement cannot exceed the carrying amount had no impairment been recognised. The reversal of an impairment loss is taken to profit or loss.

For goodwill, the recoverable amount is determined by the Directors through the calculation of the value in use of the Cash Generating Units (CGU's). Cash Generating Units are identified based on the Group's organisational and business structure as units that generate cash flows independently through the continuous use of the assets allocated. The impairment loss of the goodwill is taken to profit or loss and, differing to that for other property, plant and equipment and intangible assets, no reversal is recognised in future years.

IFRS 16 Leases

At the commencement date of leases, the Group recognises the right-of-use assets and the lease liabilities. Right-of-use assets are initially measured at cost, and subsequently at cost, net of accumulated amortisation and impairment losses, adjusted to reflect lease liability revaluations.

The Group assesses the lease liabilities at the present value of payments due for lease charges not settled at the commencement date, discounting them according to the implicit interest rate. Where it is not possible to establish this rate easily, the Group utilises the incremental borrowing rate. The incremental borrowing rate is determined on the basis of the rate at which the Group would borrow in the same market for a similar amount. It generally uses the incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest accruing on this liability and reduced for lease payments due and is revalued in the case of changes to future payments on leasing deriving from a change in the index or rate, in the case of a change to the amount which the Group expects to pay as guarantee on the residual value or where the Group changes its assessment on the exercise or otherwise of a purchase, renewal or termination option.

The Group has estimated the lease duration of some contracts in which it acts as lessee and which have renewal options. The Group's assessment of whether the option will be exercised with reasonable certainty influences the estimate of the lease duration, significantly impacting the amount of the lease liabilities and the right-of-use assets recognised.

Inventories

Inventories are measured at the lower of purchase or production cost and net realisable value.

The purchase cost of raw, ancillary, supplies and goods for resale is determined using the weighted average cost method.

The production cost of finished products, work in progress and semi-finished products is determined considering the cost of the materials used plus direct operating expenses and overheads. Net realisable value represents the estimated selling price less expected completion costs and selling costs.

Obsolete and slow moving inventories are written down taking account of their prospects of utilisation or sale.

Trade receivables and loans and other financial assets

Financial assets other than trade receivables, loans and cash and cash equivalents are initially recorded at fair value, including directly related transaction costs.

Trade receivables and loans are measured at their nominal amount, which normally represents their fair value. In the event of a significant difference between nominal amount and fair value, they are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Receivables are adjusted through an allowance for bad debt to reflect their realisable value. The allowance is calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, discounted at the effective interest rate on initial recognition.

Non-current assets held-for-sale

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying value and market value less selling costs.

Non-current assets (and disposal groups) are classified as held-for-sale when their carrying value is expected to be recovered by means of a sales transaction rather than through use in company operations. This condition is met only when the sale is highly likely, the assets (or group of assets) are available for immediate sale in their current condition and, consequently, management is committed to a sale, which should take place within 12 months of the classification as held for sale.

Cash and cash equivalents

Cash and cash equivalents include cash balances, bank current accounts and deposits repayable on demand plus other highly liquid short term financial investments that can be readily converted into cash and are not subject to a significant risk of a change in value.

Financial liabilities and Equity instruments

Financial liabilities and Equity instruments issued by the Group are classified in accordance with the underlying contractual agreements and in accordance with the respective definitions of liabilities and Equity instruments.

Equity instruments consist of contracts which, stripped of the liability component, give rights to a share in the assets of the Group.

The accounting policies adopted for specific financial liabilities and equity instruments are indicated below.

Trade payables and other financial liabilities

Trade payables and other financial liabilities are recognised at their nominal amount, which generally represents their fair value. In the event of significant differences between their nominal amount and fair value, trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Bank loans and borrowings and loans and borrowings from other lenders

Bank loans and borrowings – comprising non-current loans and bank overdrafts – and loans and borrowings from other lenders, including lease liabilities, are recognised based on the amounts received, less transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Derivative instruments and hedge accounting

Derivative financial instruments are used with the intention of hedging, in order to reduce currency, interest rate or market price risks. In compliance with International Accounting Standards, derivative financial instruments can be recognised using “hedge accounting” only when the hedge is formally designated and documented as such and is presumed to be highly effective at inception, such effectiveness can be reliably measured and the hedge is highly effective over the accounting periods for which it was designated.

All derivative financial instruments are measured at fair value in accordance with IASB.

When derivative financial instruments qualify for hedge accounting, the following treatment applies:

- for derivatives that hedge scheduled transactions (i.e. cash flow hedges), changes in the fair value of derivative instruments are allocated to equity for the portion considered effective while the portion considered ineffective is recognised in profit or loss;
- for derivatives that hedge assets and liabilities recognised in the statement of financial position (i.e. fair value hedges), differences in fair value are recognised in full in profit or loss. Moreover, the value of the hedged item (assets/liabilities) is adjusted for the change in the risk hedged, again in profit or loss;
- for derivatives classified as hedges of a net investment in a foreign operation, the effective portion of profits or losses on the financial instruments are recorded under equity. The cumulative gains or losses are reversed from the equity and taken to profit or loss on the sale of the foreign operation.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in profit or loss.

Reference should be made to paragraph B.6.7, Risk management, of these notes for information on the management of risks related to exchange rates.

Treasury shares

Treasury shares are recognised at cost and taken as a reduction in equity. The gains and losses deriving from trading of treasury shares, net of the tax effect are recorded under Equity reserves. At December 31, 2020, no treasury shares were held in portfolio.

Employee benefits

Post-employment benefits

Italian post-employment benefits are considered equivalent to a defined benefit plan. For defined benefit plans, the cost of the benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each year.

The Group recognises the plan deficit or surplus in the statement of financial position, the service cost and net financial expense in profit or loss and gains or losses on the remeasurement of the assets and liabilities in other comprehensive income. In addition, any income from the plan assets included under net financial expenses must be calculated based on the discount rate of the liability.

Up to December 31, 2006, the employee leaving indemnities of the Italian companies were considered as defined benefit plans. The regulations governing Italian employees' leaving entitlement were modified by Law no. 296 of December 27, 2006 ("2007 Finance Act") and subsequent decrees and regulations issued at the beginning of 2007. In the light of these changes, and specifically with reference to companies with more than 50 employees, only the benefits that accrued prior to January 1, 2007 (and not yet paid at the reporting date) are now considered a defined benefit plan, while those that accrued after this date are considered a defined contribution plan.

Share-based payments

Where the Group recognises additional benefits to senior management and key personnel through stock grant plans, in accordance with IFRS 2 – Share-based payments, these plans represent a form of remuneration to the beneficiaries. Therefore the cost, which is the fair value of these instruments at the assignment date, is recognised in profit or loss over the period between the assignment date and maturity date, with a balancing entry directly in equity. Changes in the fair value after the

assignment date do not have an effect on the initial value. At December 31, 2020 there are no such plans in place, there are only monetary phantom stock plans. The existing plans award beneficiaries a number of phantom stocks. When the vesting conditions are met, and upon the completion of the period specified in the continuing employment condition, the beneficiary receives a payment in cash equal to the value of the vested phantom stock. This therefore represents a cash settled plan. The cost accrued during the year is thus taken to the income statement and the related provision is recognised. For further information, please consult the plan information documents on the company's website, (<https://elica.com/corporation/it/investor-relations/assemblea-azionisti>).

Provisions for risks and charges

The Group recognises a provision for risks and charges when the risk related to an obligation deriving from a past event is considered probable and a reliable estimate may be made on the amount of the obligation. Provisions are made based on management's best estimate of the cost of fulfilling the obligation at the end of the reporting date and are discounted to their present value when the effect is material. These risks are subject to a high level of complexity and uncertainty, and therefore the amount of the provision for risks and charges is reviewed periodically to reflect the best current estimate of each provision.

Revenue and income

The new IFRS 15 - Revenue establishes an overall framework to identify the timing and amount of revenue recognition.

IFRS 15 requires the recognition and measurement of revenue from contracts with customers according to the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations (i.e. the contractual commitments to transfer goods and/or services to a customer); (iii) establishment of the transaction price; (iv) the allocation of the transaction price to the performance obligations identified on the basis of the stand alone sales price of each good or service and (v) recognition of revenue upon satisfaction of the relative performance obligation (i.e. on the transfer to the customer of the asset or service promised). The transfer is considered complete when the customer obtains control of the goods or services, which may occur over time or at a point in time. According to the standard, the amount that the entity recognises as revenue should reflect the consideration that it has the right to receive following the exchange of the assets transferred to the customer and/or services provided, to be recognised upon fulfilment of the contractual obligations. In addition, to recognise the revenue, the requirement of probable obtainment/receipt of the economic benefits linked to the income is emphasised; for a contract in progress, a requirement to recognise revenue taking account of any discounting effect from payments deferred over time is introduced.

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".

Interest income is recorded on an accruals basis, according to the amount financed and the effective interest rate applicable. This is the rate at which the expected future cash flow over the life of the financial asset is discounted to equate them with the carrying amount of the asset.

Dividends are recognised when it is established that the shareholders have the right to receive them.

Foreign currency transactions

In the preparation of the financial statements of the individual Group companies, transactions in foreign currencies entered into by Group companies are translated into the functional currency (the currency in the main area in which the company operates) using the exchange rate at the transaction date or otherwise at the date on which the fair value of the underlying assets/liabilities is determined. Foreign currency assets and liabilities are translated at the reporting date using the closing exchange rate. Non-monetary assets and liabilities measured at historical cost in foreign currency are translated using the exchange rate at the transaction date.

Exchange differences arising on such transactions or on the translation of monetary assets and liabilities are recorded in the Income Statement except for those arising on derivative financial instruments qualified as cash flow hedges and any intragroup assets or liabilities whose settlement has not been planned nor is plannable. These differences are recorded in equity if unrealised; otherwise they are taken to profit or loss.

Government grants

Grants from public bodies are recorded when there is a reasonable certainty that the conditions required to obtain them will be satisfied and that they will be received. Such grants are recognised in profit or loss over the period in which the related costs are recognised, with a reduction in the item to which they relate.

The accounting treatment of benefits deriving from a government loan obtained at a reduced rate are similar to those for government grants. This benefit is calculated at the beginning of the loan as the difference between the initial carrying amount of the loan (fair value plus direct costs attributable to obtaining the loan) and that received, and subsequently recorded in the income statement in accordance with the regulations for the recognition of government grants.

Income taxes

Income taxes for the year represent the sum of current and deferred taxation.

Deferred income taxation is recorded on temporary timing difference between the financial statements and the taxable profit, recognised using the liability method.

The deferred taxes are calculated based on the tax rates applicable when the temporary differences reverse. The deferred tax charges are recognised in the income statement with the exception of those relating to accounts recognised in equity in which case the deferred tax charges are also recognised in equity.

Deferred tax assets are recognised when the income taxes are considered recoverable in relation to the taxable profit expected for the period in which the deferred tax asset is reversed. The carrying amount of deferred tax assets is reviewed at the end of the year and reduced, where necessary. Offsetting between deferred tax assets and liabilities is carried out only for similar items, and if there is a legal right to offset the current deferred tax assets and liabilities; otherwise they are recognised separately under assets and liabilities.

Elica S.p.A. and the subsidiary Airforce S.p.A. have opted for tax consolidation in Italy. This means that the IRES (Corporation Tax) charge is calculated on a tax base representing the aggregate of the taxable income and tax losses of the individual companies. The contract is of a three-year duration (2020, 2021 and 2022).

The transactions and mutual responsibilities and obligations between the Parent and the aforementioned subsidiary are defined by a specific consolidation agreement. With regard to their responsibilities, the agreement provides that the Parent is jointly liable with the subsidiary for:

- amounts due by the subsidiary under Article 127(1) of the Income Tax Code;
- payment of amounts due to the tax authorities, should it emerge that sums declared in the consolidated tax return have not been paid;
- consolidation adjustments made based on figures supplied by the subsidiary and contested by the tax authorities.

The income tax asset is recognised under Tax assets, determined as the difference between the income taxes in the year, payments on account, withholding taxes and, in general, tax credits. Tax assets also include the current IRES (corporate income tax) charge as determined on an estimate of the taxable income and tax losses of the companies taking part in the tax consolidation, net of payments on account, taxes withheld by third parties and tax credits; tax assets are offset by the amounts due to the subsidiaries by Elica for the residual asset attributable to them under the tax consolidation.

The liability for tax losses surrendered by a subsidiary is recognised under Liabilities to subsidiaries.

Earnings per share

Basic earnings per share is calculated based on the profit/(loss) for the year attributable to owners of the Parent and the weighted average number of shares outstanding at the reporting date. Treasury shares are excluded from the calculation. Diluted earnings per share equate to the basic earnings per share adjusted to assume conversion of all potentially dilutable shares, i.e. all financial instruments potentially convertible into ordinary shares, with a dilutive effect on earnings, increasing the number of shares which potentially may be added to those in circulation under an allocation or utilisation of treasury shares in portfolio under stock grant plans.

B.6.2.3 Accounting standards, amendments and interpretations applied from January 1, 2020

These consolidated financial statements were prepared according to the same accounting standards as those applied to the latest annual financial statements (i.e. for the preparation of the consolidated financial statements as at December 31, 2019, and the financial statement formats used are the same as those used to prepare the consolidated financial statements as at December 31, 2019).

B.6.2.3.1. 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. The application did not result in a significant impact to these financial statements.

B.6.2.3.2. 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. For this purpose, the IASB has replaced the term “capacity to create output” with “capacity to contribute to the creation of output” to clarify that a business may exist even without all 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. The application did not result in a significant impact to these financial statements.

B.6.2.4 Accounting standards, amendments and interpretations not yet applied and applicable

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. 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.6.2.4.1. Amendments to IAS 37 – “Onerous Contracts - Cost of Fulfilling a Contract”.

On May 14, 2020, the IASB issued amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract" (hereinafter amendments to IAS 37), so as to provide clarification on how to determine whether a contract is onerous. The amendments to IFRS 37 are effective from periods beginning on, or subsequent to, January 1, 2022.

B.6.2.4.2. Amendment to IAS 16 - “Property, Plant and Equipment: Proceeds before Intended Use”

On May 14, 2020, the IASB issued amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use" (hereinafter amendments to IAS 16), which establishes that revenue deriving from the sale of goods produced by an asset before it is ready for its intended use are posted to the income statement together with the related production costs. The amendments to IFRS 16 are effective from periods beginning on, or subsequent to, January 1, 2022.

B.6.2.4.3. Amendments to IFRS 3 - "Reference to the Conceptual Framework"

On May 14, 2020, the IASB issued the amendments to IFRS 3 "Reference to the Conceptual Framework" (hereinafter the amendments to IFRS 3), in order to: (i) complete the update of the references to the Conceptual Framework for Financial Reporting included in the accounting standard; (ii) provide clarifications on the conditions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities (levies) assumed as part of a business combination; (iii) clarify the fact that contingent assets may not be recognised as part of a business combination. The amendments to IFRS 3 are effective from periods beginning on, or subsequent to, January 1, 2022.

B.6.2.4.4. Amendments to IAS 1 "Classification of Liabilities as Current or Non-current-Deferral of Effective Date"

On July 15, 2020, the IASB issued amendments to IAS 1 "Classification of Liabilities as Current or Non-current-Deferral of Effective Date" designed to defer the effective date of the amendments to IAS 1 "Presentation of Financial Statements" by one year: Classification of Liabilities as Current or Non-current" (hereinafter amendments to IAS 1), issued by the IASB on January 23, 2020. The amendments to IFRS 1 are effective from periods beginning on, or subsequent to, January 1, 2023.

B.6.3. Significant accounting estimates

In the preparation of the Consolidated Financial Statements in accordance with IFRS, the Group's Management must make accounting estimates and assumptions which have an effect on the values of the assets and liabilities and disclosures. 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 this context, the situation caused by the historic volatility of the financial markets has resulted in the need to make assumptions about a 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 items principally affected by such uncertainty are: goodwill, the allowance for impairment and the provision for inventory impairment, non-current assets (property, plant and equipment and intangible assets), pension funds and Long Term Incentives, other post-employment benefits, provisions for risks and charges and deferred tax assets.

Reference should be made to the notes to each individual item for further information on the aforementioned estimates.

B.6.4. Composition and changes to the consolidation scope

At December 31, 2020, the consolidation scope includes the companies controlled by the Parent, Elica S.p.A.. Control exists where the Parent has the power to determine, directly or indirectly, the financial or management policies of an entity so as to obtain benefits from the activities of the company.

The following table lists the companies consolidated on a line-by-line basis controlled by the Parent.

Companies consolidated on a line-by-line basis

	Registered Office	Currency	Share capital	% Held Direct	% Held Indirect	% of investment
Elica S.p.A.	Fabriano (Ancona- Italy)	EUR	12,664,560			
Airforce S.p.A.	Fabriano (Ancona- Italy)	EUR	103,200	60%	0%	60%
Ariafina Co. Ltd	Sagamihara - Shi (Japan)	JPY	10,000,000	51%	0%	51%
Elica Group Polska Sp.z.o.o	Wroklaw (Poland)	PLN	78,458,717	100%	0%	100%
Elicamex S.a.d. C.V.	Queretaro (Mexico)	MXN	8,633,514	98%	2%	100%
Leonardo Services S.a. de C.V.	Queretaro (Mexico)	MXN	1,250,000	98%	2%	100%
Elica Inc.	Chicago, Illinois (United States)	USD	5,000	0%	100%	100%
Elica PB India Private Ltd.	Pune (India)	INR	393,650,000	26%	0%	26%
ZheLiang Elica Putian Electric Co. Ltd.	Shengzhou (China)	CNY	128,713,225	99%	0%	99%
Elica Trading LLC	Saint Petersburg (Russia)	RUB	176,793,102	100%	0%	100%
Elica France S.A.S.	Paris (France)	EUR	50,000	100%	0%	100%
Elica GmbH	Munich (Germany)	EUR	1,000,000	100%	0%	100%

As Elica Inc. held through Elicamex

As 2% of Elicamex and 2% of Leonardo held through EGP

The following table contains a list of associates measured using the equity method and held directly or indirectly by the Parent:

Associates measured using the equity method

In Euro thousands	Registered Office	Currency	Share capital	% Held Direct	% Held Indirect	% of investment
I.S.M. S.r.l.	Cerreto d'Esi (Ancona)	EUR	10	49.39%	0%	49.39%

Reference should be made to section B.6.8 of these notes for data and information on associates.

B.6.5. Notes to the Income Statement, Statement of Financial Position and Statement of Cash Flows

Income Statement

B.6.5.1 Revenue

Details of the Group's revenue are as follows:

<i>In Euro thousands</i>	2020	2019	Changes
Revenue	452,639	479,986	(27,347)
Revenue	452,639	479,986	(27,347)

<i>In Euro thousands</i>	2020	2019	Changes
EMEA	323,598	334,936	(11,338)
THE AMERICAS	63,982	73,014	(9,032)
ASIA and the Rest of World	65,059	72,036	(6,987)
Revenue	452,639	479,986	(27,347)

<i>In Euro thousands</i>	2020	2019	Changes
Cooking	391,672	419,193	(27,521)
Motors	60,962	60,793	174
Revenue	452,639	479,986	(27,347)

For an analysis on revenue, reference should be made to the paragraph A.5.2 "The Elica Group: Financial results and performance" in the Directors' Report.

Customers that individually generate more than 10% of total revenue accounted for 11.5% of revenue in 2020 (13.0% in 2019).

As per IFRS 8, segment reporting, in line with the method utilised by management to take operational decisions, consists of one single operating segment, corresponding to the Elica Group.

B.6.5.2 Other operating income

<i>In Euro thousands</i>	2020	2019	Changes
Grants related to income	939	1,006	(67)
Ordinary gains	29	33	(4)
Claims and insurance settlement	305	1,097	(792)
Other revenue and income	1,370	973	397
Other operating income	2,643	3,109	(466)

This item recorded a net decrease of Euro 466 thousand. This decrease is due to the combined effect of the increase of Euro 397 thousand in "Other revenue and income" and the reduction of approx. Euro 0.8 million in "Claims and insurance settlement" due to the discontinuity of the income accrued last year following the Parent's claim for damage caused by bad weather.

This item includes the higher government grants reported in Note B.6.9, to which reference should be made.

B.6.5.3 Increase in internal work capitalised

The Increase in internal work capitalised, amounting to Euro 2,523 thousand (Euro 3,528 thousand in the previous year), includes Euro 363 thousand related to the Chinese subsidiary (Euro 314 thousand in 2019), Euro 520 thousand to the Mexican subsidiary (Euro 733 thousand in 2019) and Euro 1,640 thousand to Elica S.p.A. (Euro 2,481 thousand in 2019). These increases relate to the capitalisation of costs for the design and development of new products and internal costs incurred for the construction of mouldings, industrial equipment and the introduction of new IT programmes. Internal works capitalised principally comprise labour costs. The reduction in value reflects the decision to reduce capex in 2020. For further information, reference should be made to the paragraphs outlining the balances and changes in property, plant and equipment and intangible assets.

B.6.5.4 Change in inventories of finished and semi-finished products and raw materials and consumables

<i>In Euro thousands</i>	2020	2019	Changes
Purchase of raw materials	178,430	189,624	(11,194)
Purchases of semi-finished products	15,633	16,639	(1,006)
Purchase of ancillary materials and consumables	2,233	2,211	22
Purchase of finished goods	39,669	32,369	7,300
Packaging	1,930	2,245	(315)
Other purchases	2,596	2,501	95
Transport of purchases	6,192	6,611	(419)
Purchases of raw materials from related parties	0	0	0
Change in raw materials, ancillaries, consumables and goods	(3,900)	2,937	(6,837)
Raw materials and consumables	242,783	255,137	(12,354)
Changes in inventories of finished and semi-finished products	(4,230)	622	(4,852)
Total consumables	238,553	255,759	(17,206)

The two items, Change in inventories of finished and semi-finished products and Raw materials and consumables may be considered together. The total value of these costs decreased by Euro 17.2 million, while as a percentage of revenue they decreased from 53.3% in 2019 to 52.7% in 2020. In detail, the Raw materials and consumables account decreased by approx. Euro 12.4 million, in particular due to the costs of raw material and semi-finished products purchases and the change in inventories of raw materials, ancillaries, consumables and goods, net of the purchases of finished products. The Change in inventories of finished and semi-finished products decreased by Euro 4.9 million.

B.6.5.5 Services

<i>In Euro thousands</i>	2020	2019	Changes
Outsourcing	25,287	25,653	(366)
Maintenance	2,298	2,272	26
Transport	9,285	10,722	(1,437)
Trade fairs and promotional events	2,353	3,430	(1,077)
Utilities	3,693	3,864	(171)
Promotion and advertising fees	1,869	4,994	(3,125)
Commissions	1,914	1,775	139
Management of finished products	6,489	5,238	1,251
Consultancy	7,200	5,900	1,300
Industrial services	753	675	78
Travel and accommodation	1,138	2,900	(1,762)
Insurance	1,330	1,256	74
Bank services and expenses	276	304	(28)
Other professional services	9,441	10,377	(936)
Heating expenses	516	544	(28)
Statutory Auditors' fees and remuneration	102	110	(8)
Directors' fees and remuneration	8,435	3,500	4,935
Vehicle management expenses	717	851	(134)
Stock Exchange maintenance costs	339	353	(14)
Services	83,435	84,718	(1,283)

Service costs increased as a percentage of revenue, rising from 17.6% to 18.4%, but in absolute terms fell by Euro 1.3 million. This reduction particularly regards Promotion and Advertising fees for Euro 3.1 million, Trade fairs and promotional events for Euro 1.1 million and travel and accommodation expenses for Euro 1.8 million. On the other hand, Directors' and Statutory Auditors' fees rose due to the increase in the Long Term Incentive Plan.

B.6.5.6 Personnel expense

Personnel expense incurred by the Group in 2019 and 2020 was as follows:

<i>In Euro thousands</i>	2020	2019	Changes
Wages and salaries	57,820	65,332	(7,512)
Social security expenses	16,183	18,129	(1,946)
Accrual of post-employment benefits	2,980	3,106	(126)
Other personnel expense	8,402	7,332	1,070
Personnel expense	85,385	93,899	(8,514)

Personnel expense overall decreased Euro 8,514 thousand. This reduction represents the Group's ability to react to the decline in revenue, through recourse to the instruments made available by local government, as support for the reduction in demand due to the lock-down, and through the waiver by employees of variable pay, in full for executive staff and 50% for middle management. Moreover, in the second half of the year the Group introduced a restructuring plan that led to a reduction in white collar corporate staff, and at some European subsidiaries, in addition to the plan introduced at the Chinese subsidiary to redefine the subsidiary's core business. These interventions are expected to produce a structural reduction in personnel expense.

Other personnel expense, on the other hand, includes an increase of Euro 0.6 million linked to the use of temporary staff by the Parent to meet the increase in demand in the second half of the year,

and an increase of Euro 1.9 million accrued to the Long Term Incentive Plan for employee beneficiaries.

The table below reports the Group workforce at December 31, 2019 and December 31, 2020.

Workforce	31/12/2020	31/12/2019	Changes
Executives	28	32	(4)
White-collars	1,170	1,232	(62)
Blue-collars	2,044	1,973	71
Others	680	433	247
Total	3,922	3,670	252

The item "Others" increased which includes temporary staff, particularly at the Polish and Chinese subsidiaries and the Parent.

B.6.5.7 Amortisation, depreciation and impairment losses

Total amortisation and depreciation are almost in line with the previous year, increasing from Euro 25,415 thousand in 2019 to Euro 25,437 thousand in 2020, as a result of various actions. Please refer to the accounting policies and notes B.6.5.17, B.6.5.19.1 and B.6.5.19.2 for further details. Note B.6.5.19.1 describes the reasons for the impairment losses of Euro 2.7 million on intangible assets.

B.6.5.8 Other operating expenses and accruals

These are detailed as follows:

In Euro thousands	2020	2019	Changes
Rental of vehicles and industrial equipment	118	464	(346)
Rent expense	808	1,250	(442)
Fees for the use of HW, SW, patents	638	592	46
Other taxes (not on income)	1,020	1,224	(204)
Magazine and subscription expenses	6	17	(11)
Sundry equipment	330	203	127
Catalogues and brochures	480	700	(220)
Credit losses and Provisions for risks and charges	3,454	2,564	890
Other prior year expenses and losses	2,125	1,475	650
Other operating expenses and accruals	8,979	8,489	490

The account increased by Euro 490 thousand. Credit losses and Provisions for risks and charges increased, in addition to Other prior year expenses and losses. These changes reflect estimates made by Management for risk coverage.

B.6.5.9 Restructuring charges

In Euro thousands	2020	2019	Changes
Restructuring charges	2,637	1,292	1,345
Restructuring charges	2,637	1,292	1,345

The Group has introduced restructuring plans that have led, on the one hand, to a reduction in white collar staff in Corporate HQ and certain European subsidiaries and, on the other, to a redefinition of the core business of the Chinese subsidiary, which is now primarily focused on production for the intercompany market. These interventions are expected to produce a structural reduction in labour

costs.

Euro 486 thousand of these costs are still carried in the restructuring provision to cover future departures in accordance with IAS 37. They principally concern personnel expense.

B.6.5.10. Financial income

Details of financial income are shown below:

<i>In Euro thousands</i>	2020	2019	Changes
Interest on bank and post office accounts	537	324	213
Other financial income	29	63	(34)
Financial income	566	387	179

The account shows a small improvement. The increase mainly refers to interest on bank current accounts with higher cash balances held.

B.6.5.11. Financial expense

<i>In Euro thousands</i>	2020	2019	Changes
Financial expense on bank overdrafts and loans	2,762	2,016	746
Interest on lease liabilities (IFRS 16)	360	265	95
Financial expense on post-employ. benefits	78	303	(225)
Commercial discounts	571	1,335	(764)
Other financial expense	1	0	1
Financial expense	3,772	3,919	(147)

The decrease in financial expense, amounting to Euro 147 thousand, is due to the combined effects of the increase in financial expense on bank loans, which includes the cost of closing out old bank loans, and the reduction in commercial discounts.

B.6.5.12. Exchange rate gains/(losses)

<i>In Euro thousands</i>	2020	2019	Changes
Exchange rate losses	(14,469)	(4,254)	(10,215)
Exchange rate gains	10,495	5,660	4,835
Losses on derivative instruments	(3,510)	(4,541)	1,031
Gains on derivative instruments	7,196	2,164	5,032
Net exchange rate losses	(288)	(971)	683

Net exchange losses, excluding transactions in derivative instruments, amounted to Euro 3,974 thousand, compared to net gains of Euro 1,406 thousand in the previous year. Exchange rate gains and losses principally concern: Elica S.p.A. (net loss of approx. Euro 2,137 thousand), Elicamex S.A. de C.V. (net loss of Euro 784 thousand) and EGP (net loss of Euro 1,332 thousand).

Net gains on derivative instruments were Euro 3,686 thousand in 2020, compared to net losses of Euro 2,377 thousand in 2019.

Paragraph B.6.7. Paragraph 7 Risk management of these notes reports information on derivative transactions.

B.6.5.13. Income taxes

Income taxes in 2019 and 2020 are broken down as follows:

<i>In Euro thousands</i>	2020	2019	Changes
Current taxes	5,784	4,644	1,140
Deferred taxes	(3,253)	(90)	(3,163)
Income taxes	2,531	4,554	(2,023)

Income taxes in the year decreased Euro 2 million on 2019. The balance comprises current and deferred taxes. At December 31, 2020 the main subsidiaries had costs for taxes as follows: Elica India for Euro 1.6 million, Elicamex for Euro 1.2 million, Ariafina for 1.7 million

For 2020, the Parent's theoretical tax rate (theoretical tax on pre-tax income) was 28.73%, based on the corporate income tax (IRES) and regional tax on productive activities (IRAP) rates applicable to the reported taxable income for the year ended December 31, 2020, while they vary from country to country according to local legislation in force for the other foreign Group companies.

The table below shows a reconciliation between the theoretical and effective income taxes ("IRES" for the Italian Group companies) accrued by the Parent.

The effective tax rate decreased from 37.4% to 35.8%.

Reconciliation between theoretical and effective tax rates

	2020				% IRES on tax base	2019			
	Taxable profit	Income taxes	IRAP	Total		Taxable profit	Income taxes	IRAP	Total
Theoretical IRES rate		24.00%			24.00%				
Theoretical IRAP rate		4.73%			4.73%				
<i>(in Euro thousands)</i>									
[A] TOTAL INCOME TAXES	6,678				35.8%	11,933			
PROFIT BEFORE TAXES									
+ Tax calculated using local tax rate		1,602			24.0%		2,863		24.0%
+ Tax effect of (income)/expenses not considered for tax purposes	(3,161)	(759)			-11.4%	(4,715)	(1,132)		-9.5%
- Tax effect on the different tax rates of the foreign subsidiaries	7,205	1,729			25.9%	6,549	1,572		13.2%
- Other differences	(621)	(148)			-2.2%	(638)	(152)		-1.3%
[B] Effective tax charge and tax rate net of substitute tax	10,101	2,425			36.3%	13,129	3,151		26.4%
- Tax credit for Polish investments		(285)			-4.3%		792		6.6%
- Effect of tax refund and other		254			3.8%		514		4.3%
[C] Effective tax charge and tax rate	10,101	2,393			35.8%	13,129	4,457		37.4%

B.6.5.14. Profit/(loss) attributable to non-controlling interests

The profit attributable to non-controlling interests concerns the subsidiaries for which the Elica Group does not hold 100% of the share capital, despite having control. For further information, reference should be made to note B.6.5.35, on Equity attributable to non-controlling interests.

B.6.5.15. Basic earnings per share – Diluted earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

<i>In Euro thousands</i>	31/12/2020	31/12/2019
<u>From continuing and discontinued operations:</u>		
Profit/(loss) attributable to owners of the Parent (In Euro thousands)	(1,787)	3,061
Average number of ordinary shares net of treasury shares	63,322,800	62,606,424
Basic earnings/(loss) per share	(2.82)	4.89
Weighted average number of ordinary shares to calculate diluted earnings per share	63,322,800	62,606,424
Diluted earnings/(loss) per share	(2.82)	4.89
<u>From continuing operations</u>		
Profit/(loss) attributable to owners of the Parent (In Euro thousands)	(1,787)	3,061
Average number of ordinary shares net of treasury shares	63,322,800	62,606,424
Basic earnings/(loss) per share	(2.82)	4.89
Weighted average number of ordinary shares to calculate diluted earnings per share	63,322,800	62,606,424
Diluted earnings/(loss) per share	(2.82)	4.89

B.6.5.16. Other information on the Income Statement

The research and development costs charged in the Income Statement in 2019 and 2020 are summarised in the table below:

	2020	2019	Changes
<i>In Euro thousands</i>			
R&D costs expensed	4,955	5,866	(911)
Amortisation of capitalised R&D costs	4,829	3,018	1,811
Total R&D costs	9,784	8,884	900
R&D costs capitalised during the year	2,422	2,776	(354)

Development costs capitalised in the year regard product design and development activities.

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B.6.5.17. Property, plant and equipment

The table below shows details of the changes in property, plant and equipment in 2019 and 2020.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Historic cost property, plant and equipment
<i>In Euro thousands</i>						
31/12/2018	74,573	98,523	118,261	15,354	488	307,200
Increases	816	4,623	5,080	1,751	1,695	13,965
Disposals and other reclassifications	(125)	(385)	(117)	(58)	(558)	(1,244)
Other changes	(285)	1,725	598	(5)	(761)	1,272
31/12/2019	74,978	104,486	123,822	17,042	865	321,192
Increases	228	2,311	3,970	1,136	826	8,471
Disposals and other reclassifications	(136)	(1,406)	(2,585)	(491)	318	(4,300)
Other changes	(2,712)	(2,609)	(2,386)	(838)	(941)	(9,486)
31/12/2020	72,358	102,781	122,821	16,849	1,068	315,877

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Accumulated Depreciation
<i>In Euro thousands</i>						
31/12/2018	28,548	70,047	94,213	11,538	-	204,346
Depreciation	2,149	4,425	6,706	1,348	-	14,628
Disposals and other reclassifications	-	(376)	(90)	(51)	-	(517)
Other changes	62	672	703	(101)	-	1,336
31/12/2019	30,759	74,768	101,531	12,734	-	219,793
Depreciation	2,211	3,657	5,884	1,247	-	12,999
Disposals and other reclassifications	0	(963)	(2,306)	(396)	-	(3,665)
Other changes	(1,154)	(1,636)	(1,744)	(591)	-	(5,125)
31/12/2020	31,816	75,827	103,365	12,994	-	224,002

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Net property, plant and equipment
<i>In Euro thousands</i>						
31/12/2018	46,025	28,475	24,048	3,817	488	102,854
Increases	816	4,623	5,080	1,751	1,695	13,965
Depreciation	(2,149)	(4,425)	(6,706)	(1,348)	-	(14,628)
Disposals and other reclassifications	(125)	(9)	(27)	(7)	(558)	(727)
Other changes	(347)	1,053	(105)	96	(761)	(64)
31/12/2019	44,219	29,716	22,291	4,308	865	101,399
Increases	228	2,311	3,970	1,136	826	8,471
Depreciation	(2,211)	(3,657)	(5,884)	(1,247)	-	(12,999)
Disposals and other reclassifications	(136)	(443)	(279)	(95)	318	(635)
Other changes	(1,558)	(973)	(642)	(247)	(941)	(4,361)
31/12/2020	40,542	26,954	19,456	3,855	1,068	91,875

The investments made in the year mainly regarded the upgrading and expansion of facilities, improvements to the manufacturing plant and machinery, the acquisition of new mouldings and

equipment for the launch of new products and the development of hardware for the implementation of new projects.

Other changes include net exchange rate losses of Euro 4.5 million.

Among the actions prepared by management to deal with the COVID-19 impacts, in order to maintain financial sustainability, Capex was significantly cut, i.e. the purchase of non-current assets, which contributed to reducing this account, without sacrificing investments on strategic projects. 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.

The item includes any assets acquired in the past under agreements then classified finance leases. The historical cost criteria remains the measurement method used for property, plant and equipment after initial recognition.

The historical cost includes revaluations permitted by previous legislation on first time application as considered representative of the fair value of the property, plant and equipment when the revaluation was made.

B.6.5.18. Goodwill

The Elica Group had already established a global model, with a single cash-generating unit, the *Elica Group*, which reflects the current Group situation and IFRS (IAS 36).

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Goodwill allocated to subsidiaries	39,017	39,340	323
Goodwill	39,017	39,340	323

Goodwill, amounting to Euro 39.0 million, is allocated to the Elica Group, as the single Cash Generating Unit (CGU) as indicated in the table, which illustrates the changes during the year. 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 February 12, 2021, 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.

Discounted cash flow assumptions

The principal assumptions utilised by the Group to estimate the future cash flows for the impairment test were as follows:

	2020
Weighted average cost of capital (WACC)	7.64%
Growth rate terminal value	2.07%
CAGR revenue period 2021-2025	4.70%

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 1.5% was used, a market premium risk of 5.00% and a beta-unlevered factor of 0.82.

Assumptions utilised in estimating cash flows

The discounted cash flow model is based on the 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 first of which coincides with the 2021 budget. The main assumptions utilised in the determination of the cash flows were as follows:

- average impact of EBITDA on revenue equal to 10.6%;
- average impact of EBIT on revenue equal to 6.1%;
- average impact of Capex on revenue equal to 4.4%;
- impact of Free Operating Cash flow After Taxes on revenue equal to 4.7%.

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 in which the Group operates. These estimates are subject to changes, even significant, deriving from uncertainties which continue to affect 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 impairment losses on goodwill. The value in use of the CGU was 2.62 times its carrying amount (Euro 451 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%) and the cost of raw materials (+2%/-2%). None of the changes considered resulted in a CGU recoverable amount equal to or below the respective carrying amounts. In particular, upon changes in the growth rate coverage would fluctuate between 2.56 and 2.71, upon changes in the WACC coverage would fluctuate between 2.31 and 3.02 and upon changes in the cost of consumption of raw materials it would fluctuate between 2.03 and 2.77.

B.6.5.19.1 Other intangible assets

The table below shows details of changes in other intangible assets in 2019 and 2020.

	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangible assets	Assets under development and payments on account	Net intangible assets
<i>In Euro thousands</i>						
31/12/2018	8,870	14,504	620	1,538	1,613	27,146
Increases	2,776	3,404	272	361	1,639	8,452
Other changes and reclassifications	669	355	(100)	123	(970)	77
Amortisation	(3,018)	(3,494)	(341)	(546)		(7,399)
31/12/2019	9,297	14,769	451	1,477	2,282	28,276
Amortisation and impairment losses	(4,829)	(5,041)	(84)	(460)	(903)	(11,317)
Disposals and other reclassifications	2,732	(1,933)	0	(19)	(1,086)	(306)
Other changes	(190)	(142)	(1)	(11)	16	(328)
31/12/2020	9,432	9,039	368	1,322	2,201	22,363

At December 31, 2020, intangible assets amounted to Euro 22,363 thousand, a net decrease of Euro 5.9 million on the previous year.

Development costs relate to product design and development activities. The increase is mainly attributable to the cost of developing new products.

Industrial patents and intellectual property rights include the recognition of patents, associated development costs, intellectual property rights and software programmes. the increase principally relates to the Parent and costs for the new patents developed.

Concessions, licenses, brands and similar rights refers to the registration of brands by Group companies.

Other intangible assets mainly relate to technologies developed.

Assets under development and payments on account of Euro 2,201 thousand refer in part to advances and the development of projects for the implementation of new IT platforms, the design and development of new software applications and in part to the development of new products. Assets under development which presumably will be recorded under development costs amount to Euro 510 thousand.

Disposals and other reclassifications include a negative exchange rate impact of Euro 0.4 million.

Among the actions prepared 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 non-current assets, which contributed to reducing this account. The Parent has focused investment on priority projects and product innovation, so that strategic projects progress in line with expectations.

The capitalisation of development costs and intangible assets under development requires the calculation of estimates by the Directors, as their recoverability is dependent on the cash flows deriving from the sale of products sold by the Group.

Management has reviewed the useful life of intangible assets and whether they continue to meet the requirements for capitalisation as intangible assets. This analysis led to the need to shorten the useful life of software (Euro 1,364 thousand) and to impair assets under development (Euro 903 thousand) relating to projects that are no longer part of the Parent's future plans, for a total of Euro 2.3 million.

In the Chinese subsidiary, as already described, there has been a redefinition of the core business, now mainly focused on production for the intercompany market, which has led to the impairment of intangible assets related to products that will no longer be sold. The impact of this amounts to Euro 1.8 million, recognised under "Impairment losses" in the Income Statement.

For the remainder, the recoverable amount of the development costs and all intangible assets is greater than the corresponding carrying amount, and therefore it is not necessary to recognise an impairment loss. Therefore the criteria applied to amortise intangible assets is considered appropriate to reflect the remaining useful life of the assets.

In fact, the capitalisation of development costs and intangible assets under development requires the calculation of estimates by the Directors, as their recoverability is dependent on the cash flows deriving from the sale of products sold by the Elica Group.

B.6.5.19.2 Right-of-use assets

In Euro thousands	Buildings	Plant and machinery	Other assets	Right-of-use assets
01/12/2019	4,900	1,809	6,141	12,850
Increases	1,049	123	2,045	3,217
Amortisation	(1,212)	(490)	(1,686)	(3,388)
Other changes				-
31/12/2019	4,737	1,442	6,500	12,679
Increases	1,327	22	779	2,127
Amortisation	(1,459)	(480)	(1,897)	(3,836)
Other changes	(521)	0	(179)	(700)
31/12/2020	4,083	984	5,203	10,270

This item includes assets representing the Group's rights of use under existing lease, rental and hire agreements. The Company has many assets under lease, such as buildings, production machinery, motor vehicles and IT equipment. Rights of use for plant and machinery include the asset for the use of the photovoltaic plant at the Castelfidardo site, whilst the rights of use for Other Assets primarily refer to IT equipment.

Rights of use for buildings refer to the assets on the lease of warehouses used by the Polish subsidiary. "Other changes" include an exchange rate loss of Euro 309 thousand.

B.6.5.20. Investments in associates

The table below shows changes in investments in associates:

In Euro thousands	31/12/2019	(Impairment losses)	31/12/2020
Investments in associates	770	(495)	275
Investments in associates	770	(495)	275

The balance of the Impairment losses column, a negative Euro 495 thousand, refers to the non-core equity investment in the real estate company ISM, an associate of the Group. An analysis was conducted to determine the value of the equity investment, examining the fair value of the assets held by the associate. The balance of the Impairment losses column entirely represents the income statement account Share of profit/(loss) from associates, equal to a negative Euro 495 thousand.

The table below shows the carrying values at the end of the previous year and as at December 31, 2020.

In Euro thousands	Purchase cost	Pro- quota post- acquis. gain/loss (exclud. dividends)	Balance at 31/12/2019	Purchase cost	Pro- quota post-acquis. gain/loss (exclud. dividends)	Balance at 31/12/2020
I.S.M. S.r.l.	1,899	(1,129)	770	1,899	(1,624)	275
Total	1,899	(1,129)	770	1,899	(1,624)	275

B.6.5.21. Other assets (non-current)

The breakdown is as follows:

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Non-current assets from employees	10	44	(34)
Other non-current assets	246	298	(52)
Other financial assets	51	51	0
Other assets (non-current)	307	393	(86)

The account was not subject to significant variations. The item Other assets regards unqualified non-controlling interests held by the Elica Group in other companies. The investments are held in non-listed companies whose shares are not traded on a regulated market.

Therefore, as there were no purchases or sales of these shares in the last year, their fair value cannot be determined in a reliable manner. Accordingly, the carrying amount, unchanged on the previous year, is the cost of the equity investments concerned.

Management believes that this amount approximates fair value.

B.6.5.22. Trade receivables

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Trade receivables	88,821	55,022	33,799
Trade receivables	88,821	55,022	33,799

Trade receivables increased Euro 34 million. This increase was mainly due to the significant increase in sales recorded by the Group during the second half of 2020 compared to the same period in 2019.

In order to reduce its credit risk, the Group implements a Group Credit Policy which governs all the activities concerning the management of credit.

The “Credit Risk” represent the exposure 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.

In particular, it is Group policy to transfer the recoverability risk of receivables to third parties and, therefore, various derivatives are utilised among which insurance policies with leading international insurance companies.

The maximum theoretical credit risk exposure for the Group at December 31, 2020 is based on the carrying amount of recognised receivables, net of the specific insurance coverage, non-recourse receivables factored and letters of credit, in addition to the nominal value of the guarantees given to third parties.

At December 31, 2020, trade receivables of Euro 88.8 million (Euro 55.0 million at December 31, 2019) included approx. Euro 8.2 million (Euro 7.5 million at December 31, 2019) of overdue receivables. Of total trade receivables at December 31, 2020, 0.6% were overdue by 31 days (3.4% at December 31, 2019).

The amount of trade receivables recognised in the statement of financial position is net of the allowance for impairment.

The allowance is accrued either on a specific basis or generally to cover overall risks, in accordance with the Group's Credit Policy.

Trade receivables are recognised net of the allowance for impairment, amounting to Euro 3,904 thousand (Euro 4,497 thousand in 2019), accrued in accordance with the Group Credit Policy, in addition to the impairment illustrated above. The existing allowance is considered adequate to adjust the receivables to their realisable value.

Management believes that the amount approximates the fair value of the receivables.

B.6.5.23. Inventories

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Raw materials, ancillaries and consumables	28,458	28,487	(29)
Allowance for write-down of raw materials, ancillaries and consumables	(2,806)	(3,457)	651
Raw materials, ancillaries and consumables	25,652	25,030	622
Work-in-progress and semi-finished products	14,574	15,348	(774)
Allowance for the write-down of work-in-progress and semi-finished products	(523)	(827)	304
Work-in-progress and semi-finished products	14,051	14,521	(470)
Finished products and goods for resale	40,971	36,301	4,670
Allowance for the write-down of finished products and goods for resale	(3,798)	(2,962)	(836)
Finished products and goods	37,173	33,339	3,834
Inventories	76,876	72,890	3,986

The value of inventories reported a net increase of Euro 4 million.

Inventories are stated net of the allowance for inventory write-down of approximately Euro 7,127 thousand (Euro 7,246 thousand in 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 materials and semi-finished products based on assumptions made by management. The quantification of the stock obsolescence provision of raw materials, semi-finished and finished products is based on assumptions made by Management and amounts to 8.5% of inventories (9% in 2019). It should be noted that during the year the Group scrapped all stocks in storage that can no longer be used. Year-end inventories increased by approx. Euro 4 million, as a result of Management's decision to increase the minimum stock level, in order to cope with peaks in demand.

Inventories also include materials and products that were not physically held by the Group at the reporting date. These items were held by third parties for display, processing or examination.

B.6.5.24. Other assets (current)

This item is broken down as follows:

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Current prepayments	2,192	1,680	512
Other assets (current)	2,610	3,695	(1,085)
Other assets (current)	4,802	5,375	(573)

The account decreased Euro 573 thousand, particularly relating to Other assets (current). This reduction is due for Euro 650 thousand to the Parent's collection of the amount due from the insurance broker, accrued last year following an accident at the Mergo plant caused by atmospheric

events. Other assets mainly refer to government grants for investment obtained by the parent, such as Industry 2015, the SM project, the Shell project, the Seal project, the Smartfan project and photovoltaic plant grants. Prepayments and accrued income include advanced insurance premiums, maintenance fees and rental charges.

Management believes that this amount approximates fair value.

B.6.5.25. Tax assets

The breakdown of tax assets is summarised in the table below:

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
VAT refund credit	14,339	12,720	1,619
Income tax assets (e.g. IRES)	1,312	1,892	(580)
Other tax assets	1,398	354	1,044
Current tax assets	17,049	14,966	2,083

Other tax assets includes amounts due for taxes paid abroad to be recovered. The change also refers to the increase in the VAT credit related to trade transaction dynamics and refers principally to the Parent for Euro 8.2 million (from Euro 6.7 million in 2019) and to Elicamex for Euro 5.6 million (Euro 5.5 million in 2019).

Management believes that this amount approximates fair value.

B.6.5.26. Liabilities for post-employment benefits

The Elica Group reports obligations of Euro 10,475 thousand, reflecting the present value of liabilities for post- employment benefits accrued by employees at the end of the reporting period.

The most recent calculation of the present value of this item was performed at December 31, 2020 by the service company Managers &Partners – Actuarial Services S.p.A.

The amounts recognised in profit or loss were as follows:

<i>In Euro thousands</i>	2020	2019	Changes
Current service cost	2,980	3,106	(126)
Financial expense	78	122	(44)
	3,058	3,228	(170)

The changes in the present value of post-employment benefit obligations in the reporting period were as follows:

<i>(Euro thousands)</i>	31/12/2020	31/12/2019	Changes
Opening balance	10,737	10,465	272
Current service cost	2,980	3,106	(126)
Actuarial gains and losses	(96)	575	(671)
	13,621	14,147	(525)
Financial expense	78	122	(44)
Allocation to pension funds	(2,736)	(2,900)	164
Benefits provided	(488)	(632)	144
	(3,146)	(3,410)	264
Liabilities for post-employment benefits	10,475	10,737	(262)

The interest component of the defined employee benefit plan cost is shown under financial expense, with a resulting increase of Euro 78 thousand in this item for the year. The current service cost and the effect of the curtailment were recorded under personnel expense. Actuarial gains and losses, amounting to Euro 96 thousand, comprise the actuarial gains (losses) of the defined benefit plans reported in the Consolidated Statement of Comprehensive Income. The specific reserve set up amounts, net of the tax effect, to a negative Euro 3.3 million for the Group and Euro 0.2 million for the non-controlling interests.

The costs relating to current employee services and utilisations of pension funds respectively include the charges and settlements in the year.

Assumptions used for the calculation

	31/12/2020	31/12/2019
Discount rate to determine the obligation	-0.02%	0.77%
Expected salary growth rate	2.00%	2.00%
Rate of inflation	0.80%	1.20%

The discount rates utilised by the Group were selected based on the yield curves of high-quality fixed income securities, as in previous years.

This financial variable is considered the most significant and therefore chosen for a sensitivity analysis. The objective of a sensitivity analysis is to show how the result of the valuation changes in response to changes in an assumption adopted for the calculation, with all other assumptions unchanged

Therefore, if the discount rate increased 0.5% (0.48%), the obligation would amount to Euro 9,555 thousand, while if the discount rate decreased 0.5% (-0.52%), the obligation would amount to Euro 10,423 thousand.

The number of employees is detailed in paragraph B.6.5.6 “Personnel expense”.

B.6.5.27. Provisions for risks and charges

The composition and movements of the provisions are as follows:

In Euro thousands	31/12/2019	Increases	Decreases	Other changes	31/12/2020
Agents' termination benefits	633	71	(11)	(1)	692
Product warranties	2,423	2,168	(1,368)	(278)	2,945
Legal risks	6,989	1,400	(5,350)		3,039
Long Term Incentive Plan	3,275	8,938	(1,081)	-	11,132
Personnel	2,708	1,820	(2,686)	1	1,843
Restructuring	156	486	(156)	-	486
Other	2,680	1,947	(1,987)	(198)	2,442
Provisions for risks and charges	18,864	16,830	(12,639)	(476)	22,579
of which:					
Non-current	12,377				17,228
Current	6,487				5,351
Provisions for risks and charges	18,864				22,579

Accruals for agents' termination benefits cover possible charges upon the termination of contracts with agents and sales representatives. Changes in the provision reflect adjustments in the indemnities and the utilisations.

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 Group 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. The amount of Euro 4.8 million included in decreases of the legal risks provision concerns the proceedings between Esperança Real S/A, Madson Eletrometalurgica Ltda and Elica S.p.A, for which Elica reports that it has signed a settlement agreement. The settlement stipulates the payment by Elica to the counterparties and their lawyers of Euro 4,150 thousand, excluding any court costs and excluding the fees due to their lawyers. The company utilised an additional amount of Euro 0.6 million for the settlement. Therefore, the specific provision for risks as at December 31, 2020 is nil, given that payments were made during the year amounting to Euro 4.8 million, of which approximately Euro 4 million had already been accrued in December 2019 and the difference had been accrued in the first half of the year. (see B.6.5.36).

The Euro 486 thousand in the restructuring provision, is intended to cover future departures in accordance with IAS 37, in order to complete the workforce downsizing plan of the Company and the subsidiaries involved, designed to reduce and optimise the Group'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 December 31, 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. 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. It also includes the related contributions, the accrued portion of the C.E.O.'s long-term incentive plan and the provision for a specific incentive plan for some members of top management. For further details, reference should be made to the Remuneration Report.

The column Other changes relates to exchange rate gains/losses for Euro 234 thousand. The impact of discounting non-current provisions is not significant.

B.6.5.28. Deferred tax assets – Deferred tax liabilities

At December 31, 2020, details of deferred tax assets and liabilities, determined on the basis of the asset-liabilities method, were as follows:

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Deferred tax assets	22,876	19,925	2,951
Deferred tax liabilities	(4,017)	(3,496)	(521)
Total	18,859	16,429	2,430

The table below shows all the types of timing differences that gave rise to deferred taxes:

<i>In Euro thousands</i>	31/12/2019		Equity/Other reclassifications	Costs/(revenue)	31/12/2020	
	Assets	Liabilities			Assets	Liabilities
Amortisation, depreciation and provisions	5,819	(309)	(163)	1,099	4,649	(402)
Losses carried forward	8,490	-	(4)	(2,184)	10,669	-
Allowance for inventory write-down	1,217	-	(5)	141	1,071	-
Exchange rate differences	220	(101)	(633)	(440)	811	(884)
Restructuring charges	44	-	-	3	41	-
Purchase price allocation	-	(2,341)	200	37	-	(2,178)
Other accruals (e.g. personnel expense, LTI, employee bonuses and post-employment benefits and R&D)	2,019	-	(9)	(1,774)	3,784	-
Goodwill	91	(3)	-	49	42	(3)
Other	2,025	(742)	(72)	(49)	1,810	(550)
Total	19,925	(3,496)	(686)	(3,118)	22,876	(4,017)

The column (Equity)/Other reclassifications includes all the changes in deferred tax assets and liabilities which do not have a balancing entry in profit or loss affecting deferred tax income or expenses. The item also includes the measurement of the cash flow hedge for Euro 362 thousand, in addition to the exchange rate effect and reclassifications.

Management of each Group company decides whether to recognise deferred tax assets by assessing projected future recovery based on budget projections.

“Other” includes deferred tax assets of Euro 462 thousand concerning the investments in Poland.

The Chinese and German subsidiaries have accrued tax losses over the years, although the Group has prudently not recognised deferred tax assets of Euro 4.5 million.

B.6.5.29. Other liabilities and tax liabilities (non-current)

The balances are zero at December 31, 2020.

B.6.5.30. Other liabilities (current)

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Due to personnel for remuneration	6,507	5,640	867
Due to social security institutions	2,955	3,037	(82)
Due to Directors and Statutory Auditors	0	308	(308)
Accrued liabilities	890	1,113	(223)
Other liabilities (current)	3,790	4,161	(371)
Deferred income	1,017	991	26
Customer advances	745	501	244
Due to customers	4	0	4
Other liabilities (current)	15,908	15,751	157

The account shows a contained net increase of Euro 157 thousand. This increase is due to the net effect of the changes in the various accounts. The increase in amounts due to personnel, amounting to Euro 867 thousand, is offset by the decreases in the amounts due to Directors and Statutory Auditors for fees and in Other current liabilities and in accrued liabilities. The latter item decreased following the Parent’s early extinguishment of existing bank loans against the new loan, as it includes accrued interest on loans.

B.6.5.31. Tax liabilities (current)

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
IRPEF withholdings	2,413	2,291	122
Income tax liabilities (e.g. IRES)	1,958	1,411	547
Other tax liabilities	4,717	4,073	644
Tax liabilities (current)	9,088	7,775	1,313

Overall, the item increased by Euro 1.3 million, including Euro 0.5 million in income tax liabilities and Euro 0.6 million in other tax liabilities. The caption Other tax liabilities primarily includes VAT. Management considers that this value approximates the fair value.

B.6.5.32. Trade payables

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Trade payables	133,247	110,100	23,147
Total	133,247	110,100	23,147

Trade payables mainly include amounts due for trade purchases and other costs. The increase is due to the acceleration in activity in the latter part of the year.

Management believes that the carrying amount of trade payables and other payables reflects their fair value.

B.6.5.33. Net Financial Position, default risk and covenants

(Pursuant to Consob Comm. No. DEM/6064293 of July 28, 2006)

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Cash and cash equivalents	59,147	35,613	23,534
Bank loans and borrowings (current)	(16,459)	(27,317)	10,858
Bank loans and borrowings (non-current)	(94,053)	(55,451)	(38,602)
Net Financial Position	(51,365)	(47,155)	(4,210)
Lease liabilities and loans and borrowings from other lenders as per IFRS 16 (current)	(3,650)	(3,525)	(125)
Lease liabilities and loans and borrowings from other lenders as per IFRS 16 (non-current)	(6,027)	(8,233)	2,206
Net Financial Position - Including the effects of IFRS 16	(61,042)	(58,913)	(2,129)
Derivative assets –(current)	4,078	498	3,580
Derivative liabilities (current)	(551)	(386)	(165)
Derivative liabilities (non-current)	(690)	(198)	(492)
Net Financial Position - Including the effects of IFRS 16 and derivatives	(58,205)	(58,999)	794

For comments on the change in net financial position, see paragraph A.5.2.2 of the report on operations, “Elica Group Financial Position and Performance”.

B.6.5.33.1 Cash and cash equivalents

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Bank deposits	59,117	35,592	23,525
Checks	0	0	0
Cash in hand and similar	30	21	9
Cash and cash equivalents	59,147	35,613	23,534

This account reflects the positive balances of bank current accounts and cash on hand. The increase was due to a different composition in the Group's net financial position. The carrying amount of these assets reflects their fair value.

B.6.5.33.2 Bank loans and borrowings

(Euro thousands)	31/12/2020	31/12/2019	Changes
Bank loans and borrowings	110,512	82,768	27,744
Total	110,512	82,768	27,744
Bank loans and borrowings have the following repayment schedules:			
On demand or within one year	16,459	27,317	(10,858)
Within two years	16,718	17,187	(469)
Within three years	23,112	17,699	5,413
Within four years	29,065	14,903	14,162
Within five years	25,063	5,522	19,541
After 5 years	95	140	(45)
Total	110,512	82,768	27,744
Less amounts to be repaid within one year	16,459	27,317	(10,858)
Due after one year	94,053	55,451	38,602

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 after 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 Expense and NFP/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. The covenants were met as of December 31, 2020 and based on the visibility held by Management, it is believed that they will be met in the future.

For further information on how liquidity risk is monitored and interest rate hedges, reference should be made to paragraph B.6.7., "Risk management" of these notes.

B.6.5.33.3 Derivative financial instruments

<i>In Euro thousands</i>	31/12/2020		31/12/2019	
	Assets	Liabilities	Assets	Liabilities
FX derivatives	1,121	219	189	211
Interest rate derivatives	0	1,022	0	373
Commodities derivatives	2,957	0	309	0
Derivative financial instruments	4,078	1,241	498	584
of which:				
Non-current	0	690	0	198
Current	4,078	551	498	386
Derivative financial instruments	4,078	1,241	498	584

The Group uses derivative financial instruments to hedge the market risks to which it is exposed: foreign currency risk, interest rate risk and commodities price risk.

The table below reports the following information on derivative instruments at December 31, 2019 and December 31, 2020:

- The notional value of the derivative contracts, broken down by maturity;
- The carrying amount of these contracts, represented by their fair value.

<i>In Euro thousands</i>	31/12/2019		Notional Value	Carrying amount
	Maturity within 1 year	Maturity after 1 year		
Interest rate risk				
Cash Flow hedge as per IFRS	15,844		44,362	(373)
Fair Value hedge as per IFRS				
Not considered hedges as per IFRS				
Total interest rate derivatives	15,844			(373)
Foreign currency risks				
Cash Flow hedge as per IFRS	34,595	12,353	-	(9)
Fair Value hedge as per IFRS				
Not considered hedges as per IFRS	-	3,784	-	(10)
Total foreign currency derivatives	34,595	16,137		(19)
Commodity risk				
Cash Flow hedge as per IFRS		11,246		309
Fair Value hedge as per IFRS				
Not considered hedges as per IFRS				
Total commodity derivatives	11,246			309

In Euro thousands	31/12/2020	Notional Value		Carrying amount	
		Maturity within 1 year	Maturity after 1 year		
Interest rate risk					
Cash Flow hedge as per IFRS			90,000		(1,022)
Fair Value hedge as per IFRS					
Not considered hedges as per IFRS					
Total interest rate derivatives			90,000		(1,022)
Foreign currency risks					
Cash Flow hedge as per IFRS	39,090	13,376		-	463
Fair Value hedge as per IFRS					
Not considered hedges as per IFRS	18,325	27,491		-	438
Total foreign currency derivatives	57,415	40,867		-	901
Commodity risk					
Cash Flow hedge as per IFRS		9,709			2,957
Fair Value hedge as per IFRS					
Not considered hedges as per IFRS					
Total commodity derivatives		9,709			2,957

IFRS 7 requires that the classification of financial instruments valued at fair value is determined based on the quality of the input sources used in the valuation of the fair value.

The IFRS 7 classification implies the following hierarchy:

- Level 1: determination of fair value based on prices listed in active markets for identical assets or liabilities. The instruments with which the Group operates directly on active markets or in OTC markets characterised by an adequate level of liquidity belong to this category;
- Level 2: determination of fair value based on other inputs than the listed prices included in “Level 1” but which are directly or indirectly observable. In particular instruments which the Group operates on OTC markets, not characterised by an adequate level of liquidity are included in this category;
- Level 3: determination of fair value based on valuation models whose input is not based on observable market data.

The classification of the financial instruments may require discretion, although not significant judgement, and, if in accordance with IFRS, the Group utilises, where available, prices listed on active markets as the best estimate of the fair value of derivative instruments.

All the derivative instruments in place at December 31, 2019 and December 31, 2020 belong to level 2 of the fair value hierarchy, except for commodities which belong to level 1.

B.6.5.33.4 Lease liabilities as per IFRS 16

The Group has lease liabilities arising from the application of IFRS 16. We report the details below.

	31/12/2020	31/12/2019	Changes
<i>In Euro thousands</i>			
Lease liabilities as per IFRS 16	9,677	11,758	(2,081)
Total	9,677	11,758	(2,081)

Lease liabilities as per IFRS 16 are due as follows:

On demand or within one year	3,650	3,525	125
Within five years	5,542	7,362	(1,820)
After 5 years	485	871	(386)
Total	9,677	11,758	(2,081)
Less amounts due within one year	3,650	3,525	125
Due after one year	6,027	8,233	(2,206)

B.6.5.34. Equity attributable to owners of the parent

For the analysis of the changes in equity, reference should be made to the relative table. Comments are provided on each of the equity reserves.

B.6.5.34.1. Share capital

The share capital at December 31, 2020 amounts to Euro 12,664,560, consisting of 63,322,800 ordinary shares with a par value of Euro 0.20 each. It is fully subscribed and paid-in.

B.6.5.34.2. Equity-related reserves

These amount to Euro 71,123 thousand and relate entirely to the Share Premium.

In accordance with IFRS, the costs of the share capital increase, amounting to Euro 3,650 thousand, net of the relevant tax effect of Euro 2,190 thousand, were taken to the Share Premium.

B.6.5.34.3. Hedging and translation reserve

These reserves show a negative balance of Euro 17,562 thousand (negative balance of Euro 11,758 thousand at December 31, 2019) and underwent the following changes: translation of financial statements expressed in foreign currencies (ELICAMEX S.A. de C.V., Leonardo S.A. de C.V., Elica Group Polska Sp.zo.o, ARIAFINA CO., LTD, Elica Inc., Elica PB India Private Ltd., Zhejiang Elica Putian Electric Co. Ltd and Elica Trading LLC) resulting in a decrease of Euro 7,552 thousand, and the fair value changes of cash flow hedges, net of the positive tax effect of Euro 1,745 thousand. In particular, the portion concerning the fair value change is a positive Euro 2,107 thousand, while the tax impact is a negative Euro 362 thousand.

The change in the translation reserve was a negative Euro 7,552 thousand for the Group and a negative Euro 1.3 million for non-controlling interests, therefore netting a negative Euro 8,853 thousand.

	31/12/2019	Reserve adjustment	31/12/2020
<i>In Euro thousands</i>			
Hedging reserve	24	1,745	1,769
Equity translation effect	(11,782)	(7,549)	(19,331)
Hedging and translation reserve	(11,758)	(5,804)	(17,562)

B.6.5.34.4. Income-related reserves

These increased from Euro 39,394 thousand in 2019 to Euro 42,621 thousand in 2020. The increase of Euro 3.2 million is due for Euro 3.1 million to the allocation of the profit for the year.

B.6.5.35. Equity attributable to non-controlling interests

Equity attributable to non-controlling interests amounts to Euro 17.2 million and increased Euro 3 million mainly due to:

- an increase of Euro 5,932 thousand for the allocation of the 2020 profit attributable to non-controlling interests;
- a decrease of Euro 1.3 million concerning the non-controlling interest in the translation effect arising from the financial statements of the investees ARIAFINA CO., LTD, Elica PB India Private Ltd. and Zhejiang Elica Putian Electric Co Ltd, expressed in foreign currencies;
- a decrease of Euro 1,584 thousand for the distribution of dividends by Ariafina and Airforce.

For more details, see the Statement of changes in equity.

The composition of the non-controlling interests by company is shown below:

In Euro thousands	Profit/loss attributable to non-controlling interests		Equity attributable to non-controlling interests	
	Dec 31, 20	Dec 31, 19	Dec 31, 20	Dec 31, 19
Airforce S.p.A.	219	73	1,503	1,444
Ariafina Co. Ltd	1,643	1,695	4,338	4,264
Elica PB India Private Ltd.	4,109	2,553	11,369	8,429
ZheIiang Elica Putian Electric Co. Ltd.	(39)	(5)	6	36
Consolidated total	5,932	4,316	17,216	14,173

Information on subsidiaries with significant non-controlling interests is presented below:

Reporting package figures In Euro thousands	Airforce S.p.A.		Ariafina Co. Ltd.		Elica PB India Private Ltd.	
	Dec 31, 20	Dec 31, 19	Dec 31, 20	Dec 31, 19	Dec 31, 20	Dec 31, 19
Current assets	12,121	9,840	12,031	9,189	22,986	18,290
Non-current assets	1,551	1,531	130	3,438	3,007	2,758
Current liabilities	8,318	6,259	3,309	3,925	8,149	7,465
Non-current liabilities	1,657	1,563	-	-	2,541	2,269
Equity attributable to owners of the parent	2,218	2,105	4,514	4,438	3,902	2,885
Equity attributable to non-controlling interests	1,478	1,444	4,338	4,264	11,401	8,429
Revenue	25,934	25,191	25,329	26,854	31,935	35,314
Operating profit	835	342	5,023	5,205	6,916	4,807
Profit for the year	551	190	3,353	3,458	5,515	3,427
Dividends paid to non-controlling interests	(163)	(125)	(1,421)	(1,354)	-	-
Change in net financial position	3,319	(204)	(881)	1,033	3,434	2,498

B.6.5.36 Settlement agreement reached with Esperanca real

On July 22, Elica agreed a settlement regarding the case between Esperança Real S/A, Madson Eletrometalurgica Ltda and the Company. The case concerns the signing of preliminary agreements in September 1999 for the establishment of a Joint Venture by Elica Spa and Esperança Real S/A, which were not executed. The settlement stipulates the payment by Elica to the counterparties and their lawyers of Euro 4.2 million, excluding 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 0.6 million for the settlement.

B.6.5.37. Reconciliation between Parent and Consolidated equity and profit/(loss)

The following table contains a reconciliation between Elica S.p.A.'s equity and profit/(loss) for the year and consolidated equity and profit/(loss) for the year.

December 31, 2019 and December 31, 2020

In Euro thousands	31/12/2020		31/12/2019	
	Profit/(loss)	Total Equity	Profit/(loss)	Total Equity
Parent's separate financial statements	(3,176)	85,624	(1,457)	87,303
Elimination of the effect of intragroup transactions net of tax effect:				
Unrealised gains on non-current assets	112	(515)	133	(490)
Internal profits on asset disposals	(305)	(497)	40	(194)
Tax effect	46	243	(51)	164
Elimination dividends	(4,638)	(4,638)	(4,277)	(4,277)
Other	824	636	(203)	(56)
Measurement of equity-accounted investees	-	-	(10)	(10)
Carrying amount of consolidated companies	2,000	(61,045)	2,000	(60,402)
Equity and profit/loss of the subsidiaries consolidated on a line-by-line basis	9,519	83,123	11,444	84,695
Allocation of differences to assets of consolidated companies and related amortisation/depreciation and impairment losses				
Goodwill arising on consolidation	-	13,060		13,198
Intangible assets and property, plant and equipment	(236)	5,021	(240)	5,386
Consolidated financial statements	4,145	121,012	7,377	125,313
Attributable to owners of the parent	(1,787)	103,796	3,061	111,140
Attributable to non-controlling interests	5,932	17,216	4,316	14,173

B.6.5.38. Significant non-recurring events and transactions

There were no significant non-recurring transactions during 2020.

B.6.6. Guarantees, commitments and contingent liabilities

B.6.6.1. Contingent liabilities

The Parent and its subsidiaries are not involved in administrative, judicial or arbitration proceedings that are underway or have been settled by means of a ruling or arbitration award issued in the last 12 months and which might have or might have had an effect on the financial situation or profitability of the Group, except for that indicated below.

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 provision in the financial statements at December 31, 2020 to cover legal risks and charges amounts to Euro 2,103 thousand.

In 2019 the Parent was subject to an audit by the Italian Agency of Revenue, Marche Regional Department, Tax Audits Office, for the tax years 2014, 2015 and 2016. It received an auditors' report on October 14, 2019. The assessment process has yet to proceed further for the other two subsequent relevant findings. The other findings have either been closed by the Company or are immaterial in amount.

There was found to have been an alleged violation of the transfer pricing rules set out in Art. 110, paragraph 7, of Presidential Decree No. 917 of December 22, 1986 (the Tax Consolidation Act) in respect of the transfer prices applied by the Company to transactions with the Mexican sister company Elicamex S.A. de C.V., the value of which the Office adjusted, proposing that additional IRES (company income tax) and IRAP (regional production tax) be levied on Euro 1,014,887 in 2015 and on Euro 1,012,783 in 2016. The Company has tax losses that can be used to offset the financial risk for IRES purposes.

It was therefore determined that the Company had unduly benefited from the research and development tax credit due to allegedly failing meet the requirements established by the tax relief rules for qualifying for the credit in question and that Elica was therefore ineligible for the related tax relief measures for the costs of research and development activities it had carried out in 2015 and 2016. The Company reported a credit of Euro 838,814 for 2015 and a credit of Euro 1,075,878 for 2016.

As counselled by its legal advisors, Elica believes that the arguments laid out in the auditors' report in support of the findings discussed in this paragraph are not compelling and that there are considerable defensive arguments against this reconstruction. The Company sought counsel from its legal advisors in support of the view that the risk that tax liabilities may flow for the Company from potential disputes that might arise from the assessment action by the revenue authorities in connection with the findings presented in the auditors' report discussed above is possible but not probable.

B.6.6.2. Guarantees and commitments

Commitments with suppliers for the purchase of property, plant and equipment and intangible assets at December 31, 2020 amount to approx. Euro 957 thousand. There are also commitments for operating expenses of Euro 3.3 million, relating in particular to long-term contracts.

Group commitments for the purchase of raw materials and goods amount to Euro 1 million, in addition to those listed in the Commodity risk paragraph.

In accordance with Article 122 of the CFA and Article 129 of the Issuers' Regulation, on July 24, 2019, FAN S.r.l., with registered office in Rome, via Parigi No. 11 and TAMBURI INVESTMENT PARTNERS S.p.A., with registered office in Milan, via Pontaccio No. 10, signed an agreement concerning a portion of the ordinary share of Elica S.p.A., in addition to, *inter alia*, some provisions regarding the governance of Elica S.p.A. (the "Shareholder Agreements").

The key information regarding the Shareholder Agreements was published as per Article 130 of the Issuers' Regulation on Elica S.p.A.'s website, <https://elica.com/corporation/it/corporategovernance/altri-documenti> and on the website of the authorised storage mechanism "1INFO" at www.1info.it.

This did not impact control over Elica which, as per Article 93 of the CFA, is held by Mr. Francesco Casoli.

The Group has not provided any significant guarantees, except those listed below.

Elica S.p.A. has provided guarantees in favour of Putian for credit lines of Euro 21.1 million, in favour of Elica Group Polska for a rotating receivable factoring arrangement with a cap of Euro 3.5 million and in favour of Elicamex for factoring with a cap of Euro 3 million and a coverage limit of Euro 400 thousand with Banco Santander for Elica's permanent establishment in Spain.

B.6.7. Risk management

B.6.7.1 Introduction

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 paragraphs below include an analysis of the risks to which the Elica Group is exposed, indicating the level of exposure and, for market risk, the potential impact on results of hypothetical fluctuations in the parameters (sensitivity analysis).

B.6.7.2. 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 a 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.

The paragraphs below individually analyse the different risks, indicating where necessary, through sensitivity analysis, the potential impact on the results deriving from hypothetical fluctuations in the parameters.

B.6.7.2.1. 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). In all of these currencies, except for the Swiss Franc, the Polish Zloty, the Chinese

Renminbi, the Mexican Peso, the Elica Group has higher revenue than costs; therefore changes in the exchange rates between the Euro and these currencies impact the Group results as follows:

- the appreciation of the Euro has negative effects on revenue and operating results;
- the depreciation of the Euro has positive effects on revenue and operating results.

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.

The most significant statement of financial position balances in foreign currency at December 31, 2020 are shown below:

<i>In Euro thousands</i>	31/12/2020		31/12/2019	
Currency	Assets	Liabilities	Assets	Liabilities
CHF	-	(38)	-	(41)
CNY	2,073	19	2,295	(249)
GBP	193	(14)	193	(12)
JPY	379	(4,780)	479	(3,305)
PLN	16,700	(17,501)	14,304	(13,128)
RUB	4,378	19	5,514	269
USD	41,166	(31,360)	32,766	(31,312)
MXN	(26)	50	(13)	55
INR	1,665	(69)	1,940	(174)
Foreign currency transactions	66,528	(53,674)	57,478	(47,897)

For the purposes of the sensitivity analysis on the exchange rate, the potential changes in the Euro/CHF, Euro/CNY, Euro/GBP, Euro/YEN, Euro/PLN, Euro/RUB, Euro/USD, Euro/MXN, USD/MXN and EUR/INR rates were analysed.

The following table shows the sensitivity of the statement of comprehensive income to reasonably possible changes in the exchange rates, with all other variables unchanged, due to changes in the value of current assets and liabilities in foreign currencies:

Currency	31/12/2020		31/12/2019	
	Depreciation of foreign currencies	Appreciation of foreign currencies	Depreciation of foreign currencies	Appreciation of foreign currencies
	5%	5%	5%	5%
CHF	2	(2)	2	(2)
CNY	(100)	110	(97)	108
GBP	(9)	9	(9)	10
JPY	210	(232)	135	(149)
PLN	38	(42)	(56)	62
RUB	(208)	229	(250)	276
USD	(467)	516	(69)	77
MXN	(1)	1	(2)	2
INR	(76)	84	(84)	93
Total	(611)	673	(430)	477

The hedges at December 31, 2020 with financial counterparties have a total positive fair value of approx. Euro 901 thousand (negative fair value of Euro 19 thousand at December 31, 2019).

The table below shows the details of the notional and fair values:

Currency	31/12/2020		31/12/2019	
	Notional thousands (foreign currency)	Fair value In thousands of Euro	Notional thousands (foreign currency)	Fair value In thousands of Euro
USD				
Forward	20,500	331	7,900	(69)
Options	-	-	6,600	106
PLN				
Forward	36,700	284	33,000	(12)
JPY				
Forward	247,000	(171)	530,000	(15)
RUB				
Forward	230,000	(1)	150,000	(29)
MXN				
Forward	230,000	439	-	-
CNY				
Forward	30,000	19	-	-
		901		(19)

The notional exposure in USD aggregates operations respectively in USD/EUR and in USD/MXN; the net notional of the latter amount to USD 6.7 thousand.

For the purposes of the sensitivity analysis on the exchange rate, the potential changes in the EUR/USD, EUR/PLN, EUR/RUB, EUR/JPY, EUR/CNY, EUR/MEX and USD/MXN and the EUR and foreign exchange interest rate curves were analysed.

In the stress testing we have stressed not only the spot to spot exchange rate, but also the monetary curve rates at December 31, 2020 in order to show the effect of changes in the rate curve.

For this purpose, the maximum change in the interval between the beginning of November 2020 and the first weeks of January 2021 was considered.

For the EUR/USD exchange rates a stress of 6% was applied, for EUR/PLN 6%, for EUR/JPY 7%, for EUR/RUB 25% and for EUR/MXN and USD/MXN 11% and for EUE/CNY 5%.

For interest rates on forward exchange contracts, a stress of 50 bps was applied for the Eurozone rates, 50 bps for the US rates, 50 bps for the Polish rates, 200 bps for the Russian rates, 50 bps for the Chinese rates, 50 bps for the Mexican rates and 50 bps for the Japanese rates.

The following table shows the sensitivity in the statement of comprehensive income to the changes in the exchange rates and the rate curves indicated, with all other variables unchanged, of the fair value of the transactions in foreign currencies at December 31, 2020 (compared with December 31, 2019):

In Euro thousands	31/12/2019			
	USD Notional	PLN Notional	JPY Notional	RUB Notional
	14,500 USD/000	33,000 PLN/000	530,000 JPY/000	150,000 RUB/000
Foreign currency depreciation	485	417	(292)	408
Euro exchange rate depreciation	20	(22)	(10)	44
Foreign exchange rate depreciation	(8)	(22)	(10)	87
Sensitivity to depreciation	497	373	(312)	539
Foreign currency appreciation	(392)	(517)	322	(796)
Euro exchange rate appreciation	(41)	22	10	(44)
Foreign exchange rate appreciation	32	22	10	(73)
Sensitivity to appreciation	(401)	(473)	342	(913)

In Euro thousands	31/12/2020					
	USD Notional	PLN Notional	JPY Notional	RUB Notional	MXN Notional	CNY Notional
	20,500 USD/000	36,700 PLN/000	247,000 JPY/000	230,000 RUB/000	230,000 MXN/000	30,000 CNY/000
Foreign currency depreciation	79	456	(129)	(474)	(1)	(176)
Euro exchange rate depreciation	1	(12)	(5)	(8)	1	(13)
Foreign exchange rate depreciation	(3)	9	5	88	2	18
Sensitivity to depreciation	77	453	(129)	(394)	2	(171)
Foreign currency appreciation	(22)	(514)	148	789	2	194
Euro exchange rate appreciation	(2)	12	5	7	(1)	13
Foreign exchange rate appreciation	3	(8)	(5)	(86)	(2)	(18)
Sensitivity to appreciation	(21)	(510)	148	710	(1)	189

B.6.7.2.2. 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.

The notional value and the relative value of the copper derivatives in place at December 31, 2019 and at December 31, 2020 are reported below:

<i>In Euro thousands</i>	Dec 31, 20		Dec 31, 19	
	Notional	Fair value	Notional	Fair value
Forwards	9,709	2,957	11,264	309
Commodity derivatives assets/(liabilities)		2,957		309

In addition, commodity risk is measured through sensitivity analyses, in accordance with IFRS 7. The changes in the prices of copper utilised for the sensitivity analysis were based on the volatility of the market rates.

This analysis highlights a revaluation in the price of copper of 5%, resulting in an increase in the fair value of forward contracts at December 31, 2020 of Euro 635 thousand.

Similarly, a reduction of 5% results in a decrease in the fair value of forward contracts of Euro 635 thousand.

B.6.7.2.3. 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.

Relating to the Group debt, from the sensitivity analysis a decrease of 25 bps in the interest rate curve in the short-term incurs lower interest expense of Euro 128 thousand, while an increase of 25 bps in the same interest rate curve generates higher interest expense of Euro 128 thousand.

The Group hedges the interest rate risk through the utilisation of interest rate swaps against specific non-current loans at a variable rate.

The table below shows the details of the notional and fair values:

<i>In Euro thousands</i>	31/12/2020		31/12/2019	
	Notional	Fair value	Notional	Fair value
Interest Rate Swap	90,000	1,022	60,206	(373)
Interest rate derivatives assets/(liabilities)	90,000	1,022		(373)

The interest rate risk is also measured through sensitivity analyses, in accordance with IFRS 7. The changes in the interest rate curve utilised for the sensitivity analysis were based on the volatility of the market rates.

The analysis shows that a change in the interest rate curve of -25/+25 bps generates a Euro 771 thousand decrease/increase in the fair value of the IRS at December 31, 2020.

B.6.7.3. Credit risk

The credit risk (or insolvency risk) 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 more details, see paragraph B.6.5.22 "Trade receivables" of these notes.

B.6.7.4. 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.

The following table shows the expected cash flows in relation to the contractual due dates of trade payables and various derivative liabilities:

<i>In Euro thousands</i>	31/12/2020	within one year	1 - 5 years	after five years
Lease liabilities and loans and borrowings from other lenders as per IFRS 16	3,650	5,541	485	
Bank loans and borrowings	16,459	93,958	95	
Trade payables and other liabilities	149,155	0	0	
Commitment by due date	169,264	99,499	580	

<i>In Euro thousands</i>	31/12/2019	within one year	1 - 5 years	after five years
Lease liabilities and loans and borrowings from other lenders as per IFRS 16	3,525	7,362	871	
Bank loans and borrowings	27,317	55,311	140	
Trade payables and other liabilities	125,849	-	-	
Commitment by due date	156,691	62,673	1,011	

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 debt, reference should be made to note B.6.5.33 of the notes.

B.6.7.5. Classification of the financial instruments

<i>In Euro thousands</i>	31/12/2020	31/12/2019
Derivative assets (current)	4,078	498
Trade receivables	88,821	55,022
Financial assets from group companies	0	0
Cash and cash equivalents	59,147	35,613
Current assets	152,046	91,133
Lease liabilities and loans and borrowings from other lenders as per IFRS 16 (non-current)	6,027	8,233
Bank loans and borrowings (non-current)	94,053	55,451
Derivative liabilities (non-current)	690	198
Non-current liabilities	100,770	63,882
Trade payables	133,247	110,100
Financial liabilities to group companies	0	0
Lease liabilities and loans and borrowings from other lenders as per IFRS 16 (current)	3,650	3,525
Bank loans and borrowings (current)	16,459	27,317
Derivative liabilities (current)	551	386
Current liabilities	153,907	141,328

The Group believes that the carrying amounts approximate fair value. In relation to the valuation methods for the individual accounts, reference should be made to paragraph B.6.2.2. “Accounting policies” of these Notes.

B.6.8. Disclosure pursuant to IAS 24 on management compensation and related party transactions

B.6.8.1. Management and co-ordination

Elica S.p.A. is indirectly controlled by the Casoli Family through Fintrack S.p.A. of Fabriano (AN - Italy).

The company is not subject to management and co-ordination pursuant to Art. 2497 and subsequent of the Civil Code. This conclusion derives from the fact that the controlling shareholder does not carry out management activities within the company and, although exercising voting rights at the shareholders' meeting, does not have any involvement in the financial, production or strategic programmed of the company, which is governed by a Board of Directors responsible for operating control.

The Parent's Board of Directors has also appointed an independent CEO for ordinary operational management.

With effect from July 2019, Tamburi Investments Partners (“TIP”) acquired a non-controlling interest in the Company. As at December 31, 2019, this interest amounted to 20.150% of Elica's capital. To the best of the Group's knowledge, this interest is the same at December 31, 2020.

The Company however continues to carry out its operations through a totally autonomous and independent decision-making process; it has independent decision-making capacity with clients and suppliers and independently manages its treasury in accordance with the business purpose.

B.6.8.2. Remuneration of Directors, Statutory Auditors and Key Managers

The remuneration of the above-mentioned persons totalled Euro 6,153 thousand. This amount does not include the accrual for the Long-term incentive plan, for information on which see the paragraph B.6.5.27 “Provisions for risks and charges”.

The details are reported in the Remuneration Report. This report is available on the Parent's website <https://elica.com/corporation> (Investor Relations section).

B.6.8.3 Share-based payments

Payments of Euro 1,080 thousand were made for the 2017-2019 cycle of the 2016-2022 Phantom Stock & Voluntary Co-investment Plan to beneficiaries who did not participate in the co-investment.

B.6.8.4 Information on subsidiaries

The tables below show key financial figures for the year ended December 31, 2020.

B.6.8.4.1. Subsidiaries – 2020 Highlights

Reporting package figures

<i>In Euro thousands</i>	Assets	Liabilities	Equity	Revenue	Profit/(loss) for the year
Airforce S.p.A.	13,671	9,975	3,696	25,934	551
Ariafina Co. Ltd	12,161	3,309	8,852	25,329	3,353
Elica Group Polska Sp.z.o.o	58,430	35,262	23,168	99,613	1,725
Elicamex S.a.d. C.V.	59,496	32,331	27,165	59,560	3,056
Leonardo Services S.a. de C.V.	1,888	1,401	487	9,962	172
Elica Inc.	425	134	291	887	12
Elica PB India Private Ltd.	25,993	10,690	15,303	31,935	5,515
ZheJiang Elica Putian Electric Co. Ltd.	13,933	18,014	(4,081)	10,326	(5,064)
Elica Trading LLC	5,607	4,490	1,117	11,017	401
Elica France S.A.S.	7,907	6,839	1,068	18,165	112
Elica Gmbh	5,346	3,926	1,420	8,135	(314)

Elica provided loans to Group companies as part of a general plan to centralise treasury management activities. These loans are interest bearing and at market rates. Transactions with consolidated companies have been derecognised in the Consolidated Financial Statements. As a result, they are not reported in these notes.

B.6.8.5. Information on the associate

The table below reports the key highlights of the associate, based on its financial statements, which are prepared in accordance with Italian GAAP.

B.6.8.5.1. Associate – 2020 highlights

<i>In Euro thousands</i>	Registered Office	% held	Quota capital	Equity	Profit for the year
I.S.M. S.r.l.	Cerreto d'esi (Ancona-Italy)	49.39%	10	1,529	31
<hr/>					
<i>In Euro thousands</i>		I.S.M. S.r.l.		Dec 31, 20	Dec 31, 19
Current assets		129		141	
Non-current assets		1,414		1,379	
Current liabilities		6		3	
Non-current liabilities		8		8	
Equity		1,529		1,509	
Revenue		144		144	
Operating profit		35		39	
Profit for the year		31		44	
Dividends paid to non-controlling interests		-		-	
Change in net financial position		(9)		29	
<hr/>					

This company operates in the real estate sector and is non-core for the Group.

B.6.8.5.2. Trade transactions with associates

There were no transactions with the associate in 2020.

B.6.8.6. Transactions with other related parties

In 2020, transactions with other related parties took place. All transactions were conducted on an arm's length basis in the ordinary course of business. No separate disclosure of these positions is provided in the Consolidated Financial Statements, given the immaterial amounts involved, in accordance with Consob resolution no. 15519 of July 27, 2006.

<i>In Euro thousands</i>	Assets	Liabilities/ IFRS 16 Liabilities	Revenue	Costs
Fastnet S.p.A.		7		23
La Ceramica		0		15
Ermanno Casoli Foundation				114
Other	3	179	28	161
Indian shareholders (*)		17		977
	3	203	28	1,290

(*) Pralhad Bhutada, Pallavi Bhutada, Dileep Shringarpure, Sham Bhatad and Nishant Hundiwala.

With the other related parties, the Elica Group primarily carries out transactions of a trading nature. There are no transactions with Fintrack S.p.A., FAN S.r.l. or the associate I.S.M. (see paragraph B.6.8.5.2.).

The trade balances arise from trading transactions conducted to purchase goods and services and use non-current assets on an arm's length basis. The balances with the Indian shareholders refer to salaries, incentives and expense reimbursements.

The Procedures for Transactions with Related Parties is published on the Company's website <https://elica.com/corporation>(Corporate Governance section).

B.6.9. Government grants as per Article 1, paragraphs 125-129, of Law No. 124/2017

For the detail of the grants received reference should be made to the National State Aid register. The following information is provided:

<i>Euro thousands</i>	Assets at 01/01/2020	Vested in 2020	Collected in 2020	Assets at 31/12/2020	Description
Elica S.p.A.					
Photovoltaic Grant (**)	575	468	(888)	155	Grant on photovoltaic plant installed on the roof of the Castelfidardo and Cerreto D'esi industrial buildings issued by GSE
2015 Industry RESPIRE project	138	6	33	138	Research and Development grant from Ministry for Economic Development
				39	Research grant from European Union
H@H Project	47			47	Research and Development grant from Ministry for University and Scientific Research
SEAL project	307			307	Research and Development grant from Ministry for University and Scientific Research
SHELL Project	173			173	Research and Development grant from Ministry for University and Scientific Research
Project SM SMARTFAN project	104			104	Research and Development grant from Ministry for University and Scientific Research
	(146)		93	(53)	Research grant from European Union
MERCURY Project	-	31		31	Research and development grant from the Marche region Regional Plan
MIRACLE Project Fondimpresa	-	17		17	Research and development grant from the Marche region Regional Plan
	146	63	(148)	61	Staff training grant from Fondimpresa
Fondirigenti New Investment Tax Credit 2020	20	10	(15)	16	Training executives grant from Fondimpresa
	-	120		120	Tax credit on new investments year 2020 - Law No. 160 of 27.12.2019
Sanitation tax credit Research & Development tax credit 2019	-	28		28	Tax credit for workplace sanitation expenses - Leg. Decree No. 34 of 19.05.2020
				899	Research & Development tax credit 2019 - Law No. 190/2014
Bando Invitalia Impresa Sicura (Safe Enterprise Reimbursement)	-	91	(91)	-	Bando Invitalia Impresa Sicura (Safe Enterprise Reimbursement): grant for the purchase of "COVID-19" personal protective equipment - Leg. Decree No. 18 of 17.03.3030 - Article 43 paragraph
Elica S.p.A.	1,370	1,853	(1,142)	2,082	- 1
Airforce S.p.A.					
Fondimpresa	7	15	(7)	15	Staff training grant from Fondimpresa
Airforce S.p.A.	7	15	(7)	15	
Total Grants	1,377	1,868	(1,149)	2,097	

B.6.10. Positions or transactions arising from atypical and/or unusual transactions

In 2020, there were no such transactions to be reported.

B.6.11. Events after the reporting date

On February 12, 2021, the Board of Directors of Elica S.p.A. approved the additional periodic report for the fourth quarter of 2020, prepared according to IFRS, and the 2020 preliminary consolidated results.

The Group continues to analyse the impact of COVID-19 on the business and the market demand recovery curve.

Fabriano, March 16, 2021

On behalf of the Board of Directors
The Executive Chairman
Francesco Casoli

C.1. Disclosure pursuant to Article 149-*duodecies* of the Consob Issuers Regulation

The following table, prepared pursuant to Article 149-*duodecies* of the Consob Issuers' Regulation reports the payments made in 2020 for audit and other services provided by the independent auditors and entities associated with them.

Type of service <i>In Euro thousands</i>	Service provider	Company	Fees
Audit	KPMG S.p.A.	Elica S.p.A.	189
Audit	KPMG S.p.A.	Air Force S.p.A.	14
Audit	KPMG Cardenas Dosal, S.C.	Elicamex S.A. de C.V.	26
Audit	KPMG Polska (*)	Elica Group Polska S.p.z.o.o.	32
Audit	KPMG China	Zhejiang Elica Putian Electric Co. Ltd	32
Audit	B S R & Co. LLP (KPMG network)	Elica PB India Private Ltd.	8
Audit	KPMG Japan	Ariafina CO., LTD	10
Other services	KPMG S.p.A.	Elica S.p.A.	42
Other services	KPMG China	Zhejiang Elica Putian Electric Co. Ltd	2
KPMG network fees			354

(*) KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

C.2. Attestation on the Consolidated Financial Statements as per Article 81-ter of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments and integrations

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

- the adequacy considering the company's characteristics and
- the effective application,

of the administrative and accounting procedures for the preparation of the consolidated financial statements in 2020.

We also declare that:

- the Consolidated Financial Statements:
 - a) correspond with the accounting books and records;
 - b) were prepared in accordance with the IFRS endorsed by the European Union and with Article 9 of Legislative Decree no. 38/2005;
 - c) provide a true and fair view of the issuers' financial position and results of operations and of the other companies in the consolidation scope.
- The Directors' Report includes a reliable analysis of the issuer's performance, results of operations and situation, together with a description of the main risks and uncertainties to which it is exposed.

Fabriano, March 16, 2021

The Chief Executive Officer
Mauro Sacchetto

Corporate Financial Reporting Manager
Giulio Coccia

C.3 List of investments in non-listed companies of over 10% at the reporting date, including foreign companies

In Euro thousands	Registered Office	of which:			held by (*)	“Direct” holding value	“Indirect” holding value	Consolidation method
		% Total	% direct	% indirect				
Airforce S.p.A.	Fabriano (Ancona- Italy)	60%	60%	0%	n/a	1,212	n/a	line-by-line
Ariafina Co. Ltd	Sagamihara - Shi (Japan)	51%	51%	0%	n/a	49	n/a	line-by-line
Elica Group Polska Sp.z.o.o	Wroklaw (Poland)	100%	100%	0%	n/a	22,275	n/a	line-by-line
Elicamex S.a.d. C.V.	Queretaro (Mexico)	100%	98%	2%	Elica Group Polska Sp.z.o.o	9,389	1	line-by-line
Leonardo Services S.a. de C.V.	Queretaro (Mexico)	100%	98%	2%	Elica Group Polska Sp.z.o.o	75	1	line-by-line
Elica Inc.	Chicago, Illinois (United States)	100%	0%	100%	Elica S.a.d. C.V.	-	0	line-by-line
Elica PB India Private Ltd.	Pune (India)	26%	26%	0%	n/a	2,653	n/a	line-by-line
ZheJiang Elica Putian Electric Co. Ltd.	Shengzhou (China)	99%	99%	0%	n/a	15,635	n/a	line-by-line
Elica Trading LLC	Saint Petersburg (Russia)	100%	100%	0%	n/a	3,880	n/a	line-by-line
Elica France S.A.S.	Paris (France)	100%	100%	0%	n/a	1,024	n/a	line-by-line
Elica GmbH	Munich (Germany)	100%	100%	0%	n/a	4,540	n/a	line-by-line
ISM Srl		49%	49%	0%	n/a	275	n/a	equity

(*) name and legal status of any subsidiaries that hold direct investments in non-listed companies and investment.

C.4. Independent auditors' report



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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of ELICA S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the ELICA Group (the "group"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the ELICA Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of ELICA S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

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ELICA Group
 Independent auditors' report
 31 December 2020

Recoverability of goodwill

Notes to the consolidated financial statements: note B.6.2.2 – Accounting policies: Goodwill, Impairment testing; note B.6.5.18 – Goodwill.

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 31 December 2020 include goodwill of €39 million.</p> <p>At least annually, the directors determine the recoverable amount of goodwill by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows.</p> <p>The directors have forecast the operating cash flows on the basis of the 2021-2025 forecasts (the "2021-2025 forecasts") and the revenue's estimated long-term growth rates and profitability.</p> <p>For the above reasons, we believe that the recoverability of goodwill is a key audit matter.</p>	<p>Our audit procedures, which also involved our own specialists, included:</p> <ul style="list-style-type: none"> — understanding and analysing the process used to prepare the 2021-2025 forecasts; — analysing the reasonableness of the key assumptions used by the directors to determine the recoverable amount of goodwill. Our analyses included comparing the key assumptions used to the group's historical data and external information, where available; — analysing the valuation models adopted by the parent for reasonableness and consistency with professional practice; — checking the sensitivity analyses disclosed in the notes with reference to the key assumptions used for impairment testing, including raw material cost, the weighted average cost of capital and the long-term growth rate; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.



ELICA Group
Independent auditors' report
31 December 2020

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



ELICA Group
Independent auditors' report
31 December 2020

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 29 May 2015, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2015 to 31 December 2023.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.



ELICA Group
Independent auditors' report
31 December 2020

***Statement pursuant to article 4 of the Consob regulation implementing
Legislative decree no. 254/16***

The directors of ELICA S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Ancona, 25 March 2021

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit



**D.2020 SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR
ENDED 31 DECEMBER 2020**

ELICA S.p.A.

*Registered Office at Via Ermanno Casoli, 2 – 60044 Fabriano (AN) - Share Capital: Euro
12,664,560 fully paid-in*

D.1. Income statement

<i>In Euro</i>	<i>Note</i>	2020	2019
Revenue - third parties	D.6.4.1.	266,296,365	280,032,159
Revenue - subsidiaries	D.6.4.1.	73,502,222	73,673,276
Other operating income	D.6.4.2.	2,018,813	2,690,555
Changes in inventories finished/semi-finished products	D.6.4.3.	4,214,566	(784,746)
Increase in internal work capitalised	D.6.4.4.	1,640,251	2,481,510
Raw materials and consumables - third parties	D.6.4.5.	(118,827,449)	(120,622,269)
Raw materials and consumables - subsidiaries	D.6.4.5.	(100,438,169)	(107,207,573)
Services - third parties	D.6.4.6.	(55,817,392)	(53,004,170)
Services - subsidiaries	D.6.4.6.	(2,208,095)	(2,794,264)
Personnel expense	D.6.4.7.	(52,063,233)	(57,181,854)
Amortisation and depreciation	D.6.4.8.	(15,430,027)	(14,506,891)
Other operating expenses and accruals	D.6.4.9.	(5,246,831)	(4,359,176)
Restructuring charges	D.6.4.10.	(1,911,908)	(611,589)
Impairment of goodwill and other intangible assets	D.6.4.8.	(903,000)	-
Operating loss		(5,173,887)	(2,195,032)
Share of profit from associates and subsidiaries	D.6.7.3.5.	4,638,361	4,277,100
Impairment losses in subsidiaries and associates	D.6.4.11.	(2,495,093)	(2,606,926)
Financial income	D.6.4.12.	565,407	914,581
Financial expense	D.6.4.13.	(2,842,170)	(2,800,225)
Exchange rate gains losses	D.6.4.14.	(575,045)	(219,059)
Loss before tax		(5,882,427)	(2,629,561)
Income taxes	D.6.4.15.	2,706,730	1,172,916
Loss from continuing operations		(3,175,697)	(1,456,645)
Profit/(loss) from discontinued operations		-	-
Loss for the year		(3,175,697)	(1,456,645)

D.2. Statement of Comprehensive Income

<i>In Euro</i>	<i>Note</i>	2020	2019
Loss for the year		(3,175,697)	(1,456,645)
Other comprehensive income/(expense) which will not be subsequently reclassified to profit or loss for the year:			
Actuarial gains/(losses) on defined employee benefit plans	D.6.4.31.5	92,058	(453,230)
Tax effect of Other income/(expense) which will not be subsequently reclassified to the profit/(loss)		-	-
Total items which will not be subsequently reclassified to profit or loss, net of the tax effect		92,058	(453,230)
Other comprehensive income/(expense) which will be subsequently reclassified to profit or loss:			
Net change in cash flow hedges	D.6.4.31.3	1,659,578	1,553,308
Tax effect of other expense which may be subsequently reclassified to the loss	D.6.4.31.3	(254,698)	(372,796)
Total items which will be subsequently reclassified to profit or loss, net of the tax effect		1,404,880	1,180,512
Total other comprehensive income, net of the tax effect:		1,496,938	727,282
Comprehensive expense		(1,678,759)	(729,364)

D.3.Statement of Financial Position

<i>In Euro</i>	<i>Note</i>	31/12/2020	31/12/2019
Property, plant and equipment	D.6.4.17	42,746,442	45,438,511
Goodwill	D.6.4.18.1	23,342,460	23,342,460
Other intangible assets	D.6.4.18.2	17,966,935	22,071,186
Right-of-use assets as per IFRS 16	D.6.4.18.3	5,368,383	6,662,136
Investments in subsidiaries	D.6.4.19.1	60,732,133	59,832,133
Investments in associates	D.6.4.19.2	274,907	770,000
Deferred tax assets	D.6.4.21	18,848,741	15,848,934
Other assets	D.6.4.20	59,784	70,989
Non-current assets		169,339,785	174,036,349
Trade receivables	D.6.4.22	51,466,744	23,514,833
Trade receivables – subsidiaries	D.6.7.3.2	29,305,466	25,616,581
Inventories	D.6.4.23	39,496,947	34,543,052
Other assets –(current)	D.6.4.24	2,987,779	3,866,233
Tax assets –(current)	D.6.4.25	10,115,421	7,281,449
Derivative assets –(current)	D.6.4.32.3	4,077,261	651,373
Financial assets from group companies	D.6.7.3.4	17,001,865	15,137,413
Cash and cash equivalents	D.6.4.32.1	33,676,052	10,600,470
Current assets		188,127,535	121,211,404
Assets of discontinued operations		0	0
Assets		357,467,320	295,247,752
Liabilities for post-employment benefits	D.6.4.26	8,671,108	9,087,916
Provisions for risks and charges (non-current)	D.6.4.27	16,168,722	14,511,992
Deferred tax liabilities	D.6.4.21	1,395,971	652,103
Lease liabilities as per IFRS 16	D.6.4.32.4	3,911,280	5,085,730
Bank loans and borrowings (non-current)	D.6.4.32.2	94,030,193	55,412,931
Other non-current liabilities	D.6.4.29	0	1,988
Derivative liabilities (non-current)	D.6.4.32.3	689,857	197,741
Non-current liabilities		124,867,131	84,950,400
Provision for risks and charges (current)	D.6.4.27	3,045,155	1,266,211
Lease liabilities as per IFRS 16	D.6.4.32.4	1,655,028	1,624,503
Bank loans and borrowings (current)	D.6.4.32.2	12,121,714	17,937,593
Financial liabilities to group companies	D.6.7.3.4	11,964,323	3,354,981
Trade payables (current)	D.6.4.30	83,761,111	69,760,607
Trade payables - subsidiaries (current)	D.6.7.3.3	23,884,342	18,290,450
Other liabilities (current)	D.6.4.29.1	6,772,577	7,360,456
Tax liabilities (current)	D.6.4.28.2	3,047,364	3,016,265
Derivative liabilities (current)	D.6.4.32.3	724,546	383,497
Current liabilities		146,976,160	122,994,563
Liabilities directly related to discontinued operations		0	0
Share capital	D.6.4.31.1	12,664,560	12,664,560
Equity-related reserves	D.6.4.31.2	71,123,335	71,123,335
Hedging reserve	D.6.4.31.3	1,436,773	31,893
Actuarial reserve	D.6.4.31.5	(2,962,472)	(3,054,530)
Income-related reserves	D.6.4.31.6	6,537,530	7,994,174
Loss for the year		(3,175,697)	(1,456,645)
Equity	D.6.4.31	85,624,029	87,302,788
Total liabilities and equity		357,467,320	295,247,752

D.4.Statement of Cash Flows

<i>In Euro</i>	31/12/2020	31/12/2019
Opening cash and cash equivalents	10,600,470	5,376,756
Operating activities		
Loss for the year	(3,175,697)	(1,456,645)
Amortisation and depreciation	15,430,027	14,506,891
<i>Impairment losses</i>	903,000	0
Non-monetary (income)/charges	133,495	(738,387)
(Income)/loss on disposal	0	0
Trade working capital	(17,000,296)	7,398,592
Other working capital accounts	(4,768,236)	(1,407,264)
Income taxes paid	0	(199,550)
Change in provisions	3,043,314	1,963,895
Cash flow from (used in) operating activities	(5,434,393)	20,067,532
Investing activities		
Investments		
- Intangible assets	(4,108,954)	(7,107,700)
- Property, plant and equipment	(3,595,790)	(5,492,963)
- Right-of-use assets	(538,213)	(1,194,685)
- Financial assets	1,738,361	1,302,100
Cash flow used in investing activities	(6,504,596)	(12,493,248)
Financing activities		
(Acquisition)/Sale of treasury shares and investments (maintaining of control)	0	2,540,000
Increase/(decrease) in financial assets/liabilities	39,546,374	(2,739,032)
Net changes in other financial assets/liabilities	(1,178,726)	44,430
Increase/(decrease) in lease liabilities - IFRS 16	(1,143,925)	(418,099)
Interest paid	(2,209,152)	(1,777,869)
Cash flow from (used in) financing activities	35,014,571	(2,350,570)
Increase/(Decrease) in cash and cash equivalents	23,075,582	5,223,714
Closing cash and cash equivalents	33,676,052	10,600,470

D.5. Statement of changes in equity

<i>In Euro thousands</i>	Share Capital	Equity Related Reserves	Treasury shares	Income-related reserves	Hedging /Actuarial reserve	Profit/(loss) for the year	Total Equity
Balance at 31/12/2018	12,665	71,123	(3,551)	8,476	(3,750)	529	85,492
Fair value changes on cash flow hedges net of the tax effect					1,180		1,180
Actuarial gains/(losses) on post-employment benefits					(453)		(453)
Total gains/(losses) recognised directly in equity					727	-	727
Profit/(loss) for the year						(1,457)	(1,457)
Total gains/(losses) recognised in comprehensive profit or loss					727	(1,457)	(730)
Allocation of profit/(loss) for the year				529		(529)	-
Other changes		3,551		(1,011)			2,540
Dividends							-
Balance at 31/12/2019	12,665	71,123	-	7,994	(3,023)	(1,457)	87,303
Fair value gains/(losses) on cash flow hedges net of the tax effect					1,405		1,405
Actuarial gains/(losses) on post-employment benefits					92		92
Total gains/(losses) recognised directly in equity					1,497	-	1,497
Profit/(loss) for the year						(3,176)	(3,176)
Total gains/(losses) recognised in profit or loss					(3,176)	(3,176)	(3,176)
Allocation of profit/(loss) for the year				(1,457)		1,457	-
Other changes							-
Dividends							-
Balance at 31/12/2020	12,665	71,123	-	6,538	(1,526)	(3,176)	85,624

D.6 Notes to the Separate Financial Statements as at and for the year ended December 31, 2020

- D.6.1. Accounting policies
- D.6.2. Accounting standards, amendments and interpretations in force as from January 1, 2020 and not yet applicable by the Company
- D.6.3. Significant accounting estimates
- D.6.4. Notes to the Separate Financial Statements
- D.6.5. Guarantees, commitments and contingent liabilities
- D.6.6. Risk management
- D.6.7. Disclosure on Management renumeration and related-party transactions
- D.6.8. Government grants as per Article 1, paragraphs 125-129, of Law No. 124/2017
- D.6.9. Positions or transactions arising from atypical and/or unusual transactions
- D.6.10 Events after the reporting date
- D.6.11. Proposal for the approval of the 2020 Financial Statements and coverage of the loss for the year as approved by the Board of Directors on March 16, 2021

D.6.1. Accounting policies

D.6.1.1 – General information

Elica SpA is a company incorporated under Italian law based in Fabriano (Ancona, Italy). The company is listed on the STAR segment on the Italian Stock Exchange. The main activities of the Company and its subsidiaries, as well as its registered office and other offices are illustrated in the Directors' Report. The Euro is the functional and reporting currency. Amounts in the financial statement are given in Euro while the amounts in the notes are given in thousands of Euro. The company in addition prepares the Consolidated Financial Statements of the Group which it heads.

D.6.1.2 Basis of preparation

The Separate Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IAS) and endorsed by the European Union, as well as in accordance with Article 9 of Legislative Decree no. 38/2005 and related CONSOB regulations.

The Separate Financial Statements at December 31, 2020 are compared with the previous year and consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of changes in Equity and the Explanatory Notes thereto.

The financial statements and related notes comply with the minimum disclosure requirements of IFRS, as supplemented, where applicable, by the provisions of the law and CONSOB regulations.

The Company did not make any changes in the accounting policies applied between the comparative dates of December 31, 2019 and December 31, 2020.

The financial statement items 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.

D.6.1.3 Financial schedules

Company Management, in accordance with IAS 1, made the following choices in relation to the presentation of the financial statements.

- The **Income Statement** is prepared in accordance with the nature of the item and shows intermediary results relating to the operating profit/(loss) and the profit/(loss) before taxes in order to allow a better assessment of the operating performance. The operating profit is the difference between net revenue and operating expenses (this latter including non-monetary items relating to amortisation/depreciation and impairment of current and non-current assets, net of any reversals), including any gains/losses on the sale of non-current assets.
- The **Statement of Comprehensive Income** reports, beginning with the profit/(loss) for the year, the effect of the other comprehensive income statement items recorded directly to equity (other comprehensive income).
- The **Statement of Financial Position** is presented with separation of current and non-current assets and liabilities. It is expected to be realised/settled or sold or utilised within the company's normal operating cycle; it is held for trading; it is expected to be realised/settled within 12 months from the end of the reporting period. Where none of these conditions apply, the assets/liabilities are classified as non-current.
- The **Statement of Cash Flows** is prepared using the indirect method in which the operating profit/(loss) is adjusted by non-monetary items. It is based on the classification of cash flows generated respectively from operating activities, investing activities and financing activities, in line with IAS 7. Specifically, operating activities

are activities that generate revenue and are not investing or financing activities. Investing activities are those concerning the purchase and sale of non-current assets and other investments, while financing activities are those resulting in a change to the sources of financing, therefore in the size and composition of the share capital and share premium and Group loans. Unrealised exchange rate gains and losses are not considered cash flows. However, the effect of such exchange rate gains and losses on cash and cash equivalents is included to reconcile the change in the opening and closing balances of cash and cash equivalents. It is, however, presented separately.

- **Statement of Changes in Equity** outlines the changes to the Equity items, including the allocation of the result, the recognition of actuarial profits/losses, the impact of the valuation of hedging instruments and the recording of the profit/loss, in addition to the additional phenomenon which according to IFRS should be recognised to this item.

D.6.1.4 Accounting policies

The main accounting policies adopted in the preparation of the Separate Financial Statements are described below.

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, including any directly attributable costs. Some assets have been adjusted under specific revaluation legislation prior to January 1, 2005 and are deemed to reflect the fair value of the asset at the revaluation date (“deemed cost” as per IFRS 1).

Depreciation is calculated on a straight-line basis over the estimated useful life applying the following percentage rates:

buildings	3%
light structures	10%
plant and machinery	6-10%
industrial and commercial equipment	14-16%
office furniture and equipment	12%
EDP	20%
commercial vehicles	20%
Automobiles	25%

Purchase cost is also adjusted for grants related to assets already approved to the company. These grants are recognised in profit or loss by gradually reducing the depreciation charged over the useful life of the assets to which they relate.

Maintenance, repair, expansion, updating and replacement costs that do not lead to a significant, measurable increase in the production capacity and useful life of an asset are taken to profit or loss when they are incurred.

Goodwill

Goodwill arising on the acquisition of a subsidiary or other business combinations represents the excess of the acquisition cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date.

At each reporting date the Group reviews the recoverable value of the goodwill to assess whether an impairment loss has occurred and determine the amount of any impairment. An impairment loss is immediately taken to profit or loss and is not reversed in a subsequent period.

On the sale of a subsidiary, any goodwill attributable to the subsidiary that has not been impaired is included in the calculation of the gain or loss on the sale.

Goodwill arising on acquisitions prior to January 1, 2004 is carried at the amount recognised under Italian GAAP after an impairment test at that date.

Research costs

The research costs are taken to profit or loss when incurred.

Development costs

Development costs in relation to specific projects are capitalised when all of the following conditions are satisfied:

- the costs can be reliably determined;
- the technical feasibility of the product is demonstrated;
- the volumes, and expected prices indicate that costs incurred for development will generate future economic benefits;
- the technical and financial resources necessary for the completion of the project are available.

Where the above conditions are not met; the cost is recorded in the Income Statement.

Capitalised development costs are amortised on a straight-line basis, commencing from the beginning of the production over the estimated life of the product to which these costs refer.

The carrying amount of development costs are tested annually for impairment when the asset is no longer in use, or with greater frequency when there is indication of impairment. The recoverability test requires estimates by the Directors, as dependent on the cash flows deriving from the sale of products sold by the company. These estimates are impacted both by the complexity of the assumptions underlying the projected revenues and future margins and by the strategic industrial choices of the Directors.

Other intangible assets

Purchased or internally-generated intangible assets are recognized in accordance with IAS 38 – Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably.

The useful life of an intangible asset may be considered definite or indefinite. Intangible assets with definite useful lives are amortised monthly for the duration of their useful lives. According to management and experts, the company's most important software has a useful life of seven years. The useful life is tested annually for impairment and any changes are made on a prospective basis.

Intangible assets with indefinite useful lives are not amortised but tested annually for impairment or more frequently where there is an indication that the asset may be impaired. At present, the company only owns intangible assets with definite useful lives.

Impairment testing

At each reporting date, the company 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.

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 impairment test compares the carrying amount with the recoverable amount, which is the greater of fair value less costs to sell and value in use. Any excess of the carrying amount results in an impairment loss. An impairment loss is recognised to profit and loss. When the reasons for the impairment no longer exist, the impairment losses on the assets are reversed bringing the carrying amount up to the revised estimate of its recoverable amount. The restatement cannot

exceed the carrying amount had no impairment been recognised. The reversal of an impairment loss is taken to profit or loss.

For goodwill, the recoverable amount is determined by the Directors through the calculation of the value in use of the Cash Generating Units (CGU's). Cash Generating Units are identified based on the Group's organisational and business structure as units that generate cash flows independently through the continuous use of the assets allocated. The impairment loss of the goodwill is taken to profit or loss and, differing to that for other property, plant and equipment and intangible assets, no reversal is recognised in future years.

Investments in subsidiaries and associates

Investments in subsidiaries, joint ventures and associates not classified as held-for-sale are measured at cost.

Income from investments is recognised only in relation to the dividends received from the investee on profit generated after the acquisition date. Dividends received in excess of profits generated are regarded as a recovery on the investment and are taken as a reduction in the cost of the investment.

At the end of each reporting period, the Company evaluates whether there are any indications of impairment in the cost of the investment. When it is determined that a potential loss exists, the Directors make valuations on the recoverable amount of those investments in order to identify the potential amount of the loss.

Investments are tested at least annually for impairment and whenever there is an indication of a possible loss in value. The impairment test compares the carrying amount of the investment with the recoverable amount, defined as the higher between the fair value of the investment net of sales costs and the value in use, represented by the present value of the expected revenue streams for the years of operations of the company subject to the impairment test and deriving from its disposal on conclusion of its useful life. Any excess of the carrying amount results in an impairment loss. An impairment loss is recognised to profit and loss. After the cost of the investment has been written off, further losses on the investment are recognised under liabilities, where there is a contractual or constructive obligation to cover the losses on the investment. When the reasons for the impairment no longer exist, the impairment losses are reversed bringing the carrying amount up to the revised estimate of its recoverable amount. The restatement cannot exceed the carrying amount had no impairment been recognised. The reversal of an impairment loss is taken to profit or loss.

IFRS 16 Leases

At the commencement date of leases, the Company recognises the right-of-use assets and the lease liabilities. Right-of-use assets are initially valued at cost, and subsequently at cost net of amortisation and cumulative impairments, while adjusted to reflect lease liability revaluations. The Company assesses the lease liabilities at the present value of payments due for lease charges not settled at the commencement date, discounting them according to the implied lease interest rate. Where it is not possible to establish this rate easily, the Company utilises the marginal interest rate. The incremental borrowing rate is determined on the basis of the rate at which the Group would borrow in the same market for a similar amount. It generally uses the marginal interest rate as the discount rate.

The lease liability is subsequently increased by the interest maturing on this liability and reduced for payments due on the lease and is revalued in the case of changes to future payments on leasing deriving from a change in the index or rate, in the case of a change to the amount which the Company expects to pay as guarantee on the residual value or where the Company changes its assessment on the exercise or otherwise of a purchase, renewal or termination option.

The Company has estimated the lease duration of some contracts in which it acts as lessee and which have renewal options. The Company assessment upon the existence or otherwise of a reasonable certainty of exercising the option influences the estimate of the lease duration, significantly impacting the amount of the lease liabilities and the right-of-use assets recognised.

Inventories

Inventories are measured at the lower of purchase or production cost and net realisable value. The purchase cost of raw, ancillary, supplies and goods for resale is determined using the weighted average cost method.

The production cost of finished products, work in progress and semi-finished products is determined considering the cost of the materials used plus direct operating expenses and overheads.

Net realisable value represents the estimated selling price less expected completion costs and selling costs.

Obsolete and slow moving inventories are written down taking account of their prospects of utilisation or sale.

Trade receivables and loans and other financial assets

Financial assets other than trade receivables, loans and cash and cash equivalents are initially recognised at fair value, including directly related transaction costs.

Trade receivables and loans are measured at their nominal amount, which normally represents their fair value. In the event of a significant difference between nominal amount and fair value, they are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Receivables are adjusted through an allowance for bad debt to reflect their realisable value. The allowance is calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, discounted at the effective interest rate on initial recognition.

Non-current assets held-for-sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying value and market value less selling costs.

Non-current assets (and disposal groups) are classified as held-for-sale when their carrying amount is expected to be recovered by means of a sales transaction rather than through use in company operations. This condition is met only when the sale is highly likely, the assets (or group of assets) are available for immediate sale in their current condition and, consequently, management is committed to a sale, which should take place within 12 months of the classification as held for sale.

Cash and cash equivalents

Cash and cash equivalents include cash balances and bank current accounts and deposits repayable on demand plus other highly liquid short term financial investments that can be readily converted into cash and are not subject to a significant risk of a change in value.

Financial liabilities and Equity instruments

Financial liabilities and equity instruments issued are classified in accordance with the underlying contractual agreements and in accordance with the respective definitions of liabilities and Equity instruments.

Equity instruments consist of contracts which, stripped of the liability component, give rights to a share in the assets.

The accounting policies adopted for specific financial liabilities and equity instruments are indicated below.

Trade payables and other financial liabilities

Trade payables and other financial liabilities are recognised at their nominal amount, which generally represents their fair value. In the event of significant differences between their nominal amount and fair value, trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Bank loans and borrowings and loans and borrowings from other lenders

Bank loans and borrowings – comprising non-current loans and bank overdrafts – and loans and borrowings from other lenders, are recognised based on the amounts received, less transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Derivative instruments and hedge accounting

Derivative financial instruments are used with the intention of hedging, in order to reduce currency, interest rate or market price risks. In compliance with IFRS, derivative financial instruments can be recognised using “hedge accounting” only when the hedge is formally designated and documented as such and is presumed to be highly effective at inception, such effectiveness can be reliably measured and the hedge is highly effective over the accounting periods for which it was designated.

All derivative financial instruments are measured at fair value in accordance with IAS.

When derivative financial instruments qualify for hedge accounting, the following treatment applies:

- for derivatives that hedge scheduled transactions (i.e. cash flow hedges), changes in the fair value of derivative instruments are allocated to equity for the portion considered effective while the portion considered ineffective is recognised in profit or loss;
- for derivatives that hedge receivables and payables recorded in the statement of financial position (i.e. fair value hedges), differences in fair value are recognised in full in profit or loss. Moreover, the value of the hedged item (receivables/payables) is adjusted for the change in the risk hedged, again in profit or loss;
- for derivatives classified as hedges of a net investment in a foreign operation, the effective portion of profits or losses on the financial instruments are recorded under equity. The cumulative gains or losses are reversed from the equity and recorded in the income statement on the sale of the foreign operation.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the income statement.

Concerning the management of the risks related to the exchange rates and interest rates and the value of commodities, reference should be made to section D.6.6. “Risk management policy” of the Notes.

Treasury shares

Treasury shares are recognised at cost and taken as a reduction in equity. The gains and losses deriving from trading of treasury shares, net of the tax effect, are recognised under equity reserves.

Employee benefits

Post-employment benefits

Italian post-employment benefits are considered equivalent to a defined benefit plan. For defined benefit plans, the cost of the benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each year.

On the basis of IAS 19 – Employee benefits, the Company presents in the statement of financial position the deficit or surplus of the relevant provision, with recognition to the income statement of the labour cost components and net financial charges and the recognition of the gains or losses which derive from the recalculation of the assets and liabilities under Other Comprehensive Income. In addition, any income from the plan assets included under net financial expenses must be calculated based on the discount rate of the liability.

Up to December 31, 2006, the employees' leaving entitlement of the Italian companies was considered a defined benefit plan. The regulations governing Italian employees' leaving entitlement were modified by Law no. 296 of December 27, 2006 ("2007 Finance Act") and subsequent decrees and regulations issued at the beginning of 2007. In the light of these changes, and specifically with reference to companies with more than 50 employees, only the benefits that accrued prior to January 1, 2007 (and not yet paid at the reporting date) are now considered a defined benefit plan, while those that accrued after this date are considered a defined contribution plan.

Share-based payments

Where the Group recognises additional benefits to senior management and key personnel through stock grant plans, in accordance with IFRS 2 – Share-based payments, these plans represent a form of remuneration to the beneficiaries. Therefore the cost, which is the fair value of these instruments at the assignment date, is recognised in profit or loss over the period between the assignment date and maturity date, with a balancing entry directly in equity. Changes in the fair value after the assignment date do not have an effect on the initial value. At December 31, 2019 there are no such plans in place, there are only monetary based on phantom stock plans. The existing plans award beneficiaries a number of phantom stocks. When the vesting conditions are met, and upon the completion of the period specified in the continuing employment condition, the beneficiary receives a payment in cash equal to the value of the phantom stock accrued. This therefore represents a cash settled plan. The cost accrued during the year is thus taken to the income statement and the related provision is recognised. For further information, please consult the plan information documents on the company's website, (<https://elica.com/corporation/it/investor-relations/assemblea-azionisti>).

Provisions for risks and charges

The company recognises a provision for risks and charges when the risk related to an obligation deriving from a past event is considered probable and a reliable estimate may be made on the amount of the obligation. Provisions are made based on management's best estimate of the cost of fulfilling the obligation at the end of the reporting date and are discounted to their present value when the effect is material. These risks are subject to a high level of complexity and uncertainty, and therefore the amount of the provision for risks and charges is reviewed periodically to reflect the best current estimate of each provision.

Revenue and income

The new IFRS 15-Revenues standard establishes an overall framework to identify the timing and amount of revenue recognition.

IFRS 15 requires the recognition and measurement of revenues from contracts with customers according to the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations (i.e. the contractual commitments to transfer goods and/or services to a customer); (iii) establishment of the transaction price; (iv) the allocation of the transaction price to the performance obligations identified on the basis of the stand alone sales price of each good or service and (v) recognition of revenue upon

satisfaction of the relative performance obligation (i.e. on the transfer to the customer of the asset or service promised). The transfer is considered complete when the customer obtains control of the goods or services, which may occur over time or at a point in time. According to the new standard, the amount that the entity recognises as revenue should reflect the consideration that it has the right to receive following the exchange of the assets transferred to the customer and/or services provided, to be recognised upon fulfilment of the contractual obligations. In addition, to recognise the revenue, the requirement of probable obtainment/receipt of the economic benefits linked to the income is emphasised; for a contract in progress, a requirement to recognise revenue taking account of any discounting effect from payments deferred over time is introduced.

Interest income is recorded on an accruals basis, according to the amount financed and the effective interest rate applicable. This is the rate at which the expected future cash flow over the life of the financial asset is discounted to equate them with the carrying amount of the asset.

Dividends are recognised when it is established that the shareholders have the right to receive them.

Foreign currency transactions

Foreign currency assets and liabilities are translated at the reporting date using the closing exchange rate. Non-monetary assets and liabilities measured at historical cost in foreign currency are translated using the exchange rate at the transaction date.

Exchange differences arising on such transactions or on the translation of monetary assets and liabilities are recorded in the Income Statement except for those arising on derivative financial instruments qualified as cash flow hedges. These differences are recorded in Equity if unrealised, otherwise they are recorded in the Income Statement.

Government grants

Grants from public bodies are recorded when there is a reasonable certainty that the conditions required to obtain them will be satisfied and that they will be received. Such grants are recorded in the income statement over the period in which the related costs are recorded, with a reduction in the generating account.

The accounting treatment of benefits deriving from a government loan obtained at a reduced rate are similar to those for government grants. This benefit is calculated at the beginning of the loan as the difference between the initial carrying amount of the loan (fair value plus direct costs attributable to obtaining the loan) and that received, and subsequently recorded in the income statement in accordance with the regulations for the recording of government grants.

Income taxes

Income taxes for the year represent the sum of current and deferred taxation.

Income tax is based on taxable income for the period as determined under applicable tax law. The liability for current income taxes is calculated using the current rates at the reporting date. Elica S.p.A. and the subsidiary Airforce S.p.A. have opted for a consolidated tax regime in Italy. This means that the IRES (Corporation Tax) charge is calculated on a tax base representing the aggregate of the taxable income and tax losses of the individual companies. The contract is of three-year duration (2020, 2021 and 2022).

The transactions and mutual responsibilities and obligations between the Parent and the aforementioned subsidiary are defined by a specific consolidation agreement. With regard to their responsibilities, the agreement provides that the Parent is jointly liable with the subsidiary for:

- amounts due by the subsidiary under Article 127(1) of the Income Tax Code;

- payment of amounts due to the tax authorities, should it emerge that sums declared in the consolidated tax return have not been paid;
- consolidation adjustments made based on figures supplied by the subsidiary and contested by the tax authorities.

The income tax receivable is shown under Tax Receivables, determined as the difference between the income taxes in the year, payments on account, withholding taxes and, in general, tax credits. Tax Receivables also include the current IRES charge as determined on an estimate of the taxable income and tax losses of the companies taking part in the Consolidated tax regime, net of payments on account, taxes withheld by third parties and tax credits; tax assets are offset by the amounts due to the subsidiary companies by Elica for the residual receivable attributable to the Consolidated tax regime.

The liability for any tax losses surrendered by a subsidiary is recorded under Amounts due to subsidiaries.

Deferred tax assets and liabilities arise from timing differences between the carrying amount of assets and liabilities determined in accordance with the financial reporting criteria set out by the Italian civil code and their tax base.

No tax provision has been made in relation to reserves subject to taxation upon distribution as no transactions that could trigger their taxation are planned.

Deferred tax assets are recognised insofar as it is likely that, in the years the deductible timing differences leading to their creation reverse, there will be taxable income not less than the amount of the differences. The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets.

Deferred taxation is calculated based on the tax rate expected to be in force when the assets are realised or the liabilities extinguished. Deferred tax is charged or credited directly to the Income Statement, except when it relates to items charged or credited directly to Equity, in which case the deferred tax is also recognised in Equity.

Deferred tax assets and liabilities are offset when there is a direct right to compensate the tax assets and liabilities and when they refer to income taxes due to the same fiscal authority and the Company intends to pay the amount on a net basis.

D.6.2. Accounting standards, amendments and interpretations in force as from January 1, 2020 and not yet applicable by the Company

D.6.2.1 Accounting standards, amendments and interpretations applied from January 1, 2020

These financial statements were prepared according to the same accounting standards as those applied to the latest annual financial statements and the financial statement formats used are the same as those used to prepare the financial statements as at December 31, 2019).

D.6.2.1.1. 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. The application did not result in a significant impact to these financial statements.

D.6.2.1.2. 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. For this purpose, the IASB has replaced the term "capacity to create output" with "capacity to contribute to the creation of output" to clarify that a business may exist even without all 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. The application did not result in a significant impact to these financial statements.

D.6.2.2 Accounting standards, amendments and interpretations not yet applied and applicable

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.

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.

D.6.2.2.1. Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract".

On May 14, 2020, the IASB issued amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract" (hereinafter amendments to IAS 37), so as to provide clarification on how to determine the onerousness of a contract. The amendments to IFRS 37 are effective from periods beginning on, or subsequent to, January 1, 2022.

D.6.2.2.2. Amendment to IAS 16 - "Property, Plant and Equipment: Proceeds before Intended Use"

On May 14, 2020, the IASB issued amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use" (hereinafter amendments to IAS 16), which establishes that revenues deriving from the sale of goods produced by an asset before it is ready for its intended use are posted to the income statement together with the related production costs. The amendments to IFRS 16 are effective from periods beginning on, or subsequent to, January 1, 2022.

D.6.2.2.3. Amendments to IFRS 3 - "Reference to the Conceptual Framework"

On May 14, 2020, the IASB issued the amendments to IFRS 3 "Reference to the Conceptual Framework" (hereinafter the amendments to IFRS 3), in order to: (i) complete the update of the references to the Conceptual Framework for Financial Reporting included in the

accounting standard; (ii) provide clarifications on the conditions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities (levies) assumed as part of a business combination; (iii) clarify the fact that contingent assets may not be recognised as part of a business combination. The amendments to IFRS 3 are effective from periods beginning on, or subsequent to, January 1, 2022.

D.6.2.2.4. Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current-Deferral of Effective Date"

On July 15, 2020, the IASB issued amendments to IAS 1 "Classification of Liabilities as Current or Non-Current-Deferral of Effective Date" designed to defer the effective date of the amendments to IAS 1 "Presentation of Financial Statements" by one year: Classification of Liabilities as Current or Non-current" (hereinafter amendments to IAS 1), issued by the IASB on January 23, 2020. The amendments to IFRS 1 are effective from periods beginning on, or subsequent to, January 1, 2023.

The financial statements utilised are the same as those used for the preparation of the financial statements at December 31, 2019, except where indicated below.

D.6.3. Significant accounting estimates

In the preparation of the Financial Statements in accordance with IFRS, Management must make accounting estimates and assumptions which have an effect on the values of the assets and liabilities and disclosures. 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 this context, the situation caused by the historic volatility of the financial markets has resulted in the need to make assumptions about a 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 items principally affected by such uncertainty are: goodwill, the allowance for impairment and the provision for inventory impairment, non-current assets (property, plant and equipment and intangible assets), pension funds and Long Term Incentives, other post-employment benefits, provisions for risks and charges and deferred tax assets.

Reference should be made to the notes to each individual item for further information on the aforementioned estimates.

D.6.4. Notes to the Separate Financial Statements

Income statement

D.6.4.1 Revenue

An analysis of revenue by product sales and services follows:

<i>In Euro thousands</i>	2020	2019	Changes
Revenue from core product sales	304,427	314,539	(10,112)
Bonuses and refunds	(9,485)	(7,142)	(2,343)
Revenue from services	7,805	7,785	20
Revenue from other product sales	37,052	38,523	(1,471)
Revenue	339,799	353,705	(13,906)

Revenue decreased by approx. 3.9% compared to the previous year, increasing the share towards the Group to 22% (21% in 2019) and consequently reducing the share towards third parties to 78% (79% in 2019).

For information on revenue, reference should be made to paragraph A.6. "The Parent Company, Elica S.p.A.: financial results and operating performance", in the Directors' Report. A breakdown of revenue from third parties and subsidiaries is shown below.

<i>In Euro thousands</i>	2020	2019	Changes
Revenue - third parties	266,297	280,032	(13,735)
Revenue - subsidiaries	73,502	73,673	(171)
Revenue	339,799	353,705	(13,906)

Revenue from subsidiaries amount to Euro 73,502 thousand; these amounts principally refer to the sale of components and finished products to the subsidiary AirForce for Euro 1,448 thousand (Euro 1,479 thousand in 2019), to the subsidiary Ariafina for Euro 380 thousand (Euro 405 thousand in 2019), to the subsidiary Elica Group Polska for Euro 33,556 thousand (Euro 34,937 thousand in 2019), to the subsidiary Elicamex for Euro 12,333 thousand (Euro 12,186 thousand in 2019), to the subsidiary Elica India for Euro 410 thousand (Euro 615 thousand in 2019), to the Chinese subsidiary Putian for Euro 190 thousand (Euro 788 thousand in 2019), to the Russian subsidiary Elica Trading for Euro 6,875 thousand (Euro 7,671 thousand in 2019), to Elica France for Euro 12,617 thousand (Euro 10,454 thousand in 2019) and to the subsidiary Elica GmbH for Euro 5,693 thousand (Euro 5,137 thousand in 2019). All transactions are regulated at prices in line with market conditions applied to third parties.

Finally we present revenue by geographic area.

Breakdown of revenue from sales and services by geographic area and from third party and subsidiaries:

<i>In Euro thousands</i>	2020	2019	Changes
Europe + CIS (Russia)	312,484	328,721	(16,237)
Other countries	10,826	14,307	(3,481)
The Americas	16,489	10,677	5,812
Revenue	339,799	353,705	(13,906)

There are no non-Group customers in 2020 whose revenue account for more than 10% of total revenues (9.1% in 2020 and 18.5% in 2019).

D.6.4.2 Other operating income

<i>In Euro thousands</i>	2020	2019	Changes
Granted related to income	872	878	(6)
Ordinary gains	24	32	(8)
Claims and insurance settlement	285	1,099	(814)
Other revenue and income	837	682	155
Other operating income	2,018	2,691	(673)

Other revenue and income decreased by approx. Euro 0.7 million mainly relating to recoveries for insurance claims and indemnities as income matured in the previous year deriving from damage due to inclement weather. This account presents the majority of the government grants issued to the company. Reference should be made to Note D.6.8 for information on the government grants presented according to Article 1, paragraph 125, No. 124 of Law of August 4, 2017.

D.6.4.3 Change in inventories of finished and semi-finished products

Changes in inventories of finished and semi-finished products was positive for Euro 4,215 thousand at December 31, 2020, while negative at December 31, 2019 for Euro 785 thousand. The increase reflects the increase in inventories of finished and semi-finished products.

D.6.4.4 Increase in internal work capitalised

<i>In Euro thousands</i>	2020	2019	Changes
Self-constructed assets	1,640	2,482	(842)
Increase in internal work capitalised	1,640	2,482	(842)

The account amounted to Euro 1,640 thousand (Euro 2,482 thousand in the previous year) and mainly relates to the capitalisation of charges regarding the design and development of new products and costs sustained internally for the construction of mouldings, industrial equipment and the implementation of new IT programmes. Capitalised costs principally relate to personnel. The reduction in value reflects the decision to reduce capex in 2020. For further information, reference should be made to the paragraphs outlining the balances and changes in property, plant and equipment and intangible assets.

D.6.4.5 Raw materials and consumables

The breakdown of consumables (third parties and subsidiaries) is as follows:

<i>In Euro thousands</i>	2020	2019	Changes
Purchase of raw materials	105,288	104,275	1,013
Purchases of semi-finished products	10,777	11,202	(425)
Purchase of ancillary materials and consumables	1,147	897	250
Purchase of finished products	100,758	107,642	(6,884)
Packaging	402	562	(160)
Other purchases	774	624	150
Transport of purchases	859	858	1
Purchases of raw materials from related parties	0	0	0
Change in raw materials, ancillaries, consumables and goods	(739)	1,770	(2,509)
Raw materials and consumables	219,266	227,830	(8,564)

The balance is broken down as follows:

<i>In Euro thousands</i>	2020	2019	Changes
Raw materials and consumables - third parties	118,828	120,622	(1,794)
Raw materials and consumables - subsidiaries	100,438	107,208	(6,770)
Raw materials and consumables	219,266	227,830	(8,564)

Raw materials and consumables decreased by Euro 8.6 million compared to 2019. These costs as a percentage on sales were substantially in line, rising from 64.4% to 64.5%. Those from subsidiaries amounted to Euro 100,438 thousand (Euro 107,208 thousand in 2019). The most significant item relates to the purchases of finished products and goods from the subsidiary Elica Group Polska for Euro 95,099 thousand (Euro 101,887 thousand in 2019).

All transactions are regulated at prices in line with market conditions applied to third parties.

D.6.4.6 Services

<i>In Euro thousands</i>	2020	2019	Changes
Outsourcing	20,364	20,967	(603)
Maintenance	1,318	1,442	(124)
Transport	3,472	4,147	(675)
Trade fairs and promotional events	2,482	3,360	(878)
Utilities	2,109	2,019	90
Promotion & advertising fees	1,058	2,377	(1,319)
Commissions	946	825	121
Management of finished products	5,690	4,942	748
Consultancy	5,642	3,934	1,708
Industrial services	434	331	103
Travel	349	1,418	(1,069)
Insurance	742	651	91
Bank services & expenses	211	232	(21)
Other professional services	4,398	5,265	(867)
Heating expenses	343	370	(27)
Statutory Auditor fees and remuneration	65	75	(10)
Directors' fees and remuneration	7,459	2,409	5,050
Vehicle management expenses	604	681	(77)
Stock Exchange maintenance costs	339	353	(14)
Services	58,025	55,798	2,227

Service expenses increased approx. Euro 2 million on the previous year. This increase is concentrated in the two items Consultancy and Directors' and Statutory Auditors fees, deriving from the increase in the cost of the Long Term Incentive Plan. On the other hand, there were significant decreases in the items Promotions & Advertising fees and travel and accommodation expenses.

In 2020, the item Other professional services includes communication services of Euro 693 thousand (Euro 579 thousand in 2019), technical assistance and warranty costs of Euro 1,885 thousand (Euro 1,870 thousand in 2019), canteen costs of Euro 312 thousand (Euro 379 thousand in 2019) and cleaning costs of Euro 440 thousand (Euro 277 thousand in 2019).

The balance is comprised of:

<i>In Euro thousands</i>	2020	2019	Changes
Services - third parties	55,817	53,004	2,813
Services - subsidiaries	2,208	2,794	(586)
Services	58,025	55,798	2,227

D.6.4.7 Personnel expense

Personnel expense incurred in 2019 and 2020 was as follows:

<i>In Euro thousands</i>	2020	2019	Changes
Wages and salaries	33,788	39,117	(5,329)
Social security charges	11,043	12,310	(1,267)
Accrual of post-employment benefits	2,730	2,823	(93)
Other personnel costs	4,502	2,932	1,570
Personnel expense	52,063	57,182	(5,119)

Personnel expense overall decreased Euro 5,119 thousand. This reduction represents the Company's ability to react to the decline in revenue, through recourse to the instruments made available by local government for approx. Euro 4.6 million, principally as support for the reduction in demand due to the lock-down, and through the waiver by employees of variable pay, in full for executive staff and 50% for middle management. In addition, in the second half of the year, the Company implemented a restructuring plan that resulted in the reduction of Corporate white collars, with a reduction in structural labour costs.

Other costs, on the other hand, include an increase of Euro 0.6 million linked to the use of temporary staff to meet the increase in demand in the second half of the year, and an increase of Euro 1.9 million accrued to the Long Term Incentive Plan for employee beneficiaries.

The table below shows the number of employees at December 31, 2019 and December 31, 2020:

	2020	2019	Changes
Executives	24	28	(4)
White-collar	369	396	(27)
Blue-collar	701	715	(14)
Others	63	-	63
	1,157	1,139	18

The net reduction in executives and white-collar employees is primarily due to the restructuring plan just described implemented during the year. The above balance also includes the 8 employees in the Spanish office.

D.6.4.8 Amortisation, depreciation and impairment losses

Amortisation and depreciation amount to Euro 15,430 thousand, an increase on Euro 14,507 thousand in 2019. In addition, the Company recognised impairment losses of approx. Euro 903 thousand. 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 non-current assets, which contributed to reducing this account. The Company has focused investment on priority projects and product innovation, so that strategic projects progress in line with expectations. 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. Management has reviewed the useful life of intangible assets and whether they continue to meet the requirements for capitalisation as intangible assets. This analysis led to the need to shorten the useful life of software and to impair assets under development relating to projects that are no longer part of the Company's future plans. For the changes in the year of amortisation and depreciation, reference should be made to the paragraph on non-current assets and right-of-use assets as per IFRS 16, D.6.4.17 and D.6.4.18.2, D.6.4.18.3.

D.6.4.9 Other operating expenses and accruals

These are detailed as follows:

<i>In Euro thousands</i>	2020	2019	Changes
Rental of vehicles and industrial equipment	254	600	(346)
Rental charges	93	95	(2)
Fees for the use of HW, SW, patents	533	441	92
Other taxes (not on income)	369	388	(19)
Magazine and newspaper subscriptions	4	15	(11)
Sundry equipment	183	104	79
Catalogues and brochures	359	499	(140)
Losses on receivables and loss allowance & Provisions for risks and charges	2,271	1,738	533
Other prior year expenses and losses	1,181	479	702
Other operating expenses and accruals	5,247	4,359	888

The account increased by Euro 888 thousand. Losses on receivables and loss allowance increased, while Provisions for risks and charges decreased and Other prior year expenses and losses increased. These changes reflect estimates made by Management for risk coverage.

D.6.4.10 Restructuring charges

<i>In Euro thousands</i>	2020	2019	Changes
Restructuring charges	1,912	612	1,300
Restructuring charges	1,912	612	1,300

The restructuring charges mainly refer to the workforce restructuring plan of the Company, undertaken to create a leaner and more optimised organisation. This plan was implemented in the second half of the year and resulted in a reduction in Corporate white collar employees. The objective is a structural reduction in labour costs.

Of these costs, Euro 141 thousand is still carried in the personnel redundancy provision to cover future departures in accordance with IAS 37. They principally concern personnel expense.

D.6.4.11 Impairment losses in subsidiaries and associates

	2020	2019	Changes
<i>In Euro thousands</i>			
Impairment in subsidiaries and associates	(2,495)	(2,607)	112
Impairment losses on subsidiaries and associates	(2,495)	(2,607)	112

Impairment losses of investments in subsidiaries concerns the company Putian, for Euro 2 million and follows an impairment test, details of which are provided under the Investments paragraph D.6.4.19.1 of these Notes. The balance of the impairment losses refers to the non-core equity investment in the real estate company ISM, an associate of the Company, and amounts to Euro 495 thousand.

D.6.4.12 Financial income

Details of financial income are shown below:

<i>In Euro thousands</i>	2020	2019	Changes
Interest on bank and post office accounts	3	16	(13)
Other financial income	563	899	(336)
Financial income	566	915	(349)

The decrease in Financial Income is concentrated in Other Financial Income, an amount primarily comprised of Interest Income from subsidiaries. This item reflects changes in cash and cash equivalents over time, as a result of the Group's decision to centralize its bank borrowings in order to benefit from more favourable market conditions.

D.6.4.13 Financial expense

<i>In Euro thousands</i>	2020	2019	Changes
Financial expense on bank overdrafts and loans	2,195	1,176	1,019
Interest on lease liabilities (IFRS 16)	106	127	(21)
Financial expense on Post-Employ. Benefits	68	108	(40)
Commercial discounts	419	1,223	(804)
Other financial expense	54	166	(112)
Financial expense	2,842	2,800	42

The balance is substantially in line with the previous year. Charges on overdrafts and bank loans increased due to the cost of closing old bank loans outstanding. On the other hand, commercial discount payables decreased Euro 0.8 million.

D.6.4.14 Exchange rate gains/(losses)

<i>In Euro thousands</i>	2020	2019	Changes
Exchange rate losses	(5,872)	(1,425)	(4,447)
Exchange rate gains	3,736	2,527	1,209
Charges on derivative instruments	(6,288)	(4,122)	(2,166)
Income on derivative instruments	7,849	2,801	5,048
Exchange rate gains/(losses)	(575)	(219)	(356)

Net exchange losses were reported for Euro 2,136 thousand in the year compared with net exchange gains in the previous year of Euro 1,102 thousand.

The account Losses on derivatives amounted to Euro 1,321 thousand in 2019 compared to a gain of Euro 1,561 thousand in 2020 and relates principally to losses on currency derivatives, which in accordance with the accounting standards may not be treated as hedging operations, although they were made for this purpose. For this reason, they were recognised at their fair value and recognised in the income statement.

In view of the reporting of exchange losses and as the company recorded a loss, it was not considered necessary to reconstitute the Exchange rate gains reserve as per No. 8 bis of paragraph 1, Article 2426 of the Civil Code.

D.6.4.15 Income taxes

The tax charge in the year is broken down as follows:

<i>In Euro thousands</i>	2020	2019	Changes
Current taxes	314	514	(200)
Income from tax consolidation	(137)	(140)	3
Deferred tax income/charge	(2,884)	(1,546)	(1,337)
Income taxes	2,707	1,173	1,534

Current taxes include amounts relating to: IRAP regional tax of Euro 61 thousand, non-recoverable foreign taxes of Euro 223 thousand, and taxes relating to the payment of disputes of Euro 29 thousand. The company has a tax loss and has not accrued any IRES income taxes. The table shows the amount of income from the tax consolidation for Euro 137 thousand.

“Income taxes” in fact includes the positive impact calculated by the company for the Patent Box, a tax subsidy granted by the Italian State - with prior agreement - for income deriving from the use of intangible assets (patents).

The Company is waiting for the renewal of the Ruling for the year 2020; the tax effect of the subsidy, estimated with the information available, is equal to approx. Euro 0.8 million.

The Company renewed the National Tax Consolidation, as per Article 117 and subsequent of the Income Tax Law, with the subsidiary Air Force S.p.A. for the years 2020 - 2022.

According to the consolidation agreements, in the case of the transfer to the fiscal consolidation (fiscal unit) of a tax loss, of a ROL excess (EBITDA), of an interest charge or income excess or an excess in the ACE (Economic Growth Support) deduction compared to the assessable income, the Company will recognise remuneration equal to the tax advantage gained by the Group (IRES rate 24%); this amount is recognised to “Consolidation income” in the income statement.

The reconciliation between the theoretical and effective tax rate is shown (IRES) in the table below.

The change in the effective tax rate is due to non-recurring events, both last year and in the present year.

Tax Rate Reconciliation

	2020			2019						
IRES rate	24.00%			24.00%						
IRAP rate	4.73%			4.73%						
	Taxable profit	IRES	IRAP	Total	IRES on tax base	Assessable	IRES	IRAP	Total	% IRES on profit/(loss) before tax
Income taxes										
- Current		(137)	61	(76)			(140)	-	(140)	
- Prior year taxes / foreign taxes		253	-	253			514	-	514	
- Deferred – cost (income)		(2,924)	41	(2,883)			(1,607)	61	(1,546)	
[A] TOTAL INCOME TAXES	(2,808)	101	(2,706)	47.74%			(1,234)	61	(1,173)	46.91%
LOSS BEFORE TAXES	(5,882)				(2,630)					
Tax calculated using local tax rate		(1,412)		24.00%			(631)		24.00%	
Tax effect of exempt income	(10,031)	(2,407)		40.93%	(8,432)	(2,024)			76.95%	
Tax effect of non-deductible expenses	3,774	906		-15.40%	4,417	1,060			-40.30%	
Other differences	(621)	(149)		2.50%	(638)	(153)			5.80%	
[B] Effective tax charge and tax rate net of substitute tax	(12,760)	(3,062)		52.06%	(7,283)	(1,748)			66.46%	
Effect of tax reimbursement / Foreign taxes		253		-4.30%			514		-19.53%	
[C] Effective tax charge and tax rate	(2,808)			47.74%			(1,234)		46.94%	

D.6.4.16 Other information on Income Statement

The research and development costs capitalised and expensed in 2019 and in 2020 are summarised in the table below:

	31/12/2020	31/12/2019	Changes
<i>In Euro thousands</i>			
R&D costs expensed	4,412	4,395	17
Amortisation/impairment of capitalised R&D costs	4,007	2,680	1,327
Total R&D costs	8,419	7,075	1,344
R&D costs capitalised during the year	1,338	2,096	(758)

Statement of financial position

D.6.4.17 Property, plant and equipment

The table below shows details of the changes in property, plant and equipment in 2020 and 2019.

	Land & buildings	Plant & machinery	Industrial & commercial equipment	Other assets	Assets under construction & payments on account	Historic cost property, plant & equipment
<i>In Euro thousands</i>						
31/12/2018	37,508	68,040	84,089	7,463	265	197,365
Increases	539	1,831	2,696	333	224	5,623
Disposals & other reclassifications	(287)	(51)	(2)	(2)	(252)	(591)
31/12/2019	38,047	69,584	86,734	7,794	237	202,397
Increases	141	975	2,489	353	358	4,316
Disposals & other reclassifications	-	(1,230)	(1,071)	(112)	(384)	(2,797)
31/12/2020	38,188	69,330	88,152	8,036	212	203,918

	Land & buildings	Plant & machinery	Industrial & commercial equipment	Other assets	Assets under construction & payments on account	Accumulated Depreciation
<i>In Euro thousands</i>						
31/12/2018	18,706	53,118	72,450	6,324		150,598
Depreciation	989	2,333	3,207	293		6,822
Disposals & other reclassifications	(376)	(83)	(2)	(2)		(460)
31/12/2019	19,695	55,074	75,575	6,615		156,958
Depreciation	1,002	1,977	2,962	347		6,288
Disposals & other reclassifications	-	(815)	(1,154)	(107)		(2,076)
31/12/2020	20,697	56,237	77,382	6,856		161,172

	Land & buildings	Plant & machinery	Industrial & commercial equipment	Other assets	Assets under construction & payments on account	Net property, plant and equipment
<i>In Euro thousands</i>						
31/12/2018	18,802	14,922	11,640	1,139	265	46,768
Increases	539	1,831	2,696	333	224	5,623
Depreciation	(989)	(2,333)	(3,207)	(293)	-	(6,822)
Disposals & other reclassifications	-	89	32	-	(251)	(131)
31/12/2019	18,353	14,510	11,159	1,180	238	45,439
Increases	141	975	2,489	353	358	4,316
Depreciation	(1,002)	(1,977)	(2,962)	(347)	-	(6,288)
Disposals & other reclassifications	-	(415)	83	(5)	(384)	(721)
31/12/2020	17,491	13,093	10,770	1,180	212	42,746

Investments during the year included the purchase of a laser cutting machine, an automatic gluing plant, a die for sheet metal, and an automatic palletizing and packaging plant.

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 non-current assets, which contributed to reducing this account, without sacrificing investments on

strategic projects. 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.

Property, plant and equipment is adequately insured against fire, weather damage and similar risks by means of insurance policies arranged with leading insurance companies.

The financial statements include assets acquired under finance lease agreements which by the end of 2010 had all been redeemed.

D.6.4.18 Goodwill and other intangible assets

D.6.4.18.1. Goodwill

The movements in the account in the year were as follows:

<i>In Euro thousands</i>	31/12/2019	Acquisitions/ (Impairment losses)	31/12/2020
Goodwill	23,342	-	23,342
Goodwill	23,342	-	23,342

Goodwill totalling Euro 23.3 million is allocated to the Elica Group Cash Generating Unit (CGU) at Group consolidated level. The goodwill did not change in 2020.

Already in 2018 it was considered necessary to establish a new global model, with a single Cash Generating Unit, the Elica Group which reflects the current Group situation and international accounting standards (IAS 36). For the impairment test upon the goodwill written to the financial statements of Elica S.p.A. the cash flows of the Company were used.

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 February 12, 2021, 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.

Discounted cash flow assumptions

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

	2020
Weighted average cost of capital (WACC)	7.17%
Growth rate terminal value	1.30%
CAGR revenue period 2021-2025	3.30%

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 0.8% was used, a market premium risk of 5.00% and a beta-unlevered factor of 0.82.

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 6.4%;
- average EBIT on revenue equal to 2.8%;
- average Capex on revenue equal to 3.6%;
- level of Free Operating Cash flow After Taxes on revenue equal to 4.4%.

The assumptions utilised in the estimates are based on historical and forecast data of the Company, and are in line with information available from independent sector and market analysts 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 Company was 1.76 times its carrying amount (Euro 270 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 (+/- 13bps), the WACC (+/- 7bps) and the cost of raw materials (+/-200bps). None of the changes considered resulted in a recoverable amount of the Company equal to or below the respective carrying amounts. In particular, upon changes in the growth rate coverage would fluctuate between 1.79 and 1.73, upon changes in the WACC coverage would fluctuate between 1.99 and 1.58 and upon changes in the cost of consumption of raw materials it would fluctuate between 1.88 and 1.28.

D.6.4.18.2. Other intangible assets

The table below shows details of changes in other intangible assets in 2019 and 2020.

In Euro thousands	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks & similar rights	Other intangible assets	Assets under construction and payment on accounts	Net intangible assets
31/12/2018	7,688	10,176	607	1,174	1,443	21,087
Increases	2,096	2,927	272	301	1,531	7,127
Other changes and reclassifications	587	293	(100)	-	(895)	(115)
Amortisation and impairment losses	(2,680)	(2,555)	(337)	(345)	(105)	(6,022)
31/12/2019	7,691	10,842	442	1,130	1,965	22,071
Increases	1,338	1,302	1	234	1,234	4,109
Amortisation and impairment losses	(2,643)	(4,215)	(81)	(371)	(903)	(8,213)
Disposals & other reclassifications	141	657	(2)	(1)	(796)	(0)
31/12/2020	6,527	8,586	360	992	1,500	17,966

Development costs relate to product design and development activities. The increase is mainly attributable to the cost of developing new products.

Industrial patents and intellectual property rights includes the recognition of patents, associated development costs, intellectual property rights and software programmes.

Concessions, licenses, trademarks and similar rights refers to the registration of trademarks by the company.

Other intangible assets mainly consists of shared costs regarding the development of equipment, mouldings and machinery and servers refurbishment.

The Intangible assets in progress and advances of Euro 1,500 thousand refer principally to the design and development of new products and software application programmes. Assets under development which presumably will be recorded under development costs amount to Euro 510 thousand.

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 non-current assets, which contributed to reducing this account. The Company has focused investment on priority projects and product innovation, so that strategic projects progress in line with expectations.

The capitalisation of development costs and intangible assets in progress requires the calculation of estimates by the Directors, as their recoverability is dependent on the cash flows deriving from the sale of products sold by the Group.

Management has reviewed the useful life of intangibles and the continued compliance with the requirements for intangible asset capitalization. This analysis led to the need to shorten the useful life of software (Euro 1,364 thousand) and to write down assets under development (Euro 903 thousand) relating to projects that are no longer part of the Company's future plans, for a total of Euro 2.3 million. For the reminder, the recoverable amount of the development costs and intangible assets in progress is greater than the corresponding carrying amount, and therefore it is not necessary to recognise an impairment loss. For the remainder, the criteria applied to amortise intangibles is considered appropriate to reflect the remaining useful life of the assets.

D.6.4.18.3. Rights-of-use assets

<i>In Euro thousands</i>	Right-of-use Buildings	Right-of-use Plant and Machinery	Rights-of-use Other Assets	Rights-of-use value
01/01/2019	348	1,809	4,971	7,128
Increases	119	123	953	1,195
Amortisation & Depreciation	(147)	(490)	(1,024)	(1,661)
Disposals & other reclassifications				
31/12/2019	320	1,442	4,900	6,662
Increases	140	22	504	666
Amortisation & Depreciation	(146)	(480)	(1,207)	(1,833)
Disposals & other reclassifications	(98)	1	(28)	(125)
31/12/2020	216	985	4,167	5,368

This item includes assets representing the Company's rights-of-use under existing lease, rental and hire agreements. The Company has many assets under lease, such as buildings, production machinery, motor vehicles and IT equipment. Plant and machinery rights-of-use include the asset for the use of the photovoltaic plant at the Castelfidardo site, whilst the Rights-of-use for Other Assets primarily regards IT equipment.

D.6.4.19 Investments

D.6.4.19.1 Investments in subsidiaries

	31/12/2019	Acquisitions & Sub.	Impairment	Increases	31/12/2020
<i>In Euro thousands</i>					
Investments in subsidiaries	59,832	-	(2,000)	2,900	60,732
Investments in subsidiaries	59,832	-	(2,000)	2,900	60,732

The details of investments in subsidiaries are shown below:

	31/12/2019	Acquisitions & Sub.	Impairment	Increases	31/12/2020
<i>In Euro thousands</i>					
Elica Trading LLC	3,880				3,880
Elica Group Polska S.p.zoo	22,276				22,276
Elicamex S.a. de C.V.	9,389				9,389
Leonardo Services S.a. de C.V.	75				75
Ariafina Co.Ltd	49				49
Airforce S.p.A.	1,212				1,212
Elica India P.B.	2,651				2,651
Zhejiang Elica Putian Electric Co. Ltd	15,735		(2,000)	1,900	15,635
Elica France S.A.S.	1,024				1,024
Elica GmbH	3,540			1,000	4,540
Investments in subsidiaries	59,832	-	(2,000)	2,900	60,732

Investment report the following movements for the year.

Elica S.p.A. paid into the share capital of Elica GmbH for Euro 1 million, and into Putian for approx. Euro 1.9 million.

The table below summarises the key figures derived from the subsidiary companies 2020 financial statements, including their equity. This amount is therefore compared with the carrying amount of the investment.

<i>In Euro thousands</i>	% held	Value Dec 31, 20	Profit/(loss) for the year	Equity
Airforce S.p.A.	60.00%	1,212	551	3,696
Ariafina Co.Ltd	51.00%	49	3,353	8,852
Elica Group Polska Sp.z o.o	100.00%	22,276	1,725	23,168
Elicamex S.a.d. C.V.	98.00%	9,389	3,056	27,165
Leonardo Services S.a. de C.V.	98.00%	75	172	487
Elica PB India Private Ltd.	25.50%	2,651	5,515	15,303
Zhejiang Elica Putian Electric Co. Ltd	99.17%	15,635	(5,064)	(4,081)
Elica Trading LLC	100.00%	3,880	401	1,117
Elica France S.A.S.	100.00%	1,024	112	1,068
Elica GmbH	100.00%	4,540	(314)	1,420

It is considered that the only investment with impairment indicators is the Chinese company; the companies Elica GmbH, Elica Trading LLC and Elica France S.A.S. report growing business prospects. The recoverable value of the investments demonstrating indicators of impairment, in Elica Putian, were verified through calculating the respective values in use, represented by the present value of the expected revenue streams for the years of operations of the company subject to the impairment test and deriving from its disposal at termination of the useful life, calculated as per the “Discounted cash flow” method.

The impairment test was approved by the Board of Directors on February 12, 2021, 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 of the investments were as follows:

2020	Weighted average cost of capital (WACC)	Growth rate terminal value	CAGR revenue period 2021-2025
Zhejiang Elica Putian Electric Co. Ltd	9.5%	5.30%	3.0%

Investments in subsidiaries with indicators of Impairment

The principal assumptions utilised by the company in the previous year for the test on this subsidiary were as follows:

2019	Weighted average cost of capital (WACC)	Growth rate terminal value	CAGR revenue period 2020-2024
Zhejiang Elica Putian Electric Co. Ltd	8.5%	5.0%	23.9%

Investments in subsidiaries with indicators of Impairment

The Weighted Average Cost of Capital (WACC) utilised to discount the future cash flows was determined utilising the Capital Asset Pricing Model (CAPM).

Assumptions utilised in the estimate of the cash flows

The discounted cash flow model is based on the financial cash flows for a period equal to five years, calculated on the basis of the best estimates made by the directors, for the sole purposes of the impairment test.

The main assumptions utilised in the determination of the cash flows were as follows:

- average EBITDA on revenue equal to 7.1%;
- level of Free Operating Cash flow After Taxes on revenue equal to 8.2%.

The assumptions utilised in the estimates are based on historical and forecast data of the companies held, and are in line with information available from independent sector and market analysts in which the Company 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 tests resulted in the recognition to the Income Statement of the company of an impairment of Euro 2 million for the investment in the company Putian.

Sensitivity analysis

We undertook a sensitivity analysis on the test concerning the investment in Putian, according to the following assumptions and with the following results: changing the growth rate (+/- 0.5%) the coverage would range between 0.85 and 1.18 and, modifying the WACC (+2/- 0.5%) the coverage would range between 1.18 to 2.46. Finally, considering an increase in raw material consumption costs of between 0.5% and 2%, the coverage would range between 0.83 and 0.68, while considering a decrease in the cost of raw material consumable cost of between 0.5% and 2%, the coverage would range between 0.93 and 1.08.

D.6.4.19.2 Investments in associates

During the year, the non-core investment in the associated company, which carries out real estate activities, was written down.

In Euro thousands	Registered Office	% held	Carrying amount at Dec 31, 2019		Equity	Pro-quota Equity at Dec. 31, 2020
			Profit/(loss)			
<u>As per local GAAP</u>						
I.S.M. Srl	Cerreto d'Esi (AN) (Ancona- Italy)	49%	275	31	1,529	755

At December 31, 2020, the Company considered that the value of the investment in I.S.M. S.r.l. was recoverable through the real estate activity undertaken by the company. An analysis was conducted to determine the value of the equity investment, examining the fair value of the assets held by the associate.

D.6.4.20 Other assets (non-current)

The breakdown is as follows:

In Euro thousands	31/12/2020	31/12/2019	Changes
Non-current receivables from employees	2	11	(9)
Other non-current assets	9	11	(2)
Other financial assets	49	49	0
Other assets (non-current)	60	71	(11)

Other non-current receivables include guarantee deposits, while receivables from employees relates to the INPS accrued at the time of the 1997 earthquake. This account includes payables beyond 5 years of Euro 9 thousand.

The item Other assets regards unqualified non-controlling interests held by Elica S.p.A. in other companies. There were no changes compared to the previous year. The investments are held in unlisted companies whose shares are not traded on a regulated market. Therefore, as there were no purchases or sales of these shares in the last year, their fair value cannot be determined in a reliable manner.

The above investments are recorded at cost in accordance with article 10 of Law 72/1983 and no revaluations have been made pursuant to specific laws.

Management believes that this amount approximates fair value.

D.6.4.21 Deferred tax assets and liabilities

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Deferred tax assets	18,849	15,849	3,000
Deferred tax liabilities	(1,396)	(652)	(744)
Total	17,453	15,197	2,256

Deferred tax assets principally relate to non-deductible accruals, goodwill and the tax loss. Deferred tax liabilities principally includes the payables for merger adjustments and IRS valuation.

The following table details deferred tax assets and liabilities:

<i>In Euro thousands</i>	Dec 31, 2019		Equity/ Others	Effect P/L		Dec 31, 2020
	Assets	Liabilities	Costs	(Revenue)	Assets	Liabilities
Amortisation & Depreciation	1,144	(1)	39	(105)	1,210	(1)
Accruals	3,384	-	2,204	(880)	2,060	-
Inventory write-down	1,061	-	243	(149)	967	-
Exchange rate differences	130	-	0	(264)	394	-
Restructuring charges	44	-	44	(41)	41	-
Merger adjustments	0	(547)	-	(41)	-	(506)
Goodwill	91	(3)	49	-	42	(3)
IRS measurement	90	(101)	(628)	-	245	(884)
Post-employment benefits	281	-	-	-	281	-
Tax loss	7,995	-	-	(2,206)	10,200	-
Other	-	-	2	(82)	82	(2)
Employee bonuses	1,629	-	1,034	(2,732)	3,327	-
	15,849	(652)	(628)	3,615	(6,500)	18,849
						(1,396)

Management decides whether to recognise deferred tax assets by assessing projected future recovery based on budget projections.

D.6.4.22 Trade receivables - third parties

The account consists of:

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Receivables within one year	49,096	23,042	26,054
Receivables beyond one year	2,371	473	1,898
Trade receivables – third parties	51,467	23,515	27,952

Trade receivables increased Euro 27,952 thousand. This increase was mainly due to the significant increase in sales recorded during the second half of 2020 compared to the same period in 2019.

During 2020, despite the difficulties generated by the COVID 19 pandemic, in Elica SpA, a careful collection activity continued, which allowed the DSO (Days Sales Outstanding) to be maintained in line with the 2019 figure.

Elica SpA implements a Group Credit Policy which governs the management of credit in order to reduce the risk.

In particular, it is Company policy to transfer the recoverability risk of receivables to third parties and, therefore, various derivatives are utilised among which first and second level insurance policies with leading international insurance companies.

The maximum theoretical credit risk exposure for the Company at December 31, 2020 is based on the carrying amount of recognised receivables, net of the specific insurance coverage, non-recourse receivables factored and letters of credit, in addition to the nominal value of the guarantees given to third parties.

At the end of December 2020, almost all receivables are covered against risk through credit insurance or other guarantees.

At December 31, 2020, trade receivables from non-Group clients of Euro 51.5 million (Euro 23.5 million at December 31, 2019), included approx. Euro 2.1 million (Euro 1.8 million at December 31, 2019) concerning overdue receivables, with the amount of receivables past due more than 31 days immaterial.

The amount of trade receivables recognised in the statement of financial position is net of the allowance for impairment. The provision is allocated either on a specific basis or on the general basis of overall risks, in accordance with the Group's Credit Policy.

The movements in the Doubtful Debt Provision in 2020 are set out below:

	31/12/2020	31/12/2019	Changes
<i>In Euro thousands</i>			
Opening balance	4,002	12,257	(8,255)
Accruals	-	-	-
Utilisation/Releases	(752)	(8,255)	7,503
Total	3,250	4,002	(752)

The realignment of receivables to their fair value is achieved through the bad debt provision.

D.6.4.23 Inventories

The value of inventories reports a decrease of approx. Euro 2.6 million.

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Raw materials, ancillaries and consumables	13,155	13,098	57
Allowance for the write-down of raw materials, ancillaries and consumables	(1,650)	(2,333)	683
Raw materials, ancillaries and consumables	11,505	10,765	740
Work-in-progress and semi-finished products	7,520	8,317	(797)
Allowance for the write-down of work-in-progress and semi-finished products	(242)	(549)	307
Work-in-progress and semi-finished products	7,278	7,768	(490)
Finished products and goods for resale	22,852	17,550	5,302
Allowance for the write-down of finished products and goods for resale	(2,138)	(1,540)	(598)
Finished products and goods	20,714	16,010	4,704
Inventories	39,497	34,543	4,954

Inventories are stated net of the allowance for inventory write-down which amounts to Euro 4.0 million at December 31, 2020 and Euro 4.4 million at December 31, 2019, in order to provide for the effect of waste, obsolete and slow moving items. During 2020, a scrapping was carried out in order to reduce inventories in stock that had not moved and not useful for the future, with a provision amounting to 9.3% of the value of the stock (11.3% in 2019). Year-end inventories increased by approx. Euro 5 million, as a result of Management's decision to increase the minimum stock level, in order to cope with peaks in demand.

The calculation of the allowance for the write-down of raw materials, semi-finished and finished products is based on assumptions made by Management.

Inventories also include materials and products that were not physically held by the Company at the reporting date. These items were held by third parties on display, for processing, consignment stock, or for examination.

D.6.4.24 Other assets (current)

This item is broken down as follows:

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Current prepayments	1,175	851	324
Other assets (current)	1,812	3,016	(1,204)
Other assets (current)	2,987	3,867	(880)

The account decreased Euro 880 thousand, particularly relating to Other current receivables. This reduction is due for Euro 650 thousand to the collection of the receivable from the insurance broker, accrued last year following an accident at the Mergo plant caused by atmospheric events. Other assets mainly refer to government grants for investment obtained by the parent, such as Industry 2015, the SM project, the Shell project, the Seal project, the Smartfan project and photovoltaic plant grants.

Management believes that this amount approximates fair value.

The account includes receivables beyond five years of Euro 8 thousand.

D.6.4.25 Tax assets (current)

The breakdown of the account Tax Assets is summarised in the table below:

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
VAT reimbursement receivable	8,174	6,575	1,599
Income tax receivables (e.g. IRES)	72	35	37
Other tax assets	1,869	671	1,198
Tax assets (current)	10,115	7,281	2,834

Other tax assets includes receivables for taxes paid abroad to be recovered. The changes concern the increase in the VAT receivable related to commercial transactions.

Management believes that this amount approximates fair value.

D.6.4.26 Liabilities for post-employment benefits

The amount provisioned in the accounts of Euro 8,671 thousand is the present value of pension liabilities matured by employees at year-end.

The most recent calculation of the present value of this item was performed at December 31, 2020 by actuaries from the company Managers & partners - Actuarial Services S.p.A.. The amounts recognised in the Income Statement were as follows:

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Current service cost	2,730	2,823	(93)
Financial expenses	68	108	(40)
	2,798	2,931	(133)

The changes in the present value of post-employment benefit obligations in the reporting period were as follows:

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Opening balance	9,088	9,071	17
Current service cost	2,730	2,823	(93)
Actuarial gains and losses	92	453	(361)
	2,822	3,276	(454)
Financial expenses	68	108	(40)
Pension fund	(2,910)	(2,828)	(82)
Benefits provided	(397)	(539)	142
	(3,239)	(3,259)	20
Liabilities for post-employment benefits	8,671	9,088	(417)

The interest component of the defined employee benefit plan cost is shown under financial charges, with a resulting increase of Euro 108 in this item for the reporting period. The current service cost and the effect of the curtailment and settlement were recorded under personnel expense. Actuarial gains and losses, amounting to Euro 92 thousand, comprise the actuarial gains (losses) of the defined benefit plans reported in the Statement of Comprehensive Income.

Assumptions adopted for the calculation:

	31/12/2020	31/12/2019
Discount rate to determine the obligation	-0.02%	0.77%
Rate of inflation	0.80%	1.20%

The discount rates utilised by the Company were selected based on the yield curves of high-quality fixed income securities, as in previous years.

This financial variable is considered the most significant and therefore chosen for a sensitivity analysis. The objective of a sensitivity analysis is to show how the result of the valuation changes in response to changes in an assumption adopted for the calculation, with all other assumptions unchanged.

Therefore, if the discount rate increased 0.5% (0.48%), the obligation would amount to Euro 8,477 thousand, while if the discount rate decreased 0.5% (-0.52%), the obligation would amount to Euro 8,873 thousand.

Number of employees

The average number of employees in 2020 was 1,148 (1,149 in 2019), with the final number at December 31, 2020 of 1,157, as outlined in Note D.6.4.7

D.6.4.27 Provision for risks and charges

The composition and movements of the provisions are as follows:

<i>In Euro thousands</i>	31/12/2019	Provisions	Utilisations /Releases	31/12/2020
Agents' termination benefits	623	72	(11)	684
Product warranties	1,266	1,250	(1,146)	1,370
Product disposal	1,076	408	(170)	1,314
Legal risks	6,989	1,400	(5,350)	3,039
Long Term Incentive Plan	3,275	8,938	(1,081)	11,132
Restructuring	156	141	(156)	141
Personnel	2,393	1,534	(2,393)	1,534
Provisions for risks and charges	15,778	13,743	(10,307)	19,213
of which				
Non-current	14,512			16,168
Current	1,266			3,045
Provisions for risks and charges	15,778			19,213

Accruals for agents' termination benefits cover possible charges upon the termination of contracts with agents and sales representatives. Changes in the provision reflect adjustments in the indemnities and the utilisations.

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. The amount of Euro 4.8 million included in utilisations of the legal risks provision concerns the proceedings between Esperança Real S/A, Madson Eletrometalurgica Ltda and Elica S.p.A, for which Elica reports that it has signed a settlement agreement. The settlement stipulates the payment by Elica to the counterparties and their lawyers of Euro 4,150 thousand, excluding any court costs and excluding the fees due to their lawyers. The company has utilised an additional amount of Euro 0.6 million for the settlement. Therefore, the specific provision for risks as at December 31, 2020 is nil, given that payments were made during the year amounting to Euro 4.8 million, of which approximately Euro 4 million had already been allocated in December 2019 and the difference set aside in the first half of the year. (see D.6.4.33).

The amount, Euro 141 thousand, still carried in the restructuring provision, is intended to cover future departures in accordance with IAS 37, in order to complete the Company'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 December 31, 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. 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. It also includes the related contributions, the accrued portion of the C.E.O.'s long-term incentive plan and the provision for a specific incentive plan for some members of top management. For further details, reference should be made to the Remuneration Report.

The restructuring provision and the personnel provision are considered to be current, as they relate to matters concerning 2021.

The impact of discounting non-current provisions is not significant.

D.6.4.28 Current and non-current tax liabilities

D.6.4.28.1 Tax liabilities (non-current)

There are none at year end.

D.6.4.28.2 Tax liabilities (current)

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
IRPEF withholdings	2,001	1,919	82
Other tax liabilities	1,046	1,097	(51)
Tax liabilities (current)	3,047	3,016	31

The increase in the current tax liabilities account relates to IRES and IRAP. Management considers that this value approximates the fair value.

D.6.4.29 Other liabilities (current and non-current)

The changes in Other non-current liabilities relate to the monthly payments of the earthquake suspension payables following the earthquake in 1997 and 2016.

D.6.4.29.1 Other liabilities (current)

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Due to personnel for remuneration	3,905	3,533	372
Due to social security institutions	2,294	2,480	(186)
Due to Directors and Statutory Auditors	0	308	(308)
Accrued liabilities	16	489	(473)
Other liabilities (current)	103	220	(117)
Deferred income	116	21	95
Customer advances	335	306	29
Due to customers	4	4	0
Other liabilities (current)	6,773	7,361	(588)

The account decreased by Euro 588 thousand. Contributing to this decrease were amounts due to social security institutions of Euro 186 thousand, amounts due to directors and statutory auditors of Euro 308 thousand and accrued charges of Euro 473 thousand. The latter item includes accrued interest on loans and decreased following the Company's early extinguishment of existing bank loans against the new loan.

The account includes amounts due after 5 years totalling Euro 7 thousand.

D.6.4.30 Trade payables to third parties

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Trade payables (current)	83,761	69,761	14,000
Trade payables to third parties	83,761	69,761	14,000

These mainly include amounts due for trade purchases and other costs. Management believes that the carrying amount of trade payables and other liabilities reflects their fair value.

D.6.4.31. Equity

For the analysis on the movements in equity, reference should be made to the relative table. Comments are provided on each of the equity reserves.

D.6.4.31.1 Share capital

The share capital at December 31, 2020 amounts to Euro 12,664 thousand, consisting of 63,322,800 ordinary shares with a par value of Euro 0.20 each, fully subscribed and paid-in.

D.6.4.31.2 Equity-related reserves

These amount to Euro 71,123 thousand and relate to the Share Premium.

D.6.4.31.3 Hedging reserve

<i>In Euro thousands</i>	31/12/2019	Reserve adjustment	31/12/2020
Hedging reserve	32	1,405	1,437
	32	1,405	1,437

The hedging reserve was positive for Euro 1,437 thousand (Euro 32 thousand in 2019) which represents the positive fair value of hedging derivatives (cash flow hedges) net of the tax

effect, equal to Euro 638 thousand. This resulted in a change of Euro 1,405 thousand, of which Euro 1,660 thousand for valuation and Euro 255 thousand for the tax effect.

D.6.4.31.4 Treasury shares

There were no treasury shares at December 31, 2020.

D.6.4.31.5 Actuarial reserve

In Euro thousands	31/12/2019	IAS 19 actuarial	31/12/2020
		effect	
Actuarial reserve for post-employment benefit	3,055	(92)	2,963
	3,055	(92)	2,963

D.6.4.31.6 Income-related reserves

In Euro thousands	31/12/2020	31/12/2019	Changes
Legal reserve	2,533	2,533	(0)
IFRS FTA reserve	1,675	1,675	0
Extraordinary reserve	2,330	3,786	(1,456)
Income-related reserves	6,538	7,994	(1,456)

The decrease in the Extraordinary Reserve of Euro 1,456 thousand is due to the allocation to this item of the Company's result for 2019.

D.6.4.31.7 Information on distributable reserves

The following table shows the equity accounts divided by origin, the possibility of utilisation and distribution, as well as any utilisations in the previous three years. The amounts are in units of Euro.

Description origin	Amount	Poss. of utilisation	Available portion	Utilisation in past 3 years to cover losses	Utilisation in past 3 years for other reasons
I Share capital	12,664,560	=			
II Equity-related reserve	71,123,336	A,B,C	71,123,336		
IV Legal reserve	2,532,912	B			
VII Other reserves:					
Extra. reserve	2,329,521	A,B,C	2,329,521	23,568,458	1,011,169
IFRS FTA reserve	1,675,096	A,B,C	1,675,096		
Income-related reserves	6,537,529				
Treasury shares	-		-		
Hedging/Actuarial reserve	-1,525,699				
Non-distributable amount	-		6,527,508		
Residual distributable amount	-		68,600,445		

The non-distributable portion, equal to Euro 6,528 thousand, refers to the residual amount to be amortised of development expenses as per Article 2426 paragraph 5 of the Civil Code, given the result deriving from the measurement of derivative instruments and currency differences through profit or loss is a loss as per Article 2426 paragraph 11 of the Civil Code.

D.6.4.32 Net financial position

(Pursuant to Consob Communication No. DEM/6064293 of 28 July 2006)

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Cash and cash equivalents	33,676	10,600	23,076
Financial assets from group companies	17,002	15,137	1,865
Financial liabilities to group companies	(11,964)	(3,355)	(8,609)
Bank loans and borrowings (current)	(12,122)	(17,938)	5,816
Current loans and borrowings	(7,084)	(6,156)	(928)
Bank loans and borrowings (non-current)	(94,030)	(55,413)	(38,617)
Non-current net financial liabilities	(94,030)	(55,413)	(38,617)
Net Financial Position	(67,438)	(50,969)	(16,469)
Lease liabilities and loans and borrowings from other lenders as per IFRS 16 (current)	(1,655)	(1,625)	(30)
Lease liabilities and loans and borrowings from other lenders as per IFRS 16 (non-current)	(3,911)	(5,086)	1,175
Net Financial Position - Including the effects of IFRS 16	(73,004)	(57,680)	(15,324)
Derivative assets - (current)	4,077	651	3,426
Derivative liabilities (current)	(725)	(383)	(342)
Derivative liabilities (non-current)	(690)	(198)	(492)
Net Financial Position - Including the effects of IFRS 16 and derivatives	(70,342)	(57,610)	(12,732)

At December 31, 2020, the net financial position including the effect of derivative instruments was a debt position of Euro 70,342 thousand, increasing Euro 12.7 million on the previous year. For further comments, reference should be made to the Directors' Report A.6.2 "Elica S.p.A. Financial Position and Performance".

D.6.4.32.1 Cash and cash equivalents

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Bank deposits	33,670	10,589	23,081
Checks	0	0	0
Cash in hand and similar	6	11	(5)
Cash and cash equivalents	33,676	10,600	23,076

This item reflects the positive balances of bank current accounts and cash on hand.

D.6.4.32.2 Bank loans and borrowings

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Bank loans and borrowings	106,152	73,351	32,801
Total	106,152	73,351	32,801
Bank borrowings have the following repayment schedules:			
On demand or within one year	12,122	17,938	-5,816
Within two years	16,708	17,172	-464
Within three years	23,102	17,689	5,413
Within four years	29,062	14,893	14,169
Within five years	25,063	5,519	19,544
After 5 years	95	140	-45
Total	106,152	73,351	32,801
Less amounts to be repaid within one year	12,122	17,938	-5,816
Due after one year	94,030	55,413	38,617

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 after 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 Expense and NFP/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. As of December 31, 2020, the covenants have been met and based on Management's visibility of the future, it is expected that the covenants will be complied with.

For further information on interest rate hedges, reference should be made to paragraph D.6.6, Risk management of these notes.

D.6.4.32.3 Derivative financial instruments

In Euro thousands	31/12/2020		31/12/2019	
	Assets	Liabilities	Assets	Liabilities
Foreign currency derivatives	1,120	393	342	208
Interest rate derivatives	0	1,022	0	373
Commodity derivatives	2,957	0	309	0
Intragroup	0	0	0	0
Derivative financial instruments	4,077	1,415	651	581
of				
which:				
Non-current	0	690	0	198
Current	4,077	725	651	383
Derivative financial instruments	4,077	1,415	651	581

The Company uses derivative financial instruments to hedge the market risks to which it is exposed: foreign currency risk, interest rate risk and commodities price risk.

The table below reports the following information on derivative instruments at December 31, 2019 and December 31, 2020:

- The notional value of the derivative contracts, broken down by maturity;
- The carrying amount of these contracts, represented by their fair value.

31/12/2019 <i>In Euro thousands</i>	Notional Value		
	Maturity within 1 year	Maturity after 1 year	Carrying amount
Interest rate risk			
Cash Flow hedge as per IFRS	11,844	44,362	(373)
Fair Value hedge as per IFRS	-	-	-
Not considered hedges as per IFRS	-	-	-
Total interest rate derivatives	11,844	44,362	(373)
Foreign currency risks	sales purchases	sales purchases	
Cash Flow hedge as per IFRS	31,924	3,362	-
Fair Value hedge as per IFRS		-	144
Not considered hedges as per IFRS	3,784	-	(10)
Total foreign currency derivatives	31,924	7,146	-
Commodity risks	sales purchases	sales purchases	
Cash Flow hedge as per IFRS		11,246	
Fair Value hedge as per IFRS		-	309
Not considered hedges as per IFRS		-	
Total commodity derivatives	11,246		309

31/12/2020 <i>In Euro thousands</i>	Notional Value		
	Maturity within 1 year	Maturity after 1 year	Carrying amount
Interest rate risk			
Cash Flow hedge as per IFRS	-	90,000	(1,022)
Fair Value hedge as per IFRS	-	-	-
Not considered hedges as per IFRS	-	-	-
Total interest rate derivatives	-	90,000	(1,022)
Foreign currency risks	sales purchases	sales purchases	
Cash Flow hedge as per IFRS	25,603	5,349	-
Fair Value hedge as per IFRS		-	290
Not considered hedges as per IFRS	18,325	27,491	-
Total foreign currency derivatives	43,928	32,840	-
Commodity risk	sales purchases	sales purchases	
Cash Flow hedge as per IFRS		9,709	
Fair Value hedge as per IFRS		-	2,957
Not considered hedges as per IFRS		-	
Total commodity derivatives	9,709		2,957

IFRS 7 requires that the classification of financial instruments valued at fair value is determined based on the quality of the input sources used in the valuation of the fair value.

The IFRS 7 classification implies the following hierarchy:

- Level 1: determination of fair value based on prices listed in active markets for identical assets or liabilities. The instruments with which the Group operates directly on active markets or in OTC markets characterised by an adequate level of liquidity belong to this category;

- Level 2: determination of fair value based on other inputs than the listed prices included in “Level 1” but which are directly or indirectly observable. In particular instruments which the Group operates on OTC markets, not characterised by an adequate level of liquidity are included in this category;
- Level 3: determination of fair value based on valuation models whose input is not based on observable market data.

The classification of the financial instruments may require discretion, although not significant judgement, in accordance with IFRS, the Group utilises, where available, prices listed on active markets as the best estimate of the fair value of derivative instruments.

All the derivative instruments in place at December 31, 2020 and December 31, 2019 belong to level 2 of the fair value hierarchy, except for commodities which belong to level 1.

For further information, refer to paragraph D.6.6 “Risk management”.

D.6.4.32.4 Lease liabilities as per IFRS 16

The Company has lease liabilities arising from the application of IFRS 16. We report the details below.

	31/12/2020	31/12/2019	Changes
<i>In Euro thousands</i>			
Lease liabilities as per IFRS 16	5,566	6,710	(1,144)
Total	5,566	6,710	(1,144)

Lease liabilities as per IFRS 16 are due as follows:

On demand or within one year	1,655	1,625	31
Within five years	3,843	4,693	(849)
After 5 years	68	393	(325)
Total	5,566	6,710	(1,144)
Less amounts due within one year	1,655	1,625	31
Due after one year	3,911	5,086	(1,174)

D.6.4.33 Settlement agreement reached with Esperanca real

On July 22, Elica agreed a settlement regarding the case between Esperança Real S/A, Madson Eletrometalurgica Ltda and the Company. The case concerns the signing of preliminary agreements in September 1999 for the establishment of a Joint Venture by Elica S.p.A. and Esperança Real S/A, which were not executed. The settlement stipulates the payment by Elica to the counterparties and their lawyers of Euro 4.2 million, excluding any court costs and excluding the fees due to their lawyers. The company has accrued an additional maximum amount of Euro 0.6 million for the settlement.

D.6.4.34 Significant non-recurring events and transactions

There was nothing to report in 2020.

D.6.5. Guarantees, commitments and contingent liabilities

D.6.5.1. Contingent liabilities

The Company and its subsidiaries are not involved in administrative, judicial or arbitration proceedings that are underway or have been settled by means of a ruling or arbitration award issued in the last 12 months and which might have or might have had an effect on the financial situation or profitability of the Group, except for that indicated below.

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 provision in the financial statements at December 31, 2020 to cover legal risks and charges amounts to Euro 2,103 thousand.

In 2019 the Parent was subject to an audit by the Italian Agency of Revenue, Marche Regional Department, Tax Audits Office, for the tax years 2014, 2015 and 2016. It received an auditors' report on October 14, 2019. The assessment process has yet to proceed further for the other two subsequent relevant findings. The other findings have either been closed by the Company or are immaterial in amount.

There was found to have been an alleged violation of the transfer pricing rules set out in Art. 110, paragraph 7, of Presidential Decree No. 917 of December 22, 1986 (the Tax Consolidation Act) in respect of the transfer prices applied by the Company to transactions with the Mexican sister company Elicamex S.A. de C.V., the value of which the Office adjusted, proposing that additional IRES (company income tax) and IRAP (regional production tax) be levied on Euro 1,014,887 in 2015 and on Euro 1,012,783 in 2016. The Company has tax losses that can be used to offset the financial risk for IRES purposes.

It was therefore determined that the Company had unduly benefited from the research and development tax credit due to allegedly failing meet the requirements established by the tax relief rules for qualifying for the credit in question and that Elica was therefore ineligible for the related tax relief measures for the costs of research and development activities it had carried out in 2015 and 2016. The Company reported a credit of Euro 838,814 for 2015 and a credit of Euro 1,075,878 for 2016.

As counselled by its legal advisors, Elica believes that the arguments laid out in the auditors' report in support of the findings discussed in this paragraph are not compelling and that there are considerable defensive arguments against this reconstruction. The Company sought counsel from its legal advisors in support of the view that the risk that tax liabilities may flow for the Company from potential disputes that might arise from the assessment action by the revenue authorities in connection with the findings presented in the auditors' report discussed above is possible but not probable.

D.6.5.2. Guarantees and commitments

In accordance with Article 122 of the CFA and Article 129 of the Issuers' Regulation, on July 24, 2019, FAN S.r.l., with registered office in Rome, via Parigi No. 11 and TAMBURI INVESTMENT PARTNERS S.p.A., with registered office in Milan, via Pontaccio No. 10, signed an agreement concerning a portion of the ordinary share of Elica S.p.A., in addition to, *inter alia*, some provisions regarding the governance of Elica S.p.A. (the "Shareholder Agreements").

The key information regarding the Shareholder Agreements was published as per Article 130 of the Issuers' Regulation on Elica S.p.A.'s website, <https://elica.com/corporation/it/corporategovernance/altri-documenti> and on the website of the authorised storage mechanism "1INFO" at www.1info.it.

This did not impact control over Elica which, as per Article 93 of the CFA, is held by Mr. Francesco Casoli.

Elica S.p.A. has provided guarantees in favour of Putian for credit lines of Euro 21.1 million, in favour of Elica Group Polska for a rotating factoring arrangement with a cap of Euro 3.5 million and in favour of Elicamex for factoring with a cap of Euro 3 million and a coverage

limit of Euro 400 thousand with Banco Santander for Elica's permanent establishment in Spain.

Commitments with suppliers for the purchase of property, plant and equipment and intangible assets at December 31, 2020 amount to approx. Euro 781 thousand. There are also commitments for operating expenses of Euro 3.3 million, relating in particular to long-term contracts.

At December 31, 2020, the company has commitments in place for the purchase of raw materials, as described in paragraph D6.6.2.2 Commodity Risk.

D.6.6. Risk management

D.6.6.1 Introduction

Elica S.p.A.'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, Elica commenced the implementation of a financial risk monitoring system through a "Financial Risk Policy" approved by the Board of Directors of the Company. Within this policy, the Company constantly monitors the financial risks related to the operating activities in order to assess any potential negative impact and undertakes corrective action where necessary.

The main guidelines for the Company'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 compared to the controls in place or require additional treatment;
- reply appropriately to risks;
- monitor and report on the current state of the risks and the effectiveness of their control.

The Company's Financial Risk Policy is based on the principle of proficient 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 paragraphs below report an analysis of the risks which Elica is exposed to, indicating the level of exposure and, for the market risks, the potential impact on the results deriving from hypothetical fluctuations in the parameters (sensitivity analysis).

D.6.6.2 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, Elica uses derivative instruments to hedge its risks and does not engage in derivative trading.

The paragraphs below individually analyse the different risks, indicating where necessary, through sensitivity analysis, the potential impact on the results deriving from hypothetical fluctuations in the parameters.

D.6.6.2.1 Currency risk

The Company's operating currency is the Euro. However, it also trades in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss Francs (CHF), Russian Rubles (RUB) Polish Zloty (PLN), Indian Rupees (INR), Chinese Yuan (CNY) and Mexican Pesos (MXN). For the currencies in which the company has higher revenue than costs, changes in the exchange rates between the Euro and these currencies impact the Company results as follows:

- the appreciation of the Euro has negative effects on revenue and operating results;
- the depreciation of the Euro has positive effects on revenue and operating results.

The amount of the exchange risk, defined in advance by Management of the Company on the basis of the budget for the period, is gradually hedged over the acquisition process of the orders, up to the amount of the orders corresponding to budget projections.

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.

The most significant statement of financial position balances in foreign currency at December 31, 2020 are shown below:

In Euro thousands Currency	31/12/2020		31/12/2019	
	Assets	Liabilities	Assets	Liabilities
CHF	-	(38)	-	(41)
CNY	2,408	(46)	2,474	(294)
GBP	193	(14)	193	(12)
JPY	379	(4,780)	479	(3,305)
PLN	16,783	(21,271)	14,412	(16,416)
RUB	4,380	(20)	5,516	(270)
USD	19,655	(3,264)	16,328	(4,454)
INR	1,665	(73)	1,940	(176)
Foreign currency transactions	45,463	(29,506)	41,342	(24,968)

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the Euro/CHF, Euro/CNY, Euro/GBP, Euro/YEN, Euro/PLN, Euro/RUB, Euro/USD and EUR/INR rates were analysed.

The following table shows the sensitivity to reasonably possible movements in the exchange rates, maintaining all other variables unchanged, due to changes in the value of current assets and liabilities in foreign currencies.

In Euro thousands	31/12/2020		31/12/2019	
Currency	Appreciation of foreign currencies 5%	Depreciation of foreign currencies 5%	Appreciation of foreign currencies 5%	Depreciation of foreign currencies 5%
CHF	(2)	2	(2)	2
CNY	124	(112)	115	(104)
GBP	9	(9)	10	(9)
JPY	(232)	210	(149)	135
PLN	(236)	214	(105)	95
RUB	229	(208)	276	(250)
USD	863	(781)	625	(565)
INR	84	(76)	93	(84)
Foreign currency transactions	839	(760)	863	(780)

Elica S.p.A.'s hedges as at December 31, 2020 with financial counterparties have a total positive fair value of Euro 727 thousand (positive fair value of Euro 133 thousand in 2019). The table below shows the details of the notional and fair values:

Currency	31/12/2020		31/12/2019	
	Notional (in foreign currency /000)	Fair value In thousands of Euro	Notional (in foreign currency /000)	Fair value In thousands of Euro
USD				
Forwards	13,800	157	15,000	83
Options	-	-	6,600	106
PLN				
Forwards	36,700	284	33,000	-12
JPY				
Forwards	247,000	-171	530,000	-15
RUB				
Forwards	230,000	-1	150,000	-29
MXN				
Forwards	230,000	439	-	-
CNY				
Forwards	30,000	19	-	-
FX derivative assets/(liabilities)		727		133

For the purposes of the sensitivity analysis on the exchange rate, the potential movements on the EUR/USD, EUR/PLN, EUR/RUB and EUR/JPY and the rate curves of the Euro exchange rates were analysed.

In the stress testing we have stressed not only the spot to spot exchange rate, but also the monetary curve rates at December 31, 2020 in order to show the effect of changes in the rate curve.

For this purpose, the maximum change in the interval between the beginning of November 2020 and the first weeks of January 2021 was considered.

For the EUR/USD exchange rates a stress of 6% was applied, for EUR/PLN 6%, for EUR/JPY 7%, for EUR/RUB 25%, EUR/MXN 11% and for EUE/CNY 5%.

For interest rates on forward exchange contracts, a stress was applied of 50 bps for the Eurozone rates, 50 bps for the US rates, 50 bps for the Polish rates, 200 bps for the Russian rates, 50 bps for the Chinese rates and 50 bps for the Japanese rates.

The following table shows the sensitivity to the movements in the exchange rates and the rate curves indicated, maintaining all other variables unchanged, of the fair value of the transactions in foreign currencies at December 31, 2020 (compared with December 31, 2019):

In Euro thousands	31/12/2019			
	USD Notional	PLN Notional	JPY Notional	RUB Notional
	21,600 USD/000	33,000 PLN/000	530,000 JPY/000	150.0000 RUB/000
Foreign currency depreciation	1,408	417	(292)	408
Euro exchange rate depreciation	145	(22)	(10)	44
Exchange rate depreciation	(133)	(22)	(10)	87
Sensitivity to Depreciation	1,420	373	(312)	539
Foreign currency rate appreciation	(906)	(517)	322	(796)
Euro exchange rate appreciation	(145)	22	10	(44)
Exchange rate appreciation	157	22	10	(73)
Sensitivity to Appreciation	(894)	(473)	342	(913)
31/12/2020				
In Euro thousands	USD Notional	PLN Notional	JPY Notional	RUB Notional
	13,800 USD/000	36,700 PLN/000	247,000 JPY/000	230,000 RUB/000
				230,000 MXN/000
Foreign currency depreciation	639	456	(129)	(474)
Euro exchange rate depreciation	7	(12)	(5)	(8)
Exchange rate depreciation	(6)	9	5	88
Sensitivity to Depreciation	640	453	(129)	(394)
Foreign currency appreciation	(721)	(514)	148	789
Euro exchange rate appreciation	(7)	12	5	7
Exchange rate appreciation	6	(8)	(5)	(86)
Sensitivity to Appreciation	(722)	(510)	148	710
				(1) 189

D.6.6.2.2 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 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.

The notional value and the relative value of the copper derivatives in place at December 31, 2019 and December 31, 2020 are reported below:

Copper hedges <i>In Euro thousands</i>	Notional	31/12/2020		31/12/2019	
		Fair value	Notional	Fair value	
Forward	9,709	2,957	11,246	309	
Derivative assets/(liabilities)	9,709	2,957	11,246	309	
Commodities					

In addition, commodity risk is measured through sensitivity analyses, in accordance with IFRS 7. The changes in the prices of copper utilised for the sensitivity analysis were based on the volatility of the market rates.

This analysis highlights a revaluation in the price of copper of 5%, resulting in an increase in the fair value of forward contracts at December 31, 2020 of Euro 635 thousand.

Similarly, a reduction of 5% results in a decrease in the fair value of forward contracts of Euro 635 thousand.

D.6.6.2.3 Interest rate risk

The management of interest rate risk by Elica S.p.A. 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 company's debt mainly bears a floating rate of interest.

Relating to the Company debt, from the sensitivity analysis a decrease of 25 bps in the interest rate curve in the short-term incurs lower financial expense of Euro 169 thousand, while an increase of 25 bps in the same interest rate curve converts into higher financial expense of Euro 169 thousand.

The Company hedges the interest rate risk through the utilisation of interest rate swaps against specific non-current loans at a variable rate.

The table below shows the details of the notional and fair values:

Instrument <i>In Euro thousands</i>	Notional	31/12/2020		31/12/2019	
		Fair value	Notional	Fair value	
Interest Rate Swap	90,000	(1,022)	60,206	(373)	
Interest rate derivative assets/(liabilities)	90,000	(1,022)	60,206	(373)	

The interest rate risk is also measured through sensitivity analyses, in accordance with IFRS 7. The changes in the interest rate curve utilised for the sensitivity analysis were based on the volatility of the market rates.

The analysis shows that a decrease in the interest rate curve of +/-25 bps converts into a decrease/increase in the Fair Value of the Interest Rate Swap at December 31, 2020 of Euro 771 thousand.

D.6.6.3 Credit risk

The credit risks represent the exposure of Elica S.p.A. 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 more details, see paragraph D.6.4.22 of these notes.

D.6.6.4 Liquidity risk

The liquidity risk represents the risk related to the unavailability of financial resources necessary to meet short-term commitments assumed by the Company and its own financial needs.

The principal factors which determine the liquidity of the company 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.

The following table shows the expected cash flows in relation to the contractual expiries of trade payables and various financial liabilities from derivatives.

	31/12/2020	Within 1 year	1 - 5 years	After five years
<i>In Euro thousands</i>				
Lease liabilities and loans and borrowings from other lenders as per IFRS 16	1,655	3,843	68	
Bank loans and borrowings	12,122	93,935	95	
Trade payables and other liabilities	114,418	0	0	
Commitment by due date	128,195	97,778	163	

	31/12/2019	Within 1 year	1 - 5 years	After five years
<i>In Euro thousands</i>				
Lease liabilities and loans and borrowings from other lenders as per IFRS 16	1,625	4,693	393	
Bank loans and borrowings	17,938	55,273	140	
Trade payables and other liabilities	95,402	2	10	
Commitment by due date	114,965	59,968	543	

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 Company 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 D.6.4.32 of the notes.

D.6.6.5 Classification of the Financial instruments

	31/12/2020	31/12/2019
<i>In Euro thousands</i>		
Derivative assets– (current)	4,077	651
Trade receivables	80,772	49,131
Financial assets from group companies	17,002	15,137
Cash and cash equivalents	33,676	10,600
Current assets	135,527	75,519
Lease liabilities and loans and borrowings from other lenders as per IFRS 16	3,911	5,086
Bank loans and borrowings (non-current)	94,030	55,413
Derivative liabilities (non-current)	690	198
Non-current liabilities	98,631	60,697
Trade payables	107,645	88,051
Financial liabilities to group companies	11,964	3,355
Lease liabilities and loans and borrowings from other lenders as per IFRS 16	1,655	1,625
Bank loans and borrowings (current)	12,122	17,938
Derivative liabilities (current)	725	383
Current liabilities	134,111	111,352

The Company considers that the carrying amounts of the accounts approximate their fair value. In relation to the valuation methods for the individual accounts, reference should be made to paragraph D.6.1. “Accounting policies” of these Notes.

D.6.7. Disclosure on Management renumeration and related-party transactions

As required by law, the total remuneration of Directors, Statutory Auditors and Key Managers, including those in other companies, are reported below.

D.6.7.1 Remuneration of Directors, Statutory Auditors and Key Managers

The remuneration of the above-mentioned persons totalled Euro 6,145 thousand. This amount does not include the accrual to the Long Term Incentive Plan, as per Note D.6.4.27 “Provision for risk and charges”. The details are reported in the Remuneration Report. This report is available on the Company website <https://elica.com/corporation> (Investor Relations section).

D.6.7.2 Management and coordination

Elica S.p.A. is indirectly controlled by the Casoli Family through Fintrack S.p.A. of Fabriano (AN - Italy).

The company is not subject to management and co-ordination pursuant to Art. 2497 and subsequent of the Civil Code. This conclusion derives from the fact that the controlling shareholder does not carry out management activities within the company and, although it exercises voting rights at the shareholders’ meeting, it does not have any involvement in the company’s financial, production or strategic plans, which are governed by a Board of Directors responsible for operating control.

The Company’s Board of Directors has also appointed an independent CEO for ordinary operational management.

With effect from July 2019, Tamburi Investments Partners (“TIP”) acquired a non-controlling interest in the Company. As at December 31, 2019, this interest amounted to 20.150% of Elica's capital. To the best of the Company's knowledge, this interest is the same at December 31, 2020.

The Company however continues to carry out its operations through a totally autonomous and independent decision-making process; it has independent decision-making capacity with customers and suppliers and independently manages its treasury in accordance with the business purpose.

D.6.7.3 Transactions with subsidiaries

During the year, transactions with subsidiaries took place. All transactions were conducted on an arm's length basis in the ordinary course of business. With regards to transfer prices - applied to transactions between Elica S.p.A. and Elica Group Polska and Elicamex - specific Ruling agreements were signed with the National Tax Authorities.

The tables below show key figures for subsidiaries and the amount of transactions performed with them as at and for the year ended December 31, 2020.

D.6.7.3.1. Subsidiaries – 2020 Highlights

Reporting package figures

<i>In Euro thousands</i>	Assets	Liabilities	Total Equity	Revenue	Profit/(loss) for the year
Airforce S.p.A.	13,671	9,975	3,696	25,934	551
Ariafina Co. Ltd	12,161	3,309	8,852	25,329	3,353
Elica Group Polska Sp.z.o.o	58,430	35,262	23,168	99,613	1,725
Elicamex S.a.d. C.V.	59,496	32,331	27,165	59,560	3,056
Leonardo Services S.a. de C.V.	1,888	1,401	487	9,962	172
Elica Inc.	425	134	291	887	12
Elica PB India Private Ltd.	25,993	10,690	15,303	31,935	5,515
ZheLiang Elica Putian Electric Co. Ltd.	13,933	18,014	(4,081)	10,326	(5,064)
Elica Trading LLC	5,607	4,490	1,117	11,017	401
Elica France S.A.S.	7,907	6,839	1,068	18,165	112
Elica Gmbh	5,346	3,926	1,420	8,135	(314)

D.6.7.3.2 Trade receivables from subsidiaries

These are broken down as follows:

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Airforce S.p.A.	717	439	278
Ariafina Co. Ltd	366	403	(37)
Elica Group Polska Sp.z.o.o	7,061	6,102	959
Elicamex S.a.d. C.V.	10,052	8,132	1,920
Leonardo Services S.a. de C.V.	7	5	2
Elica PB India Private Ltd.	271	381	(110)
ZheLiang Elica Putian Electric Co. Ltd.	1,467	1,687	(220)
Elica Trading LLC	3,750	5,313	(1,563)
Elica France S.A.S.	3,473	1,830	1,643
Elica Gmbh	2,142	1,324	818
Trade receivables from subsidiaries	29,306	25,616	3,690

D.6.7.3.3 Trade payables to subsidiaries

These are detailed below.

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
Airforce S.p.A.	114	123	(9)
Ariafina Co. Ltd	36	20	16
Elica Group Polska Sp.z.o.o	21,158	16,328	4,830
Elicamex S.a.d. C.V.	74	10	64
Elica PB India Private Ltd.	73	176	(103)
ZheLiang Elica Putian Electric Co. Ltd.	2,256	1,359	897
Elica Trading LLC	20	270	(250)
Elica France S.A.S.	26	1	25
Elica Gmbh	127	3	124
Trade payables to subsidiaries	23,884	18,290	5,594

D.6.7.3.4 Financial assets and liabilities with subsidiaries

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
<u>Financial assets from subsidiaries</u>			
Elica Group Polska Sp.z.o.o	279	156	123
Elicamex S.a.d. C.V.	8,507	9,239	(732)
Elica PB India Private Ltd.	1,394	1,559	(165)
ZheLiang Elica Putian Electric Co. Ltd.	6,822	3,851	2,971
Elica France S.A.S.	0	81	(81)
Elica Gmbh	0	252	(252)
	17,002	15,138	1,864
<u>Financial liabilities to subsidiaries</u>			
Ariafina Co. Ltd	4,743	3,280	1,463
Elicamex S.a.d. C.V.	3,833	75	3,758
Elica France S.A.S.	2,006	0	2,006
Elica Gmbh	1,382	0	1,382
	11,964	3,355	8,609

Elica also carries out transactions with Group companies as part of a general plan to centralise treasury management activities. These loans are interest bearing and at market rates. The changes show the synergies created in order to optimise cash management.

D.6.7.3.5 Income/expense balances with subsidiaries

<i>In Euro thousands</i>	Revenue, Other Revenue and Financial Income	Costs and Financial Expense
Airforce S.p.A.	1,449	390
Ariafina Co. Ltd	380	67
Elica Group Polska Sp.z.o.o	33,584	96,868
Elicamex S.a.d. C.V.	12,610	73
Leonardo Services S.a. de C.V.	7	0
Elica PB India Private Ltd.	492	105
ZheLiang Elica Putian Electric Co. Ltd.	428	4,968
Elica Trading LLC	6,876	61
Elica France S.A.S.	12,638	30
Elica Gmbh	5,699	154
	74,163	102,716

Below are the dividends received by the Company:

<i>In Euro thousands</i>	31/12/2020	31/12/2019	Changes
<u>Dividends received from subsidiaries</u>			
Airforce S.p.A.	245	188	57
Ariafina Co. Ltd	1,479	1,410	69
Elica Group Polska Sp.z.o.o	2,914	2,680	234
	4,638	4,278	360

D.6.7.4 Transactions with other related parties

In 2020, transactions with other related parties took place. All transactions were conducted on an arm's length basis in the ordinary course of business. No separate disclosure of these positions is provided in the Consolidated Financial Statements, given the immaterial amounts involved, in accordance with Consob resolution no. 15519 of July 27, 2006.

	Receivables	Liabilities/IFRS16 Liabilities	Revenue	Costs
<i>In Euro thousands</i>				
Fastnet S.p.A.		1		12
La Ceramica		1		15
Ermano Casoli Foundation				114
Other	3	156	28	134
	3	158	28	275

With the other related parties, Elica primarily carries out transactions of a trading nature. There are no transactions with Fintrack S.p.A., FAN S.r.l. or the associate I.S.M..

The trading balances in the statement of comprehensive income and statement of financial position mainly arise from trading transactions conducted to purchase goods and services and use non-current assets on an arm's length basis.

The Procedures for Transactions with Related Parties is published on the Company's website <https://elica.com/corporation>(Corporate Governance section).

D.6.8. Government grants as per Article 1, paragraphs 125-129, of Law No. 124/2017

For the detail of the grants received reference should be made to the National State Aid register. The following information is provided:

<i>Euro thousands</i>	Asset at 01/01/2020	Vested in 2020	Collected in 2020	Asset at 31/12/2020	Description
Photovoltaic Grant (**)	575	468	(888)	155	Grant on photovoltaic plant installed on the roof of the Castlefidardo and Cerreto D'esi industrial buildings issued by GSE
2015 Industry	138			138	Research and Development grant from Ministry for Economic Development
RESPIRE project	6	33		39	Research grant from European Union
H@H Project	47			47	Research and Development grant from Ministry for University and Scientific Research
SEAL project	307			307	Research and Development grant from Ministry for University and Scientific Research
SHELL Project	173			173	Research and Development grant from Ministry for University and Scientific Research
Project SM	104			104	Research and Development grant from Ministry for University and Scientific Research
SMARTFAN project	(146)	93		(53)	Research grant from European Union
MERCURY Project	-	31		31	Research and development grant from the Marche region Regional Plan
MIRACLE Project	-	17		17	Research and development grant from the Marche region Regional Plan
Fondimpresa	146	63	(148)	61	Staff training grant from Fondimpresa
Fondirigenti	20	10	(15)	16	Training executives grant from Fondimpresa
New Investment Tax Credit 2020	-	120		120	Tax credit on new investments year 2020 - Law No. 160 of 27.12.2019
Sanitation tax credit	-	28		28	Tax credit for workplace sanitation expenses - Leg. Decree No. 34 of 19.05.2020
Research & Development tax credit 2019	-	899		899	Research & Development tax credit 2019 - Law No. 190/2014
Bando Invitalia Impresa Sicura (Safe Enterprise Reimbursement)	-	91	(91)		Bando Invitalia Impresa Sicura (Safe Enterprise Reimbursement): grant for the purchase of "COVID-19" personal protective equipment - Leg. Decree No. 18 of 17.03.3030 - Article 43 paragraph 1
Total Grants	1,370	1,853	(1,142)	2,082	

(**) Includes advances received

D.6.9. Positions or transactions arising from atypical and/or unusual transactions

In 2020, there were no such transactions to be reported.

D.6.10. Events after the reporting date

On February 12, 2021, the Board of Directors of Elica S.p.A. approved the additional periodic report for the fourth quarter of 2020, prepared according to IFRS, and reviewed the 2020 preliminary consolidated results.

The Company continues to analyse the impact of COVID-19 on the business and the market demand recovery curve.

D.6.11. Proposal for the approval of the 2020 Financial Statements and coverage of the loss for the year as approved by the Board of Directors on March 16, 2021

Dear Shareholders,

In relation to the motion in Point 4.1 on the Agenda of the Shareholders' Meeting of Elica S.p.A.:

4.1 Approval of the Financial Statements as at and for the year ended December 31, 2020. Acknowledgement of the Directors' Report; Board of Statutory Auditors' Report, Non-Financial Report, Independent Auditors' Report. Presentation of the Consolidated Financial Statements as at and for the year ended December 31, 2020;

The 2020 Financial Statements, which we present for your approval, show a loss of Euro 3,175,697 and equity of Euro 85,624,029.

More generally, we propose the approval of the 2020 Separate Financial Statements, collectively and individually, the Directors' Report and the acknowledgement of the Board of Statutory Auditors' Report and the Independent Auditors' Report, in addition to the Consolidated Financial Statements at December 31, 2020.

In relation to the motion in Point 4.2 on the Agenda:

4.2 Resolutions on the loss for the year.

We propose covering the loss for the year through utilisation of "Income-related reserves".

We thank you for your assistance.

Fabriano, March 16, 2021

The Board of Directors
THE EXECUTIVE CHAIRMAN

Francesco Casoli

E.1. Disclosure pursuant to Article 149 of the Consob Issuers' Regulation

The following table, prepared pursuant to Article 149-*duodecies* of the Consob Issuers' Regulation reports the payments made in 2020 for audit and other services provided by the independent auditors and entities associated with them.

Type of service	Service provider	Company	Fees <i>In Euro thousands</i>
Audit	KPMG. S.p.A.	Elica S.p.A.	189
Other services	KPMG. S.p.A.	Elica S.p.A.	42
KPMG network fees			231

E.2. Attestation on the Separate Financial Statements as per Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments and integrations

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

- the adequacy considering the company's characteristics and
- the effective application,

of the administrative and accounting procedures for the compilation of the financial statements for 2020.

We also declare that:

- the Financial Statements:
 - a) corresponds to the underlying accounting documents and records;
 - b) were prepared in accordance with the IFRS endorsed by the European Union and with Article 9 of Legislative Decree no. 38/2005;
 - c) provide a true and correct representation of the balance sheet, financial situation and result for the year of the issuer.
- The Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer together with a description of the principal risks and uncertainties to which they are exposed.

Fabriano, March 16, 2021

The Chief Executive Officer
Mauro Sacchetto

Corporate Financial Reporting Manager
Giulio Coccia

E.3. Independent auditors' report



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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of ELICA S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of ELICA S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of ELICA S.p.A. as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

Società per azioni
Capitale sociale
Euro 10.415.500,00 i.v.
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20124 Milano MI ITALIA



ELICA S.p.A.
 Independent auditors' report
 31 December 2020

Recoverability of goodwill

Notes to the separate financial statements: note D.6.1.4 – Accounting policies: Goodwill, Impairment testing; note D.6.4.18.1 – Goodwill

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 31 December 2020 include goodwill of €23.3 million.</p> <p>At least annually, the directors determine the recoverable amount of goodwill by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows.</p> <p>The directors have forecast the operating cash flows on the basis of the 2021-2025 forecasts (the "2021-2025 forecasts") and the revenue's estimated long-term growth rates and profitability.</p> <p>For the above reasons, we believe that the recoverability of goodwill is a key audit matter.</p>	<p>Our audit procedures, which also involved our own specialists, included:</p> <ul style="list-style-type: none"> — understanding and analysing the process used to prepare the 2021-2025 forecasts; — analysing the reasonableness of the key assumptions used by the directors to determine the recoverable amount of goodwill. Our analyses included comparing the key assumptions used to the company's historical data and external information, where available; — analysing the valuation models adopted by the company for reasonableness and consistency with professional practice; — checking the sensitivity analyses disclosed in the notes with reference to the key assumptions used for impairment testing, including raw material cost, the weighted average cost of capital and the long-term growth rate; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Recoverability of the investment in the subsidiary Zhejiang Elica Putian Electric Co. Ltd

Notes to the separate financial statements: note D.6.1.4 – Accounting policies: Investments in subsidiaries and associates; note D.6.4.19.1 – Investments in subsidiaries.

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 31 December 2020 include the investment in the subsidiary Zhejiang Elica Putian Electric Co. Ltd ("Elica China") of €15.6 million.</p> <p>The directors have determined the recoverable amount of the investment in Elica China by calculating its value in use. This method, by its very nature, requires a high level of judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows.</p>	<p>Our audit procedures, which also involved our own specialists, included:</p> <ul style="list-style-type: none"> — understanding and analysing the process used to prepare the 2021-2025 forecasts; — analysing the reasonableness of the key assumptions used by the directors to determine the recoverable amount of the investment in Elica China. Our analyses included comparing the key assumptions used to the company's historical data



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Independent auditors' report
 31 December 2020

The directors have forecast the operating cash flows on the basis of the 2021-2025 forecasts (the "2021-2025 forecasts") and the revenue's estimated long-term growth rates and profitability.

For the above reasons, we believe that the recoverability of the investment in Elica China is a key audit matter.

and external information, where available;

- analysing the valuation models adopted by the company for reasonableness and consistency with professional practice;
- checking the sensitivity analyses disclosed in the notes with reference to the key assumptions used for impairment testing, including raw material cost, the weighted average cost of capital and the long-term growth rate;
- assessing the appropriateness of the disclosures provided in the notes about the investment in Elica China and the related impairment test.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and



ELICA S.p.A.
Independent auditors' report
31 December 2020

appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 29 April 2015, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2015 to 31 December 2023.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.



ELICA S.p.A.
Independent auditors' report
31 December 2020

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of the a directors' report and a report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Ancona, 25 March 2021

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

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 - D.6.7.3.3 Trade payables to subsidiaries
 - D.6.7.3.4 Financial assets and liabilities with subsidiaries
 - D.6.7.3.5 Income/expense balances with subsidiaries
 - D.6.7.4 Transactions with other related parties
- D.6.8. Government grants as per Article 1, paragraphs 125-129, of Law No. 124/2017
- D.6.9. Positions or transactions arising from atypical and/or unusual transactions
- D.6.10. Events after the reporting date
- D.6.11. Proposal for the approval of the 2020 Financial Statements and coverage of the loss for the year as approved by the Board of Directors on March 16, 2021

E. ATTACHMENTS TO THE SEPARATE FINANCIAL STATEMENTS

- E.1. Disclosure pursuant to Article 149 of the CONSOB Issuer's Regulation
- E.2. Attestation on the Separate Financial Statements as per Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments and integrations
- E.3. Independent auditors' report