# ENDURING SUSTAINABILITY

ANNUAL REPORT OF SUBSIDIARIES COMPANIES 2019-20

ENDURANCE TECHNOLOGIES LIMITED

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# Endurance Amann GmbH
# Massenbachhausen / Germany

Management report and
annual financial statements
for the financial year from
1 April 2019 to 31 March 2020

**TRANSLATION**
– German version prevails –

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# Endurance Amann GmbH, Massenbachhausen/Germany

# Management report for the financial year 2019/2020

## General business conditions and environment

Endurance Amann GmbH, Massenbachhausen/Germany, produces, machines and delivers aluminium pressure die casting parts. It also develops and manufactures related moulds. Its main clientele includes the automotive industry itself and automotive component suppliers. The primary sales market is Germany. The products are manufactured on own and leased plant-site land at the Massenbachhausen/Germany site.

In the calendar year 2019, the German economy recorded a growth of the gross domestic product of 0.6% (prior year: 1.5%) and the automotive market recorded a change of +1.2%.

## Business trend and financial performance

In the financial year 2019/2020, the revenue of the Company was at kEUR 48,636, which is a 12.5% decrease from the prior year. This decrease is attributable to problems of the existing customers (diesel scandal – electro mobility). The Company continues to focus on improving quality and cost control and on effective management of inventory levels of raw materials and finished goods.

Other operating income mainly results from the release of provisions and insurance compensation payments.

Measured against revenue, the cost of raw materials, consumables and supplies clearly fell as a result of the aluminium price movement. At the same time, purchased services increased on account of more external services received, so cost of materials remained constant when compared to revenue.

Personnel expenses decreased as a result of the 9.1% reduction in headcount from the prior year, with, however, a slight increase in personnel expenses to revenue ratio.

Amortisation, depreciation and write-downs of fixed assets again increased by 3.7% due to the high capital investment volume in the course of the prior and the current financial year.

The kEUR 704 decrease in other operating expenses is related to the lower machine rent and cleaning expenses.

Financial performance – measured based on the operating result (EBIT) – amounts to kEUR 2,297 compared to EBIT of kEUR 5,526 in the prior year. Having taken into account interest received and paid and income taxes, the profit for the financial year 2019/2020 totals kEUR 1,621 compared to a profit for the prior year of kEUR 3,950.

The EBIT return on revenue considerably declined to 4.7% compared to a return on revenue of 9.9% in the prior year.

### Assets, liabilities and financial position

Due to capital investments, the balance sheet total increased to kEUR 61,364 (prior year: kEUR 58,784). Therefore, the property, plant and equipment to total assets ratio again rose to 47.1% (prior year: 44.0%). The Company's cash position in the financial year 2019/2020 was satisfactory. Despite the capital investments made in the reporting year, this was enabled by the healthy business trend, better business capital management and control of inventory levels.

The decrease in inventories and the increase in cash and cash equivalents is mainly based on the sale of externally manufactured tools as at the end of the financial year for which prepayments were made and on the payment received before the reporting date that was transferred to the cash pool account only after that date.

Due to the uncertainties related to the corona pandemic, the inventories of raw materials, consumables and supplies were increased to ensure production capability. In order to guarantee the ability to supply, the manufacture of products was completed where ever possible, which led to a shift in finished goods inventories and work in progress.

Trade receivables and other provisions declined due to receivables being offset against credits.

The decrease in receivables from affiliated companies is based on the lower balance in the cash pool account.

The advance tax payments made exceeded the expected tax payments. This led to an increase in other assets.

Loans payable totalling kEUR 1,286 were repaid as scheduled. To finance capital investments, a loan of kEUR 3,843 was taken up.

Liabilities to affiliated companies declined as a result of the delayed receipt of invoice.

The increase in trade payables is attributable to the invoicing for assets under construction shortly before the reporting date.

Equity increased for earnings-related reasons. Prior-year profit for the year was fully allocated to revenue reserves. The equity ratio remains at 62.4%.

### Capital investments and financing

In the reporting year, the Company invested kEUR 7,443 in property, plant and equipment (prior year: kEUR 12,820). These capital investments mainly related to plants in mechanical production.

The leasing expenses for machinery and motor vehicles incurred in the financial year 2019/2020 amounted to kEUR 72 (prior year: kEUR 88). The Company is financed through own funds and through long- and short-term bank loans.

## Number of employees

In the reporting year, the permanent workforce included an average of 233 employees. The number of apprentices was at 10 on the annual average.
In 2020/21, new staff is intended to be recruited in the EPP, quality assurance and foundry functions. The Company seeks to continuously raise productivity through internal and external staff training.

## Risk report

Appropriate controlling and reporting instruments are used to timely identify, and take appropriate action to address, potential risks from the market environment characterised by increasing competition and technical change. The other risks in the finance and technical areas are addressed, among other things, by taking measures, such as:

- Permanent control of production processes
- Expansion of the production planning and production control system (PPS system)
- Product liability insurance
- Business interruption insurance

A major part of the Company's revenue is realised with a limited number of customers, which involves the risk that one of these partners will considerably reduce its sales volume or intensify the pricing pressure. To minimise this risk, the Company is continuing its efforts to broaden its customer and product base.

In order to improve its financial development, the Company continues to review systems and processes for further rationalisation potentials to be tapped. We address the persisting pricing and cost pressures through further productivity gains.

Liquidity is controlled within the framework of short- and medium-term budgetary planning. Apart from unforeseeable circumstances, the Company anticipates that, based on the budgetary planning for 2020/2021, it will be able to finance budgeted capital investments of kEUR 2,600 through cash flows from operating activities.

Our Company is affected by normal price risks, especially in the area of aluminium procurement. There are no currency hedges or long-term supply contracts.

The Company seeks to mitigate default risks through corresponding receivables management, which consists in checking new customers, determining delivery limits by means of the collection agency Creditreform, regularly examining receivables from our customers outstanding, a strict dunning system, customer visits or similar.

The 2020/2021 financial year is considerably affected by Covid-19, with a revenue slump of between 25 and 30% being expected. We cannot prevent this leading to an impact on our financial position and performance. Instant steps were initiated by us (cancellation of temporary workers, application for short-time work) to keep this impact to a minimum.

Overall, management does not see any risks that individually or taken as a whole could endanger the Company's existence as a going concern.

**Outlook**

In the calendar year 2020, the German gross domestic product is anticipated to shrink by 6.3%, with the automotive market being expected to decline between 25% and 30%.

Our customers' initially forecast annual volumes for backlog orders have not been reached and currently are 25% below the forecast annual volume. Therefore, we expect the initially forecast values for backlog orders to be missed by 25 to 30%-points.

The product portfolio was continuously updated and expanded. In line with an improvement of production processes and introduction of appropriate measures, this should lead to an earnings stabilisation.

The cooperation with the Indian and above all the Italian Endurance Group plants is to be further expanded, which we expect to result in additional synergy and standardisation effects.

The Company's capital investments budgeted for 2020/2021 primarily relate to the realisation of new product lines in respect of new customer projects.

With a decrease in revenue from backlog orders and a constant cost of materials to revenue ratio, a slightly positive profit for the year is expected for the upcoming financial year. However, it is not possible to give a reliable forecast for the financial year as the impacts of the pandemic remain uncertain. Already today, a second wave of infections in autumn 2020 and government aid measures to get the automotive industry up again are being talked about.

Endurance Amann GmbH, Massenbachhausen/Germany

**Balance sheet as at 31 March 2020**

| ASSETS | 31 Mar.2020 EUR | 31 Mar.2020 EUR | 31 Mar. 2019 kEUR |
|---|---|---|---|
| A. Fixed assets | | | |
| I. Intangible fixed assets | | | |
| Software and licences acquired for a consideration | | 133.301,00 | 118 |
| II. Property, plant and equipment | | | |
| 1. Land and buildings including buildings on third-party land | 10.861.143,58 | | 11.256 |
| 2. Technical equipment and machinery | 8.070.809,00 | | 9.010 |
| 3. Other equipment, operating and office equipment | 1.875.447,00 | | 1.224 |
| 4. Prepayments and assets under construction | 8.098.690,15 | | 4.364 |
| | | 28.906.089,73 | 25.854 |
| III. Long-term financial assets | | | |
| Shares in affiliated companies | | 4.616.000,00 | 4.616 |
| B. Current assets | | | |
| I. Inventories | | | |
| 1. Raw materials, consumables and supplies | 4.082.192,28 | | 3.512 |
| 2. Work in progress | 2.244.452,89 | | 3.224 |
| 3. Finished goods | 1.463.699,68 | | 525 |
| 4. Prepayments made | 1.739.952,02 | | 4.311 |
| | | 9.530.296,87 | 11.573 |
| II. Receivables and other current assets | | | |
| 1. Trade receivables | 5.558.366,78 | | 7.159 |
| 2. Receivables from affiliated companies<br>- of which cash pool account: EUR 2,257,145.09 (prior year: kEUR 4,505)<br>- of which loans to Endurance Overseas: EUR 3,000,000 (prior year: kEUR 3,000) | 5.256.824,24 | | 7.531 |
| 3. Other assets | 1.377.468,09 | | 841 |
| | | 12.192.659,11 | 15.531 |
| III. Cash-in-hand and bank balances | | 5.836.890,71 | 884 |
| C. Prepaid expenses | | 148.861,74 | 207 |
| | | 61.364.099,16 | 58.784 |

| EQUITY AND LIABILITIES | 31 Mar.2020 EUR | 31 Mar.2020 EUR | 31 Mar. 2019 kEUR |
|---|---|---|---|
| A. Equity | | | |
| I. Subscribed capital | | | |
| 1. Share capital | 3.250.000,00 | | 3.250 |
| 2. Treasury shares acquired | 200.000,00 | | 200 |
| | | 3.050.000,00 | 3.050 |
| II. Capital reserves | | 13.456.642,31 | 13.457 |
| III. Revenue reserves<br>Other revenue reserves | | 20.147.693,36 | 16.198 |
| IV. Profit for the year | | 1.621.260,37 | 3.950 |
| | | 38.275.596,04 | 36.654 |
| B. Provisions | | | |
| Other provisions | | 9.013.287,61 | 11.149 |
| C. Liabilities | | | |
| 1. Liabilities to banks | 6.871.423,00 | | 4.314 |
| 2. Trade payables | 6.056.700,14 | | 4.801 |
| 3. Liabilities to affiliated companies | 0,00 | | 700 |
| 4. Other liabilities<br>- of which taxes: EUR 377,762.25 (prior year: kEUR 402)<br>- of which relating to social security and similar obligations: EUR 31,266.96 (prior year: kEUR 18) | 1.147.092,37 | | 1.166 |
| | | 14.075.215,51 | 10.981 |
| | | 61.364.099,16 | 58.784 |

## Endurance Amann GmbH, Massenbachhausen/Germany

## Statement of profit and loss
## for the period from 1 April 2019 to 31 March 2020

| | | 2019/2020 EUR | 2019/2020 EUR | 2018/2019 kEUR |
|---|---|---|---|---|
| 1. | Revenue | 48.636.010,71 | | 55.601 |
| 2. | Increase or decrease (-) in finished goods inventories and work in progress | -41.137,42 | | 1.569 |
| 3. | Other operating income | 149.620,64 | | 107 |
| | | | 48.744.493,93 | 57.277 |
| 4. | Cost of materials | | | |
| | a) cost of raw materials, consumables and supplies | 20.516.527,48 | | 25.307 |
| | b) Cost of purchased services | 5.304.626,90 | | 4.269 |
| | | | 25.821.154,38 | 29.576 |
| 5. | Personnel expenses | | | |
| | a) Wages and salaries | 8.830.421,12 | | 9.836 |
| | b) Social security, post-employment and other personnel expenses | 1.744.367,40 | | 1.793 |
| | - of which post-employment costs: EUR 19,199.56 (prior year: kEUR 19) | | 10.574.788,52 | 11.629 |
| 6. | Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment | | 4.427.381,56 | 4.270 |
| 7. | Other operating expenses | | 5.592.694,09 | 6.243 |
| 8. | Other interest and similar income<br>- of which from affiliated companies: EUR 18,607.56 (prior year: kEUR 20) | | 18.619,34 | 20 |
| 9. | Interest and similar expenses | | 75.297,43 | 54 |
| | | | 2.271.797,29 | 5.525 |
| 10. | Taxes on income | | 620.283,63 | 1.543 |
| 11. | Earnings after taxes | | 1.651.513,66 | 3.982 |
| 12. | Other taxes | | 30.253,29 | 32 |
| 13. | Profit for the year | | 1.621.260,37 | 3.950 |

# Endurance Amann GmbH, Massenbachhausen/Germany
## Registration court: Stuttgart/Germany HRB 108298

# Notes to the financial statements for the financial year 2019/2020

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**General information**

The annual financial statements on hand have been prepared according to Secs. 242 et seq. and Secs. 264 et seq. German Commercial Code (HGB) as well as to the relevant regulations of the German Limited Liability Companies Act (GmbHG). The regulations for large firms organised in a corporate form apply.

The nature of expense format has been applied to the statement of profit and loss.

To enhance the clarity of the presentation, the disclosures on the allocation to several balance sheet items and a part of the separate line items for subtotals were included in the notes to the financial statements.

**Accounting and valuation principles**

The following accounting and valuation principles were again applied to the annual financial statements.

**Intangible fixed assets** acquired for a consideration have been accounted for at acquisition cost, with amortisable assets being amortised on a straight-line basis over the useful life.

**Property, plant and equipment** have been recognised at acquisition cost, with depreciable assets being depreciated. Elements of property, plant and equipment are depreciated on a straight-line basis over the estimated economic life. Assets with an individual net value of up to EUR 800.00 are fully depreciated in the year of acquisition. Additions to property, plant and equipment are depreciated on a pro rata basis.

**Shares in affiliated companies** are recognised at acquisition cost.

**Inventories** are recognised at the lower of acquisition or production cost and current value.

Inventories of **raw materials, consumables and supplies** have been capitalised at the lower of average cost price or current value as at the reporting date.

In measuring **work in progress** and **finished goods**, appropriate portions of production overhead and indirect material as well as depreciation have, in addition to direct material, direct labour and special direct cost, also been taken into account.

For prepayments on moulds, the respective stage of completion has been taken into account. Moulds purchased from third parties have been accounted for at the lower of acquisition cost or market price.

Adequate provisions have been made for all potential losses, i.e. deductions for costs to sell have been made from anticipated sales prices.

Appropriate allowances have been made for all inventory risks identifiable as at the reporting date which result from above average days in inventories, reduced usability and lower replacement costs.

Apart from retention of title as is customary in the trade, the inventories are free from third-party rights.

**Receivables and other current assets** have been recognised at nominal value. All risk items have been taken into account by making appropriate specific allowances; the general credit risk has been covered by making general allowances.

**Cash and cash equivalents** have been recognised at nominal value.

**Prepaid expenses** were recorded for cost before the balance sheet date that constitute expenses for a certain period of time after that date.

**Treasury shares** have been openly deducted from issued capital in accordance with Sec. 272 (1a) HGB.

**Other provisions** cover all contingent liabilities. They have been stated at the settlement value necessary according to sound business judgement (i.e. including future costs and price increases).

**Liabilities** have been recognised at settlement value.

Differences between the values recognised under German commercial law and tax law are recognised under provisions. This results in deferred tax assets. They are determined using the specific tax rates of the Company. The Company exercised the option as conferred under Sec. 274 HGB.

## Notes to the balance sheet

### Fixed assets

The movements in the individual fixed asset items are presented in the statement of movements in fixed assets, stating amortisation, depreciation and write-downs of the reporting year (appendix to the notes).

### Receivables and other current assets

Like in the prior year, all trade receivables and receivables from affiliated companies have a residual term of less than one year.

## Equity

The issued capital of the Company amounts to kEUR 3,250. The shareholder is Endurance Technologies Ltd., Aurangabad/India. It holds shares with a nominal value of kEUR 3,050. Shares with a nominal value of kEUR 200 are held by the Company itself.

Under Sec. 272 (1a) HGB, the nominal value of the treasury shares of kEUR 200 was deducted from subscribed capital.

## Other provisions

The provisions mainly relate to variable salary components, warranty risks, credit notes to be issued, outstanding invoices and tool cost allowances.

## Liabilities

The residual terms of liabilities are specified in the statement of changes in liabilities.

| | **31 Mar. 2020** | | | | **31 Mar. 2019** | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Residual term of up to 1 year | Residual term of more than 1 year | of which residual term of more than 5 years | Total | Residual term of up to 1 year | Residual term of more than 1 year | of which residual term of more than 5 years |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| 1. Liabilities to banks | 6,871.4 | 1,085.7 | 5,785.7 | 1,642.8 | 4,314.1 | 1,085.7 | 3,228.4 | 1,928.6 |
| 2. Trade payables | 6,056.7 | 6,056.7 | | | 4,800.6 | 4,800.6 | | |
| 3. Liabilities to affiliated companies | 0.0 | | | | 700.3 | 700.3 | | |
| 4. Other liabilities | 1,147.1 | 1,147.1 | | | 1,165.6 | 1,165.6 | | |
| - of which taxes | 377.8 | 377.8 | | | 402.3 | 402.3 | | |
| - of which relating to social security and similar obligations | 31.3 | 31.3 | | | 18.5 | 18.5 | | |

There are the following collaterals for liabilities to banks:

- The respective machines financed.
- A kEUR 4,000 land charge entered for plant 3.

Trade payables have been collateralised through suppliers' customary retention of title.

Other financial commitments as at 31 Mar. 2020:

| | Total | Of which with a residual term of | | |
|---|---|---|---|---|
| | | up to 1 year | between 1 and 5 years | more than 5 years |
| | kEUR | kEUR | kEUR | kEUR |
| Rental agreements and leases*) | 364 | 91 | 273 | - |
| | | | | |
| | 364 | 91 | 273 | - |
| *) according to the contractually agreed rental or lease term | | | | |

**Notes to off-balance-sheet transactions**

| | | |
|---|---|---|
| Operating lease | Purpose | Lowering of cash outflow on account of reduction in capital investment volume |
| | Risks | Charge of rentals during the contract term of up to 5 years |
| | Advantages | Modernisation of machinery and office equipment without appropriating investment funds |
| Consignment stock agreements | Purpose | Optimum handling of sales transactions |
| | Risks | None |
| | Advantages | Increase in customer satisfaction |
| Outsourcing of operational functions (legal function) | Purpose | Optimised addressing of imminent litigation |
| | Risks | Timely availability of external legal advice by lawyers ensured |
| | Advantages | Cost saving in comparison with maintenance of internal legal function |

## Notes to the statement of profit and loss

| **Revenue** | **2019/2020 kEUR** | **2018/2019 kEUR** |
|---|---|---|
| Aluminium pressure die casting | 35,988 | 42,964 |
| Zinc pressure die casting | 261 | 271 |
| Moulds | 11,989 | 11,771 |
| Other | 444 | 650 |
| | 48,682 | 55,657 |
| Sales deductions | -46 | -56 |
| | **48,636** | **55,601** |

Revenue is almost exclusively realised in Germany.

Other revenue mainly relates to income from scrap sales.

## Other disclosures

### Number of employees

The average headcount during the reporting year was:

| | 2019/2020 | 2018/2019 |
|---|---|---|
| Industrial employees | 168 | 182 |
| Salaried employees | 55 | 55 |
| | 223 | 237 |
| Apprentices | 10 | 10 |
| | 233 | 247 |

**Management**

In the reporting year, management functions were performed by:

- Mr Rinze Dijkstra
- Mr Massimo Venuti (Endurance Overseas Srl., Managing Director)

In accordance with Sec. 286 (4) HGB, the Company did not disclose the remuneration of the managing directors.

**Advisory board**

The members of the advisory board are:

- Mr Anurang Jain – Managing Director Endurance Technologies Limited, Aurangabad/India

The total emoluments paid to the advisory board for the financial year 2019/2020 amounted to kEUR 0.

**Audit and consulting fees**

The total fees charged by the auditors of the annual financial statements for the reporting year amount to:

| | kEUR |
|---|---|
| Audit services | 28 |
| Other assurance services | 28 |
| Tax consultancy | 15 |
| Total | 71 |

**Related party transactions**

Apart from the usual trade relationships, there have been no further related party transactions.

**Group affiliation**

The Company is included in the consolidated financial statements of Endurance Technologies Limited, Aurangabad/India. These consolidated financial statements are disclosed at the place of the parent company.

**Subsequent events**

There were no major post-balance-sheet-date events which have been taken into account neither in the statement of profit and loss nor in the balance sheet.

**Proposed appropriation of profits**

Management proposes (in conformity with the advisory board) to carry forward onto new account the profit for the year of EUR 1,621,260.37.

Massenbachhausen/Germany, 12 May 2020

– The General Management –

**Endurance Amann GmbH, Massenbachhausen/Germany**

**Movements in fixed assets in the financial year 2019/2020**
**(Figures in EUR)**

| | Acquisition/ production cost 31 Mar. 2019 | Addition | Reclassi- fications | Disposal | Acquisition/ production cost 31 Mar. 2020 | Accumulated amortisation/ depreciation/ write-downs 31 Mar. 2019 | Addition | Disposal | Accumulated amortisation/ depreciation/ write-downs 31 Mar. 2020 | Book value 31 Mar. 2020 | Book value 31 Mar. 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Intangible fixed assets** | | | | | | | | | | | |
| 1. Software and licences acquired for a consideration | 240.138,01 | 51.331,63 | | | 291.469,64 | 122.328,01 | 35.840,63 | | 158.168,64 | 133.301,00 | 117.810,00 |
| 2. Customer list and similar rights | 8.709.322,00 | | | | 8.709.322,00 | 8.709.322,00 | | | 8.709.322,00 | 0,00 | 0,00 |
| 3. Goodwill | 6.871.591,00 | | | | 6.871.591,00 | 6.871.591,00 | | | 6.871.591,00 | 0,00 | 0,00 |
| | 15.821.051,01 | 51.331,63 | 0,00 | 0,00 | 15.872.382,64 | 15.703.241,01 | 35.840,63 | 0,00 | 15.739.081,64 | 133.301,00 | 117.810,00 |
| **II. Property, plant and equipment** | | | | | | | | | | | |
| 1. Land and buildings including buildings on third-party land | 12.135.393,11 | 13.855,85 | | | 12.149.248,96 | 879.367,71 | 408.737,67 | | 1.288.105,38 | 10.861.143,58 | 11.256.025,40 |
| 2. Technical equipment and machinery | 24.072.416,27 | 1.221.798,67 | 1.450.441,50 | 112.376,82 | 26.632.279,62 | 15.062.413,27 | 3.611.434,17 | 112.376,82 | 18.561.470,62 | 8.070.809,00 | 9.010.003,00 |
| 3. Other equipment, operating and office equipment | 4.088.361,48 | 817.767,99 | 204.960,10 | 21.892,57 | 5.089.197,00 | 2.864.273,48 | 371.369,09 | 21.892,57 | 3.213.750,00 | 1.875.447,00 | 1.224.088,00 |
| 4. Prepayments and assets under construction | 4.364.263,95 | 5.389.827,80 | -1.655.401,60 | | 8.098.690,15 | | | | | 8.098.690,15 | 4.364.263,95 |
| | 44.660.434,81 | 7.443.250,31 | 0,00 | 134.269,39 | 51.969.415,73 | 18.806.054,46 | 4.391.540,93 | 134.269,39 | 23.063.326,00 | 28.906.089,73 | 25.854.380,35 |
| **III. Long-term financial assets** | | | | | | | | | | | |
| Shares in affiliated companies | 4.616.000,00 | | | | 4.616.000,00 | 0,00 | | | 0,00 | 4.616.000,00 | 4.616.000,00 |
| | 4.616.000,00 | 0,00 | 0,00 | 0,00 | 4.616.000,00 | 0,00 | 0,00 | 0,00 | 0,00 | 4.616.000,00 | 4.616.000,00 |
| | 65.097.485,82 | 7.494.581,94 | 0,00 | 134.269,39 | 72.457.798,37 | 34.509.295,47 | 4.427.381,56 | 134.269,39 | 38.802.407,64 | 33.655.390,73 | 30.588.190,35 |

## INDEPENDENT AUDITOR'S REPORT

To Endurance Amann GmbH, Massenbachhausen/Germany

### Audit Opinions

We have audited the annual financial statements of Endurance Amann GmbH, Massenbachhausen/Germany, which comprise the balance sheet as at 31 March 2020, and the statement of profit and loss for the financial year from 1 April 2019 to 31 March 2020, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Endurance Amann GmbH, Massenbachhausen/Germany, for the financial year from 1 April 2019 to 31 March 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2020 and of its financial performance for the financial year from 1 April 2019 to 31 March 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

### Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

### Responsibilities of the Executive Directors for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

**Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 annual financial statements and this management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 audit opinions. 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 controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive 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 the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance 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.

Mannheim/Germany, 10 June 2020

**Deloitte GmbH**
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Signed: Steffen Schmidt | Signed: Michael Harst |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

**Remark**: This PDF file represents a specimen copy of the long-form report, neither a legally binding copy nor a file for publication with the electronic federal gazette. The print version prevails over this PDF version

# ENDURANCE OVERSEAS SRL

Head office: VIA DEL BOSCHETTO 2/43 – LOMBARDORE (Turin)
Tax Code, Turin Chamber of Commerce and
Turin Companies Register No. 05754620960
Turin Business Register (REA) no. 1101893
Quota capital: € 16,105,263.00 subscribed and fully paid
VAT Number: 05754620960

# Report on operations

*Financial statements for the year ended 31/03/2020*

Quotaholders, the explanatory notes provide disclosures on the financial statements for the year ended 31/03/2020; this document, in compliance with Art. 2428 of the Italian Civil Code, provides information on the Company's situation and performance. The report, prepared with amounts shown in Euros, is presented as an accompaniment to the financial statements and provides information on the Company's earnings, financial position and operations, together, where possible, with historical facts and an indication of the future outlook.

## Information on the Company

### Matters concerning the economy in general and the results of operations:

The world economic slowdown during 2019 (growth of 2.4% compared with 3.0% in the prior year and 3.3% in the year before that) was mainly due to the disruption of supply chains and the impediments to international trade linked to the US-China trade dispute, which included the reciprocal imposition of escalating customs duties. The United States reported growth of 2.3% (compared with 2.9% in the prior year), China 6.1% (6.6% previously), India 4.2% (6.1% previously) and Europe just 1.2%, with Italy and Germany bring up the rear with growth of 0.3% and 0.6% respectively.

Despite the trade agreement reached by the USA and China towards the end of 2019, GDP collapsed during the first quarter of 2020 as a result of the containment measures adopted by various countries, mostly starting in March, in order to tackle the healthcare emergency associated with the coronavirus epidemic (discussed in more detail below, in the section on key events). The suspension of industrial and commercial activity at various levels caused the economies of the countries concerned to slump into a deep recession, which will continue until the restoration of health safety conditions allows normal work to restart.

Central banks around the world continue to support their economies with expansionary monetary policies, but have only managed to mitigate the adverse effects of the crisis without inverting the downward trend.

The EU automotive sector, already challenged by the difficulties caused by the new regulations governing vehicle consumption testing procedures (WLTP - Worldwide Harmonised Light Vehicles Test Procedures), was hit by a 5% reduction in registrations during the reporting period from April '19 to March '20 (UK -10.9%, Spain -10.6%, Italy -7.9%, France -6.7% and Germany -0.3%), not least due to the contraction in the last quarter of the reporting year (January – March 2020) by more than 26% (Italy -35.5%, France -34.1%, UK and Spain -31%, and Germany -20.3%).

EU annual sales data by manufacturer highlights significant reductions for FCA (-13.5%), PSA (-10.4%) and Renault (-8.5%), with more contained declines for BMW (-2.0%) and VW (-1.5%). However the data for the last quarter (January – March 2020) was bad for all manufacturers including, in particular, Renault (-36.1%), FCA (-34.5%) and PSA (-34.3%), followed by Daimler (-22.9%), VW (-19.4%) and BMW (-16.7%). The VW Group has further consolidated its leadership of the European market, with a share in excess of 25% (prior year: 24.2%). Progress was also made by BMW (6.8%, up from 6.6%) and Daimler (6.6%, up from 6.2%), to the detriment of PSA, FCA and Renault.

The P&CV production data published by IHS MARKIT for the 2019 calendar year, not yet influenced by the Covid-19 pandemic, shows that the 6.3% contraction in global production (from 16.6 to 15.8 million vehicles) affected all macro areas: EU -5.3%, North America -6.2%, South America -2.8%, Asia -6.5%, Middle East and Africa -25.6%. Within the European Union, Germany was the leading producer with an output of 4.7 million vehicles (albeit down 9% compared with the prior year), followed by Spain 2.2 million (+0.3%), France 1.7 million (-5.5%), the Czech Republic 1.4 million (-0.7%), the UK 1.3 million (-14.2%), Slovakia 1.1 million (+0.6%) and Italy 0.5 million (-19.5%).

During the same period, EU vehicle exports dropped in both volume (-6.9%) and value (-2.3%) terms, while the value of imports climbed (+15.6%) on essentially stable (-0.9%) volume.

Diesel vehicle registrations continued to decline, down by 13.9% over the calendar year (market share reduced to 30.5%), but increases were reported for petrol vehicles (up by 5.2%) - raising their market share to 58.9% - and for those powered by alternative sources of energy (LPG/methane, hybrid and electric vehicles).

The decline in vehicle registrations, production and exports are all factors that only had an indirect effect on business performance (as reflected in the economic results of subsidiaries). Considering the revenue-cost structure of the business, the overall positive margin of € 3.7 million benefited from the dividend policy adopted (income during the year of € 4.0 million) and the stability of the income and costs associated with the holding company activities carried on (property management and the supply of support services to affiliates).

In this context, the financial situation of the Company has also improved.

## Key events

Macroeconomic stability was affected during the last quarter of the financial year by the Covid-19 (a.k.a. Coronavirus) pandemic, which was initially concentrated in the Asian markets before spreading to other geographical areas, including Europe and Italy in particular, from the end of February 2020.

The pandemic has resulted in global consequences, with strong pressure on national health services and a steady stream of measures from government authorities designed to contain the risk of further contagion (travel restrictions, suspension of productive activities etc.). These measures are continuing to have a significant impact on the social and working lives of individuals and on the global economy (significant drop in end-user demand for goods and services, with a resulting increase in unemployment and a deterioration in global economic conditions).

Turning to the action taken as a Parent Company, Endurance Overseas S.r.l. reacted promptly to the extraordinary effects of the pandemic by taking steps to safeguard the health of employees of all Group companies, as a priority objective, as well as to guarantee the continuity of production to the extent possible under appropriate safety conditions (purchase of PPE, reorganisation of operating procedures, interactions and movements within corporate facilities, as well as recourse - where practicable and applicable - to smart working for all professional roles).

Operating activities at Group facilities, already slowed from the end of February 2020, were suspended in full during the final week of March - in compliance with government instructions - and this complete lockdown lasted until 4 May 2020.

The Group continues to monitor actively the daily spread of the virus, with a view to guaranteeing proactive management of the potential impacts. From a production standpoint, the effects on the routine conduct of activities by the operating companies are significant, even after the restart, given for example the unpredictable nature of customer order confirmations that have a direct effect on many areas of operation, including:

- the update of production schedules;
- management of the supply chain - in terms of the availability of resources, the timing of deliveries and the financial strength of the operators concerned;
- the organisation of personnel - in terms of production efficiency, availability, logistical and insurance needs, and recourse to social buffers (used by the Company from the date on which production was suspended);
- the approach to certain negotiations with suppliers and the review/update of investment plans.

With regard to the assessment and management of the adverse effects of the current pandemic, the Parent Company and the operating companies have acted in the areas described by cutting discretionary costs, rendering production and personnel costs as flexible as possible and, as indicated, making recourse to the government-assisted lay-off pay introduced with specific reference to Covid-19. This action helped to minimise the economic impact on the year ended 31 March 2020, not least because - having regard for the specific operating conditions of the Company - the necessary accounting measurements were only partially affected and did not give rise to any concerns about business continuity (evaluated over a time horizon of at least 12 months, as required by the policies governing the preparation of financial statements). The overall assessment made in this regard is supported by the current liquidity of the Company and the Endurance Group as a whole.

With specific reference to the business activities of the Company, the principal events during the year included:

- The purchase of an industrial property at via Bonaudo sn, Chivasso, for Euro 1,800,000. The related deed was witnessed by Notary De Leo of Chivasso on 10 December 2019. The building covers an area of about 6,000 sq.m and the total area of site is around 12,000 sq.m. This property was made available to Endurance Spa under a rental contract signed on 29 February 2020;
- The purchase, in January 2020, of a licence for the exclusive use of patents and know-how for the production of motorcycle clutch systems from Adler Spa (now Endurance Adler Spa) for Euro 3,000,000. This transaction, part of a group initiative to create a hub for motorcycle components, took place prior to the acquisition of control over Adler Spa under conditions that were finalised later.

In fact, the events subsequent to the reporting date with a significant effect on the economic and financial performance of the Company included, on 15 April 2020, subscription by the Company to the capital increase authorised at the shareholders' meeting of Adler Spa. The deed was witnessed by Notary Agostini of Milan, reg. no. 83234/16710, and resulted in the acquisition of shares representing 99% of capital. As a consequence, Adler Spa is now part of the Endurance Group and, by deed witnessed by Notary Agostini, reg. no. 83242/16713, has changed its name to Endurance Adler S.p.A. and aligned its reporting date with that of the other Group companies.

## Management control and coordination activities

Pursuant to para. 5 of art. 2497-bis of the Italian Civil Code, we can confirm that the Company belongs to the ENDURANCE Group (India) and is subject to management control and coordination by ENDURANCE TECHNOLOGIES LIMITED (India), whose shares have been listed on the National Stock Exchange of India (NSE) and the Bombay Stock Exchange (BSE) since October 2016.
These management control and coordination activities have not had any particular impact on the Company's activities and results. We can also confirm that no decisions were made that were influenced by the Company that performs management control and coordination activities which might require an indication of the reasons and interests affecting them.

# Financial position

To facilitate a better understanding of the Company's financial position, a reclassified balance sheet is set out below.

## Balance Sheet - Assets

| Item | FY 2020 | % | FY 2019 | % | Change | Change % |
|---|---|---|---|---|---|---|
| **WORKING CAPITAL** | **30,238,004** | **32.26%** | **24,044,309** | **28.73%** | **6,193,695** | **25.76%** |
| **Immediate liquidity** | **23,329,776** | **24.89%** | **21,010,773** | **25.11%** | **2,319,003** | **11.04%** |
| Cash and cash equivalents | 23,329,776 | 24.89% | 21,010,773 | 25.11% | 2,319,003 | 11.04% |
| **Deferred liquidity** | **6,908,228** | **7.37%** | **3,033,536** | **3.62%** | **3,874,692** | **127.73%** |
| Current receivables included in working capital | 5,795,315 | 6.18% | 2,935,193 | 3.51% | 2,860,122 | 97.44% |
| Financial assets | 1,000,000 | 1.07% | - | - | 1,000,000 | - |

| Item | FY 2020 | % | FY 2019 | % | Change | Change % |
|---|---|---|---|---|---|---|
| Accrued income and prepaid expenses | 112,913 | 0.12% | 98,343 | 0.12% | 14,570 | 14.82% |
| **FIXED ASSETS** | **63,502,628** | **67.74%** | **59,641,003** | **71.27%** | **3,861,625** | **6.47%** |
| Intangible assets | 3,820,197 | 4.08% | 939,619 | 1.12% | 2,880,578 | 306.57% |
| Tangible fixed assets | 15,417,303 | 16.45% | 14,436,258 | 17.25% | 981,045 | 6.80% |
| Financial fixed assets | 44,236,558 | 47.19% | 44,236,558 | 52.86% | - | - |
| Non-current portion of receivables included in working capital | 28,570 | 0.03% | 28,568 | 0.03% | 2 | 0.01% |
| **CAPITAL EMPLOYED** | **93,740,632** | **100.00%** | **83,685,312** | **100.00%** | **10,055,320** | **12.02%** |

## Balance Sheet - Liabilities and Quotaholders' Equity

| Item | FY 2020 | % | FY 2019 | % | Change | Change % |
|---|---|---|---|---|---|---|
| **CAPITAL ATTRIBUTE TO MINORITY INTEREST** | **57,077,569** | **60.89 %** | **50,719,646** | **60.61 %** | **6,357,923** | **12.54 %** |
| **Current liabilities** | **43,887,153** | **46.82 %** | **36,739,180** | **43.90 %** | **7,147,973** | **19.46 %** |
| Current payables | 43,867,905 | 46.80 % | 36,712,104 | 43.87 % | 7,155,801 | 19.49 % |
| Accrued expenses and deferred income | 19,248 | 0.02 % | 27,076 | 0.03 % | (7,828) | (28.91) % |
| **Non-current liabilities** | **13,190,416** | **14.07 %** | **13,980,466** | **16.71 %** | **(790,050)** | **(5.65) %** |
| Non-current payables | 11,376,852 | 12.14 % | 12,045,917 | 14.39 % | (669,065) | (5.55) % |
| Provision for risks and charges | 1,798,832 | 1.92 % | 1,925,297 | 2.30 % | (126,465) | (6.57) % |
| Employee termination indemnity | 14,732 | 0.02 % | 9,252 | 0.01 % | 5,480 | 59.23 % |
| **EQUITY** | **36,663,063** | **39.11 %** | **32,965,666** | **39.39 %** | **3,697,397** | **11.22 %** |
| Quota capital | 16,105,263 | 17.18 % | 16,105,263 | 19.25 % | - | - |
| Reserves | 6,587,384 | 7.03 % | 6,354,372 | 7.59 % | 233,012 | 3.67 % |
| Retained earnings (accumulated losses) | 10,273,019 | 10.96 % | 5,845,800 | 6.99 % | 4,427,219 | 75.73 % |
| Net income (loss) for the year | 3,697,397 | 3.94 % | 4,660,231 | 5.57 % | (962,834) | (20.66) % |
| **FINANCING SOURCES** | **93,740,632** | **100.00 %** | **83,685,312** | **100.00 %** | **10,055,320** | **12.02 %** |

## Key indicators of financial position

According to the above reclassification, indicators of financial position are set out below:

| RATIO | FY 2020 | FY 2019 | % Change |
|---|---|---|---|
| Fixed asset coverage | 57.76 % | 55.30 % | 4.45 % |
| Amounts payable to banks to working capital | 54.87 % | 69.28 % | (20.80) % |
| Debt ratio | 1.56 | 1.54 | 1.30 % |
| Financial debt ratio | 1.34 | 1.32 | 1.52 % |
| Equity to capital employed | 39.05 % | 39.39 % | (0.86) % |
| Financial charges to turnover | 2.55 % | 3.26 % | (21.78) % |
| Current ratio | 68.73 % | 65.39 % | 5.11 % |
| Fixed asset to equity capital margin | (26,810,995.00) | (26,646,769.00) | (0.62) % |

| RATIO | FY 2020 | FY 2019 | % Change |
|---|---|---|---|
| Primary coverage ratio | 0.58 | 0.55 | 5.45 % |
| (Equity + non-current liabilities) - fixed assets | (13,814,446.00) | (12,666,303.00) | (9.06) % |
| Secondary coverage ratio | 0.78 | 0.79 | (1.27) % |
| Acid test margin | (13,834,366.00) | (12,716,426.00) | (8.79) % |
| Acid test ratio | 68.73 % | 65.39 % | 5.11 % |

# Results

A reclassified income statement is provided below to facilitate a better understanding of the Company's results.

## Income Statement

| Item | FY 2020 | % | FY 2019 | % | Change | Change% |
|---|---|---|---|---|---|---|
| **VALUE OF PRODUCTION** | **10,995,606** | **100.00%** | **10,363,619** | **100.00%** | **631,987** | **6.10%** |
| - Consumption of raw materials | 46,699 | 0.42% | 40,693 | 0.39% | 6,006 | 14.76% |
| - General expenses | 1,118,441 | 10.17% | 1,017,003 | 9.81% | 101,438 | 9.97% |
| **VALUE-ADDED** | **9,830,466** | **89.40%** | **9,305,923** | **89.79%** | **524,543** | **5.64%** |
| - Payroll costs | 7,066,282 | 64.26% | 6,950,230 | 67.06% | 116,052 | 1.67% |
| - Provisions | - | - | - | - | - | - |
| **GROSS OPERATING MARGIN** | **2,764,184** | **25.14%** | **2,355,693** | **22.73%** | **408,491** | **17.34%** |
| - Depreciation, amortisation and writedowns | 957,424 | 8.71% | 923,920 | 8.92% | 33,504 | 3.63% |
| - Other operating expenses | 252,180 | 2.29% | 253,373 | 2.44% | (1,193) | -0.47% |
| **INCOME BEFORE FINANCIAL ITEMS** | **1,554,580** | **14.14%** | **1,178,400** | **11.37%** | **376,180** | **31.92%** |
| + Financial items | 3,776,434 | 34.34% | 4,725,580 | 45.60% | (949,146) | -20.09% |
| **INCOME BEFORE TAX** | **5,331,014** | **48.48%** | **5,903,980** | **56.97%** | **-572,966** | **-9.70%** |
| - Taxation | 1,633,617 | 14.86% | 1,243,749 | 12.00% | 389,868 | 31.35% |
| **NET INCOME** | **3,697,397** | **33.63%** | **4,660,231** | **44.97%** | **(962,834)** | **-20.66%** |
| **EBITDA** | **2,512,004** | **22.85%** | **2,102,320** | **20.29%** | **409,684** | **19.49%** |

## Key performance indicators

On the basis of the above reclassification, indicators of financial position are set out below:

| RATIO | FY 2020 | FY 2019 | % Change |
|---|---|---|---|
| R.O.E. | 10.08% | 14.14% | (28.66%) |
| R.O.I. | 3.11% | 2.65% | 17.26% |
| R.O.S. | 9.16% | 6.94% | 31.92% |
| R.O.A. | 1.66% | 1.41% | 17.77% |

# Information required by Art. 2428 of the Civil Code

The following is the detailed information specifically required by art. 2428 of the Italian Civil Code.

## Main risks and uncertainties that the Company is exposed to

As required by the first paragraph of Art. 2428 of the Italian Civil Code, a description of the main risks and uncertainties to which the Company is exposed is set out below, taking into account its nature as a provider of services and investment holding company that operates in the automotive sector:

**RISKS RELATED TO THE GENERAL STATE OF THE ECONOMY**: the Company's results are influenced by trends in the national and international economy. Developments regarding GDP, the cost of raw materials, the unemployment rate, interest rates and the level of confidence shown by consumers and businesses can condition the sales performance of end customers and, thus, the company's sales performance.

**RISKS RELATED TO THE SECTOR IN WHICH THE COMPANY OPERATES:** the metal alloys and metal parts machining sector, in which the Company and its subsidiaries operate, is characterised by heated competition that is partly attributable to the sales trends in the automotive market. As much as the Group has taken action deemed necessary to improve its level of flexibility, a significant fall in end customers' needs and consequent further pressure on prices caused by heated competition could adversely impact the company's results and financial position.

**RISKS RELATED TO THE ABILITY TO CREATE INNOVATIVE PRODUCTS:** the automotive components sector is characterised by continuous product development needed to satisfy the product performance required by car manufacturers and by environmental legislation (governing emissions). Future investment by the Group will seek to develop the portfolio of products and diversify the types of production, thereby increasing the ability to meet the needs of customers. The failure to develop products and to meet needs in terms of price, quality and functionality imposed by end customers could adversely impact the Group's prospects for its operations.

**FINANCIAL RISKS:** The Company is exposed to the following financial risks in the conduct of its operations:

- credit risk in relation to normal commercial transactions with customers of subsidiaries;
- liquidity risk, with particular reference to the availability of financial resources and access to the market for credit and financial instruments in general;
- market risks, mainly relating to changes in interest rates and, to a lesser extent, exchange rates.

The Company constantly monitors the financial risks that it is exposed to, in order to evaluate in advance any potential negative effects and to take appropriate action to mitigate them.

Credit Risks

Given the main activity of its industrial subsidiaries - the production of components for car makers - the receivables of the Company are structurally concentrated, as the customers of the Group comprise a limited number of industrial groups.

The Company monitors receivables constantly and regularly adjusts the related allowances for collection risks.

Credit Risks

Given the main industrial activity of its subsidiaries - the production of components for car makers - the receivables of the Company are structurally concentrated, as the customers of the Group comprise a limited number of industrial groups.

Liquidity risks

The two main factors that determine the Company's liquidity position are, on one hand, the resources generated or absorbed by operations and by investments and, on the other hand, the timing of the repayment and renewal of debt and of the liquidity of financial investments.

The Company seeks the most appropriate sources of finance bearing in mind the current and prospective financial position. Any difficulties encountered in obtaining financing needed to meet the needs of current operations and needs relating to investments could negatively impact the Company's results and financial position.

Management believes that funds currently available, as well as funds generated from operating activities, will allow the Company to meet the needs of investing activities, of working capital management and for the repayment of debt as it falls due.

Market risks

In the conduct of its activities, the Company is exposed to various market risks, particularly the risk of fluctuations in interest rates and, to a lesser extent, exchange rates.

*Risks relating to changes in interest rates*
The Company could have recourse to financial resources made available by the banking sector in the form of debt and use the funds to finance operations as well as investment and development initiatives. The Company can also factor its trade receivables. Changes in market interest rates impact the cost of various forms of financing and of factoring and thus affect the level of the Company's financial charges.
To face up to these risks, the Company strives to maintain a suitable relationship between the financing structure and the structure of capital employed, compatible with opportunities offered and actual market conditions.
Lastly, where considered appropriate, the Company could make use of rate derivatives (interest rate swaps and caps) with the aim of hedging such risks.

*Risks relating to changes in exchange rates*
The functional currency used by the Company for the majority of its transactions (Euro) does not currently appear to be subject to significant risks relating to exchange rate fluctuations.

## Key non-financial indicators

Pursuant to Art. 2428 of the Civil Code, it is hereby confirmed that, due to the specific activities performed and for a better understanding of the company's results and financial position, it is not deemed relevant to present non financial indicators.

## Information on the environment

In the context of specific policies adopted by Endurance group, the Company strives hard to ensure that production and operating activities are carried out in compliance with all applicable regulations and international agreements. The objective is to introduce and maintain a broad culture of constantly improved environmental performance, process and product safety, while ensuring the safety of workers and installations.

**COVID-19: Practical precautionary measures introduced to allow activities to continue while safeguarding the health of workers**

In order to help contain the spread of the Covid-19 pandemic and ensure the continuity of business activities under safe conditions for personnel, the Endurance Group adopted a "Corporate protocol governing measures to contain and tackle the spread of Covid-19 in the workplace" in March 2020. This was prepared pursuant to the protocol agreed between the government and the social partners on 14 March 2020, as extended on 24 April 2020.

In short, the following principal operational procedures were envisaged:
- provision of information to workers and third parties on arrival at production locations, containing necessary instructions for the protection of their health and safety;
- body temperature check on arrival at the Company and collection of declarations by employees and third parties confirming the absence of conditions that, by law, would restrict their movements or access to the premises;
- restriction of access to the premises by external persons (customers, suppliers, visitors etc.) to essential or urgent cases;
- introduction of specific procedures that minimise contacts with external personnel (drivers/transport operators at logistics firms);

- dissemination throughout the premises of recommendations from the Ministry of Health regarding the containment of infection risks;
- encouragement of safe distancing (1 m) at all times when working, supplemented - if the requirement cannot be applied - by the use of personal protective equipment (masks);
- measures to restrict numerical access to common areas (rest and eating areas, changing rooms);
- restriction of in-person meetings, with requirements to maintain social distancing of at least one metre and keep the rooms clean and ventilated;
- suspension/cancellation of all travel/business trips (unless absolutely essential);
- use of smart working whenever possible from an operational and technological standpoint;
- encouragement to use holiday time and paid leaves of absence, as supplemented by recourse to the social buffers due to the reduction or suspension of productive activities;
- increased frequency of cleaning and sanitisation activities and distribution/availability to personnel of detergents and sanitising gels; periodic deep sanitisation by specialists using products with greater cleansing power.

## Information on personnel management

The workforce amounted to 12 employees at the end of the year.
The main training activities during the year concerned courses for internal auditors and workers' safety representatives, as well as refresher courses for various occupational roles.

## Research and development activities

Pursuant and consequent to paragraph 3.1 of Art. 2428 of the Civil Code, it is confirmed that no research and development activities were performed directly during the year; however, support was provided for the activities of subsidiaries.

## Transactions with subsidiaries, associates, parent companies and fellow subsidiaries

The Company has had dealings with other Group companies as referred to in paragraph 3.2 of art. 2428 of the Civil Code. In particular:

### Receivables from affiliates classified as current assets

| Description | FY 2020 | FY 2019 | Change |
|---|---|---|---|
| from subsidiaries | 1,893,409 | 2,318,762 | (425,353) |
| from fellow subsidiaries | 300,756 | 517,273 | (216,517) |
| *Total* | *2,194,165* | *2,836,035* | *(641,870)* |

Receivables due from subsidiaries: € 1,893,409, relating to:

- the amounts due from Endurance Engineering S.r.l. (€ 156,255) in relation to the domestic tax group.
- trade receivables (totalling € 1,737,154) in relation to the operational and financial services provided by the Company, as part of the management of the Group.

Receivables due from fellow subsidiaries: € 300,756 due from Endurance Amann GmbH for support provided to this German subsidiary;

### Payables due to and loans from affiliates

| Description | FY 2020 | FY 2019 | Change |
|---|---|---|---|
| payables due to subsidiaries | 27,206,314 | 19,259,437 | 7,946,877 |
| payables due to fellow subsidiaries | 5,276,020 | 7,524,514 | (2,248,494) |
| *Total* | *32,482,334* | *26,783,951* | *5,698,383* |

Due to subsidiaries within one year, € 26,567,314, as analysed below:

- € 3,000,000 for the loan received from Endurance S.p.A.;
- € 20,075,659 for the amount due related to the cash pooling arrangement, of which
    - € 15,727,153 to Endurance S.p.A.
    - € 3,106,944 to Endurance Castings S.p.A.
    - € 1,241,562 to Endurance Engineering S.r.l.
- trade payables of € 3,491,655.

Due to subsidiaries beyond one year: € 639,000, relating to deposits received from Endurance S.p.A. for outstanding rental contracts.

Payables due to fellow subsidiaries: € 5,276,020 due to Endurance Amann GmbH, a foreign affiliate, comprising € 2,257,173 due under the cash pooling arrangements and a loan of € 3,000,000 granted by the affiliate to the company and trade receivables for € 18,847.

## Treasury shares

There are no treasury shares because of the Company's legal status as an S.r.l. (*Società a responsabilità limitata* or private limited liability company).

## Shares/quotas in the parent company

In accordance with paragraphs 3.3 and 3.4 of Art. 2428 and Art. 2435-bis of the Italian Civil Code, we can confirm that the Company did not hold any shares or quotas in the parent company during the year.

## Business outlook

The outlook for the future is strongly conditioned by and dependent on the continuing effects of the Covid-19 epidemic. If herd immunity is steadily acquired, if the required precautions are observed or if remedies, including drugs, are found that can prevent or contain new waves of contagion, the situation should gradually return to normal leaving, in all cases, an adverse effect on the global production and sale of vehicles that IHS MARKIT estimates at -23%.

The total shutdown in April and the extremely limited activity in early May (with differences between countries, which reacted differently to the pandemic) caused economies worldwide to plunge into a deep recession, with an explosion of unemployment. The actions taken by governments to support the income of consumers and those taken by central banks to provide economic systems with liquidity have helped to mitigate the adverse effects and prevent an economic collapse but, to date, they have not helped to restore consumer confidence given a natural concern for the future.

Should further, widespread contagion return at the levels already experienced, the effects would be predictable at an overall macroeconomic level, but unimaginable at a micro level due to the many variables that must be considered.

Given the extreme uncertainty that characterises this difficult time, not least due to the presence of variables that are beyond the control of the Company, and others too, the approach taken is to adopt all possible solutions that contain costs and ensure the flexibility of production resources in response to changing market demands.

The sound financial position and the liquidity available to the Group as a whole should enable the Company to cope for many months, and certainly the next 12, with the most adverse conditions that may persist or return due to the healthcare emergency. At time of preparing these financial statements, the Company has not made recourse to moratoria, deferrals or any of the other solutions made available to assist liquidity, as the available cash balances are sufficient considering the routine support provided by financial partners.

The scheduled investment programmes will continue and additional corporate transactions will also be evaluated. Greater attention will however be dedicated to the optimisation and industrial rationalisation of production by Group companies.

The coming year will therefore be extremely difficult for the Company, the Group and all personnel, but the action taken and to be taken should ensure that positive results are achieved, in the absence of further serious external shocks.

### The use of financial instruments that should be taken into account when assessing the results and financial position

Pursuant to paragraph 3.6-bis of art. 2428 of the Italian Civil Code, we can confirm that the Company has a policy in place to hedge the interest-rate risk on medium-term loans by arranging two IRS contracts and a cap contract for some of these loans. The fair value of these hedging instruments is disclosed in the explanatory notes.

### Secondary locations

In accordance with art. 2428 of the Civil Code, details are provided below of the secondary locations used by the Company:

| Address | Location |
|---|---|
| VIA REGIONE POZZO 26 | CHIVASSO |
| VIA ARSENALE 33 | TURIN |

## Conclusion

In light of the above considerations and the information given in the notes, we invite you:

- to approve the financial statements for the year ended 31/03/2020 together with the explanatory notes and this report on operations that accompany them;
- to allocate the result for the year in accordance with the proposal made in the explanatory notes.

Lombardore, 29/05/2020

For the Board of Directors
The Managing Director

Massimo Venuti

**General information on the company**

Company data

| | |
|---|---|
| Name: | ENDURANCE OVERSEAS SRL |
| Registered office: | VIA DEL BOSCHETTO 2/43 – LOMBARDORE (TURIN) |
| Quota capital: | 16,105,263.00 |
| Quota capital fully paid in: | yes |
| Chamber of Commerce: | TO |
| VAT Number: | 05754620960 |
| Tax code: | 05754620960 |
| REA Number: | 1101893 |
| Legal form: | LIMITED LIABILITY COMPANY |
| Core business (ATECO): | 642000 |
| Company in liquidation: | no |
| Company with sole quotaholder: | no |
| Company subject to management and coordination activities: | yes |
| Name of the company or entity that exercises management and coordination activities: | ENDURANCE TECHNOLOGIES LIMITED |
| Belonging to a Group: | yes |
| Name of the parent company: | ENDURANCE TECHNOLOGIES LIMITED |
| Country of the parent company: | INDIA |
| Cooperatives register number: | |

# Financial statements at 31/03/2020

## Balance sheet

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| **Assets** | | |
| **B) Fixed assets** | | |
| I - Intangible assets | - | - |
| 3) industrial patent rights and intellectual property rights | 7,802 | 15,455 |
| 4) concessions, licences, trademarks and similar rights | 2,980,000 | - |
| 5) goodwill | 832,395 | 922,024 |
| 7) other | - | 2,140 |
| *Total intangible assets* | *3,820,197* | *939,619* |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| II - Tangible fixed assets | - | - |
| 1) land and buildings | 15,089,810 | 14,050,201 |
| 2) plant and machinery | 301,939 | 298,260 |
| 3) industrial and commercial equipment | 2,875 | 4,124 |
| 4) other assets | 22,679 | 43,673 |
| 5) assets under construction and advance payments | - | 40,000 |
| *Total tangible fixed assets* | *15,417,303* | *14,436,258* |
| III - Financial fixed assets | - | - |
| 1) equity investments in | - | - |
| a) subsidiaries | 44,236,558 | 44,236,558 |
| *Total equity investments* | *44,236,558* | *44,236,558* |
| *Total financial fixed assets* | *44,236,558* | *44,236,558* |
| *Total fixed assets (B)* | *63,474,058* | *59,612,435* |
| **C) Current assets** | | |
| II - Receivables | - | - |
| 1) from customers | 8,251 | 20,743 |
| due within one year | 8,251 | 20,743 |
| 2) from subsidiaries | 1,737,154 | 2,318,762 |
| due within one year | 1,737,154 | 2,318,762 |
| 5) from fellow subsidiaries | 300,756 | 517,273 |
| due within one year | 300,756 | 517,273 |
| 5-bis) tax receivables | 3,666,718 | 41,494 |
| due within one year | 3,666,718 | 41,494 |
| 5-ter) deferred tax assets | 19,920 | 21,555 |
| 5-quarter) due from others | 91,086 | 43,934 |
| due within one year | 62,516 | 15,366 |
| due beyond one year | 28,570 | 28,568 |
| *Total receivables* | *5,823,885* | *2,963,761* |
| III - Current financial assets | - | - |
| 6) other securities | 1,000,000 | - |
| *Total current financial assets* | *1,000,000* | - |
| IV - Cash and cash equivalents | - | - |
| 1) bank and postal deposits | 23,329,219 | 21,010,331 |
| 3) cash on hand | 557 | 442 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| *Total cash and cash equivalents* | *23,329,776* | *21,010,773* |
| *Total current assets (C)* | *30,153,661* | *23,974,534* |
| **D) Prepaid expenses and accrued income** | **112,913** | **98,343** |
| *Total assets* | *93,740,632* | *83,685,312* |
| **Liabilities and quotaholders' equity** | | |
| **A) Quotaholders' equity** | **36,663,063** | **32,965,666** |
| I - Quota capital | 16,105,263 | 16,105,263 |
| II - Share premium reserve | 304,737 | 304,737 |
| IV - Legal reserve | 718,650 | 485,638 |
| VI - Other distinctly indicated reserves | - | - |
| Extraordinary reserve | 5,563,997 | 5,563,997 |
| *Total other reserves* | *5,563,997* | *5,563,997* |
| VIII - Retained earnings (accumulated losses) | 10,273,019 | 5,845,800 |
| IX - Net income (loss) for the year | 3,697,397 | 4,660,231 |
| Total quotaholders' equity | 36,663,063 | 32,965,666 |
| **B) Provision for risks and charges** | | |
| 2) for current and deferred taxation | 1,728,651 | 1,826,078 |
| 3) derivative financial instruments | 70,181 | 99,219 |
| *Total provisions for risks and charges* | *1,798,832* | *1,925,297* |
| **C) Employee termination indemnities** | **14,732** | **9,252** |
| **D) Payables** | | |
| 4) due to banks | 16,631,532 | 16,609,580 |
| due within one year | 5,893,680 | 4,890,663 |
| due beyond one year | 10,737,852 | 11,718,917 |
| 7) trade payables | 201,103 | 186,113 |
| due within one year | 201,103 | 186,113 |
| 9) due to subsidiaries | 27,049,104 | 19,259,437 |
| due within one year | 26,410,104 | 18,932,437 |
| due beyond one year | 639,000 | 327,000 |
| 11-bis) due to fellow subsidiaries | 5,261,174 | 7,524,514 |
| due within one year | 5,261,174 | 7,524,514 |
| 12) taxation payable | 233,879 | 685,900 |
| due within one year | 233,879 | 685,900 |
| 13) due to pension and social security institutions | 673,485 | 496,830 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| due within one year | 673,485 | 496,830 |
| 14) other payables | 5,194,480 | 3,995,647 |
| due within one year | 5,194,480 | 3,995,647 |
| *Total payables* | *55,244,757* | *48,758,021* |
| **E) Accrued expenses and deferred income** | **19,248** | **27,076** |
| *Total liabilities and quotaholders' equity* | *93,740,632* | *83,685,312* |

# Income statement

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| **A) Value of production** | | |
| 1) revenues from sales of goods and services | 10,672,488 | 10,189,935 |
| 5) other income and revenues | - | - |
| other | 323,118 | 173,684 |
| *Total other income and revenues* | *323,118* | *173,684* |
| *Total value of production* | *10,995,606* | *10,363,619* |
| **B) Cost of production** | | |
| 6) raw and ancillary materials, consumables and goods for resale | 46,699 | 40,693 |
| 7) services | 805,090 | 682,968 |
| 8) lease and rental charges | 313,351 | 334,035 |
| 9) payroll | - | - |
| a) wages and salaries | 5,943,578 | 6,012,978 |
| b) social contributions | 928,863 | 770,780 |
| c) termination indemnities | 155,006 | 144,887 |
| e) other costs | 38,835 | 21,585 |
| *Total payroll costs* | *7,066,282* | *6,950,230* |
| 10) depreciation, amortisation and writedowns | - | - |
| a) amortisation of intangible fixed assets | 119,423 | 97,576 |
| b) depreciation of tangible fixed assets | 838,001 | 826,344 |
| *Total depreciation, amortisation and writedowns* | *957,424* | *923,920* |
| 14) other operating expenses | 252,180 | 253,373 |
| *Total cost of production* | *9,441,026* | *9,185,219* |
| **Difference between production value and cost (A - B)** | **1,554,580** | **1,178,400** |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| **C) Financial income and charges** | | |
| 15) income from equity investments | - | - |
| from subsidiaries | 4,000,000 | 5,000,000 |
| *Total income from equity investments* | *4,000,000* | *5,000,000* |
| 16) other financial income | - | - |
| d) income other than the above | - | - |
| other | 19,917 | 78,042 |
| *Total income other than the above* | *19,917* | *78,042* |
| *Total other financial income* | *19,917* | *78,042* |
| 17) interest and other financial charges | - | - |
| to subsidiaries | 65,449 | 65,449 |
| to fellow subsidiaries | 16,912 | 20,449 |
| other | 190,160 | 246,628 |
| *Total interest and other financial charges* | *272,521* | *332,526* |
| *Total financial income and charges (15+16-17+-17-bis)* | *3,747,396* | *4,745,516* |
| **D) Adjustments to financial assets and liabilities** | | |
| 18) revaluations | - | - |
| d) of financial derivatives | 29,038 | - |
| *Total revaluations* | *29,038* | - |
| 19) writedowns | - | - |
| d) of financial derivatives | - | 19,936 |
| *Total writedowns* | - | *19,936* |
| *Total adjustments to financial assets and liabilities (18-19)* | *29,038* | *(19,936)* |
| **Result before taxes (A-B+-C+-D)** | **5,331,014** | **5,903,980** |
| **20) Income taxes for the year, current and deferred** | | |
| current taxation | 1,729,409 | 1,272,918 |
| deferred taxation | (95,792) | (29,169) |
| *Total income taxes for the year, current and deferred* | *1,633,617* | *1,243,749* |
| **21) Net income (loss) for the year** | **3,697,397** | **4,660,231** |

# Statement of cash flow (indirect method)

| | Amount at 31/03/2020 | Amount at 31/03/2019 |
|---|---|---|
| **A) Cash flows from operating activities (indirect method)** | | |
| Net income (loss) for the year | 3,697,397 | 4,660,231 |
| Taxation | 1,633,617 | 1,243,749 |
| Interest expense/(interest income) | 252,604 | 254,484 |
| (Dividends) | (4,000,000) | (5,000,000) |
| *1) Income (loss) for the year before income taxes, interest, dividends and gains/losses from disposals* | *1,583,618* | *1,158,464* |
| Adjustments for non-cash items that had no counterpart in net working capital | | |
| Provisions | 8,293 | 8,281 |
| Depreciation and amortisation of fixed assets | 957,424 | 923,920 |
| Other adjustments up or (down) for non-cash items | | 19,937 |
| *Total adjustments for non-cash items that had no counterpart in net working capital* | *965,717* | *952,138* |
| *2) Cash flow before changes in net working capital* | *2,549,335* | *2,110,602* |
| Change in net working capital | | |
| Decrease/(Increase) in trade receivables | 810,617 | 72,783 |
| Increase/(Decrease) in trade payables | 5,541,315 | 8,656,744 |
| Decrease/(Increase) in prepaid expenses and accrued income | (14,570) | 111,095 |
| Increase/(Decrease) in accrued expenses and deferred income | (7,828) | (3,421) |
| Other decreases/(Other Increases) in net working capital | (4,119,401) | (2,511,954) |
| *Total changes in net working capital* | *2,210,133* | *6,325,247* |
| *3) Cash flow after changes in net working capital* | *4,759,468* | *8,435,849* |
| Other adjustments | | |
| Interest collected/(paid) | (252,604) | (254,484) |
| (Income taxes paid) | (1,261,488) | (1,561,810) |
| Dividends received | 4,000,000 | 5,000,000 |
| (Use of provisions) | (129,279) | (133,698) |
| *Total other adjustments* | *2,356,629* | *3,050,008* |
| ***Cash flow from operating activities (A)*** | ***7,116,097*** | ***11,485,857*** |
| **B) Cash flows from investing activities** | | |
| Tangible fixed assets | | |
| (Investments) | (1,819,047) | (1,817,381) |

| | Amount at 31/03/2020 | Amount at 31/03/2019 |
|---|---|---|
| Intangible assets | | |
| (Investments) | (3,000,000) | (11,792) |
| Financial fixed assets | | |
| (Investments) | | (8,182,200) |
| Current financial assets | | |
| Disposals | | 2,500,000 |
| ***Cash flow from investing activities (B)*** | ***(4,819,047)*** | ***(7,511,373)*** |
| **C) Cash flows from financing activities** | | |
| Third-party funds | | |
| Increase/(Decrease) in current bank loans | 5,000,000 | |
| (Repayment of loans) | (4,978,047) | (3,627,070) |
| ***Cash flow from financing activities (C)*** | ***21,953*** | ***(3,627,070)*** |
| ***Increase (decrease) in cash and cash equivalents (A ± B ± C)*** | ***2,319,003*** | ***347,414*** |
| Cash and cash equivalents at the beginning of the year | | |
| Bank and postal deposits | 21,010,331 | 20,662,877 |
| Cash on hand | 442 | 482 |
| Total cash and cash equivalents at the beginning of the year | 21,010,773 | 20,663,359 |
| Cash and cash equivalents at the end of the year | | |
| Bank and postal deposits | 23,329,219 | 21,010,331 |
| Cash on hand | 557 | 442 |
| Total cash and cash equivalents at the end of the year | 23,329,776 | 21,010,773 |

# Information on the statement of cash flows

The statement of cash flows during the year is presented on a comparative basis in accordance with OIC 10.

This statement was prepared using the indirect method, in order to identify the sources and applications of funds deriving from operating, financing and investing activities.

# Explanatory notes, first part

Quotaholders, these explanatory notes are an integral part of the financial statements for the year ended 31 March 2020.

The financial statements submitted for your approval report net income of € 3,697,397, after taxes of € 1,633,617 and depreciation and amortisation of € 957,424.

## Basis of preparation

### Preparation of the financial statements

The financial statements at 31 March 2020 have been prepared in compliance with the Italian Civil Code, as interpreted and supplemented by the accounting standards issued by the OIC (Italian Accounting Board) and, if these are unavailable and to the extent not in conflict with Italian Accounting Standards, by those issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a going concern basis, as there are no significant uncertainties in this regard.

Macroeconomic stability was affected during the last quarter of the financial year by the Covid-19 (a.k.a. Coronavirus) pandemic, which was initially concentrated in the Asian markets before spreading to other geographical areas, including Europe and Italy in particular, from the end of February 2020.

Despite the timely steps taken to mitigate the situation, the healthcare emergency caused by the spread of the pandemic has had and continues to have a significant effect on the routine conduct of productive activities by the Company (not least their mandatory suspension in accordance with specific legislation for more than one month, starting from the last few days of the year ended 31/03/2020).

This factor is likely to have a significant adverse impact on the recovery prospects of the principal global economies, influencing the general macroeconomic situation and the various markets, including those served by the Company.

However, despite the expected effects of the reduction in business volume linked to the slow economic recovery, there are no current indications to suggest that the ability of the business to continue operating over the next 12 months has been compromised. This assessment considers, in particular, the liquidity available to the Company and its access to the capital markets, as well as the steps taken to contain operating costs.

The financial statements comprise the balance sheet, the income statement, the statement of cash flows (prepared in conformity with the respective requirements of arts. 2424 and 2424 bis of the Italian Civil Code (c.c.), arts. 2425 and 2425 bis c.c. and art. 2425 ter c.c.) and these explanatory notes.

The balance sheet, the income statement, the statement of cash flows and the accounting disclosures contained in these explanatory notes agree with the books of account, from which they have been directly prepared. In the presentation of the balance sheet and income statement, the items have not been grouped and preceded by Arabic numerals, which is optional under art. 2423 ter of the Civil Code.

The measurement criteria adopted for the various items comply with those specified in art. 2426 c.c. and the relevant accounting standards. These criteria are consistent with those applied for the preparation of the financial statements of the prior year, having regard for the changes in the relevant regulatory framework described below.

The financial statement items are stated in accordance with the prudence concept and on a going concern basis. Pursuant to art. 2423-bis, para. 1, point 1-bis c.c., items are recognised and presented having regard for the substance of the operations or contracts concerned.

Pursuant to art. 2424 of the Civil Code, we can confirm that no balance sheet items have been allocated to more than one balance sheet line. -

In the preparation of the financial statements, income and expenses have been recorded on an accruals basis, regardless of the timing of collection and expenditure. Contingencies and losses relating to the year are recognised, even if they become known after the reporting date.

The purpose of the explanatory notes is to describe, analyse and, in some cases, supplement the data reported on the face of the financial statements. They contain the information required by arts. 2427 and 2427 bis c.c., other provisions of the civil code and other legislation. In addition, they provide all the complementary information deemed necessary in order to present the most transparent and complete view possible, even if such information is not required by specific legislation.

Macroeconomic stability was affected during the last quarter of the financial year by the Covid-19 (a.k.a. Coronavirus) pandemic, which was initially concentrated in the Asian markets before spreading to other geographical areas, including Europe and Italy in particular, from the end of February 2020.

This factor is likely to have a significant impact on the prospects for global growth, influencing the general macroeconomic situation and the financial and property markets in particular. However the situation has not had a major effect on the financial statements at 31 March 2020 and, at this time, there are no indicators of any threat to the ability of the Company to continue as a going concern over the next 12 months.

Amounts are stated in whole euro, unless specified otherwise.

The financial statements comply with the requirements of article 2423 et seq. of the Italian Civil Code and with the Italian accounting standards issued by the OIC (Italian Accounting Board); they have therefore been prepared clearly and give a true and fair view of the Company's financial position and results of operations.

## Basis of preparation

With reference to the matter indicated in the introduction to the explanatory notes, we can confirm that, pursuant to paragraph 3 of art. 2423 of the Civil Code, where the information required by legislative provisions is not sufficient to give a true and fair view of the company's situation, supplementary information is provided for this purpose.

No exceptional cases have arisen that have made it necessary to seek exemptions under paragraphs 4 and 5 of art. 2423 and paragraph 2 of art. 2423-bis of the Civil Code.

## Exceptional situations pursuant to paragraph 5 of art. 2423 of the Italian Civil Code

There are no exceptional situations that might have made it necessary to seek exemptions under paragraphs 4 and 5 of art. 2423 of the Italian Civil Code.

## Changes in accounting policies

There are no exceptional situations that might have made it necessary to seek exemptions under paragraph 2 of art. 2423-bis of the Italian Civil Code.

## Comparability and compliance issues

Pursuant to art. 2423 ter of the Civil Code, we can confirm that all financial statement items are comparable with the prior year; no restatement of prior year items has been necessary.

## Accounting policies

The accounting policies applied for the preparation of these financial statements, described below, take account of the amendments, additions and new provisions included in the civil code by Decree 139/2015, which transposed Directive 34/2013/EU into Italian law. In particular, the domestic accounting standards were reformulated by the OIC in the latest version issued on 22 December 2016, inclusive of the amendments published on 29 December 2017.

The accounting policies applied for the measurement of financial statement items and for their adjustment comply with the provisions of the Italian Civil Code and with the indications included in the Italian accounting standards reformulated by the Italian Accounting Board. Pursuant to art. 2427 paragraph 1 no. 1 of the Italian Civil Code, we explain the more significant accounting policies applied in compliance with the provisions of art. 2426 of the Italian Civil Code, particularly for those items for which the legislator permits the use of options for measurement and adjustments or for which no specific accounting policy exists.

### Intangible assets

When the established criteria are met, these are recorded at purchase or production cost, inclusive of direct costs and related charges, and amortised systematically each year on a straight-line basis. Intangible assets are recognised with the consent of the Board of Statutory Auditors where prescribed by law.

The book value is stated net of accumulated amortisation and writedowns.

Amortisation is applied as indicated below, in order to allocate the cost incurred over the useful life of the assets:

| Intangible assets | Amortisation period |
|---|---|
| Start-up and expansion costs | 5 years on a straight-line basis |
| Industrial patent rights and intellectual property rights | 3 years on a straight-line basis |
| Concessions, licences, trademarks and similar rights | 25 years on a straight-line basis |
| Goodwill | 15 years on a straight-line basis |
| Other intangible assets | 5 years on a straight-line basis |

Start-up and expansion costs are recorded as a balance sheet asset, with the consent of the Board of Statutory Auditors, as they are prudently considered to be of future benefit; these costs are amortised over a period that does not exceed five years.

Advertising and research costs are expensed in full in the accounting period in which they are incurred.

Goodwill, comprising the extra value recognised on the acquisition of businesses and in relation to other corporate transactions, is amortised over its useful life. Useful life is estimated at the time of initial recognition and is not changed in subsequent years. If this estimate cannot be made, goodwill is amortised over 10 years.

In order to determine the useful life of goodwill, the Company applies the information available in order to estimate the likely duration of its economic benefits. Should the useful life of goodwill be found to exceed 10 years, specific analyses are carried out to support the value determined with reference to the longer useful life, as required by OIC 24.70.

Leasehold improvements are capitalised and classified as "other intangible assets" if they cannot be separated from the assets concerned (in which case they are recognised in the relevant category of "tangible fixed assets"). They are amortised systematically over the period they are expected to benefit (prudently set at 5 years) or, if shorter, over the residual duration of the lease after taking account of any renewal period available at the discretion of the Company.

If permanent impairment is identified regardless of the amortisation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs. This reinstatement does not apply to goodwill or the deferred charges referred to in point 5 of art. 2426 c.c.

Pursuant and consequent to art. 10 of Law 72 of 19 March 1983 and subsequent laws on the revaluation of assets, we confirm that the intangible assets reported in the financial statements have never been revalued.

## Tangible fixed assets

These are recorded at purchase or internal construction cost and stated net of the depreciation charged in the current and prior years. Costs comprise related charges and the direct and indirect expenses that can reasonably be allocated to assets during the construction period and until they become available for use. They also include any borrowing costs incurred to finance the construction work (whether internal or carried out by third parties) until the asset becomes available for use, without however exceeding its recoverable value. Tangible fixed assets are only revalued if this is required or allowed by special laws.

Pursuant to art. 10 of Law 72 of 19 March 1983 and subsequent laws on revaluations of assets, it is hereby confirmed that the tangible assets recorded in the books have never been revalued.

Assets purchased in foreign currencies are recorded at cost using the exchange rate in force on the transaction date, or using the lower rate applying on the reporting date if the reduction is deemed to be permanent.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using the following rates:

| Tangible fixed asset items | Depreciation rate |
|---|---|
| Buildings | 3% |
| Buildings – allocation of merger deficit (*) | 6.67% |
| Plant and machinery | 10% |

| | |
|---|---|
| Industrial and commercial equipment | 15% |
| Temporary constructions | 10% |
| Alarm systems | 30% |
| Telephone | 20% |
| Motor cars | 25% |

(*) depreciation based on the estimated residual useful lives, 15 years, of the assets that were allocated additional value following the merger (the effective date of which was 1 January 2015).

When fixed assets enter into service during the year, their depreciation commences on a time-apportioned basis from the month after the one in which they become available and ready for use in the year of acquisition.

Depreciation is also charged on fixed assets that are temporarily out of use. Land is not depreciated, as its useful life is not finite.

If applicable, buildings held as a financial investment are not depreciated if their residual value is greater than or equal to their net carrying amount.

If permanent impairment is identified regardless of the depreciation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs.

Routine maintenance and repair costs are charged in full to the income statement. Improvement costs are allocated to the fixed assets concerned and depreciated over their residual useful lives.

Costs incurred to expand, modernise or improve the structural elements of a tangible fixed asset are capitalised if they significantly and measurably increase its productive capacity, safety or useful life. If the costs concerned do not have the above effect, they are treated as routine maintenance and charged to the income statement.

Start-up grants are recognised when it becomes reasonably certain that the conditions for their collection will be satisfied and the grants will be paid. They are deducted from cost indirectly, as they are credited to income statement caption A5 "other income and revenues" and then deferred for recognition on an accruals basis via classification as "deferred income".

## Impairment (intangible assets and tangible fixed assets)

At each reporting date, the Company determines if there is any evidence that the value of its tangible and intangible fixed assets might be impaired. If such evidence is found, the Company estimates the recoverable value of each asset concerned and records an impairment writedown if it is lower than the corresponding net carrying amount.

Recoverable value is not determined if there is no evidence of possible impairment.

The recoverable value of tangible and intangible fixed assets is deemed to be their value in use (calculated by discounting their future cash flows) or, if greater, their fair value (being the amount obtainable at the reporting date, based on the best available information, from their sale in an arm's-length transaction between knowledgeable and willing parties, net of the related selling costs).

With regard to the above, the Company has looked for evidence that the value of its tangible and intangible fixed assets might be impaired, but did not find any and, accordingly, has not determined the recoverable value of the above assets.

## Equity investments, securities and financial receivables (classified as financial fixed assets)

The equity investments and debt securities classified as fixed assets will be held by the Company over the long term.

Equity investments are measured at cost, as adjusted for any impairment. The cost recorded in the financial statements is determined with reference to purchase or subscription price, inclusive of related expenses. If lasting impairment is identified, the carrying amount of equity investments is reduced to their recoverable value, which is determined with reference to the future benefits that are expected to accrue to the Company. Should the Company be obliged or intend to cover the (non-permanent) losses incurred by an equity investment, a suitable provision is recorded to cover the liability to which the Company is exposed. If in future years the reasons for the writedown cease to apply, the equity investment is written back to its original carrying amount.

## Intercompany loans

Intercompany loans with a duration of more than 12 months are usually governed by contracts arranged on market terms and conditions; interest-free intercompany loans and those arranged at significantly below market rates are recognised initially at the value of the related future cash flows, as discounted using the market rate (being the average funding rate of the Company or the Group). The difference with respect to the liquidity collected by the parent company is credited to quotaholders' equity.

## Receivables

Receivables are stated at amortised cost, having regard for the time factor and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, being when the transaction costs, the commissions paid between the parties and all other difference between initial value and maturity value are immaterial or when the receivables are recoverable in the short term (within 12 months).

Trade receivables due beyond 12 months at the time of initial recognition, without the payment of interest or with interest that differs significantly from market rates, and the related revenues are recognised initially at the value of their future cash flows discounted using the market rate (being that applied by two independent parties when negotiating a loan transaction with similar terms and conditions). The difference between the amount of the receivable recognised initially and its maturity value is recognised as financial income in the income statement over the duration of the receivable, using the effective interest method.

The amount of receivables, as determined above, is adjusted when necessary by a specific allowance for doubtful accounts, which is deducted directly from their gross amount in order to report them at their estimated realisable value. The provision (which takes account of collection losses, returns and invoicing adjustments, discounts and allowances, interest not yet earned and other reasons for reduced recoverability) is charged to the income statement.

Receivables assigned to factors are only derecognised if they are sold without recourse and essentially all the related risks are transferred (the difference between the consideration received on the assignment and the carrying amount of the receivable is recognised in income statement caption C17). If the assignment does not involve derecognition (for example, assignment with recourse), since not all the related risks are transferred, the receivable continues to be reported in the balance sheet and is measured in the manner described above. If advance consideration is received from the assignee, the amount is recognised as a financial payable.

Receivables taking the form of bank receipts that have not been assigned remain classified as receivables until final collection of the amounts concerned.

Receivables deriving from centralised treasury management activities are classified separately within current assets, if recoverable in the short term. If this is not the case, they are classified as financial fixed assets.

## Equity investments and securities not held as fixed assets

This caption comprises the equity investments and debt securities that will not be held over the long term by the Company. They are recorded at specific cost or, if lower, at their market value that, for listed investments, is determined with reference to their market price on the reporting date, being 31 March 2019.

These equity investments are written down to their realisable value case by case, rather than on an overall basis. If the reasons for any adjustments cease to apply, in whole or in part, the adjustments are reversed with exceeding original cost.

## Cash and cash equivalents

Cash and cash equivalents at the reporting date are measured at their nominal value. Amounts denominated in foreign currencies are measured using the closing exchange rates.

## Accruals and deferrals

Accruals and deferrals comprise costs and revenues relating to the year that will be formally recorded in future years, and costs and revenues recorded by the reporting date that relate to future years. The related amounts are determined on a time-apportioned basis.

## Provisions for risks and charges

The provisions for risks and charges cover known or likely losses or liabilities, the timing or extent of which cannot be determined at the reporting date. These provisions, including those for deferred tax liabilities, which are classified in this caption, reflect the best possible estimates based on the information available. Risk that only might give rise to a liability are described in the notes on the provisions, without actually recording a provision. As required by OIC 31, new provisions for risks and charges are, where possible, classified in the relevant income statement classes (B, C or D). Whenever it is not possible to correlate a new provision with a caption in one of the above classes, it is classified in income statement caption B12 or B13.

## Employee termination indemnities

Employee termination indemnities represent the total amount that would have been payable to all employees had they terminated their employment on the reporting date. The charge for the year, comprising the new provision and the revaluation of the accumulated provision (based on the change in the relevant ISTAT index), is determined in accordance with current regulations, having regard for the specific employment contracts and the professional categories concerned. Employee termination indemnities are classified in liability caption C, while the provision for the year is classified in income statement caption B9.

The changes made to the regulations governing termination indemnities by Law 296 dated 27 December 2006 (2007 Finance Law) and subsequent decrees and enabling regulations, amended the accounting for the indemnities earned by 31 December 2006 and those earned from 1 January 2007. In particular, following creation of the INPS Treasury Fund to manage the termination indemnities of private sector employees pursuant to article 2120 of the Civil Code, employers with more than 50 employees are obliged to pay the new provisions relating to them into the Treasury Fund, unless the persons concerned have specifically opted for their indemnities to be paid to a supplementary pension fund. The employee termination indemnities reported in the balance sheet are therefore stated net of the amounts paid to the INPS Treasury Fund.

## Payables

Payables are stated at amortised cost, as defined in art. 2426, para. 2 c.c., having regard for the time factor envisaged in art. 2426, para. 1, point 8 c.c.. Payables are however stated at their nominal amount if application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations. This situation arises in the case of payables due within twelve months or, with regard to the amortised cost method, if the transaction costs, commissions and all other differences between the initial value and the maturity value are insignificant or, again, with regard to the discounting method, if the interest rate inherent in the contractual conditions is not significantly different to the market rate of interest.

The amounts due to employees for untaken holidays and deferred payroll, including the related social security contributions, are accrued with reference to the amount that would have been payable had their employment ceased on the reporting date.

## Finance leases

Finance leases are recognised using the payments method, by charging the instalments paid to the income statement on an accruals basis. A specific section of these explanatory notes contains the supplementary information required by the law on the effect of recognising these contracts using finance lease methodology.

## Derivative financial instruments

Derivative financial instruments consist of financial assets and liabilities measured at fair value.

They are only classified as hedging instruments when, at the time of arrangement, there is a strict, documented correlation between the characteristics of the hedged item and those of the hedging instrument, and that hedging relationship is both formally documented and, based on periodic checks, highly effective.

When derivatives hedge the risk of changes in the fair value of the hedged instruments (fair value hedges), they are measured at fair value through profit or loss; for consistency, the carrying amounts of the hedged items are adjusted to reflect the changes in fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the future cash flows generated by the hedged instruments (cash flow hedges), the effective portion of the profit or loss on the derivative is deferred to shareholder's equity. The ineffective portion of the profits and losses associated with a hedge is recognised in the income statement. On completion of the transaction, the accumulated profits and losses, previously deferred to shareholder's equity, are released to the income statement (to adjust the income statement items affected by the hedged cash flows).

When hedge accounting is used, the changes in the related fair value of the hedging derivatives are recognised:

in income statement captions D18 or D19, in the case of a fair value hedge of a reported asset or liability, together with the changes in the fair value of the hedged items (if the change in the fair value of the hedged item is greater in absolute terms than the change in the fair value of the hedging instrument, the difference is recognised in the income statement caption affected by the hedged item);

in a specific equity reserve (caption AVII "Reserve for cash flow hedges") in a manner that offset the effects of the hedged flows (the ineffective portion, like the change in the time value of options and forwards, is classified in captions D18 and D19).

The changes in the fair value of financial instruments that are classified as trading derivatives, either because they do not qualify for treatment as hedging derivatives or because they were not designated as hedges, even though they were arranged operationally to hedge the risk of changes in interest rates and/or exchange rates and/or commodity prices, are recorded in the balance sheet and recognised in income statement captions D18 or D19.

Any derivatives embedded in other financial instruments must also be measured at fair value. In particular, embedded instruments are only separated from the primary contract and recognised as derivative financial instruments if, and only if:

the economic characteristics and risks of the embedded derivative are not closely correlated with the economic characteristics and risks of the primary contract. Close correlation exists if hybrid contracts are arranged in accordance with market practice;

all the elements included in the definition of a derivative financial instrument specified in OIC 32.11 are satisfied.

## Revenues

Revenues from the sale of goods are recognised when ownership passes in substance, rather than in formal terms, being when the related risks and benefits are transferred (which in practice coincides with the time of delivery or shipment of the goods).

Revenues from the sale of products, goods and services in the ordinary course of business are stated net of returns, discounts, allowances and rebates, as well as the direct taxes charged on the sale of products and services.

Revenues from services are recognised upon completion and/or when earned.

Transactions with related parties take place on normal market terms and conditions.

## Costs

Costs stated net of returns, discounts, allowances and rebates are recognised on an accruals basis in accordance with the matching principle, regardless of the date of collection or payment. Compliance with the matching principle requires an estimate to be made of the invoices to be received.

## Dividends

Dividends are recognised in the year in which they are declared by the shareholder's meeting. Dividends are recognised as financial income, regardless of the nature of the reserves that are distributed.

## Financial income and charges

Financial income and charges are recognised on an accruals basis. Costs relating to the disposal of receivables for whatever reason are charged to the income statement on an accruals basis.

## Taxation

Income taxes are recognised with reference to an estimate of taxable income in compliance with current regulations, having regard for any applicable exemptions and tax credits.

Deferred tax assets and liabilities are calculated on the temporary differences between the reported carrying amount of assets and liabilities and their corresponding values for tax purposes. Their measurement takes account of the tax rates expected to be in force in the year in which such differences contribute to the formation of taxable income, being the rates in force or already communicated at the reporting date (24% for IRES and 3.9% for IRAP). They are classified respectively among the current assets as "deferred tax assets" and among the provisions for risks and charges as "deferred tax liabilities".

In accordance with the concept of prudence, deferred tax assets are recognised on all deductible temporary differences if it is reasonably certain that taxable income in the years in which they reverse will not be less than the amount of the differences to be absorbed.

By contrast, deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax liabilities are not recognised in relation to reserves subject to the deferral of taxation if they are unlikely to be distributed to the shareholder.

Throughout the year, the Company maintained the domestic tax group pursuant to arts. 117/129 of the Consolidated Tax Act (T.U.I.R.) established under the related contract signed with the other members (renewed until the financial year ended 31 March 2020 inclusive), being Endurance S.p.A. (company resulting from the absorption of Endurance Fondalmec S.p.A. by Endurance Foa S.p.A.) and Endurance Engineering S.r.l.

The Company is the parent of this tax group and calculates just one taxable income for all member companies, with the benefit that taxable income can be offset against tax losses in a single tax declaration.

All members of the tax group transfer their taxable income (or loss) to the group parent, which records an amount receivable from them for the IRES to be paid (the consolidated companies record an amount payable to the tax group parent). Conversely, the group parent records an amount payable to the companies that transfer tax losses, representing the IRES actually offset at group level (the consolidated companies record an amount receivable from the tax group parent).

## Translation of foreign currency items

Non-monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the exchange rates applying at the time of their acquisition, being their initial recognition cost.

Monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the spot exchange rates applying on the reporting date; the related exchange gains and losses are recognised in the income statement and any net unrealised gains are allocated to a non-distributable reserve until they have been realised.

### Measurement of components denominated in foreign currency

As at the balance sheet date, the company does not have any assets or liabilities denominated in foreign currency.

## Other information

### Repurchase agreements

Pursuant to art. 2427 point 6-ter, the Company confirms that no repurchase agreements were arranged during the year.

# Explanatory notes, assets

The assets recorded in the balance sheet are measured in accordance with art. 2426 c.c. and Italian accounting standards. The specific measurement criteria applied are indicated in the individual notes on each item.

## Fixed assets

### Intangible assets

After having charged amortisation for the year of € 119,423, the balance of intangible assets is € 3,820,197.

### Movements in intangible assets

The table shows the movements in fixed assets during the year.

| | Start-up and expansion costs | Industrial patent rights and intellectual property rights | Concessions, licences, trademarks and similar rights | Goodwill | Other intangible assets | Total intangible assets |
|---|---|---|---|---|---|---|
| **Balance at the beginning of the year** | | | | | | |
| Cost | 52,430 | 33,452 | - | 1,345,787 | 75,684 | 1,507,353 |
| Amortisation (Accumulated amortisation) | 52,430 | 17,997 | - | 423,763 | 73,544 | 567,734 |
| Carrying amount | - | 15,455 | - | 922,024 | 2,140 | 939,619 |
| **Changes during the year** | | | | | | |
| Additions | - | - | 3,000,000 | - | - | 3,000,000 |
| Amortisation for the year | - | 7,654 | 20,000 | 89,629 | 2,140 | 119,423 |
| *Total changes* | - | *(7,654)* | *2,980,000* | *(89,629)* | *(2,140)* | *2,880,577* |
| **Carrying amount at the end of the year** | | | | | | |
| Cost | 52,430 | 33,452 | 3,000,000 | 1,345,787 | 75,684 | 4,507,353 |
| Amortisation (Accumulated amortisation) | 52,430 | 25,650 | 20,000 | 513,392 | 75,684 | 687,156 |
| Carrying amount | - | 7,802 | 2,980,000 | 832,395 | - | 3,820,197 |

Industrial patent rights and intellectual property rights (€ 7,802 at 31 March 2020) relate to the licences for the management software used by the Company, which are amortised over 3 years.

The concessions, licences, trademarks and similar rights relate to the purchase in January 2020 of an exclusive licence to use patents and know-how for the production of innovative motorcycle clutches.

Goodwill amounting to € 832,395 at 31 March 2020 (€ 922,024 at 31 March 2019) represents part of the difference that arose on the absorption of subsidiaries Haminoea S.r.l. and Lomec S.r.l. by the parent company Endurance Overseas S.r.l. (the "Merger") in 2014-2015, and represents the additional value associated with certain properties held under finance lease arrangements at the time when the merger deficit was being allocated.

In particular, this merger was carried out in order to simplify the chain of control over the subsidiaries and resulted in a combined merger deficit of € 6.3 million, being the difference between the book value of the quotas of the two merged subsidiaries and their net equity. This deficit was allocated as follows:

- € 5.0 million to increase the carrying amount of certain properties (based on expert appraisals of their market value determined by independent experts);
- € 2.5 million to increase the carrying amount of the investment in Endurance FOA S.P.A. (based on the forecast profitability of the acquired company);
- the recognition of € 1.3 million as goodwill, reflecting the additional value of certain properties held under finance lease arrangements (and therefore not reported in the balance sheet).

At the same time, on the liabilities side of the balance sheet, deferred tax liabilities of € 2.6 million were recognised on the additional value allocated to the properties concerned. Given that the additional values identified as a result of the merger are irrelevant for tax purposes, this being a tax neutral transaction under the current tax legislation, the gradual release to the income statement of these tax provisions will neutralise the additional tax charges made in the current and subsequent years due to the disallowance of the additional costs (depreciation) deriving from the increased carrying amount of the assets following the merger.

Goodwill is amortised over 15 years, being the estimated useful life of the assets acquired by the Company via the above-mentioned business combination.

Pursuant to art. 10 of Law 72 of 19 March 1983 and subsequent laws on the revaluation of assets, we confirm that the intangible assets recorded in the books have never been revalued.

These deferred charges have not been written down pursuant to para. 1.3 of art. 2426 of the Italian Civil Code because, in compliance with OIC 9, there is no evidence of that they might be impaired. The recoverability of the goodwill recognised in the balance sheet was confirmed by the five-year, economic-financial forecasts prepared by management, which show that the activities of the Group are expected to be profitable over that period. Applying the DCF method to the cash flows for each year, the enterprise value of the Company was determined as part of an impairment test that confirmed that the individual fair value of all assets, including goodwill in particular, exceeds their corresponding net carrying amounts.

The concessions, licences, trademarks and similar rights relate to the purchase in January 2020 of an exclusive licence to use patents and know-how for the production of innovative motorcycle clutches.

## Tangible fixed assets

Tangible fixed assets recorded in the financial statements at 31 March 2020 amounted to € 15,417,303, net of accumulated depreciation of € 6,105,853 and consist of:

- Land and buildings: € 15,089,810 (including the additional value allocated to the property of the Company at the time of the Merger);
- Plant and machinery: € 301,939;
- Industrial and commercial equipment: € 2,875;
- Other assets: € 22,679.

### Movements in tangible fixed assets

The change during the 2019-2020 financial year are analysed below:

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other tangible fixed assets | Assets under construction and advance payments | Total tangible fixed assets |
|---|---|---|---|---|---|---|
| **Balance at the beginning of the year** | | | | | | |
| Cost | 18,741,463 | 740,439 | 10,226 | 171,980 | 40,000 | 19,704,108 |
| Depreciation (Accumulated depreciation) | 4,691,262 | 442,179 | 6,102 | 128,307 | - | 5,267,850 |
| Carrying amount | 14,050,201 | 298,260 | 4,124 | 43,673 | 40,000 | 14,436,258 |
| **Changes during the year** | | | | | | |
| Additions | 1,806,045 | 9,500 | - | 3,502 | - | 1,819,047 |
| Reclassifications (of the carrying amount) | - | 40,000 | - | - | (40,000) | - |
| Depreciation for the year | 766,435 | 45,821 | 1,249 | 24,496 | - | 838,001 |
| *Total changes* | *1,039,610* | *3,679* | *(1,249)* | *(20,994)* | *(40,000)* | *981,046* |
| **Carrying amount at the end of the year** | | | | | | |
| Cost | 20,547,507 | 789,939 | 10,226 | 175,482 | - | 21,523,154 |
| Depreciation (Accumulated depreciation) | 5,457,697 | 488,000 | 7,351 | 152,803 | - | 6,105,851 |
| Carrying amount | 15,089,810 | 301,939 | 2,875 | 22,679 | - | 15,417,303 |

The increase in land and buildings reflects purchase of the industrial property at via Bonaudo sn, Chivasso, for Euro 1,800,000. The building covers an area of about 6,000 sq.m and the total area of site is around 12,000 sq.m. This property was made available to Endurance S.p.A. under a rental contract signed on 29 February 2020.

## Finance leases

The Company does not have any financial lease contracts outstanding at 31 March 2020.

## Financial fixed assets

The item in question relates to the amount of the investments in subsidiaries held at the end of the financial year. The equity investments recorded in the financial statements are stated at cost, equal to the expense incurred for the purchase, regardless of the manner of payment, comprising any ancillary charges (commissions and bank charges, stamp duty, bank intermediary fees, etc.).

### Details of long-term equity investments in subsidiaries

The following table provides details of equity investments in subsidiary companies as well as the additional disclosures required by Art 2427 of the Civil Code.

| Name | City or Country | Share capital | Result 2019-20 financial year | Shareholders' equity at 31/03/2020 | Equity interest held (%) | Equity interest held (amount) | Carrying amount |
|---|---|---|---|---|---|---|---|
| ENDURANCE SPA | Chivasso (TO) | 5,000,000 | 12,639,363 | 63,377,799 | 100.00% | 63,377,799 | 34,054,358 |
| ENDURANCE ENGINEERING SRL | Turin | 100,000 | 1,283,401 | 5,695,109 | 100.00% | 5,695,109 | 2,000,000 |
| ENDURANCE CASTINGS SPA | Bione (BS) | 900,000 | 1,837,571 | 10,372,592 | 100.00% | 10,372,592 | 8,182,200 |
| **Total** | | | | | | | **44,236,558** |

The carrying amount of all investments in subsidiaries is considerably lower that the corresponding value of the shareholders' equity held, given the positive results generated by those companies.

The absence of any evidence of impairment is further confirmed by the five-year, economic-financial forecasts prepared by the management of each company, which indicate continued profitability over that period. The theoretical present value of the subsidiaries was calculated using the DCF method (impairment test). The outcome confirmed that the present value of each subsidiary is greater than the related carrying amount.

## Current assets

Current assets are measured in the manner described in paragraphs 8 to 11-bis of art. 2426 of the Civil Code. The accounting policies applied are explained in the notes on the respective financial statement items.

### Current receivables

These total € 5,981,097 at 31 March 2020, up by € 3,017,336 since 31 March 2019 (€ 2,963,761).

The increase mainly comprises tax receivables arising in relation to the tax group arrangements made with certain other companies in the Endurance Group.

These receivables are stated at their estimated realisable value as application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations

#### Changes and maturities of current receivables

The following table shows the information related to changes in current receivables and, if material, their due date.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year | Within one year | Beyond one year |
|---|---|---|---|---|---|
| Trade receivables | 20,743 | (12,492) | 8,251 | 8,251 | - |
| Receivables due from subsidiaries | 2,318,762 | (581,608) | 1,737,154 | - | - |
| Receivables due from fellow subsidiaries | 517,273 | (216,517) | 300,756 | 300,756 | - |
| Tax receivables | 41,494 | 3,625,224 | 3,666,718 | 3,666,718 | - |
| Deferred tax assets | 21,555 | (1,635) | 19,920 | - | - |
| Other receivables | 43,934 | 47,152 | 91,086 | 62,516 | 28,570 |
| **Total** | **2,963,761** | **2,860,124** | **5,823,885** | **4,038,241** | **28,570** |

Trade receivables: € 8,251 due from customers.

Receivables due from subsidiaries: € 1,737,154 in trade receivables deriving from the operational and financial services provided by the Company as part of the management of the Group.

Receivables due from fellow subsidiaries: € 300,756 due from Endurance Amann GmbH for support provided to this German subsidiary.

Tax receivables: € 3,667,718, including € 2,903,793 representing the difference between the IRES charge for the year and the advances paid in the context of the domestic tax group pursuant to arts. 117/129 of the Consolidated Income Tax Act (T.U.I.R.) established with Endurance S.p.A. and Endurance Engineering s.r.l., as well as VAT recoverable of € 763,833.

Deferred tax assets: € 19,920.

Other receivables: € 91,085, of which € 28,570 due beyond one year in relation to guarantee deposits.

### Breakdown by geographical area of receivables recorded under current assets

In terms of the geographical distribution of receivables, the above amounts are due to the Company by Italian counterparties, except as mentioned in relation to the amounts receivable from Endurance Amann GmbH (€ 300,756).

## Current financial assets

### Movements in current financial assets

The movements in current financial assets are analysed in the following table.

| Description | Changes during the year | Carrying amount at the end of the year |
|---|---|---|
| other securities | 1,000,000 | 1,000,000 |
| *Total* | *1,000,000* | *1,000,000* |

This item solely comprises the insurance securities acquired during the year as a temporary investment of liquidity.

## Cash and cash equivalents

The following table shows the changes in cash and cash equivalents.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| bank and postal deposits | 21,010,331 | 2,318,888 | 23,329,219 |
| cash on hand | 442 | 115 | 557 |
| *Total* | *21,010,773* | *2,319,003* | *23,329,776* |

Cash and cash equivalents include own cash and the balance resulting from the cash pooling system. A receivable is recorded as a contra-entry in the event of a liability, or a payable in the case of an asset from the other participants to the cash pooling system (companies belonging to the Endurance Group). The increase compared with the previous year is due for € 2,318,888 to the higher liquidity deposited by Group companies in the cash pooling system, offset by the use of cash and cash equivalents, particularly in relation to financial and real estate investments carried out during the year.

# Prepaid expenses and accrued income

The following table shows the changes in prepaid expenses and accrued income.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| Prepaid expenses | 98,343 | 14,570 | 112,913 |
| **Total prepaid expenses and accrued income** | **98,343** | **14,570** | **112,913** |

Prepaid expenses (€ 112,913 at 31 March 2020) mainly include amounts paid in advance by way of insurance premiums and costs pertaining to subsequent years.

## Capitalised financial charges

All interest expense and other financial charges have been expensed during the year. In compliance with paragraph 1.8 of art. 2427 of the Italian Civil Code, it is hereby confirmed that no financial charges have been capitalised.

# Explanatory notes, liabilities and quotaholders' equity

Quotaholders' equity and all liabilities are recorded in the balance sheet in compliance with Italian accounting standards; the specific measurement criteria applied are indicated in the individual notes on each item.

## Equity

The components are stated at their carrying amount in accordance with accounting standard OIC 28.

### Changes in quotaholders' equity items

The changes in the Company's equity items in the year prior to the year under review (as of 31/03/2019) are as follows:

| | Carrying amount at 01/04/2018 | Allocation of the prior year result-Other allocations | Result for the year | Carrying amount at 31/03/2019 |
|---|---|---|---|---|
| Quota capital | 16,105,263 | - | - | 16,105,263 |
| Share premium reserve | 304,737 | - | - | 304,737 |
| Legal reserve | 309,977 | 175,661 | - | 485,638 |
| Extraordinary reserve | 2,681,395 | | | 2,681,395 |
| Paid in to cover losses | 2,882,602 | - | - | 2,882,602 |
| Retained earnings (accumulated losses) | 2,508,240 | 3,337,560 | - | 5,845,800 |
| Net income (loss) for the year | 3,513,221 | (3,513,221) | 4,660,231 | 4,660,231 |
| **Total** | **28,305,435** | **-** | **4,660,231** | **32,965,666** |

The changes in the Company's equity items in the year under review, ended as of 31/03/2020, are shown below:

| | Amount at the beginning of the year | Allocation of the previous year result - Other allocations | Result for the year | Carrying amount at the end of the year |
|---|---|---|---|---|
| Quota capital | 16,105,263 | - | - | 16,105,263 |
| Share premium reserve | 304,737 | - | - | 304,737 |
| Legal reserve | 485,638 | 233,012 | - | 718,650 |
| Extraordinary reserve | 2,681,395 | | | 2,681,395 |
| Paid in to cover losses | 2,882,602 | - | - | 2,882,602 |
| Retained earnings (accumulated losses) | 5,845,800 | 4,427,219 | - | 10,273,019 |
| Net income (loss) for the year | 4,660,231 | (4,660,231) | 3,697,397 | 3,697,397 |
| Total | 32,965,666 | - | 3,697,397 | 36,663,063 |

### Availability and use of quotaholders' equity

The following table provides details of the components of shareholder's equity, including their origin, their potential utilisation and whether they are distributable, as well as the utilisation thereof in the prior three years.

| Description | Amount | Origin/Nature | Potential utilisation | Amount available |
|---|---|---|---|---|
| Quota capital | 16,105,263 | Quota capital | | - |
| Share premium reserve | 304,737 | Quota capital | A;B;C | 304,737 |
| Legal reserve | 718,650 | Revenue | B | - |
| Extraordinary reserve | 2,681,395 | Revenue | A;B;C | 2,681,395 |
| Paid in to cover losses | 2,882,602 | Quota capital | A;B;C | 2,882,602 |
| Retained earnings (accumulated losses) | 10,273,019 | Revenue | A;B;C | 10,273,019 |
| **Total** | **32,965,666** | | | **16,141,753** |
| Amount not distributable | | | | 21,555 |
| Residual amount distributable | | | | 16,120,198 |
| **Key: A: for increase in capital; B: to cover losses; C: for distribution to the quotaholders; D: for other statutory requirements; E: other** | | | | |

The non-distributable portion of available equity reserves, determined in accordance with art. 2426 of the Italian Civil Code, covers the deferred tax assets recognised in the balance sheet, which are assets still to be realised.

## Provisions for risks and charges

The provisions for risks and charges, mainly related to deferred taxation, are recognised in the financial statements according to OIC 31 (a total of € 1,798,832 at 31 March 2020).

The amount comprises:

- € 1,728,651 of deferred tax liabilities at 31 March 2015 as part of the above merger. The change during the year (€ 97,427) reflects the release of the tax effect to match the depreciation of the additional amounts allocated to the assets of the Company at the time of the Merger;
- € 70,181 of the derivative financial instruments represent the negative fair value of certain derivatives used by the Company, as required by OIC 32.

The following table shows the changes in provisions for risks and charges.

| | Balance at the beginning of the year | Changes during the year - Utilisation | Changes during the year - Total | Carrying amount at the end of the year |
|---|---|---|---|---|
| Provision for current and deferred taxation | 1,826,078 | 97,427 | (97,427) | 1,728,651 |
| Derivative financial instruments | 99,219 | 29,038 | (29,038) | 70,181 |
| **Total** | **1,925,297** | **126,465** | **(126,465)** | **1,798,832** |

## Provision for employee termination indemnity

Employee termination indemnities amount to € 14,732 at 31 March 2020 (€ 9,252 al 31 March 2019). The changes during the year are summarised below:

| | Balance at the beginning of the year | Changes during the year - Provision | Changes during the year - Utilisation | Changes during the year - Total | Carrying amount at the end of the year |
|---|---|---|---|---|---|
| PROVISION FOR EMPLOYEE TERMINATION INDEMNITY | 9,252 | 8,293 | 2,813 | 5,480 | 14,732 |

The item includes the portion of cost present in the financial statements relating to the termination indemnity not allocated to the treasury account with INPS, Previndai and Fondo Cometa.

## Payables

Payables total € 55,401,969 at 31 March 2020 (€ 48,758,022 at 31 March 2019).

Pursuant to art. 12, para. 2 of Legislative Decree 139/2015, the Company has elected to measure payables using the amortised cost method. This election was made on a prospective basis and, therefore, only applies to the payables that have arisen subsequent to 1 January 2016.

### Changes and maturities of payables

The following table shows the changes in payables and any information on their maturities.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year | Within one year | Beyond one year |
|---|---|---|---|---|---|
| Due to banks | 16,609,580 | 21,952 | 16,631,532 | 5,893,680 | 10,737,852 |
| Trade payables | 186,113 | 14,990 | 201,103 | 201,103 | - |
| Payables due to subsidiaries | 19,259,437 | 7,789,667 | 27,049,104 | 26,410,104 | 639,000 |
| Payables due to fellow subsidiaries | 7,524,514 | (2,263,340) | 5,261,174 | 5,261,174 | - |
| Tax payables | 685,900 | (452,021) | 233,879 | 233,879 | - |
| Due to pension and social security institutions | 496,830 | 176,655 | 673,485 | 673,485 | - |
| Other payables | 3,995,647 | 1,198,833 | 5,194,480 | 5,194,480 | - |
| **Total** | **48,758,021** | **6,486,736** | **55,244,757** | **43,867,905** | **11,376,852** |

They are detailed as follows:

- Due to banks within one year: € 6,087,547, relating to the current portion of loans arranged directly by the Company;
- Due to banks beyond one year: € 10,543,985, relating to the non-current portion of loans arranged directly;
- Trade payables: € 201,103;
- Due to subsidiaries within one year, € 27,049,104, as analysed below:
    a. € 3,000,000 representing a loan from Endurance S.p.A. (classified as a current liability because the contractual conditions envisage repayment on demand);
    b. € 20,075,659 due in relation to the cash pooling arrangements, of which
        - € 15,727,153 due to Endurance S.p.A.
        - € 3,106,944 due to Endurance Castings S.p.A.
        - € 1,241,562 due to Endurance Engineering S.r.l.
    c. trade payables of € 3,491,655;
- Due to subsidiaries beyond one year: € 639,000, relating to deposits received from Endurance S.p.A. for outstanding rental contracts;
- Payables due to fellow subsidiaries: € 5,276,020 due to Endurance Amann GmbH, a foreign affiliate, comprising € 2,257,173 due under the cash pooling arrangements, a loan of € 3,000,000 (classified as a current liability because the contractual conditions envisage repayment on demand) and trade payables of € 18,847;
- Tax payables: € 233,879, including € 108,860 due for IRAP and € 125,021 in taxes withheld from employees and freelance workers, as well as other taxes due;
- Due to pension institutions: € 673,485, mainly payable to INPS and Previndai;
- Other payables within one year: € 5,194,480, being the amounts due to employees for payroll and related accruals, as well as miscellaneous payables.

Bank borrowing is essentially in line with the prior year, having increased by just € 21,952. Loan repayments during the year totalled € 4,988,700, while new loans of € 5,000,000 were arranged to fund the purchase of assets, such as licences and the property in Chivasso.

It should be noted that, on newly signed contracts, application of the amortised cost method resulted in a reduction in the nominal amount of payables of € 20,698 (€ 31,351 at 31 March 2019).

The following is a breakdown of medium-term loans outstanding at 31 March 2020:

| Bank | Initial amount paid | Arrangement date and duration in years | Residual debt outstanding at 31.03.2020 | Within one year | Beyond one year |
|---|---|---|---|---|---|
| Intesa Sanpaolo | 3,000,000 | 26/04/2011 - 10 | 307,692 | 307,692 | - |
| UBI (*) | 2,500,000 | 27/03/2017 - 5 | 1,013,147 | 504,368 | 508,779 |
| Unicredit (*) | 10,000,000 | 04/07/2017 - 5 | 6,250,000 | 2,500,000 | 3,750,000 |
| UBI (*) | 3,000,000 | 19/07/2017 - 5 | 1,414,015 | 602,989 | 811,026 |
| BNL (*) | 5,000,000 | 27/10/2017 - 5 | 2,750,000 | 1,000,000 | 1,750,000 |
| UBI (*) | 3,000,000 | 19/02/2020 - 3 | 2,917,376 | 994,044 | 1,923,332 |
| UBI (*) | 2,000,000 | 19/02/2020 - 3 | 2,000,000 | - | 2,000,000 |
| Application of amort. cost method | | | (20,698) | (12,471) | (8,227) |
| **Total** | **28,500,000** | | **16,631,532** | **5,896,622** | **10,734,910** |

(*) Financial payables recognised using the amortised cost method.

The contracts are settled with reference to 3-month Euribor and have been hedged against interest-rate risk by the arrangement of IRS contracts with a notional value of € 9,000,000 at 31 March 2020.

### Breakdown of payables by geographical area

In terms of the geographical distribution of payables, the Company's counterparties are all Italian, except for the amounts due to Endurance Amann GmbH (totalling € 5,276,020).

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### Debt secured by collateral on company assets

The following table provide separate details for each item of debt secured by collateral on company assets with a specific indication of the nature of the collateral.

| | Debts secured by mortgages | Total debt secured by collateral | Debt not secured by collateral | Total |
|---|---|---|---|---|
| Due to banks | 307,692 | 307,692 | 16,323,840 | 16,631,532 |
| Trade payables | - | - | 201,103 | 201,103 |
| Payables due to subsidiaries | - | - | 27,049,104 | 27,049,104 |
| Payables due to fellow subsidiaries | - | - | 5,261,174 | 5,261,174 |
| Tax payables | - | - | 233,879 | 233,879 |
| Due to pension and social security institutions | - | - | 673,485 | 673,485 |
| Other payables | - | - | 5,194,480 | 5,194,480 |
| **Total payables** | **307,692** | **307,692** | **54,937,065** | **55,244,757** |

The nominal value of the payables secured by mortgages on the assets of the Company are analysed by maturity in the following table (without considering the amortised cost adjustment):

| Debt secured by collateral | Amount |
|---|---|
| - due within one year | 307,692 |
| - due beyond one year but within 5 years | - |
| **Total** | 307,692 |

### Loans from quotaholders

The Company has not received any loans from shareholders.

## Accrued expenses and deferred income

The following table shows the changes in accrued expenses and deferred income.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| Accrued expenses | 27,076 | (7,828) | 19,248 |
| **Total accrued expenses and deferred income** | **27,076** | **(7,828)** | **19,248** |

This item comprises accrued interest expense and financial charges relating to the outstanding loans.

# Explanatory notes, income statement

The income statement reports the results for the year.

This statement presents the results of operations by summarising the positive and negative components of income that contributed to them. These positive and negative components of income, recognised pursuant to art. 2425-bis c.c., are analysed into the following categories: core business, ancillary and financial activities.

Core business activities include the components of income that were generated from continuing operations in the principal sector, and which identify and distinguish the economic activities carried out by the Company in the pursuit of its corporate objectives.

Financial activities comprise those operations that generate financial income and expense.

Ancillary activities comprise those residual operations that generate income in the ordinary course of business that cannot be classified as financial or core business activities.

## Value of production

The property and equity investment management activities of the Company generate revenues principally from the rental of property, the management and coordination services provided to Group companies and the recharge to subsidiaries and affiliates of the cost of the executives employed by the Company.

The following table analyses the operating costs incurred during the 2019-2020 financial year on a comparative basis:

| Description | Year 2019/2020 | Year 2018/2019 | Change |
|---|---|---|---|
| Revenues from sales of goods and services | 10,672,488 | 10,189,935 | 482,553 |
| other income and revenues | 323,118 | 173,684 | 149,434 |
| **Total** | **10,995,606** | **10,363,619** | **631,987** |

Revenues from sales of goods and services include rental income (€ 2,346,548) and income for services provided under the service agreement with the subsidiaries and affiliates (€ 8,325,940). The increase compared with the previous period (€ 482,553) was mainly due to higher income deriving from the Service Agreement.

Other income and revenues relate to the proceeds for the recharging of costs for personnel on secondment and ancillary charges to the associated company, with the balance made up of sundry other income and revenue items

## Cost of production

The following table analyses the operating costs incurred during the 2019/2020 financial year on a comparative basis:

| Description | Year 2019/2020 | Year 2018/2019 | Change |
|---|---|---|---|
| Cost of raw and ancillary materials, consumables and goods for resale | 46,699 | 40,693 | 6,006 |
| Cost of services | 805,090 | 682,968 | 122,122 |
| Lease and rental charges | 313,351 | 334,035 | (20,684) |

| | | | |
|---|---|---|---|
| Payroll costs | | | |
| - Wages and salaries | 5,943,578 | 6,012,978 | (69,400) |
| - Social contributions | 928,863 | 770,780 | 158,083 |
| - Employee termination indemnity and other costs | 155,006 | 166,472 | (11,466) |
| - other costs | 38,835 | - | 38,835 |
| Amortisation of intangible assets | 119,423 | 97,576 | 21,847 |
| Depreciation of tangible fixed assets | 838,001 | 826,344 | 11,657 |
| Other operating expenses | 252,180 | 253,373 | (1,193) |
| **Total** | **9,441,026** | **9,185,219** | **255,807** |

Production costs increased slightly (by 2.8% overall) compared with the previous year.

Lease and rental charges decreased due to early redemption of the real estate lease that took place during the prior year.

Payroll costs comprise the entire cost of employees, inclusive of merit increases, changes in labour category, holiday pay and accruals required by law and by collective labour agreements, cost for external collaborators, variable remuneration components, incentives to leave the company, as well as charges deriving from the management retention plan in favour of corporate management, which depends on the economic-financial results achieved in Europe and the continued employment of the personnel concerned for a minimum pre-determined period. The decrease in cost is due to a reduction in administrative staff.

## Financial income and charges

Income from equity investments in the 2019/20 financial year (€ 4,000,000) refers to the distribution of dividends made by subsidiaries during the year under review.

Financial income for 2019-2020 (€ 19,917) refers to accrued interest and capital gains realised on financial securities (government securities) held during the year. Financial charges (€ 272,521) mainly relate to the interest incurred on the intercompany loan (€ 82,361) and on the loans from banks (€ 190,160).

## Adjustments to financial assets and liabilities

The revaluation of derivative instruments by € 29,038 reflects the mark-to-market adjustment recorded at the reporting date.

## Amount and nature of revenues/costs of individual significance

During the current year, no revenues or other positive components deriving from exceptional events were recorded.

During the current year, no costs deriving from exceptional events were recorded.

## Income taxes for the year, current and deferred

The company has accrued for taxation for the year based on the application of tax legislation in force. The tax charge for the year consists of current taxation, as resulting from the tax returns, of deferred taxation relating to positive or negative components of income, taxable or deductible, respectively, in fiscal years that differ from the year in which the item is accounted for statutory reporting purposes.

The composition of taxation for the year split between current taxation and the deferred tax asset item is provided in the following table:

| | Year 2019/2020 | Year 2018/2019 |
|---|---|---|
| **Income taxes** | **1,633,617** | **1,243,749** |
| Current taxation | | |
| of which: IRES for the year (current) | 1,411,175 | 1,046,833 |
| of which: IRAP for the year (current) | 318,249 | 209,386 |
| of which: Taxation relating to prior years | (15) | 16,699 |
| Deferred taxation | (95,792) | (26,169) |

They are detailed in the following tables:

- a description of the temporary differences that have given rise to the recognition of deferred tax liabilities and assets, with details of the rate applied, changes in the year and the amounts credited or debited to the income statement or to quotaholders' equity;
- the amount of deferred tax assets recognised relating to losses for the year or prior years and the reasons for their recognition; the amount not yet recognised and the reasons for the non-recognition;
- items excluded from the computation and the reasons for their exclusion.

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## Recognition of deferred tax assets and liabilities and their impact

| | IRES | IRAP |
|---|---|---|
| **A) Temporary differences** | | |
| Total deductible temporary differences | 38,645 | - |
| Total taxable temporary differences | 381,030 | 349,231 |
| Net temporary differences | 342,385 | 349,231 |
| **B) Tax effects** | | |
| Provision for deferred tax liability (assets) at the beginning of the year | 1,549,264 | 255,259 |
| Deferred tax liability (assets) of the year | (82,172) | (13,620) |
| Provision for deferred tax liability (assets) at the end of the year | 1,467,092 | 241,639 |

Pursuant to Decree 142/2018, the Company has applied the tax rate envisaged for non-financial investment holding companies of 5.57%.

Deferred tax assets and liabilities have been determined using the rates likely to be in force during the years when the temporary differences are expected to reverse.

The current rates have been used with specific regard to deferred tax assets, being IRES 24% and IRAP 5.57%.

The rates applied when the provisions were made have been used with regard to the release of deferred tax liabilities.

The balance of deferred tax assets shown in the table is the net of provisions for the year less the deferred tax assets recognised in previous years and reversed during the period.

To be specific, there is a simultaneous reversal of deferred tax assets and liabilities set aside in previous years due to temporary differences that had to be provided for

# Explanatory notes, other information

The additional disclosures required by the Italian Civil Code are presented below.

## Employment data

The following table sets out average employee numbers by labour category computed on the basis of daily averages

| | Executives | White collar | Total employees |
|---|---|---|---|
| Average number | 8 | 4 | 12 |

## Fees, advances and loans granted to directors and statutory auditors and commitments accepted on their behalf

The following schedule provides the information required by art. 2427, point 16 c.c., with the clarification that no advances or loans have been granted and no commitments, in the form of guarantees of any kind, have been accepted on behalf of the members of the Board of Directors.

| | Directors | Statutory Auditors |
|---|---|---|
| Fees | 40,000 | 51,719 |

## Fees of the legal auditor or auditing firm

During the year, the following amounts (comprising fees and expenses) were paid to the independent auditors (Deloitte & Touche S.p.A.):

- € 38,850 for the legal audit of the accounts, comprising the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries, as well as for checking the Group Reporting Package, prepared from the consolidated financial statements and submitted for the purpose of consolidating the Endurance Technologies Group;
- € 1,050 for the audit work performed in order to sign the tax declarations;
- € 40,000 for services provided by other members of the same network as the independent auditors.

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## Classes of shares issued by the Company

This paragraph of the explanatory notes is not pertinent, since the Company's capital does not consist of shares.

## Securities issued by the company

The Company has not issued any securities that fall under the provisions of art. 2427, para. 18 of the Italian Civil Code.

## Details on other financial instruments issued by the Company

The Company has not issued any other financial instruments pursuant to art. 2346, para. 6, of the Italian Civil Code.

## Commitments, guarantees and contingent liabilities not reported in the balance sheet

The Company has given mortgage guarantees in favour of Endurance S.p.A. in relation to the loan arranged in 2015/2016 with Intesa Sanpaolo (residual balance at 31 March 2020 of € 1,481,481), which is secured by a mortgage on the property used by that subsidiary under rental contracts signed with the Company.

## Information about capital and loans allocated to a specific business project

### Allocation of capital to a specific business project

We can confirm that, at the balance sheet date, there has been no allocation of capital to a specific business project as per no. 20 of art. 2427 of the Italian Civil Code.

### Loans for a specific business project

We can confirm that, at the balance sheet date, there are no loans provided for a specific business project as per no. 21 of art. 2427 of the Italian Civil Code.

## Information about related-party transactions

With regard to the provisions of art. 2428, para. 3, point 2) of the Italian Civil Code, reference is made to the information on related-party transactions provided in the Report on operations.

## Information about off-balance sheet agreements

No off-balance sheet agreements were entered into during the year.

## Information about significant events arising subsequent to the reporting date

Following the suspension of activities due to the measures adopted at national level to tackle the spread of Covid-19, appropriate action was taken to restart business activities in a safe manner.

At this time, containment measures are in place at national and regional level to avoid another wave of contagion. The Company took prompt action to implement the measures discussed in the report on operations (note on the environment) and, where possible, to adopt smart working for all personnel.

Current market trends and indicative forecasts for the immediate future suggest that 2020/21 will suffer adverse effects that cannot be estimated reliably at this time. However, given the current liquidity available and the sound financial position of the Company and the Endurance Group, as well as the ability to satisfy all outstanding liabilities and commitments, management believes that there are no uncertainties, at this time, about the ability of the business to continue as a going concern for the next 12 months.

With reference to point 22-quarter of art. 2427 of the Civil Code on the disclosure of significant subsequent events with a major impact on the economic and financial position, on 15 April 2020 the Company exercised option rights to subscribe to part of the capital increase by Adler Spa, totalling Euro 3,465,000, which was authorised at the shareholders' meeting of that company and executed by deed witnessed by Notary Agostini of Milan, reg. no. 83234/16710. As a result of that transaction, the Company holds shares representing 99% of the share capital of the company. Consequently, Adler is now part of the Endurance Group and, by deed witnessed by Notary Agostini, reg. no. 83242/16713, has changed its name to Endurance Adler S.p.A. and aligned its reporting date with that of the other Group companies.

## Information about derivative financial instruments pursuant to art. 2427-bis c.c.

Pursuant to art. 2427-bis of the Italian Civil Code and in order to present a true and fair view of the Company's commitments, appropriate details are provided below about the fair value, extent and nature of the derivative financial instruments held by the Company (amounts in Euro), grouped by counterparty:

| Type of contract | Number of contracts | Original notional value | Notional value at 31.03.2020 | Fair value at 31.03.2020 |
|---|---|---|---|---|
| Interest rate Swap | 2 | 15,000,000 | 9,000,000 | (70,181) |
| **TOTAL** | **2** | 15,000,000 | **9,000,000** | **(70,181)** |

## Summary financial statements of the company which exercises management and coordination activities

The Company is subject to management and coordination by its indirect parent company, Endurance Technologies Limited, with registered offices at E-92, MIDC Industrial Area, Waluj, Aurangabad, Maharashtra, India, which directly and indirectly owns the entire quota capital of the Company.

The following amounts taken from the latest approved financial statements of Endurance Technologies Limited are stated in millions of Indian Rupees. For the sake of clarity, the Rupee/Euro exchange rate at 31 March 2019 (fixed on 29 March 2019) was 77.7190 (80.2960 at 31 March 2018) - (source www.ecb.europa.eu):

| Balance sheet | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Fixed assets, net | 12,629.37 | 10,181.26 |
| Investments and other non-current assets | 5,900.00 | 5,550.27 |
| **Current assets** | 11,022.75 | 10,323.57 |
| **Activities held for sale** | 33.37 | - |
| **Total Assets** | **29,585.49** | **26,055.10** |
| | | |
| **Liabilities and quotaholders' equity** | | |
| **Quotaholders' equity** | **20,799.50** | **17,922.58** |
| **Non-current liabilities** | | |
| Non-current financial liabilities | 29.78 | 49.58 |
| Other non-current liabilities | 265.65 | 63.25 |
| **Current liabilities** | | |
| Current financial liabilities | 7,738.02 | 7,072.36 |
| Other current liabilities | 752.54 | 947.33 |
| **Total liabilities and quotaholders' equity** | **29,585.49** | **26,055.10** |

| Income Statement | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Revenues** | **54,336.82** | **46,362.84** |
| Operating costs | 46,854.49 | 40,275.23 |
| Depreciation and amortisation | 1,756.98 | 1,696.31 |
| Financial charges | 170.73 | 102.49 |
| Non-recurring income/(expense) | (208.00) | (268.78) |
| **Income before tax** | **5,346.62** | **4,020.03** |
| Taxation for the year (current and deferred) | 1,768.01 | 1,304.00 |
| **Income (loss) for the year** | **3,578.61** | **2,716.03** |
| OCI - Other comprehensive income | (23.39) | (0.84) |
| **Total statement of comprehensive income** | **3,555.22** | **2,715.19** |

The following section describes relations with the company that provides management and coordination services and with the other affiliates, as well as the effect of those activities on the operations of the Company and its results.

## Information pursuant to art. 1, paragraph 125, of Law 124 of 4 August 2017

Starting from the 2018-19 financial statements, art. 1, paragraph 125, of Law 124/2017 introduced the obligation to provide evidence in the explanatory notes of any cash amounts received during the year by way of grants, contributions, paid appointments or any other economic advantages of any kind received from public administrations and from those mentioned in paragraph 125 of the same article.

In consideration of the fact that this provision has raised questions of interpretation and application that are still unresolved, the Company has carried out investigations and, also in the light of the latest guidelines, considers that they do not fall within the scope of the disclosure requirement:

- general measures that can be used by all companies in application of current tax laws; such as, for example, the so-called ACE (aid for economic growth).

## Proposed allocation of profits or coverage of losses

Quotaholders, in light of the above, the Board of Directors would like to propose allocating the net income for the year of € 3,697,397 as follows:

- € 184,870 to the legal reserve;
- € 3,512,527 to retained earnings.

# Explanatory notes, closing section

Quotaholders, we confirm that these financial statements, which comprise the balance sheet, income statement, statement of cash flows and explanatory notes, give a true and fair view of the financial position and results for the year and agree with the books of account. We therefore invite you to approve the draft financial statements for the year ended 31/03/2020, together with the proposed allocation of the net result for the year, as submitted by the Board of Directors.

The financial statements are true and real and agree with the books of account.

Lombardore, 29/05/2020

For the Board of Directors
The Managing Director

Massimo Venuti

**ENDURANCE OVERSEAS S.r.l.**
Statutory Financial Statements
as of March 31, 2020

**Independent Auditor's Report**

Deloitte & Touche S.p.A.
Galleria San Federico, 54
10121 Torino
Italia

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# INDEPENDENT AUDITOR'S REPORT
# PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

**To the Sole Quotaholder of**
**Endurance Overseas S.r.l.**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Endurance Overseas S.r.l. (the "Company"), which comprise the balance sheet as at March 31, 2020, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Italian law governing financial statements.

### 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matters

Pursuant to art. 2497-bis, first paragraph, of the Italian Civil Code, Endurance Overseas S.r.l. has disclosed that it is subject to management and coordination of its activities by Endurance Technologies Limited (India) and, therefore, has indicated in the notes to the financial statements the key financial data from the most recent financial statements of such company. Our opinion on the financial statements of Endurance Overseas S.r.l. does not extend to such data.

### Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (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 financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 management's 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10

The Directors of Endurance Overseas S.r.l. are responsible for the preparation of the report on operations of the Company as at March 31, 2020, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of the Company as at March 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Endurance Overseas S.r.l. as at March 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
**Giorgio Barbieri**
Partner

Turin, Italy
June 24, 2020

*This report has been translated into the English language solely for the convenience of international readers.*

# ENDURANCE OVERSEAS SRL

Head office: VIA DEL BOSCHETTO 2/43 – LOMBARDORE (TURIN)
Tax Code and Turin Companies
Register No. 05754620960
Turin Chamber of Commerce No. 1101893
Quota capital: € 16,105,263.00 subscribed and fully paid
VAT Number: 05754620960
Sole quotaholder company
Management control and coordination: ENDURANCE TECHNOLOGIES LIMITED

# Report of the Board of Statutory Auditors

*Financial statements for the year ended 31/03/2020*

To the Quotaholders,

Pursuant to the current articles of association, the Board of Statutory Auditors has been assigned the task of administrative supervision, while the legal audit function was assigned to Deloitte & Touche S.p.a. in a letter of appointment dated 6 June 2017; accordingly, this report describes solely the supervisory work carried out in accordance with the law.

## Report to the Shareholder's Meeting pursuant to art. 2429, paragraph 2 of the Italian Civil Code - Administrative supervision

During the course of the financial year ended 31/03/2020, our activities were performed in compliance with applicable legislation and the principles of conduct for the Board of Statutory Auditors issued by the Italian Accounting Profession (as represented by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili.

### Activities carried out by the Board of Statutory Auditors during the year ended 31/03/2020

We supervised compliance with the law, with the articles of association and with principles of proper administration.

We attended shareholders' meetings and Board meetings, in respect of which, based on information made available, no matters came to our attention to indicate that there had been any infringements of the law or of the articles of association, nor transactions which were clearly imprudent, risky, likely to give rise to a conflict of interest or such as to compromise the integrity of the company's assets.

We acquired information from the directors on the status of capital transactions, with respect to which we have no particular observations to make.

We obtained information from the directors on the company's performance and the likely outlook, as well as on the most significant transactions, in terms of size or characteristics, entered into by the company and by its subsidiaries and, based on the information obtained, we have no particular findings to report.

We met with the independent auditors and, with reference to those meetings, no significant information or data emerged that should be disclosed in this report.

We gained knowledge on and supervised, within the scope of our duties, the adequacy of and the operations of the company's organisational structure by obtaining information from function heads, with respect to which we have no particular findings to report.

We gained knowledge on and supervised, within the scope of our duties, the adequacy of and the operations of the company's administrative-accounting system, as well as on the reliability of the latter in correctly presenting the results of operations, by obtaining information from function heads, from the independent auditors and from an examination of corporate documents, and, with respect thereto, we have no particular findings to report.

No complaints were presented to us as per Art. 2408 of the Italian Civil Code.

During the course of the financial year, no opinions were issued by the Board of Statutory Auditors as required by law.

During the course of our supervisory activities, as described above, no other significant matters arose that are worthy of inclusion in this report.

This report therefore summarises our activity with regard to the requirements of art. 2429, para. 2 of the Italian Civil Code, namely information on:

- the results for the year;
- the work performed in fulfilment of our legal duties; the observations and proposals regarding the financial statements, with particular regard to any use made by the administrative body of the exception permitted by art. 2423, para. 5 of the Italian Civil Code;

In any case, we are at your complete disposal to examine any other aspects during the Shareholders' Meeting.

The work performed by us covered the entire financial year and regular meetings were held during the year pursuant to art. 2404 of the Italian Civil Code.

During our periodic checks, we gained knowledge on how the Company's activities were evolving, paying particular attention to contingent problems in order to identify the economic and financial impact on the result for the year and on the balance sheet, as well as any risks.

Minutes were drawn up of these meetings and duly signed for unanimous approval.

## Supervisory activities pursuant to art. 2403 onwards of the Civil Code

The draft financial statements for the year ended 31/03/2020, provided to us for our examination by the Board of Directors pursuant to art. 2429 of the Italian Civil Code, have been prepared in accordance with the requirements of Legislative Decree no. 127/91 and consist of:

- Balance sheet
- Income statement
- Statement of cash flows
- Explanatory notes

The draft financial statements at 31/03/2020 report the following key data:

### Balance sheet

| Description | FY 2020 | FY 2019 | Difference |
|---|---|---|---|
| FIXED ASSETS | 63,474,058 | 59,612,435 | 3,861,623 |
| CURRENT ASSETS | 30,153,661 | 23,974,534 | 6,179,127 |
| PREPAID EXPENSES AND ACCRUED INCOME | 112,913 | 98,343 | 14,570 |
| TOTAL ASSETS | 93,740,632 | 83,685,312 | 10,055,320 |

| Description | FY 2020 | FY 2019 | Difference |
|---|---|---|---|
| QUOTAHOLDERS' EQUITY | 36,663,063 | 32,965,666 | 3,697,397 |
| PROVISION FOR RISKS AND CHARGES | 1,798,832 | 1,925,297 | 126,465- |
| PROVISION FOR EMPLOYEE TERMINATION INDEMNITY | 14,732 | 9,252 | 5,480 |
| PAYABLES | 55,244,757 | 48,758,021 | 6,486,736 |
| ACCRUED EXPENSES AND DEFERRED INCOME | 19,248 | 27,076 | 7,828- |
| TOTAL LIABILITIES AND QUOTAHOLDERS' EQUITY | 93,740,632 | 83,685,312 | 10,055,320 |

### Income Statement

| Description | FY 2020 | FY 2019 | Difference |
|---|---|---|---|
| VALUE OF PRODUCTION | 10,995,606 | 10,363,619 | 631,987 |
| REVENUES FROM SALES OF GOODS AND SERVICES | 10,672,488 | 10,189,935 | 482,553 |
| COST OF PRODUCTION | 9,441,026 | 9,185,219 | 255,807 |
| DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A - B) | 1,554,580 | 1,178,400 | 376,180 |
| RESULT BEFORE TAXES (A-B+-C+-D) | 5,331,014 | 5,903,980 | 572,966- |
| INCOME TAXES FOR THE YEAR, CURRENT AND DEFERRED | 1,633,617 | 1,243,749 | 389,868 |
| INCOME (LOSS) FOR THE YEAR | 3,697,397 | 4,660,231 | 962,834- |

Due to the fact that we were not appointed as independent auditors of the financial statements, we have limited ourselves to monitoring the overall approach to their preparation and their general compliance with the law as regards their format and structure and we do not have any particular observations to make in this regard.

More precisely, we note that:

- The accounting policies used in preparing the financial statements at 31/03/2020 comply with the Italian Civil Code as amended by Decree Law 139/2015;
- the Directors have provided information on the Company's performance and on the outlook for operations;

- the balance sheet and income statement formats adopted by the Company comply with articles 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code;
- pursuant to art. 2426 para. 6, of the Italian Civil Code, goodwill is recorded in the balance sheet, the net carrying value of which amounts to € 832,395 at 31/03/2020, recorded in relation to business combinations that occurred in previous years and with our consent as the Board of Statutory Auditors, who verified the requisites for registration.

We have verified compliance with the law regarding the structure of the directors' report on operations and we do not have any particular observations to make thereon.

As far as we are aware, in the preparation of the financial statements, there was no failure by the directors to comply with the law pursuant to paragraph 5 of Art. 2423 of the Italian Civil Code.

## Result for the year

The net result ascertained by the Directors for the year ended 31/03/2020, as shown in the financial statements, is positive for € 3,697,397.

We do not have any observations to make on the allocation of the net result for the year proposed by the Directors.

## Conclusion

Also considering the results of the work performed by the independent auditors, as explained in their audit report, issued without exceptions or remarks on 24/06/2020, we unanimously believe that there are no reasons why the Shareholders' Meeting should not approve the draft annual financial statements for the year ended 31/03/2020, as drafted and proposed by the Directors.

Milan, 24 June 2020

The Board of Statutory Auditors

Fulvio Mastrangelo

Fabio Greco

Massimo Carera

# ENDURANCE OVERSEAS SRL

Head office: VIA DEL BOSCHETTO 2/43 – LOMBARDORE (Turin)
Tax Code, Turin Chamber of Commerce and
Turin Companies Register No. 05754620960
Turin Business Register (REA) no.TO 1101893
Quota capital: € 16,105,263.00 subscribed and fully paid
VAT Number: 05754620960

# Report on operations

*Consolidated financial statements for the year ended 31/03/2020*

To the Quotaholders,
The explanatory notes provide information about the consolidated financial statements for the year ended 31 March 2020; in compliance with art. 2428 of the Italian Civil Code, this document provides information about the situation and performance of the Endurance Group (comprising the Parent Company, Endurance Overseas S.r.l., and its subsidiaries, Endurance S.p.A., Endurance Engineering S.r.l. and Endurance Castings S.p.A., together the "Group"). This report, prepared with amounts shown in whole euro (unless otherwise indicated), accompanies the consolidated financial statements in order to provide information about the Group's earnings, financial position and operations, together, where possible, with historical facts and an assessment of future prospects.

## Information on the Company and the Group

### Matters concerning the economy in general and the results of operations:

The world economic slowdown during 2019 (growth of 2.4% compared with 3.0% in the prior year and 3.3% in the year before that) was mainly due to the disruption of supply chains and the impediments to international trade linked to the US-China trade dispute, which included the reciprocal imposition of escalating customs duties. The United States reported growth of 2.3% (compared with 2.9% in the prior year), China of 6.1% (6.6% previously), India 4.2% (6.1% previously) and Europe of just 1.2%, with Italy and Germany bring up the rear with growth of 0.3% and 0.6% respectively.

Despite the trade agreement reached by the USA and China towards the end of 2019, GDP collapsed during the first quarter of 2020 as a result of the containment measures adopted by various countries, mostly starting in March, in order to tackle the healthcare emergency associated with the coronavirus epidemic (discussed in more detail below, in the section on key events). The suspension of industrial and commercial activity at various levels caused the economies of the countries concerned to slump into a deep recession, which will continue until the restoration of health safety conditions allows normal work to restart.

Central banks around the world continue to support their economies with expansionary monetary policies, but have only managed to mitigate the adverse effects of the crisis without inverting the downward trend.

The EU *automotive* sector, already challenged by the difficulties caused by the new regulations governing vehicle consumption testing procedures (WLTP - *Worldwide Harmonised Light Vehicles Test Procedures*), was hit by a 5% reduction in registrations during the reporting period from April ’19 to March ’20 (UK -10.9%, Spain -10.6%, Italy -7.9%, France -6.7% and Germany -0.3%), not least due to the contraction in the last quarter of the reporting year (January – March 2020) by more than 26% (Italy -35.5%, France -34.1%, UK and Spain -31%, and Germany -20.3%).

EU annual sales data by manufacturer highlights significant reductions for FCA (-13.5%), PSA (-10.4%) and Renault (-8.5%), with more contained declines for BMW (-2.0%) and VW (-1.5%). However the data for the last quarter (January – March 2020) was bad for all manufacturers including, in particular, Renault (-36.1%), FCA (-34.5%) and PSA (-34.3%), followed by Daimler (-22.9%), VW (-19.4%) and BMW (-16.7%). The VW Group has further consolidated its leadership of the European market, with a share in excess of 25% (prior year: 24.2%). Progress was also made by BMW (6.8%, up from 6.6%) and Daimler (6.6%, up from 6.2%), to the detriment of PSA, FCA and Renault.

The P&CV production data published by IHS MARKIT for the 2019 calendar year, not yet influenced by the Covid-19 pandemic, shows that the 6.3% contraction in global production (from 16.6 to 15.8 million vehicles) affected all macro areas: EU -5.3%, North America -6.2%, South America -2.8%, Asia -6.5%, Middle East and Africa -25.6%. Within the European Union, Germany was the leading producer with an output of 4.7 million vehicles (albeit down 9% compared with the prior year), followed by Spain 2.2 million (+0.3%), France 1.7 million (-5.5%), the Czech Republic 1.4 million (-0.7%), the UK 1.3 million (-14.2%), Slovakia 1.1 million (+0.6%) and Italy 0.5 million (-19.5%).

During the same period, EU vehicle exports dropped in both volume (-6.9%) and value (-2.3%) terms, while the value of imports climbed (+15.6%) on essentially stable (-0.9%) volume.

Diesel vehicle registrations continued to decline, down by 13.9% over the calendar year (market share reduced to 30.5%), but increases were reported for petrol vehicles (up by 5.2%) - raising their market share to 58.9% - and for those powered by alternative sources of energy (LPG/methane, hybrid and electric vehicles).

The drops in registrations, production and exports were all factors affecting the Group business performance, with a 3% decrease in the value of production (about € - 6.2 million) As confirmation of the good industrial performance despite the general market slowdown (further affected in the last part of the year by the Covid-19 pandemic), EBITDA nevertheless increased by € 2.4 million (from € 40.5 million to € 42.9 million) to reach 20.3% of sales (18.6% in the prior year). Boosted by the benefits deriving from the super- and hyper-depreciation charged on the significant investment in advanced technologies made in recent years, net income was higher in both absolute terms at € 15.8 million (up from € 11.4 million in the prior year) and as a percentage of sales, reaching 7.5% compared with 5.3% in the fiscal year 2018/2019.

These solid results have strengthened the financial structure of the Group. In particular, while total assets are essentially unchanged (increase lower than 2%), the coverage of own funds has risen and the weighting of third-party funds has declined.

## Key events

The commercial activity carried out during 2019/2020 resulted in the acquisition of new contracts worth, on an on-going basis, almost € 42 million in annual sales. These contracts, mainly obtained from VW (Audi division), FCA and BMW, relate to traditional, hybrid and electric applications and will enter into production from the 2022 FY onwards.

Taking account of the change in advances and construction in progress, investment in tangible fixed assets totalled about € 21 million, much of which was dedicated to new applications for VW upper cylinder heads and to engineering work on an engine block for FCA. Funding activities involved the arrangement of medium-term loans totalling about € 21.0 million, while repayments amounted to € 19.4 million.

As mentioned, the healthcare emergency caused by the reaction to the Covid-19 epidemic was a key event during the year. Starting early in 2020, this affected economic activity in Asia (China in particular) and then spread to other geographical areas, including Europe and Italy in particular, from the end of February.

The pandemic has resulted in global consequences, with strong pressure on national health services and a steady stream of measures from government authorities designed to contain the risk of further contagion (travel restrictions, suspension of productive activities etc.). These measures are continuing to have a significant impact on the social and working lives of individuals and on the global economy (significant drop in end-user demand for goods and services, with a resulting increase in unemployment and a deterioration in global economic conditions).

The Endurance Group reacted promptly to the extraordinary effects of the pandemic by taking steps to safeguard the health of all employees, as a priority objective, as well as to guarantee the continuity of production to the extent possible under appropriate safety conditions (purchase of PPE, reorganisation of operating procedures, interactions and movements within corporate facilities, as well as recourse - where practicable and applicable - to remote working for all professional roles).

Operating activities at corporate facilities, already slowed from the end of February 2020, were suspended in full during the final week of March - in compliance with government instructions - and this complete lockdown lasted until 4 May 2020 for almost all Group facilities.

The Group continues to monitor actively the spread of the virus, with a view to managing proactively the potential impact. From a production standpoint, the effects on the routine conduct of activities are significant, even after the restart, given for example the unpredictable nature of customer order confirmations that have a direct effect on many areas of operation, including:

- the update of production schedules;

- management of the supply chain - in terms of the availability of resources, the timing of deliveries and the financial strength of the operators concerned;
- the organisation of personnel - in terms of production efficiency, availability, logistical and insurance needs, and recourse to social buffers (used by the Company from the date on which production was suspended);
- the approach to certain negotiations with suppliers and the review/update of investment plans.

With regard to the assessment and management of the adverse effects of the current pandemic, the Group has acted in the areas described by cutting discretionary costs, rendering production and personnel costs as flexible as possible and, as indicated, making recourse to the government-assisted lay-off pay introduced with specific reference to Covid-19. This action helped to minimise the economic impact on the year ended 31 March 2020, not least because - having regard for the specific operating conditions of the Company - the necessary accounting measurements were only partially affected and did not give rise to any concerns about business continuity (evaluated over a time horizon of at least 12 months, as required by the policies governing the preparation of financial statements).

# Financial position

To facilitate a better understanding of the Group's financial position, a reclassified balance sheet is set out below.

## Balance Sheet - Assets

| Item | FY 2020 | % | FY 2019 | % | Change | Change % |
|---|---|---|---|---|---|---|
| **WORKING CAPITAL** | **121,348,497** | **54.10%** | **117,867,520** | **53.53%** | **3,480,977** | **2.95%** |
| **Immediate liquidity** | **53,837,305** | **24.00%** | **64,422,667** | **29.26%** | **(10,585,362)** | **-16.43%** |
| Cash and cash equivalents | 53,837,305 | 24.00% | 64,422,667 | 29.26% | (10,585,362) | -16.43% |
| **Deferred liquidity** | **41,047,364** | **18.30%** | **27,545,349** | **12.51%** | **13,502,015** | **49.02%** |
| Current receivables included in working capital | 25,330,084 | 11.29% | 26,784,240 | 12.16% | (1,454,156) | -5.43% |
| Current portion of non current receivables | 15,755 | 0.01% | 18,756 | 0.01% | (3,001) | -16.00% |
| Financial assets | 15,297,153 | 6.82% | - | 0.00% | 15,297,153 | 100.00% |
| Accrued income and prepaid expenses | 404,372 | 0.18% | 742,353 | 0.34% | (337,981) | -45.53% |
| **Inventories** | **26,463,828** | **11.80%** | **25,899,504** | **11.76%** | **564,324** | **2.18%** |
| **FIXED ASSETS** | **102,936,919** | **45.90%** | **102,333,256** | **46.47%** | **603,663** | **0.59%** |
| Intangible assets | 4,382,741 | 1.95% | 2,613,166 | 1.19% | 1,769,575 | 67.72% |
| Tangible fixed assets | 93,094,189 | 41.51% | 94,583,836 | 42.95% | (1,489,647) | -1.57% |
| Financial fixed assets | 4,819 | 0.00% | 5,319 | 0.00% | (500) | -9.40% |
| Non-current portion of receivables included in working capital | 5,455,170 | 2.43% | 5,130,935 | 2.33% | 324,235 | 6.32% |
| **CAPITAL EMPLOYED** | **224,285,416** | **100.00%** | **220,200,776** | **100.00%** | **4,084,640** | **1.85%** |

With reference to the asset structure of the Group, we note in particular:
- as regards current assets:
  - an increase (by € 4.7 million) in cash and cash equivalents and financial assets (being the investment for liquidity management), recorded in relation to the positive cash flow generated by the Group after the absorption of funds by investing activities, as described in more detail later;
  - the changes in other elements of working capital, including a reduction (by about € 1.4 million) in current receivables (reflecting, in particular, the decline in volume during the final part of the year and the suspension of all activities in the last week, as well as a mix change in the portfolio of customers) and an increase (€ 0.6 million) in the inventories of, in particular, semi-finished and finished products;
- with reference to non-current assets, in particular there was:
  - an increase in intangible assets, as the amortisation charge for the year (€ 1.3 million) was more than offset by the level of Group investment (€ 3.1 million) including, in particular, the purchase of an exclusive licence to use patents and know-how in the production of innovative clutch systems for the motorcycle market.

- a reduction in the net carrying amount of tangible fixed assets due to the depreciation charge for the year (€ 21.0 million), as offset by investment during the period (€ 20.8 million to expand production capacity in relation to the new contracts acquired, especially from VW and FCA), net of disposals (with a net carrying amount of about € 1.3 million).

## Balance Sheet - Liabilities and Quotaholders' Equity

| Item | FY 2020 | % | FY 2019 | % | Change | Change % |
|---|---|---|---|---|---|---|
| **CURRENT LIABILITIES** | **98,798,747** | **44.05%** | **108,037,723** | **49.06%** | **(9,238,976)** | **-8.55%** |
| Current payables | 97,838,292 | 43.62% | 106,567,203 | 48.40% | (8,728,911) | -8.19% |
| Accrued expenses and deferred income | 960,455 | 0.43% | 1,470,520 | 0.67% | (510,065) | -34.69% |
| **NON-CURRENT LIABILITIES** | **51,965,718** | **23.17%** | **54,407,883** | **24.71%** | **(2,442,165)** | **-4.49%** |
| Non current payables | 39,810,481 | 17.75% | 41,026,954 | 18.63% | (1,216,473) | -2.97% |
| Provision for risks and charges | 9,102,302 | 4.06% | 10,036,810 | 4.56% | (934,508) | -9.31% |
| Employee termination indemnity | 2,403,969 | 1.07% | 2,414,313 | 1.10% | (10,344) | -0.43% |
| Accrued expenses and deferred income | 648,966 | 0.29% | 929,806 | 0.42% | (280,840) | -30.20% |
| **QUOTAHOLDERS' EQUITY** | **73,520,951** | **32.78%** | **57,755,170** | **26.23%** | **15,765,781** | **27.30%** |
| **Quotaholders' equity attributable to the Group** | **73,520,951** | **32.78%** | **57,755,170** | **26.23%** | **15,765,781** | **27.30%** |
| Quota capital | 16,105,263 | 7.18% | 16,105,263 | 7.31% | - | 0.00% |
| Reserves | 6,606,781 | 2.95% | 6,373,769 | 2.89% | 233,012 | 3.66% |
| Retained earnings (accumulated losses) | 35,043,126 | 15.62% | 23,832,749 | 10.82% | 11,210,377 | 47.04% |
| Net income (loss) for the year | 15,765,781 | 7.03% | 11,443,389 | 5.20% | 4,322,392 | 37.77% |
| **Quotaholders' equity attributable to minority interest** | **-** | **-** | **-** | **-** | **-** | **-** |
| **FINANCING SOURCES** | **224,285,416** | **100.00%** | **220,200,776** | **100.00%** | **4,084,640** | **1.85%** |

With reference to the Group's equity and liability structure, we note particularly:

- in the context of third-party funding, the reduction of both current liabilities by about € 9.2 million (due to the lower volume of business during the year and the dynamics of the procurement strategies adopted by the Group, not least as part of work to mitigate the effects of the pandemic) and non-current liabilities by a total of € 2.4 million, following renewal of the borrowing structure (arrangement of new loans amounting to € 21.0 million, as offset by the scheduled repayment of existing debt of € 20.9 million) and the use of risk provisions (recorded in prior years for about € 0.9 million);
- as regards own capital, equity increased by a total of € 15.8 million, following the registration of the income for the period.

## Key indicators of financial position

On the basis of the above reclassification, indicators of financial position are set out below:

| RATIO | FY 2020 | FY 2019 | % Change |
|---|---|---|---|
| Fixed asset coverage | 50.48% | 53.17% | -5.05% |
| Amounts payable to banks to working capital | 42.60% | 52.70% | -19.17% |
| Debt ratio | 3.05 | 3.81 | -19.99% |
| Financial debt ratio | 2.05 | 2.81 | -27.09% |
| Equity to capital employed | 32.78% | 26.23% | 24.98% |

| RATIO | FY 2020 | FY 2019 | % Change |
|---|---|---|---|
| Financial charges to turnover | 0.37% | 0.41% | -8.23% |
| Current ratio | 31.16% | 29.54% | 5.48% |
| Primary coverage ratio | 0.71 | 0.56 | 26.55% |
| Secondary coverage ratio | 1.22 | 1.10 | 11.22% |
| Net working capital | (3,914,078) | (16,069,707) | -75.64% |
| Acid test margin | 22,549,750 | 9,829,797 | 129.40% |
| Acid test ratio | 54.49% | 27.54% | 97.89% |

## Consolidated statement of cash flow

| Item | FY 2019 | FY 2018-2019 | Change | Change % |
|---|---|---|---|---|
| **Cash and cash equivalents at beginning of period** | **64,422,667** | **51,082,816** | **13,339,851** | **26.11%** |
| a. Cash flows from operating activities | 26,414,895 | 46,011,913 | (19,597,019) | -42.59% |
| b. Cash flows from investing activities | (37,823,520) | (20,947,907) | (16,875,613) | 80.56% |
| c. Cash flows from financing activities | 823,263 | (7,173,206) | 7,996,469 | -111.48% |
| **Increase/(decrease) in cash and cash equivalents (a ± b ± c)** | **(10,585,362)** | **17,890,800** | **(28,476,162)** | **-159.17%** |
| d. Cash flow for acquisition of subsidiaries | - | (8,182,200) | 8,182,200 | -100.00% |
| e. Net cash and cash equivalents acquired | - | 3,631,251 | (3,631,251) | -100.00% |
| **(Acquisition of subsidiaries, net of cash and cash equivalents) (d ± e)** | **-** | **(4,550,949)** | **4,550,949** | **-100.00%** |
| **Cash and cash equivalents at the end of the period (a ± b ± c ± d ± e)** | **53,837,305** | **64,422,667** | **(10,585,362)** | **-16.43%** |

The liquidity of the Company decreased during the year by about € 10.6 million, due to the combined effects of the following factors:

- net positive cash flow from operating activities of € 26.4 million, mainly due to the contribution made by the results of operations (EBITDA of about € 42.9 million), as partially offset by the change in net working capital (reduction in trade payables);
- cash flow absorbed by investing activities in the period (net outflow of € 39.1 million), mainly relating to:
  - tangible fixed assets, in order to increase production capacity in relation to current projects and the new contracts acquired (€ 20.8 million);
  - intangible assets (€ 3.1 million), mainly for the purchase of exclusive licences to use patents and know-how in the production of innovative clutch systems for the motorcycle market;
  - current financial assets (representing the deployment of available liquidity) of € 15.3 million;
- cash flow generated by financing activities of € 0.8 million, including the change in non-current debt (new loans of € 21.0 million, as offset by scheduled repayments during the year) and the increase (€ 0.8 million) in current bank borrowing.

# Results

A reclassified income statement is provided below to facilitate a better understanding of the Company's results.

## Income Statement

| | Year 2019-2020 | % | Year 2018-2019 | % | Change | Change % |
|---|---|---|---|---|---|---|
| **VALUE OF PRODUCTION** | **211,582,684** | **100.00%** | **217,754,511** | **100.00%** | **(6,171,827)** | **-2.83%** |

| | | | | | | |
|---|---|---|---|---|---|---|
| - Consumption of raw materials | 83,995,707 | 39.70% | 103,993,741 | 47.76% | (19,998,034) | -19.23% |
| - General expenses | 42,432,411 | 20.05% | 29,976,523 | 13.77% | 12,455,888 | 41.55% |
| **VALUE-ADDED** | **85,154,566** | **40.25%** | **83,784,247** | **38.48%** | **1,370,319** | **1.64%** |
| - Payroll costs | 40,223,386 | 19.01% | 37,087,533 | 17.03% | 3,135,853 | 8.46% |
| - Provisions | - | 0.00% | 3,850,000 | 1.77% | (3,850,000) | -100.00% |
| **GROSS OPERATING MARGIN** | **44,931,180** | **21.24%** | **42,846,714** | **19.68%** | **2,084,466** | **4.86%** |
| - Depreciation, amortisation and writedowns | 22,251,070 | 10.52% | 22,439,258 | 10.30% | (188,188) | -0.84% |
| - Other operating expenses | 2,063,489 | 0.98% | 2,396,425 | 1.10% | (332,936) | -13.89% |
| **INCOME BEFORE FINANCIAL ITEMS** | **20,616,621** | **9.74%** | **18,011,031** | **8.27%** | **2,605,590** | **14.47%** |
| + Financial items | (518,060) | -0.24% | (770,731) | -0.35% | 252,671 | -32.78% |
| + Adjustments to financial assets | (13,251) | -0.01% | (23,277) | -0.01% | 10,026 | -43.07% |
| **INCOME BEFORE TAX** | **20,085,310** | **9.49%** | **17,217,023** | **7.91%** | **2,868,287** | **16.66%** |
| - Taxation | 4,319,529 | 2.04% | 5,773,634 | 2.65% | (1,454,105) | -25.19% |
| **NET INCOME** | **15,765,781** | **7.45%** | **11,443,389** | **5.26%** | **4,322,392** | **37.77%** |
| **EBITDA** | **42,867,691** | **20.26%** | **40,450,289** | **18.58%** | **2,417,402** | **5.98%** |

From an economic standpoint, the decline in the value of production during the 2019/2020 financial year (by 2.8% or € 6.2 million) was influenced by the slowdown in the automotive market, as accentuated by the spread of the Covid-19 pandemic, but mitigated by the effect of consolidating Endurance Castings S.p.A. for the full year in 2019/2020, compared with just the final quarter in the prior year. There was also a reduction in Group sales (by about € 10.0 million) to Endurance Amann Gmbh (commercialisation of materials purchased externally).

In particular, the following main trends can be identified with regard to the Group's sales made to leading customers:

- with reference to domestic customers, the marked reduction in sales to the FCA group (more than € 18 million lower or - 20% than in the prior year) was only partially offset by the increase in sales made to the CNHI group (by about € 3 million) and to third parties acquired through Endurance Castings S.p.A. (about € 15 million on the previous year, especially to the Bosch/VHIT group);
- with regard to foreign customers, the rise in the volume of sales to Volkswagen (about € 10 million, being 20% more than in the prior year) was offset by the reduction, with a lower impact in absolute terms, in sales to the PSA/GM, Daimler and BMW groups (about € 8 million in total).

As a result, FCA and VW were confirmed as the principal customers of the Group in 2019/2020, generating respectively about 34% and 29% of sales, followed by CNHI (9%), PSA/GM (5%) and Daimler and Bosch/VHIT (3%).

The reduction in production costs was proportional to the decline in sales (with a percentage reduction from 62% to 60%). In particular, the weighting of raw material purchases fell considerably, with a decrease in the total by € 20 million (due, as mentioned, to the change in Group procurement polices and the lower volume of business), although general expenses were higher (by € 12 million with respect to the prior year, due to the consolidation for the whole year of Endurance Castings S.p.A., previously a Group' supplier, and to increases in transport expenses and in the cost of services linked to the quality improvement process implemented in order to remain competitive in the reference market).

Payroll costs were higher than in the prior year due, as mentioned, to the change in the scope of consolidation regarding Endurance Castings S.p.A. (the number of employees increased by about 80 in the final quarter of the previous year), as offset by the effect of reducing total Group employment numbers during the year. This benefit was itself mitigated by the effect of recruitment to strengthen the clerical and managerial grades, both at the end of the prior year and during the year just ended.

The depreciation and amortisation charge was essentially in line with the prior year (decrease of about € 0.2 million), as the reduction in the amortisation of intangible assets (given that certain goodwill and consolidation differences became fully amortised in the prior year) was offset by an increase in the depreciation of tangible fixed assets. This was linked to the investment carried out in recent years, as well as to the effect of revising the useful lives of certain assets used to produce specific items, considering changes in expectations and the forecast sales of those products based on new scenarios for future customer orders.

Compared with the prior year, there were decreases in the provisions for risks and charges (previously € 3.5 million) and in other operating expenses (down by about € 0.3 million).

The performance described led to increased profitability for the year under review: consolidated EBITDA was about € 2.4 million greater than in the 2018/2019 financial year, rising to € 42.9 million (20.3% of the value of production, up from 18.6% in the prior year).

Income taxes decreased by about € 1.5 million with respect to the prior year (especially due to recognition of the full effect of the hyper-depreciation benefits linked to the investment in advanced technology made in prior years and certified during the year under review), contributing to the rise in net income to € 15.8 million or 7.5% of the value of production (up - in absolute terms - by € 11.4 million or 5.3% with respect to the prior year).

## Key performance indicators

On the basis of the above reclassification, indicators of financial position are set out below:

| RATIO | FY 2020 | FY 2019 | % Change |
|---|---|---|---|
| R.O.E. | 21.44% | 19.81% | 8.23% |
| R.O.I. | 25.03% | 32.67% | -23.39% |
| R.O.S. | 9.74% | 8.13% | 19.86% |
| R.O.A. | 9.19% | 8.18% | 12.38% |

# Information required by Art. 2428 of the Italian Civil Code

The following is the detailed information specifically required by art. 2428 of the Italian Civil Code.

## Main risks and uncertainties that the Group is exposed to

As required by the first paragraph of Art. 2428 of the Italian Civil Code, set out below is a description of the main risks and uncertainties to which the Group is exposed:

**RISKS RELATED TO THE GENERAL STATE OF THE ECONOMY**: the Group's results are influenced by trends in the domestic and international economies. Developments regarding GDP, the cost of raw materials, the unemployment rate, interest rates and the level of confidence shown by consumers and businesses can condition the sales performance of end customers and, thus, the company's sales performance.

**RISKS RELATED TO THE SECTOR IN WHICH THE GROUP OPERATES:** The metal alloys and metal parts machining sector, as well as the plastic moulding sector, in which Group companies operate, are characterised by heated competition that is partly attributable to the sales trends in the automotive market. As much as the Endurance Group has taken action deemed necessary to improve its level of flexibility, a significant fall in end customers' needs and consequent further pressure on prices caused by heated competition could adversely impact the Group's results and financial position.

**RISKS RELATED TO THE ABILITY TO CREATE INNOVATIVE PRODUCTS:** the automotive components sector is characterised by continuous product development needed to satisfy the product performance required by car manufacturers and by environmental legislation (governing emissions). Future investment by the Group (continuing the activities carried out during the year) will seek to develop the portfolio of products and diversify the types of production, thereby increasing the ability to meet the needs of customers. Failure to develop products and to meet needs in terms of price, quality and functionality imposed by end customers could adversely impact the future prospects of Group companies.

**FINANCIAL RISKS:** The Group is exposed to the following financial risks in the conduct of its operations:

- credit risks in relation to normal commercial transactions with customers;

- liquidity risks, with particular reference to the availability of financial resources and access to the market for credit and financial instruments in general;
- market risk, mainly relating to changes in interest rates and, to a lesser extent, exchange rates.

The Group constantly monitors its exposure to financial risks, in order to evaluate in advance any potential adverse effects and take appropriate action to mitigate them.

Credit risks

Given the nature of the industrial activities carried out by the operating companies - production of metal and plastic components for engines and gearboxes for car makers, by managing the entire production chain, especially for metal components – the receivables of the Group are structurally concentrated since its customers comprise a limited number of industrial groups. The integration of the activities of the individual companies within the Endurance group results in a better degree of diversification, as the intercompany supply of products results in reaching a wide range of third-party end customers.

The Group monitors constantly the level of outstanding receivables and adjusts the related allowances for collection risks.

Liquidity risks

The two main factors that determine the Group's liquidity position are, on one hand, the resources generated or absorbed by operations and by investments and, on the other hand, the timing of the repayment and renewal of debt and of the liquidity of financial investments.

The Group seeks the most appropriate sources of finance bearing in mind the current and prospective financial position. Any difficulties encountered in obtaining financing needed to meet the needs of current operations and investment requirements could adversely impact the Group's results and financial position.

Management believes that the funds currently available, the keeping of suitable contacts for access to credit, as well as the funds generated from operating activities, will allow the Group to meet the needs deriving from investing activities, working capital management and the repayment of debt as it falls due.

Market risks

In the conduct of its activities, the Group is exposed to various market risks, particularly the risk of fluctuations in interest rates and, to a lesser extent, exchange rates.

*Risks relating to changes in interest rates*
The Group utilises financial resources obtained mainly in the form of bank debt and employs the funds to finance operations and investment and development initiatives. The Group can also factor its trade receivables. Changes in market interest rates impact the cost of various forms of financing and factoring and therefore affect the level of the Group's financial charges.
To tackle these risks, the Group strives to maintain a suitable relationship between the financing structure and the structure of capital employed, compatible with the opportunities available under current market conditions.
With this aim, the Group has appropriately structured its financing, mainly at floating rates, with repayment due in the medium/long term at favourable conditions (with the objective of optimising current conditions and mitigating the high volatility of interest rates).
Lastly, where considered appropriate, the Group makes use of rate derivatives (interest rate swaps and caps) with the aim of hedging the risks described.

*Risks relating to changes in exchange rates*
The functional currency used by the Group for the majority of its transactions (Euro) does not currently appear to be subject to significant risks relating to exchange rate fluctuations.

## Key non-financial indicators

Pursuant to Art. 2428 of the Civil Code, we can confirm that, due to the specific activities performed and for a better understanding of the company's results and financial position, it is not deemed relevant to present non-financial indicators.

## Information on the environment and safety

In the context of specific policies adopted, the Endurance group, strives hard to ensure that production and operating activities are carried out in compliance with all applicable regulations. The objective is to introduce and maintain a broad culture of constantly improved environmental performance, process and product safety, while ensuring the safety of workers and installations.

Work to monitor and maintain appropriate environmental protection standards in accordance with ISO 14001:2015 (Environmental management systems) and ISO 45001:2018 (occupational health and safety standard recognised and accepted around the world) continued during the year ended 31 March 2020.

Employee training sessions covered the following topics, in compliance with the State-Regions agreement of December 2011:
- General and job-specific topics in relation to safety;
- Training and refresher courses for the emergency and first-aid team;
- Training and refresher courses for worker safety representatives (and training for all newly-hired employees);
- Training and refresher courses for drivers of lift trucks;
- Training in the use of adjustable fork-lift trucks, in protective practices for personnel who operate machines that emit radio waves, in the safety aspects of using the following equipment: flame burners, oxyacetylene torches, welding tools;
- Training in the application of measures to contain the spread of Covid-19: introduction of health and safety guidelines and protocols for business continuity.

About 2,300 hours of general and specific training were delivered during the year on safety-related issues and environmental matters.

Work on installations included the following principal actions:

- *Lombardore plant - Turin (mechanical processing):*
  (a) Addition of supplementary release valves in compressed air circuits;
  (b) Installation of a seal-monitoring system on buried tanks;
  (c) Improvement of ventilation and installation of a gas leak detection/shut-off system in boiler rooms.

- *Grugliasco plant - Turin (diecasting):*
  (a) Installation of new electricity switchboards for the powering and management of diecasting stations;
  (b) Installation of a service ladder and walkway for the coolant reservoir.

- *Chivasso plant - Turin (diecasting):*
  (a) Additional electronic self-propelled trolleys;
  (b) Implementation of safety systems on lift trucks used to move ladles;
  (c) Action to reduce noise exposure in the diecasting and smelting furnace departments:
  (d) Modification of slides and roller tables for items produced, with the addition of double-wall muffling sheets;
  (e) Use of sound-proofing materials to make the containers for trimmings;
  (f) Installation of low energy compressed air nozzles to reduce noise;
  (g) Replacement of stamping markers with engraving machines;
  (h) Installation of a sound-proofed cabin in the smelting furnace loading area;
  (i) Modification of the extractor at the degassing station to optimise the capture of fumes;
  (j) Improvements to the extractor installations and hoods at the diecasting stations;
  (k) Waterproofing of the bottom of the waste fluid tanks.

- *Chivasso plant - Turin (mechanical processing):*
  (a) Installation of dedicated extractors with HEPA filter on 2 NC machines;
  (b) Addition of openable skylights to improve the microclimate in departments.

- *Turin plant (processing of plastic materials):*
  (a) work on the structure of buildings to rationalise escape routes and install fire-resistant elements

- *Bione plant – Brescia (diecasting :*
  (a) installation of safety fence in the smoke analysis area.
  (b) installation of a walkway on the roof and related access ladder, to facilitate the sampling of emissions.
  (c) installation of filters, pumps and counters for rain water that runs off the diesel tank.
  (d) continuation of work to replace part of the lighting with LED lamps;
  (e) development of IT programmes for managing the maintenance of environmental equipment;
  (f) replacement of the sandblasting filter with a new, low-emissions unit.
  (g) installation of a new double chamber, vertical tank for the storage of brine prior to disposal.

In addition, on fire-safety matters, the emergency plan was updated and evacuation drills were carried out in all factories, covering every shift.

Lastly, in relation to the monitoring of the risk and impact assessment system, the Risk Assessment Document and the Environmental Impact Register were updated with the identification and analysis of risks and opportunities (focusing in particular on environmental emergency management or safety of workers according to appropriate procedures in order to identify and define the actions needed to prevent future accidents.

**COVID-19: Practical precautionary measures introduced to allow activities to continue while safeguarding the health of workers**

In order to help contain the spread of the Covid-19 pandemic and ensure the continuity of production under safe conditions for personnel, the Endurance Group adopted a "Corporate protocol governing measures to contain and tackle the spread of Covid-19 in the workplace" in March 2020. This was prepared pursuant to the protocol agreed between the government and the social partners on 14 March 2020, as extended on 24 April 2020.

In short, the following principal operational procedures were envisaged:
- provision of information to workers and third parties on arrival at production locations, containing necessary instructions for the protection of their health and safety;
- body temperature check on arrival at the Company and collection of declarations by employees and third parties confirming the absence of conditions that, by law, would restrict their movements or access to the premises;
- restriction of access to the premises by external persons (customers, suppliers, visitors etc.) to essential or urgent cases;
- introduction of specific procedures that minimise contacts with external personnel (drivers/transport operators at logistics firms);
- dissemination throughout the premises of recommendations from the Ministry of Health regarding the containment of infection risks;
- encouragement of safe distancing (1 m) at all times when working, supplemented - if the requirement cannot be applied - by the use of personal protective equipment (masks);
- measures to restrict numerical access to common areas (rest and eating areas, changing rooms);
- restriction of in-person meetings, with requirements to maintain social distancing of at least one metre and keep the rooms clean and ventilated;
- suspension/cancellation of all travel/business trips (unless absolutely essential);
- use of smart working whenever possible from an operational and technological standpoint;
- encouragement to use holiday time and paid leaves of absence, as supplemented by recourse to the social buffers due to the reduction or suspension of productive activities;
- increased frequency of cleaning and sanitisation activities and distribution/availability to personnel of detergents and sanitising gels; periodic deep sanitisation by specialists using products with greater cleansing power.

## Information on personnel management

The Group's workforce averaged 559 employees during 2019/2020, compared with 588 in the previous year, as analysed below:

| Employees | 2019/20 | 2018/19 |
|---|---|---|

| | | |
|---|---|---|
| Managers | 16 | 14 |
| White collar | 123 | 131 |
| Blue collar | 420 | 443 |
| **Total** | **559** | **588** |

At 31/03/2019 the overall workforce of the Group amounted to 548 employees.

The main training activities during 2019-2020 focused on Manufacturing, Engineering and Quality, with a view to upgrading general and specific skills also in relation to the variables linked to the continuous improvement of production and corporate processes. Particular attention and targeted interventions have been envisaged for the certification of skills in relation to "Customer Specific Requirements", as a necessary requirement for companies in the sector in which the Group operates.

In particular, training covered the following activities and topics (in addition to those already described in the section on Environment and Safety):

Manufacturing/production-related training:

- Development of knowledge and specific skills via classroom and OTJ training sessions covering the start-up of new lines and management of the related procedures. These activities were partly carried out in partnership with the suppliers of the mechanical processing plant and automation lines concerned. They covered, in particular:
    - Operational management of the automation and mechanical processing lines with external and on-the-job training to develop the specific skills of the specialised and operational staff and to train up people in new dedicated roles;
    - Self-maintenance of the diecasting and processing plants, with the application of lean manufacturing approaches to the management of tools including, in particular, the 5S method;
    - On-the-job activities related to the improvement of production processes and verification of compliance of processed and semi-finished products;
    - Problem solving for the independent management of production issues, as part of the process of continuous improvement;
    - Specialisation Master in Diecasting Processes at the Chivasso site (discussed later).

Engineering/quality training:

- Internal quality: improvement, via OTJ training, in the internal management of the conformity variables of processed and semi-finished products, the various control methods and the quality system documentation;
- Skills certification: External training related to the certification of skills and approaches provided by German customers and in particular:
    - VDA 6.5 Product Auditor Certification;
    - Formel Q – QPNi – specific requirements (product/process quality and project management) and operational applications in compliance with Volkswagen rules and requirements;
    - Customer-specific requirements and their application;
- Planning of training for the development of technical and managerial skills, particularly:
    - Operational problem solving;
    - “VISI Vero CAD” programming and updates to the latest releases;
    - FMEA;
    - CMM – Zeiss programming;
    - Designing dies;
    - Quality and control of castings;
    - Metallurgical processes;
    - Creation of tool-handling procedures for FPT Origin 3 machine tools;

Special attention, with targeted training, was dedicated to the certification of skills in relation to customer-specific requirements, consistent with the provisions of IATF 16969:23016.

The overall activities carried out (including those mentioned previously when talking about the environment and training) involved the Group's staff in a total of around 10,200 hours with training activities carried out internally and externally (as well as on the job).

Additionally, the Chivasso site held the “Specialisation Master in Diecasting Processes” during the year, in partnership with the Brescia Diecasting School and AQM Centro Servizi Tecnici alle Imprese. This initiative was considered strategic for the development of specific skills, not readily available in the marketplace, in a key sector for Endurance S.p.A. The Master prepares future production managers and foundry technicians (key processes that address technical-production needs in the context of operational and regulatory requirements). The training path was spread across specific modules, with tests at the end of each subject area followed by a final examination for the certification of skills.

## Research and development activities

Pursuant to paragraph 3.1 of art. 2428 of the Civil Code, we can confirm that research and development activities applied to products and the production process were performed during the financial year, with respect to which it was decided not to capitalise the costs incurred.

With reference to the "Future Manufacturing Endurance" project launched in 2015/2016 and completed operationally at the end of 2017/2018, the grant approval procedures were completed during 2019/2020 on successful completion of the first-level audit carried out by the Ministry. A capital grant of € 433 thousand was approved together with an assisted loan totalling € 3,006 thousand (the first tranches were paid in April 2020, with the receipt of € 315 thousand and € 2,185 thousand respectively).

In terms of the work carried out, costs totalling € 2,677 thousand were capitalised in prior years and the amortisation process started in 2016/2017 when the first revenues were generated by production from the pilot plant (the net carrying amount of these intangible assets, classified as development costs, is € 402 thousand 31 March 2020, following an amortisation charge for the year of € 937 thousand).

With reference to the other main special project that involved the Group during the year (industrial research project and experimental development for the industrialisation of innovative products in aluminium alloy (ICARO Project), as part of the *Regional Operational Programme ERDF 2014/2020 - Action I.1b.1.1 - Call for tenders "IR2" Industrialisation of Research Results*, which the Group takes part in as Project Manager of a partnership of 3 companies, it should be noted that the stages of completion of the research and development activities envisaged by the project have been registered and the costs incurred have been reported, followed by the recognition and disbursement of the related shares of grants or co-financing by the bodies concerned (Finpiemonte and Piedmont Region) for a total of € 347 thousand during the year ended 31 March 2020.

In terms of the new initiatives carried out during 2019/2020, the Endurance Group completed the process for participating in a European project of common economic interest (IPCEI) regarding the development of a new generation of electric batteries in the context of the *European Battery Alliance*, which was approved by the European Commission in December 2019. This project envisages funding of up to € 3.2 billion from the seven participating countries (Italy, France, Germany, Belgium, Poland, Sweden and Finland) in order to facilitate the start-up and development of projects that support research and innovation in the batteries sector, which is of priority interest to the European Union. This first major pan-European battery consortium will drive projects in all segments of the value chain. The Group is participating together with 16 other European firms, which will develop initiatives in 4 main sectors: the development of raw and advanced materials; the development of innovative cells and modules; the design of a new generation of battery systems (including software and algorithms for the management of batteries), and the re-purposing, recycling and refining of the materials used.

With regard to the development of innovative cells and modules, especially for automotive and traction applications, Endurance Group is active on a specific project (with a long-term time horizon extending to 2026) that addresses the development of battery housings made from secondary aluminium alloys, which are particularly attractive in view of their reduced carbon footprint.

In the same pan-European context and again under the aegis of the European Commission, the Group has prepared and presented another project, in response to a second European call under the IPCEI system, for the development of battery swapping systems linked the reuse of batteries (with a view to optimising the life cycle of electric traction systems). This second project is currently under evaluation by the DGCOM department within the European Commission in Brussels.

In addition to the main projects described above, corporate departments have also progressed other product and process development activities, which have pursued the following main directions:

- Full activation of the Technical Office of Group companies following its reorganisation, by:

- definition of the integration logic at Group level with inter-company cooperation (resulting in the joint industrialisation of several new products);
- completion of the induction and training plan for new personnel.

- The principal activities carried out in the mechanical processing area included:
  - Installation and commissioning of the third automated processing line for the VW-ZSB Zylinderkopfhaube EA211 EVO upper cylinder head, including readying for reconversion to the “ACT Plus” version, which will be acquired in future years;
  - Start of feasibility analyses regarding the recovery and reconversion of workstations for the re-engineering of new production, with the completion of plant layout changes that rationalise activities ahead of the addition of production capacity to service the new contracts acquired;
  - Further optimisation of the industrial washing system (to ensure the required cleanliness of strategic products, such as upper cylinder heads for new generation, endothermic engines);
  - Implementation of innovative technical solutions (use of PCD tools, removal of trimmings integrated within washing systems) on high-capacity processing lines;
  - Completion of relevant validation work on *Near Net Shape* components (demo tappet covers – in the context of the ICARO project) and of co-design work with strategic customers (BMW) ahead of the assignment of business for the new EV platform.

- The principal projects in the diecasting area included:
  - Consolidation and structural adoption in all technical reviews of the product development methodology devised (preliminary feasibility, equipment lay-out, detailed demoulding analysis, simulation of filling and solidification, definition of oversize).
  - Involvement of technical department personnel from Endurance Castings S.p.A. in the product development process, with the making of valid contributions; this level of integration also made it possible to complete the production of samples and final adjustment of dies at the Bione plant (BS), confirming the increase in operational synergies released;
  - Successful development of a technique for the laser marking of castings (to guarantee the full traceability of each item produced) directly at the diecasting station; this implementation represents an important step towards satisfying the product/process requirements of customers.

- Developments with regard to the processing of plastic materials included:
  - Design and production of diecasting equipment and related samples for customers, partly in collaboration with affiliates and external partners.
  - Start/completion of industrialisation work on additional items for CNHI and FCA.

The Endurance Group is implementing a worldwide process of technological integration process, in order to strengthen collaboration among the various technical organisations within the Group. In this context, a technical cross-fertilisation process was implemented during the year, with reciprocal support activities involving Endurance Technologies (India) and affiliates around the world.

Pursuant and consequent to para. 3.1 of art. 2428 of the Italian Civil Code, we certify - with reference to the described R&D activities applied to products and the production process - that costs totalling about € 2.5 million were recorded during the year, as regards in particular:

- the payroll costs of the technical and production support personnel involved during the year in product and process development work (totalling about € 1.4 million);
- the purchase costs of materials and equipment dedicated to development projects, the depreciation of dedicated plant and machinery, and specific consultancy costs totalling € 0.5 million - already specifically reported on an accruals basis up to 31 December 2019 - incurred on the funded projects described, plus (in the context of subsequent specific reports) the cost of additional activities carried out up to 31 March 2020, totalling about € 0.6 million.

With reference to the various R&D activities mentioned, the Group has benefited from the tax credits envisaged pursuant to art. 1.70.d) of Law 145/2018 (2019 Budget Law). During the year, the Group recognised income of this nature (in relation to costs incurred during 2018/2019 and certified in the year just ended) totalling € 678 thousand.

## Transactions with subsidiaries, associates, parent companies and fellow subsidiaries

As required by OIC 12.130 and art. 2427, para. 1, point 22-bis C.C., the information on related-party transactions is provided below.

Transactions were carried out with related parties during the year; these transactions are concluded at market conditions, especially those related to services provided to other subsidiaries (in particular Endurance Amann GmbH), as detailed below:

### Receivables from affiliates classified as current assets

| Description | FY 2020 | FY 2019 | Change |
|---|---|---|---|
| from fellow subsidiaries | 300,756 | 1,217,556 | (916,800) |
| *Total* | *300,756* | *1,217,556* | *(916,800)* |

Receivables from companies subject to the control of the parent companies (equal to Euro 0.3 million at 31/03/2020, down by Euro 0.3 million on the previous year) refer to trade receivables from the German subsidiary Endurance Amman GmbH (company held by Endurance Technologies Limited or ETL, parent company of the Group) and refer to the sale of goods and services, based on transactions carried out at market conditions (services mainly refer to the support and coordination activities carried out by the Parent Company on behalf of the subsidiary as part of the organisational structure of the Endurance Group's European operations).

### Payables due to and loans from affiliates

| Description | FY 2020 | FY 2019 | Change |
|---|---|---|---|
| payables due to parent companies | 49,535 | - | 49,535 |
| payables due to fellow subsidiaries | 5,261,146 | 7,531,313 | (2,270,167) |
| *Total* | *5,310,681* | *7,531,313* | *(2,220,632)* |

Payables due to parent companies include trade payables to Endurance Technologies Limited.
Payables due to fellow subsidiaries (€ 5.3 million at 31/03/2020, are down by € 7.5 million of the previous year) relate to Endurance Amann GmbH, a foreign affiliate, specifically comprising € 2.3 million due under the cash pooling arrangements and a loan of € 3 million granted by the affiliate to the Group.

## Business outlook

The outlook for the future is strongly conditioned by and dependent on the continuing effects of the Covid-19 epidemic. If herd immunity is steadily acquired, if the required precautions are observed or if remedies, including drugs, are found that can prevent or contain new waves of contagion, the situation should gradually return to normal leaving, in all cases, an adverse effect on the global production and sale of vehicles that IHS MARKIT estimates at -23%.

The total shutdown in April and the extremely limited activity in early May (with differences between countries, which reacted differently to the pandemic) caused economies worldwide to plunge into a deep recession, with an explosion of unemployment. The actions taken by governments to support the income of consumers and those taken by central banks to provide economic systems with liquidity have helped to mitigate the adverse effects and prevent an economic collapse but, to date, they have not helped to restore consumer confidence given a natural concern for the future.

Should further, widespread contagion return at the levels already experienced, the effects would be predictable at an overall macroeconomic level, but unimaginable at a micro level due to the many variables that must be considered.

Given the extreme uncertainty that characterises this difficult time, not least due to the presence of variables that are beyond the control of the Company, and others too, the approach taken is to adopt all possible solutions that contain costs and ensure the flexibility of production resources in response to changing market demands.

The sound financial position of the Endurance Group should, considering the liquidity available, enable it to cope for many months, and certainly the next 12, with the most adverse conditions that may persist or return due to the healthcare emergency. At time of preparing these financial statements, the Group has not made recourse to moratoria, deferrals or any of the other solutions made available to assist liquidity, as the available cash balances are sufficient considering the routine support provided by financial partners.

The scheduled investment programmes will continue, with implementations in accordance with customer needs. Even greater attention will be paid to the optimisation and industrial rationalisation of current production, considering that - in periods conditioned by exceptional circumstances - the programmes of customers may be delayed (even significantly) with respect to their initial plans.

The coming year will therefore be extremely difficult for the Group and all personnel, but the action taken and to be taken should ensure that positive results are achieved, in the absence of further serious external shocks.

## The use of financial instruments that should be taken into account when assessing the results and financial position

Pursuant and consequent to paragraph 3.6-bis of Art. 2428 of the Civil Code, we can confirm that the Group has a policy in place to hedge the interest-rate risks relating to medium-term loans by arranging IRS and CAP contracts in relation to some of these loans. The fair value of these hedging instruments is discussed in the explanatory notes.

Lombardore, 29/05/2020

For the Board of Directors
The Managing Director

Massimo Venuti

**General information on the company**

Company data

| | |
|---|---|
| Name: | ENDURANCE OVERSEAS SRL |
| Registered office: | VIA DEL BOSCHETTO 2/43 – LOMBARDORE (TURIN) |
| Quota capital: | 16,105,263.00 |
| Quota capital fully paid in: | yes |
| Chamber of Commerce: | TO |
| VAT Number: | 05754620960 |
| Tax code: | 05754620960 |
| REA Number: | 1101893 |
| Legal form: | LIMITED LIABILITY COMPANY |
| Core business (ATECO): | 642000 |
| Company in liquidation: | no |
| Company with sole quotaholder: | no |
| Company subject to management control and coordination activities: | no |
| Name of the company or entity that exercises management and coordination activities: | |
| Belonging to a Group: | yes |
| Name of the parent company: | ENDURANCE OVERSEAS SRL |
| Country of the parent company: | ITALY |
| Cooperatives register number: | |

# Financial statements at 31/03/2020

## Consolidated Balance Sheet

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| **Assets** | | |
| **B) Fixed assets** | | |
| I - Intangible assets | - | - |
| 2) development costs | 401,506 | 1,338,354 |
| 3) industrial patent rights and intellectual property rights | 121,196 | 140,998 |
| 4) concessions, licences, trademarks and similar rights | 2,980,000 | - |
| 5) goodwill | 843,887 | 1,054,858 |
| 7) other | 36,152 | 78,956 |
| *Total intangible assets* | *4,382,741* | *2,613,166* |
| II - Tangible fixed assets | - | - |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| 1) land and buildings | 30,678,153 | 30,315,715 |
| 2) plant and machinery | 58,327,591 | 53,664,704 |
| 3) industrial and commercial equipment | 1,630,668 | 1,834,222 |
| 4) other assets | 488,083 | 507,861 |
| 5) assets under construction and advance payments | 1,969,694 | 8,261,334 |
| *Total tangible fixed assets* | *93,094,189* | *94,583,836* |
| III - Financial fixed assets | - | - |
| 1) equity investments in | - | - |
| d-bis) other companies | 4,819 | 5,319 |
| *Total equity investments* | *4,819* | *5,319* |
| 2) receivables | - | - |
| d-bis) from others | 15,755 | 18,756 |
| due within one year | 15,755 | 18,756 |
| *Total receivables* | *15,755* | *18,756* |
| *Total financial fixed assets* | *20,574* | *24,075* |
| *Total fixed assets (B)* | *97,497,504* | *97,221,077* |
| **C) Current assets** | | |
| I - Inventories | - | - |
| 1) raw materials, ancillary materials and consumables | 7,928,790 | 7,439,370 |
| 2) work in process and semi-finished products | 8,933,427 | 10,188,036 |
| 4) finished products and goods | 9,576,840 | 8,248,505 |
| 5) advances | 24,771 | 23,593 |
| *Total inventories* | *26,463,828* | *25,899,504* |
| II - Receivables | - | - |
| 1) from customers | 18,665,953 | 23,022,027 |
| due within one year | 18,665,953 | 23,022,027 |
| 5) from fellow subsidiaries | 300,756 | 1,217,556 |
| due within one year | 300,756 | 1,217,556 |
| 5-bis) tax receivables | 5,408,422 | 1,978,446 |
| due within one year | 5,408,422 | 1,978,446 |
| 5-ter) deferred tax assets | 5,405,020 | 5,090,387 |
| 5-quater) due from others | 1,005,104 | 606,759 |
| due within one year | 954,954 | 566,211 |
| due beyond one year | 50,150 | 40,548 |
| *Total receivables* | *30,785,255* | *31,915,175* |
| III - Current financial assets | - | - |
| 6) other securities | 15,297,153 | - |
| *Total current financial assets* | *15,297,153* | - |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| IV - Cash and cash equivalents | - | - |
| 1) bank and postal deposits | 53,829,794 | 64,416,765 |
| 3) cash on hand | 7,511 | 5,902 |
| *Total cash and cash equivalents* | *53,837,305* | *64,422,667* |
| *Total current assets (C)* | *126,383,541* | *122,237,346* |
| **D) Prepaid expenses and accrued income** | **404,372** | **742,353** |
| *Total assets* | *224,285,417* | *220,200,776* |
| **Liabilities and equity** | | |
| **A) Quotaholders' equity** | **73,520,951** | **57,755,170** |
| I - Quota capital | 16,105,263 | 16,105,263 |
| II - Share premium reserve | 304,737 | 304,737 |
| IV - Legal reserve | 718,650 | 485,638 |
| VI - Other distinctly indicated reserves | - | - |
| Extraordinary reserve | 2,681,395 | 2,681,395 |
| Paid in to cover losses | 2,882,602 | 2,882,602 |
| Consolidation reserve | 19,397 | 19,397 |
| *Total other reserves* | *5,583,394* | *5,583,394* |
| VIII - Retained earnings (accumulated losses) | 35,043,126 | 23,832,749 |
| IX - Net income (loss) for the year | 15,765,781 | 11,443,389 |
| Total equity attributable to the Group | 73,520,951 | 57,755,170 |
| Total consolidated quotaholder's equity | 73,520,951 | 57,755,170 |
| Total equity | 73,520,951 | 57,755,170 |
| **B) Provision for risks and charges** | | |
| 2) for current and deferred taxation | 2,191,426 | 1,957,401 |
| 3) derivative financial instruments | 92,096 | 106,767 |
| 4) Other | 6,818,780 | 7,972,642 |
| *Total provisions for risks and charges* | *9,102,302* | *10,036,810* |
| **C) Employee termination indemnities** | **2,403,969** | **2,414,313** |
| **D) Payables** | | |
| 4) due to banks | 59,002,712 | 56,546,693 |
| due within one year | 21,546,837 | 19,262,091 |
| due beyond one year | 37,455,875 | 37,284,602 |
| 5) Due to other lenders | 3,686,101 | 5,248,009 |
| due within one year | 1,387,745 | 1,561,907 |
| due beyond one year | 2,298,356 | 3,686,102 |
| 6) advances | 125,500 | 185,500 |
| due within one year | 125,500 | 185,500 |
| 7) trade payables | 54,668,651 | 63,522,921 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| due within one year | 54,668,651 | 63,522,921 |
| 11) payables due to parent companies | 49,535 | - |
| due within one year | 49,535 | - |
| 11-bis) due to fellow subsidiaries | 5,261,146 | 7,531,313 |
| due within one year | 5,261,146 | 7,531,313 |
| 12) taxation payable | 631,640 | 1,373,093 |
| due within one year | 631,640 | 1,373,093 |
| 13) due to pension and social security institutions | 2,441,271 | 2,372,796 |
| due within one year | 2,441,271 | 2,372,796 |
| 14) other payables | 11,782,218 | 10,813,832 |
| due within one year | 11,725,968 | 10,757,582 |
| due beyond one year | 56,250 | 56,250 |
| *Total payables* | *137,648,774* | *147,594,157* |
| **E) Accrued expenses and deferred income** | **1,609,421** | **2,400,326** |
| *Total liabilities and quotaholders' equity* | *224,285,417* | *220,200,776* |

# Consolidated Income Statement

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| **A) Value of production** | | |
| 1) revenues from sales of goods and services | 205,324,249 | 216,160,583 |
| 2) change in inventories of work in progress, semi-finished and finished products | 18,769 | (3,778,765) |
| 4) increases in non-current assets from in-house production | 141,015 | 80,304 |
| 5) other income and revenues | - | - |
| operating grants | 1,205,282 | 989,865 |
| other | 4,893,369 | 4,302,524 |
| *Total other income and revenues* | *6,098,651* | *5,292,389* |
| *Total value of production* | *211,582,684* | *217,754,511* |
| **B) Cost of production** | | |
| 6) raw and ancillary materials, consumables and goods for resale | 84,540,086 | 103,067,022 |
| 7) services | 40,496,261 | 28,061,200 |
| 8) lease and rental charges | 1,936,150 | 1,915,323 |
| 9) payroll | - | - |
| a) wages and salaries | 30,779,200 | 28,748,384 |
| b) social contributions | 7,708,790 | 6,793,801 |
| c) termination indemnities | 1,159,619 | 1,229,500 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| e) other costs | 575,777 | 315,848 |
| *Total payroll costs* | *40,223,386* | *37,087,533* |
| 10) depreciation, amortisation and writedowns | - | - |
| a) amortisation of intangible fixed assets | 1,284,310 | 2,547,385 |
| b) depreciation of tangible fixed assets | 20,966,760 | 19,755,351 |
| d) writedowns of current receivables and liquid funds | - | 136,522 |
| *Total depreciation, amortisation and writedowns* | *22,251,070* | *22,439,258* |
| 11) change in inventory of raw and ancillary materials, consumables and goods | (544,379) | 926,719 |
| 12) provisions for risks and charges | - | 3,850,000 |
| 14) other operating expenses | 2,063,489 | 2,396,425 |
| *Total cost of production* | *190,966,063* | *199,743,480* |
| **DIFFERENCE BETWEEN PRODUCTION VALUE AND COST (A - B)** | **20,616,621** | **18,011,031** |
| **C) Financial income and charges** | | |
| 15) income from equity investments | - | - |
| other | 77 | - |
| *Total income from equity investments* | *77* | - |
| 16) other financial income | - | - |
| a) receivables recorded under fixed assets | - | - |
| other | 11,511 | 3,844 |
| *Total financial income from receivables recorded under fixed assets* | *11,511* | *3,844* |
| d) income other than the above | - | - |
| other | 147,765 | 115,475 |
| *Total income other than the above* | *147,765* | *115,475* |
| *Total other financial income* | *159,276* | *119,319* |
| 17) interest and other financial charges | - | - |
| to subsidiaries | 1,693 | - |
| to fellow subsidiaries | 16,912 | 20,449 |
| other | 747,172 | 858,041 |
| *Total interest and other financial charges* | *765,777* | *878,490* |
| 17-bis) exchange gains and losses | 88,364 | (11,560) |
| *Total financial income and charges (15+16-17+-17-bis)* | *(518,060)* | *(770,731)* |
| **D) Adjustments to financial assets and liabilities** | | |
| 18) revaluations | - | - |
| d) of financial derivatives | 29,038 | - |
| *Total revaluations* | *29,038* | - |
| 19) writedowns | - | - |
| c) current financial assets excluding equity investments | 27,922 | - |
| d) of financial derivatives | 14,367 | 23,277 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| *Total writedowns* | *42,289* | *23,277* |
| *Total adjustments to financial assets and liabilities (18-19)* | *(13,251)* | *(23,277)* |
| **Result before taxes (A-B+-C+-D)** | **20,085,310** | **17,217,023** |
| **20) Income taxes for the year, current and deferred** | | |
| current taxation | 4,400,135 | 7,564,988 |
| deferred taxation | (80,606) | (1,791,354) |
| *Total income taxes for the year, current and deferred* | *4,319,529* | *5,773,634* |
| **21) Net income (loss) for the year** | **15,765,781** | **11,443,389** |
| **Net income (loss) attributable to the Group** | **15,765,781** | **11,443,389** |

# Consolidated statement of cash flow (indirect method)

| | Amount at 31/03/2020 | Amount at 31/03/2019 |
|---|---|---|
| **A) Cash flows from operating activities (indirect method)** | | |
| Net income (loss) for the year | 15,765,781 | 11,443,389 |
| Taxation | 4,319,529 | 5,773,634 |
| Interest expense/(interest income) | 518,060 | 770,731 |
| (Dividends) | (77) | |
| (Gains)/losses from disposal of assets | (1,054) | 13 |
| *1) Income (loss) for the year before income taxes, interest, dividends and gains/losses from disposals* | *20,602,239* | *17,987,767* |
| Adjustments for non-cash items that had no counterpart in net working capital | | |
| Provisions | 1,159,619 | 5,079,500 |
| Depreciation and amortisation of fixed assets | 22,251,070 | 22,302,736 |
| Adjustments to financial assets and liabilities of financial derivatives that do not involve monetary movements | 13,251 | 23,277 |
| Other adjustments up or (down) for non-cash items | | 136,522 |
| *Total adjustments for non-cash items that had no counterpart in net working capital* | *23,423,940* | *27,542,035* |
| *2) Cash flow before changes in net working capital* | *44,026,179* | *45,529,802* |
| Change in net working capital | | |
| Decrease/(Increase) in inventory | (564,324) | 5,797,161 |
| Decrease/(Increase) in trade receivables | 5,272,874 | 7,886,175 |
| Increase/(Decrease) in trade payables | (11,134,902) | (2,501,946) |
| Decrease/(Increase) in prepaid expenses and accrued income | 337,981 | 31,662 |
| Increase/(Decrease) in accrued expenses and deferred income | (790,905) | (658,912) |
| Other decreases/(Other Increases) in net working capital | (1,278,971) | (1,629,115) |
| *Total changes in net working capital* | *(8,158,247)* | *8,925,025* |
| *3) Cash flow after changes in net working capital* | *35,867,932* | *54,454,827* |
| Other adjustments | | |

| | Amount at 31/03/2020 | Amount at 31/03/2019 |
|---|---|---|
| Interest collected/(paid) | (447,212) | (770,731) |
| (Income taxes paid) | (6,888,103) | (6,274,514) |
| (Use of provisions) | (2,117,722) | (1,397,669) |
| Total other adjustments | (9,453,037) | (8,442,914) |
| ***Cash flow from operating activities (A)*** | ***26,414,895*** | ***46,011,913*** |
| **B) Cash flows from investing activities** | | |
| Tangible fixed assets | | |
| (Investments) | (20,753,177) | (28,237,041) |
| Disposals | 1,277,117 | 2,827,675 |
| Intangible assets | | |
| (Investments) | (3,053,885) | (39,232) |
| Financial fixed assets | | |
| (Investments) | | (4,550,258) |
| Disposals | 3,578 | 4,500,000 |
| Current financial assets | | |
| (Investments) | (15,297,153) | |
| ***Cash flow from investing activities (B)*** | ***(37,823,520)*** | ***(25,498,856)*** |
| **C) Cash flows from financing activities** | | |
| Third-party funds | | |
| Increase/(Decrease) in current bank loans | 817,295 | 43,982 |
| New loans | 20,950,000 | 17,950,000 |
| (Repayment of loans) | (20,944,032) | (25,167,188) |
| ***Cash flow from financing activities (C)*** | ***823,263*** | ***(7,173,206)*** |
| ***Increase (decrease) in cash and cash equivalents (A ± B ± C)*** | ***(10,585,362)*** | ***13,339,851*** |
| Cash and cash equivalents at the beginning of the year | | |
| Bank and postal deposits | 64,416,765 | 51,079,273 |
| Cash on hand | 5,902 | 3,543 |
| Total cash and cash equivalents at the beginning of the year | 64,422,667 | 51,082,816 |
| Cash and cash equivalents at the end of the year | | |
| Bank and postal deposits | 53,829,794 | 64,416,765 |
| Cash on hand | 7,511 | 5,902 |
| Total cash and cash equivalents at the end of the year | 53,837,305 | 64,422,667 |
| Acquisition or sale of subsidiaries | | |
| Total amounts paid or received | | (8,182,200) |
| Significant portion of amounts in cash and cash equivalents | | (8,182,200) |
| Cash and cash equivalents acquired or disbursed with subsidiaries acquisition/disposal transactions | | 3,631,251 |
| Carrying value of assets/liabilities acquired or sold | | 8,201,596 |

## Information on the statement of cash flows

The consolidated statement of cash flows of the Endurance Group (Endurance Overseas S.r.l. and its subsidiaries) for the year is presented on a comparative basis in accordance with OIC 10. This statement was prepared using the indirect method, in order to identify the sources and applications of funds deriving from operating, financing and investing activities.

The item "Acquisition of subsidiaries, net of cash and cash equivalents" in the section on cash flows deriving from financing activities for the year 2018/2019 includes the cash outlay (Euro 8,182 thousand) for the acquisition of 100% of Endurance Castings S.p.A., net of the cash and cash equivalents (Euro 3,631 thousand) acquired as part of the same transaction (equal to the cash and current account balances on 7 January 2019, the date of acquisition of control of Endurance Castings S.p.A.).

# ENDURANCE OVERSEAS SRL

Head office: VIA DEL BOSCHETTO 2/43 – LOMBARDORE (Turin)
Tax Code and
Turin Companies Register No. 05754620960
Turin Chamber of Commerce No. 1101893
Quota capital: € 16,105,263.00 subscribed and fully paid
VAT Number: 05754620960
Management control and coordination: ENDURANCE TECHNOLOGIES LIMITED – India

# Explanatory notes

*Consolidated financial statements for the year ended 31/03/2020*

## Introduction to the explanatory notes

To the Quotaholder,

These explanatory notes form an integral part of the consolidated financial statements for the year ended 31/03/2020.

The consolidated financial statements of Endurance Overseas S.r.l. (the "Company" or "Parent Company"), which include the Company and its subsidiaries Endurance S.p.A., Endurance Engineering S.r.l. and Endurance Castings S.p.A. (collectively, the "Group") consist of the balance sheet, the income statement and the statement of cash flows (prepared in conformity with the requirements of arts. 2424 and 2424 bis of the Italian Civil Code (c.c.), arts. 2425 and 2425 bis c.c. and art. 2425 ter c.c.) and these explanatory notes.

The consolidated financial statements for the year ended 31 March 2020 have been prepared in compliance with the Italian Civil Code, as interpreted and supplemented by the accounting standards issued by the OIC (Italian Accounting Board), including those introduced in December 2016, supplemented by amendments published on 29 December 2017, and, if these are unavailable and to the extent not in conflict with Italian Accounting Standards, by those issued by the International Accounting Standards Board (IASB).

In particular, the financial statement items are stated in accordance with the prudence concept and on a going concern basis. Macroeconomic stability was affected during the last quarter of the financial year by the Covid-19 (Coronavirus) pandemic, which was initially concentrated in the Asian markets before spreading to other geographical areas, including Europe and Italy in particular, from the end of February 2020.

Despite the timely steps taken to mitigate the situation, the healthcare emergency caused by the spread of the pandemic has had and continues to have a significant effect on the routine conduct of productive activities by the Company (not least their mandatory suspension in accordance with specific legislation for more than one month, starting from the last few days of the year ended 31/03/2020 and continued for over a month, which involved almost all the Group's production sites).

This factor is likely to have a significant adverse impact on the recovery prospects of the principal global economies, influencing the general macroeconomic situation and the various markets, including those served by the Group.

However, despite the expected effects of the reduction in business volume linked to the slow economic recovery, there are no current indications to suggest that the ability of the business to continue operating over the next 12 months has been compromised. This assessment considers, in particular, the liquidity available to the Group and its access to the capital markets, as well as the steps taken to contain operating costs at a level consistent with the sales volumes estimated in the latest forecasts.

Pursuant to art. 2423-bis, para. 1, point 1-bis c.c., items are recognised and presented having regard for the substance of the operations or contracts concerned. In the preparation of the consolidated financial statements, income and expenses have been recorded on an accruals basis, regardless of the timing of collection and expenditure. Contingencies and losses relating to the year are recognised, even if they become known after the reporting date.

The Group's results and financial position at 31 March 2020 give a true and fair view in compliance with the provisions of Legislative Decree 127/91 (as supplemented by the provisions of Legislative Decree 139/2015); where necessary, supplementary disclosures are provided as required by the 3rd paragraph of art. 29 of this decree.

The explanatory notes set out, in addition to the basis of consolidation, the accounting policies applied in the preparation of the consolidated financial statements, in compliance with relevant civil law. They also list the companies included in and excluded from the consolidation and present a reconciliation of the quotaholders' equity of the Parent Company reported in its separate financial statements with the equity reported in the consolidated financial statements.

Furthermore, the consolidated financial statements are accompanied by a Directors' report on the Group's position and the results of its operations.

## Information on the composition of the Group

The Group is comprised as follows at 31 March 2020:

| Investee - Name | Held by - Name | Role | Nature of Parent Company control | % of direct control / % of voting rights | % consolidated |
|---|---|---|---|---|---|
| ENDURANCE OVERSEAS SRL | - | Parent Company | - | - | - |
| ENDURANCE SPA | ENDURANCE OVERSEAS SRL | Subsidiary | Direct | 100.00 | 100.00 |
| ENDURANCE ENGINEERING SRL | ENDURANCE OVERSEAS SRL | Subsidiary | Direct | 100.00 | 100.00 |
| ENDURANCE CASTINGS SPA | ENDURANCE OVERSEAS SRL | Subsidiary | Direct | 100.00 | 100.00 |

All businesses belonging to the Group at the consolidated balance sheet date have been included in the scope of consolidation and the information required by art. 39 of Legislative Decree 127/91 is set out below:

| Investee - Name | Head office | Capital |
|---|---|---|
| *Businesses consolidated on a line-by-line basis:* | | |
| ENDURANCE SPA | VIA REGIONE POZZO 26 CHIVASSO (TURIN) | 5,000,000 |
| ENDURANCE ENGINEERING SRL | STRADA DEL CASCINOTTO 135/A TURIN | 100,000 |
| ENDURANCE CASTINGS SPA | CONCA D'ORO 14 - 14/A BIONE (BRESCIA) | 900,000 |

The scope of consolidation is unchanged with respect to the previous year.

# Basis of preparation and consolidation

## Basis of preparation of the consolidated financial statements

It is hereby confirmed that, for the purposes of providing a true and fair presentation of the results and financial position, there were no exceptions to the provisions of Legislative Decree 127/91 (as supplemented by Legislative Decree 139/2015).

The consolidated financial statements for the year ended 31 March 2020 have been prepared in compliance with the Italian Civil Code, as interpreted and supplemented by the accounting standards issued by the OIC (Italian Accounting Board) and, if these are unavailable and to the extent not in conflict with Italian Accounting Standards, by those issued by the International Accounting Standards Board (IASB).

In preparing the consolidated financial statements, we made use of the Group companies' financial statements for the year ended 31/03/2020, as prepared by the Boards of Directors and that will be approved by their respective annual general meetings. The balance sheet, the income statement, the statement of cash flows and the accounting disclosures contained in these explanatory notes agree with the books of account of consolidated companies, from which they have been directly prepared.

The financial statements used for the consolidated financial statements have been prepared in accordance with uniform accounting policies, being those applied by the Parent Company for its financial statements.

The consolidated financial statements have been prepared in euro, as have the detailed tables presented in these explanatory notes (unless specified otherwise). The comments on items state the consolidated amounts in thousands of Euro (unless specified otherwise).

## Basis of consolidation

Equity investments in subsidiaries have been consolidated on a line-by-line basis.

In the preparation of the consolidated financial statements, all the receivables and payables due from/to businesses included in the consolidation have been eliminated, as well as income and expenses arising from intercompany transactions and gains and losses on intercompany asset transactions.

In particular, it should be noted that the positive difference arising on elimination of the investment held in Endurance S.p.A. and the corresponding share of equity represents an asset amounting to Euro 11 thousand at 31 March 2020, which has been allocated to "Goodwill" in the balance sheet and amortised on a straight-line basis over 10 years.

On first-time consolidation of Endurance Castings S.p.A., a comparison between the carrying amount of the investment and the corresponding share of equity at current values gave rise to a negative difference of Euro 19 thousand, which has been recorded in consolidated equity under "consolidation reserve".

# Accounting policies

The accounting policies applied for the preparation of these financial statements, described below, take account of the amendments, additions and new provisions included in the civil code by Decree 139/2015, which transposed Directive 34/2013/EU into Italian law. In particular, the domestic accounting standards were reformulated by the OIC in the latest version issued on 22 December 2016, inclusive of the amendments published on 29 December 2017.

The accounting policies applied for the measurement of financial statement items and for their adjustment comply with the provisions of the Italian Civil Code and with the indications included in the Italian accounting standards reformulated by the Italian Accounting Board. Pursuant to art. 2427 paragraph 1 no. 1 of the Italian Civil Code, we explain the more significant accounting policies applied in compliance with the provisions of art. 2426 of the Italian Civil Code, particularly for those items for which the legislator permits the use of options for measurement and adjustments or for which no specific accounting policy exists.

## Intangible assets

When the established criteria are met, these are recorded at purchase or production cost, inclusive of direct costs and related charges, and amortised systematically each year on a straight-line basis. Intangible assets are recognised with the consent of the Boards of Statutory Auditors of the consolidated companies, where present and when required by law.

Their book value is stated net of accumulated amortisation and writedowns.

Amortisation is applied starting from the month following the acquisition of the asset as indicated below, in order to allocate the cost over the useful life of the assets:

| Intangible assets | Amortisation period |
|---|---|
| Start-up and expansion costs | 5 years on a straight-line basis |

| | |
|---|---|
| Development costs | 5 years on a straight-line basis |
| Industrial patent rights and intellectual property rights | 3 years on a straight-line basis |
| Concessions, licences, trademarks and similar rights | 25 years on a straight-line basis |
| Goodwill – portion recorded in the financial statements of Endurance S.p.A. (*) | 5 years on a straight-line basis |
| Goodwill – portion recorded in the financial statements of Endurance Engineering s.r.l. (*) | 5 years on a straight-line basis |
| Goodwill – portion that arose on consolidation (**) | 10 years on a straight line basis |
| Other intangible assets (leasehold improvements) | 5 years on a straight-line basis |

(*) goodwill that was already fully amortised at the start of the year just ended.

(**) on the consolidation of Endurance S.p.A.

It should be noted that no writedowns of these assets were needed in accordance with paragraph 1.3 of Art. 2426 of the Civil Code.

Any start up and expansion costs are recorded with the consent of the Board of Statutory Auditors. In the event of a distribution of dividends, enough distributable reserves are maintained to cover the unamortised portion of these costs.

Advertising and research costs are expensed in full in the accounting period in which they are incurred.

In exceptional cases in which the useful lives of development costs cannot be estimated reliably, they are in all cases amortised over a period that does not exceed five years. Until these assets are fully amortised, dividends cannot be distributed unless the remaining available reserves are sufficient to cover the unamortised balance.

Concessions, licences, trademarks and similar rights are amortised on a straight-line basis over the contractual period during which the related rights will be enjoyed.

Goodwill includes the amounts paid for this purpose on the acquisition of companies or other corporate transactions, as well as the differences arising on first-time consolidation between the value of the investments in consolidated companies and the carrying amount of their net assets and is amortised over its useful life.

In order to determine the useful life of the various components of this item, the Group applies the information available in order to estimate the likely duration of its economic benefits. Should the useful life of the various components of goodwill turn out to exceed 10 years, specific analyses are carried out to support the value determined on the basis of the longer useful life, as required by OIC 24.70. If this estimate cannot be made, goodwill is amortised over 10 years.

Leasehold improvements are capitalised and classified as "other intangible assets" if they cannot be separated from the assets concerned (in which case they are recognised in the relevant category of "tangible fixed assets"). They are amortised systematically over the period they are expected to benefit (prudently set at 5 years) or, if shorter, over the residual duration of the lease after taking account of any renewal period available at the discretion of the Group.

Intangible assets are subject to verification of their recoverable amounts in the event of any indication of possible impairment. In the event of any impairment loss existing at the year end, this is reflected in the financial statements by means of a writedown of the asset and a revision of its remaining expected useful life. The lower carrying amount, should the reasons for the writedown cease to exist, may be written back to the carrying amount that the asset would have had if it had not been subjected to writedown.

Pursuant and consequent to art. 10 of Law 72 of 19 March 1983 and subsequent laws on the revaluation of assets, we confirm that the intangible assets reported in the financial statements have never been revalued.

## Tangible fixed assets

These are recorded at purchase or internal construction cost and stated net of the depreciation charged in the current and prior years. Costs comprise related charges and the direct and indirect expenses that can reasonably be allocated to assets during the construction period and until they become available for use. They also include any borrowing costs incurred to finance the construction work (whether internal or carried out by third parties) until the asset becomes available for use, without however exceeding its recoverable value. Tangible fixed assets are only revalued if this is required or allowed by special laws.

Assets purchased in foreign currencies are recorded at cost using the exchange rate in force on the transaction date, or using the lower rate applying on the reporting date if the reduction is deemed to be permanent.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using the following rates:

| Tangible fixed asset items | Depreciation rate |
|---|---|
| Buildings | 3% - 5% |
| Temporary constructions | 10% |
| General plant | 7.5% - 10% |
| Automatic machines | 15.5% - 17.5% |
| Sundry and minor equipment | 25% |
| Foundry equipment | 40% |
| Mechanical equipment | 40% |
| Furniture and furnishings | 12% |
| Electronic office machines | 20% |
| Motor cars | 25% |
| Transport vehicles | 20% |
| Internal transport vehicles | 20% |

When fixed assets enter into service during the year, their depreciation commences on a time-apportioned basis from the month after the one in which they become available and ready for use in the year of acquisition.

Depreciation is also charged on fixed assets that are temporarily out of use. Land is not depreciated, as its useful life is not finite.

If applicable, buildings held as a financial investment are not depreciated if their residual value is greater than or equal to their net carrying amount.

If permanent impairment is identified regardless of the depreciation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs.

Routine maintenance and repair costs are charged in full to the income statement. Improvement costs are allocated to the fixed assets concerned and depreciated over their residual useful lives.

Costs incurred to expand, modernise or improve the structural elements of a tangible fixed asset are capitalised if they significantly and measurably increase its productive capacity, safety or useful life. If the costs concerned do not have the above effect, they are treated as routine maintenance and charged to the income statement.

Start-up grants are recognised when it becomes reasonably certain that the conditions for their collection will be satisfied and the grants will be paid. They are deducted from cost indirectly, as they are credited to income statement caption A5 "other income and revenues" and then deferred for recognition on an accruals basis via classification as "deferred income".

Finance leases are accounted for in accordance with IAS 17.

## Impairment (tangible and intangible fixed assets)

At each reporting date, the Group determines if there is any evidence that the value of its tangible and intangible fixed assets might be impaired. If such evidence is found, the Group estimates the recoverable value of each asset concerned and records an impairment writedown if it is lower than the corresponding net carrying amount.

Recoverable value is not determined if there is no evidence of possible impairment.

The recoverable value of tangible and intangible fixed assets is deemed to be their value in use (calculated by discounting their future cash flows) or, if greater, their fair value (being the amount obtainable at the reporting date, based on the best available information, from their sale in an arm's-length transaction between knowledgeable and willing parties, net of the related selling costs).

With regard to the above, the Group has looked for evidence that the value of its tangible and intangible fixed assets might be impaired, but did not find any and, accordingly, has not determined the recoverable value of the above assets.

## Financial fixed assets

The equity investments and debt securities classified as financial fixed assets will be held by the Group over the long term.

Equity investments are measured at cost, as adjusted for any impairment. The cost recorded in the financial statements is determined with reference to purchase or subscription price, inclusive of related expenses. If lasting impairment is identified, the carrying amount of equity investments is reduced to their recoverable value, which is determined with reference to the future benefits that are expected to accrue to the Company. Should the Group be obliged or intend to cover the (non-permanent) losses incurred by an equity investment, a suitable provision is recorded to cover the liability to which the Group is exposed. If in future years the reasons for the writedown cease to apply, the equity investment is written back to its original carrying amount.

## Inventories

Inventories are stated at the lower of purchase and/or production cost, determined using the weighted average cost method, or the realisable value inferred from market prices.

In particular, the specific criteria used to measure the various categories of inventory (unchanged with respect to the prior year) are summarised below:

- Raw materials: annual weighted average cost (including components purchased from third parties and alloys).
- Work in process (semi-finished products): manufacturing cost based on the stage of completion of the production process, being the cost of production.
- Finished products: manufacturing cost
- Dies for resale: purchase cost
- Consumables: purchase cost, inclusive of spare parts.

Purchase cost includes any directly attributable ancillary charges, with the exclusion of borrowing costs. Production cost includes the indirect costs that are reasonably attributable to each asset during the production period until it becomes available for use.

The realisable value of goods, finished products, semi-finished products and work in process inferred from market conditions is deemed to be their net realisable value. Raw and ancillary materials held for the production of finished products are not written down if the finished products in which they will be used are realisable for an amount that is greater than or equal to their production cost.

Inventories are written down when their realisable value estimated with reference to market conditions is lower than their carrying amount. Obsolete and slow-moving inventories are written down with reference to their possible uses or realisable value. If in future years the reasons for any writedown cease to apply, the related inventories are written back to not more than their original cost.

## Receivables

Receivables are stated at amortised cost, having regard for the time factor and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, being when the transaction costs, the commissions paid between the parties and all other difference between initial value and maturity value are immaterial or when the receivables are recoverable in the short term (within 12 months).

Trade receivables due beyond 12 months at the time of initial recognition, without the payment of interest or with interest that differs significantly from market rates, and the related revenues are recognised initially at the value of their future cash flows discounted using the market rate (being that applied by two independent parties when negotiating a loan transaction with similar terms and conditions). The difference between the amount of the receivable recognised initially and its maturity value is recognised as financial income in the income statement over the duration of the receivable, using the effective interest method.

The amount of receivables, as determined above, is adjusted when necessary by a specific allowance for doubtful accounts, which is deducted directly from their gross amount in order to report them at their estimated realisable value. The provision (which takes account of collection losses, returns and invoicing adjustments, discounts and allowances, interest not yet earned and other reasons for reduced recoverability) is charged to the income statement.

Receivables assigned to factors are only derecognised if they are sold without recourse and essentially all the related risks are transferred (the difference between the consideration received on the assignment and the carrying amount of the receivable is recognised in income statement caption C17). If the assignment does not involve derecognition (for example, assignment with recourse), since not all the related risks are transferred, the receivable continues to be reported in the balance sheet and is measured in the manner described above. If advance consideration is received from the assignee, the amount is recognised as a financial payable.

Receivables in the form of RiBa's (bank collection notices) that have not been assigned remain classified as receivables until final collection of the amounts concerned.

Receivables deriving from centralised treasury management activities are classified separately within current assets, if recoverable in the short term. If this is not the case, they are classified as financial fixed assets.

## Equity investments and securities not held as fixed assets

This caption comprises the equity investments and debt securities that will not be held over the long term. They are recorded at specific cost or, if lower, at their market value that, for listed investments, is determined with reference to their market price on the reporting date.

These equity investments are written down to their realisable value case by case, rather than on an overall basis. If the reasons for any adjustments cease to apply, in whole or in part, the adjustments are reversed with exceeding original cost.

## Cash and cash equivalents

Cash and cash equivalents at the reporting date are measured at their nominal value. Amounts denominated in foreign currencies are measured using the closing exchange rates.

## Accruals and deferrals

Accruals and deferrals comprise costs and revenues relating to the year that will be formally recorded in future years, and costs and revenues recorded by the reporting date that relate to future years. The related amounts are determined on a time-apportioned basis.

## Provisions for risks and charges

The provisions for risks and charges cover known or likely losses or liabilities, the timing or extent of which cannot be determined at the reporting date. These provisions, including those for deferred tax liabilities, which are classified in this caption, reflect the best possible estimates based on the information available. Risk that only might give rise to a liability are described in the notes on the provisions, without actually recording a provision. As required by OIC 31, new provisions for risks and charges are, where possible, classified in the relevant income statement classes (B, C or D). Whenever it is not possible to correlate a new provision with a caption in one of the above classes, it is classified in income statement caption B12 or B13.

## Employee termination indemnities

Employee termination indemnities represent the total amount that would have been payable to all employees had they terminated their employment on the reporting date. The charge for the year, comprising the new provision and the revaluation of the accumulated provision (based on the change in the relevant ISTAT index), is determined in accordance with current regulations, having regard for the specific employment contracts and the professional categories concerned. Employee termination indemnities are classified in liability caption C, while the provision for the year is classified in income statement caption B9.

The changes made to the regulations governing termination indemnities by Law 296 dated 27 December 2006 (2007 Finance Law) and subsequent decrees and enabling regulations, amended the accounting for the indemnities earned by 31 December 2006 and those earned from 1 January 2007. In particular, following creation of the INPS Treasury Fund to manage the termination indemnities of private sector employees pursuant to article 2120 of the Civil Code, employers with more than 50 employees are obliged to pay the new provisions relating to them into the Treasury Fund, unless the persons concerned have specifically opted for their indemnities to be paid to a supplementary pension fund. The employee termination indemnities reported in the balance sheet are therefore stated net of the amounts paid to the INPS Treasury Fund.

## Payables

Payables are stated at amortised cost, as defined in art. 2426, para. 2 c.c., having regard for the time factor envisaged in art. 2426, para. 1, point 8 c.c.. Payables are however stated at their nominal amount if application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations. This situation arises in the case of payables due within twelve months or, with regard to the amortised cost method, if the transaction costs, commissions and all other differences between the initial value and the maturity value are insignificant or, again, with regard to the discounting method, if the interest rate inherent in the contractual conditions is not significantly different to the market rate of interest.

The amounts due to employees for untaken holidays and deferred payroll, including the related social security contributions, are accrued with reference to the amount that would have been payable had their employment ceased on the reporting date.

## Derivative financial instruments

Derivative financial instruments consist of financial assets and liabilities measured at fair value.

They are only classified as hedging instruments when, at the time of arrangement, there is a strict, documented correlation between the characteristics of the hedged item and those of the hedging instrument, and that hedging relationship is both formally documented and, based on periodic checks, highly effective.

When derivatives hedge the risk of changes in the fair value of the hedged instruments (fair value hedges), they are measured at fair value through profit or loss; for consistency, the carrying amounts of the hedged items are adjusted to reflect the changes in fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the future cash flows generated by the hedged instruments (cash flow hedges), the effective portion of the profit or loss on the derivative is deferred to equity. The ineffective portion of the profits and losses associated with a hedge is recognised in the income statement. On completion of the transaction, the accumulated profits and losses, previously deferred to equity, are released to the income statement (to adjust the income statement items affected by the hedged cash flows).

When hedge accounting is used, the changes in the related fair value of the hedging derivatives are recognised:

- in income statement captions D18 or D19, in the case of a fair value hedge of a reported asset or liability, together with the changes in the fair value of the hedged items (if the change in the fair value of the hedged item is greater in absolute terms than the change in the fair value of the hedging instrument, the difference is recognised in the income statement caption affected by the hedged item);
- in a specific equity reserve (caption AVII "Reserve for cash flow hedges") in a manner that offset the effects of the hedged flows (the ineffective portion, like the change in the time value of options and forwards, is classified in captions D18 and D19).

The changes in the fair value of financial instruments that are classified as trading derivatives, either because they do not qualify for treatment as hedging derivatives or because they were not designated as hedges, even though they were arranged operationally to hedge the risk of changes in interest rates and/or exchange rates and/or commodity prices, are recorded in the balance sheet and recognised in income statement captions D18 or D19.

Any derivatives embedded in other financial instruments must also be measured at fair value. In particular, embedded instruments are only separated from the primary contract and recognised as derivative financial instruments if, and only if:

a) the economic characteristics and risks of the embedded derivative are not closely correlated with the economic characteristics and risks of the primary contract. Close correlation exists if hybrid contracts are arranged in accordance with market practice;

b) all the elements included in the definition of a derivative financial instrument specified in OIC 32.11 are satisfied.

## Revenues

Revenues from the sale of goods are recognised when ownership passes in substance, rather than in formal terms, being when the related risks and benefits are transferred (which in practice coincides with the time of delivery or shipment of the goods).

Revenues from the sale of products and goods or the provision of services relating to core operations (including income from the sale of production machinery and equipment, if envisaged under contractual agreements with customers) are recognised net of returns, discounts, allowances and rebates, as well as the taxes directly associated with the sale of products and the provision of services.

Revenues from services are recognised upon completion and/or when earned.

Transactions with related parties take place on normal market terms and conditions.

## Costs

Costs stated net of returns, discounts, allowances and rebates are recognised on an accruals basis in accordance with the matching principle, regardless of the date of collection or payment. Compliance with the matching principle requires an estimate to be made of the invoices to be received.

## Dividends

Dividends are recognised in the year in which they are declared by the annual general meeting. Dividends are recognised as financial income, regardless of the nature of the reserves that are distributed.

## Financial income and charges

Financial income and charges are recognised on an accruals basis. Costs relating to the disposal of receivables for whatever reason are charged to the income statement on an accruals basis.

## Income taxes

Income taxes are recognised with reference to an estimate of taxable income in compliance with current regulations, having regard for any applicable exemptions and tax credits.

Deferred tax assets and liabilities are calculated on the temporary differences between the reported carrying amount of assets and liabilities and their corresponding values for tax purposes. Their measurement takes account of the tax rates expected to be in force in the year in which such differences contribute to the formation of taxable income, being the rates in force or already communicated at the reporting date (24% for IRES and 3.9% for IRAP). They are classified respectively among the current assets as "deferred tax assets" and among the provisions for risks and charges as "deferred tax liabilities".

In accordance with the concept of prudence, deferred tax assets are recognised on all deductible temporary differences if it is reasonably certain that taxable income in the years in which they reverse will not be less than the amount of the differences to be absorbed.

By contrast, deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax liabilities are not recognised in relation to reserves subject to the deferral of taxation if they are unlikely to be distributed to the quotaholder.

It should be noted that the domestic tax group contract of the Endurance Group pursuant to arts. 117/129 of the Consolidated Income Tax Code (TUIR) is still valid, having begun in 2015 (and with current validity renewed until 31/03/2020). Its members include the Parent Company, as the consolidating company, and the subsidiaries Endurance S.p.A. and Endurance Engineering S.r.l., whereas the newly acquired subsidiary Endurance Castings S.p.A. is not included.

### Translation of foreign currency items

Non-monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the exchange rates applying at the time of their acquisition, being their initial recognition cost.

Monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the spot exchange rates applying on the reporting date; the related exchange gains and losses are recognised in the income statement and any net unrealised gains are allocated to a non-distributable reserve until they have been realised.

## Consolidated explanatory notes – Consolidated assets

The following tables detail significant changes in the assets reported in the balance sheet.

### Intangible assets

After having charged amortisation for the year of Euro 1,284 thousand, the balance of intangible assets is Euro 4,383 thousand.

The following table analyses intangible assets and the changes during 2019/2020:

| CONSOLIDATED | Start-up and expansion costs | Development costs | Industrial patent rights and intellectual property rights | Concessions, licences, trademarks and similar rights | Goodwill | Other intangible assets | Assets in process of formation and advance payments | Total intangible assets |
|---|---|---|---|---|---|---|---|---|
| **Balance at the beginning of the year** | | | | | | | | |
| Cost | 71,235 | 2,676,708 | 1,116,795 | - | 24,029,093 | 3,415,391 | - | 31,309,222 |
| Accumulated amortisation | 71,235 | 1,338,354 | 975,797 | - | 22,362,879 | 3,336,435 | - | 28,084,700 |
| Writedowns | - | - | - | - | 611,356 | - | - | 611,356 |
| **Carrying amount** | **-** | **1,338,354** | **140,998** | **-** | **1,054,858** | **78,956** | **-** | **2,613,166** |
| **Changes during the year** | | | | | | | | |
| Additions | - | - | 39,163 | 3,000,000 | - | 14,722 | - | 3,053,885 |
| Amortisation for the year | - | 936,848 | 58,965 | 20,000 | 210,971 | 57,526 | - | 1,284,310 |
| Other changes | - | - | - | - | - | - | - | - |
| *Total changes* | - | *(936,848)* | *(19,802)* | *2,980,000* | *(210,971)* | *(42,804)* | - | *1,769,575* |
| **Carrying amount at the end of the year** | | | | | | | | |
| Cost | 71,235 | 2,676,708 | 1,155,958 | 3,000,000 | 24,029,093 | 3,430,114 | - | 34,363,108 |
| Accumulated amortisation | 71,235 | 2,275,202 | 1,034,762 | 20,000 | 22,573,850 | 3,393,962 | - | 29,369,011 |
| Writedowns | - | - | - | - | 611,356 | - | - | 611,356 |
| **Carrying amount** | **-** | **401,506** | **121,196** | **2,980,000** | **843,887** | **36,152** | **-** | **4,382,741** |

Development costs include the costs capitalised by the Company in relation to an R&D project that carried out between September 2015 and mid 2017. The purpose of this project was to obtain knowledge and innovations deemed essential in the current operational and market conditions, by preparing a pilot production line, the solutions of which have been applied in the current production process.

Amortisation of the capitalised costs was commenced in 2016-2017, when the project began to generate revenues. Considering the accelerated receipt of the benefits linked to the capitalisation of development costs, the Group has reduced the expected useful lives of those intangible assets to reflect the revised estimate of the related residual benefits based on the latest information available when preparing the financial statements (with consequent impact on the amortisation charge for the year).

Concessions licences, trademarks and similar rights include the carrying amount of the unlimited, worldwide exclusive licence acquired during the year to use know-how and intellectual property relating to the production and commercialisation of transmission components for motorcycle applications. This licence - granted for a contractual period of 25 years - was acquired to strengthen the development and diversification opportunities available to the Endurance Group around the world.

Goodwill at 31/03/2020 includes:

- the difference (Euro 832 thousand) arising on first-time consolidation of the equity investment in Haminoea S.r.l. (in turn the parent company of Endurance S.p.A.), subsequently absorbed by the Parent Company Endurance Overseas S.r.l. On consolidation, the merger deficit recorded in the financial statements of the Parent Company was eliminated as part of the process of determining the net carrying amount of the consolidation difference.
- the consolidation difference (Euro 11 thousand), net of amortisation, arising on first-time consolidation and any subsequent changes in the equity interest, with the elimination of the investment in Endurance S.p.A.;

The useful life of the goodwill originally recorded by Endurance S.p.A. and Endurance Engineering s.r.l. (which became fully amortised in the prior year) was reduced from 10 years to 5 years in 2015/2016 (starting from the initial recognition of the assets concerned, in 2013 and 2014/2015 respectively). This is consistent with the way that the factors of production are used and takes account of an acceleration in the life cycle of the technologies applied by the businesses concerned.

As a result, the Group changed the amortisation rate applied (from 10% to 20%) and adjusted the total net carrying amount of goodwill at 31/03/2016, by recording a provision totalling Euro 546 thousand. These changes have not affected the tax deductibility of the amounts concerned, which remains unchanged (over 18 years, in accordance with the Consolidated Income Tax Law - TUIR).

The recoverability of the goodwill, which is amortised on the basis indicated above, is checked annually using the Discounted Cash Flows ("DCF") method. Group management has prepared economic-financial five-year forecasts for the individual companies, which indicate positive results over that period. Accordingly, the resulting assessment confirmed that that fair value of the Group's assets exceeds their corresponding carrying amounts.

Other intangible assets mainly include leasehold improvements (to rented buildings, in particular).

No evidence was found during the year to indicate the possible impairment of intangible assets and, accordingly, no write-downs have been recorded pursuant to art. 2426, para. 1, point 3, of the Italian Civil Code and the requirements of OIC 9. With regard to the change in the useful lives of amortisable assets, reference is made to the earlier note regarding the development costs capitalised in prior years.

## Tangible fixed assets

Tangible fixed assets, net of accumulated depreciation of Euro 20,967 thousand, total Euro 93,094 thousand compared with Euro 94,584 thousand in the prior year.

Land and buildings include the value of land and buildings relating to the Group's production sites, located in Lombardore, Chivasso and Grugliasco, including the structures used by Group companies under current finance lease contracts (for a net amount of Euro 2.6 million at 31/03/2020).

Plant and machinery and commercial and industrial equipment include all of the assets used by Group companies in the production of components made of non-ferrous metals (mainly aluminium) and plastic: these are infrastructures used in pressure die casting (melting furnaces, die casting islands), as well as robotised lines and islands used for machining both metal and plastic parts. This item also includes plant and machinery used under finance lease contracts entered into by Group companies (for a total of Euro 1.8 million at 31/03/2020).

"Assets under construction and advance payments" comprise the advances paid to suppliers, mainly for the purchase of plant and machinery, together with the value of assets purchased but not yet approved for inclusion in the production cycle. The amount recognised during the year relates to the advances paid to leading suppliers of production systems, diecasting workstations and mechanical processing lines as part of the further expansion of productive capacity (in particular, the installation of two 1,000 tonne presses at the Bione plant (BS), implementation of productive upgrades on the automated mechanical processing lines for VW and installation of a new automated mechanical processing line dedicated to FCA) to support the development plans of the company and the Endurance Group.

The following table analyses tangible fixed assets and the changes during the year:

| CONSOLIDATED | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other tangible fixed assets | Assets under construction and advance payments | Total tangible fixed assets |
|---|---|---|---|---|---|---|
| **Balance at the beginning of the year** | | | | | | |
| Cost | 45,411,201 | 141,561,831 | 18,326,656 | 3,301,002 | 8,261,334 | 216,862,024 |
| Revaluations | - | 438,412 | - | 7,200 | - | 445,612 |
| Depreciation (Accumulated depreciation) | 15,095,486 | 87,795,792 | 16,492,434 | 2,800,269 | - | 122,183,981 |
| Writedowns | - | 539,747 | - | 72 | - | 539,819 |
| **Carrying amount** | **30,315,715** | **53,664,704** | **1,834,222** | **507,861** | **8,261,334** | **94,583,836** |
| **Changes during the year** | | | | | | |
| Additions | 1,881,002 | 15,991,426 | 966,415 | 180,642 | 1,733,197 | 20,752,682 |
| Depreciation for the year | 1,480,403 | 18,309,717 | 977,345 | 199,295 | - | 20,966,760 |
| Reclassifications (of the carrying amount) | - | 8,024,837 | - | - | (8,024,837) | - |
| Disposals (carrying amount) | 38,161 | 1,043,659 | 192,624 | 1,125 | - | 1,275,569 |
| Other changes | - | - | - | - | - | - |
| Writedowns | - | - | - | - | - | - |
| *Total changes* | *362,438* | *4,662,887* | *(203,554)* | *(19,778)* | *(6,291,640)* | *(1,489,647)* |
| **Carrying amount at the end of the year** | | | | | | |
| Cost | 47,254,042 | 164,463,360 | 18,885,197 | 3,453,005 | 1,969,694 | 236,025,298 |
| Revaluations | - | 438,412 | - | 7,200 | - | 445,612 |
| Depreciation (Accumulated depreciation) | 16,575,889 | 106,034,434 | 17,254,529 | 2,972,050 | - | 142,836,902 |
| Writedowns | - | 539,747 | - | 72 | - | 539,819 |
| **Carrying amount** | **30,678,153** | **58,327,591** | **1,630,668** | **488,083** | **1,969,694** | **93,094,189** |

The main additions of the period refer to:

- Land and buildings: acquisition of an additional industrial site in the Municipality of Chivasso (TO), with a total surface area of about 14 thousand sq.m., for Euro 1.8 million (including the land element of Euro 0.5 million, as determined by an independent appraisal);
- Plant and machinery (totalling Euro 24 million, including the reclassification of advances and assets under construction at the end of the prior year): installation and modernisation of diecasting plant and mechanical processing workstations (machinery, automation and control devices), mainly in preparation for the installation of the third high-technology production line dedicated to items for VW (Zylinderkophaube project and related evolutions following technological changes and upgrades) for about Euro 19.5 million, installation of a 2,200 tonne diecasting workstation at the Chivasso foundry (for about Euro 2.3 million) and increases in the capacity to produce various products for leading customers (in particular, FCA/CNHI – EGR Support - and GM - Ladderframe), with a view to implementing the latest technological solutions, consistent with the development of automation and the interconnection of production systems as part of Industry 4.0 (in line with the action taken in prior years).

As far as industrial and commercial equipment is concerned, increases (Euro 1.0 million) refer to the purchase of equipment for the projects described above and for other production lines, as well as to replace and expand the mechanical processing islands used for existing products.

No write-downs have been recorded pursuant to para. 1.3 of art. 2426 of the Italian Civil Code and the requirements of OIC 9, as no evidence has been found of possible impairment in the value of tangible fixed assets. It should also be noted that, given the signs of acceleration of the phase-out of certain parts reflected in the most recent estimates by customers, the Group has reviewed the useful life of certain assets (in particular, plant and machinery specifically dedicated to the production of the parts in question), reducing their residual useful life in line with the estimates based on the latest information that we have available, with the related impact on the depreciation charge for the period.

## Revaluations of tangible fixed assets

Pursuant to Art. 10 of Law No. 72 of 19 March 1983 and subsequent laws on revaluations of assets, it should be noted that certain assets (owned by Endurance S.p.A.) still included in the balance sheet have been revalued, the effect of which is shown below:

| Law | Category | Amount |
|---|---|---|
| Law No. 342/2000 | Industrial and commercial equipment | 106,463 |
| Law No. 266/2005 | Specific machinery and furnaces | 438,412 |
| Law No. 266/2005 | Transport vehicles | 7,200 |

These revaluations have been made by increasing specific equity reserves, which cannot be distributed until such reserves have been reintegrated or reduced accordingly by resolution of an Extraordinary General Meeting (art. 6 of Law 72/83 and subsequent revaluation laws).

## Financial fixed assets

This item is summarised in the following table:

| Details | Amount at 31/03/2019 | Additions / Increases | Writedowns / Decreases | Amount at 31/03/2012 |
|---|---|---|---|---|
| 1. Equity investments (d-bis) in other companies | 5,319 | - | (500) | 4,819 |
| 2. Receivables (d-bis) from others | 18,756 | - | (3,001) | 15,755 |
| 4. Derivative financial instruments | - | - | - | - |
| **Total** | **24,075** | **-** | **(3,501)** | **20,574** |

Equity investments refer to:

- shares held in Banca di credito Valsabbia (Euro 2,442);
- shares held in Brescia Export (Euro 1,300);
- quotas held in AQM S.r.l. (Euro 516);
- shares held in Eurofidi at Banca Intesa (Euro 250);
- shares held in Confartigianato Fidi Piemonte and Nord Ovest S.C.p.A. (Euro 155);
- shares held in Unionfidi Piemonte S.C. (Euro 129);
- share in the Conai consortium (Euro 22) with the remainder in other equity investments.

The Group also owns an investment in CONSAF (training consortium), Euro 258, that is fully written down at the reporting date.

Non-current financial receivables at 31/03/2020 include guarantee deposits paid for various reasons to suppliers.

## Inventories

Set out below are details of inventory at 31/03/2020, together with prior year end comparatives:

| Description | 31/03/2020 | 31/03/2019 | Change | Change % |
|---|---|---|---|---|
| Raw materials, ancillary materials and consumables | 7,928,790 | 7,439,370 | 489,420 | 7% |
| Work in process and semi-finished products | 8,933,427 | 10,188,036 | (1,254,609) | (12%) |
| Finished products and goods | 9,576,840 | 8,248,505 | 1,328,335 | 16% |

| | | | | |
|---|---|---|---|---|
| Advances | 24,771 | 23,593 | 1,178 | 5% |
| **Total** | **26,463,828** | **25,899,504** | **564,324** | **2%** |

The inventories held as of 31/03/2020 are stated net of an allowance totalling Euro 3,328 thousand, which was increased by Euro 776 thousand during the year to take account of obsolete and slow-moving items. These mainly relate to products that are being phased out because of the production curve of models affected by the latest emissions regulations.

The increase in inventories during the year reflects application of the policies for the management of working capital while optimising production processes and for procurement adopted by Group companies, as well as the effects of production stoppages (including those of leading customers) during the final weeks of the financial year, due to the spread of the Covid-19 pandemic.

## Receivables

Set out below are details of receivables at 31/03/2020, with comparative prior year end amounts:

| Description | 31/03/2020 within 1 year | 31/03/2020 beyond 1 year | 31/03/2020 Total | 31/03/2019 | Change | Change % |
|---|---|---|---|---|---|---|
| Trade receivables | 18,665,953 | - | 18,665,953 | 23,022,027 | (4,356,074) | (19%) |
| Receivables due from fellow subsidiaries | 300,756 | - | 300,756 | 1,217,556 | (916,800) | (75%) |
| Tax receivables | 5,408,422 | - | 5,408,422 | 1,978,446 | 3,429,976 | 173% |
| Deferred tax assets | 5,405,020 | - | 5,405,020 | 5,090,387 | 314,633 | 6% |
| Other receivables | 954,953 | 50,150 | 1,005,103 | 606,759 | 398,344 | 66% |
| **Total** | **30,735,104** | **50,150** | **30,785,254** | **31,915,175** | **(1,129,921)** | **(4%)** |

The nominal amount of trade receivables is adjusted to reflect their expected realisable value by the allowance for doubtful accounts of Euro 709 thousand, which is unchanged since last year.

The reduction in trade receivables is correlated with the decline in the volume of business during the year (and especially in the last part, due to the described effects of the pandemic), as well as with in the change in mix of products/customers that, overall, has shortened the related collection times.

The amounts due from fellow subsidiaries (Euro 301 thousand at 31/03/2020, following a decline during the year) are commercial in nature, deriving mostly from the provision of administrative, financial and support services by Endurance Overseas S.r.l. to Endurance Amman GmbH (owned by Endurance Technologies Limited, or “ETL”, the parent of the Group) on the basis of specific service agreements governed on arm's-length terms.

Tax receivables (Euro 5,408 thousand at 31/03/2020, up by Euro 3,430 thousand since 31/03/2019) mainly comprise IRES and IRAP tax credits representing the excess of advances over the related payables by Euro 2,903 thousand and Euro 286 thousand respectively, and VAT recoverable totalling Euro 2,210 thousand.

Deferred tax assets (Euro 5,405 thousand at 31/03/2020, up by Euro 315 thousand on the previous year) derive from the deductible temporary differences between the reported and tax value of goodwill recorded in the financial statements of Group companies, equipment (depending on the depreciation rates applied) and provisions subject to deferred deductibility. These deferred tax assets have been recognised as they are likely to be recoverable against expected future taxable income, as reflected in management's most recent forecasts. The increase is attributable to the provisions made during the year, the different time horizon for the depreciation of operating assets with respect to that recognised for tax purposes, and the effect of eliminating unrealised intercompany profits.

## Current financial assets

Set out below are details of the item at 31/03/2020 together with comparative prior year end amounts:

| Description | 31/03/2020 | 31/03/2019 | Change | Change % |
|---|---|---|---|---|
| Other securities | 15,297,153 | - | 15,297,153 | 100% |
| **Total** | **15,297,153** | **-** | **15,297,153** | **100%** |

Other securities include the amounts invested by the Group on a temporary basis, as part of the policy of employing available liquidity: in particular, the balance includes insurance policies (totalling € 4,000), units in funds that primarily invest in insurance products (€ 4,960 thousand), units in funds that invest in secured promissory notes (€ 2,338 thousand) and units in alternative multi-sector investment funds that focus on asset management (€ 4,000 thousand). These instruments, acquired during the year, have been written down by € 28 thousand at the reporting date to reflect their lower current value with respect to their specific cost.

## Cash and cash equivalents

Set out below are details of the item at 31/03/2020 together with comparative prior year end amounts:

| Description | 31/03/2020 | 31/03/2019 | Change | Change % |
|---|---|---|---|---|
| Bank and postal deposits | 53,829,794 | 64,416,765 | (10,586,971) | (16%) |
| Cash on hand | 7,511 | 5,902 | 1,609 | 27% |
| **Total** | **53,837,305** | **64,422,667** | **(10,585,362)** | **(16%)** |

This item principally comprises the balance on bank current accounts at 31/03/2020.

The reduction should be considered together with the change in “Current financial assets”, which includes the liquidity generated by the Company during the year. The combined increase (€ 4,712 thousand), despite significant capital investment in tangible and intangible assets during the year (€ 23,807 thousand), confirms that treasury management policy is designed to maintain a high level of liquidity. The objective is to ensure both that the Group maintains the resources needed to support the established growth strategies and, given the expected effects of the economic contraction caused by the pandemic, that the liquidity needed to manage any slowdown in the economic recovery is available.

The above resources were obtained, in the context of the financial management policies of the Endurance Overseas Group, due to favourable funding conditions in the financial markets - still affected by considerable uncertainties with regard to the direction of interest rates and the continuation of expansionary monetary policies - and without recourse to any of the financial support tools made available by the government to mitigate the recessionary effects of the Covid-19 pandemic.

See the statement of consolidated cash flows for more complete details of the operating and financial cash flows that have funded the Group's investment activities.

## Prepaid expenses and accrued income

Prepaid expenses and accrued income total Euro 404 thousand at 31/03/2020 (compared with Euro 742 thousand the previous year) and mainly relate to prepaid insurance, INAIL premiums, maintenance charges and other costs pertaining to subsequent years.

## Capitalised financial charges

All interest expense and other financial charges have been expensed during the year. In compliance with paragraph 1.8 of art. 2427 of the Italian Civil Code, it is hereby confirmed that no financial charges have been capitalised.

# Explanatory notes – Consolidated liabilities and equity

The most significant changes in liabilities and equity are analysed in the following schedules.

## Equity

The components are stated at their carrying amount in accordance with accounting standard OIC 28.

The following tables covering the past two years present the changes in equity and details of the other reserves reported in the balance sheet.

The changes in equity during the prior year are analysed below:

| Description | Balance at 01/04/2018 | Allocation of the prior year result | Other changes | Result for the year | Balance at 31/03/2019 |
|---|---|---|---|---|---|
| Quota capital | 16,105,263 | - | - | - | 16,105,263 |
| Share premium reserve | 304,737 | - | - | - | 304,737 |
| Legal reserve | 309,977 | 175,661 | - | - | 485,638 |
| Extraordinary reserve | 2,681,395 | - | - | - | 2,681,395 |
| Paid in to cover losses | 2,882,602 | - | - | - | 2,882,602 |
| Consolidation reserve | | - | 19,397 | - | 19,397 |
| Other reserves | 186,181 | - | (186,181) | - | - |
| Retained earnings (accumulated losses) | 13,739,987 | 9,906,580 | 186,182 | - | 23,832,749 |
| Net income (loss) for the year | 10,082,241 | (10,082,241) | - | 11,443,389 | 11,443,389 |
| ***Total equity attributable to the Group*** | **46,292,383** | **-** | **19,398** | **11,443,389** | **57,755,170** |
| ***Equity attributable to minority interest*** | - | - | - | - | - |
| ***Total equity*** | **46,292,383** | **-** | **19,398** | **11,443,389** | **57,755,170** |

The changes in quotaholder’s equity during the year ended 31/03/2020 are analysed in the following table:

| Description | Balance at 01/04/2019 | Allocation of the prior year result | Other changes | Result for the year | Balance at 31/03/2020 |
|---|---|---|---|---|---|
| Quota capital | 16,105,263 | - | - | - | 16,105,263 |
| Share premium reserve | 304,737 | - | - | - | 304,737 |
| Legal reserve | 485,638 | 233,012 | - | - | 718,650 |
| Extraordinary reserve | 2,681,395 | - | - | - | 2,681,395 |
| Paid in to cover losses | 2,882,602 | - | - | - | 2,882,602 |
| Consolidation reserve | 19,397 | - | - | - | 19,397 |
| Other reserves | - | - | - | - | - |
| Retained earnings (accumulated losses) | 23,832,749 | 11,210,377 | - | - | 35,043,126 |
| Net income (loss) for the year | 11,443,389 | (11,443,389) | - | 15,765,781 | 15,765,781 |
| **Total equity attributable to the Group** | **57,755,170** | **-** | **-** | **15,765,781** | **73,520,951** |
| Quotaholder's equity attributable to minority | - | - | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| interest | | | | | |
| **Total quotaholder's equity** | **57,755,170** | **-** | **-** | **15,765,781** | **73,520,951** |

On the first-time consolidation of Endurance Castings S.p.A., the elimination of the investment held by the Parent Company against the fair value of the equity acquired identified a negative difference of Euro 19 thousand. This has been classified as a consolidation reserve within the equity attributable to the Group, pursuant to standard OIC 17.58.

The following table gives a reconciliation between parent company's equity and result and the Group's equity and result:

| Description | Equity - current year | Result - current year | Equity - prior year | Result - prior year |
|---|---|---|---|---|
| **Equity and results reported in the financial statements of the Parent Company** | **36,663,062** | **3,697,397** | **32,965,665** | **4,660,230** |
| Contribution from consolidated companies | 79,476,475 | 16,511,270 | 66,965,205 | 13,383,309 |
| Elimination of carrying value of equity investments | (44,236,558) | - | (44,236,558) | - |
| Consolidation adjustments: | | | | |
| *Recognition of difference on consolidation* | 772,329 | (207,201) | 979,530 | (1,418,079) |
| *Distribution of dividends* | - | (4,000,000) | - | (5,000,000) |
| *Effect of accounting for leases under IAS 17* | 413,661 | (38,756) | 452,417 | (267,350) |
| *Elimination of intercompany profits* | (390,859) | (337,530) | (53,329) | (41,753) |
| *Accounting for intercompany leasehold improvements* | 822,841 | 140,601 | 682,240 | 127,032 |
| *TOTAL* | *36,857,889* | *12,068,384* | *24,789,505* | *6,783,159* |
| **Equity and net income (loss) attributable to the Group** | **73,520,951** | **15,765,781** | **57,755,170** | **11,443,389** |
| **Equity and net income (loss) attributable to minority interest** | **-** | **-** | **-** | **-** |
| **Equity and result as reported in the consolidated financial statements** | **73,520,951** | **15,765,781** | **57,755,170** | **11,443,389** |

## Provisions for risks and charges

The changes during the year are analysed in the following table:

| Description | 31/03/2019 | Increases | Decreases | 31/03/2020 | Change | Change % |
|---|---|---|---|---|---|---|
| Provision for pensions and similar commitments | - | - | - | - | - | #DIV/0! |
| Provision for current and deferred taxation | 1,957,401 | 500,029 | (266,004) | 2,191,426 | 234,025 | 12% |
| Derivative financial instruments | 106,767 | 14,367 | (29,038) | 92,096 | (14,671) | -14% |
| Other provisions for risks and charges | 7,972,642 | - | (1,153,862) | 6,818,780 | (1,153,862) | -14% |
| **Total** | **10,036,810** | **514,396** | **(1,448,904)** | **9,102,302** | **(934,508)** | **-9%** |

The Provisions for risks and charges at 31/03/2020 comprise:

- Deferred tax liabilities (Euro 2,191 thousand at 31/03/2020, up by Euro 234 thousand compared with the previous year): this caption principally comprises the deferred taxes recognised on the allocation of consolidation differences to specific assets (especially the property investments held by the Group). The additional value identified on consolidation is not relevant for tax purposes; accordingly, this provision is being used to neutralise the additional taxes recorded in the current and future years, due to the non-deductibility of the depreciation charged on the higher asset values. The change during the year principally reflects reversals linked to the depreciation of these revalued assets, net of the tax effect of other main consolidation entries (with regard, in particular, to the recognition of intercompany leasehold improvements and of leasing contracts using finance lease methodology);

- Derivative financial instruments (Euro 92 thousand at 31/03/2020, compared with Euro 107 thousand the previous year): in accordance with OIC 32, this item includes the negative fair value of certain derivatives arranged by the Group to hedge the risk of fluctuations in the interest rates charged on long-term loans (interest rate swaps and interest rate caps). Although the above contracts qualify as hedges (being correlated with the related loan conditions), the Group elected not to recognise them as cash flow hedges and to recognise the changes in the fair value of the instruments through the income statement (total charges of Euro 14 thousand during the year ended 31/032020);
- Other provisions for risks and charges (Euro 6,819 thousand at 31/03/2020, down compared with Euro 1,154 thousand the previous year): this item comprises the residual balance of provisions recorded in prior years and the current year provisions to cover liabilities of various kinds (commercial, fiscal, employment etc.), based on the Group's best estimate with reference to the information available.

The decrease mainly relates to the use of certain provisions identified in the prior year, on the first-time consolidation of Endurance Castings S.p.A., to cover the adverse economic effects of certain commercial and business risks that crystallised during the year just ended.

## Provision for employee termination indemnities

The provision is stated net of advances and amounts paid on the termination of employment during the course of the financial year and represents the actual liability due to employees at the balance sheet date.

| Description | 31/03/2019 | Provision | Utilisations | Other changes | 31/03/2020 |
|---|---|---|---|---|---|
| Provision for employee termination indemnities | 2,414,313 | 279,140 | (289,484) | - | 2,403,969 |
| **Total** | **2,414,313** | **279,140** | **(289,484)** | **-** | **2,403,969** |

This provision is stated net of the amounts paid to supplementary pension funds, if specified by the employees concerned, and includes the amounts that some employees have decided to leave with their specific employer. The amounts retained by the Group, including the historical provisions not transferred to the INPS Treasury Fund, Previndai, Fondo Cometa or other supplementary pension funds, are revalued for the effects of inflation in accordance with legal requirements.

## Payables

Set out below are details of payables at 31/03/2020, together with prior year end comparatives:

| Description | 31/03/2019 within 1 year | 31/03/2019 beyond 1 year | 31/03/2019 Total | 31/03/2019 Total | Change | Change % |
|---|---|---|---|---|---|---|
| Due to banks | 21,546,837 | 37,455,875 | 59,002,712 | 56,546,693 | 2,456,019 | 4% |
| Due to other lenders | 1,387,745 | 2,298,356 | 3,686,101 | 5,248,009 | (1,561,908) | (30%) |
| Advances | 125,500 | - | 125,500 | 185,500 | (60,000) | (32%) |
| Trade payables | 54,668,651 | - | 54,668,651 | 63,522,921 | (8,854,270) | (14%) |
| Payables due to fellow subsidiaries | 5,261,146 | - | 5,261,146 | 7,531,313 | (2,270,167) | (30%) |
| Tax payables | 631,638 | - | 631,638 | 1,373,093 | (741,455) | (54%) |
| Due to pension and social security institutions | 2,441,271 | - | 2,441,271 | 2,372,796 | 68,475 | 3% |
| Other payables | 11,725,969 | 56,250 | 11,782,219 | 10,813,832 | 968,387 | 9% |
| **Total** | **97,788,757** | **39,810,481** | **137,599,238** | **147,594,157** | **(9,994,919)** | **(7%)** |

The amounts due to banks comprise both the current (Euro 20,757 thousand) and non-current (Euro 37,285 thousand) portions of the amounts due to leading banks in relation to the long-term loans arranged with them, as well as the total short-term advances against commercial transactions obtained from banks (Euro 839 thousand).

The following contracts were signed for new loans taken out during the year:

- an unsecured loan for a total nominal value of € 1,000,000, taken out in April 2019 from the Unicredit Group for repayment over 4 years;
- an unsecured loan for a total nominal value of € 5,000,000, taken out in December 2019 from Credem) for repayment over 4 years;
- an unsecured loan for a total nominal value of € 10,000,000, taken out in January 2020 from the Intesa Sanpaolo Group for repayment over 4 years;
- an unsecured loan for a total nominal value of € 3,000,000, taken out in February 2020 from the UBI Group for repayment over 3 years;
- an unsecured loan for a total nominal value of € 2,000,000, taken out in February 2020 from the UBI Group, with a duration of 3 years (bullet repayment in 2023).

The following is a breakdown of medium-term loans outstanding at 31/03/2020:

| **Bank** | **Initial amount paid** | **Arrangement date** and duration in years | **Residual balance at 31/03/2020** | **Within one year** | **Beyond one year** |
|---|---|---|---|---|---|
| Intesa Sanpaolo - Mediocredito (**) | 3,000,000 | 26/04/2011 - 10 | 307,692 | 307,692 | - |
| Cariparma | 2,000,000 | 21/10/2015 - 5 | 305,184 | 305,184 | - |
| MPS | 3,000,000 | 27/11/2015 - 5 | 450,000 | 450,000 | - |
| Intesa San Paolo - Mediocredito (**) | 10,000,000 | 18/12/2015 - 5 | 1,481,481 | 1,481,481 | - |
| BNL (*) | 3,500,000 | 13/07/2016 - 5 | 1,050,000 | 700,000 | 350,000 |
| Banca del Mezzogiorno (*) | 4,000,000 | 14/07/2016 - 5 | 1,028,245 | 821,054 | 207,191 |
| UBI (*) | 3,000,000 | 27/03/2017 - 5 | 1,215,777 | 605,241 | 610,536 |
| UBI (*) | 2,500,000 | 27/03/2017 - 5 | 1,013,147 | 504,368 | 508,779 |
| Unicredit (*) | 10,000,000 | 04/07/2017 - 5 | 6,250,000 | 2,500,000 | 3,750,000 |
| UBI (*) | 3,000,000 | 19/07/2017 - 5 | 1,414,015 | 602,989 | 811,026 |
| BNL (*) | 5,000,000 | 27/10/2017 - 5 | 2,750,000 | 1,000,000 | 1,750,000 |
| Gruppo Banco Popolare (*) | 10,000,000 | 30/11/2017 - 5 | 6,017,267 | 2,500,635 | 3,516,632 |
| UBI (*) | 2,000,000 | 29/01/2018 - 5 | 1,142,505 | 400,479 | 742,026 |
| Mediocredito (*) | 10,000,000 | 26/10/2018 - 5 | 7,000,000 | 2,000,000 | 5,000,000 |
| Banca Nazionale del Lavoro (*) | 5,000,000 | 07/12/2018 - 5 | 4,000,000 | 1,000,000 | 3,000,000 |
| Cariparma - Credit Agricole (*) | 3,000,000 | 20/02/2019 - 5 | 2,411,332 | 594,280 | 1,817,052 |
| Unicredit (*) | 1,000,000 | 19/04/2019 - 4 | 816,099 | 247,762 | 568,337 |
| CREDEM | 5,000,000 | 10/12/2019 - 4 | 4,690,419 | 1,242,199 | 3,448,220 |
| Intesa San Paolo (*) | 10,000,000 | 29/01/2020 - 4 | 10,000,000 | 2,500,000 | 7,500,000 |
| UBI (*) | 3,000,000 | 19/02/2020 - 3 | 2,917,376 | 994,044 | 1,923,332 |
| UBI (*) - Bullet | 2,000,000 | 19/02/2020 - 3 | 2,000,000 | - | 2,000,000 |
| **Total nominal value** | **100,000,000** | | **58,260,539** | **20,757,408** | **37,503,131** |
| Effect of applying amortised cost | | | (97,259) | (50,003) | (47,256) |
| **Total** | **100,000,000** | | **58,163,280** | **20,707,405** | **37,455,875.00** |

(*) Financial payables recognised using the amortised cost method

(**) These loans are backed by mortgages on properties owned by the Group

Contracts bear interest at Euribor plus a spread of between 0.50% for more recent contracts and 1.75% for less recent ones, depending on market conditions at the time of signing and the duration of the loan. There are no payables due beyond 5 years at 31/03/2020.

The amounts due to other lenders include the outstanding liabilities to leasing companies (Euro 3,686 thousand, down by Euro 1,562 thousand on the previous year). This reduction reflects the instalment payments made, as well as the redemption of assets on expiry of the related contracts. No new finance lease agreements were signed during the year. The outstanding liability to other lenders at 31/03/2020 comprises:

- Euro 1,388 thousand due within 12 months;
- Euro 2,298 thousand due within 5 years; and
- there are no liabilities due beyond 5 years.

Trade payables amount to Euro 54,669 thousand at 31/03/2020. The decrease of Euro 8,854 thousand during the year reflects both the volume of business activity and the effect of applying the procurement policy adopted by the Group; this figure at 31/03/2020 includes the liability (about Euro 2.3 million) for the investment in fixed assets realized in the last part of the period under review in relation to the new projects for the Group's capacity increase.

Payables to companies subject to the control of the parent companies (Euro 5,261 thousand at 31/03/2020) refer to relations with the foreign subsidiary Endurance Amann GmbH and refer, for Euro 2,257 thousand, to the cash pooling system of Endurance Overseas S.r.l., for Euro 3,000 thousand to a loan made to the Group by the local subsidiary and for Euro 4 thousand to commercial relationships.

Other payables (Euro 11,782 thousand) mainly consist of amounts due to employees (Euro 10,518 thousand) for wages, salaries and payroll accruals;

## Debt secured by collateral

Pursuant and consequent to art. 2427, para. 1.6, of the Italian Civil Code, it is confirmed that the amounts due to banks include the following payables secured against corporate assets totalling Euro 1,789 thousand (all due within one year):

1) loan from Intesa Sanpaolo with a residual balance at 31/03/2020 of Euro 308 thousand, acquired by Endurance Overseas S.r.l. on the absorption of Haminoea S.r.l., that is secured by a mortgage on part of the property at Lombardore owned by the Parent Company;
2) loan from Intesa Sanpaolo with a residual balance at 31/032020 of Euro 1,481 thousand, arranged in previous years, that is secured by a mortgage on part of the property at Lombardore owned by the Parent Company.

## Accrued expenses and deferred income

Accrued expenses and deferred income total Euro 1,609 thousand at 31/03/2020 (down from Euro 2,400 thousand at the end of the prior year) and include, among others, deferred commercial income and the future portion (Euro 404 thousand, including Euro 129 thousand not relating to the new financial year) of grants attributable to (a) the assistance ("Tremonti quater") envisaged in the so-called "competitiveness decree" (art. 18, Decree 91/2014) for incremental investment in the period 2014-2015 in excess of the average for the 5 preceding years and (b) the R&D activities eligible for the tax credit allowed in art. 1, para. 35, of Law 190 dated 23 December 2014. These proceeds are discounted in relation to the commencement of amortisation of the portion of investments eligible for funding.

## Capitalised interest cost

All interest expense and other financial charges have been expensed during the year. In compliance with paragraph 1.8 of art. 2427 of the Italian Civil Code, it is hereby confirmed that no financial charges have been capitalised.

# Explanatory notes - Consolidated income Statement

## Value of production

The value of production during 2018/2019 is analysed below on a comparative basis:

| Description | Year 2019/2020 | Year 2018/2019 | Change | Change % |
|---|---|---|---|---|
| Revenues from sales of goods and services | 205,324,249 | 216,160,583 | (10,836,334) | -5% |
| Changes in inventories of work in progress, semi-finished and finished products | 18,769 | (3,778,765) | 3,797,534 | -100% |

| | | | | |
|---|---|---|---|---|
| Increases in non-current assets from in-house production | 141,015 | 80,304 | 60,711 | 76% |
| Other revenues | 6,098,651 | 5,292,389 | 806,262 | 15% |
| **Total** | **211,582,684** | **217,754,511** | **(6,171,827)** | **-3%** |

Revenues from sales (including the proceeds from sales to customers of specific production equipment, where envisaged in the related contracts) were 5% lower than in the previous year. This was due, in particular, to the contraction of the reference market - accentuated in the last part of the financial year by the uncertainties deriving from the spread of the Covid-19 pandemic - given the requirements of the production chains, as well as the level of consumer confidence and the related propensity to purchase durable goods.

This adverse market trend, which more than offset the incremental effect of the change in the scope of consolidation (given that Endurance Castings S.p.A. joined the Group in the final quarter of the prior financial year), was reflected nationally in the sales made to FCA and internationally in those made to the PSA/GM, Daimler and BMW groups, as only partially offset by the growth in sales to Volkswagen, in particular, and to the CNHI group in Italy.

With regard to the decrease in inventories, reference should be made to the comments on inventories in the balance sheet.

The increase in non-current assets from in-house production mainly reflects the capitalisation of industrial equipment costs (€ 141 thousand) carried out with the use of Company's materials and workforce.

Other revenues include income deriving from the recovery of packaging costs from customers, recharges and miscellaneous sales, income pertaining to the Parent Company for services provided under the existing Service Agreement with Endurance Amann GmbH, subject to the control of the parent companies, and for the recharge of costs for seconded personnel towards the German subsidiary itself, as well as the current portion of grants obtained during the year (Euro 1,524 thousand) for the use of photovoltaic installations and tax credits for investments in plant and machinery (*"Tremonti* quarter") and the R&D costs mentioned above.

The following table provides details of revenues from sales and services by geographical area:

| Geographical area | Year 2019/2020 | Weight % |
|---|---|---|
| ITALY | 117,184,640 | 57% |
| GERMANY | 51,084,998 | 25% |
| HUNGARY | 19,501,726 | 9% |
| POLAND | 8,324,665 | 4% |
| ROMANIA | 3,364,531 | 2% |
| OTHER EU COUNTRIES | 4,603,961 | 2% |
| NON-EU COUNTRIES | 1,259,727 | 1% |
| **Total** | **205,324,249** | **100%** |

In relation to the breakdown by category of activity, it should be noted that the revenues from sales and services of the Group refer entirely to income relating to the core business, represented by the supply of powertrain components (parts for engines and transmissions), for suspensions and bodywork for the automotive sector and related activities, and aimed at the OEM (Original Equipment Manufacturer) market, operating mainly as Tier 1 supplier towards the principal European car makers.

## Details of cost of production

Set out below are details of the trend in operating costs together with prior year comparatives:

| Description | Year 2019/2020 | Year 2018/2019 | Change | Change % |
|---|---|---|---|---|
| Raw materials, ancillary materials and goods for resale | 84,540,086 | 103,067,022 | (18,526,936) | (18%) |
| Services | 40,496,261 | 28,061,200 | 12,435,061 | 44% |
| Lease and rental charges | 1,936,150 | 1,915,323 | 20,827 | 1% |
| Payroll costs | | | | |

| | | | | |
|---|---|---|---|---|
| Wages and salaries | 30,779,200 | 28,748,384 | 2,030,816 | 7% |
| Social contributions | 7,708,790 | 6,793,801 | 914,989 | 13% |
| Employee termination indemnities and pension | 1,159,619 | 1,229,500 | (69,881) | (6%) |
| Other payroll costs | 575,777 | 315,848 | 259,929 | 82% |
| Depreciation, amortisation and writedowns | | | | |
| Amortisation of intangible assets | 1,284,310 | 2,547,385 | (1,263,075) | (50%) |
| Depreciation of tangible fixed assets | 20,966,760 | 19,755,351 | 1,211,409 | 6% |
| Writedown of receivables included in current assets | - | 136,522 | (136,522) | (100%) |
| Change in inventories of raw materials | (544,379) | 926,719 | (1,471,098) | (159%) |
| Provisions for risks | - | 3,850,000 | (3,850,000) | - |
| Other operating expenses | 2,063,489 | 2,396,425 | (332,936) | (14%) |
| **Total** | **190,966,063** | **199,743,480** | **(8,777,417)** | **(4%)** |

Operating costs were lower overall compared with the prior year (-4% in total), consistent with the reduction in the value of production. As a result, the operating margin (based on the difference between the value and the cost of production) increased to 9.7% from 8.3% in the 2018/2019 financial year.

### Cost of raw and ancillary materials, consumables and goods for resale and Cost of services

In terms of the value of production, the overall percentage weighting of these captions is essentially unchanged with respect to the prior year, although the weighting of individual captions was affected by the effect of the change in the scope of consolidation on the cost structure. In particular, Endurance Castings S.p.A. was only consolidated for the first time in the final quarter of the prior year. This factor resulted in a redistribution of purchasing costs (prior year) against the related production costs of the newly-consolidated company.

### Payroll costs

This item (8% up overall on the prior year) comprise the entire cost of employees, inclusive of merit increases, changes in labour category, holiday pay and accruals required by law and by collective labour agreements, as well as charges deriving from the management retention plan in favour of corporate management, which depends on the economic-financial results achieved in Europe and the continued employment of the personnel concerned for a minimum pre-determined period. This figure also includes the cost of temporary workers, except for the cost of interim employment agencies that has been charged to the income statement line B7.

The increase during the year was influenced by the policies adopted to optimise the operational structures of the Group - consistent with market dynamics and the forecasts for current and future business - as well as by the full-year impact of adding the personnel of Endurance Castings S.p.A. (about 80 persons, whose 2019/2020 costs have been consolidated in full, rather than for just one quarter in the prior year).

The R&D payroll costs, that during the year were entirely recognised in the Group's income statement, totalled about Euro 1.4 million.

### Lease and rental charges

This item (about Euro 21 thousand higher than in the prior year) principally comprises the rentals charged by third parties for operating facilities used by Group companies, as well as other rental costs.

### Depreciation and amortisation

Depreciation is provided over the technical useful lives of assets, considering how they are used in production. The overall charge is essentially unchanged with respect to the prior year (reduction of Euro 52 thousand). The amortisation charge was lower (by Euro 1,263 thousand) in relation to the intangible assets (as certain consolidation differences became fully amortised in the prior year), but the depreciation charge was greater (by Euro 1,211 thousand) in relation to tangible fixed assets, due to the additions made in the current and recent prior years to support the new production initiatives of the Group, as well as to the changes made to the estimated residual lives of certain assets based on the updated information available about the phase-out timing of specific products.

## Financial income and charges

Financial income and charges recorded in the year ended 31/03/2020 are analysed on a comparative basis in the following table:

| Description | Year 2019/2020 | Year 2018/2019 | Change | Change % |
|---|---|---|---|---|
| Financial income | 159,353 | 119,319 | 40,034 | 34% |
| Financial charges | (765,777) | (878,490) | 112,713 | -13% |
| Exchange gains and losses | 88,364 | (11,560) | 99,924 | -864% |
| **Total** | **(518,060)** | **(770,731)** | **252,671** | **-33%** |

Financial income comprises the interest earned on current account balances and on outstanding non-current financial receivables, as well as gains from securities and bonds traded last year. .

Financial charges (Euro 766 thousand, down by 13% on the previous year) mainly include the interest incurred on medium-term loans and on short-term financing operations (e.g. advances against invoices and cash flows, factoring and overdraft facilities). The reduction recorded in the year was influenced both by the trend in interest rates for the period, as well as by the reduced use of short-term debt for the management of working capital carried out by Group companies during the year.

Exchange gains and losses (net gains of Euro 88 thousand) reflect the net effect of exchange-rate fluctuations on the realisation of assets and liabilities not denominated in euro (in this specific case, all the transactions were denominated in USD), as well as the effect of aligning foreign currency receivables and payables using the exchange rates applying on the reporting date.

## Adjustments to financial assets

The item (which presents a net negative balance of Euro 13 thousand) includes the economic effects of the fair value adjustment of derivative financial instruments used by the Group, carried out in order to align their value to market.

## Current and deferred taxation

The Group has accrued for taxation for the year based on the application of tax legislation in force.

The tax charge for the 2019/2020 financial year (Euro 4,320 thousand, down compared with Euro 5,773 thousand in the prior year) comprises:

- current taxes for the period, equal to a net charge of Euro 4,553 thousand (to which income from taxes relating to previous years for Euro 153 thousand should be added), an increase compared with a net charge of Euro 7,562 thousand in the previous year (net of Euro 87 thousand relating to charges for taxes of previous years); and
- the change in deferred taxation (net credit of Euro 81 thousand, compared with Euro 1,791 thousand in the prior year), relating to components of recorded income and expense that will be taxable/deductible in future tax years.

The following table shows details of the amounts described:

| | Year 2019/2020 | Year 2018/2019 |
|---|---|---|
| **Income taxes** | **4,319,529** | **5,773,634** |
| Current taxation | | |
| of which: IRES for the year (current) | 6,142,283 | 6,142,283 |
| of which: IRAP for the year (current) | 1,509,769 | 1,509,769 |

| | | |
|---|---|---|
| of which: Taxation relating to prior years | (31,653) | (31,653) |
| Deferred taxation | (1,846,765) | (1,846,765) |

Deferred tax assets and liabilities have been calculated using rates that are expected to be in force during the years when it is reckoned that the temporary differences will reverse (IRES at 24% and IRAP at 3.9). Deferred tax assets have been accounted for as there is reasonable certainty that, in the financial years in which the temporary differences will reverse, taxable income will not be less than the amount of the differences that will be annulled.

### Adhesion to the tax consolidation regime

As required by the OIC interpretative document on accounting standard 25, information is provided below regarding adherence to the tax consolidation regime in force within the Group.

In compliance with current legislation, the domestic tax group was renewed in the prior year (until the end of the tax year under review) by the signature of an agreement governing the tax relationships between Endurance Overseas S.r.l. – as the consolidating company – and both Endurance S.p.A. and Endurance Engineering S.r.l.. Endurance Castings S.p.A. is not part of the tax consolidation regime.

The relationship between the parties concerns, in particular, the immediate payment of the consolidation differences arising from group taxation and the deduction on a consolidated basis of the excess non-deductible interest expense (if the conditions under paragraph 7 of article 96 of the Consolidated Income Tax Act are met).

## Other information

### Average employee numbers

The following table sets out average employee numbers by labour category computed on the basis of the year averages:

| **Employees** | **Year 2019/2020** | **Year 2018/2019** |
|---|---|---|
| Managers | 16 | 14 |
| White collar | 123 | 131 |
| Blue collar | 420 | 443 |
| **Total** | **559** | **588** |

Group companies employ 548 persons at 31/03/2020.

### Remuneration of the Directors and the Board of Statutory Auditors

The fees earned during the year by the directors of Group companies totalled Euro 150 thousand, while the fees of the Boards of Statutory Auditors of the various Group companies amounted to Euro 130 thousand in the 2019/2020 financial year.

### Fees payable to independent auditors

During the year, the following amounts (comprising fees and expenses) were paid to the independent auditors (Deloitte & Touche S.p.A., or "Deloitte"):

- Euro 75 thousand for the legal audit of the accounts pursuant to Legislative Decree 39/2010 relating to the financial statements of consolidated companies and to the Group's consolidated financial statements, for the signing of the tax returns, as well as for checking the Group Reporting Package, prepared from the consolidated financial statements and submitted for the purpose of consolidating the ETL Group;

- Euro 23 thousand for additional services provided by the independent auditors, relating to the verification and certification of tax returns;
- Euro 40 thousand for services provided by other members of the same network as the legal auditing firm.

## Related party transactions

With regard to the provisions of art. 2428, para. 3, point 2) of the Italian Civil Code, reference is made to the information on related-party transactions provided in the Report on operations.

## Off balance sheet agreements

No off-balance sheet agreements were entered into during the year.

## Information relating to the fair value of financial instruments

In compliance with the provisions of Art. 2427-bis of the Italian Civil Code, in order to present a true and fair view of the company's commitments, details of the fair value, extent and nature of holdings of financial derivatives are set out below (amounts in thousands of Euro):

| Type of contract | Number of contracts | Original notional value | Notional at 31/03/2020 | Fair value at 31/03/2020 |
|---|---|---|---|---|
| Interest rate swap | 6 | 35,127 | 18,437 | (92) |
| Interest rate CAP | 1 | 2,000 | 305 | - |
| **TOTAL** | | | | **(107)** |

## Information about significant events arising subsequent to the reporting date

As highlighted in the introduction, the final weeks of the financial year were marked by macroeconomic instability linked to the spread of Covid-19. The pandemic affected economic activity in Asia (China in particular) in early 2020, before spreading to other countries, principally in Europe, and to Italy in particular at the end of February 2020.

These circumstances significantly affect the prospects for global growth, influencing the general macroeconomic situation and the economic markets served by Endurance Group, not least because of the decisions made by governmental authorities in order to contain the spread of the virus.

The containment measures imposed at national and regional level forced the Group Companies to suspend production in March 2020 and until 4 May 2020, with recourse to specific social buffers and the activation of government-assisted lay-off pay for all group employees.

In order to tackle this situation, the Company has made recourse to all available tools that make the cost structure more flexible and has sought to contain fixed costs, where possible, via the careful planning of production to meet market needs and by paying even greater attention to the management of costs.

Current market trends and indicative forecasts for the immediate future suggest that 2020 revenues will be lower, although the extent of the reduction cannot be estimated reliably at this time; this scenario requires the Company to pay greater attention to operational decisions and their impact on the structure of costs, as well as to maintain proper focus - under presumably recessionary conditions - on the investment and development opportunities that will best respond to the future recovery of markets, not least by following the new development guidelines and incentives that, with government action and support, will be introduced by the international economic system - hopefully from the second half of 2020.

The principal events subsequent to the end of the financial year include the corporate transaction completed on 15 April 2020 when, on exercising the related option rights, Euro 3,465,000 was subscribed to the capital increase authorised at the shareholders' meeting of Adler S.p.A., the deed for which was witnessed by Notary Agostini of Milan, reg. no.

83234/16710. As a result of that transaction, the Company holds shares representing 99% of the share capital of Adler. Consequently, Adler is now part of the Endurance Group and, by deed witnessed by Notary Agostini, reg. no. 83242/16713, has changed its name to Endurance Adler S.p.A. and aligned its reporting date with that of the other Group companies.

Endurance Adler Spa has subsequently purchased 100% of the quotas of Grimeca s.r.l. This acquisition took place on 21 May 2020 for Euro 900,000, in the context of a larger transaction that included the purchase from TMB Spa, Monselice (Padua), of trademarks and know-how totalling Euro 1,350,000. Endurance Adler S.p.A. and Grimeca s.r.l. operate in the motorcycle components sector, respectively designing and manufacturing clutch and braking systems. The newly-acquired companies and the Endurance Group have already collaborated on technical matters for many years. As a result of the acquisition, the Endurance Group has further expanded its wealth of technical expertise to include the specialist knowledge accumulated by the two companies in years of designing and developing leading-edge solutions. The result has been the creation of a centre of excellence in Italy for the manufacture of motorcycle components.

## Companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary

The following information is provided about the companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Parent Company belongs as a subsidiary:

| | Larger group coincident with smaller group |
|---|---|
| Company name | Endurance Technologies Limited |
| Town (if in Italy) or foreign State | Aurangabad (India) |
| Tax code (Italian companies) | - |
| Place where the consolidated financial statements are filed | Registered office: Aurangabad (India)<br>India Stock Exchange: NSE and BSE (**) |

(*) Endurance Technologies Limited, the parent company, is listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

## Summary financial statements of the company which exercises management and coordination activities

The Parent Company (as well as all companies belonging to the Group) is subject to management and coordination by its indirect parent company, Endurance Technologies Limited, with registered offices at E-92, MIDC Industrial Area, Waluj, Aurangabad, Maharashtra, India, which indirectly wholly owns the Parent Company.

The following amounts taken from the latest approved financial statements of Endurance Technologies Limited are stated in millions of Indian Rupees. For the sake of clarity, the Rupee/Euro exchange rate at 31 March 2019 (fixed on 29 March 2019) was 77.7190 (80.2960 at 31 March 2018) - (source www.ecb.europa.eu):

| Balance sheet | Financial statements at 31/03/2019 | Financial statements at 31/03/2018 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Fixed assets, net | 12,629.37 | 10,181.26 |
| Investments and other non-current assets | 5,900.00 | 5,550.27 |
| **Current assets** | 11,022.75 | 10,323.57 |
| **Activities held for sale** | 33.37 | - |
| **Total Assets** | **29,585.49** | **26,055.10** |
| | | |
| **Liabilities and equity** | | |
| **Equity** | **20,799.50** | **17,922.58** |

| | | |
|---|---|---|
| **Non-current liabilities** | | |
| Non-current financial liabilities | 29.78 | 49.58 |
| Other non-current liabilities | 265.65 | 63.25 |
| **Current liabilities** | | |
| Current financial liabilities | 7,738.02 | 7,072.36 |
| Other current liabilities | 752.54 | 947.33 |
| **Total liabilities and equity** | **29,585.49** | **26,055.10** |

| Income Statement | Financial statements at 31/03/2019 | Financial statements at 31/03/2018 |
|---|---|---|
| **Revenues** | **54,336.82** | **46,362.84** |
| Operating costs | 46,854.49 | 40,275.23 |
| Depreciation and amortisation | 1,756.98 | 1,696.31 |
| Financial charges | 170.73 | 102.49 |
| Non-recurring income/(expense) | (208.00) | (268.78) |
| **Income before tax** | **5,346.62** | **4,020.03** |
| Taxation for the year (current and deferred) | 1,768.01 | 1,304.00 |
| **Income (loss) for the year** | **3,578.61** | **2,716.03** |
| OCI - Other comprehensive income | (23.39) | (0.84) |
| **Total statement of comprehensive income** | **3,555.22** | **2,715.19** |

The following section describes relations with the company that provides management and coordination services and with the other affiliates, as well as the effect of those activities on the operations of the Company and its results.

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To the Quotaholder,

We confirm that these consolidated financial statements, which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of cash flow and explanatory notes, give a true and fair view of the financial position and Group's results and cash flows for the year and agree with the books of account.

Lombardore (Turin), 29/05/2020

For the Board of Directors

The Managing Director

Massimo Venuti

# ENDURANCE OVERSEAS S.r.l.

Head office: VIA DEL BOSCHETTO 2/43 – LOMBARDORE (TURIN)
Tax Code and Turin Companies
Register No. 05754620960
Turin Chamber of Commerce No. 1101893
Quota capital: € 16,105,263.00 subscribed and fully paid
VAT Number: 05754620960
Sole quotaholder company
Management control and coordination: ENDURANCE TECHNOLOGIES LIMITED

# Report of the Board of Statutory Auditors on the Consolidated Financial Statements for the year ended 31 March 2020

Quotaholders,

The Consolidated Financial Statements of Endurance Overseas S.r.l. and its subsidiaries (the "Endurance Overseas Group") for the year ended 31 March 2020 have been communicated to us in accordance with the law, together with the report on operations, and are drawn up in accordance with the accounting standards (in particular, OIC 17) and the combined provisions of Legislative Decree no. 127/91 and Legislative Decree no. 139/2015.

In accordance with Legislative Decree no. 39 of 27 January 2010 and art. 41.2 of Legislative Decree no. 127 of 9 April 1991, the task of verifying that the Consolidated Financial Statements comply with the law and agree with the results of the consolidation and accounting entries has been assigned to Deloitte & Touche S.p.A., the firm of independent auditors appointed by the Quotaholders' Meeting of Endurance Overseas S.r.l. on 9 June 2017 (the "Independent Auditors").

Our supervisory activity was carried out in compliance with the standards of conduct for the Board of Statutory Auditors issued by the National Council of the Italian Accounting Profession and concerned in particular:

- verification that there was a function responsible for relations with the subsidiaries and that it was adequate as part of the organisational structure of Endurance Overseas S.r.l.;

- an examination of the composition of the Endurance Overseas Group and the participatory relationships between them to ensure that the scope of consolidation had been established correctly. In addition to the parent company Endurance Overseas S.r.l., the scope of consolidation includes the following companies:
    - Endurance S.p.A.;
    - Endurance Castings S.p.A.;
    - Endurance Engineering S.r.l.;
- obtaining information on the activities carried out by the subsidiaries and on the more important intercompany transactions within the Group, based on meetings and interviews with the directors of Endurance Overseas S.r.l. and with the Independent Auditors.

After supervising preparation of the consolidated financial statements, we can confirm that:

- the scope of consolidation and the basis of consolidation of the subsidiaries comply with the provisions of Legislative Decree no. 127/91 and Legislative Decree 139/2015;
- the legal provisions governing the preparation of the financial statements and report on operations have been followed;
- the basis of consolidation was correctly applied as regards the elimination of intercompany revenues and expenses, receivables and payables of the companies being consolidated;
- the Group report on operations is consistent with the figures in the consolidated financial statements and provides adequate information on the Group's results and the risks to which the Group is exposed. It also contains adequate disclosure of significant events that took place during the year and after the year-end and on the business outlook.

On 24 June 2020, the Independent Auditors issued their report pursuant to arts. 14 and 16 of Legislative Decree no. 39/2010 which states the following: "*the consolidated financial statements provide a true and fair view of the financial position of the Endurance Overseas Group at 31 March 2020, and of its results and cash flows for the year then ended in accordance with the Italian regulations governing their preparation*".

Milan, 24/06/2020

The Board of Statutory Auditors

Fulvio Mastrangelo

Fabio Greco

Massimo Carera

**ENDURANCE OVERSEAS S.r.l.**
Consolidated Financial Statements
as of March 31, 2020

**Independent Auditor's Report**

Deloitte & Touche S.p.A.
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10121 Torino
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# INDEPENDENT AUDITOR'S REPORT
# PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

**To the Quotaholders of**
**Endurance Overseas S.r.l.**

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated financial statements of Endurance Overseas S.r.l. and its subsidiaries (the "Endurance Overseas Group" or the "Group"), which comprise the consolidated balance sheet as at March 31, 2020, the consolidated statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Endurance Overseas Group as at March 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Italian law governing financial statements.

### 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Endurance Overseas S.r.l. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matters

Pursuant to art. 2497-bis, first paragraph, of the Italian Civil Code, Endurance Overseas S.r.l. has disclosed that it is subject to management and coordination of its activities by Endurance Technologies Limited (India) and, therefore, has indicated in the notes to the consolidated financial statements the key financial data from the most recent financial statements of such company. Our opinion on the consolidated financial statements of the Endurance Overseas Group does not extend to such data.

### Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance the Italian law governing financial statements and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

**Auditor's 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 auditor's 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 International Standards on Auditing (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 International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism 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 management's 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 auditor's 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 auditor's 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 an appropriate level as 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10

The Directors of Endurance Overseas S.r.l. are responsible for the preparation of the report on operations of the Endurance Overseas Group as at March 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Group as at March 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of the Endurance Overseas Group as at March 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
**Giorgio Barbieri**
Partner

Turin, Italy
June 24, 2020

*This report has been translated into the English language solely for the convenience of international readers.*

# ENDURANCE SPA

Head office: VIA REGIONE POZZO 26 CHIVASSO (TURIN)
Tax Code, Turin Chamber of Commerce and
Turin Companies Register No. 01782370017
Turin Business Register (REA) no. 518048
Share capital: € 5,000,000.00 subscribed and fully paid
VAT Number: 01782370017
Management policy and coordination: ENDURANCE OVERSEAS SRL

# Report on operations

*Financial statements for the year ended 31/03/2020*

To the Shareholder,
The explanatory notes provide disclosures on the financial statements for the year ended 31/03/2020; this document, in compliance with art. 2428 of the Italian Civil Code, provides information on the Company's situation and performance. The report, prepared with amounts shown in Euros, is presented as an accompaniment to the financial statements and provides information on the Company's earnings, financial position and operations, together, where possible, with historical facts and an indication of the future outlook.

## Information on the Company

### Matters concerning the economy in general and the results of operations:

The world economic slowdown during 2019 (growth of 2.4% compared with 3.0% in the prior year and 3.3% in the year before that) was mainly due to the disruption of supply chains and the impediments to international trade linked to the US-China trade dispute, which included the reciprocal imposition of escalating customs duties. The United States reported growth of 2.3% (compared with 2.9% in the prior year), China 6.1% (6.6% previously), India 4.2% (6.1% previously) and Europe just 1.2%, with Italy and Germany bring up the rear with growth of 0.3% and 0.6% respectively.

Despite the trade agreement reached by the USA and China towards the end of 2019, GDP collapsed during the first quarter of 2020 as a result of the containment measures adopted by various countries, mostly starting in March, in order to tackle the healthcare emergency associated with the coronavirus epidemic (discussed in more detail below, in the section on key events). The suspension of industrial and commercial activity at various levels caused the economies of the countries concerned to slump into a deep recession, which will continue until the restoration of health safety conditions allows normal work to restart.

Central banks around the world continue to support their economies with expansionary monetary policies, but have only managed to mitigate the adverse effects of the crisis without inverting the downward trend.

The EU *automotive* sector, already challenged by the difficulties caused by the new regulations governing vehicle consumption testing procedures (WLTP - *Worldwide Harmonised Light Vehicles Test Procedures*), was hit by a 5% reduction in registrations during the reporting period from April '19 to March '20 (UK -10.9%, Spain -10.6%, Italy -7.9%, France -6.7% and Germany -0.3%), not least due to the contraction in the last quarter of the reporting year (January – March 2020) by more than 26% (Italy -35.5%, France -34.1%, UK and Spain -31%, and Germany -20.3%).

EU annual sales data by manufacturer highlights significant reductions for FCA (-13.5%), PSA (-10.4%) and Renault (-8.5%), with more contained declines for BMW (-2.0%) and VW (-1.5%). However the data for the last quarter (January – March 2020) was bad for all manufacturers including, in particular, Renault (-36.1%), FCA (-34.5%) and PSA (-34.3%), followed by Daimler (-22.9%), VW (-19.4%) and BMW (-16.7%). The VW Group has further consolidated its leadership of the European market, with a share in excess of 25% (prior year: 24.2%). Progress was also made by BMW (6.8%, up from 6.6%) and Daimler (6.6%, up from 6.2%), to the detriment of PSA, FCA and Renault.

The P&CV production data published by IHS MARKIT for the 2019 calendar year, not yet influenced by the Covid-19 pandemic, shows that the 6.3% contraction in global production (from 16.6 to 15.8 million vehicles) affected all macro areas: EU -5.3%, North America -6.2%, South America -2.8%, Asia -6.5%, Middle East and Africa -25.6%. Within the European Union, Germany was the leading producer with an output of 4.7 million vehicles (albeit down 9% compared with the prior year), followed by Spain 2.2 million (+0.3%), France 1.7 million (-5.5%), the Czech Republic 1.4 million (-0.7%), the UK 1.3 million (-14.2%), Slovakia 1.1 million (+0.6%) and Italy 0.5 million (-19.5%).

During the same period, EU vehicle exports dropped in both volume (-6.9%) and value (-2.3%) terms, while the value of imports climbed (+15.6%) on essentially stable (-0.9%) volume.

Diesel vehicle registrations continued to decline, down by 13.9% over the calendar year (market share reduced to 30.5%), but increases were reported for petrol vehicles (up by 5.2%) - raising their market share to 58.9% - and for those powered by alternative sources of energy (LPG/methane, hybrid and electric vehicles).

The drops in registrations, production and exports were all drivers of business performance, with a 10.7% decrease in the value of production (about € 21 million), of which half reflects the decision to cease the commercialisation of products (items purchased externally). Although EBITDA was lower in absolute terms by almost one million euros (down from € 33.6 million to € 32.6 million), it rose as a percentage of the value of production to 18.6% (from 17.1% in the prior year), confirming the good performance achieved at an industrial level. Boosted by the benefits deriving from the super- and hyper-depreciation charged on the significant investment in advanced technologies made in recent years, net income was higher in both absolute terms at € 12.6 million (up from € 11.9 million in the prior year) and as a percentage of sales, reaching 7.2% compared with 6.1%.

These solid results have strengthened the financial structure of the Company. In particular, while total assets are essentially unchanged, their coverage by own funds has risen and the weighting of third-party funds has declined.

## Key events

The commercial activity carried out during 2019/2020 resulted in the acquisition of new contracts worth, on an on-going basis, almost € 37 million in annual sales. These contracts, mainly obtained from VW (Audi division), FCA and BMW, relate to traditional, hybrid and electric applications and will enter into production from the 2022 FY onwards.

Taking account of the change in advances and construction in progress, investment in tangible fixed assets totalled about € 18 million, much of which was dedicated to new applications for VW upper cylinder heads and to engineering work on an engine block for FCA. Funding activities involved the arrangement of medium-term loans totalling about € 15 million, while repayments amounted to € 14 million.

As mentioned, the healthcare emergency caused by the reaction to the Covid-19 epidemic was a key event during the year. Starting early in 2020, this affected economic activity in Asia (China in particular) and then spread to other geographical areas, including Europe and Italy in particular, from the end of February.

The pandemic has resulted in global consequences, with strong pressure on national health services and a steady stream of measures from government authorities designed to contain the risk of further contagion (travel restrictions, suspension of productive activities etc.). These measures are continuing to have a significant impact on the social and working lives of individuals and on the global economy (significant drop in end-user demand for goods and services, with a resulting increase in unemployment and a deterioration in global economic conditions).

Turning to the action taken at Group level, Endurance S.p.A. reacted promptly to the extraordinary effects of the pandemic by taking steps to safeguard the health of all employees, as a priority objective, as well as to guarantee the continuity of production to the extent possible under appropriate safety conditions (purchase of PPE, reorganisation of operating procedures, interactions and movements within corporate facilities, as well as recourse - where practicable and applicable - to smart working for all professional roles).

Operating activities at Company facilities, already slowed from the end of February 2020, were suspended in full during the final week of March - in compliance with government instructions - and this complete lockdown lasted until 4 May 2020.

The Group continues to monitor actively the spread of the virus, with a view to managing proactively the potential impact. From a production standpoint, the effects on the routine conduct of activities are significant, even after the restart, given for example the unpredictable nature of customer order confirmations that have a direct effect on many areas of operation, including:

- the update of production schedules;
- management of the supply chain - in terms of the availability of resources, the timing of deliveries and the financial strength of the operators concerned;
- the organisation of personnel - in terms of production efficiency, availability, logistical and insurance needs, and recourse to social buffers (used by the Company from the date on which production was suspended);
- the approach to certain negotiations with suppliers and the review/update of investment plans.

With regard to the assessment and management of the adverse effects of the current pandemic, the Company has acted in the areas described by cutting discretionary costs, rendering production and personnel costs as flexible as possible and, as indicated, making recourse to the government-assisted lay-off pay introduced with specific reference to Covid-19. This action helped to minimise the economic impact on the year ended 31 March 2020, not least because - having regard for the specific operating conditions of the Company - the necessary accounting measurements were only partially affected and did not give rise to any concerns about business continuity (evaluated over a time horizon of at least 12 months, as required by the policies governing the preparation of financial statements). The overall assessment made in this regard is supported by the current liquidity of the Company and the Endurance Group has a whole.

## Management control and coordination activities

Pursuant to para. 5 of art. 2497-bis of the Italian Civil Code, we can confirm that the Company belongs to the ENDURANCE Group (India) and is subject to management control and coordination by ENDURANCE TECHNOLOGIES LIMITED (India), whose shares have been listed on the *National Stock Exchange* (NSE) and the *Bombay Stock Exchange* (BSE) since October 2016.
These management control and coordination activities have not had any particular impact on the Company's activities and results. We can also confirm that no decisions were made that were influenced by the Company that performs management control and coordination activities which might require an indication of the reasons and interests affecting them.

# Financial position

To facilitate a better understanding of the Company's financial position, a reclassified balance sheet is set out below.

## Balance Sheet - Assets

| Item | FY 2020 | % | FY 2019 | % | Change | Change % |
|---|---|---|---|---|---|---|
| **WORKING CAPITAL** | **96,975,183** | **58.70 %** | **93,724,206** | **56.61 %** | **3,250,977** | **3.47 %** |
| **Immediate liquidity** | **23,034,228** | **13.94 %** | **38,652,880** | **23.35 %** | **(15,618,652)** | **(40.41) %** |
| Cash and cash equivalents | 23,034,228 | 13.94 % | 38,652,880 | 23.35 % | (15,618,652) | (40.41) % |
| **Deferred liquidity** | **52,448,677** | **31.75 %** | **35,247,320** | **21.29 %** | **17,201,357** | **48.80 %** |
| Current receivables included in working capital | 19,088,474 | 11.55 % | 22,213,971 | 13.42 % | (3,125,497) | (14.07) % |
| Current portion of non-current receivables | 3,000,000 | 1.82 % | - | 0 % | 3,000,000 | 100 % |
| Financial assets | 30,024,306 | 18.17 % | 12,458,306 | 7.52 % | 17,566,000 | 141.00 % |
| Accrued income and prepaid expenses | 335,897 | 0.20 % | 575,043 | 0.35 % | (239,146) | (41.59) % |
| Inventories | 21,492,278 | 13.01 % | **19,824,006** | **11.97 %** | **1,668,272** | **8.42 %** |
| **FIXED ASSETS** | **68,237,076** | **41.30 %** | **71,842,497** | **43.39 %** | **(3,605,421)** | **(5.02) %** |
| Intangible assets | 832,260 | 0.50 % | 2,002,688 | 1.21 % | (1,170,428) | (58.44) % |
| Tangible fixed assets | 62,560,527 | 37.87 % | 62,764,880 | 37.91 % | (204,353) | (0.33) % |
| Financial fixed assets | 284 | - | 3,000,284 | 1.81 % | (3,000,000) | -99.99 % |

| Item | FY 2020 | % | FY 2019 | % | Change | Change % |
|---|---|---|---|---|---|---|
| Non-current portion of receivables included in working capital | 4,844,005 | 2.93 % | 3,973,983 | 2.40 % | 870,022 | 21.89 % |
| **CAPITAL EMPLOYED** | **165,212,259** | **100.00 %** | **165,566,703** | **100.00 %** | **(354,444)** | **-0.21 %** |

With reference to the asset structure of the Company, we note in particular:

- as regards current assets:
  - an increase (by € 1.9 million) in cash and cash equivalents and financial assets (being the positive balance on the centralised treasury account of the Group and the investment of available liquidity), due to the positive cash flow generated by the Company after the absorption of funds by investing activities, as described in more detail later;
  - the changes in other elements of working capital, including a reduction (by about € 3.1 million) in current receivables (reflecting, in particular, the decline in volume during the final part of the year and the suspension of all activities in the last week, as well as a mix change in the portfolio of customers) and an increase (€ 1.7 million) in the inventories of, in particular, semi-finished and finished products;
- with reference to non-current assets, in particular there was:
  - a reduction in the carrying amount of tangible fixed assets and intangible assets due to the depreciation and amortisation charge for the year (€ 18.4 million), as offset by investment during the period (€ 18.2 million to expand production capacity in relation to the new contracts acquired, especially from VW and FCA), net of disposals (with a net carrying amount of about € 1.2 million).

## Balance Sheet - Liabilities and Equity

| Item | FY 2020 | % | FY 2019 | % | Change | Change % |
|---|---|---|---|---|---|---|
| **CAPITAL ATTRIBUTABLE TO MINORITY INTEREST** | **101,834,460** | **61.64 %** | **110,828,267** | 66.94% | (8,993,807) | -8.12% |
| **Current liabilities** | **70,546,623** | **42.70 %** | **79,736,792** | 48.16% | (9,190,169) | -11.53% |
| Current payables | 69,705,756 | 42.19 % | 79,129,574 | 47.79% | (9,423,818) | -11.91% |
| Accrued expenses and deferred income | 840,867 | 0.51 % | 1,451,451 | 0.88% | (610,584) | -42.07% |
| **Non-current liabilities** | **31,287,837** | **18.94 %** | **30,247,242** | 18.27% | 1,040,595 | 3.44% |
| Non-current payables | 25,468,676 | 15.42 % | 24,482,052 | 14.79% | 986,624 | 4.03% |
| Provisions for risks and charges | 3,940,576 | 2.39 % | 3,929,376 | 2.37% | 11,200 | 0.29% |
| Employee termination indemnity | 1,878,585 | 1.14 % | 1,835,814 | 1.11% | 42,771 | 2.33% |
| **EQUITY** | **63,377,799** | **38.36 %** | **54,738,436** | 33.06% | 8,639,363 | 15.78% |
| Share capital | 5,000,000 | 3.03 % | 5,000,000 | 3.02% | 0 | 0 |
| Reserves | 30,344,816 | 18.37 % | 30,142,736 | 18.21% | 202,080 | 0.67% |
| Retained earnings (accumulated losses) | 15,393,620 | 9.32 % | 7,670,030 | 4.63% | 7,723,590 | 100.70% |
| Net income (loss) for the year | 12,639,363 | 7.65 % | 11,925,670 | 7.20% | 713,693 | 5.98% |
| **FINANCING SOURCES** | **165,212,259** | **100.00 %** | **165,566,703** | 100.00% | (354,444) | -0.21% |

With reference to the company's equity and liability structure, we would point out in particular that:

- as regards the capital attributable to the minority interest, the increase in non-current liabilities (linked to renewal of the debt by taking out new loans for a total of € 15.0 million, net of the repayments contractually envisaged for the outstanding liabilities of € 13.8 million) and provisions for risks and charges (in relation to the accruals made during the year for € 3.5 million in relation to the hedging of outstanding risks, mainly trade-related);
- as regards own capital, shareholders' equity increased by a total of € 7.9 million, following the registration of the income for the period (€ 11.9 million), net of dividends distributed during the year (€ 4 million, divided equally between the merging and merged company).

## Key indicators of financial position

According to the above reclassification, indicators of financial position are set out below:

| RATIO | FY 2020 | FY 2019 | % Change |
|---|---|---|---|
| Fixed asset coverage | 95.46 % | 80.77 % | 18.19 % |
| Amounts payable to banks to working capital | 40.19 % | 39.89 % | 0.75 % |
| Debt ratio | 1.61 | 2.01 | (19.90) % |
| Financial debt ratio | 0.69 | 0.77 | (10.39) % |
| Equity to capital employed | 38.36 % | 33.23 % | 15.44 % |
| Financial charges to turnover | 0.23 % | 0.25 % | (8.00) % |
| Current ratio | 137.46 % | 120.38 % | 14.19 % |
| Fixed asset to equity capital margin | (15,272.00) | (10,029,417.00) | 99.85 % |
| Primary coverage ratio | 1.00 | 0.85 | 17.65 % |
| (Equity + non-current liabilities) - fixed assets | 31,272,565.00 | 20,217,825.00 | 54.68 % |
| Secondary coverage ratio | 1.49 | 1.31 | 13.74 % |
| Net working capital | 26,428,560.00 | 16,243,842.00 | 62.70 % |
| Acid test margin | 4,936,282.00 | (3,580,164.00) | 237.88 % |
| Acid test ratio | 107.00 % | 95.51 % | 12.03 % |

## Statement of cash flows

| Item | FY 2019-2020 | FY 2018-2019 |
|---|---|---|
| **Cash and cash equivalents at beginning of period** | **38,652,880** | **6,270,164** |
| **Cash and cash equivalents acquired through the merger** | **-** | **22,533,280** |
| a. Cash flows from operating activities | 21,783,374 | 44,547,687 |
| b. Cash flows from investing activities | (31,308,534) | (26,267,216) |
| c. Cash flows from financing activities | (6,093,492) | (8,431,035) |
| **Increase/(decrease) in cash and cash equivalents (a ± b ± c)** | **(15,618,652)** | **9,849,436** |
| **Cash and cash equivalents at end of period** | **23,034,228** | **38,652,880** |

The liquidity of the Company decreased during the year by about € 15.6 million, due to the combined effects of the following factors:

- net positive cash flow from operating activities of € 21.8 million, mainly due to the contribution made by the results of operations (EBITDA of about € 32.6 million), as partially offset by the change in net working capital (reduction in trade payables);
- cash flow absorbed by investing activities (net outflow of € 31.3 million), mainly in tangible fixed assets, in order to increase production capacity in relation to current projects and the new contracts acquired (€ 18.1 million), and by the change in current financial assets (representing the deployment of available liquidity) of € 14.3 million;
- cash flow absorbed by financing activities, € 6.1 million, of which € 3.3 million due to the increase in treasury current accounts (classified among current financial assets) and € 4.0 million on the payment of dividends to Endurance Overseas S.r.l., as offset by the net positive effect - € 1.2 million - of the increase in non-current payables (new funding arranged during the year of € 15.0 million, net of contractually envisaged repayments of € 13.8 million).

# Results

A reclassified income statement is provided below to facilitate a better understanding of the Company's results.

## Income Statement

| Item | FY 2020 | % | FY 2019 | % | Change | Change% |
|---|---|---|---|---|---|---|
| **VALUE OF PRODUCTION** | **175,126,850** | **100.00%** | **196,036,893** | **100.00%** | **(20,910,043)** | **-10.67%** |
| - Consumption of raw materials | 78,686,790 | 44.93% | 97,822,174 | 49.90% | (19,135,384) | -19.56% |
| - General expenses | 36,929,590 | 21.09% | 33,875,243 | 17.28% | 3,054,347 | 9.02% |
| **VALUE-ADDED** | **59,510,470** | **33.98%** | **64,339,476** | **32.82%** | **(4,829,006)** | **-7.51%** |
| - Payroll costs | 25,147,495 | 14.36% | 25,098,221 | 12.80% | 49,274 | 0.20% |
| - Provisions | - | 0.00% | 3,500,000 | 1.79% | (3,500,000) | -100.00% |
| **GROSS OPERATING MARGIN** | **34,362,975** | **19.62%** | **35,741,255** | **18.23%** | **(1,378,280)** | **-3.86%** |
| - Depreciation, amortisation and writedowns | 18,359,264 | 10.48% | 17,350,332 | 8.85% | 1,008,932 | 5.82% |
| - Other operating expenses | 1,780,499 | 1.02% | 2,188,035 | 1.12% | (407,536) | -18.63% |
| **INCOME BEFORE FINANCIAL ITEMS (EBIT)** | **14,223,212** | **8.12%** | **16,202,888** | **8.27%** | **(1,979,676)** | **-12.22%** |
| + Financial items | (159,060) | -0.09% | (406,900) | -0.21% | 247,840 | -60.91% |
| **INCOME BEFORE TAX** | **14,064,152** | **8.03%** | **15,795,988** | **8.06%** | **(1,731,836)** | **-10.96%** |
| - Taxation | 1,424,789 | 0.81% | 3,870,318 | 1.97% | (2,445,529) | -63.19% |
| **NET INCOME** | **12,639,363** | **7.22%** | **11,925,670** | **6.08%** | **713,693** | **5.98%** |
| | | | | | | |
| **EBITDA** | **32,582,476** | **18.61%** | **33,553,220** | **17.12%** | **(970,744)** | **-2.89%** |

From an economic standpoint, the decrease in the value of production during 2019/2020 (-10.7%, down € 20.9 million) was due, on the one hand, to changes in Group procurement practices - previously raw materials were purchased by Endurance S.p.A. and then resold to affiliates (impact of € 10.0 million compared with the prior year) - and, on the other, to the slowdown in the automotive market that was further accentuated by the spread of the Covid-19 pandemic.

In particular, the following main trends can be identified with regard to the sales made to leading customers:

- with reference to domestic customers, the marked reduction in sales to the FCA group (more than 20% lower than in the prior year) was only partially offset by the increase in sales made to the CNHI group (by about € 3 million);
- with regard to foreign customers, the rise in the volume of sales to Volkswagen (about € 10 million, being 20% more than in the prior year) was offset by the reduction, with a lower impact in absolute terms, in sales to the GM Group (also by more than 20%) and to PSA/GM, Daimler, BMW and Renault (about € 9 million in total).

As a result, FCA and VW were confirmed as the principal customers of the Company in 2019/2020, generating respectively about 39% and 35% of sales, followed by CNHI (10%), PSA/GM (6%) and Daimler (4%).

The reduction in production costs outpaced the decline in sales. In particular, the weighting of raw material purchases fell considerably, with a decrease in the total by € 19 million (due, as mentioned, to the change in Group procurement policies and the lower volume of business), although general expenses were higher (by € 3 million with respect to the prior year, due to increases in transport expenses and in the cost of services linked to the quality improvement process implemented in order to remain competitive in the reference market).

The payroll expenses incurred during the year were essentially unchanged, given that the reduction in the overall number of employees was offset by the effects of clerical and managerial recruitment at the end of the prior year and during the year just ended.

The depreciation and amortisation charge (about € 1 million more than in the prior year) was affected by the substantial investment made in recent years, as well as by changes in the useful lives of certain assets dedicated to the production of specific items. These changes were applied following revisions to the related sales forecasts that reflect modifications in the outlook for orders from the customers concerned.

Compared with the prior year, there were decreases in the provisions for risks and charges (previously € 3.5 million) and in other operating expenses (down by about € 0.4 million).

The performance described led to increased profitability for the year under review: Despite a reduction in absolute terms of about € 1 million, EBITDA rose to 18.6% of the value of production (up from 17.1% in the prior year).

Income taxes decreased by about € 2.4 million with respect to the prior year (especially due to recognition of the full effect of the hyper-depreciation benefits linked to the investment in advanced technology made in prior years), contributing to the rise in net income to € 12.6 million or 7.2% of the value of production (up - in absolute terms - by 6.0% with respect to the prior year).

## Key performance indicators

On the basis of the above reclassification, indicators of financial position are set out below:

| RATIO | FY 2020 | FY 2019 | % Change |
|---|---|---|---|
| R.O.E. | 19.94% | 21.79% | -8.46% |
| R.O.I. | 28.51% | 38.55% | -26.06% |
| R.O.S. | 8.18% | 8.12% | 0.68% |
| R.O.A. | 8.61% | 9.79% | -12.03% |

# Information required by art. 2428 of the Civil Code

The following is the detailed information specifically required by art. 2428 of the Italian Civil Code.

## Main risks and uncertainties that the Company is exposed to

As required by the first paragraph of art. 2428 of the Italian Civil Code, set out below is a description of the main risks and uncertainties to which the Company is exposed:

**RISKS RELATED TO THE GENERAL STATE OF THE ECONOMY**: the Company's results are influenced by trends in the national and international economy.
Developments regarding GDP, the cost of raw materials, the unemployment rate, interest rates and the level of confidence shown by consumers and businesses can condition the sales performance of end customers and, thus, the company's sales performance.

In particular, general economic conditions were affected at the end of the year - with continuation likely in the coming months - by the recessionary effects of the global spread of the Covid-19 pandemic including, in particular, those on the propensity to consume and on the functioning of production and distribution chains.

**RISKS RELATED TO THE SECTOR IN WHICH THE COMPANY OPERATES:** the metal alloys and metal parts machining sector, in which the Company operates, is characterised by heated competition that is partly attributable to the sales trends in the automotive market. As much as the Company has taken action deemed necessary to improve its level of flexibility, a significant fall in end customers' needs and consequent further pressure on prices caused by heated competition could adversely impact the Company's results and financial position.

The situation already described regarding the adverse effects of the spread of the current pandemic will have specific repercussions on the business sector served by the Company, considering the propensity to make purchases in the automotive market and the attitude towards mobility adopted by consumers in the near future.

**RISKS RELATED TO THE ABILITY TO CREATE INNOVATIVE PRODUCTS:** the automotive components sector is characterised by continuous product development needed to satisfy the product performance required by car manufacturers and by environmental legislation (governing emissions). Future investment by the Company will seek to develop the portfolio of products and diversify the types of production, thereby increasing the ability to meet the needs of customers. The failure to develop products and to meet needs in terms of price, quality and functionality imposed by end customers could adversely impact the Company's prospects for its operations.

**FINANCIAL RISKS:** The Company is exposed to the following financial risks in the conduct of its operations:

- credit risks in relation to normal commercial transactions with customers;
- liquidity risks, with particular reference to the availability of financial resources and access to the market for credit and financial instruments in general;
- market risks, mainly relating to changes in interest rates and, to a lesser extent, exchange rates.

The Company constantly monitors the financial risks that it is exposed to, in order to evaluate in advance any potential negative effects and to take appropriate action to mitigate them.

Credit Risks

Given the nature of its industrial activities - the production of engine and gearbox components for car makers - the Company's receivables are structurally concentrated since customers comprise a limited number of industrial groups. The integration of the company within the Endurance Group makes possible the indirect diversification of customers, by supplying other group companies with unfinished components for the manufacture of products that are then supplied to multiple end customers.

The Company monitors receivables constantly and regularly adjusts the related allowances for collection risks.

Liquidity risks

The two main factors that determine the Company's liquidity position are, on one hand, the resources generated or absorbed by operations and by investments and, on the other hand, the timing of the repayment and renewal of debt and of the liquidity of financial investments.

The Company seeks the most appropriate sources of finance bearing in mind the current and prospective financial position. Any difficulties encountered in obtaining financing needed to meet the needs of current operations and needs relating to investments could negatively impact the Company's results and financial position.

Management believes that funds currently available, the keeping of suitable contacts for access to credit, as well as funds generated from operating activities, will allow the Company to meet the needs of investing activities, of working capital management and for the repayment of debt as it falls due.

Market risks

In the conduct of its activities, the Company is exposed to various market risks, particularly the risk of fluctuations in interest rates and, to a lesser extent, exchange rates.

*Risks relating to changes in interest rates*

The Company utilises financial resources provided mainly in the form of bank debt and employs the funds to finance operations and investment and development initiatives. The Company can also factor its trade receivables. Changes in market interest rates impact the cost of various forms of financing and of factoring and thus affect the level of the Company's financial charges.

To face up to these risks, the Company strives to maintain a suitable relationship between the financing structure and the structure of capital employed, compatible with opportunities offered and actual market conditions.

With this aim, the Company has structured its financing with floating rates and with repayment due in the medium/long term at favourable conditions (with the objective of managing current unfavourable conditions and high volatility of interest rates).
Lastly, where considered appropriate, the Company makes use of interest rate derivatives (interest rate caps) with the aim of hedging the risks described.

*Risks relating to changes in exchange rates*
The functional currency used by the Company for the majority of its transactions (Euro) does not currently appear to be subject to significant risks relating to exchange rate fluctuations.

## Key non-financial indicators

Pursuant to Art. 2428 of the Civil Code, it is hereby confirmed that, due to the specific activities performed and for a better understanding of the company's results and financial position, it is not deemed relevant to present non-financial indicators.

## Information on the environment and safety

In the context of specific policies adopted by Endurance group, the Company strives hard to ensure that production and operating activities are carried out in compliance with all applicable regulations and international agreements. The objective is to introduce and maintain a broad culture of constantly improved environmental performance, process and product safety, while ensuring the safety of workers and installations.

Work to monitor and maintain appropriate environmental protection standards in accordance with ISO 14001:2015 (Environmental management systems) and ISO 45001:2018 (occupational health and safety standard recognised and accepted around the world) continued during the year ended 31 March 2020.

Employee training sessions covered the following topics, in compliance with the State-Regions agreement of December 2011:
- General and job-specific topics in relation to safety;
- Training and refresher courses for the emergency and first-aid team;
- Training and refresher courses for worker safety representatives (and training for all newly-hired employees);
- Training and refresher courses for drivers of lift trucks;
- Training in the use of adjustable fork-lift trucks, in protective practices for personnel who operate machines that emit radio waves, in the safety aspects of using the following equipment: flame burners, oxyacetylene torches, welding tools;
- Training in the application of measures to contain the spread of Covid-19: introduction of health and safety guidelines and protocols for business continuity.

A total of 1,938 hours were dedicated to general and specific training on safety and the environment during the year (749 hours at the Lombardore plant, 1,079 hours at the Chivasso facilities and 110 hours at the Grugliasco plant).

The Risk Assessment Document and the Environmental Impacts Register were updated - considering inter alia the impacts of the pandemic - with the identification and analysis of risks and procedures for the management of environmental and worker safety emergencies (including the definition of actions to prevent future incidents).

Practical training sessions were held to simulate fire emergencies, evacuations, chemical spillages, sudden illnesses and related first-aid procedures, with the participation of employees.

With regard to efficiency improvements, the Energy Diagnosis was completed in accordance with UNI CEI EN16247 and Decree 102/2014 (as amended) in order to:
- identify energy wastage and any sub-optimal management of installations and production processes;
- evaluate any technologies on the market that are more energy efficient, including those that use renewable energy sources;
- indicate guidelines and best practices to be followed in order to use energy in a more rational and efficient manner.

Work on installations included the following principal actions:

- *Lombardore plant (mechanical processing):*
  (a) Addition of supplementary release valves in compressed air circuits, to increase safety in case of emergency;
  (b) Installation of a seal-monitoring system on buried tanks used to collect lubro-refrigerants in the temporary storage areas for shavings;
  (c) Improvement of ventilation and installation of a gas leak detection/shut-off system in boiler rooms.

- *Grugliasco plant (diecasting):*
  (a) Installation of new electricity switchboards for the powering and management of diecasting stations;
  (b) Installation of a service ladder and walkway for the coolant reservoir.

- *Chivasso plant (diecasting):*
  (a) Additional electronic self-propelled trolleys for the safe handling of die castings;
  (b) Implementation of safety systems on lift trucks used to move ladles (limiting the accidental spillage of aluminium in the event of hydraulic system failures);
  (c) Action to reduce noise exposure in the diecasting and smelting furnace departments:
  (d) Modification of slides and roller tables for items produced, with the addition of double-wall muffling sheets;
  (e) Use of sound-proofing materials to make the containers for trimmings;
  (f) Installation of low energy compressed air nozzles to reduce noise;
  (g) Replacement of stamping markers with engraving machines;
  (h) Installation of a sound-proofed cabin in the smelting furnace loading area;
  (i) Modification of the extractor at the degassing station to optimise the capture of fumes;
  (j) Improvements to the extractor installations and hoods at the diecasting stations;
  (k) Renovation of the service platforms at the diecasting stations;
  (l) Waterproofing of the bottom of the waste fluid tanks.

- *Chivasso plant (mechanical processing):*
  (a) Installation of dedicated extractors with HEPA filter on 2 NC machines;
  (b) Addition of openable skylights to improve the microclimate in departments.

**COVID-19: Practical precautionary measures introduced to allow activities to continue while safeguarding the health of workers**

In order to help contain the spread of the Covid-19 pandemic and ensure the continuity of production under safe conditions for personnel, the Endurance Group adopted a “Corporate protocol governing measures to contain and tackle the spread of Covid-19 in the workplace” in March 2020. This was prepared pursuant to the protocol agreed between the government and the social partners on 14 March 2020, as extended on 24 April 2020.

In short, the following principal operational procedures were envisaged:
- provision of information to workers and third parties on arrival at production locations, containing necessary instructions for the protection of their health and safety;
- body temperature check on arrival at the Company and collection of declarations by employees and third parties confirming the absence of conditions that, by law, would restrict their movements or access to the premises;
- restriction of access to the premises by external persons (customers, suppliers, visitors etc.) to essential or urgent cases;
- introduction of specific procedures that minimise contacts with external personnel (drivers/transport operators at logistics firms);
- dissemination throughout the premises of recommendations from the Ministry of Health regarding the containment of infection risks;
- encouragement of safe distancing (1 m) at all times when working, supplemented - if the requirement cannot be applied - by the use of personal protective equipment (masks);
- measures to restrict numerical access to common areas (rest and eating areas, changing rooms);
- restriction of in-person meetings, with requirements to maintain social distancing of at least one metre and keep the rooms clean and ventilated;
- suspension/cancellation of all travel/business trips (unless absolutely essential);
- use of smart working whenever possible from an operational and technological standpoint;
- encouragement to use holiday time and paid leaves of absence, as supplemented by recourse to the social buffers due to the reduction or suspension of productive activities;

- increased frequency of cleaning and sanitisation activities and distribution/availability to personnel of detergents and sanitising gels; periodic deep sanitisation by specialists using products with greater cleansing power.

## Information on personnel management

The Company has 401 employees at the end of FY 2019-2020, down by 15 over the year. The average workforce during the year was 407 persons.

The main training activities during the year ended 31 March 2020 focused on Manufacturing, Engineering and Quality, with a view to upgrading general and specific skills in relation, especially, to the variables that drive the continuous improvement of production and corporate processes.

In particular, training covered the following activities and topics (in addition to those already described in the section on Environment and Safety):

<u>Manufacturing/production-related training:</u>

- Development of knowledge and specific skills via classroom and OTJ training sessions covering the start-up of new lines and management of the related procedures. These activities were partly carried out in partnership with the suppliers of the mechanical processing plant and automation lines concerned. They covered, in particular:
  - Operational management of the automation and mechanical processing lines with external and on-the-job training to develop the specific skills of the specialised and operational staff and to train up people in new dedicated roles;
  - Self-maintenance of the diecasting and processing plants, with the application of lean manufacturing approaches to the management of tools including, in particular, the 5S method;
  - On-the-job activities related to the improvement of production processes and verification of compliance of processed and semi-finished products;
  - Problem solving for the independent management of production issues, as part of the process of continuous improvement*;*
  - Specialisation Master in Diecasting Processes at the Chivasso site (discussed later).

<u>Engineering/quality training:</u>

- Internal quality: improvement, via OTJ training, in the internal management of the conformity variables of processed and semi-finished products, the various control methods and the quality system documentation;
- Skills certification: External training related to the certification of skills and approaches provided by German customers and in particular:
  - VDA 6.5 Product Auditor Certification;
  - Formel Q – QPNi – specific requirements (product/process quality and project management) and operational applications in compliance with Volkswagen rules and requirements;
  - Customer-specific requirements and their application;
- Planning of training for the development of technical and managerial skills, particularly:
  - Operational problem solving;
  - “VISI Vero CAD” programming and updates to the latest releases;
  - FMEA;
  - CMM – Zeiss programming;
  - Designing dies;
  - Quality and control of castings;
  - Metallurgical processes;
  - Creation of tool-handling procedures for FPT Origin 3 machine tools;

Special attention, with targeted training, was dedicated to the certification of skills in relation to customer-specific requirements, consistent with the provisions of IATF 16969:23016.

Additionally, the Chivasso site held the “Specialisation Master in Diecasting Processes” during the year, in partnership with the Brescia Diecasting School and AQM Centro Servizi Tecnici alle Imprese. This initiative was considered strategic for the development of specific skills, not readily available in the marketplace, in a key sector for Endurance S.p.A. The Master prepares future production managers and foundry technicians (key processes that address technical-production needs in the context of operational and regulatory requirements). The training path was spread across specific modules, with tests at the end of each subject area followed by a final examination for the certification of skills.

The overall activities carried out (including those mentioned previously when talking about the environment and training) involved the Company's staff in a total of around 8,900 hours with training activities carried out internally, externally and on the job.

## Research and development activities

Pursuant to paragraph 3.1 of art. 2428 of the Civil Code, we can confirm that research and development activities applied to products and the production process were performed during the financial year, with respect to which it was decided not to capitalise the costs incurred.

With reference to the “Future Manufacturing Endurance” project launched in 2015/2016 and completed operationally at the end of 2017/2018, the grant approval procedures were completed during 2019/2020 on successful completion of the first-level audit carried out by the Ministry. A capital grant of € 433 thousand was approved together with an assisted loan totalling € 3,006 thousand (the first tranches were paid in April 2020, with the receipt of € 315 thousand and € 2,185 thousand respectively).

In terms of the work carried out, costs totalling € 2,677 thousand were capitalised in prior years and the amortisation process started in 2016/2017 when the first revenues were generated by production from the pilot plant (the net carrying amount of these intangible assets, classified as development costs, is € 402 thousand 31 March 2020, following an amortisation charge for the year of € 937 thousand).

With reference to the other main special project that involved the Company during the year (industrial research project and experimental development for the industrialisation of innovative products in aluminium alloy (ICARO Project), as part of the *Regional Operational Programme ERDF 2014/2020 - Action I.1b.1.1 - Call for tenders "IR2" Industrialisation of Research Results*, which the Company takes part in as Project Manager of a partnership of 3 companies, it should be noted that the stages of completion of the research and development activities envisaged by the project have been registered and the costs incurred have been reported, followed by the recognition and disbursement of the related shares of grants or co-financing by the bodies concerned (Finpiemonte and Piedmont Region) for a total of € 347 thousand during the year ended 31 March 2020.

In terms of the new initiatives carried out during 2019/2020, the Company completed the process for participating in a European project of common economic interest (IPCEI) regarding the development of a new generation of electric batteries in the context of the *European Battery Alliance*, which was approved by the European Commission in December 2019. This project envisages funding of up to € 3.2 billion from the seven participating countries (Italy, France, Germany, Belgium, Poland, Sweden and Finland) in order to facilitate the start-up and development of projects that support research and innovation in the batteries sector, which is of priority interest to the European Union. This first major pan-European battery consortium will drive projects in all segments of the value chain. Endurance S.p.A. is participating together with 16 other European firms, which will develop initiatives in 4 main sectors: the development of raw and advanced materials; the development of innovative cells and modules; the design of a new generation of battery systems (including software and algorithms for the management of batteries), and the re-purposing, recycling and refining of the materials used.

With regard to the development of innovative cells and modules, especially for automotive and traction applications, Endurance is active on a specific project (with a long-term time horizon extending to 2026) that addresses the development of battery housings made from secondary aluminium alloys, which are particularly attractive in view of their reduced carbon footprint.

In the same pan-European context and again under the aegis of the European Commission, the Company has prepared and presented another project, in response to a second European call under the IPCEI system, for the development of battery swapping systems linked the reuse of batteries (with a view to optimising the life cycle of electric traction systems). This second project is currently under evaluation by the DGCOM department within the European Commission in Brussels.

In addition to the main projects described above, corporate departments have also progressed other product and process development activities, which have pursued the following main directions:

- Full activation of the Technical Office following its reorganisation, by:
    - definition of the integration logic at Group level with Endurance Castings S.p.A. (resulting in the joint industrialisation of several new products);
    - completion of the induction and training plan for new personnel.

- The principal activities carried out in the mechanical processing area included:
  - Installation and commissioning of the third automated processing line for the VW-ZSB Zylinderkopfhaube EA211 EVO upper cylinder head, including readying for reconversion to the “ACT Plus” version, which will be acquired in future years;
  - Start of feasibility analyses regarding the recovery and reconversion of workstations for the re-engineering of new production, with the completion of plant layout changes that rationalise activities ahead of the addition of production capacity to service the new contracts acquired;
  - Further optimisation of the industrial washing system (to ensure the required cleanliness of strategic products, such as upper cylinder heads for new generation, endothermic engines);
  - Implementation of innovative technical solutions (use of PCD tools, removal of trimmings integrated within washing systems) on high-capacity processing lines;
  - Completion of relevant validation work on *Near Net Shape* components (demo tappet covers – in the context of the ICARO project) and of co-design work with strategic customers (BMW) ahead of the assignment of business for the new EV platform.

- The principal projects in the diecasting area included:
  - Consolidation and structural adoption in all technical reviews of the product development methodology devised (preliminary feasibility, equipment lay-out, detailed demoulding analysis, simulation of filling and solidification, definition of oversize).
  - Involvement of technical department personnel from Endurance Castings S.p.A. in the product development process, with the making of valid contributions; this level of integration also made it possible to complete the production of samples and final adjustment of dies at the Bione plant (BS), confirming the increase in operational synergies released;
  - Successful development of a technique for the laser marking of castings (to guarantee the full traceability of each item produced) directly at the diecasting station; this implementation represents an important step towards satisfying the product/process requirements of customers.

Working together with affiliates and third-party partners, diecasting equipment was designed and made, with related sample production at various customer sites, for 14 new products.
Industrialisation work for the products mentioned above was started/completed, including additional items for CNHI and FCA.

Lastly, with reference to the supply of unfinished products to customers, equipment was also designed and made, together with the production of samples, for FCA.

The Endurance Group is implementing a worldwide process of technological integration process, in order to strengthen collaboration among the various technical organisations within the Group. In this context, a technical cross-fertilisation process was implemented during the year, with reciprocal support activities involving Endurance Technologies (India) and affiliates around the world.

Pursuant and consequent to para. 3.1 of art. 2428 of the Italian Civil Code, we certify - with reference to the described R&D activities applied to products and the production process - that costs totalling about € 2.5 million were recorded during the year, as regards in particular:

- the payroll costs of the technical and production support personnel involved during the year in product and process development work (totalling about € 1.4 million);
- the purchase costs of materials and equipment dedicated to development projects, the depreciation of dedicated plant and machinery, and specific consultancy costs totalling € 0.5 million - already specifically reported on an accruals basis up to 31 December 2019 - incurred on the funded projects described, plus (in the context of subsequent specific reports) the cost of additional activities carried out up to 31 March 2020, totalling about € 0.6 million.

With reference to the various R&D activities mentioned, the Company has benefited from the tax credits envisaged pursuant to art. 1.70.d) of Law 145/2018 (2019 Budget Law). During the year, the Company recognised income of this nature (in relation to costs incurred during 2018/2019 and certified in the year just ended) totalling € 678 thousand.

## Transactions with subsidiaries, associates, parent companies and fellow subsidiaries

With regard to the provisions of paragraph 3.2 of art. 2428 of the Italian Civil Code, we can confirm that the Company does not have any controlling equity investments and, accordingly, has not entered into any transactions with subsidiaries.
As required by OIC 12.130 and art. 2427, para. 1, point 22-bis of the Italian Civil Code, it is confirmed that relations with related parties comprise transactions with the parent company and its subsidiaries (together referred to as "affiliates"), as summarised below:

### Receivables from affiliates classified as fixed assets

| Description | FY 2020 | FY 2019 | Change |
|---|---|---|---|
| from parent companies | 3,000,000 | 3,000,000 | - |
| *Total* | *3,000,000* | *3,000,000* | - |

The amounts receivable from parent companies that are classified as financial fixed assets at 31 March 2020 relate to the loan granted to Endurance Overseas S.r.l. by Endurance S.p.A. in prior years, as part of action to improve the financial structure of the group.

### Receivables from affiliates classified as current assets

| Description | FY 2020 | FY 2019 | Change |
|---|---|---|---|
| from parent companies | 3,736,198 | 345,774 | 3,390,424 |
| from fellow subsidiaries | 54,295 | 2,196,900 | 2,142,605- |
| *Total* | *3,790,493* | *2,542,674* | *1,247,819* |

The amounts receivable from the parent company (€ 3,736,198) comprise guarantee deposits of € 639,000, trade receivables of € 67,882 and the credit due for the excess advance IRES paid with respect to the actual tax liability, in application of the group tax arrangements pursuant to arts. 117-129 of the Consolidated Income Tax Act.

The amounts due from fellow subsidiaries comprise trade receivables due from Endurance Castings S.p.A. (€ 53,038) and Endurance Engineering S.r.l. (both direct subsidiaries of Endurance Overseas S.r.l.)

| Description | FY 2020 | FY 2019 | Change |
|---|---|---|---|
| treasury management assets | 15,727,153 | 12,458,306 | 3,268,847 |
| *Total* | *15,727,153* | *12,458,306* | *3,268,847* |

This balance represents the amounts due from Endurance Overseas S.r.l. under the agreed cash pooling arrangements managed by it.

### Payables due to and loans from affiliates

| Description | FY 2020 | FY 2019 | Change |
|---|---|---|---|
| payables due to parent companies | 1,542,458 | 1,896,580 | 354,122- |
| payables due to fellow subsidiaries | 2,480,420 | 1,578,646 | 901,774 |
| *Total* | *4,022,878* | *3,475,226* | *547,652* |

Payables due to parent companies total € 1,542,458 and mainly relate to administrative, financial services and support provided by the parent company Endurance Overseas S.r.l. to Group companies (based on specific service agreements), which have been entered into on an arm's length basis.

Payables due to fellow subsidiaries include trade payables to Endurance Castings S.p.A. (€ 2,015,077) and to Endurance Engineering S.r.l. (€ 465,343).

Trade payables at 31 March 2020 include € 49,535 due to Endurance Technologies Limited, which carries out management and coordination activities.

## Treasury shares

Pursuant to Arts. 2435-bis and 2428 of the Italian Civil Code, we can confirm that the Company did not hold any treasury shares at the year end.

## Shares/quotas in the parent company

In accordance with paragraphs 3.3 and 3.4 of Art. 2428 and Art. 2435-bis of the Italian Civil Code, we can confirm that the Company did not hold any shares or quotas in the parent company during the year.

## Business outlook

The outlook for the future is strongly conditioned by and dependent on the continuing effects of the Covid-19 epidemic. If herd immunity is steadily acquired, if the required precautions are observed or if remedies, including drugs, are found that can prevent or contain new waves of contagion, the situation should gradually return to normal leaving, in all cases, an adverse effect on the global production and sale of vehicles that IHS MARKIT estimates at -23%.

The total shutdown in April and the extremely limited activity in early May (with differences between countries, which reacted differently to the pandemic) caused economies worldwide to plunge into a deep recession, with an explosion of unemployment. The actions taken by governments to support the income of consumers and those taken by central banks to provide economic systems with liquidity have helped to mitigate the adverse effects and prevent an economic collapse but, to date, they have not helped to restore consumer confidence given a natural concern for the future.

Should further, widespread contagion return at the levels already experienced, the effects would be predictable at an overall macroeconomic level, but unimaginable at a micro level due to the many variables that must be considered.

Given the extreme uncertainty that characterises this difficult time, not least due to the presence of variables that are beyond the control of the Company, and others too, the approach taken is to adopt all possible solutions that contain costs and ensure the flexibility of production resources in response to changing market demands.

The sound financial position of the Company and the Endurance Group as a whole should, considering the liquidity available, enable the Company to cope for many months, and certainly the next 12, with the most adverse conditions that may persist or return due to the healthcare emergency. At time of preparing these financial statements, the Company has not made recourse to moratoria, deferrals or any of the other solutions made available to assist liquidity, as the available cash balances are sufficient considering the routine support provided by financial partners.

The scheduled investment programmes will continue, with implementations in accordance with customer needs. Even greater attention will be paid to the optimisation and industrial rationalisation of current production, considering that - in periods conditioned by exceptional circumstances - the programmes of customers may be delayed (even significantly) with respect to their initial plans.

The coming year will therefore be extremely difficult for the Company and all personnel, but the action taken and to be taken should ensure that positive results are achieved, in the absence of further serious external shocks.

## The use of financial instruments that should be taken into account when assessing the results and financial position

Pursuant and consequent to paragraph 3.6-bis of art. 2428 of the Italian Civil Code, we can confirm that the Company has a policy in place to hedge the interest-rate risks relating to medium-term loans by arranging two IRS contracts and two CAP contracts in relation to some of these loans. The fair value of these hedging instruments is disclosed in the explanatory notes.

## Secondary locations

In compliance with the provisions of art. 2428 of the Italian Civil Code, it should be noted that at 31/03/2018, following the merger, the Company has confirmed Via Regione Pozzo 26, Chivasso (TO) as its head office, as well as the following secondary offices:

| Address | Location |
|---|---|
| VIA DEL BOSCHETTO 2/39 | LOMBARDORE |
| VIA F.LLI BONAUDO 11 | CHIVASSO |
| VIA MORANDI 9 | GRUGLIASCO |

# Conclusion

In light of the above considerations and the information given in the notes, we invite you:

- to approve the financial statements for the year ended 31/03/2020 together with the explanatory notes and this report on operations that accompany them;
- to allocate the result for the year in accordance with the proposal made in the explanatory notes.

Chivasso, 29/05/2020

For the Board of Directors
The Managing Director

Samuele Gabutto

**General information on the company**

Company data

| | |
|---|---|
| Name: | ENDURANCE SPA |
| Registered office: | VIA REGIONE POZZO 26 CHIVASSO (TURIN) |
| Share capital: | 5,000,000.00 |
| Share capital fully paid in: | yes |
| Chamber of Commerce: | TO |
| VAT Number: | 01782370017 |
| Tax code: | 01782370017 |
| REA Number: | 518048 |
| Legal form: | JOINT-STOCK COMPANY |
| Core business (ATECO): | 256200 |
| Company in liquidation: | no |
| Company with sole shareholder: | yes |
| Company subject to management control and coordination activities: | yes |
| Name of the company or entity that exercises management and coordination activities: | ENDURANCE TECHNOLOGIES LIMITED |
| Belonging to a Group: | yes |
| Name of the parent company: | ENDURANCE OVERSEAS SRL |
| Country of the parent company: | ITALY |
| Cooperatives register number: | |

# Financial statements at 31/03/2020

## Balance sheet

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| **Assets** | | |
| **B) Fixed assets** | | |
| I - Intangible assets | - | - |
| 2) development costs | 401,506 | 1,338,354 |
| 3) industrial patent rights and intellectual property rights | 108,655 | 117,434 |
| 7) other | 322,099 | 546,901 |
| *Total intangible assets* | *832,260* | *2,002,689* |
| II - Tangible fixed assets | - | - |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| 1) land and buildings | 7,410,262 | 7,646,694 |
| 2) plant and machinery | 52,027,771 | 45,177,621 |
| 3) industrial and commercial equipment | 1,446,891 | 1,608,014 |
| 4) other assets | 351,175 | 343,464 |
| 5) assets under construction and advance payments | 1,324,428 | 7,989,087 |
| *Total tangible fixed assets* | *62,560,527* | *62,764,880* |
| III - Financial fixed assets | - | - |
| 1) equity investments in | - | - |
| d-bis) other companies | 284 | 284 |
| *Total equity investments* | *284* | *284* |
| 2) receivables | - | - |
| c) from parent companies | 3,000,000 | 3,000,000 |
| due within one year | 3,000,000 | 3,000,000 |
| *Total receivables* | *3,000,000* | *3,000,000* |
| *Total financial fixed assets* | *3,000,284* | *3,000,284* |
| *Total fixed assets (B)* | *66,393,071* | *67,767,853* |
| **C) Current assets** | | |
| I - Inventories | - | - |
| 1) raw materials, ancillary materials and consumables | 6,128,258 | 5,641,882 |
| 2) work in process and semi-finished products | 8,203,513 | 8,090,173 |
| 4) finished products and goods | 7,135,736 | 6,068,358 |
| 5) advances | 24,771 | 23,593 |
| *Total inventories* | *21,492,278* | *19,824,006* |
| II - Receivables | - | - |
| 1) from customers | 13,978,500 | 17,131,231 |
| due within one year | 13,978,500 | 17,131,231 |
| 4) from parent companies | 3,736,198 | 345,774 |
| due within one year | 3,097,198 | 18,774 |
| due beyond one year | 639,000 | 327,000 |
| 5) from fellow subsidiaries | 54,295 | 2,186,957 |
| due within one year | 54,295 | 2,186,957 |
| 5-bis) tax receivables | 1,599,061 | 1,601,375 |
| due within one year | 1,599,061 | 1,601,375 |
| 5-ter) deferred tax assets | 4,205,005 | 3,646,983 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| 5-quarter) due from others | 359,420 | 413,533 |
| due within one year | 359,420 | 413,533 |
| *Total receivables* | *23,932,479* | *25,325,853* |
| III - Current financial assets | - | - |
| 6) other securities | 14,297,153 | - |
| treasury management assets | 15,727,153 | 12,458,306 |
| *Total current financial assets* | *30,024,306* | *12,458,306* |
| IV - Cash and cash equivalents | - | - |
| 1) bank and postal deposits | 23,030,603 | 38,649,716 |
| 3) cash on hand | 3,625 | 3,164 |
| *Total cash and cash equivalents* | *23,034,228* | *38,652,880* |
| *Total current assets (C)* | *98,483,291* | *96,261,045* |
| **D) Prepaid expenses and accrued income** | **335,897** | **675,705** |
| *Total assets* | *165,212,259* | *164,704,603* |
| **Liabilities and shareholder's equity** | | |
| **A) Shareholder's equity** | **63,377,799** | **54,738,436** |
| I - Share capital | 5,000,000 | 5,000,000 |
| III - Revaluation reserves | 2,481,666 | 2,481,666 |
| IV - Legal reserve | 1,000,000 | 797,920 |
| VI - Other distinctly indicated reserves | - | - |
| Extraordinary reserve | 4,962,658 | 4,962,658 |
| Other reserves | 21,900,492 | 21,900,492 |
| *Total other reserves* | *26,863,150* | *26,863,150* |
| VIII - Retained earnings (accumulated losses) | 15,393,620 | 7,670,030 |
| IX - Net income (loss) for the year | 12,639,363 | 11,925,670 |
| Total shareholder's equity | 63,377,799 | 54,738,436 |
| **B) Provision for risks and charges** | | |
| 3) derivative financial instruments | 18,748 | 7,548 |
| 4) other | 3,921,828 | 3,921,828 |
| *Total provisions for risks and charges* | *3,940,576* | *3,929,376* |
| **C) Employee termination indemnities** | **1,878,585** | **1,835,814** |
| **D) Payables** | | |
| 4) due to banks | 39,577,247 | 38,401,892 |
| due within one year | 14,164,821 | 13,976,090 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| due beyond one year | 25,412,426 | 24,425,802 |
| 7) trade payables | 44,526,765 | 53,771,317 |
| due within one year | 44,526,765 | 53,771,317 |
| 11) due to parent companies | 1,542,458 | 1,896,580 |
| due within one year | 1,542,458 | 1,896,580 |
| 11-bis) due to fellow subsidiaries | 2,480,420 | 1,578,646 |
| due within one year | 2,480,420 | 1,578,646 |
| 12) taxation payable | 240,516 | 494,622 |
| due within one year | 240,516 | 494,622 |
| 13) due to pension and social security institutions | 1,508,915 | 1,682,164 |
| due within one year | 1,508,915 | 1,682,164 |
| 14) other payables | 5,298,111 | 4,924,305 |
| due within one year | 5,241,861 | 4,868,055 |
| due beyond one year | 56,250 | 56,250 |
| *Total payables* | *95,174,432* | *102,749,526* |
| **E) Accrued expenses and deferred income** | **840,867** | **1,451,451** |
| *Total liabilities and shareholder's equity* | *165,212,259* | *164,704,603* |

# Income statement

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| **A) Value of production** | | |
| 1) revenues from sales of goods and services | 170,531,147 | 195,933,588 |
| 2) change in inventories of work in progress, semi-finished and finished products | 1,180,719 | (3,465,537) |
| 4) increases in non-current assets from in-house production | 141,015 | 80,304 |
| 5) other income and revenues | - | - |
| operating grants | 1,433,710 | 980,323 |
| other | 1,840,259 | 2,508,215 |
| *Total other income and revenues* | *3,273,969* | *3,488,538* |
| *Total value of production* | *175,126,850* | *196,036,893* |
| **B) Cost of production** | | |
| 6) raw and ancillary materials, consumables and goods for resale | 79,173,166 | 97,543,193 |
| 7) services | 32,194,123 | 28,926,339 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| 8) lease and rental charges | 4,735,467 | 4,948,904 |
| 9) payroll | - | - |
| a) wages and salaries | 18,807,830 | 18,829,335 |
| b) social contributions | 5,172,181 | 5,086,065 |
| c) termination indemnities | 813,303 | 931,477 |
| e) other costs | 354,181 | 251,344 |
| *Total payroll costs* | *25,147,495* | *25,098,221* |
| 10) depreciation, amortisation and writedowns | - | - |
| a) amortisation of intangible fixed assets | 1,299,098 | 917,057 |
| b) depreciation of tangible fixed assets | 17,060,166 | 16,296,753 |
| d) writedowns of current receivables and liquid funds | - | 136,522 |
| *Total depreciation, amortisation and writedowns* | *18,359,264* | *17,350,332* |
| 11) change in inventory of raw and ancillary materials, consumables and goods | (486,376) | 278,981 |
| 12) provisions for risks and charges | - | 3,500,000 |
| 14) other operating expenses | 1,780,499 | 2,188,035 |
| *Total cost of production* | *160,903,638* | *179,834,005* |
| **Difference between production value and cost (A - B)** | **14,223,212** | **16,202,888** |
| **C) Financial income and charges** | | |
| 16) other financial income | - | - |
| d) income other than the above | - | - |
| from parent companies | 63,754 | 65,449 |
| other | 127,787 | 37,343 |
| *Total income other than the above* | *191,541* | *102,792* |
| *Total other financial income* | *191,541* | *102,792* |
| 17) interest and other financial charges | - | - |
| other | 399,843 | 494,791 |
| *Total interest and other financial charges* | *399,843* | *494,791* |
| 17-bis) exchange gains and losses | 88,364 | (11,560) |
| *Total financial income and charges (15+16-17+-17-bis)* | *(119,938)* | *(403,559)* |
| **D) Adjustments to financial assets and liabilities** | | |
| 19) writedowns | - | - |
| c) current financial assets excluding equity investments | 27,922 | - |
| d) of financial derivatives | 11,200 | 3,341 |
| *Total writedowns* | *39,122* | *3,341* |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| *Total adjustments to financial assets and liabilities (18-19)* | *(39,122)* | *(3,341)* |
| **Result before taxes (A-B+-C+-D)** | **14,064,152** | **15,795,988** |
| **20) Income taxes for the year, current and deferred** | | |
| current taxation | 1,982,811 | 5,450,264 |
| deferred taxation | (558,022) | (1,579,946) |
| *Total income taxes for the year, current and deferred* | *1,424,789* | *3,870,318* |
| **21) Net income (loss) for the year** | **12,639,363** | **11,925,670** |

# Statement of cash flow (indirect method)

| | Amount at 31/03/2020 | Amount at 31/03/2019 |
|---|---|---|
| **A) Cash flows from operating activities (indirect method)** | | |
| Net income (loss) for the year | 12,639,363 | 11,925,670 |
| Taxation | 1,424,789 | 3,870,318 |
| Interest expense/(interest income) | 119,938 | 403,559 |
| (Gains)/losses from disposal of assets | (1,054) | 13 |
| *1) Income (loss) for the year before income taxes, interest, dividends and gains/losses from disposals* | *14,183,036* | *16,199,560* |
| Adjustments for non-cash items that had no counterpart in net working capital | | |
| Provisions | 1,234 | 3,742,035 |
| Depreciation and amortisation of fixed assets | 18,359,264 | 17,213,810 |
| Adjustments to financial assets and liabilities of financial derivatives that do not involve monetary movements | 39,122 | |
| *Total adjustments for non-cash items that had no counterpart in net working capital* | *18,399,620* | *20,955,845* |
| *2) Cash flow before changes in net working capital* | *32,582,656* | *37,155,405* |
| Change in net working capital | | |
| Decrease/(Increase) in inventory | (1,668,272) | 4,836,194 |
| Decrease/(Increase) in trade receivables | 4,062,184 | 7,948,470 |
| Increase/(Decrease) in trade payables | (8,696,900) | (788,437) |
| Decrease/(Increase) in prepaid expenses and accrued income | 339,808 | 388,475 |
| Increase/(Decrease) in accrued expenses and deferred income | (618,246) | (651,852) |
| Other decreases/(Other Increases) in net working capital | 484,303 | (35,800) |
| *Total changes in net working capital* | *(6,097,123)* | *11,697,050* |
| *3) Cash flow after changes in net working capital* | *26,485,533* | *48,852,455* |
| Other adjustments | | |
| Interest collected/(paid) | (112,276) | (388,071) |
| (Income taxes paid) | (4,631,420) | (3,784,983) |
| (Use of provisions) | 41,537 | (131,714) |
| *Total other adjustments* | *(4,702,159)* | *(4,304,768)* |
| ***Cash flow from operating activities (A)*** | ***21,783,374*** | ***44,547,687*** |
| **B) Cash flows from investing activities** | | |
| Tangible fixed assets | | |

| | Amount at 31/03/2020 | Amount at 31/03/2019 |
|---|---|---|
| (Investments) | (18,075,728) | (30,828,741) |
| Disposals | 1,220,938 | 2,796,392 |
| Intangible assets | | |
| (Investments) | (128,669) | (234,867) |
| Financial fixed assets | | |
| Disposals | | 2,000,000 |
| Current financial assets | | |
| (Investments) | (14,325,075) | |
| ***Cash flow from investing activities (B)*** | ***(31,308,534)*** | ***(26,267,216)*** |
| **C) Cash flows from financing activities** | | |
| Third-party funds | | |
| Increase/(Decrease) in current bank loans | (3,268,847) | (7,392,238) |
| New loans | 14,957,500 | 17,950,000 |
| (Repayment of loans) | (13,782,145) | (14,988,797) |
| Own funds | | |
| (Dividends and interim dividends paid) | (4,000,000) | (4,000,000) |
| ***Cash flow from financing activities (C)*** | ***(6,093,492)*** | ***(8,431,035)*** |
| ***Increase (decrease) in cash and cash equivalents (A ± B ± C)*** | ***(15,618,652)*** | ***9,849,436*** |
| Cash and cash equivalents at the beginning of the year | | |
| Bank and postal deposits | 38,649,716 | 28,802,878 |
| Cash on hand | 3,164 | 566 |
| Total cash and cash equivalents at the beginning of the year | 38,652,880 | 28,803,444 |
| Cash and cash equivalents at the end of the year | | |
| Bank and postal deposits | 23,030,603 | 38,649,716 |
| Cash on hand | 3,625 | 3,164 |
| Total cash and cash equivalents at the end of the year | 23,034,228 | 38,652,880 |
| Balancing difference | | |

# Information on the statement of cash flows

The statement of cash flows during the year is presented on a comparative basis in accordance with OIC 10. This statement was prepared using the indirect method, in order to identify the sources and applications of funds deriving from operating, financing and investing activities.

Note that the item "Increase (decrease) in short-term due to banks" includes the change in the positive balance of the cash pooling accounts managed by Endurance Overseas S.r.l. (with a total increase of € 3,268,847 during the year).

# Explanatory notes, first part

To the Shareholder,
These explanatory notes are an integral part of the financial statements for the year ended 31/03/2020.

The financial statements submitted for your approval report net income of € 12,639,363, after taxes of € 1,424,789 and depreciation and amortisation of € 18,359,264.

## Basis of preparation

### Form and content of the financial statements

The financial statements at 31 March 2020 have been prepared in compliance with the Italian Civil Code, as interpreted and supplemented by the accounting standards issued by the OIC (Italian Accounting Board) and, if these are unavailable and to the extent not in conflict with Italian Accounting Standards, by those issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a going concern basis, as there are no significant uncertainties in this regard.

Macroeconomic stability was affected during the last quarter of the financial year by the Covid-19 (a.k.a. Coronavirus) pandemic, which was initially concentrated in the Asian markets before spreading to other geographical areas, including Europe and Italy in particular, from the end of February 2020.

Despite the timely steps taken to mitigate the situation, the healthcare emergency caused by the spread of the pandemic has had and continues to have a significant effect on the routine conduct of productive activities by the Company (not least their mandatory suspension in accordance with specific legislation for more than one month, starting from the last few days of the year ended 31/03/2020).

This factor is likely to have a significant adverse impact on the recovery prospects of the principal global economies, influencing the general macroeconomic situation and the various markets, including those served by the Company.

However, despite the expected effects of the reduction in business volume linked to the slow economic recovery, there are no current indications to suggest that the ability of the business to continue operating over the next 12 months has been compromised. This assessment considers, in particular, the liquidity available to the Company and its access to the capital markets, as well as the steps taken to contain operating costs at a level consistent with the sales volumes estimated in the latest forecasts.

The financial statements comprise the balance sheet, the income statement, the statement of cash flows (prepared in conformity with the respective requirements of arts. 2424 and 2424 bis of the Italian Civil Code (c.c.), arts. 2425 and 2425 bis c.c. and art. 2425 ter c.c.) and these explanatory notes.

The balance sheet, the income statement, the statement of cash flows and the accounting disclosures contained in these explanatory notes agree with the books of account, from which they have been directly prepared. The items preceded by Arabic numerals in the balance sheet and income statement have not been grouped together, which is optional under art. 2423 ter of the civil code.

The measurement criteria adopted for the various items comply with those specified in art. 2426 c.c. and the relevant accounting standards. The financial statements have been prepared on a consistent basis with the accounting policies applied the previous year.

The financial statement items are stated in accordance with the prudence concept and on a going concern basis. Pursuant to art. 2423-bis, para. 1, point 1-bis c.c., items are recognised and presented having regard for the substance of the operations or contracts concerned.

Pursuant to art. 2424 of the Civil Code, we can confirm that no balance sheet items have been allocated to more than one balance sheet line. -

In the preparation of the financial statements, income and expenses have been recorded on an accruals basis, regardless of the timing of collection and expenditure. Contingencies and losses relating to the year are recognised, even if they become known after the reporting date.

The purpose of the explanatory notes is to describe, analyse and, in some cases, supplement the data reported on the face of the financial statements. They contain the information required by arts. 2427 and 2427 bis c.c., other provisions of the civil code and other legislation. In addition, they provide all the complementary information deemed necessary in order to present the most transparent and complete view possible, even if such information is not required by specific legislation.

The financial statements comply with the requirements of article 2423 et seq. of the Italian Civil Code and with the Italian accounting standards issued by the OIC (Italian Accounting Board); they have therefore been prepared clearly and give a true and fair view of the Company's financial position and results of operations.

## Basis of preparation

The information contained in this document is presented in the order in which the related components are indicated in the balance sheet and income statement.

With reference to the matter indicated in the introduction to the explanatory notes, we can confirm that, pursuant to paragraph 3 of art. 2423 of the Civil Code, where the information required by legislative provisions is not sufficient to give a true and fair view of the company's situation, supplementary information is provided for this purpose.

No exceptional cases have arisen that have made it necessary to seek exemptions under paragraphs 4 and 5 of art. 2423 and paragraph 2 of art. 2423-bis of the Civil Code.

## Accounting policies

The accounting policies applied for the preparation of these financial statements, described below, take account of the amendments, additions and new provisions included in the civil code by Decree 139/2015, which transposed Directive 34/2013/EU into Italian law. In particular, the domestic accounting standards were reformulated by the OIC in the latest version issued on 22 December 2016, inclusive of the amendments published on 29 December 2017.

The accounting policies applied for the measurement of financial statement items and for their adjustment comply with the provisions of the Italian Civil Code and with the indications included in the Italian accounting standards reformulated by the Italian Accounting Board.

Pursuant to art. 2427 paragraph 1 no. 1 of the Italian Civil Code, we explain the more significant accounting policies applied in compliance with the provisions of art. 2426 of the Italian Civil Code, particularly for those items for which the legislator permits the use of options for measurement and adjustments or for which no specific accounting policy exists.

### Intangible assets

When the established criteria are met, these are recorded at purchase or production cost, inclusive of direct costs and related charges, and amortised systematically each year on a straight-line basis. Intangible assets are recognised with the consent of the Board of Statutory Auditors where prescribed by law.

The book value is stated net of accumulated amortisation and writedowns.

Amortisation is applied as indicated below, in order to allocate the cost incurred over the useful life of the assets:

| Intangible asset items | Amortisation period |
|---|---|
| Start-up and expansion costs | 5 years on a straight-line basis |
| Development costs | 5 years on a straight-line basis |
| Industrial patent rights and intellectual property rights | 3 years on a straight-line basis |
| Concessions, licences, trademarks and similar rights | 10 years on a straight-line basis |

| | |
|---|---|
| Goodwill | 5 years on a straight-line basis |
| Other intangible assets | 5 years on a straight-line basis / based on the duration of the underlying contracts |

In exceptional cases in which the useful lives of development costs cannot be estimated reliably, they are in all cases amortised over a period that does not exceed five years. Until these assets are fully amortised, dividends cannot be distributed unless the remaining available reserves are sufficient to cover the unamortised balance.

Advertising and research costs are expensed in full in the accounting period in which they are incurred.

Goodwill, comprising the extra value recognised on the acquisition of businesses and in relation to other corporate transactions, is amortised over its useful life. If this estimate cannot be made, goodwill is amortised over 10 years. When calculating the useful life of goodwill, set at 5 years, the Company applies all available information to estimate the likely duration of its economic benefits.

Leasehold improvements are capitalised and classified as "other intangible assets" if they cannot be separated from the assets concerned (in which case they are recognised in the relevant category of "tangible fixed assets"). They are amortised systematically over the period they are expected to benefit (prudently set at 5 years) or, if shorter, over the residual duration of the lease after taking account of any renewal period available at the discretion of the Company.

If permanent impairment is identified regardless of the amortisation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs. This reinstatement does not apply to goodwill or the deferred charges referred to in point 5 of art. 2426 c.c.

Pursuant and consequent to art. 10 of Law 72 of 19 March 1983 and subsequent laws on the revaluation of assets, we confirm that the intangible assets reported in the financial statements have never been revalued.

## Tangible fixed assets

These are recorded at purchase or internal construction cost and stated net of the depreciation charged in the current and prior years. Costs comprise related charges and the direct and indirect expenses that can reasonably be allocated to assets during the construction period and until they become available for use. They also include any borrowing costs incurred to finance the construction work (whether internal or carried out by third parties) until the asset becomes available for use, without however exceeding its recoverable value. Tangible fixed assets are only revalued if this is required or allowed by special laws.

Assets purchased in foreign currencies are recorded at cost using the exchange rate in force on the transaction date, or using the lower rate applying on the reporting date if the reduction is deemed to be permanent.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using the following rates:

| Tangible fixed asset items | Depreciation rate |
|---|---|
| Industrial buildings | 3.00% |
| Light constructions | 10.00% |
| General plant | 10.00% |
| Specific machinery / Automatic machines | 15.50% / 17.50% |
| Furnaces and appurtenances | 15.00% |
| Dies and shears | 20.00% |
| Sundry and minor equipment | 25.00% |
| Mechanical equipment | 40.00% |
| Foundry equipment | 40.00% |
| Electronic office machines | 20.00% |
| Ordinary office machines and furniture and furnishings | 12.00% |
| Motor cars | 25.00% |

| | |
|---|---|
| Vehicles and lifting equipment | 20.00% |
| Assets costing less than € 516.46 | 100.00% |

When fixed assets enter into service during the year, their depreciation commences on a time-apportioned basis from the month after the one in which they become available and ready for use in the year of acquisition.

Depreciation is also charged on fixed assets that are temporarily out of use. Land is not depreciated, as its useful life is not finite.

If applicable, buildings held as a financial investment are not depreciated if their residual value is greater than or equal to their net carrying amount.

If permanent impairment is identified regardless of the depreciation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs.

Routine maintenance and repair costs are charged in full to the income statement. Improvement costs are allocated to the fixed assets concerned and depreciated over their residual useful lives.

Costs incurred to expand, modernise or improve the structural elements of a tangible fixed asset are capitalised if they significantly and measurably increase its productive capacity, safety or useful life. If the costs concerned do not have the above effect, they are treated as routine maintenance and charged to the income statement.

Start-up grants are recognised when it becomes reasonably certain that the conditions for their collection will be satisfied and the grants will be paid. They are deducted from cost indirectly, as they are credited to income statement caption A5 "other income and revenues" and then deferred for recognition on an accruals basis via classification as "deferred income".

## Impairment (intangible assets and tangible fixed assets)

At each reporting date, the Company determines if there is any evidence that the value of its tangible and intangible fixed assets might be impaired. If such evidence is found, the Company estimates the recoverable value of each asset concerned and records an impairment writedown if it is lower than the corresponding net carrying amount.

Recoverable value is not determined if there is no evidence of possible impairment.

The recoverable value of tangible and intangible fixed assets is deemed to be their value in use (calculated by discounting their future cash flows) or, if greater, their fair value (being the amount obtainable at the reporting date, based on the best available information, from their sale in an arm's-length transaction between knowledgeable and willing parties, net of the related selling costs).

With regard to the above, the Company has looked for evidence that the value of its tangible and intangible fixed assets might be impaired, but did not find any and, accordingly, has not determined the recoverable value of the above assets.

## Equity investments and securities (classified as financial fixed assets)

The equity investments and debt securities classified as fixed assets will be held by the Company over the long term. Equity investments are measured at cost, as adjusted for any impairment.

The cost recorded in the financial statements is determined with reference to purchase or subscription price, inclusive of related expenses. If lasting impairment is identified, the carrying amount of equity investments is reduced to their recoverable value, which is determined with reference to the future benefits that are expected to accrue to the Company. Should the Company be obliged or intend to cover the (non-permanent) losses incurred by an equity investment, a suitable provision is recorded to cover the liability to which the Company is exposed. If in future years the reasons for the writedown cease to apply, the equity investment is written back to its original carrying amount.

Debt securities are measured using the amortised cost method, being their original carrying amount net of any redemptions of principal, as increased or decreased by the accumulated amortisation, calculated using the effective interest method, of any difference between its initial and maturity values after deducting any impairment (recognised directly or by a provision) following a loss in value; the original carrying amount is represented by purchase or subscription cost, net of any commissions.

## Intercompany loans

Intercompany loans with a duration of more than 12 months are usually governed by contracts arranged on market terms and conditions; interest-free intercompany loans and those arranged at significantly below market rates are recognised initially at the value of the related future cash flows, as discounted using the market rate (being the average funding rate of the Company or the Group). The difference with respect to the liquidity collected by the parent company is credited to shareholder's equity.

## Inventories

Inventories are stated at the lower of purchase and/or production cost and realisable value, based on market prices.

In particular, set out below are details of the specific accounting policies used for the valuation of each inventory category (consistent with those used for the prior year):

- Raw materials: annual weighted average cost (including components purchased from third parties and alloys).
- Work in process (semi-finished products): manufacturing cost based on the stage of completion of the production process, being the cost of production.
- Finished products: manufacturing cost.
- Dies for resale: purchase cost.
- Consumables: purchase cost, inclusive of spare parts.

Purchase cost includes any directly attributable ancillary charges, with the exclusion of borrowing costs. Production cost includes the indirect costs that are reasonably attributable to each asset during the production period until it becomes available for use.

The realisable value of goods, finished products, semi-finished products and work in process inferred from market conditions is deemed to be their net realisable value. Raw and ancillary materials held for the production of finished products are not written down if the finished products in which they will be used are realisable for an amount that is greater than or equal to their production cost.

Inventories are written down when their realisable value estimated with reference to market conditions is lower than their carrying amount. Obsolete and slow-moving inventories are written down with reference to their possible uses or realisable value. If in future years the reasons for any writedown cease to apply, the related inventories are written back to not more than their original cost.

## Receivables

Receivables are stated at amortised cost, having regard for the time factor and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, being when the transaction costs, the commissions paid between the parties and all other difference between initial value and maturity value are immaterial or when the receivables are recoverable in the short term (within 12 months).

Trade receivables due beyond 12 months at the time of initial recognition, without the payment of interest or with interest that differs significantly from market rates, and the related revenues are recognised initially at the value of their future cash flows discounted using the market rate (being that applied by two independent parties when negotiating a loan transaction with similar terms and conditions). The difference between the amount of the receivable recognised initially and its maturity value is recognised as financial income in the income statement over the duration of the receivable, using the effective interest method.

The amount of receivables, as determined above, is adjusted when necessary by a specific allowance for doubtful accounts, which is deducted directly from their gross amount in order to report them at their estimated realisable value. The provision (which takes account of collection losses, returns and invoicing adjustments, discounts and allowances, interest not yet earned and other reasons for reduced recoverability) is charged to the income statement.

Receivables assigned to factors are only derecognised if they are sold without recourse and essentially all the related risks are transferred (the difference between the consideration received on the assignment and the carrying amount of the receivable is recognised in income statement caption C17). If the assignment does not involve derecognition (for example, assignment with recourse), since not all the related risks are transferred, the receivable continues to be reported in the balance sheet and is measured in the manner described above. If advance consideration is received from the assignee, the amount is recognised as a financial payable.

Receivables in the form of RiBa's (bank collection notices) that have not been assigned remain classified as receivables until final collection of the amounts concerned.

Receivables deriving from centralised treasury management activities are classified separately within current assets, if recoverable in the short term. If this is not the case, they are classified as financial fixed assets.

## Equity investments and securities not held as fixed assets

This caption comprises the equity investments and debt securities that will not be held over the long term by the Company. They are recorded at specific cost or, if lower, at their market value that, for listed investments, is determined with reference to their market price on the reporting date.

These equity investments are written down to their realisable value case by case, rather than on an overall basis. If the reasons for any adjustments cease to apply, in whole or in part, the adjustments are reversed with exceeding original cost.

## Cash and cash equivalents

Cash and cash equivalents at the reporting date are measured at their nominal value. Amounts denominated in foreign currencies are measured using the closing exchange rates.

## Accruals and deferrals

Accruals and deferrals comprise costs and revenues relating to the year that will be formally recorded in future years, and costs and revenues recorded by the reporting date that relate to future years. The related amounts are determined on a time-apportioned basis.

## Provisions for risks and charges

The provisions for risks and charges cover known or likely losses or liabilities, the timing or extent of which cannot be determined at the reporting date. These provisions, including those for deferred tax liabilities, which are classified in this caption, reflect the best possible estimates based on the information available. Risk that only might give rise to a liability are described in the notes on the provisions, without actually recording a provision. As required by OIC 31, new provisions for risks and charges are, where possible, classified in the relevant income statement classes (B, C or D). Whenever it is not possible to correlate a new provision with a caption in one of the above classes, it is classified in income statement caption B12 or B13.

## Employee termination indemnities

Employee termination indemnities represent the total amount that would have been payable to all employees had they terminated their employment on the reporting date. The charge for the year, comprising the new provision and the revaluation of the accumulated provision (based on the change in the relevant ISTAT index), is determined in accordance with current regulations, having regard for the specific employment contracts and the professional categories concerned. Employee termination indemnities are classified in liability caption C, while the provision for the year is classified in income statement caption B9.

The changes made to the regulations governing termination indemnities by Law 296 dated 27 December 2006 (2007 Finance Law) and subsequent decrees and enabling regulations, amended the accounting for the indemnities earned by 31 December 2006 and those earned from 1 January 2007. In particular, following creation of the INPS Treasury Fund to manage the termination indemnities of private sector employees pursuant to article 2120 of the Civil Code, employers with more than 50 employees are obliged to pay the new provisions relating to them into the Treasury Fund, unless the persons concerned have specifically opted for their indemnities to be paid to a supplementary pension fund. The employee termination indemnities reported in the balance sheet are therefore stated net of the amounts paid to the INPS Treasury Fund.

## Payables

Payables are stated at amortised cost, as defined in art. 2426, para. 2 c.c., having regard for the time factor envisaged in art. 2426, para. 1, point 8 c.c.. Payables are however stated at their nominal amount if application of the amortised cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations. This situation arises in the case of payables due within twelve months or, with regard to the amortised cost method, if the transaction costs, commissions and all other differences between the initial value and the maturity value are insignificant or, again, with regard to the discounting method, if the interest rate inherent in the contractual conditions is not significantly different to the market rate of interest.

The amounts due to employees for untaken holidays and deferred payroll, including the related social security contributions, are accrued with reference to the amount that would have been payable had their employment ceased on the reporting date.

## Finance leases

Finance leases are recognised using the payments method, by charging the instalments paid to the income statement on an accruals basis. A specific section of these explanatory notes contains the supplementary information required by the law on the effect of recognising these contracts using finance lease methodology.

## Derivative financial instruments

Derivative financial instruments consist of financial assets and liabilities measured at fair value.

They are only classified as hedging instruments when, at the time of arrangement, there is a strict, documented correlation between the characteristics of the hedged item and those of the hedging instrument, and that hedging relationship is both formally documented and, based on periodic checks, highly effective.

When derivatives hedge the risk of changes in the fair value of the hedged instruments (fair value hedges), they are measured at fair value through profit or loss; for consistency, the carrying amounts of the hedged items are adjusted to reflect the changes in fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the future cash flows generated by the hedged instruments (cash flow hedges), the effective portion of the profit or loss on the derivative is deferred to shareholder's equity. The ineffective portion of the profits and losses associated with a hedge is recognised in the income statement. On completion of the transaction, the accumulated profits and losses, previously deferred to shareholder's equity, are released to the income statement (to adjust the income statement items affected by the hedged cash flows).

When hedge accounting is used, the changes in the related fair value of the hedging derivatives are recognised:

- in income statement captions D18 or D19, in the case of a fair value hedge of a reported asset or liability, together with the changes in the fair value of the hedged items (if the change in the fair value of the hedged item is greater in absolute terms than the change in the fair value of the hedging instrument, the difference is recognised in the income statement caption affected by the hedged item);
- in a specific equity reserve (caption AVII "Reserve for cash flow hedges") in a manner that offset the effects of the hedged flows (the ineffective portion, like the change in the time value of options and forwards, is classified in captions D18 and D19).

The changes in the fair value of financial instruments that are classified as trading derivatives, either because they do not qualify for treatment as hedging derivatives or because they were not designated as hedges, even though they were arranged operationally to hedge the risk of changes in interest rates and/or exchange rates and/or commodity prices, are recorded in the balance sheet and recognised in income statement captions D18 or D19.

Any derivatives embedded in other financial instruments must also be measured at fair value. In particular, embedded instruments are only separated from the primary contract and recognised as derivative financial instruments if, and only if:

a) the economic characteristics and risks of the embedded derivative are not closely correlated with the economic characteristics and risks of the primary contract. Close correlation exists if hybrid contracts are arranged in accordance with market practice;
b) all the elements included in the definition of a derivative financial instrument specified in OIC 32.11 are satisfied.

## Revenues

Revenues from the sale of goods are recognised when ownership passes in substance, rather than in formal terms, being when the related risks and benefits are transferred (which in practice coincides with the time of delivery or shipment of the goods).

Revenues from the sale of products and goods or the provision of services relating to core operations (including income from the sale of production machinery and equipment, if envisaged under contractual agreements with customers) are recognised net of returns, discounts, allowances and rebates, as well as the taxes directly associated with the sale of products and the provision of services.

Revenues from services are recognised upon completion and/or when earned.

Transactions with related parties take place on normal market terms and conditions.

## Costs

Costs stated net of returns, discounts, allowances and rebates are recognised on an accruals basis in accordance with the matching principle, regardless of the date of collection or payment. Compliance with the matching principle requires an estimate to be made of the invoices to be received.

## Dividends

Dividends are recognised in the year in which they are declared by the shareholder's meeting. Dividends are recognised as financial income, regardless of the nature of the reserves that are distributed.

## Financial income and charges

Financial income and charges are recognised on an accruals basis. Costs relating to the disposal of receivables for whatever reason are charged to the income statement on an accruals basis.

## Taxation

Income taxes are recognised with reference to an estimate of taxable income in compliance with current regulations, having regard for any applicable exemptions and tax credits.

Deferred tax assets and liabilities are calculated on the temporary differences between the reported carrying amount of assets and liabilities and their corresponding values for tax purposes. Their measurement takes account of the tax rates expected to be in force in the year in which such differences contribute to the formation of taxable income, being the rates in force or already communicated at the reporting date (24% for IRES and 3.9% for IRAP). They are classified respectively among the current assets as "deferred tax assets" and among the provisions for risks and charges as "deferred tax liabilities".

In accordance with the concept of prudence, deferred tax assets are recognised on all deductible temporary differences if it is reasonably certain that taxable income in the years in which they reverse will not be less than the amount of the differences to be absorbed.

By contrast, deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax liabilities are not recognised in relation to reserves subject to the deferral of taxation if they are unlikely to be distributed to the shareholder.

As in the past, the Company continues to be a member of the Endurance domestic tax group pursuant to arts. 117/129 of the Consolidated Tax Act (T.U.I.R.) and the renewed contract with the parent company covering the financial year ended on 31/03/2020.

Endurance Overseas S.r.l. is the parent of this tax group and calculates just one taxable income for all member companies, with the benefit that taxable income can be offset against tax losses in a single tax declaration.

All members of the tax group transfer their taxable income (or loss) to the group parent, which records an amount receivable from them for the IRES to be paid (the consolidated companies record an amount payable to the tax group parent). Conversely, the group parent records an amount payable to the companies that transfer tax losses, representing the IRES actually offset at group level (the consolidated companies record an amount receivable from the tax group parent).

### Translation of foreign currency items

Non-monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the exchange rates applying at the time of their acquisition, being their initial recognition cost.

Monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the spot exchange rates applying on the reporting date; the related exchange gains and losses are recognised in the income statement and any net unrealised gains are allocated to a non-distributable reserve until they have been realised.

The company does not have any assets or liabilities denominated in foreign currency at the balance sheet date.

## Other information

#### Repurchase agreements

Pursuant to art. 2427 point 6-ter, the Company confirms that no repurchase agreements were arranged during the year.

# Explanatory notes, assets

The assets recorded in the balance sheet are measured in accordance with art. 2426 c.c. and Italian accounting standards. The specific measurement criteria applied are indicated in the individual notes on each item.

## Fixed assets

### Intangible assets

"Intangible assets" total € 832,260 at 31 March 2020, after charging amortisation of € 1,299,098 to the income statement. They are analysed in detail below.

Development costs include the costs capitalised in relation to an R&D project that carried out between September 2015 and mid 2017. The purpose of this project was to obtain knowledge and innovations deemed essential in the current operational and market conditions, by preparing a pilot production line, the solution of which have been applied in the current production process.

Amortisation of the capitalised costs was commenced in 2016-17, when the project began to generate revenues. Even if the costs incurred subsequently relate to the completion and refinement of the innovative solutions being tested and therefore fall within the scope of research and development costs, they have been charged to the income statement (with the exception of certain costs relating to the completion of activities commissioned to the universities involved in the project, whose costs have been capitalised on the basis of a useful life consistent with the residual life of the overall project, namely 5 years).

Industrial patent rights and intellectual property rights mainly include the residual value of software used for business activities.

Other intangible assets mainly include the non-separable leasehold improvements made to the production facilities at the Chivasso and Lombardore factories, which are used by the Company under rental contracts with Endurance Overseas S.r.l., and the work performed on plant and machinery held by the Company under finance lease contracts. These assets are amortised over their estimated technical useful lives or, if shorter, over the residual duration of the respective rental/lease contracts.

No evidence was found during the year to indicate the possible impairment of intangible assets and, accordingly, no write-downs have been recorded pursuant to art. 2426, para. 1, point 3, of the Italian Civil Code and the requirements of OIC 9. Considering the accelerated receipt of the benefits linked to the capitalisation of development costs, the Company has reduced the expected useful lives of those intangible assets to reflect the revised estimate of the related residual benefits based on the latest information available when preparing the financial statements (with consequent impact on the amortisation charge for the year).

### Movements in intangible assets

Intangible assets are analysed below, together with the related accumulated amortisation and information about the changes that took place during the year:

| | Development costs | Industrial patent rights and intellectual property rights | Goodwill | Other intangible assets | Total intangible assets |
|---|---|---|---|---|---|
| **Balance at the beginning of the year** | | | | | |
| Cost | 2,676,708 | 609,251 | 1,626,472 | 4,250,412 | 9,162,843 |
| Amortisation (Accumulated amortisation) | 1,338,354 | 491,817 | 1,260,516 | 3,703,511 | 6,794,198 |
| Writedowns | - | - | 365,956 | - | 365,956 |
| Carrying amount | 1,338,354 | 117,434 | - | 546,901 | 2,002,689 |
| **Changes during the year** | | | | | |
| Additions | - | 38,110 | - | 90,559 | 128,669 |
| Amortisation for the year | 936,848 | 46,889 | - | 315,361 | 1,299,098 |
| *Total changes* | *(936,848)* | *(8,779)* | - | *(224,802)* | *(1,170,429)* |
| **Carrying amount at the end of the year** | | | | | |
| Cost | 2,676,708 | 647,360 | 1,626,472 | 4,340,971 | 9,291,511 |
| Amortisation (Accumulated amortisation) | 2,275,202 | 538,705 | 1,260,516 | 4,018,872 | 8,093,295 |
| Writedowns | - | - | 365,956 | - | 365,956 |
| Carrying amount | 401,506 | 108,655 | - | 322,099 | 832,260 |

Additions in the year relate in particular to licences, software and leasehold improvements, mainly work on the installations and utility connections at the Lombardore and Chivasso facilities.

## Tangible fixed assets

This category comprises assets that will be employed over the long term, forming part of the permanent organisation of the Company. This statement reflects their intended use by the Company, rather than their intrinsic life. These assets are normally employed in the production of income in the ordinary course of business and, therefore, they are not held for sale or for transformation into the products of the Company.

Gross of the related accumulated depreciation at 31 March 2020, tangible fixed assets total € 162,414,550 after the revaluations - € 445,612 - and writedowns - € 64,000 - recorded in prior years; the related accumulated depreciation totals € 99,854,023, including the depreciation charge for the year of € 17,060,166.

The principal assets in this category comprise land and buildings (net carrying amount of € 7,410,262 at 31 March 2020), including the property owned at the production plants in Grugliasco (TO) and Chivasso (TO), and plant and machinery (net carrying amount of € 52,027,771 at 31 March 2020) used in the Company's production activities. The latter have benefited from major investment, modernisation and automation programmes in recent years with a view to raising the production capacity and competitiveness of the Company.

"Assets under construction and advance payments" (€ 1,324,428 at 31 March 2020) comprise the advances paid to suppliers, mainly for the purchase of plant and machinery, together with the value of assets purchased but not yet approved for inclusion in the production cycle.

### Movements in tangible fixed assets

The following table shows the movements in tangible assets during the year:

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other tangible fixed assets | Assets under construction and advance payments | Total tangible fixed assets |
|---|---|---|---|---|---|---|
| **Balance at the beginning of the year** | | | | | | |
| Cost | 8,648,475 | 109,496,774 | 17,507,890 | 1,819,073 | 7,989,087 | 145,461,299 |
| Revaluations | - | 438,412 | - | 7,200 | - | 445,612 |
| Depreciation (Accumulated depreciation) | 1,001,781 | 64,693,565 | 15,899,876 | 1,482,809 | - | 83,078,031 |
| Writedowns | - | 64,000 | - | - | - | 64,000 |
| Carrying amount | 7,646,694 | 45,177,621 | 1,608,014 | 343,464 | 7,989,087 | 62,764,880 |
| **Changes during the year** | | | | | | |
| Additions | 34,009 | 15,628,276 | 952,706 | 140,559 | - | 16,755,550 |
| Reclassifications (of the carrying amount) | - | 7,984,837 | - | - | (7,984,837) | - |
| Disposals (at carrying amount) | - | 1,027,291 | 192,624 | - | - | 1,219,915 |
| Depreciation for the year | 270,441 | 15,735,672 | 921,205 | 132,848 | - | 17,060,166 |
| *Total changes* | *(236,432)* | *6,850,150* | *(161,123)* | *7,711* | *(7,984,837)* | *(1,524,531)* |
| **Carrying amount at the end of the year** | | | | | | |
| Cost | 8,682,482 | 132,022,715 | 18,052,723 | 1,950,589 | 1,324,428 | 162,032,937 |
| Revaluations | - | 438,412 | - | 7,200 | - | 445,612 |

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other tangible fixed assets | Assets under construction and advance payments | Total tangible fixed assets |
|---|---|---|---|---|---|---|
| Depreciation (Accumulated depreciation) | 1,272,220 | 80,369,356 | 16,605,832 | 1,606,614 | - | 99,854,022 |
| Writedowns | - | 64,000 | - | - | - | 64,000 |
| Carrying amount | 7,410,262 | 52,027,771 | 1,446,891 | 351,175 | 1,324,428 | 62,560,527 |

## Finance leases

Finance leases are recognised in accordance with the Italian tax regulations: this involves charging the lease instalments for the period to the income statement (€ 1,202,016 in 2019/2020). The adoption of finance lease methodology, as required by the international accounting standards, would have involved expensing the interest accrued on the loan principal and the depreciation of the leased assets, as well as capitalising those assets and recognising the residual loan principal as a payable.

Had the Company adopted the above finance lease methodology, the accounting effects would have been as follows:

| | Effects on Shareholder's Equity - Assets | | |
|---|---|---|---|
| **a)** | **Outstanding contracts** | | |
| a.1) | Assets held under finance leases at the end of the previous year | | 3,381,499 |
| | - of which the gross amount | 16,328,366 | |
| | - of which accumulated depreciation | (12,946,867) | |
| a.2) | Assets acquired under finance leases during the year | | - |
| a.3) | Assets held under finance leases redeemed during the year (net carrying amount upon redemption) | | (1,600,000) |
| a.4) | Depreciation charge for the year | | 1,485,771 |
| a.5) | Writedowns/writebacks on assets under finance leases | | - |
| a.6) | Assets under finance leases at the end of the year | | 1,950,535 |
| | - of which the gross amount | 14,728,366 | |
| | - of which accumulated depreciation | (12,777,831) | |
| a.7) | Prepaid instalment interest at the end of the year | | |
| a.8) | Curtailment of prepaid expenses under the balance sheet method | | (109,190) |
| **b)** | **Redeemed assets** | | |
| b.1) | Higher/lower total value of redeemed assets, determined using finance lease methodology, with respect to their carrying amounts at year end | | (677,018) |
| | ***TOTAL [a.6+(a.7-a.8)+b.1]*** | | **1,164,327** |

| | Effects on Shareholder's Equity - Liabilities | | |
|---|---|---|---|
| c) | Implicit payables | | |
| c.1) | Implicit payables for finance leases at the end of the previous year | | 3,451,870 |
| | - of which due within one year | 1,104,842 | |
| | - of which due beyond one and within 5 years | 2,347,028 | |
| | - of which due beyond 5 years | - | |
| c.2) | Implicit payables that arose during the year | | |
| c.3) | Repayment of principal and redemptions during the year | | 1,104,841 |
| c.4) | Implicit liabilities for finance leases at year-end | | 2,347,028 |
| | - of which due within one year | 1,040,297 | |
| | - of which due beyond one and within 5 years | 1,306,731 | |

| | | |
|---|---|---|
| | - of which due beyond 5 years | - |
| c.5) | Accrued instalment interest at the end of the year | - |
| c.6) | Curtailment of accrued expenses under the balance sheet method | - |
| **d)** | **Total gross effect at the end of the year [a.6+(a.7-a.8)+b.1-c.4+(c.5-c.6)]** | **(1,182,700)** |
| e) | Tax effect | 329,973 |
| **f)** | **Effect on Shareholder's Equity at the end of the year (d-e)** | **(852,727)** |

| | **Effects on the Income Statement** | |
|---|---|---|
| **g)** | **Effect on income before taxes (lower/higher costs) (g.1+g.2+g.3+g.4+g.5)** | **(475,860)** |
| g.1) | Reversal of instalments on finance lease transactions | 1,202,016 |
| g.2) | Recognition of financial charges on finance lease transactions | (41,105) |
| g.3) | Recognition of depreciation charges on outstanding contracts | (1,492,447) |
| g.4) | Recognition of depreciation charges on redeemed assets | (144,324) |
| g.5) | Recognition of adjustments/write-backs on leased assets | - |
| **h)** | **Recognition of the tax effect** | 132,765 |
| **i)** | **Net effect on the result for the year of accounting for lease transactions with the finance lease method rather than the balance sheet method actually used (g-h)** | **(343,095)** |

The value of future lease instalments under outstanding lease contracts totals € 2,430,421 at 31 March 2020.

## Financial fixed assets

Financial fixed assets total € 3,000,284 at 31 March 2020 and comprise equity investments, € 284, and amounts due from parent companies, € 3,000,000.

Equity investments comprise:

- € 129 representing shares held in Unionfidi Piemonte S.C.;
- € 155 representing shares held in Confartigianato Fidi Piemonte e Nord Ovest S.C.p.A.

### Changes in and maturity of non-current receivables

Non-current financial receivables represent the residual balance (€ 3,000,000) of the loan granted to Endurance Overseas S.r.l. in prior years, which earns interest at market rates. The Company does not apply the amortised cost method to measure this loan, as the contract was arranged prior to 1 April 2016 and because the effect would be insignificant given the immateriality of the transaction costs and the application of market interest rates.

The following table shows the movements in financial fixed assets during the year

.

| | Balance at the beginning of the year | Carrying amount at the end of the year | Within one year |
|---|---|---|---|
| Receivables due from parent companies | 3,000,000 | 3,000,000 | 3,000,000 |
| **Total** | **3,000,000** | **3,000,000** | **3,000,000** |

## Current assets

Current assets are measured in the manner described in paragraphs 8 to 11-bis of art. 2426 of the Civil Code. The accounting policies applied are explained in the notes on the respective financial statement items.

## Inventories

Inventories amount to € 21,492,278 at 31 March 2020 and are stated net of an allowance for obsolete and slow-moving items totalling € 2,640,112.

Inventories are analysed by type in the following table:.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| raw materials, ancillary materials and consumables | 5,641,882 | 486,376 | 6,128,258 |
| work in process and semi-finished products | 8,090,173 | 113,340 | 8,203,513 |
| finished products and goods | 6,068,358 | 1,067,378 | 7,135,736 |
| advances | 23,593 | 1,178 | 24,771 |
| *Total* | *19,824,006* | *1,668,272* | *21,492,278* |

The increase mainly reflects the slowdown in sales during the final weeks of the year, due to lower volume in the reference market as a result of the spreading pandemic. The situation was further accentuated towards the end of March by the mandatory suspension of productive activities pursuant to the specific lockdown legislation adopted at national level.

## Current receivables

They total € 23,932,479 at 31 March 2020. These receivables are stated at their estimated realisable value as application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations.

### Changes and maturities of current receivables

The following table shows the information related to changes in current receivables and, if material, their due date.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year | Within one year | Beyond one year |
|---|---|---|---|---|---|
| Trade receivables | 17,131,231 | (3,152,731) | 13,978,500 | 13,978,500 | - |
| Receivables due from parent companies | 345,774 | 3,390,424 | 3,736,198 | 3,097,198 | 639,000 |
| Receivables due from fellow subsidiaries | 2,186,957 | (2,132,662) | 54,295 | 54,295 | - |
| Tax receivables | 1,601,375 | (2,314) | 1,599,061 | 1,599,061 | - |
| Deferred tax assets | 3,646,983 | 558,022 | 4,205,005 | - | - |
| Other receivables | 413,533 | (54,113) | 359,420 | 359,420 | - |
| **Total** | **25,325,853** | **(1,393,374)** | **23,932,479** | **19,088,474** | **639,000** |

Trade receivables (€ 13,978,500 al 31 March 2020) decreased over the year by € 3,152,731. This was due to an overall reduction in collection times, linked to the mix of customers served, and to a decline in sales volume, especially in the final months of the year, as a result of the spread of Covid-19. Trade receivables are adjusted to their estimated realisable value by the allowance for doubtful accounts of € 571,757, which did not change during the year.

Receivables due from the parent company (€ 3,736,198) include guarantee deposits of € 639,000, which are recoverable beyond one year. The difference comprises the trade receivables due from Endurance Overseas S.r.l. and the credit for excess income tax advances paid to the parent company during the year under the group tax election made pursuant to arts. 117-129 of the Consolidated Income Tax Act.

Receivables due from fellow subsidiaries comprise trade receivables due from Endurance Castings S.p.A. (€ 53,038) and Endurance Engineering S.r.l. (per € 1.257), both direct subsidiaries of Endurance Overseas S.r.l.

The tax receivables are due from the Italian tax authorities and mainly comprise VAT recoverable (€ 1,340,792) and excess IRAP advances (€ 247,768).

Deferred tax assets amount to € 4,205,005 at 31 March 2020 and mainly relate to differences between the carrying amount of goodwill in the statutory accounts and fiscal accounts, as well as to the deferred deductibility of risk provisions and the different depreciation periods applied to fixed assets for tax purposes with respect to their estimated useful lives. These deferred tax assets have been recognised as they are likely to be recoverable against expected future taxable income, as reflected in management's most recent forecasts. The increase during the year was mainly due to the change in the time horizon considered for the depreciation of operating assets with respect to that recognised for tax purposes.

Other receivables (€ 359,420 al 31 March 2020) include advances to employees (€ 61,292) against the government-assisted lay-off pay due for the final weeks of the financial year, as a result of the mandatory shutdown imposed to contain the Covid-19 emergency, guarantee deposits paid to suppliers (€ 16,305) and various other amounts due.

### Breakdown of current receivables by geographical area

It has not been deemed meaningful to provide a breakdown of receivables by geographical area, on account of the nature of the customers, which are multinationals operating in the automotive industry with legal entities and plants located in various countries. As regards the geographical distribution of the Company's business, please refer to what is stated in relation to sales revenues.

## Current financial assets

### Movements in current financial assets

The movements in current financial assets are analysed in the following table.

| Description | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| other securities | - | 14,297,153 | 14,297,153 |
| treasury management assets | 12,458,306 | 3,268,847 | 15,727,153 |
| *Total* | *12,458,306* | *17,566,000* | *30,024,306* |

Other securities comprise short-term investments held by the Company in order to employ available liquidity: in particular, the balance includes insurance policies (totalling € 3,000,000), units in funds that primarily invest in insurance products (€ 4,959,578), units in funds that invest in secured promissory notes (€ 2,337,575) and units in alternative multi-sector investment funds that focus on asset management (€ 4,000,000). These instruments, acquired during the year, have been written down by € 27,922 at the reporting date to reflect their lower current value with respect to their specific cost. In accordance with the applicable accounting standards, no unrealised gains on these instruments have been recognised.

Pursuant to art. 2423-ter, para. 3, of the Italian Civil Code and after checking the short-term recoverability of treasury management assets pursuant to OIC 14, the Company has classified the related amount due from Endurance Overseas S.r.l. (increased during the year by € 3,268,847), which administers the treasury activities of the Group, in asset caption C.3.7) within “Current financial assets”.

## Cash and cash equivalents

The following table shows the changes in cash and cash equivalents.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| bank and postal deposits | 38,649,716 | (15,619,113) | 23,030,603 |
| cash on hand | 3,164 | 461 | 3,625 |
| *Total* | *38,652,880* | *(15,618,652)* | *23,034,228* |

This item principally comprises the balance on bank current accounts at 31 March 2020.

The reduction should be considered together with the change in “Current financial assets”, which includes the liquidity generated by the Company during the year. The combined increase (€ 1,947,348), despite significant capital investment during the year, confirms that treasury management policy is designed to maintain a high level of liquidity. The objective is to ensure both that the Company maintains the resources needed to support the established growth strategies and, given the expected effects of the economic contraction caused by the pandemic, that the liquidity needed to manage any slowdown in the economic recovery is available.

The above resources were obtained by the Company, in the context of the financial management policies of the Endurance Overseas Group, due to favourable funding conditions in the financial markets - still affected by considerable uncertainties with regard to the direction of interest rates and the continuation of expansionary monetary policies - and without recourse to any of the financial support tools made available by the government to mitigate the recessionary effects of the Covid-19 pandemic.

See the statement of cash flows for further analysis of the changes during the year.

## Prepaid expenses and accrued income

The following table shows the changes in prepaid expenses and accrued income.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| Prepaid expenses | 675,705 | (339,808) | 335,897 |
| **Total prepaid expenses and accrued income** | **675,705** | **(339,808)** | **335,897** |

Prepaid expenses mainly include the portions for future years relating to leasing fees, insurance costs and other costs.

## Capitalised financial charges

All interest expense and other financial charges have been expensed during the year. In compliance with paragraph 1.8 of art. 2427 of the Italian Civil Code, it is hereby confirmed that no financial charges have been capitalised.

# Explanatory notes, liabilities and shareholder's equity

Shareholder's equity and all liabilities are recorded in the balance sheet in compliance with Italian accounting standards; the specific measurement criteria applied are indicated in the individual notes on each item.

## Shareholder's equity

The components are stated at their carrying amount in accordance with accounting standard OIC 28.

## Changes in shareholder's equity items

With reference to the year just ended, the table below sets out changes in the components of shareholder's equity, as well as details of other reserves, if any.

The changes in shareholder's equity during the prior year are analysed below:

| | Balance at the beginning of the year | Allocation of the prior year result - Distribution of dividends | Allocation of the prior year result- Other allocations | Other changes - Increases | Result for the year | Carrying amount at the end of the year |
|---|---|---|---|---|---|---|
| Share capital | 382,200 | - | 4,617,800 | - | - | 5,000,000 |
| Revaluation reserves | 759,440 | - | - | 1,722,226 | - | 2,481,666 |
| Legal reserve | 197,920 | - | - | 600,000 | - | 797,920 |
| Extraordinary reserve | 4,962,658 | - | - | - | - | 4,962,658 |
| Other reserves | 186,181 | - | - | 21,714,311 | - | 21,900,492 |
| Retained earnings (accumulated losses) | 4,985,660 | - | (1,933,431) | 4,617,801 | - | 7,670,030 |
| Net income (loss) for the year | 4,684,369 | (2,000,000) | (2,684,369) | - | 11,925,670 | 11,925,670 |
| **Total** | **16,158,428** | **(2,000,000)** | **-** | **28,654,338** | **11,925,670** | **54,738,436** |

The changes in shareholder's equity during the year are analysed below:

| | Balance at the beginning of the year | Allocation of the prior year result - Distribution of dividends | Allocation of the prior year result- Other allocations | Result for the year | Carrying amount at the end of the year |
|---|---|---|---|---|---|
| Share capital | 5,000,000 | - | - | - | 5,000,000 |
| Revaluation reserves | 2,481,666 | - | - | - | 2,481,666 |
| Legal reserve | 797,920 | - | 202,080 | - | 1,000,000 |
| Extraordinary reserve | 4,962,658 | - | - | - | 4,962,658 |
| Other reserves | 21,900,492 | - | - | - | 21,900,492 |
| Retained earnings (accumulated losses) | 7,670,030 | - | 7,723,590 | - | 15,393,620 |
| Net income (loss) for the year | 11,925,670 | (4,000,000) | (7,925,670) | 12,639,363 | 12,639,363 |
| **Total** | **54,738,436** | **(4,000,000)** | **-** | **12,639,363** | **63,377,799** |

Share capital at 31 March 2020 amounts to € 5,000,000, represented by 5,000,000 shares with a nominal value of € 1.00 each. This amount comprises:

- €. € 382,000 from contributions in cash;
- € 4,617,800 from a bonus capital increase in the prior year using part of the available reserves obtained on the absorption of Endurance Fondalmec S.p.A. by Endurance S.p.A. (formerly Endurance Foa S.p.A.).

Shareholder's equity includes the following:

- Reserves or other provisions that, in the event of distribution, would form part of the Company's taxable income, regardless of when they arose, comprising the revaluation reserve pursuant to Law 342/00, of € 1,551,755, net of the related flat tax;
- Reserves or other provisions that, in the event of distribution, would form part of the Company's taxable income, regardless of when they arose, which were used for the bonus capital increase authorised at the extraordinary shareholder's meeting held on 20/11/2000 (using € 170,471 from the pre-existing revaluation reserve created pursuant to Law 72/83).

### Availability and use of shareholder's equity

The following table provides details of the components of shareholder's equity, including their origin, their potential utilisation and whether they are distributable, as well as the utilisation thereof in the prior three years.

| Description | Amount | Origin/Nature | Potential utilisation | Amount available |
|---|---|---|---|---|
| Share capital | 5,000,000 | Share capital | | - |
| Revaluation reserves | 2,481,666 | Share capital | A;B | - |
| Legal reserve | 1,000,000 | Revenue | B | - |
| Extraordinary reserve | 4,962,658 | Revenue | A;B;C | 4,962,658 |
| Other reserves | 21,900,492 | Revenue | A;B;C | 21,900,492 |
| Retained earnings (accumulated losses) | 15,393,620 | Revenue | A;B;C | 15,393,620 |
| **Total** | **50,738,436** | | | **42,256,770** |
| Amount not distributable | | | | 4,606,511 |
| Residual amount distributable | | | | 37,650,259 |
| **Key: A: for increase in capital; B: to cover losses; C: for distribution to shareholders; D: for other statutory requirements; E: other** | | | | |

The amount not distributable, determined in accordance with art. 2426 c.c., covers unamortised development costs totalling € 401,506 and deferred tax assets of € 4,205,005, which are also deemed to represent unrealised assets.

## Provisions for risks and charges

The provisions for risks and charges have been created to cover known or likely liabilities, the timing or extent of which cannot be determined at the reporting date.

These provisions were recognised on a prudence and accrual basis, in accordance with the instructions contained in accounting principle OIC 31. The related provisions are charged to the income statement in the year to which they refer and classified according to the nature of the costs.

The following table shows the changes in provisions for risks and charges.

| | Balance at the beginning of the year | Changes during the year - Provision | Changes during the year - Total | Carrying amount at the end of the year |
|---|---|---|---|---|
| Derivative financial instruments | 7,548 | 11,200 | 11,200 | 18,748 |
| Other provisions | 3,921,828 | - | - | 3,921,828 |
| **Total** | **3,929,376** | **11,200** | **11,200** | **3,940,576** |

### Other provisions

The provisions recorded in the current and prior years cover liabilities of various kinds - mainly commercial in nature - and reflect the best estimate of the amounts likely to be payable, based on the information available when preparing the financial statements. The increase during the year recognises the change in the negative fair value of the derivatives held by the Company to hedge fluctuations in the floating interest rates charged on outstanding loans.

## Employee termination indemnities

Employee termination indemnities amount to € 1,878,585 at 31 March 2020. The changes during the year are summarised below:

| | Balance at the beginning of the year | Changes during the year - Provision | Changes during the year - Utilisation | Changes during the year - Total | Carrying amount at the end of the year |
|---|---|---|---|---|---|
| EMPLOYEE TERMINATION INDEMNITIES | 1,835,814 | 262,964 | 220,193 | 42,771 | 1,878,585 |
| **Total** | **1,835,814** | **262,964** | **220,193** | **42,771** | **1,878,585** |

This provision includes the period revaluation of the liability concerned in accordance with current legislation. The uses recorded during the year reflect the indemnity advances paid to employees (€ 220,193).

The charge for the year (provision for termination indemnities classified in income statement caption B9 c) includes the provision retained by the Company and the payments made to the INPS Treasury Fund, Previndai, the Cometa Fund or the supplementary pension fund specified by each employee, where applicable.

## Payables

Payables total € 95,174,432 at 31 March 2020.

Pursuant to art. 12, para. 2, of Decree 139/2015, the Company elected to measure payables using the amortised cost method. This election was made on a prospective basis and, therefore, only applies to eligible payables that have arisen subsequent to 1 April 2016.

### Changes and maturities of payables

The following table shows the changes in payables and any information on their maturities.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year | Within one year | Beyond one year |
|---|---|---|---|---|---|
| Due to banks | 38,401,892 | 1,175,355 | 39,577,247 | 14,164,821 | 25,412,426 |
| Trade payables | 53,771,317 | (9,244,552) | 44,526,765 | 44,526,765 | - |
| Payables due to parent companies | 1,896,580 | (354,122) | 1,542,458 | 1,542,458 | - |
| Payables due to fellow subsidiaries | 1,578,646 | 901,774 | 2,480,420 | 2,480,420 | - |
| Tax payables | 494,622 | (254,106) | 240,516 | 240,516 | - |
| Due to pension and social security institutions | 1,682,164 | (173,249) | 1,508,915 | 1,508,915 | - |

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year | Within one year | Beyond one year |
|---|---|---|---|---|---|
| Other payables | 4,924,305 | 373,806 | 5,298,111 | 5,241,861 | 56,250 |
| **Total** | **102,749,526** | **(7,575,094)** | **95,174,432** | **69,705,756** | **25,468,676** |

Amounts due to banks include both the current portion (€ 14,164,821) and the portion due beyond 12 months (€ 25,412,426) of loans obtained from major banks.

Amounts due to banks increased during the previous year due to the combined effect of the repayments made on contractual maturities with a nominal value of € 13,812,072, the arrangement of new loans (totalling € 14,957,500 net of transaction costs) and the adjustment of liabilities measured at amortised cost (with a reduction in their nominal value by € 72,458 at 31 March 2020).

The following contracts were signed for new loans taken out during the year:

- an unsecured loan for a total nominal value of € 5,000,000, taken out in December 2019 from Credito Emiliano (CREDEM) for repayment over 4 years;
- an unsecured loan for a total nominal value of € 10,000,000, taken out in January 2020 from the Intesa Sanpaolo Group for repayment over 4 years.

The following is a breakdown of medium-term loans outstanding at 31 March 2020:

| Bank | Initial amount paid | Arrangement date and duration in years | Residual balance at 31/03/2020 | Within one year | Beyond one year |
|---|---|---|---|---|---|
| Cariparma | 2,000,000 | 21/10/2015 - 5 | 305,184 | 305,184 | - |
| MPS | 3,000,000 | 27/11/2015 - 5 | 450,000 | 450,000 | - |
| Intesa San Paolo | 10,000,000 | 18/12/2015 - 5 | 1,481,481 | 1,481,481 | - |
| BNL (*) | 3,500,000 | 13/07/2016 - 5 | 1,050,000 | 700,000 | 350,000 |
| Banca del Mezzogiorno (*) | 4,000,000 | 14/07/2016 - 5 | 1,028,245 | 821,054 | 207,191 |
| UBI (*) | 3,000,000 | 27/03/2017 - 5 | 1,215,777 | 605,241 | 610,535 |
| Gruppo Banco Popolare (*) | 10,000,000 | 30/11/2017 - 5 | 6,017,267 | 2,500,635 | 3,516,632 |
| Mediocredito (*) | 10,000,000 | 26/10/2018 - 5 | 7,000,000 | 2,000,000 | 5,000,000 |
| Banca Nazionale del Lavoro (*) | 5,000,000 | 07/12/2018 - 5 | 4,000,000 | 1,000,000 | 3,000,000 |
| Cariparma - Credit Agricole (*) | 3,000,000 | 20/02/2019 - 5 | 2,411,332 | 594,280 | 1,817,052 |
| CREDEM | 5,000,000 | 10/12/2019 - 4 | 4,690,419 | 1,242,199 | 3,448,220 |
| Intesa San Paolo (*) | 10,000,000 | 29/01/2020 - 4 | 10,000,000 | 2,500,000 | 7,500,000 |
| Amortised cost adjustment | - | - | (72,459) | (35,254) | (37,205) |
| **Total** | **68,500,000** | | **39,577,247** | **14,164,821** | **25,412,426** |

(*) Financial payables recognised using the amortised cost method.

Contracts bear interest at 3-month or 6-month Euribor plus a spread of between 0.50% for more recent contracts and 1.75% for less recent ones, depending on market conditions at the time of signing and the duration of the loan.

With regard to trade payables (€ 44,526,765 at 31 March 2020), the reduction during the year of € 9,244,552 is consistent with procurement dynamics in the last part of the year (considering both production trends and the effects of the Covid-19 pandemic).

Payables due to parent companies, € 1,542,458, mainly comprise trade payables arising from the administrative, financial and support services provided by Endurance Overseas S.r.l. in favour of Group companies (under specific service contracts governed on arm's-length terms), € 1,492,923, and those arising from transactions with Endurance Technologies Limited (India), the indirect parent company.

Payables to fellow subsidiaries (€ 2,480,420 at 31 March 2020) include trade payables due to Endurance Castings S.p.A. (€ 2,015,077) and Endurance Engineering s.r.l. (€ 465,343), which are both direct subsidiaries of Endurance Overseas S.r.l.

Tax payables total € 240,516 and entirely comprise various payroll withholdings.

Other payables total € 5,241,861 and principally comprise the amounts due to employees for wages, salaries and deferred payroll (€ 4,163,477), advances received from customers (€ 690,000), guarantee deposits received (€ 56,250, classified as non-current payables) and various other amounts due.

### Breakdown of payables by geographical area

It is not meaningful to analyse payables by geographical area, as most of them are due to domestic suppliers and counterparties.

### Debt secured by collateral on company assets

Pursuant to paragraph 1.6 of art. 2427 of the Italian Civil Code, we can confirm that there is no debt secured by collateral.

### Loans from shareholders

The Company has not received any loans from shareholders.

## Accrued expenses and deferred income

The following table shows the changes in accrued expenses and deferred income.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| Deferred income | 1,451,451 | (610,584) | 840,867 |
| **Total accrued expenses and deferred income** | **1,451,451** | **(610,584)** | **840,867** |

Deferred income includes income mainly of commercial nature and other income for grants relating to future years. In particular, grants relate to the assistance ("Tremonti quarter") envisaged in the so-called Competitiveness Decree (art. 18, Decree 91/2014) for capital investment in 2014-2015 in excess of the average for the previous 5 years, and to grants related to R&D activities eligible for the tax credit available pursuant to art. 1, para. 35, of Law 190 dated 23 December 2014.

# Explanatory notes, income statement

The income statement reports the results for the year.

This statement presents the results of operations by summarising the positive and negative components of income that contributed to them. These positive and negative components of income, recognised pursuant to art. 2425-bis c.c., are analysed into the following categories: core business, ancillary and financial activities.

Core business activities include the components of income that were generated from continuing operations in the principal sector, and which identify and distinguish the economic activities carried out by the Company in the pursuit of its corporate objectives.

Financial activities comprise those operations that generate financial income and expense.

Ancillary activities comprise those residual operations that generate income in the ordinary course of business that cannot be classified as financial or core business activities.

## Value of production

The value of production during 2019/2020 is analysed below on a comparative basis:

| Description | Year 2019/2020 | Year 2018/2019 | Change |
|---|---|---|---|
| 1) Revenues from sales of goods and services | 170,531,147 | 195,933,588 | (25,402,441) |
| 2) Change in inventories of work in progress, semi-finished and finished products | 1,180,719 | (3,465,537) | 4,646,256 |
| 4) Increases in non-current assets from in-house production | 141,015 | 80,304 | 60,711 |
| 5) Other income and revenues | | | |
| Operating grants | 1,195,740 | 980,323 | 215,417 |
| Other | 2,078,229 | 2,508,215 | (429,986) |
| **Total** | **175,126,850** | **196,036,893** | **(20,910,043)** |

The contraction in sales revenues (which include income from the sale of specific production equipment to customers, where envisaged under current contracts) is consistent with the performance of the reference market, as accentuated during the final part of the year by the effects of the decline in market volumes linked to the spread of the Covid-19 pandemic, first in Asia and then in Europe. With regard to the principal customers of the Company, revenues from sales to the FCA/CNHI group fell considerably during the year, as did those from sales to Endurance Amann Gmbh (reduction of about € 10 million in the resale of materials purchased externally). There were also reductions in the sales made to the Daimler Group (down by about € 3.7 million) and the PSA/GM Group (about € 2.4 million lower). These trends were only partly offset by an increase in sales to the VW Group (up by about € 9.8 million).

The increase in non-current assets from in-house production mainly reflects the capitalisation of industrial equipment costs (€ 141,015) carried out with the use of Company's materials and workforce.

Other revenues include:

- income deriving from the recovery of packaging costs from customers and other rebates (€ 605,294);
- insurance reimbursements (€ 13,800);
- various amounts recharged to suppliers (€ 486,196);
- rentals received from third parties of owned property (€ 225,000);
- miscellaneous income (€ 590,199, including € 347,159 in grants received for a project co-financed by Finpiemonte and Regione Piemonte in the context of ROP-ERDF 2014-2020), as well as
- the period element (€ 1,433,710) of operating grants obtained during the year for using photovoltaic installations, as well as of the tax credits for investment in plant and machinery (“Tremonti ter”) and for the R&D expenses described earlier.

### Analysis of revenues from sales and services by category of activity

Revenues from sales and services relate entirely (€ 170,531,147) to income from the core business of the Company, comprising the engineering of precision and diecast components for the automotive market, as well as related activities.

### Analysis of revenues from sales and services by geographical area

The following table provides a breakdown of revenue from sales of goods and services by geographical area

| Countries | Year 2019/2020 | Weight % | Year 2018/2019 | Weight % |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| ITALY | 90,230,935 | 53% | 101,633,104 | 52% |
| GERMANY | 48,299,564 | 28% | 59,432,751 | 30% |
| HUNGARY | 19,442,995 | 11% | 15,708,645 | 8% |
| POLAND | 7,018,733 | 4% | 9,416,599 | 5% |
| ROMANIA | 3,307,920 | 2% | 4,771,009 | 2% |
| OTHER EUROPEAN COUNTRIES | 1,051,332 | 1% | 3,522,702 | 2% |
| OTHER NON-EU COUNTRIES | 1,179,668 | 1% | 1,448,778 | 1% |
| **Total** | **170,531,147** | **100%** | **195,933,588** | **100%** |

## Cost of production

In accordance with the matching principle, costs and charges are recognised on an accruals basis by type of expenditure; they are stated net of returns, allowances, discounts and rebates and classified in the respective captions pursuant to OIC 12. As regards purchases of goods, the costs are recorded when the transfer of ownership has taken place, in substance and not just in form, assuming the transfer of all risks and benefits as a parameter. In the case of the purchase of services, the costs are recorded when the service has been received, or when provision of the service has been completed; if the services are provided on a continuous basis, the costs are recorded for the amount accrued.

| Description | Year 2019/2020 | Year 2018/2019 | Change |
|---|---|---|---|
| Cost of raw and ancillary materials, consumables and goods for resale | 79,173,166 | 97,543,193 | (18,370,027) |
| Cost of services | 32,194,123 | 28,926,339 | 3,267,784 |
| Lease and rental charges | 4,735,467 | 4,948,904 | (213,437) |
| Payroll costs | | | |
| Wages and salaries | 18,807,830 | 18,829,335 | (21,505) |
| Social contributions | 5,172,181 | 5,086,065 | 86,116 |
| Employee termination indemnity | 813,303 | 931,477 | (118,174) |
| Other costs | 354,181 | 251,344 | 102,837 |
| Amortisation of intangible assets | 1,299,098 | 917,057 | 382,041 |
| Depreciation of tangible fixed assets | 17,060,166 | 16,296,753 | 763,413 |
| Writedown of receivables included in current assets | | 136,522 | (136,522) |
| Change in inventory of raw and ancillary materials, consumables and goods | (486,376) | 278,981 | (765,357) |
| Provisions for risks | - | 3,500,000 | (3,500,000) |
| Other operating expenses | 1,780,499 | 2,188,035 | (407,536) |
| | **160,903,638** | **179,834,005** | **(18,930,367)** |

### Cost of raw and ancillary materials, consumables and goods for resale and Cost of services

The change in these costs essentially reflects the production trends described earlier. Their overall incidence with respect to the value of production has declined slightly (to 63.6% from 64.5% in the prior year), although with a different mix of materials and external services (with an increase in the latter, especially transport costs, electricity consumption, recruitment and process quality improvement activities.

### Payroll costs

Payroll costs were essentially unchanged, as the strengthening of the mid-level organisation within the Company offset the effects of personnel reductions and flexible working linked to the decline in sales volumes. This caption comprises all employment costs, including merit increases, promotions, untaken holidays and the provisions required by law and collective employment contracts. It also includes the cost of temporary workers, except for the cost of interim employment agencies that has been charged to income statement line B7.

**Lease and rental charges**

This caption mainly includes the rental of operating facilities used by the Company from Endurance Overseas S.r.l., as well as finance lease charges relating to plant and machinery employed in the production process. The slight increase in the incidence of this caption mainly reflects the additional production facilities acquired by the parent company in the Chivasso area and made available to the Company.

**Depreciation and amortisation**

Depreciation is provided over the technical useful lives of assets, considering how they are used in production. There has been an increase (evident also in relation to the impact on the value of production) in the depreciation and amortisation of tangible and intangible assets compared with the previous year. This is a direct effect of significant investment made during the current and immediately prior years (especially by the merged company) in support of new production initiatives. It is also due to changes in the estimated residual useful lives of certain fixed assets because of updated information on the timing and trends with which certain specific products will be phased out, as well as revised analysis of the benefits deriving from them.

**Other operating expenses**

This caption includes penalties charged by customers, local taxes and, in general, non-recurring costs unrelated to the core activities of the business.

## Financial income and charges

Financial income and charges are recorded on an accruals basis.

Financial income from the parent company (€ 63,754) comprises the interest recognised by Endurance Overseas S.r.l. in relation to the outstanding loan (€ 3,000,000 at 31 March 2020) and the credit balances on the cash pooling account.

Other financial income (€ 127,787) mainly includes the interest income accrued and the gains recognised on the purchase and sale of securities and financial investments, in the context of liquidity management by the Company.

Financial charges (€ 399,843) principally include the interest charged on the various loans obtained from third-party lenders.

The net exchange gains (€ 88,364 in 2019/2020) were almost entirely realised on transactions in currencies other than the euro, which is identified as the functional currency.

## Adjustments to financial assets and liabilities

The adjustments to financial assets and liabilities refer to the write-down of securities classified as financial assets and to changes in the fair value of the derivatives used by the Company in order to align them with their market value.

A comparison with the prior year is presented in the following table:

| Description | Year 2019/2020 | Year 2018/2019 | Change |
|---|---|---|---|
| Write-down of securities classified as current assets | 27,922 | - | 27,922 |
| Writedown of derivative contracts | 11,200 | 3,341 | 7,859 |
| | **39,122** | **3,314** | **35,781** |

## Amount and nature of revenues/costs of individual significance

During the current year, no revenues or other positive components deriving from exceptional events were recorded.

During the current year, no costs deriving from exceptional events were recorded.

## Income taxes for the year, current and deferred

The company has accrued for taxation for the year based on the application of tax legislation in force. The tax charge for the year consists of current taxation, as resulting from the tax returns, of deferred taxation relating to positive or negative components of income, taxable or deductible, respectively, in fiscal years that differ from the year in which the item is accounted for statutory reporting purposes.

The composition of taxation for the year split between current taxation and the deferred tax asset item is provided in the following table:

| | Year 2019/2020 | Year 2018/2019 |
|---|---|---|
| **Income taxes** | **1,424,789** | **3,870,318** |
| Current taxation | | |
| of which: IRES for the year (current) | 1,289,966 | 4,435,873 |
| of which: IRAP for the year (current) | 841,968 | 1,114,935 |
| of which: Taxation relating to prior years | (149,123) | (100,544) |
| Deferred taxation | (558,022) | (1,579,946) |

### Recognition of deferred tax assets and liabilities and their impact

| | IRES Tax | IRAP Tax |
|---|---|---|
| **A) Temporary differences** | | |
| Total deductible temporary differences | 2,024,024 | 1,999,520 |
| Total taxable temporary differences | 4,588,802 | 4,559,330 |
| Net temporary differences | 2,564,778 | 2,559,810 |
| **B) Tax effects** | | |
| Provision for deferred tax liability (assets) at the beginning of the year | (3,138,518) | (508,465) |
| Deferred tax liability (assets) of the year | (480,185) | (77,837) |
| Provision for deferred tax liability (assets) at the end of the year | (3,618,703) | (586,302) |

Deferred tax assets and liabilities have been calculated using the following rates, which are expected to be in force during the years when it is reckoned that the temporary differences will reverse (IRES at 24% and IRAP at 3.9%).

The reversal of deferred tax assets during the year mainly refers to production costs with deferred deductibility that have become definitive and to changes in the items subject to temporary misalignment between the statutory and the tax values (e.g. goodwill, certain tangible fixed assets and provisions for writedowns).

The provision for deferred tax assets recorded during the year refers to temporary differences arising from the above provisions for risks and to the misalignment of depreciation based on the estimated useful life of assets for accounting purposes and that applied for tax purposes.

# Explanatory notes, other information

The additional disclosures required by the Italian Civil Code are presented below.

## Employment data

The following table sets out average employee numbers by labour category computed on the basis of daily averages:

| | Executives | White collar | Blue collar | Total employees |
|---|---|---|---|---|
| Average number | 7 | 89 | 311 | 407 |

The workforce at 31 March 2020 (consisting solely of Company employees) comprises 401 persons.

## Fees, advances and loans granted to directors and statutory auditors and commitments accepted on their behalf

The following schedule provides the information required by art. 2427, point 16 c.c., with the clarification that no advances or loans have been granted and no commitments, in the form of guarantees of any kind, have been accepted on behalf of the members of the Board of Directors.

| | Directors | Statutory Auditors |
|---|---|---|
| Fees | 10,000 | 36,400 |

## Fees of the legal auditor or auditing firm

As required by art. 2427 of the Italian Civil Code, the following table analyses the total fees earned by the legal auditor (or firm of legal auditors) for the legal audit of the annual financial statements, the total fees earned for other auditing services, the total fees earned for tax advisory services and the total fees earned for other non-audit services:

| | Legal audit of the annual financial statements | Other non-audit services | Total fees earned by the legal auditor or auditing firm |
|---|---|---|---|
| Amount | 18,375 | 17,850 | 36,225 |

Deloitte & Touche S.p.A. has been engaged to perform the independent statutory audit. The cost of auditing the annual accounts includes the fees for checking that the books of account have been kept properly, while the other non-audit services relate to the signature of tax declarations and the certification of R&D costs in order to obtain access to the related tax credits.

## Securities issued by the company

The Company has not issued any securities that fall under the provisions of art. 2427, para. 18 of the Italian Civil Code.

## Details on other financial instruments issued by the Company

The Company has not issued any other financial instruments pursuant to art. 2346, para. 6, of the Italian Civil Code.

## Commitments, guarantees and contingent liabilities not reported in the balance sheet

The information required by art. 2427.9 of the Italian Civil Code is provided in the following table.

## Information about capital and loans allocated to a specific business project

### Allocation of capital to a specific business project

We can confirm that, at the balance sheet date, there has been no allocation of capital to a specific business project as per no. 20 of art. 2427 of the Italian Civil Code.

### Loans for a specific business project

We can confirm that, at the balance sheet date, there are no loans provided for a specific business project as per no. 21 of art. 2427 of the Italian Civil Code.

## Information about related-party transactions

With regard to the provisions of art. 2428, para. 3, point 2) of the Italian Civil Code, reference is made to the information on related-party transactions provided in the Report on operations.

## Information about off-balance sheet agreements

No off-balance sheet agreements were entered into during the year.

## Information about significant events arising subsequent to the reporting date

As highlighted in the introduction, the final weeks of the financial year were marked by macroeconomic instability linked to the spread of Covid-19. The pandemic affected economic activity in Asia (China in particular) in early 2020, before spreading to other countries, principally in Europe, and to Italy in particular at the end of February 2020.

These circumstances significantly affect the prospects for global growth, influencing the general macroeconomic situation and the economic markets served by Endurance S.p.A., not least because of the decisions made by governmental authorities in order to contain the spread of the virus.

The containment measures imposed at national and regional level forced the Company to suspend production between 26 March 2020 and 4 May 2020, with recourse to specific social buffers and the activation of government-assisted lay-off pay for all employees. After this time, customer demand has picked up very slowly.

In order to tackle this situation, the Company has made recourse to all available tools that make the cost structure more flexible and has sought to contain fixed costs, where possible, via the careful planning of production to meet market needs and by paying even greater attention to the management of costs.

Current market trends and indicative forecasts for the immediate future suggest that 2020 revenues will be lower, although the extent of the reduction cannot be estimated reliably at this time; this scenario requires the Company to pay greater attention to operational decisions and their impact on the structure of costs, as well as to maintain proper focus - under presumably recessionary conditions - on the investment and development opportunities that will best respond to the future recovery of markets, not least by following the new development guidelines and incentives that, with government action and support, will be introduced by the international economic system - hopefully from the second half of 2020.

Considering the short-term economic outlook, already discussed, the financial resources available to the Company and its ability to satisfy all outstanding liabilities and commitments mean that, at this time, there are no uncertainties about the ability of the Company to continue as a going concern over the next 12 months. During that time, Endurance S.p.A. will strive to confirm, under difficult market conditions, its ability to generate positive results and support all available opportunities to consolidate and improve its position in the marketplace.

## Companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary

The following information is provided about the companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary:

| | Larger group | Smaller group |
|---|---|---|
| Company name | Endurance Technologies Limited (*) | Endurance Overseas S.r.l. |
| Town (if in Italy) or foreign State | Aurangabad (India) | Lombardore (Turin) |
| Tax code (Italian companies) | - | 05754620960 |
| Place where the consolidated financial statements are filed | Registered office: Aurangabad (India)<br>India Stock Exchange: NSE and BSE | Registered office: Lombardore (Turin)<br>Turin Chamber of commerce |

(*) Endurance Technologies Limited, the parent company, is listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

## Information about derivative financial instruments pursuant to art. 2427-bis of the Italian Civil Code

Pursuant to art. 2427-bis of the Italian Civil Code and in order to present a true and fair view of the Company's commitments, appropriate details are provided below about the fair value, extent and nature of the derivative financial instruments held by the Company (amounts in Euro), grouped by type of instrument:

| Type of contract | Number of contracts at 31/03/2020 | Original notional value | Notional at 31/03/2020 | Number of contracts at 31/03/2019 | Original notional value | Notional at 31/03/2019 |
|---|---|---|---|---|---|---|
| Interest rate Swap | 3 | 19,626,630 | 90.28.481 | 2 | 13,126,630 | 5,450,703 |
| Interest rate CAP | 1 | 2,000,000 | 305,184 | 3 | 8,714,285 | 1,548,695 |
| **TOTAL** | | | **9,333,665** | | | **6,999,398** |

## Summary financial statements of the company which exercises management and coordination activities

The Company is subject to management control and coordination by its indirect parent company, Endurance Technologies Limited, with registered offices at E-92, MIDC Industrial Area, Waluj, Aurangabad, Maharashtra, India, which wholly owns the Company via Endurance Overseas S.r.l..

The following amounts taken from the latest approved financial statements of Endurance Technologies Limited are stated in millions of Indian Rupees. For the sake of clarity, the Rupee/Euro exchange rate at 31 March 2019 (fixed on 29 March 2019) was 77.7190 (80.2960 at 31 March 2018) - (source www.ecb.europa.eu):

| Balance sheet | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Fixed assets, net | 12,629.37 | 10,181.26 |
| Investments and other non-current assets | 5,900.00 | 5,550.27 |
| **Current assets** | 11,022.75 | 10,323.57 |
| **Activities held for sale** | 33.37 | - |
| **Total Assets** | **29,585.49** | **26,055.10** |
| | | |
| **Liabilities and shareholders' equity** | | |
| **Shareholders' equity** | **20,799.50** | **17,922.58** |
| **Non-current liabilities** | | |
| Non-current financial liabilities | 29.78 | 49.58 |
| Other non-current liabilities | 265.65 | 63.25 |
| **Current liabilities** | | |
| Current financial liabilities | 7,738.02 | 7,072.36 |
| Other current liabilities | 752.54 | 947.33 |
| **Total liabilities and shareholders' equity** | **29,585.49** | **26,055.10** |

| Income Statement | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Revenues** | **54,336.82** | **46,362.84** |
| Operating costs | 46,854.49 | 40,275.23 |
| Depreciation and amortisation | 1,756.98 | 1,696.31 |
| Financial charges | 170.73 | 102.49 |
| Non-recurring income/(expense) | (208.00) | (268.78) |
| **Income before tax** | **5,346.62** | **4,020.03** |
| Taxation for the year (current and deferred) | 1,768.01 | 1,304.00 |
| **Income (loss) for the year** | **3,578.61** | **2,716.03** |
| OCI - Other comprehensive income | (23.39) | (0.84) |
| **Total statement of comprehensive income** | **3,555.22** | **2,715.19** |

The report on operations describes relations with the company that provides management and coordination services and with the other affiliates, as well as the effect of those activities on the operations of the Company and its results.

## Information pursuant to art. 1, paragraph 125, of Law 124 of 4 August 2017

Starting from the 2018-19 financial statements, art. 1, paragraph 125, of Law 124/2017 introduced the obligation to provide evidence in the explanatory notes of any cash amounts received during the year by way of grants, contributions, paid appointments or any other economic advantages of any kind received from public administrations and from those mentioned in paragraph 125 of the same article.

In consideration of the fact that this provision has raised questions of interpretation and application that are still unresolved, the Company has carried out investigations and, also in the light of the latest guidelines, considers that they do not fall within the scope of the disclosure requirement:

- general measures that can be used by all companies in application of current tax laws; such as the so-called ACE (aid for economic growth) or the benefits recorded in relation to the accrual of tax credits for research and development costs (impact on the income statement for a total of € 678,135, offset against taxes paid during the year) or for investments in business assets (such as Legislative Decree No. 91/2014, the so-called "Tremonti-quarter", for which the Company recorded income for the year of € 235,145, without any impact in terms of cash flows);

- the contributions foreseen for certain types of taxpayer based on the activity produced, such as:
  - those reserved for energy-intensive businesses, which amounted to € 161,988 during the year (collected: € 161,907) in relation to the 2017 financial year;
  - exemptions from the duties on natural gas (pursuant to Decree 504/95), totalling € 47,972;
  - exemptions (in the form of tax credits) from the duties on diesel for traction (pursuant to art. 8 of Law 448/98), totalling € 4,607;
- training grants co-financed by Fondimpresa and Fondirigenti totalling € 25,949 and € 30,000 respectively;
- grants received in relation to the R&D project co-financed by Finpiemonte and Regione Piemonte in the context of ROP-ERDF 2014-2020 (totalling € 347,159).

## Proposed allocation of profits or coverage of losses

To the Shareholder, in light of the matters explained above, the Board of Directors proposes to allocate the net income for the year of € 12,639,363 entirely to "retained earnings".

# Explanatory notes, closing section

To the Shareholder,
We confirm that these financial statements, which comprise the balance sheet, income statement, statement of cash flows and explanatory notes, give a true and fair view of the financial position and results for the year and agree with the books of account. We thus invite you to approve the draft financial statements for the year ended 31 March 2020, together with the proposed allocation of net income, as submitted by the Board of Directors.

The financial statements are true and real and agree with the books of account.

Chivasso, 29/05/2020

For the Board of Directors

The Managing Director

Samuele Gabutto

**ENDURANCE S.p.A.**
Statutory Financial Statements
as of March 31, 2020

**Independent Auditor's Report**

Deloitte & Touche S.p.A.
Galleria San Federico, 54
10121 Torino
Italia

Tel: +39 011 55971
www.deloitte.it

**INDEPENDENT AUDITOR'S REPORT**
**PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Sole Shareholder of**
**Endurance S.p.A.**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Endurance S.p.A. (the "Company"), which comprise the balance sheet as at March 31, 2020, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Italian law governing financial statements.

### 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matters

Pursuant to art. 2497-bis, first paragraph, of the Italian Civil Code, Endurance S.p.A. has disclosed that it is subject to management and coordination of its activities by Endurance Technologies Limited (India) and, therefore, has indicated in the notes to the financial statements the key financial data from the most recent financial statements of such company. Our opinion on the financial statements of Endurance S.p.A. does not extend to such data.

### Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (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 financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 management's 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

**Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10**

The Directors of Endurance S.p.A. are responsible for the preparation of the report on operations of the Company as at March 31, 2020, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of the Company as at March 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Endurance S.p.A. as at March 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
**Giorgio Barbieri**
Partner

Turin, Italy
June 24, 2020

*This report has been translated into the English language solely for the convenience of international readers.*

# ENDURANCE SPA

Head office: VIA REGIONE POZZO 26 CHIVASSO (TURIN)
Tax Code, Turin Chamber of Commerce and
Turin Companies Register No. 01782370017
Turin Chamber of Commerce no. 518048
Share capital: € 5,000,000.00 subscribed and fully paid
VAT Number: 01782370017
Sole Shareholder Company
Management control and coordination: ENDURANCE TECHNOLOGIES LIMITED

# Report of the Board of Statutory Auditors

*Financial statements for the year ended 31/03/2020*

To the Shareholder,
Pursuant to the current articles of association, the Board of Statutory Auditors has been assigned the task of administrative supervision, while the legal audit function was assigned to Deloitte & Touche S.p.a. in a letter of appointment dated 9 June 2017; accordingly, this report describes solely the supervisory work carried out in accordance with the law.

## Report to the Shareholder's Meeting pursuant to art. 2429, paragraph 2 of the Italian Civil Code - Administrative supervision

During the course of the financial year ended 31/03/2020, our activities were performed in compliance with applicable legislation and the principles of conduct for the Board of Statutory Auditors issued by the Italian Accounting Profession (as represented by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

### Activities carried out by the Board of Statutory Auditors during the year ended 31/03/2020

We supervised compliance with the law, with the articles of association and with principles of proper administration.

We attended shareholders' meetings and Board meetings, in respect of which, based on information made available, no matters came to our attention to indicate that there had been any infringements of the law or of the articles of association, nor transactions which were clearly imprudent, risky, likely to give rise to a conflict of interest or such as to compromise the integrity of the company's assets.

We acquired information from the directors on the status of capital transactions, with respect to which we have no particular observations to make.

We obtained information from the directors on the company's performance and the likely outlook, as well as on the most significant transactions, in terms of size or characteristics, entered into by the company and by its subsidiaries and, based on the information obtained, we have no particular findings to report.

We met with the independent auditors and, with reference to those meetings, no significant information or data emerged that should be disclosed in this report.

We gained knowledge on and supervised, within the scope of our duties, the adequacy of and the operations of the company's organisational structure by obtaining information from function heads, with respect to which we have no particular findings to report.

We gained knowledge on and supervised, within the scope of our duties, the adequacy of and the operations of the company's administrative-accounting system, as well as on the reliability of the latter in correctly presenting the results of operations, by obtaining information from function heads, from the independent auditors and from an examination of corporate documents, and, with respect thereto, we have no particular findings to report.

No complaints were presented to us as per Art. 2408 of the Italian Civil Code.

During the course of the financial year, no opinions were issued by the Board of Statutory Auditors as required by law.

During the course of our supervisory activities, as described above, no other significant matters arose that are worthy of inclusion in this report.

This report therefore summarises our activity with regard to the requirements of art. 2429, para. 2 of the Italian Civil Code, namely information on:

- the results for the year;
- the work performed in fulfillment of our legal duties; the observations and proposals regarding the financial statements, with particular regard to any use made by the administrative body of the exception permitted by art. 2423, para. 5 of the Italian Civil Code;

In any case, we are at your complete disposal to examine any other aspects during the Shareholders' Meeting.

The work performed by us covered the entire financial year and regular meetings were held during the year pursuant to art. 2404 of the Italian Civil Code.

During our periodic checks, we gained knowledge on how the Company's activities were evolving, paying particular attention to contingent problems in order to identify the economic and financial impact on the result for the year and on the balance sheet, as well as any risks.

Minutes were drawn up of these meetings and duly signed for unanimous approval.

## Supervisory activities pursuant to art. 2403 onwards of the Civil Code

The draft financial statements for the year ended 31/03/2020, provided to us for our examination by the Board of Directors pursuant to art. 2429 of the Italian Civil Code, have been prepared in accordance with the requirements of Legislative Decree no. 127/91 and consist of:

- Balance sheet
- Income statement
- Statement of cash flows
- Explanatory notes

The draft financial statements at 31/03/2020 report the following key data:

## Balance sheet

| Description | FY 2020 | FY 2019 | Difference |
|---|---|---|---|
| FIXED ASSETS | 66,393,071 | 67,767,853 | 1,374,782- |
| CURRENT ASSETS | 98,483,291 | 96,261,045 | 2,222,246 |
| PREPAID EXPENSES AND ACCRUED INCOME | 335,897 | 675,705 | 339,808- |
| TOTAL ASSETS | 165,212,259 | 164,704,603 | 507,656 |

| Description | FY 2020 | FY 2019 | Difference |
|---|---|---|---|
| SHAREHOLDER'S EQUITY | 63,377,799 | 54,738,436 | 8,639,363 |
| PROVISION FOR RISKS AND CHARGES | 3,940,576 | 3,929,376 | 11,200 |
| EMPLOYEE TERMINATION INDEMNITIES | 1,878,585 | 1,835,814 | 42,771 |
| PAYABLES | 95,174,432 | 102,749,526 | 7,575,094- |
| ACCRUED EXPENSES AND DEFERRED INCOME | 840,867 | 1,451,451 | 610,584- |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | 165,212,259 | 164,704,603 | 507,656 |

## Income Statement

| Description | FY 2020 | FY 2019 | Difference |
|---|---|---|---|
| VALUE OF PRODUCTION | 175,126,850 | 196,036,893 | 20,910,043- |
| REVENUES FROM SALES OF GOODS AND SERVICES | 170,531,147 | 195,933,588 | 25,402,441- |
| COST OF PRODUCTION | 160,903,638 | 179,834,005 | 18,930,367- |
| DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A - B) | 14,223,212 | 16,202,888 | 1,979,676- |
| RESULT BEFORE TAXES (A-B+-C+-D) | 14,064,152 | 15,795,988 | 1,731,836- |
| INCOME TAXES FOR THE YEAR, CURRENT AND DEFERRED | 1,424,789 | 3,870,318 | 2,445,529- |
| INCOME (LOSS) FOR THE YEAR | 12,639,363 | 11,925,670 | 713,693 |

We have examined the draft financial statements for the year ended 31/03/2020, including the Report on Operations, in relation to which we point out the following.

Due to the fact that we were not appointed as independent auditors of the financial statements, we have limited ourselves to monitoring the overall approach to their preparation and their general compliance with the law as regards their format and structure and we do not have any particular observations to make in this regard.

More precisely, we note that:

- The accounting policies used in preparing the financial statements at 31/03/2020 comply with the Italian Civil Code as amended by Decree Law 139/2015;
- the Directors have provided information on the Company's performance and on the outlook for operations;

- the balance sheet and income statement formats adopted by the Company comply with articles 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code;
- pursuant to art. 2426, para. 5, of the Italian Civil Code, no start-up or expansion costs have been recognised, while development costs with a net carrying amount of € 401,506 at 31/03/2020 have been recorded with our approval, after verifying that the related requirements were satisfied;
- pursuant to art. 2426, para. 6, of the Italian Civil Code, intangible assets at 31/03/2020 do not contain any amounts representing goodwill.

We have verified compliance with the law regarding the structure of the directors' report on operations and we do not have any particular observations to make thereon.

As far as we are aware, in the preparation of the financial statements, there was no failure by the directors to comply with the law pursuant to paragraph 5 of Art. 2423 of the Italian Civil Code.

## Result for the year

The net result ascertained by the Directors for the year ended 31/03/2020, as shown in the financial statements, is positive for € 12,639,363.

We do not have any observations to make on the allocation of the net result for the year proposed by the Directors.

## Conclusion

Considering the results of the work performed by the independent auditors, as explained in their unqualified audit report, issued without any emphasis of matter on 24/06/2020, we unanimously believe that there are no impediments to approval at the Shareholder's Meeting of the draft annual financial statements at 31/03/2020, as prepared and presented by the Directors.

Milan, 24 June 2020

The Board of Statutory Auditors

Fulvio Mastrangelo

Fabio Greco

Massimo Carera

# ENDURANCE ENGINEERING SRL

Head office: STRADA DEL CASCINOTTO 135/A TORINO (Turin)
Tax Code, Turin Chamber of Commerce and Turin Companies Register No. 11081890011

Turin Business Register (REA) no. 1186114
Quota capital: € 100,000.00 subscribed and fully paid
VAT Number: 11081890011
Sole quotaholder company
Management control and coordination: ENDURANCE OVERSEAS SRL

# Report on operations

*Financial statements for the year ended 31/03/2020*

To the Quotaholder, The explanatory notes provide disclosures on the financial statements for the year ended 31/03/2020; this document, in compliance with art. 2428 of the Italian Civil Code, provides information on the Company's situation and performance. The report, prepared with amounts shown in Euros, is presented as an accompaniment to the financial statements and provides information on the Company's earnings, financial position and operations, together, where possible, with historical facts and an indication of the future outlook.

## Information on the Company

### Matters concerning the economy in general and the results of operations:

The world economic slowdown during 2019 (growth of 2.4% compared with 3.0% in the prior year and 3.3% in the year before that) was mainly due to the disruption of supply chains and the impediments to international trade linked to the US-China trade dispute, which included the reciprocal imposition of escalating customs duties. The United States reported growth of 2.3% (compared with 2.9% in the prior year), China 6.1% (6.6% previously), India 4.2% (6.1% previously) and Europe just 1.2%, with Italy and Germany bring up the rear with growth of 0.3% and 0.6% respectively.

Despite the trade agreement reached by the USA and China towards the end of 2019, GDP collapsed during the first quarter of 2020 as a result of the containment measures adopted by various countries, mostly starting in March, in order to tackle the healthcare emergency associated with the coronavirus epidemic (discussed in more detail below, in the section on key events). The suspension of industrial and commercial activity at various levels caused the economies of the countries concerned to slump into a deep recession, which will continue until the restoration of health safety conditions allows normal work to restart.

Central banks around the world continue to support their economies with expansionary monetary policies, but have only managed to mitigate the adverse effects of the crisis without inverting the downward trend.

The EU *automotive* sector, already challenged by the difficulties caused by the new regulations governing vehicle consumption testing procedures (WLTP - *Worldwide Harmonised Light Vehicles Test Procedures*), was hit by a 5% reduction in registrations during the reporting period from April ’19 to March ’20 (UK -10.9%, Spain -10.6%, Italy -7.9%, France -6.7% and Germany -0.3%), not least due to the contraction in the last quarter of the reporting year (January – March 2020) by more than 26% (Italy -35.5%, France -34.1%, UK and Spain -31%, and Germany -20.3%).

EU annual sales data by manufacturer highlights significant reductions for FCA (-13.5%), PSA (-10.4%) and Renault (-8.5%), with more contained declines for BMW (-2.0%) and VW (-1.5%). However the data for the last quarter (January – March 2020) was bad for all manufacturers including, in particular, Renault (-36.1%), FCA (-34.5%) and PSA (-34.3%), followed by Daimler (-22.9%), VW (-19.4%) and BMW (-16.7%). The VW Group has further consolidated its leadership of the European market, with a share in excess of 25% (prior year: 24.2%). Progress was also made by BMW (6.8%, up from 6.6%) and Daimler (6.6%, up from 6.2%), to the detriment of PSA, FCA and Renault.

The P&CV production data published by IHS MARKIT for the 2019 calendar year, not yet influenced by the Covid-19 pandemic, shows that the 6.3% contraction in global production (from 16.6 to 15.8 million vehicles) affected all macro areas: EU -5.3%, North America -6.2%, South America -2.8%, Asia -6.5%, Middle East and Africa -25.6%. Within the European Union, Germany was the leading producer with an output of 4.7 million vehicles (albeit down 9% compared with the prior year), followed by Spain 2.2 million (+0.3%), France 1.7 million (-5.5%), the Czech Republic 1.4 million (-0.7%), the UK 1.3 million (-14.2%), Slovakia 1.1 million (+0.6%) and Italy 0.5 million (-19.5%).

During the same period, EU vehicle exports dropped in both volume (-6.9%) and value (-2.3%) terms, while the value of imports climbed (+15.6%) on essentially stable (-0.9%) volume.

Diesel vehicle registrations continued to decline, down by 13.9% over the calendar year (market share reduced to 30.5%), but increases were reported for petrol vehicles (up by 5.2%) - raising their market share to 58.9% - and for those powered by alternative sources of energy (LPG/methane, hybrid and electric vehicles).

The drops in registrations, production and exports were all drivers of business performance, with a 12% decrease in the value of production (about € 2 million) EBITDA has decreased by about € 0.4 million but still represents 14.3% of the value of production. The reduction in the depreciation, amortisation and tax charges for the year resulted in net income of € 1.3 million (8.6% of the value of production), up by € 0.1 million compared with the prior year.

## Key events

The commercial activity carried on during the year made it possible to acquire new contracts that will bring about an annual turnover of approximately € 4.5 million. The new contracts acquired, especially from FCA, will go into production in 2021.

As mentioned, the healthcare emergency caused by the reaction to the Covid-19 epidemic was a key event during the year. Starting early in 2020, this affected economic activity in Asia (China in particular) and then spread to other geographical areas, including Europe and Italy in particular, from the end of February.

The pandemic has resulted in global consequences, with strong pressure on national health services and a steady stream of measures from government authorities designed to contain the risk of further contagion (travel restrictions, suspension of productive activities etc.). These measures are continuing to have a significant impact on the social and working lives of individuals and on the global economy (significant drop in end-user demand for goods and services, with a resulting increase in unemployment and a deterioration in global economic conditions).

Turning to the action taken at Group level, Endurance Engineering S.r.l. reacted promptly to the extraordinary effects of the pandemic by taking steps to safeguard the health of all employees, as a priority objective, as well as to guarantee the continuity of production to the extent possible under appropriate safety conditions (purchase of PPE, reorganisation of operating procedures, interactions and movements within corporate facilities, as well as recourse - where practicable and applicable - to smart working for all professional roles).

Operating activities at Company facilities, already slowed from the end of February 2020, were suspended in full during the final week of March - in compliance with government instructions - and this complete lockdown lasted until 4 May 2020.

The Group continues to monitor actively the spread of the virus, with a view to managing proactively the potential impact. From a production standpoint, the effects on the routine conduct of activities are significant, even after the restart, given for example the unpredictable nature of customer order confirmations that have a direct effect on many areas of operation, including:

- the update of production schedules;
- management of the supply chain - in terms of the availability of resources, the timing of deliveries and the financial strength of the operators concerned;
- the organisation of personnel - in terms of production efficiency, availability, logistical and insurance needs, and recourse to social buffers (used by the Company from the date on which production was suspended);
- the approach to certain negotiations with suppliers and the review/update of investment plans.

With regard to the assessment and management of the adverse effects of the current pandemic, the Company has acted in the areas described by cutting discretionary costs, rendering production and personnel costs as flexible as possible and, as indicated, making recourse to the government-assisted lay-off pay introduced with specific reference to Covid-19. This action helped to minimise the economic impact on the year ended 31 March 2020, not least because - having regard for the specific operating conditions of the Company - the necessary accounting measurements were only partially affected and did not give rise to any concerns about business continuity (evaluated over a time horizon of at least 12 months, as required by the policies governing the preparation of financial statements). The overall assessment made in this regard is supported by the current liquidity of the Company and the Endurance Group has a whole.

### Management control and coordination activities

Pursuant to para. 5 of art. 2497-bis of the Italian Civil Code, we can confirm that the Company belongs to the ENDURANCE Group (India) and is subject to management control and coordination by ENDURANCE TECHNOLOGIES LIMITED (India), whose shares have been listed on the *National Stock Exchange* (NSE) and the *Bombay Stock Exchange* (BSE) since October 2016.

The management control and coordination activities carried out have not had any particular impact on the Company's activities or its results. We can also confirm that no decisions have been made, influenced by the Company that carries out management control and coordination activities, that might require indication of the reasons and interests affecting them.

## Financial position

To facilitate a better understanding of the Company's financial position, a reclassified balance sheet is set out below.

### Balance Sheet - Assets

| Item | FY 2020 | % | FY 2019 | % | Change | Change % |
|---|---|---|---|---|---|---|
| **WORKING CAPITAL** | **10,323,862** | **87.62 %** | **8,324,328** | **83.01 %** | **1,999,534** | **24.02 %** |
| **Immediate liquidity** | **4,910,398** | **41.68 %** | **1,027,864** | **10.25 %** | **3,882,534** | **377.73 %** |
| Cash and cash equivalents | 4,910,398 | 41.68 % | 1,027,864 | 10.25 % | 3,882,534 | 377.73 % |
| **Deferred liquidity** | **3,548,642** | **30.12 %** | **5,526,049** | **55.11 %** | **(1,977,407)** | **(35.78) %** |
| Current receivables | 2,228,705 | 18.92 % | 1,936,767 | 19.31 % | 291,938 | 15.07 % |
| Financial assets | 1,241,562 | 10.54 % | 3,455,358 | 34.46 % | (2,213,796) | (64.07) % |
| Accrued income and prepaid expenses | 78,375 | 0.67 % | 133,924 | 1.34 % | (55,549) | (41.48) % |
| Inventories | 1,864,822 | 15.83 % | 1,770,415 | 17.66 % | 94,407 | 5.33 % |
| **FIXED ASSETS** | **1,458,716** | **12.38 %** | **1,703,444** | **16.99 %** | **(244,728)** | **(14.37) %** |
| Intangible assets | 33,640 | 0.29 % | 34,289 | 0.34 % | (649) | (1.89) % |
| Tangible fixed assets | 902,205 | 7.66 % | 1,142,810 | 11.40 % | (240,605) | (21.05) % |
| Financial fixed assets | 5 | - | 505 | 0.01 % | (500) | (99.01) % |
| Non-current portion of receivables included in working capital | 522,866 | 4.44 % | 525,840 | 5.24 % | (2,974) | (0.57) % |
| **CAPITAL EMPLOYED** | **11,782,578** | **100.00 %** | **10,027,772** | **100.00 %** | **1,754,806** | **17.50 %** |

The reduction in financial assets (centralised treasury) and the increase in liquid funds are described further in relation to the statement of cash flows. The reduction in fixed assets reflects the routine depreciation and amortisation charged to the income statement.

## Balance Sheet - Liabilities and Equity

| | FY 2020 | % | FY 2019 | % | Change | Change% |
|---|---|---|---|---|---|---|
| **CAPITAL ATTRIBUTABLE TO MINORITY INTEREST** | **6,087,469** | **51.67 %** | **5,616,064** | **56.01 %** | **471,405** | **8.39 %** |
| **Current liabilities** | **4,199,397** | **35.64 %** | **3,871,707** | **38.61 %** | **327,690** | **8.46 %** |
| Current payables | 4,175,541 | 35.44 % | 3,826,511 | 38.16 % | 349,030 | 9.12 % |
| Accrued expenses and deferred income | 23,856 | 0.20 % | 45,196 | 0.45 % | (21,340) | (47.22) % |
| **Non-current liabilities** | **1,888,072** | **16.02 %** | **1,744,357** | **17.40 %** | **143,715** | **8.24 %** |
| Non-current payables | 1,308,539 | 11.11 % | 1,139,883 | 11.37 % | 168,656 | 14.80 % |
| Provisions for risks and charges | 353,167 | 3.00 % | 350,000 | 3.49 % | 3,167 | 0.90 % |
| Employee termination indemnity | 226,366 | 1.92 % | 254,474 | 2.54 % | (28,108) | (11.05) % |
| **EQUITY** | **5,695,109** | **48.33 %** | **4,411,708** | **43.99 %** | **1,283,401** | **29.09 %** |
| Quota capital | 100,000 | 0.85 % | 100,000 | 1.00 % | - | - |
| Reserves | 1,920,000 | 16.30 % | 1,920,000 | 19.15 % | - | - |
| Retained earnings (accumulated losses) | 2,391,708 | 20.30 % | 1,221,050 | 12.18 % | 1,170,658 | 95.87 % |
| Net income (loss) for the year | 1,283,401 | 10.89 % | 1,170,658 | 11.67 % | 112,743 | 9.63 % |
| **FINANCING SOURCES** | **11,782,578** | **100.00 %** | **10,027,772** | **100.00 %** | **1,754,806** | **17.50 %** |

With regard to liabilities and equity, current payables (to suppliers and banks) and non-current payables (to banks) have increased, as have own funds due to the net income earned during the year (€ 1.3 million).

## Statement of cash flows

| Item | FY 2019-2020 | FY 2018-2019 |
|---|---|---|
| **Cash and cash equivalents at beginning of period** | **1,027,864** | **1,616,013** |
| a. Cash flows from operating activities | 1,294,526 | 2,593,843 |
| b. Cash flows from investing activities | 2,168,728 | (1,661,843) |
| c. Cash flows from financing activities | 419,280 | (1,520,149) |
| **Increase/(decrease) in cash and cash equivalents (a ± b ± c)** | **3,882,534** | **(588,149)** |
| **Cash and cash equivalents at end of period** | **4,910,398** | **1,027,864** |

The liquidity of the Company increased during the year by about € 3.9 million, due to the combined effects of the following factors:

- net positive cash flow from operating activities of € 1.3 million, mainly due to the contribution made by the results of operations (EBITDA of about € 1.8 million);
- net positive cash flow from investing activities, mainly due to the change in current financial assets (reduction of € 2.2 million due to the change in the centralised treasury account);
- net positive cash flow from financing activities, € 0.4 million, due to the increase in non-current payables (new inflows of € 1.0 million pursuant to contracts signed during the year, net of routine contractual repayments totalling € 0.6 million).

## Key indicators of financial position

According to the above reclassification, indicators of financial position are set out below:

| RATIO | FY 2020 | FY 2019 | % Change |
|---|---|---|---|
| Fixed asset coverage | 608.55 % | 374.63 % | 62.44 % |
| Amounts payable to banks to working capital | 18.15 % | 17.61 % | 3.07 % |
| Debt ratio | 1.07 | 1.27 | (15.75) % |
| Financial debt ratio | 0.36 | 0.39 | (7.69) % |
| Equity to capital employed | 48.33 % | 43.99 % | 9.87 % |
| Financial charges to turnover | 0.28 % | 0.20 % | 40.00 % |
| Current ratio | 245.84 % | 215.00 % | 14.34 % |
| Primary coverage ratio | 6.09 | 3.75 | 62.40 % |
| Secondary coverage ratio | 8.10 | 5.23 | 54.88 % |
| Net working capital | 6,124,465.00 | 4,452,621.00 | 37.55 % |
| Acid test margin | 4,259,643.00 | 2,682,206.00 | 58.81 % |
| Acid test ratio | 201.43 % | 169.28 % | 18.99 % |

# Results

A reclassified income statement is provided below to facilitate a better understanding of the Company's results.

## Income Statement

| Item | FY 2020 | % | FY 2019 | % | Change | Change% |
|---|---|---|---|---|---|---|
| **VALUE OF PRODUCTION** | **14,940,725** | **100.00%** | **16,976,117** | **100.00%** | **(2,035,392)** | **-11.99%** |
| - Consumption of raw materials | 7,363,976 | 49.29% | 8,184,628 | 48.21% | (820,652) | -10.03% |
| - General expenses | 2,052,965 | 13.74% | 2,093,064 | 12.33% | (40,099) | -1.92% |
| **VALUE-ADDED** | **5,523,784** | **36.97%** | **6,698,425** | **39.46%** | **(1,174,641)** | **-17.54%** |
| - Payroll costs | 3,319,236 | 22.22% | 3,653,924 | 21.52% | (334,688) | -9.16% |
| - Provisions | - | - | 350,000 | 2.06% | (350,000) | -100.00% |
| **GROSS OPERATING MARGIN** | **2,204,548** | **14.76%** | **2,694,501** | **15.87%** | **(489,953)** | **-18.18%** |
| - Depreciation, amortisation and writedowns | 286,822 | 1.92% | 725,190 | 4.27% | (438,368) | -60.45% |
| - Other operating expenses | 68,396 | 0.46% | 124,628 | 0.73% | (56,232) | -45.12% |
| **INCOME BEFORE FINANCIAL ITEMS** | **1,849,330** | **12.38%** | **1,844,683** | **10.87%** | **4,647** | **0.25%** |
| + Financial items | (44,349) | -0.30% | (35,221) | -0.21% | (9,128) | 25.92% |
| **INCOME BEFORE TAX** | **1,804,981** | **12.08%** | **1,809,462** | **10.66%** | **(4,481)** | **-0.25%** |
| - Taxation | 521,580 | 3.49% | 638,804 | 3.76% | (117,224) | -18.35% |
| **NET INCOME** | **1,283,401** | **8.59%** | **1,170,658** | **6.90%** | **112,743** | **9.63%** |

In terms of the value of production, the economic performance of the Company during the year was affected by the contraction of the automotive market, which was further accentuated during the last part of the year by the effects of the spread of the Covid-19 pandemic.

Operating costs were reduced in proportion, resulting in a contraction of the gross operating margin by about € 0.5 million. This was offset by decreases in the depreciation, amortisation and tax charges that helped to raise net income to € 1.3 million, despite the adverse market conditions.

## Key performance indicators

On the basis of the above reclassification, indicators of financial position are set out below:

| RATIO | FY 2020 | FY 2019 | % Change |
|---|---|---|---|
| R.O.E. | 22.54% | 26.54% | (15.07%) |
| R.O.I. | 123.48% | 126.03% | (2.02%) |
| R.O.S. | 12.08% | 11.09% | 8.92% |
| R.O.A. | 15.70% | 18.40% | (14.68%) |

# Information required by art. 2428 of the Civil Code

## Main risks and uncertainties that the Company is exposed to

As required by the first paragraph of art. 2428 of the Italian Civil Code, set out below is a description of the main risks and uncertainties to which the Company is exposed:

**RISKS RELATED TO THE GENERAL STATE OF THE ECONOMY**: the Company's results are influenced by trends in the national and international economy.
Developments regarding GDP, the cost of raw materials, the unemployment rate, interest rates and the level of confidence shown by consumers and businesses can condition the sales performance of end customers and, thus, the company's sales performance.

In particular, general economic conditions were affected at the end of the year - with continuation likely in the coming months - by the recessionary effects of the global spread of the Covid-19 pandemic including, in particular, those on the propensity to consume and on the functioning of production and distribution chains.

**RISKS RELATED TO THE SECTOR IN WHICH THE COMPANY OPERATES:** The plastic components moulding sector in which the Company operates is characterised by heated competition that is partly attributable to sales trends in the automotive market. As much as the Company has taken action deemed necessary to improve its level of flexibility, a significant fall in end customers' needs and consequent further pressure on prices caused by heated competition could adversely impact the Company's results and financial position.

The situation already described regarding the adverse effects of the spread of the current pandemic will have specific repercussions on the business sector served by the Company, considering the propensity to make purchases in the automotive market and the attitude towards mobility adopted by consumers in the near future.

**RISKS RELATED TO THE ABILITY TO CREATE INNOVATIVE PRODUCTS:** the automotive components sector is characterised by continuous product development needed to satisfy the product performance required by car manufacturers and by environmental legislation (governing emissions). Future investment by the Company will seek to develop the portfolio of products and diversify the types of production, thereby increasing the ability to meet the needs of customers. The failure to develop products and to meet needs in terms of price, quality and functionality imposed by end customers could adversely impact the Company's prospects for its operations.

**FINANCIAL RISKS:** The Company is exposed to the following financial risks in the conduct of its operations:

- credit risks in relation to normal commercial transactions with customers;
- liquidity risks, with particular reference to the availability of financial resources and access to the market for credit and financial instruments in general;
- market risks, mainly relating to changes in interest rates and, to a lesser extent, exchange rates.

The Company constantly monitors the financial risks that it is exposed to, in order to evaluate in advance any potential negative effects and to take appropriate action to mitigate them.

Credit Risks

Given the nature of its industrial activities - the production of car components for car makers - the Company's receivables are structurally concentrated since customers comprise a limited number of industrial groups. The integration of the company within the Endurance Group makes possible the indirect diversification of customers, by supplying other group companies with unfinished components for the manufacture of products that are then supplied to multiple end customers.

The Company monitors receivables constantly and regularly adjusts the related allowances for collection risks.

Liquidity risks

The two main factors that determine the Company's liquidity position are, on one hand, the resources generated or absorbed by operations and by investments and, on the other hand, the timing of the repayment and renewal of debt and of the liquidity of financial investments.

The Company seeks the most appropriate sources of finance bearing in mind the current and prospective financial position. Any difficulties encountered in obtaining financing needed to meet the needs of current operations and needs relating to investments could negatively impact the Company's results and financial position.

Management believes that funds currently available, the keeping of suitable contacts for access to credit, as well as funds generated from operating activities, will allow the Company to meet the needs of investing activities, of working capital management and for the repayment of debt as it falls due.

Market risks

In the conduct of its activities, the Company is exposed to various market risks, particularly the risk of fluctuations in interest rates and, to a lesser extent, exchange rates.

*Risks relating to changes in interest rates*
The Company utilises financial resources provided mainly in the form of bank debt and employs the funds to finance operations and investment and development initiatives. The Company can also factor its trade receivables. Changes in market interest rates impact the cost of various forms of financing and of factoring and thus affect the level of the Company's financial charges.
To face up to these risks, the Company strives to maintain a suitable relationship between the financing structure and the structure of capital employed, compatible with opportunities offered and actual market conditions.
With this aim, the Company has structured its financing with floating rates and with repayment due in the medium/long term at favourable conditions (with the objective of managing current unfavourable conditions and high volatility of interest rates).
Lastly, where considered appropriate, the Company makes use of interest rate derivatives (interest rate caps) with the aim of hedging the risks described.

*Risks relating to changes in exchange rates*
The functional currency used by the Company for the majority of its transactions (Euro) does not currently appear to be subject to significant risks relating to exchange rate fluctuations.

## Key non-financial indicators

Pursuant to Art. 2428 of the Civil Code, we can confirm that, due to the specific activities performed and for a better understanding of the company's results and financial position, it is not deemed relevant to present non-financial indicators.

## Information on the environment and safety

In the context of specific policies adopted by Endurance group, the Company strives hard to ensure that production and operating activities are carried out in compliance with all applicable regulations and international agreements. The objective is to introduce and maintain a broad culture of constantly improved environmental performance, process and product safety, while ensuring the safety of workers and installations.

Work continued during the year ended 31 March 2020 on the monitoring and maintenance of adequate environmental protection standards, in compliance with the requirements of ISO 14001:2015 on environmental management systems, and of occupational health and safety pursuant to ISO 45001:2018.

Employee training sessions were held in relation to job-specific topics, in compliance with the State-Regions agreement of December 2011, as well as refreshers for fire team personnel and courses for drivers of lift trucks, in the use of overhead cranes, in the use of the external semi-automatic defibrillator and in the administrative management of industrial waste.

In order to improve fire safety levels, structural work was carried out on buildings with the rationalisation of escape routes and the installation of fire-resistant elements.

Additionally, various emergency scenarios were simulated, including the evacuation of departments and the spillage of chemicals. These activities involved personnel present on all shifts.

Consequent to the Coronavirus pandemic, precautionary measures were adopted pursuant to the “Corporate protocol governing measures to contain and tackle the spread of Covid-19 in the workplace”, prepared pursuant to the protocol agreed between the government and the social partners on 14 March 2020, as extended on 24 April 2020.

Lastly, in relation to the monitoring of the risk and impact assessment system, the Risk Assessment Document and the Environmental Impact Register were updated with the identification and analysis of risks and opportunities (focusing in particular on environmental emergency management or safety of workers according to appropriate procedures in order to identify and define the actions needed to prevent future accidents).

## Information on personnel management

The Company's average workforce during the year rose to 61 employees from the prior year figure of 63. The workforce in the last month of the year came to 59 people.

During the year 2019-2020 the main training activities, in addition to what was previously indicated with reference to safety at work, were addressed to the following topics:

- technical area: use of an advanced program to calculate the stretching of materials and - from an administrative standpoint - for the preparation of quotations (optimisation of material usage and design of the die);
- production area: greater analysis of specific injection moulding issues;
- soft skills area: training course for shift managers (management of production and human and technical resources).

The courses delivered - covering the environment, safety and other topics - involved the workforce in a total of 388 hours of activities, carried out both internally and externally (in addition to the OTJ training support provided).

## Research and development activities

Pursuant to paragraph 3.1 of art. 2428 of the Civil Code, we can confirm that research and development activities applied to products and the production process were performed during the financial year, with respect to which it was decided not to capitalise the costs incurred.

In particular, work in the various areas included:

- reorganisation of the Technical Office (re-assignment of a Product & Process Engineer and addition of skills in the costing of new products - injection molding).
- Increase in product costing/development activities that, by deploying a cross-functional team together with suppliers and external partners, has made it possible to contribute to projects as co-design partner (e.g. N4 engine cover for FCA).
- Revision of the strategic product development plan, by identifying new development opportunities (pumps and products for water tanks, for application in the cooling circuit for injection-molded items) that capitalise on the experience obtained with the cooling system and complementary to the existing product range (e.g. fan & shrouds).

With reference to design activities in the process/product area, the main projects are as follows:
- Design development, virtual approval and beta manufacture of the new N4 engine cover for FCA (with definition of the specifications and layout for the welding and assembly line).
- Successful completion of reverse engineering activities (from prototype mold to final mold ford Beauty Cover T4), following resolution of the deformation issues encountered.
- Development of DUCATO Mixer 2.2, with analysis and approval of a simplified technical solution using a pilot mold – related set-up of the final mold is currently in progress.
- Production launch of items for the LP EGR and Mixer 1.6 engine with related assembly/testing lines.
- Joint development/set-up of 8 production molds with a new Chinese supplier, in relation to designs developed for FCA and Magna/Hanon.
- Acquisition of new Magna project (2 Hybrid Dual Clutch plastic transmission covers and 2 TCU protection covers) for the containment of engine electrical connectors.

Special projects carried out during the year included re-branding activities connected with changes in corporate ownership involving Magna / Hanon, with the related maintenance of equipment (involving more than 20 molds).

## Transactions with subsidiaries, associates, parent companies and fellow subsidiaries

With regard to the provisions of paragraph 3.2 of art. 2428 of the Italian Civil Code, we can confirm that the Company does not have any controlling equity investments and, accordingly, has not entered into any transactions with subsidiaries.
As required by OIC 12.130 and art. 2427, para. 1, point 22-bis of the Italian Civil Code, it is confirmed that relations with related parties comprise transactions with the parent company and its subsidiaries (together referred to as "affiliates"), as summarised below:

### Receivables from affiliates classified as current assets

| Description | FY 2020 | FY 2019 | Change |
|---|---|---|---|
| from parent companies | 237,248 | - | 237,248 |
| from fellow subsidiaries | 468,593 | 920,716 | (452,123) |
| *Total* | *705,841* | *920,716* | *(214,875)* |

The amounts receivable from the parent company (€ 237,248) reflect the tax advance paid to Endurance Overseas S.r.l. during the year, in the context of the group tax election made pursuant to arts. 117-129 of the Consolidated Income Tax Act (TUIR), to the extent that it exceeds the actual tax charge for the year.
The amounts receivable from fellow subsidiaries reflect the trade receivables due from Endurance S.p.A. (€ 465,343 at 31 March 2020) and Endurance Coatings S.p.A. (€ 3,250).

### Payables to and loans from affiliates

| Description | FY 2020 | FY 2019 | Change |
|---|---|---|---|
| payables due to parent companies | 102,935 | 202,181 | (99,246) |
| payables due to fellow subsidiaries | 1,257 | - | 1,257 |
| *Total* | *104,192* | *202,181* | *(97,989)* |

Payables due to parent companies at 31 March 2020 (€ 102,935) include trade payables for administrative, financial and support services provided by the parent company to Group companies (under specific service agreements settled on arm's-length terms).
Payables due to fellow subsidiaries comprise trade payables due to Endurance S.p.A.

## Treasury shares

Pursuant to arts. 2435 bis and 2428 of the Italian Civil Code, it is confirmed that the Company does not hold any treasury shares and did not own any during the year.

## Shares/quotas in the parent company

In accordance with paragraphs 3.3 and 3.4 of Art. 2428 and Art. 2435-bis of the Italian Civil Code, we can confirm that the Company did not hold any shares or quotas in the parent company during the year.

## Business outlook

The outlook for the future is strongly conditioned by and dependent on the continuing effects of the Covid-19 epidemic. If herd immunity is steadily acquired, if the required precautions are observed or if remedies, including drugs, are found that can prevent or contain new waves of contagion, the situation should gradually return to normal leaving, in all cases, an adverse effect on the global production and sale of vehicles that IHS MARKIT estimates at -23%.

The total shutdown in April and the extremely limited activity in early May (with differences between countries, which reacted differently to the pandemic) caused economies worldwide to plunge into a deep recession, with an explosion of unemployment. The actions taken by governments to support the income of consumers and those taken by central banks to provide economic systems with liquidity have helped to mitigate the adverse effects and prevent an economic collapse but, to date, they have not helped to restore consumer confidence given a natural concern for the future.

Should further, widespread contagion return at the levels already experienced, the effects would be predictable at an overall macroeconomic level, but unimaginable at a micro level due to the many variables that must be considered.

Given the extreme uncertainty that characterises this difficult time, not least due to the presence of variables that are beyond the control of the Company, and others too, the approach taken is to adopt all possible solutions that contain costs and ensure the flexibility of production resources in response to changing market demands.

The sound financial position of the Company and the Endurance Group should, considering the liquidity available, enable the Company to cope for many months, and certainly the next 12, with the most adverse conditions that may persist or return due to the healthcare emergency. At time of preparing these financial statements, the Company has not made recourse to moratoria, deferrals or any of the other solutions made available to assist liquidity, as the available cash balances are sufficient considering the routine support provided by financial partners.

The scheduled investment programmes will continue, with implementations in accordance with customer needs. Even greater attention will be paid to the optimisation and industrial rationalisation of current production, considering that - in periods conditioned by exceptional circumstances - the programmes of customers may be delayed (even significantly) with respect to their initial plans.

The coming year will therefore be extremely difficult for the Company and all personnel, but the action taken and to be taken should ensure that positive results are achieved, in the absence of further serious external shocks.

## The use of financial instruments that should be taken into account when assessing the results and financial position

Pursuant and consequent to paragraph 3.6-bis of art. 2428 of the Italian Civil Code, we can confirm that the Company has a policy in place to hedge the interest-rate risks relating to medium-term loans by arranging two IRS contracts and two CAP contracts in relation to some of these loans. The fair value of these hedging instruments is disclosed in the explanatory notes.

# Conclusion

In light of the above considerations and the information given in the notes, we invite you:

- to approve the financial statements for the year ended 31/03/2020 together with the explanatory notes and this report on operations that accompany them;
- to allocate the result for the year in accordance with the proposal made in the explanatory notes.

Turin, 29/05/2020

For the Board of Directors
The Managing Director

Fabrizio Rebuffo

**General information on the company**

Company data

| | |
|---|---|
| Name: | ENDURANCE ENGINEERING SRL |
| Registered office: | STRADA DEL CASCINOTTO 135/A TURIN (TO) |
| Quota capital: | 100,000.00 |
| Quota capital fully paid in: | yes |
| Chamber of Commerce: | TO |
| VAT Number: | 11081890011 |
| Tax code: | 11081890011 |
| REA Number: | 1186114 |
| Legal form: | LIMITED LIABILITY COMPANY |
| Core business (ATECO): | |
| Company in liquidation: | no |
| Company with sole quotaholder: | yes |
| Company subject to management control and coordination activities: | yes |
| Name of the company or entity that exercises management and coordination activities: | ENDURANCE TECHNOLOGIES LIMITED |
| Belonging to a Group: | yes |
| Name of the parent company: | ENDURANCE OVERSEAS SRL |
| Country of the parent company: | ITALY |
| Cooperatives register number: | |

# Financial statements at 31/03/2020

## Balance sheet

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| **Assets** | | |
| **B) Fixed assets** | | |
| I - Intangible assets | - | - |
| 3) industrial patent rights and intellectual property rights | 4,739 | 7,659 |
| 7) other | 28,901 | 26,630 |
| *Total intangible assets* | *33,640* | *34,289* |
| II - Tangible fixed assets | - | - |
| 1) land and buildings | 32,741 | 39,508 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| 2) plant and machinery | 636,602 | 815,270 |
| 3) industrial and commercial equipment | 180,902 | 220,734 |
| 4) other assets | 51,960 | 67,298 |
| *Total tangible fixed assets* | *902,205* | *1,142,810* |
| III - Financial fixed assets | - | - |
| 1) equity investments in | - | - |
| d-bis) other companies | 5 | 505 |
| *Total equity investments* | *5* | *505* |
| *Total financial fixed assets* | *5* | *505* |
| *Total fixed assets (B)* | *935,850* | *1,177,604* |
| **C) Current assets** | | |
| I - Inventories | - | - |
| 1) raw materials, ancillary materials and consumables | 748,302 | 944,147 |
| 2) work in process and semi-finished products | 45,006 | 60,931 |
| 4) finished products and goods | 1,071,514 | 765,337 |
| *Total inventories* | *1,864,822* | *1,770,415* |
| II - Receivables | - | - |
| 1) from customers | 1,092,248 | 737,643 |
| due within one year | 1,092,248 | 737,643 |
| 4) from parent companies | 237,248 | - |
| due within one year | 237,248 | - |
| 5) from fellow subsidiaries | 468,593 | 920,716 |
| due within one year | 468,593 | 920,716 |
| 5-bis) tax receivables | 71,083 | 255,487 |
| due within one year | 71,083 | 255,487 |
| 5-ter) deferred tax assets | 501,286 | 513,860 |
| 5-quarter) from others | 381,113 | 34,901 |
| due within one year | 359,533 | 22,921 |
| due beyond one year | 21,580 | 11,980 |
| *Total receivables* | *2,751,571* | *2,462,607* |
| III - Current financial assets | - | - |
| treasury management assets | 1,241,562 | 3,455,358 |
| *Total current financial assets* | *1,241,562* | *3,455,358* |
| IV - Cash and cash equivalents | - | - |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| 1) bank and postal deposits | 4,909,402 | 1,027,157 |
| 3) cash on hand | 996 | 707 |
| *Total cash and cash equivalents* | *4,910,398* | *1,027,864* |
| *Total current assets (C)* | *10,768,353* | *8,716,244* |
| **D) Prepaid expenses and accrued income** | **78,375** | **133,924** |
| *Total assets* | *11,782,578* | *10,027,772* |
| **Liabilities and quotaholders' equity** | | |
| **A) Quotaholders' equity** | **5,695,109** | **4,411,708** |
| I - Quota capital | 100,000 | 100,000 |
| IV - Legal reserve | 20,000 | 20,000 |
| VI - Other distinctly indicated reserves | - | - |
| Paid in for future capital increase | 1,900,000 | 1,900,000 |
| *Total other reserves* | *1,900,000* | *1,900,000* |
| VIII - Retained earnings (accumulated losses) | 2,391,708 | 1,221,050 |
| IX - Net income (loss) for the year | 1,283,401 | 1,170,658 |
| Total quotaholder's equity | 5,695,109 | 4,411,708 |
| **B) Provision for risks and charges** | | |
| 3) derivative financial instruments | 3,167 | - |
| 4)Other | 350,000 | 350,000 |
| *Total provisions for risks and charges* | *353,167* | *350,000* |
| **C) Employee termination indemnities** | **226,366** | **254,474** |
| **D) Payables** | | |
| 4) due to banks | 1,954,501 | 1,535,221 |
| due within one year | 645,962 | 395,338 |
| due beyond one year | 1,308,539 | 1,139,883 |
| 7) trade payables | 2,813,873 | 2,312,159 |
| due within one year | 2,813,873 | 2,312,159 |
| 11) due to parent companies | 102,935 | 202,181 |
| due within one year | 102,935 | 202,181 |
| 11-bis) due to fellow subsidiaries | 1,257 | - |
| due within one year | 1,257 | - |
| 12) taxation payable | 11,918 | 76,149 |
| due within one year | 11,918 | 76,149 |
| 13) due to pension and social security institutions | 152,094 | 57,508 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| due within one year | 152,094 | 57,508 |
| 14) other payables | 447,502 | 783,176 |
| due within one year | 447,502 | 783,176 |
| *Total payables* | *5,484,080* | *4,966,394* |
| **E) Accrued expenses and deferred income** | **23,856** | **45,196** |
| *Total liabilities and quotaholders' equity* | *11,782,578* | *10,027,772* |

# Income statement

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| **A) Value of production** | | |
| 1) revenues from sales of goods and services | 14,506,794 | 17,246,824 |
| 2) change in inventories of work in progress, semi-finished and finished products | 373,831 | (337,961) |
| 5) other income and revenues | - | - |
| operating grants | 9,542 | 9,542 |
| other | 50,558 | 57,712 |
| *Total other income and revenues* | *60,100* | *67,254* |
| *Total value of production* | *14,940,725* | *16,976,117* |
| **B) Cost of production** | | |
| 6) raw and ancillary materials, consumables and goods for resale | 7,084,553 | 7,887,798 |
| 7) services | 1,739,918 | 1,783,507 |
| 8) lease and rental charges | 313,047 | 309,557 |
| 9) payroll | - | - |
| a) wages and salaries | 2,541,102 | 2,879,564 |
| b) social contributions | 637,420 | 632,072 |
| c) termination indemnities | 138,740 | 140,332 |
| e) other costs | 1,974 | 1,956 |
| *Total payroll costs* | *3,319,236* | *3,653,924* |
| 10) depreciation, amortisation and writedowns | - | - |
| a) amortisation of intangible fixed assets | 16,422 | 451,910 |
| b) depreciation of tangible fixed assets | 270,400 | 273,280 |
| *Total depreciation, amortisation and writedowns* | *286,822* | *725,190* |
| 11) change in inventory of raw and ancillary materials, consumables and goods | 279,423 | 296,830 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| 12) provisions for risks and charges | - | 350,000 |
| 14) other operating expenses | 68,396 | 124,628 |
| *Total cost of production* | *13,091,395* | *15,131,434* |
| **Difference between production value and cost (A - B)** | **1,849,330** | **1,844,683** |
| **C) Financial income and charges** | | |
| 16) other financial income | - | - |
| d) income other than the above | - | - |
| other | 63 | 90 |
| *Total income other than the above* | *63* | *90* |
| *Total other financial income* | *63* | *90* |
| 17) interest and other financial charges | - | - |
| other | 41,245 | 35,311 |
| *Total interest and other financial charges* | *41,245* | *35,311* |
| *Total financial income and charges (15+16-17+-17-bis)* | *(41,182)* | *(35,221)* |
| **D) Adjustments to financial assets and liabilities** | | |
| 19) writedowns | - | - |
| d) of financial derivatives | 3,167 | - |
| *Total writedowns* | *3,167* | *-* |
| *Total adjustments to financial assets and liabilities (18-19)* | *(3,167)* | *-* |
| **Result before taxes (A-B+-C+-D)** | **1,804,981** | **1,809,462** |
| **20) Income taxes for the year, current and deferred** | | |
| current taxation | 509,006 | 805,155 |
| deferred taxation | 12,574 | (166,351) |
| *Total income taxes for the year, current and deferred* | *521,580* | *638,804* |
| **21) Net income (loss) for the year** | **1,283,401** | **1,170,658** |

# Statement of cash flow (indirect method)

| | Amount at 31/03/2020 | Amount at 31/03/2019 |
|---|---|---|
| **A) Cash flows from operating activities (indirect method)** | | |
| Net income (loss) for the year | 1,283,401 | 1,170,658 |
| Taxation | 521,580 | 638,804 |
| Interest expense/(interest income) | 41,182 | 35,221 |
| *1) Income (loss) for the year before income taxes, interest, dividends and gains/losses from disposals* | *1,846,163* | *1,844,683* |
| Adjustments for non-cash items that had no counterpart in net working capital | | |
| Provisions | 6,935 | 355,289 |
| Depreciation and amortisation of fixed assets | 286,822 | 725,190 |
| Adjustments to financial assets and liabilities of financial derivatives that do not involve monetary movements | 3,167 | |
| *Total adjustments for non-cash items that had no counterpart in net working capital* | *296,924* | *1,080,479* |
| *2) Cash flow before changes in net working capital* | *2,143,087* | *2,925,162* |
| Change in net working capital | | |
| Decrease/(Increase) in inventory | (94,407) | 634,791 |
| Decrease/(Increase) in trade receivables | (139,730) | (306,874) |
| Increase/(Decrease) in trade payables | 403,725 | (478,429) |
| Decrease/(Increase) in prepaid expenses and accrued income | 55,549 | (33,094) |
| Increase/(Decrease) in accrued expenses and deferred income | (21,340) | 2,256 |
| Other decreases/(Other Increases) in net working capital | (105,715) | 845,002 |
| *Total changes in net working capital* | *98,082* | *663,652* |
| *3) Cash flow after changes in net working capital* | *2,241,169* | *3,588,814* |
| Other adjustments | | |
| Interest collected/(paid) | (41,182) | (35,221) |
| (Income taxes paid) | (870,418) | (927,721) |
| (Use of provisions) | (35,043) | (32,029) |
| *Total other adjustments* | *(946,643)* | *(994,971)* |
| ***Cash flow from operating activities (A)*** | ***1,294,526*** | ***2,593,843*** |
| **B) Cash flows from investing activities** | | |
| Tangible fixed assets | | |
| (Investments) | (29,795) | (107,422) |

| | Amount at 31/03/2020 | Amount at 31/03/2019 |
|---|---|---|
| Intangible assets | | |
| (Investments) | (15,773) | |
| Financial fixed assets | | |
| Disposals | 500 | |
| Current financial assets | | |
| (Investments) | | (1,554,421) |
| Disposals | 2,213,796 | |
| ***Cash flow from investing activities (B)*** | ***2,168,728*** | ***(1,661,843)*** |
| **C) Cash flows from financing activities** | | |
| Third-party funds | | |
| New loans | 1,000,000 | |
| (Repayment of loans) | (580,720) | (520,149) |
| Own funds | | |
| (Dividends and interim dividends paid) | | (1,000,000) |
| ***Cash flow from financing activities (C)*** | ***419,280*** | ***(1,520,149)*** |
| ***Increase (decrease) in cash and cash equivalents (A ± B ± C)*** | ***3,882,534*** | ***(588,149)*** |
| Cash and cash equivalents at the beginning of the year | | |
| Bank and postal deposits | 1,027,157 | 1,615,673 |
| Cash on hand | 707 | 340 |
| Total cash and cash equivalents at the beginning of the year | 1,027,864 | 1,616,013 |
| Cash and cash equivalents at the end of the year | | |
| Bank and postal deposits | 4,909,402 | 1,027,157 |
| Cash on hand | 996 | 707 |
| Total cash and cash equivalents at the end of the year | 4,910,398 | 1,027,864 |
| Balancing difference | | |

# Information on the statement of cash flows

The statement of cash flows during the year is presented on a comparative basis in accordance with OIC 10.

This statement was prepared using the indirect method, in order to identify the sources and applications of funds deriving from operating, financing and investing activities.

The "Increase (Decrease) in non-current financial assets" relates to the change in the treasury management (cash pooling) account managed by Endurance Overseas S.r.l., which decreased during the year by € 2,213,796.

# Explanatory notes, first part

Quotaholders, these explanatory notes are an integral part of the financial statements for the year ended 31 March 2020.

The financial statements submitted for your approval report net income of € 1,283,401, after taxes of € 521,580 and depreciation and amortisation of € 286,822

## Form and content of the financial statements

The financial statements at 31 March 2020 have been prepared in compliance with the Italian Civil Code, as interpreted and supplemented by the accounting standards issued by the OIC (Italian Accounting Board) and, if these are unavailable and to the extent not in conflict with Italian Accounting Standards, by those issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a going concern basis, as there are no significant uncertainties in this regard.

Macroeconomic stability was affected during the last quarter of the financial year by the Covid-19 (a.k.a. Coronavirus) pandemic, which was initially concentrated in the Asian markets before spreading to other geographical areas, including Europe and Italy in particular, from the end of February 2020.

Despite the timely steps taken to mitigate the situation, the healthcare emergency caused by the spread of the pandemic has had and continues to have a significant effect on the routine conduct of productive activities by the Company.

This factor is likely to have a significant adverse impact on the recovery prospects of the principal global economies, influencing the general macroeconomic situation and the various markets, including those served by the Company.

However, despite the expected effects of the reduction in business volume linked to the slow economic recovery, there are no current indications to suggest that the ability of the business to continue operating over the next 12 months has been compromised. This assessment considers, in particular, the liquidity available to the Company and its access to the capital markets, as well as the steps taken to contain operating costs at a level consistent with the sales volumes estimated in the latest forecasts.

The financial statements comprise the balance sheet, the income statement, the statement of cash flows (prepared in conformity with the respective requirements of arts. 2424 and 2424 bis of the Italian Civil Code (c.c.), arts. 2425 and 2425 bis c.c. and art. 2425 ter c.c.) and these explanatory notes.

The balance sheet, the income statement, the statement of cash flows and the accounting disclosures contained in these explanatory notes agree with the books of account, from which they have been directly prepared. The items preceded by Arabic numerals in the balance sheet and income statement have not been grouped together, which is optional under art. 2423 ter of the civil code.

The measurement criteria adopted for the various items comply with those specified in art. 2426 c.c. and the relevant accounting standards. The financial statements have been prepared on a consistent basis with the accounting policies applied the previous year.

The financial statement items are stated in accordance with the prudence concept and on a going concern basis. Pursuant to art. 2423-bis, para. 1, point 1-bis c.c., items are recognised and presented having regard for the substance of the operations or contracts concerned.

Pursuant to art. 2424 of the Civil Code, we can confirm that no balance sheet items have been allocated to more than one balance sheet line. -

In the preparation of the financial statements, income and expenses have been recorded on an accruals basis, regardless of the timing of collection and expenditure. Contingencies and losses relating to the year are recognised, even if they become known after the reporting date.

The purpose of the explanatory notes is to describe, analyse and, in some cases, supplement the data reported on the face of the financial statements. They contain the information required by arts. 2427 and 2427 bis c.c., other provisions of the civil code and other legislation. In addition, they provide all the complementary information deemed necessary in order to present the most transparent and complete view possible, even if such information is not required by specific legislation.

Amounts are stated in whole euro, unless specified otherwise.

The financial statements comply with the requirements of article 2423 et seq. of the Italian Civil Code and with the Italian accounting standards issued by the OIC (Italian Accounting Board); they have therefore been prepared clearly and give a true and fair view of the Company's financial position and results of operations.

## Basis of preparation

The information contained in this document is presented in the order in which the related components are indicated in the balance sheet and income statement.

With reference to the matter indicated in the introduction to the explanatory notes, we can confirm that, pursuant to paragraph 3 of art. 2423 of the Civil Code, where the information required by legislative provisions is not sufficient to give a true and fair view of the company's situation, supplementary information is provided for this purpose.

No exceptional cases have arisen that have made it necessary to seek exemptions under paragraphs 4 and 5 of art. 2423 and paragraph 2 of art. 2423-bis of the Civil Code.

## Accounting policies

The accounting policies applied for the preparation of these financial statements, described below, take account of the amendments, additions and new provisions included in the civil code by Decree 139/2015, which transposed Directive 34/2013/EU into Italian law. In particular, the domestic accounting standards were reformulated by the OIC in the latest version issued on 22 December 2016, inclusive of the amendments published on 29 December 2017.

The accounting policies applied for the measurement of financial statement items and for their adjustment comply with the provisions of the Italian Civil Code and with the indications included in the Italian accounting standards reformulated by the Italian Accounting Board.

Pursuant to art. 2427 paragraph 1 no. 1 of the Italian Civil Code, we explain the more significant accounting policies applied in compliance with the provisions of art. 2426 of the Italian Civil Code, particularly for those items for which the legislator permits the use of options for measurement and adjustments or for which no specific accounting policy exists.

### Intangible assets

When the established criteria are met, these are recorded at purchase or production cost, inclusive of direct costs and related charges, and amortised systematically each year on a straight-line basis. Intangible assets are recognised with the consent of the Board of Statutory Auditors where prescribed by law.

The book value is stated net of accumulated amortisation and writedowns.

Amortisation is applied as indicated below, in order to allocate the cost incurred over the useful life of the assets:

| Intangible assets | Amortisation period |
|---|---|
| Start-up and expansion costs | 5 years on a straight-line basis |
| Concessions, licences, trademarks and similar rights | 5 years on a straight-line basis |
| Goodwill | 5 years on a straight-line basis |
| Other intangible assets | 5 years on a straight-line basis |

Start-up and expansion costs have been capitalised as they involve long-term benefits; these costs are amortised over a period that does not exceed five years.

"Concessions, licences, trademarks and similar rights" mainly include capitalised costs for the purchase of software.

Goodwill, comprising the extra value recognised on the acquisition of businesses and in relation to other corporate transactions, is amortised over its useful life. If this estimate cannot be made, goodwill is amortised over 10 years. When calculating the useful life of goodwill, set at 5 years, the Company applies all available information to estimate the likely duration of its economic benefits.

Leasehold improvements are capitalised and classified as "other intangible assets" if they cannot be separated from the assets concerned (in which case they are recognised in the relevant category of "tangible fixed assets"). They are amortised systematically over the period they are expected to benefit (prudently set at 5 years) or, if shorter, over the residual duration of the lease after taking account of any renewal period available at the discretion of the Company.

If permanent impairment is identified regardless of the amortisation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs. This reinstatement does not apply to goodwill or the deferred charges referred to in point 5 of art. 2426 c.c.

Pursuant to Art. 10 of Law 72 of 19 March 1983 and subsequent laws on revaluations of assets, it is hereby confirmed that the intangible assets recorded in the books have never been revalued.

## Tangible fixed assets

These are recorded at purchase or internal construction cost and stated net of the depreciation charged in the current and prior years. Costs comprise related charges and the direct and indirect expenses that can reasonably be allocated to assets during the construction period and until they become available for use. They also include any borrowing costs incurred to finance the construction work (whether internal or carried out by third parties) until the asset becomes available for use, without however exceeding its recoverable value. Tangible fixed assets are only revalued if this is required or allowed by special laws.

Pursuant to art. 10 of Law 72 of 19 March 1983 and subsequent laws on revaluations of assets, it is hereby confirmed that the tangible assets recorded in the books have never been revalued.

Assets purchased in foreign currencies are recorded at cost using the exchange rate in force on the transaction date, or using the lower rate applying on the reporting date if the reduction is deemed to be permanent.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using the following rates:

| Tangible fixed asset items | Depreciation rate |
|---|---|
| Temporary constructions | 10.00% |
| General plant | 7.50% |
| Specific machinery | 12.50% |
| Sundry and minor equipment | 12.50% |
| Motor cars | 25.00% |
| Internal transport vehicles | 20.00% |
| Electronic office machines | 20.00% |
| Furniture and shelving | 12.00% - 12.50% |
| Assets costing less than € 516.46 | 100.00% |

When fixed assets enter into service during the year, their depreciation commences on a time-apportioned basis from the month after the one in which they become available and ready for use in the year of acquisition.

Depreciation is also charged on fixed assets that are temporarily out of use. Land is not depreciated, as its useful life is not finite.

If applicable, buildings held as a financial investment are not depreciated if their residual value is greater than or equal to their net carrying amount.

If permanent impairment is identified regardless of the depreciation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs.

Routine maintenance and repair costs are charged in full to the income statement. Improvement costs are allocated to the fixed assets concerned and depreciated over their residual useful lives.

Costs incurred to expand, modernise or improve the structural elements of a tangible fixed asset are capitalised if they significantly and measurably increase its productive capacity, safety or useful life. If the costs concerned do not have the above effect, they are treated as routine maintenance and charged to the income statement.

## Impairment (tangible and intangible fixed assets)

At each reporting date, the Company determines if there is any evidence that the value of its tangible and intangible fixed assets might be impaired. If such evidence is found, the Company estimates the recoverable value of each asset concerned and records an impairment writedown if it is lower than the corresponding net carrying amount.

Recoverable value is not determined if there is no evidence of possible impairment.

The recoverable value of tangible and intangible fixed assets is deemed to be their value in use (calculated by discounting their future cash flows) or, if greater, their fair value (being the amount obtainable at the reporting date, based on the best available information, from their sale in an arm's-length transaction between knowledgeable and willing parties, net of the related selling costs).

With regard to the above, the Group has looked for evidence that the value of its tangible and intangible fixed assets might be impaired, but did not find any and, accordingly, has not determined the recoverable value of the above assets.

## Equity investments and securities (classified as financial fixed assets)

The equity investments and debt securities classified as fixed assets will be held by the Company over the long term. Equity investments are measured at cost, as adjusted for any impairment. Debt securities are measured using the amortised cost method.

The cost recorded in the financial statements is determined with reference to purchase or subscription price, inclusive of related expenses. If lasting impairment is identified, the carrying amount of equity investments is reduced to their recoverable value, which is determined with reference to the future benefits that are expected to accrue to the Company. Should the Company be obliged or intend to cover the (non-permanent) losses incurred by an equity investment, a suitable provision is recorded to cover the liability to which the Company is exposed. If in future years the reasons for the writedown cease to apply, the equity investment is written back to its original carrying amount.

The amortised cost of a security is its original carrying amount, net of any redemptions of principal, as increased or decreased by the accumulated amortisation, calculated using the effective interest method, of any difference between its initial and maturity values after deducting any impairment (recognised directly or by a provision) following a loss in value. The original carrying amount is represented by purchase or subscription cost, net of any commissions.

## Intercompany loans

Intercompany loans with a duration of more than 12 months are usually governed by contracts arranged on market terms and conditions; interest-free intercompany loans and those arranged at significantly below market rates are recognised initially at the value of the related future cash flows, as discounted using the market rate (being the average funding rate of the Company or the Group). The difference with respect to the liquidity collected by the parent company is credited to quotaholders' equity.

## Inventories

Inventories are stated at the lower of purchase and/or production cost, determined using the weighted average cost method, or the realisable value inferred from market prices.

In particular, the specific criteria used to measure the various categories of inventory (unchanged with respect to the prior year) are summarised below:

- Raw materials: annual weighted average cost.
- Work in process (semi-finished products): specific cost with the weighted average cost approach based on the stage of completion of the production process, which represents the cost of production.
- Finished products: specific cost with the weighted average cost approach.
- Dies for resale: purchase cost
- Consumables: purchase cost, inclusive of spare parts.

Purchase cost includes any directly attributable ancillary charges, with the exclusion of borrowing costs. Production cost includes the indirect costs that are reasonably attributable to each asset during the production period until it becomes available for use.

The realisable value of goods, finished products, semi-finished products and work in process inferred from market conditions is deemed to be their net realisable value. Raw and ancillary materials held for the production of finished products are not written down if the finished products in which they will be used are realisable for an amount that is greater than or equal to their production cost.

Inventories are written down when their realisable value estimated with reference to market conditions is lower than their carrying amount. Obsolete and slow-moving inventories are written down with reference to their possible uses or realisable value. If in future years the reasons for any writedown cease to apply, the related inventories are written back to not more than their original cost.

## Receivables

Receivables are stated at amortised cost, having regard for the time factor and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, being when the transaction costs, the commissions paid between the parties and all other difference between initial value and maturity value are immaterial or when the receivables are recoverable in the short term (within 12 months).

The amount of receivables, as determined above, is adjusted when necessary by a specific allowance for doubtful accounts, which is deducted directly from their gross amount in order to report them at their estimated realisable value. The provision (which takes account of collection losses, returns and invoicing adjustments, discounts and allowances, interest not yet earned and other reasons for reduced recoverability) is charged to the income statement.

Receivables assigned to factors are only derecognised if they are sold without recourse and essentially all the related risks are transferred (the difference between the consideration received on the assignment and the carrying amount of the receivable is recognised in income statement caption C17). If the assignment does not involve derecognition (for example, assignment with recourse), since not all the related risks are transferred, the receivable continues to be reported in the balance sheet and is measured in the manner described above. If advance consideration is received from the assignee, the amount is recognised as a financial payable.

Receivables in the form of RiBa's (bank collection notices) that have not been assigned remain classified as receivables until final collection of the amounts concerned.

Receivables deriving from centralised treasury management activities are classified separately within current assets, if recoverable in the short term. If this is not the case, they are classified as financial fixed assets.

## Cash and cash equivalents

Cash and cash equivalents at the reporting date are measured at their nominal value. Amounts denominated in foreign currencies are measured using the closing exchange rates.

## Accruals and deferrals

Accruals and deferrals comprise costs and revenues relating to the year that will be formally recorded in future years, and costs and revenues recorded by the reporting date that relate to future years. The related amounts are determined on a time-apportioned basis.

## Provisions for risks and charges

The provisions for risks and charges cover known or likely losses or liabilities, the timing or extent of which cannot be determined at the reporting date. These provisions, including those for deferred tax liabilities, which are classified in this caption, reflect the best possible estimates based on the information available. Risk that only might give rise to a liability are described in the notes on the provisions, without actually recording a provision. As required by OIC 31, new provisions for risks and charges are, where possible, classified in the relevant income statement classes (B, C or D). Whenever it is not possible to correlate a new provision with a caption in one of the above classes, it is classified in income statement caption B12 or B13.

## Employee termination indemnities

Employee termination indemnities represent the total amount that would have been payable to all employees had they terminated their employment on the reporting date. The charge for the year, comprising the new provision and the revaluation of the accumulated provision (based on the change in the relevant ISTAT index), is determined in accordance with current regulations, having regard for the specific employment contracts and the professional categories concerned. Employee termination indemnities are classified in liability caption C, while the provision for the year is classified in income statement caption B9.

The changes made to the regulations governing termination indemnities by Law 296 dated 27 December 2006 (2007 Finance Law) and subsequent decrees and enabling regulations, amended the accounting for the indemnities earned by 31 December 2006 and those earned from 1 January 2007. In particular, following creation of the INPS Treasury Fund to manage the termination indemnities of private sector employees pursuant to article 2120 of the Civil Code, employers with more than 50 employees are obliged to pay the new provisions relating to them into the Treasury Fund, unless the persons concerned have specifically opted for their indemnities to be paid to a supplementary pension fund. The employee termination indemnities reported in the balance sheet are therefore stated net of the amounts paid to the INPS Treasury Fund.

## Payables

Payables are stated at amortised cost, as defined in art. 2426, para. 2 c.c., having regard for the time factor envisaged in art. 2426, para. 1, point 8 c.c.. Payables are however stated at their nominal amount if application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations. This situation arises in the case of payables due within twelve months or, with regard to the amortised cost method, if the transaction costs, commissions and all other differences between the initial value and the maturity value are insignificant or, again, with regard to the discounting method, if the interest rate inherent in the contractual conditions is not significantly different to the market rate of interest.

## Finance leases

Finance leases are recognised using the payments method, by charging the instalments paid to the income statement on an accruals basis. A specific section of these explanatory notes contains the supplementary information required by the law on the effect of recognising these contracts using finance lease methodology.

## Derivative financial instruments

Derivative financial instruments consist of financial assets and liabilities measured at fair value.

They are only classified as hedging instruments when, at the time of arrangement, there is a strict, documented correlation between the characteristics of the hedged item and those of the hedging instrument, and that hedging relationship is both formally documented and, based on periodic checks, highly effective.

When derivatives hedge the risk of changes in the fair value of the hedged instruments (fair value hedges), they are measured at fair value through profit or loss; for consistency, the carrying amounts of the hedged items are adjusted to reflect the changes in fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the future cash flows generated by the hedged instruments (cash flow hedges), the effective portion of the profit or loss on the derivative is deferred to quotaholders' equity. The ineffective portion of the profits and losses associated with a hedge is recognised in the income statement. On completion of the transaction, the accumulated profits and losses, previously deferred to quotaholder's equity, are released to the income statement (to adjust the income statement items affected by the hedged cash flows).

When hedge accounting is used, the changes in the related fair value of the hedging derivatives are recognised:

- in income statement captions D18 or D19, in the case of a fair value hedge of a reported asset or liability, together with the changes in the fair value of the hedged items (if the change in the fair value of the hedged item is greater in absolute terms than the change in the fair value of the hedging instrument, the difference is recognised in the income statement caption affected by the hedged item);
- in a specific equity reserve (caption AVII "Reserve for cash flow hedges") in a manner that offset the effects of the hedged flows (the ineffective portion, like the change in the time value of options and forwards, is classified in captions D18 and D19).

The changes in the fair value of financial instruments that are classified as trading derivatives, either because they do not qualify for treatment as hedging derivatives or because they were not designated as hedges, even though they were arranged operationally to hedge the risk of changes in interest rates and/or exchange rates and/or commodity prices, are recorded in the balance sheet and recognised in income statement captions D18 or D19.

Any derivatives embedded in other financial instruments must also be measured at fair value. In particular, embedded instruments are only separated from the primary contract and recognised as derivative financial instruments if, and only if:

a) the economic characteristics and risks of the embedded derivative are not closely correlated with the economic characteristics and risks of the primary contract. Close correlation exists if hybrid contracts are arranged in accordance with market practice;
b) all the elements included in the definition of a derivative financial instrument specified in OIC 32.11 are satisfied.

## Revenues

Revenues from the sale of goods are recognised when ownership passes in substance, rather than in formal terms, being when the related risks and benefits are transferred (which in practice coincides with the time of delivery or shipment of the goods).

Revenues from the sale of products, goods and services in the ordinary course of business are stated net of returns, discounts, allowances and rebates, as well as the direct taxes charged on the sale of products and services.

Revenues from services are recognised upon completion and/or when earned.

Transactions with related parties take place on normal market terms and conditions.

## Costs

Costs stated net of returns, discounts, allowances and rebates are recognised on an accruals basis in accordance with the matching principle, regardless of the date of collection or payment. Compliance with the matching principle requires an estimate to be made of the invoices to be received.

## Dividends

Dividends are recognised in the year in which they are declared by the quotaholders' meeting. Dividends are recognised as financial income, regardless of the nature of the reserves that are distributed.

## Financial income and charges

Financial income and charges are recognised on an accruals basis. Costs relating to the disposal of receivables for whatever reason are charged to the income statement on an accruals basis.

## Taxation

Income taxes are recognised with reference to an estimate of taxable income in compliance with current regulations, having regard for any applicable exemptions and tax credits.

Deferred tax assets and liabilities are calculated on the temporary differences between the reported carrying amount of assets and liabilities and their corresponding values for tax purposes. Their measurement takes account of the tax rates expected to be in force in the year in which such differences contribute to the formation of taxable income, being the rates in force or already communicated at the reporting date (24% for IRES and 3.9% for IRAP). They are classified respectively among the current assets as "deferred tax assets" and among the provisions for risks and charges as "deferred tax liabilities".

In accordance with the concept of prudence, deferred tax assets are recognised on all deductible temporary differences if it is reasonably certain that taxable income in the years in which they reverse will not be less than the amount of the differences to be absorbed.

By contrast, deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax liabilities are not recognised in relation to reserves subject to the deferral of taxation if they are unlikely to be distributed to the quotaholder.

Also for the year under review the Company forms part of the Endurance domestic tax group pursuant to arts. 117/129 of the Consolidated Tax Act (T.U.I.R.)

Endurance Overseas S.r.l. is the parent of this tax group and calculates just one taxable income for all member companies, with the benefit that taxable income can be offset against tax losses in a single tax declaration.

All members of the tax group transfer their taxable income (or loss) to the group parent, which records an amount receivable from them for the IRES to be paid (the consolidated companies record an amount payable to the tax group parent). Conversely, the group parent records an amount payable to the companies that transfer tax losses, representing the IRES actually offset at group level (the consolidated companies record an amount receivable from the tax group parent).

### Translation of foreign currency items

Non-monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the exchange rates applying at the time of their acquisition, being their initial recognition cost.

Monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the spot exchange rates applying on the reporting date; the related exchange gains and losses are recognised in the income statement and any net unrealised gains are allocated to a non-distributable reserve until they have been realised.

The company does not have any assets or liabilities denominated in foreign currency at the balance sheet date.

## Other information

#### Repurchase agreements

Pursuant to art. 2427 point 6-ter, the Company confirms that no repurchase agreements were arranged during the year.

# Explanatory notes, assets

The assets recorded in the balance sheet are measured in accordance with art. 2426 c.c. and Italian accounting standards. The specific measurement criteria applied are indicated in the individual notes on each item.

## Fixed assets

### Intangible assets

"Intangible assets" total € 33,640 at 31 March 2020, after charging amortisation of € 16,422 to the income statement.

### Movements in intangible assets

The table shows the movements in fixed assets during the year.

| | Start-up and expansion costs | Concessions, licences, trademarks and similar rights | Goodwill | Other intangible assets | Total intangible assets |
|---|---|---|---|---|---|
| **Balance at the beginning of the year** | | | | | |
| Cost | 2,788 | 49,673 | 1,800,000 | 410,327 | 2,262,788 |
| Amortisation (Accumulated amortisation) | 2,788 | 42,014 | 1,620,000 | 383,697 | 2,048,499 |
| Writedowns | - | - | 180,000 | - | 180,000 |
| Carrying amount | - | 7,659 | - | 26,630 | 34,289 |
| **Changes during the year** | | | | | |
| Additions | - | 1,053 | - | 14,720 | 15,773 |
| Amortisation for the year | - | 3,973 | - | 12,449 | 16,422 |
| *Total changes* | - | *(2,920)* | - | *2,271* | *(649)* |
| **Carrying amount at the end of the year** | | | | | |
| Cost | 2,788 | 50,726 | 1,800,000 | 425,047 | 2,278,561 |
| Amortisation (Accumulated amortisation) | 2,788 | 45,987 | 1,620,000 | 396,146 | 2,064,921 |
| Writedowns | - | - | 180,000 | - | 180,000 |
| Carrying amount | - | 4,739 | - | 28,901 | 33,640 |

The increases totalling € 15,773 during the year mainly relate to leasehold improvements regarding, in particular, the premises used by the Company under lease agreements. To a lesser extent they reflect the purchase of software.

No evidence was found during the year to indicate the possible impairment of intangible assets and, accordingly, no write-downs have been recorded pursuant to art. 2426, para. 1, point 3, of the Italian Civil Code and the requirements of OIC 9. The adjustment of goodwill in prior years (fully amortised at 31 March 2019), indicated in the above table, was not a reflection of impairment, but rather of a change in its useful life following a revision of the expected time needed to develop the business, as mentioned previously.

## Tangible fixed assets

Gross tangible fixed assets total € 2,273,127 at 31 March 2020; the related accumulated depreciation totals € 1,370,923, including the depreciation charge for the year of € 270,400.

### Movements in tangible fixed assets

The following table shows the movements in tangible assets during the year.

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other tangible fixed assets | Total tangible fixed assets |
|---|---|---|---|---|---|
| **Balance at the beginning of the year** | | | | | |
| Cost | 67,674 | 1,583,032 | 424,567 | 187,597 | 2,262,870 |
| Depreciation (Accumulated depreciation) | 28,166 | 767,762 | 203,833 | 120,299 | 1,120,060 |
| Carrying amount | 39,508 | 815,270 | 220,734 | 67,298 | 1,142,810 |
| **Changes during the year** | | | | | |
| Additions | - | 14,755 | 13,709 | 1,331 | 29,795 |
| Depreciation for the year | 6,767 | 193,423 | 53,541 | 16,669 | 270,400 |
| *Total changes* | *(6,767)* | *(178,668)* | *(39,832)* | *(15,338)* | *(240,605)* |
| **Carrying amount at the end of the year** | | | | | |
| Cost | 67,674 | 1,597,787 | 438,276 | 188,928 | 2,292,665 |
| Depreciation (Accumulated depreciation) | 34,933 | 961,185 | 257,374 | 136,968 | 1,390,460 |
| Carrying amount | 32,741 | 636,602 | 180,902 | 51,960 | 902,205 |

No write-downs have been recorded pursuant to para. 1.3 of art. 2426 of the Italian Civil Code and the requirements of OIC 9, as no evidence has been found of possible impairment in the value of tangible fixed assets.

### Finance leases

The Company does not have any finance leases outstanding at the end of the financial year.

### Financial fixed assets

All the equity investments recorded in the financial statements are stated at cost, where cost is understood as the expense incurred for the purchase, regardless of the manner of payment, including any ancillary charges (commissions and bank charges, stamp duty, bank intermediary fees, etc.).

Equity investments amount to € 5. The reduction during the year (€ 500) relates to withdrawal by the company as an investor in CET S.c.r.l., which is a consortium that supplies electricity and natural gas.

## Current assets

Current assets are measured in the manner described in paragraphs 8 to 11-bis of art. 2426 of the Civil Code. The accounting policies applied are explained in the notes on the respective financial statement items.

### Inventories

Inventories amount to € 1,864,822 at 31 March 2020 (€ 1,770,415 at 31 March 2019) and are stated net of an allowance for obsolete and slow-moving items totalling € 113,862, which was utilised for € 49,759 during the year:

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| raw materials, ancillary materials and consumables | 944,147 | (195,845) | 748,302 |
| work in process and semi-finished products | 60,931 | (15,925) | 45,006 |
| finished products and goods | 765,337 | 306,177 | 1,071,514 |
| *Total* | *1,770,415* | *94,407* | *1,864,822* |

Inventories at 31 March 2020 includes items totalling € 24,348 (€ 214,489 at 31 March 2019) that are held for storage by third parties.

## Current receivables

Current receivables total € 2,751,571 at 31 March 2020 and have increased since 31 March 2019 (€ 2,462,607), as shown in the following table.

They are stated at their estimated realisable value, as application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations.

### Changes and maturities of current receivables

The following table shows the information related to changes in current receivables and, if material, their due date.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year | Within one year | Beyond one year |
|---|---|---|---|---|---|
| Trade receivables | 737,643 | 354,605 | 1,092,248 | 1,092,248 | - |
| Receivables due from parent companies | - | 237,248 | 237,248 | 237,248 | - |
| Receivables due from fellow subsidiaries | 920,716 | (452,123) | 468,593 | 468,593 | - |
| Tax receivables | 255,487 | (184,404) | 71,083 | 71,083 | - |
| Deferred tax assets | 513,860 | (12,574) | 501,286 | - | - |
| Other receivables | 34,901 | 346,212 | 381,113 | 359,533 | 21,580 |
| **Total** | **2,462,607** | **288,964** | **2,751,571** | **2,228,705** | **21,580** |

The nominal of trade receivables is adjusted to reflect their expected realisable value by the allowance for doubtful accounts of € 2,613 (which is unchanged since last year).

The receivables due from parent companies (€ 237,248) reflect the tax advance paid to Endurance Overseas S.r.l. during the year, in the context of the group tax election made pursuant to arts. 117-129 of the Consolidated Income Tax Act (TUIR), to the extent that it exceeds the actual tax charge for the year.

The amount receivable from fellow subsidiaries (€ 468,593 at 31 March 2020) relates to the trade receivables due from Endurance S.p.A.

Tax receivables (€ 71,083 at 31 March 2020) solely comprise VAT recoverable.

Deferred tax assets (€ 501,286 at 31 March 2020) mainly relate to temporary differences between the statutory accounts bases and the tax bases of the carrying amount of goodwill and the deductibility of provisions for risks and writedowns recognised in prior years.

Other receivables (€ 381,113 at 31 March 2020) include, among other things, advances to suppliers (€ 357,981), guarantee deposits (€ 21,580, classified as non-current receivables) and various other amounts due.

### Breakdown of current receivables by geographical area

A breakdown by geographical area of receivables has not been provided as the information is not significant, given that almost all receivables are due from domestic customers.

## Current financial assets

### Movements in current financial assets

Pursuant to art. 2423-ter, para. 3 c.c. and after ensuring recoverability in the short term, as required by OIC 14, the Company has classified separately the amount due from the company that manages the central treasury activities of the group in asset caption C.3.7) within “Current financial assets”.

| Description | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| treasury management assets | 3,455,358 | (2,213,796) | 1,241,562 |
| *Total* | *3,455,358* | *(2,213,796)* | *1,241,562* |

The item refers to the positive balance due from the parent company Endurance Overseas S.r.l. as of 31 March 2020, pursuant to the current cash pooling contracts.

## Cash and cash equivalents

The following table shows the changes in cash and cash equivalents.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| bank and postal deposits | 1,027,157 | 3,882,245 | 4,909,402 |
| cash on hand | 707 | 289 | 996 |
| *Total* | *1,027,864* | *3,882,534* | *4,910,398* |

This item principally comprises the balance on bank current accounts at 31 March 2020.

See the statement of cash flows for further analysis of the changes during the year

# Prepaid expenses and accrued income

Prepaid expenses at 31 March 2020 are analysed in the following table together with the changes during the year:

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| Prepaid expenses | 133,924 | (55,549) | 78,375 |
| **Total prepaid expenses and** | **133,924** | **(55,549)** | **78,375** |

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| **accrued income** | | | |

This item relates to prepaid rentals, services and insurance premiums.

## Capitalised financial charges

All interest expense and other financial charges have been expensed during the year. In compliance with paragraph 1.8 of art. 2427 of the Italian Civil Code, it is hereby confirmed that no financial charges have been capitalised.

# Explanatory notes, liabilities and quotaholders' equity

Quotaholders' equity and all liabilities are recorded in the balance sheet in compliance with Italian accounting standards; the specific measurement criteria applied are indicated in the individual notes on each item.

## Equity

The components are stated at their carrying amount in accordance with accounting standard OIC 28.

### Changes in quotaholders' equity items

The changes in the Company's equity items in the year prior to the year under review (as of 31/03/2019) are as follows:

| | Balance at the beginning of the year | Allocation of the prior year result | Distribution of dividends | Result for the year | Carrying amount at the end of the year |
|---|---|---|---|---|---|
| Quota capital | 100,000 | - | - | - | 100,000 |
| Legal reserve | 20,000 | - | - | - | 20,000 |
| Paid in for future capital increase | 1,900,000 | - | - | - | 1,900,000 |
| Retained earnings (accumulated losses) | 1,252,001 | 969,049 | (1,000,000) | - | 1,221,050 |
| Net income (loss) for the year | 969,049 | (969,049) | - | 1,170,658 | 1,170,658 |
| **Total** | **4,241,050** | **-** | **(1,000,000)** | **1,170,658** | **4,411,708** |

The changes in the Company's equity items in the year under review, ended as of 31/03/2020, are shown below:

| | Balance at the beginning of the year | Allocation of the prior year result- Other allocations | Result for the year | Carrying amount at the end of the year |
|---|---|---|---|---|
| Quota capital | 100,000 | - | - | 100,000 |
| Legal reserve | 20,000 | - | - | 20,000 |
| Paid in for future capital increase | 1,900,000 | - | - | 1,900,000 |
| Retained earnings | 1,221,050 | 1,170,658 | - | 2,391,708 |

| | Balance at the beginning of the year | Allocation of the prior year result- Other allocations | Result for the year | Carrying amount at the end of the year |
|---|---|---|---|---|
| (accumulated losses) | | | | |
| Net income (loss) for the year | 1,170,658 | (1,170,658) | 1,283,401 | 1,283,401 |
| **Total** | **4,411,708** | **-** | **1,283,401** | **5,695,109** |

### Availability and use of quotaholders' equity

The following table provides details of the components of quotaholders' equity, including their origin, their potential utilisation and whether they are distributable, as well as the utilisation thereof in the prior three years.

| Description | Amount | Origin/Nature | Potential utilisation | Amount available |
|---|---|---|---|---|
| Quota capital | 100,000 | Quota capital | | - |
| Legal reserve | 20,000 | Revenue | B | - |
| Paid in for future capital increase | 1,900,000 | Quota capital | A;B | - |
| Retained earnings (accumulated losses) | 2,391,708 | Quota capital | A;B;C | 2,391,708 |
| **Total** | **4,411,708** | | | **2,391,708** |
| Amount not distributable | | | | 501,286 |
| Residual amount distributable | | | | 1,890,422 |
| **Key: A: for increase in capital; B: to cover losses; C: for distribution to the quotaholders; D: for other statutory requirements; E: other** | | | | |

The non-distributable portion relates to the deferred tax asset that falls into the category of positive elements that are still to be realised.

## Provisions for risks and charges

The following table analyses the changes in provisions (€ 353,167 at 31 March 2020):

| | Balance at the beginning of the year | Changes during the year - Provision | Changes during the year - Total | Carrying amount at the end of the year |
|---|---|---|---|---|
| Derivative financial instruments | - | 3,167 | 3,167 | 3,167 |
| Other provisions | 350,000 | - | - | 350,000 |
| **Total** | **350,000** | **3,167** | **3,167** | **353,167** |

Derivative financial instruments reflect the negative difference arising on the mark-to-market adjustment of derivatives at the reporting date.

The other provisions (unchanged) were recorded in the prior year following an assessment of the risks relating to various contingent liabilities (commercial, fiscal, environmental, employment-related, etc).

## Employee termination indemnities

Changes in the provision for employee termination indemnities are shown in the following table.

| | Balance at the beginning of the year | Changes during the year - Provision | Changes during the year - Utilisation | Changes during the year - Total | Carrying amount at the end of the year |
|---|---|---|---|---|---|
| EMPLOYEE TERMINATION INDEMNITIES | 254,474 | 3,128 | 31,236 | (28,108) | 226,366 |

The provision shown in the table relates entirely to revaluation of the provision for employee termination indemnities still held by the Company. The majority of the charge to the income statement (item B9 c)) relates to current termination indemnities earned and allocated to the INPS treasury fund, Previndai, Fondo Cometa and the supplementary pension funds chosen, where applicable, by the employees concerned.

## Payables

Payables total € 5,484,080 at 31 March 2020 (€ 4,966,394 al 31 March 2019).

Pursuant to art. 12, para. 2 of Decree 139/2015, the Company has elected to measure payables using the amortised cost method. This election was made on a prospective basis and, therefore, only applies to the payables that have arisen subsequent to 1 April 2016.

### Changes and maturities of payables

The following table shows the changes in payables and any information on their maturities.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year | Within one year | Beyond one year |
|---|---|---|---|---|---|
| Due to banks | 1,535,221 | 419,280 | 1,954,501 | 645,962 | 1,308,539 |
| Trade payables | 2,312,159 | 501,714 | 2,813,873 | 2,813,873 | - |
| Due to parent companies | 202,181 | (99,246) | 102,935 | 102,935 | - |
| Due to fellow subsidiaries | - | 1,257 | 1,257 | 1,257 | - |
| Tax payables | 76,149 | (64,231) | 11,918 | 11,918 | - |
| Due to pension and social security institutions | 57,508 | 94,586 | 152,094 | 152,094 | - |
| Other payables | 783,176 | (335,674) | 447,502 | 447,502 | - |
| **Total** | **4,966,394** | **517,686** | **5,484,080** | **4,175,541** | **1,308,539** |

Amounts due to banks include both the current portion (€ 645,962) and the portion due beyond 12 months (€ 1,308,539) of loans obtained from major banks.

The increase was due to the combined effect of the contractual repayments made during the year with a nominal value of € 581,354, the arrangement of new loans (totalling € 997,500 net of the related transaction costs) and the adjustment of liabilities measured at amortised cost (with a reduction in their nominal value by € 4,103 at 31 March 2020).

With reference to the new loans stipulated during the year, an unsecured loan was signed for a total nominal amount of € 1,000,000 with the Unicredit in April 2019, for a duration of four years.

The following is a breakdown of medium-term loans:

| Bank | Initial amount paid | Arrangement date and duration in years | Residual debt outstanding at 31.03.2020 | Within one year | Beyond one year |
|---|---|---|---|---|---|
| UBI (*) | 2,000,000 | 29/01/2018 - 5 | 1,142,505 | 400,479 | 742,026 |
| UNICREDIT (*) | 1,000,000 | 19/04/2019 - 4 | 816,099 | 247,762 | 568,337 |
| Amortised cost adjustment | | | (4,103) | (2,279) | (1,824) |
| **Total** | **3,000,000** | | **1,954,501** | **645,962** | **1,308,539** |

(*) Financial payables recognised using the amortised cost method.

Payables due to parent companies at 31 March 2020 total € 102,935, and include trade payables for administrative, financial and support services provided by the parent company to Group companies (under specific service agreements settled on arm's-length terms).

Payables due to fellow subsidiaries include trade amounts due to Endurance S.p.A.

Other payables mainly include the amount due to employees for wages and salaries to be paid and accrued deferred remuneration (€ 320,617), as well as advances from customers (€ 92,850) and sundry payables

### Debt secured by collateral on company assets

Pursuant to paragraph 1.6 of art. 2427 of the Italian Civil Code, we can confirm that there is no debt secured by collateral.

### Loans from quotaholders

The company has not received any loans from its quotaholders.

## Accrued expenses and deferred income

The following table shows the changes in accrued expenses and deferred income.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| Deferred income | 45,196 | (21,340) | 23,856 |
| **Total accrued expenses and deferred income** | **45,196** | **(21,340)** | **23,856** |

Deferred income includes the portion of grants and income pertaining to future periods. Grants relate to the assistance ("Tremonti quarter") envisaged in the so-called Competitiveness Decree (art. 18, Decree 91/2014) for capital investment in 2014-2015 in excess of the average for the previous 5 years.

# Explanatory notes, income statement

The income statement reports the results for the year.

This statement presents the results of operations by summarising the positive and negative components of income that contributed to them. These positive and negative components of income, recognised pursuant to art. 2425-bis c.c., are analysed into the following categories: core business, ancillary and financial activities.

Core business activities include the components of income that were generated from continuing operations in the principal sector, and which identify and distinguish the economic activities carried out by the Company in the pursuit of its corporate objectives.

Financial activities comprise those operations that generate financial income and expense.

Ancillary activities comprise those residual operations that generate income in the ordinary course of business that cannot be classified as financial or core business activities.

## Value of production

The value of production during 2019/2020 is analysed below on a comparative basis

| Description | FY 2019/2020 | FY 2018/2019 | Change |
|---|---|---|---|
| Revenues from sales of goods and services | 14,506,794 | 17,246,824 | (2,740,030) |
| Changes in inventories of work in progress, semi-finished and finished products | 373,831 | (337,961) | 711,792 |
| Other revenues | 60,100 | 67,254 | (7,154) |
| **Total** | **14,940,725** | **16,976,117** | **(2,035,392)** |

The reduction in sales revenues with respect to the prior year is consistent with the contraction of the automotive market served by the Company, while the increase in finished product inventories was a consequence of production planning in the period prior to the reporting date.

### Analysis of revenues from sales and services by geographical area

The following table provides a breakdown of revenue from sales of goods and services by geographical area

| Geographical area | Year 2019/2020 | Year 2018/2019 |
|---|---|---|
| ITALY | 13,932,128 | 16,491,038 |
| OTHER EUROPEAN COUNTRIES | 494,607 | 741,862 |
| NON-EU COUNTRIES | 80,059 | 13,924 |
| **Total** | **14,506,794** | **17,246,824** |

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## Cost of production

The following table provides a breakdown of production cost with comparative figures from the previous year:

| Description | FY 2019/2020 | FY 2018/2019 | Change |
|---|---|---|---|
| Cost of raw and ancillary materials, consumables and goods for resale | 7,084,553 | 7,887,798 | (803,245) |
| Cost of services | 1,739,918 | 1,783,507 | (43,589) |
| Lease and rental charges | 313,047 | 309,557 | 3,490 |
| Payroll costs | | | |
| Wages and salaries | 2,541,102 | 2,879,564 | (338,462) |
| Social contributions | 637,420 | 632,072 | 5,348 |

| | | | |
|---|---|---|---|
| Employee termination indemnities | 138,740 | 140,332 | (1,592) |
| Other costs | 1,974 | 1,956 | 18 |
| Amortisation of intangible assets | 16,422 | 451,910 | (435,488) |
| Depreciation of tangible fixed assets | 270,400 | 273,280 | (2,880) |
| Change in inventory of raw and ancillary materials, consumables and goods | 279,423 | 296,830 | (17,407) |
| Provision for risks | - | 350,000 | (350,000) |
| Other operating expenses | 68,396 | 124,628 | (56,232) |
| | **13,091,395** | **15,131,434** | **(2,040,039)** |

**Cost of raw and ancillary materials, consumables and goods for resale and Cost of services**

These items saw a decrease compared with the previous year, equal to -11% for the consumption of materials (considering purchases together with changes in inventories of raw materials, consumables and goods) and -3% for services. The decrease in costs is consistent with the reduction in the value of production.

**Payroll costs**

This item (which has gone down by 9% approximately, compared with the previous year) comprises the entire cost of employees, inclusive of merit increases, changes in labour category, holiday pay and accruals required by law and by collective labour agreements. This item also includes the cost of temporary workers, except for the cost of interim employment agencies that has been charged to the income statement line B7).

**Depreciation, amortisation and provisions**

The total depreciation and amortisation charge has decreased significantly with respect to the prior year due, in particular, to completion in the prior year of the goodwill amortisation process.

The provisions recorded in the prior year are described in the note on provisions for risks and charges.

**Other operating expenses**

This item shows a decrease compared with the previous year, related, among other things, to the decline in charges for supplies received from customers.

The overall reduction in costs described above was greater than the contraction in revenues, resulting in an increase in operating profitability (being the difference between the value and the cost of production divided by the sales revenues of the Company) to about 12.4% from 10.9% last year.

## Financial income and charges

Financial income and charges are recorded on an accruals basis.

### Composition of income from equity investments

There has been no income from equity investments as indicated by paragraph 15 of Art. 2425 of the Italian Civil Code.

### Breakdown of interest and other financial charges by type of payable

The following table provides details of interest and other financial charges as required by paragraph 17 of Art. 2425 of the Italian Civil Code, with specific details of costs relating to bonds, to amounts due to banks and to other charges.

| | Due to banks | Other | Total |
|---|---|---|---|
| Interest and other financial charges | 37,516 | 3,729 | 41,245 |

Other financial charges mainly relate to the effect of applying the amortised cost method for the measurement of receivables and payables.

## Adjustments to financial assets and liabilities

The adjustments to financial assets and liabilities reflect the change in the fair value of the derivative instruments used by the Company to mitigate the risk of interest-rate fluctuations in relation to the financial payables outstanding.

## Amount and nature of revenues/costs of individual significance

No revenues, other positive components of income or costs deriving from exceptional events were recorded during the year.

## Income taxes for the year, current and deferred

The company has accrued for taxation for the year based on the application of tax legislation in force. The tax charge for the year consists of current taxation, as resulting from the tax returns, of deferred taxation relating to positive or negative components of income, taxable or deductible, respectively, in fiscal years that differ from the year in which the item is accounted for statutory reporting purposes.

The composition of taxation for the year split between current taxation and the deferred tax asset item is provided in the following table:

| | Year 2019/2020 | Year 2018/2019 |
|---|---|---|
| **Income taxes** | **521,580** | **638,804** |
| Current taxation | | |
| of which: IRES for the year (current) | 418,606 | 659,577 |
| of which: IRAP for the year (current) | 94,013 | 148,797 |
| of which: Taxation relating to prior years | (3,613) | (3,219) |
| Net change in deferred taxation | 12,574 | (166,351) |

The net change in deferred taxation relates to the change in the inventory allowance, and other provisions with deferred deductibility, that cannot be deducted in the current year.

The principal temporary differences giving rise to the recognition of deferred taxation are presented in the following table together with their related effects. These were determined using the tax rates expected to be applicable in the years in which the temporary differences reverse (24% for IRES and 3.9% for IRAP).

### Recognition of deferred tax assets and liabilities and their impact

| | IRES Tax | IRAP Tax |
|---|---|---|
| **A) Temporary differences** | | |
| Total deductible temporary differences | 49,759 | 49,759 |
| Total taxable temporary differences | 5,453 | - |
| Net temporary differences | (44,306) | (49,759) |
| **B) Tax effects** | | |

| | IRES Tax | IRAP Tax |
|---|---|---|
| Provision for deferred tax liability (assets) at the beginning of the year | (443,144) | (70,716) |
| Deferred tax liability (assets) of the year | 10,633 | 1,941 |
| Provision for deferred tax liability (assets) at the end of the year | (432,511) | (68,775) |

# Explanatory notes, other information

The additional disclosures required by the Italian Civil Code are presented below.

## Employment data

The following table sets out average employee numbers by labour category computed on the basis of daily averages

| | Executives | Middle managers/White collar | Blue collar | Total employees |
|---|---|---|---|---|
| Year 2019/2020 | 1 | 13 | 47 | 61 |
| Year 2018/2019 | - | 13 | 50 | 63 |

The Company employs 59 persons at 31 March 2020.

## Fees, advances and loans granted to directors and statutory auditors and commitments accepted on their behalf

No fees were paid to directors in the financial year 2019/2020.

## Fees of the legal auditor or auditing firm

As required by art. 2427 c.c., the following table analyses the total fees earned by the legal auditor (or firm of legal auditors) for the legal audit of the annual financial statements, the total fees earned for other auditing services, the total fees earned for tax advisory services and the total fees earned for other non-audit services.

| | Legal audit of the annual financial statements | Other non-audit services | Total fees earned by the legal auditor or auditing firm |
|---|---|---|---|
| Amount | 7,350 | 3,150 | 10,500 |

Deloitte & Touche S.p.A. has been engaged to perform the independent statutory audit. The costs for auditing the annual accounts also include the fees for checking that the books of account have been kept regularly, while the other services performed refer to activities required prior to signing the tax and VAT returns.

## Categories of shares issued by the Company

This section of the explanatory notes is not relevant, since the Company's capital does not consist of shares.

## Securities issued by the company

The Company has not issued any securities that fall under the provisions of art. 2427, para. 18 of the Italian Civil Code.

## Details on other financial instruments issued by the Company

The Company has not issued any other financial instruments pursuant to art. 2346, para. 6, of the Italian Civil Code.

## Commitments, guarantees and contingent liabilities not reported in the balance sheet

There are no commitments, guarantees or contingent liabilities that have not been reported in the balance sheet.

## Information about capital and loans allocated to a specific business project

### Allocation of capital to a specific business project

We can confirm that, at the balance sheet date, there has been no allocation of capital to a specific business project as per no. 20 of art. 2427 of the Italian Civil Code.

### Loans for a specific business project

We can confirm that, at the balance sheet date, there are no loans provided for a specific business project as per no. 21 of art. 2427 of the Italian Civil Code.

## Information about related-party transactions

With regard to the provisions of art. 2428, para. 3, point 2) of the Italian Civil Code, reference is made to the information on related-party transactions provided in the Report on operations.

## Information about off-balance sheet agreements

No off-balance sheet agreements were entered into during the year.

## Information about significant events arising subsequent to the reporting date

As highlighted in the introduction, the final weeks of the financial year were marked by macroeconomic instability linked to the spread of Covid-19. The pandemic affected economic activity in Asia (China in particular) in early 2020, before spreading to other countries, principally in Europe, and to Italy in particular at the end of February 2020.

These circumstances significantly affect the prospects for global growth, influencing the general macroeconomic situation and the economic markets served by Endurance Engineering S.r.l., not least because of the decisions made by governmental authorities in order to contain the spread of the virus.

Various containment measures were introduced at national and regional level that, with regard to the company, resulted in a significant reduction in business activity from March 2020 (including suspension of the activities of the supply chain and customers), with recourse to specific social buffers and the activation of government-assisted lay-off pay for all employees. In the following months, customer demand has picked up very slowly, resulting the generation of economic losses in the early months of the 2020/2021 financial year.

In order to tackle this situation, the Company has made recourse to all available tools that make the cost structure more flexible and has sought to contain fixed costs, where possible, via the careful planning of production to meet market needs and by paying even greater attention to the management of costs.

Current market trends and indicative forecasts for the immediate future suggest that 2020 revenues will be lower, although the extent of the reduction cannot be estimated reliably at this time; this scenario requires the Company to pay greater attention to operational decisions and their impact on the structure of costs, as well as to maintain proper focus - under presumably recessionary conditions - on the investment and development opportunities that will best respond to the future recovery of markets, not least by following the new development guidelines and incentives that, with government action and support, will be introduced by the international economic system - hopefully from the second half of 2020.

Considering the short-term economic outlook, already discussed, the financial resources currently available to the Company and to the Endurance Group, and the ability to satisfy all outstanding liabilities and commitments mean that, at this time, there are no uncertainties about the ability of the Company to continue as a going concern over the next 12 months. During that time, Endurance Engineering S.r.l. will strive to confirm, under difficult market conditions, its ability to generate positive results and support the available opportunities to consolidate and improve its position in the marketplace.

## Companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary

The following information is provided about the companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary:

| | Larger group | Smaller group |
|---|---|---|
| Company name | Endurance Technologies Limited (*) | Endurance Overseas S.r.l. |
| Town (if in Italy) or foreign State | Aurangabad (India) | Lombardore (Turin) |
| Tax code (Italian companies) | - | 05754620960 |
| Place where the consolidated financial statements are filed | Registered office: Aurangabad (India)<br>India Stock Exchange: NSE and BSE | Registered office: Lombardore (Turin)<br>Turin Chamber of commerce |

(*) Endurance Technologies Limited, the parent company, is listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

## Information about derivative financial instruments pursuant to art. 2427-bis of the Italian Civil Code

Pursuant to art. 2427-bis of the Italian Civil Code and in order to present a true and fair view of the Company's commitments, appropriate details are provided below about the fair value, extent and nature of the derivative financial instruments held by the Company (amount in Euro), grouped by counterparty:

| Type of contract | Number of contracts | Original notional value | Notional value at 31 March 2020 |
|---|---|---|---|
| Interest rate Swap | 1 | 500,000 | 408,050 |
| **TOTAL** | | | **408,050** |

## Summary financial statements of the company which exercises management and coordination activities

The Company is subject to management control and coordination by its indirect parent company, Endurance Technologies Limited, with registered offices at E-92, MIDC Industrial Area, Waluj, Aurangabad, Maharashtra, India, which wholly owns the Company via Endurance Overseas S.r.l..

The following amounts taken from the latest approved financial statements of Endurance Technologies Limited are stated in millions of Indian Rupees. For the sake of clarity, the Rupee/Euro exchange rate at 31 March 2019 (fixed on 29 March 2019) was 77.7190 (80.2960 at 31 March 2018) - (source www.ecb.europa.eu):

| **Balance sheet** | **Year ended 31 March 2019** | **Year ended 31 March 2018** |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Fixed assets, net | 12,629.37 | 10,181.26 |
| Investments and other non-current assets | 5,900.00 | 5,550.27 |
| **Current assets** | 11,022.75 | 10,323.57 |
| **Activities held for sale** | 33.37 | - |
| **Total Assets** | **29,585.49** | **26,055.10** |
| | | |
| **Liabilities and quotaholders' equity** | | |
| **Equity** | **20,799.50** | **17,922.58** |
| **Non-current liabilities** | | |
| Non-current financial liabilities | 29.78 | 49.58 |
| Other non-current liabilities | 265.65 | 63.25 |
| **Current liabilities** | | |
| Current financial liabilities | 7,738.02 | 7,072.36 |
| Other current liabilities | 752.54 | 947.33 |
| **Total liabilities and quotaholders' equity** | **29,585.49** | **26,055.10** |

| **Income Statement** | **Year ended 31 March 2019** | **Year ended 31 March 2018** |
|---|---|---|
| **Revenues** | **54,336.82** | **46,362.84** |
| Operating costs | 46,854.49 | 40,275.23 |
| Depreciation and amortisation | 1,756.98 | 1,696.31 |
| Financial charges | 170.73 | 102.49 |
| Non-recurring income/(expense) | (208.00) | (268.78) |
| **Income before tax** | **5,346.62** | **4,020.03** |
| Taxation for the year (current and deferred) | 1,768.01 | 1,304.00 |
| **Income (loss) for the year** | **3,578.61** | **2,716.03** |
| OCI - Other comprehensive income | (23.39) | (0.84) |
| **Total statement of comprehensive income** | **3,555.22** | **2,715.19** |

The following section describes relations with the company that provides management and coordination services and with the other affiliates, as well as the effect of those activities on the operations of the Company and its results.

## Information pursuant to art. 1, paragraph 125, of Law 124 of 4 August 2017

Starting from the 2018 financial statements, art. 1, paragraph 125, of Law 124/2017 introduced the obligation to provide evidence in the explanatory notes of any cash amounts received during the year by way of grants, contributions, paid appointments or any other economic advantages of any kind received from public administrations and from those mentioned in paragraph 125 of the same article.

In consideration of the fact that this provision has raised question of interpretation and application that are still unresolved, the Company has carried out investigations and, also in the light of the latest guidelines, considers that they do not fall within the scope of the disclosure requirement:

- general measures that can be used by all companies in application of current tax laws; such as the so-called ACE (aid for economic growth) or the benefits recorded in relation to the accrual of tax credits for investments in business assets (such as Legislative Decree No. 91/2014, the so-called “Tremonti-quarter”, for which the Company recorded income for the year of € 9,542, without any impact in terms of cash flows).

## Proposed allocation of profits or coverage of losses

Quotaholders, In light of the matters explained above, the Board of Directors proposes to allocate the net income for the year of € 1,283,401 to "retained earnings (accumulated losses)".

# Explanatory notes, closing section

Quotaholder, we confirm that these financial statements, which comprise the balance sheet, income statement, statement of cash flows and explanatory notes, give a true and fair view of the financial position and results for the year and agree with the books of account. We thus invite you to approve the draft financial statements for the year ended 31 March 2020, together with the proposed allocation of net income, as submitted by the Board of Directors.

The financial statements are true and real and agree with the books of account

Turin, 29/05/2020

For the Board of Directors

The Managing Director

Fabrizio Rebuffo

**ENDURANCE ENGINEERING S.r.l.**
Statutory Financial Statements
as of March 31, 2020

**Independent Auditor's Report**

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10121 Torino
Italia

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# INDEPENDENT AUDITOR'S REPORT
# PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

**To the Sole Quotaholder of**
**Endurance Engineering S.r.l.**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Endurance Engineering S.r.l. (the "Company"), which comprise the balance sheet as at March 31, 2020, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Italian law governing financial statements.

### 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matters

Pursuant to art. 2497-bis, first paragraph, of the Italian Civil Code, Endurance Engineering S.r.l. has disclosed that it is subject to management and coordination of its activities by Endurance Technologies Limited (India) and, therefore, has indicated in the notes to the financial statements the key financial data from the most recent financial statements of such company. Our opinion on the financial statements of Endurance Engineering S.r.l. does not extend to such data.

### Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (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 financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 management's 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as 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.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

**Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10**

The Directors of Endurance Engineering S.r.l. are responsible for the preparation of the report on operations of the Company as at March 31, 2020, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of the Company as at March 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Endurance Engineering S.r.l. as at March 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
**Giorgio Barbieri**
Partner

Turin, Italy
June 24, 2020

*This report has been translated into the English language solely for the convenience of international readers.*

# ENDURANCE CASTINGS SPA

Head office: CONCA D'ORO 14 - 14/A BIONE (BRESCIA)
Tax Code and Brescia
Companies Register no. 00293110177
BRESCIA Chamber of Commerce (REA) no. 55600
Share capital: € 900,000.00 subscribed and fully paid
VAT Number: 00551150980
Sole shareholder company
Management policy and coordination: ENDURANCE TECHNOLOGIES LTD

# Report on operations

*Financial statements for the year ended 31/03/2020*

Dear Shareholders, the explanatory notes provide disclosures on the financial statements for the year ended 31/03/2020; this document, in compliance with art. 2428 of the Italian Civil Code, provides information on the Company's situation and performance. The report, prepared with amounts shown in Euros, is presented as an accompaniment to the financial statements and provides information on the Company's earnings, financial position and operations, together, where possible, with historical facts and an indication of the future outlook.

## Information on the Company

### Matters concerning the economy in general and the results of operations:

The world economic slowdown during 2019 (growth of 2.4% compared with 3.0% in the prior year and 3.3% in the year before that) was mainly due to the disruption of supply chains and the impediments to international trade linked to the US-China trade dispute, which included the reciprocal imposition of escalating customs duties. The United States reported growth of 2.3% (compared with 2.9% in the prior year), China 6.1% (6.6% previously), India 4.2% (6.1% previously) and Europe just 1.2%, with Italy and Germany bring up the rear with growth of 0.3% and 0.6% respectively.

Despite the trade agreement reached by the USA and China towards the end of 2019, GDP collapsed during the first quarter of 2020 as a result of the containment measures adopted by various countries, mostly starting in March, in order to tackle the healthcare emergency associated with the coronavirus epidemic (discussed in more detail below, in the section on key events). The suspension of industrial and commercial activity at various levels caused the economies of the countries concerned to slump into a deep recession, which will continue until the restoration of health safety conditions allows normal work to restart.

Central banks around the world continue to support their economies with expansionary monetary policies, but have only managed to mitigate the adverse effects of the crisis without inverting the downward trend.

The EU *automotive* sector, already challenged by the difficulties caused by the new regulations governing vehicle consumption testing procedures (WLTP - *Worldwide Harmonised Light Vehicles Test Procedures*), was hit by a 5% reduction in registrations during the reporting period from April ’19 to March ’20 (UK -10.9%, Spain -10.6%, Italy -7.9%, France -6.7% and Germany -0.3%), not least due to the contraction in the last quarter of the reporting year (January – March 2020) by more than 26% (Italy -35.5%, France -34.1%, UK and Spain -31%, and Germany -20.3%).

EU annual sales data by manufacturer highlights significant reductions for FCA (-13.5%), PSA (-10.4%) and Renault (-8.5%), with more contained declines for BMW (-2.0%) and VW (-1.5%). However the data for the last quarter (January – March 2020) was bad for all manufacturers including, in particular, Renault (-36.1%), FCA (-34.5%) and PSA (-34.3%), followed by Daimler (-22.9%), VW (-19.4%) and BMW (-16.7%). The VW Group has further consolidated its leadership of the European market, with a share in excess of 25% (prior year: 24.2%). Progress was also made by BMW (6.8%, up from 6.6%) and Daimler (6.6%, up from 6.2%), to the detriment of PSA, FCA and Renault.

The P&CV production data published by IHS MARKIT for the 2019 calendar year, not yet influenced by the Covid-19 pandemic, shows that the 6.3% contraction in global production (from 16.6 to 15.8 million vehicles) affected all macro areas: EU -5.3%, North America -6.2%, South America -2.8%, Asia -6.5%, Middle East and Africa -25.6%. Within the European Union, Germany was the leading producer with an output of 4.7 million vehicles (albeit down 9% compared with the prior year), followed by Spain 2.2 million (+0.3%), France 1.7 million (-5.5%), the Czech Republic 1.4 million (-0.7%), the UK 1.3 million (-14.2%), Slovakia 1.1 million (+0.6%) and Italy 0.5 million (-19.5%).

During the same period, EU vehicle exports dropped in both volume (-6.9%) and value (-2.3%) terms, while the value of imports climbed (+15.6%) on essentially stable (-0.9%) volume.

Diesel vehicle registrations continued to decline, down by 13.9% over the calendar year (market share reduced to 30.5%), but increases were reported for petrol vehicles (up by 5.2%) - raising their market share to 58.9% - and for those powered by alternative sources of energy (LPG/methane, hybrid and electric vehicles).

Despite the global decline in vehicle registrations, production and exports, the company managed to generate a value of production of € 32.6 million, due to the additional contracts received after joining the Endurance Group in January 2019. The synergies released and the technical collaboration with other Group companies helped to improve the performance indicators, enabling the company to achieve operating income of € 2.4 million (7% of the value of production) and an EBITDA of € 3.3 million (10.2% of the value of production).

These positive results made it possible to improve the financial strength of the company and the overall liquidity position.

## Key events

The period just ended was the first complete financial year following purchase of the entire share capital of the company by Endurance Overseas S.r.l., given that the shareholders' resolution adopted on 7 January 2019 aligned the accounting reference date with that used by all members of the Endurance Group (financial year from 1 April to 31 March).

The key events of the year included the healthcare emergency caused by the reaction to the Covid-19 epidemic that, starting in early 2020, affected economic activity in Asia first (especially China) before spreading to Europe (with Italy among the first countries to be seriously affected, from February 2020).

The pandemic has resulted in global consequences, with strong pressure on national health services and a steady stream of measures from government authorities designed to contain the risk of further contagion (travel restrictions, suspension of productive activities etc.). These measures are continuing to have a significant impact on the social and working lives of individuals and on the global economy (significant drop in end-user demand for goods and services, with a resulting increase in unemployment and a deterioration in global economic conditions).

Turning to the action taken at Group level, Endurance Castings S.p.A. reacted promptly to the extraordinary effects of the pandemic by taking steps to safeguard the health of all employees, as a priority objective, as well as to guarantee the continuity of production to the extent possible under appropriate safety conditions (purchase of PPE, reorganisation of operating procedures, interactions and movements within corporate facilities, as well as recourse - where practicable and applicable - to smart working for all professional roles).

Operating activities at Company facilities, already slowed from the end of February 2020, were suspended in full during the final part of March - in compliance with government instructions - and this complete lockdown lasted until 4 May 2020.

The Group continues to monitor actively the spread of the virus, with a view to managing proactively the potential impact. From a production standpoint, the effects on the routine conduct of activities are significant, even after the restart, given for example the unpredictable nature of customer order confirmations that have a direct effect on many areas of operation, including:

- the update of production schedules;
- management of the supply chain - in terms of the availability of resources, the timing of deliveries and the financial strength of the operators concerned;
- the organisation of personnel - in terms of production efficiency, availability, logistical and insurance needs, and recourse to social buffers (used by the Company from the date on which production was suspended);

- the approach to certain negotiations with suppliers and the review/update of investment plans.

With regard to the assessment and management of the adverse effects of the current pandemic, the Company has acted in the areas described by cutting discretionary costs, rendering production and personnel costs as flexible as possible and, as indicated, making recourse to the government-assisted lay-off pay introduced with specific reference to Covid-19. This action helped to minimise the economic impact on the year ended 31 March 2020, not least because - having regard for the specific operating conditions of the Company - the necessary accounting measurements were only partially affected and did not give rise to any concerns about business continuity (evaluated over a time horizon of at least 12 months, as required by the policies governing the preparation of financial statements). The overall assessment made in this regard is supported by the current liquidity of the Company and the Endurance Group has a whole.

## Management control and coordination activities

Pursuant to para. 5 of art. 2497-bis of the Italian Civil Code, it is confirmed that the Company belongs to the ENDURANCE Group (India) and is subject to management policy and coordination by ENDURANCE TECHNOLOGIES LIMITED (India), whose shares have been listed on the National Stock Exchange of India (NSE) and the Bombay Stock Exchange (BSE) India.

These management and coordination activities did not have any particular impact on the Company's activities and results. We can also confirm that no decisions were made that were influenced by the Company that performs management control and coordination activities which might require an indication of the reasons and interests affecting them.

# Financial position

To facilitate a better understanding of the Company's financial position, a reclassified balance sheet is set out below.

## Balance Sheet - Assets

| Item | FY 2020 | % | FY 2019 | % | Change | Change % |
|---|---|---|---|---|---|---|
| **WORKING CAPITAL** | **15,245,862** | **68.57 %** | **14,260,598** | **65.46 %** | **985,264** | **6.91 %** |
| **Immediate liquidity** | **2,562,903** | **11.53 %** | **3,731,150** | **17.13 %** | **(1,168,247)** | **(31.31) %** |
| Cash and cash equivalents | 2,562,903 | 11.53 % | 3,731,150 | 17.13 % | (1,168,247) | (31.31) % |
| **Deferred liquidity** | **9,034,124** | **40.63 %** | **6,150,400** | **28.23 %** | **2,883,724** | **46.89 %** |
| Current receivables included in working capital | 5,843,465 | 26.28 % | 5,977,993 | 27.44 % | (134,528) | (2.25) % |
| Current portion of non-current receivables | 15,755 | 0.07 % | 18,756 | 0.09 % | (3,001) | (16.00) % |
| Financial assets | 3,106,892 | 13.97 % | - | - | 3,106,892 | - |
| Accrued income and prepaid expenses | 68,012 | 0.31 % | 153,651 | 0.71 % | (85,639) | (55.74) % |
| Inventories | 3,648,835 | 16.41 % | 4,379,048 | 20.10 % | (730,213) | (16.68) % |
| **FIXED ASSETS** | **6,987,773** | **31.43 %** | **7,524,293** | **34.54 %** | **(536,520)** | **(7.13) %** |
| Intangible assets | 975 | - | 2,725 | 0.01 % | (1,750) | (64.22) % |
| Tangible fixed assets | 6,454,707 | 29.03 % | 6,629,685 | 30.43 % | (174,978) | (2.64) % |
| Financial fixed assets | 4,530 | 0.02 % | 4,530 | 0.02 % | - | - |
| Non-current portion of receivables included in working capital | 527,561 | 2.37 % | 887,353 | 4.07 % | (359,792) | (40.55) % |
| **CAPITAL EMPLOYED** | **22,233,635** | **100.00 %** | **21,784,891** | **100.00 %** | **448,744** | **2.06 %** |

## Balance Sheet - Liabilities and Equity

| Item | FY 2020 | % | FY 2019 | % | Change | Change % |
|---|---|---|---|---|---|---|
| **CAPITAL ATTRIBUTABLE TO MINORITY INTEREST** | **11,861,043** | **53.35 %** | **13,249,870** | **60.82 %** | **(1,388,827)** | **(10.48) %** |
| **Current liabilities** | **10,105,415** | **45.45 %** | **11,385,502** | **52.26 %** | **(1,280,087)** | **(11.24) %** |
| Current payables | 9,379,965 | 42.19 % | 10,508,899 | 48.24 % | (1,128,934) | (10.74) % |
| Accrued expenses and deferred income | 725,450 | 3.26 % | 876,603 | 4.02 % | (151,153) | (17.24) % |
| **Non-current liabilities** | **1,755,628** | **7.90 %** | **1,864,368** | **8.56 %** | **(108,740)** | **(5.83) %** |
| Provisions for risks and charges | 1,471,342 | 6.62 % | 1,549,595 | 7.11 % | (78,253) | (5.05) % |
| Employee termination indemnity | 284,286 | 1.28 % | 314,773 | 1.44 % | (30,487) | (9.69) % |
| **EQUITY** | **10,372,592** | **46.65 %** | **8,535,021** | **39.18 %** | **1,837,571** | **21.53 %** |
| Share capital | 900,000 | 4.05 % | 900,000 | 4.13 % | - | - |
| Reserves | 6,973,062 | 31.36 % | 6,973,062 | 32.01 % | - | - |
| Retained earnings (accumulated losses) | 661,959 | 2.98 % | 368,833 | 1.69 % | 293,126 | 79.47 % |
| Net income (loss) for the year | 1,837,571 | 8.26 % | 293,126 | 1.35 % | 1,544,445 | 526.89 % |
| **FINANCING SOURCES** | **22,233,635** | **100.00 %** | **21,784,891** | **100.00 %** | **448,744** | **2.06 %** |

## Key indicators of financial position

According to the above reclassification, indicators of financial position are set out below:

| RATIO | FY 2019 | FY 2018 | % Change |
|---|---|---|---|
| Fixed asset coverage | 160.17 % | 128.24 % | 24.90 % |
| Amounts payable to banks to working capital | 5.35 % | - | - |
| Debt ratio | 1.14 | 1.55 | (26.45) % |
| Financial debt ratio | 0.10 | 0.20 | (50.00) % |
| Equity to capital employed | 46.65 % | 39.18 % | 19.07 % |
| Financial charges to turnover | 0.16 % | 0.13 % | 23.08 % |
| Current ratio | 150.87 % | 125.25 % | 20.46 % |
| Primary coverage ratio | 1.61 | 1.29 | 24.81 % |
| Secondary coverage ratio | 1.88 | 1.57 | 19.75 % |
| Net working capital | 5,140,447.00 | 2,875,096.00 | 78.79 % |
| Acid test margin | 1,491,612.00 | (1,503,952.00) | 199.18 % |
| Acid test ratio | 114.76 % | 86.79 % | 32.23 % |

# Results

As already mentioned, given that the figures are not comparable because of the shorter duration of the prior financial year (3 months) to align the Company's year end with that of the other Group companies, a reclassified income statement is set out below to facilitate a better understanding of the Company's results of operations.

## Income Statement

| Item | FY 2020 (12 months) | % | FY 2019 (3 months) | % | Change | Change% |
|---|---|---|---|---|---|---|
| **VALUE OF PRODUCTION** | **32,584,188** | **100.00 %** | **8,061,032** | **100.00 %** | **24,523,156** | **304.22 %** |
| - Consumption of raw materials | 11,182,124 | 34.32 % | 2,865,094 | 35.54 % | 8,317,030 | 290.29 % |
| - General expenses | 13,124,992 | 40.28 % | 3,143,775 | 39.00 % | 9,981,217 | 317.49 % |
| **VALUE-ADDED** | **8,277,072** | **25.40 %** | **2,052,163** | **25.46 %** | **6,224,909** | **303.33 %** |
| - Payroll costs | 4,690,373 | 14.39 % | 1,385,158 | 17.18 % | 3,305,215 | 238.62 % |
| **GROSS OPERATING MARGIN** | **3,586,699** | **11.01 %** | **667,005** | **7.29 %** | **2,919,694** | **437.73 %** |
| - Depreciation, amortisation and writedowns | 913,157 | 2.80 % | 224,457 | 2.78 % | 688,700 | 306.83 % |
| - Other operating expenses | 256,197 | 0.79 % | 50,846 | 0.63 % | 205,351 | 403.87 % |
| **INCOME BEFORE FINANCIAL ITEMS** | **2,417,345** | **7.42 %** | **391,702** | **4.86 %** | **2,025,643** | **517.14 %** |
| + Financial items | (41,073) | (0.13) % | (6,514) | (0.08) % | (34,559) | (530.53) % |
| **INCOME BEFORE TAX** | **2,376,272** | **7.29 %** | **385,188** | **4.78 %** | **1,991,084** | **516.91 %** |
| - Taxation | 538,701 | 1.65 % | 92,062 | 1.14 % | 446,639 | 485.15 % |
| **NET INCOME** | **1,837,571** | **5.64 %** | **293,126** | **3.64 %** | **1,544,445** | **526.89 %** |
| | | | | | | |
| **EBITDA** | **3,330,502** | **10.22%** | **391,702** | **4.86%** | **2,938,800** | **750.26%** |

## Key performance indicators

On the basis of the above reclassification, indicators of financial position are set out below:

| RATIO | FY 2020 (12 months) | FY 2019 (3 months) | % Change |
|---|---|---|---|
| R.O.E. (*) | 17.81 % | 13.74 % | 29.62 % |
| R.O.I. (*) | 52.01 % | 32.62 % | 59.44 % |
| R.O.S. (*) | 7.18 % | 4.91 % | 46.23 % |
| R.O.A. (*) | 10.87 % | 7.19 % | 51.18 % |

## Main risks and uncertainties that the Company is exposed to

As required by the first paragraph of art. 2428 of the Italian Civil Code, set out below is a description of the main risks and uncertainties to which the Company is exposed:

**RISKS RELATED TO THE GENERAL STATE OF THE ECONOMY**: the Company's results are influenced by trends in the national and international economy
Developments regarding GDP, the cost of raw materials, the unemployment rate, interest rates and the level of confidence shown by consumers and businesses can condition the sales performance of end customers and, thus, the company's sales performance.

In particular, general economic conditions were affected at the end of the year - with continuation likely in the coming months - by the recessionary effects of the global spread of the Covid-19 pandemic including, in particular, those on the propensity to consume and on the functioning of production and distribution chains.

**RISKS RELATED TO THE SECTOR IN WHICH THE COMPANY OPERATES:** the metal alloys and metal parts machining sector, in which the Company operates, is characterised by heated competition that is partly attributable to the sales trends in the automotive market. As much as the Company has taken action deemed necessary to improve its level of flexibility, a significant fall in end customers' needs and consequent further pressure on prices caused by heated competition could adversely impact the Company's results and financial position.

**RISKS RELATED TO THE ABILITY TO CREATE INNOVATIVE PRODUCTS:** the automotive components sector is characterised by continuous product development needed to satisfy the product performance required by car manufacturers and by environmental legislation (governing emissions). Future investment by the Company will seek to develop the portfolio of products and diversify the types of production, thereby increasing the ability to meet the needs of customers. The failure to develop products and to meet needs in terms of price, quality and functionality imposed by end customers could adversely impact the Company's prospects for its operations.

**FINANCIAL RISKS:** The Company is exposed to the following financial risks in the conduct of its operations:

- credit risks in relation to normal commercial transactions with customers;
- liquidity risks, with particular reference to the availability of financial resources and access to the market for credit and financial instruments in general;
- market risks, mainly relating to changes in interest rates and, to a lesser extent, exchange rates.

The Company constantly monitors the financial risks that it is exposed to, in order to evaluate in advance any potential negative effects and to take appropriate action to mitigate them.

Credit Risks

Given the nature of its main industrial activities - the production of engine components, gearboxes and other items for car makers - the Company's receivables are structurally concentrated since customers comprise a limited number of industrial groups. The integration of the company within the Endurance Group makes possible the indirect diversification of customers, by supplying other group companies with unfinished components for the manufacture of products that are then supplied to a broader base of end customers.

The Company monitors receivables constantly and regularly adjusts the related allowances for collection risks.

Liquidity risks

The two main factors that determine the Company's liquidity position are, on one hand, the resources generated or absorbed by operations and by investments and, on the other hand, the timing of the repayment and renewal of debt and of the liquidity of financial investments.

The Company seeks the most appropriate sources of finance bearing in mind the current and prospective financial position. Any difficulties encountered in obtaining financing needed to meet the needs of current operations and needs relating to investments could negatively impact the Company's results and financial position.

Management believes that funds currently available, the keeping of suitable contacts for access to credit, as well as funds generated from operating activities, will allow the Company to meet the needs of investing activities, of working capital management and for the repayment of debt as it falls due.

Market risks

In the conduct of its activities, the Company is exposed to various market risks, particularly the risk of fluctuations in interest rates and, to a lesser extent, exchange rates.

*Risks relating to changes in interest rates*
The Company utilises financial resources provided mainly in the form of bank debt and employs the funds to finance operations and investment and development initiatives. The Company can also factor its trade receivables. Changes in market interest rates impact the cost of various forms of financing and of factoring and thus affect the level of the Company's financial charges.
To face up to these risks, the Company strives to maintain a suitable relationship between the financing structure and the structure of capital employed, compatible with opportunities offered and actual market conditions.
Lastly, where considered appropriate, the Company makes use of interest rate derivatives (interest rate caps) with the aim of hedging the risks described.

*Risks relating to changes in exchange rates*
The functional currency used by the Company for the majority of its transactions (Euro) does not currently appear to be subject to significant risks relating to exchange rate fluctuations.

## Key non-financial indicators

Pursuant to Art. 2428 of the Civil Code, it is hereby confirmed that, due to the specific activities performed and for a better understanding of the company's results and financial position, it is not deemed relevant to present non-financial indicators.

## Information on the environment and safety

The Company dedicates special attention to ensuring that production and operating activities comply with the applicable regulations and international agreements, seeking to introduce and disseminate a culture that continuously improves environmental performance and the safety of products and processes, while also safeguarding personnel and installations.

General training on the environment and safety has been provided, as well as specific job-related safety sessions for employees and managers;

Work on installations and the infrastructure included the following principal actions:
(a) installation of safety fence in the smoke analysis area.
(b) installation of walkway with related access ladder on the warehouse roof, so that frequent emission samples can be taken.
(c) installation of filters, pumps and counters for rain water that runs off the diesel tank.
(d) continuation of work to replace part of the lighting with LED lamps;
(e) development of IT programs for managing the maintenance of environmental equipment;
(f) replacement of the sandblasting filter with a new, low-emissions unit.
(g) creation of a new box for the storage of mineral oils.
(h) installation of a new double chamber, vertical tank for the storage of brine prior to disposal.

In addition, on fire-safety matters, the emergency plan was updated and evacuation drills were carried out in all departments, covering every shift.

The Risk Assessment Document (DVR) was updated for matters concerning health surveillance and, in particular, the impact of the Covid-19 pandemic.

**COVID-19: Practical precautionary measures introduced to allow activities to continue while safeguarding the health of workers**

In order to help contain the spread of the Covid-19 pandemic and ensure the continuity of production under safe conditions for personnel, the Endurance Group adopted a "Corporate protocol governing measures to contain and tackle the spread of Covid-19 in the workplace" in March 2020. This was prepared pursuant to the protocol agreed between the government and the social partners on 14 March 2020, as extended on 24 April 2020.

In short, the following principal operational procedures were envisaged:
- provision of information to workers and third parties on arrival at production locations, containing necessary instructions for the protection of their health and safety;
- body temperature check on arrival at the Company and collection of declarations by employees and third parties confirming the absence of conditions that, by law, would restrict their movements or access to the premises;
- restriction of access to the premises by external persons (customers, suppliers, visitors etc.) to essential or urgent cases;
- introduction of specific procedures that minimise contacts with external personnel (drivers/transport operators at logistics firms);
- dissemination throughout the premises of recommendations from the Ministry of Health regarding the containment of infection risks;
- encouragement of safe distancing (1 m) at all times when working, supplemented - if the requirement cannot be applied - by the use of personal protective equipment (masks);
- measures to restrict numerical access to common areas (rest and eating areas, changing rooms);
- restriction of in-person meetings, with requirements to maintain social distancing of at least one metre and keep the rooms clean and ventilated;
- suspension/cancellation of all travel/business trips (unless absolutely essential);
- use of smart working whenever possible from an operational and technological standpoint;

- encouragement to use holiday time and paid leaves of absence, as supplemented by recourse to the social buffers due to the reduction or suspension of productive activities;
- increased frequency of cleaning and sanitisation activities and distribution/availability to personnel of detergents and sanitising gels; periodic deep sanitisation by specialists using products with greater cleansing power.

## Information on personnel management

The workforce totals 78 employees at the end of the financial year from 01/04/2019 to 31/03/2020, while the average during the year was 79. Compared with 31/03/2019 there was a reduction of 6.02% on the year-end figure and a reduction of the average commitment of 7.00%.
The principal training activities during the twelve months ended 31/3/2020 covered both manufacturing and staff functions, in order to pursue the continuous improvement of production processes and business processes as a whole. In particular, training covered the following activities and topics (in addition to those already described in the section on Environment and Safety):

- course for lift-truck drivers;
- first-aid course;
- die casting course;
- course for apprentices;
- general and specific training course;
- course for management.

The courses carried out, including those listed in the paragraph dedicated to information on the environment and safety, involved a total of 905 hours for Company staff, with training activities carried out internally, externally and on the job.

## Research and development activities

Pursuant and consequent to paragraph 3.1 of Art. 2428 of the Civil Code, it is hereby confirmed that development activities applied in particular to the production process were carried out during the financial year.

## Transactions with subsidiaries, associates, parent companies and fellow subsidiaries

With regard to the provisions of paragraph 3.2 of art. 2428 of the Italian Civil Code, we can confirm that the Company does not have any controlling equity investments and, accordingly, has not entered into any transactions with subsidiaries.

As required by OIC 12.130 and art. 2427, para. 1, point 22-bis of the Italian Civil Code, it is confirmed that relations with related parties comprise transactions with the parent company and its subsidiaries (together referred to as "affiliates"), as summarised below:

### Receivables from affiliates classified as current assets

| Description | FY 2020 | FY 2019 | Change |
|---|---|---|---|
| from fellow subsidiaries | 2,015,077 | 651,103 | 1,363,974 |
| *Total* | *2,015,077* | *651,103* | *1,363,974* |

The amount receivable from fellow subsidiaries (€ 2,015,077 at 31 March 2020) relates to the trade receivables due from Endurance S.p.A.

### Payables due to and loans from affiliates

| Description | FY 2020 | FY 2019 | Change |
|---|---|---|---|
| payables due to parent companies | 137,684 | 220,000 | 82,316- |
| payables due to fellow subsidiaries | 56,288 | 1,484,070 | 1,427,782- |
| *Total* | *193,972* | *1,704,070* | *1,510,098-* |

Payables to parent companies refer to commercial relations with Endurance Overseas S.r.l., which arose in connection with the latter's provision of support services and coordination of the activities of the group's subsidiaries, provided according to specific contractual agreements defined at market values.

Payables to fellow subsidiaries relate to the relationships with the other affiliates belonging to the Endurance Group and in this case to Endurance S.p.A.

## Treasury shares

Pursuant to Arts. 2435-bis and 2428 of the Italian Civil Code, we can confirm that the Company did not hold any treasury shares at the year end.

## Shares/quotas in the parent company

In accordance with paragraphs 3.3 and 3.4 of Art. 2428 and Art. 2435-bis of the Italian Civil Code, we can confirm that the Company did not hold any shares or quotas in the parent company during the year.

## Business outlook

The outlook for the future is strongly conditioned by and dependent on the continuing effects of the Covid-19 epidemic. If herd immunity is steadily acquired, if the required precautions are observed or if remedies, including drugs, are found that can prevent or contain new waves of contagion, the situation should gradually return to normal leaving, in all cases, an adverse effect on the global production and sale of vehicles that IHS MARKIT estimates at -23%.

The total shutdown in April and the extremely limited activity in early May (with differences between countries, which reacted differently to the pandemic) caused economies worldwide to plunge into a deep recession, with an explosion of unemployment. The actions taken by governments to support the income of consumers and those taken by central banks to provide economic systems with liquidity have helped to mitigate the adverse effects and prevent an economic collapse but, to date, they have not helped to restore consumer confidence given a natural concern for the future.

Should further, widespread contagion return at the levels already experienced, the effects would be predictable at an overall macroeconomic level, but unimaginable at a micro level due to the many variables that must be considered.

Given the extreme uncertainty that characterises this difficult time, not least due to the presence of variables that are beyond the control of the Company, and others too, the approach taken is to adopt all possible solutions that contain costs and ensure the flexibility of production resources in response to changing market demands.

The sound financial position of the Company and the Endurance Group, in addition to the liquidity available, should enable the Company to cope for many months, and certainly the next 12, with the most adverse conditions that may persist or return due to the healthcare emergency. At time of preparing these financial statements, the Company has not made recourse to moratoria, deferrals or any of the other solutions made available to assist liquidity, as the available cash balances are sufficient considering the routine support provided by financial partners.

The scheduled investment programmes will continue, with implementations in accordance with customer needs. Greater attention will however be paid to the optimisation and industrial rationalisation of current production, considering that - in periods conditioned by exceptional circumstances - the programmes of customers may be delayed (even significantly) with respect to their initial plans.

The coming year will therefore be extremely difficult for the Company and all personnel, but the action taken and to be taken should ensure that positive results are achieved, in the absence of further serious external shocks.

## Use of financial instruments that should be considered when assessing the results and financial position

Pursuant and consequent to the provisions of point 6-bis) of the third paragraph of art. 2428 of the Civil Code, it is confirmed that the company has not used derivatives to hedge interest-rate risks.

# Conclusion

In light of the above considerations and the information given in the notes, we invite you:

- to approve the financial statements for the year ended 31/03/2020 together with the explanatory notes and this report on operations that accompany them;
- to allocate the result for the year in accordance with the proposal made in the explanatory notes.

Bione (BS), 29/05/2020

For the Board of Directors
The Managing Director

Luca Ghidini

**General information on the company**

Company data

| | |
|---|---|
| Name: | ENDURANCE CASTINGS SPA |
| Registered office: | VIA CONCA D'ORO 14 - 14/A BIONE BS |
| Share capital: | 900,000.00 |
| Share capital fully paid in: | yes |
| Chamber of Commerce: | BS |
| VAT Number: | 00551150980 |
| Tax code: | 00293110177 |
| REA Number: | |
| Legal form: | JOINT-STOCK COMPANY |
| Core business (ATECO): | 245300 |
| Company in liquidation: | no |
| Company with sole shareholder: | yes |
| Company subject to management control and coordination activities: | yes |
| Name of the company or entity that exercises management and coordination activities: | ENDURANCE TECHNOLOGIES LIMITED |
| Belonging to a Group: | yes |
| Name of the parent company: | ENDURANCE OVERSEAS SRL |
| Country of the parent company: | ITALY |
| Cooperatives register number: | |

# Financial statements at 31/03/2020

## Balance sheet

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| **Assets** | | |
| **B) Fixed assets** | | |
| I - Intangible assets | - | - |
| 4) concessions, licences, trademarks and similar rights | - | 450 |
| 7) other | 975 | 2,275 |
| *Total intangible assets* | *975* | *2,725* |
| II - Tangible fixed assets | - | - |
| 1) land and buildings | 2,437,224 | 2,544,852 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| 2) plant and machinery | 3,309,948 | 3,797,810 |
| 3) industrial and commercial equipment | - | 1,350 |
| 4) other assets | 62,269 | 53,426 |
| 5) assets under construction and advance payments | 645,266 | 232,247 |
| *Total tangible fixed assets* | *6,454,707* | *6,629,685* |
| III - Financial fixed assets | - | - |
| 1) equity investments in | - | - |
| d-bis) other companies | 4,530 | 4,530 |
| *Total equity investments* | *4,530* | *4,530* |
| 2) receivables | - | - |
| d-bis) from others | 15,755 | 18,756 |
| due within one year | 15,755 | 18,756 |
| *Total receivables* | *15,755* | *18,756* |
| *Total financial fixed assets* | *20,285* | *23,286* |
| *Total fixed assets (B)* | *6,475,967* | *6,655,696* |
| **C) Current assets** | | |
| I - Inventories | - | - |
| 1) raw materials, ancillary materials and consumables | 1,052,230 | 853,341 |
| 2) work in process and semi-finished products | 1,227,015 | 2,110,897 |
| 4) finished products and goods | 1,369,590 | 1,414,810 |
| *Total inventories* | *3,648,835* | *4,379,048* |
| II - Receivables | - | - |
| 1) from customers | 3,583,342 | 5,132,409 |
| due within one year | 3,583,342 | 5,132,409 |
| 5) from fellow subsidiaries | 2,015,077 | 651,103 |
| due within one year | 2,015,077 | 651,103 |
| 5-bis) tax receivables | 71,560 | 80,090 |
| due within one year | 71,560 | 80,090 |
| 5-ter) deferred tax assets | 527,561 | 887,353 |
| 5-quarter) due from others | 173,486 | 114,391 |
| due within one year | 173,486 | 114,391 |
| *Total receivables* | *6,371,026* | *6,865,346* |
| III - Current financial assets | - | - |
| treasury management assets | 3,106,892 | - |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| *Total current financial assets* | *3,106,892* | - |
| IV - Cash and cash equivalents | - | - |
| 1) bank and postal deposits | 2,560,570 | 3,729,257 |
| 3) cash on hand | 2,333 | 1,893 |
| *Total cash and cash equivalents* | *2,562,903* | *3,731,150* |
| *Total current assets (C)* | *15,689,656* | *14,975,544* |
| **D) Prepaid expenses and accrued income** | **68,012** | **153,651** |
| *Total assets* | *22,233,635* | *21,784,891* |
| **Liabilities and shareholders' equity** | | |
| **A) Shareholders' equity** | **10,372,592** | **8,535,021** |
| I - Share capital | 900,000 | 900,000 |
| III - Revaluation reserves | 1,339,901 | 1,339,901 |
| IV - Legal reserve | 180,000 | 180,000 |
| VI - Other distinctly indicated reserves | - | - |
| Extraordinary reserve | 4,693,035 | 4,693,035 |
| Payments towards increase in capital | 760,126 | 760,126 |
| *Total other reserves* | *5,453,161* | *5,453,161* |
| VIII - Retained earnings (accumulated losses) | 661,959 | 368,833 |
| IX - Net income (loss) for the year | 1,837,571 | 293,126 |
| Total shareholders' equity | 10,372,592 | 8,535,021 |
| **B) Provision for risks and charges** | | |
| 4) other | 1,471,342 | 1,549,595 |
| *Total provisions for risks and charges* | *1,471,342* | *1,549,595* |
| **C) Employee termination indemnities** | **284,286** | **314,773** |
| **D) Payables** | | |
| 4) due to banks | 839,432 | - |
| due within one year | 839,432 | - |
| 6) advances | 125,500 | 185,500 |
| due within one year | 125,500 | 185,500 |
| 7) trade payables | 7,126,831 | 7,253,305 |
| due within one year | 7,126,831 | 7,253,305 |
| 11) due to parent companies | 137,684 | 220,000 |
| due within one year | 137,684 | 220,000 |
| 11-bis) due to fellow subsidiaries | 56,288 | 1,484,070 |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| due within one year | 56,288 | 1,484,070 |
| 12) taxation payable | 145,325 | 119,026 |
| due within one year | 145,325 | 119,026 |
| 13) due to pension and social security institutions | 106,777 | 136,294 |
| due within one year | 106,777 | 136,294 |
| 14) other payables | 842,128 | 1,110,704 |
| due within one year | 842,128 | 1,110,704 |
| *Total payables* | *9,379,965* | *10,508,899* |
| **E) Accrued expenses and deferred income** | **725,450** | **876,603** |
| *Total liabilities and shareholders' equity* | *22,233,635* | *21,784,891* |

# Income statement

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| **A) Value of production** | | |
| 1) revenues from sales of goods and services | 32,494,580 | 7,899,019 |
| 2) change in inventories of work in progress, semi-finished and finished products | (1,067,639) | 82,643 |
| 5) other income and revenues | - | - |
| operating grants | 80,341 | - |
| other | 1,076,906 | 79,370 |
| *Total other income and revenues* | *1,157,247* | *79,370* |
| *Total value of production* | *32,584,188* | *8,061,032* |
| **B) Cost of production** | | |
| 6) raw and ancillary materials, consumables and goods for resale | 11,519,550 | 2,514,186 |
| 7) services | 12,505,070 | 2,949,386 |
| 8) lease and rental charges | 619,922 | 194,389 |
| 9) payroll | - | - |
| a) wages and salaries | 3,486,690 | 1,026,507 |
| b) social contributions | 970,326 | 304,884 |
| c) termination indemnities | 52,570 | 12,804 |
| e) other costs | 180,787 | 40,963 |
| *Total payroll costs* | *4,690,373* | *1,385,158* |
| 10) depreciation, amortisation and writedowns | - | - |

| | 31/03/2020 | 31/03/2019 |
|---|---|---|
| a) amortisation of intangible fixed assets | 1,750 | 475 |
| b) depreciation of tangible fixed assets | 911,407 | 223,982 |
| *Total depreciation, amortisation and writedowns* | *913,157* | *224,457* |
| 11) change in inventory of raw and ancillary materials, consumables and goods | (337,426) | 350,908 |
| 14) other operating expenses | 256,197 | 50,846 |
| *Total cost of production* | *30,166,843* | *7,669,330* |
| **Difference between production value and cost (A - B)** | **2,417,345** | **391,702** |
| **C) Financial income and charges** | | |
| 15) income from equity investments | - | - |
| other | 77 | - |
| *Total income from equity investments* | *77* | *-* |
| 16) other financial income | - | - |
| d) income other than the above | - | - |
| other | 11,511 | 3,844 |
| *Total income other than the above* | *11,511* | *3,844* |
| *Total other financial income* | *11,511* | *3,844* |
| 17) interest and other financial charges | - | - |
| other | 52,661 | 10,358 |
| *Total interest and other financial charges* | *52,661* | *10,358* |
| *Total financial income and charges (15+16-17+-17-bis)* | *(41,073)* | *(6,514)* |
| **Result before taxes (A-B+-C+-D)** | **2,376,272** | **385,188** |
| **20) Income taxes for the year, current and deferred** | | |
| current taxation | 178,909 | 36,651 |
| deferred taxation | 359,792 | 55,411 |
| *Total income taxes for the year, current and deferred* | *538,701* | *92,062* |
| **21) Net income (loss) for the year** | **1,837,571** | **293,126** |

# Statement of cash flow (indirect method)

| | Amount at 31/03/2020 | Amount at 31/03/2019 |
|---|---|---|
| **A) Cash flows from operating activities (indirect method)** | | |
| Net income (loss) for the year | 1,837,571 | 293,126 |
| Taxation | 538,701 | 92,062 |
| Interest expense/(interest income) | 41,150 | 6,514 |
| (Dividends) | (77) | |
| *1) Income (loss) for the year before income taxes, interest, dividends and gains/losses from disposals* | *2,417,345* | *391,702* |
| Adjustments for non-cash items that had no counterpart in net working capital | | |
| Provisions | 4,755 | |
| Depreciation and amortisation of fixed assets | 913,157 | 224,457 |
| Other adjustments up or (down) for non-cash items | (79,669) | (23,009) |
| *Total adjustments for non-cash items that had no counterpart in net working capital* | *838,243* | *201,448* |
| *2) Cash flow before changes in net working capital* | *3,255,588* | *593,150* |
| Change in net working capital | | |
| Decrease/(Increase) in inventory | 730,213 | 268,266 |
| Decrease/(Increase) in trade receivables | 1,549,067 | 438,815 |
| Increase/(Decrease) in trade payables | (126,474) | (1,084,608) |
| Decrease/(Increase) in prepaid expenses and accrued income | 85,639 | 4,253 |
| Increase/(Decrease) in accrued expenses and deferred income | (151,153) | (5,895) |
| Other decreases/(Other Increases) in net working capital | (3,212,419) | (48,454) |
| *Total changes in net working capital* | *(1,125,127)* | *(427,623)* |
| *3) Cash flow after changes in net working capital* | *2,130,461* | *165,527* |
| Other adjustments | | |
| Interest collected/(paid) | (41,150) | (6,514) |
| (Income taxes paid) | (124,777) | |
| Dividends received | 77 | |
| (Use of provisions) | (113,495) | (121,221) |
| *Total other adjustments* | *(279,345)* | *(127,735)* |
| ***Cash flow from operating activities (A)*** | ***1,851,116*** | ***37,792*** |
| **B) Cash flows from investing activities** | | |
| Tangible fixed assets | | |

| | Amount at 31/03/2020 | Amount at 31/03/2019 |
|---|---|---|
| (Investments) | (756,554) | (73,300) |
| Disposals | 1,650 | |
| Financial fixed assets | | |
| Disposals | 3,001 | |
| Current financial assets | | |
| (Investments) | (3,106,892) | |
| ***Cash flow from investing activities (B)*** | ***(3,858,795)*** | ***(73,300)*** |
| **C) Cash flows from financing activities** | | |
| Third-party funds | | |
| Increase/(Decrease) in current bank loans | 839,432 | (1,378) |
| ***Cash flow from financing activities (C)*** | ***839,432*** | ***(1,378)*** |
| ***Increase (decrease) in cash and cash equivalents (A ± B ± C)*** | ***(1,168,247)*** | ***(36,886)*** |
| Cash and cash equivalents at the beginning of the year | | |
| Bank and postal deposits | 3,729,257 | 3,767,329 |
| Cash on hand | 1,893 | 707 |
| Total cash and cash equivalents at the beginning of the year | 3,731,150 | 3,768,036 |
| Cash and cash equivalents at the end of the year | | |
| Bank and postal deposits | 2,560,570 | 3,729,257 |
| Cash on hand | 2,333 | 1,893 |
| Total cash and cash equivalents at the end of the year | 2,562,903 | 3,731,150 |
| Balancing difference | | |

# Information on the statement of cash flows

The statement of cash flows during the year is presented on a comparative basis in accordance with OIC 10.

This statement was prepared using the indirect method, in order to identify the sources and applications of funds deriving from operating, financing and investing activities.

# Explanatory notes, first part

Shareholders, these explanatory notes form an integral part of the financial statements for the year ended 31 March 2020.

The financial statements submitted for your approval report net income of € 1,837,571, after taxes of € 538,701 and depreciation, amortisation and writedowns of € 913,157.

Please note that with deed dated 7 January 2019 of Notary Chibbaro in Milan, rep no. 19061 and rec. no. 4292, the Shareholders' Meeting resolved to change the reference date for the financial year, which goes from 1 April to 31 March of the following year. This change was implemented in order to align the reporting date with those of the other companies in the Endurance Group, to which Endurance Castings S.p.A. belongs, following the acquisition of the entire share capital by the holding company of the Endurance Overseas S.r.l. Group on 7 January 2019.

The results for the year ended 31/03/2020 included in these financial statements are not comparable with those for the prior year, which have been presented for information purposes, since the results for 2020 were for a twelve month period (from 01/04/2019 to 31/03/2020), while the comparative results for the accounting period ended 31/03/2019 relate to a three month period (01/01/2019 – 31/03/2019). The change in the accounting reference date was required to align the reporting date to that of the Group.

## Form and content of the financial statements

The financial statements at 31 March 2020 have been prepared in compliance with the Italian Civil Code, as interpreted and supplemented by the accounting standards issued by the OIC (Italian Accounting Board) and, if these are unavailable and to the extent not in conflict with Italian Accounting Standards, by those issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a going concern basis, as there are no significant uncertainties in this regard.

Macroeconomic stability was affected during the last quarter of the financial year by the Covid-19 (a.k.a. Coronavirus) pandemic, which was initially concentrated in the Asian markets before spreading to other geographical areas, including Europe and Italy in particular, from the end of February 2020.

Despite the timely steps taken to mitigate the situation, the healthcare emergency caused by the spread of the pandemic has had and continues to have a significant effect on the routine conduct of productive activities by the Company (not least their mandatory suspension in accordance with specific legislation for more than one month, starting from the last few days of the year ended 31/03/2020).

This factor is likely to have a significant adverse impact on the recovery prospects of the principal global economies, influencing the general macroeconomic situation and the various markets, including those served by the Company.

However, despite the expected effects of the reduction in business volume linked to the slow economic recovery, there are no current indications to suggest that the ability of the business to continue operating over the next 12 months has been compromised. This assessment considers, in particular, the liquidity available to the Company and its access to the capital markets, as well as the steps taken to contain operating costs at a level consistent with the sales volumes estimated in the latest forecasts.

The financial statements comprise the balance sheet, the income statement, the statement of cash flows (prepared in conformity with the respective requirements of arts. 2424 and 2424 bis of the Italian Civil Code (c.c.), arts. 2425 and 2425 bis c.c. and art. 2425 ter c.c.) and these explanatory notes.

The balance sheet, the income statement, the statement of cash flows and the accounting disclosures contained in these explanatory notes agree with the books of account, from which they have been directly prepared. The items preceded by Arabic numerals in the balance sheet and income statement have not been grouped together, which is optional under art. 2423 ter of the civil code.

The measurement criteria adopted for the various items comply with those specified in art. 2426 c.c. and the relevant accounting standards. The financial statements have been prepared on a consistent basis with the accounting policies applied the previous year.

The financial statement items are stated in accordance with the prudence concept and on a going concern basis. Pursuant to art. 2423-bis, para. 1, point 1-bis c.c., items are recognised and presented having regard for the substance of the operations or contracts concerned.

Pursuant to art. 2424 of the Civil Code, we can confirm that no balance sheet items have been allocated to more than one balance sheet line.

In the preparation of the financial statements, income and expenses have been recorded on an accruals basis, regardless of the timing of collection and expenditure. Contingencies and losses relating to the year are recognised, even if they become known after the reporting date.

The purpose of the explanatory notes is to describe, analyse and, in some cases, supplement the data reported on the face of the financial statements. They contain the information required by arts. 2427 and 2427 bis c.c., other provisions of the civil code and other legislation. In addition, they provide all the complementary information deemed necessary in order to present the most transparent and complete view possible, even if such information is not required by specific legislation.

The financial statements comply with the requirements of article 2423 et seq. of the Italian Civil Code and with the Italian accounting standards issued by the OIC (Italian Accounting Board); they have therefore been prepared clearly and give a true and fair view of the Company's financial position and results of operations.

## Basis of preparation

The information contained in this document is presented in the order in which the related components are indicated in the balance sheet and income statement.

With reference to the matter indicated in the introduction to the explanatory notes, we can confirm that, pursuant to paragraph 3 of art. 2423 of the Civil Code, where the information required by legislative provisions is not sufficient to give a true and fair view of the company's situation, supplementary information is provided for this purpose.

No exceptional cases have arisen that have made it necessary to seek exemptions under paragraphs 4 and 5 of art. 2423 and paragraph 2 of art. 2423-bis of the Civil Code.

## Exceptional situations pursuant to paragraph 5 of art. 2423 of the Italian Civil Code

There are no exceptional situations that might have made it necessary to seek exemptions under paragraphs 4 and 5 of art. 2423 of the Italian Civil Code.

## Changes in accounting policies

There are no exceptional situations that might have made it necessary to seek exemptions under paragraph 2 of art. 2423-bis of the Italian Civil Code.

## Comparability and compliance issues

As highlighted in the introduction, to which reference is made, these financial statements refer to the period between 1 April 2019 and 31 March 2020 and therefore, they are not comparable with the figures for the previous year even if drawn up in opposing sections.

## Accounting policies

The accounting policies applied for the preparation of these financial statements, described below, take account of the amendments, additions and new provisions included in the civil code by Decree 139/2015, which transposed Directive 34/2013/EU into Italian law. In particular, the domestic accounting standards were reformulated by the OIC in the latest version issued on 22 December 2016, inclusive of the amendments published on 29 December 2017.

The accounting policies applied for the measurement of financial statement items and for their adjustment comply with the provisions of the Italian Civil Code and with the indications included in the Italian accounting standards reformulated by the Italian Accounting Board.

Pursuant to art. 2427 paragraph 1 no. 1 of the Italian Civil Code, we explain the more significant accounting policies applied in compliance with the provisions of art. 2426 of the Italian Civil Code, particularly for those items for which the legislator permits the use of options for measurement and adjustments or for which no specific accounting policy exists.

## Intangible assets

When the established criteria are met, these are recorded at purchase or production cost, inclusive of direct costs and related charges, and amortised systematically each year on a straight-line basis. Intangible assets are recognised with the consent of the Board of Statutory Auditors where prescribed by law.

The book value is stated net of accumulated amortisation and writedowns.

Amortisation is applied as indicated below, in order to allocate the cost incurred over the useful life of the assets:

| Intangible asset items | Amortisation period |
|---|---|
| Concessions, licences, trademarks and similar rights | 5 years on a straight-line basis |
| Other intangible assets | Based on the length of the underlying contracts |

Advertising and research costs are expensed in full in the accounting period in which they are incurred.

Leasehold improvements are capitalised and classified as "other intangible assets" if they cannot be separated from the assets concerned (in which case they are recognised in the relevant category of "tangible fixed assets"). They are amortised systematically over the period they are expected to benefit (prudently set at 5 years) or, if shorter, over the residual duration of the lease after taking account of any renewal period available at the discretion of the Company.

If permanent impairment is identified regardless of the amortisation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs. This reinstatement does not apply to goodwill or the deferred charges referred to in point 5 of art. 2426 c.c.

Pursuant and consequent to art. 10 of Law 72 of 19 March 1983 and subsequent laws on the revaluation of assets, we confirm that the intangible assets reported in the financial statements have never been revalued.

## Tangible fixed assets

These are recorded at purchase or internal construction cost and stated net of the depreciation charged in the current and prior years. Costs comprise related charges and the direct and indirect expenses that can reasonably be allocated to assets during the construction period and until they become available for use. They also include any borrowing costs incurred to finance the construction work (whether internal or carried out by third parties) until the asset becomes available for use, without however exceeding its recoverable value. Tangible fixed assets are only revalued if this is required or allowed by special laws.

Assets purchased in foreign currencies are recorded at cost using the exchange rate in force on the transaction date, or using the lower rate applying on the reporting date if the reduction is deemed to be permanent.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using the following rates:

| Tangible fixed asset items | Depreciation rate |
|---|---|
| Industrial buildings | 3.00% |
| Temporary constructions | 10% |
| Plant and machinery | 10% - 15.5% |
| Industrial and commercial equipment | 20% |
| Furnaces and appurtenances | 15% |
| Furniture and furnishings | 12% |
| Electronic office machines | 20% |
| Commercial vehicles | 20% |

When fixed assets enter into service during the year, their depreciation commences on a time-apportioned basis calculated on the actual number of days.

Depreciation is also charged on fixed assets that are temporarily out of use. Land is not depreciated, as its useful life is not finite.

If applicable, buildings held as a financial investment are not depreciated if their residual value is greater than or equal to their net carrying amount.

If permanent impairment is identified regardless of the depreciation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs.

Routine maintenance and repair costs are charged in full to the income statement. Improvement costs are allocated to the fixed assets concerned and depreciated over their residual useful lives.

Costs incurred to expand, modernise or improve the structural elements of a tangible fixed asset are capitalised if they significantly and measurably increase its productive capacity, safety or useful life. If the costs concerned do not have the above effect, they are treated as routine maintenance and charged to the income statement.

Start-up grants are recognised when it becomes reasonably certain that the conditions for their collection will be satisfied and the grants will be paid. They are deducted from cost indirectly, as they are credited to income statement caption A5 "other income and revenues" and then deferred for recognition on an accruals basis via classification as "deferred income".

## Impairment (intangible assets and tangible fixed assets)

At each reporting date, the Company determines if there is any evidence that the value of its tangible and intangible fixed assets might be impaired. If such evidence is found, the Company estimates the recoverable value of each asset concerned and records an impairment writedown if it is lower than the corresponding net carrying amount.

Recoverable value is not determined if there is no evidence of possible impairment.

The recoverable value of tangible and intangible fixed assets is deemed to be their value in use (calculated by discounting their future cash flows) or, if greater, their fair value (being the amount obtainable at the reporting date, based on the best available information, from their sale in an arm's-length transaction between knowledgeable and willing parties, net of the related selling costs).

In application of the above, goodwill was written off entirely in previous years and certain tangible fixed assets (mainly generic plant) were written down by a total of € 475,819.

## Equity investments and securities (classified as financial fixed assets)

The equity investments and debt securities classified as fixed assets will be held by the Company over the long term. Equity investments are measured at cost, as adjusted for any impairment.

The cost recorded in the financial statements is determined with reference to purchase or subscription price, inclusive of related expenses. If lasting impairment is identified, the carrying amount of equity investments is reduced to their recoverable value, which is determined with reference to the future benefits that are expected to accrue to the Company. Should the Company be obliged or intend to cover the (non-permanent) losses incurred by an equity investment, a suitable provision is recorded to cover the liability to which the Company is exposed. If in future years the reasons for the writedown cease to apply, the equity investment is written back to its original carrying amount.

Debt securities are measured using the amortised cost method, being their original carrying amount net of any redemptions of principal, as increased or decreased by the accumulated amortisation, calculated using the effective interest method, of any difference between its initial and maturity values after deducting any impairment (recognised directly or by a provision) following a loss in value; the original carrying amount is represented by purchase or subscription cost, net of any commissions.

## Inventories

Inventories are stated at the lower of purchase and/or production cost and realisable value, based on market prices.

In particular, set out below are details of the specific accounting policies used for the valuation of each inventory category (consistent with those used for the prior year):

- Raw materials: annual weighted average cost (including components purchased from third parties and alloys).
- Work in process (semi-finished) and finished products: specific production cost including all costs directly attributable to the product, as well as a reasonable share of manufacturing overheads.
- Goods and Consumables: purchase cost, inclusive of spare parts.

Purchase cost includes any directly attributable ancillary charges, with the exclusion of borrowing costs. Production cost includes the indirect costs that are reasonably attributable to each asset during the production period until it becomes available for use.

## Receivables

Receivables are stated at amortised cost, having regard for the time factor and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, being when the transaction costs, the commissions paid between the parties and all other difference between initial value and maturity value are immaterial or when the receivables are recoverable in the short term (within 12 months).

Trade receivables due beyond 12 months at the time of initial recognition, without the payment of interest or with interest that differs significantly from market rates, and the related revenues are recognised initially at the value of their future cash flows discounted using the market rate (being that applied by two independent parties when negotiating a loan transaction with similar terms and conditions). The difference between the amount of the receivable recognised initially and its maturity value is recognised as financial income in the income statement over the duration of the receivable, using the effective interest method.

The amount of receivables, as determined above, is adjusted when necessary by a specific allowance for doubtful accounts, which is deducted directly from their gross amount in order to report them at their estimated realisable value. The provision (which takes account of collection losses, returns and invoicing adjustments, discounts and allowances, interest not yet earned and other reasons for reduced recoverability) is charged to the income statement.

Receivables assigned to factors are only derecognised if they are sold without recourse, collected and essentially all the related risks are transferred (the difference between the consideration received on the assignment and the carrying amount of the receivable is recognised in income statement item C17). If the assignment does not involve derecognition (for example, assignment with recourse), since not all the related risks are transferred, the receivable continues to be reported in the balance sheet and is measured in the manner described above. If advance consideration is received from the assignee, the amount is recognised as a financial payable.

Receivables in the form of RiBa's (bank collection notices) that have not been assigned remain classified as receivables until final collection of the amounts concerned.

## Cash and cash equivalents

Cash and cash equivalents at the reporting date are measured at their nominal value. Amounts denominated in foreign currencies are measured using the closing exchange rates.

## Accruals and deferrals

Accruals and deferrals comprise costs and revenues relating to the year that will be formally recorded in future years, and costs and revenues recorded by the reporting date that relate to future years. The related amounts are determined on a time-apportioned basis.

## Provisions for risks and charges

The provisions for risks and charges cover known or likely losses or liabilities, the timing or extent of which cannot be determined at the reporting date. These provisions, including those for deferred tax liabilities, which are classified in this caption, reflect the best possible estimates based on the information available. Risk that only might give rise to a liability are described in the notes on the provisions, without actually recording a provision. As required by OIC 31, new provisions for risks and charges are, where possible, classified in the relevant income statement classes (B, C or D). Whenever it is not possible to correlate a new provision with a caption in one of the above classes, it is classified in income statement caption B12 or B13.

## Provision for pensions and similar commitments

They represent the liabilities for supplementary pension benefits and for the "one-off" indemnities due to employees, self-employed workers and other collaborators, in force of law and contract, on termination of the relationship.

## Employee termination indemnities

Employee termination indemnities represent the total amount that the company would have to pay to all employees had they terminated their employment on the reporting date. The charge for the year, comprising the new provision and the revaluation of the accumulated provision (based on the change in the relevant ISTAT index), is determined in accordance with current regulations, having regard for the specific employment contracts and the professional categories concerned. Employee termination indemnities are classified in liability caption C, while the provision for the year is classified in income statement caption B9.

The changes made to the regulations governing termination indemnities by Law 296 dated 27 December 2006 (2007 Finance Law) and subsequent decrees and enabling regulations, amended the accounting for the indemnities earned by 31 December 2006 and those earned from 1 January 2007. In particular, following creation of the INPS Treasury Fund to manage the termination indemnities of private sector employees pursuant to article 2120 of the Civil Code, employers with more than 50 employees are obliged to pay the new provisions relating to them into the Treasury Fund, unless the persons concerned have specifically opted for their indemnities to be paid to a supplementary pension fund. The employee termination indemnities reported in the balance sheet are therefore stated net of the amounts paid to the INPS Treasury Fund.

## Payables

Payables are stated at amortised cost, as defined in art. 2426, para. 2 c.c., having regard for the time factor envisaged in art. 2426, para. 1, point 8 c.c.. Payables are however stated at their nominal amount if application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations. This situation arises in the case of payables due within twelve months or, with regard to the amortised cost method, if the transaction costs, commissions and all other differences between the initial value and the maturity value are insignificant or, again, with regard to the discounting method, if the interest rate inherent in the contractual conditions is not significantly different to the market rate of interest.

The amounts due to employees for untaken holidays and deferred payroll, including the related social security contributions, are accrued with reference to the amount that would have been payable had their employment ceased on the reporting date.

## Finance leases

Finance leases are recognised using the payments method, by charging the instalments paid to the income statement on an accruals basis. A specific section of these explanatory notes contains the supplementary information required by the law on the effect of recognising these contracts using finance lease methodology.

## Revenues

Revenues from the sale of goods are recognised when ownership passes in substance, rather than in formal terms, being when the related risks and benefits are transferred (which in practice coincides with the time of delivery or shipment of the goods).

Revenues from the sale of products, goods and services in the ordinary course of business are stated net of returns, discounts, allowances and rebates, as well as the direct taxes charged on the sale of products and services.

Revenues from services are recognised upon completion and/or when earned.

Transactions with related parties take place on normal market terms and conditions.

### Costs

Costs stated net of returns, discounts, allowances and rebates are recognised on an accruals basis in accordance with the matching principle, regardless of the date of collection or payment. Compliance with the matching principle requires an estimate to be made of the invoices to be received.

### Dividends

Dividends are recognised in the year in which they are declared by the shareholder's meeting. Dividends are recognised as financial income, regardless of the nature of the reserves that are distributed.

### Financial income and charges

Financial income and charges are recognised on an accruals basis. Costs relating to the disposal of receivables for whatever reason are charged to the income statement on an accruals basis.

### Taxation

Income taxes are recognised with reference to an estimate of taxable income in compliance with current regulations, having regard for any applicable exemptions and tax credits.

Deferred tax assets and liabilities are calculated on the temporary differences between the reported carrying amount of assets and liabilities and their corresponding values for tax purposes. Their measurement takes account of the tax rates expected to be in force in the year in which such differences contribute to the formation of taxable income, being the rates in force or already communicated at the reporting date (24% for IRES and 3.9% for IRAP). They are classified respectively among the current assets as "deferred tax assets" and among the provisions for risks and charges as "deferred tax liabilities".

In accordance with the concept of prudence, deferred tax assets are recognised on all deductible temporary differences if it is reasonably certain that taxable income in the years in which they reverse will not be less than the amount of the differences to be absorbed.

By contrast, deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax liabilities are not recognised in relation to reserves subject to the deferral of taxation if they are unlikely to be distributed to the shareholder.

### Translation of foreign currency items

Non-monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the exchange rates applying at the time of their acquisition, being their initial recognition cost.

Monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the spot exchange rates applying on the reporting date; the related exchange gains and losses are recognised in the income statement and any net unrealised gains are allocated to a non-distributable reserve until they have been realised.

However, the Company does not have any assets or liabilities denominated in foreign currency at the balance sheet date.

## Other information

#### Repurchase agreements

Pursuant to art. 2427 point 6-ter, the Company confirms that no repurchase agreements were arranged during the year.

# Explanatory notes, assets

The assets recorded in the balance sheet are measured in accordance with art. 2426 c.c. and Italian accounting standards. The specific measurement criteria applied are indicated in the individual notes on each item.

## Fixed assets

### Intangible assets

"Intangible assets" total € 975 at 31 March 2020 (€ 2,275 at 31 March 2019), after charging amortisation of € 1,750 to the income statement.

They are analysed in detail below.

Concessions, licences, trademarks and similar rights, which became fully amortised during the year, mainly include the residual value of the software used by the Company to carry on its business.

"Other intangible assets" mainly include the non-separable leasehold improvements made to third-party assets, especially work made on the portion of the production site presently held by the Company under finance lease contracts.

#### Movements in intangible assets

Intangible assets are analysed below, together with the related accumulated amortisation and information about the changes that took place during the year:

| | Start-up and expansion costs | Concessions, licences, trademarks and similar rights | Goodwill | Other intangible assets | Total intangible assets |
|---|---|---|---|---|---|
| **Balance at the beginning of the year** | | | | | |
| Cost | 16,017 | 424,420 | 327,000 | 287,915 | 1,055,352 |
| Amortisation (Accumulated amortisation) | 16,017 | 423,970 | 261,600 | 285,640 | 987,227 |
| Writedowns | - | - | 65,400 | - | 65,400 |
| Carrying amount | - | 450 | - | 2,275 | 2,725 |
| **Changes during the year** | | | | | |
| Amortisation for the year | - | 450 | - | 1,300 | 1,750 |
| *Total changes* | - | *(450)* | - | *(1,300)* | *(1,750)* |
| **Carrying amount at the end of the year** | | | | | |
| Cost | 16,017 | 424,420 | 327,000 | 287,915 | 1,055,352 |
| Amortisation (Accumulated amortisation) | 16,017 | 424,420 | 261,600 | 286,940 | 988,977 |
| Writedowns | - | - | 65,400 | - | 65,400 |

| | Start-up and expansion costs | Concessions, licences, trademarks and similar rights | Goodwill | Other intangible assets | Total intangible assets |
|---|---|---|---|---|---|
| Carrying amount | - | - | - | 975 | 975 |

## Tangible fixed assets

This category comprises assets that will be employed over the long term, forming part of the permanent organisation of the Company. This statement reflects their intended use by the Company, rather than their intrinsic life. These assets are normally employed in the production of income in the ordinary course of business and, therefore, they are not held for sale or for transformation into the products of the Company.

Gross tangible fixed assets total € 18,159,111, accumulated depreciation amounts to € 11,873,851 including the charge for the year of € 911,407.

"Assets under construction and advance payments" amount to € 645,266 (€ 232,247 at 31 March 2019) and comprise the residual value of advances paid to suppliers for the purchase of plant and machinery, together with the value of assets purchased but not completely ready for inclusion in the production cycle.

### Movements in tangible fixed assets

Tangible assets are analysed below, together with the related accumulated depreciation and information about the changes that took place during the year:

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other tangible fixed assets | Assets under construction and advance payments | Total tangible fixed assets |
|---|---|---|---|---|---|---|
| **Balance at the beginning of the year** | | | | | | |
| Cost | 4,366,766 | 12,074,126 | 383,973 | 1,040,501 | 232,247 | 18,097,613 |
| Depreciation (Accumulated depreciation) | 1,821,914 | 7,800,569 | 382,623 | 987,003 | - | 10,992,109 |
| Writedowns | - | 475,747 | - | 72 | - | 475,819 |
| Carrying amount | 2,544,852 | 3,797,810 | 1,350 | 53,426 | 232,247 | 6,629,685 |
| **Changes during the year** | | | | | | |
| Additions | 19,000 | 270,285 | - | 35,250 | 413,019 | 737,554 |
| Disposals (at carrying amount) | - | - | - | 1,125 | - | 1,125 |
| Depreciation for the year | 126,628 | 758,147 | 1,350 | 25,282 | - | 911,407 |
| *Total changes* | *(107,628)* | *(487,862)* | *(1,350)* | *8,843* | *413,019* | *(174,978)* |
| **Carrying amount at the end of the year** | | | | | | |
| Cost | 4,385,766 | 12,333,216 | 383,973 | 1,056,155 | 645,266 | 18,804,376 |
| Depreciation | 1,948,542 | 8,547,521 | 383,973 | 993,814 | - | 11,873,850 |

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other tangible fixed assets | Assets under construction and advance payments | Total tangible fixed assets |
|---|---|---|---|---|---|---|
| (Accumulated depreciation) | | | | | | |
| Writedowns | - | 475,747 | - | 72 | - | 475,819 |
| Carrying amount | 2,437,224 | 3,309,948 | - | 62,269 | 645,266 | 6,454,707 |

## Finance leases

The tables which follow provide the information required by the legislator in order to present, in the form of a disclosure, the impact of the difference that would arise from accounting for finance leases, with which the user company would record the asset received as a lease under fixed assets and calculate the related depreciation rates on the asset, while at the same time recognising the debt for the principal portion of the instalments to be paid. In this case, the interest portion and the depreciation charge for the year would be recognised in the income statement.

The national legislator requires finance leases to be accounted for as though they were operating leases, with lease instalments charged to income.

The tables which follow provide the information required by the legislator in order to present, in the form of a disclosure, the impact of the difference that would arise from applying finance lease accounting:

| | Effects on Shareholders' Equity - Assets | | |
|---|---|---|---|
| **a)** | **Outstanding contracts** | | |
| a.1) | Assets under finance leases at the end of the previous year | | 2,934,095 |
| | - of which the gross amount | 6,837,753 | |
| | - of which accumulated depreciation | (3,903,658) | |
| a.2) | Assets purchased under finance leases during the year | | - |
| a.3) | Assets under finance leases redeemed during the year | | (38,159) |
| a.4) | Depreciation charge for the year | | (142,152) |
| a.5) | Writedowns/writebacks on assets under finance leases | | |
| a.6) | Assets under finance leases at the end of the year | | 2,753,784 |
| | - of which the gross amount | 6,799,594 | |
| | - of which accumulated depreciation | (4,045,810) | |
| a.7) | Prepaid instalment interest at the end of the year | | |
| a.8) | Curtailment of prepaid expenses under the balance sheet method | | (80,879) |
| **b)** | **Redeemed assets** | | |
| b.1) | Higher/lower total value of redeemed assets (compared with the net carrying amount at the end of the year) | | - |
| | **Effects on Shareholders' Equity - Liabilities** | | |
| **c)** | **Implicit payables** | | |
| c.1) | Implicit payables for finance leases at the end of the previous year | | 1,796,139 |
| | - of which due within one year | 457,065 | |
| | - of which due beyond one and within 5 years | 1,339,074 | |
| | - of which due beyond 5 years | - | |

| | Effects on Shareholders' Equity - Assets | | |
|---|---|---|---|
| c.2) | Implicit payables that arose during the year | | - |
| c.3) | Repayment of principal and redemptions during the year | | 457,065 |
| c.4) | Implicit liabilities for finance leases at the end of the year | | 1,339,074 |
| | - of which due within one year | 347,447 | |
| | - of which due beyond one and within 5 years | 991,627 | |
| | - of which due beyond 5 years | - | |
| c.5) | Accrued instalment interest at the end of the year | | - |
| c.6) | Change in trade payables | | - |
| **d)** | **Total gross effect at the end of the year [a.6+(a.7-a.8)+b.1-c.4+(c.5-c.6)]** | | **1,333,831** |
| e) | Tax effect | | (372,139) |
| **f)** | **Effect on Shareholders' Equity at the end of the year (d-e)** | | **961,693** |
| | **Effects on the Income Statement** | | |
| **g)** | **Effect on income before taxes (lower/higher costs) (g.1-g.2-g.3+g.4+g.5)** | | **332,900** |
| g.1) | Reversal of instalments on finance lease transactions | | 497,073 |
| g.2) | Recognition of financial charges on finance lease transactions | | (22,021) |
| g.3) | Recognition of depreciation charges on outstanding contracts | | (142,152) |
| g.4) | Recognition of depreciation charges on redeemed assets | | - |
| g.5) | Recognition of adjustments/write-backs on leased assets | | - |
| h) | Recognition of the tax effect | | (92,879) |
| **i)** | **Net effect on the result for the year (g-h)** | | **240,021** |

The lease period for the diecasting workstation was completed during the year, while that relating to the property complex will be completed in March 2021.

## Financial fixed assets

Equity investments included in financial fixed assets amount to € 4,530 at 31 March 2020, the same as at 31 March 2019.

### Movements in equity investments, other securities and non-current derivative financial instruments

The following table shows the movements in financial fixed assets during the year.

| | Equity investments in other businesses | Total equity investments |
|---|---|---|
| **Balance at the beginning of the year** | | |
| Cost | 5,687 | 5,687 |
| Writedowns | 1,157 | 1,157 |
| Carrying amount | 4,530 | 4,530 |
| **Carrying amount at the end of the year** | | |
| Cost | 5,687 | 5,687 |
| Writedowns | 1,157 | 1,157 |
| Carrying amount | 4,530 | 4,530 |

### Changes in and maturity of non-current receivables

The receivables classified as financial fixed assets total € 15,755 at 31 March 2020 (€ 18,756 at 31 March 2019). The following table shows the changes in financial fixed assets during the year.

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| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year | Within one year |
|---|---|---|---|---|
| Other receivables | 18,756 | (3,001) | 15,755 | 15,755 |
| **Total** | **18,756** | **(3,001)** | **15,755** | **15,755** |

The item relates to security deposits referring to multi-year contracts such as car rental and customs warehouse for the electric workshop licence.

## Current assets

Current assets are measured in the manner described in paragraphs 8 to 11-bis of art. 2426 of the Civil Code. The accounting policies applied are explained in the notes on the respective financial statement items.

### Inventories

The inventories reported in the balance sheet at 31 March 2020 total € 3,648,835, net of an allowance amounting to € 574,449, set aside in previous years in proportion of the valuation of the impact of the potential risks associated with obsolete and slow-moving items. The allowance remained unchanged compared with the previous year.

The following table shows the changes in inventories.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| raw materials, ancillary materials and consumables | 853,341 | 198,889 | 1,052,230 |
| work in process and semi-finished products | 2,110,897 | (883,882) | 1,227,015 |
| finished products and goods | 1,414,810 | (45,220) | 1,369,590 |
| *Total* | *4,379,048* | *(730,213)* | *3,648,835* |

### Current receivables

They total € 6,371,025 at 31 March 2020. These receivables are stated at their estimated realisable value as application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations.

### Changes and maturities of current receivables

The following table shows the information related to changes in current receivables and, if material, their due date.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year | Within one year |
|---|---|---|---|---|
| Trade receivables | 5,132,409 | (1,549,067) | 3,583,342 | 3,583,342 |

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year | Within one year |
|---|---|---|---|---|
| Receivables due from fellow subsidiaries | 651,103 | 1,363,974 | 2,015,077 | 2,015,077 |
| Tax receivables | 80,090 | (8,530) | 71,560 | 71,560 |
| Deferred tax assets | 887,353 | (359,792) | 527,561 | - |
| Other receivables | 114,391 | 59,095 | 173,486 | 173,486 |
| **Total** | **6,865,346** | **(494,320)** | **6,371,026** | **5,843,465** |

Trade receivables (€ 3,583,342 at 31 March 2020) are expressed at their presumed realization value, given the irrelevance of the application of the amortized cost approach. The nominal amount of trade receivables is adjusted to reflect their expected realisable value by the allowance for doubtful accounts of € 134,618, which is unchanged since 31 March 2019.

The amount receivable from fellow subsidiaries (€ 2,015,077 at 31 March 2020) relates to the trade receivables due from Endurance S.p.A.

Tax receivables (€ 73,442 at 31 March 2020) principally comprise the VAT recoverable from the Italian Authorities (€ 33,766) and IRAP credits (€ 28,437) deriving from the overpayment of advances with respect to the actual amount payable, as well as other amounts due.

Deferred tax assets amount to € 527,561 at 31 March 2020 and mainly relate to tax losses not yet used and differences between the carrying amount of goodwill in the statutory accounts and fiscal accounts, as well as in the deferred deductibility of risk provisions and writedowns. These deferred tax assets have been recognised as they are likely to be recoverable against expected future taxable income, as reflected in management's most recent forecasts. The reduction during the year mainly reflects the recoveries made on the use of carried-forward tax losses.

Other receivables (€ 173,486 at 31 March 2020) consist of miscellaneous non-trade receivables.

### Breakdown of current receivables by geographical area

It is not deemed meaningful to analyse receivables by geographical area, given that all receivables other than the amounts due from customers are due from Italian counterparties, while the trade receivables are due from multinationals operating in the automotive sector that each have legal entities and factories located in several countries. In fact, at the year-end foreign trade receivables amount to 13% of all trade receivables.

## Current financial assets

### Movements in current financial assets

Pursuant to art. 2423-ter, para. 3 c.c. and after ensuring recoverability in the short term, as required by OIC 14, the Company has classified separately the amount due from the company that manages the central treasury activities of the group in asset caption C.3.7) within "Current financial assets"; this caption is additional to those envisaged in art. 2424 of the Italian Civil Code.

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| Description | Changes during the year | Carrying amount at the end of the year |
|---|---|---|
| treasury management assets | 3,106,892 | 3,106,892 |
| *Total* | *3,106,892* | *3,106,892* |

This balance represents the amounts due from Endurance Overseas S.r.l. under the agreed cash pooling arrangements.

### Cash and cash equivalents

The following table shows the changes in cash and cash equivalents.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| bank and postal deposits | 3,729,257 | (1,168,687) | 2,560,570 |
| cash on hand | 1,893 | 440 | 2,333 |
| *Total* | *3,731,150* | *(1,168,247)* | *2,562,903* |

This item principally comprises the balance on bank current accounts at 31 March 2020. The changes in cash and cash equivalents are analysed in the statement of cash flows.

## Prepaid expenses and accrued income

Prepaid expenses at 31 March 2020 are analysed in the following table together with the changes during the year:

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| Accrued income | 2,749 | (1,944) | 805 |
| Prepaid expenses | 150,902 | (83,695) | 67,207 |
| **Total prepaid expenses and accrued income** | **153,651** | **(85,639)** | **68,012** |

Prepaid expenses mainly include the future portion of lease instalments and at various costs.

## Capitalised financial charges

All interest expense and other financial charges have been expensed during the year. In compliance with paragraph 1.8 of art. 2427 of the Italian Civil Code, it is hereby confirmed that no financial charges have been capitalised.

# Explanatory notes, liabilities and shareholders' equity

The movements in the individual balance sheet items are analysed in detail below, according to current law.

## Shareholders' equity

The components are stated at their carrying amount in accordance with accounting standard OIC 28.

### Changes in shareholders' equity items

With reference to the year just ended, the table below sets out changes in the components of shareholder's equity, as well as details of other reserves, if any.

| | Balance at the beginning of the year | Allocation of the prior year result - Other allocations | Result for the year | Carrying amount at the end of the year |
|---|---|---|---|---|
| Share capital | 900,000 | - | - | 900,000 |
| Revaluation reserves | 1,339,901 | - | - | 1,339,901 |
| Legal reserve | 180,000 | - | - | 180,000 |
| Extraordinary reserve | 4,693,035 | - | - | 4,693,035 |
| Payments towards increase in capital | 760,126 | - | - | 760,126 |
| Retained earnings (accumulated losses) | 368,833 | 293,126 | - | 661,959 |
| Net income (loss) for the year | 293,126 | (293,126) | 1,837,571 | 1,837,571 |
| **Total** | **8,535,021** | **-** | **1,837,571** | **10,372,592** |

Share capital, which consists of 900,000 shares with a par value of € 1.00 each, is fully subscribed and paid.

## Availability and use of shareholders' equity

The following table provides details of the components of shareholder's equity, including their origin, their potential utilisation and whether they are distributable, as well as the utilisation thereof in the prior three years.

| Description | Amount | Origin/Nature | Potential utilisation | Amount available |
|---|---|---|---|---|
| Share capital | 900,000 | Share capital | | - |
| Revaluation reserves | 1,339,901 | Share capital | A;B | - |
| Legal reserve | 180,000 | Revenue | B | - |
| Extraordinary reserve | 4,693,035 | Revenue | A;B;C | 4,693,035 |
| Payments towards increase in capital | 760,126 | Share capital | A;B;C | 760,126 |
| Retained earnings (accumulated losses) | 661,959 | Revenue | A;B;C | 661,959 |
| **Total** | **8,535,021** | | | **6,115,120** |
| Amount not distributable | | | | 527,561 |
| Residual amount distributable | | | | 5,587,559 |
| **Key: A: for increase in capital; B: to cover losses; C: for distribution to the shareholders; D: for other statutory requirements; E: other** | | | | |

With reference to the use made by the Company of the revaluation reserves, as shown in the statement of changes in equity, we would like to point out that the Company will not be able to distribute profits until these reserves have been reinstated for the same amount or reduced accordingly with a shareholders' resolution (pursuant to article 6 of Law 72/83 and subsequent revaluation laws).

The non-distributable portion of available equity reserves, determined in accordance with art. 2426 c.c., covers the deferred tax assets recognised in the balance sheet, which are deemed to represent unrealised amounts.

## Provisions for risks and charges

The provisions for risks and charges have been created to cover known or likely liabilities, the timing or extent of which cannot be determined at the reporting date.

These provisions were recognised on a prudence and accrual basis, in accordance with the instructions contained in accounting principle OIC 31. The related provisions are charged to the income statement in the year to which they refer and classified according to the nature of the costs.

| | Balance at the beginning of the year | Changes during the year - Utilisation | Changes during the year - Total | Carrying amount at the end of the year |
|---|---|---|---|---|
| Other provisions | 1,549,595 | 78,253 | (78,253) | 1,471,342 |

### Other provisions

Provisions were made in the year to cover various liabilities (trade, tax, employment, etc), and were based on the best estimate with reference to the information available.

## Provision for employee termination indemnity

Employee termination indemnities amount to € 284,286 at 31 March 2020 (€ 314,773 al 31 March 2019). The changes during the year are summarised below.

| | Balance at the beginning of the year | Changes during the year - Provision | Changes during the year - Utilisation | Changes during the year - Total | Carrying amount at the end of the year |
|---|---|---|---|---|---|
| PROVISION FOR EMPLOYEE TERMINATION INDEMNITY | 314,773 | 4,755 | 35,242 | (30,487) | 284,286 |
| **Total** | **314,773** | **4,755** | **35,242** | **(30,487)** | **284,286** |

This provision includes the period revaluation of the liability concerned in accordance with current legislation. The uses recorded in the period are related to advances paid to employees on termination of employment. The amount shown in the financial statements (provision for termination indemnities classified in income statement caption B9 c) includes the provision retained by the Company and the payments made to the INPS Treasury Fund, Previndai, the Cometa Fund or the supplementary pension fund specified by each employee, where applicable, which are illustrated in the other change column.

## Payables

Payables total € 9,379,965 at 31 March 2020.

Pursuant to art. 12, para. 2 of Legislative Decree 139/2015, the Company has elected to measure payables using the amortised cost method. This election was made on a prospective basis and, therefore, only applies to the payables that have arisen subsequent to 1 January 2016.

### Changes and maturities of payables

The following table shows the changes in payables and any information on their maturities.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year | Within one year |
|---|---|---|---|---|
| Due to banks | - | 839,432 | 839,432 | 839,432 |
| Advances | 185,500 | (60,000) | 125,500 | 125,500 |
| Trade payables | 7,253,305 | (126,474) | 7,126,831 | 7,126,831 |
| Payables due to parent companies | 220,000 | (82,316) | 137,684 | 137,684 |
| Payables due to fellow subsidiaries | 1,484,070 | (1,427,782) | 56,288 | 56,288 |
| Tax payables | 119,026 | 26,299 | 145,325 | 145,325 |
| Due to pension and social security institutions | 136,294 | (29,517) | 106,777 | 106,777 |
| Other payables | 1,110,704 | (268,576) | 842,128 | 842,128 |
| **Total** | **10,508,899** | **(1,128,934)** | **9,379,965** | **9,379,965** |

The amount due to banks relates entirely to the invoice advances obtained from leading banks for the first time during the past year.

Advances refers to the initial provision provided by customers for commercial supplies.

The amount due to the parent company relates to the management fee payable to Endurance Overseas S.r.l.

The amount due to fellow subsidiaries relates to relations with other companies belonging to the Endurance Group and, in this case, to Endurance S.p.A. (€ 53,038) and Endurance Engineering S.r.l. (€ 3,250).

Tax payables amount to € 145,325 and comprise € 106,424 withheld for various reasons from employees and freelance workers and € 38,721 reflecting the IRES charge for the year, as well as other taxes due.

Amounts due to pension and social security institutions for a total of € 106,777 mainly refer to social contributions on the work performed by employees and self-employed workers.

Other payables total € 842,128 and mainly comprise the remuneration and other accrued amounts due to employees (€ 840,119), as well as miscellaneous payables.

### Breakdown of payables by geographical area

It is not meaningful to analyse payables by geographical area, as most of them are due to domestic suppliers and counterparties.

### Debt secured by collateral on company assets

Pursuant to paragraph 1.6 of art. 2427 of the Italian Civil Code, we can confirm that there is no debt secured by collateral.

### Loans from shareholders

The Company has not received any loans from shareholders.

## Accrued expenses and deferred income

The following table shows the changes in accrued expenses and deferred income.

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| Accrued expenses | 19,702 | (1,550) | 18,152 |

| | Balance at the beginning of the year | Changes during the year | Carrying amount at the end of the year |
|---|---|---|---|
| Deferred income | 856,901 | (149,603) | 707,298 |
| **Total accrued expenses and deferred income** | **876,603** | **(151,153)** | **725,450** |

Deferred income relates for € 85,763 to the capital gain on the sale and leaseback of a property and for € 621,535 to proceeds that refer to future years

# Explanatory notes, income statement

The income statement reports the results for the year.

This statement presents the results of operations by summarising the positive and negative components of income that contributed to them. These positive and negative components of income, recognised pursuant to art. 2425-bis c.c., are analysed into the following categories: core business, ancillary and financial activities.

Core business activities include the components of income that were generated from continuing operations in the principal sector, and which identify and distinguish the economic activities carried out by the Company in the pursuit of its corporate objectives.

Financial activities comprise those operations that generate financial income and expense.

Ancillary activities comprise those residual operations that generate income in the ordinary course of business that cannot be classified as financial or core business activities.

As stated in the introduction, to which reference is made, the economic information presented in this report relates to the complete financial year from 1 April 2019 to 31 March 2020, while the comparative period only covers the 3-month period from 1 January 2019 to 31 March 2019; accordingly, the two sets of data are not comparable.

## Value of production

The following table analyses the value of production for the financial year from 1 April 2019 to 31 March 2020. As stated in the introduction, the data for the prior period is not comparable due to the different length of that accounting period:

| Description | FY 31.03.2020 (12 months) | FY 31.03.2019 (3 months) | Change |
|---|---|---|---|
| 1) Revenues from sales of goods and services | 32,494,580 | 7,899,019 | 24,595,561 |
| 2) Change in inventories of work in progress, semi-finished and finished products | (1,067,639) | 82,643 | (1,150,282) |
| 5) Other income and revenues | | | 0 |
| Operating grants | 80,341 | - | 80,341 |
| Other | 1,076,906 | 79,370 | 997,536 |
| **Total** | **32,584,188** | **8,061,032** | **24,523,156** |

## Cost of production

The following table provides a breakdown of production cost with comparative figures from the previous year:

| Description | FY 31.03.2020 (12 months) | FY 31.03.2019 (3 months) | Change |
|---|---|---|---|
| Cost of raw and ancillary materials, consumables and goods for resale | 11,519,550 | 2,514,186 | 9,005,364 |
| Cost of services | 12,505,070 | 2,949,386 | 9,555,684 |
| Lease and rental charges | 619,922 | 194,389 | 425,533 |
| Payroll costs | | | |
| Wages and salaries | 3,486,690 | 1,026,507 | 2,460,183 |
| Social contributions | 970,326 | 304,884 | 665,442 |
| Employee termination indemnity | 52,570 | 12,804 | 39,766 |
| Other costs | 180,787 | 40,963 | 139,824 |
| Amortisation of intangible assets | 1750 | 475 | 1,275 |
| Depreciation of tangible fixed assets | 911,407 | 223,982 | 687,425 |
| Change in inventory of raw and ancillary materials, consumables and goods | (337,426) | 350,908 | (688,334) |
| Other operating expenses | 256,197 | 50,846 | 205,351 |
| **Total** | **30,166,843** | **7,669,330** | **22,497,513** |

Comparison with the costs reported for the prior period is not meaningful, as the duration of that accounting period was just three months.

## Financial income and charges

Financial income and charges are recorded on an accruals basis.

Financial income (€ 11,511) consisted entirely of bank interest.

Financial charges (€ 52,661) mainly related to factoring activities.

### Breakdown of interest and other financial charges by type of payable

The following table provides details of interest and other financial charges as required by paragraph 17 of Art. 2425 of the Italian Civil Code, with specific details of costs relating to bonds, to amounts due to banks and to other charges.

## Amount and nature of revenues/costs of individual significance

During the current year, no revenues or other positive components deriving from exceptional events were recorded.

During the current year, no costs deriving from exceptional events were recorded.

## Income taxes for the year, current and deferred

The company has accrued for taxation for the year based on the application of tax legislation in force. The tax charge for the year consists of current taxation, as resulting from the tax returns, of deferred taxation relating to positive or negative components of income, taxable or deductible, respectively, in fiscal years that differ from the year in which the item is recognised for statutory reporting purposes.

The composition of taxation for the year split between current taxation and the deferred tax asset item is provided in the following table:

| | FY 31.03.2020 (12 months) | FY 31.03.2019 (3 months) |
|---|---|---|
| **Income taxes** | **538,701** | **92,062** |
| Current taxation | | |
| of which: IRES for the year (current) | 58,854 | 2,389 |
| of which: IRAP for the year (current) | 120,055 | 34,262 |
| of which: Taxation relating to prior years | | |
| Deferred taxation | 359,792 | 55,411 |

### Recognition of deferred tax assets and liabilities and their impact

| | IRES Tax | IRAP Tax |
|---|---|---|
| **A) Temporary differences** | | |
| Total deductible temporary differences | 1,491,146 | 79,669 |
| Total taxable temporary differences | 4,958 | - |
| Net temporary differences | (1,486,188) | (79,669) |
| **B) Tax effects** | | |
| Provision for deferred tax liability (assets) at the beginning of the year | (836,196) | (51,157) |
| Deferred tax liability (assets) of the year | 356,685 | 3,107 |
| Provision for deferred tax liability (assets) at the end of the year | (479,511) | (48,050) |

Deferred tax assets and liabilities have been calculated using the following rates, which are expected to be in force during the years when it is reckoned that the temporary differences will reverse (IRES at 24% and IRAP at 3.9%).

The balance of deferred tax assets shown in the table is the net of provisions for the year less the deferred tax assets recognised in previous years and reversed during the period.

To be specific, for IRES purposes, there is a higher reversal of deferred tax assets compared with the amount provided for because of the release of deferred tax assets provided for in previous years as they could be offset against tax losses and other temporary differences.

With regard to IRAP, the higher deferred tax assets for previous years released in the year in question are attributable to the lower costs set aside because of the shorter financial year.

# Explanatory notes, other information

The additional disclosures required by the Italian Civil Code are presented below.

## Employment data

The following table sets out average employee numbers by labour category computed on the basis of daily averages. It does not include 10 temporary workers, comprising blue-collar personnel and the individual seconded to the administrative department from another Group company.

| | White collar | Blue collar | Total employees |
|---|---|---|---|
| Average number | 17 | 62 | 79 |

## Fees, advances and loans granted to directors and statutory auditors and commitments accepted on their behalf

The following schedule provides the information required by art. 2427, point 16 c.c., with the clarification that no advances or loans have been granted and no commitments, in the form of guarantees of any kind, have been accepted on behalf of the members of the Board of Directors.

| | Directors | Statutory Auditors |
|---|---|---|
| Fees | 100,000 | 41,453 |

## Fees of the legal auditor or auditing firm

As required by art. 2427 c.c., the following table analyses the total fees earned by the legal auditor (or firm of legal auditors) for the legal audit of the annual financial statements, the total fees earned for other auditing services, the total fees earned for tax advisory services and the total fees earned for other non-audit services.

| | Legal audit of the annual financial statements | Total fees earned by the legal auditor or auditing firm |
|---|---|---|
| Amount | 11,450 | 11,450 |

Deloitte & Touche S.p.A. has been engaged to perform the independent statutory audit. The costs for auditing the annual accounts also include the fees for checking that the books of account have been kept regularly.

## Securities issued by the company

The Company has not issued any securities that fall under the provisions of art. 2427, para. 18 of the Italian Civil Code.

## Details on other financial instruments issued by the Company

The Company has not issued any other financial instruments pursuant to art. 2346, para. 6, of the Italian Civil Code.

## Commitments, guarantees and contingent liabilities not reported in the balance sheet

There are no commitments, guarantees or contingent liabilities that have not been reported in the balance sheet.

## Information about capital and loans allocated to a specific business project

### Allocation of capital to a specific business project

We can confirm that, at the balance sheet date, there has been no allocation of capital to a specific business project as per no. 20 of art. 2427 of the Italian Civil Code.

### Loans for a specific business project

We can confirm that, at the balance sheet date, there are no loans provided for a specific business project as per no. 21 of art. 2427 of the Italian Civil Code.

## Information about related-party transactions

With regard to the provisions of art. 2428, para. 3, point 2) of the Italian Civil Code, reference is made to the information on related-party transactions provided in the Report on operations.

## Information about off-balance sheet agreements

No off-balance sheet agreements were entered into during the year.

## Information about significant events arising subsequent to the reporting date

Macroeconomic instability has arisen at the time of preparing these financial statements. This is linked to the spread of Covid-19 that, in early 2020, initially affected economic activity in China before spreading to other countries, including Italy at the end of February.

This factor will have a significant impact on global growth prospects, influencing the general macroeconomic situation and the financial and property markets, not least because of the decisions made by governmental authorities in order to contain the spread of the epidemic.

Pursuant to point 22-quarter of art. 2427 of the Civil Code, it is confirmed that no significant subsequent events have taken place with a major impact on the economic and financial position, other than compliance with the requirement to shut the company from 26 March 2020 to 4 May 2020, following application of the national and regional regulations on Covid-19 and the consequent activation of government-assisted lay-off pay for almost all employees. With regard to FY 2020/2021, this event will certainly affect revenues and business performance although at present, based on proper assessment of all the available information, it is not possible to quantify the impact with a sufficient degree of reliability.

That said, the situation is not deemed to have an impact on the financial statements at 31 March 2020. Despite the expected effects of the reduction in business volume linked to the slow economic recovery, there are no current indications to suggest that the ability of the business to continue operating over the next 12 months has been compromised. This assessment considers, in particular, the liquidity available to the Company and its access to the capital markets, as well as the steps taken to contain operating costs at a level consistent with the sales volumes estimated in the latest forecasts.

## Companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary

The following information is provided about the companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary:

| | Larger group | Smaller group |
|---|---|---|
| Company name | Endurance Technologies Limited (*) | Endurance Overseas S.r.l. |
| Town (if in Italy) or foreign State | Aurangabad (India) | Lombardore (Turin) |

| | | |
|---|---|---|
| Tax code (Italian companies) | - | 05754620960 |
| Place where the consolidated financial statements are filed | Registered office: Aurangabad (India) India Stock Exchange: NSE and BSE | Registered office: Lombardore (Turin) Turin Chamber of commerce |

(*) Endurance Technologies Limited, the parent company, is listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

## Information about derivative financial instruments pursuant to art. 2427-bis c.c.

It is hereby confirmed that the Company is not party to any financial derivatives.

## Summary financial statements of the company which exercises management and coordination activities

The Company is subject to management control and coordination by its indirect parent company, Endurance Technologies Limited, with registered offices at E-92, MIDC Industrial Area, Waluj, Aurangabad, Maharashtra, India, which wholly owns the Company via Endurance Overseas S.r.l..

The following amounts taken from the latest approved financial statements of Endurance Technologies Limited are stated in millions of Indian Rupees. For the sake of clarity, the Rupee/Euro exchange rate at 31 March 2019 (fixed on 29 March 2019) was 77.7190 (80.2960 at 31 March 2018) - (source www.ecb.europa.eu):

| Balance sheet | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Fixed assets, net | 12,629.37 | 10,181.26 |
| Investments and other non-current assets | 5,900.00 | 5,550.27 |
| **Current assets** | 11,022.75 | 10,323.57 |
| **Assets held for sale** | 33.37 | - |
| **Total Assets** | **29,585.49** | **26,055.10** |
| | | |
| **Liabilities and shareholders' equity** | | |
| **Shareholders' equity** | **20,799.50** | **17,922.58** |
| **Non-current liabilities** | | |
| Non-current financial liabilities | 29.78 | 49.58 |
| Other non-current liabilities | 265.65 | 63.25 |
| **Current liabilities** | | |
| Current financial liabilities | 7,738.02 | 7,072.36 |
| Other current liabilities | 752.54 | 947.33 |
| **Total liabilities and shareholders' equity** | **29,585.49** | **26,055.10** |

| Income Statement | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Revenues** | **54,336.82** | **46,362.84** |
| Operating costs | 46,854.49 | 40,275.23 |
| Depreciation and amortisation | 1,756.98 | 1,696.31 |
| Financial charges | 170.73 | 102.49 |

| | | |
|---|---|---|
| Non-recurring income/(expense) | (208.00) | (268.78) |
| **Income before tax** | **5,346.62** | **4,020.03** |
| Taxation for the year (current and deferred) | 1,768.01 | 1,304.00 |
| **Income (loss) for the year** | **3,578.61** | **2,716.03** |
| OCI - Other comprehensive income | (23.39) | (0.84) |
| **Total statement of comprehensive income** | **3,555.22** | **2,715.19** |

The report on operations describes relations with the company that provides management and coordination services and with the other affiliates, as well as the effect of those activities on the operations of the Company and its results.

## Information pursuant to art. 1, paragraph 125, of Law 124 of 4 August 2017

Art. 1, paragraph 125, of Law 124/2017 introduced the obligation to provide evidence in the explanatory notes of any cash amounts received during the year by way of grants, contributions, paid appointments or any other economic advantages of any kind received from public administrations and from those mentioned in paragraph 125 of the same article.

Although the following assistance is not thought to fall within the scope of application of the law, it is confirmed that the following cash flows were received during the year:

- Assistance for firms that are heavy consumers of electricity – 2017 Energy-intensive users project totalling Euro 76,351.

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## Proposed allocation of profits or coverage of losses

Shareholders, in light of the matters explained above, the Board of Directors proposes to allocate the net income for the year of € 1,837,571 to "retained earnings".

# Explanatory notes, closing section

Shareholders, we confirm that these financial statements, which comprise the balance sheet, income statement, statement of cash flows and explanatory notes, give a true and fair view of the financial position and results for the year and agree with the books of account. We therefore invite you to approve the draft financial statements at 31/03/2019, together with the proposed allocation of the net result for the year, as submitted by the Board of Directors.

The financial statements are true and real and agree with the books of account.

Bione (BS), 29/05/2020

For the Board of Directors

The Managing Director

Luca Ghidini

**ENDURANCE CASTINGS S.p.A.**
Statutory Financial Statements
as of March 31, 2020

**Independent Auditor's Report**

Deloitte & Touche S.p.A.
Galleria San Federico, 54
10121 Torino
Italia

Tel: +39 011 55971
www.deloitte.it

# INDEPENDENT AUDITOR'S REPORT
# PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

**To the Sole Shareholder of**
**Endurance Castings S.p.A.**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Endurance Castings S.p.A. (the "Company"), which comprise the balance sheet as at March 31, 2020, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Italian law governing financial statements.

### 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter

For a better understanding of the financial statements, we drawn attention on what the Directors indicated in the report on operations and in the explanatory notes with specific reference to the non-comparability of the economic figures for the year ended March 31, 2020 (referring to a 12 months period, from April 1, 2019 to March 31, 2020) with those of the previous year (referring to 3 months period only, from January 1, 2019 to March 31, 2019).

### Other matters

Pursuant to art. 2497-bis, first paragraph, of the Italian Civil Code, Endurance Castings S.p.A. has disclosed that it is subject to management and coordination of its activities by Endurance Technologies Limited (India) and, therefore, has indicated in the notes to the financial statements the key financial data from the most recent financial statements of such company. Our opinion on the financial statements of Endurance Castings S.p.A. does not extend to such data.

**Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements**

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (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 financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 management's 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as 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.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

**Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10**

The Directors of Endurance Castings S.p.A. are responsible for the preparation of the report on operations of the Company as at March 31, 2020, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of the Company as at March 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Endurance Castings S.p.A. as at March 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
**Giorgio Barbieri**
Partner

Turin, Italy
June 24, 2020

*This report has been translated into the English language solely for the convenience of international readers.*

# ENDURANCE CASTINGS SPA

Company with sole shareholder
Head office: VIA CONCA D'ORO 14 - 14/A BIONE (BS)
Tax Code and Brescia
Companies Register no. 00293110177
BRESCIA Chamber of Commerce (REA) no. 55600
Share capital: € 900,000.00 subscribed and fully paid
VAT Number: 00551150980
Management policy and coordination: ENDURANCE TECHNOLOGIES PRIVATE LTD

# Report of the Board of Statutory Auditors

## *Financial statements for the year ended 31/03/2020*

To the Shareholder,

Pursuant to the current articles of association, the Board of Statutory Auditors has been assigned the task of administrative supervision, while the legal audit function was assigned to Deloitte & Touche S.p.a. in a letter of appointment dated 7 January 2019; accordingly, this report describes solely the supervisory work carried out in accordance with the law.

## Report to the Shareholder's Meeting pursuant to art. 2429, paragraph 2 of the Italian Civil Code - Administrative supervision

During the course of the financial year ended 31/03/2020, our activities were performed in compliance with applicable legislation and the principles of conduct for the Board of Statutory Auditors issued by the Italian Accounting Profession (as represented by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili.

### Activities carried out by the Board of Statutory Auditors during the year ended 31/03/2020

We supervised compliance with the law, with the articles of association and with principles of proper administration.

We attended shareholders' meetings and Board meetings, in respect of which, based on information made available, no matters came to our attention to indicate that there had been any infringements of the law or of the articles of association, nor transactions which were clearly imprudent, risky, likely to give rise to a conflict of interest or such as to compromise the integrity of the company's assets.

We acquired information from the directors on the status of capital transactions, with respect to which we have no particular observations to make.

We obtained information from the directors on the company's performance and the likely outlook, as well as on the most significant transactions, in terms of size or characteristics, entered into by the company and by its subsidiaries and, based on the information obtained, we have no particular findings to report.

We met with the independent auditors and, with reference to those meetings, no significant information or data emerged that should be disclosed in this report.

We gained knowledge on and supervised, within the scope of our duties, the adequacy of and the operations of the company's organisational structure by obtaining information from function heads, with respect to which we have no particular findings to report.

We gained knowledge on and supervised, within the scope of our duties, the adequacy of and the operations of the company's administrative-accounting system, as well as on the reliability of the latter in correctly presenting the results of operations, by obtaining information from function heads, from the independent auditors and from an examination of corporate documents, and, with respect thereto, we have no particular findings to report.

No complaints were presented to us as per Art. 2408 of the Italian Civil Code.

During the course of the financial year, no opinions were issued by the Board of Statutory Auditors as required by law.

During the course of our supervisory activities, as described above, no other significant matters arose that are worthy of inclusion in this report.

This report therefore summarises our activity with regard to the requirements of art. 2429, para. 2 of the Italian Civil Code, namely information on:

- the results for the year;
- the work performed in fulfillment of our legal duties; the observations and proposals regarding the financial statements, with particular regard to any use made by the administrative body of the exception permitted by art. 2423, para. 5 of the Italian Civil Code;

In any case, we are at your complete disposal to examine any other aspects during the Shareholders' Meeting.

The work performed by us covered the entire financial year and regular meetings were held during the year pursuant to art. 2404 of the Italian Civil Code.

During our periodic checks, we gained knowledge on how the Company's activities were evolving, paying particular attention to contingent problems in order to identify the economic and financial impact on the result for the year and on the balance sheet, as well as any risks.

Minutes were drawn up of these meetings and duly signed for unanimous approval.

## Supervisory activities pursuant to art. 2403 onwards of the Civil Code

The draft financial statements for the year ended 31/03/2020, provided to us for our examination by the Board of Directors pursuant to art. 2429 of the Italian Civil Code, have been prepared in accordance with the requirements of Legislative Decree no. 127/91 and consist of:

- Balance sheet
- Income statement
- Statement of cash flows
- Explanatory notes

The draft financial statements at 31/03/2020 report the following key data:

**Balance sheet**

| Description | FY 2020 | FY 2019 | Difference |
|---|---|---|---|
| FIXED ASSETS | 6,475,967 | 6,655,696 | 179,729- |
| CURRENT ASSETS | 15,689,656 | 14,975,544 | 714,112 |
| PREPAID EXPENSES AND ACCRUED INCOME | 68,012 | 153,651 | 85,639- |
| TOTAL ASSETS | 22,233,635 | 21,784,891 | 448,744 |

| Description | FY 2020 | FY 2019 | Difference |
|---|---|---|---|
| SHAREHOLDERS' EQUITY | 10,372,592 | 8,535,021 | 1,837,571 |
| PROVISION FOR RISKS AND CHARGES | 1,471,342 | 1,549,595 | 78,253- |
| PROVISION FOR EMPLOYEE TERMINATION INDEMNITY | 284,286 | 314,773 | 30,487- |
| PAYABLES | 9,379,965 | 10,508,899 | 1,128,934- |
| ACCRUED EXPENSES AND DEFERRED INCOME | 725,450 | 876,603 | 151,153- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 22,233,635 | 21,784,891 | 448,744 |

**Income Statement**

| Description | FY 2020 | FY 2019 | Difference |
|---|---|---|---|
| VALUE OF PRODUCTION | 32,584,188 | 8,061,032 | 24,523,156 |
| REVENUES FROM SALES OF GOODS AND SERVICES | 32,494,580 | 7,899,019 | 24,595,561 |
| COST OF PRODUCTION | 30,166,843 | 7,669,330 | 22,497,513 |
| DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A - B) | 2,417,345 | 391,702 | 2,025,643 |
| RESULT BEFORE TAXES (A-B+-C+-D) | 2,376,272 | 385,188 | 1,991,084 |
| INCOME TAXES FOR THE YEAR, CURRENT AND DEFERRED | 538,701 | 92,062 | 446,639 |
| INCOME (LOSS) FOR THE YEAR | 1,837,571 | 293,126 | 1,544,445 |

We have examined the draft financial statements for the year ended 31/03/2020, including the Report on Operations, in relation to which we point out the following.

Due to the fact that we were not appointed as independent auditors of the financial statements, we have limited ourselves to monitoring the overall approach to their preparation and their general compliance with the law as regards their format and structure and we do not have any particular observations to make in this regard.

More precisely, we note that:

- The accounting policies used in preparing the financial statements at 31/03/2020 comply with the Italian Civil Code as amended by Decree Law 139/2015;

- the Directors have provided information on the Company's performance and on the outlook for operations;
- the balance sheet and income statement formats adopted by the Company comply with articles 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code;
- pursuant to art. 2426 para. 5, of the Italian Civil Code, no start-up and expansion costs or development cost have been recognised;
- pursuant to art. 2426, para. 6, of the Italian Civil Code, intangible assets at 31/03/2020 do not contain any amounts representing goodwill.

We have verified compliance with the law regarding the structure of the directors’ report on operations and we do not have any particular observations to make thereon.

As far as we are aware, in the preparation of the financial statements, there was no failure by the directors to comply with the law pursuant to paragraph 5 of Art. 2423 of the Italian Civil Code.

## Result for the year

The net result ascertained by the Directors for the year ended 31/03/2020, as shown in the financial statements, is positive for € 1,837,571.

We do not have any observations to make on the allocation of the net result for the year proposed by the Directors.

## Conclusion

Also considering the results of the work performed by the independent auditors, as explained in their audit report, issued without exceptions or remarks on 24/06/2020, which includes a reference concerning the aforementioned change in the period end date and the related effects on the comparability of the figures of the previous year, we unanimously believe that there are no reasons why the Shareholders' Meeting should not approve the draft annual financial statements for the year ended 31/03/2020, as drafted and proposed by the Directors.

Milan, 24/06/2020

The Board of Statutory Auditors

Fulvio Mastrangelo

Attilio Bonetti

Massimo Carera

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