CIR

CONSOLIDATED FINANCIAL STATEMENTS
SEPARATE FINANCIAL STATEMENTS
REPORT ON OPERATIONS

2020

Contents

CIR S.p.A.

Registered office: Via Ciovassino, 1 – 20121 Milano – **T** + 39 02 722701

Share Capital € 638.603.657 – Chamber of commerce no. 1950090

Milan Company Register/ Tax Code / VAT no. 01792930016

The Company is subject to management and coordination by F.LLI DE BENEDETTI S.p.A.

Registered office in Rome: Via del Tritone, 169 – 00187 Roma – **T** +39 06 692055.1

Corporate Bodies

at 31 December 2020

BOARD OF DIRECTORS

Honorary Chairman	CARLO DE BENEDETTI
Chairman	RODOLFO DE BENEDETTI **(*)**
Chief Executive Officer And General Manager	MONICA MONDARDINI **(*)**
Directors	PHILIPPE BERTHERAT **(1)** MARISTELLA BOTTICINI **(2)** EDOARDO DE BENEDETTI FRANCO DEBENEDETTI MARCO DE BENEDETTI PAOLA DUBINI **(2)** SILVIA GIANNINI **(1) (2)** PIA HAHN MAROCCO **(2)** FRANCESCA PASINELLI **(1) (2)** MARIA SERENA PORCARI **(1) (2) (3)**
Secretary to the Board	MASSIMO SEGRE

BOARD OF STATUTORY AUDITORS

Chairman	FRANCESCO MANTEGAZZA
Standing Statutory Auditors	MARIA MADDALENA GNUDI GAETANO REBECCHINI
Alternate Statutory Auditors	ANTONELLA DELLATORRE LUIGI MACCHIORLATTI VIGNAT GIANLUCA MARINI

INDEPENDENT AUDITORS

KPMG S.p.A.

Report pursuant to the recommendation in Consob communication DAC/RM/97001574 of 20 February 1997

(*) Powers as per Corporate Governance
(1) Member of the Appointments and Compensation Committee
(2) Member of the Control and Risk Committee
(3) Lead Independent Director

CIR S.p.A. – COMPAGNIE INDUSTRIALI RIUNITE

Milan – Via Ciovassino 1

Share Capital: Euro 638,603,657.00 fully paid up – Reg. of Companies and Tax Code 01792930016

Company subject to management and coordination by F.lli De Benedetti S.p.A.

NOTICE OF ANNUAL GENERAL MEETING

The Shareholders are invited to attend the Extraordinary and Ordinary sessions of the Annual General Meeting at a single calling on April 30 2021 at 11.00 a.m. in the registered office in Via Ciovassino 1, Milan to discuss and pass resolution on the following

AGENDA

Extraordinary Part

1. Proposal to eliminate the indication of the nominal value of the shares and the consequent amendment of Art. 4, paragraph 1, of the Company Bylaws.

Ordinary Part

2. Financial Statements for the year ended December 31 2020 and allocation of the result for the year. Presentation of the consolidated accounts for the year ended December 31 2020:
    a. Approval of the financial statements for the year ended December 31 2020;
    b. Allocation of the result for the year.
3. Proposal for an authorization to buy back own shares and use them as appropriate.
4. Report on the Compensation Policy and the remuneration paid as per Art. 123 – *ter* of the TUF:
    a. Binding vote on Section I;
    b. Consultative vote on Section II.
5. Proposal to approve Stock Grant Plan 2021.
6. Reduction of the number of members of the Board of Directors from 12 to 11.

INFORMATION ON THE SHARE CAPITAL

The share capital amounts to € 638,603,657.00 and consists of 1,277,207,314 ordinary shares each with a nominal value of € 0.50 and all of which have voting rights except for the own shares held, for which voting rights are suspended.

Each share is assigned one vote or two votes as per the terms of Art. 8 of the Company Bylaws, if entitlement to the same has been ascertained by the Board of Directors.

ATTENDING THE MEETING IN PERSON AND BY PROXY

In view of the epidemic emergency caused by COVID-19 and in compliance with the rules set out in Art. 106 of Decree Law no. 18 of March 17 2020, transposed with amendments into Law no. 27 of April 24 2020 and extended as an effect of paragraph 6 of Art. 3 of Decree Law no. 183 of December 31 2020, transposed with amendments into Law no. 21 of February 26 2021, setting out rules relating to the said emergency:

- attendance of the Shareholders Meeting can only be through the Designated Representative, Studio Segre S.r.l., following the procedures and terms explained further on in this notice;

- attendance of the Meeting by the members of the Board of Directors and the Board of Statutory Auditors, of the Secretary and/or the Notary and the Designated Representative, and of any other

persons authorized to attend by the Chairman of the Board of Directors, can also and only be through electronic means of communication that guarantee identification, in compliance with measures to contain the COVID-19 epidemic taken by the applicable rules of law, following procedures that the same Chairman shall define and communicate to each of the above persons, in compliance with the rules applicable for such events, and in any case without the need for the Chairman, the Secretary and the Notary to be in the same place;
- no postal or electronic voting is envisaged.
Lastly, it should be noted that the date and/or the place and/or attendance and/or the voting procedures and/or the proceedings of the General Meeting stated in this Notice are subject to the compatibility of the same with current regulations and/or with measures introduced from time to time by the competent Authorities, due to the continuing epidemic emergency and in accordance with the principles for safeguarding health.
Any changes will be published promptly following the same procedures used for the publication of the notice of meeting and/or in any case through the information channels envisaged by the law at any one time.

Entitlement to take part in the Meeting and exercise a vote is attested by a notification – made by an authorized intermediary as per the terms of Art. 83-*sexies* of D.Lgs. no. 58/1998 and subsequent amendments and additions (TUF) – in favour of the individual who has the right to vote based on evidence available at the close of business on Wednesday April 21 2021, the seventh trading day preceding the date fixed for the single call of the Shareholders Meeting. Any persons who obtain entitlement only after that date will not have the right to attend the Meeting and exercise a vote.
Any holders of shares that have not yet been dematerialized should first present their share certificates to an authorized intermediary for input into the centralized clearing system in electronic form, in accordance with the provisions of Article 36 of the joint single Measure on post-trading issued by Consob and Bank of Italy on August 13 2018, and should request that the notification be sent in as above.
Persons entitled to exercise voting rights can be represented by proxy at the Annual General Meeting in accordance with Art. 2372 of the Civil Code and with any other rules or regulations applicable. The proxy form at the bottom of the notification issued by the authorized intermediary may be used or alternatively there is a proxy form that can be downloaded from the company website www.cirgroup.it in the section Governance.
As per the terms of paragraph 4 of Art. 106 of the 'Cura Italia' Decree, and pursuant to the terms of Art. 135-*novies* of the TUF, **the proxy or sub-proxy must be given only to the Designated Representative, Studio Segre S.r.l.,** electronically to the certified email address segre@legalmail.it together with the voting instructions and a copy of a currently valid identity document of the delegating party or, in accordance with the terms of Art. 135-*undecies* of the TUF, the proxy can be assigned to the said Designated Representative by filling in and signing the appropriate form to be found in the above-mentioned section of the website. In the latter case, the signed form must be sent to the Designated Representative by certified email to the address segre@legalmail.it by the close of the second trading day preceding the date fixed for the AGM at a single calling (i.e. by Wednesday April 28 2021). The proxy is not effective for proposals for which no voting instructions have been given. The proxy and the voting instructions can be revoked within the same time limits as those for giving the said instructions.
The notice sent to the Company by the authorized intermediary attesting the Shareholder's entitlement to attend the meeting is needed even when the Designated Representative of the company is appointed as proxy. Therefore, in the absence of the above-cited notification the proxy will not be valid.

RIGHT TO ASK QUESTIONS ON THE ITEMS ON THE AGENDA

As per the terms of Art. 127-ter of the TUF, Shareholders who wish to ask questions regarding the items on the Agenda of the Annual General Meeting can send their questions by registered post with advice of receipt (A.R.) to the Registered Office of the Company or by certified email to the address segre@legalmail.it, attaching either the certification issued by an authorized intermediary attesting that they are entitled to exercise this right, or the notification attesting their right to attend the Meeting and to

exercise the right to vote. Questions must be received by the close of the seventh trading day preceding the date fixed for the Annual General Meeting at a single calling, i.e. by Wednesday April 21 2021.
The Company will give its answer in writing on the Company website in the Governance section. Questions with the same content will receive a single response.

ADDITIONS TO THE AGENDA
AND PRESENTATION OF NEW RESOLUTION PROPOSALS

As per the terms of Art. 126-*bi*s of the TUF, Shareholders representing even jointly at least one fortieth of the share capital may request, within ten days of the publication of this notice, an addition to the items on the Agenda to be dealt with, indicating in their request the further items proposed, or they may submit proposed resolutions on subjects already on the Agenda. It should be remembered, however, that any such addition is not allowed for the items on which the Shareholders, as per the terms of the law, vote on a proposal made by the Directors or on a plan or a report prepared by the same, other than those included in Art. 125-*ter*, paragraph 1 of the TUF.
Requests should be made by registered post with advice of receipt (A.R.) to the Registered Office of the Company or by certified email to the address segre@legalmail.it and must be accompanied by a report on the subject being put forward as well as by the certification(s) issued by an authorized intermediary attesting the person's entitlement to exercise this right. Notice will be given of any additions to the Agenda and of any new proposed resolutions in the same form as those on this notice of meeting, at least fifteen days before the date fixed for the single calling of the Shareholders Meeting, by which time the report prepared by the proposers of the same will be made available to the public.
As per the terms of Art. 126-*bis*, clause 1, third paragraph, of the TUF, given the method of attending the Meeting, those with voting rights can individually present resolution proposals on the subjects on the Agenda by April 15 2021. These proposals must be submitted by registered post with advice of receipt (A.R.) to the Registered Office of the Company or by certified email to the address segre@legalmail.it and must be accompanied by a proposed resolution on the item of the Agenda, and by the certification(s) issued by an authorized intermediary attesting the person's entitlement to exercise this right.
The proposals submitted will be published on the Company's website www.cirgroup.it in the Governance section by April 23 2021 so that those entitled to vote can see them before giving their proxy or sub-proxy forms to the Designated Representative.
If there are any alternative resolution proposals to those on the Agenda formulated by the Board, the Board's proposal will be put to the vote first (unless it is withdrawn) and only if it is rejected will Shareholder proposals be then put to the vote. These proposals, if there are alternatives, will be put before the Shareholders starting with the proposal presented by the Shareholders who hold a greater percentage of the share capital. Only if the first proposal put to the vote is rejected will the next proposal representing the second highest capital percentage be submitted, and so on.

FURTHER INFORMATION

It should be noted that the information contained in this notice of meeting – and particularly the date, place and/or the time of the AGM, the terms for the exercise by the Shareholders of their rights, the procedures for taking part in the AGM and/or the way in which the same meeting will be held – may be modified, updated or subject to further instructions given the current situation of emergency due to COVID19 and the consequent measures adopted from time to time by the competent Authorities, and to enable the basic principles of safeguarding the health and safety of the Shareholders, employees, exponents and consultants of the Company to be respected. Any changes, updates or additions to the information given in this notice will be made available promptly on the Company's website www.cirgroup.it in the section Governance and through the other channels envisaged by the law.

DOCUMENTATION

The documentation relating to the items on the Agenda, as required by current regulations, which includes, among other things, the complete text of the proposed resolutions, will be made available to the public, within the time-frames envisaged by law, at the Company's Registered Office (in Milan, Via Ciovassino 1), from Borsa Italiana S.p.A., on the authorized storage mechanism eMarket STORAGE on the website www.emarketstorage.com, and on the Company's website www.cirgroup.it in the section Governance. Shareholders have the right to obtain a copy.
The Financial Statements for the year 2020 will be made available to the public in the same way.

The Company Bylaws are available on the website www.cirgroup.it in the section Governance/system of Governance.

Milan, March 30 2021

For the Board of Directors
The Chairman – Rodolfo De Benedetti

Letter to the shareholders

Dear shareholders,

Our annual letter is to give you an account of how the Group has evolved during 2020, while we are still heavily involved to managing the impacts and complexities that our companies have had to face as a result of the Covid-19 pandemic, a challenge that was neither predictable nor easy, starting more than a year ago and still continuing without a break. We would therefore like to take this opportunity to inform you also about the current situation of our various businesses.

In 2020, we completed the merger between CIR and COFIDE, which allowed us to shorten and simplify the chain of control with the subsidiaries, reduce the operating costs involved in maintaining two listed holding companies and make the company's share more liquid thanks to a higher public float.

We also completed the sale of a controlling interest in GEDI Gruppo Editoriale to EXOR NV, keeping a 5% investment in the company. The sale of GEDI is part of our strategy to concentrate management time and effort, as well as financial resources, on sectors where we are already present with the highest potential to create value.

KOS sold its subsidiary, Medipass, which operates in diagnostic imaging and cancer cure, in order to focus its development on long-term care activities, both in Italy and abroad, after having acquired the Charleston Group in Germany at the end of 2019, which has 47 clinics and over 4,000 beds.

In 2020, consolidated revenue amounted to € 1.8 billion, down 8.3% on 2019 due to the effects of the pandemic, gross operating profit was € 227 million, compared with € 275 million in 2019, and the net result was positive for € 16.3 million, thanks to the extraordinary transactions.

Consolidated net financial indebtedness (without taking into account IFRS 16-related liabilities) has fallen to € 100 million, compared with € 328 million at the end of 2019. The capital structure of our holding company is solid, with a positive net financial position of € 392 million at the end of 2020.

As for our subsidiaries, KOS, a company created and developed by CIR, has consolidated its leadership position in Italy over the years and built up a significant presence in Germany in the long-term care sector, assisting more than 12,500 patients thanks to the work of over 11,500 employees, including doctors, nurses, social and health workers and technicians, and about 2,000 self-employed professionals.

KOS's sector was one of the hardest hit by the pandemic and all of the facilities were sorely tried. Despite this extremely difficult situation, KOS still continued its organic growth and launched several new initiatives.

It collaborated with the Regional Health Services of Lombardy, Marche and Emilia-Romagna Regions, treating infected patients, partly in its two hospitals and partly with structures converted to Covid-19 treatment on the basis of local requirements; it also donated an analytical platform for the extraction of nucleic acids to support the analysis of swabs to the Veneto Region and state-of-the-art ventilators to the Campania Region.

On the domestic front, KOS recently inaugurated its own training school, KOS Academy, mainly for social and health workers dedicated to assisting frail people.

In line with the national vaccination plan and related provisions, KOS has completed the vaccination programme for guests and staff at all its facilities for the elderly. This has led to a rapid decline in cases of contagion, hopefully laying the foundation for a gradual return to normal.

KOS had revenue up 17.4% thanks to the group's expansion in Germany with the acquisition of Charleston.

Again this year, we want to express our sincerest gratitude to the doctors, nurses, social and health workers and all members of staff, who through their dedication have shown extraordinary passion and altruism.

As regard Sogefi, one of the main Italian companies in the automotive components sector, the pandemic and the consequent indispensable restrictive measures on production activities led to an unprecedented drop in the market.

Even in a context of serious difficulty and necessary protection of its personnel, the group was still able to meet its customers' needs, always ensuring the products and services that they required. In a market heavily affected by operational problems and a crisis in demand, not to mention being affected by major technological transformations, the group launched a programme to review its operations to ensure that it would remain competitive even in this new and challenging context.

In 2020, Sogefi saw a 17.8% decline in revenue compared with the previous year, in line with the market. Fortunately, it was able to contain the impact of the drop in production on the group's profit margins and debt. In the last quarter, a good recovery in turnover and margins has been seen and during the first few months of 2021, production takes place regularly in all geographical areas.

We would like to thank all collaborators of the Sogefi Group, who together with management are committed to facing up to the transformations that will be necessary for the company to maintain its role as a partner of primary standing for customers.

Lastly, our thanks go to all collaborators of CIR who, in the difficult working conditions that characterised 2020, were able to complete important operations, guarantee the Group constant monitoring of the economic and financial situation and stimulate us to take the right decisions.

Now we are facing the second year of a complex challenge. We will continue to do everything in our power to ensure that the companies of the CIR Group do whatever is needed to protect the health of their employees and ensure the means for recovery.

Rodolfo De Benedetti
Chairman

Monica Mondardini
Chief Executive Officer

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

Report on operations

1. Key figures

The group's results in 2020 were influenced by the impact of the Covid-19 pandemic on its subsidiaries, which operate in heavily hit sectors.

KOS, active in the provision of social-healthcare services, had to deal with the consequences of the pandemic on care homes and the decrease in rehabilitation services, not least due to the stress placed on the healthcare system that reduced scheduled hospital activities significantly; rehabilitation services recommenced during the second half of the year, but care home activities struggled due to the second wave of the pandemic, with guest levels still markedly below historical averages.

Sogefi, active in the production of components for the automotive segment, suffered - along with the entire sector - an unprecedented loss of volume during the first half of 2020, due to the generalised suspension of productive activities and the collapse in demand; production recovered significantly in the second half of the year, reaching volumes close to those of 2019.

Financial management generated good results, as all principal financial markets recovered during the second semester.

Significant extraordinary transactions were concluded during the year.

In April 2020, CIR completed the disposal of its controlling interest in GEDI, retaining just 5%, following both the strategic decision made in 2019 to exit from the sector in which that group operates and the agreement reached with EXOR in December 2019.

In November 2020, KOS sold Medipass, a subsidiary, realising a significant capital gain; this operation fits with the strategy of focusing on and developing long-term care activities (care homes and Rehabilitation) in Italy and abroad, after having acquired a substantial business in Germany at the end of 2019.

Finally, Sogefi has launched a plan to rationalize its geographical presence and industrial footprint, aimed at increasing the profitability of the group, particularly in Filtration, by selling the branches in Brazil and Spain.

These extraordinary transactions had a positive impact on the group's results and significantly reduced the level of consolidated net indebtedness.

Consolidated revenue amounted to € 1,834.8 million, 8.3% down on 2019, due to the decline in the activities of both sectors in which the group operates as a result of the situation caused by the pandemic.

The consolidated **gross operating profit** amounted to € 227.0 million, 12.4% of turnover, compared with 12.7% of 2019 (€ 274.8 million).

The **profit for the year** was € 16.3 million.

At 31 December 2020, **consolidated net financial indebtedness,** before IFRS 16, amounted to € 100.0 million, a strong decrease compared with 31 December 2019 (€ 327.6 million). Lease liabilities under IFRS 16 at 31 December 2020 amounted to € 796.8 million, so total consolidated net financial indebtedness came to € 896.8 million. Lease liabilities under IFRS 16 mainly concern the subsidiary KOS (€ 730.3 million), which operates predominantly in leased facilities.

Net indebtedness of subsidiaries fell by € 491.7 million (€ 623.8 million at 31 December 2019) due to the decrease recognised by KOS, mainly attributable to the sale of Medipass.

The **net financial position of the parent** and its non-industrial subsidiaries at 31 December 2020, before IRFS 16, was positive for € 391.7 million, an increase compared with the figure at 31 December 2019 (€ 296.2 million).

Equity attributable to the group at 31 December 2020 came to € 771.0 million, compared with € 770.7 million at 31 December 2019).

KOS

Revenue amounted to € 631.6 million in 2020, up by 17.4% compared with 2019 thanks to the on-going development over the last years, and in particular to the acquisition of Charleston at the end of 2019. The latter operates in Germany in the care homes sector. Revenue in Italy decreased by 9.5%.

In the care homes in Italy, the activity focused on the problems involved in managing the health emergency. During the year, new admissions were blocked or in any case significantly slowed down and therefore attendance was reduced and, even now, remains significantly lower than in 2019.

In the care homes in Germany the impact of the pandemic was decidedly lower from a health point of view, so the decline in the number of guests was also lower than in Italy; moreover, the public support given to care homes has allowed to contain the economic impact.

Following a decline in patients attending Italian rehabilitation and acute treatment facilities during the first half of the year, due to the slowdown in routine hospital activities, there was a marked recovery during the second half with services in line with those provided in the same period of 2019.

Operating profit came to € 15.4 million, compared with € 57.9 million in 2019. This decline, in addition to the decline in guests and services following the Covid-19 emergency, was also due to higher costs incurred on protection measures to cope with and contain the effects of the pandemic.

KOS recorded a **net profit** of € 46.7 million (€ 30.3 million in 2019), thanks to the sale of Medipass.

Specifically, KOS sold the Medipass activities in Italy and the UK to *DWS Alternatives Global Limited* ("DWS") in November 2020, retaining the branch in India. An enterprise value of € 169.2 million was recognised, compared with an equity value of € 105.6 million, resulting in a capital gain for KOS of € 54.4 million, net of transaction costs, and an overall improvement in the net financial position of € 162.8 million.

Free cash flow was positive for € 167.2 million, almost entirely generated by the Medipass transaction. The group made investments of approximately € 30 million in structures and disposed of buildings for a similar amount.

Net indebtedness at the end of 2020 amounted to € 200.7 million, compared with € 368.0 million at 31 December 2019.

Sogefi

In 2020, world car production fell by 16.2% compared with 2019: -23.3% in the EU, -20.1% in North America, -4.2 % in China and -30.7% in South America, due to an unprecedented contraction in the first half of the year. The second half-year was characterised by the recovery of activity in all geographical segments, with world production for the period almost in line with 2019.

Sogefi recognised **revenue** down by 17.8% at spot exchange rates (-14.2% at constant exchange rates) and a better performance than that of the market in Europe, NAFTA and China.

The **normalised profit for the year**, excluding non-recurring restructuring expense, was close to break even due to the measures taken to tackle the market crisis. These resulted in a slight increase in the contribution margin (to 30.8% from 30.2% in 2019) and a reduction in fixed costs by about 20% so that, compared with the prior year, their incidence on revenue was stable at 17% despite the decline in sales; indeed, their incidence in the last quarter was 15.8% (17.1% in the final quarter of 2019).

The profit for the year was affected by net expense of about € 16 million incurred on the restructuring plan, which was commenced in 2020 and is still ongoing. In addition, the group sold the Brazilian Filtration branch at the end of 2020, resulting in a loss for the year of about € 15 million due, for the most part, to the accounting effects of deconsolidating these activities.

Free cash flow was negative by € 38.2 million (cash generation of € 8.4 million in 2019), mainly due to the adverse trend in the working capital in view of the special circumstances that arose during the year.

Net financial indebtedness before IFRS 16 at 31 December 2020 was equal to € 291.3 million, (€ 256.2 million at the end of 2019).

During 2020, the value of new contracts obtained by Sogefi was in line with prior years and consistent with the objectives set for maintaining/increasing market share and winning significant orders for hybrid and full electric vehicles, thus positioning the group well in the markets of the future.

Financial management

With reference to financial management, the market recovery for all categories of asset during the second half of the year resulted in the generation of net financial income totalling € 17.3 million, with a yield of 4.0%. In particular, the overall yield on "highly liquid" assets - shares, bonds and hedge funds - rose to 5.3% (€19.1 million), while the fair value of the private equity portfolio and non-controlling interest fell by € 1.8 million or 2.3%.

The tables on the following pages provide a breakdown by business segment of the group's results and financial position, a breakdown of the contribution made by the main subsidiaries and the combined results of CIR, the parent, and the other non-industrial subsidiaries.

Income statement by business segment and contributions to the results of the group

(in millions of euro)

CONSOLIDATED / COMBINED	2020												2019 (*)
	Revenue	Costs of production	Other operating income & expense	Amortisation, depreciation & impairment losses	Operating profit (loss)	Net financial income and expense	Dividends, net of realised and unrealised gains and losses on securities	Fair value gains on equity-accounted investees	Income taxes	Profit (loss) from discontinued operations	Non-controlling interests	Profit (loss) for the year	Loss for the year
		(1)	*(2)*			*(3)*	*(4)*						
KOS group - Healthcare	631.6	(516.7)	(11.7)	(87.6)	15.6	(32.2)	(0.1)	(0.2)	(6.7)	71.4	(19.9)	27.9	18.0
Sogefi group – Automotive components	1,203.2	(1,027.8)	(37.9)	(130.3)	7.2	(22.8)	--	--	(3.5)	(15.5)	14.8	(19.8)	1.8
GEDI group - Media	--	--	--	--	--	--	--	--	--	--	--	--	(58.6)
Total for main subsidiaries	**1,834.8**	**(1,544.5)**	**(49.6)**	**(217.9)**	**22.8**	**(55.0)**	**(0.1)**	**(0.2)**	**(10.2)**	**55.9**	**(5.1)**	**8.1**	**(38.8)**
Other subsidiaries	--	(0.1)	0.1	--	--	--	--	--	--	--	--	--	(0.3)
Total industrial subsidiaries	**1,834.8**	**(1,544.6)**	**(49.5)**	**(217.9)**	**22.8**	**(55.0)**	**(0.1)**	**(0.2)**	**(10.2)**	**55.9**	**(5.1)**	**8.1**	**(39.1)**
CIR and other non-industrial subsidiaries													
Revenue	--											--	--
Operating costs		(13.6)										(13.6)	(17.3)
Other operating income & expense			(0.1)									(0.1)	(3.2)
Amortisation, depreciation & impairment losses				(1.1)								(1.1)	(1.0)
Operating loss					(14,8)								
Financial income & expense						(4.3)						(4.3)	1.0
Dividends and net gains from securities trading							21.2					21.2	10.8
Fair value gains (losses) on equity-accounted investees								--				--	--
Income taxes									1.0			1.0	4.4
Profit (loss) from discontinued operations										--		--	--
Total CIR and other non-industrial subsidiaries before non-recurring items	**--**	**(13.6)**	**(0.1)**	**(1.1)**	**(14.8)**	**(4.3)**	**21.2**	**--**	**1.0**	**--**	**--**	**3.1**	**(5.3)**
Non-recurring items	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**5,1**	**--**	**5.1**	**(78.1)**
Consolidated total for the group	**1,834.8**	**(1,558.2)**	**(49.6)**	**(219.0)**	**8.0**	**(59.3)**	**21.1**	**(0.2)**	**(9.2)**	**61.0**	**(5.1)**	**16.3**	**(122.5)**

(*) Pro-forma figures: the comparative figures for 2019 include the effects on the group's profit (loss) for the year of CIR S.p.A.'s merger with COFIDE S.p.A. (which then changed its name to CIR S.p.A.)

1) *This item is the sum of "changes in inventories", "costs for the purchase of goods", "costs for services" and "personnel expense" in the consolidated income statement. This item does not take into consideration the € (0.9) million effect of intercompany eliminations.*

2) *This item is the sum of "other operating income" and "other operating expense" in the consolidated income statement. This item does not take into consideration the € 0.9 million effect of intercompany eliminations.*

3) *This item is the sum of "financial income" and "financial expense" in the consolidated income statement.*

4) *This item is the sum of "dividends", "gains from securities trading", "losses from securities trading" and "fair value losses/gains on financial assets" in the consolidated income statement.*

Statement of financial position by business segment

(in millions of euro)	31.12.2020								31.12.2019 (*)
CONSOLIDATED / COMBINED	Non-current assets	Other net non-current assets and liabilities	Assets and liabilities held for sale	Net working capital	Net financial position (indebtedness)	Total equity	Equity attributable to non-controlling interests	Equity attributable to the owners of the parent	Equity attributable to the owners of the parent
	(1)	*(2)*		*(3)*	*(4)*				
KOS group - Healthcare	1,398.4	(25.4)	--	(98.4)	(931.0)	343.6	142.7	200.9	170.2
Sogefi group - Automotive components	699.6	(112.2)	1.3	(81.4)	(357.9)	149.4	74.1	75.3	107.0
GEDI group - Media	--	--	--	--	--	--	--	--	102.4
Other subsidiaries	--	(0.7)	--	0.7	0.4	0.4		0.4	0.4
Total industrial subsidiaries	**2,098.0**	**(138.3)**	**1.3**	**(179.1)**	**(1,288.5)**	**493.4**	**216.8**	**276.6**	**380.0**
CIR and other non-industrial subsidiaries									
Non-current assets	33.4					33.4	--	33.4	22.6
Other net non-current assets and liabilities		68.6				68.6	--	68.6	75.0
Assets and liabilities held for sale			--			--	--	--	--
Net working capital				0.7		0.7	--	0.7	(2.6)
Net financial position					391.7	391.7	--	391.7	295.7
Consolidated total for the group	**2,131.4**	**(69.7)**	**1.3**	**(178.4)**	**(896.8)**	**987.8**	**216.8**	**771.0**	**770.7**

(*) Pro-forma figures: the comparative figures for 2019 include the effects on the group's profit (loss) for the year of CIR S.p.A.'s merger with COFIDE S.p.A. (which then changed its name to CIR S.p.A.)

1) *This item is the sum of "intangible assets", "property, plant and equipment", "right-of-use assets", "investment property", "equity-accounted investees" and "other equity investments" in the consolidated statement of financial position.*

2) *This item is the sum of "other assets", "other financial assets" and "deferred tax assets" under non-current assets and of "other liabilities", "deferred tax liabilities", "employee benefit obligations" and "provisions for risks and charges" under non-current liabilities in the consolidated statement of financial position.*

3) *This item is the sum of "inventories", "trade receivables", "other assets" in current assets and "trade payables", "other liabilities" and "provisions for risks and charges" in current liabilities in the consolidated statement of financial position.*

4) *This item is the sum of "loan assets", "securities", "other financial assets", and "cash and cash equivalents" under current assets, of "bonds", "other loans and borrowings" and "lease liabilities" under non-current liabilities and of "bank loans and borrowings", "bonds", "other loans and borrowings" and "lease liabilities" under current liabilities in the consolidated statement of financial position.*

2. Performance of the group

In 2020, consolidated **revenue** was € 1,834.8 million, 8.3% down on 2019 (€ 2,001.6 million). KOS recognised an increase in revenue of 17.4%, Sogefi a decrease of 17.8%.

(in millions of euro)	*2020*	*%*	*2019* ***(1)***	*%*	*Change*	*%*
Healthcare						
KOS group	631.6	34.4	537.8	26.9	93.8	17.4
Automotive components						
Sogefi group	1,203.2	65.6	1,463.8	73.1	(260.6)	(17.8)
Total consolidated revenue	1,834.8	100.0	2,001.6	100.0	(166.8)	(8.3)
of which: ITALY	498.6	27.2	562.9	28.1	(64.3)	(11.4)
OTHER COUNTRIES	1,336.2	72.8	1,438.7	71.9	(102.5)	(7.1)

(1) Within the KOS and Sogefi groups, certain figures, relating to "Assets held for sale", have been reclassified to "Profit (loss) from discontinued operations" following the application of IFRS 5 "Non-current assets held for sale and discontinued operations".

The **consolidated income statement** for 2020 compared with that for 2019 is shown below. Bearing in mind that the absorption of CIR by COFIDE was completed in 2020, the income statement for 2019 is therefore also presented in a pro-forma version, as though the merger had already taken place. The pro-forma adjustments relate to the recalculation of the profit attributable to non-controlling interests made as a result of the merger.

	01/01 - 31/12					
(in millions of euro)	*2020*	*%*	*2019* ***(1)*** *(pro-forma)*	*%*	*2019 (*)*	*%*
Revenue	1,834.8	100.0	2.001.6	100.0	2,001.6	100.0
Gross operating profit *(2)*	**227.0**	**12.4**	**274.8**	**13.7**	**274.8**	**13.7**
Operating profit	**8.0**	**0.4**	**84.4**	**4.2**	**84.4**	**4.2**
Net financial expense ***(3)***	(38.4)	(2.1)	(30.7)	(1.5)	(30.7)	(1.5)
Income taxes	(9.2)	(0.5)	(22.1)	(1.1)	(22.1)	(1.1)
Profit (loss) from discontinued operations	61.0	3.4	(298.4)	(14.9)	(298.4)	(14.9)
Profit (loss) including non-controlling interests	**21.4**	**1.2**	**(266.8)**	**(13.3)**	**(266.8)**	**(13.3)**
Non-controlling interests	(5.1)	0.3	144.3	7.2	197.0	9.8
Profit (loss) attributable to the owners of the parent	**16.3**	**0.9**	**(122.5)**	**(6.1)**	**(69.8)**	**(3.5)**

(1) Within the KOS and Sogefi groups, certain figures, relating to "Assets held for sale", have been reclassified to "Profit (loss) from discontinued operations" following the application of IFRS 5 "Non-current assets held for sale and discontinued operations".
(2) This is the sum of "Operating profit" and "Amortisation, depreciation & impairment losses" in the consolidated income statement.
(3) This is the sum of "financial income", "financial expense", "dividends", "gains from securities trading", "losses from securities trading", "share of profit (loss) of equity-accounted investees" and "fair value gains (losses) on financial assets" in the consolidated income statement.

In 2020, the **consolidated gross operating profit** amounted to € 227.0 million (12.4% of revenue), compared with € 274.8 million in 2019 (13.7% of revenue).

The consolidated **operating profit** was € 8 million, compared with € 84.4 million in 2019.

Net interest expense on subsidiaries' payables, which amounted to € 30.7 million in 2020, up by € 3.4 million due to the higher debt involved in the Charleston acquisition.

Net gains from the financial investment portfolio of the holding company amounted to € 17.4 million, compared with € 13.0 million in 2019.

IFRS 16 charges increased overall by € 8.4 million, from € 17.2 million, mainly due to the consolidation of Charleston (which had IFRS 16 charges of € 10.5 million during the year).

Taking into account the foregoing, the **balance of financial management** was negative for € 38.4 million (€ -30.7 million in 2019).

The contribution from **assets held for sale** of € 61.0 million comprises the results for 2020 and the effects of the Medipass sale by KOS and the disposal by Sogefi of the Brazilian and Spanish branches of its Filtration division.

Consolidated profit amounted to € 16.3 million versus a pro-forma loss of € 122.5 million in 2019 entirely due to GEDI, a disposed of investment.

The condensed consolidated statement of financial position of the CIR group at 31 December 2020, with comparative figures at 31 December 2019, is as follows. For ease of comparison, a pro-forma situation at 31 December 2019 is also included, i.e. as if the merger had taken place on 31 December 2019.
Pro-forma adjustments reflect the effects of the acquisition of non-controlling interests as a reclassification of equity attributable to non-controlling interest to equity attributable to the owners of the parent of non-controlling interests acquired through the merger.

(in millions of euro)	*31.12.2020*	*31.12.2019 (pro-forma)*	*31.12.2019*
Non-current assets	2,131.4	2,256.7	2,256.7
Other net non-current assets and liabilities	(69.7)	(52.3)	(52.3)
Assets and liabilities held for sale	1.3	225.9	225.9
Net working capital	(178.4)	(185.6)	(185.6)
Net invested capital	**1,884.6**	**2,244.7**	**2,244.7**
Net financial indebtedness	**(896.8)**	**(1,127.7)**	**(1,127.7)**
Total equity	**987.8**	**1,117.0**	**1,117.0**
Equity attributable to the owners of the parent	771.0	770.7	432.4
Equity attributable to non-controlling interests	216.8	346.3	684.6

(1) These figures are the result of a different combination of the items in the consolidated financial statements. For definitions, see the notes to the "Statement of financial position by business segment" shown earlier.

Net invested capital came to € 1,884.6 million at 31 December 2020, a decrease compared with 31 December 2019 (€ 2,244.7 million) due to the sale of the GEDI group and Medipass.

Consolidated **net financial indebtedness** at 31 December 2020, before the application of IFRS 16, came to € 100.0 million (compared with € 327.6 million at 31 December 2019), divided into:

- cash flow for CIR and its non-industrial subsidiaries of € 391.7 million (€ 296.2 million at 31 December 2019), up by about € 96 million due to the net proceeds collection from the sale of GEDI;
- total net indebtedness of the industrial subsidiaries of € 491.7 million, down by approximately € 132 million compared with € 623.8 million at 31 December 2019, due to the decrease in KOS

debt (€ 167.2 million), due to the already mentioned sale of Medipass and of some buildings. Sogefi recognised an increase in net indebtedness of € 35.1 million, largely deriving from the evolution of working capital caused by the particular circumstances of the year just ended.

On the basis of IFRS 16, lease liabilities amounted to € 796.8 million at 31 December 2020, giving rise to a total consolidated net financial indebtedness of € 896.8 million.

The **consolidated statement of cash flows**, prepared according to a "management" format, which shows the changes in net financial position, can be summarised as follows.

(in millions of euro)	*2020*	*2019 (pro-forma)*	*2019* ***(1)***
SOURCES OF FUNDS			
Profit (loss) from continuing operations	(39.6)	31.7	28.0
Amortisation, depreciation, impairment losses & other non-monetary changes	134.3	146.3	172.3
Self-financing	**94.7**	**178.0**	**200.3**
Change in working capital and other non-current assets and liabilities	**(1.1)**	**(2.7)**	**(4.4)**
CASH FLOW GENERATED BY OPERATIONS	**93.6**	**175.3**	**195.9**
Capital increases	0.1	0.1	0.1
TOTAL SOURCES OF FUNDS	**93.7**	**175.4**	**196.0**
APPLICATION OF FUNDS			
Net investment in non-current assets	(95.0)	(148.5)	(166.7)
Consideration paid for business combinations	(11.0)	(98.4)	(98.4)
Net financial position (indebtedness) of acquired companies	(4.0)	3.3	3.3
Payment of dividends	-	(40.9)	(40.9)
Purchase of treasury shares	-	(4.7)	(4.7)
Other changes	(10.8)	(9.5)	(2.7)
TOTAL APPLICATIONS OF FUNDS	**(120.8)**	**(298.7)**	**(310.1)**
CASH FLOWS USED IN CONTINUING OPERATIONS	**(27.1)**	**(123.4)**	**(114.1)**
CASH FLOWS FROM ASSETS HELD FOR SALE	**254.7**	**15.6**	**6.3**
CASH FLOWS GENERATED USED IN THE YEAR	**227.6**	**(107.8)**	**(107.8)**
OPENING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16	**(327.6)**	**(219.8)**	**(219.8)**
CLOSING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16	**(100.0)**	**(327.6)**	**(327.6)**
RESIDUAL LIABILITY FOR IFRS 16	(796.8)	(800.1)	(800.1)
CLOSING NET FINANCIAL INDEBTEDNESS	**(896.8)**	**(1,127.7)**	**(1,127.7)**

(1) Within the KOS and Sogefi groups, certain figures, relating to "Assets held for sale", have been reclassified to "Profit (loss) from discontinued operations" following the application of IFRS 5 "Non-current assets held for sale and discontinued operations".

In 2020, cash flows of € 227.6 million were **generated**, while cash flows of € 107.8 million were used in 2019, the causes of which have already been illustrated above, commenting on the evolution of net indebtedness.

At 31 December 2020, **equity** attributable to the owners of the parent amounted to € 771.0 million compared with € 770.7 million on a pro-forma basis at 31 December 2019. The pro-forma adjustments reflect the acquisition of non-controlling interests as a reclassification from equity attributable to non-controlling interest to equity attributable to the owners of the parent of non-controlling interests acquired through the merger

At 31 December 2020, the CIR group had 17,668 employees, compared with 18,648 at 31 December 2019.

3. Performance of the parent

The parent, CIR S.p.A., ended 2020 with a profit for the year of € 2.6 million compared with € 13.4 million in 2019. This reduction was due to the fact that CIR did not collect any dividends from subsidiaries, in view of their economic performance during the year just ended.

The summarised income statement for 2020 compared with that of 2019 is shown below, bearing in mind that the merging of CIR by COFIDE was completed in 2020. The income statement is therefore also presented in a pro-forma version, as though the merger had already taken place.

(in millions of euro)	2020	2019 *pro-forma*	2019
Net operating costs **(1)**	(10.0)	(13.1)	(1.6)
Other operating costs, amortisation and depreciation **(2)**	(2.9)	(4.6)	(0.7)
Net financial income **(3)**	8.8	24.6	15.8
Profit (loss) before taxes	(4.1)	6.9	13.5
Income taxes	1.6	3.8	(0.1)
Profit (loss) of assets held for sale	5.1	(172.9)	--
Profit (loss) for the year	2.6	(162.2)	13.4

(1) *This item is the sum of "sundry revenue and income", "cost for services" and "personnel expense" in the income statement of CIR S.p.A.*
(2) *This item is the sum of "other operating expense" and "amortisation, depreciation and impairment losses" in the income statement of CIR S.p.A.*
(3) *This item is the sum of "financial income", "financial expense", "dividends", "gains from securities trading", "losses from securities trading" and "fair value gains (losses) on financial assets" in the income statement of CIR S.p.A..*

The statement of financial position of CIR S.p.A. at 31 December 2020, compared with the situation at 31 December 2019, is as follows; for ease of comparison, a pro-forma situation at 31 December 2019 is also included, as if the merger had taken place on 31 December 2019.

(in millions of euro)		31.12.2020	31.12.2019 pro-forma	31.12.2019
Non-current assets	**(1)**	618.2	598.2	574.9
Other net non-current assets and liabilities	**(2)**	28.4	87.7	13.1
Assets held for sale		--	102.4	--
Net working capital	**(3)**	72.5	(0.6)	(1.5)
Net invested capital		719.1	787.7	586.5
Net financial position (indebtedness)	**(4)**	51.8	(20.9)	(23.6)
Equity		770.9	766.8	562.9

(1) *This item is the sum of "intangible assets", "property, plant and equipment", "investment property", "right-of-use assets", and "equity investments" in the statement of financial position of CIR S.p.A..*
(2) *This item is the net of "other assets", "other financial assets" and "deferred tax assets" in non-current assets and "deferred tax liabilities" and "employee benefit obligations" in non-current liabilities of the statement of financial position of CIR S.p.A.*
(3) *This item is the net of "other assets" in current assets less "other liabilities" and "provisions for risks and charges" in current liabilities in the statement of financial position of CIR S.p.A.*
(4) *This item is the net of "cash and cash equivalents" in current assets and "bank loans and borrowings" in current liabilities of the statement of financial position of CIR S.p.A.*

Equity went from € 562.9 million at 31 December 2019 to € 770.9 million at 31 December 2020.

4. Reconciliation of the parent's figures with the consolidated figures

The following is a reconciliation between the profit (loss) for the year and equity attributable to the owners of the parent with the equivalent figures in the parent's financial statements.

(in thousands of euro)	Equity 31.12.2020	Profit (loss) for 2020
Separate financial statements of CIR S.p.A. (parent)	770,920	2,631
Derecognition of the carrying amount of consolidated equity investments	(587,783)	--
Recognition of equity and profit (loss) for the year from investments in subsidiaries	584,889	19,522
Goodwill	2,941	--
Dividends from companies included in the consolidation	--	(6,000)
Derecognition of fair value gains (losses) on consolidated equity investments	--	160
Other consolidation adjustments	10	--
Consolidated financial statements (share attributable to the owners of the parent)	770,977	16,313

5. Performance of the business segments

5.1 Healthcare

The KOS group provides healthcare services, managing a total of 136 facilities (care homes for the elderly and rehabilitation centres) for a total of 12,500 beds, in Italy and Germany. It is made up as follows:

- *Long-term care in Italy:* operating in the management of residential care homes for the elderly, mainly under the Anni Azzurri brand (52 facilities), in the management of functional and psychiatric rehabilitation facilities, psychiatric treatment communities and day hospitals, mainly under the Santo Stefano (rehabilitation) and Neomesia (psychiatry) brands (37 facilities); for a total of 89 facilities and 8,500 beds;
- *Long-term care* in Germany: management of residential care homes for the elderly through the subsidiary Charleston (47 facilities and 4,000 beds);
- *Acute:* management under concession of the public hospital in Suzzara, for a total of 123 beds;
- *Diagnostics and cancer treatment* (ClearMedi): contract management of high-tech diagnostic and radiotherapy services in 14 facilities in India.

The main indicators of the KOS group's performance in the year are given below, with comparative figures for the previous year.

(in millions of euro)	***01/01 -31/12 2020***	***01/01 -31/12 2019***	***Change amount***	***%***
Revenue	631.6	537.8	93.8	17.4
Profit for the year	46.7	30.3	16.4	n.a.

	31/12/2020	***31/12/2019***	***Change***
Net financial indebtedness before IFRS 16	(200.7)	(368.0)	167.3
Net financial indebtedness after IFRS 16	(931.0)	(1,105.3)	174.3
No. of employees	11,581	11,804	(223)

In 2020, the KOS group made **revenue** of € 631.6 million, an increase of 17.4% on € 537.8 million in 2019. Revenue on a like-for-like basis showed a decrease of 10.2% compared with 2019, due to the reduction in guest numbers in residential and rehabilitation structures as a result of the particular circumstances caused by the pandemic. The contribution of the Charleston group, which was acquired at the end of 2019, amounted to € 172.9 million, not significantly affected by the pandemic.

Consolidated **gross operating profit** came to € 111.7 million, a decline compared with 2019 (€ 121.7 million); the gross operating profit of the Italian businesses fell from € 117.1 million of 2019 to € 73.9 million; the contribution of the Charleston group amounted to € 34.2 million.

Consolidated **operating profit** was € 15.4 million, compared with € 57.9 million in 2019. The decrease is due to higher amortisation and depreciation, particularly for Charleston (€ 24.3 million in 2020, € 4 million in 2019).

The **profit** for the year was € 46.7 million, compared with € 30.3 million in 2019, of which € 54.4 million was the gain from Medipass.

Cash flow was positive for € 167.2 million and it was almost entirely generated by the sale of Medipass (€ 105.5 million). The group made investments of approximately € 30 million in new facilities and sold buildings for a similar amount.

At 31 December 2020, the KOS group presented a **net financial indebtedness** before IFRS 16 of € 200.7 million compared with € 368.0 million at 31 December 2019.

The covenants contained in outstanding loan agreements were met at 31 December 2020. The existing credit lines significantly exceed needs and the group is currently negotiating new contracts to cover medium/long-term requirements.

At 31 December 2020 **consolidated equity** amounted to € 336.2 million, compared with € 285.9 million at 31 December 2019; the increase reflects the profit for the year.

The group had 11,581 employees at 31 December 2020, compared with 11,804 at 31 December 2019.

5.2 Automotive components

Following a first half in which global car production suffered an historic collapse (-33.2%) due to the spread of the Covid-19 pandemic, there was firm market recovery in the second half of 2020 (+44% on the first semester), with volumes essentially in line with those reported for the same period in 2019, due to the growth achieved in the final quarter (+2.5%). The recovery in the last quarter was experienced in all markets: production in China was 5.9% higher than in the last quarter of 2019, while volumes in NAFTA, the EU and South America were much the same as in the final quarter of the prior year (+0.5%, +1.4% and +1.3% respectively).
Despite the recovery in the second half of the year, extraordinarily significant decreases were recognised in 2020 compared with 2019: -16.2% in world car production, -23.3% in the EU, -20.1% in North America, -4.2 % in China and -30.7% in South America.

The main indicators of the Sogefi group's performance in the year are given below, with comparative figures for the previous year.

(in millions of euro)	**01/01-31/12 2020**	**01/01-31/12 2019**	**Change amount**	**%**
Revenue	1,203.2	1,463.8	(260.6)	(17.8)
Profit (loss) for the year	(35.1)	3.2	(38.3)	n.a.

	31/12/2020	31/12/2019	Change
Net financial indebtedness before IFRS 16	(291.3)	(256.2)	(35.1)
Net financial indebtedness after IFRS 16	(358.1)	(318.9)	(39.2)
No. of employees	6,067	6,818	(751)

In 2020, Sogefi's **revenue** amounted to € 1,203.2 million, down by 17.8% at historical exchange rates and 14.2% at constant exchange rates compared with 2019.

Considering the trend in turnover throughout the year, it fell by 9.6% in the first three months, due to the global spread of the pandemic from March; the drop was 55.6% in in the second quarter, given the almost total lockdown of the principal markets; during the third quarter there was a gradual recovery (-6.6% compared with 2019), which led to a fourth quarter up by 2% (+8.9% at constant exchange rates) on the corresponding period of 2019.

Revenue performance at constant exchange rates outpaced the market as a whole in all main geographical segments: the decline in Europe was 18.1% compared with -23.3% of the market, and in North America it was 9.8% compared with -20.1%; in Asia, turnover grew, compared with -7% of the market, thanks to the good performance of China (+15.8% on -4.2% of the market).

As regards the various business sectors, Filtration (with a decrease in revenue of 8.1% at constant exchange rates) and Air and Cooling (-10.7% at constant exchange rates) recorded a much less unfavourable trend than the market, thanks to the greater resilience of Filtration's OES and Aftermarket channels and, for Air and Cooling, to the development of the contract portfolio, especially in China and North America. The impact of the crisis was greater for the Suspensions division, with a decrease in revenue of 22.7% at constant exchange rates, reflecting a greater concentration of activity in Europe and South America and the sector's particularly poor performance in these areas.

group results were affected by the decline in turnover and the non-recurring charges associated with the launch of plans to lower fixed costs, especially in Europe, and rationalize both its footprint (sale and closure of two plants in Europe) and geographical presence (sale of filtration activities in Brazil).
Gross operating profit amounted to € 137.6 million, compared with € 177.4 million in 2019. Excluding the above mentioned non-recurring charges, gross operating profit went from € 177.4 million to € 156.9 million with a profitability (gross operating profit / Revenue %) of 13%, higher than that of 2019 (12.1 %).

The 2020 contribution margin was slightly better than in 2019, up from 30.2% to 30.8%, while the incidence of fixed costs on sales was stable despite the decline in turnover, due to the containment measures adopted - some of which are temporary, while others will become structural.

Operating profit was € 7.2 million compared with € 48.4 million in 2019. The reduction in operating profit reflects the drop in revenue, gross non-recurring charges of € 20 million (€ 4.3 million in 2019) and further impairment adjustments to fixed assets of € 12.9 million (€ 4.9 million in 2019), as a consequence of the actions taken in response to the crisis.

The group net loss from continuing operations of € 19.6 million was mostly attributable to the non-recurring charges of € 16.2 million incurred on rationalisation work (profit of € 11.1 million in 2019). The activities sold at the end of 2020 and the start of the current year (Brazilian and Spanish subsidiaries and the Filtration business unit) gave rise to a loss of € 15.5 million, compared with the loss of € 7.9 million generated by them in 2019.

As regards **Free Cash Flows**, 2020 saw a cash consumption of € 38.2 million (versus a cash generation of € 8.4 million in 2019), mainly deriving from the evolution of working capital caused by the particular circumstances that occurred during the year.

Net financial indebtedness before IFRS 16 at 31 December 2020 was equal to € 291.3 million, (€ 256.2 million at the end of 2019).

Including lease liabilities in accordance with IFRS 16, the net financial indebtedness was € 358.1 million at 31 December 2020 compared with € 318.9 million at 31 December 2019. During 2020, the group invested to equip a new plant for the production of suspensions in Romania, which will enhance the competitiveness of Sogefi in this segment, and signed a rental contract for the new facility that resulted in the recognition of an IFRS 16 lease liability of about € 19 million.

At 31 December 2020 the covenants contained in outstanding loan agreements were met and the group had committed credit lines in excess of requirements totalling € 340.1 million (of which € 100 million will be used to redeem a convertible bond expiring in May 2021); the new non-current loan agreements signed in 2020 totalled € 134.5 million, including a loan of € 80 million (arranged in October 2020) from leading Italian banks and guaranteed by SACE, and new credit lines from French banks totalling € 54.5 million, a large proportion of which are guaranteed by the French government.

At 31 December 2020, excluding non-controlling interests, equity came to € 133.0 million (€ 188.7 million at 31 December 2019).

The Sogefi group had 6,284 employees at 30 September 2020 compared with 6,818 at 31 December 2019.

6. Financial investments

The group manages a diversified portfolio of financial investments amounting to € 442.0 million at 31 December 2020. These comprise traditional financial assets that are highly liquid, private equity funds and non-strategic investments. The investment strategy seeks to manage the risk-yield trade-off in a prudent manner.

At 31 December 2020, the highly liquid assets - bonds, equities, bank deposits and hedge funds - amount to € 363.5 million (€ 337.2 million at 31 December 2019), with a 5.3% return over the year totalling € 19.1 million (4.5% in 2019, corresponding to €15.2 million).

The other assets, comprising private equity funds, non-strategic investments and non-performing loans, total € 78.5 million at 31 December 2020 and generated a loss over the year of € 1.8 million; this loss principal reflects the adjustment to fair value of certain financial investments that were impaired in 2020.

7. Impact of Covid-19 on the business

7.1 Impact on the KOS group

The first cases of Covid-19 (Coronavirus) infection emerged in Italy during February 2020 and spread rapidly and widely in the following months, especially March and April.

KOS immediately adopted all the measures required for the safety of operators and patients. Hospital treatment of acute illnesses were reduced or suspended during the year, again especially in March and April, and the admissions to care homes and rehabilitation facilities was limited; in addition, out-patient surgery services were also suspended. Admissions to the rehabilitation facilities, the two hospitals for acute illnesses, the out-patient centres and the care homes only started to recover gradually from June, albeit very slowly. The second wave of the pandemic in the autumn had less of an impact on rehabilitation activities, although it did reduce further the number of care home guests.

Additional costs were incurred as a result of this healthcare emergency, not least for the supply of personal protective equipment, sanification materials and to ensure the safety of working environments; personnel costs in relation to the number of guests also increased, due to the higher level of assistance required during the pandemic phase.

Starting from January 2021, the vaccination campaign began in all the group's facilities in Italy and Germany and at the date of this report about 75% of guests and about 60% of operators have been vaccinated. The good performance of this campaign is considered a fundamental prerequisite for the return to normal operations, especially in the care homes.

Lastly, the Italian judicial authorities are investigating the management of the healthcare emergency by a number of facilities and the company is cooperating without delay and with the maximum transparency.

All these circumstances combined had a significant impact on business activity, turnover (down by about 10% on a like for like basis) and the performance of the KOS group, with operating profit down by an estimated € 50 million.

Given the above, during June 2020, KOS devised a new plan for 2020-2024 that takes account of the economic-financial effects of the ongoing pandemic, as well as the expectations for recovery and likely cost trends in the coming years.

This plan was later updated and approved by the Board of Directors of KOS in February 2021, considering the results for 2020 and making prudent assumptions about the speed of recovery and increase in personnel costs linked to the new tariffs in effect, while envisaging only a partial recovery of these cost increases in the rates charged to guests and patients. Based on the plan, the economic situation in 2021 could well be significantly worse than the pre-Covid situation, indeed not much different to 2020, followed by the gradual recovery of appropriate profitability parameters in 2023.

Considering the expected cash flows and the due dates for outstanding loan payments, the KOS group has sufficient resources to cover needs over the next 18-24 months; management has commenced negotiations with the banks for new lines of credit, having regard for the Italian regulations that secure such loans with government guarantees.

With regard to covenant risk, the covenants contained in the loan contracts outstanding at 31 December 2020 have been met; however, in view of the prospects for 2021, it is possible that violations may occur at the next two due dates: June and December 2021. Management has identified and taken action of a routine and special nature to minimize this risk at the upcoming payment dates, including the possible sale of certain properties and the refinancing of others, in order to improve the financial structure enough to comply with the covenants.

By virtue of all the foregoing, taking into account:
- the plan confirming the sustainability of loans over the period considered;
- the fact that the company has the financial resources necessary for at least another twelve months;
- compliance with the loan contract clauses, with particular reference to the covenants at 31 December 2020 and the actions identified by management to ensure compliance at future deadlines;

the Board of Directors of KOS considers that it can still operate on a going-concern basis.

7.2 Impact on the Sogefi group

Following the spread of the Covid-19 pandemic, Sogefi suspended production in China and subsequently, in the second half of March, in almost all plants. Activity also recommenced first in China and, from May, in the other countries in which the group operates. Production volumes were initially much lower than in the prior year, before steadily recovering in the third quarter and falling into line with 2019 in the final quarter.

These circumstances had a significant impact on Sogefi's sales and results: while the pre-Covid-19 forecasts expected 2020 sales to be essentially in line with those for 2019, the company actually suffered a downturn of 17.8% with respect to the prior year. Although in part offset by a reduction in fixed costs, the contraction in volume had an estimated adverse effect of € 34 million on operating profit and € 21 million on the profit for the year, with a significant increase in debt as well.

Given the above, in July 2020, the Board of Directors of Sogefi approved a new plan for 2020-2024 that takes account of the economic-financial effects of the ongoing crisis, as well as expectations for the recovery of the market in the coming years. The plan was reviewed by the Board in February 2021 and, considering the results for 2020, substantially confirmed. While making prudent assumptions about the speed and scale of the market recovery, the plan highlights how the measures envisaged to defend margins and lower fixed costs should safeguard the profitability of the business and its financial equilibrium over the medium term.

Market volumes in 2021 are expected to be better than in 2020, but lower than in 2019. Given this and uncertainties about commodity price trends (especially with regard to steel), the plan adopted by the group recognises the effects of the actions taken in 2020 to lower the incidence of fixed costs and make structural improvements to the level of profitability, which should make it possible to report a profit for 2021.

In order to ensure that the group has the financial resources needed to the above plan, including a liquidity reserve to cover possible fluctuations at this time of uncertainty, two new loan contracts were signed in October 2020 for a total of € 134.5 million, including € 80 million granted by leading Italian banks and guaranteed by SACE and lines of credit from French banks totalling € 54.5 million.

Considering all of the above and:

- the plan confirming the sustainability of borrowing over the period considered;
- compliance at 31 December 2020 with the loan contract clauses including, in particular, the covenants and expected compliance with them at future due dates;
- the new loan agreements signed;

the Board of Directors of Sogefi considers that it can still operate on a going-concern basis.

7.3 Impact on the parent

The impact of the pandemic on the parent was reflected in particular on the fair value of financial assets. The equity and bond markets suffered major corrections in March, but recovered in the subsequent months and actually closed 2020 ahead. Although invested conservatively, the portfolio of investments held by CIR and the financial holding companies also suffered a correction during the first quarter; thanks to the recovery of the financial markets in the following quarters, the year-end performance was however positive and better than expected.

7.4 Impact on accounting estimates and measurements

With regard to the impact of Covid-19 on the various accounting estimates reflected in the separate financial statements of CIR S.p.A. and the consolidated financial statements of the CIR group, the related measurements are fully supported by the values calculated using the new business plans approved by the Boards of KOS and Sogefi. The Parent did in fact take the impact of Covid-19 into account when determining the main items in the financial statements, with particular regard to:

- possible impairment losses on the goodwill, intangible assets, property. Plant and equipment and equity investments reported in the separate financial statements, due to the deterioration of the economic outlook. In particular, for impairment testing, the Parent(i) used updated plans, approved by the Boards of Directors of KOS and Sogefi in February 2021, (ii) revised certain parameters used to determine the discount rate, in order to offset the effect on market rates of the measures adopted by the European and US central banks to tackle the economic effects of the Covid-19 pandemic (for example, by using averages for the risk-free rates determined over longer time horizons than in the past), (iii) prepared sensitivity analyses, even in combination, for the principal parameters used in the calculations;
- the risks associated with financial assets and liabilities, with a particular focus on liquidity risk and the measurement of expected losses on assets;
- the application of IFRS 16 “Leases”, in view of the specific issues raised as a consequence of Covid-19.

For more details on accounting estimates and valuations, please refer to the “Notes”.

8. Events after the reporting period

No significant events occurred after the end of the reporting year.

9. Outlook

Given persistent uncertainties about how the pandemic will evolve, visibility about group performance in the coming months remains clouded.

With regard to **KOS**, as a consequence of the vaccination programme, rehabilitation services are forecast to return to pre-Covid levels of activity during 2021, while the Italian care homes will achieve this in 2022. In Germany, given the lower impact of the pandemic and greater public support, the results should remain consistent with the growth forecasts made at the time of the acquisition in 2019.
With regard to **Sogefi**, IHS expects global production to grow by 13.7% with respect to 2020, while remaining below 2019 levels (-4.8%). Against this background, Sogefi expects to recognise a profit for 2021, due to the upturn in volume and the actions taken and planned to contain costs.

10. Other information

Treasury shares

At 31 December 2020, the parent owned no. 26,957,393 treasury shares (2.111% of share capital). Further information about the treasury shares held is provided in the notes on equity.

Intra-group and related party transactions

On 28 October 2010, pursuant to the Regulation approved by CONSOB with resolution no. 17221 of 12 March 2010 as subsequent amended and integrated with resolution 17389 of 23 June 2010, the group adopted a Code for related-party transactions, which is published on the group's website www.cirgroup.it in the "Governance" section”.

The procedure lays down principles of conduct that the parent is required to adopt to ensure that related party transactions are handled properly. This means that it:

1) lays down the criteria and methods of identifying the parent's related parties;

2) establishes principles for identifying related party transactions;
3) governs the procedures for carrying out related party transactions;
4) establishes ways to ensure compliance with the related disclosure requirements.

The Board of Directors has also appointed a Related Party Transactions Committee, establishing that its members coincide with those of the Internal Control Committee, except for the system of substitutes envisaged in the procedures.

The following have been identified as related parties:

- the ultimate parent of CIR S.p.A., its subsidiaries, also joint ventures, and its associates;
- subsidiaries (whose relationships are eliminated in the consolidation process), joint ventures and associates of CIR S.p.A.;
- individuals with strategic responsibilities, their close family members and any companies directly or indirectly controlled by them or subject to joint control or significant influence;

It should also be noted that CIR S.p.A. has a lease agreement with ROMED S.p.A.

The group's related-party transactions are settled at arm's length, taking into consideration the quality and the specific nature of the services provided.

The economic and financial transactions with related parties are analysed further in the notes to the financial statements.

Corporate Governance

The model of Corporate Governance adopted by the group during 2020 was based on the code of self-regulation prepared by the Corporate Governance Committee of Borsa Italiana and published in July 2014, as amended and supplemented to take account of the characteristics of the group.
On 29 January 2021, the new "Corporate Governance Code" was approved by the Board of Directors.
In compliance with regulatory obligations, the "Corporate Governance Report" is drawn up annually and contains a general description of the corporate governance system adopted by the group and reports information on the ownership structure and compliance with the Corporate Governance Code, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial reporting process.

The full text of the "Annual Report on Corporate Governance" for 2020 will be approved at the meeting of the Board of Directors held on 29 March 2021.

The Annual Corporate Governance Report is available to anyone who requests it, in the ways provided by Borsa Italiana for making it available to the public. The Report is also available on the group's website (www.cirgroup.it) in the "Governance" section.

In relation to Legislative Decree 231/01, issued in order to adapt the legislation on the administrative liability of legal persons to the international conventions signed by Italy, the Company's Board of Directors approved the adoption of a group Code of Ethics, which defines the set of values which inspired the group to achieve its objectives and establishes binding principles of conduct for directors, employees and those who have relationships with the group.
The Board of Directors also approved the "Organisational Model - Organisation and Management Model pursuant to Decree 231/01", in line with the requirements of that decree, with a view to ensuring that the business affairs and activities of the Company are conducted in a proper and transparent manner.

The Organisation and Management Model pursuant to Decree 231/01 is updated regularly by the Board of Directors in order to take account of the broadening scope of the legislation.

Certifications pursuant to art. 15 and 16 of the Market Regulations (adopted with Consob resolution no.20249 of 28 December 2017)

In relation to the obligations referred to in art. 2.6.2, paragraph 8, of the Borsa Italiana Regulations, taking into account the provisions of articles 15 and 16 of Consob Resolution 20249 of 28 December 2017, it is confirmed that there are no conditions such as to inhibit the listing of CIR shares on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. as the foreign subsidiaries in countries not belonging to the European Union, which are of significant importance for the Company, publicise their articles of association, the composition and powers of their corporate bodies, according to the legislation applicable to them or voluntarily, provide the Company's auditors with the information necessary to carry out their audit of the Company's annual and interim accounts and have an administrative and accounting system suitable for sending economic and financial data regularly to the Company's management and auditors for the preparation of the consolidated financial statements
Furthermore - with regard to being subject to the management control and coordination of the parent company Fratelli De Benedetti S.p.A. - the Company has fulfilled the disclosure requirements pursuant to article 2497-bis of the Italian Civil Code, has an independent negotiating capacity in relations with customers and suppliers, does not have a centralised treasury relationship with Fratelli De Benedetti S.p.A., on the Company's Board of Directors out of a total of 12 members, 7 directors meet the independence requirements and therefore they are in such numbers as to guarantee that their judgement has a significant weight in taking board decisions.
Finally, it should be noted that the companies of the group have fulfilled the obligations envisaged by art. 2497-bis of the Italian Civil Code

Consolidated non-financial statement (Legislative Decree 254/2016)

In compliance with the provisions of article 5, paragraph 3, letter b, of Legislative Decree 254/2016, the group has prepared the consolidated non-financial statement which constitutes a separate report. The 2020 consolidated non-financial statement, prepared in accordance with the GRI Standards, and subjected to assessment by KPMG S.p.A., is available on the Company's website (www.cirgroup.it).

The "Security Policy Document (SPD)"

With regard to compliance with the processing of personal data pursuant to Legislative Decree 196/03 - Code regarding the protection of personal data, Decree Law 5 of 9 February 2012, known as the "Simplification Decree", abrogated the obligation to prepare a Security Policy Document. All other obligations remain in force.
However, the absence of this document does not reduce the level of control over compliance with the said legislation.
The Company's processing follows the Code regarding the protection of personal data and such compliance is verified through the risk analysis document that is produced annually and a separate processing mapping document, which is updated whenever there are changes.

Research and development

During 2020, R&D at group level was concentrated mainly in the automotive components sector. R&D expenditure by the Sogefi group during 2020 amounted to € 133.4 million (€ 137.2 million in the previous year), mainly oriented towards increasing production capacity, industrializing new products, improving industrial processes and increasing productivity.

Exemption from the obligation to publish information documents pursuant to articles 70, paragraph 8 and 71, paragraph 1-bis of the Issuers Regulation

Pursuant to art. 70, paragraph 8, and art. 71, paragraph 1-bis, of Consob Regulation no. 11971/99, as amended by Resolution no. 18079 of 20 January 2012, the Board of Directors resolved to avail itself of the option to derogate from the obligation to publish the required information documents in the event of significant mergers, demergers, capital increases through the transfer of assets in kind, acquisitions and disposals.

Other

CIR S.p.A. – Compagnie Industriali Riunite has its registered office in Via Ciovassino 1, 20121 Milan, Italy. CIR shares have been quoted on the Milan Stock Exchange (MTA segment) since 1985.

This report for the year 1 January – 31 December 2020 was approved by the Board of Directors on 12 March 2021.

The parent is subject to management control and coordination by Fratelli De Benedetti S.p.A.

Consolidated Financial Statements

1. Statement of financial position
2. Income statement
3. Statement of comprehensive income
4. Statement of cash flows
5. Statement of changes in equity

1. Statement of financial position

(in thousands of euro)

ASSETS	*Notes*	***31.12.2020***	***31.12.2019***
NON-CURRENT ASSETS		**2,310,573**	**2,436,085**
INTANGIBLE ASSETS	(7.a.)	625,128	670,368
PROPERTY, PLANT AND EQUIPMENT	(7.b.)	640,347	701,188
RIGHT-OF-USE ASSETS	(7.c.)	835,988	865,988
INVESTMENT PROPERTY	(7.d.)	15,770	16,481
EQUITY-ACCOUNTED INVESTEES	(7.e.)	596	851
OTHER EQUITY INVESTMENTS	(7.f.)	13,572	1,863
OTHER ASSETS	(7.g.)	45,284	45,982
OTHER FINANCIAL ASSETS	(7.h.)	64,146	67,866
DEFERRED TAX ASSETS	(7.i.)	69,742	65,498
CURRENT ASSETS		**1,150,810**	**1,074,058**
INVENTORIES	(8.a.)	107,066	119,985
TRADE RECEIVABLES	(8.b.)	196,928	260,813
of which with related parties (*)		*--*	*611*
OTHER ASSETS	(8.c.)	66,904	61,029
of which with related parties (*)		*133*	*105*
LOAN ASSETS	(8.d.)	10,940	23,135
SECURITIES	(8.e.)	48,992	35,482
OTHER FINANCIAL ASSETS	(8.f.)	295,434	264,278
CASH AND CASH EQUIVALENTS	(8.g.)	424,546	309,336
ASSETS HELD FOR SALE	(8.h.)	**6,548**	**722,587**
TOTAL ASSETS		**3,467,931**	**4,232,730**

LIABILITIES	*Notes*	***31.12.2020***	***31.12.2019***
EQUITY		**987,820**	**1,116,971**
SHARE CAPITAL	(9.a.)	625,125	345,998
RESERVES	(9.b.)	91,225	43,355
RETAINED EARNINGS	(9.c.)	38,314	112,885
PROFIT (LOSS) FOR THE YEAR		16,313	(69,807)
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**770,977**	**432,431**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		216,843	684,540
NON-CURRENT LIABILITIES		**1,669,210**	**1,801,985**
BONDS	(10.a.)	192,843	310,671
OTHER LOANS AND BORROWINGS	(10.b.)	463,857	472,677
LEASE LIABILITIES	(10.c.)	763,725	786,980
OTHER LIABILITIES		59,430	60,112
DEFERRED TAX LIABILITIES	(7.i.)	56,699	56,852
EMPLOYEE BENEFIT OBLIGATIONS	(10.d.)	93,812	85,906
PROVISIONS FOR RISKS AND CHARGES	(10.e)	38,844	28,787
CURRENT LIABILITIES		**805,649**	**817,131**
BANK LOANS AND BORROWINGS	(8.g.)	4,561	8,455
BONDS	(11.a.)	119,747	40,180
OTHER LOANS AND BORROWINGS	(11.b.)	60,873	68,946
LEASE LIABILITIES	(11.c.)	71,126	72,065
TRADE PAYABLES	(11.d.)	341,218	396,391
OTHER LIABILITIES	(11.e.)	161,796	173,043
PROVISIONS FOR RISKS AND CHARGES	(10.e.)	46,328	58,051
LIABILITIES HELD FOR SALE	(8.h.)	**5,252**	**496,643**
TOTAL LIABILITIES AND EQUITY		**3,467,931**	**4,232,730**

(*) As per Consob Resolution no. 6064293 of 28 July 2006

2. Income statement

(in thousands of euro)

	Notes	**2020**	**2019 (*)**
REVENUE	(12)	1,834,776	2,001,637
CHANGE IN INVENTORIES		(8,785)	(1,108)
COST FOR THE PURCHASE OF GOODS	(13.a.)	(711,602)	(858,547)
COST FOR SERVICES	(13.b.)	(273,049)	(291,115)
of which with related parties (**)		--	(228)
PERSONNEL EXPENSE	(13.c.)	(563,862)	(532,373)
OTHER OPERATING INCOME	(13.d.)	45,451	26,563
of which with related parties (**)		90	688
OTHER OPERATING EXPENSE	(13.e.)	(95,953)	(70,238)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES		(218,972)	(190,393)
OPERATING PROFIT		**8,004**	**84,426**
FINANCIAL INCOME	(14.a.)	5,815	7,062
FINANCIAL EXPENSE	(14.b.)	(65,073)	(48,713)
DIVIDENDS		56	42
GAINS FROM TRADING SECURITIES	(14.c.)	1,312	2,326
LOSSES FROM TRADING SECURITIES	(14.d.)	(368)	(2,949)
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTEES	(7.e.)	(255)	43
FAIR VALUE GAINS ON FINANCIAL ASSETS	(14.e.)	20,144	11,460
PROFIT (LOSS) BEFORE TAXES		**(30,365)**	**53,697**
INCOME TAX	(15)	(9,269)	(22,041)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**(39,634)**	**31,656**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(16)	61,067	(298,404)
PROFIT(LOSS) FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS		**21,433**	**(266,748)**
- PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(5,120)	196,941
- PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**16,313**	**(69,807)**
BASIC EARNINGS (LOSS) PER SHARE (in euro)	(17)	0.0139	(0.1008)
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	(17)	0.0138	(0.1008)
BASIC EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS (IN EURO)	(17)	(0.0338)	0.0457
DILUTED EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS (IN EURO)	(17)	(0.0338)	0.0457

(*) Certain 2019 figures, relating to "Assets held for sale", have been reclassified to "Profit (loss) from discontinued operations" following the application of IFRS 5 "Non-current assets held for sale and discontinued operations".

(*) As per Consob Resolution no. 6064293 of 28 July 2006

3. Statement of comprehensive income

(in thousands of euro)

	Notes	***2020***	***2019***
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS		21,433	(266,748)
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
- ACTUARIAL LOSSES		(14,135)	(6,699)
- TAX EFFECT		1,073	1,410
SUBTOTAL OF ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		**(13,062)**	**(5,289)**
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
- FOREIGN OPERATIONS – FOREIGN CURRENCY TRANSLATION DIFFERENCES		(10,568)	(3,474)
- CASH FLOW HEDGES – NET CHANGE IN FAIR VALULE		(67)	957
- OTHER COMPREHENSIVE INCOME (EXPENSE)		--	--
- TAX EFFECT		16	(230)
SUBTOTAL OF ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		**(10,619)**	**(2,747)**
OTHER COMPREHENSIVE EXPENSE		**(23,681)**	**(8,036)**
COMPREHENSIVE EXPENSE		**(2,248)**	**(274,784)**
COMPREHENSIVE INCOME (EXPENSE) ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		2,987	(72,373)
NON-CONTROLLING INTERESTS		(5,235)	(202,411)

4. Statement of cash flows

(in thousands of euro)

	2020	*2019*
OPERATING ACTIVITIES		
PROFIT (LOSS) FROM CONTINUING OPERATIONS	(39,634)	27,968
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	218,972	204,845
NET FAIR VALUE GAINS (LOSSES) ON EQUITY-ACCOUNTED INVESTEES	255	(43)
NET GAINS ON STOCK OPTION / STOCK GRANT PLANS	2,031	2,358
CHANGES IN EMPLOYEE BENEFIT OBLIGATIONS, PROV. FOR RISKS & CHARGES	(1,331)	10,113
FAIR VALUE LOSSES ON FINANCIAL ASSETS	(20,272)	(7,394)
LOSSES ON DISPOSAL OF NON-CURRENT ASSETS	(53)	(2,839)
OTHER NON-MONETARY CHANGES	(2,215)	(2,938)
INCREASE (DECREASE) IN NON-CURRENT ASSETS/LIABILITIES	14,556	(5,193)
INCREASE IN NET WORKING CAPITAL	(1,457)	(4,362)
CASH FLOWS FROM OPERATING ACTIVITIES	**170,852**	**222,515**
of which:		
- interest paid	(29,480)	(27,783)
- income tax paid	(17,842)	(31,230)
INVESTING ACTIVITIES		
CONSIDERATION PAID FOR BUSINESS COMBINATIONS	(9,395)	(98,384)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	(182)	4,615
CHANGE IN OTHER LOAN ASSETS	11,845	1,824
(PURCHASE) SALE OF SECURITIES	(24,285)	25,207
SALE OF NON-CURRENT ASSETS	--	6,668
PURCHASE OF NON-CURRENT ASSETS	(128,792)	(180,555)
CASH FLOWS USED IN INVESTING ACTIVITIES	**(150,809)**	**(240,625)**
FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL INCREASES	82	79
OTHER CHANGES	--	(163)
DRAWDOWN OF OTHER LOANS AND BORROWINGS	(75,399)	250,038
REPAYMENT OF LEASE LIABILITIES	(66,904)	(49,247)
PURCHASE OF TREASURY SHARES OF GROUP COMPANIES	--	(4,686)
DIVIDENDS PAID	--	(40,919)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(142,221)**	**155,102**
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS OF CONTINUING OPERATIONS	**(122,178)**	**136,992**
OPENING CASH FLOWS/NET CASH & CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS	**241,282**	**6,334**
OPENING NET CASH & CASH EQUIVALENTS	**300,881**	**157,555**
CLOSING NET CASH & CASH EQUIVALENTS	**419,985**	**300,881**

5. Statement of changes in equity

(in thousands of euro)	Attributable to the owners of the Parent														
	Share capital issued	less treasury shares	Share capital	Share premium reserve	Legal reserve	Fair value reserve	Translation reserve	Reserve for treasury shares	Stock option & stock grant reserve	Other reserves	Retained earnings (losses carried forward)	Profit (loss) for the year	Total	Non-controlling interests	Total
BALANCE AT DECEMBER 31 2018	**359,605**	**(12,082)**	**347,523**	**5,044**	**24,292**	**(988)**	**(19,227)**	**12,082**	**--**	**30,287**	**112,263**	**4,535**	**515,811**	**920,226**	**1,436,037**
Adjustments on FTA of IFRS 16 (net of taxs)	--	--	--	--	--	--	--	--	--	385	(2,472)	--	(2,087)	(4,392)	(6,479)
BALANCE RESTATED AT 1 JANUARY 2019	**359,605**	**(12,082)**	**347,523**	**5,044**	**24,292**	**(988)**	**(19,227)**	**12,082**	**--**	**30,672**	**109,791**	**4,535**	**513,724**	**915,834**	**1,429,558**
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--	79	79
Dividends to Shareholders	--	--	--	--	--	--	--	--	--	(10,034)	--	--	(10,034)	(30,885)	(40,919)
Retained earnings	--	--	--	--	554	--	--	--	--	887	3,094	(4,535)	--	--	--
Adjustment for treasury share transactions	--	(1,525)	(1,525)	--	--	--	--	1,525	--	(1,505)	--	--	(1,505)	--	(1,505)
Effects of equity changes in subsidiaries	--	--	--	--	--	53	(50)	--	--	2,616	--	--	2,619	1,923	4,542
Comprehensive income for the year															
Fair value measurement of hedging instruments	--	--	--	--	--	235	--	--	--	--	--	--	235	492	727
Effects of changes in equity changes attributable to subsidiaries	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Ttranslation differences	--	--	--	--	--	--	(1,086)	--	--	--	--	--	(1,086)	(2,388)	(3,474)
Actuarial losses	--	--	--	--	--	--	--	--	--	(1,715)	--	--	(1,715)	(3,574)	(5,289)
Profit for the year	--	--	--	--	--	--	--	--	--	--	--	(69,807)	(69,807)	(196,941)	(266,748)
Comprehensive expense for the year	--	--	--	--	--	*235*	*(1,086)*	--	--	*(1,715)*	--	*(69,807)*	*(72,373)*	*(202,411)*	*(274,784)*
BALANCE AT 31 DECEMBER 2019	**359,605**	**(13,607)**	**345,998**	**5,044**	**24,846**	**(700)**	**(20,363)**	**13,607**	**--**	**20,921**	**112,885**	**(69,807)**	**432,431**	**684,540**	**1,116,971**
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--	82	82
Dividends to Shareholders	--	--	--	--	--	--	--	--	--	--	--	--	--	(3,000)	(3,000)
Losses carried forward	--	--	--	--	670	--	--	--	--	1,274	(71,751)	69,807	--	--	--
Effects of merger	278,999	--	278,999	--	--	(535)	(15,535)	--	--	75,333	(10)	--	338,252	(338,252)	--
Adjustment for treasury share transactions	--	128	128	--	--	--	--	(128)	--	145	(145)	--	--	--	--
Notional cost of stock options and stock grants	--	--	--	--	--	--	--	--	1,515	--	--	--	1,515	--	1,515
Movements between reserves	--	--	--	--	--	--	--	--	(34)	487	(453)	--	--	--	--
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	1	42	--	--	(2,039)	(2,212)	--	(4,208)	(121,292)	(125,500)
Comprehensive income for the year															
Fair value measurement of hedging instruments	--	--	--	--	--	(24)	--	--	--	--	--	--	(24)	(27)	(51)
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Translation differences	--	--	--	--	--	--	(5,907)	--	--	--	--	--	(5,907)	(4,661)	(10,568)
Actuarial losses	--	--	--	--	--	--	--	--	--	(7,395)	--	--	(7,395)	(5,667)	(13,062)
Profit for the year	--	--	--	--	--	--	--	--	--	--	--	16,313	16,313	5,120	21,433
Comprehensive expense for the year	--	--	--	--	--	*(24)*	*(5,907)*	--	--	*(7,395)*	--	*16,313*	*2,987*	*(5,235)*	*(2,248)*
BALANCE AT 31 DECEMBER 2020	***638,604***	***(13,479)***	***625,125***	***5,044***	***25,516***	***(1,258)***	***(41,763)***	***13,479***	***1,481***	***88,726***	***38,314***	***16,313***	***770,977***	***216,843***	***987,820***

Notes to the consolidated financial statements

1. Basis of preparation

These consolidated financial statements have been prepared on a going concern basis up in accordance with the International Financial Reporting Standards adopted by the European Union, as well as all the measures issued in implementation of art. 9 of Legislative Decree 38/05.
In this regard, it should be noted that the groups in which CIR holds majority and controlling interests have been going through a totally unforeseeable and extraordinary period of crisis, due to the Covid-19 pandemic and its consequences in terms of suspended production and collapsing demand. This has generated a number of elements of uncertainty which have been and continue to be monitored by the management teams of the two industrial groups, as well as of CIR, which have taken action to mitigate these uncertainties as much as possible.

These consolidated financial statements at 31 December 2020 include the parent CIR S.p.A. and its subsidiaries, and were prepared using the financial statements of the individual companies included in the consolidation scope; these correspond to their separate financial statements or the consolidated financial statements of sub-groups, examined and approved by their respective boards and amended and re-stated where necessary to bring them into line with the accounting policies listed below, providing they are compatible with Italian regulations.

The presentation criteria adopted are as follows:

- the statement of financial position is organised by matching items on the basis of current and non-current assets and liabilities;
- the income statement is shown by type of expenditure;
- the statement of comprehensive income shows the income and expense items that are in equity;
- the statement of cash flows has been prepared using the indirect method;
- the statement of changes in equity gives a breakdown of the changes that took place in the reporting year and in the previous year.

It should be noted that the classification, form, order and nature of the figures have not changed with respect to the approved consolidated financial statements at 31 December 2019.

In order to improve the presentation of the Sogefi group's information, an amount of € 19,051 thousand at 31 December 2019 has been reclassified from "Trade receivables" within current assets to "Other payables" within current liabilities.
The reclassified amount relates to credit notes to be issued to customers for price reductions and discounts granted to Aftermarket customers upon reaching certain levels of turnover.

The financial statements of each of the companies within the consolidation scope are prepared in the currency of the main geographical segment in which it operates ("functional currency"). For the purposes of the consolidated financial statements, the assets and liabilities of foreign companies that use functional currencies other than the euro are converted at the exchange rates ruling at the year-end, including goodwill and fair value adjustments generated by the acquisition of a foreign company. Revenue, income, costs and charges are all translated at average exchange rates for the year, which approximate those of the underlying transactions. Exchange gains or losses are recognised in the statement of comprehensive income and shown in the statement of changes in equity in the "Translation reserve". Exchange gains and losses on monetary assets or liabilities of foreign operations, the collection or payment of which is neither planned nor probable in the foreseeable future, are considered part of the net investment in foreign operations, are accounted for in other components of comprehensive income and shown in the statement of changes in equity in the "Translation reserve".

In accordance with paragraph 17 of IAS 10, these consolidated financial statements were approved for publication by the Company's Board of Directors on 12 March 2021.

Merger

19 February 2020 saw completion of the merger of CIR S.p.A. - Compagnie Industriali Riunite (Merged company) and CIR S.p.A. – Compagnie Industriali Riunite (formerly Cofide – Gruppo De Benedetti S.p.A. (Merging company). All the shares of the merged company were cancelled and exchanged for ordinary shares of the merging company issued in execution of the increase in capital of € 278,998,698.00 (557,997,396 shares) on the basis of an exchange ratio of 2.01 ordinary shares of the merging company for each share of the merged company, all of nominal amount of € 0.50 each.

The merger is configured as a business combination between subjects under common control. A merger between an Issuer and its own subsidiary is a transaction by which the subsidiary's assets and liabilities flow into the financial statements of the parent and the equity investment held in it is eliminated. This situation was already reflected in the consolidated financial statements at 31 December 2019 of the merging company, which already included the carrying amounts of the merged subsidiary as a consequence of the line-by-line consolidation of the merged company by the merging company, with the exception of non-controlling interests, commented below.

For a better reading of these consolidated financial statements at 31 December 2020, information on the effects of the merger on consolidated equity and the consolidated income statement as at and for the year ended 31 December 2019 are provided below.

In the consolidated financial statements of the merging company, the merger is configured as a purchase of non-controlling interests on the merger effective date through the issue of new shares of the Parent.

The following table illustrates the effects of the merger on the consolidated equity of CIR S.p.A. (merging company):

(in thousands of euro)	Consolidated financial statements at 31.12.2019	Effects of the merger	Consolidated financial statements at 31.12.2019 (pro-forma)
	i	ii	i+ii
EQUITY	1,116,971	--	1,116,971
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	432,431	338,252	770,683
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	684,540	(338,252)	346,288

Pro-forma adjustments reflect the € 278,999 thousand increase in capital (in kind, not in cash) and the effects of the acquisition of non-controlling interests as a reclassification of the non-controlling interests in group equity acquired through the merger (€ 338,252 thousand) from "Non-controlling interests" to "Equity attributable to the owners of the parent".

The following table illustrates the effects of the merger on CIR S.p.A.'s consolidated income statement at 31 December 2019 (merging company):

(in thousands of euro)	Consolidated financial statements at 31.12.2019	Effects of the merger	Consolidated financial statements at 31.12.2019 (pro-forma)
	i	ii	i+ii
LOSS FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	(266,748)	--	(266,748)
PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(196,941)	52,656	144,285
LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT	(69,807)	(52,656)	(122,463)

The pro-forma adjustments relate to the recalculation of the profit (loss) attributable to non-controlling interests made as a result of the merger. There is therefore a higher loss attributable to the merging company of € 52,656 thousand.

1.a. Information on IFRS 5

KOS group

On 27 November 2020, KOS S.p.A. completed the sale of 100% of the quotas in MEDIPASS S.r.l. (repurchasing the companies operating in India) to Inframedica S.p.A., a company which is indirectly wholly-owned by DWS Alternatives Global Limited, the investment manager that manages the Pan-European Infrastructure III, SCSp fund.

The sale price was € 105.6 million.

Therefore, the consolidated financial statements at 31 December 2020 include:

- in the income statement and statement of comprehensive income at 31 October 2020 and for comparative purposes at 31 December 2019, the items of revenue and income and costs and charges, less costs to sell, of the assets that make up the Discontinued Operations of the Medipass group have been reclassified to "Profit (Loss) from discontinued operations";
- in the statement of cash flows for the period ended 31 December 2020, the individual flows generated by the activities that constitute the Discontinued Operations have been reclassified to "Cash flows generated by assets held for sale" excluding the effects of the cash flows of the Medipass group from cash flows of continuing operations.

The income statement and the statement of comprehensive income of the Medipass group (except companies operating in India, which were not sold) at 31 October 2020 (date of the last consolidation) and at 31 December 2019 are shown below.

CONDOLIDATED INCOME STATEMENT – MEDIPASS GROUP

(in thousands of euro)

	31/10/2020	2019
REVENUE	46,833	57,394
OPERATING PROFIT	**8,854**	**10,878**
NET FINANCIAL EXPENSE	(667)	(726)
INCOME TAX	(1,250)	(903)
PROFIT FOR THE PERIOD	**6,937**	**9,249**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – MEDIPASS GROUP

(in thousands of euro)

	31/10/2020	2019
PROFIT FOR THE PERIOD	**6,937**	**9,249**
CHANGES THAT WILL NOT REVERSE TO THE INCOME STATEMENT:		
ACTUARIAL GAINS (LOSSES)	--	(127)
TAX EFFECT	--	4
CHANGES THAT WILL NOT REVERSE TO THE INCOME STATEMENT:		
CHANGE IN THE TRANSLATION RESERVE	(282)	215
TOTAL COMPREHENSIVE INCOME OF THE PERIOD	**6,655**	**9,344**

The following table summarises the amounts reclassified under "Profit (loss) from discontinued operations" in the consolidated income statement of the CIR group at 31 December 2020 relating to the Medipass group.

(in thousands of euro)		31 December 2020	31 December 2019
Profit for the year including non-controlling interests	A	6,937	9,249
Adjustment of carrying amounts to fair value	B	--	--
Disposal costs incurred, net of tax effect	C	(2,754)	(1,017)
Profit from the sale of discontinued operations	D	67,257	--
Profit from discontinued operations	**E=A+B+C+D**	**71,440**	**8,232**

Sogefi group

Within the Sogefi group, the subsidiary Sogefi Filtration do Brasil Ltda was sold in December 2020 while the subsidiary Sogefi Filtration Spain S.A.U. was sold in January 2021.

Therefore, the consolidated financial statements at 31 December 2020 include:

- in the income statement and statement of comprehensive income at 31 December 2020 and for comparative purposes at 31 December 2019, the items of revenue and income and costs and charges, less costs to sell of the sold subsidiaries, of the assets that make up the Discontinued Operations have been reclassified to "Profit (Loss) from discontinued operations";
- in the statement of cash flows for the year ended 31 December 2020, the individual flows generated by the activities that constitute the Discontinued Operation have been reclassified to "Cash flow generated by assets held for sale" excluding from the cash flow generated by continuing operations the effects of the flows of the two subsidiaries.

The income statement and the statement of comprehensive income of the two subsidiaries are shown in detail below.

INCOME STATEMENT – Sogefi Filtration do Brasil Ltda

(in thousands of euro)

	2020	*2019*
REVENUE	24,544	50,190
OPERATING LOSS	**(9,276)**	**(9,898)**
NET FINANCIAL EXPENSE	(2,011)	(2,903)
INCOME TAX	343	--
(LOSS) FOR THE YEAR	**(10,944)**	**(12,801)**

STATEMENT OF COMPREHENSIVE INCOME – Sogefi Filtration do Brasil Ltda

(in thousands of euro)

	2020	*2019*
LOSS FOR THE YEAR	**(10,944)**	**(12,801)**
OTHER COMPREHENSIVE INCOME (EXPENSE)	**--**	**--**
TOTAL COMPREHENSIVE EXPENSE	**(10,944)**	**(12,801)**

The following table summarises the amounts reclassified under "Profit (loss) from discontinued operations" in the consolidated income statement of the CIR group at 31 December 2020, relating to **Sogefi Filtration do Brasil Ltda**.

(in thousands of euro)		31 December 2020	31 December 2019
Loss for the year including non-controlling interests	A	(10,944)	(12,801)
Adjustment of carrying amounts to fair value	B	--	--
Reclassification of translation differences from equity	C	(5,861)	--
Profit from discontinued operations	D	3,631	--
Loss from discontinued operations	**E=A+B+C+D**	**(13,174)**	**(12,801)**

The profit on the sale of Sogefi Filtration do Brasil Ltda is analysed below:

(in thousands of euro)

ASSETS HELD FOR SALE	*31.12.2020*
NON-CURRENT ASSETS	6,765
CURRENT ASSETS	9,890
TOTAL ASSETS HELD FOR SALE	**16,655**

LIABILITIES HELD FOR SALE	*31.12.2020*
NON-CURRENT LIABILITIES	11,084
CURRENT LIABILITIES	6,346
TOTAL LIABILITIES HELD FOR SALE	**17,430**
TOTAL NET LIABILITIES HELD FOR SALE	**775**
SALE PRICE	2,856
PROFIT FROM THE SALE OF DISCONTINUED OPERATIONS	**3,631**

Note that the consideration will be collected in five annual tranches starting from 2021.

INCOME STATEMENT – Sogefi Filtration Spain S.A.U.

(in thousands of euro)

	2020	*2019*
REVENUE	9,599	12,373
OPERATING PROFIT (LOSS)	**(804)**	**1,084**
NET FINANCIAL EXPENSE	(4)	(14)
INCOME TAX	--	(189)
PROFIT (LOSS) FOR THE YEAR	**(808)**	**881**

STATEMENT OF COMPREHENSIVE INCOME – Sogefi Filtration Spain S.A.U.

(in thousands of euro)

	2020	*2019*
PROFIT (LOSS) FOR THE YEAR	**(808)**	**881**
OTHER COMPREHENSIVE INCOME (EXPENSE)	**--**	**--**
TOTAL COMPREHENSIVE INCOME (EXPENSE)	**(808)**	**881**

The following table summarises the amounts reclassified under "Profit (loss) from discontinued operations" in the consolidated income statement of the CIR group at 31 December 2020, related to Sogefi Filtration Spain S.A.U..

(in thousands of euro)		31 December 2020	31 December 2019
Profit (loss) for the year including non-controlling interests	A	(808)	881
Adjustment of carrying amounts to fair value	B	--	--
Reclassification of translation differences from equity	C	--	--
Loss from the sale of discontinued operations	D	(1,497)	--
Profit (loss) from discontinued operations	**E=A+B+C+D**	**(2,305)**	**881**

The effect on the financial position of the group from the sale of Sogefi Filtration Spain S.A.U. is presented below, together with an analysis of the loss from the sale of the discontinued operation:

(in thousands of euro)

ASSETS HELD FOR SALE	*31.12.2020*
NON-CURRENT ASSETS	4,251
CURRENT ASSETS	2,297
TOTAL ASSETS HELD FOR SALE	**6,548**

LIABILITIES HELD FOR SALE	*31.12.2020*
NON-CURRENT LIABILITIES	1,550
CURRENT LIABILITIES	2,205
TOTAL LIABILITIES HELD FOR SALE	**3,755**
TOTAL NET ASSETS HELD FOR SALE	**(2,793)**
SALE PRICE	1,296
LOSS FROM THE SALE OF DISCONTINUED OPERATIONS	**(1,497)**

The matching entry for the loss of € 1,497 thousand from the sale of discontinued operations was made to the "Liabilities held for sale" caption of the statement of financial position, which therefore amounts to € 5,252 thousand.

1.b. Impacts of Covid-19 on the business

Impacts on the KOS group

The first cases of Covid-19 (Coronavirus) infection emerged in Italy in February and spread rapidly and widely in the following months, especially March and April.

KOS immediately adopted all the measures required for the safety of operators and patients. Hospital treatment of acute illnesses were reduced or suspended during the year, again especially in March and April, and the admissions to care homes and rehabilitation facilities was limited; in addition, out-patient surgery services were also suspended. Admissions to the rehabilitation facilities, the two hospitals for acute illnesses, the out-patient centres and the care homes only started to recover gradually from June, albeit very slowly. The second wave of the pandemic in the autumn had less of an impact on rehabilitation activities, although it did reduce further the number of care home guests.

Additional costs were incurred as a result of this healthcare emergency, not least for the supply of personal protective equipment, sanification materials and to ensure the safety of working environments; personnel costs in relation to the number of guests also increased, due to the higher level of assistance required during the pandemic phase.

Starting from January 2021, the vaccination campaign began in all the group's facilities in Italy and Germany and at the end of February 2021 about 75% of guests and about 60% of operators have been vaccinated. The good performance of this campaign is considered a fundamental prerequisite for the return to normal operations, especially in the care homes.

Lastly, the Italian judicial authorities are investigating the management of the healthcare emergency by a number of facilities and the company is cooperating without delay and with the maximum transparency.

All these circumstances combined had a significant impact on business activity, turnover (down by about 10% on a like for like basis) and the performance of the KOS group, with operating profit down by an estimated € 50 million.

Given the above, during June 2020, KOS devised a new plan for 2020-2024 that takes account of the economic-financial effects of the ongoing pandemic, as well as the expectations for recovery and likely cost trends in the coming years.

This plan was later updated and approved by the Board of Directors of KOS in February 2021, considering the results for 2020 and making prudent assumptions about the speed of recovery and increase in personnel costs linked to the new tariffs in effect, while envisaging only a partial recovery of these cost increases through the tariff structure. Based on the plan, the economic situation in 2021 could well be significantly worse than the pre-Covid situation, indeed not much different to 2020, followed by the gradual recovery of appropriate profitability parameters in 2023. Considering the expected cash flows and the due dates for outstanding loan payments, the KOS group has sufficient resources to cover needs over the next 18-24 months; management has commenced negotiations with the banks for new lines of credit, having regard for the Italian regulations that secure such loans with government guarantees.

With regard to covenant risk, the covenants contained in the loan contracts outstanding at 31 December 2020 have been met; however, in view of the prospects for 2021, it is possible that violations may occur at the next two due dates: June and December 2021. Management has identified and taken action of a routine and special nature to minimize this risk at the upcoming payment dates, including the possible sale of certain properties and the refinancing of others, in order to improve the financial structure enough to comply with the covenants.

By virtue of all the foregoing, taking into account:

- the plan confirming the sustainability of loans over the period considered;
- the fact that the company has the financial resources necessary for at least another twelve months;
- compliance with the loan contract clauses, with particular reference to the covenants at 31 December 2020 and the actions identified by management to ensure compliance at future deadlines;

the Board of Directors of KOS considers that it can still operate on a going-concern basis.

Impact on the Sogefi group

Following the spread of the Covid-19 pandemic, Sogefi suspended production in China and subsequently, in the second half of March, in almost all plants. Activity also recommenced first in China and, from May, in the other countries in which the group operates. Production volumes were initially much lower than in the prior year, before steadily recovering in the third quarter and falling into line with 2019 in the final quarter.

These circumstances had a significant impact on Sogefi's sales and results: while the pre-Covid-19 forecasts expected 2020 sales to be essentially in line with those for 2019, the company actually suffered a downturn of 17.8% with respect to the prior year. Although in part offset by a reduction in fixed costs, the contraction in volume had an estimated adverse effect of € 34 million on operating profit and € 21 million on the profit for the year, with a significant increase in debt as well.

Given the above, in July 2020, the Board of Directors of Sogefi approved a new plan for 2020-2024 that takes account of the economic-financial effects of the ongoing crisis, as well as expectations for the recovery of the market in the coming years. The plan was reviewed by the Board in February 2021 and, considering the results for 2020, substantially confirmed. While making prudent assumptions about the speed and scale of the market recovery, the plan highlights how the measures envisaged to defend margins and lower fixed costs should safeguard the profitability of the business and its financial equilibrium over the medium term.

Market volumes in 2021 are expected to be better than in 2020, but lower than in 2019. Given this and uncertainties about commodity price trends (especially with regard to steel), the plan adopted by the group recognises the effects of the actions taken in 2020 to lower the incidence of fixed costs and make structural improvements to the level of profitability, which should make it possible to report a profit for 2021 as a whole.

In order to ensure that the group has the financial resources needed to the above plan, including a liquidity reserve to cover possible fluctuations at this time of uncertainty, two new loan contracts were signed in October 2020 for a total of € 134.5 million, including € 80 million granted by leading Italian banks and guaranteed by SACE and lines of credit from French banks totalling € 54.5 million.

Considering all of the above and:

- the plan confirming the sustainability of borrowing over the period considered;
- compliance at 31 December 2020 with the loan contract clauses including, in particular, the covenants and expected compliance with them at future due dates;
- the new loan agreements signed;

the Board of Directors of Sogefi considers that it can still operate on a going-concern basis.

<u>Impact on the parent and the financial holding companies</u>

The impact of the pandemic on the parent and the financial holding companies was most evident in relation to the fair value of their financial assets. The equity and bond markets suffered major corrections in March, but recovered in the subsequent months and actually closed 2020 ahead. Although invested conservatively, the portfolio of investments held by CIR and the financial holding companies also suffered a correction during the first quarter; thanks to the recovery of the financial markets in the following quarters, the year-end performance was however positive and better than expected.

<u>Impact on accounting estimates and measurements</u>

With regard to the impact of Covid-19 on the various accounting estimates reflected in the separate financial statements of CIR S.p.A. and the consolidated financial statements of the CIR group, the related measurements are fully supported by the values calculated using the new business plans approved by the Boards of KOS and Sogefi.

As envisaged in Consob Note 1/21 dated 16-2-2021, the parent did in fact take the impact of Covid-19 into account when determining the main items in the financial statements, with particular regard to:

- the possible impairment of assets and the methods used to determine the recoverable amount of any goodwill, intangible asset and property, plant and equipment that might be affected by the deterioration of the economic outlook. In particular, when carrying out the impairment test, the parent (i) used updated plans approved by the Boards of Directors of KOS and Sogefi in February 2021, (ii) revised certain parameters used to determine the discount rate, in order to offset the effect on market rates of the measures adopted by the European and US central banks to tackle the economic effects of the Covid-19 pandemic (for example, by using averages for the risk-free rates determined over longer time horizons than in the past), (iii) prepared sensitivity analyses, even in combination, for the principal parameters used in the calculations;

- the risks associated with financial assets and liabilities, with a particular focus on liquidity risk and the measurement of expected losses on assets;
- the application of IFRS 16 "Leases", in view of the specific issues raised as a consequence of Covid-19. In particular, based on the most recent approved plans, it was deemed not necessary to retire production units or facilities representing right-of-use assets with significant residual value held under leasing contracts recognised pursuant to IFRS 16.

2. Basis of consolidation

2.a. Consolidation method

All the companies that the group controls according to IFRS 10 are included in the consolidation scope.
Based on the definition of "control", an investor controls an investee when it has power over the relevant assets, is exposed to variable returns deriving from the relationship with the investee and has the ability to affect these returns by exercising power over the investee.

Subsidiaries are consolidated on a line-by-line basis from the date on which control by the group began, whereas they are deconsolidated from the moment that such control ceases.
Consolidation is on a line-by-line basis.

The main criteria used in applying this method are the following:

- the carrying amount of the investments is eliminated against the related equity and the difference between the acquisition cost and the equity of the investees is charged to the assets and liabilities included in the consolidation, if the conditions exist. Any difference is recognised in the income statement if negative, or in "Goodwill" if positive. Goodwill is tested for impairment to determine the recoverable amount;
- significant transactions between consolidated companies are eliminated, as are liabilities, assets and unrealised profits from transactions between group companies, net of any tax effect;
- non-controlling interests in equity and the profit or loss for the year are shown in specific items of the consolidated statement of financial position and income statement.

<u>Associates</u>
Associates are those companies in which the group has a significant influence, without having control over it, in accordance with IAS 28. Significant influence is presumed to exist if the group owns a percentage of voting rights between 20% and 50% (excluding situations where there is joint control). Associates are consolidated at equity from the date on which the group exercises significant influence over the associate, whereas they are deconsolidated from the moment that such influence no longer exists.
The main criteria adopted for applying the equity method are the following:

- the carrying amount of the investments is eliminated against the group's share of equity and any positive difference, identified at the time of the acquisition, net of any impairment losses; the corresponding portion of profits or losses for the year is recognised in the income statement. When the group's share of accumulated losses becomes equal to or exceeds the carrying amount of the associate, the latter is written off and the group does not record further losses unless it is contractually obliged to do so;

- any unrealised gains and losses on transactions between group companies are eliminated with the exception of losses that represent impairment of the associate's assets;
- the accounting policies of associates are modified, where necessary, to bring them into line with those of the Group.

Joint ventures
Joint ventures are accounted for using the equity method in accordance with IFRS 11.

For consolidation purposes, all of the financial statements of group companies are prepared as of the same date and refer to a financial year of the same length.

2.b. Translation of foreign companies' financial statements into euro

The financial statements of foreign subsidiaries operating in currencies other than the euro are translated into euro at year-end exchange rates for the statement of financial position, while the income statement is translated at the average exchange rates for the year. Any exchange gains or losses arising on translation of shareholders' equity at the closing exchange rate and of the income statement at the average rate are recognised under "Other reserves" in equity.

The main exchange rates used are the following:

	2020		**2019**	
	Average exchange rate	*31.12.2020*	*Average exchange rate*	*31.12.2019*
US dollar	1.1413	1.2271	1.1196	1.1234
GB pound	0.8892	0.8990	0.8773	0.8508
Brazilian real	5.8900	6.3735	4.4135	4.5157
Argentine peso	103.2494	103.2494	53.7924	67.2749
Chinese renminbi	7.8709	8.0225	7.7340	7.8205
Indian rupee	84.6024	89.6605	78.8644	80.1870
New Romanian leu	4.8379	4.8683	4.7456	4.7830
Canadian dollar	1.5294	1.5633	1.4858	1.4598
Mexican peso	24.5098	24.4160	21.5564	21.2202
Moroccan dirham	10.8249	10.9190	10.7666	10.7810
Hong Kong dollar	8.8519	9.5142	8.7727	8.7473

IAS 29 - Financial Reporting in Hyperinflationary Economies

The financial statements of the Argentine consolidated companies, which form part of the Sogefi group, were prepared at 31 December 2020 in the functional currency taking into account the effects of applying IAS 29 "Financial reporting in hyperinflationary economies" in order to represent the operating profit, financial position and performance at current purchasing power at the year-end.

This standard does not establish an absolute inflation rate above which hyperinflation occurs. The first consideration is whether or not the figures in the financial statements ought to be restated in accordance with this standard. Situations that could be indicative of hyperinflation include the following:

a) the community prefers to invest its wealth in non-monetary assets or in a relatively stable foreign currency. Local currency tends to be invested immediately to maintain purchasing power;
b) the community considers monetary values not so much with respect to the local currency, but with respect to a relatively stable foreign currency. Prices may be expressed in this other currency;
c) sales and purchases on credit take place at prices which compensate for expected losses in purchasing power during the period of extended credit, even if short;
d) interest rates, wages and prices are linked to a price index;
e) the cumulative inflation rate over a three-year period approaches, or exceeds, 100%.

The financial statements of the Argentine consolidated companies have been prepared taking into account IAS 29 as the cumulative inflation rate in Argentina for the last three years is approximately 120%.

The non-monetary figures in the statement of financial position are restated by applying the change in the general price index between the date they were first recognised and the year-end. Monetary items are not restated because they are already expressed in the current unit of measurement at the year-end. All items in the income statement are expressed in the current unit of measurement at the year-end, applying the change in the general price index between the date when the income and costs were initially recognised in the financial statements.

2.c. Consolidation scope

The consolidation scope of the group at 31 December 2020 includes the parent CIR and all subsidiaries, directly and indirectly controlled, joint ventures and associates. Assets and liabilities held for sale are reclassified to specific asset and liability items to highlight these circumstances.

A list of the equity investments included in the consolidation scope, with an indication of the consolidation method used, is provided in a specific section of this report, along with a list of those that have been excluded.

With reference to IFRS 12, the information required to be disclosed on non-controlling interests and associates deemed relevant for the group is provided below.

The group has defined as relevant for these purposes companies that represent at least 2% of total group assets, net of assets held for sale, or 5% of total group revenue.

At 31 December 2020 there are no relevant companies with significant non-controlling interests.

2.d. Change in the consolidation scope

The main changes in the consolidation scope compared with the previous year concern the following:

AUTOMOTIVE COMPONENTS

The changes in consolidation scope during the year relating to the Sogefi group are reported below:

- liquidation of the subsidiary Engine Systems Hong Kong Ltd;
- liquidation of the subsidiary Systemes Moteurs China S.à.r.l.;

- sale of the subsidiary Sogefi Filtration do Brasil Ltda.

Note that the subsidiary Sogefi Aftermarket Spain S.L.U. was established during the year, through a spin-off from the subsidiary Sogefi Filtration Spain S.A.U. Sogefi Filtration Spain S.A.U. was sold in January 2021 and therefore, at 31 December 2020, the assets and liabilities of the subsidiary were reclassified as assets and liabilities available for sale and the related income statement items have been reclassified under the item “Profit (loss) from discontinued operations”.

There were no other changes in the scope of consolidation during the year.

HEALTHCARE

The following acquisitions took place during the year:

the acquisition of 95% of Finoro Immobiliare S.r.l., the company that owns GES.CA.S Villa Armonia Nuova S.r.l.. The price paid for the transaction was € 11,318 thousand, giving rise to goodwill of € 5,038 thousand;

the acquisition of a business unit that manages a care home with 110 beds in the municipality of Genoa. The price paid was € 1,350 thousand, the goodwill generated by the operation was € 877 thousand.

In addition, on 27 November 2020, KOS S.p.A. completed the sale of 100% of the quotas in MEDIPASS S.r.l. (repurchasing the companies operating in India) to Inframedica S.p.A., a company which is indirectly wholly-owned by DWS Alternatives Global Limited, the investment manager that manages the Pan-European Infrastructure III, SCSp fund.

OTHER COMPANIES

There were no changes in the scope of consolidation during the year.

3. Accounting policies

3.a. Intangible assets

Intangible assets are recognised only if they can be separately identified, if they are likely to generate future economic benefits and if their cost can be reliably determined.
Intangible assets are initially recognised at purchase or production cost.
The purchase cost is represented by the fair value of the means of payment used to acquire the asset and by any direct costs incurred to prepare the asset for use. The acquisition cost is the equivalent price in cash at the recognition date and, therefore, if payment is deferred beyond normal credit terms, the difference with respect to the equivalent price in cash is recognised as interest over the period of extended credit.

Intangible assets with a finite useful life are measured at purchase or production cost, net of accumulated amortisation and impairment losses.
Amortisation is calculated on a straight-line basis over the asset's expected useful life and starts when the asset is available for use.

Development costs

Development costs are only capitalised if the cost attributable to the asset during its development can be measured reliably, the product or process is feasible in technical and commercial terms, future economic benefits are probable and the group intends and has sufficient resources to complete its development and to use or sell the asset. Other development costs are recognised in profit or loss for the year when they are incurred. Capitalised development costs are recognised at cost net of accumulated amortisation and accumulated impairment losses, if any.

Concessions, licences, trademarks and similar rights

Concessions, licences, trademarks and similar rights, initially recognised at cost, are subsequently accounted for net of accumulated amortisation and impairment losses. The amortisation period is the lower of the contract term, if any, and the useful life of the asset.

Goodwill

In the event of a company acquisition, the identifiable assets, liabilities and potential liabilities acquired are recognised at their fair value on the acquisition date. Any positive difference between the purchase cost and the group's interest in the fair value of these assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference, on the other hand, is recognised in profit or loss at the time of the purchase.
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill always refers to identified income-earning activities whose income and cash flow generation capacity is constantly monitored for impairment. Any impairment losses that emerge from the impairment test are recognised in the income statement under "Amortisation, depreciation and impairment losses" and are not reinstated in subsequent periods.

3.b. Property, plant and equipment

Property, plant and equipment are initially recognised at purchase or production cost.
The cost includes ancillary charges and direct and indirect costs incurred at the time of purchase and needed to make the asset ready for use. The financial expense on specific loans for long-term investments is capitalised up to the date that the asset comes into operation.

Costs involved in the expansion, modernisation or improvement of structural elements owned or used by third parties are only capitalised to the extent that they meet the requirements to be classified separately as an asset or part of an asset. Ordinary maintenance costs are recognised in profit or loss.
When there are contractual obligations for the dismantling, removal or reclamation of sites where items of property, plant and equipment are installed, the amount recognised also includes the present value of the estimated costs to be incurred at the time of their disposal.
Property, plant and equipment are depreciated systematically each year over the residual useful life of the assets.

After initial recognition, property, plant and equipment are measured at cost, net of accumulated depreciation and any impairment losses. The depreciable value of each significant component of an item of property, plant and equipment that has a different useful life is spread over the expected period of use on a straight-line basis.
The depreciation criteria used, the useful lives and the residual amounts are reviewed and redefined at least at the end of each financial period to take any significant changes into account.
Costs capitalised for leasehold improvements are depreciated over the lower of the residual duration of the lease contract and the residual useful life of the asset in question.
The carrying amount of property, plant and equipment is maintained in the financial statements to the extent that there is evidence that this amount can be recovered through use. Land, assets under construction and payments on account are not depreciated.

Land and buildings not held for business purposes according to the objects of group companies are classified in a specific asset item and accounted for on the basis of IAS 40 "Investment property" (see paragraph 3.d. below).
If events suggest that an asset has been impaired, the carrying amount is checked against the recoverable amount, represented by the higher of its fair value and value in use. The fair value is defined on the basis of values expressed by an active market, by recent transactions, or by the best information available in order to determine the potential amount that could be obtained by selling the asset. The value in use is determined by discounting the cash flows deriving from the expected use of the asset, applying best estimates of the residual useful life and a discount rate that takes into account the implicit risk of the specific business sectors in which the group operates.
If there are negative differences between the values mentioned above and the carrying amount, the asset is impaired; if the reasons for the impairment no longer exist, it is reversed. Impairment losses and reversals are recognised in the income statement.

3.c. Government grants

Government grants are recognised when there is reasonable certainty that the beneficiary will comply with the conditions and the grants will therefore be received, regardless of whether or not the grant has been formally approved.
Capital grants are recognised in the statement of financial position either as deferred income, which is then transferred to profit or loss based on the useful life of the asset for which it was granted, thereby lowering the depreciation charges, or by deducting them directly from the asset concerned.
Government grants to reimburse costs that have already been incurred, or to provide immediate aid to the recipient without there being any future costs related to them, are recognised as income in the year when they are due.

3.d. Right-of-use assets

IFRS 16 provides a new definition of a lease and introduces a right-of-use criterion for assets to distinguish lease contracts from service contracts as follows: identification of the asset, the right to

substitute it, the right to obtain substantially all of the economic benefits from its use and the right to direct the use of the identified asset.
The standard establishes a single model for the recognition and measurement of lease contracts by the lessee, whereby all leased assets (including those held under operating leases) must be recognised as right-of-use assets with a corresponding lease liability. As exceptions, leases for which the underlying asset is of low value and those with a duration of 12 months or less may not be recognised as leases.
The group classifies right-of-use assets that do not meet the definition of investment property as "right-of-use assets" and lease liabilities under "lease liabilities" in the statement of financial position.
The group recognises the right-of-use asset and lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, then subsequently at cost net of accumulated depreciation and any accumulated impairment losses,and adjusted for any remeasurement of the lease liability.
The group measures the lease liability at the present value of the lease payments not paid at the commencement date, discounting them at its incremental borrowing rate. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made; it is also remeasured if there is a change in future lease payments resulting from a change in the index or rate used, if there is a change in the amount that the group expects to pay as a residual value guarantee or if there is a change in the assessment of an option to purchase the underlying assets, extend or cancel the lease.

3.e. Investment property

An investment property is real estate, land or building - or part of a building - or both, held by the owner or by the lessee, also through a finance lease contract, for the purpose of earning rent or for appreciation of the capital invested in it or for both reasons, rather than for direct use in the production or supply of goods or services, or in corporate administration or sale, in the normal course of business.
The cost of an investment property is represented by the purchase cost, improvements, replacements and extraordinary maintenance.
For in-house construction work, all of the costs incurred up to the date of completion of the construction or development are taken into account. Until that date, the conditions set out in IAS 16 apply.
The group has opted for the cost method, to be applied to all investment properties held. According to the cost method, the measurement is performed net of depreciation and accumulated impairment losses.

3.f. Impairment of intangible assets and property, plant and equipment

At least once a year, the group checks the recoverability of the carrying amount of its intangible assets and property, plant and equipment to see whether there is any sign that these assets may have suffered an impairment loss. If such evidence exists, the carrying amount of the assets is reduced to their recoverable amount.
An intangible asset with an indefinite useful life is tested for impairment every year or more frequently, whenever there are indicators of impairment.
When it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.
To determine the value in use of an asset, the group calculates the present value of the estimated future cash flows, applying a discount rate consistent with the cash flows, which reflects the

current market assessments of the time value for money and the specific risks of the business. An impairment loss is recognised if the recoverable amount is lower than the carrying amount.
When, subsequently, a loss on assets, other than goodwill, disappears or decreases, the carrying amount of the asset or of the cash-generating unit is increased up to the new estimate of the recoverable amount and cannot exceed the value that it would have had if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately in profit or loss.

3.g. Equity investments in associates and joint ventures

By joint venture (or "jointly controlled companies") we mean companies over which the group has joint control and has rights to their net assets. Joint control means sharing control of an agreement, which only exists when unanimous consent of all parties sharing control is required for decisions regarding the JV's key activities.

By associates we mean companies over which the group exercises a significant influence.
Significant influence is the power to participate in deciding the investee's financial and management policies without having control or joint control over it.

Investments in associates and joint ventures are measured using the equity method. Applying this method, these investments are initially recognised at cost, allocating to their carrying amount the fair value of the assets acquired and the liabilities assumed, as well as any goodwill emerging from the difference between the cost of the investment and the group's interest on the acquisition date; this goodwill is not tested separately fot impairment. Subsequently, the cost of the investment is adjusted to recognise the group's share of the total profit or loss realised by the associate or joint venture since the acquisition date. The components of the comprehensive income statement relating to these investments are shown as specific items of the group's other comprehensive income. Dividends received from investments in associates and joint ventures are accounted for as an adjustment to the carrying amount of the investment. Profits and losses deriving from transactions between the group and an associate or joint venture are only recognised in the consolidated financial statements to the extent of any non-controlling interests in the associate or joint venture. The financial statements of associates and joint ventures are presented for the same accounting period as the group, making adjustments, if necessary, to ensure compliance with the group's accounting policies.

After applying the equity method, the group assesses whether it is necessary to recognise an impairment loss on the investment in the associate or joint venture. If there are signs that the investment has suffered an impairment loss, the group calculates the amount of the impairment by means of a specific test by which the recoverable amount of the investments is determined.

3.h. Other equity investments

Investments in companies where the Parent does not exercise a significant influence are treated according to IFRS 9, i.e. classified as other investments and measured at fair value.

3.i. Assets held for sale

Non-current assets (or disposal groups) whose carrying amount will be recovered mainly by selling them, rather than continuing to use them in the business, are classified as held for sale and shown separately from the other assets and liabilities in the statement of financial position. For this to take place, the asset (or disposal group) has to be available for immediate sale in its current state, subject to conditions that are customary for the sale of such assets (or disposal groups) and the sale must be highly probable within a year. If these criteria are met after the reporting date, the non-current asset (or disposal group) is not classified as held for sale. However, if these conditions are met after the reporting date, but before the financial statements are approved for publication, appropriate disclosure is made in the notes. Non-current assets (or disposal groups) classified as held for sale are recognised at the lower of the carrying amount and fair value, net of costs to sell; the corresponding prior year figures in the statement of financial position are not reclassified.

A discontinued operation is a part of the company that has been sold or classified as held for sale, and:
- it is an important line of business or geographical area of business;
- it is part of a coordinated plan to dispose of an important line of business or geographical area of business; or
- it is a subsidiary that was bought exclusively for the purpose of reselling it.

The results of discontinued operations, whether they have been disposed of or classified as held for sale and are being disposed of, are shown separately in the income statement, net of tax. The corresponding figures for the previous year, if any, are reclassified and shown separately in the income statement, net of tax, and in the statement of cash flows for comparative purposes.

3.j. Income tax

Current taxes are recognised on the basis of a realistic estimate of taxable income in accordance with the current tax laws of the country in which the company is based, taking into account any applicable exemptions and tax assets that may be claimed.
Deferred taxes are determined on the basis of temporary taxable or deductible differences between the carrying amount of assets and liabilities and their value for tax purposes and are classified as non-current assets and liabilities.
A deferred tax asset is recognised if sufficient taxable income is likely to be generated against which the temporary deductible difference can be used.
The carrying amount of deferred tax assets is subject to periodic analysis and is reduced to the extent that it is no longer probable that sufficient taxable income will be obtained to take advantage of this deferred asset.

3.k. Inventories

Inventories are recognised at the lower of their purchase or production cost, determined according to the weighted average cost method, and their estimated realisable amount.

3.l. Equity

The ordinary shares are shown at their nominal amount. The costs directly attributable to the issue of new shares are deducted from equity reserves, net of any related tax benefit.
Treasury shares are classified in a specific item that is deducted from reserves; any subsequent sale, reissue or cancellation does not have any impact on the income statement, but exclusively on equity.

The hedging reserve is generated when there are changes in the fair value of derivatives that have been designated as "cash flow hedges" or as a "hedge of a net investment in a foreign operation" for IAS 39 purposes.
The portion of profit or loss deemed "effective" is initially recognised in equity and then taken to profit or loss in the periods and in the manner in which the hedged items flow to the income statement, or at the time of the subsidiary is sold.

If a subsidiary draws up its financial statements in a currency other than the group's reporting currency, the subsidiary's financial statements are translated, classifying any translation differences in a specific reserve. When the subsidiary is sold, the reserve is transferred to the income statement, showing the profits or losses deriving from the disposal.

"Retained earnings" include the accumulated results and transfers from other equity reserves when freed from any restrictions.
This item also contains the cumulative effect of changes in accounting standards or any corrections of errors that are accounted for in accordance with IAS 8.

3.m. Provisions for risks and charges

The provisions for risks and charges represent probable liabilities of an uncertain amount and/or maturity deriving from past events whose occurrence will entail a financial outflow. Provisions are only made when there is an effective obligation, legal or implicit, towards third parties which requires the use of economic resources and when a reliable estimate of the obligation can be made. The amount recognised as a provision represents the best estimate of the expense required to settle the obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The effect of changes in estimate are charged to profit or loss.

Where it is expected that the financial outflow for the obligation will occur beyond the normal payment terms and the effect of discounting would be significant, the provision is represented by the present value of the future payments needed to settle the obligation, calculated at a risk-free nominal rate.
Contingent assets and liabilities (i.e. assets and liabilities that are possible, or not recognised because they cannot be reliably quantified) are not accounted for. However, adequate disclosure is given in the notes.

3.n. Revenue from contracts with customers

The group adopted IFRS 15 from 1 January 2018. For information on the measurement criteria applied to contracts with customers, see paragraph 6 which also describes the effects of the first application of IFRS 15. The standard therefore establishes a new revenue recognition model, which applies to all contracts with customers, except for those that fall under the scope of other IAS/IFRS standards as leases, insurance contracts and financial instruments. The basic steps for the recognition of revenue, according to the new model, are:

- Identification of the contract with the customer;
- Identification of the performance obligations of the contract;
- Determination of the transaction price;
- Allocation of the price to the performance obligations of the contract;
- Revenue recognition method when the entity satisfies each performance obligation.

3.o. Employee benefits

Employee benefits paid after termination of employment and other long-term benefits are subject to actuarial valuation.
Under this method, the liabilities recognised represent the present value of the obligation adjusted for any actuarial gains or losses not accounted for.

Budget Law 296/2006 made important changes to the rules governing post-employment benefits (TFR) by introducing the possibility for employees to transfer their accrued TFR from 1 January 2007 onwards to selected pension schemes. The TFR accrued up to 31 December 2006 for employees who exercised the option, while remaining within the scope of defined-benefit plans, was determined with actuarial techniques, but excluding the actuarial/financial components for the trend in future wages and salaries.

In accordance with the standard, the group measures and recognises the notional cost represented by stock options and stock grants in profit or loss under personnel expense and distributes them over the period of accrual of the benefit, with the contra-entry in a specific equity reserve.
The cost of the option is determined at the time the plan is assigned using specific models and multiplied by the number of options that can be exercised in the reference period, the latter being determined by means of appropriate actuarial variables.
Similarly, the obligation deriving from attribution of phantom stock options is determined with reference to the fair value of the options on the assignment date and recognised in the income statement in personnel expenses, based on the vesting period; unlike for stock options and stock grants, the contra-entry is recognised under liabilites (other personnel provisions) and not as an equity reserve. Until this liability is extinguished, the fair value is recalculated at each reporting date and on the actual disbursement date, recognising all changes in fair value to profit or loss.

3.p. Derivatives

The group uses derivative financial instruments to hedge its exposure to exchange rate and interest rate risks. Embedded derivatives are separated from the primary contract and accounted for separately when certain criteria are met.

The group uses derivatives mainly to hedge risks, with particular reference to fluctuations in interest rates, exchange rates and commodity prices. The classification of a hedging derivative is formally documented, attesting to the "effectiveness" of the hedge.

Financial derivatives are initially measured at fair value; any attributable transaction costs are recognised to profit or loss for the year when they are incurred. After initial recognition, derivatives are measured at fair value.

For accounting purposes hedging transactions can be classified as:

- a "fair value hedge", the effects of which are recognised in profit or loss;
- a “cash flow hedge”, where the change in fair value is recognised directly in equity for the "effective" part, while the "non-effective" part is recognised in profit or loss;
- a “hedge of a net investment in a foreign operation”, where any change in fair value is recognised directly in equity for the "effective" part, while the "non-effective" part is recognised in profit or loss.

Hedge accounting ceases prospectively if it is expected that the planned transaction will no longer occur, the hedge no longer meets the criteria required for hedge accounting, the hedging instrument expires or is sold, ceased or exercised, or the designation is revoked. If the planned transaction is no longer expected to occur, the balance accumulated in equity is immediately reclassified to profit or loss for the year.

3.q. Translation of foreign currency items

The group's reporting currency is the euro, the currency in which the financial statements are prepared and published. group companies draw up their financial statements in the functional currency.
Transactions in currencies other than the functional currency are initially recognised at the exchange rate at the transaction date.
At the reporting date, monetary assets and liabilities denominated in currencies other than the functional currency are translated at the exchange rate at that date.
Non-monetary items measured at historical cost in foreign currency are translated at the exchange rate at the transaction date.

Non-monetary items recognised at fair value are translated at the exchange rate at the date that the carrying amount is determined.

The assets and liabilities of group companies with functional currencies other than the euro are measured according to the following methods:

- assets and liabilities are translated at the exchange rate at the reporting date;
- costs and revenue are translated at the average exchange rate for the year.

Exchange gains or losses are recognised directly in a specific equity reserve.
On disposal of a foreign investment, the accumulated exchange gains or losses recognised in the equity reserve are recognised in profit or loss.

3.r. Earnings per share

Basic earnings per share are determined by dividing the profit for the year (i.e. the profit from continuing operations and the profit or loss from discontinued operations) deriving from discontinued activities attributable to the ordinary shareholders of the parent by the weighted average number of ordinary shares of the parent in circulation during the year.
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in circulation to take into account all potential ordinary shares, for example deriving from the possible exercise of assigned stock options and stock grants that could have a dilutive effect. Treasury shares are not included in the calculation.

3.s. Business combinations

Business acquisitions are recognised using the purchase and acquisition methods in compliance with IFRS 3, on the basis of which the acquisition cost is equal to the fair value on the date of exchange of the assets transferred and the liabilities incurred or assumed. Any transaction costs relating to business combinations are recognised in profit or loss for the year they are incurred.
Contingent consideration is included as part of the transfer price of the net assets acquired and is measured at fair value at the acquisition date. Similarly, if the business combination agreement envisages the right to receive repayment of certain elements of the price if certain conditions are met, this right is classified as an asset by the purchaser.
Any subsequent changes in this fair value are recognised as an adjustment to the original accounting treatment, but only if they are the result of more or better fair value information and if this takes place within twelve months of the acquisition date; all other changes must be recognised in profit or loss.
In the event of a step acquisition of a subsidiary, the non-controlling interest previously held (recognised up to that point according to IFRS 9 – Financial Instruments: Recognition, IAS 28 – Investments in Associates or IFRS 11 – Joint Arrangements – Accounting for acquisitions of interests in joint operations) is treated as if it had been sold and repurchased on the date that control is acquired. The investment is therefore measured at its fair value on the date of "transfer" and any gains and losses resulting from this measurement are recognised in profit or loss. Moreover, any amount previously recognised in equity as "Other comprehensive gains and losses", is reclassified to the income statement following the sale of the asset to which it refers. The goodwill (or income in the case of badwill) arising on conclusion of the deal with subsequent acquisition is calculated as the sum of the price paid for the acquisition of control, the value of non-controlling interests (measured using one of the methods permitted by the financial reporting standard) and the fair value of the minority interest previously held, net of the fair value of the identifiable net assets acquired.

The identifiable assets, liabilities and contingent liabilities of the acquired business which meet the conditions for recognition are accounted for at their fair value on the date of acquisition. Any

positive difference between the acquisition cost and the fair value of the group's share of net assets acquired is recognised as goodwill or, if negative, in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill always refers to identified income-producing assets whose ability to generate income and cash flows is constantly tested for impairment.
The accounting treatment of the acquisition of any further investment in companies already controlled are considered transactions with shareholders and therefore any differences between acquisition costs and the carrying amount of the non-controlling interests acquired are recognised in equity attributable to the owners of the Parent. Likewise, sales of non-controlling interests not involving loss of control do not generate gains/losses in the income statement, but rather changes in equity attributable to the owners of the Parent.

The initial allocation to assets and liabilities as mentioned above, using the option given in IFRS 3, can be performed on a provisional basis by the end of the year in which the transaction is completed; the values provisionally assigned on initial recognition can be adjusted within twelve months of the date on which control was acquired.

3.t. Use of estimates

The preparation of these financial statements and Notes in accordance with IFRS requires management to make estimates and assumptions which affect the amounts of assets and liabilities shown in them, as well as the disclosures made regarding contingent assets and liabilities at the reporting date.
The estimates and assumptions used are based on experience and other factors considered relevant.
The actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement in the year in which the amendment is made if the review only affects that year, or in subsequent years if the amendment affects both the current and future years.

As for assessing the impact of COVID-19, it has to be said that any forecasts regarding the future evolution of the current macroeconomic and financial context, in any case, sees a high degree of uncertainty, which could well reflect on the measurements and estimates made for the carrying amounts of assets and liabilities affected by a higher degree of volatility.

Consequently, compared with the consolidated financial statements at 31 December 2019, the measurements and estimates used in KOS's and Sogefi's new business plan have been updated to take into account the effects of the COVID 19 pandemic and of forecasts for the future.

The items in the financial statements mainly affected by such a valuation process are:

- Non-financial assets subject to impairment testing. This model is very complex and entails the use of estimates which, by their very nature are uncertain and subjective, with reference to the following elements: the expected cash flows, calculated by taking into account the general economic performance and that of the specific sector, the actual cash flows for recent years, the projected growth rates and the financial parameters used to calcualte the discount rate;
- Inventories;
- Assets;
- Other financial assets and liabilities at fair value;
- Derivatives;
- Deferred tax assets;
- Provisions for risks, such as onerous contracts according to IAS 37.

The assessments made did not show significant impacts on the consolidated financial statements at 31 December 2020. The following paragraphs of the Notes to the financial statements include the relevant information regarding the estimates listed above.

4. Financial instruments

The group has applied IFRS 9 Financial Instruments since 1 January 2018 (date of first-time adoption), with the exception of the provisions on hedge accounting as it continues to apply the provisions of IAS 39 for all hedges already designated in hedge accounting at 31 December 2017. Impairment losses of financial assets are presented in a separate item in the statement of profit or loss and other comprehensive income.

Recognition and measurement

Trade receivables and debt securities issued are recognised when they are originated. All other financial assets and liabilities are initially recognised at the trading date, i.e. when the group becomes a contractual party in the financial instrument.

Except for trade receivables that do not contain a significant element of financing, financial assets are initially recognised at fair value, increased or decreased in the case of financial assets or liabilities not measured at FVTPL by the transaction costs directly attributable to the acquisition or issue of the financial assets. At the time of initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price.

The following table shows the breakdown of the categories of financial assets and liabilities shown in the financial statements and their classification:

Category of financial assets and liabilities	Classification
NON-CURRENT ASSETS	
OTHER EQUITY INVESTMENTS	FVTOCI
OTHER ASSETS	Amortised cost
OTHER FINANCIAL ASSETS	FVTPL
CURRENT ASSETS	
TRADE RECEIVABLES	Amortised cost, expected loss for counterparty risk
OTHER ASSETS	Amortised cost, expected loss for counterparty risk
LOAN ASSETS	Amortised cost, expected loss for counterparty risk
SECURITIES	FVTPL
OTHER FINANCIAL ASSETS	FVTPL
CASH AND CASH EQUIVALENTS	Amortised cost, expected loss for counterparty risk
NON-CURRENT LIABILITIES	
BONDS	Amortised cost
OTHER LOANS AND BORROWINGS	Amortised cost
LEASE LIABILITIES	Amortised cost
CURRENT LIABILITIES	
BANK LOANS AND BORROWINGS	Amortised cost
BONDS	Amortised cost
OTHER LOANS AND BORROWINGS	Amortised cost
LEASE LIABILITIES	Amortised cost
TRADE PAYABLES	Amortised cost

Classification and subsequent measurement – Financial assets

At the time of initial recognition, a financial asset is classified based on its measurement: amortised cost; fair value through other comprehensive income (FVOCI) - debt security; FVOCI – equity instrument; or at fair value through profit or loss for the year (FVTPL).

Financial assets are not reclassified after their initial recognition, unless the group changes its business model for managing financial assets. In this case, all of the financial assets involved are reclassified on the first day of the first year following the change in business model.
A financial asset must be measured at amortised cost if both of the following conditions are met and the asset is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective to hold financial assets in order to collect their contractual cash flows; and
- the contractual terms of the financial asset envisage cash flows on certain dates represented solely by payments of principal and interest on the principal amount to be repaid.

A financial asset has to be measured at FVOCI if both the following conditions are met and it is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective is achieved by collecting contractual cash flows, as well as by selling the financial assets; and
- the contractual terms of the financial asset envisage cash flows on certain dates represented solely by payments of principal and interest on the principal amount to be repaid.

At the time of initial recognition of an equity instrument not held for trading purposes, the group can make the irrevocable decision to show subsequent changes in fair value through other comprehensive income. This choice is made for each asset.
All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. At the time of initial recognition, the group can irrevocably designate the financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting asymmetry that would otherwise result from measuring financial assets at amortised cost or at FVOCI.

The group assesses the objective of the business model in which the financial asset is held at portfolio level, as it best reflects the way in which the asset is managed and the information communicated to management. This information includes:

- the criteria and objectives of the portfolio and the practical application of these criteria, including, among others, if management's strategy is based on obtaining interest income from the contract, on maintaining a specific interest rate profile, on aligning the duration of the financial assets to that of the related liabilities or on the expected cash flows or on collecting the cash flows by selling the assets;
- the methods for assessing the performance of the portfolio and the methods of communicating the performance to group executives with strategic responsibilities;
- the risks that affect the performance of the business model (and of the financial assets held in it) and the way in which these risks are managed;
- the methods of remuneration of company executives (for example, if the remuneration is based on the fair value of the assets managed or on the contractual cash flows collected);
- the frequency, value and timing of sales of financial assets in previous years, the reasons for selling and expectations regarding future sales.

Transfers of financial assets to third parties as part of transactions that do not result in derecognition are not considered sales for the purposes of evaluating the business model, in line with the group maintaining these assets in the financial statements.
Financial assets that meet the definition of financial assets held for trading or whose performance is measured on the basis of their fair value are measured at FVTPL.

Financial assets measured at FVTPL are subsequently measured at fair value. Net gains and losses, including dividends or interest received, are recognised in profit or loss for the year.

Financial assets measured at amortised cost are subsequently measured at amortised cost in accordance with the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss for the year, as are any gains or losses on derecognition.

Debt securities measured at FVOCI are subsequently measured at fair value. Interest income calculated in accordance with the effective interest rate method, foreign exchange gains and losses and impairment losses are recognised in profit or loss for the year. Other net gains and losses are recognised in other comprehensive income. At the time of derecognition, the gains or losses accumulated in other comprehensive income are reclassified to profit or loss for the year.

Equity measured at FVOCI is subsequently measured at fair value. Dividends are recognised in profit or loss for the year, unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss for the year.

<u>Classification and subsequent measurement – Financial liabilities:</u>

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified under FVTPL when it is held for trading, represents a derivative or is designated as such at the time of initial recognition.

FVTPL financial liabilities are measured at fair value and any changes, including interest expense, are recognised in profit or loss for the year. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and exchange gains and losses are recognised in profit or loss for the year, as are any gains or losses on derecognition.

<u>Derecognition - Financial assets and liabilities</u>

Financial assets are derecognised from the financial statements when the contractual rights to the cash flows deriving from them expire, when the contractual rights to receive the cash flows as part of a transaction in which substantially all the risks and benefits deriving from ownership of the financial asset are transferred or when the group does not transfer or substantially maintain all the risks and benefits deriving from ownership of the financial asset and does not maintain control of the financial asset.
The group is involved in transactions that involve the transfer of assets recognised in its statement of financial position, but retains all or substantially all the risks and benefits deriving from the asset transferred. In these cases, the transferred assets are not derecognised.

The group proceeds with derecognition of a financial liability when the obligation specified in the contract has been settled or cancelled, or if it has expired. The group also derecognises a financial liability if the related contractual terms change and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value based on the modified contractual terms.

The difference between the carrying amount of the extinguished financial liability and the amount paid (including assets not represented by liquid assets transferred or liabilities assumed) is recognised in profit or loss for the year.

Impairment losses

The group recognises loss allowances for expected credit losses relating to:
- financial assets measured at amortised cost;
- debt securities measured at FVOCI; and
- assets deriving from contracts.

The group measures the loss allowances at an amount equal to the expected losses throughout the entire life of the receivable, except as indicated below, for the following twelve months:

- debt securities with a low credit risk at the reporting date; and
- other debt securities and bank current accounts for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly after initial recognition.

Loss allowances on trade receivables and assets deriving from contracts are always measured at an amount equal to the expected losses throughout the life of the receivable or asset.
To establish whether the credit risk on a particular financial asset has increased significantly since initial recognition in order to estimate expected losses, the group takes into consideration information that is reasonable and provable, but also relevant and available without excessive cost or effort. Quantitative and qualitative information and analyses are included, based on the group's historical experience, credit assessment and forward-looking information.

Expected losses on long-term loans are the losses expected on assets deriving from all possible defaults during the entire estimated life of a financial instrument.
Expected losses on assets at 12 months are the losses expected on assets deriving from possible defaults within 12 months of the reporting date (or within a shorter period if the expected life of a financial instrument is less than 12 months).
The maximum period to be taken into consideration in evaluating expected credit losses is the maximum contractual period during which the group is exposed to credit risk.

At each reporting date, the group assesses whether the financial assets measured at amortised cost and the debt securities measured at FVOCI have suffered impairment. A financial asset is 'impaired' when one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset.

Observable data relating to the following events constitute evidence that the financial asset has deteriorated:

- significant financial difficulties on the part of the issuer or debtor;
- a breach of contract, such as a default or a deadline not met for more than 90 days;
- restructuring of a debt or an advance by the group on terms that the group would not otherwise have taken into consideration;
- there is a likelihood that the debtor will declare bankruptcy or some other financial restructuring procedure;
- the disappearance of an active market for that financial asset due to financial difficulties.

Loss allowances on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is accrued through profit or loss for the year and recognised in other comprehensive income.

Fair value

Fair value, as defined by IFRS 13, is the price that would be received for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants at the measurement date.
The fair value of financial liabilities due and payable on demand (e.g. demand deposits) is not less than the amount payable on demand, discounted from the first date on which payment could be required.
For financial instruments quoted in active markets, the fair value is determined on the basis of official prices in the principal market to which the group has access (mark to market).
A financial instrument is considered quoted in an active market if quoted prices are readily and regularly available from a quotation system, dealers, brokers, etc., and these prices represent actual and regular market transactions. If there is no quoted market price in an active market for a financial instrument taken as a whole, but there is one for some of its components, the fair value is determined on the basis of the specific market prices of its components.
If there are no observable prices in an active market for an identical item owned by another operator as an asset, or if prices are not available, using other observable inputs such as quoted prices in an inactive market for the identical item owned by another operator as an asset, the group will assess the fair value using another valuation technique, such as:

- an income approach (for example, a technique that takes into account the present value of future cash flows that a market participant would expect to receive from owning a financial liability, an equity instrument or an asset);
- a market approach (for example, using quoted prices for similar liabilities or equity instruments owned by third parties as assets);
- valuations performed using, in all or in part, inputs not taken from parameters that are observable on the market, for which use is made of estimates and assumptions developed by the evaluator (Mark to Model). The group uses valuation models (mark to model) that are generally accepted and used by the market. The models include techniques based on the discounting of future cash flows and estimates of volatility (if there is an optional component); these are subject to revision from time to time in order to ensure consistency with the objectives of the valuation.

These methods use inputs based on prices set in recent transactions and/or prices/quotations for instruments that have similar characteristics in terms of risk profile.
As a further guarantee of the objectivity of valuations derived from valuation models, the group uses fair value adjustments (FVAs) to take into account the risks associated primarily with the limited liquidity of the positions, the valuation models used and counterparty risk.
The choice between these techniques is not optional, as they have to be applied in hierarchical order: if, for example, a price quoted in an active market is available, the other valuation techniques cannot be used.
As regards the determination of the fair value of derivative contracts, default risk, which is reflected through credit value adjustments (CVA) and debit value adjustments (DVA), has to be taken into consideration.

The fair value hierarchy has three levels:

- Level 1: the fair value of instruments classified in this level is determined based on (unadjusted) quoted prices that can be observed in active markets;

- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed in active markets (other than the quoted prices included in Level 1, observable either directly or indirectly);
- Level 3: the fair value of instruments classified in this level is determined based on valuation models that primarily use inputs that can not be observed in active markets. The valuations are based on various inputs, not all directly derived from observable market parameters, and involve estimates and assumptions on the part of the evaluator.

5. Change in accounting policies, estimates and errors

The criteria for making estimates and measurements are reviewed periodically, based on historical experience and other factors such as expectations of possible future events that are reasonably likely to take place.
If first-time adoption of a standard affects the current year or the previous one, the effect is shown by indicating the change caused by any transitional rules, the nature of the change, a description of the transitional rules, which may also affect future years, and the amount of any adjustments to years prior to those being presented.
If a voluntary change of a standard affects the current or previous year, the effect is shown by indicating the nature of the change, the reasons for adopting the new standard, and the amount of any adjustments to years prior to those being presented.
In the event of a new standard or interpretation issued but not yet in force, an indication is given of the fact, its potential impact, the name of the standard or interpretation, the date on which it will come into force and the date of its first-time adoption.
A change in accounting estimates involves giving an indication of the nature and impact of the change. Estimates are used mainly in the recognition of asset impairment, provisions for risks, employee benefits, taxes and other provisions and allowances. Estimates and assumptions are reviewed regularly and the effects of any such changes are reflected in the income statement.
Lastly, the treatment of accounting errors involves an indication of the nature of the error and the amount of the adjustments to be made at the beginning of the first reporting year after they were discovered.

6. Adoption of new standards, interpretations and amendments

Standards, amendments and interpretations of IFRS applied from 1 January 2020:

The following standards, amendments and interpretations were applied for the first time by the group with effect from 1 January 2020:

- Amendments to References to the Conceptual Framework in IFRS standards: The Conceptual Framework explains the concepts for general purpose financial reporting in accordance with IFRSs. Its purpose is to assist the IASB to develop IFRS standards, preparers to develop consistent accounting policies when no standard applies and all parties to understand and interpret the standards. The main innovations concern the description of new concepts that were not included in the previous version of the document, such as measurement, presentation and disclosures and derecognition, as well as the updating and clarification of certain concepts that were already in the previous version, such as the definition of assets and liabilities, criteria for recognition of assets and liabilities in the financial statements, prudence, measurement uncertainty, substance over form, stewardship.
- Amendment to IFRS 3 "Business combination": this definition has been clarified, providing specific guidelines for its correct application, distinguishing the acquisition of a "business" from the acquisition of a "group”.
- Definition of material (Amendment to IAS 1 and IAS 8): as part of the broader project called "Better Communication in Financial Reporting", with which the IASB aims to improve the way in which financial information is communicated to users of financial statements, the definition of material has been changed. This is a pervasive concept of IFRS and is at the basis not only of the recognition, measurement and presentation of the items in the financial statements, but also of the selection of additional information to be provided in the notes.
- Amendments to IFRS 9, IAS 39 and IFRS 7: they allow companies not to interrupt hedging transactions until the interest rate benchmark reform has been completed. In particular, temporary exceptions were introduced to the hedge accounting under IFRS 9 and IAS 39, to be

mandatorily applied to all hedging transactions directly impacted by the interest rate benchmark reform. A hedging relationship is directly affected by the reform only if the reform generates uncertainties regarding the interest rate benchmark (defined contractually or not contractually) designated as a hedged risk and/or the timing or amount of cash flows related to the interest rate benchmarks of the hedged item or hedging instrument.

These amendments/improvements/interpretations did not have significant effects on group companies.

- Amendments to IFRS 16 – Covid 19 -Related Rent Concessions "(published on 28 May 2020). The amendment permits lessees not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications. These amendment had a positive impact of € 196 thousand on the consolidated income statement of the Sogefi group at 31 December 2020.

Standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet mandatory and not yet applied by the group at 31 December 2020

The group has not applied the following new and amended standards, issued but not yet in force:

- Extension of the temporary exemption from applying IFRS 9 (Amendments to IFRS 4); issue date: June 2020; effective date: 1 January 2021; date of the EU Reg. approval: 15 December 2020.
- Interest rate benchmark reform - Phase 2 - (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); issue date: August 2020; effective date: 1 January 2021; date of the EU Reg. approval: 13 January 2021.

Standards, amendments and interpretations of IFRS not yet endorsed by the European Union:

At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the following amendments and standards. The Directors are currently assessing the potential effects of these amendments on the group's consolidated financial statements.

- Amendments to IAS 16 - Property, plant and equipment regarding proceeds from selling items before the asset relating to these items is available for its intended use. The amendments are effective from 1 January 2022.
- Amendments to IAS 37 – Onerous Contracts, Cost of Fulfilling a Contract: this clarifies the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective from 1 January 2022.
- Annual improvements to IFRS Standards 2018-2020. The amendments are effective from 1 January 2022.
- References to the conceptual framework: Amendments to IFRS 3. The amendments are effective from 1 January 2022.
- IFRS 17 – Insurance contracts. The amendments are effective from 1 January 2023.
- Amendments to IAS 1: the classification of current and non-current liabilities is clarified. The amendments are effective from 1 January 2023.

Notes to the statement of financial position

7. Non-current assets

7.a. Intangible assets

(in thousands of euro)	*Opening balance*			*Changes in the year*							*Closing balance*		
	Original cost	*Accumulated amortisation and impairment losses*	*Balance at 31.12.2019*	*Acquisitions*	*Business combinations and disposals increases*	*Business combinations and disposals decreases*	*Exchange gains (losses)*	*Other changes*	*Net disposals cost*	*Amortisation and impairment losses*	*Original cost*	*Accumulated amortisation and impairment losses*	*Balance 31.12.2020*
Start-up and capital costs	36	(36)	--	--	--	--	--	--	--	--	36	(36)	--
Capitalised development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	282,512	(207,283)	75,229	11,665	--	(255)	(2,798)	20,016	(335)	(30,872)	272,642	(199,992)	72,650
Industrial patents and intellectual property rights	50,945	(27,209)	23,736	115	--	(32)	(1)	187	--	(5,031)	47,252	(28,278)	18,974
Concessions, licences, trademarks and similar rights	46,780	(32,087)	14,693	2,088	--	(13)	(58)	1,526	(73)	(4,114)	47,277	(33,228)	14,049
Goodwill	1,070,606	(551,747)	518,859	6,092	3,603	(35,843)	--	(649)	(72)	--	542,529	(50,539)	491,990
Assets under development and payments on account													
- purchased	4,778	--	4,778	2,100	--	--	(49)	(2,934)	--	--	3,895	--	3,895
- produced internally	24,963	(6,008)	18,955	8,939	--	(15)	(718)	(15,824)	(26)	(86)	15,703	(4,478)	11,225
Other	26,516	(12,398)	14,118	196	--	--	(72)	166	--	(2,063)	25,308	(12,963)	12,345
Total	**1,507,136**	**(836,768)**	**670,368**	**31,195**	**3,603**	**(36,158)**	**(3,696)**	**2,488**	**(506)**	**(42,166)**	**954,642**	**(329,514)**	**625,128**

Intangible assets rose from € 670,378 thousand at 31 December 2019 to € 625,128 thousand at 31 December 2020.

With regard to "Goodwill", note that for € 373,823 thousand, the decrease in "Original cost" and "Accumulated amortisation and impairment losses" is due to the effects of the merger between CIR and COFIDE.

AMORTISATION RATES

Amortisation	*%*
Capitalised development expenditure	20-33%
Industrial patents and intellectual property rights	4-50%
Concessions, licences, trademarks and similar rights	16-33.33%
Other intangible assets	16-33.33%

GOODWILL

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Automotive sector (Sogefi group)	128,637	128,637
Healthcare sector (KOS group)	363,353	390,222
Total	**491,990**	**518,859**

This item went from € 518,859 thousand at 31 December 2019 to € 491,990 thousand at 31 December 2020.

The change in the year in the Healthcare sector increased by € 8,974 thousand due to the acquisitions made during the year and decreased by € 35,843 thousand because of the sale of the Medipass group.

Goodwill has been allocated to the CGUs that were identified in the same way that management of the parent operates and manages its assets, based on the group's business segments. The above table shows the allocation of goodwill by group business segment.

In order to test goodwill for impairment, the recoverable amount of each cash generating unit, defined in accordance with IAS 36, was estimated with reference to its value in use or its fair value less costs to dispose of, and having regard - where applicable in the specific circumstances - to the guidelines contained in the document entitled "Impairment testing of goodwill in the context of crises in financial markets and the real economy: guidelines" issued by the O.I.V. (Italian Valuation Board).

The recoverable amount was estimated using the value in use calculated by discounting, at an appropriate discount rate, the future cash flows generated by the unit (discounted cash flow method). More specifically, in accordance with what is required by international accounting standards, to test the value, cash flows are considered without taking into account inflows and outflows generated by financial management (“Free Cash Flow from Operations”).
The cash flows of the single operating units are extrapolated from the budgets and forecasts made by the management of the operating units concerned and approved by the respective Boards of Directors. These plans were processed using the assumptions made by leading analysts on the outlook for the respective markets and more in general on the trend of each business segment.
The value in use of a Cash Generating Unit is estimated by considering, in addition to the cash flows expected from the unit, its long-term growth rate (“g”) and the discount rate corresponding to the weighted-average cost of the capital invested (“WACC”), which takes account of market returns and specific risk factors associated with the sector and the unit concerned.

In detail, the following amounts are used for the calculation of WACC:

- return on risk-free assets: this is equal to the ten-year average of the rates of return on ten-year debt securities of the countries in which the group companies KOS and Sogefi operate;
- market equity risk premium: measured as a long-term historical yield differential between equity and bonds on mature financial markets;

- Unlevered Beta: determined with reference to the Beta of comparable companies in the healthcare and automotive sectors;
- financial structure: the structure of the financial sources used for weighting the cost of capital was determined on the basis of a market debt ratio (D/D+E), taken from a sample of comparable companies in the sector;
- dimensional risk premium: based on long-term observations of the yield premium associated with an investment in the risk capital of a medium-sized company with respect to large-sized ones (Source: Duff & Phelps).

The fair value less costs to sell of an asset or group of assets (e.g. a CGU) is best expressed in the price established by a "binding sale agreement in an arm's length transaction", net of any direct disposal costs. If this information is not available, the fair value net of costs to sell is determined in relation to the following trading prices, in order of importance:

- the current price traded on an active market;
- prices for prior similar transactions ;
- the estimated price based on information obtained by the company.

The recoverable amount of each asset is estimated with reference to the higher of its fair value less costs to dispose of, or its value in use, if both are available.

Summary of the results of impairment testing

The impairment test carried out on the goodwill allocated to the Healthcare and Automotive sectors ascertained that there are no impairment losses.
However, considering that the recoverable amount is determined on the basis of estimates, the Group cannot guarantee that goodwill will not be impaired in future years. Given the current context of market crisis, the various factors used to make the estimates could be revised if conditions prove not to be in line with those on which the forecasts were based.

The tests performed in relation to each sector are described below.

Automotive sector (Sogefi group)

The goodwill allocated to the Automotive sector, which coincides with the Sogefi group, amounts to about € 128.6 million. The impairment test was carried out on two levels: first in the context of the Sogefi sub-consolidation, with reference to the 3 CGUs: Automobile Suspensions, Filtration and Air and Cooling; subsequently, a second-level impairment test was carried out with the Sogefi group as the sole CGU, in order to check the recoverability of the carrying amount of the business as a whole. In addition to the first-level CGUs, this CGU includes the flows of the "Industrial Vehicle Suspensions" and "Precision Springs" business units (not tested at the first level since they have no associated goodwill), as well as the flows and carrying amounts associated with the corporate structures.

The recoverability of the amounts recognised was checked by comparing the net carrying amount attributed to the CGUs, including goodwill, with their value in use represented by the present value of their operating cash flows and the terminal values attributed to each of them (Unlevered Discounted Cash Flow).

The above operating cash flows were derived from projections included in the 2021-2025 plan approved by the Board of Directors of Sogefi S.p.A. on 12 February 2021 (as adjusted to exclude the expected benefits of future projects and reorganisations), which considers the effects of the Covid-19 pandemic on business volumes and future profitability.

The terminal value was calculated using the perpetuity growth model, applying 2% growth rate (based on the long-term inflation rates estimated for each country, weighted by their sales) to the operating cash flow for the final year of the long-term plan, as adjusted to project a stable situation "in perpetuity" (net zero investment and depreciation and no changes in working capital).

The discount rate (*WACC*) of 8.72% was calculated at Sogefi group level, weighting the relevant individual parameters by the sales in each country of operation.
In particular, the cost of borrowing was calculated using the reference rates plus a spread, while the cost of own capital calculation took account of the impact of Covid-19 when determining the risk-free rates, by using averages calculated over more extended periods than in the past, in order to smooth the effect on the rate of the measures adopted by the European and US central banks to tackle the economic effects of the pandemic; the Beta and Leverage were, by contrast, determined with reference to a set of companies operating in the automotive sector that knowledgeable leading financial analysts consider to be the peers of Sogefi.

Checks using the values in use calculated at both the first and second levels showed that the respective parameters clearly exceed the related carrying amounts, even after performing a sensitivity analysis by changing the WACC and g parameters (assuming a worst case increase of 0.5% in the WACC and decrease of 0.5% in the g growth rate). In particular, the first-level test highlighted the following positive differentials (coverage) between the values in use and the respective carrying amounts: for the Automobile Suspensions CGU, € 55,298 thousand in the base case and € 52,343 thousand in the worst case; for the Filtration CGU, € 219,794 thousand in the base case and € 215,059 thousand in the worst case; for the Air and Cooling CGU, € 230,786 thousand in the base case and € 226,228 thousand in the worst case. The second-level test, on the other hand, indicated coverage for the entire Sogefi CGU of € 521,444 thousand in the base case and € 389,582 thousand in the worst case.

Accordingly, the goodwill relating to the Sogefi group recognised in the consolidated financial statements of the CIR group has not been subject to any impairment losses. Note that, considering that the recoverable amount is determined on the basis of estimates, the group cannot guarantee that goodwill will not be impaired in future years. Given the persistence of the market crisis context, the various factors used in preparing the estimates could be reviewed.

<u>Healthcare sector (KOS group)</u>

The goodwill allocated to the Healthcare sector, which corresponds to the KOS group, amounts to € 363.4 million.

The impairment test was carried out on two levels: first in the context of the KOS sub-consolidation, with reference to the following CGUs: Long-Term Care Italy (one CGU for each Italian region served), Long-Term Care Germany, Acute Care Italy, Diagnostics and Cancer Care (limited to India following the sale of Medipass Europe); subsequently, a second-level impairment test was carried out with the KOS group as the sole CGU, in order to check the recoverability of the carrying amount of the business as a whole including, in addition to the first-level CGUs, this CGU includes the flows and carrying amounts associated with the corporate structures.

The recoverability of the amounts recognised was checked by comparing the net carrying amount attributed to the CGUs, including goodwill, with their value in use represented by the present value of their operating cash flows and the terminal values attributed to each of them (Unlevered Discounted Cash Flow).

The above operating cash flows were derived from projections included in the 2021-2025 plan approved by the Board of Directors on 2 February 2021, which does not contain development projects or acquisitions, except for those already under contract, and considers the effects of the Covid-19 pandemic on business volumes and future profitability.

The terminal value was calculated using the perpetuity growth model, applying 1% growth in Germany, 1.35% in Italy and 4% in India (based on the long-term inflation rates estimated for each country) to the operating cash flow for the final year of the long-term plan, as adjusted to project a stable situation "in perpetuity".

The discount rate (*WACC*) was calculated to be 5.5% in Italy, 4.3% in Germany and 8.9% in India, being the weighted average of the cost of borrowing (determined using the reference rates in each geographical segment plus the average spread for loans) and the cost of own capital.
The cost of own capital calculation took account of the impact of Covid-19 when determining the risk-free rates, by using averages calculated over more extended periods than in the past, in order to smooth the effect on the rate of the measures adopted by the European and US central banks to tackle the economic effects of the pandemic; the Beta and Leverage were, by contrast, determined with reference to a set of companies operating in the healthcare sector that knowledgeable leading financial analysts consider to be the peers of KOS.

Checks using the values in use calculated at both the first and second levels showed that the respective parameters clearly exceed the related carrying amounts for all CGUs. The group also performed a sensitivity analysis by considering the impact on recoverable amount of changes in key model parameters (increase in the discount rate (WACC) by up to +0.5% and reduction in the g growth rate by as much as -0.5% in the worst case). Even in these adverse scenarios, the second-level test calculations indicate that the carrying amount of the KOS CGU as a whole is readily recoverable (with coverage of € 529,061 thousand in the base case and € 171,372 thousand in the worst case), as also confirmed by the first-level tests of the Acute Care Italy CGUs (coverage of € 304 thousand in the base case and € 273 thousand in the worst case) and the Diagnostics and Cancer Care CGU (coverage of € 35,666 thousand in the base case and € 27,454 thousand in the worst case). For the other CGUs subject to first-level tests, their carrying amounts were found to be recoverable in the base case and at most of the sensitivities considered, with some cases of possible impairment in the worst case examined. In particular, the Long-Term Care Germany CGU was found to have base case coverage of € 103,971 thousand, and positive coverage in all sensitivity scenarios considered other than the worst case, under which the possible impairment amounts to € 4,246 thousand; the Long-Term Care Italy segment has positive coverage in all cases considered, both overall (€ 442,681 thousand in the base case and € 201,453 thousand in the worst case) and with reference to the Lombardy, Emilia Romagna, Tuscany, Marche and Trentino CGUs; the other CGUs (Piedmont, Veneto, Liguria, Lazio, Umbria, Campania) have positive coverage in the base case and in most of the sensitivity scenarios considered, while their recoverable amounts are lower than their carrying amounts in the worst case. These CGUs will be monitored closely during the next first-level impairment tests carried out by KOS.

Given the above results, the goodwill relating to the KOS group recognised in the consolidated financial statements of the CIR group has not been subject to any impairment losses. Note that, considering that the recoverable amount is determined on the basis of estimates, the group cannot guarantee that goodwill will not be impaired in future years. In fact, given the persistence of the market crisis, the various factors used in preparing the estimates might have to be reviewed.

7.b. Property, plant and equipment

The changes in "Property, plant and equipment" during the year are shown on the next page.

(in thousands of euro)	*Opening balance*			*Changes for the year*							*Closing balance*		
	Original cost	*Accumulated depreciation and impairment losses*	*Balance at 31.12.2019*	*Acquisitions*	*Business combinations and disposals*		*Exchange losses*	*Other changes*	*Net disposals*	*Depreciation and impairment losses*	*Original cost*	*Accumulated depreciation and impairment losses*	*Balance at 31.12.2020*
					increases	*decreases*			*cost*				
Land	44,511	(673)	43,838	896	--	--	(245)	(852)	(3,238)	(360)	40,483	(444)	40,039
Buildings used for operating purposes	304,030	(149,967)	154,063	2,836	8,750	--	(2,232)	4,682	(13,132)	(9,031)	299,263	(153,327)	145,936
Plant and machinery	763,854	(559,725)	204,129	10,120	--	(15,738)	(8,388)	30,527	(650)	(41,106)	706,034	(527,140)	178,894
Industrial and commercial equipment	332,970	(233,714)	99,256	12,442	184	(9,661)	(5,062)	32,573	(630)	(42,833)	325,537	(239,268)	86,269
Other assets	204,260	(139,152)	65,108	14,962	313	(3,305)	(585)	873	(206)	(11,996)	190,445	(125,281)	65,164
Assets under construction and payments on account	136,231	(1,437)	134,794	81,752	--	(2,103)	(3,153)	(73,438)	(12,885)	(922)	126,318	(2,273)	124,045
Total	**1,785,856**	**(1,084,668)**	**701,188**	**123,008**	**9,247**	**(30,807)**	**(19,665)**	**(5,635)**	**(30,741)**	**(106,248)**	**1,688,080**	**(1,047,733)**	**640,347**

Property, plant and equipment fell from € 701,188 thousand at 31 December 2019 to € 640,347 thousand at 31 December 2020.

It should be noted that the balances of "Industrial and commercial equipment" and "Assets under construction and payments on account" at 31 December 2020 include the investments made by the Sogefi group in tooling for € 45,524 thousand and € 49,291 thousand respectively.

DEPRECIATION RATES

Description	*%*
Buildings used for operating purposes	3%
Plant and machinery	10-25%
Other assets:	
- Electronic office equipment	20%
- Furniture and fittings	12%
- Motor vehicles	25%

7.c. Right-of-use assets

(in thousands of euro)	Opening balance			Changes for the year							Closing balance		
	Original cost	Accumulated depreciation and impairment losses	Balance at 31.12.2019	Increases	Business combinations and disposals increases	Business combinations and disposals decreases	Exchange losses	Other changes	Net disposals	Depreciation and impairment losses	Original cost	Accumulated depreciation and impairment losses	Balance at 31.12.2020
Land	1,923	--	1,923	--	--	--	--	--	--	--	1,923	--	1,923
Buildings used for operating purposes	906,063	(72,264)	833,799	69,152	--	(9,031)	(3,882)	3,746	(3,388)	(64,746)	946,741	(121,091)	825,650
Plant and machinery	49,014	(25,839)	23,175	41	--	(17,985)	(159)	(754)	--	(1,759)	15,586	(13,027)	2,559
Industrial and commercial equipment	1,767	(1,317)	450	227	--	(24)	--	1	--	(180)	1,453	(979)	474
Other assets	9,607	(2,966)	6,641	2,219	--	(113)	(152)	(26)	(25)	(3,162)	10,454	(5,072)	5,382
Assets under construction and payments on account	--	--	--	--	--	--	--	--	--	--	--	--	--
Total	**968,374**	**(102,386)**	**865,988**	**71,639**	**--**	**(27,153)**	**(4,193)**	**2,967**	**(3,413)**	**(69,847)**	**976,157**	**(140,169)**	**835,988**

The right-of-use assets amount to € 835,988 thousand at 31 December 2020 and refer to the KOS group for € 769,803 thousand, the Sogefi group for € 66,165 thousand and the Parent , CIR S.p.A., for € 20 thousand.

7.d. Investment property

	Opening balance			*Changes for the year*								*Closing balance*		
	Original cost	Accumulated depreciation and impairment losses	Net balance 31.12.2019	Acquisitions	Business combinations and disposals		Capitalised financial charges	Exchange gains	Other changes	Net disposals	Depreciation and impairment losses	Original cost	Depreciation and impairment losses	Balance at 31.12.2020
(in thousands of euro)					increases	decreases				cost				
Buildings	26,489	(10,008)	16,481	--	--	--	--	--	--	--	(711)	26,489	(10,719)	15,770
Total	**26,489**	**(10,008)**	**16,481**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(711)**	**26,489**	**(10,719)**	**15,770**

Investment property has gone from € 16,481 thousand at 31 December 2019 to € 15,770 thousand at 31 December 2020 due to depreciation for the year.
The market value is considerably higher than the carrying amount.

7.e. Equity-accounted investees

(in thousands of euro)

2020	*Balance 31.12.2019*	*Increases (Decreases)*	*Impairment losses*	*Dividends*	*Pro-rata share of result*		*Other changes*	*Balance 31.12.2020*
					Loss	*Profit*		
Devil Peak S.r.l.	--	--	--	--	--	--	--	--
Apokos Rehab PVT Ltd	851	--	--	--	(255)	--	--	596
Total	**851**	**--**	**--**	**--**	**(255)**	**--**	**--**	**596**

7.f. Other equity investments

(in thousands of euro)	*31.12.2020*	*31.12.2019*
GEDI Gruppo Editoriale S.p.A.	11,700	--
Other	1,872	1,863
Total	**13,572**	**1,863**

On 2 December 2019, CIR S.p.A. and EXOR N.V. signed an agreement for the sale of the 43.78% investment in the share capital of GEDI held by CIR. This transaction was completed on 23 April 2020, after which EXOR N.V. launched a public offer for the remainder of the share capital. On 13 July 2020, CIR reinvested in the company at the public offer price, acquiring 5% of GEDI for € 11,700 thousand.

The carrying amounts correspond to the cost, reduced where necessary for impairment, and are essentially considered to be equivalent to their fair value.

7.g. Other assets

"Other assets" at 31 December 2020 had a balance of € 45,284 thousand, compared with € 45,982 thousand at 31 December 2019, and were mainly made up of:

- € 6,257 thousand (€ 6,257 thousand at 31 December 2019) of unsecured and mortgage-backed financial assets held by CIR International S.A.;
- € 3,020 thousand relating to guarantee deposits;
- € 17,332 thousand due from the tax authorities to the Sogefi group, mainly relating to tax assets for research and development activities of the French subsidiaries.

7.h. Other financial assets

"Other financial assets" at 31 December 2020 amounted to € 64,146 thousand compared with € 67,866 thousand at 31 December 2019 and mainly referred to investments in private equity funds and non-controlling interests. The fair value measurement of these investments led to net losses in the income statement for € 2,106 thousand recognised under item 14.e "Fair value gains on financial assets".

At 31 December 2020, the residual commitment for investments in private equity funds stood at € 20.5 million.

7.i. Deferred tax assets and liabilities

The amounts relate to taxes resulting from deductible temporary differences and from benefits deriving from tax losses of prior years, which are deemed to be recoverable over a reasonable time horizon.

The breakdown of "Deferred tax assets and liabilities" by type of temporary difference is as follows:

(in thousands of euro)	*2020*		*2019*	
	Total temporary differences	*Tax effect*	*Total temporary differences*	*Tax effect*
Deductible temporary differences from:				
- impairment losses - current assets	20,072	4,947	21,013	5,332
- impairment losses - non-current assets	67,413	16,421	66,358	16,231
- reversals of impairment losses - current liabilities	41,681	10,738	30,555	8,743
- reversals of impairment losses - employee benefit obligations	66,846	15,188	69,617	15,223
- reversals of impairment losses - provisions for risks and charges	38,744	9,153	26,691	7,198
- reversals of impairment losses - long-term borrowings	--	--	--	--
- impairment losses - financial instruments	137	33	520	135
- tax losses from previous years	54,035	13,262	51,500	12,636
Total deferred tax assets	**288,928**	**69,742**	**266,254**	**65,498**
Taxable temporary differences from:				
- reversals of impairment losses - current assets	18,342	4,552	19,548	5,165
- reversals of impairment losses - non-current assets	194,271	48,644	164,881	40,927
- impairment losses - current liabilities	18,556	3,677	49,924	11,092
- measurement of employee benefit obligations	(1,500)	(360)	(1,758)	(466)
- impairment losses - provisions for risks and charges	619	186	448	134
- reversals of impairment losses - financial instruments	--	--	--	--
Total deferred tax liabilities	**230,288**	**56,699**	**233,043**	**56,852**
Net deferred taxes		**13,043**		**8,646**

Deferred tax assets have been recognised, at operational sub-group level, with reference to their recoverability based on the related business plans.

Prior-year losses not used in the calculation of deferred taxes relate to CIR International for approximately € 356.8 million, which can be carried forward without any limit, and to other group companies for € 95.2 million. No deferred tax assets were calculated for these losses because present conditions are such that there is no certainty that they can be recovered through future taxable income.

The changes in "Deferred tax assets and liabilities" during the year were as follows:

2020 *(in thousands of euro)*	*Balance at 31.12.2019*	*Use of deferred taxes from prior years*	*Income taxes deferred taxes generated in the year*	*Exchange differences and other changes*	*Change in the scope of consolidation*	*Balance at 31.12.2020*
Deferred tax assets:						
- income statement	43,613	(5,108)	9,969	1,099	--	49,573
- equity	21,885	(48)	1,118	(667)	(2,119)	20,169
Deferred tax liabilities:						
- income statement	(36,004)	7,231	(4,972)	(4,722)	--	(38,467)
- equity	(20,848)	56	--	2,238	322	(18,232)
Net deferred taxes	**8,646**	**2,131**	**6,115**	**(2,052)**	**(1,797)**	**13,043**

The "Change in the scope of consolidation" column essentially relates to the sale of the Medipass group in the Healthcare sector.

8. Current assets

8.a. Inventories

Inventories can be broken down as follows:

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Raw materials, supplies and consumables	58,038	58,624
Work in progress and semi-finished products	13,817	14,915
Finished products and goods	35,211	46,276
Payments on account	--	170
Total	**107,066**	**119,985**

The carrying amount of inventories is shown net of any write-downs made in past years or in the current year and takes into account the degree of obsolescence of finished products, goods and supplies. The provision for inventory write-downs at 31 December 2020 amounts to € 13,088 thousand (€ 12,277 thousand at 31 December 2019).

8.b. Trade receivables

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Customers	196,928	260,203
Subsidiaries	--	610
Total	**196,928**	**260,813**

"Customers" are interest-free and have an average maturity in line with market conditions.

Trade receivables are shown net of any impairment losses that take credit risk into account.

Loss allowances totalling € 12,894 thousand were recognised in 2020.

The closing balance for "Subsidiaries" in the prior year related to the amounts due to CIR S.p.A., a former subsidiary, now merged, by GEDI Gruppo Editoriale S.p.A. for strategic and management support.

8.c. Other assets

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Associates	133	105
Tax assets	31,585	36,421
Other	35,186	24,503
Total	**66,904**	**61,029**

The increase in "Other" mainly relates to the additional advances paid to suppliers by the KOS group, especially for the purchase of personal protective equipment not yet received at the reporting date, as well as to government reimbursements recognised by the German subsidiaries.

8.d. Loan assets

"Loan assets" fell from € 23,135 thousand at 31 December 2019 to € 10,940 thousand at 31 December 2020. This caption includes € 2,248 thousand (€ 6,803 thousand at 31 December 2019) representing the fair value of the cross currency swaps entered into by the Sogefi group in order to hedge the interest- and currency-rate risks associated with the private placement of the USD 115 million bond; € 3,952 thousand (€ 3,244 thousand at 31 December 2019) relating to financial instruments issued, the context of the Sogefi group, by leading Chinese banks as consideration for supplies made by the Chinese subsidiaries, and € 4,117 thousand (€ 9,175 thousand at 31 December 2019) due to the KOS group by factoring companies following the without-recourse sale of assets.

8.e. Securities

This item consists of the following categories of securities:

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Equity investments in other companies	4	32
Bonds	20,118	--
Investment funds and similar funds	28,870	24,956
Other securities	--	10,494
Total	**48,992**	**35,482**

At 31 December 2020, this caption totals € 48,992 thousand (€ 35,482 thousand at 31 December 2019) and includes bonds acquired during the year by CIR Investimenti S.p.A., units held in investment funds by CIR Investimenti S.p.A. amounting to € 14,923 thousand (€ 14,028 thousand at 31 December 2019) and by CIR S.p.A. totalling € 13,947 thousand (€ 10,928 thousand at 31 December 2019) and equities held by CIR S.p.A.

At 31 December 2019, “Other securities” related to a structured security held by CIR Investimenti S.p.A. that matured and was repaid during the year.
The fair value measurement of "Securities" led to a gain in the income statement of € 5,119 thousand.

8.f. Other financial assets

This item totals € 295,434 thousand (€ 264,278 thousand at 31 December 2019) and refers for € 58,220 thousand (€ 43,075 thousand at 31 December 2019) to investments in hedge funds and redeemable shares in asset management companies held by CIR International S.A. The degree of liquidity of the investment is a function of the time required for the redemption of the funds, which normally varies from one to three months.
The fair value measurement of these funds involved a gain in the income statement of € 13,105 thousand. During the year, gains for € 1,291 thousand (€ 1,541 thousand in 2019) were realised and recognised under item 14.c "Gains from trading securities".
This item also includes € 237,214 thousand (€ 221,203 thousand at 31 December 2019) for whole-life insurance and capitalisation policies arranged with leading insurance companies by CIR Investimenti S.p.A., with yields linked to separate managed insurance funds and, in some cases, to unit-linked funds. The net yield during the year came to € 2,215 thousand (€ 2,938 thousand in 2019). The fair value measurement of policies with yields deriving from unit-linked funds has resulted in a loss in the income statement of € 58 thousand.

8.g. Cash and cash equivalents - Bank loans and borrowings

"Cash and cash equivalents" went from € 309,336 thousand at 31 December 2019 to € 424,546 thousand at 31 December 2020.
"Bank loans and borrowings" went from € 8,455 thousand at 31 December 2019 to € 4,561 thousand at 31 December 2020.

A breakdown of the changes in these two items is given in the statement of cash flows.

8.h. Assets and liabilities held for sale

At 31 December 2020 this item referred to assets and liabilities of Sogefi Spain S.A.U. classified as “Assets held for sale”. The sale of the subsidiary took place in January 2021. For more information please read paragraph 1.a “Information on IFRS 5”.

At 31 December 2019 this item referred to assets and liabilities of the GEDI group. Following the agreement dated 2 December 2019 with which CIR and EXOR signed a contract for the purchase by EXOR of CIR's entire 43.78% investment in GEDI and given that the conditions envisaged by IFRS 5 "Non-current assets held for sale and discontinued operations" were met, the GEDI group has been represented as a Discontinued operation at 31 December 2019. The sale took place on 23 April 2020 for € 102,444 thousand.

9. Equity

9.a. Share capital

Share capital at 31 December 2020 amounted to € 638,603,657.00 and consisted of 1,277,207,314 shares with a nominal amount of € 0.50 each, compared with € 359,604,959.00 at 31 December 2019 consisting of 719,209,918 shares with nominal amount of € 0.50 each.

On 19 February 2020, once the absorption of CIR S.p.A. - Compagnie Industriali Riunite (merged Company) by CIR S.p.A. - Compagnie Industriali Riunite (formerly Cofide - Gruppo De Benedetti S.p.A. - Merging Company) had taken effect, all the shares of the merged company were cancelled and exchanged for ordinary shares of the merging company issued in execution of the increase in capital of € 278,998,698.00 (557,997,396 shares) on the basis of an exchange ratio of 2.01 ordinary shares of the merging company for each share of the merged company, all of nominal amount of € 0.50 each.

At 31 December 2020 the company held 26,957,393 treasury shares (2.111% of the share capital) for an amount of € 15,200 thousand, compared with 27,214,899 treasury shares (3.784% of the share capital) for an amount of € 15,345 thousand at 31 December 2019. The decrease is due to the exercise of the stock grant plans of 257,506 shares.

In application of IAS 32, treasury shares held by the parent are deducted from total equity.

The share capital is fully subscribed and paid up.

On 8 June 2020, the Ordinary Shareholders' Meeting resolved to revoke the resolution authorising the purchase of treasury shares adopted at the Ordinary Meeting held on 29 April 2019 and, consequently, the related authorisation to make use of those shares. The 2020 resolution applied to the extent that the old resolution had not already been used and from the day after the meeting until its natural expiry date.

The Company's controlling shareholder is Fratelli De Benedetti S.p.A. with registered office in via Valeggio 41, Turin.

9.b. Reserves

The breakdown of "Reserves" is as follows:

(in thousands of euro)	*Share Premium reserve*	*Legal reserve*	*Fair value reserve*	*Translation reserve*	*Reserve for treasury shares*	*Stock option and stock grant reserve*	*Other reserves*	*Total reserves*
Balance at 31 December 2018	**5,044**	**24,292**	**(988)**	**(19,227)**	**12,082**	**--**	**30,287**	**51,490**
Adjustments on FTA of IFRS 16, net of tax	--	--	--	--	--	--	385	385
Balance restated at 1 January 2019	**5,044**	**24,292**	**(988)**	**(19,227)**	**12,082**	**--**	**30,672**	**51,875**
Retained earnings	--	554	--	--	--	--	887	1,441
Dividends to shareholders	--	--	--	--	--	--	(10,034)	(10,034)
Fair value gains (losses) on treasury share transactions	--	--	--	--	1,525	--	(1,505)	20
Fair value measurement of cash flow hedges	--	--	235	--	--	--	--	235
Effects of changes in equity attributable to subsidiaries	--	--	53	(50)	--	--	2,616	2,619
Translation differences	--	--	--	(1,086)	--	--	--	(1,086)
Actuarial losses	--	--	--	--	--	--	(1,715)	(1,715)
Balance at 31 December 2019	**5,044**	**24,846**	**(700)**	**(20,363)**	**13,607**	**--**	**20,921**	**43,355**
Effects of the merger	--	--	(535)	(15,535)	--	--	75,333	59,263
Retained earnings	--	670	--	--	--	--	1,274	1,944
Fair value gains (losses) on treasury share transactions	--	--	--	--	(128)	--	145	17
Notional cost of stock grants credited	--	--	--	--	--	1,515	--	1,515
Reclassifications	--	--	--	--	--	(34)	487	453
Fair value measurement of cash flow hedges	--	--	(24)	--	--	--	--	(24)
Effects of changes in equity attributable to subsidiaries	--	--	1	42	--	--	(2,039)	(1,996)
Translation differences	--	--	--	(5,907)	--	--		(5,907)
Actuarial losses	--	--	--	--	--	--	(7,395)	(7,395)
Balance at 31 December 2020	**5,044**	**25,516**	**(1,258)**	**(41,763)**	**13,479**	**1,481**	**88,726**	**91,225**

The "Fair value reserve", net of tax, was negative for € 1,258 thousand and refers to the measurement of hedges (€ 1,191 thousand relating to the Sogefi group and € 67 thousand relating to the KOS group).

The "Translation reserve" had a negative balance of € 41,763 thousand at 31 December 2020 with the following breakdown:

(in thousands of euro)	*31.12.2019*	*Effects of the merger*	*Increases*	*Decreases*	*31.12.2020*
Sogefi group	(20,446)	(15,599)	--	(6,242)	(42,287)
KOS group	83	64	377	--	524
Total	**(20,363)**	**(15,535)**	**377**	**(6,242)**	**41,763**

The breakdown of "Other reserves" at 31 December 2020 was as follows

(in thousands of euro)

Merger surplus	55,396
Reserve as per art. 6 Leg. decree 38/2005	2,648
Other	30,682
Total	**88,726**

The changes in treasury shares during the year were as follows:

(in thousands of euro)	*Number of shares*	*Amount*
Balance at 31 December 2019	27,214,899	15,345
Increases / decreases	(257,506)	(145)
Balance at 31 December 2020	**26,957,393**	**15,200**

9.c. Retained earnings

The changes in Retained earnings are shown in the "Statement of Changes in Equity".

10. Non-current liabilities

10.a. Bonds

The breakdown of the item "Bonds" is as follows:

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Sogefi S.p.A. bond 2013/2023 in USD	26,670	43,722
Sogefi S.p.A. convertible bond 2% 2014/2021	--	93,739
Sogefi S.p.A. bond 2019/2025	67,173	74,610
KOS S.p.A. Private Placement 2017/2025. 2017/2024	64,000	63,625
KOS S.p.A. Private Placement 2017/2025. 2017/2025	35,000	34,975
Total	**192,843**	**310,671**

Note that the GEDI Gruppo Editoriale S.p.A. 2014/2021 Bond has been reclassified under item 11.a "Bonds" in current liabilities.

10.b. Other loans and borrowings

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Collateralised bank loans and borrowings	21,331	35,202
Other bank loans and borrowings	439,483	435,145
Other	3,043	2,330
Total	**463,857**	**472,677**

This item consists of loans to KOS group companies for € 205,979 thousand and loans to Sogefi group companies for € 257,858 thousand.
During the year, Sogefi S.p.A. entered into loans totalling € 80 million that are assisted by guarantees from SACE S.p.A. for up to 80% of their nominal amount.

10.c. Lease liabilities

The item, amounting to € 763,725 thousand (€ 786,980 at 31 December 2019), refers to lease liabilities relating to companies in the KOS group, which operate out of mainly leased properties, for € 711,697 thousand, to companies in the Sogefi group for € 52,016 thousand and to the parent CIR S.p.A. for € 12 thousand.

10.d. Employee benefit obligations

The details of this item are as follows:

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Post-employment benefits (TFR)	29,701	31,499
Pension funds and similar obligations	64,111	54,407
Total	**93,812**	**85,906**

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Opening balance	85,906	135,091
Accrual for labour provided during the year	11,338	12,571
Increases for interest	1,587	1,459
Actuarial gains or losses	13,936	4,957
Benefits paid	(6,771)	(6,936)
Increases or decreases due to changes in the consolidation scope	(987)	887
Assets held for sale	--	(54,814)
Other changes	(11,197)	(7,309)
Closing balance	**93,812**	**85,906**

The main assumptions used for the actuarial estimate of the "Employee benefit obligations" were the following:

Annual technical discount rate	0.27% - 1.30%
Annual inflation rate	0.80% - 3.00%
Annual rate of pay increases	0.50% - 5.00%
Annual rate of TFR increase	2.10%

The balance of "Assets held for sale" recognised in the previous year-end refers to the change in the consolidation method of the GEDI group in application of IFRS 5.

"Pension funds and similar obligations" mainly refer to what was accrued at the end of the year by the various foreign companies of the Sogefi group for the liabilities of their various pension funds.

The social security treatments existing in the geographical areas of greatest impact of the group are summarised below:

Great Britain
In Great Britain, pension plans are mainly private in nature and are entered into with management companies and administered independently of the company.
They are classified as defined benefit plans, subject to actuarial valuation and accounted for in accordance with IAS 19.
With regard to governance of the plan, the directors, made up of representatives of employees, former employees and the employer, must by law act in the interest of the fund and of all the main stakeholders and are responsible for the investment policies of the plan's assets.
As regards the nature of employee benefits, they have the right, on termination of employment, to receive an annual amount calculated by multiplying a portion of the salary received at retirement age for each year of service with the company up to the age of retirement.

France
In France, pensions are based on State plans and the company's liability is limited to payment of the statutory contributions.
In addition to this assistance guaranteed by the State, employees who retire are entitled to additional amounts defined by the collective agreement and determined on the basis of length of service and salary level, to be paid only if the employee reaches retirement age still with the company. These amounts are not paid if the employee leaves the company before reaching retirement age.
The additional benefits are recognised as a liability for the company and, in accordance with IAS 19, are considered defined benefit plans subject to actuarial valuation.

In addition to the retirement allowance, a "Jubilee benefit" (calculated in different ways in each of the French subsidiaries) is recognised based on a collective agreement on the occasion of employees reaching 20, 30, 35 and 40 years working for the company. Under IAS 19, the "Jubilee benefit" is considered in the residual category of "Other long-term benefits" and is subject to actuarial valuation; actuarial gains (losses) have to be recognised in the income statement for the year. This bonus, which generally accrues on certain anniversaries of working in the company, is not paid if the employee leaves the company before reaching these thresholds.

10.e. Provisions for risks and charges

The breakdown and changes in the non-current part of these provisions are as follows:

(in thousands of euro)	*Provision for pending disputes*	*Provision for restructuring charges*	*Provision for product warranties*	*Provision for other risks*	*Total*
Balance at 31 December 2019	2,597	2,238	4,678	19,274	28,787
Accruals for the year	--	19,220	1,505	5,270	25,995
Uses	(1,656)	(1,767)	(938)	(3,118)	(7,479)
Exchange gains (losses)	--	--	10	(1,413)	(1,403)
Change in the scope of consolidation	--	--	--	--	--
Other changes	(680)	(209)	(1,295)	(4,872)	(7,056)
Balance at 31 December 2020	**261**	**19,482**	**3,960**	**15,141**	**38,844**

The breakdown and changes in the current part of these provisions are as follows:

(in thousands of euro)	*Provision for pending disputes*	*Provision for restructuring charges*	*Provision for other risks*	*Total*
Balance at 31 December 2019	--	--	58,051	58,051
Accruals for the year	--	--	5,879	5,879
Uses	--	--	(14,059)	(14,059)
Exchange gains (losses)	--	--	--	--
Change in the scope of consolidation	--	--	(4,223)	(4,223)
Other changes	--	--	680	680
Balance at 31 December 2020	**--**	**--**	**46,328**	**46,328**

The "Provision for pending disputes" includes risks associated with litigation of a commercial nature and labour suits.

The “Provision for restructuring charges” includes amounts set aside for restructuring plans that have been publicly announced and communicated to the parties concerned and refers in particular to the production reorganisation projects involving Sogefi group companies.

The “Provision for product warranties” relates to the Sogefi group. The provision mainly relates to risks linked to disputes involving the European subsidiaries. Uses mainly refer to Sogefi U.S.A., Inc..

The “Provision for other risks” is mainly to cover disputes of miscellaneous nature of the various group companies.

In particular, the KOS group is a party to various civil proceedings involving medical and surgical practice, which could lead to compensation orders. The potential liabilities that could derive from pending disputes were assessed and a provision was made in the financial statements to cover the risk of losing these proceedings. Lawsuits and disputes can derive from complex and difficult problems, subject to a varying degree of uncertainty and characterised by differing levels of justice over a long period of time. This estimate is the result of an articulated process, which involves consultants essentially in the legal and medical field and subjective judgements by the management of the group company. Against the assessments made, there are provisions in the financial statements for disputes against third parties and employees for an amount equal to € 8,306 thousand, of which € 8,045 thousand classified in the current provision for other risks.

In this regard, it should be noted that the doctors operating at KOS group structures have insurance policies in place to partially cover the risks associated with claims for compensation made by patients or their relatives for damages suffered in the event of accidents during their stay at the structure due to the alleged malfunctions of the health services rendered by the structure and by the employees working at these structures.

We would also point out the inclusion of € 19,501 thousand of employee benefit obligations in the provisions for other risks, other than provision for restructuring charges.

11. Current liabilities

11.a. Bonds

This item, totalling € 119,747 thousand, includes € 98,193 thousand for the Sogefi S.p.A. 2014/2021 Bond, € 7,500 thousand for the current portion of the Sogefi S.p.A. Bond 2019/2025, € 13,388 thousand for the current portion of the Sogefi S.p.A. Bond 2013/2023 denominated in US dollars and € 666 thousand for the current portion of the private placements issued by KOS S.p.A.

11.b. Other loans and borrowings

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Collateralised bank loans and borrowings	13,638	8,762
Other bank loans and borrowings	45,337	53,898
Other loans and borrowings	1,898	6,286
Total	**60,873**	**68,946**

This item refers to loans to Sogefi group companies for € 29,743 thousand and loans to KOS group companies for € 31,130 thousand.

11.c. Lease liabilities

This caption, € 71,126 thousand (€ 72,065 thousand at 31 December 2019), comprises the lease liabilities of companies within the KOS group, € 53,147 thousand, and the Sogefi group, € 17,971 thousand, as well as those of CIR S.p.A., € 8 thousand.

11.d. Trade payables

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Suppliers	306,936	357,690
Payments on account	34,282	38,701
Total	**341,218**	**396,391**

“Suppliers” refers for € 225,638 thousand to the Sogefi group and for € 80,724 thousand to the KOS group.

"Payments on account" mainly includes the liabilities recognised by the Sogefi group on FTA of IFRS 15. These liabilities represent the amounts received from customers for the sale of tooling and prototypes that will be recognised in the income statement over the life of the product.

11.e. Other liabilities

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Due to employees	56,623	61,421
Tax liabilities	26,764	29,337
Social security payables	26,778	29,883
Other	51,631	52,402
Total	**161,796**	**173,043**

"Other" includes € 18,812 thousand (€ 19,051 thousand at 31 December 2019) for credit notes to be issued to Aftermarket customers of the Sogefi group for rebates and discounts due on reaching established levels of turnover. In prior years, these amounts were classified as a reduction of trade receivables. They have now been classified in this caption following further analysis of the related contractual clauses. The 2019 amounts have been reclassified for comparative purposes.

NOTES TO THE INCOME STATEMENT

12. Revenue

- BREAKDOWN BY BUSINESS SEGMENT

(in millions of euro)	*2020*		*2019*		*Change*
	amount	*%*	*amount*	*%*	*%*
Automotive components	1,203.2	65.6	1,463.8	73.1	(17.8)
Healthcare	631.6	34.4	537.8	26.9	17.4
Total consolidated revenue	**1,834.8**	**100.0**	**2,001.6**	**100.0**	**(8.3)**

- BREAKDOWN BY GEOGRAPHICAL SEGMENT

(in millions of euro)

2020	*Total revenue*	*Italy*	*Other European countries*	*North America*	*South America*	*Asia*	*Other countries*
Automotive components	1,203.2	55.7	679.0	256.2	60.9	142.5	8.9
Healthcare	631.6	442.9	172.9	--	--	15.8	--
Total consolidated revenue	**1,834.8**	**498.6**	**851.9**	**256.2**	**60.9**	**158.3**	**8.9**
Percentages	100.0%	27.2%	46.4%	14.0%	3.3%	8.6%	0.5%

(in millions of euro)

2019	*Total revenue*	*Italy*	*Other European countries*	*North America*	*South America*	*Asia*	*Other countries*
Automotive components	1,463.8	72.9	820.6	300.3	109.5	152.2	8.3
Healthcare	537.8	490.0	27.1	--	--	20.7	--
Total consolidated revenue	**2,001.6**	**562.9**	**847.7**	**300.3**	**109.5**	**172.9**	**8.3**
Percentages	100.0%	28.1%	42.4%	15.0%	5.5%	8.6%	0.4%

The types of products marketed and services performed by the group and the nature of its business segment mean that revenue flows are reasonably linear throughout the year and are not subject to any particular cyclical phenomena on a like-for-like basis.

13. Operating expense and income

13.a. Cost for the purchase of goods

This item went from € 858,547 thousand in 2019 to € 711,602 thousand in 2020. The decrease is mainly attributable to the Sogefi group, reflecting the decline in activity caused by the Covid-19 pandemic.

13.b. Cost for services

This item went from € 291,115 thousand at 31 December 2019 to € 273,049 thousand at 31 December 2020, as can be seen from the following breakdown:

(in thousands of euro)	*2020*	*2019*
Services from subsidiaries	--	228
Technical and professional consulting	82,180	93,701
Distribution and transport costs	14,598	15,866
Outsourcing	20,067	20,716
Other	156,204	160,604
Total	**273,049**	**291,115**

In 2019 "Services from subsidiaries" related to the lease contract with A. Manzoni & C. S.p.A., a company of the GEDI group, by the merged subsidiary CIR S.p.A. for the rent of the secondary branch offices in via Nervesa 2019, Milan. The contract expired on 5 October 2019 and has not been renewed.

The reduction is principally attributable to the Sogefi group and reflects the cost containment efforts made, with a view to mitigating the adverse effects of the decline in activity caused by the Covid-19 pandemic.

13.c. Personnel expense

Personnel expense totalled € 563,862 thousand in 2020 (€ 532,373 thousand in 2019).

(in thousands of euro)	*2020*	*2019*
Salaries and wages	409,892	375,141
Social security contributions	114,811	113,193
Post-employment benefits	11,109	10,560
Pensions and similar benefits	229	1,650
Measurement of stock option plans and stock grant	2,031	2,297
Other expense	25,790	29,532
Total	**563,862**	**532,373**

The group had an average of 18,273 employees in 2020 (16,914 in 2019).

The net rise in “Personnel expense” comprises an increase of about € 92 million incurred by the KOS group, due to the acquisitions made in 2019 and 2020 and the recourse made to temporary personnel - especially by the German subsidiaries - in order to manage the healthcare emergency, which was only partially offset by the government reimbursements classified as “Other operating income", and a decrease of about € 60 million achieved by the Sogefi group due, in the main, to the recourse made to social buffers, holiday entitlements and a reduction in the average number of employees in order to mitigate the adverse effects of the decline in business activity.

13.d. Other operating income

This item can be broken down as follows:

(in thousands of euro)	*2020*	*2019*
Services to subsidiaries	90	500
Grants related to income	197	56
Gains on asset disposals	12,966	6,978
Other income	32,198	19,029
Total	**45,451**	**26,563**

Revenue from services provided to subsidiaries are the charge-back of fees for strategic and management support and specific administrative, financial and tax assistance provided to GEDI Gruppo Editoriale S.p.A.

The increase in "Gains on asset disposals" and "Other income" is essentially attributable to the KOS group.

13.e. Other operating expense

This item can be broken down as follows:

(in thousands of euro)	*2020*	*2019*
Impairment and credit losses	13,821	6,344
Accruals to provisions for risks and charges	2,531	7,859
Indirect taxes	36,998	32,545
Restructuring charges	19,288	--
Losses on asset disposals	3,947	7,009
Other expenses	19,368	16,481
Total	**95,953**	**70,238**

The increase in the item is essentially attributable to the Sogefi group for restructuring charges and to the KOS group for the effects of the acquisition made in 2019 and 2020.

14. Financial income and expense

14.a. Financial income

This item includes the following:

(in thousands of euro)	*2020*	*2019*
Interest income on bank accounts	703	522
Interest income on securities	708	700
Other interest income	2,836	3,623
Interest rate derivatives	1,554	2,187
Exchange gains	14	30
Total	**5,815**	**7,062**

14.b. Financial expense

This item includes the following:

(in thousands of euro)	*2020*	*2019*
Interest expense on bank accounts	17,547	13,552
Interest expense on bonds	12,175	11,476
Interest on lease liabilities	19,748	12,119
Other interest expense	2,673	4,366
Interest rate derivatives	1,656	436
Exchange losses	6,132	765
Other financial expense	5,142	5,999
Total	**65,073**	**48,713**

14.c. Gains from trading securities

The breakdown of "Gains from trading securities " is as follows:

(in thousands of euro)	*2020*	*2019*
Equities of other companies	1	--
Other securities and other gains	1,311	2,326
Total	**1,312**	**2,326**

14.d. Losses from trading securities

The breakdown of "Losses from trading securities " is the following:

(in thousands of euro)	*2020*	*2019*
Equities of other companies	--	--
Other securities and other losses	368	2,949
Total	**368**	**2,949**

14.f. Fair value gains on financial assets

This item amounts to € 20,144 thousand and refers for € 18,166 thousand to the fair value gain on "Securities" and "Other financial assets" classified as current assets, and for € 1,978 thousand to the fair value gain on "Other financial assets", "Other investments" and "Other assets" classified as non-current assets.

15. Income tax

Income tax can be broken down as follows:

(in thousands of euro)	*2020*	*2019*
Current taxes	16,389	25,164
Deferred taxes	(7,120)	(3,123)
Total	**9,269**	**22,041**

The following table shows a reconciliation of the ordinary tax rate and the effective tax rate for 2020:

(in thousands of euro)	*2020*
Loss before taxes of continuing operations shown in the financial statements	(30,365)
Theoretical income tax	(7,288)
Tax effect of non-deductible costs	6,532
Tax effect of prior year losses which generate deferred tax assets in the current year	928
Tax effect of prior year losses which did not generate deferred tax assets	(2,018)
Tax effect on interest rate differentials of foreign companies	172
Non-taxable grants	--
Other	9,472
Income tax	7,798
Average effective tax rate	-25.68%
Theoretical tax rate	24.0
IRAP e other taxes	1,471
Income tax from prior years	--
Total income tax as per financial statements	9,269

16. Profit (loss) from discontinued operations

This caption with a net balance of € 61,067 thousand comprises the profit of € 71,440 thousand recognised by the KOS group and of € 5,106 thousand recognised by CIR S.p.A., and the loss of € 15,479 thousand recognised by the Sogefi group.

In the context of the KOS group, the profit of € 71,440 thousand comprises the gain of € 67,257 thousand realised on the sale of the Medipass group and the profit of € 6,938 thousand earned by the Medipass group during the year, prior to the disposal date, as well as disposal costs of € 2,755 thousand relating to this transaction. For more details read paragraph 1.a "Information on IFRS 5".

In the context of the Sogefi group, the loss of € 15,479 thousand comprises € 13,174 thousand on the disposal, in December 2020, of Sogefi Filtration do Brasil Ltda and € 2,305 thousand on the disposal, in January 2021, of Sogefi Filtration Spain S.A.U.. For more details read paragraph 1.a "Information on IFRS 5".

With regard to CIR S.p.A., this caption includes € 5.1 million from the contractual earn-out linked to the sale of the Sorgenia group in 2015.

At 31 December 2019, this item, which showed a loss of € 298,404 thousand, referred for € 128,985 thousand to the loss made during the year by the GEDI group and for € 167,945 thousand to the impairment loss recognised after CIR and Exor signed the agreement to sell the investment in GEDI Gruppo Editoriale S.p.A. to adjust the carrying amount to fair value in accordance with IFRS 5, increased by € 1,803 thousand for costs to sell.

In addition, the balance at 31 December 2019 included, with regard to the Sogefi group, the profit of € 4,017 thousand recognised on disposal of the Fraize plant operated in France by Sogefi Air & Cooling S.A.S. and dedicated to a non-core business, and reclassification of the net loss of € 11,920 thousand recognised in 2020 on the application of IFRS 5 to the 2019 results of Sogefi Filtration do Brasil Ltda and Sogefi Filtration Spain S.A.U.

In the context of the KOS group, this caption also includes a profit of € 9,249 thousand recognised in 2020 on the application of IFRS 5 to the 2019 results of the Medipass group, net of the related disposal costs incurred during the year of € 1,017 thousand.

17. Basic and diluted earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing the net profit for the year, the loss from continuing operations and the profit from discontinued operations attributable to the owners of the parent by the weighted average number of shares in circulation during the year. Diluted earnings (loss) per share are calculated by dividing the net profit for the year, the loss from continuing operations and the profit from discontinued operations attributable to the owners of the parent by the weighted average number of ordinary shares in circulation during the year, adjusted for the dilutive effects of outstanding options. Treasury shares are not included in the calculation. The company has no outstanding options, therefore the diluted earnings per share correspond to the basic earnings per share.

The following chart provides information on the shares used to calculate basic and diluted earnings per share:

Basic earnings per share		
	2020	*2019*
Profit (loss) for the year attributable to the owners of the parent (in euro)	16,313	(69,807)
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Basic earnings (loss) per share (euro)	**0.0139**	**(0.1008)**

	2020	*2019*
Comprehensive income (expense) attributable to the owners of the parent (in euro)	2,987	(72,373)
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Basic earnings (loss) per share (euro)	**0.0025**	**(0.1045)**

	2020	*2019*
Profit (loss) from continuing operations attributable to the owners of the parent (in euro)	(39,634)	31,656
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Basic earnings (loss) per share (euro)	**(0.0338)**	**0.0457**

	2020	*2019*
Profit (loss) from discontinued operations attributable to the owners of the parent (in euro)	61,067	(298,404)
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Basic earnings (loss) per share (euro)	**0.0520**	**(0.4310)**

Diluted earnings per share

	2020	*2019*
Profit (loss) for the year attributable to the owners of the parent (in euro)	16,313	(69,807)
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Weighted average number of options	5,845,150	--
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,179,678,702	692,326,476
Diluted earnings (loss) per share (in euro)	**0.0138**	**(0.1008)**

	2020	*2019*
Comprehensive income attributable to the owners of the parent (in euro)	2,987	(72,373)
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Weighted average number of options	5,845,150	--
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,179,678,702	692,326,476
Diluted earnings (loss) per share (in euro)	**0.0025**	**(0.1045)**

	2020	*2019*
Profit (loss) from continuing operations attributable to the owners of the parent (in euro)	(39,634)	31,656
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Weighted average number of options	5,845,150	--
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,179,678,702	692,326,476

Diluted earnings (loss) per share (in euro)	**(0.0338)**	**0.0457**

	2020	*2019*
Profit (loss) from discontinued operations attributable to the owners of the parent (in euro)	61,067	(298,404)
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Weighted average number of options	5,845,150	--
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,179,678,702	692,326,476
Diluted earnings (loss) per share (in euro)	**0.0518**	**(0.4310)**

18. Dividends paid

No dividends were paid during the year.

19. Financial risk management: additional disclosures

The group operates in various industry and service sectors, both nationally and internationally, so its business is exposed to various kinds of financial risk, including market risk (currency risk and price risk), credit risk, liquidity risk and interest rate risk.
The group uses hedging derivatives to minimise certain types of risks.
Risk management is carried out by the central finance and treasury function on the basis of policies approved by top management and communicated to the subsidiaries on 25 July 2003.

19.a. Market risk

Currency risk

As the group operates internationally, Sogefi in particular, it is exposed to the risk that fluctuations in exchange rates could affect the fair value of some of its assets and liabilities. The Sogefi group produces and sells mainly in the Eurozone, but it is subject to currency risk, especially versus the GB pound, Brazilian real, US dollar, Argentine peso, Chinese renminbi and Canadian dollar.
Regarding the translation risk regarding the financial statements of international subsidiaries, the operating companies generally have a high degree of convergence between the currencies of their sourcing costs and their sales revenue, are active both in their own domestic markets and abroad and, if necessary, can arrange funding locally.

The following chart shows the results of the sensitivity analysis for currency risk:

Sensitivity Analysis EUR/USD exchange rate	*31.12.2020*		*31.12.2019*	
Shift in the EUR/USD exchange rate	-5%	+5%	-5%	+5%
Change - income statement (EUR/thousands)	2,203	(1,997)	1,195	(1,089)
Change - equity (EUR/thousands)	2,203	(1,997)	1,195	(1,089)

19.b. Credit risk

Credit risk can be assessed both in commercial terms by customer type, contractual terms and sales concentration, and in financial terms by type of counterparty used in financial transactions. There is no significant concentration of credit risk within the group.
Some time ago adequate policies were put in place to ensure that sales are made to customers of an appropriate credit history. The counterparties for derivative products and cash transactions are exclusively financial institutions with a high credit rating. The group has policies that limit credit exposure to individual financial institutions.
Credit risk can vary depending on the business segment concerned.
In the "Automotive Components" segment there is no excessive concentration of credit risk since the Original Equipment and After-market distribution channels with which it operates are car manufacturers or large purchasing groups without any particular concentration of risk.
The "Healthcare" segment has different concentrations of credit depending on the nature of the activities carried out by the operating companies, as well as by their different target customers, mitigated, however, by the fact that the credit exposure is spread over a large number of counterparties and customers. For example, the concentration of credit is lower than in the case of management of residential care homes, whose revenue derive more than 50% from the number of guests in the facility and whose assets from public entities recognised in the financial statements (mainly local health authorities and municipalities) are due from a plurality of subjects. The concentration of credit is greater than in the case of hospital management (or of diagnostic imaging departments in hospitals) due to the fact that almost all of the revenue derives from a single subject.
The monitoring of credit risk versus customers includes grouping receivables together by type, age, whether the company is in financial difficulty or is involved in disputes and the existence of legal or insolvency proceedings.

19.c. Liquidity risk

Prudent management of liquidity risk implies maintaining sufficient liquidity and negotiable securities and ensuring an adequate supply of credit facilities to ensure adequate funding.
The group systematically meets its due dates, and such conduct enables it to operate on the market with the necessary flexibility and reliability to maintain a correct balance between funding and deployment of its financial resources.
The companies heading up the three main business segments manage their own liquidity risk directly and independently. Tight control is exercised over the net financial position and its outlook in the short, medium and long term. In general, the group follows an extremely prudent financial policy using mainly medium/long-term funding arrangements. Treasury management is centralised for the operating groups.

19.d. Interest rate risk (fair value and cash flow)

Interest rate risk depends on fluctuations in market rates, which can cause changes in the fair value of cash flows of financial assets or liabilities.
Interest rate risk mainly concerns long-term bonds issued at a fixed rate, which exposes the group to the risk of fluctuations in their fair value as interest rates change.
In line with the group's risk management policies, the parent and the subsidiaries have entered into various IRS contracts with leading financial institutions over the years in order to hedge interest rate risk on their bond issues and loans and borrowings.

Sensitivity analysis

A one percent parallel shift in the 3-month Euribor curve on the group's floating rate assets and liabilities would have the following effects:

(in thousands of euro)	*31.12.2020*		*31.12.2019*	
Change	-1%	+1%	-1%	+1%
Change - income statement	402	(1,901)	401	(2,120)
Change - equity	(1,961)	665	401	(2,120)

Note that for the KOS group, given that interest rates in 2020 and 2019 reached low levels tending to zero, it was decided only to evaluate the effect of a +1% change in interest rates on the income statement and statement of financial position.

19.e. Derivatives

Derivatives are measured at fair value.

For accounting purposes hedging transactions can be classified as:

- fair value hedges, if they are subject to price changes in the market value of the underlying asset or liability;
- cash flow hedges, if they are entered into against the risk of changes in cash flows from an existing asset and liability, or from a future transaction;
- hedges of net investments in foreign operations, if they are entered into to protect against currency risk from the translation of subsidiaries' equity denominated in a currency other than the group's functional currency.

For derivatives classified as fair value hedges, gains and losses resulting from both the determination of their market value and the fair value gains or losses of the element underlying the hedge are recognised in the income statement.
For instruments classified as cash flow hedges (interest rate swaps), gains and losses from marking them to market are recognised directly in equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised to the income statement.

For instruments classified as hedges of a net investment in a foreign operation, gains and losses from marking them to market are recognised directly in equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised in the income statement.
On initial recognition under hedge accounting, derivatives are accompanied by an effective hedging relationship which designates the individual derivative as a hedge and specifies its effectiveness parameters in relation to the financial instrument being hedged.
Hedge effectiveness is tested at regular intervals, with the effective part of the relationship being recognised in equity and the ineffective part, if any, in the income statement.
More specifically, the hedge is considered effective when fair value gains or losses or changes in the cash flows of the instrument being hedged is "almost entirely" offset by the fair value gains or losses or changes in the cash flow hedges, and when the results achieved are in a range of 80%-125%.

At 31 December 2020, the group had the following derivatives accounted for as hedges, expressed at their notional amount:

a) interest rate hedge:

- hedging of Sogefi group's bank borrowings, with a notional amount of € 80 million.
- hedging of KOS group's bank borrowings, with a notional amount of € 56 million.

b) exchange rate hedge:

- forward sales totalling USD 68.3 million to hedge investments of CIR International S.A. in hedge funds, expiring in March 2021;

The following hedging transactions have been carried out by the Sogefi group:

- forward purchase of USD 0.15 million and sale of BRL expiring in 2021;
- forward sales of USD 0.65 million and purchases of BRL expiring in 2021;
- forward purchase of USD 0.5 million and sale of ARS expiring in 2021;
- arrangement of cross currency swaps expiring in 2023 to hedge the private placement of bonds with a notional amount of USD 49.3 million.

19.f. Capital ratios

Management modulates the use of leverage to guarantee solidity and flexibility in the capital structure measuring the ratio of funding sources to investment activities.

19.g. Borrowing conditions

Some of the group's borrowing agreements contain special clauses which, in the event of failure to comply with certain economic and financial *covenants* , give the financing banks an option to claim immediate repayment if the company involved does not immediately remedy the infringement of such covenants as required under the terms and conditions of the agreements.
At 31 December 2020, all contractual clauses relating to medium and long term financial liabilities were fully complied with by the group.

Below is a summary of the main covenants relating to the borrowings of the operating sub-holding companies at the end of the year.

- <u>Sogefi group</u>

The covenants relating to debt at 31 December 2020 are described below:

- loan of € 25,000 thousand - Mediobanca S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;
- loan of € 50,000 thousand - Unicredit S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;
- loan of € 80,000 thousand - Banca Nazionale del Lavoro S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;
- loan of € 55,000 thousand - Ing Bank N.V.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;
- loan of € 50,000 thousand - Intesa Sanpaolo S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;

- loan of € 25,000 thousand - Banco do Brasil S.A.; ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;
- bond of USD 115,000 thousand: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 3.5; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 4;
- bond of € 75,000 thousand: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;
- loan of € 80,000 thousand with SACE guarantee; ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3.

At 31 December 2020, these covenants were all complied with.

- KOS group

The KOS group has undertaken to comply with the following covenants relating to some of its loans:

- loans obtained by the parent KOS: ratio of consolidated net financial position to gross operating profit (loss) less than or equal to 3.5, ratio of gross operating profit (loss) to financial expense greater than or equal to 3 and a loan to value ratio less than 60%;
- loans obtained by KOS Care: ratio of consolidated net financial position to EBITDA less than or equal to 3.5;
- loan obtained by KOS Care: ratio of consolidated net financial position to EBITDA less than or equal to 4;
- loan obtained by Sanatrix Gestione S.r.l.: ratio of consolidated net financial position to EBITDA less than or equal to 4;

Note that for the purpose of calculating the covenants, the consolidated net financial position and gross operating profit (loss) do not take the impacts of IFRS 16 into consideration.

At 31 December 2020, these covenants were all complied with.

19.h. Measurement of financial assets and liabilities and fair value hierarchy

The fair value of financial assets and liabilities is calculated as follows:

- the fair value of financial assets and liabilities with standard terms and conditions listed on an active market is measured on the basis of prices published on the active market;
- the fair value of other financial assets and liabilities (except for derivatives) is measured using commonly accepted valuation techniques based on analytical models using discounted cash flows, which as variables use prices observable in recent market transactions and broker listed prices for similar instruments;
- the fair value of derivatives that are listed on an active market is measured on the basis of market prices; if no prices are published, different approaches are used according to the type of instrument.

In particular, for the measurement of certain investments in bond instruments with no regular market, i.e. where there is an insufficient number of frequent transactions with a sufficiently limited bid-ask spread and volatility, the fair value of these instruments is measured principally on the basis of prices supplied by leading international brokers at the parent's request. These prices are then validated by comparing them with market prices, even if limited in number, or with prices that are observable for other instruments with similar characteristics.
In measuring investments in private equity funds, fair value is determined on the basis of the NAV communicated by the fund administrators at the reporting date. Where such information is not available at the reporting date, the last official communication is used, though it must not be more than three months old at the reporting date and, if necessary, validated against more recent information made available to investors by the fund administrators.
With reference to capitalisation policies, these instruments cannot be classified as fair value level 1. This is because they are not listed and the price cannot be obtained from public info providers. It should also be considered that, given the impossibility for the investor/insured party to sell these instruments to third parties (they are linked to the life-span of the insured person), there are not even transactions that can identify the instrument as "liquid".

The fair value is instead configured as level 2 because, even though they are not listed instruments, the method for determining their value is the same for all policyholders who invest in the same fund, based on information provided by the counterparty or available on the websites of insurance counterparties.

The following table gives a breakdown of financial assets and liabilities measured at fair value with an indication of whether the fair value is determined, in whole or in part, directly by reference to price quotations published in an active market ("Level 1") or estimated using prices derived from market quotations for similar assets or using valuation techniques for which all significant factors are derived from observable market data ("Level 2") or from valuation techniques based mainly on input not observable on the market, which therefore involve estimates and assumptions being made by management ("Level 3").

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE FINANCIAL STATEMENTS

Category of financial assets and liabilities at 31 December 2020	Classification	Carrying amount	*Fair value Level 1*	*Fair value Level 2*	*Fair value Level 3*
NON-CURRENT ASSETS					
OTHER FINANCIAL ASSETS	FVTPL	64,146	--	63,755	391
CURRENT ASSETS					
SECURITIES	FVTPL	48,992	35,041	13,951	--
OTHER FINANCIAL ASSETS	FVTPL	295,434	--	295,434	--

During the year, there were no transfers between the various levels of the fair value hierarchy.

In detail, financial assets classified as level 3 refer for € 37 thousand to venture capital investments held by CIR International S.A., for investments in companies operating in the IT and communications sector and for € 354 thousand to the investment made by CIR S.p.A. in October S.A..

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE FINANCIAL STATEMENTS

Category of financial assets and liabilities at 31 December 2020	Classification	Carrying amount
NON-CURRENT ASSETS		
OTHER EQUITY INVESTMENTS	FVTOCI	13,572
OTHER ASSETS	Amortised cost	45,284
OTHER FINANCIAL ASSETS	FVTPL	64,173
CURRENT ASSETS		
TRADE RECEIVABLES	Amortised cost, expected loss for counterparty risk	196,928
OTHER ASSETS	Amortised cost, expected loss for counterparty risk	66,904
LOAN ASSETS	Amortised cost, expected loss for counterparty risk	10,940
SECURITIES	FVTPL	48,992
OTHER FINANCIAL ASSETS	FVTPL	295,434
CASH AND CASH EQUIVALENTS	Amortised cost, expected loss for counterparty risk	424,546
NON-CURRENT LIABILITIES		
BONDS	Amortised cost	192,843
OTHER LOANS AND BORROWINGS	Amortised cost	463,857
LEASE LIABILITIES	Amortised cost	763,725
CURRENT LIABILITIES		
BANK LOANS AND BORROWINGS	Amortised cost	4,561
BONDS	Amortised cost	119,747
OTHER LOANS AND BORROWINGS	Amortised cost	60,873
LEASE LIABILITIES	Amortised cost	71,126
TRADE PAYABLES	Amortised cost	341,218

CREDIT RISK

(in thousands of euro)

Balance at 31 December 2020	*Items financial statements*	*Total*	*Not yet due*	*Expired by >*	*0 - 30 days*	*30 - 60 days*	*60 - 90 days*	*over 90 days*	*Expired /renegotiated*	*Impairment losses*
Other assets (non-current assets) (*)	7.g.	27,833	21,576	6,257	--	--	--	6,257	--	
Gross asset		36,794	21,576	15,218	--	--	--	15,218	--	
Loss allowance		(8,961)	--	(8,961)	--	--	--	(8,961)	--	--
Trade receivables	8.b.	196,928	156,803	40,125	18,943	4,968	3,495	12,719	--	
Gross asset		237,096	158,846	78,250	19,439	5,596	3,925	49,290	--	
Loss allowance		(40,168)	(2,043)	(38,125)	(496)	(628)	(430)	(36,571)	--	(12,894)
Other assets (current assets) (**)	8.c.	35,319	35,319	--	--	--	--	--	--	
Gross asset		36,169	35,319	850	--	--	--	850	--	
Loss allowance		(850)	--	(850)	--	--	--	(850)	--	--
Total		**260,080**	**213,698**	**46,382**	**18,943**	**4,968**	**3,495**	**18,976**	**--**	**(12,894)**

(*) 17,451 thousand of tax assets not included
(**) 31,585 thousand of tax assets not included

Balance at 31 December 2019	*Items financial statements*	*Total*	*Not yet due*	*Expired by >*	*0 - 30 days*	*30 - 60 days*	*60 - 90 days*	*over 90 days*	*Expired /renegotiated*	*Impairment losses*
Other assets (non-current assets) (*)	7.g.	24,861	18,604	6,257	--	--	--	6,257	--	
Gross asset		34,108	18,890	15,218	--	--	--	15,218	--	
Loss allowance		(9,247)	(286)	(8,961)	--	--	--	(8,961)	--	(2,090)
Trade receivables	8.b.	260,813	190,164	70,649	24,718	9,000	3,173	33,758	--	
Gross asset		293,642	191,671	101,971	25,288	9,338	3,531	63,814	--	
Loss allowance		(32,829)	(1,507)	(31,322)	(570)	(338)	(358)	(30,056)	--	(4,558)
Other assets (current assets) (**)	8.c.	24,608	24,608	--	--	--	--	--	--	
Gross asset		25,458	24,608	850	--	--	--	850	--	
Loss allowance		(850)	--	(850)	--	--	--	(850)	--	--
Total		**310,282**	**233,376**	**76,906**	**24,718**	**9,000**	**3,173**	**40,015**	**--**	**(6,648)**

(*) 21,121 thousand of tax assets not included
(**) 36,421 thousand of tax assets not included

LOSS ALLOWANCE

Balance at 31 December 2020	*Opening balance*	*Impairment losses*	*Uses*	*Exchange differences +/-*	*Assets held for sale*	*Business combinations +/-*	*Other changes*	*Closing balance*
Loss allowance	(42,926)	(12,894)	3,661	(246)	--	2,426	--	(49,979)

(in thousands of euro)

Balance at 31 December 2019	*Opening balance*	*Impairment losses*	*Uses*	*Exchange differences +/-*	*Assets held for sale*	*Business combinations +/-*	*Other changes*	*Closing balance*
Loss allowance	(65,677)	(6,648)	9,438	7	21,107	(1,153)	--	(42,926)

The balance of the "Assets held for sale" column refers to the change in the consolidation method of the GEDI group in application of IFRS 5.

LIQUIDITY RISK - 2020

(in thousands of euro)	*<1 year*	*>1 <2 years*	*>2 <3 years*	*>3 <4 years*	*>4 <5 years*	*>5 years*	*Total*
Non-derivative financial liabilities							
Bonds	122,322	24,076	24,076	74,237	80,592	--	325,303
Other loans and borrowings:							
- Bank loans and borrowings	70,168	132,098	138,183	125,651	27,808	84,409	578,317
- Loans and borrowings from other financial backers	3,038	553	537	519	323	357	5,327
Bank loans and borrowings	4,597	--	--	--	--	--	4,597
Trade payables	341,218	--	--	--	--	--	341,218
Derivative financial liabilities							
Hedging derivatives	568	277	277	278	278	278	1,956
Non-hedging derivatives	--	--	--	--	--	--	--
TOTAL	**541,911**	**157,004**	**163,073**	**200,685**	**109,001**	**85,044**	**1,256,718**

LIQUIDITY RISK - 2019

(in thousands of euro)	*<1 year*	*>1 <2 years*	*>2 <3 years*	*>3 <4 years*	*>4 <5 years*	*>5 years*	*Total*
Non-derivative financial liabilities							
Bonds	42,860	119,054	25,315	25,315	74,237	80,529	367,310
Other loans and borrowings:							
- Bank loans and borrowings	104,783	84,845	200,096	117,946	67,443	20,732	595,845
- Loans and borrowings from other financial backers	1,223	239	477	483	482	681	3,585
Bank loans and borrowings	8,624	--	--	--	--	--	8,624
Trade payables	396,391	--	--	--	--	--	396,391
Derivative financial liabilities							
Hedging derivatives	(196)	(663)	(306)	(90)	--		(1,255)
Non-hedging derivatives	--	--	--	--	--	--	--
TOTAL	**553,685**	**203,475**	**225,582**	**143,654**	**142,162**	**101,942**	**1,370,500**

20. Guarantees and commitments

At 31 December 2020, the position of guarantees and commitments was the following:

- CIR & financial holding companies

Commitments for private equity fund investments by CIR International for € 20.5 million.

- Sogefi group

Investment commitments

At 31 December 2020, there are binding commitments for investments relating to the purchase of property, plant and equipment of € 1,316 thousand.

Guarantees given

Details of these guarantees are as follows:

(in thousands of euro)	*31.12.2020*	*31.12.2019*
Guarantees given to third parties	858	2,697
Other unsecured guarantees given to third parties	3,271	2,813
Secured guarantees given for borrowings shown in the financial statements	590	666

Guarantees given to third parties relate to guarantees given to certain customers by the subsidiary Sogefi Suspensions Heavy Duty Italy S.r.l., and to guarantees given to tax authorities by the subsidiary Sogefi Filtration Ltd; -sureties are shown at the amount of the commitment at the reporting date. These items indicate risks, commitments and guarantees given by group companies to third parties.

Other unsecured guarantees given to third parties refer to the commitment of the subsidiary Sogefi HD Suspensions Germany GmbH to the employees' pension fund of the two business divisions at the time of the acquisition in 1996. This commitment is covered by contractual obligations on the part of the vendor, which is a leading German company.

The secured guarantees relate exclusively to the subsidiary Allevard IAI Suspensions Pvt Ltd which, for the loans obtained, has granted to the lenders secured guarantees over its property, plant and equipment and trade receivables.

Other risks

At 31 December 2020, the Sogefi group held assets belonging to third parties on its premises for € 15,319 thousand.

- KOS group

The following is a breakdown of the bank guarantees and other sureties given by KOS S.p.A. and/or other subsidiaries against loans of KOS S.p.A. for a total of € 25,208 thousand:

- a guarantee on behalf of KOS S.p.A. for the lease of the Via Durini offices for € 46 thousand;
- a guarantee on behalf of KOS Care S.r.l. for lease contracts worth € 24,937 thousand;

- a guarantee in favour of the Municipality of Sanremo as a security deposit for urbanisation works, for € 225 thousand.

At 31 December 2020, other commitments and risks amounted to € 8,470 thousand, mainly related to:

- assets on free loan for € 3,013 thousand;
- guarantees issued by Suzzara Hospital in favour of F.lli Montecchi, for € 953 thousand;
- tenders for € 795 thousand;
- contractual commitments of around € 3,709 thousand.

With regard to the other guarantees, all mortgage loans entered into by the group are secured by mortgages on the properties to which the individual loans relate. On the other hand, the corporate loans and bonds are guaranteed by the assignment of amounts due to KOS by subsidiaries, given that KOS has lent the proceeds of those loans to group companies.

21. Information on the business segment

The business segments coincide with the groups of companies that CIR S.p.A. controls. In detail:

- the Sogefi group: automotive components;
- the KOS group: healthcare.

From a geographical point of view, business is conducted mainly abroad.

Economic and financial information by business segment is provided in the following two pages (primary sector), whereas details of revenue by geographical segment (secondary sector) can be found in Note 12.

An analysis of assets, investments, depreciation/amortisation and impairment losses by geographical segment is shown in the following chart.

(in thousands of euro)	*Assets*	*Investments*	*Amortisation/Depreciation/ Impairment losses*
Italy	3,259,562	92,035	71,574
Other European countries	1,326,057	68,050	121,323
North America	147,498	20,419	26,525
South America	42,996	2,126	5,248
Asia	188,300	18,340	23,363
Consolidation adjustments	(1,496,482)	(623)	(29,061)
Total	**3,467,931**	**200,347**	**218,972**

22. Joint ventures

The group does not hold equity investments in joint ventures at 31 December 2020.

23. Net financial indebtedness

The net financial indebtedness in accordance with Consob Resolution no. 6064293 dated 28 July 2006 is as follows:

(in thousands of euro)		*31.12.2020*	*31.12.2019*
A.	Cash and bank deposits	424,546	309,336
B.	Other cash equivalents	295,434	264,278
C.	Securities held for trading	48,992	35,482
D.	**Cash and cash equivalents (A) + (B) + (C)**	**768,972**	**609,096**
E.	**Current loan assets**	**10,940**	**23,135**
F.	Current bank loans and borrowings	(*) (63,536)	(71,115)
G.	Bonds	(119,747)	(40,180)
H.	Current portion of non-current debt	(1,898)	(6,286)
I.	Lease liabilities	(71,126)	(72,065)
J.	**Current financial indebtedness (F)+(G)+(H)+(I)**	**(256,307)**	**(189,646)**
K.	**Current net financial position (J)+(E)+(D)**	**523,605**	**442,585**
L.	Non-current bank loans and borrowings	(**) (460,814)	(470,347)
M.	Bonds issued	(192,843)	(310,671)
N.	Other non-current liabilities	(**) (3,043)	(2,330)
O.	Lease liabilities	(763,725)	(786,980)
P.	**Non-current financial indebtedness (L)+(M)+(N)+(O)**	**(1,420,425)**	**(1,570,328)**
Q.	**Net financial indebtedness (K) + (P)**	**(896,820)**	**(1,127,743)**

(*) 58,975 thousand (€ 63,536 - € 4,561) is classified in the Statement of Financial Position under "Other loans and borrowings".
(**) Classified under "Other loans and borrowings" – Non-current Liabilities.

24. Disclosures regarding share-based payment plans

The following chart shows the stock option and stock grant plans of the parent CIR S.p.A.

CIR - STOCK OPTION PLANS AT 31 DECEMBER 2020

	Options in circulation at start of period		Options granted during the period		Options exercised during the period		Options expired during the period		Options in circulation at the end of the period			Options exercisable at the end of the period	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Average strike price	Average duration (years)	No. of options	Weighted average strike price
2nd tranche 2009	6,202,860	0.7686	-	-	-	-	6,202,860	0.7686	-	-	-	-	-
1st tranche 2010	6,323,460	0.8064	-	-	-	-	6,323,460	0.8064	-	-	-	-	-
2nd tranche 2010	6,166,680	0.7454	-	-	-	-	-	-	6,166,680	0.7454	0.16	6,166,680	0.7454
Total	**18,693,000**	**0.7737**	**-**	**-**	**-**	**-**	**12,526,320**	**0.7877**	**6,166,680**	**0.7454**	**0.16**	**6,166,680**	**0.7454**

CIR - STOCK GRANT PLANS AT 31 DECEMBER 2020

	Instruments outstanding at start of period		Instruments granted during the period		Instruments exercised during the period		Instruments vested during the period		Instruments outstanding at end of period			Instruments exercisable at the end of the period	
	No. of Units	Opening amount	No. of Units	Opening amount	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Opening amount	Average duration (years)	No. of Units	Opening amount
Stock Grant Plan 2015	1,226,192	0.5431	-	-	-	-	-	-	1,226,192	0.5431	4.32	1,226,192	0.5431
Stock Grant Plan 2015 for the CEO	2,158,039	0.5443	-	-	-	-	-	-	2,158,039	0.5443	4.32	2,158,039	0.5443
Stock Grant Plan 2016	2,962,270	0.5267	-	-	113,755	0.5267	1,655,235	0.5267	1,193,280	0.5267	5.33	1,193,280	0.5267
Stock Grant Plan 2017	2,828,942	0.7144	-	-	196,625	0.7144	230,936	0.7144	2,401,381	0.7144	6.33	953,939	0.7144
Stock Grant Plan 2018	4,107,406	0.4378	-	-	161,997	0.4378	426,807	0.4378	3,518,602	0.4378	7.33	832,022	0.4378
Stock Grant Plan 2019	4,106,550	0.4557	-	-	-	-	577,778	0.4557	3,528,772	0.4557	8.33	-	-
Stock Grant Plan 2019	-	-	3,640,311	0.3835	-	-	-	-	3,640,311	0.3835	9.44	-	-
Total	**17,389,399**	**0.5228**	**3,640,311**	**0.3835**	**472,377**	**0.5743**	**2,890,756**	**0.5144**	**17,666,577**	**0.4941**	**7.12**	**6,363,472**	**0.5523**

CIR S.P.A. - stock grant plans

The stock grant plans involve the assignment free of charge of units, which are not transferable to third parties or other beneficiaries, each giving a right to be assigned one CIR S.p.A. share. The Plans envisage two classes of rights: time-based units, which vest subject to the passing of a certain period of time, and performance units, which vest subject to the passing of a certain period of time and the achievement of certain objectives in terms of the "normal market value" of the stock (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) as established in the Plan Regulations.
The regulations envisage a minimum holding of the shares covered by the Plan.
The shares assigned in implementation of the Plans will be made available only from treasury shares held by CIR S.p.A. The regulations state that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights and at the date that they are exercised.
With regard to the stock grant plans reserved for employees of the Company, the fair value of the related option rights is calculated at the allocation date using the binomial model for the measurement of American options (so-called "Cox, Ross and Rubinstein model") for the time-based units and the Montecarlo simulation model for the Type A performance units.

With reference to plans issued in the last three years, note that:

- On 27 April 2018, the Shareholders' Meeting approved the 2018 Stock Grant Plan reserved for the Chief Executive Officer and executives of the company, the parent and subsidiaries, for a maximum of 2,000,000 units assignable during the year. 4,422,000. The Stock Grant Plan involves the free assignment of units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2020 to 31 January 2022. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 2,083,853 time units were assigned during the year, whose maturity is subject to continued service, and 2,083,853 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units is € 0.5372.
- On 29 April 2019, the Shareholders' Meeting approved the 2019 Stock Grant Plan reserved for the Chief Executive Officer and executives of the company, the parent and subsidiaries, for a maximum of 2,000,000 units assignable during the year. 4,422,000. The Stock Grant Plan involves the free assignment of units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2021 to 31 January 2023. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 2,053,275 time units were assigned during the year, whose maturity is subject to continued service, and 2,053,275 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units is € 0.5327.
- On 8 June 2020, the Shareholders' Meeting approved the 2020 Stock Grant Plan reserved for the executives and directors of the company, the parent and subsidiaries, for a maximum of 4,500,000 units assignable during the year. The Stock Grant Plan involves the free assignment of units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2022 to 31

January 2024. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 1,820,156 time units were assigned during the year, whose maturity is subject to continued service, and 1,820,155 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units is € 0.402.

The notional cost of the plans for the year was € 1,515 thousand, recognised in the income statement under "Personnel expense".

SOGEFI S.p.A.

Sogefi S.p.A. implements payment plans based on Sogefi S.p.A. shares reserved for executives of the Company and its subsidiaries who hold strategic positions in the group, with the aim of rewarding their loyalty to the group and giving them an incentive to increase their commitment to improving company performance and creating long-term value.

The payment plans based on Sogefi S.p.A. shares are approved in advance by the Shareholders' Meeting.

Except for those indicated under "Stock grant plans and stock option plans" below, the group has not entered into any other transaction that envisages the purchase of goods or services using share-based payments or payments based on any other equity instrument, so it is not necessary to provide the fair value of such goods or services.

In addition to the one issued in 2020, the group issued plans from 2009 to 2019, the main characteristics of which are reported below.

Stock grant plans

The stock grant plans involve the assignment free of charge of units, which are not transferable to third parties or other beneficiaries, each giving a right to be assigned one Sogefi S.p.A. share free of charge.
Up to 2019, the Plans envisage two classes of rights: time-based units, which vest subject to the passing of a fixed period of time, and performance units, which vest subject to the passing of a term and the achievement of certain objectives established in the Plan Regulations.

Commencing from the 2020 stock grant, an additional category of rights has been added - Type B performance units - which vest after an established period and on achievement of the economic-financial objectives specified in the regulation.

The regulation envisages a minimum holding for the shares covered by the Plan.
The shares assigned in implementation of the Plans will be made available only from treasury shares held by Sogefi S.p.A.. The Regulations say that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights.

On 23 July 2020, the Board of Directors implemented the 2020 stock grant plan (approved by the Shareholders' Meeting of 20 April 2020 for a maximum of 1,000,000 conditional rights) reserved for employees of the company and its subsidiaries by allocating them a total of 790,000 units (of which 235,000 time-based units; 277,500 Type A performance units and 277,500 Type B performance units).
The time-based units will vest in quarterly tranches, i.e. 12.5% of the related total, from 31 January 2023 to 31 October 2024.

The type A performance units will vest on the same dates envisaged for the time-based units, but only on condition that the increase in the fair market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

The Type B performance units will vest in three tranches, each equal to one-third (1/3rd) of the total number of Type B performance units allocated, commencing from 31 January 2023. In particular, the vesting dates and conditions are indicated below:
1) the first tranche will vest from 31 January 2023, depending on achievement of the 2021 economic-financial objectives specified in the regulation;
2) the second tranche will vest from 31 July 2023, depending on achievement of the 2022 economic-financial objectives specified in the regulation;
3) the third tranche will vest from 31 July 2024, depending on achievement of the 2023 economic-financial objectives specified in the regulation.

With regard to the stock grant plans reserved for employees of Sogefi, the fair value of the related option rights is calculated at the allocation date using the binomial model for the measurement of American options (so-called "Cox, Ross and Rubinstein model") for the time-based units and the Type B performance units included in the 2020 plan, and the Montecarlo simulation model for the Type A performance units.

The main characteristics of the stock grant plans approved in previous years and still outstanding are reported below:

- Stock Grant Plan 2011 for a maximum of 1,250,000 conditional rights reserved for the director serving as the Chief Executive Officer of the Parent at the plan issue date and for employees of the Company and its subsidiaries via allocation to them of a total of 757,500 units (of which 320,400 time-based units and 437,100 performance units).
  The time-based units vested in quarterly tranches, i.e. 12.5% of the total, from 20 April 2013 to 20 January 2015.
  The performance units were expected to vest on the same vesting dates as the time-based units, but only on condition that the "normal market value" of the shares at each vesting date is at least equal to the percentage of the initial value laid down in the regulation.
  At 31 December 2020, 29,837 Time-based units and 134,866 performance units have lapsed in accordance with the regulation; 291,325 Time-based Units and 298,333 Performance Units have been exercised.

- Stock Grant Plan 2012 for a maximum of 1,600,000 conditional rights reserved for the director serving as the Chief Executive Officer of the Parent at the plan issue date and for employees of the Company and its subsidiaries via allocation to them of a total of 1,152,436 units (of which 480,011 time-based units and 672,425 Performance Units).

  The time-based units were expected to vest in quarterly tranches, i.e. 12.5% of the total, from 20 April 2014 to 31 January 2016.

  The performance units were expected to vest on the same vesting dates as the time-based units, but only on condition that the increase in the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeded the increase in the Sector Index (as defined in the regulation) as of the same date.

  At 31 December 2020, 82,374 Time-based units and 596,630 Performance Units have lapsed in accordance with the regulation; 392,252 Time-based Units and 74,852 Performance Units have been exercised.

- Stock Grant Plan 2013 for a maximum of 1,700,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 1,041,358 units (of which 432,434 time-based units and 608,924 Performance Units).

  The time-based units matured in quarterly tranches, i.e. 12.5% of the total, from 20 April 2015 to 31 January 2017

  The performance units were expected to vest on the same vesting dates as the time-based units, but only on condition that the increase in the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeded the increase in the Sector Index (as defined in the regulation) as of the same date.

  At 31 December 2020, 256,954 Time-based Units and 608,924 Performance Units have lapsed in accordance with the regulation; 167,665 Time-based Units have been exercised.

- Stock Grant Plan 2014 for a maximum of 750,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 378,567 units (of which 159,371 time-based units and 219,196 performance units).

  The time-based units mature in quarterly tranches, i.e. 12.5% of the related total, from 20 April 2016 to 20 January 2018.

  The performance units mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

- At 31 December 2020, 109,543 Time-based Units and 219,196 Performance Units have lapsed in accordance with the regulation; 48,472 Time-based Units have been exercised.

  Stock Grant Plan 2015 for a maximum of 1,500,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 441,004 units (of which 190,335 time-based units and 250,669 performance units).

  The time-based units mature in quarterly tranches, i.e. 12.5% of the related total, from 20 October 2017 to 20 July 2019.

  The performance units mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

At 31 December 2020, 56,911 Time-based Units and 179,805 Performance Units have lapsed in accordance with the regulation; 120,590 Time-based Units and 67,154 Performance Units have been exercised.

- Stock Grant Plan 2016 for a maximum of 750,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 500,095 units (of which 217,036 time-based units and 283,059 performance units).

  The time-based units will vest in quarterly tranches, i.e. 12.5% of the related total, from 27 July 2018 to 27 April 2020.

  The performance units will vest on the same vesting dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

  At 31 December 2020, 77,399 Time-based Units and 100,948 Performance Units have lapsed in accordance with the regulation; 138,824 Time-based Units and 181,050 Performance Units have been exercised.

- Stock Grant Plan 2017 for a maximum of 750,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 287,144 units (of which 117,295 time-based units and 169,849 performance units).

The time-based units will vest in quarterly tranches, i.e. 12.5% of the related total, from 26 July 2019 to 26 April 2021.

The performance units will vest on the same vesting dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

At 31 December 2020, 36,291 Time-based Units and 62,483 Performance Units have lapsed in accordance with the regulation; 59,584 Time-based Units have been exercised.

- Stock Grant Plan 2018 for a maximum of 500,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 415,000 units (of which 171,580 time-based units and 243,420 performance units).

  The time-based units will vest in quarterly tranches, i.e. 12.5% of the related total, from 23 July 2020 to 23 April 2022.

  The performance units will vest on the same vesting dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

  At 31 December 2020, 88,576 Time-based Units and 130,279 Performance Units have lapsed in accordance with the regulation; 18,766 Time-based Units have been exercised.

- Stock Grant Plan 2019 for a maximum of 500,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 482,244 units (of which 219,635 time-based units and 262,609 performance units).

  The time-based units will vest in quarterly tranches, i.e. 12.5% of the related total, from 22 October 2021 to 22 July 2023.

  The performance units will vest on the same mavestingturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

  At 31 December 2020, 57,000 Time-based Units and 68,155 Performance Units have lapsed in accordance with the regulation.

The notional cost of the stock grant plans in 2020 was € 339 thousand.

The following table shows the total number of rights existing with respect to the stock grant plans for the period 2011-2020:

	2020	*2019*
Not exercised/not exercisable at the start of the period	927,040	1,109,427
Granted in the period	790,000	469,577
Cancelled in the period	(97,248)	(425,999)
Exercised in the period	(137,531)	(225,965)
Not exercised/not exercisable at the end of the period	1,482,261	927,040
Exercisable at the end of the period	46,719	50,113

The line "Not exercised/not exercisable at the end of the period" refers to the total amount of the options net of those exercised or cancelled during the current or prior periods.

The line "Exercisable at the end of the period" refers to the total amount of the options vested at the end of the year, but not yet exercised.

Stock Option Plans

The stock option plans offer beneficiaries the right to exercise an option to subscribe to a new issue of Sogefi shares at a given price and within a predefined period of time. The Regulations also say that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights.

At 31 December 2020, there are no stock option plans decided in previous years. Note that the 2010 stock option was terminated on 30 September 2020 in accordance with the regulation.

The following table shows the total number of options which refers to the plans for 2010 with their average strike price:

	2020		*2019*	
	No. of options	*Average strike price*	*No. of options*	*Average strike price*
Not exercised/not exercisable at the start of the year	20,000	2.30	75,000	1.88
Granted during the year	--	--	--	--
Cancelled during the year	(20,000)	2.30	(55,000)	1.73
Exercised during the year	--	--	--	--
Expired during the year	--	--	--	--
Not exercised/not exercisable at the end of the year	--	--	20,000	2.30
Exercisable at the end of the year	--	--	20,000	2.30

The line "Not exercised/not exercisable at the end of the year" refers to the total amount of the options net of those exercised or cancelled during the current or prior periods.
The line "Exercisable at the end of the year" refers to the total amount of the options vested at the end of the year but not yet exercised.

The following table shows the breakdown of the number of options exercisable at 31 December 2020:

No. of options outstanding and exercisable at 31 December 2019	20,000
Options accrued during the year	--
Options cancelled during the year	(20,000)
Options exercised during the year	--
Options expired during the year	--
No. of options outstanding and exercisable at 31 December 2020	**--**

KOS

KOS S.p.A. has some stock option plans, to provide the group with an incentive and loyalty tool for directors and employees, which reinforces the sense of belonging to the firm for key resources, favouring a constant tension in the creation of value for the company over time.

Exercising the options is subject to specific time limits for the duration of the relationship or term of office.

The company values its own stock options with the Black-Scholes methodology.

The following is information on the Stock Option Plans outstanding at the KOS group:

KOS - STOCK OPTION PLANS AT 31 DECEMBER 2020

	Options in circulation at the start of the year		*Options granted during the year*		*Options exercised during the year*		*Options expired during the year*		*Options in circulation at the end of the year*			*Options exercisable at the end of the year*		*Expiry date*	
	No. of options	*Weighted average strike price*	*No. of options*	*Weighted average strike price*	*No. of options*	*Weighted average strike price*	*No. of options*	*Weighted average strike price*	*Number*	*Weighted average strike price*	*Average duration (years)*	*No. of options*	*Weighted average strike price*	*Vesting date*	*Expiry date*
Stock Option Plan '10 rev	1,661,083	2.65	--	--	246,500	2.65	--	--	1,414,583	2.65	12.40	1,414,583	2.65	31/12/2014	17/05/2033
Stock Option Plan '16	1,495,000	7.25	--	--	289,000	7.25	--	--	1,206,000	7.25	12.40	482,400	7.25	17/05/2023	17/05/2033
Total	**3,156,083**	**4.83**	**--**	**--**	**535,500**	**4.83**	**--**	**--**	**2,620,583**	**4.77**	**12.40**	**1,896,983**	**3.82**		

25. Contingent assets/liabilities

Contingent liabilities

Certain group companies have legal disputes pending, against which their Boards have accrued risk provisions for amounts that are considered appropriate, taking into account the opinion of their consultants regarding the likelihood that significant liabilities will actually occur.

Sogefi group

In October 2016, Sogefi S.p.A. received four notices of assessment relating to the tax years 2011 and 2012, following a tax audit in the first half of 2016, containing the following two observations: i) undue deduction of € 0.6 million of VAT paid on goods and services, ii) undue deduction for IRES purposes (and related non-deductible VAT of € 0.2 million) in costs for services rendered by the parent CIR S.p.A. for a total taxable amount of € 1.3 million, plus interest and penalties.
The notices have already been appealed before the Mantua Provincial Tax Commission, which on 14 July 2017 issued ruling 119/02/2017 that was entirely favourable to the company. The sentence was partially appealed by the Tax Authorities, which requested confirmation only of the assessments notified for VAT purposes, definitively renouncing the assessment notices issued for IRES purposes. The Company has filed counterclaims against this partial appeal. On 19 November 2019 the hearing was held at the Lombardy Regional Tax Commission, which accepted the Tax Office's argument.
The ruling of the Brescia section of the Lombardy Regional Tax Commission was challenged by the company in an appeal filed with the Court of Cassation on 30 September 2020. The company is waiting for the hearing date to be set. The company paid the amount specified in Regional Tax Commission ruling 1/26/2020 on 31 December 2020.
The Directors, backed by the professional opinion of the company's tax consultant, consider that the risk of losing is possible, but not probable.

Sogefi Filtration Italy S.p.A. has a dispute with the Tax Authorities for the 2004 tax year. The judgement, which arose in 2009, concerns an alleged circumvention or abuse of the merger with cancellation of the shares of the "old" Sogefi Filtration S.p.A. absorbed by Filtrauto Italia S.r.l., which resulted in the derecognition on cancellation of the merger deficit attributed partially to goodwill and partially to revaluation of a property, in addition to interest on the loan granted by Sogefi S.p.A. to Filtrauto S.r.l. as part of the deal.
The Company has challenged the assessment notices, defending the legitimacy of its approach. In 2012 the Provincial Tax Commission of Milan cancelled the assessment notices for the part relating to the accusation of circumvention/abuse. The Office appealed these judgements before the Milan Regional Tax Commission. On 21 March 2014, the Milan Regional Tax Commission filed the sentence confirming cancellation of the documents already ordered at first instance. On 16 June 2014 the Tax Authorities filed an appeal through the State Attorney. The Company has filed a counter-appeal. On 5 December 2019 the Supreme Court upheld one of the grounds of appeal proposed by the State Attorney and, as a result, the sentence rendered by the second instance judge was dismissed. The company returned the case to the Lombardy Regional Tax Commission on July 2020; the related ruling is still awaited.
Based on the opinion expressed by the tax consultant who follows the case and considering the almost unanimous opinion of the best legal doctrine in favour of the arguments put forward by the Company regarding the circumvention and abuse of the right, which were shared by the judgements of first and second instance, management believes, as of 31 December 2020, that the risk of losing the dispute, which involves taxes of around € 3 million, penalties of the same amount and estimated interest of around € 2 million, for a total of around € 8 million, is possible but not probable.

The Sogefi group has therefore not recognised any tax provisions for contingent liabilities in the financial statements at 31 December 2020.

26. Other information

The following table, drawn up pursuant to art. 149-duodecies of Consob's Issuers Regulation, shows the fees pertaining to the year for audit and non-audit services rendered by KPMG S.p.A. and by other firms belonging to its network:

(in thousands of euro)	*2020*
Parent:	
a) from the independent auditors, for audit services	150
b) from the independent auditors:	
- for other services	27
c) by network partners of the independent auditors for other services	-
Subsidiaries:	
a) from the independent auditors, for audit services	2,077
b) from the independent auditors:	
- for other services	26
c) by network partners of the independent auditors for other services	61

MANAGEMENT AND COORDINATION ACTIVITIES

CIR S.p.A. is subject to management control and coordination by Fratelli De Benedetti S.p.A. (art. 2497-bis of the Italian Civil Code).

EVENTS AFTER THE REPORTING DATE

No significant events occurred after the end of 2020.

OUTLOOK

Given persistent uncertainties about how the pandemic will evolve, visibility about group performance in the coming months remains clouded.

With regard to **KOS**, rehabilitation services are forecast to return to pre-Covid levels of activity during 2021, as a consequence of the vaccination programme, while the Italian care homes will achieve this in 2022. In Germany, given the lower impact of the pandemic and greater public support, the results should remain consistent with the growth projections made at the time of the acquisition in 2019.
With regard to **Sogefi**, IHS expects global production to grow by 13.7% with respect to 2020, while remaining below 2019 levels (-4.8%). Against this background, Sogefi expects to report a profit for 2021, due to the upturn in volume and the actions taken and planned to contain costs.

INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, OF LAW 124 DATED 4 AUGUST 2017

During 2020, subsidiaries that receive the types of government grants referred to in this law have made suitable disclosures in their financial statements.

INFORMATION PURSUANT TO ART. 2427, 22-QUINQUIES AND ART. 2427, 22-SEXIES

The company that prepares the consolidated financial statements for the largest group of companies of which the company is a subsidiary is Fratelli De Benedetti S.p.A. with registered office in Via Valeggio 41, Turin, whose financial statements are filed at the registered office.

RELATED PARTY TRANSACTIONS

On 28 October 2010 the parent adopted the Regulations on Related Party Transactions envisaged in Consob Resolution no. 17221 of 12 March 2010, as amended by Resolution no. 17389 of 23 June 2010.

The procedure lays down principles of conduct that the Company is required to adopt to ensure that related party transactions are handled properly. This means that it:

1) lays down the criteria and methods of identifying the parent's related parties;

2) establishes principles for identifying related party transactions;

3) governs the procedures for carrying out related party transactions;

4) establishes ways to ensure compliance with the related disclosure requirements.

The Board of Directors has also appointed a Related Party Transactions Committee, establishing that its members coincide with those of the Internal Control Committee, except for the system of substitutes envisaged in the procedures.

The following have been identified as related parties:

- the ultimate parent of CIR S.p.A., its subsidiaries, also joint ventures, and its associates;
- the subsidiary entities (whose relationships are eliminated in the consolidation process), jointly controlled and the associated entities of CIR S.p.A.;
- individuals with strategic responsibilities, their close family members and any companies directly or indirectly controlled by them or subject to joint control or significant influence;

It should also be noted that CIR S.p.A. has a lease agreement with the company ROMED S.p.A.

The group's related party transactions are settled at arm's length, taking into consideration the quality and the specific nature of the services provided.

The group did not carry out any transactions with related parties, as defined by Consob, or with entities other than related parties that could be considered transactions of an atypical or unusual nature, not part of its normal business administration or such as to have a significant impact on the group's results, assets and liabilities or financial situation.

The following table gives a summary of transactions with related parties:

INCOME STATEMENT

(in thousands of euro)	*Revenue*	*Cost for the purchase of goods*	*Cost for services*	*Other operating expense*	*Other operating income*	*Financial income*	*Financial expense*	*Dividends*
Parents	--	--	--	--	--	--	--	--
Subsidiaries	--	--	--	--	90	--	--	--
Associates	--	--	--	--	--	--	--	--
Joint ventures	--	--	--	--	--	--	--	--
Other related parties	--	--	--	--	--	--	--	--
Total	--	--	--	--	90	--	--	--

STATEMENT OF FINANCIAL POSITION

	Non-current assets	*Current assets*		*Current liabilities*		
(in thousands of euro)	*Other assets*	*Trade receivables*	*Other assets*	*Other loans and borrowings*	*Trade payables*	*Other liabilities*
Parents	--		--	--	--	--
Subsidiaries	--	--	--	--	--	--
Associates	--	--	133	--	--	--
Joint ventures	--	--	--	--	--	--
Other related parties	--	--	--	--	--	--
Total	--	--	133	--	--	--

Certification of the Consolidated Financial Statements art. 154 -*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998

1. The undersigned, Monica Mondardini, the Chief Executive Officer, and Michele Cavigioli, the executive responsible for financial reporting of CIR S.p.A., hereby certify, also taking into account the provisions of art. 154 -*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:
   - adequacy, in relation to the characteristics of the company and
   - effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2020.

2. In this respect, no significant issues have arisen which need to be reported.

3. We also certify that the consolidated financial statements:
   - are prepared in accordance with International Financial Reporting Standards as endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - agree with the balances on the books of account and accounting entries;
   - are able to give a true and fair view of the financial position, financial performance and cash flows of the issuer and of the companies included in the consolidation scope.

The report on operations includes a reliable analysis of the group's performance and results of operations, as well as the general situation of the issuer and of the companies included in the consolidation scope, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, 12 March 2021

Signed in the original

Monica Mondardini	Michele Cavigioli
Chief Executive Officer	Executive responsible for financial reporting

Separate Financial Statements

1. Statement of financial position
2. Income statement
3. Statement of comprehensive income
4. Statement of cash flows
5. Statement of changes in equity

1. Statement of financial position

(in euro)

ASSETS	*Notes*		*31.12.2020*		*31.12.2019*
NON-CURRENT ASSETS			**648,842,657**		**588,135,050**
INTANGIBLE ASSETS	(3.a.)		42,527		--
PROPERTY, PLANT AND EQUIPMENT	(3.b.)		5,687,000		219,931
INVESTMENT PROPERTY	(3.c.)		12,993,560		851,763
RIGHT-OF-USE ASSETS	(3.d.)		20,410		--
EQUITY INVESTMENTS	(3.e.)		599,482,861		573,821,503
OTHER ASSETS	(3.f.)		9,131,863		122,343
of which with related parties (*)		*7,653,843*		--	
OTHER FINANCIAL ASSETS	(3.g.)		20,768,053		13,119,510
DEFERRED TAX ASSETS	(3.h.)		716,383		--
CURRENT ASSETS			**138,159,026**		**12,322,105**
OTHER ASSETS	(4.a.)		86,296,351		126,200
of which with related parties (*)		*72,857,966*		*5,425*	
SECURITIES	(4.b.)		13,950,562		10,959,354
CASH AND CASH EQUIVALENTS	(4.c.)		37,912,113		1,236,551
TOTAL ASSETS			**787,001,683**		**600,457,155**

LIABILITIES			*31.12.2020*		*31.12.2019*
EQUITY			**770,919,909**		**562,850,855**
SHARE CAPITAL	(5.a.)		625,124,960		345,997,510
RESERVES	(5.b.)		81,213,741		152,361,608
RETAINED EARNINGS	(5.c.)		61,950,158		51,085,968
PROFIT FOR THE YEAR			2,631,050		13,405,769
NON-CURRENT LIABILITIES			**2,259,702**		**35,910,130**
OTHER LOANS AND BORROWINGS	(6.a.)		--		35,787,786
LEASE LIABILITIES	(6.b.)		12,445		--
OTHER LIABILITIES	(6.c.)		316,582		34,582
DEFERRED TAX LIABILITIES	(3.h.)		70,786		87,762
EMPLOYEE BENEFIT OBLIGATIONS	(6.d.)		1,859,889		--
CURRENT LIABILITIES			**13,822,072**		**1,696,170**
BANK LOANS AND BORROWINGS	(4.c.)		**--**		**--**
LEASE LIABILITIES	(7.a.)		8,123		--
OTHER LIABILITIES	(7.b.)		8,862,850		1,696,170
of which with related parties (*)		*4,560,379*		--	
PROVISIONS FOR RISKS AND CHARGES	(7.c.)		4,951,099		--
TOTAL LIABILITIES AND EQUITY			**787,001,683**		**600,457,155**

(*) As per Consob Resolution no. 6064293 of 28 July 2006

2. Income statement

(in euro)

	Notes		**2020**		**2019**
SUNDRY REVENUE AND INCOME	(8)		2,282,643		394,475
of which with related parties (*)		927,723		85,000	
COST FOR THE PURCHASE OF GOODS			--		(1,375)
COST FOR SERVICES	(9)		(7,238,871)		(2,042,868)
of which with related parties (*)		(5,548)		(122,000)	
PERSONNEL EXPENSE	(10)		(5,041,256)		--
OTHER OPERATING EXPENSE	(11)		(1,783,714)		(607,381)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES			(1,155,908)		(54,519)
OPERATING LOSS			**(12,937,106)**		**(2,311,668)**
FINANCIAL INCOME	(12)		763,872		4,689
of which with related parties (*)		697,016		--	
FINANCIAL EXPENSE	(13)		(1,365,675)		(821,850)
DIVIDENDS	(14)		6,000,000		14,187,075
of which with related parties (*)		6,000,000		14,187,075	
GAINS FROM TRADING SECURITIES	(15)		--		363,970
LOSSES FROM TRADING SECURITIES	(16)		(23,641)		(1,702,167)
FAIR VALUE GAINS (ON FINANCIAL ASSETS	(17)		3,470,292		3,738,912
PROFIT (LOSS) BEFORE TAXES			**(4,092,258)**		**13,458,961**
INCOME TAX	(18)		1,617,051		(53,192)
PROFIT (LOSS) FROM CONTINUING OPERATIONS			**(2,475,207)**		**13,405,769**
PROFIT FROM DISCONTINUED OPERATIONS	(19)		5,106,257		--
PROFIT FOR THE YEAR			**2,631,050**		**13,405,769**
BASIC EARNINGS PER SHARE (in euro)	(20)		0.0022		0.0194
DILUTED EARNINGS PER SHARE (in euro)	(20)		0.0022		0.0194
BASIC EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS (IN EURO)	(20)		(0.0021)		0.0194
DILUTED EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS (IN EURO)	(20)		(0.0021)		0.0194

(*) As per Consob Resolution no. 6064293 of 28 July 2006

3. Statement of comprehensive income

	2020	2019
PROFIT FOR THE YEAR	2,631,050	13,405,769
OTHER COMPREHENSIVE INCOME	--	--
TOTAL COMPREHENSIVE INCOME	2,631,050	13,405,769

4. Statement of cash flows

(in euro)

		2020		2019
OPERATING ACTIVITIES				
PROFIT FOR THE YEAR		2,631,050		13,405,769
OTHER NON-MONETARY CHANGES FOR DISCONTINUED OPERATIONS		(5,106,257)		--
ADJUSTMENTS:				
INCOME TAX IN THE INCOME STATEMENT		(1,617,051)		53,192
NET FINANCIAL INCOME AND EXPENSE		(598,216)		699,562
DIVIDENDS		(6,000,000)		(14,187,075)
LOSSES ON SALE OF SECURITIES		23,641		1,690,703
PROFIT (LOSS) FOR THE YEAR BEFORE INCOME TAX, INTEREST, DIVIDENDS AND GAINS/LOSSES ON DISPOSAL		(10,666,833)		1,662,151
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES		1,155,908		54,519
NOTIONAL COST OF SHARE-BASED PAYMENT PLAN		1,515,643		--
PROVISION FOR EMPLOYEE BENEFIT OBLIGATIONS		172,815		--
FAIR VALUE LOSSES ON FINANCIAL ASSETS		(2,499,392)		(3,738,912)
OTHER NON-MONETARY CHANGES		--		(77,801)
CHANGES IN OPERATING ASSETS AND LIABILITIES		(511,247)		28,290
of which with related parties	*1,490,030*		*248,420*	
RECEIPTS OF INCOME TAX		2,611,366		--
of which with related parties	*2,611,366*		--	
INTEREST PAID		(11,648)		(699,562)
DIVIDENDS RECEIVED		6,000,000		14,187,075
of which with related parties	*6,000,000*		*14,187,075*	
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**(2,233,388)**		**11,415,760**
INVESTING ACTIVITIES				
PURCHASE OF CURRENT SECURITIES		--		(47,234)
PAYMENT OF LOANS TO SUBSIDIARIES		(7,596,004)		--
PURCHASE OF NON-CURRENT ASSETS		(23,018,844)		(1,058)
CASH FLOWS USED IN INVESTING ACTIVITIES		**(30,614,848)**		**(48,292)**
FINANCING ACTIVITIES				
POST-EMPLOYMENT BENEFITS PAID		(70,816)		--
REPAYMENT OF OTHER LOANS AND BORROWINGS		(35,866,938)		(1,913,493)
PAYMENT OF LEASE LIABILITIES		(167,662)		--
PURCHASE OF TREASURY SHARES		--		(1,504,650)
DIVIDENDS PAID		--		(10,033,928)
CASH FLOWS USED IN FINANCING ACTIVITIES		(36,105,416)		(13,452,071)
DECREASE IN NET CASH & CASH EQUIVALENTS OF CONTINUING OPERATIONS		(68,953,652)		(2,084,603)
CASH FLOWS FROM ASSETS HELD FOR SALE		102,444,408		--
EFFECT OF THE MERGER ON CASH & CASH EQUIVALENTS		3,184,806		--
OPENING NET CASH & CASH EQUIVALENTS		1,236,551		3,321,154
CLOSING NET CASH & CASH EQUIVALENTS		**37,912,113**		**1,236,551**

5. Statement of changes in equity

(in euro)

	Share capital issued	*less treasury shares*	*Share capital*	*Share premium RESERVE*	*Legal reserve*	*Reserve for treasury shares*	Stock grant reserve	*Non-distributable reserve as per art. 6 Leg. Decree 38/2005*	*Other reserves*	*Retained earnings*	*Profit for the year*	*Total*
BALANCE AT 31 DECEMBER 2018	**359,604,959**	**(12,082,027)**	**347,522,932**	**5,044,115**	**24,292,196**	**12,082,027**	**--**	**--**	**119,515,473**	**41,447,662**	**11,079,259**	**560,983,664**
Profit for the year	--	--	--	--	--	--	--	--	--	--	13,405,769	13,405,769
Other comprehensive income	--	--	--	--	--	--	--	--	--	--	--	--
Total comprehensive income	--	--	--	--	--	--	--	--	--	--	*13,405,769*	*13,405,769*
Allocation of the profit of the previous year	--	--	--	--	553,963	--	--	886,990	--	9,638,306	(11,079,259)	--
Dividends to shareholders	--	--	--	--	--	--	--	--	(10,033,928)	--	--	(10,033,928)
Fair value gains (losses) on treasury share transactions	--	(1,525,422)	(1,525,422)	--	--	1,525,422	--	--	(1,504,650)	--	--	(1,504,650)
BALANCE AT 31 DECEMBER 2019	**359,604,959**	**(13,607,449)**	**345,997,510**	**5,044,115**	**24,846,159**	**13,607,449**	**--**	**886,990**	**107,976,895**	**51,085,968**	**13,405,769**	**562,850,855**
Profit for the year	--	--	--	--	--	--	--	--	--	--	2,631,050	2,631,050
Other comprehensive income	--	--	--	--	--	--	--	--	--	--	--	--
Total comprehensive income	--	--	--	--	--	--	--	--	--	--	*2,631,050*	*2,631,050*
Allocation of the profit of the previous year	--	--	--	--	670,288	--	--	1,273,508	--	11,461,973	(13,405,769)	--
Effects of the merger	278,998,698	--	278,998,698	--	--	--	--	--	(75,076,337)	--	--	203,922,361
Fair value gains (losses) on treasury share transactions	--	128,752	128,752	--	--	(128,752)	--	--	145,197	(145,197)	--	--
Notional cost of share-based payment plan	--	--	--	--	--	--	1,515,643	--	--	--	--	1,515,643
Reclassifications	--	--	--	--	--	--	(34,994)	487,580	--	(452,586)	--	--
BALANCE AT 31 DECEMBER 2020	**638,603,657**	**(13,478,697)**	**625,124,960**	**5,044,115**	**25,516,447**	**13,478,697**	**1,480,649**	**2,648,078**	**33,045,755**	**61,950,158**	**2,631,050**	**770,919,909**

Notes to the separate financial statements

1. Basis of preparation and accounting policies

These separate financial statements, have been prepared on a going concern basis in accordance with the International Financial Reporting Standards adopted by the European Union, as well as all the measures issued in implementation of art. 9 of Legislative Decree 38/05. Please refer to the paragraph "Adoption of new standards, interpretations and amendments" for an explanation of the standards that came into force for the first time on 1 January 2020.

These separate financial statements have been prepared on the historical cost basis, except for the measurement of certain financial assets and liabilities and derivative instruments that must be stated at fair value, and on a going concern basis. In fact, the Company has assessed that there are no significant uncertainties, as defined in paragraph 24 of IAS 1, about the business's ability to continue as a going concern.

The presentation criteria adopted are as follows:

- the statement of financial position is organised by matching items on the basis of current and non-current assets and liabilities;
- the income statement is shown by type of expenditure;
- the statement of comprehensive income shows the income and expense items that are equity;
- the statement of cash flows has been prepared using the indirect method;
- the statement of changes in equity gives a breakdown of the changes that took place in the reporting year and in the previous year.

The Company's financial statements are accompanied by the Report on Operations to which reference should be made for the nature of the business of the company, significant events after the reporting date, relations with related parties and outlook.

During the year, there were no exceptional cases that made it necessary to resort to the exemptions mentioned in IAS 1. IFRS were applied on a consistent basis in all of the periods presented in this report.

The figures in the separate financial statements are in euro, whereas those in the notes are in thousands of euro. The euro is the Company's functional and presentation currency in accordance with the provisions of IAS 21.

<u>Events after the reporting date</u>

No significant events have occurred after the end of 2020.

<u>Outlook</u>

Based on the information currently available, the results expected do not differ significantly from those achieved during 2020, having due regard for the risks to which the Company is exposed that are described further in note 23. "Other information".

Merger

On 19 February 2020, CIR S.p.A. - Compagnie Industriali Riunite (the "Merged Company") merged into COFIDE - Gruppo De Benedetti S.p.A. (the "Merging Company"), with the consequent dissolution of the Merged Company (the "merger").

After the Merger, COFIDE S.p.A. changed its name to "CIR S.p.A. - Compagnie Industriali Riunite". After the merger took effect, all the shares of the merged company were cancelled and exchanged for ordinary shares of the merging company issued in execution of the capital increase of € 278,998,698.00 (557,997,396 shares) on the basis of an exchange ratio of 2.01 ordinary shares of the merging company for each share of the merged company, all at the nominal amount of € 0.50 each.

From an accounting standpoint, when the merger took effect the merging company identified a "cancellation difference" and a "share exchange difference".

The **"cancellation difference"** was calculated at 1 January 2020 as the difference between the carrying amount of the investment in the merged company held by the merging company and the corresponding interest in the equity of the merged company, as shown in the following table.

(in euro)

Cancellation difference	Amount
Carrying amount of the investment in the merged company	(573,821,503)
Corresponding interest in equity of merged company	386,521,542
Negative cancellation difference	**(187,299,961)**

The resulting amount represents a negative cancellation difference of € 187,299,961.

The **"share exchange difference"** was calculated as the difference between the capital increase carried out by the merging company, to service the exchange of those shares in the merged company that were not cancelled, and the corresponding interest in the equity of the merged company, as shown in the following table.

(in euro)

Share exchange difference	Amount
Share capital increase by the merging company	(278,998,698)
Corresponding interest in equity of merged company	294,858,927
Surplus of share exchange	**15,860,229**

The "share exchange difference" represents a surplus of € 15,860,229.

Accounting aspects

The merger does not fall within the scope of IFRS 3 - Business Combinations as, from an economic standpoint, it merely consisted in the reorganisation of existing businesses without any transfers of control and with acquisition of the non-controlling interests held in the merged company.
In the absence of specific IFRSs or relevant interpretations, reference was made to paragraph 13 of IAS 1 which, in general terms, requires financial statements to give a true and fair view of the effects of operations, other events and conditions in accordance with the definitions and recognition criteria envisaged in the IFRS Framework for assets, liabilities, costs and income, and to para. 15 of IAS 1 which requires selection, using the hierarchy established in IAS 8, of the accounting standards needed in order to achieve the general objective of presenting a true and fair view. In this context, reference was also made to the preliminary IFRS guidance provided by Assirevi: *OPI 2 (Revised) – Accounting treatment of mergers in the financial statements*.
Given that the merger (i) did not involve economic exchanges with third parties and retained the existing control over the merged entity, and (ii) had, by its nature, no significant effect on the cash

flows of the entities involved in the merger, the accounting criteria adopted gave preference to the adoption of policies that ensure the continuity of amounts.
Application to the merger of this policy of ensuring the continuity of amounts meant attaching importance to the pre-existing control relationship between the companies involved in the operation. In other words, the merger for restructuring purposes resulted in the post-merger separate financial statements of the merging company becoming the same as its consolidated financial statements, achieving a so-called "legal consolidation".
Accordingly, inclusion in the separate financial statements of the merging company of the assets and liabilities of the merged company did not result in the identification of higher fair values than those reported in the consolidated financial statements, or of additional goodwill. The negative cancellation difference between the carrying amount of the equity interest held in the merged company and corresponding interest in its equity was allocated to assets, without exceeding the amounts reported in the consolidated financial statements. The excess with respect to the amounts reported in the consolidated financial statements was recognised in the separate financial statements of the merging company as a direct reduction in equity.

At 1 January 2020, the assets whose carrying amounts in the separate financial statements of the merged companies were most different to those reported in the consolidated financial statements of the merging company consisted in the equity investments held by the merged company in the operational subsidiaries shown in the following table.

(in euro)

Company	Carrying amount equity investment	Carrying amount net assets	Difference
CIR International S.A.	21,112,000	98,133,000	77,021,000
CIR Investimenti S.p.A.	188,204,865	199,592,000	11,387,135
SOGEFI S.p.A.	109,106,607	108,957,000	(149,607)
KOS S.p.A.	163,021,133	171,126,000	8,104,867
TOTAL	**481,444,605**	**577,808,000**	**96,363,395**

The positive (and negative) differences between the carrying amounts of the equity investments reported in the separate financial statements of the merged company and the corresponding carrying amounts of the net assets of each affiliate reported in the consolidated financial statements of the merging company arose from the profits (and losses) earned by them in the years following their original inclusion in the group.

The effects of the “negative cancellation difference” are summarised below in millions of euro:

(in thousands of euro)	
Carrying amount of the merged company in the merging company	573,822
Share of equity of the merged company held by the merging company	386,522
Theoretical negative cancellation difference	**(187,300)**
Cancellation difference allocated to “Equity investments”	**96,363**
Unallocated difference recognised in equity - Negative cancellation difference	**(90,937)**

The merging company then allocated the residual “negative cancellation difference” of € 90,936,566, as a reduction in the distributable equity reserves available at the effective date of the merger for accounting purposes, while the entire “share exchange surplus of € 15,860,229 was credited to the distributable equity reserves available at that date.

The following table summarises the above effects on equity of the merger operation:

(in thousands of euro)	
Shares in the merging company issued in exchange	278,999
Share exchange surplus	15,860
Unallocated negative cancellation difference	(90,937)
Total	**203,922**

In terms of understanding the disclosures, note that the comparative information provided in the statement of financial position, the income statement, the statement of comprehensive income and the statement of cash flows is that reported in the separate financial statements of the merging company at 31 December 2019.

When significant, the individual notes highlight the effects of the merger separately from those that took place during year. This ensures that the disclosures made are consistent with the IFRS reporting criteria, while also providing consistent comparative information suitable for the analysis of performance.

Impact of COVID-19 on activities

The impact of the pandemic on the Company was reflected in particular on the fair value of financial assets. The equity and bond markets suffered major corrections in March, but recovered in the subsequent months and actually closed 2020 ahead. Although invested conservatively, the portfolio of investments held by CIR also suffered a correction during the first quarter; thanks to the recovery of the financial markets in the following quarters, the year-end performance was however positive and better than expected.

Impact on estimates and accounting assessments

With regard to the impact of Covid-19 on the various accounting estimates, note that the related measurements are fully supported by the values calculated using the new business plans approved by the Boards of KOS and Sogefi. The Company did in fact take the impact of Covid-19 into account when determining the main items in the financial statements, with particular regard to the possible impairment losses on the equity investments reported in the separate financial statements, due to the deterioration of the economic outlook.
In particular, when carrying out the Impairment Test, the Company (i) used updated plans, approved by the Boards of Directors of KOS and Sogefi in February 2021, (ii) revised certain parameters used to determine the discount rate, in order to offset the effect on market rates of the measures adopted by the European and US central banks to tackle the economic effects of the Covid-19 pandemic (for example, by using averages for the risk-free rates determined over longer time horizons than in the past), (iii) prepared sensitivity analyses, even in combination, for the principal parameters used in the calculations. This model is very complex and entails the use of estimates which, by their very nature are uncertain and subjective, with reference to the following elements: the expected cash flows, calculated by taking into account the general economic performance and that of the specific sector, the actual cash flows for recent years, the projected growth rates and the financial parameters used to calculate the discount rate

In accordance with paragraph 17 of IAS 10, the financial statements were approved for publication by the Company's Board of Directors on 12 March 2021.

The Shareholders' Meeting has the power to make changes to the financial statements.

The accounting policies applied in preparing the financial statements at 31 December 2020 are explained below for the main asset, liability and income statement items.

1.a. Intangible assets

Intangible assets are recognised only if they can be separately identified, if they are likely to generate future economic benefits and if their cost can be reliably determined.
Intangible assets with a finite useful life are measured at purchase or production cost, net of accumulated amortisation and impairment losses.

Intangible assets are initially recognised at purchase or production cost.
The purchase cost is represented by the fair value of the means of payment used to acquire the asset and by any direct costs incurred to prepare the asset for use. The acquisition cost is the equivalent price in cash at the recognition date and, therefore, if payment is deferred beyond normal credit terms, the difference with respect to the equivalent price in cash is recognised as interest over the period of extended credit.
Amortisation is calculated on a straight-line basis over the asset's expected useful life and starts when the asset is available for use.
In particular, intangible assets with an indefinite useful life are not subject to amortisation, but are constantly monitored to identify any impairment losses. The carrying amount of intangible assets is maintained in the financial statements to the extent that there is evidence that this amount can be recovered through use; for this purpose an impairment test is carried out at least once a year to verify that the intangible asset is able to generate income in the future.
Trademarks and licences, initially recognised at cost, are subsequently accounted for net of accumulated amortisation and accumulated impairment losses. The amortisation period is the lower of the contract term, if any, and the useful life of the asset.
Software licences, including ancillary charges, are recognised at cost and recognised net of accumulated amortisation and any accumulated impairment losses.

1.b. Property, plant and equipment

Property, plant and equipment are recognised at the purchase or production cost, net of accumulated depreciation.
The cost includes ancillary charges and direct and indirect costs incurred at the time of acquisition and needed to make the asset ready for use.
Property, plant and equipment are depreciated systematically each year over the residual useful life of the assets.
Land, assets under construction and payments on account are not depreciated.
Land and buildings not held for business purposes according to the objects of group companies are classified in a specific asset item and accounted for on the basis of IAS 40 "Investment property" (see paragraph 1.c. below).
If events suggest that an asset has been impaired, the carrying amount is checked against the recoverable amount, represented by the higher of its fair value and value in use.
The fair value is defined on the basis of values expressed by an active market, by recent transactions, or by the best information available in order to determine the potential amount that could be obtained by selling the asset. The value in use is determined by discounting the cash flows deriving from the expected use of the asset, applying best estimates of the residual useful life and a discount rate that takes into account the implicit risk of the specific business sectors in which the Company operates. This assessment is carried out at the level of the individual asset or of the smallest identifiable set of independent cash flow generating units (CGU).
If there are negative differences between the values mentioned above and the carrying amount, the asset is written down; if the reasons for the impairment no longer exist, the asset is revalued. Impairment losses and revaluations are recognised in profit or loss.

1.c. Investment property

An investment property is real estate, land or building - or part of a building - or both, held by the owner or by the lessee, also through a finance lease contract, for the purpose of earning rent or for appreciation of the capital invested in it or for both reasons, rather than for direct use in the production or supply of goods or services, or in corporate administration or sale, in the normal course of business.
The cost of an investment property is represented by the purchase cost, improvements, replacements and extraordinary maintenance.
The investment property held by the lessee as a right-of-use asset must be recognised initially at cost, consistent with IFRS 16.
The Company has opted for the cost method, to be applied to all investment properties held.
According to the cost method, the measurement is performed net of depreciation and accumulated impairment losses.

1.d. Right-of-use assets

IFRS 16 provides a new definition of a lease and introduces a right-of-use criterion for assets to distinguish lease contracts from service contracts as follows: identification of the asset, the right to substitute it, the right to obtain substantially all of the economic benefits from its use and the right to direct the use of the identified asset.
The standard establishes a single model for the recognition and measurement of lease contracts by the lessee, whereby all leased assets (including those held under operating leases) must be recognised as right-of-use assets with a corresponding lease liability. As exceptions, leases for which the underlying asset is of low value and those with a duration of 12 months or less may not be recognised as leases.
The Company classifies right-of-use assets that do not meet the definition of investment property in the "right-of-use assets" caption and the related liabilities as "lease liabilities" in the statement of financial position.
The Company recognises the right-of-use asset and lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, then subsequently at cost net of accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.
The Company measures the lease liability at the present value of the lease payments not paid at the commencement date, discounting them at its incremental borrowing rate. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest the lease liability, reducing the carrying amount to reflect the lease payments made; it is also remeasured if there is a change in future lease payments resulting from a change in the index or rate used, if there is a change in the amount that the Company expects to pay as a residual value guarantee or if there is a change in the assessment of an option to purchase the underlying assets, extend or cancel the lease.

1.e. Investments in subsidiary and associates

Investments in subsidiaries and associates are initially recognised at cost, adjusted for any impairment losses.
Investments in subsidiaries and associates are tested every year, or more frequently if necessary, for impairment. The impairment test is carried out as explained in the following paragraph. Where there is evidence of impairment of the investments, it is recognised in the income statement as an impairment loss.
If the Company's share of the losses of the investee company exceeds the carrying amount of the investment, and the Company is obliged or intends to cover them, then the value of the investment is reduced to zero and the Company's share of any further losses is recognised as a provision under

liabilities. If the impairment subsequently ceases to exist or is reduced, the value is reversed through the income statement up to the limit of its cost.

1.f. Impairment losses on assets

At least once a year the Company checks the recoverability of the carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates in order to determine whether these assets have suffered any impairment loss. If such evidence exists, the carrying amount of the assets is reduced to their recoverable amount.
The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.
The fair value is estimated on the basis of values expressed by an active market, by recent transactions, or by the best information available in order to determine the amount that could be obtained by selling the asset. The value in use is represented by the present value of the expected future cash flows of the asset. In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market valuation of the cost for money for the period of the investment and the specific risks of the business. An impairment loss is recognised in the income statement if the carrying amount of the asset is higher than the recoverable amount.
When, subsequently, a loss on assets disappears or decreases, the carrying amount of the asset is increased up to the new estimate of the recoverable amount and cannot exceed the value that it would have had if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately in profit or loss.

1.g. Other equity investments

Equity investments in other companies, consisting of non-current financial assets which are not held for trading, are classified as "other financial assets" and recognised at fair value through profit or loss.

1.h. Income tax

Current taxes are recognised on the basis of a realistic estimate of taxable income in accordance with the current tax laws, taking into account any applicable exemptions and tax assets that may be claimed.
Deferred taxes are determined on the basis of temporary taxable or deductible differences between the carrying amount of assets and liabilities and their value for tax purposes and are classified as non-current assets and liabilities.
A deferred tax asset is recognised if sufficient taxable income is likely to be generated against which the temporary deductible difference can be used.
The carrying amount of deferred tax assets is subject to periodic analysis and is reduced to the extent that it is no longer probable that sufficient taxable income will be obtained to take advantage of this deferred asset.
Starting from 2004 and for three years, the Company and some of its Italian subsidiaries decided to join the national tax consolidation established pursuant to articles 117/129 of the Consolidated Income Tax Act (CITA). This option was renewed in 2019 for at least three more years.
The Company acts as the consolidating company and calculates a single taxable base for the group of companies participating in the national tax consolidation scheme, which then benefits from the ability to offset taxable income with tax losses in a single tax return. Each company participating in the national tax consolidation scheme transfers its result for fiscal purposes to the consolidating company (either taxable income or a tax loss). The Company recognises an asset from companies

that provide taxable income, equal to the amount of IRES to be paid. In the case of companies with tax losses, on the other hand, the Company recognises a liability equal to the IRES on the portion of the loss compensated at group level.

1.i. Equity

The ordinary shares are shown at their nominal amount. The costs directly attributable to the issue of new shares are deducted from equity reserves, net of any related tax benefit.
Treasury shares are classified in a specific item that is deducted from reserves; any subsequent sale, reissue or cancellation does not have any impact on the income statement, but exclusively on equity.
"Retained earnings" include the accumulated results and transfers from other equity reserves when freed from any restrictions.

1.l. Provisions for risks and charges

The provisions for risks and charges represent probable liabilities of an uncertain amount and/or maturity deriving from past events whose occurrence will entail a financial outflow. Provisions are only made when there is an effective obligation, legal or implicit, towards third parties which requires the use of economic resources and when a reliable estimate of the obligation can be made. The amount recognised as a provision represents the best estimate of the expense required to settle the obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The effect of changes in estimate are charged to profit or loss.
Where it is expected that the financial outflow for the obligation will occur beyond the normal payment terms and the effect of discounting would be significant, the provision is represented by the present value of the future payments needed to settle the obligation, calculated at a risk-free nominal rate.
The notes to these separate financial statements illustrate the contingent liabilities represented by: (i) possible (but not probable) obligations, deriving from past events, the existence of which will only be confirmed on the occurrence or not of one or more uncertain future events not totally under the Company's control; (ii) current obligations deriving from past events, the amount of which cannot be reliably estimated or whose settlement is unlikely to be costly.

1.m. Revenue and income

Service revenue is recognised when the service is provided, based on its stage of completion at the reporting date.

Dividend and interest income are recognised as follows:

- dividends, in the year in which the right to be collected arises;
- interest, using the effective interest rate method

1.n. Employee benefits

Benefits to be paid to employees on termination of their employment and other long term benefits are not subject to actuarial valuation as the residual liability - of the post-employment benefits in particular - is not significant. In fact, the budget Law 296/2006 made important changes to the rules governing post-employment benefits (TFR) by introducing the possibility for employees to transfer their accrued TFR from 1 January 2007 onwards to approved pension schemes.
With reference to the share based plan, the Company measures and records the notional cost represented by stock options recognised in the income statement among personnel expenses and

distributed over the period of accrual of the benefit, with the balancing entry in a specific equity reserve.
The cost of the option is determined at the time the plan is assigned using specific models and multiplied by the number of options that can be exercised in the reference period, the latter being determined by means of appropriate actuarial variables.

Stock grant plans
The stock grant plans involve the assignment free of charge of units, which are not transferable to third parties or other beneficiaries, each giving a right to be assigned one CIR S.p.A. share. The Plans envisage two classes of rights: time-based units, which vest subject to the passing of a certain period of time, and performance units, which vest subject to the passing of a certain period of time and the achievement of certain objectives in terms of the "normal market value" of the stock (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) as established in the Plan Regulations.
The Regulations envisage a minimum holding of the shares covered by the Plan.
The shares assigned in implementation of the Plans will be made available only from treasury shares held by CIR S.p.A. The regulation states that an essential condition for the assignment of shares is continued service or directorship with the Company or its subsidiaries during the vesting period of the rights and at the date they are exercised.
The fair value of rights assigned is calculated at the time of assignment using the Cox Ross Rubinstein binomial pricing model for American options in relation to the time-based units, and a “Monte Carlo” statistical simulation for the performance units. The notional cost is charged to "Personnel expense" in the income statement on a straight-line basis between the assignment date and the last vesting date.

1.o. Translation of foreign currency items

The Company's functional currency is the euro, the currency in which the financial statements are prepared and published.
Transactions carried out in foreign currencies are initially recognised at the exchange rate at the date of the transaction.
At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at that date.
Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.
Non-monetary items recognised at fair value are translated at the exchange rate at the date that the carrying amount is determined.

1.p. Earnings per share

Basic earnings per share are determined by dividing profit attributable to shareholders by the weighted average number of ordinary shares in circulation during the year, excluding any treasury shares in portfolio.
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in circulation to take into account those potentially deriving from the conversion of all potential ordinary shares with a diluting effect.

1.q. Use of estimates

The preparation of these financial statements and notes in accordance with IFRS requires management to make estimates and assumptions which affect the values of the assets and liabilities shown in them, as well as the disclosures made regarding contingent assets and liabilities at the reporting date.

The estimates and assumptions used are based on experience and other factors considered relevant. The actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement in the year in which the amendment is made if the review only affects that year, or in subsequent years if the amendment affects both the current and future years.

The most significant application of this estimation process involves measuring the investment in subsidiaries.
In this regard, under specific circumstances (reported equity less than the carrying amount of the investment and dividend distributions in excess of the profit for the year), equity investments are subjected to annual impairment tests in order to identify any reductions in their value, which are recognised via impairment adjustments. When checking for the existence of the above circumstances, the Directors make assessments based on both internal and market information, as well as on their experience and the outlook for the future. The considerations made when determining the amount of any impairment losses include factors that may change over time, with both positive and negative effects on the estimates made by the Company.

See the notes on these specific items for further details.

1.r. Adoption of new standards, interpretations and amendments

Standards, amendments and interpretations of IFRS applied from 1 January 2020:

The following standards, amendments and interpretations were applied for the first time by the Company with effect from 1 January 2020:

- Amendments to References to the Conceptual Framework in IFRS standards: The Conceptual Framework explains the concepts for general purpose financial reporting in accordance with IFRSs. Its purpose is to assist the IASB to develop IFRS standards, preparers to develop consistent accounting policies when no standard applies and all parties to understand and interpret the standards. The main innovations concern the description of new concepts that were not included in the previous version of the document, such as measurement, presentation and disclosures and derecognition, as well as the updating and clarification of certain concepts that were already in the previous version, such as the definition of assets and liabilities, criteria for recognition of assets and liabilities in the financial statements, prudence, measurement uncertainty, substance over form, stewardship.
- Amendment to IFRS 3 "Business Combinations": the definition of a business has been clarified, providing specific guidelines for its correct application, distinguishing the acquisition of a "business" from the acquisition of a "group" of assets
- Definition of materiali (Amendment to IAS 1 and IAS 8): as part of the broader project called "Better Communication in Financial Reporting", with which the IASB aims to improve the way in which financial information is communicated to users of financial statements, the definition of material has been changed. This is a pervasive concept of IFRS and is at the basis not only of the recognition, measurement and presentation of the items in the financial statements, but also of the selection of additional information to be provided in the notes.
- Amendments to IFRS 9, IAS 39 and IFRS 7: they allow companies not to interrupt hedging transactions until the interest rate benchmark reform has been completed. In particular, temporary exceptions were introduced to the hedge accounting under IFRS 9 and IAS 39, to be mandatorily applied to all hedging transactions directly impacted by the interest rate benchmark reform. A hedging relationship is directly affected by the reform only if the reform generates uncertainties regarding the interest rate benchmark (defined contractually or not contractually) designated as a hedged risk and/or the timing or amount of cash flows related to the interest rate benchmarks of the hedged item or hedging instrument.

- Amendment to IFRS 16 "*Covid 19-Related Rent Concessions*" (published on 28 May 2020). The amendment permits lessees not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications.

These amendments / improvements / interpretations did not have significant effects for the Company, as such circumstances did not occur.

Standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet mandatory and not yet applied at 31 December 2020

The Company has not applied the following new and amended standards issued but not yet in force:

- Extension of the temporary exemption from applying IFRS 9 (Amendments to IFRS 4); issue date: June 2020; effective date: 1 January 2021; date of approval of EU Reg: 15 December 2020.
- Interest rate benchmark reform - Phase 2 - (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); issue date: August 2020; effective date: 1 January 2021; date of approval of EU Reg: 13 January 2021.

Standards, amendments and interpretations of IFRS not yet endorsed by the European Union:

At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the following amendments and standards. The Directors are currently assessing the potential effects of these amendments on the Company's consolidated financial statements.

- Amendments to IAS 16 - Property, plant and equipment regarding proceeds from selling items before the asset relating to these items is available for its intended use. The amendments are effective from 1 January 2022.
- Amendments to IAS 37 – Onerous Contracts, Cost of Fulfilling a Contract: this clarifies the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective from 1 January 2022.
- Annual improvements to IFRS Standards 2018-2020. The amendments are effective from 1 January 2022.
- References to the conceptual framework: Amendments to IFRS 3. The amendments are effective from 1 January 2022.
- IFRS 17 – Insurance contracts. The amendments are effective from 1 January 2023.
- Amendments to IAS 1: the classification of current and non-current liabilities is clarified. The amendments are effective from 1 January 2023.

2. Financial instruments

The Company has applied IFRS 9 Financial Instruments since 1 January 2018 (date of first-time adoption), with the exception of the provisions on hedge accounting as it continues to apply the provisions of IAS 39 for all hedges already designated in hedge accounting at 31 December 2017. Impairment losses of financial assets are presented in a separate item in the statement of profit or loss and other comprehensive income.

Recognition and measurement

Trade receivables and debt securities issued are recognised when they are originated. All other financial assets and liabilities are initially recognised on the trading date, i.e. when the Company becomes a contractual party in the financial instrument.

Except for trade receivables that do not contain a significant element of financing, financial assets are initially recognised at fair value, increased or decreased in the case of financial assets or liabilities not measured at FVTPL by the transaction costs directly attributable to the acquisition or issue of the financial assets. At the time of initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price.

The following table shows the breakdown of the categories of financial assets and liabilities shown in the financial statements and their classification:

Category of financial assets and liabilities	Classification
NON-CURRENT ASSETS	
OTHER ASSETS	Amortised cost
OTHER FINANCIAL ASSETS	FVTPL
CURRENT ASSETS	
OTHER ASSETS	Amortised cost, expected loss for counterparty risk
CASH AND CASH EQUIVALENTS	Amortised cost, expected loss for counterparty risk
NON-CURRENT LIABILITIES	
LEASE LIABILITIES	Amortised cost
CURRENT LIABILITIES	
BANK LOANS AND BORROWINGS	Amortised cost
LEASE LIABILITIES	Amortised cost
OTHER LIABILITIES	Amortised cost

Classification and subsequent measurement – Financial assets

At the time of initial recognition, a financial asset is classified based on its measurement: amortised cost; fair value recognised through other comprehensive income (FVOCI) - debt security; FVOCI – equity instrument; or at fair value through profit or loss for the year (FVTPL).

Financial assets are not reclassified after their initial recognition, unless the Company changes its business model for managing financial assets. In this case, all of the financial assets involved are reclassified on the first day of the first year following the change in business model.
A financial asset must be measured at amortised cost if both of the following conditions are met and the asset is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective to hold financial assets in order to collect their contractual cash flows; and;

- the contractual terms of the financial asset envisage cash flows on certain dates represented solely by payments of principal and interest on the principal amount to be repaid.

A financial asset has to be measured at FVOCI if both the following conditions are met and it is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective is achieved by collecting contractual cash flows, as well as by selling the financial assets; and
- the contractual terms of the financial asset envisage cash flows on certain dates represented solely by payments of principal and interest on the principal amount to be repaid.

At the time of initial recognition of an equity instrument not held for trading purposes, the Company can make the irrevocable decision to show subsequent changes in fair value through other comprehensive income. This choice is made for each asset.
All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. At the time of initial recognition, the Company can irrevocably designate the financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting asymmetry that would otherwise result from measuring financial assets at amortised cost or at FVOCI. The company chose to recognise the change in the fair value at FVTPL.

The Company assesses the objective of the business model in which the financial asset is held at portfolio level, as it best reflects the way in which the asset is managed and the information communicated to management. This information includes:

- the criteria and objectives of the portfolio and the practical application of these criteria, including, among others, if management's strategy is based on obtaining interest income from the contract, on maintaining a specific interest rate profile, on aligning the duration of the financial assets to that of the related liabilities or on the expected cash flows or on collecting the cash flows by selling the assets;
- the methods for assessing the performance of the portfolio and the methods of communicating the performance to Company executives with strategic responsibilities;
- the risks that affect the performance of the business model (and of the financial assets held in it) and the way in which these risks are managed;
- the methods of remuneration of company executives (for example, if the remuneration is based on the fair value of the assets managed or on the contractual cash flows collected);
- the frequency, value and timing of sales of financial assets in previous years, the reasons for selling and expectations regarding future sales.

Transfers of financial assets to third parties as part of transactions that do not result in derecognition are not considered sales for the purposes of evaluating the business model, in line with the Company maintaining these assets in the financial statements.
Financial assets that meet the definition of financial assets held for trading or whose performance is measured on the basis of their fair value are measured at FVTPL.

Financial assets measured at FVTPL are subsequently measured at fair value. Net gains and losses, including dividends or interest received, are recognised in profit or loss for the year.

Financial assets measured at amortised cost are subsequently measured at amortised cost in accordance with the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss for the year, as are any gains or losses on derecognition.

Classification and subsequent measurement – Financial liabilities:

Financial liabilities are classified as measured at amortised cost.

Derecognition - Financial assets and liabilities

Financial assets are derecognised from the financial statements when the contractual rights to the cash flows deriving from them expire, when the contractual rights to receive the cash flows as part of a transaction in which substantially all the risks and benefits deriving from ownership of the financial asset are transferred or when the Company does not transfer or substantially maintain all the risks and benefits deriving from ownership of the financial asset and does not maintain control of the financial asset.
The Company is involved in transactions that involve the transfer of assets recognised in its statement of financial position, but retains all or substantially all the risks and benefits deriving from the asset transferred. In these cases, the transferred assets are not derecognised.

The Company proceeds with derecognition of a financial liability when the obligation specified in the contract has been settled or cancelled, or if it has expired. The Company also derecognises a financial liability if the related contractual terms change and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value based on the modified contractual terms.
The difference between the carrying amount of the extinguished financial liability and the amount paid (including assets not represented by liquid assets transferred or liabilities assumed) is recognised in profit or loss for the year.

Impairment losses

The Company recognises loss allowances for expected credit losses relating to:

- financial assets measured at amortised cost;
- assets deriving from contracts.

The Company measures the loss allowances at an amount equal to the expected losses throughout the entire life of the receivable, except as indicated below, for the following twelve months:

- debt securities with a low credit risk at the reporting date; and
- other debt securities and bank current accounts for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly after initial recognition.

Loss allowances on trade receivables and assets deriving from contracts are always measured at an amount equal to the expected losses throughout the life of the receivable or asset.
To establish whether the credit risk on a particular financial asset has increased significantly since initial recognition in order to estimate expected losses, the Company takes into consideration information that is reasonable and provable, but also relevant and available without excessive cost or effort. Quantitative and qualitative information and analyses are included, based on the Company's historical experience, credit assessment and forward-looking information').

Expected losses on long-term loans are the losses expected on assets deriving from all possible defaults during the entire estimated life of a financial instrument.
Expected losses on assets at 12 months are the losses expected on assets deriving from possible defaults within 12 months of the reporting date (or within a shorter period if the expected life of a financial instrument is less than 12 months).

The maximum period to be taken into consideration in evaluating expected credit losses is the maximum contractual period during which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets measured at amortised cost have suffered impairment. A financial asset is 'impaired' when one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset.

Observable data relating to the following events constitute evidence that the financial asset has deteriorated:

- significant financial difficulties on the part of the issuer or debtor;
- a breach of contract, such as a default or a deadline not met for more than 90 days;
- restructuring of a debt or an advance by the Company on terms that the group would not otherwise have taken into consideration;
- there is a likelihood that the debtor will declare bankruptcy or some other financial restructuring procedure;
- the disappearance of an active market for that financial asset due to financial difficulties.

Loss allowances on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

<u>Fair value</u>

Fair value, as defined by IFRS 13, is the price that would be received for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants at the measurement date.
The fair value of financial liabilities due and payable on demand (e.g. demand deposits) is not less than the amount payable on demand, discounted from the first date on which payment could be required.
For financial instruments quoted in active markets, the fair value is determined on the basis of official prices in the principal market to which the Company has access (mark to market).
A financial instrument is considered quoted in an active market if quoted prices are readily and regularly available from a quotation system, dealers, brokers, etc., and these prices represent actual and regular market transactions. If there is no quoted market price in an active market for a financial instrument taken as a whole, but there is one for some of its components, the fair value is determined on the basis of the specific market prices of its components.
If there are no observable prices in an active market for an identical item owned by another operator as an asset, or if prices are not available, using other observable inputs such as quoted prices in an inactive market for the identical item owned by another operator as an asset, the Company will assess the fair value using another measuring technique, such as:

- an income approach (for example, a technique that takes into account the present value of future cash flows that a market participant would expect to receive from owning a financial liability, an equity instrument or an asset);
- a market approach (for example, using quoted prices for similar liabilities or equity instruments owned by third parties as assets);
- measurements performed using, in all or in part, inputs not taken from parameters that are observable on the market, for which use is made of estimates and assumptions developed by the evaluator (Mark to Model). The Company uses measurement models (mark to model) that are generally accepted and used by the market. The models include techniques based on the discounting of future cash flows and estimates of volatility (if there is an optional component); these are subject to revision from time to time in order to ensure consistency with the objectives of the measurement.

These methods use inputs based on prices set in recent transactions and/or prices/quotations for instruments that have similar characteristics in terms of risk profile.
As a further guarantee of the objectivity of measuremetns derived from mesurement models, the Company uses fair value adjustments (FVAs) to take into account the risks associated primarily with the limited liquidity of the positions, the measurement models used and counterparty risk.
The choice between these techniques is not optional, as they have to be applied in hierarchical order: if, for example, a price quoted in an active market is available, the other valuation techniques cannot be used.
As regards the determination of the fair value of derivative contracts, default risk, which is reflected through credit value adjustments (CVA) and debit value adjustments (DVA), has to be taken into consideration.

The fair value hierarchy has three levels:

- Level 1: the fair value of instruments classified in this level is determined based on (unadjusted) quoted prices that can be observed in active markets;
- Level 2: the fair value of instruments classified in this level is determined based on measurement models that use inputs that can be observed in active markets (other than the quoted prices included in Level 1, observable either directly or indirectly);
- Level 3: the fair value of instruments classified in this level is determined based on measurement models that primarily use inputs that can not be observed in active markets. The measurements are based on various inputs, not all directly derived from observable market parameters, and involve estimates and assumptions on the part of the evaluator.

Statement of financial position

3. Non-current assets

3.a. Intangible assets

2019	Opening balance			Changes in the year					Closing balance		
(in thousands of euro)	*Original cost*	*Accumulated amortisation and impairment losses*	*Net 31.12.2018*	*Acquisitions*	*Reclassifications*	*Disposals cost*	*Disposals accum. amort.*	*Amortisation and impairment losses*	*Original cost*	*Accumulated amortisation and impairment losses*	*Net 31.12.2019*
Trademarks and software	--	--	--	--	--	--	--	--	--	--	--
Assets under development and payments on account	--	--	--	--	--	--	--	--	--	--	--
Total	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**

2020	Opening balance			Changes in the year					Closing balance		
(in thousands of euro)	*Original cost*	*Accumulated amortisation and impairment losses*	*Net 31.12.2019*	*Acquisitions*	*Merger*	*Disposals cost*	*Disposals accum. amort.*	*Amortisation and impairment losses*	*Original cost*	*Accumulated amortisation and impairment losses*	*Net 31.12.2020*
Trademarks and software	--	--	--	17	72	--	--	(62)	1,035	(1,008)	27
Assets under development and payments on account	--	--	--	15	--	--	--	--	15	--	15
Total	**--**	**--**	**--**	**32**	**72**	**--**	**--**	**(62)**	**1,050**	**(1,008)**	**42**

The effects of the merger increased "Original cost" by € 1,018 thousand and "Accumulated amortisation and impairment losses" by € 946 thousand.

AMORTISATION RATES

Description	*%*
Trademarks and software	5-30 %

3.b. Property, plant and equipment

2019	Opening balance			Changes in the year					Closing balance		
(in thousands of euro)	*Original cost*	*Accumulated depreciation and impairment losses*	*Net 31.12.2018*	*Acquisitions*	*Reclassifications*	*Disposals*		*Depreciation and impairment losses*	*Original cost*	*Accumulated depreciation and impairment losses*	*Net 31.12.2019*
						cost	*accum. depr.*				
Land	--	--	--	--	--	--	--	--	--	--	--
Buildings	1,316	(1,064)	252	--	--	--	--	(40)	1,316	(1,104)	212
Plant and machinery	60	(60)	--	--	--	--	--	--	60	(60)	--
Other assets	568	(545)	23	--	--	--	--	(15)	568	(560)	8
Assets under construction and payments on account	--	--	--	--	--	--	--	--	--	--	--
Total	**1,944**	**(1,669)**	**275**	**--**	**--**	**--**	**--**	**(55)**	**1,944**	**(1,724)**	**220**

2020	Opening position			Movements during the year					Closing position		
(in thousands of euro)	*Original cost*	*Accumulated depreciation and impairment losses*	*Net 31.12.2019*	*Acquisitions*	*Merger*	*Disposals*		*Depreciation and impairment losses*	*Original cost*	*Accumulated depreciation and impairment losses*	*Net 31.12.2020*
						cost	*accum. depr.*				
Land	--	--	--	--	723	--	--	--	723	--	723
Buildings	1,316	(1,104)	212	436	3,800	--	--	(163)	9,790	(5,505)	4,285
Plant and machinery	60	(60)	--	56	151	(4)	2	(64)	1,327	(1,186)	141
Other assets	568	(560)	8	28	606	(7)	3	(118)	4,420	(3,900)	520
Assets under construction and payments on account	--	--	--	18	--	--	--	--	18	--	18
Total	**1,944**	**(1,724)**	**220**	**538**	**5,280**	**(11)**	**5**	**(345)**	**16,278**	**(10,591)**	**5,687**

Property, plant and equipment have increased from € 220 thousand at 31 December 2019 to € 5,687 thousand at 31 December 2020. This rise was essentially due to the effects of the merger, which increased "Original cost" by € 13,805 thousand and "Accumulated depreciation and impairment losses" by € 8,525 thousand

DEPRECIATION RATES

Description	*%*
Buildings	3.00 %
Plant and machinery	10.00 – 25.00 %
Other assets:	
- Electronic office equipment	20.00 %
- Furniture and fittings	12.00 %
- Motor vehicles	25.00 %

3.c. Investment property

2019	Opening balance			Changes in the year					Closing balance		
(in thousands of euro)	*Original cost*	*Accumulated depreciation and impairment losses*	*Net 31.12.2018*	*Acquisitions*	*Reclassifications*	*Disposals cost*	*Disposals accum. depr.*	*Depreciation and impairment losses*	*Original cost*	*Accumulated depreciation and impairment losses*	*Net 31.12.2019*
	854	(2)	852	--	--	--	--	--	854	(2)	852

2020	Opening position			Movements during the year					Closing position		
(in thousands of euro)	*Original cost*	*Accumulated depreciation and impairment losses*	*Net 31.12.2019*	*Acquisitions*	*Merger*	*Disposals cost*	*Disposals accum. depr.*	*Depreciation and impairment losses*	*Original cost*	*Accumulated depreciation and impairment losses*	*Net 31.12.2020*
	854	(2)	852	--	12,725	--	--	(583)	21,528	(8,534)	12,994

Investment property has increased from € 852 thousand at 31 December 2019 to € 12,994 thousand at 31 December 2020. This rise was essentially due to the effects of the merger, which increased "Original cost" by € 20,673 thousand and "Accumulated depreciation and impairment losses" by € 7,948 thousand.

The item includes "Land" for € 1,238 thousand.

The market value (€ 30.6 million) is considerably higher than the carrying amount.

DEPRECIATION RATES

Description	*%*
Investment property	3.00 %

3.d. Right-of-use assets

2020	Opening balance			Changes in the year					Closing balance		
(in thousands of euro)	Original cost	Accumulated depreciation and impairment losses	Net 31.12.2019	Acquisitions	Merger	Disposals cost	Disposals accum. depr.	Depreciation and impairment losses	Original cost	Accumulated depreciation and impairment losses	Net 31.12.2020
Buildings	--	--	--	--	381	(501)	192	(72)	--	--	--
Other assets	--	--	--	20	111	(32)	15	(94)	159	(139)	20
Total	**--**	**--**	**--**	**20**	**492**	**(533)**	**207**	**(166)**	**159**	**(139)**	**20**

The right-of-use assets amount to € 20 thousand at 31 December 2020. During the year there were increases for € 20 thousand, sales for € 326 thousand and depreciation for € 166 thousand. The effects of the merger increased "Original cost" by € 672 thousand and "Accumulated depreciation and impairment losses" by € 180 thousand.

3.e. Equity investments

A list of equity investments, including changes in the respective carrying amounts during the year, is shown below:

	OPENING BALANCE		CHANGES IN THE YEAR							CLOSING BALANCE	
	31.12.2019		*Merger*		*Allocation ofcancellation difference*		*Increases*		*Impairment losses/ Revaluations Reversals*	*31.12.2020*	
	no. shares	*amount*	*no. shares*	*amount*	*no. of shares*	*amount*	*no. of shares*	*amount*	*amount*	*no. shares*	*amount*
Subsidiaries											
CIR S.p.A.	363,771,164	573,821	(363,771,164)	(573,821)	--	--	--	--	--	--	--
SOGEFI S.p.A.	--	--	66,788,988	109,107	--	(150)	--	--	--	66,788,988	108,957
KOS S.p.A.	--	--	52,669,551	163,021	--	8,105	535,500	4,661	--	53,205,051	175,787
CIR INVESTIMENTI S.p.A.	--	--	19,426,162	188,205	--	11,387	--	4,701	--	19,426,162	204,293
CIR INTERNATIONAL S.A.	--	--	1,500,000	21,112	--	77,021	--	--	--	1,500,000	98,133
NEXENTI ADVISORY S.r.l.	--	--	100,000	307	--	--	--	--	(20)	100,000	287
CIGA LUXEMBOURG S.A.R.L.	--	--	1,000	321	--	--	--	--	(121)	1,000	200
NEXENTI S.r.l.	--	--	50,000	145	--	--	--	--	(19)	50,000	126
Total subsidiaries		**573,821**		**(91,603)**		**96,363**		**9,362**	**(160)**		**587,783**
Other companies											
C IDC S.p.A. (in liquidation and in composition with creditors)	1,231,319	--	1,231,319	--	--	--	--	--	--	2,462,638	--
KIWI.COM. SERVICOS DE CONSULTORIA S.A.	3,812,055	--	--	--	--	--	--	--	--	3,812,055	--
FILIPPO FOCHI S.p.A. *(in receivership)*	--	--	409,250	--	--	--	--	--	--	409,250	--
IST. EDIL. ECONOM.POPOLARE S.r.l.	--	--	1,350	--	--	--	--	--	--	1,350	--
GEDI GRUPPO EDITORIALE S.p.A. (formerly GIANO HOLDING S.p.A.)	--	--	--	--	--	--	25,434,524	11,700	--	25,434,524	11,700
Total other companies		**--**		**--**		**--**		**11,700**	**--**		**11,700**
Total equity investments		**573,821**		**(91,603)**		**96,363**		**21,062**	**(160)**		**599,483**

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31 DECEMBER 2020
(ART. 2427 no. 5 Italian Civil Code)

(in thousands of euro)

Name	*Registered office*	*Share/quota capital*	*Equity total*	*Profit (loss) for the year*	*% held*		*Carrying amount*
SOGEFI S.p.A.	Milan	62,461	205,591	(6,238)	55.60	(*)	108,957
CIR INVESTIMENTI S.p.A.	Milan	19,426	201,458	4,434	100.00		204,293
CIR INTERNATIONAL S.A.	Luxembourg	15,000	71,460	5,630	100.00		98,133
KOS S.p.A.	Milan	8,853	148,209	97,400	59.77		175,787
NEXENTI ADVISORY S.r.l	Milan	100	287	(20)	100.00		287
CIGA LUXEMBOURG S.A.r.l.	Luxembourg	1,000	200	(121)	100.00		200
NEXENTI S.r.l.	Milan	50	113	(15)	100.00		126

(*) 56.67% of voting rights

The balance of "Equity investments" went from € 573,821 thousand at 31 December 2019 to € 599,483 thousand at 31 December 2020.

For more information please read paragraph "Merger".

As required by IFRS the investments were tested for impairment to see whether there was objective evidence that their carrying amount could not be fully recovered.

For the purposes of carrying out the impairment test for the separate financial statements, the individual investments (CGU) held by the Company were divided into those that act as a holding company for their sector and the other investments.

In order to perform the impairment test, the recoverable amount of each cash generating unit, defined in accordance with IAS 36, was estimated with reference to its value in use or its fair value less costs of disposal, also considering - where applicable in the specific circumstances - the guidelines contained in the document "Impairment testing of goodwill in the context of crises in financial markets and the real economy: guidelines" issued by the O.I.V. (Italian Valuation Board).

The recoverable amount of KOS and Sogefi was estimated using the value in use calculated by discounting, at an appropriate discount rate, the future cash flows generated by the unit (discounted cash flow method). More specifically, in accordance with what is required by international financial reporting standards, to test the value, cash flows are considered without taking into account inflows and outflows generated by financial management ("*Free cash flow from operations*")
The cash flows of the single operating units are extrapolated from the budgets and forecasts made by the management of the operating units concerned and approved by the respective Boards of Directors. These plans were processed using the assumptions made by leading analysts on the outlook for the respective markets and more in general on the trend of each business segment.
The value in use of a Cash Generating Unit is estimated by considering, in addition to the cash flows expected from the unit, its long-term growth rate ("g") and the discount rate corresponding to the weighted-average cost of the capital invested ("WACC"), which takes account of market returns and specific risk factors associated with the sector and the unit concerned.
In detail, the following amounts are used for the calculation of WACC:

- return on risk-free assets: this is equal to the ten-year average of the rates of return on ten-year debt securities of the countries in which the group companies KOS and Sogefi operate;

- market equity risk premium: measured as a long-term historical yield differential between equity and bonds on mature financial markets;
- Levered Beta: determined with reference to the Beta of comparable companies in the of the healthcare and automotive sectors;
- financial structure: the structure of the financial sources used for weighting the cost of capital was determined on the basis of a market debt ratio (D/D+E), taken from a sample of comparable companies in the sector;
- dimensional risk premium: based on long-term observations of the yield premium associated with an investment in the risk capital of a small and medium-sized company (Source:Duff & Phelps)

The recoverable amount of the other equity investments, principally CIR Investments and CIR International, was estimated at fair value less costs to dispose. This methodology is best applied when a price has been determined in a binding sale agreement between independent counterparties, with deduction of the direct disposal costs. If this information is not available, the fair value net of costs to sell is determined in relation to the following trading prices, in order of importance:

- the current price traded on an active market;
- prices for prior similar transactions;
- the estimated price based on information obtained by the company.

Summary of the results of impairment testing

The impairment test carried out on the equity investments held by the Healthcare (KOS) and Automotive (Sogefi) sectors, as well as on the equity investments of the financial holding companies CIR Investimenti and CIR International, ascertained that there are no impairment losses.
With regard to the other, more minor equity investments held by CIR S.p.A., checks on the recoverability of their carrying amounts identified the need for impairment adjustments totalling € 160 thousand.

However, considering that the recoverable amount is determined on the basis of estimates, the group cannot guarantee that they will not be impaired in future years. Given the current context of market crisis, the various factors used to make the estimates could be revised if conditions prove not to be in line with those on which the forecasts were based.
The tests performed in relation to each sector are described below.

Automotive sector (Sogefi group)

The recoverability of the carrying amount of the investment was checked against its value in use, being the present value of the cash flows forecast by the Sogefi group plus its terminal value (Unlevered Discounted Cash Flow).

The cash flows considered were taken from the 2021-2025 plan (adjusted to exclude the expected benefits from future projects and reorganisations) approved by the Board of Directors on 12 February 2021. The terminal value was calculated using the perpetuity growth model, applying 2% growth rate (based on the long-term inflation rates estimated for each country, weighted by their sales) to the operating cash flow for the final year of the long-term plan, as adjusted to project a stable situation "in perpetuity" assuming net zero investment and depreciation and no changes in working capital.

The discount rate based on the weighted average cost of capital is equal to 8.72%, calculated through the weighted average parameters composing WACC for each country in which the Sogefi group operates.
The impact of Covid-19 on certain parameters used to determine the discount rate was also considered (for example by using averages calculated over more extended periods than in the past), in order to smooth the effect on the rate (and the underlying concepts in terms of risk and expected yield) of the measures adopted by the European and US central banks to tackle the economic effects of the pandemic. These measures lowered the rate curve, increased the liquidity in circulation and, therefore, the value of financial assets, and reduced the estimated market risk premium.
The figures used in calculating the average cost of capital were as follows:

- financial structure of the sector: 28.8%;
- levered beta for the sector: 1.21%;
- risk-free rate: 3.5% (annual average for 10-year risk-free government bonds of the countries in which the group operates, weighted on the basis of revenue);
- risk premium: 5.2% (average risk premium, calculated by an independent source, of the main countries in which the group operates, weighted on the basis of revenue);
- specific risk: 1.42% added premium, calculated by an independent source, for the risk linked to small cap.;
- spread on the cost of debt: 2.3% (estimated on the basis of the 2021 budget).

Checks of the present value of expected cash flows showed that the value in use of the Sogefi CGU (in proportion to the equity interest held by CIR S.p.A. and net of borrowing) is € 380.8 million, which exceeds its carrying amount of € 109.0 million. The sensitivity analyses carried out on the WACC and g (long-term growth rate) parameters confirm positive coverage of the carrying amount: in particular, in the worst case scenario, with a 0.5% increase in the WACC and a 0.5% decrease in g, the coverage remains positive by € 197.2 million. Given the results of the test, no impairment adjustments have been made.

Healthcare sector (KOS group)

The recoverability of the carrying amount of the investment was checked against its value in use, being the present value of the cash flows forecast by the KOS group plus its terminal value (Unlevered Discounted Cash Flow).
The above operating cash flows were taken from the 2021-2025 plan approved by the Board of Directors on 2 February 2021 (without development projects or acquisitions, except for those already under contract), which considers the effects of the Covid-19 pandemic on both short- and medium-term profitability. The terminal value was calculated using the perpetuity growth model, applying 1.35% growth in Italy, 1% in Germany and 4% in India (based on the long-term inflation rates estimated for each country) to the operating cash flow for the final year of the long-term plan, as adjusted to project a stable situation "in perpetuity" assuming net zero investment and depreciation and no changes in working capital.

The discount rate (*WACC*) reflecting current market assessments, considering the specific risks faced in the various geographical areas in which the KOS group operates, was calculated to be 5.54% in Italy, 4.31% in Germany and 8.87% in India. Here too, consideration was given to the impact of Covid-19 on certain parameters used to determine the discount rate (e.g. the risk-free rates).

Verification of the present value of expected cash flows showed that the value in use of the KOS CGU (in proportion to the equity interest held by CIR S.p.A. and net of borrowing) is € 596.1

million, which exceeds its carrying amount of € 175.5 million. The sensitivity analyses carried out on the WACC and g (long-term growth rate) parameters confirm positive coverage of the carrying amount: in particular, in the worst case scenario, with a 0.5% increase in the WACC and a 0.5% decrease in g, the coverage remains positive by € 206.6 million. Given the results of the test, no impairment losses have been made.

Financial holding companies (CIR Investimenti and CIR International)

Being financial holding companies, the impairment tests carried out on the wholly-owned investments in CIR Investmenti and CIR International did not measure them using the DCF value-in-use method, but rather at their fair value less costs to dispose, which was estimated with reference to the market value of the assets held (mainly financial investments and non-controlling equity interests), net of their liabilities (mainly amounts due to CIR S.p.A.).
The financial investments (securities and investment funds) held by the two companies are stated in their respective financial statements at fair value, determined with reference to the market prices of the securities and the values indicated by the managers of certain direct investments; on the other hand, certain smaller non-controlling interests were measured by management at their estimated realisable value.
The carrying amount of equity of the two companies is therefore considered to be a reliable estimate of their fair value less costs to dispose, and was used for impairment testing purposes in the separate financial statements of CIR S.p.A.
The equity of CIR Investmenti at the reporting date, € 206.3 million, was found to exceed its carrying amount, € 204.3 million, and no impairment loss was therefore recognised.
The equity of CIR International at the reporting date, € 101.7 million, was found to exceed its carrying amount, € 98.1 million, and no impairment loss was therefore recognised.

The recoverability of the carrying amounts of the other smaller equity investments held by CIR S.p.A. was checked in a manner similar to that described above, resulting in the need to make certain impairment adjustments, in particular, Nexenti Advisory S.r.l., € 20 thousand, Nexenti S.r.l., € 19 thousand, and CIGA Luxembourg S.a.r.l., € 121 thousand, with a matching entry to income statement caption 17 “Fair value gains on financial assets”.

3.f. Other assets

(in thousands of euro)	*31.12.2019*	*Merger*	*01.01.2020*	*31.12.2020*
Tax assets	107	--	107	107
Other assets -related parties	--	68,784	68,784	7,654
Other	15	1,191	1,206	1,371
Total	**122**	**69,975**	**70,097**	**9,132**

At 31 December 2020, this item also refers to € 61,236 thousand of the loan granted to the subsidiary CIR International S.A. The rate applied to this loan is 1.477% (6m Euribor + spread). At 1 January 2020 this item included € 61,236 thousand related to a loan granted to CIR Investimenti S.p.A. which expires in April 2021. This loan has been reclassified to item 4.a "Other assets" under current assets.

"Other" at 31 December 2020 includes € 1,320 thousand (€ 1,155 thousand at 1 January 2020) relating to the insurance premiums paid to guarantee the termination indemnities of the directors of the Company.

3.g. Other financial assets

The item "Investment funds" is made up of:

- € 2,309 thousand (€ 2,309 thousand at 1 January 2020) relate to an investment in the Jargonnant real estate fund. The measurement of this fund at fair value in 2019 resulted in a positive valuation, recognised in the income statement under item 17 "Fair value gains on financial assets", for an amount of € 486 thousand;
- € 13,226 thousand (€ 9,828 thousand at 1 January 2020) related to an investment in the Three Hills fund, which invests in small/medium-sized European companies. The measurement of this fund at fair value resulted in a positive valuation, recorded in the income statement under item 17 "Fair value gains on financial assets", for an amount of € 1,874 thousand (€ 2,565 thousand).

"Non strategic equity investments" consist of:

- € 4,287 thousand (€ 4,329 thousand at 1 January 2020) related to the investment in TH Aereo CO Invest S.C.A. The measurement of this investment at fair value resulted in a negative valuation, recognised in profit or loss under item 17 "Fair value gains on financial assets", for an amount of € 42 thousand;
- € 592 thousand (€ 982 thousand at 1 January 2020) related to an investment in Bow Street LLC. The measurement of this investment at fair value resulted in an overall negative valuation of € 518 thousand (€ 1,292 thousand in 2019), of which € 471 thousand recognised in profit or loss under item 17 "Fair value gains on financial assets" and € 47 thousand under 13 "Financial expense";
- € 354 thousand (€ 2,000 thousand at 1 January 2020) related to an investment in the company October S.A. The measurement of this investment at fair value resulted in a negative valuation, recognised in profit or loss under item 17 "Fair value gains on financial assets", for an amount of € 1,646 thousand.

With regard to the disclosure required by IFRS 13, it should be noted that the fair value of the investments was determined based on measurement models that use observable inputs on active markets (Level 2), while the fair value of the investment in October S.A. was determined on the basis of measurement models that use mainly inputs that cannot be observed on active markets (Level 3).

3.h. Deferred tax assets and liabilities

The breakdown of "Deferred tax assets and liabilities" by type of temporary difference is as follows:

(in thousands of euro)	*31.12.2019*		*31.12.2020*	
	Amount of temporary differences	*Tax effect*	*Amount of temporary differences*	*Tax effect*
Tax losses	--	--	2,985	716
Total deferred tax assets	**--**	**--**	**2,985**	**716**
Measurement at fair value of non-current assets	1,828	88	5,899	71
Total deferred tax liabilities	**1,828**	**88**	**5,899**	**71**
Net deferred taxes		**(88)**		**645**

The changes in "Deferred taxes" during the year were as follows:

(in thousands of euro)	*Balance at 31.12.2019*	*Merger*	*Use of deferred taxes from prior year*	*Deferred taxes generated in the year*	*Balance at 31.12.2020*
Deferred tax assets:					
- income statement	--	--	--	716	716
- equity	--	--	--	--	--
Deferred tax liabilities:					
- income statement	(88)	(13)	30	--	(71)
- equity	--	--	--	--	--
Net deferred taxes	**(88)**	**(13)**	**30**	**716**	**645**

4. Current assets

4.a. Other assets

(in thousands of euro)	31.12.2019	*Merger*	01.01.2020	*31.12.2020*
Tax assets	32	3,833	3,865	4,219
Other assets -related parties	5	9,816	9,821	72,858
Trade receivables	--	58	58	118
Other	88	3,710	3,798	9,102
Total	125	**17,417**	17,542	**86,297**

The item "Other assets - related parties" consists of:

- € 3,251 thousand relating to assets from companies that have joined the tax consolidation scheme (€ 662 thousand from companies of the KOS group, € 1,196 thousand from companies of the Sogefi group and € 1,393 thousand from Cir Investimenti S.p.A);
- € 50 thousand for the loan granted to Nexenti S.r.l.;

- € 69,423 thousand for the loan granted in favour of CIR Investimenti S.p.A. Note that during the year, new amounts were granted for € 7,596 thousand. The rate applied to this loan is 1% (3m Euribor with zero floor + spread of 1%);
- € 130 thousand from companies that pay over directors' fees (€ 80 thousand from CIR Investimenti S.p.A., € 14 thousand from Sogefi S.p.A. and € 36 thousand from KOS S.p.A.);
- € 3 thousand from Sogefi S.p.A. for a property lease;
- € 1 thousand from CIR International S.A. for recharge of insurance costs.

"Tax assets" include € 1,691 thousand of IRES related to the Company's tax consolidation scheme.

"Other" includes € 5,049 thousand related to the contractual "Earn out" as part of the sale of the Sorgenia group. The amount was collected on 1 February 2021.

4.b. Securities

(in thousands of euro)	*31.12.2019*	*Merger*	*01.01.2020*	*31.12.2020*
Investment funds	10,928	--	10,928	13,947
Non strategic equity investments	32	--	32	4
Total	**10,960**	**--**	**10,960**	**13,951**

The fair value measurement of securities at the reporting date identified a net positive value of € 2,991 thousand (€ 2,466 thousand in 2019), of which € 3,915 thousand recognised in profit or loss under caption 17 "Fair value gains on financial assets", while unrealised exchange losses of € 924 thousand were recognised in profit or loss under caption 13 "Financial expense".

4.c. Cash and cash equivalents

Cash and cash equivalents increased by € 36,675 thousand from € 1,237 thousand at 31 December 2019 to € 37,912 thousand at 31 December 2020. A breakdown of the changes is shown in the statement of cash flows.

5. Equity

5.a. Share capital

Share capital at 31 December 2020 amounted to € 638,603,657.00 and consisted of 1,277,207,314 shares with a nominal amount of € 0.50 each, compared with € 359,604,959.00 at 31 December 2019 consisting of 719,209,918 shares with nominal amount of € 0.50 each. The change was entirely attributable to the effects of the merger, described above in note 1 "Merger".

On 19 February 2020, once the merger of CIR S.p.A. - Compagnie Industriali Riunite (merged Company) into CIR S.p.A. - Compagnie Industriali Riunite (formerly Cofide - Gruppo De Benedetti S.p.A. - Merging Company) had taken effect, all the shares of the merged company were cancelled and exchanged for ordinary shares of the merging company issued in execution of the increase in capital of € 278,998,698.00 (557,997,396 shares) on the basis of an exchange ratio of 2.01 ordinary shares of the merging company for each share of the merged company, all with nominal amount of € 0.50 each.

At 31 December 2020 the parent held 26,957,393 treasury shares (2.111% of the share capital) for an amount of € 15,200 thousand, compared with 27,214,899 treasury shares (3.784% of the share capital) for an amount of € 15,345 thousand at 31 December 2019. The decrease is due to the exercise of the stock grant plans of 257,506 shares. Note that the merger had no effects on treasury shares.

In application of IAS 32, treasury shares are deducted from total equity.

The subscribed share capital is fully paid in. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends, with the exception of treasury shares.

The Company's controlling shareholder is Fratelli De Benedetti S.p.A. with registered office in via Valeggio 41, Turin, which holds 30.759% of share capital and 45.489% of voting rights

5.b. Reserves

The breakdown of the item "Reserves" is as follows:

(in thousands of euro)	*Share premium reserve*	*Legal reserve*	*Reserve for treasury shares*	*Not distributable reserve as per art. 6 of Legislative Decree no. 38/2005*	*Other reserves*	Stock grant reserve	*Total reserves*
Balance at 31 December 2018	**5,044**	**24,292**	**12,082**	**--**	**119,515**	**--**	**160,933**
Capital increases	--	--	--	--	--	--	--
Dividends to shareholders	--	--	--	--	(10,034)	--	(10,034)
Retained earnings	--	554	--	887	--		1,441
Fair value gains (losses) on treasury share transactions	--	--	1,525	--	(1,504)	--	21
Notional cost of stock options credited	--	--	--	--	--	--	--
Reclassifications	--	--	--	--	--	--	--
Balance at 31 December 2019	**5,044**	**24,846**	**13,607**	**887**	**107,977**	**--**	**152,361**
Capital increases	--	--	--	--	--	--	--
Effects of the merger	--	--	--	--	(75,076)	--	(75,076)
Dividends to shareholders	--	--	--	--	--	--	--
Retained earnings	--	670	--	1,274	--		1,944
Fair value gains (losses) on treasury share transactions	--	--	(128)	--	145	--	17
Notional cost of stock options credited	--	--	--	--	--	1,516	1,516
Reclassifications	--	--	--	487	--	(35)	452
Balance at 31 December 2020	**5,044**	**25,516**	**13,479**	**2,648**	**33,046**	**1,481**	**81,214**

The breakdown of "Other reserves" at 31 December 2020 was as follows

(in thousands of euro)

Goodwill arising from merger	(75,033)
First-time adoption of IFRS (FTA) reserve	108,079
Total	**33,046**

On 8 June 2020, the Ordinary Shareholders' Meeting resolved to revoke the resolution authorising the purchase of treasury shares adopted at the Ordinary Meeting held on 29 April 2019 and, consequently, the related authorisation to make use of those shares. The 2020 resolution applied to the extent that the old resolution had not already been used and from the day after the meeting until its natural expiry date.

The "Stock grant reserve" refers to the notional cost of the incentives assigned to employees and approved after 7 November 2002.

5.c. Retained earnings

The changes in retained earnings are shown in the "Statement of changes in equity".

INFORMATION AS PER ART. 2427 - 7 BIS - ITALIAN CIVIL CODE

The following chart gives a breakdown of equity items according to how they can be utilised:

(in thousands of euro)	*Amount at* 31.12.2020	*Possible use*	*Amount available*	*Summary of uses made* in the previous three years (*)		
				To cover losses	*For dividend distribution*	*Other*
SHARE CAPITAL	638,604	--	--	--	--	--
Capital reserves:						
Share premium reserve	5,044	AB	--	--	--	--
Earnings reserves:						
Legal reserve	25,516	B	--	--	--	--
Other reserves	33,046	ABC	33,046	--	(10,034)	(3,982)
Stock option and stock grant reserve	1,481	ABC	1,481	--	--	--
Reserve ex art. 6 Leg. Decree 38/2005	2,648	B	--	--	--	--
Retained earnings	61,950	ABC	61,950	--	(9,800)	--
TOTAL	**768,289**		**96,477**	**--**	**(19,834)**	**(3,982)**

Key: A: for capital increases; *B: to cover losses; C: for distribution to shareholders*

(*) The uses shown are those that led to a decrease in equity.

6. Non-current liabilities

6.a. Other loans and borrowings

At 31 December 2019, this caption related to the revolving loan for up to € 45 million, repayable on 30 June 2022, with interest at 3-month Euribor uplifted by a spread of 195 basis points over the year. This loan was early repaid on 20 February 2020.

6.b. Lease liabilities

This item amounts to € 12 thousand and refers to lease liabilities with maturities of more than 12 months. It relates to car leases.

6.c. Other liabilities

This item amounting to € 317 thousand at 31 December 2020 (€ 35 thousand at 31 December 2019) refers to other liabilities due beyond 12 months. The increase represents the amount due to the subscribers of KOS stock option plans, adjusting the consideration paid to them for the purchase by CIR of shares in KOS S.p.A. to service the capital increase carried out by that company during the year.

6.d. Employee benefit obligations

The details of this item are as follows:

(in thousands of euro)	*31.12.2019*	*Merger*	*01.01.2020*	*31.12.2020*
Post-employment benefits (TFR)	--	658	658	595
Pension funds and similar obligations	--	1,100	1,100	1,265
Total	--	1,758	1,758	**1,860**

Changes in the "Post-employment benefits" provision are shown in the following chart:

(in thousands of euro)	*31.12.2019*	*31.12.2020*
Opening balance	--	--
Merger	--	658
Portion accrued	--	173
Benefits paid	--	(236)
Other changes	--	--
Total	**--**	**595**

"Pension funds and similar obligations" comprise the provision recognised for the termination indemnities of the directors of the company.

7. Current liabilities

7.a. Lease liabilities

This item equal to € 8 thousand refers to lease liabilities with maturities of more than 12 years, relating to car leases.

7.b. Other liabilities

(in thousands of euro)	*31.12.2019*	*Merger*	*01.01.2020*	*31.12.2020*
Tax liabilities	1,360	548	1,908	1,726
Related parties	--	6,845	6,845	4,560
Trade payables	94	718	812	482
Other	242	3,437	3,679	2,095
Total	**1,696**	**11,548**	**13,244**	**8,863**

The item "Related parties" refers to amounts due to companies which participate in the tax consolidation scheme (€ 3,598 thousand to companies of the Sogefi group, € 947 thousand to companies of the KOS group, € 1 thousand to Nexenti S.r.l., € 2 thousand to Nexenti Advisory S.r.l. and 12 thousand to CIR Investimenti S.p.A.).

7.c. Provisions for risks and charges

The breakdown of these provisions and the changes during the year are as follows:

(in thousands of euro)	*Balance at 31.12.2019*	*Merger*	*Accruals*	*Uses*	*Balance at 31.12.2020*
Other	--	4,951	--	--	4,951
Total	**--**	**4,951**	**--**	**--**	**4,951**

Income statement

8. Sundry revenue and income

(in thousands of euro)	*2020*	*2019*
Services to subsidiaries	633	--
Fees paid by subsidiaries	176	--
Property income	1,147	28
Property income from related parties	119	85
Other income and cost recoveries	208	281
Total	**2,283**	**394**

Revenue from services to subsidiaries are the charge-back of fees for strategic and management support and special administrative, financial and tax assistance provided to them.

Fees paid by subsidiaries refer to Cir Investimenti S.p.A. for € 120 thousand, to Sogefi S.p.A. for € 20 thousand and to KOS S.p.A. for € 36 thousand.

Property income from related parties refers to the lease contract signed with Sogefi S.p.A.. In 2019, property income from related parties referred to the lease contract signed with GEDI Gruppo Editoriale S.p.A..

Revenue from services to group companies in 2020 can be broken down as follows:

(in thousands of euro)	*2020*	*2019*
GEDI Gruppo Editoriale S.p.A.	90	--
Sogefi S.p.A.	433	--
KOS S.p.A.	110	--
Total	**633**	**--**

Revenue from services to GEDI Gruppo Editoriale S.p.A. concern the period from 1 January 2020 to 23 April 2020, date of sale of the investment.

9. Cost for services

(in thousands of euro)	*2020*	*2019*
Administrative, tax, legal and corporate consulting	1,909	1,239
Services from subsidiaries	6	122
Fees for corporate bodies	3,389	422
Other	1,935	260
Total	**7,239**	**2,043**

Services from subsidiaries refer to the monitoring and reporting of investments in "Investment funds" and "Non-strategic equity investments" recognised under item 3.g "Other financial assets", supplied under normal market conditions by the merged subsidiary CIR International S.p.A.

Services from subsidiaries in the previous year referred to financial, legal and administrative assistance supplied under normal market conditions by the merged subsidiary CIR S.p.A.

"Administrative, tax, legal and corporate consulting" for € 562 thousand (€ 1,069 thousand in 2019) includes the costs relating to the CIR/Cofide merger.

The increase in "Fees for corporate bodies" reflects the different corporate governance, after the merger.

10. Personnel expense

Personnel expense amounts to € 5,041 thousand. The item includes the notional cost of € 1,515 thousand of the valuation of the stock grant of the plans currently in issue, approved after 7 November 2002.

The following chart shows the changes in the number of employees in the different categories during the year:

	31.12.2019	*Merger*	*New hires*	*Resignations*	*31.12.2020*	*Average for the year*
Executives	--	7	--	3	4	6
Middle managers and employees	--	14	--	3	11	12
Total	**--**	**21**	**--**	**6**	**15**	**18**

11. Other operating expense

(in thousands of euro)	*2020*	*2019*
Non-deductible VAT and other taxes	1,259	162
Miscellaneous losses and other costs	525	445
Total	**1,784**	**607**

12. Financial income

(in thousands of euro)	*2020*	*2019*
Interest income on bank deposits	67	3
Interest income from subsidiaries	697	--
Exchange gains	--	1
Other financial income	--	1
Total	**764**	**5**

The breakdown of the interest income from subsidiaries is as follows:

(in thousands of euro)	*2020*	*2019*
CIR International S.A.	106	--
CIR Investimenti S.p.A.	591	--
Total	**697**	**--**

13. Financial expense

(in thousands of euro)	*2020*	*2019*
Interest on lease liabilities	8	--
Interest expense and financial expense on loans	315	702
Exchange losses	971	--
Other interest expense and financial expense	72	120
Total	**1,366**	**822**

14. Dividends

(in thousands of euro)	*2020*	*2019*
Dividends from related parties:		
CIR S.p.A.	--	14,187
CIR International S.A.	6,000	--
Total dividends from related parties	6,000	14,187
Dividends from other companies	--	--
Total dividends	**6,000**	**14,187**

15. Gains from trading securities

(in thousands of euro)	*2020*	*2019*
Gains from trading in equity investments in other companies	--	276
Gains from trading in funds	--	88
Total	**--**	**364**

16. Losses from trading securities

(in thousands of euro)	*2020*	*2019*
Losses from trading in equity investments in other companies	--	--
Losses from trading in funds	23	1,702
Total	**23**	**1,702**

17. Fair value gains on financial assets

(in thousands of euro)	*2020*	*2019*
Impairment losses on investments in subsidiaries	(160)	--
Impairment losses on other financial assets	(2,350)	(1,292)
Impairment losses on securities	(27)	(101)
Reversal of other financial assets	2,065	2,565
Reversal of securities	3,942	2,567
Total	**3,470**	**3,739**

For details on "Impairment losses on investments in subsidiaries", please refer to item 3.e "Equity investments".

For details on “Reversals of other financial assets” and “Impairment losses on other financial assets” please refer to item 3.g “Other financial assets”.

For details on “Reversals of securities” and “Impairment losses on securities” please refer to item 4.b “Securities”.

18. Income tax

(in thousands of euro)	*2020*	*2019*
Current taxes	820	(131)
Deferred taxes	746	78
Gains/(losses) from tax consolidation scheme	51	--
Total	**1,617**	**(53)**

“Gains/(losses) from tax consolidation scheme” refers to the income from the sale of interest income to companies that joined the National Tax Consolidation scheme.

RECONCILIATION BETWEEN THE THEORETICAL AND EFFECTIVE TAXES

(in thousands of euro)	*Taxable income*	*Rate %*	*Tax*
LOSS BEFORE TAXES FROM CONTINUING OPERATIONS	(4,092)	24.0	(982)
Effect of increases (decreases) compared with the ordinary rate			
- Dividends	(5,700)	24.0	(1,368)
- Temporary differences deductible in future years	420	24.0	101
- Temporary differences deductible from previous years	(618)	24.0	(148)
- Non-deductible costs	5,779	24.0	1,387
- Deductible costs accounted for under "Profit (loss) from discontinued operations"	(124)	24.0	(30)
Other permanent differences	(2,065)	24.0	(496)
SUB-TOTAL	(6,400)	24.0	(1,536)
Tax losses not absorbed by the tax consolidation	2,985	24.0	716
Taxable income/Income taxes	(3,415)	24.0	(820)

Notes: Because of its specific characteristics, IRAP has not been considered in this chart, as the Company does not have any taxable income for IRAP purposes at 31 December 2020. This table therefore refers only to IRES.

19. Profit from discontinued operations

The item, amounting to € 5,106 thousand, refers for € 5,049 thousand to the contractual Earn out as part of the sale of the Sorgenia group.

20. Earnings per share

Basic earnings per share is calculated by dividing the net result for the year, the result deriving from continuing operating activities and the profit (loss) from discontinued operations attributable to the ordinary shareholders by the weighted average number of shares in circulation.
Diluted earnings per share is calculated by dividing the net result for the year, the result deriving from continuing operating activities and the profit (loss) from discontinued operations attributable to the ordinary shareholders by the weighted average number of ordinary shares in circulation during the period, adjusted for the dilutive effects of options outstanding. Treasury shares are not included in the calculation. The parent has only one category of potential ordinary shares, those deriving from stock option and stock grant plans assigned to employees.
In calculating the average number of options, the average fair value of the shares for each financial period was used. The average fair value of the CIR ordinary share in 2020 is € 0.4325.

The following chart provides information on the shares used to calculate basic and diluted earnings per share.

Basic earnings per share

	2020	*2019*
Profit for the year attributable to the owners of the parent (in euro)	2,631,050	13,405,769
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Basic earnings per share (euro)	**0.0022**	**0.0194**

	2020	*2019*
Comprehensive income attributable to the owners of the parent (in euro)	2,631,050	13,405,769
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Basic earnings per share (euro)	**0.0022**	**0.0194**

	2020	*2019*
Profit (loss) from continuing operations attributable to the owners of the parent (in euro)	(2,475,207)	13,405,769
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Basic earnings (loss) per share (euro)	**(0.0021)**	**0.0194**

	2020	*2019*
Profit from discontinued operations attributable to the owners of the parent (in euro)	5,106,257	--
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Basic earnings per share (euro)	**0.0044**	**n.a.**

Diluted earnings per share

	2020	*2019*
Profit for the year attributable to the owners of the parent (in euro)	2,631,050	13,405,769
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Weighted average number of options	5,845,150	--
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,179,678,702	692,326,476
Diluted earnings per share (in euro) (*)	**0.0022**	**0.0194**

	2020	*2019*
Comprehensive income attributable to the owners of the parent (in euro)	2,631,050	13,405,769
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Weighted average number of options	5,845,150	--
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,179,678,702	692,326,476
Diluted earnings per share (in euro) (*)	**0.0022**	**0.0194**

	2020	*2019*
Profit (loss) from continuing operations attributable to the owners of the parent (in euro)	(2,475,207)	13,405,769
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Weighted average number of options	5,845,150	--
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,179,678,702	692,326,476
Diluted earnings (loss) per share (euro) (*)	**(0.0021)**	**0.0194**

	2020	*2019*
Profit from discontinued operations attributable to the owners of the parent (in euro)	5,106,257	--
Weighted average number of ordinary shares in circulation	1,173,833,552	692,326,476
Weighted average number of options	5,845,150	--
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,179,678,702	692,326,476
Diluted earnings per share (in euro) (*)	**0.0043**	**n.a.**

21. Related party transactions

Information regarding the impact that related party transactions have on the financial position, financial performance and cash flows are provided in the comment on the individual items of the separate financial statements.

Note that during 2020 the following amounts were recognised in profit or loss in favour of:

- Administration bodies € 2,204 thousand;
- Control bodies € 158 thousand;
- Chief Executive Officer and General Manager € 2,763 thousand (of which € 1,088 thousand as the notional cost of equity-based compensation);
- Key executives € 338 thousand (of which € 132 thousand as the notional cost of equity-based compensation).

The above figures also include the compensation of the Merged Company CIR S.p.A. up to the effective date of the merger.

For further details, please refer to the "Remuneration Report" available in the Governance section of the Company's website (www.cirgroup.it).

22. Net financial position

The net financial position in accordance with Consob Resolution no. 6064293 dated 28 July 2006 is as follows:

(in thousands of euro)		*31.12.2020*	*31.12.2019*
A.	Cash and bank deposits	37,912	1,237
B.	Other cash equivalents	--	--
.C.	Securities held for trading	13,951	10,960
D.	**Cash and cash equivalents (A) + (B) + (C)**	**51,863**	**12,197**
E.	**Current loan assets**	**--**	**--**
F.	Current bank loans and borrowings	--	--
G.	Current portion of non-current debt	--	--
H.	Lease liabilities	(12)	--
I.	**Current financial indebtedness (F)+(G)+(H)+(I)**	**(12)**	**--**
J.	**Current net financial position (I)+(E)+(D)**	**51,851**	**12,197**
K.	Non-current bank loans and borrowings	--	(35,788)
L.	Lease liabilities	(8)	--
M.	Other non-current liabilities	--	--
N.	**Non-current financial indebtedness (K) + (L) + (M)**	**(8)**	**(35,788)**
O.	**Net financial position (J) + (N)**	**51,843**	**23,591**

23. Other information

FINANCIAL RISK MANAGEMENT: ADDITIONAL DISCLOSURES

With regard to business risks, the main financial risks identified, monitored and actively managed by the Company are the following:

a) interest rate risk resulting from exposure to fluctuations in interest rates;

b) credit risk resulting from the potential default of a counterparty;

c) liquidity risk resulting from a lack of financial resources to meet short-term commitments.

<u>Interest rate risk</u>
Fluctuations in interest rates affect the market value of financial assets and the level of net financial expense.

<u>Credit risk</u>
Credit risk represents the Company's exposure to potential losses resulting from the failure of counterparties to meet their obligations. Particularly in relation to financial counterparty risk resulting from the investment of liquidity and from derivative positions, counterparties are selected according to guidelines which set out the characteristics of the counterparties suitable for financial transactions. The list of possible counterparties includes both national and international companies with a high credit rating.

The Company has not encountered any cases of default by counterparties.
At 31 December 2020, there was no significant concentration of credit risk.

Measurement of financial assets and liabilities
The fair value of financial assets and liabilities is calculated as follows:

- the fair value of financial assets and liabilities with standard terms and conditions listed on an active market is measured on the basis of prices published on the active market;
- the fair value of other financial assets and liabilities (except for derivatives) is measured using commonly accepted measurement techniques based on analytical models using discounted cash flows, which as variables use prices observable in recent market transactions and broker listed prices for similar instruments.

Liquidity risk
Liquidity risk is the risk that financial resources may not be available or may be available only at a monetary cost. As things stand today, based on its cash and cash equivalents and expected future cash inflows, the Company believes that it will be able to meet its foreseeable financial needs. The objective of liquidity risk management is not only that of guaranteeing sufficient available financial resources to cover short term commitments, but also to ensure where necessary a sufficient level of operating flexibility for development programmes within the group.
With regard to financial instruments represented by short-term assets and liabilities and for which the present value of future cash flows does not differ significantly from their carrying amount, it is assumed that this is a reasonable approximation of their fair value. In particular, the carrying amount of assets and other current assets and trade payables and other current liabilities approximates their fair value.

Note that the Company is not significantly exposed to the risks mentioned above

CREDIT RISK

(in thousands of euro)

Balance at 31 December 2020	Items financial statements	Total asset	-Not yet due	Expired by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Expired traded	Impairment losses
Other assets – Non-current assets	4.f.									
Gross asset		9,025	9,025	--	--	--	--	--	--	
Loss allowance		--	--	--	--	--	--	--	--	--
Other assets – Current assets	5.a.									
Gross asset		82,078	82,016	62	22	--	21	19	--	
Loss allowance		--	--	--	--	--	--	--	--	--
Total		91,103	91,041	62	22	--	21	19	--	--

(in thousands of euro)

Balacne at 31 December 2019	Items financial statements	Total asset	-Not yet due	Expired by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Expired traded	Impairment losses
Other assets – Non-current assets	4.f.									
Gross asset		15	15	--	--	--	--	--	--	
Loss allowance		--	--	--	--	--	--	--	--	--
Other assets – Current assets	5.a.									
Gross asset		94	94	--	--	--	--	--	--	
Loss allowance		--	--	--	--	--	--	--	--	--
Total		109	109	--	--	--	--	--	--	--

LIQUIDITY RISK – 2020

(in thousands of euro)

Non-derivative financial liabilities	*<1 year*	*>1 <2 years*	*>2 <3 years*	*>3 <4 years*	*>4 <5 years*	*>5 years*	*Total*
Non-current liabilities							
Lease liabilities	--	5	5	2	--	--	12
Other	--	--	--	--	--	35	35
Current liabilities							
Lease liabilities	8	--	--	--	--	--	8
Trade payables	5,042	--	--	--	--	--	5,042
Total	**5,050**	**5**	**5**	**2**	**--**	**35**	**5,097**

LIQUIDITY RISK - 2019

(in thousands of euro)

Non-derivative financial liabilities	*<1 year*	*>1 <2 years*	*>2 <3 years*	*>3 <4 years*	*>4 <5 years*	*>5 years*	*Total*
Non-current liabilities							
Other loans and borrowings	--	--	35,788	--	--	--	35,788
Other	--	--	--	--	--	35	35
Current liabilities							
Trade payables	94	--	--	--	--	--	94
Total	**94**	**--**	**35,788**	**--**	**--**	**35**	**35,917**

MANAGEMENT AND COORDINATION ACTIVITIES

The Company is subject to management control and coordination activities by Fratelli De Benedetti S.p.A. In accordance with art. 2497-bis of the Italian Civil Code, point 26 provides a summary of the key figures from the latest approved separate financial statements of the Company exercising management control and coordination.

STOCK OPTION AND STOCK GRANT PLANS

As required to be disclosed by Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments and additions, the Company has stock option and stock grant plans for employees of the g
roup.

At 31 December 2020 stock option and stock grant plans were still outstanding for a total of 23,833,257 options.

With reference to plans issued in the last three years, note that:

- On 27 April 2018, the Shareholders' Meeting approved the 2018 Stock Grant Plan reserved for the Chief Executive Officer and executives of the company, the parent and subsidiaries, for a maximum of 4,422,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2020 to 31 January 2022. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 2,083,853 Time Units were assigned during the year, whose maturity is subject to continued service, and 2,083,853 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the Performance Units is € 0.5372.
- On 29 April 2019, the Shareholders' Meeting approved the 2019 Stock Grant Plan reserved for the Chief Executive Officer and executives of the company, the parent and subsidiaries, for a maximum of 4,422,000 Units assignable during the year. 4,422,000. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2021 to 31 January 2023. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 2,053,275 Time Units were assigned during the year, whose maturity is subject to continued service, and 2,053,275 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units is € 0.5327.
- On 8 June 2020, the Shareholders' Meeting approved the 2020 Stock Grant Plan reserved for the Chief Executive Officer and executives of the company, the parent and subsidiaries, for a maximum of 4,500,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2022 to 31 January 2024. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 1,820,156 Time Units were assigned during the year, whose maturity is subject to continued service, and 1,820,155 Performance Units, whose

maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units is € 0.402.

24. Proposed allocation of the profit for the year

Shareholders,
The separate financial statements as at and for for the year ended 31 December 2020, which we submit for your approval, showed a net profit for the year of € 2,631,049.72 which we propose should be allocated to "Retained earnings ":

THE BOARD OF DIRECTORS

Milan, 12 March 2021

25. 2019 Financial statements of the parent F.lli De Benedetti S.p.A. (Art. 2497-bis para. 4 of the Italian Civil Code)

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	*31.12.2019*
NON-CURRENT ASSETS	249,066,674
CURRENT ASSETS	380,381
TOTAL ASSETS	249,447,055

LIABILITIES	
EQUITY	199,325,881
NON-CURRENT LIABILITIES	15,000,000
CURRENT LIABILITIES	35,121,174
TOTAL LIABILITIES AND EQUITY	249,447,055

INCOME STATEMENT
(in euro)

	2019
SUNDRY REVENUE AND INCOME	145
COST FOR THE PURCHASE OF GOODS	(159)
COST FOR SERVICES	(266,409)
PERSONNEL EXPENSE	--
OTHER OPERATING EXPENSE	(99,208)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	--
OPERATING LOSS	(365,631)
FINANCIAL INCOME	25
FINANCIAL EXPENSE	(484,396)
DIVIDENDS	5,419,013
GAINS FROM TRADING SECURITIES	--
LOSSES FROM TRADING SECURITIES	--
FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	--
PROFIT BEFORE TAXES	4,569,011
INCOME TAX	--
PROFIT FOR THE YEAR	4,569,011

The key figures of the ultimate parent F.lli De Bendetti S.p.A. shown in the summary table above, as required by article 2497-bis of the Italian Civil Code, are taken from its separate financial statements as at and for the year ended 31 December 2019.

Certification of the Separate Financial Statements art. 154 -*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998

1. The undersigned, Monica Mondardini, the Chief Executive Officer, and Michele Cavigioli, the executive responsible for financial reporting of CIR S.p.A., hereby certify, also taking into account the provisions of art. 154 -*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:
   - adequacy, in relation to the characteristics of the company and
   - effective application of the administrative and accounting procedures for the preparation of the separate financial statements during 2020.
2. In this respect, no significant issues have arisen which need to be reported.
3. We also certify that the separate financial statements:
   - are prepared in accordance with International Financial Reporting Standards as endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - agree with the balances on the books of account and accounting entries;
   - are able to give a true and fair view of the financial position, financial performance and cash flows of the issuer.

The report on operations includes a reliable analysis of the company's performance and results of operations, as well as the general situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, 12 March 2021

Signed in the original

Monica Mondardini Chief Executive Officer	Michele Cavigioli Executive responsible for financial reporting

LIST OF EQUITY INVESTMENTS

AT 31 DECEMBER 2020

pursuant to art. 38.2 of Italian Legislative Decree 127/91

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

(in euro or foreign currency)

Company name	***Registered office***	***Share/quota capital***	***Currency***	***Held by***	***Investment %***
CIR GROUP					
CIR INTERNATIONAL S.A.	Luxembourg	15,000,000.00	€	CIR S.p.A.	100.00
CIGA LUXEMBOURG S.À.R.L.	Luxembourg	1,000,000.00	€	CIR S.p.A.	100.00
NEXENTI ADVISORY S.R.L.	Italy	100,000.00	€	CIR S.p.A.	100.00
NEXENTI S.R.L.	Italy	50,000.00	€	CIR S.p.A.	100.00
JUPITER MARKETPLACE S.R.L.	Italy	100,000.00	€	NEXENTI S.r.l.	100.00
CIR INVESTIMENTI S.P.A.	Italy	19,426,162.00	€	CIR S.p.A.	100.00
KOS GROUP					
KOS S.P.A.	Italy	8,848,103.70	€	CIR S.p.A.	59.77
OSPEDALE DI SUZZARA S.P.A.	Italy	120,000.00	€	KOS S.p.A.	99.90
CLEARMEDI HEALTHCARE LTD	India	58,464,060.00	INR	KOS S.p.A.	95.07
				CLEARVIEW HEALTHCARE LTD	4.93
					100.00
KOS CARE S.R.L.	Italy	2,550,000.00	€	KOS S.p.A.	100.00
CLEARVIEW HEALTHCARE LTD	India	4,661,880.00	INR	KOS S.p.A..	85.19
ABITARE IL TEMPO S.R.L.	Italy	100,826.00	€	KOS CARE S.r.l.	54.00
SANATRIX S.R.L.	Italy	843,700.00	€	KOS CARE S.r.l.	91.27
SANATRIX GESTIONI S.R.L.	Italy	300,000.00	€	SANATRIX S.r.l.	99.61
JESILAB S.R.L.	Italy	80,000.00	€	KOS CARE S.r.l.	100.00
FIDIA S.R.L.	Italy	10,200.00	€	KOS CARE S.r.l.	60.00
VILLA MARGHERITA S.R.L.	Italy	20,000.00	€	KOS CARE S.r.l.	100.00
CASA DI CURA SANT'ALESSANDRO S.R.L.	Italy	10,000.00	€	KOS CARE S.r.l.	100.00
FINORO IMMOBILIARE S.R.L.	Italy	52,000.00	€	KOS CARE S.r.l.	100.00
GES.CA.S. VILLA ARMONIA NUOVA S.R.L.	Italy	52,000.00	€	Finoro Immobiliare S.r.l.	100.00
KOS GERMANY GMBH	Germany	25,000.00	€	KOS CARE S.r.l.	100.00
CHARLESTON HOLDING GMBH	Germany	1,025,000.00	€	KOS Germany GmbH	100.00
REGENTA BETRIEBSGESELLSCHAFT MBH	Germany	250,000.00	€	Charleston Holding GmbH	100.00
ELISABETHENHAUS BETRIEBSGESELLSCHAFT MBH	Germany	250,000.00	€	Charleston Holding GmbH	100.00
DIENSTLEISTUNGSGESELLSCHAFT FÜR SOZIALEINRICHTUNGEN MBH	Germany	25,600	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM FRIESENHOF GMBH	Germany	25,000	€	Charleston Holding GmbH	100.00
WOHN- & PFLEGEZENTRUM GUT HANSING GMBH	Germany	50,000	€	Charleston Holding GmbH	100.00
RDS RESIDENZPARK DIENSTLEISTUNG & SERVICE GMBH	Germany	25,000	€	Wohn- & Pflegezentrum Gut Hansing GmbH	100.00

Company name	***Registered office***	***Share/quota capital***	***Currency***	***Held by***	***Investment %***
WOHN- UND PFLEGEZENTRUM HAUS TEICHBLICK GMBH	Germany	128,150.00	€	Charleston Holding GmbH	100.00
DIENSTLEISTUNGSGESELLSCHAFT FÜR SOZIALEINRICHTUNGEN - NORD MBH	Germany	25,000.00	€	Wohn- und Pflegezentrum Haus Teichblick GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS AM BAHNHOF GMBH	Germany	51,150.00	€	Charleston Holding GmbH	100.00
RSG ROTENBURGER SERVICEGESELLSCHAFT AM BAHNHOF MBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS OTTERSBERG GMBH	Germany	51,150.00	€	Charleston Holding GmbH	100.00
OSW OTTERSBERGER SERVICEGESELLSCHAFT WÜMMEBLICK MBH	Germany	25,000.00	€	Wohn- und Pflegezentrum Haus Ottersberg GmbH	100.00
WOHN- & PFLEGEZENTRUM SEEHOF GMBH	Germany	51,200.00	€	Charleston Holding GmbH	100.00
DGS DIENSTLEISTUNGSGESELLSCHAFT SEEHOF MBH	Germany	26,000.00	€	Wohn- & Pflegezentrum Seehof GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS SCHWANEWEDE GMBH	Germany	27,500.00	€	Charleston Holding GmbH	100.00
PROGUSTO SCHWANEWEDER SERVICEGESELLSCHAFT MBH	Germany	25,000.00	€	Wohn- und Pflegezentrum Haus Schwanewede GmbH	100.00
ALTEN- UND PFLEGEZENTRUM ZU BAKUM GMBH	Germany	51,129.00	€	Charleston Holding GmbH	100.00
APZ ZU BAKUM SERVICEGESELLSCHAFT MBH	Germany	25,000.00	€	Alten- und Pflegezentrum zu Bakum GmbH	100.00
CURATUM BETEILIGUNGS- UND VERWALTUNGSGESELLSCHAFT MBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
SENIORENDOMIZIL HAUS AM PARK GMBH	Germany	50,000.00	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
VSG VÖRDER SERVICE GESELLSCHAFT MBH	Germany	25,000.00	€	Seniorendomizil Haus am Park GmbH	100.00
WOHN- UND PFLEGEZENTRUM BURG AUF FEHMARN GMBH	Germany	25,000.00	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
FFH FEHMARNSCHE FLINKE HÄNDE SERVICEGESELLSCHAFT MBH	Germany	25,000.00	€	Wohn- und Pflegezentrum Burg auf Fehmarn GmbH	100.00
LANDHAUS GLÜCKSTADT WOHN- & PFLEGEZENTRUM GMBH	Germany	51,129.00	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
LH GLÜCKSTADT SERVICEGESELLSCHAFT MBH	Germany	25,000.00	€	Landhaus Glückstadt Wohn- & Pflegezentrum GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS AM GOLDBACH GMBH	Germany	50,000.00	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
GBS GOLDBACH SERVICEGESELLSCHAFT MBH	Germany	25,000.00	€	Wohn- und Pflegezentrum Haus am Goldbach GmbH	100.00
WOHN- & PFLEGEZENTRUM UP'N KAMP GMBH	Germany	26,000.00	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
BSG BÖRDE SERVICEGESELLSHCAFT MBH	Germany	25,565.00	€	Wohn- & Pflegezentrum Up'n Kamp GmbH	100.00
CHARLESTON VOR GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
SSB SERVICEGESELLSCHAFT SELSINGER BÖRDE MBH	Germany	25,000.00	€	Charleston VOR GmbH	100.00
CHARLESTON - AMBULANTE DIENSTE GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
SENOVUM GMBH	Germany	226,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEHEIM LESMONA GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WPH LESMONA SERVICEGESELLSCHAFT MBH	Germany	25,000.00	€	Wohn- und Pflegeheim Lesmona GmbH	100.00
SENIOREN- UND PFLEGEHAUS "DRENDEL" BETRIEBS GMBH	Germany	30,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEEINRICHTUNG BAD CAMBERG GMBH -ANNA-MÜLLER-HAUS-	Germany	100,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS KIKRA GMBH	Germany	26,000.00	€	Charleston Holding GmbH	100.00
MPS CATERING GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
BAYERNSTIFT - GESELLSCHAFT FÜR SOZIALE DIENSTE UND GESUNDHEIT MBH	Germany	250,000.00	€	Charleston Holding GmbH	100.00
BAYERNSTIFT SERVICE GMBH	Germany	25,000.00	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00
SLW ALTENHILFE LIEBFRAUENHAUS GMBH	Germany	50,000.00	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00

Company name	*Registered office*	*Share/quota capital*	*Currency*	*Held by*	*Investment %*
BAYERNSTIFT MOBIL GMBH	Germany	25,000.00	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00
DIE FRANKENSCHWESTERN GMBH	Germany	25,000.00	€	Bayernstift Mobil GmbH	60.00
BRISA MANAGEMENT GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WOHNPARK DR. MURKEN GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
WOHNPARK KLOSTERGARTEN GMBH	Germany	26,000.00	€	Brisa Management GmbH	100.00
WOHNPARK SCHRIEWESHOF GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
WOHNPARK LUISENHOF GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
CHRISTOPHORUS SENIORENRESIDENZEN GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
CHRISTOPHORUS PFLEGE- UND BETREUUNGSDIENSTE GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
CHRISTOPHORUS INTENSIVPFLEGEDIENSTE GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
WOHN- UND PFLEGEZENTRUM ESSEN GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM MÜLHEIM GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
CHARLESTON DIENSTLEISTUNGSGESELLSCHAFT RUHR MBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM NEUENSTEIN GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
SIG GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
GSA GP GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
GSA GMBH & CO. IMMOBILIEN VERWALTUNGS KG	Germany	5,000.00	€	Brisa Management GmbH	100.00
QLT.CARE GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM CRAILSHEIM GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM DURLANGEN GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
KOS SERVIZI SOCIETÀ CONSORTILE A R.L.	Italy	115,000.00	€	KOS S.p.A.	6.42
				KOS CARE S.r.l.	81.32
				OSPEDALE DI SUZZARA S.p.A.	2.15
				SANATRIX GESTIONI S.r.l.	3.02
				ABITARE IL TEMPO S.r.l.	4.94
				FIDIA S.r.l.	0.43
				JESILAB S.r.l.	0.43
				CASA DI CURA SANT'ALESSANDRO S.r.l.	0.43
				GES.CA.S. VILLA ARMONIA NUOVA S.r.l.	0.43
				VILLA MARGHERITA S.r.l.	0.43
					100.00

Company name	Registered office	Share/quota capital	Currency	Held by	Investment %
SOGEFI GROUP					
SOGEFI S.p.A. (*)	Italy	62,461,355.84	€	CIR S.p.A.	55.60
SOGEFI FILTRATION ITALY S.p.A.	Italy	8,000,000.00	€	SOGEFI FILTRATION S.A.	99.88
SOGEFI FILTRATION S.A.	France	120,596,780.00	€	SOGEFI S.p.A.	99.99998
SOGEFI FILTRATION Ltd	UK	5,126,737.00	GBP	SOGEFI FILTRATION S.A.	100.00
SOGEFI FILTRATION SPAIN S.A.U.	Spain	60,004.00	€	SOGEFI FILTRATION S.A.	100.00
SOGEFI AFTERMARKET S.L.U.	Spain	10,503000.00	€	SOGEFI FILTRATION S.A.	100.00
SOGEFI FILTRATION d.o.o.	Slovenia	10,291,798.00	€	SOGEFI FILTRATION S.A.	100.00
SOGEFI SUSPENSIONS S.A.	France	73,868,383.00	€	SOGEFI S.p.A.	99.999
FILTER SYSTEMS MAROC S.a.r.l.	Morocco	215,548,000.00	MAD	SOGEFI FILTRATION S.A.	100.00
SOGEFI FILTRATION RUSSIA LLC	Russia	6,800,000.00	RUB	SOGEFI FILTRATION S.A.	100.00
SOGEFI GESTION S.A.S.	France	100,000.00	€	SOGEFI S.p.A.	100.00
SOGEFI U.S.A. Inc.	United States	20,055,000	USD	SOGEFI S.p.A.	100.00
SOGEFI AIR & COOLING S.A.S.	France	54,938,125.00	€	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION ARGENTINA S.A.	Argentina	820,510,522.00	ARS	SOGEFI FILTRATION S.A.	100.00
SHANGHAI SOGEFI AUTO PARTS Co., Ltd	China	13,000,000.00	USD	SOGEFI S.p.A.	100.00
SOGEFI (SUZHOU) AUTO PARTS CO., Ltd	China	37,400,000.00	USD	SOGEFI S.p.A.	100.00
ALLEVARD SPRINGS Ltd	UK	4,000,002.00	GBP	SOGEFI SUSPENSIONS S.A.	100.00
SOGEFI PC SUSPENSIONS GERMANY GmbH	Germany	50,000.00	€	SOGEFI SUSPENSIONS S.A.	100.00
SOGEFI SUSPENSION ARGENTINA S.A.	Argentina	61,356,535.00	ARS	SOGEFI SUSPENSIONS S.A.	89.999
				SOGEFI SUSPENSIONS BRASIL Ltda	9.9918
					99.99
IBERICA DE SUSPENSIONES S.L. (ISSA)	Spain	10,529,668.00	€	SOGEFI SUSPENSIONS S.A.	50.00
SOGEFI SUSPENSION BRASIL Ltda	Brazil	37,161,683.00	BRL	SOGEFI SUSPENSIONS S.A.	99.997
				ALLEVARD SPRINGS Ltd	0.003
					100.00
UNITED SPRINGS Ltd	UK	4,500,000.00	GBP	SOGEFI SUSPENSIONS S.A.	100.00
UNITED SPRINGS B.V.	Holland	254,979.00	€	SOGEFI SUSPENSIONS S.A.	100.00
SHANGHAI ALLEVARD SPRING Co., Ltd	China	5,335,308.00	€	SOGEFI SUSPENSIONS S.A.	60.58
UNITED SPRINGS S.A.S.	France	5,109,000.00	€	SOGEFI SUSPENSIONS S.A.	100.00
SOGEFI HD SUSPENSIONS GERMANY GmbH	Germany	50,000.00	€	SOGEFI PC SUSPENSIONS GERMANY GmbH	100.00
S.ARA COMPOSITE S.A.S.	France	13,000,000.00	€	SOGEFI SUSPENSIONS S.A.	96.15

(*) 56.60% net of the treasury shares

Company name	Registered office	Share/quota capital	Currency	Held by	Investment %
SOGEFI ENGINE SYSTEMS INDIA Pvt Ltd	India	21,254,640.00	INR	SOGEFI FILTRATION S.A.	64.29
				SOGEFI AIR & COOLING S.A.S.	35.71
					100.00
ALLEVARD IAI SUSPENSIONS Pvt Ltd	India	432,000,000.00	INR	SOGEFI SUSPENSIONS S.A.	74.23
SOGEFI AIR & COOLING CANADA CORP.	Canada	9,393,000.00	CAD	SOGEFI AIR & COOLING S.A.S.	100.00
SOGEFI AIR & COOLING USA Inc.	United States	100.00	USD	SOGEFI AIR & COOLING S.A.S.	100.00
SOGEFI ENGINE SYSTEMS MEXICO S. de R.L. de C.V.	Mexico	126,246,760.00	MXN	SOGEFI AIR & COOLING CANADA CORP.	99.9999992
				SOGEFI AIR & COOLING S.A.S.	0.0000008
					100.00
S.C. SOGEFI AIR & COOLING S.r.l.	Romania	7,087,610.00	RON	SOGEFI AIR & COOLING S.A.S.	100.00
SOGEFI SUSPENSIONS HEAVY DUTY ITALY S.p.A.	Italy	6,000,000.00	€	SOGEFI SUSPENSIONS S.A.	99.88
SOGEFI SUSPENSIONS PASSENGER CAR ITALY S.p.A.	Italy	8,000,000.00	€	SOGEFI SUSPENSIONS S.A.	99.88
SOGEFI SUSPENSION EASTERN EUROPE S.R.L.	Romania	31,395,890.00	RON	SOGEFI SUSPENSIONS S.A.	100.00

EQUITY INVESTMENTS IN ASSOCIATES
MEASURED AT EQUITY

(in euro or foreign currency)

Company name	**Registered office**	**Share/quota capital**	**Currency**	**Held by**	**Investment %**
CIR GROUP					
DEVIL PEAK S.R.L.	Italy	69,659.00	€	NEXENTI S.r.l.	36.16
GRUPPO CIR INTERNATIONAL					
KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	47.55
KOS GROUP					
APOKOS REHAB PVT LTD	India	169,500,000.00	INR	KOS S.p.A.	50.00

EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATES
MEASURED AT COST (*)

(in euro or foreign currency)

Company name	**Registered office**	**Share/quota capital**	**Currency**	**Held by**	**Investment %**
KOS GROUP					
OSIMO SALUTE S.P.A.	Italy	750,000.00	€	ABITARE IL TEMPO S.r.l.	25.50
GRUPPO CIR INTERNATIONAL					
KTP GLOBAL FINANCE MANAGEMENT S.A.	Luxembourg	31,000.00	€	CIR INTERNATIONAL S.A.	46.00

(*) Non-significant, non-operating equity investments or recently acquired equity investments, if not otherwise indicated

EQUITY INVESTMENTS IN OTHER COMPANIES
MEASURED AT COST

(in euro or foreign currency)

Company name	Registered office	Share/quota capital	Currency	Held by	Investment %
CIR GROUP					
GEDI GRUPPO EDITORIALE S.P.A.	Italy	76,303,571.85	€	CIR S.p.A.	5.00
SOGEFI GROUP					
AFICO FILTERS S.A.E.	Egypt	14,000,000.00	EGP	SOGEFI FILTRATION ITALY S.p.A.	17.77
KOS GROUP					
FONDO SPAZIO SANITÀ	Italy	107,103,000.00	€	KOS CARE S.r.l.	0.84

EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND IN OTHER COMPANIES
NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

(in euro or foreign currency)

Company name	***Registered office***	***Share/quota capital***	***Currency***	***Held by***	***Investment %***
CIR GROUP					
FINAL S.A. *(in liquidation)*	France	2,324,847.00	€	CIGA LUXEMBOURG S.à.r.l.	47.73

Report of the statutory auditors

CIR S.p.A.

REPORT OF THE STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998

Shareholders,

This report (the **"Report"**) explains the activities that this Board of statutory auditors carried out as the Board of Statutory Auditors (the **"Board")** of CIR S.p.A. (the **"Company"**) during 2020, in accordance with the requirements of Consob Communication DEM/1025564 of 6 April 2001 and subsequent additions and amendments.

The Board carried out the supervisory activities required by law, taking into account the Code of Conduct of the Board of Statutory Auditors of listed companies as recommended by the National Council of Business Consultants and Accountants and of Consob communications regarding corporate controls and the activities of the board of statutory auditors. In particular, the Board supervised: (i) compliance with the law and the articles of association; (ii) compliance with the principles of correct administration; (iii) the adequacy of the Company's organisational structure, for the aspects within our sphere of competence, the internal control system and the administrative-accounting system, as well as its reliability in correctly representing operational events and transactions; (iv) the methods of actual implementation of the corporate governance rules adopted by the Company in compliance with the Corporate Governance Code of the Corporate Governance Committee of listed companies; and (v) the adequacy of the instructions given to the subsidiaries as per art. 114, paragraph 2, Legislative Decree 58/1998.

Furthermore, in our capacity as the Internal Control and Audit Committee, we performed all of the functions provided for in art. 19 of Legislative Decree 39/2010, also through periodic meetings with the Executive responsible for financial reporting, with the heads of the Internal Audit and Risk Management Functions and with representatives of the independent auditors, KPMG S.p.A.. The Board successfully verified the requirements of independence, professionalism, integrity, diversity, competence and limits on the accumulation of offices of its members, with reference to art. 148, paragraph 3, of Legislative Decree 58/1998 and the provisions of the Corporate Governance Code for Listed Companies, informing the Board of Directors of the Company.

On 19 February 2020, on completion of the merger in which CIR S.p.A. Compagnie Industriali Riunite was merged into CIR S.p.A. Compagnie Industriali Riunite (formerly Cofide Gruppo De Benedetti S.p.A., now CIR S.p.A.), the merged company was cancelled. For accounting and tax purposes, the operations of the merged company were included in the financial statements of the merging company from 1 January 2020.

* * *

The Board of statutory auditors was appointed on 8 June 2020. During the year ended 31 December 2020 we performed the surveillance activities required by the applicable laws and regulations, in accordance with the Code of Conduct for Statutory Auditors of Listed Companies recommended by the National Council of Business Consultants and Accountants and the guidelines of the Code of Conduct issued by the Corporate Governance Committee of Borsa Italiana S.p.A. In preparing this report, we took account of the above and of the recommendations made in Consob Communication no 1025564 of 6 April 2001 and subsequent updates.

In the report on operations and the notes accompanying the financial statements, the Directors have informed you about the more important transactions that took place during the year and subsequent to the year end.

Given all of the above, having regard for the manner in which the activities for which the Board is responsible were performed during the year, the Board can confirm that:

- it attended all meetings of the Shareholders and the Board of Directors held during the year. It obtained from the Directors timely and full information on operations and on the more significant transactions from an economic and financial point of view entered into by the Company and its subsidiaries, in accordance with the law and the articles of association and we always participated, through one or more of its components, in the meetings of the Audit, Risk and Sustainability Committee, of the Related Party Transactions Committee and of the Appointments and Compensation Committee;
- it obtained the knowledge required to carry out its duties regarding compliance with the law and the articles of association, observance of the principles of sound administration and the adequacy of the Company's organisational structure through direct investigation, collecting data and information from the heads of department involved and from an exchange of key data and information with the Executive responsible for the preparation of the company's financial statements and with the independent auditors KPMG S.p.A.;

- it received from KPMG S.p.A. the Report foreseen in art. 14 of Legislative Decree 39/2010 and 10 of EU regulation 537/2014, issued today, concerning the separate and consolidated financial statements at 31 December 2020;
- it received from KPMG S.p.A. the Additional Report pursuant to art. 11 of the European Regulation n. 537/2014, issued today, from which no significant aspects to report emerge, and it received, as an attachment to the Additional Report, the annual confirmation of the independence of the independent auditors pursuant to art. 6, paragraph 2), letter a) of the EU Regulation and that this Additional Report will be sent to the Board of Directors;
- it exercised the functions of the Board of Statutory Auditors as per art. 19 of Legislative Decree no. 39/2010 identifies as those of the "Internal Control and Audit Committee",
- pursuant to art. 149, paragraph 1.d) of Legislative Decree no, it monitored the effectiveness of the internal control system on subsidiaries and the adequacy of the instructions given to them, also in terms of art. 114, paragraph 2, of Legislative Decree 58/1998;
- it checked that the rules of corporate governance foreseen in the Code of Conduct for Listed Companies and, from 1 January 2021, by the new Corporate Governance Code were adopted by the Company;
- it supervised compliance with the procedure for the Company's related party transactions with the principles contained in the Consob Regulations approved by resolution no. 17221 of 12 March 2010 and subsequent amendments, as well as compliance with the procedure;
- it acquired from the control bodies of the subsidiaries Sogefi S.p.A. and KOS S.p.A. adequate information on the aspects deemed most relevant in the performance of our duties and verified the absence of significant aspects that the control bodies of the subsidiaries had to communicate;
- it checked that the provisions of current law and regulations were being complied with in the preparation and format of the separate and consolidated financial statements, including all accompanying documents, which include, among other things, the information referred to in the regulations issued jointly by the Bank of Italy, Consob and Isvap
- it monitored the adequacy of the methods and processes used to prepare the consolidated non-financial report, as well as the fulfilment of legal obligations

regarding its preparation and publication, including KPMG's issuance of the report as per art. 3 paragraph 10 of the Legislative Decree 254/2016;

- it evaluated positively the adequacy of all the procedures, processes and structures that have overseen the production, reporting and representation of the results and consolidated non-financial information pursuant to Legislative Decree 254/2016;
- it verified that the procedures performed to test whether any assets had suffered impairment were adequate from a methodological viewpoint;
- it verified that the Report on Operations for the year complies with current laws and regulations and is consistent with the resolutions adopted by the Board of Directors.

During the course of the surveillance activities, carried out as explained above, no significant facts emerged requiring notification to the Supervisory Bodies nor the Board has any proposals to make regarding the financial statements, their approval or any other matters relating to its mandate.

It should be noted with reference to the events relating to the COVID-19 pandemic that the Board acquired from management the information proving implementation of all measures envisaged for the protection of the health and safety of workers.

* * *

The specific indications to be provided with this report in accordance with the provisions of Consob Communication no. DEM / 1025564 of 6 April 2001 and its subsequent updates are listed below.

The Board obtained sufficient information on the more significant transactions from an economic and financial viewpoint entered into by the Company and subsidiaries, checking that they were in accordance with the law and the articles of association. The Board also obtained information and ensured that the transactions approved and/or put in place were not clearly imprudent, rash, in contrast with resolutions adopted, in potential conflict of interest or in any way likely to compromise the integrity of the Company's assets. the Directors have made adequate disclosures about these transactions in the report on operations, to which reference should be made.

1. The Board did not find any transactions entered into by the Company with third parties, with Group companies or with related parties, which could be defined as atypical or unusual to be mentioned in this report. Adequate information was given to the Board regarding intercompany and related-party transactions. Based on the information gathered, the Board ascertained that these transactions

complied with the law and with the articles of association, were in the interests of the Company and did not give rise to any doubts as to the correctness and completeness of the information given in the financial statements, the existence of situations of conflict of interest, the protection of the Company's assets or the safeguarding of non-controlling interests. The documents accompanying the financial statements give appropriate details about the financial and economic effects of such transactions. the periodic checks and controls carried out in the Company's offices did not reveal that any atypical and/or unusual transactions had been carried out.

2. In the report on operations and in the notes to the separate and consolidated financial statements, the Directors provide adequate information on the main transactions carried out during the year. With reference to the merger in which CIR S.p.A. Compagnie Industriali Riunite was merged into CIR S.p.A. Compagnie Industriali Riunite (formerly Cofide Gruppo De Benedetti S.p.A., now CIR S.p.A.), the Directors also explain that for accounting and tax purposes, the operations of the merged company were included in the financial statements of the merging company from 1 January 2020. Given the economic nature of the reorganisation of two existing companies, the merger did not give rise to transfers of control over them, but involved the acquisition of the stakes held by the non-controlling shareholders of the merged company. In the financial statements of the merging company, it entailed the recognition of a negative cancellation difference. Given the materiality of this transaction and the related increase in capital, KPMG S.p.A. felt that the merger was a key aspect of the audit.

   The Directors have prepared the financial statements on a going-concern basis, having assessed that there were no significant uncertainties, as defined in paragraph 24 of IAS 1, about the company's ability to continue as a going concern.

3. In the report on operations and the notes to the separate and consolidated financial statements, the Directors explain the impacts of the Covid-19 situation on the activities of the Company and of the subsidiaries Sogefi S.p.A. and KOS S.p.A., as well as on the accounting estimates and assessments, both in the separate financial statements of CIR S.p.A. and in the consolidated financial statements of the CIR Group. In this regard, the Directors point out that these estimates have the full support of the carrying amounts calculated on the basis of the new business plans approved by Sogefi S.p.A. and KOS S.p.A. and that the

Company has taken into account the impacts of Covid-19 in assessing the main items in the financial statements, with particular regard to (a) any impairment of goodwill, intangible assets, property, plant and equipment, and equity investments in the separate financial statements, due to the deterioration in the economic prospects; (b) the risks associated with financial assets and liabilities, with a particular focus on liquidity risk and the measurement of expected losses on assets; (c) the application of IFRS 16 “Leases”, in view of the specific issues raised as a consequence of Covid-19. In particular, when carrying out the impairment test, the Company (i) used updated plans approved by the Boards of Directors of KOS and Sogefi in February 2021, (ii) revised certain parameters used to determine the discount rate, in order to offset the effect on market rates of the measures adopted by the European and US central banks to tackle the economic effects of the Covid-19 pandemic (for example, by using averages for the risk-free rates determined over longer time horizons than in the past), (iii) prepared sensitivity analyses, even in combination, for the principal parameters used in the calculations.

4. Today, KPMG S.p.A. issued its audit reports pursuant to art. 14 of Legislative Decree no. 39/2010 and art. 10 of EU Regulation no. 537/2014 relating to the separate and consolidated financial statements as at 31 December 2020, including the consistency opinion required by art. 14, paragraph 2, letter e) of Legislative Decree no. 39/2010 and by art. 123 bis, paragraph 4, Legislative Decree no. 58/1998, without any objections or highlighting any particular matters, as well as the indications and certifications required by art. 14, paragraph 2, Legislative Decree no. 39/2010, art. 10 of the EU Regulation no. 537/2014, and art. 4 of the CONSOB Regulation implementing Legislative Decree no. 254/16.
5. In relation to the provisions introduced by Legislative Decree 135/2016 in compliance with EU Regulation 537/2014 on this matter, during the year the Board of Statutory Auditors carried out the preliminary analysis and, if necessary, approved each engagement by the Company and its subsidiaries to KPMG S.p.A. or to companies in its network. These fees are appropriate for the size and complexity of the work performed and do not appear to be of such a size as to affect the independence and autonomy of the independent auditors in carrying out their audit functions.
6. During the year ended 31 December 2020, the Company asked the independent auditors to provide non-audit services for a total of € 27 thousand. The

subsidiaries asked the independent auditors to provide non-audit services for a total of € 26 thousand; they also asked companies belonging to the independent auditors' network, again for the provision of services, for a total of € 61 thousand.

7. Since 2017, the Company has also given KPMG S.p.A. an additional mandate with respect to the audit to issue the attestation on the compliance of the information provided in the consolidated non-financial statement prepared in accordance with Legislative Decree 254/2016 for an annual fee of € 27 thousand. A similar assignment was also given to KPMG S.p.A. by the company' subsidiaries, for a total annual fee of € 17 thousand. In relation to the above, we acknowledge that we have verified and monitored the independence of the auditors, deeming that the fees requested are adequate for the size and complexity of the services rendered and that, in any case, they are unlikely to affect the independence and autonomy of the independent auditors in the performance of their functions.
8. During 2020, the Board issued opinions pursuant to art. 2389 of the Italian Civil Code.
9. During 2020, the Board did not receive any complaints pursuant to art. 2408 of the Italian Civil Code.
10. During 2019, the Board issued statutory opinions and attestations as required. The contents of these opinions were not in contrast with the resolutions subsequently adopted by the Board of Directors.
11. The Board is not aware of any complaints that need to be mentioned in this Report.
12. During 2020, the Board of Directors met 8 times. The Board of Directors in office up to the Shareholders' Meeting of 8 June 2020 met on 5 occasions. The Board of Directors in office at the date of this Report, between 8 June and 31 December 2020, met on 3 occasions, with the participation of all of the Directors. During 2020, the Appointments and Compensation Committee met 4 times. Between 8 June and 31 December 2020, this Committee met twice. During 2020, the Audit, Risk and Sustainability Committee met 6 times. Between 8 June and 31 December 2020, it met 5 times. During 2020, the Board of Statutory Auditors in office up to 8 June 2020 met 6 times. The Board of Statutory Auditors appointed on 8 June 2020 and currently in office met 6 times.
13. The Board has no particular observations to make concerning compliance with the principles of correct administration, because these appear to have been constantly observed, or concerning the adequacy of the organisational structure,

which the Board found to be suitable to meet the operating, managerial and control needs of the Company. The Board believes that the governance tools, institutes and practices adopted by the Company constitute on the whole a suitable safeguard for compliance with the principles of correct administration in practice. The Board monitored the decision-making procedures of the Board of Directors and verified that the management decisions were in compliance with the applicable regulations (substantive legitimacy), adopted in the interest of the Company, compatible with the company's resources and assets and adequately supported by information, analysis and verification processes.

14. The system of internal control appeared to be adequate for the size and type of operations of the Company, as the Board also ascertained at meetings of the Audit, Risk and Sustainability Committee, all of which were attended by at least one member of the Board of Statutory Auditors. The Head of the Internal Auditing function guaranteed the functional and informative link on the methods of carrying out his institutional control tasks and on the results of the verification activities carried out in accordance with the audit plan, also by taking part in meetings of the Board of Statutory Auditors. The functional and informative link between the Board of Statutory Auditors and the Supervisory Body established pursuant to Legislative Decree no. 231/2001 was ensured through a periodic exchange of information and by the fact that the head of the Internal Auditing function is also a member of the Supervisory Body.
15. The Board has no observations to make regarding the adequacy of the administrative and accounting system or its reliability to represent operating events and transactions correctly. As regards the accounting information presented in the separate and consolidated financial statements for the year ended 31 December 2020, it has been certified without any significant matters raised, by the Chairman of the Board of Directors and by the Executive responsible for the preparation of the company's financial statements in accordance with art. *154-bis*, paragraph 5 of Legislative Decree no. 58/1998 and art. *81-ter* of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions. In the information exchanges with the Board, the Executive responsible for financial reporting did not report any shortcomings in the operating and control processes that could affect the adequacy of the administrative and accounting procedures and their correct application for the purposes of financial reporting.

16. The Board has no observations to make regarding the adequacy of the information flows from the subsidiaries to the company as the Parent to ensure the timely fulfilment of communication obligations required by law.
17. During the regular exchanges of information and data between the Board of statutory auditors and the Independent Auditors KPMG S.p.A., no further aspects emerged that need to be highlighted in this report.
18. The Company has substantially adhered to the recommendations contained in the Corporate Governance Code as updated and amended over time by the Corporate Governance Committee and has formulated its own corporate governance code. The Company has explained its corporate governance model in the specific Report on Corporate Governance and Ownership Structures, drawn up pursuant to art. 123-bis of Legislative Decree no. 58/1998 and current laws and regulations regarding disclosures on adherence to codes of conduct. To the extent of its responsibilities, the Board has monitored the way in which the rules of corporate governance required by the Code of Conduct adopted by the Company are actually implemented, ensuring among other things that the Report on Corporate Governance and Ownership Structures contains the results of the periodic check that the members of the Board of Statutory Auditors meet the necessary independence requirements, which are determined on the same basis as for Directors. The Company has adopted, implemented and updated an "Organisational Model" of conduct and regulation of the activity and has provided for the establishment of the Supervisory Body required by Legislative Decree no. 231/2001.

    The Company has also adopted a Code of Ethics. The Board also acknowledges that during the year the Company approved the Procedure for the management, treatment and communication of information regarding the Company, with particular reference to relevant insider information and the Code of Conduct on internal dealing, in accordance with the current legislation on market abuse.
19. The Board of statutory auditors's surveillance activities were carried out on a routine basis during 2020 and did not reveal any omissions, facts that could be censured or any irregularities worthy of note in this Report.
20. To allow the exchange of information provided for in art. 151, 2nd paragraph, of Legislative Decree no. 58/1998, the Board met with the chairmen of the control bodies of Sogefi S.p.A. and KOS S.p.A. to obtain information on the supervisory activities that they carried out during 2020, on the administration and control

systems adopted and on the company's performance. No reports or facts emerged from these exchanges of information that need to be mentioned in this report.

21. On completion of the surveillance activity that the Board carried out during the year, the Board of statutory auditors does not have any proposals to make as per art. 153, paragraph 2, of Legislative Decree no. 58/1998 regarding the separate financial statements at 31 December 2020, their approval or any other matter within its area of responsibility, just as it has no observations to make on the allocation of the net profit for the year of € 2,631,049.72 to retained earnings as proposed by the Board of Directors.

Milan, 8 April 2021

THE BOARD OF STATUTORY AUDITORS

Francesco Mantegazza - Chairman of the Board of Statutory Auditors

Maddalena Gnudi - Statutory Auditor

Gaetano Rebecchini - Statutory Auditor

Report of indipendent auditors

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

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

To the shareholders of
CIR S.p.A. – Compagnie Industriali Riunite

Report on the audit of the consolidated financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

Recoverability of goodwill

Notes to the consolidated financial statements: Notes 3 "Accounting policies" and 7.a. "Intangible assets"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2020 include goodwill of €492.0 million. The parent's directors test goodwill for impairment at least once a year and whenever there are indicators of impairment, by comparing its carrying amount to its estimated recoverable amount, considering the relevant tests carried out by the subsidiaries' directors. The group calculated the recoverable amount of goodwill by estimating its value in use, using a method that discounts their expected cash flows. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: — the expected cash flows, calculated by taking into account the general economic performance and that of the joint venture's sector, the actual cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	The audit procedures we performed, considering the work carried out by the component' audit teams as part of their respective engagements assigned by the subsidiaries Sogefi S.p.A. and KOS S.p.A., included: — understanding the process adopted for impairment testing approved by the parent's board of directors; — understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the group to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — comparing the expected cash flows used for impairment testing to those used for the forecasts and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions; — checking the sensitivity analysis made by the directors in relation to the key assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about the recoverability of goodwill.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

On 29 April 2017, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

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

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

Milan, 8 April 2021

KPMG S.p.A.

(signed on the original)

Giovanni Rebay
Director of Audit

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

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

To the shareholders of
CIR S.p.A. – Compagnie Industriali Riunite

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of CIR S.p.A. – Compagnie Industriali Riunite (the "company"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Measurement of investments in subsidiaries

Notes to the separate financial statements: Notes 1 "Basis of preparation and accounting policies" and 3.e "Equity investments"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2020 include investments in subsidiaries of €587.8 million, mainly relating to the subsidiaries CIR Investimenti S.p.A. (€204.3 million), KOS S.p.A. (€175.8 million), Sogefi S.p.A. (€109.0 million) and CIR International S.A. (€98.1 million). At least once a year, the directors check whether there are any indicators of impairment and, if there are, they test these equity investments for impairment and check their recoverability by comparing their carrying amounts with their value in use calculated using the discounted cash flow model (impairment test). They estimated the recoverable amount of the investments in CIR Investimenti and CIR International based on their fair value less costs to sell. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: — the expected cash flows, calculated by taking into account the general economic performance and that of the subsidiaries' sector, the actual cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate. For the above reasons, we believe that the measurement of investments in subsidiaries is a key audit matter.	Our audit procedures included: — understanding the process adopted for impairment testing approved by the company's board of directors; — understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the company to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the level of accuracy of the estimation process; — comparing the expected cash flows used for impairment testing to those used for the forecasts and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions; — checking the sensitivity analysis made by the directors in relation to the key assumptions used for impairment testing; — analysing the comparison of the carrying amounts of the investments in CIR Investimenti and CIR International with their fair value less costs to sell, which is the company's share of the subsidiaries' equity; — assessing the appropriateness of the disclosures provided in the notes about the measurement of equity investments.

Merger of the subsidiary CIR S.p.A. – Compagnie Industriali Riunite

Notes to the separate financial statements: Notes 1 "Basis of preparation and accounting policies", 3.e. "Equity investments" and 5 "Equity"

Key audit matter	**Audit procedures addressing the key audit matter**
On 19 February 2020, CIR S.p.A. – Compagnie Industriali Riunite ("merged company") merged into CIR S.p.A. – Compagnie Industriali Riunite (formerly COFIDE – Gruppo De Benedetti S.p.A., the "merging company"), with the consequent dissolution of the merged company (the "merger"). The merger took accounting and tax effects as of 1 January 2020. Since the transaction is a reorganisation of existing companies, the merger has not entailed the transfer of control thereover, but the acquisition of the merged company's non-controlling interests. The merger led to the recognition of a negative cancellation difference of €187.3 million and a share exchange surplus of €15.9 million by the merging company. Considering the material effect of the transaction and related capital increase on the separate financial statements, we believe that the merger is a key audit matter.	Our audit procedures included: — analysing the merger plan and other documents and deeds required by law to execute the transaction; — reading the minutes of the merged company's and merging company's boards of directors' meetings approving the merger plan; — reading the minutes of the shareholders' meetings approving the merger; — reading the correspondence exchanged with the supervisory bodies; — analysing the merger's accounting treatment and the opinions of the independent experts engaged by management; — checking the accounting entries made by the company and whether the merged company's captions had been properly included in the merging company's separate financial statements; — assessing the appropriateness of the disclosures provided in the notes about the merger.

Other matters

Management and coordination

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the company's separate financial statements does not extend to such data.

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

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

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

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

Auditors' responsibilities for the audit of the separate financial statements

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

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

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

On 29 April 2017, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

Milan, 8 April 2021

KPMG S.p.A.

(signed on the original)

Giovanni Rebay
Director of Audit

CIR S.P.A.
Compagnie Industriali Riunite
Via Ciovassino, 1 20121 Milano
Tel. +39 02 72 27 01
info@cirgroup.com
cirgroup.com