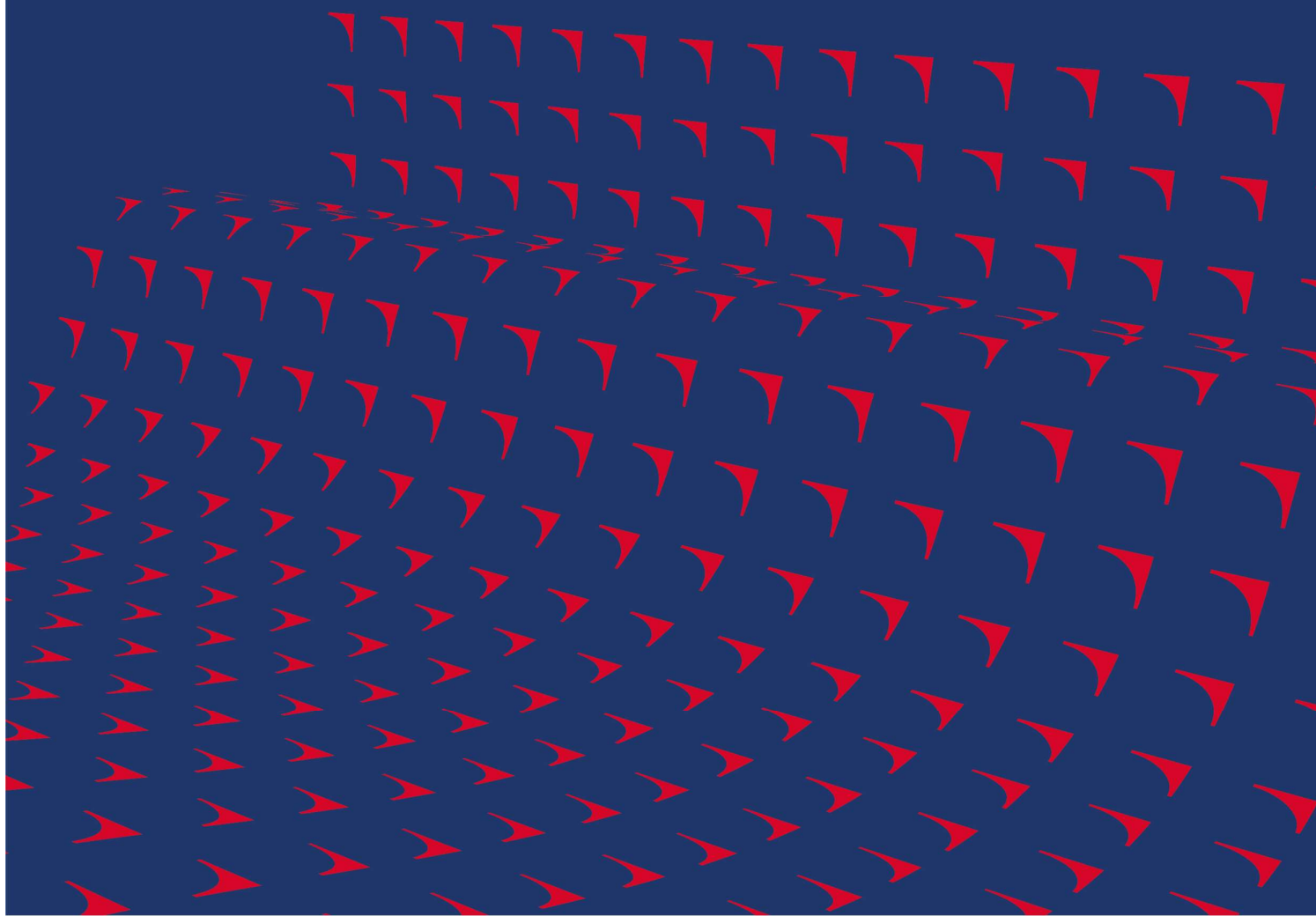




CONSOLIDATED FINANCIAL STATEMENTS
SEPARATE FINANCIAL STATEMENTS
REPORT ON OPERATIONS

2021





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CIR S.p.A.

Via Ciovassino, 1 – 20121 Milan – **T** + 39 02 722701

Share capital € 638,603,657 – Chamber of Commerce (R.E.A.) 1950090

Milan Monza Brianza Lodi Companies Register / Tax code / VAT no. 01792930016

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



Corporate Bodies

at 31 December 2021

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) FRANCESCA PASINELLI (1) (2) MARIA SERENA PORCARI (1) (2) (3)
Secretary to the Board	PIETRO LA PLACA

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 and Sustainability Committee

(3) Lead Independent Director



CIR S.p.A. – COMPAGNIE INDUSTRIALI RIUNITE

Via Ciovassino 1, Milan, Italy

Share capital: Euro 638,603,657.00 fully paid – Companies Reg. and VAT no. 01792930016
The company is subject to management control and coordination by F.lli De Benedetti S.p.A.

NOTICE OF CALLING OF AN ORDINARY SHAREHOLDERS' MEETING
(published on the company's website on 29 March 2022)

The shareholders are called to a Shareholders' Meeting, in ordinary session, at a single calling for 29 April 2022 at 10 a.m., at the registered office, Via Ciovassino 1, Milan, to discuss and resolve on the following:

AGENDA

- 1.** Separate financial statements at 31 December 2021 and allocation of the profit for the year. Presentation of the consolidated financial statements at 31 December 2021:
 - a.** Approval of the separate financial statements for the year ended 31 December 2021;
 - b.** Allocation of the profit for the year.
- 2.** Proposal for authorisation to buy and dispose of the company's own shares, subject to revocation of the previous authorisation.
- 3.** Report on the Remuneration Policy and Compensation Paid pursuant to article 123 -*ter* of the CFA:
 - a.** Binding vote on Section I;
 - b.** Advisory vote on Section II.
- 4.** Proposal regarding the approval of the Stock Grant Plan 2022.

INFORMATION ON THE SHARE CAPITAL

The share capital amounts to Euro 638,603,657.00 divided into no. 1,277,207,314 shares, with no par value, all with voting rights except for the treasury shares whose voting rights have been suspended.

Each share is attributed one vote or two votes in accordance with art. 8 of the Articles of Association, in the event of a positive assessment of this right by the administrative body.

METHOD OF CONDUCTING THE SHAREHOLDERS' MEETING

Given the pandemic and taking into account the measures aimed at limiting infection, the Company has decided to make use of the option provided in art. 106 of the Decree Law no. 18 of 17 March 2020, converted with amendments by Law no. 27 of 24 April 2020, and most recently extended by effect of paragraph 1 of art. 3 of the Decree Law no. 228 of 30 December 2021 (the so-called "Milleproroghe" decree), converted with amendments into Law no. 15, containing provisions related to this emergency, providing that participation at the meeting by those who have the right to vote can take place exclusively through the representative designated by the Company pursuant to art. 135-*undecies* of Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Act or CFA) - as identified in the following paragraph "Attendance at the Shareholders' Meeting, by proxy and the representative of the shareholders designated by the Company". The designated representative may also be granted proxies pursuant to art. 135-*novies* of the CFA, notwithstanding art. 135-*undecies*, paragraph 4, of the same decree, in the manner specified below.

Without prejudice to the foregoing, participation at the meeting of the persons entitled to do so (directors, auditors, secretary of the meeting, representative of the auditing company, designated representative pursuant to art. 135-*undecies* of the CFA and/or the employees and/or consultants authorised to do so by the Chairman), in consideration of the limitations that may arise for the health requirements mentioned previously, may also (or exclusively) take place by means of telecommunications that allow their identification, with the methods communicated to them individually, in compliance with the applicable regulatory provisions for this eventuality, without the need for the Chairman and the Secretary and/or Notary to be in the same place.

ENTITLEMENT TO ATTEND AND VOTE AT THE SHAREHOLDERS' MEETING

Those entitled to attend the Shareholders' Meeting - exclusively through the designated representative are those who have the right to vote at the end of the seventh trading day prior to the date set for the Shareholders' Meeting at single calling (20 April 2022 - Record Date).

Those who are holders of ordinary shares of the Company after that date will not be entitled to attend and vote at the Shareholders' Meeting.

Registrations of share purchases and sales made after this deadline are irrelevant for the purposes of entitlement to the right to vote at the Shareholders' Meeting.

Entitlement to attend the Shareholders' Meeting and exercise the right to vote- which can only be exercised through the designated representative - is certified by a communication to the Company made by an authorised intermediary pursuant to art. 83-*sexies* of the CFA in favour of the person who has the right to vote based on the records as of the Record Date. This communication must reach the Company by the end of the third trading day preceding the date set for the Shareholders' Meeting (i.e. by 26 April 2022). Entitlement to attend and vote remains valid if the communication is received by the Company after this deadline, providing it is received before the start of the Shareholders' Meeting.

Any shareholders with shares that have not yet have been dematerialised (i.e. still in paper form) must first deliver them to an authorised intermediary for their entry into the centralised management system under the dematerialisation regime, pursuant to art. 36 of the Single Provision on post-trading of Consob and the Bank of Italy of 13 August 2018, and ask for this communication to be sent to them.

ATTENDANCE AT THE SHAREHOLDERS' MEETING, VOTING BY PROXY AND THE SHAREHOLDERS' REPRESENTATIVE DESIGNATED BY THE COMPANY

To this end, the Company has decided to make use of the possibility that attendance and exercising the right to vote at the Shareholders' Meeting can take place exclusively through the representative designated by the Company pursuant to art. 135-*undecies* of the CFA, namely Studio Segre S.r.l., with registered office in Via Valeggio 41, Turin (the "**Designated Representative**").

Shareholders wishing to attend and vote at the meeting must therefore grant a specific proxy to the Designated Representative, either:

- > pursuant to art. 135-*undecies* of the CFA through the "Designated Representative Proxy Form", or
- > pursuant to art. 135-*novies* of the CFA, with the right to use the "Ordinary Proxy Form", as manner explained below.

Proxy pursuant to art. 135-*undecies* CFA ("proxy to the Designated Representative")

The Designated Representative may be granted a written proxy pursuant to article 135-*undecies* of the CFA, without any expense for the delegating party (except for any delivery costs), with voting instructions on all or some of the proposed resolutions regarding the items on the Agenda.

The proxy given to the Designated Representative pursuant to art. 135-undecies of the CFA has to be granted by signing the specific "Designated Representative Proxy Form", also in electronic format, which is available on the Company's website at www.cirgroup.it in the "Governance/Shareholders' Meeting" section and it has to be received, with voting instructions in writing, together with a copy of an identity document and, in the case of a legal person, the documentation proving the corporate powers (copy of the Chamber of Commerce registration or similar), by Studio Segre S.r.l.:

- > by courier or registered letter with return receipt to: Via Valeggio 41, Torino – Italy, or
- > electronically to the certified e-mail address: segre@legalmail.it (Ref. "Proxy for CIR AGM 2022"),

no later than the end of the second trading day preceding the date set for the Meeting (i.e. no later than 11.59 pm of 27 April 2022).

The proxy with voting instructions given to the Designated Representative pursuant to art. 135-undecies of the CFA can be revoked by the same deadline (27 April 2022) using the same procedures as for granting it.

The proxy granted in this way is only effective for the proposals for which voting instructions have been given.

Proxy pursuant to art. 135-novies CFA ("ordinary proxy")

Those who do not make use of the proxies pursuant to art. 135-undecies of the CFA, can grant proxies to the Designated Representative pursuant to art. 135-novies of the CFA, notwithstanding art. 135-undecies, paragraph 4, of the CFA, with the right to use the "Ordinary proxy form", also in electronic format, which is available on the Company's website at www.cirgroup.it in the "Governance/Shareholders' Meeting" section, which, with voting instructions in writing, together with a copy of an identity document and, in the case of a legal person, of the documentation proving the corporate powers (copy of a Chamber of Commerce registration or similar), has to be received by Studio Segre S.r.l.:

- > by courier or registered letter with return receipt to: Via Valeggio 41, Turin – Italy, or
- > electronically to the certified e-mail address: segre@legalmail.it (Ref. "Proxy for CIR AGM 2022"),

by 12.00 on 28 April 2022 (it being understood that the Designated Representative can accept proxies and/or voting instructions even after this deadline, providing they are received before the start of the Meeting).

The proxy with voting instructions given to the Designated Representative pursuant to art. 135-novies of the CFA can be revoked by the same deadline (28 April 2022) using the same procedures as for granting it.

The proxy granted in this way is only effective for the proposals for which voting instructions have been given.

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Note that the shares for which the proxy, even a partial proxy, has been granted are included in the calculation to establish whether the Shareholders' Meeting has a quorum.

In relation to the proposals for which no voting instructions have been given, the shares are not counted for the purposes of calculating the majority and the share capital required for approval of the resolutions.

Establishing the quorum for the Shareholders' Meeting and the validity of the resolutions on the items on the Agenda are governed by law.

There are no procedures for voting by mail or by electronic means.

RIGHT TO ASK QUESTIONS ABOUT THE MATTERS ON THE AGENDA

Pursuant to art. 127-*ter* of the CFA, those who have the right to vote who intend to ask questions about the items on the agenda of the Meeting can send them by registered letter with return receipt to the Company's registered office or by certified e-mail to pec_cirspa@legalmail.it, attaching either the certification issued by an authorised intermediary, proving entitlement to exercise the right, or the communication certifying entitlement to attend the meeting and exercise the right to vote.

Questions must be received by the end of the seventh open market day preceding the date set for the Shareholders' Meeting at single calling, i.e. by 11.59 pm on Wednesday, 20 April 2022.

The Company will give a written reply within two trading days prior to the Meeting (to be precise, by 12.00 on Wednesday, 27 April 2022) by posting it on the Company's website in the "Governance/Shareholders' Meeting" section.

Questions with the same content may receive a single answer.

INTEGRATION OF THE AGENDA AND PRESENTATION OF NEW PROPOSED RESOLUTIONS

Pursuant to art. 126-*bis* of the CFA, shareholders who, individually or jointly, represent at least one fortieth of the share capital, may request, within ten days of publication of this notice, an integration of the matters to be discussed, indicating in the request the additional topics proposed or submit proposals for resolution on matters already on the agenda.

It should be noted that integration of the matters to be discussed is not allowed for matters on which the Shareholders' Meeting, by law, resolves upon the proposal of the Directors or on the basis of a project or a report prepared by them, other than those referred to in art. 125-*ter*, paragraph 1, of the CFA.

Requests must be submitted by registered letter with return receipt to the Company's registered office or by certified e-mail to pec_cirspa@legalmail.it and must be accompanied by a report on the matters proposed for discussion, as well as by the certification(s) issued by an authorised intermediary proving entitlement to exercise this right. Notice of any matters added to the agenda and presentation of new proposed resolution will be given, in the same forms as this notice of calling, at least fifteen days before the date set for the Shareholders' Meeting at single calling, this being the deadline by which the report prepared by the proposing shareholders will be made available to the public.

Pursuant to art. 126-*bis*, paragraph 1, third paragraph, of the CFA, taking into account the methods of participation at the Shareholders' Meeting, those who have the right to vote can individually submit proposed resolutions on the items on the Agenda by 14 April 2022. Such proposals must be submitted by registered letter with return receipt to the Company's registered office or by certified e-mail to pec_cirspa@legalmail.it and must be accompanied by a draft resolution on the matter on the agenda, as well as by the certification(s) issued by an authorised intermediary proving entitlement to exercise this right.

The proposals presented will be published on the Company's website www.cirgroup.it in the Governance section by 22 April 2022 so that those entitled to vote can read them before giving their proxies to the Designated Representative.

In the event of proposed resolutions on the items on the Agenda that are alternative to those drafted by the Board, the Board's proposal will be put to the vote first (unless it is withdrawn) and only if this

proposal is rejected will the shareholders' proposals be put to the vote. These proposals, if alternative to each other, will be submitted to the Meeting starting with the proposal presented by the Shareholders who represent the largest percentage of the share capital. Only in the event that the proposal put to the vote first is rejected will the next proposal in order of capital represented be put to the vote, and so on.

FURTHER INFORMATION

Note that the information contained in this notice of calling - in particular, the date, place and/or time of the Shareholders' Meeting, the terms for shareholders exercising their rights, the methods of participation at the meeting and/or the procedures for holding it - may be subject to changes, updates or clarifications in consideration of the current emergency situation linked to COVID-19 and the consequent measures adopted from time to time by the competent Authorities, as well as to allow strict compliance with the fundamental principles of safeguarding the safety and health of the Company's shareholders, employees, officers and consultants. Any changes, updates or clarifications of the information contained in this notice will be promptly made available through the Company's website www.cirgroup.it in the "Governance/Shareholders' Meeting" section and the other methods provided by law.

DOCUMENTATION

The documentation relating to the items on the Agenda, provided for by current legislation, including, among other things, the full text of the proposed resolutions, will be made available to the public within the terms of the law, at the Registered Office (in Via Ciovassino 1, Milan, Italy), at Borsa Italiana S.p.A., on the authorised storage mechanism eMarket STORAGE at the address www.emarketstorage.com and on the Company's website www.cirgroup.it in the "Governance/Shareholders' Meeting" section; shareholders have the right to obtain a copy.

The financial reports relating to 2021 will be made available to the public in the same way.

The Articles of Association are available on the website www.cirgroup.it in the "Governance/System of governance" section.

Milan, 29 March 2022

for The Board of Directors
The Chairman – Rodolfo De Benedetti

Letter to the Shareholders

Shareholders,

During the course of 2021, despite the unstable and uncertain context still marked by the Covid-19 pandemic, the sectors in which we operate have seen a recovery and our companies have achieved results that are in growth compared with 2020, although the activities have not yet recovered the levels prior to the pandemic.

Consolidated revenue has grown by 8.3% compared with 2020, to € 1.9 billion, gross operating profit (EBITDA) has risen by 35%, to € 303.9 million, and the net result is a profit of € 18.0 million. Consolidated net indebtedness (without taking IFRS 16 lease liabilities into account) has fallen to € 85.6 million, compared with € 100.0 million at the end of 2020.

The capital structure of the holding company is solid, with a positive net financial position of € 332.4 million at the end of 2021.

As far as our activities are concerned, the healthcare sector, in which the subsidiary KOS operates, as you know, has been directly affected by the consequences of the pandemic. In 2021, starting in May, we saw a resumption of activities in all sectors, thanks to the beneficial effects of vaccines: in Rehabilitation, following the revival of normal hospital activity after the acute phase of the health emergency, and in Residential Care Homes for the elderly, where the normal flow of new guests has been re-established and the total number of guests is rising, although full recovery will still take time. KOS therefore recorded revenue up 4.5% compared with 2020 and the growth reflects above all the good performance of the Rehabilitation and Acute activities.

We also wish to underline that the company, which has always worked in synergy with the local communities where it operates, has collaborated with the regional Health Services in the management of the pandemic, welcoming Covid patients in some of its facilities.

Furthermore, despite the extraordinarily demanding context, KOS has not interrupted that process of development of its network of facilities which has allowed it, from its foundation by CIR to today, to become a leader in Italy with a significant presence in Germany; in fact, in 2021 new initiatives were launched for more than 500 beds and two long-term care facilities were acquired in Germany with 200 beds.

Despite the impacts of the health emergency, we firmly believe that the fundamentals of the sector and of the profession are solid and promising and that there is a sustainable future for those companies that, like KOS, place a philosophy of care and service quality at the heart of their strategy.

Sogefi, one of the main Italian companies in the automotive components sector, after the decline in activity in 2020 due to the temporary suspension of production and the fall in demand in the automotive sector due to the health emergency, recovered most of the decline in turnover in 2021; profitability and

cash generation were also higher than in the period just before the health crisis, also thanks to the effective reorganisation and fixed costs reduction plan implemented from 2020 onwards. In this regard, Sogefi has completed the plan to dispose of its filtration activities in LATAM, as part of a strategy to rationalise its geographical presence and industrial footprint, with a view to increasing the group's efficiency and profitability.

Sogefi operates in a highly challenging market, both cyclically and structurally. In addition to the volumes of the automotive market, which are still low, the company is having to cope with the problems involved in the availability and general increase in the costs of raw materials, transport and energy, in close collaboration with its customers, seeking solutions that allow it to continue commercial relationships that are sustainable in the long term. At the same time, it is preparing for the sector's technological transition, dedicating resources to the development of new products for sustainable mobility.

In the last two years we have managed our companies while facing the effects of the most serious emergency since the Second World War; the resilience demonstrated in 2020 and the recovery triggered off in 2021 testify to the solidity of our companies, their know-how and their ability to react in adverse situations.

Lastly, we would recall that in 2021 CIR successfully concluded a partial Voluntary Tender Offer, involving 156,862,745 CIR shares for a total value of € 80.0 million, achieving the dual objective of offering its shareholders, who want to, an opportunity to realise their investment and, for those who do not, a chance to increase the intrinsic value of their shares.

Now, at the moment when we address our shareholders with this letter, the geopolitical scenario is being severely upset by the Russian-Ukrainian conflict; the effects of it on our activities and in particular on Sogefi appear to be totally uncertain, as is uncertain the outcome of the conflict itself.

Our goal, in this unprecedented historical phase, is to preserve the value of our companies; to this end, we will continue to work with the utmost dedication together with the management of our companies to pursue their long-term strategic objectives and, at the same time, to manage in the best way possible the immediate and medium-term difficulties that the current scenario may propose, hoping for a rapid resolution of the conflict.

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

During 2021, particularly in the first half of the year, business in the sectors in which the CIR Group operates posted a clear recovery compared with 2020, even if the levels prior to the spread of the Covid-19 pandemic have not yet been recovered.

KOS, which operates in the field of health and social care services, after having suffered a significant decline in activity in 2020 and in the first quarter of 2021 as a result of the pandemic, saw a gradual recovery from May onwards. This was helped by the vaccination campaign, which brought Rehabilitation and Acute activities to levels close to those of 2019, while a full recovery has not yet taken place in Residential Care Homes for the Elderly, both in Italy and in Germany.

Sogefi, which makes components for the automotive sector, in 2021 had revenue in recovery with a performance that was better than the market, largely making up for the drop in turnover in 2020, caused by the general suspension of production activities and the collapse in demand caused by the pandemic; profitability and cash generation were also higher than the period before the health crisis, also thanks to the effective reorganisation and fixed costs reduction plan implemented from 2020 onwards.

Management of the parent's financial investment portfolio turned in high returns, due to the favourable trend in all the main financial markets during the year.

Significant extraordinary transactions were carried out during 2021.

On 6 August 2021 CIR successfully concluded a Partial Voluntary Tender Offer on 156,862,745 CIR shares, equal to 12.3% of its share capital, buying them at a price of € 0.51 each, for a total of € 80.0 million.

Furthermore, Sogefi has completed the plan to dispose of its filtration activities in LATAM, as part of a strategy to rationalise its geographical presence and its industrial footprint, with a view to increasing the group's efficiency and profitability.

Group's consolidated revenue amounted to € 1,980.7 million, 8.7% up on 2020 and in line with 2019, thanks to the recovery in both of the sectors in which the Group operates.

The consolidated gross operating profit (EBITDA) came to € 303.9 million, representing 15.33% of turnover, 12.4% compared with 2020 (€ 226.4 million), which is higher than in 2019 (€ 272 million).

The consolidated operating profit amounted to € 80.9 million (€ 18.1 million in 2020).

Consolidated profit amounted to € 18.0 million (€ 16.3 million in 2020, with a pro quota gain of € 32.5 million generated by the sale of Medipass by KOS).

At the end of 2021, consolidated net financial indebtedness, prior to IFRS 16, amounted to € 85.6 million, a decrease compared with 31 December 2020 (€ 100.0 million), made up as follows:

- net indebtedness of subsidiaries of € 418.0 million, a decrease compared with € 491.7 million at 31 December 2020, thanks to the decline recorded by KOS (€ 40.5 million) and Sogefi (€ 33.1 million);
- a net financial position of the parent (including CIR Investimenti and CIR International) of € 332.4 million, a decrease of € 59.33 million compared with 31 December 2020 (€ 391.7 million) following the Partial Voluntary Tender Offer on the CIR shares mentioned previously, which involved an outlay of € 80 million, partially offset by revaluation of the financial assets held.

Consolidated net financial indebtedness at 31 December 2021 totalled € 929.9 million, including lease payables under IFRS 16 of € 844.3 million, mainly relating to KOS (€ 774.9 million), which operates using mainly leased properties.

Equity attributable to the owners of the parent at 31 December 2021 came to € 740.4 million, compared with € 771.0 million at 31 December 2020. The net decrease of € 30.6 million is essentially due to the purchase of own shares (€ 80.1 million), partly offset by the profit for the year.

KOS

Revenue in 2021 amounted to € 660.1 million, up by 4.5% compared with 2020, principally due to the good performance of the rehabilitation and acute care business, which benefited from the recovery of hospital activities after the worst phase of the health emergency.

In Italian residential care homes, however, the effect of the pandemic continued. Partly due to restrictions imposed by health authorities, new entrants were reduced for most of 2020 and up to the initial months of 2021, causing a progressive decline in guests, which hit a low at the end of the first quarter, subsequently recovering gradually in the second half of the year. The average number of guests in 2021 was therefore lower than in 2020 and significantly lower than in 2019.

In German care homes the impact of the pandemic, especially at the initial stages, was much lower from a health point of view, so the decline in the number of guests was also lower than in Italy; furthermore, public support, which consisted in compensating both the fall in revenue and the higher costs, made it possible to neutralise the economic impact of the decrease in guests and the increase in costs caused by the pandemic.

Operating profit was € 32.4 million, compared with € 15.4 million in 2020; the improvement is due to the resumption of rehabilitation activities and the higher public support received for the care home sector. The result also benefits from non-recurring results, capital gains and sundry other income, for approximately € 12 million (€ 9.6 million in 2020).

KOS recorded a net profit of € 1.4 million (€ 46.7 million in 2020, thanks to a net gain of € 54.4 million from the sale of Medipass).

Without considering the effects of IFRS 16, free cash flow was positive for € 41 million, as a result of positive operating flows of € 4 million, receipts of € 53 million from the sale of real estate properties and investments in the development of new facilities of € 16 million.

At the end of 2021, before the application of IFRS 16, the consolidated net indebtedness decreased to € 160.2 million, compared with € 200.7 million at 31 December 2020.

Sogefi

In 2021, world car production grew by 2.5%, after a decline of 16.2% in 2020.

Sogefi's revenue grew by 11.0% compared with 2020, posting a decidedly better performance than the reference market; however, turnover has not yet recovered the level of 2019, coming in at -8.3%, a figure that is clearly less negative than the -14.1% of world car production. 2021 was also positive for

commercial activity, particularly for the diversification on the platforms of the future: Sogefi has been awarded important contracts in Europe, NAFTA and China for the supply of thermal management for electric mobility, contracts with new customers focused exclusively on electrical products and a significant number of contracts for the supply of filters not related to the internal combustion engine (air purification and filters for transmission).

In the current context of a general increase in the costs of raw materials, transport and energy, which led to a deterioration in margins in the second half of 2021, Sogefi has entered into negotiations with all customers aimed at adjusting its sales prices in order to continue sustainable business relationships in the long term.

Operating Profit amounted to € 28.6 million, compared with a loss of € 18.4 million in 2020. This improvement was achieved mainly thanks to the recovery in volumes and the reduction in the proportion of fixed costs on sales (16.3%, compared with 16.9% in 2020 and 17.2% in 2019) and restructuring costs. The Operating profit was higher than 2019 (€ 13.8 million).

The sale of the filtration business in Argentina generated a loss of € 24.1 million, of which € 20.8 million from reclassification of the subsidiary's exchange differences from equity to the P&L for the year. The profit for the year was € 2.0 million (versus a loss of € 35.1 million in 2020 and a profit of € 3.2 million in 2019).

Sogefi generated a positive Free Cash Flow of € 32.4 million, compared with a cash absorption of € 38.2 million the previous year due to the particular circumstances that took place in 2020, especially the decline in turnover, which also had an impact on working capital. In 2021, the strong recovery in free cash flow reflects the positive trend in results and the specific action taken by the Group to reduce working capital.

Net financial indebtedness pre-IFRS 16 at 31 December 2021 was equal to € 258.2 million, down compared with the end of 2020 (€ 291.3 million) and in line with 31 December 2019 (€ 256.2 million).

Financial investments

With reference to the management of financial assets, thanks to the positive trend in the markets, net financial income totalled € 23.1 million, with a yield of 5.1%. The overall yield on "highly liquid" assets - shares, bonds and hedge funds - was 3.3% (€12.4 million), while the private equity and minority interests portfolio recorded a profit of € 10.7 million and a yield of 13.2%.

The following tables provide an analysis of the contribution of the industrial subsidiaries, the aggregate of the "financial holding companies" and other non-industrial subsidiaries to the Group's results.

Consolidated income statement by business segment

Description	2021						2020
	KOS group (Healthcare)	Sogefi group (Automotive components)	Total industrial subsidiaries	CIR and financial holding companies	Other subsidiaries	Consolidated total for the group	Consolidated total for the group
(in millions of euro)							
Revenue	660,1	1.320,6	1.980,7	--	--	1.980,7	1.821,8
Costs of production (1)	(535,2)	(1.127,5)	(1.662,7)	(11,7)	(0,1)	(1.674,5)	(1.546,6)
Other operating income & expense (2)	(5,3)	(0,7)	(6,0)	3,6	0,1	(2,3)	(48,8)
Amortisation, depreciation & impairment losses	(87,2)	(134,0)	(221,2)	(1,8)	--	(223,0)	(218,5)
Operating profit	32,4	58,4	90,8	(9,9)	--	80,9	7,9
Financial income & expense (3)	(29,3)	(17,8)	(47,1)	4,9	--	(42,2)	(58,6)
Dividends, net of realised and unrealised gains and losses on securities (4)	0,1	1,5	1,6	19,8	--	21,4	21,1
Fair value gains on equity-accounted investments	--	--	--	--	--	--	(0,2)
Income taxes	(0,9)	(13,5)	(14,4)	1,3	--	(13,1)	(9,1)
Profit (loss) from discontinued operations	--	(24,5)	(24,5)	--	--	(24,5)	60,3
Non-controlling interests	(1,5)	(3,0)	(4,5)	--	--	(4,5)	(5,1)
Profit (loss) for the period	0,8	1,1	1,9	16,1	--	18,0	16,3

(1) This item is the sum of "changes in inventories", "costs for the purchase of goods", "costs for services" and "personnel costs" in the consolidated income statement. This item does not take into consideration the € (0.6) million effect of intercompany eliminations.

(2) This item is the sum of "other operating income" and "other operating costs" in the consolidated income statement. This item does not take into consideration the € (0.6) 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

Description	31.12.2021						31.12.2020
	KOS group (Healthcare)	Sogefi group (Automotive components)	Total industrial subsidiaries	CIR and financial holding companies	Other subsidiaries	Consolidated total for the group	Consolidated total for the group
(in millions of euro)							
Non-current assets (1)	1.392,7	689,6	2.082,3	20,1	--	2.102,4	2.119,7
Other net non-current assets and liabilities (2)	(16,5)	(72,3)	(88,8)	78,4	(0,7)	(11,1)	(31,8)
Assets and liabilities held for sale	--	--	--	--	--	--	1,3
Net working capital (3)	(95,5)	(84,8)	(180,3)	0,9	0,7	(178,7)	(204,6)
Net invested capital	1.280,7	532,5	1.813,2	99,4	--	1.912,6	1.884,6
Net financial indebtedness (4)	(935,1)	(327,5)	(1.262,6)	332,3	0,4	(929,9)	(896,8)
Total equity	345,6	205,0	550,6	431,7	0,4	982,7	987,8
Equity attributable to non-controlling interests	143,5	98,8	242,3	--	--	242,3	216,8
Equity attributable to the owners of the parent	202,1	106,2	308,3	431,7	0,4	740,4	771,0

(1) This item is the sum of "intangible assets", "property, plant and equipment", "right-of-use assets", "investment property", "equity-accounted investments" 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 receivables" in current assets and "trade payables", "other payables" 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 2021, consolidated revenue was € 1,980.7 million, 8.7% up by 8.7% on 2020 (€ 1,821.8 million). KOS recorded an increase in revenue of 4.5%, Sogefi of 11.0%.

(in millions of euro)	2021	%	2020(1)	%	Change In million €	%
Healthcare (KOS group)	660.1	33.3	631.6	34.7	28.5	4.5
Components (Sogefi Group)	1,320.6	66.7	1,190.2	65.3	130.4	11.0
Total consolidated revenue	1,980.7	100.0	1,821.8	100.0	158.9	8.7
of which: ITALY	527.4	26.6	498.6	27.4	28.8	5.8
OTHER COUNTRIES	1,453.3	73.4	1,323.2	72.6	130.1	9.8

(1) Within the Sogefi group, the 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 2021 compared with that for 2020 is shown below.

(in millions of euro)	2021	%	2020	%
Revenue	1,980.7	100.0	1,821.8	100.0
Gross operating profit (2)	303.9	15.3	226.4	12.4
Operating profit	80.9	4.1	7.9	0.4
Net financial expense (3)	(20.8)	(1.1)	(37.7)	(2.0)
Income taxes	(13.1)	(0.7)	(9.1)	(0.5)
Profit (loss) from discontinued operations	(24.5)	(1.2)	60.3	3.3
Profit including non-controlling interests	22.5	1.1	21.4	1.2
Non-controlling interests	(4.5)	(0.2)	(5.1)	(0.3)
Profit attributable to the owners of the parent	18.0	0.9	16.3	0.9

(1) Within the Sogefi group, the 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 investments" and "fair value gains (losses) on financial assets" in the consolidated income statement.

Consolidated gross operating profit (EBITDA) amounted to € 303.9 million in 2021, up by 34.2% on 2020 (€ 226.4 million); gross operating profitability increased to 15.3% compared with 12.4% in 2020.

Consolidated operating profit was € 80.9 million, compared with € 7.9 million in 2020.

Net financial result was negative for € 20.8 million compared with € -37.7 million in 2020; interest expense decreased, while the yield from financial investments increased:

- net interest expense on subsidiaries' payables have declined to € 18.2 million (it was € 26.4 million in 2021), thanks to the decrease in indebtedness;

- IFRS16 Financial charges, equal to € 20.6 million, where more or less in line with those of 2020;
- Net gains from the financial assets portfolio of CIR S.p.A., CIR Investimenti and CIR International increased to € 24.7 million, versus € 17.0 million in 2020, thanks to a better performance of the equity and private equity segments.

The result of assets held for sale was negative for € 24.5 million and was due to the sale of the Sogefi's Filtration Division in Argentina. It includes the 2021 results of the aforementioned activity and the accounting effects of the sale, in particular the reclassification of exchange differences accumulated over time from shareholders' equity to P&L, without effects on shareholders' equity and cash.

Consolidated profit amounted to € 18.0 million (€ 16.3 million in 2020).

The condensed consolidated balance sheet of the CIR group at 31 December 2021, with comparative figures at 31 December 2020, is as follows:

(in millions of euro)	31.12.2021	31.12.2020
Non-current assets	2,102.4	2,119.7
Other net non-current assets and liabilities	(11.1)	(31.8)
Assets and liabilities held for sale	--	1.3
Net working capital	(178.7)	(204.6)
Net invested capital	1,912.6	1,884.6
Net financial indebtedness	(929.9)	(896.8)
Total equity	982.7	987.8
Equity attributable to the owners of the parent	740.4	771.0
Equity attributable to non-controlling interests	242.3	216.8

(1) Data presented according to an aggregation of the financial statements, the definition of which is reported in the footnotes of the table "Consolidated balance sheet by business sector" presented previously.

Net invested capital came to € 1,912.6 million at 31 December 2021, a rise compared with 31 December 2020 (€ 1,884.6 million).

Consolidated **net financial indebtedness** at 31 December 2021, before the application of IFRS 16, came to € 85.6 million (compared with € 100.0 million at 31 December 2020), divided into:

- an overall financial surplus for CIR, CIR Investimenti and CIR International of € 332.4 million (€ 391.7 million at 31 December 2020), a decrease of € 59.3 million, due to the outlay of € 80.1 million for the Voluntary Tender Offer on CIR shares;
- total net indebtedness of the industrial subsidiaries of € 418.0 million, down by approximately € 74 million compared with € 491.7 million at 31 December 2020, attributable to the decrease in KOS debt (€ 40.5 million), due to the already mentioned sale of some buildings, and to Sogefi (€ 33.1 million), mainly due to the latter's positive performance.

On the basis of IFRS 16, lease liabilities amounted to € 844.3 million at 31 December 2021 (€ 896.8 million at 31 December 2020), giving rise to a total consolidated net financial indebtedness of € 929.9 million.

The consolidated statement of cash flows, prepared according to a "management" format, which shows the changes in net financial position without taking into account the effects of the application of IFRS16, is reported below.

(in millions of euro)	2021	2020
Profit from continuing operations	47.0	(38.9)
Amortisation, depreciation, impairment losses & other non-monetary changes	168.5	134.3
Self-financing	215.5	95.4
Change in working capital and other non-current assets and liabilities	(30.1)	(1.1)
CASH FLOWS GENERATED BY OPERATIONS	185.4	94.3
Capital increases	0.1	0.1
TOTAL SOURCES OF FUNDS	185.5	94.4
Net investment in non-current assets	(90.0)	(95.0)
Consideration paid for business combinations	(1.4)	(11.0)
Net financial position of acquired companies	--	(4.0)
Payment of dividends	(4.0)	-
Purchase of treasury shares	(80.1)	-
Other changes	-	(10.8)
TOTAL APPLICATIONS OF FUNDS	(175.5)	(120.8)
CASH FLOWS USED IN CONTINUING OPERATIONS	10.0	(26.4)
CASH FLOWS FROM DISCONTINUED OPERATIONS	4.4	254.0
CASH FLOWS FOR THE YEAR	14.4	227.6
OPENING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16	(100.0)	(327.6)
CLOSING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16	(85.6)	(100.0)
RESIDUAL LIABILITY FOR IFRS 16	(844.3)	(796.8)
CLOSING NET FINANCIAL INDEBTEDNESS	(929.9)	(896.8)

In 2021, there was a financial surplus of € 14.4 million, or € 94.4 million without considering the outlay of € 80.1 million due to the Voluntary Tender Offer on CIR shares. In 2020, cash generation amounted to € 227.6 million and included the proceeds from the sale of the investment in GEDI and the sale of Medipass by KOS.

Equity attributable to the owners of the parent at 31 December 2021 came to € 740.4 million, compared with € 771.0 million at 31 December 2020. The net reduction of € 30.6 million was due to the purchase of CIR shares (€ 80.1 million), partially offset by the profit for the year.

At 31 December 2021 the CIR group had 17,201 employees, compared with 17,668 at 31 December 2020.

3. Performance of the parent

The parent CIR S.p.A. closed 2021 with a profit of € 2.1 million compared with € 2.6 million in 2020.

The condensed income statement of CIR S.p.A. for 2021, compared with that of 2020, is as follows.

<i>(in millions of euro)</i>	2021	2020
Sundry revenue and income	6.9	2.3
Operating costs (1)	(10.5)	(12.3)
Other operating costs, amortisation and depreciation (2)	(4.2)	(2.9)
Net financial income (3)	8.3	8.8
Profit before taxes	0.5	(4.1)
Income taxes	1.6	1.6
Profit (loss) of assets held for sale	--	5.1
Profit for the period	2.1	2.6

(1) This item is the sum of "costs for services" and "personnel expenses" in the income statement of CIR S.p.A.

(2) This item is the sum of "other operating expense" and "amortisation, depreciation & 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.

Sundry revenue and income" included revenue from property and intercompany services; in 2021 it also includes the amount of € 4.9 million for the release of provisions for risks and charges following the elimination of the potential liabilities for which they had been set aside in previous years.

The operating costs of the holding company (personnel expenses and services) decreased by 14.6%.

The balance sheet of CIR S.p.A. at 31 December 2021, compared with the situation at 31 December 2020, is as follows.

<i>(in millions of euro)</i>	31.12.2021	31.12.2020
Non-current assets (1)	605.0	606.5
Other net non-current assets and liabilities (2)	72.4	40.1
Assets held for sale	--	--
Net working capital (3)	2.5	72.5
Net invested capital	679.9	719.1
Net financial indebtedness (4)	14.4	51.8
Equity	694.3	770.9

(1) This is the sum of "intangible assets", "property, plant and equipment", "investment property", "right-of-use assets", and "equity investments"

(2) This is the sum of "other assets", "other financial assets" and "deferred tax assets" under non-current assets and of "deferred tax liabilities", "employee benefit obligations" under non-current liabilities

(3) This item is the sum of "other receivables" in current assets and "other liabilities" and "provisions for risks and charges" in current liabilities

(4) This is the sum of "cash and cash equivalents" in current assets and of "bank loans and borrowings" in current liabilities

Equity went from € 770.9 million at 31 December 2020 to € 694.3 million at 31 December 2021. The net decrease of € 76.6 million is due to the purchase of CIR shares following the Voluntary Tender Offer on an amount of € 80.0 million.

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

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

<i>(in millions of euro)</i>	Equity 31.12.2021	Profit (loss) for 2021
Separate financial statements of CIR S.p.A. (parent)	694,344	2,085
Derecognition of the carrying amount of consolidated equity investments	(587,762)	--
Recognition of equity and profit (loss) for the year of investments in subsidiaries	630,862	17,828
Goodwill	2,941	--
Dividends from companies included in the consolidation	--	(2,001)
Derecognition of fair value gains (losses) on consolidated equity investments	--	75
Other consolidation adjustments	4	(6)
Condensed interim consolidated financial statements (share attributable to the owners of the parent)	740,389	17,981

5. Performance of the business segments

5.1. Healthcare

The KOS group provides healthcare services, managing a total of 154 facilities (care homes for the elderly and rehabilitation centres) for a total of 13,100 beds, in Italy and Germany, and is structured as follows:

- Management of residential care homes for the elderly in Italy, mainly under the Anni Azzurri brand (56 facilities and 6,200 beds) and in Germany under the Charleston brand (47 facilities and 4,050 beds),
- Management of functional rehabilitation facilities under the Santo Stefano brand (17 facilities and 1,900 beds), psychiatric treatment communities under the Neomesia brand (19 facilities and 800 beds) and day hospitals;
- Acute care: management of the Suzzara hospital (under concession) and Villa dei Pini, for a total of 300 beds;
- Diagnostics and cancer care in India: contract management of high-tech diagnostic and radiotherapy services in 14 facilities through the ClearMedi subsidiary.

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

(in millions of euro)	2021	2020	Change	
			amount	%
Revenue	660.1	631.6	28.5	4.5
Profit (loss) of continuing operations	1.4	(24.7)	26.1	n.a.
Profit (loss) for the period	1.4	46.7	(45.3)	n.a.

	31/12/2021	31/12/2020	Change
Net financial indebtedness before IFRS 16	(160.2)	(200.7)	40.6
Net financial indebtedness after IFRS 16	(935.1)	(931.0)	(4.1)
No. of employees	11,721	11,581	140

In 2021 the KOS group made **revenue** of € 660.1 million, an increase of 4.5% on € 631.6 million in 2020. Revenue from rehabilitation activities shows an increase of 11.1% compared with 2020, thanks to the recovery of hospital activities, while the revenue of the care home sector in Italy recorded a further decline compared with the previous year (-5.5%), due to the trend in guests in residential facilities which, due to entry restrictions because of the pandemic, reached a minimum at the end of the first quarter. The contribution of the Charleston group amounted to € 179.4 million in 2021, a slight increase compared with the previous year, thanks to the higher support received from the German state, which offset the effects of the pandemic - in any case less virulent than in Italy - on the level of guests and therefore of turnover.

Consolidated EBITDA came to € 122.0 million, a slight increase compared with the same period of 2020 (€ 111.7 million); **EBITDA** of the Italian businesses amounted to € 83.6 million in 2021 versus € 72.0 million in 2020; the contribution of the Charleston group was € 11.7 million (€ 9.9 million in 2020). The improvement is due to the resumption of rehabilitation activities and higher public

subsidies received during the year for the care home sector compared with 2020. The result also benefits from capital gains and sundry other income of approximately € 12 million (€ 9.6 million in 2020).

Consolidated EBIT was € 32.4 million, compared with € 15.4 million in 2020 (€ 57.9 million in 2019). The improvement reflects the recovery of EBITDA, previously commented on.

The profit for the year was € 1.4 million (compared with a profit of € 46.7 million in 2020), which included the gain deriving from the sale of Medipass of € 54.4 million).

Excluding the effects of the application of IFRS 16, free cash flow was positive for € 41 million, thanks to positive operating cash flows of € 4 million (around € 20 million, net of the change in working capital and factoring) and the sale of properties for € 53 million; free cash flow includes investments in the development of facilities of € 16 million.

By applying IFRS 16, which includes the flows of future lease instalments of the facilities sold during the year by means of a sale and lease back, cash flows are negative for € 4 million.

At 31 December 2021 the KOS group had a **net financial indebtedness** before IFRS 16 of € 160.2 million, down compared with € 200.7 million at 31 December 2020. The net financial position, including payables deriving from the application of IFRS 16, has remained stable (€ 935.1 million at the end of 2021 compared with € 931.0 million at the end of 2020), as the lease payables under IFRS 16 have increased because of new lease contracts for the properties sold.

At 31 December 2021 the covenants of outstanding loan agreements were respected and available credit lines largely exceeded financial needs.

At 31 December 2021 consolidated equity amounted to € 338.1 million, compared with € 336.2 million at 31 December 2020; the change reflects the result for the year.

The KOS group had 11,721 employees at 31 December 2021 compared with 11,581 at 31 December 2020.

5.2. Automotive components

In 2021, world car production grew by 2.5% compared with 2020. After the 29.2% increase in the first half of 2021 compared with the first half of 2020 (which saw the spread of the pandemic and the lockdown), in the second half of the year global production was significantly lower than in the corresponding period of 2020 (-16.0%). In particular, it was affected by the difficulties encountered in the procurement of specific components (which also led to the temporary closure of some factories of the main world manufacturers) and of some raw materials.

In 2021, Europe recorded the worst trend, with car production at -6.2% compared to 2020; in NAFTA, production remained substantially stable (+0.1%) and in China and Mercosur it recorded a recovery (+4.0% and +16.2% respectively).

Production in 2021 did not recover pre-pandemic volumes and stands at -14.1% globally compared with 2019 (Europe -27.9%, NAFTA -20.1% and Mercosur -19.4%); the only exception is China, which has more or less returned to the level of 2019 (-0.6%).

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

(in millions of euro)	01/01-31/12	01/01-31/12	Change	
	2021	2020	amount	%
Revenue	1,320.6	1,190.2	130.4	11.0
Profit (loss) of continuing operations	26.5	(18.9)	45.4	n.a.
Profit for the period	2.0	(35.1)	37.1	n.a.

	31/12/2021	31/12/2020	Change
Net financial indebtedness before IFRS 16	(258.2)	(291.3)	(35.1)
Net financial indebtedness after IFRS 16	(327.6)	(358.1)	(39.2)
No. of employees	5,462	5,790	(328)

In 2021, Sogefi's **revenue** amounted to € 1,320.6 million, up by 11.0% compared with 2020 at historical exchange rates and 14.2% at constant exchange rates.

Retracing the trend in turnover during the year, after the +34.7% in the first half (period when there were lockdowns in the main markets), the second half closed with a decrease of -6.2% compared to the corresponding period of 2020, which in any case is clearly better than the -16.0% of the market.

Turnover grew in all geographical areas: +7.8% in Europe, +4.6% in North America, +22.0% in Asia, +67.9% in South America, posting a better performance than the market in all regions.

By sector of activity, Air and Cooling and Filtration both achieved revenue close to that of 2019; the growth of Air and Cooling compared with 2020 (+8.1%) is due not only to the recovery in the market, but also to the development of the contract portfolio, especially in China, where revenue has increased by 18.4% compared with the previous year, while the increase in Filtration turnover (+10.0%) reflects the strong recovery in India, as well as the general market trend. The Suspensions division recorded revenue up 14.7% compared with 2020, but activity remains significantly below that of 2019 (-16.6%).

EBITDA amounted to € 192.5 million, compared with € 137.0 million in 2020 and € 174.6 million in 2019; **gross profitability** (EBITDA/Revenue %) increased to 14.6% (compared with 11.5% in 2020 (13.1% excluding non-recurring restructuring costs) and 12.1% in 2019).

The contribution margin was stable (30.6% compared with 30.8% in 2020 and 30.1% in 2019) and the increase in gross profitability is attributable to the reduction in the incidence of fixed costs on revenue at 16.3% (16.9% in 2020 and 17.2% in 2019), thanks to the action plans implemented, and lower restructuring costs. Lastly, the positive effect of exchange rates contributed to the increase in EBITDA (€ +2.5 million in 2021 compared with € -4.7 million in 2020).

It is also worth noting that, as happened in the third quarter, the fourth quarter was affected by the weakness in volumes and the generalised increase in the costs of raw materials, especially the price of steel for the production of suspensions, which led to a reduction in the contribution margin for the quarter from 31.5% in 2020 to 28.1% in 2021.

EBIT amounted to € 58.4 million, versus € 7.1 million in 2020 and € 46.4 million in 2019.

Net income from operating activity is equal to € 28.6 million, compared with a loss of € 18.4 in 2020 and a profit of 13.8 in 2019.

The sale of the filtration business in Argentina generated a loss of € 24.1 million, of which € 20.8 million from reclassification of the subsidiary's accumulated exchange differences from equity to the profit (loss) for the year, without any impact on cash and equity. **The net profit for the year** was € 2.0 million (versus a loss of € 35.1 million in 2020 and a profit of € 3.2 million in 2019).

Free cash flow was positive for € 32.4 million, compared with a consumption of € 38.2 million in 2020, due to the particular circumstances of 2020, especially the fall in turnover which had an impact on working capital. In 2021, the strong recovery in free cash flow reflects the positive trend in results and the specific action taken by the Group to reduce working capital.

Net financial indebtedness before IFRS 16 at 31 December 2021 was equal to € 258.2 million, (€ 291.3 million at the end of 2020) and substantially in line with 31 December 2019 (€ 256.2 million).

Including lease liabilities in accordance with IFRS 16, net financial indebtedness was € 327.6 million at 31 December 2021, down on € 358.1 million at 31 December 2020 (€ 318.9 million at 31 December 2019).

At 31 December 2021, the Group has committed lines of credit in excess of the requirement for € 280 million (after having repaid the convertible bond loan of € 100 million in May).

At 31 December 2021 **equity**, excluding minority interests, came to € 187.7 million (€ 133.8 million at 31 December 2020).

The Sogefi Group had 5,462 employees at 31 December 2021 compared with 5,790 at 31 December 2020 and 6,158 at 31 December 2019 on a like-for-like basis.

6. Financial investments

The group manages a diversified portfolio of financial investments amounting to € 411.6 million at 31 December 2021 (€ 473.6 million at 31 December 2020). These comprise traditional financial assets that are highly liquid, private equity funds and non-strategic equity investments. The investment strategy seeks to manage the risk-return trade-off in a prudent manner.

At 31 December 2021, the highly liquid assets - bonds, equities, bank deposits and hedge funds - amounted to € 332.2 million (€ 391.1 million at 31 December 2020), and posted a 3.3% return over the year, totalling € 12.4 million (5.3% in 2020, corresponding to € 19.1 million).

The other assets, comprising private equity funds, non-strategic equity investments and non-performing loans, were € 79.4 million at 31 December 2021 (€ 82.5 million at 31 December 2020) and generated a positive return of € 10.7 million; this profit derives mainly from the positive fair value adjustments of the funds, which offset reductions in value in the residual NPL portfolio and in some minority shareholdings.



7. Impact of Covid-19 on the business

7.a. Impact on the KOS group

During 2020 and 2021, the development of the Covid-19 pandemic had important repercussions, both in Italy and in Germany, on the activity of the KOS group, which immediately adopted all the measures envisaged for the safety of operators and patients.

During the first wave of the pandemic, KOS suffered significantly from both a drop in guests at the care homes and from a slowdown in rehabilitation activities following the block on non-urgent hospital activities. The second wave, which began in the autumn of 2020, and the third, which happened in the spring of 2021, had more limited consequences on rehabilitation activities. Care homes, on the other hand, saw a further decline in presences, which reached a low in the first few months of 2021, only to show signs of recovery in the months that followed, especially in the summer. The further wave that occurred in the last quarter of 2021 had a lower impact on the facilities of the KOS group, thanks to the completion during the year of the vaccination campaign for guests and operators. The contagion curve is gradually falling in February 2022.

Additional costs were incurred as a result of this healthcare emergency, not least for the supply of personal protective equipment and sanitization 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.

In the face of the impacts of Covid-19 and the deterioration in the results, the company has taken various steps to ensure the economic and financial equilibrium. In January 2022, it has also drawn up a plan that shows how in the next few years the activity levels and the economic performance that characterised the Group before the onset of the pandemic will be recovered (although it is expected that, also for 2022, the Group will still record lower economic and financial indicators than in the pre-Covid phase).

7.b. Impact on the Sogefi group

In 2021, while the pandemic persisted, the effects on the market in which the company operates were less severe than in 2020, as there were no lockdowns in industrial activities. There was, in any case, a general weakness in demand, still a lot lower than in 2019, particularly in Europe (-27.9%) and NAFTA (-20.1%). There were also operational difficulties due to the unstable level of production and the absence of staff because of contagion or, more often, contact with infected people.

During 2021, the Sogefi group maintained all of the health and safety procedures in the workplace to reduce the risk of contagion, which include physical distancing, use of personal protection equipment and measures to limit the number of staff physically on the premises with the use of remote work.

7.c. Impact on the parent

The impact of the pandemic on the parent company was initially reflected on the fair value of financial assets, both liquid and illiquid. The equity and bond markets suffered major corrections in March 2020, but recovered in subsequent months and closed 2020 and 2021 in positive territory.

7.d. 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 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:

- possible impairment losses on the goodwill, intangible and tangible fixed assets reported in the consolidated financial statements and 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 2022, (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 receivables;
- 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 have occurred after the end of 2021. Please refer to the next paragraph for the potential impacts related to the conflict between Russian-Ukraine.

9. Outlook

Taking into account the persisting uncertainty about how the pandemic will evolve and the geopolitical situation as a result of the Russian-Ukraine crisis, visibility on the performance of the Group's activities in the coming months remains low.

As regards **KOS**, thanks to vaccines and the absence of new critical issues related to the pandemic, it is expected that the return to pre-Covid levels of activity may occur for Rehabilitation and Acute services during the current year; for the residential care homes in Italy and Germany, on the other hand, the time needed to return to full occupancy is expected to be structurally longer, at least until 2023. With regard to the activities in Italy, a higher incidence of costs is also expected to persist, even in a steady state, with respect to 2019, due to contract renewals and cost inflation in general, to an extent that does not however compromise the profitability of the business model.

As for the automotive market, before the Ukraine crisis, IHS estimated a recovery in world production in volumes of +8.5% in 2022 compared with 2021, but still lower than in 2019 (-6.8%). In contrast to this recovery, since 2021 there has been an unprecedented increase in raw material prices in terms of amount and duration. It is difficult to make forecasts on how this situation will evolve, but it seems to be persisting in the first part of this year. In this scenario, **Sogefi** expects to achieve operating

profitability for the whole of 2022 substantially in line with in 2021 (excluding non-recurring charges), thanks to the incisive action taken to reduce fixed costs and structurally improve profitability and, as regards Suspensions in particular, the new plant in Romania gradually coming up to speed. However, the Russia-Ukraine crisis, to which Sogefi is not directly exposed as it is not present in either of the two countries, could affect the automotive sector in terms of both demand and supply chain, but it is not yet possible to foresee the impact it might have.

10. Main risks and uncertainties to which CIR S.p.A. and the group are exposed

As part of the Internal Control and Risk Management System and in line with the provisions of the Corporate Governance Code of Borsa Italiana, CIR S.p.A. has put in place a structured and formalized process of "ERM - Enterprise Risk Management", with the aim of monitoring the main risk factors and the mitigation measures adopted by the parent company and by CIR Investimenti and CIR International, and to incorporate the results of the analyses carried out as part of similar processes at Sogefi S.p.A. and KOS S.p.A. These analyses did not reveal significant risks that are not managed by appropriate mitigation measures.

The economic and financial results of the Company and the Group are exposed to risks and uncertainties, and depend on:

- **the general trend of the sectors in which the Group operates**, namely the automotive components sector and the healthcare sector. The extent and duration of the various economic cycles, particularly for the automotive sector, are hard to predict. This means that any macroeconomic event, such as a significant decrease in a market, volatility in the financial market, a hike in energy prices, fluctuations in raw material prices, etc. could affect the group's business prospects, as well as its results and financial position. Moreover, a possible decrease in the spending capacity of the State and other public bodies could prejudice the healthcare business, as well as its results, equity and financial position;
- **the level of competitiveness in the Group's sectors**, although these are partly protected by barriers to entry for new competitors, as there is a gap of a technological and qualitative nature, the need for significant initial investments and, with reference to Healthcare, the fact of operating in a regulated sector where specific authorisations are required from the competent authorities.

There are also specific risks identified by KOS S.p.A. and Sogefi S.p.A., the holding companies respectively of the healthcare and automotive sectors, which derive from:

- **the legislative and regulatory framework of reference**, as some Group companies carry out their activities in sectors governed by European, national and regional laws and regulations. It cannot be excluded that the regulatory provisions that are issued from time to time by the European Union, the Italian Republic, the regions in which group companies operate, could have a significant impact on the group's results, equity and financial position;
- **the need for financial resources**: the KOS and Sogefi groups expect to meet the needs deriving from contractual commitments (including loans) and from the investments envisaged through the flows deriving from operations, available liquidity and the renewal or refinancing of the same bank loans or bonds. To mitigate this risk, the companies have formulated industrial and financial plans whose objective remains, even in the present context, that of generating cash from operations, making it possible to reduce financial needs over time;

- **fluctuations in exchange rates and interest rates**, which concern (i) the part of the Group's debt that envisages the payment of financial charges determined on the basis of variable market interest rates, where an increase would lead to a rise in costs associated with the loans, (ii) the value of the equity investments and the economic results of companies operating abroad in currencies other than the Euro, which are exposed to risks deriving from possible currency fluctuations. In order to limit the risk deriving from fluctuations in interest and exchange rates, the Group makes use, of derivative contracts and hedging transactions, when necessary and appropriate, as well as fixed-rate loans. Despite this, sudden fluctuations in exchange rates and interest rates could have a negative impact on the Group's economic and financial results;
- **relationships with customers and suppliers**, particularly as regards their concentration. In order to limit the risk of concentration of both demand and supply, Group companies try as far as possible to operate with an appropriate diversification of customers and suppliers, in terms of number and geographical distribution;
- **physical risks associated with climate change** and the responsible use of natural resources and environmental policy, issues towards which society is showing increasing attention and whose regulation is increasingly subject to revision. The mitigation of these risks and compliance with any regulatory changes in the environmental field may involve costs that increase over time, as well as potential impacts on the group's profitability.

11. Other information

Treasury shares

At 31 December 2021 the parent owned no. 179,456,492 treasury shares (14.051% of share capital).

Further information about the treasury shares held is provided in the explanatory notes on shareholders' equity.

Intra-group and related party transactions

On 28 June 2021, the Company updated its Procedure on Related Party Transactions (the "Procedure"), in compliance with the new "Regulation containing provisions on related party transactions" issued with Resolution 17221 of 12 March 2010 provided for by Resolution 21624 of 10 December 2020. The Procedure is published on the Company's website at www.cirgroup.it in the "Governance" section.

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 for identifying the parent's related parties;
2. establishes principles for identifying related party transactions ("Transactions");
3. governs the procedures for carrying out of Transactions;
4. establishes ways to ensure compliance with the related disclosure requirements.

The procedure envisages, among other things, the functions of the Related Party Transactions Committee, previously established by the Board of Directors. Functions and operating methods of the Related Party Transactions Committee are also governed by its internal regulations.

The parties defined as such by the international accounting standards currently in force have been identified as related parties, which at the reporting date include (i) the ultimate parent of CIR S.p.A., its subsidiaries, also joint ventures, and its associates, (ii) subsidiaries, jointly controlled entities and

associates of CIR S.p.A. (whose intercompany relationships are eliminated in the consolidation process) and (iii) the persons who have control, joint control, who have significant influence or are individuals with strategic responsibilities of the Company, as well as their close family members and any companies directly or indirectly controlled by them or subject to joint control or significant influence.

The Transactions currently in place, "not exempt" pursuant to art. 4.1 of the Procedure, are both of Lesser Importance pursuant to the Procedure and concern: i) a donation of € 300,000 to the Fondazione Ing. Rodolfo De Benedetti; ii) the rent of a property owned by the Company to a Related Party (a natural person), with a contract lasting 6+6 years.

We also point out the other Transactions that are "exempt" pursuant to art. 4.1 of the Procedure: i) the rent of a property owned by CIR S.p.A. to a company controlled by a natural person who is a Related Party (exempt as a Transaction of Negligible Amount), ii) contracts with subsidiaries of the CIR Group as counterparties (and as such "exempt"), including intercompany services, rent and financing contracts, and the tax consolidation contract.

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

Corporate Governance

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.

It should be noted that the full text of the "Report on Corporate Governance and Ownership Structures" for the year 2021 was submitted for approval to the Board of Directors on 11 March 2022.

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 will also be available on the Company's website (www.cirgroup.it) in the "Governance" section and can be consulted on the website of the authorised storage mechanism www.emarketstorage.com.

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. The last update was made in June 2021.

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 the Market Regulation, it is confirmed that

there are no conditions such as to inhibit the listing of CIR shares on the Euronext Milan market 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.

The Company is subject to management and coordination activities by the parent Fratelli De Benedetti S.p.A. In this regard, i) the Company has fulfilled the disclosure obligations provided for by Article 2497-bis of the Italian Civil Code, ii) it has an independent negotiating capacity in relations with customers and suppliers, iii) it does not have a centralised treasury relationship with Fratelli De Benedetti S.p.A., iv) out of a total of 11 members of the Company's Board of Directors, 6 directors are independent, so there is enough of them to ensure that their opinion has a significant weight in making board decisions.

Lastly, 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 report (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 a consolidated non-financial report as a separate document. The 2021 consolidated non-financial report, prepared in accordance with the GRI Standards, and subjected to a limited audit 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.

Investments and Research & Development

During 2021, R&D at group level was concentrated mainly in the automotive components sector. Capital expenditure including R&D by the Sogefi group amounted to € 120.0 million (€ 133.4 million the previous year), mainly oriented towards increasing production capacity, industrialising 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 period 1 January – 31 December 2021 was approved by the Board of Directors on 11 March 2022.



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	31.12.2021	31.12.2020
NON-CURRENT ASSETS		2,298,433	2,310,573
INTANGIBLE ASSETS	(7.a.)	607,405	625,128
PROPERTY, PLANT AND EQUIPMENT	(7.b.)	645,987	640,347
RIGHT-OF-USE ASSETS	(7.c.)	832,338	835,988
INVESTMENT PROPERTY	(7.d.)	14,231	15,770
EQUITY-ACCOUNTED INVESTEEES	(7.e.)	622	596
OTHER EQUITY INVESTMENTS	(7.f.)	1,871	1,872
OTHER ASSETS	(7.g.)	44,519	45,284
OTHER FINANCIAL ASSETS	(7.h.)	77,759	75,846
DEFERRED TAX ASSETS	(7.i.)	73,701	69,742
CURRENT ASSETS		1,030,359	1,161,533
INVENTORIES	(8.a.)	117,807	107,066
TRADE RECEIVABLES	(8.b.)	215,793	207,651
of which with related parties (*)	--	--	--
OTHER ASSETS	(8.c.)	59,872	66,904
of which with related parties (*)	133	133	
LOAN ASSETS	(8.d.)	10,593	10,940
SECURITIES	(8.e.)	19,357	48,992
OTHER FINANCIAL ASSETS	(8.f.)	300,448	295,434
CASH AND CASH EQUIVALENTS	(8.g.)	306,489	424,546
ASSETS HELD FOR SALE	(8.h.)		6,548
TOTAL ASSETS		3,328,792	3,478,654
LIABILITIES		31.12.2021	31.12.2020
EQUITY		982,724	987,820
SHARE CAPITAL	(9.a.)	638,604	638,604
RESERVES	(9.b.)	76,600	77,746
RETAINED EARNINGS	(9.c.)	7,204	38,314
PROFIT FOR THE PERIOD		17,981	16,313
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		740,389	770,977
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		242,335	216,843
NON-CURRENT LIABILITIES		1,607,266	1,643,073
BONDS	(10.a.)	173,235	192,843
OTHER LOANS AND BORROWINGS	(10.b.)	433,718	463,857
LEASE LIABILITIES	(10.c.)	793,231	763,725
OTHER LIABILITIES		66,449	59,430
DEFERRED TAX LIABILITIES	(7.i.)	51,894	56,699
EMPLOYEE BENEFIT OBLIGATIONS	(10.d.)	73,745	93,812
PROVISIONS FOR RISKS AND CHARGES	(10.e.)	14,994	12,707
CURRENT LIABILITIES		738,802	842,509
BANK LOANS AND BORROWINGS	(8.g.)	2,018	4,561
BONDS	(11.a.)	22,618	119,747
OTHER LOANS AND BORROWINGS	(11.b.)	74,142	60,873
LEASE LIABILITIES	(11.c.)	67,849	71,126
TRADE PAYABLES	(11.d.)	320,345	341,218
OTHER LIABILITIES	(11.e.)	195,348	172,519
PROVISIONS FOR RISKS AND CHARGES	(10.e.)	56,482	72,465
LIABILITIES HELD FOR SALE	(8.h.)		5,252
TOTAL LIABILITIES AND EQUITY		3,328,792	3,478,654

2. Income statement

(in thousands of euro)

	Notes	2021	2020
REVENUE	(12)	1,980,768	1,821,808
CHANGE IN INVENTORIES		3,444	(8,745)
COSTS FOR THE PURCHASE OF GOODS	(13.a.)	(802,411)	(705,354)
COSTS FOR SERVICES	(13.b.)	(278,009)	(271,870)
<i>of which with related parties (**)</i>	(13.c.)	--	--
PERSONNEL EXPENSES	(13.d.)	(596,943)	(560,642)
OTHER OPERATING INCOME	(13.e.)	58,387	45,430
<i>of which with related parties (**)</i>		164	220
OTHER OPERATING EXPENSE		(61,375)	(94,240)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES		(223,005)	(218,492)
OPERATING PROFIT (LOSS)		80,856	7,895
FINANCIAL INCOME	(14.a.)	9,229	4,697
FINANCIAL EXPENSE	(14.b.)	(51,386)	(63,259)
DIVIDENDS		71	56
GAINS FROM SECURITIES TRADING	(14.c.)	9,272	1,312
LOSSES FROM SECURITIES TRADING	(14.d.)	(1,471)	(368)
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTEEs	(7.e.)	26	(255)
NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	(14.e.)	13,549	20,144
PROFIT (LOSS) BEFORE TAXES		60,146	(29,778)
INCOME TAXES	(15)	(13,112)	(9,121)
PROFIT FROM CONTINUING OPERATIONS		47,034	(38,899)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(16)	(24,490)	60,332
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS		22,544	21,433
- PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(4,563)	(5,120)
- PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT		17,981	16,313
BASIC EARNINGS PER SHARE (in euro)		0.0151	0.0139
DILUTED EARNINGS PER SHARE (in euro)		0.0151	0.0138
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)		0.0396	-0.0331
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)		0.0394	-0.0331



3. Statement of comprehensive income

(in thousands of euro)

	Notes	2021	2020
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS		22,544	21,433
OTHER COMPREHENSIVE INCOME			
<i>ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS</i>			
- ACTUARIAL GAINS (LOSSES)		18,754	(14,135)
- TAX EFFECT OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS		(1,997)	1,073
SUBTOTAL OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS		16,757	(13,062)
<i>ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS</i>			
- EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS		29,679	(10,568)
- NET FAIR VALUE GAINS (LOSSES) ON CASH FLOW HEDGES		1,917	(67)
- OTHER COMPREHENSIVE INCOME		--	--
- TAX EFFECT OF ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		(460)	16
SUBTOTAL OF ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		31,136	(10,619)
OTHER COMPREHENSIVE EXPENSE		47,893	(23,681)
TOTAL COMPREHENSIVE INCOME (EXPENSE)		70,437	(2,248)
COMPREHENSIVE INCOME (EXPENSE) ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		45,041	2,987
NON-CONTROLLING INTERESTS		25,396	(5,235)

4. Statement of cash cash flows

(in thousands of euro)

	2021	2020
OPERATING ACTIVITIES		
PROFIT FOR THE YEAR	22,544	21,433
(PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	24,490	(60,332)
ADJUSTMENTS:		
- AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	223,005	218,972
- NET FAIR VALUE GAINS ON EQUITY-ACCOUNTED INVESTEEES	(26)	255
- MEASUREMENT OF STOCK OPTION PLANS AND STOCK GRANT	1,582	2,031
- CHANGES IN EMPLOYEE BENEFIT OBLIGATIONS, PROV. FOR RISKS & CHARGES	(15,009)	(1,331)
- FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	(13,549)	(20,272)
- GAINS ON DISPOSAL OF NON-CURRENT ASSETS	(9,916)	(53)
- OTHER NON-MONETARY CHANGES	(9,359)	(2,215)
- INCREASE (DECREASE) IN NON-CURRENT ASSETS/LIABILITIES	4,445	14,556
- (INCREASE) DECREASE IN NET WORKING CAPITAL	(20,912)	(1,457)
CASH FLOWS FROM OPERATING ACTIVITIES	207,295	171,587
of which:		
- interest paid	(20,228)	(29,480)
- income tax paid	(17,085)	(17,842)
INVESTING ACTIVITIES		
CONSIDERATION PAID FOR BUSINESS COMBINATIONS	(1,350)	(9,395)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	--	(182)
CHANGE IN OTHER LOANS RECEIVABLE	(700)	11,845
(PURCHASE) SALE OF SECURITIES	31,221	(24,285)
SALE OF NON-CURRENT ASSETS	17,431	--
PURCHASE OF NON-CURRENT ASSETS	(117,419)	(128,792)
CASH FLOWS USED IN INVESTING ACTIVITIES	(70,817)	(150,809)
FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL INCREASES	83	82
OTHER CHANGES	--	--
DRAWDOWN OF OTHER LOANS AND BORROWINGS	(133,607)	(75,399)
REPAYMENT OF LEASE LIABILITIES	(39,731)	(66,904)
PURCHASE OF TREASURY SHARES OF GROUP COMPANIES	(80,137)	--
DIVIDENDS PAID	(4,015)	--
CASH FLOWS USED IN FINANCING ACTIVITIES	(257,407)	(142,221)
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS OF CONTINUING OPERATIONS	(120,929)	(121,443)
OPENING CASH FLOWS/NET CASH & CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS	5,415	240,547
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	(115,514)	119,104
OPENING NET CASH & CASH EQUIVALENTS	419,985	300,881
CLOSING NET CASH & CASH EQUIVALENTS	304,471	419,985

5. Statement of changes in equity

(in thousands of euro)

	Attributable to the owners of the parent										Non-controlling interests	Total
	Share capital issued	Share premium	Legal reserve	Fair value reserve	Translation reserve	Stock option and stock grant reserve	Other reserves	RETAINED EARNINGS (LOSSES) CARRIED FORWARD	PROFIT FOR THE PERIOD	Total		
BALANCE AT 31 DECEMBER 2019	359,605	5,044	24,846	(700)	(20,363)	--	20,921	112,885	(69,807)	432,431	684,540	1,116,971
Capital increases	--	--	--	--	--	--	--	--	--	--	82	82
Dividends to shareholders	--	--	--	--	--	--	--	--	--	--	(3,000)	(3,000)
Allocation of the profit of the previous year	--	--	670	--	--	--	1,274	(71,751)	69,807	--	--	--
Effects of the merger	278,999	--	--	(535)	(15,535)	--	75,333	(10)	--	338,252	--	--
Fair value gains (losses) on treasury shares	--	--	--	--	--	--	145	(145)	--	--	--	--
Notional cost of share-based plans	--	--	--	--	--	1,515	--	--	--	1,515	--	--
Reclassifications	--	--	--	--	--	(34)	487	(453)	--	--	--	--
Effects of changes in equity attributable to subsidiaries	--	--	--	1	42	--	(2,039)	(2,212)	--	(4,208)	(121,292)	(125,500)
<i>Comprehensive income for the period</i>	--	--	--	(24)	--	--	--	--	--	(24)	(27)	(51)
Fair value gains (losses) on cash flow hedges	--	--	--	--	(5,907)	--	--	--	--	(5,907)	(4,661)	(10,568)
Translation differences	--	--	--	--	--	--	(7,395)	--	--	(7,395)	(5,667)	(13,062)
Actuarial losses	--	--	--	--	--	--	--	--	16,313	16,313	5,120	21,433
Profit for the period	--	--	--	--	(5,907)	--	(7,395)	--	16,313	2,987	(5,235)	(2,248)
<i>Comprehensive income (expense) for the period</i>	--	--	--	(24)	--	--	--	--	16,313	2,987	--	--
BALANCE AT 31 DECEMBER 2020	638,604	5,044	25,516	(1,258)	(41,763)	1,481	88,726	38,314	16,313	770,977	216,843	987,820
BALANCE AT 31 DECEMBER 2020	638,604	5,044	25,516	(1,258)	(41,763)	1,481	88,726	38,314	16,313	770,977	216,843	987,820
Capital increases	--	--	--	--	--	--	--	--	--	--	83	83
Dividends to shareholders	--	--	--	--	--	--	--	--	--	--	(1,015)	(1,015)
Allocation of the profit of the previous year	--	--	--	--	--	--	--	16,313	(16,313)	--	--	--
Fair value gains (losses) on treasury shares	--	--	--	--	--	--	(33,046)	(47,091)	--	(80,137)	--	(80,137)
Notional cost of share-based plans	--	--	--	--	--	1,462	--	--	--	1,462	--	1,462
Unclaimed dividends	--	--	--	--	--	--	14	--	--	14	--	14
Reclassifications	--	--	--	--	--	(232)	564	(332)	--	--	--	--
Effects of changes in equity attributable to subsidiaries	--	--	--	--	12	--	3,020	--	--	3,032	1,028	4,060
<i>Comprehensive income for the period</i>	--	--	--	826	--	--	--	--	--	826	631	1,457
Fair value gains (losses) on cash flow hedges	--	--	--	--	16,757	--	--	--	--	16,757	12,922	29,679
Translation differences	--	--	--	--	--	--	9,477	--	--	9,477	7,280	16,757
Actuarial losses	--	--	--	--	--	--	--	--	--	--	4,563	22,544
Profit for the period	--	--	--	--	--	--	--	--	17,981	17,981	25,396	70,437
<i>Comprehensive income (expense) for the period</i>	--	--	--	826	16,757	--	9,477	--	17,981	45,041	--	--
BALANCE AT 31 DECEMBER 2021	638,604	5,044	25,516	(432)	(24,994)	2,711	68,755	7,204	17,981	740,389	242,335	982,724

Notes to the consolidated financial statements

1. Basis of preparation

These consolidated financial statements have been drawn 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, taking into account that, on the basis of the most recent forecasts prepared by the management, over a minimum time horizon of 12 months the companies of the group have sufficient liquidity to operate and to meet their commitments and they will also comply with any covenants in their loan agreements. .

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 CIR and of the two industrial groups, which have taken action to mitigate these uncertainties as much as possible.

The consolidated financial statements at 31 December 2021 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 suspense 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 period.

It should be noted that the 2020 figures have been restated for the application of IFRS 5 ("Non-current assets held for sale and discontinued operations"), within the Sogefi group, with reference to the Argentine subsidiary of the Filtration business unit, sold in August 2021.

It should be noted that the classification, form, order and nature of the items have not changed compared with the consolidated financial statements approved at 31 December 2020, with the exception of the reclassification of an amount of € 26,137 thousand within the Sogefi group from "Provisions for risks and charges" in non-current liabilities to "Provisions for risks and charges" in current liabilities and the reclassification of an amount of € 10,723 thousand from item "Trade receivables" in current assets to item "Other liabilities" in 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.

It should be noted that the reclassification of an amount of € 11,700 thousand relating to the investment in GEDI Gruppo Editoriale S.p.A., made by the parent CIR S.p.A. from item 3.f. "Other equity investments" to item 3.h. "Other financial assets" in non-current assets.

Lastly, starting from these financial statements, the share capital of the parent CIR S.p.A. is shown in the "Statement of financial position" and in the "Statement of changes in shareholders' equity", gross and no longer net of treasury shares in portfolio.

The financial statements of each of the companies within the consolidation scope are prepared in the currency of the main geographical area 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 receivables or payables to 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, the financial statements were approved for publication by the Company's Board of Directors on 11 March 2022.

1.a. Information on IFRS 5

Sogefi group

Within the Sogefi group, Sogefi Spain S.A.U. was sold in January 2021 and Sogefi Filtration Argentina S.A.U. was sold in August 2021, whereas Sogefi Filtration do Brasil Ltda was sold in December 2020 and during 2021 there was negative price adjustment.

In this regard, the following entries have been made in the consolidated financial statements at 31 December 2021:

- in the income statement at 31 December 2021 and for comparative purposes at 31 December 2020, the items of revenue & income and costs & 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 period ended 31 December 2021, 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 three subsidiaries are shown in detail below.

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

(in thousands of euro)

	2021	2020
REVENUE	10,109	12,967
OPERATING PROFIT (LOSS)	668	108
NET FINANCIAL INCOME (EXPENSE)	(1,279)	(695)
INCOME TAXES	(232)	(148)
NET PROFIT (LOSS) FOR THE PERIOD	(843)	(735)

STATEMENT OF COMPREHENSIVE INCOME – Sogefi Filtration Argentina S.A.U.*(in thousands of euro)*

	2021	2020
NET PROFIT (LOSS) FOR THE PERIOD	(843)	(735)
OTHER COMPREHENSIVE INCOME (EXPENSE)	--	--
COMPREHENSIVE INCOME	(843)	(735)

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 2021, related to Sogefi Filtration Argentina S.A.U.

<i>(in thousands of euro)</i>		31 December 2021	31 December 2020
Loss for the period including non-controlling interests	A	(843)	(735)
Adjustment of carrying amounts to fair value	B	--	--
Reclassification of exchange differences from equity	C	(20,765)	--
Loss from the sale of discontinued operating activities	D	(2,473)	--
Loss from discontinued operating activities	E=A+B+C+D	(24,081)	(735)

The analysis of the loss deriving from the sale of Sogefi Filtration Argentina S.A.U. is reported below

(in thousands of euro)

ASSETS HELD FOR SALE	31.12.2021
NON-CURRENT ASSETS	4,656
CURRENT ASSETS	7,877
TOTAL ASSETS HELD FOR SALE	12,533
LIABILITIES HELD FOR SALE	31.12.2021
NON-CURRENT LIABILITIES	1,128
CURRENT LIABILITIES	3,058
TOTAL LIABILITIES HELD FOR SALE	4,186
TOTAL NET ASSETS HELD FOR SALE	8,347
SALE PRICE	5,874
LOSS FROM THE SALE OF DISCONTINUED OPERATIONS	(2,473)

Note that with regard to the sale consideration, € 1,092 thousand was collected in 2021 and the balance of € 4,782 thousand will be collected in quarterly instalments till July 2026.

INCOME STATEMENT – Sogefi Filtration Spain S.A.U.*(in thousands of euro)*

	2021	2020
REVENUE	219	9,599
OPERATING PROFIT (LOSS)	82	(804)
NET FINANCIAL INCOME (EXPENSE)	--	(4)
INCOME TAXES	--	--
NET PROFIT (LOSS) FOR THE PERIOD	82	(808)

STATEMENT OF COMPREHENSIVE INCOME – Sogefi Filtration Spain S.A.U.*(in thousands of euro)*

	2021	2020
NET PROFIT (LOSS) FOR THE PERIOD	82	(808)
OTHER COMPREHENSIVE INCOME (EXPENSE)	--	--
COMPREHENSIVE INCOME	82	(808)

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 2021, related to Sogefi Filtration Spain S.A.U.

<i>(in thousands of euro)</i>		31 December 2021	31 December 2020
Loss for the period including non-controlling interests	A	82	(808)
Adjustment of carrying amounts to fair value	B	--	--
Reclassification of exchange differences from equity	C	--	--
Loss from the sale of discontinued operating activities	D	(287)	(1,497)
Loss from discontinued operating activities	E=A+B+C+D	(205)	(2,305)

The analysis of the loss deriving from the sale of Sogefi Filtration Spain S.A.U. is reported below.

(in thousands of euro)

	31.12.2021
TOTAL ASSETS HELD FOR SALE	6,703
TOTAL LIABILITIES HELD FOR SALE	5,120
TOTAL NET ASSETS HELD FOR SALE	1,583
SALE PRICE	1,296
LOSS FROM THE SALE OF DISCONTINUED OPERATIONS	(287)

INCOME STATEMENT – Sogefi Filtration do Brasil Ltda*(in thousands of euro)*

	2021	2020
REVENUE	--	24,544
OPERATING PROFIT (LOSS)	--	(9,276)
NET FINANCIAL INCOME (EXPENSE)	--	(2,011)
INCOME TAXES	--	343
NET PROFIT (LOSS) FOR THE PERIOD	--	(10,944)

STATEMENT OF COMPREHENSIVE INCOME – Sogefi Filtration do Brasil Ltda*(in thousands of euro)*

	2021	2020
NET PROFIT (LOSS) FOR THE PERIOD	--	(10,944)
OTHER COMPREHENSIVE INCOME (EXPENSE)	--	--
COMPREHENSIVE INCOME	--	(10,944)

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 2021, relating to Sogefi Filtration do Brasil Ltda.

(in thousands of euro)		31 December 2021	31 December 2020
Loss for the period including non-controlling interests	A	-	(10,944)
Price adjustment	B	(204)	--
Reclassification of exchange differences from equity	C	--	(5,861)
Profit from the sale of discontinued operations	D	--	3,631
Loss from discontinued operating activities	E=A+B+C+D	(204)	(13,174)

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

Impacts on the KOS group

In 2020, during the first wave of the Covid-19 pandemic, the KOS Group suffered significantly both from a drop in guests at the care homes and from a slowdown in rehabilitation activities following the block on non-urgent hospital activities. The second wave, which began in the autumn of 2020, and the third, which happened in the spring of 2021, had more limited consequences on rehabilitation activities. Care homes, on the other hand, saw a further decline in presences, which reached a low in the first few months of 2021, only to show signs of recovery in the months that followed, especially in the summer. A further wave hit the country during the last quarter of 2021, though to a lesser extent thanks to the rising number of people vaccinated during the year. The contagion curve is gradually falling in February 2022.

The KOS group immediately adopted all the measures required for the safety of operators and patients. During the acute phases of the pandemic, interventions at the acute care hospitals (Civitanova and Suzzara) were reduced or suspended and admissions to care homes and rehabilitation facilities were restricted (the latter as an effect of less hospital activity). The services provided at the group's clinics were also suspended as a result of the government's restrictions. In the second half of 2021, hospitalisation activities at the rehabilitation facilities, the two acute care hospitals and day hospitals, and the rate of new admissions at the RSA care homes in Italy gradually restarted, although they were still slow compared with the pre-pandemic situation, making it possible to return to positive growth in occupation of the facilities. In the residential care homes for the elderly in Germany, which were less affected in terms of guests present in 2020, the second half of 2021 was more difficult and there was a further slight decline in occupation rates.

Starting from January 2021, the vaccination campaign began in all of the group's facilities for all guests, patients and operators. To date around 90% of guests (in Italy and Germany) and operators have been vaccinated.

Additional costs were incurred as a result of this healthcare emergency for the supply of personal protective equipment, sanitization 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.

Lastly, the Italian judicial authorities are investigating the management of the healthcare emergency to which the company is cooperating without delay and with the maximum transparency.

Impact on the Sogefi group

In 2021, while the pandemic persisted, the effects on the market in which the Sogefi group operates were less severe than in 2020, as there were no general lock-downs in industrial activities. There was, in any case, a general weakness in demand, still lower than in 2019, particularly in Europe (-27.9%) and NAFTA (-20%), and operational difficulties due to the unstable level of production and the absence of staff because of contagion or, more likely, contact with people who were infected.

During 2021, the Sogefi group maintained all of the instructions for health safety in the workplace to reduce the risk of contagion, which include physical distancing, use of personal protection equipment and measures to limit the number of staff physically on the premises with the use of remote work.

Impact on the Sogefi group

The impact of the pandemic on the parent company was initially reflected on the fair value of financial assets, both current and non-current. The equity and bond markets suffered major corrections in March 2020, but recovered in the subsequent months and actually closed 2020 and 2021 ahead.

2. Basis of consolidation

2.a. Consolidation method

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

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 investee companies is charged to the assets and liabilities included in the consolidation, if the conditions exist. Any difference is recognized to the income statement if negative, or to "Goodwill" if positive. Goodwill is subjected to impairment testing to determine the recoverable value;
- significant transactions between consolidated companies are eliminated, as are payables, receivables and unrealized profits from transactions between Group companies, net of any tax effect;
- the portions of equity and of the result for the period pertaining to non-controlling interests are shown in specific items of the consolidated statement of financial position and income statement.

Associates

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 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.

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 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 period 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 cancelled, and the Group does not record further losses unless it is contractually obliged to cover them;
- unrealized gains and losses on transactions with Group companies are eliminated with the exception of losses that represent permanent impairment of the associate's assets;
- the accounting policies of the associate 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 on 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 in countries not belonging to the single currency are translated into euro at period-end exchange rates for the balance sheet, while the income statement is translated at average exchange rates for the period. 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:

	2021		2020	
	<i>Average exchange rate</i>	<i>31.12.2021</i>	<i>Average exchange rate</i>	<i>31.12.2020</i>
US dollar	1.1835	1.1326	1.1413	1.2271
GB pound	0.8600	0.8403	0.8892	0.8990
Brazilian real	6.3812	6.3101	5.8900	6.3735
Argentine peso	116.3622	116.3622	103.2494	103.2494
Chinese renminbi	7.6342	7.1947	7.8709	8.0225
Indian rupee	87.4891	84.2292	84.6024	89.6605
New Romanian leu	4.9210	4.9490	4.8379	4.8683
Canadian dollar	1.4835	1.4393	1.5294	1.5633
Mexican peso	23.9923	23.1438	24.5098	24.4160
Moroccan dirham	10.6304	10.4830	10.8249	10.9190

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 2021 in the functional currency taking into account the effects of applying IAS 29 "Financial reporting in hyperinflationary economies" in order to represent the operating results, assets and liabilities and financial position at current purchasing power at the end of the reference period.

This IFRS 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 IFRS. 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 account of 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 recorded in the financial statements.

2.c. Consolidation scope

The consolidation scope of the Group at 31 December 2021 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 present in minority shareholdings 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 2021 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 period concern the following:

▶ AUTOMOTIVE COMPONENTS

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

- sale of Sogefi Filtration Spain S.A.U.;
- sale of Shanghai Allevard Springs Co Ltd;
- sale of Sogefi Filtration Argentina S.A.U.

▶ HEALTHCARE

During the year, the purchase of a business unit was finalised for the management of a care home located in Castenaso (BO). The price paid was € 1,350 thousand, the goodwill generated by the operation was € 961 thousand.

▶ OTHER COMPANIES

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

3. Accounting policies

3.a. Intangible assets

Intangible assets are recognised only if they are identified, if they are likely to generate future economic benefits and if their cost can be reliably determined.

Intangible assets are recorded initially 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 purchase cost is the equivalent price

in cash on 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 life are measured at purchase or production cost, net of amortisation and accumulated 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 likely and the Group intends and has sufficient resources to complete its development and to use or sell the asset. Other development costs are recognised to profit or loss for the year when they are incurred. Capitalised development costs are recorded 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 amortisation and accumulated 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 recorded in the financial statements as an intangible asset. Any negative difference, on the other hand, is recognised to profit or loss at the time of the acquisition.

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 measurement purposes (by impairment testing). Any losses that emerge from the impairment test are recognised in the income statement under "Amortisation, depreciation and write-downs" and are not reinstated in subsequent periods.

3.b. Property, plant and equipment

Property, plant and equipment are initially recognised at purchase price 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 usable. 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 charged to the income statement.

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.

Property and land not held for business purposes according to the objects of Group companies are classified in a specific asset item and recorded in the accounts on the basis of IAS 40 "Investment property" (see paragraph 3.d. below).

If events suggest that an asset has suffered a permanent loss of value, the carrying amount is verified by comparing it with 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 written down; if the reasons for the impairment no longer exist, the asset is revalued. Impairment losses and revaluations are recognised in the income statement.

3.c. Government grants

Government grants are recognised when there is reasonable certainty that the beneficiary will respect 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 balance sheet either as deferred income, which is credited 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 period when they are due.

3.d. Rights- of- use assets

IFRS 16 provides a new definition of a lease and introduces a right-of-use criterion for assets to distinguish leasing contracts from service contracts in the following ways: identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from its use and the right to manage use of the asset underlying the contract.

The standard establishes a single model for the recognition and measurement of leasing contracts by the lessee, whereby all leased assets (including those held under operating leases) must be recognised as assets with a matching financial payable. As exceptions, contracts for low-value assets and those with a duration of 12 months or less need not be recognised as leases.

The group classifies right-of-use assets that do not satisfy the definition of property investments 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 on 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 impairment losses, and adjusted to reflect any increase in the lease liability.

The group measures the lease liability at the present value of the lease payments not paid on the commencement date, discounting them at its incremental borrowing rate. The lease liability is subsequently increased by the interest that accrues on this liability and decreased by the lease payments made; it is also revalued in the event of a change in future lease payments deriving from a change in the index or rate used, in the event of change in the amount that the group expects to pay as a guarantee on the residual value or when the group changes its assessment depending on whether or not it exercises a purchase, extension or cancellation option.

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 is an indication that the asset may have suffered an impairment loss.

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 of 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 book value 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 restoration of an impairment loss is charged immediately to the income statement.

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 subjected to a separate impairment test. 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 principles.

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 Company 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 year-end, the non-current asset (or disposal group) is not classified as held for sale. However, if these conditions are met after the year-end, 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 balance sheet figures of the previous year 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, where present, 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 taxes

Current taxes are recorded on the basis of a realistic estimate of taxable income in accordance with the current tax laws of the State in which the company is based, taking into account any applicable exemptions and tax credits due to it.

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 recorded at the lower of their purchase or production cost, determined according to the weighted average cost method, and their estimated realizable amount.

3.l. Equity

The ordinary shares are shown at their par value. 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 charged to the income statement 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 outlay. 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 fulfil 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 outlay 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 extinguish the obligation, calculated at a risk-free nominal rate.

Contingent assets and liabilities (i.e. assets and liabilities that are only 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 evaluation criteria applied to contracts with customers, see paragraph 6 which also describes the effects deriving from the first

application of IFRS 15. The standard therefore establishes a new revenue recognition model, which applies to all contracts entered into with customers, except for those that fall under the scope of other IAS/IFRS standards such as leases, insurance contracts and financial instruments. The basic steps for the accounting of revenues, 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 criteria when the entity satisfies each performance obligations.

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 shown in the accounts 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 severance indemnities (TFR) by introducing the possibility for employees to transfer their accrued TFR from 1 January 2007 onwards to approved 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 records the notional cost represented by stock options and stock grants recognised in the income statement among personnel expenses and distributed 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 goes to a liability item (other personnel provisions) and not 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 at the time 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 the income statement;
- a "cash flow hedge", where the change in fair value is recognised directly in equity for the "effective" part, while the "ineffective" part is recognised in the income statement;

- 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 “ineffective” part is recognised in the income statement.

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 on the transaction date.

At the balance sheet date, monetary assets and liabilities denominated in currencies other than the functional currency are translated at the exchange rate ruling on that date.

Non-monetary items valued at historical cost in foreign currency are translated at the exchange rate ruling on the transaction date.

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

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

- assets and liabilities are translated at the exchange rate ruling on the balance sheet date;
- costs and revenues are translated at the average exchange rate for the period.

Exchange differences are recognised directly in a specific equity reserve.

On disposal of a foreign investment, the accumulated exchange differences recorded in the equity reserve are recognised to 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 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 to the income statement in 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 to the income statement.

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 to the income statement. 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, charged to the income statement. 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 measurement purposes (by impairment testing).

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 their 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.

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, feature 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.

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

- Non-financial assets subject to impairment testing. This method is characterized by a high degree of complexity and by the use of estimates, which are by their nature uncertain and subjective, with reference to the following elements: the expected cash flows, having regard for the general economic situation and specific sector performance, the cash flows generated in recent years, the forecast growth rates and the financial parameters used to determine the discount rate;



- Inventories;
- Receivables;
- 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 2021. The following paragraphs of the Explanatory 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 application), 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.

Losses due to impairment 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 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 valued 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 recognised in other comprehensive income (FVTOCI) - debt security; FVTOCI - 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 is 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 FVTOCI 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 valued at amortised cost or at FVTOCI, as indicated above, are valued at FVTPL. At the time of initial recognition, the Group can irrevocably designate the financial asset as valued 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 FVTOCI.

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 valued at FVTPL.

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

Financial assets valued at amortised cost are subsequently valued 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 valued at FVTOCI are subsequently valued 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.

Equities valued at FVTOCI are subsequently valued 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.

Classification and subsequent measurement – Financial liabilities:

Financial liabilities are classified as valued 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 valued 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.

Derecognition – Financial assets and liabilities

Financial assets are eliminated from the financial statements (or "derecognised") 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 fulfilled 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 provisions for expected losses on receivables relating to:

- financial assets valued at amortised cost;
- debt securities valued at FVTOCI; and
- assets deriving from contracts.

The Group assesses the provisions 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 balance sheet 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.

Provisions for impairment losses on trade receivables and assets deriving from contracts are always assessed at an amount equal to the expected losses throughout the life of the receivable.

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 receivables deriving from all possible defaults during the entire estimated life of a financial instrument.

Expected losses on receivables at 12 months are the losses expected on receivables deriving from possible defaults within 12 months of the year-end (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 balance sheet date, the Group assesses whether the financial assets measured at amortised cost and the debt securities measured at FVTOCI 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.

Provisions for impairment losses on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the provision for impairment losses 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 application 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 application.

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 2021:

The following standards, amendments and interpretations were applied for the first time by the group with effect from 1 January 2021:

- Amendment to IFRS 4 “Insurance Contracts” (published on 25 June 2020). At 31 December 2021, this amendment did not have any impact on the Group's consolidated financial statements.
- Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform” (phase 2 – published on 27 August 2020). At 31 December 2021, this amendment did not have any impact on the Group's consolidated financial statements.
- Amendment to IFRS 16 “Leases Covid 19-Related Rent Concessions” (published on 31 March 2021). The document provides and extends the application period of one year for lessees the right to account for the reduction in rents related to Covid-19 without having to assess, through the analysis of the contracts, whether the definition of lease modification of IFRS 16 is respected. At 31 December 2021, this amendment did not have any impact on the Group's consolidated financial statements.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet mandatory and not adopted early by the Group at 31 December 2021:

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

- *Annual improvements to IFRS (Cycle 2018–2020) (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)* (published on 14 May 2020). The amendments are effective from 1 January 2022.
- *Onerous contracts—Cost of fulfilling a contract (Amendments to IAS 37)* (published on 14 May 2020). The amendments are effective from 1 January 2022.
- *Property, plant and equipment; proceeds before intended use (Amendments to IAS 16)* (published on 14 May 2020). The amendments are effective from 1 January 2022.
- *Reference to the Conceptual Framework (Amendments to IFRS 3)* (published on 14 May 2020). The amendments are effective from 1 January 2022.
- Standard IFRS 17 “*Insurance Contracts*” and related amendments (published on 18 May 2017 and on 25 June 2020 respectively). The amendments are effective from 1 January 2023.

Standards, amendments and interpretations of IFRS and IFRIC 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.

- **Amendment to IAS 1 “*Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*” and “*Deferral effective date*”** (published on 23 January 2020 and on 15 July 2020 respectively). The amendments are effective from 1 January 2023.
- **Amendment to IAS 8 “*Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimate*”** (published on 12 February 2021). The amendments are effective from 1 January 2023.
- **Amendment to IAS 1 “*Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies*”** (published on 12 February 2021). The amendments are effective from 1 January 2023.
- **Amendment to IAS 12 “*Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*”** (published on 7 May 2021). The amendments are effective from 1 January 2023.
- **Amendment to IFRS 17 “*Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Disclosure*”** (published on 9 December 2021). The amendments are effective from 1 January 2023.

Statement of financial position

7. Non-current assets

7.a. Intangible assets

	Opening balance			Changes for the period						Closing balance		
	Original cost	Accumulated amortisation and impairment losses	Balance at 31.12.2020	Acquisitions	Business combinations and disposals	Exchange gains (losses)	Other changes	Net disposals	Amortisation and impairment losses	Original cost	Accumulated amortisation and impairment losses	Balance at 31.12.2021
				increases		decreases						
<i>(in thousands of euro)</i>												
Start-up and capital costs	36	(36)	--	--	--	--	--	--	--	36	(36)	--
Capitalised development costs												
- purchased	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	272,642	(199,992)	72,650	11,735	--	2,948	9,858	(9)	(32,712)	240,624	(176,154)	64,470
Industrial patents and intellectual property rights	47,252	(28,278)	18,974	43	--	--	(838)	--	(2,630)	46,629	(31,080)	15,549
Concessions, licences, trademarks and similar rights	47,277	(33,228)	14,049	2,378	--	114	679	(16)	(4,978)	48,677	(36,451)	12,226
Goodwill	542,529	(50,539)	491,990	961	--	--	--	--	--	540,910	(47,959)	492,951
Assets under construction and payments on account												
- purchased	3,895	--	3,895	1,999	--	(58)	(86)	--	--	5,750	--	5,750
- produced internally	15,703	(4,478)	11,225	5,814	--	171	(8,867)	(82)	(1,481)	9,638	(2,858)	6,780
Other	25,308	(12,963)	12,345	227	--	33	(1,654)	(1)	(1,271)	22,706	(13,027)	9,679
Total	954,642	(329,514)	625,128	23,157	--	3,208	(908)	(108)	(43,072)	914,970	(307,565)	607,405

Intangible assets went from € 625,128 thousand at 31 December 2020 to € 607,405 thousand at 31 December 2021.

AMORTISATION RATES

<i>Amortisation</i>	<i>%</i>
Capitalised development costs	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

<i>(in thousands of euro)</i>	<i>31.12.2021</i>	<i>31.12.2020</i>
Automotive sector (Sogefi group)	128,637	128,637
Healthcare sector (KOS group)	364,314	363,353
Total	492,951	491,990

The above table shows the allocation of goodwill by group business segment. 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.

This item went from € 491,990 thousand at 31 December 2020 to € 492,951 thousand at 31 December 2021, due to the acquisitions carried out during the year within the healthcare segment.

Impairment test method

Pursuant to the impairment testing method adopted by group companies, the recoverability of the carrying amounts is verified in accordance with IAS 36 and - where applicable to the individual cases - considering the guidelines of 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. (Independent Performance Evaluation Organisation).

For each *CGU*, the net carrying amount, including goodwill, is compared with the estimated recoverable value, based on the higher of value in use and fair value less costs to sell.

In the case of the Automotive and Healthcare CGUs, the estimate of the recoverable value was made on the basis of value in use, calculated with the discounted cash flow method, actualizing: (i) the future cash flows of the most recent business plan approved by the competent bodies, without taking into account those of financial management ("Operating Free Cash Flow"); (ii) the terminal value, calculated using the "perpetual annuity" formula, or projecting the operating cash flow of the last year of the multi-year plan with an expected long-term growth rate ("g").

The discount rate used corresponds to the weighted average cost of capital ("WACC"), which incorporates the market performance parameters and risk factors attributable to the sector and to the specific unit. In detail, the following amounts are used for the calculation of WACC:

- risk free rate: this is equal to the ten-year average of the rates of return on 10-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 equities and bonds on mature financial markets (Source: Fernandez/Duff & Phelps);
- 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);
- Levered Beta: determined with reference to the Beta of comparable companies in the of the healthcare and automotive sectors;
- cost of debt: 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;

The fair value less costs to dispose 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: (i) the current price traded on an active market; (ii) prices for similar transactions executed previously; (iii) the estimated price based on information obtained by the company.

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 recorded 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 operating cash flows were derived from projections included in the 2022-2025 plan approved by the Board of Directors of Sogefi S.p.A. on 21 January 2021, 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 2.78% growth (based on the long-term inflation rates estimated for each country, weighted by their sales) and considering the operating cash flow for the final year of the long-term plan, as adjusted to project a stable situation "in perpetuity" (considering the investments needed to maintain the existing production infrastructure and no change in working capital).

The discount rate based on the weighted average cost of capital is equal to 8.71%, calculated through the weighted average parameters composing WACC for each country in which the Sogefi group operates.

In determining the discount rate, market rate averages based on extended time horizons were used in order to purge the rate (and the concepts incorporated therein in terms of risk and expected return) of the measures adopted by the European and American central banks to cope with 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:

- risk-free rate: 3.42% (ten-year average for 10-year risk-free government bonds of the countries in which the group operates, weighted on the basis of revenue);
- market equity risk premium: 5.50% (average of the market equity risk premium, referred to developed markets, calculated based on independent sources);
- dimensional risk premium: 1.43% added premium, calculated by an independent source, for the risk linked to small cap);
- financial structure of the sector (leverage): 24.3%;
- levered beta of the sector: 1.12;
- cost of debt after tax: 1.56% (estimated on the basis of sector data weighted by the level of debt).

The second level test check, carried out using the discounted cash flow method, showed that the respective parameters clearly exceeded 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). Coverage (the difference between the value in use and the carrying amount) for the entire Automotive CGU (Sogefi) is in fact € 614,344 thousand in the base case and € 455,232 thousand in the worst case.

The test carried out at the first level (relevant for the purposes of Sogefi's consolidated financial statements) showed positive coverage for the Filtration CGU (€ 288,939 thousand in the base case and € 185,025 thousand in the worst case) and for the Air and Cooling CGU (€ 272,307 thousand in the base case and € 173,089 thousand in the worst case); the Automobile Suspensions CGU, on the other hand, reported positive coverage of € 30,377 thousand in the base case, but negative coverage of € (22,234) thousand in the worst case, and will therefore be monitored at the next first level impairment tests by Sogefi.

In the light of the above, the goodwill relating to the Sogefi Group recorded in the consolidated financial statements of the CIR Group has not been subjected to any impairment adjustments. 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.

Healthcare (KOS group)

The goodwill allocated to the Healthcare sector, which corresponds to the KOS Group, amounts to € 364.3 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 recorded 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 2022-2026 plan approved by the Board of Directors on 20 January 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 formula, assuming 1.39% as the g growth rate (resulting from the weighted average of 1.39% for activities in Italy, 1.00% in Germany and 4.05% in India, based on the long-term inflation rates estimated for each country) and taking into account 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 used (WACC) reflects current market valuations, considering the specific risks faced in the various geographical areas in which the KOS group operates, and is equal to 5.30% (taking

the weighted average of the various rates: 5.55% in Italy, 4.37% in Germany and 8.02% in India). In the same way as for Sogefi, here too the impact of the rate policies implemented by central banks following the Covid-19 pandemic was taken into account in determining certain parameters for the discount rate. For the estimate of risk free rates, the annual average for 10-year risk-free securities have been recognised: these are 2.40% for Italy, 0.49% for Germany and 7.36% for India. the premiums for market risk and specific risk were assumed to be equal to those of the Automotive CGU (5.50% and 1.43% respectively); sector leverage came to 46.9%, and the beta levered to 0.80 for Italy and 0.77 for the other geographical areas; lastly, the net cost of debt was estimated on the basis of sector data at 2.53% for Italy and 2.33% elsewhere.

The second level test check, carried out using the discounted cash flow method, showed that the respective parameters clearly exceeded 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). Coverage (the difference between the value in use and the carrying amount) for the entire Healthcare CGU (KOS) is in fact € 600,623 thousand in the base case and € 11,009 thousand in the worst case.

The test conducted at the first level (relevant for the purposes of the consolidated financial statements of KOS) showed positive coverage for the Long Term Care Germany CGU (€ 117,577 thousand in the base case and € 11,481 thousand in the worst case), for the Diagnostics and Cancer Cure CGU (€ 61,329 thousand in the base case and € 44,984 thousand in the worst case) and for the Acute Care Italy CGU (€ 522 thousand in the base case and € 507 thousand in the worst case). For the other CGUs subjected to first-level tests, belonging to the Long Term care Italia segment, 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, there is positive coverage in all cases considered with reference to the CGUs in Lombardy, Emilia Romagna, Tuscany, Marche and Trentino, as well as at the aggregate level of Long Term Care Italy (€ 348,009 thousand in the base case and € 105,481 thousand in the worst case), while the other CGUs (Piedmont, Veneto, Liguria, Lazio, Umbria and Campania) have positive coverage in the base case, while the sensitivity analyses in some cases show recoverable values lower than the book values, which will be monitored at the next first level impairment test by KOS.

Given the above results, the goodwill relating to the KOS Group recorded in the consolidated financial statements of the CIR Group has not been subjected to any impairment adjustments. 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.

Property, plant and equipment, Right-of-use assets and Investment property

The changes in "Property, plant and equipment", "Right-of-use assets" and "Investment property" during the year are shown on the next pag

7.c. Rights -of- use assets

	Opening balance		Changes for the period					Closing balance	
	Original cost	Accumulated Depreciation and impairment losses	Increases	Business combinations and disposals	Exchange gains (losses)	Other changes	Net disposals	Accumulated depreciation and impairment losses	Balance at 31.12.2021
(in thousands of euro)				increases	decreases				
Land	1,923	--	--	--	--	(1,182)	(741)	--	--
Buildings used for operating purposes	946,741	(121,091)	89,872	--	2,413	(23,877)	(5,013)	(178,836)	823,643
Plant and machinery	15,586	(13,027)	1,414	--	92	(1,221)	(46)	(8,465)	1,907
Industrial and commercial equipment	1,453	(979)	350	--	--	(13)	--	(1,151)	633
Other assets	10,454	(5,072)	3,350	--	22	973	(321)	(5,886)	6,155
Assets under construction and payments on account	--	--	--	--	--	--	--	--	--
Total	976,157	(140,169)	94,956	--	2,527	(25,320)	(6,121)	(194,338)	832,338

The right-of-use assets amount to € 832,338 thousand at 31 December 2021 and refer to the KOS group for € 764,925 thousand, the Sogefi group for € 67,337 thousand and the Parent Company CIR S.p.A. for € 76 thousand.

The amount in the column "Other changes" related to "Land" and "Buildings used for operating purposes" essentially refers to the KOS group for the redemption of two leased buildings reclassified to "Property, plant and equipment".

7.d. Investment property

Opening balance			Changes for the period						Closing balance				
	Original cost	Accumulated depreciation and impairment losses	Net balance at 31.12.2020	Acquisitions	Business combinations and disposals	Capitalised financial charges	Exchange gains	Other changes	Net disposals	Depreciation and impairment losses	Original cost	Accumulated depreciation and impairment losses	Balance at 31.12.2021
					increases	decreases							
(in thousands of euro)										cost			
Buildings	26,489	(10,719)	15,770	14	--	--	--	--	--	(1,553)	26,503	(12,272)	14,231
Total	26,489	(10,719)	15,770	14	--	--	--	--	--	(1,553)	26,503	(12,272)	14,231

Investment property has gone from € 15,770 thousand at 31 December 2020 to € 14,231 thousand at 31 December 2021 due to depreciation for the year. The market value is considerably higher than the carrying amount.

DEPRECIATION RATES

Description	%
Buildings	3



7.e. Equity-accounted investees

(in thousands of euro)

2021	Balance 31.12.2020	Increases (Decreases)	Impairment losses	Dividends	Pro-rata share of result		Other changes	Balance 31.12.2021
					Loss	Profit		
Apokos Rehab PVT Ltd	596	--	--	--	--	26	--	622
Total	596	--	--	--	--	26	--	622

7.f. Other equity investments

(in thousands of euro)	31.12.2021	31.12.2020
Other	1,871	1,872
Total	1,871	1,872

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 receivables" at 31 December 2021 had a balance of € 44,519 thousand, compared with € 45,284 thousand at 31 December 2020, and were mainly made up of:

- € 1,257 thousand (€ 6,257 thousand at 31 December 2020) of unsecured and mortgage-backed financial assets held by CIR International S.A. The measurement of these investments led to net losses in the income statement for € 5,000 thousand recorded under item 14.e "Fair value gains or losses on financial assets";
- € 3,000 thousand relating to guarantee deposits;
- € 31,705 thousand due from the Treasury to the Sogefi group, mainly relating to tax credits for the R&D activities of the French subsidiaries and the non-current portion of the consideration for the sale of Sogefi Filtration do Brasil Ltda and Sogefi Filtration Argentina S.A.U. amounting to € 1,872 thousand and € 3,765 thousand respectively;
- € 5,208 thousand relating to the "Pension fund surplus" of Sogefi Filtration Ltd., part of the Sogefi group.

7.h. Other financial assets

"Other financial assets" at 31 December 2021 amounted to € 77,759 thousand (€ 75,846 thousand at 31 December 2020) and mainly referred to investments in private equity funds and non-controlling shareholdings. The fair value measurement of these investments led to net losses in the income statement for € 14,182 thousand recorded under item 14.e "Fair value gains or losses on financial assets".

At 31 December 2021, the residual commitment for investment in private equity funds stood at € 26.9 million (€ 20.5 million at 31 December 2020).

7.i. Deferred tax assets and liabilities

The amounts relate to taxes resulting from deductible temporary differences and from benefits deriving from tax losses carried forward, which are deemed to be recoverable in a reasonable time horizon.

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

(in thousands of euro)	2021		2020	
	Total temporary differences	Tax effect	Total temporary differences	Tax effect
Deductible temporary differences from:				
- current assets	18,608	4,582	20,072	4,947
- non-current assets	85,830	21,850	67,413	16,421
- revaluation of current liabilities	38,412	9,829	41,681	10,738
- revaluation of employee benefit obligations	46,526	11,551	66,846	15,188
- revaluation of provisions for risks and charges	26,721	6,939	38,744	9,153
- revaluation of long-term borrowings	--	--	--	--
- financial instruments	104	25	137	33
- tax losses from previous years	76,697	18,925	54,035	13,262
Total deferred tax assets	292,898	73,701	288,928	69,742
Taxable temporary differences from:				
- revaluation of current assets	25,526	6,393	18,342	4,552
- revaluation of non-current assets	183,104	42,554	194,271	48,644
- current liabilities	15,077	3,283	18,556	3,677
- measurement of employee benefit obligations	(1,383)	(336)	(1,500)	(360)
- provisions for risks and charges	--	--	619	186
- revaluation of financial instruments	--	--	--	--
Total deferred tax liabilities	222,324	51,894	230,288	56,699
Net deferred taxes		21,807		13,043

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 € 369 million, which can be carried forward without any limit, and to other Group companies for € 138 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:

2021	Balance at 31.12.2020	Use of deferred taxes from prior periods	Deferred taxes generated in the period	Exchange differences and other changes	Balance at 31.12.2021
(in thousands of euro)					
Deferred tax assets:					
- income statement	49,573	(5,873)	10,718	--	54,418
- equity	20,169	(2,615)	--	1,729	19,283
Deferred tax liabilities:					
- income statement	(38,467)	10,248	(7,934)	--	(36,153)
- equity	(18,232)	160	--	2,331	(15,741)
Net deferred taxes	13,043	1,920	2,784	4,060	21,807

8. Current assets

8.a. Inventories

Inventories can be broken down as follows:

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Raw materials, supplies and consumables	65,930	58,038
Work in progress and semi-finished products	15,968	13,817
Finished products and goods	35,503	35,211
Payments on account	406	--
Total	117,807	107,066

This item refers for € 111,917 thousand (€ 97,731 thousand at 31 December 2020) to the Sogefi group and for € 5,890 thousand (€ 9,335 thousand at 31 December 2020) to the KOS group.

The value 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 inventory provisions at 31 December 2021 amount to € 13,272 thousand (€ 13,088 thousand at 31 December 2020).

8.b. Trade receivables

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Customers	215,793	207,651
Total	215,793	207,651

This item relates to € 135,415 thousand (€ 143,494 thousand at 31 December 2020) to the Sogefi group and for € 80,315 thousand (€ 64,039 thousand at 31 December 2020) to the KOS group.

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

Trade receivables are shown net of any write-downs that take credit risk into account.

During 2021, provisions for impairment of receivables were made for a total of € 2,432 thousand (€ 1,365 thousand related to the KOS group and € 1.067 thousand to the Sogefi group).

8.c. Other assets

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Associates	133	133
Tax assets	33,526	31,585
Other	26,213	35,186
Total	59,872	66,904

The decrease in "Other" refers for € 4.9 million to the KOS group which at 31 December 2020 had higher advances to suppliers, particularly for the purchase of personal protective equipment not yet delivered at the date of the financial statements, in addition to receivables for state reimbursements recorded by the German subsidiaries collected in 2021 and for € 5 million to the parent CIR S.p.A. for the collection on 1 February 2021 of a contractual earn out as part of the sale of the Sorgeria group.

8.d. Loan assets

"Loan assets" fell from € 10,940 thousand at 31 December 2020 to € 10,593 thousand at 31 December 2021. This caption includes € 3,957 thousand (€ 2,248 thousand at 31 December 2020) representing the fair value of the cross currency swaps arranged by the Sogefi group in order to hedge the interest- and exchange-rate risks associated with the private placement of the USD 115 million bond, € 1,243 thousand (€ 3,952 thousand at 31 December 2020) relating to financial instruments issued, in the context of the Sogefi group, by leading Chinese banks as consideration for supplies made by the Chinese subsidiaries, and € 5,157 thousand (€ 4,117 thousand at 31 December 2020) due to the KOS group by factoring companies following the without-recourse sale of receivables.

8.e. Securities

This item consists of the following categories of securities:

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Equity investments in other companies	--	4
Bonds	--	20,118
Investment funds and similar funds	19,357	28,870
Total	19,357	48,992

At 31 December 2021, this caption totals € 19,357 thousand (€ 48,992 thousand at 31 December 2020) 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 € 15,161 thousand (€ 14,923 thousand at 31 December 2020) and by CIR S.p.A. totalling € 4,196 thousand (€ 13,947 thousand at 31 December 2020) and equities held by CIR S.p.A.

The fair value measurement of "Securities" led to a gain in the income statement of € 1,408 thousand. Last year, the item "Bonds" referred to investments in bonds made by CIR Investimenti S.p.A. These investments were sold during the year.

8.f. Other financial assets

This item totals € 300,448 thousand (€ 295,434 thousand at 31 December 2020) and refers for € 68,434 thousand (€ 58,220 thousand at 31 December 2020) 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 € 3,090 thousand. During the period, gains for € 1,641 thousand (€ 1,291 thousand in 2020) were realised and recognised under item 14.c "Gains from securities trading".

This item also includes € 232,014 thousand (€ 237,214 thousand at 31 December 2020) 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 € 2,166 thousand (€ 2,215 thousand in 2020). The fair value measurement of policies with yields deriving from unit-linked funds has resulted in a loss in the income statement of € 131 thousand.

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

"Cash and cash equivalents" went from € 424,546 thousand at 31 December 2020 to € 306,489 thousand at 31 December 2021.

"Bank loans and borrowings" went from € 4,561 thousand at 31 December 2020 to € 2,018 thousand at 31 December 2021.

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.

9. Equity

9.a. Share capital

Share capital at 31 December 2021 amounted to € 638,603,657.00, unchanged on 31 December 2020, and consisted of 1,277,207,314 shares without par value.

The share capital is fully subscribed and paid up.

At 31 December 2021 the parent held 179,456,492 treasury shares (14.05% of the share capital) for an amount of € 93,075 thousand, compared with 26,957,393 treasury shares (2.111% of the share capital) for an amount of € 15,200 thousand at 31 December 2020. The increase is due to the purchase made by the Company as part of the Public Purchase Offer as described below.

On 30 April 2021, the Ordinary Shareholders' Meeting resolved to revoke the resolution authorising the purchase of treasury shares passed by the Ordinary Shareholders' Meeting held on 8 June 2020 (to the extent that the resolution had not already been used and from the day after the Meeting until its natural expiry), consequently also revoking the authorisation to dispose of the shares.

This meeting also resolved to authorise the Board of Directors, and for it the Chairman and the Chief Executive Officer, severally, with the right to sub-delegate, pursuant to art. 2357 of the Italian Civil Code, starting from the day after this Shareholders' Meeting and for a period of eighteen months, the purchase of CIR S.p.A. shares as follows:

- A) a maximum of 225,000,000 shares may be purchased, taking into account that, including the treasury shares already owned, also through subsidiaries, the number of shares purchased cannot in any case exceed one fifth of the total number of shares making up CIR's share capital. The unit price of each single share purchase must not be more than 15% higher or lower than the reference price recorded by the shares in the trading session preceding each single purchase transaction or prior to the date on which the price is fixed in the event of purchases according to the methods referred to in points (a), (c) and (d) of paragraph B below, and in any case, where the purchases are made with orders on the regulated market, the consideration must not exceed the higher of the price of the last independent transaction and the price of the highest current independent purchase offer on the same market, in compliance with the provisions of art. 3 of the EU Delegated Regulation 2016/1052;
- B) the purchase must take place on the market, in compliance with the provisions of art. 132 of Legislative Decree 58/98 and the provisions of law or regulations in force at the time of the transaction and precisely (a) by means of a public purchase or exchange offer; (b) on regulated markets according to operating methods established in the regulations for the organization and management of the markets, which do not allow a direct matching of purchase offers with predetermined sale offers; (c) through the proportional assignment to shareholders of put options to be assigned within 15 months from the date of the shareholders' resolution that gave the authorization, exercisable within 18 months of the same date; (d) through the purchase and sale of derivative instruments traded on regulated markets that provide for the physical delivery of the underlying shares in compliance with the additional provisions contained in art. 144-bis of the Issuers' Regulation issued by Consob, as well as pursuant to art. 5 and 13 of EU Regulation 596/2014.

On 10 May 2021, CIR's Board of Directors resolved to launch a partial voluntary Tender Offer, pursuant to article 102 et seq. of the CFA, for a maximum of 156,862,745 CIR shares, equal to 12.282% of the share capital, at a price of € 0.51 per share, corresponding to a total value of € 80 million.

Based on the final results communicated on 5 August 2021 by UniCredit Bank AG, as the intermediary responsible for coordinating the collection of acceptances, 205,782,739 Shares, equal to approximately 131.2% of the shares subject of the offer and approximately 16.1% of the share capital of the issuer, accepted the Tender Offer.

Taking into account the final results of the offer, the allotment coefficient was 76.227% and as a result of applying the latter and the related rounding, on 6 August 2021 the offerer purchased 156,861,838 shares, corresponding to approximately 12.282% of the share capital, for a total of € 79,999,537.38 with an outlay of € 80,137,253.43.

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

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	Stock option and stock grant reserve	Other reserves	Total reserves
Balance at 31 December 2019	5,044	24,846	(700)	(20,363)	--	20,921	29,748
Effects of the merger	--	--	(535)	(15,535)	--	75,333	59,263
Retained earnings	--	670	--	--	--	1,274	1,944
Fair value gains (losses) on treasury shares transactions	--	--	--	--	--	145	145
Notional cost credited stock grant	--	--	--	--	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)	1,481	88,726	77,746
Retained earnings	--	--	--	--	--	--	--
Fair value gains (losses) on treasury shares transactions	--	--	--	--	--	(33,046)	(33,046)
Notional cost of stock grants credited	--	--	--	--	1,462	--	1,462
Reclassifications	--	--	--	--	(232)	564	332
Unclaimed dividends	--	--	--	--	--	14	14
Fair value measurement of cash flow hedges	--	--	826	--	--	--	826
Effects of changes in equity attributable to subsidiaries	--	--	--	12	--	3,020	3,032
Translation differences	--	--	--	16,757	--	--	16,757
Actuarial losses	--	--	--	--	--	9,477	9,477
Balance at 31 December 2021	5,044	25,516	(432)	(24,994)	2,711	68,755	76,600

The "Fair value reserve", net of tax, was negative for € 432 thousand and refers to the measurement of hedges (€ 404 thousand relating to the Sogefi group and € 28 thousand relating to the KOS group).

The "Translation reserve" had a negative balance of € 24,994 thousand at 31 December 2021 with the following breakdown:

<i>(in thousands of euro)</i>	31.12.2020	Increases	Decreases	31.12.2021
Sogefi group	(42,287)	16,390	--	(25,987)
KOS group	524	379	--	903
Total	(41,763)	16,769	--	(24,994)

The breakdown of "Other reserves" at 31 December 2021 was as follows

(in thousands of euro)

Reserve as per art. 6 Leg. decree 38/2005	3,212
Statutory reserve	14
Other	65,529
Total	68,755

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

<i>(in thousands of euro)</i>	Number of shares	Amount
Balance at 31 December 2020	26,957,393	15,200
Increases	156,861,838	80,137
Decreases	(4,362,739)	(2,262)
Balance at 31 December 2021	179,456,492	93,075

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:

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Sogefi S.p.A. bond 2013/2023 in USD	14,496	26,670
Sogefi S.p.A. bond 2019/2025	59,739	67,173
KOS S.p.A. Private Placement 2017/2025. 2017/2024	64,000	64,000
KOS S.p.A. Private Placement 2017/2025. 2017/2025	35,000	35,000
Total	173,235	192,843

10.b. Other loans and borrowings

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Collateralised bank loans and borrowings	58,817	21,331
Other bank loans and borrowings	374,520	439,483
Other	381	3,043
Total	433,718	463,857

This item consists of loans to KOS group companies for € 214,702 thousand and loans to Sogefi group companies for € 219,016 thousand.

During the year, KOS S.p.A. arranged loans totalling € 175 million of which € 75 million are assisted by guarantees from SACE S.p.A. for up to 80% of their nominal value.

10.c. Lease liabilities

The item, amounting to € 793,231 thousand (€ 763,725 at 31 December 2020), refers to lease liabilities relating to companies in the KOS group, which operate out of mainly leased properties, for € 738,856 thousand, to companies in the Sogefi group for € 54,325 thousand and to the parent CIR S.p.A. for € 50 thousand.

10.d. Employee benefit obligations

The details of this item are as follows:

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Post-employment benefits (TFR)	27,908	29,701
Pension funds and similar obligations	45,837	64,111
Total	73,745	93,812
<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Opening balance	93,812	85,906
Accrual for labour provided during the year	11,838	11,338
Increases for interest	1,314	1,587
Actuarial gains or losses	(19,095)	13,936
Benefits paid	(9,647)	(6,771)
Increases or decreases due to changes in the consolidation scope	--	(987)
Other changes	(4,477)	(11,197)
Closing balance	73,745	93,812

The item mainly refers to companies of the Sogefi group for € 47,343 thousand, to companies of the KOS group for € 24,129 thousand and to the parent company CIR S.p.A. for € 2,041 thousand. The decrease in the balance essentially refers to the change in demographic and financial assumptions within the Sogefi group, which led to a change in "Actuarial costs or revenues" for an amount of € 16.3 million.

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

Annual technical discount rate	0.38% - 1.90%
Annual inflation rate	1.75% - 3.50%
Annual rate of pay increases	1.60% - 4.00%
Annual rate of TFR increase	2.80%

"Pension funds and similar obligations" mainly refer to what was set aside 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:

	Provision for pending disputes	Provision for restructuring charges	Provision for product warranties	Provision for other risks	Total
(in thousands of euro)					
Balance at 31 December 2020	261	25	584	11,837	12,707
Accruals for the period	--	1,799	(111)	1,858	3,546
Uses	(261)	(4)	--	(1,077)	(1,342)
Exchange gains	--	42	33	179	254
Other changes	--	(2)	--	(169)	(171)
Balance at 31 December 2021	--	1,860	506	12,628	14,994

This item consists of loans to Sogefi group companies for € 8,920 thousand and loans to KOS group companies for € 5,425 thousand.

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 companies of the Sogefi group.

The "Provision for product warranties" relates to the Sogefi group.

The "Provision for other risks" was set aside mainly for disputes of various kinds involving various Group companies and includes liabilities to employees and other subjects. It refers principally to companies of the KOS group for € 5,425 thousand and to Sogefi group companies for € 6,554 thousand.

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

<i>(in thousands of euro)</i>	<i>Provision for restructuring charges</i>	<i>Provision for product warranties</i>	<i>Provision for other risks</i>	<i>Total</i>
Balance at 31 December 2020	19,457	3,376	49,632	72,465
Accruals for the period	(2,757)	(305)	7,939	4,877
Uses	(5,932)	(110)	(14,290)	(20,332)
Exchange gains	--	1	18	19
Other changes	(671)	71	53	(547)
Balance at 31 December 2021	10,097	3,033	43,352	56,482

This item consists of loans to Sogefi group companies for € 16,727 thousand and loans to KOS group companies for € 38,905 thousand.

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 companies of the Sogefi group.

The "Provision for product warranties" relates to the Sogefi group.

The "Provision for other risks" was set aside mainly for disputes of various kinds involving various Group companies and includes liabilities to employees and other subjects. It refers principally to companies of the KOS group for € 38,905 thousand and to Sogefi group companies for € 3,597 thousand.

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 staff for an amount equal to € 8,500 thousand.

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 staff working at these structures.

We would also point out the inclusion of € 18,917 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 € 22,618 thousand, includes € 7,500 thousand for the current portion of the Sogefi S.p.A. 2019/2025 Bond, € 14,452 thousand for the current portion of the Sogefi S.p.A. Bond 2013/2023 denominated in USD and € 666 thousand for the current portion of the private placements issued by KOS S.p.A.

11.b. Other loans and borrowings

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Collateralised bank loans and borrowings	--	13,638
Other bank loans and borrowings	72,041	45,337
Other loans and borrowings	2,101	1,898
Total	74,142	60,873

This item refers to loans to Sogefi group companies for € 64,967 thousand and loans to KOS group companies for € 9,175 thousand.

11.c. Lease liabilities

This caption, € 67,849 thousand (€ 71,126 thousand at 31 December 2020), comprises the right-of-use lease liabilities of companies within the KOS group, € 50,685 thousand, and the Sogefi group, € 17,147 thousand, as well as those of CIR S.p.A., € 17 thousand.

11.d. Trade payables

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Suppliers	288,021	306,936
Payments on account	32,324	34,282
Total	320,345	341,218

"Suppliers" refer for € 210,932 thousand to the Sogefi group and for € 76,634 thousand to the KOS group.

"Payments on account" mainly include 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

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Due to employees	66,035	56,623
Tax liabilities	30,988	26,764
Social security payables	28,540	26,778
Other	69,785	62,354
Total	195,348	172,519

The item "Due to employees" refers for € 33,201 thousand to the KOS group and for € 32,557 thousand to the Sogefi group.

"Tax liabilities" refer for € 16,628 thousand to the KOS group and for € 12,000 thousand to the Sogefi group.

The item "Social security payables" concerns for € 12,857 thousand the KOS group and for € 15,517 thousand the Sogefi group.

"Other" relates for € 50,976 thousand to the Sogefi group. In particular, the amount of € 36,654 thousand refers to credit notes to be issued to customers for price reductions and discounts granted to customers of the Aftermarket segment upon reaching certain levels of turnover.

Notes to the Income Statement

12. Revenue

• BREAKDOWN BY BUSINESS SEGMENT

(in millions of euro)	2021		2020		Change
	amount	%	amount	%	
Automotive components	1,320.6	66.7	1,190.2	65.3	11.0
Healthcare	660.1	33.3	631.6	34.7	4.5
Total consolidated revenue	1,980.7	100.0	1,821.8	100.0	8.7

• BREAKDOWN BY GEOGRAPHICAL SEGMENT

(in millions of euro)							
	Total revenue	Italy	Other European countries	North America	South America	Asia	Other countries
2021							
Automotive components	1,320.6	63.9	726.8	264.7	81.4	171.5	12.3
Healthcare	660.1	463.5	178.3	--	--	18.3	--
Total consolidated revenue	1,980.7	527.4	905.1	264.7	81.4	189.8	12.3
Percentages	100.0%	26.6%	45.7%	13.4%	4.1%	9.6%	0.6%
(in millions of euro)							
	Total revenue	Italy	Other European countries	North America	South America	Asia	Other countries
2020							
Automotive components	1,190.2	55.7	679.0	256.2	47.9	142.5	8.9
Healthcare	631.6	442.9	172.9	--	--	15.8	--
Total consolidated revenue	1,821.8	498.6	851.9	256.2	47.9	158.3	8.9
Percentages	100.0%	27.4%	46.8%	14.0%	2.6%	8.7%	0.5%

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 period and are not subject to any particular cyclical phenomena on a like-for-like basis.

13. Operating expenses and income

13.a. Costs for the purchase of goods

This item went from € 705,354 thousand in 2020 to € 802,411 thousand in 2021. The increase is mainly attributable to the Sogefi group.

13.b. Costs for services

This item went from € 271,870 thousand at 31 December 2020 to € 278,009 thousand at 31 December 2021, as can be seen from the following breakdown:

<i>(in thousands of euro)</i>	2021	2020
Technical and professional consulting	89,079	82,180
Distribution and transport costs	15,328	14,598
Outsourcing	21,553	20,067
Other	152,049	155,025
Total	278,009	271,870

The increase is attributable for € 3.8 million to the Sogefi group and for € 3.2 million to the KOS group.

13.c. Personnel expense

Personnel expense totalled € 596,943 thousand in 2021 (€ 560,642 thousand in 2020).

<i>(in thousands of euro)</i>	2021	2020
Salaries and wages	433,651	407,435
Social security contributions	118,547	114,048
Post-employment benefits	11,538	11,109
Pensions and similar benefits	300	229
Valuation of stock option and stock grant plans	1,582	2,031
Other costs	31,325	25,790
Total	596,943	560,642

The Group had an average of 17,246 employees in 2021 (18,273 in 2020).

The increase in "Personnel costs" is attributable for € 15 million to the KOS group following the acquisitions made during 2020 and 2021 (€ 5.7 million) and to the release the previous year of surplus funds set aside in past years against definition of the collective bargaining agreement for an amount of € 9.1 million and for approximately € 22.2 million to the Sogefi group mainly due to the lower use of social safety nets and holidays compared with the previous year; these actions were implemented in 2020 in order to reduce the negative impacts of the decline in activity resulting from the Covid-19 pandemic.

13.d. Other operating income

This item can be broken down as follows:

<i>(in thousands of euro)</i>	2021	2020
Provision of services to subsidiaries	--	90
Grants related to income	60	197
Gains on asset disposals	8,295	12,957
Other income	50,032	32,186
Total	58,387	45,430

Last year, revenue from services provided to subsidiaries related to 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. in the period 1 January 2020 - 23 April 2020, date of the sale of the investment.

The item "Capital gains from the sale of assets" is essentially attributable to the sale of some properties within the KOS group.

The increase in "Other income" is mainly attributable for € 12.7 million to the refunds and reimbursements obtained, both in Italy and in Germany, within the KOS group to offset the various effects deriving from the Covid-19 pandemic and for € 3.9 million to the recovery of "indirect" taxes, within the Sogefi group, paid in previous years by the subsidiaries in Brazil and China.

13.e. Other operating expense

This item can be broken down as follows:

<i>(in thousands of euro)</i>	2021	2020
Impairment and credit losses	4,022	13,385
Accruals to provisions for risks and charges	2,777	2,479
Indirect taxes	32,788	36,497
Restructuring charges	7,056	27,315
Losses on asset disposals	3,540	3,947
Other expenses	11,192	10,617
Total	61,375	94,240

The decrease in the item is essentially attributable to the Sogefi group for € 28.1 million mainly due to lower restructuring costs, and to the KOS group for € 5.7 million.

14. Financial income and expense

14.a. Financial income

This item includes the following:

<i>(in thousands of euro)</i>	2021	2020
Interest income on bank accounts	1,487	703
Interest income on securities	175	708
Other interest income	3,822	2,833
Interest rate derivatives	113	439
Exchange gains	3,632	14
Total	9,229	4,697

14.b. Financial expense

This item includes the following:

<i>(in thousands of euro)</i>	2021	2020
Interest expense on bank loans	13,379	17,521
Interest expense on bonds	6,937	12,175
Interest on financial payables for rights of use	20,596	19,748
Other interest	3,792	2,254
Interest rate derivatives	439	541
Exchange losses	--	6,323
Other financial expense	6,243	4,697
Total	51,386	63,259

14.c. Gains from securities trading

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

<i>(in thousands of euro)</i>	2021	2020
Shares - other companies	1,523	1
Other securities and other gains	7,749	1,311
Total	9,272	1,312

The item "Shares - other companies" within the Sogefi group refers to the profit deriving from the sale, in April 2021, of Shanghai Allevard Springs Co., Ltd. "Other securities and other gains" mainly relate to CIR S.p.A. and the financial holding companies and refer for € 1,567 thousand to investments in item 7.h "Other financial assets" of non-current assets, for € 4,541 thousand to investments in item 8.e "Securities" of current assets and for € 1,641 thousand for investments in item 8.f "Other financial assets" of current assets.

14.d. Losses from securities trading

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

<i>(in thousands of euro)</i>	2021	2020
Other securities and other losses	1,471	368
Total	1,471	368

"Other securities and other losses" relate to CIR S.p.A. and the financial holding companies and refer for € 1,030 thousand to investments in item 7.h "Other financial assets" of non-current assets, for € 373 thousand to investments in item 8.e "Securities" of current assets and € 68 thousand for investments in item 8.f "Other financial assets" of current assets.

14.e. Net fair value gains (losses) on financial assets

The item in question, which is positive for € 13,549 thousand refers for € 4,367 thousand to the positive change in the fair value of "Securities" and "Other financial assets" recognised under current assets, for € 9.182 thousand to the positive change in the fair value of "Other financial assets" and "Other assets" recognised under non-current assets.

15. Income taxes

Income taxes can be broken down as follows:

<i>(in thousands of euro)</i>	2021	2020
Current taxes	20,238	16,241
Deferred taxes	(7,126)	(7,120)
Total	13,112	9,121

The following table shows a reconciliation of the ordinary tax rate and the effective tax rate for 2021:

<i>(in thousands of euro)</i>	2021
Profit (loss) before taxes of continuing operations shown in the financial statements	60,146
Theoretical income taxes	14,435
Tax effect of non-deductible costs	1,690
Tax effect of prior year losses which generate deferred tax assets in the current year	34
Tax effect of prior year losses which did not generate deferred tax assets	(8,130)
Tax effect on interest rate differentials of foreign companies	152
Non-taxable grants	--
Other	2,973
Income taxes	11,154
Average effective tax rate	18.54%
Theoretical tax rate	24.00
IRAP and other taxes	2,014
Income taxes from prior years	(56)
Total taxes as per the consolidated financial statements	13,112

16. Profit (loss) from discontinued operations

This item, which has a negative balance of € 24,490 thousand, relates to the loss recorded by the Sogefi group and, in particular, for € 24,081 thousand to the sale in August 2021 of the subsidiary Sogefi Filtration Argentina S.A.U., which led to a reclassification of accumulated exchange differences of € 20.8 million from shareholders' equity to the result for the year, without any impact on shareholders' equity and cash, for € 205 thousand on the sale in January 2021 of Sogefi Spain S.A.U. and for € 204 thousand to the price adjustment for the sale in December 2020 of Sogefi Filtration do Brasil Ltda. For more details read paragraph 1.a "Information on IFRS 5".

At 31 December 2020, this caption with a net balance of € 60.332 thousand comprises the profit of € 71.440 thousand recorded by the KOS group and of € 5.106 thousand the profit recorded by CIR S.p.A., and the loss of € 16,214 thousand the loss recorded 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 the decrease for disposal costs of € 2,755 thousand.

- Within the Sogefi group, the loss of € 16,214 thousand relates for € 13,174 thousand to the effects of the sale in December 2020 of Sogefi Filtration do Brasil Ltda, for € 2,305 thousand to the effects of the sale in January 2021 of Sogefi Filtration Spain S.A.U. and for € 735 thousand to the reclassification of the 2020 loss of Sogefi Filtration Argentina S.A.U. sold in August 2021, following the application of IFRS 5 in 2021.
- 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.

17. Earnings (loss) per share

Basic earnings (loss) 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 during the year, excluding treasury shares in portfolio. Diluted earnings (loss) 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 year, excluding treasury shares in portfolio, adjusted for the dilutive effects of outstanding options. Treasury shares are not included in the calculation.

Note that:

- The weighted average number of shares in circulation in 2020 takes into account the increase in capital, which took place on 19 February 2020 following the completion of the absorption of CIR S.p.A. (the absorbed company) and CIR S.p.A. (formerly Cofide S.p.A., the absorbing company), of 557,997,396 shares.
- The weighted average number of shares outstanding in 2021 takes into account the purchase of 156,861,838 shares on 6 August 2021 following the partial voluntary Tender Offer.

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

Basic earnings per share		
	2021	2020
Profit (loss) for the period attributable to the owners of the parent (in euro)	17,981	16,313
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Basic earnings (loss) per share (euro)	0.0151	0.0139
	2021	2020
Comprehensive income attributable to the owners of the parent (in euro)	45,041	2,987
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Basic earnings (loss) per share (euro)	0.0379	0.0025

	2021	2020
Profit (loss) from continuing operations attributable to the owners of the parent (in euro)	47,034	(38,899)
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Basic earnings (loss) per share (euro)	0.0396	(0.0331)
	2021	2020
Profit (loss) from discontinued operations attributable to the owners of the parent (in euro)	(24,490)	60,332
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Basic earnings (loss) per share (euro)	(0.0206)	0.0514
Diluted earnings per share		
	2021	2020
Profit (loss) for the period attributable to the owners of the parent (in euro)	17,981	16,313
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Weighted average number of options	5,330,696	5,845,150
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,194,349,819	1,179,678,702
Diluted earnings (loss) per share (in euro)	0.0151	0.0138
	2021	2020
Comprehensive income attributable to the owners of the parent (in euro)	45,041	2,987
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Weighted average number of options	5,330,696	5,845,150
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,194,349,819	1,179,678,702
Diluted earnings (loss) per share (in euro)	0.0377	0.0025
	2021	2020
Profit (loss) from continuing operations attributable to the owners of the parent (in euro)	47,034	(38,899)
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Weighted average number of options	5,330,696	5,845,150
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,194,349,819	1,179,678,702
Diluted earnings (loss) per share (in euro)	0.0394	(0.0331)
	2021	2020
Profit (loss) from discontinued operations attributable to the owners of the parent (in euro)	(24,490)	60,332
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Weighted average number of options	5,330,696	5,845,150
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,194,349,819	1,179,678,702
Diluted earnings (loss) per share (in euro)	(0.0206)	0.0511

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, and manages a portfolio of financial assets: 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. In order to minimize certain types of risks, the Parent and its industrial subsidiaries, each to the extent of its competence, put in place appropriate mitigation measures, including the use of hedging derivatives.

19.a. Market risk

Price risk

The parent CIR S.p.A. and the financial holding companies CIR Investimenti S.p.A. and CIR International S.A. manage financial assets, both directly and through funds and asset management schemes. Their results, as well as their balance sheets, are therefore subject to the risk of fluctuations in market prices. The group mitigates this risk by defining a conservative and diversified investment policy, monitoring the Value at Risk of the overall portfolio and resorting, where appropriate, to risk hedging derivatives.

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 following currencies: US dollar, Chinese renminbi, Canadian dollar, GB pound, Brazilian real and Argentine peso.

Regarding the translation risk regarding the financial statements of foreign subsidiaries, the operating companies generally have a high degree of convergence between the currencies of their sourcing costs and their sales revenue usually both in local currency, although in certain cases, they are active both in their own domestic markets and abroad and, if necessary, can arrange funding locally: in case of need, financial resources are found, where possible, in local currency.

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

Sensitivity analysis on the EUR/USD exchange rate	31.12.2021		31.12.2020	
	-5%	+5%	-5%	+5%
Shift in the EUR/USD exchange rate				
Change in income statement (EUR/thousand)	(1,685)	(1,685)	2,203	(1,997)
Change in equity (EUR/thousand)	1,852	1,852	2,203	(1,997)

19.b. Credit risk

The Group is exposed to credit risk both in commercial terms in relation to the type of customers, the contractual terms and the concentration of sales, and in financial terms in relation to the creditworthiness of the counterparties used in financial transactions. There are no significant concentrations of these risks 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" sector there is no excessive concentration of credit risk since the Original Equipment and After-market distribution channels with which the Sogefi group operates are car manufacturers or large purchasing groups without any particular concentration of risk or counterparties with low creditworthiness.

The "Healthcare" segment shows a higher concentrations of receivables, since its main counterparties are the Italian and German public administration. This concentration is also mitigated by the fact that the exposure to the Italian public sector is distributed over a large number of counterparties (individual regions and ultimately the local health units), and a significant portion of the receivables is from individual private customers. For example, the concentration of receivables 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 receivables recorded in the financial statements from public entities (mainly local health authorities and municipalities) are due from a plurality of subjects. The concentration of receivables is greater in the case of hospital management due to the fact that almost all of the revenue derives from the public sector.

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

In order to maintain a correct balance between procurement and use of financial resources, Group companies make sure that they maintain sufficient liquidity and/or negotiable securities and access to additional financial resources, obtainable through an adequate level of committed credit lines.

The companies heading up the three main business segments (automotive, healthcare and management of financial assets of holding companies) manage their own liquidity risk directly and independently, through centralised treasury operations. The operating group companies; ensure strict control over the net financial position and its short, medium and long term evolution, follow a very prudential debt policy, having recourse largely to medium/long term financing structures and in excess of the expected needs, and systematically respect the deadlines of payment commitments, conduct that makes it possible to operate in the market with the necessary reliability. The parent and the financial holding companies, which have a positive aggregate net financial position, manage liquidity risk, relating to the monetization of assets if cash is required for investments or other uses, through an investment policy that provides for the short-term liquidity of the majority of financial assets.

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.

The interest rate risk mainly concerns long-term loans the interest expense of which may vary as the reference rate adopted varies.

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 the cash flow risk linked to the change in the short-term interest rate and on loan contracts at variable interest rate.

Sensitivity analysis

An increase or decrease of one percentage point as a "parallel shift" in the interest rate curve highlights the following effects on the Group's floating-rate assets and liabilities:

(in thousands of euro)	31.12.2021		31.12.2020	
Change	-1%	+1%	-1%	+1%
Change in income statement	829	(1,870)	402	(1,901)
Change in equity	(1,067)	60	(1,961)	665

Note that for the KOS group, given that interest rates in 2021 and 2020 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 balance sheet.

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 to 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 2021, the Group had the following derivative outstanding accounted for as hedges, expressed at their notional value:

a) *interest rate hedge:*

- hedging of Sogefi group's bank borrowings, with a notional value € 80 million.
- hedging of KOS group's bank borrowings, with a notional value € 23.8 million.

b) *exchange rate hedge:*

- forward sales totalling USD 77.2 million to hedge investments of CIR International S.A. in hedge funds in US dollars, expiring in March 2022;

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

- forward purchase of € 150 thousand and sale of BRL expiring in 2022;
- forward sales of USD 175 thousand and purchases of BRL expiring in 2022;
- forward purchase of USD 600 thousand and sale of ARS expiring in 2022;
- arrangement of cross currency swaps expiring in 2023 to hedge the private placement of bonds in US dollars, with a notional amount of USD 32.9 million.

19.f. Capital ratios

Management modulates the use of leverage to guarantee solidity and flexibility in the capital structure, monitoring the incidence of net debt with respect to current and prospective income parameters, with particular regard to compliance with the financial covenants contained in loan agreements.

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 2021, 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 outstanding at year end.

▪ Sogefi group

The Sogefi group has undertaken to comply with the following covenants relating to some of its loans, as summarised below:

- 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;
- for all other loans: 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 2021, these covenants were all respected.

▪ KOS group

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

- ratio of consolidated net financial position to gross operating profit (loss) less than or equal to 3.5 (4 in certain agreements),
- ratio gross operating profit (loss) to financial charges greater than or equal to 3,
- and a loan to value ratio of less than 60%;

Note that for the purpose of calculating the covenants, the consolidated net financial position and EBITDA do not take into account the impacts of IFRS 16 and refer to "operating" profitability and debt, net of property loans.

At 31 December 2021, these covenants were all respected.

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 insurance policies with guaranteed capital (Branch I), these instruments cannot be classified as fair value level 1 as they are not listed, the price cannot be inferred from public info providers and, considering that the investor/policyholder cannot sell these instruments to third parties (they are linked to the human life of the policyholder), there are not even transactions that can identify the instrument as "liquid". The fair value is configured as level 2 as the value of the capital is updated at each year-end by the insurance company, which also provides the guarantee on the capital, including annual consolidated returns; the method for determining the annual return of these instruments is the same for all policyholders investing in the same fund, and is communicated on an annual basis by the insurance companies, or is available on their websites.

The following table shows the breakdown of financial assets and liabilities with an indication of the classification for measurement purposes in the financial statements.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE FINANCIAL STATEMENTS

Category of financial assets and liabilities at 31 December 2021	Classification	Carrying amount
NON-CURRENT ASSETS		
OTHER EQUITY INVESTMENTS	FVTOCI	1,871
OTHER ASSETS	Amortised cost	44,519
OTHER FINANCIAL ASSETS	FVTPL	77,759
CURRENT ASSETS		
TRADE RECEIVABLES	Amortised cost, expected loss for counterparty risk	215,793
OTHER ASSETS	Amortised cost, expected loss for counterparty risk	59,872
LOAN ASSETS	Amortised cost, expected loss for counterparty risk	10,593
SECURITIES	FVTPL	19,357
OTHER FINANCIAL ASSETS	FVTPL	300,448
CASH AND CASH EQUIVALENTS	Amortised cost, expected loss for counterparty risk	306,489
NON-CURRENT LIABILITIES		
BONDS	Amortised cost	173,235
OTHER LOANS AND BORROWINGS	Amortised cost	433,718
LEASE LIABILITIES	Amortised cost	793,231
CURRENT LIABILITIES		
BANK LOANS AND BORROWINGS	Amortised cost	2,018
BONDS	Amortised cost	22,618
OTHER LOANS AND BORROWINGS	Amortised cost	74,142
LEASE LIABILITIES	Amortised cost	67,849
TRADE PAYABLES	Amortised cost	320,345

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").

DETAIL OF OTHER FINANCIAL ASSETS SHOWN IN THE FINANCIAL STATEMENTS

Category of financial assets and liabilities at 31 December 2021	Classification	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
NON-CURRENT ASSETS					
OTHER FINANCIAL ASSETS	FVTPL	77,759	--	77,451	308
CURRENT ASSETS					
SECURITIES	FVTPL	19,357	--	19,357	--
OTHER FINANCIAL ASSETS	FVTPL	300,448	--	300,448	--

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

In detail, the financial assets classified as level 3 refer to the investment made by CIR S.p.A. in the company October S.A.

The following tables show the data relating to credit and liquidity risks in the consolidated financial statements.

CREDIT RISK

(in thousands of euro)

Position at 31 December 2021	Items in 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 receivables (non-current assets) (*)	7.g.	27,146	25,889	1,257	--	--	--	1,257	--	--
Gross receivable		41,107	25,889	15,218	--	--	--	15,218	--	--
Provision for impairment losses		(13,961)	--	(13,961)	--	--	--	(13,961)	--	(5,000)
Trade receivables	8.b.	215,793	161,003	54,790	21,197	8,818	8,341	16,434	--	--
Gross receivable		253,532	163,389	90,143	21,418	9,129	8,596	51,000	--	--
Provision for impairment losses		(37,739)	(2,386)	(35,353)	(221)	(311)	(255)	(34,566)	--	(2,432)
Other receivables (current assets) (**)	8.c.	26,346	26,346	--	--	--	--	--	--	--
Gross receivable		27,566	26,716	850	--	--	--	850	--	--
Provision for impairment losses		(1,220)	(370)	(850)	--	--	--	(850)	--	(370)
Total		269,285	213,238	56,047	21,197	8,818	8,341	17,691	--	(7,802)

(*) 17,373 thousand of tax receivables not included

(**) 33,526 thousand of tax receivables not included

(in thousands of euro)

Situation at 31 December 2020	Items in 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 receivables (non-current assets) (*)	7.g.	27,833	21,576	6,257	--	--	--	6,257	--	--
Gross receivable		36,794	21,576	15,218	--	--	--	15,218	--	--
Provision for impairment losses		(8,961)	--	(8,961)	--	--	--	(8,961)	--	--
Trade receivables	8.b.	207,651	167,526	40,125	18,943	4,968	3,495	12,719	--	--
Gross receivable		247,819	169,569	78,250	19,439	5,596	3,925	49,290	--	--
Provision for impairment losses		(40,168)	(2,043)	(38,125)	(496)	(628)	(430)	(36,571)	--	(12,894)
Other receivables (current assets) (**)	8.c.	35,319	35,319	--	--	--	--	--	--	--
Gross receivable		36,169	35,319	850	--	--	--	850	--	--
Provision for impairment losses		(850)	--	(850)	--	--	--	(850)	--	--
Total		270,803	224,421	46,382	18,943	4,968	3,495	18,976	--	(12,894)

(*) 17,451 thousand of tax receivables not included

(**) 31,585 thousand of tax receivables not included

PROVISION FOR IMPAIRMENT LOSSES ON RECEIVABLES

(in thousands of euro)

Position at 31 December 2021	Opening balance	Impairment losses	Uses	Difference exchange +/-	Business combinations company +/-	Other changes	Balance final
Provision for impairment losses on receivables	(49,979)	(7,802)	5,392	(726)	195	--	(52,920)

(in thousands of euro)

Situation at 31 December 2020	Opening balance	Impairment losses	Uses	Difference exchange +/-	Business combinations company +/-	Other changes	Balance final
Provision for impairment losses on receivables	(42,926)	(12,894)	3,661	(246)	2,426	--	(49,979)

LIQUIDITY RISK - 2021

(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	25,193	25,237	74,237	80,658		--	205,325
Other loans and borrowings:							
- <i>Bank loans and borrowings</i>	44,436	60,682	101,859	53,452	45,407	43,574	349,410
- <i>Payables to other lenders</i>	2,201	183	95	84			2,563
Bank loans and borrowings	2,018	--	--	--	--	--	2,018
Trade payables	320,345	64,478	--	--	--	--	384,823
Derivative financial liabilities							
Hedging derivatives	(73)	167	277	277	277		925
Non-hedging derivatives	--	--	--	--	--	--	--
TOTAL	394,120	150,747	176,468	134,471	45,684	43,574	945,064

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:							
- <i>Bank loans and borrowings</i>	70,168	132,098	138,183	125,651	27,808	84,409	578,317
- <i>Payables to other lenders</i>	3,038	553	537	519	323	357	5,327
Bank loans and borrowings	4,597	--	--	--	--	--	4,597
Trade payables	341,218	57,496	--	--	--	--	398,714
Derivative financial liabilities							
Hedging derivatives	568	277	277	278	278	278	1,956
Non-hedging derivatives	--	--	--	--	--	--	--
TOTAL	541,911	214,500	163,073	200,685	109,001	85,044	1,314,214

20. Guarantees and commitments

At 31 December 2021 the position of guarantees and commitments was the following:

- CIR & financial holding companies

Contractual indemnity commitments by the parent CIR S.p.A. in relation to the sale of the GEDI group. For more information, see paragraph 25 "Contingent assets (liabilities)".

Commitments for private equity fund investments by CIR International for € 26.9 million.

- Sogefi group

Investment commitments

At 31 December 2021 there are binding commitments for investments relating to purchases of property, plant and equipment of € 801 thousand (€ 1,316 thousand at 31 December 2020).

Guarantees given

Details of these guarantees are as follows:

<i>(in thousands of euro)</i>	<i>31.12.2021</i>	<i>31.12.2020</i>
Guarantees given to third parties	1,346	858
Other unsecured guarantees given to third parties	3,301	3,271
Secured guarantees given for borrowings shown in the financial statements	19,363	556

The sureties given in favour of third parties relate to guarantees given to certain customers by Sogefi Suspensions Heavy Duty Italy S.p.A., and to guarantees given to tax authorities by Sogefi Filtration Ltd; -sureties are shown at the amount of the outstanding commitment as of 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 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 subsidiaries Sogefi Suspensions Eastern Europe S.R.L., Sogefi (Suzhou) Auto Parts Co., Ltd and Sogefi ADM Suspensions Private Limited which, for the loans obtained, have granted to the lenders secured guarantees over their property, plant and equipment and trade receivables.

Other risks

At 31 December 2021 the Sogefi Group held assets belonging to third parties on its premises for € 17,471 thousand (€ 15,319 thousand at 31 December 2020).

- 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 € 28,011 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 € 27,740 thousand;
- a guarantee in favour of the Municipality of Sanremo as a security deposit for urbanisation works, for € 225 thousand.

At 31 December 2021, other commitments and risks amounted to € 7,407 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 € 64 thousand;
- contractual commitments of around € 3,377 thousand.

With regard to the additional current guarantees, it should be noted that the € 100 million mortgage line is guaranteed by mortgages registered on some of the group's properties. In addition, this line is also guaranteed by the assignment to the lending banks of KOS's receivables from the group companies that have benefited from the funding. The corporate loans and bonds are guaranteed by the assignment of amounts due to KOS by subsidiaries, given that KOS lent the proceeds of these 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: the KOS group for the healthcare segment, the Sogefi group for Automotive components.

As shown by the breakdown of revenue by geographical area, provided in the notes to the financial statements regarding revenue (note 12), the business is mainly carried on abroad.

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

<i>(in thousands of euro)</i>	<i>Assets</i>	<i>Investments</i>	<i>Depreciation/amortisation and Impairment losses</i>
Italy	3,883,571	36,245	4,422
Other European countries	1,325,308	65,285	102,907
North America	152,535	19,730	20,712
South America	44,136	1,929	3,220
Asia	208,102	22,908	23,003
Consolidation gains (losses)	(2,284,860)	(367)	68,741
Total	3,328,792	145,730	223,005

22. Joint ventures

The group does not hold any direct investments in joint ventures at 31 December 2021.



23. Net financial position

The net financial position in accordance with Consob communication 6064293 dated 28 July 2006 and communication ESMA32-382-1138 of 4 March 2021, can be analysed as follows:

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
A. Cash	306,489	424,546
B. Cash equivalents	300,448	295,434
C. Other current financial assets	29,950	59,932
D. Cash and cash equivalents (A) + (B) + (C)	636,887	779,912
E. Current financial indebtedness	24,636	124,308
F. Current portion of non-current financial indebtedness	141,991	131,999
G. Current financial indebtedness (E) + (F)	166,627	256,307
H. NET CURRENT FINANCIAL INDEBTEDNESS (G) - (D)	(470,260)	(523,605)
I. Non-current financial indebtedness	1,226,949	1,227,582
J. Debt instruments	173,235	192,843
K. Trade payables and other non-current liabilities	--	--
L. Non-current financial indebtedness (I) + (J) + (K)	1,400,184	1,420,425
M. NET FINANCIAL INDEBTEDNESS (H) + (L)	929,924	896,820

A) item 8.g “Cash and cash equivalents;

B) item 8.f “Other financial assets”;

C) item 8.d “Loan assets” and item 8.e “Securities”;

E) item 8.g “Bank loans and borrowings” and item 11.a “Bonds”;

F) item 11.b “Other loans and borrowings” and item 11.c “Lease liabilities”;

I) item 10.b “Other loans and borrowings” and item 10.c “Lease liabilities”;

J) item 10.a “Bonds”.

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 2021

	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 2010	6,166,680	0.7454	-	-	-	-	6,166,680	0.7454	-	-	-	-	-
Total	6,166,680	0.7454	-	-	-	-	6,166,680	0.7454	-	-	-	-	-

STOCK GRANT PLANS AT 31 DECEMBER 2021

	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	0.5443	-	-	-	-	-	-	-
Stock Grant Plan 2015 for the CEO	2,158,039	0.5443	-	-	2,158,039	0.5443	-	-	-	-	-	-	-
Stock Grant Plan 2016	1,193,280	0.5267	-	-	160,223	0.5267	-	-	1,033,057	0.5267	4.33	1,033,057	0.5267
Stock Grant Plan 2017	2,401,381	0.7144	-	-	217,228	0.7144	1,286,615	0.7144	897,538	0.7144	5.33	897,538	0.7144
Stock Grant Plan 2018	3,518,602	0.4378	-	-	432,855	0.4378	-	-	3,085,747	0.4378	6.33	1,294,692	0.4378
Stock Grant Plan 2019	3,528,772	0.4557	-	-	168,202	0.4557	-	-	3,360,570	0.4557	7.33	493,442	0.4557
Stock Grant Plan 2020	3,640,311	0.4066	-	-	-	-	-	-	3,640,311	0.4066	8.44	-	-
Stock Grant Plan 2021	-	-	3,565,284	0.4025	-	-	-	-	3,565,284	0.4025	9.33	-	-
Total	17,666,577	0.4989	3,565,284	0.4025	4,362,739	0.5381	1,286,615	0.7144	15,582,507	0.4481	7.53	3,718,729	0.5316

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, the fair value of the related option rights is calculated at the allocation date using the binomial model for the measurement of American options called "Cox, Ross and Rubinstein model" for the time-based units and the Montecarlo simulation model for the performance units.

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

- On 29 April 2019 the Shareholders' Meeting approved the 2019 Stock Grant Plan reserved for the Chief Executive Officer and executives and directors 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 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.
- 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.
- On 30 April 2021 the Shareholders' Meeting approved the 2021 Stock Grant Plan reserved for the Chief Executive Officer and executives and directors of the company, the parent and subsidiaries, for a maximum of 5,000,000 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 1/12 of the related total, each of which maturing on a quarterly basis from 30 April 2023 to 31 January 2021. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 1,782,642 time units were assigned during the year, whose maturity is subject to continued service, and 1,782,642 performance units, whose maturity is

subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index.

The notional cost of the plans for 2021 was € 1,462 thousand, recognised in the income statement under "Personnel costs".

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.

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 based on the market value of the shares and 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 April 2021, the Board of Directors implemented the 2021 stock grant plan (approved by Shareholders' Meeting of the same date for a maximum of 1,000,000 units) reserved for employees of the company and its subsidiaries by granting them a total of 897,500 units (of which 292,084 time-based units and 302,708 performance units).

The time-based units mature in quarterly tranches, i.e. 8.33% of the related total, from 30 April 2023 to 31 January 2026.

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 2022 economic-financial objectives specified in the regulation;
- 2) the second tranche will vest from 31 July 2024, depending on achievement of the 2023 economic-financial objectives specified in the regulation;
- 3) the third tranche will vest from 31 July 2025, depending on achievement of the 2024 economic-financial objectives specified in the regulation.

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

- Stock Grant Plan 2012 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 mature in quarterly tranches, i.e. 12.5% of the total, from 20 April 2014 to 31 January 2016.

The performance units were expected to mature 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.

In 2021, 6,328 Units have been exercised.

- Stock Grant Plan 2013 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 were expected to mature in quarterly tranches, i.e. 12.5% of the total, from 20 April 2015 to 31 January 2017.

The performance units were expected to mature 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.

In 2021, 3,615 Units have been exercised.

- Stock Grant Plan 2014 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 were expected to mature in quarterly tranches, i.e. 12.5% of the total, from 20 April 2016 to 20 January 2018.

The performance units were expected to mature 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.

In 2021, 194 Units have been exercised.

- Stock Grant Plan 2015 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 matured in quarterly tranches, i.e. 12.5% of the total, from 20 October 2017 to 20 July 2019.

The performance units were expected to mature 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.

In 2021, 5,083 Units have been exercised.

- Stock Grant Plan 2016 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 were expected to mature in quarterly tranches, i.e. 12.5% of the total, from 27 July 2018 to 27 April 2020.

The performance units were expected to mature 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.

In 2021, 1,875 Units have been exercised.

- Stock Grant Plan 2017 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 were expected to mature in quarterly tranches, i.e. 12.5% of the total, from 26 July 2019 to 26 April 2021.

The performance units were expected to mature 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.

In 2021, 19,652 Units have been exercised and 107,366 Units have lapsed in accordance with the regulation.

- Stock Grant Plan 2018 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 mature in quarterly tranches, i.e. 12.5% of the related total, from 23 July 2020 to 23 April 2022.

The performance units will 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.

In 2021, 37,309 Units have been exercised and 22,812 Units have lapsed in accordance with the regulation.

- Stock Grant Plan 2019 reserved for the employees of the Company and its subsidiaries, by assigning them a total of 469,577 units (of which 213,866 time-based units and 255,711 performance units).

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

The performance units will 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.

In 2021, 26,403 Units have been exercised and 99,855 Units have lapsed in accordance with the regulation.

- Stock Grant Plan 2020 reserved for the employees of the Company and its subsidiaries, by assigning them a total of 790,000 units (of which 235,000 time-based units and 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.

KOS

KOS S.p.A. has some stock option plans outstanding, 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 mandate.

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 2021

	Options in circulation at the start of the 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		Expiry of options	
	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	1,414,583	2.65	--	--	--	--	--	--	1,414,583	2.65	11.40	1,414,583	2.65	31/12/2014	17/05/2033
Stock Option Plan '16	1,206,000	7.25	--	--	--	--	--	--	1,206,000	7.50	11.40	723,600	7.50	17/05/2023	17/05/2033
Total	2,620,583	4.77	--	--	--	--	--	--	2,620,583	4.88	11.40	2,138,183	4.29		

25. Contingent assets/liabilities

Contingent liabilities

Certain group companies have legal disputes pending, against which their Boards have set aside risk accruals 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 hearing before the Lombardy Regional Tax Commission was held on 10 December 2021. On 9 February 2022, with sentence no. 395/2022, the Lombardy Regional Tax Commission confirmed, also in the referral, the previous judgement in favour of the company passed in 2014. The terms for any (further) appeal by the Tax Authorities will expire on 9 September 2022, subject to the decision by the company to notify the sentence (in which case the shorter term of 60 days from the notification would run).

The ruling of 9 February 2022 strengthens the conclusion that the company's position is supported by valid reasons. 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 2021, 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 recorded any tax provisions for contingent liabilities in the financial statements at 31 December 2021.

Parent CIR S.p.A.

As is generally known, on 23 April 2020 CIR S.p.A. ("CIR") finalized the sale to Giano Holding S.p.A. ("Giano"), a vehicle wholly owned at the time by EXOR N.V. ("EXOR"), of its investment in GEDI ("GEDI"), equal to 43.78% of the latter's share capital in execution of the agreement reached on 2 December 2019 (the "Sale"). In execution of this agreement, on 13 July 2020 CIR indirectly reinvested in GEDI by purchasing from EXOR a 5% stake in the share capital of Giano, which in the meantime had become the owner of the entire capital of GEDI. As a result of the absorption of Giano by GEDI, CIR now owns a 5.19% stake in the share capital of GEDI.

As part of the Sale, CIR granted the buyer Giano (and as a consequence of the merger with GEDI as the absorbing company) a specific guarantee, accompanied by a special indemnity, which pertains to the proceedings described below (the "Proceedings"). By virtue of this contractual provision, CIR is required to indemnify GEDI for a portion equal to 38.6% of certain liabilities if incurred by GEDI in the future as a result of the Proceedings. The indemnity obligation is subject to a minimum absolute excess limit set at € 1.3 million and a ceiling of € 13.3 million, as a result of which the economic liability that CIR could face in the event of activation of the guarantee is € 12.0 million (the "Indemnity Obligation").

With reference to the Proceedings, on 21 March 2018 GEDI became aware of the existence of criminal proceedings for the hypothesis of a crime envisaged by art. 640, paragraph 2, no. 1 against those who at the time of the events held the role of Chief Executive Officer, Central Manager of Human Resources and General Manager of the National Press, as well as for the offence referred to in art. 24 of Legislative Decree 231/2001 versus GEDI itself and its subsidiaries A. Manzoni & C. S.p.A., Elemedia S.p.A., Gedi News Network S.p.A. and Gedi Printing S.p.A. (the "Companies"). The investigation conducted by the Rome Public Prosecutor's Office concerned an alleged fraud against INPS in relation to an allegedly irregular access to State redundancy payments (CIGS) by some employees wanting to obtain early retirement as provided for by Law 416/81.

On 20 December 2021, the Companies received notification of a preventive seizure decree, issued on 9 December 2021 by the Investigating Magistrate at the Court of Rome, to confiscate a total sum of € 38.9 million, as the alleged profit obtained by the Companies in correlation with their alleged responsibility pursuant to Legislative Decree 231 of 2001 for the facts under investigation.

To the best of CIR's knowledge, the Proceedings are still in the preliminary investigation phase. At present, therefore, there are no natural and/or legal persons whose indictment has been requested, as the Public Prosecutor has not yet made any decision regarding the outcome of the investigations currently underway. In the event of a possible conclusion of the investigations with the request for indictment of natural and/or legal persons, the documents will be sent to the judge of the preliminary hearing for an assessment whether there are the conditions to initiate a debate and therefore, if this assessment has a positive outcome, for the start of legal proceedings.

If the trial has an adverse outcome, in addition to confiscation of the alleged illicit profit, the Companies could be condemned pursuant to Legislative Decree no. 231 of 2001 also to payment of fines.

In the context of the Proceedings, various different episodes are disputed, the outcome of which could have varied results depending on the situation. Without prejudice to GEDI's awareness of having always acted in compliance with current legislation, CIR, also on the basis of authoritative legal opinions, is of the opinion that at present, both in consideration of the state of the Proceedings and the subject of the same, it is not easy to formulate forecasts on its outcome, having regard both to the prospects of payment of the alleged illegal profit, and to the application of the fines against the Companies. So, at present it is impossible to determine the degree of risk that CIR is required to indemnify GEDI, pursuant to the Indemnity Obligation, nor is it possible to quantify this risk. On the other hand, it cannot be ruled out that, should the outcome of the Proceedings be adverse, CIR may in the future be called upon to indemnify GEDI up to a maximum of € 12 million.

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 auditing and non-audit services rendered by KPMG S.p.A. and by other firms belonging to its network:

(in thousands of euro)	2021
<i>Parent:</i>	
a) from the independent auditors, for auditing services	167
b) from the independent auditors:	
- for other services	10
c) by network partners of the independent auditors for other services	--
<i>Subsidiaries:</i>	
a) from the independent auditors, for auditing services	2.056
b) from the independent auditors:	
- for other services	94
c) by network partners of the independent auditors for other services	18

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).

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No significant events occurred after the end of the 2021 financial year. Please refer to the next paragraph for the potential impacts related to the conflict between Russian-Ukraine.

OUTLOOK

Taking into account of ongoing uncertainty about how the pandemic will evolve and the geopolitical situation as a result of the Russian-Ukraine crisis, visibility on the performance of the Group's activities in the coming months remains lower than it usually is.

As regards **KOS**, thanks to vaccines and the absence of new critical issues related to the pandemic, it is expected that the return to pre-Covid levels of activity may occur for Rehabilitation and Acute services during the current year; for the residential care homes in Italy and Germany, on the other hand, the time needed to return to full occupancy is expected to be structurally longer, at least until 2023. With regard to the activities in Italy, a higher incidence of costs is also expected to persist, even when fully operational, with respect to 2019, due to contract renewals and cost inflation in general, to an extent that does not compromise the profitability of the business model.

As for the automotive market, before the Ukraine crisis, IHS estimated a recovery in world production in volumes of +8.5% in 2022 compared with 2021, but still lower than in 2019 (-6.8%). In contrast to this recovery, since 2021 there has been an unprecedented increase in raw material prices in terms of amount and duration. It is difficult to make forecasts on how this situation will evolve, but it seems to be persisting in the first part of this year. In this scenario, Sogefi expects to achieve operating profitability for the whole of 2022 substantially in line with in 2021 (excluding non-recurring charges), thanks to the incisive action taken to reduce fixed costs and structurally improve profitability; and as regards Suspensions in particular, the new plant in Romania gradually coming up to speed. However,

the Russia-Ukraine crisis, to which Sogefi is not directly exposed as it is not present in either of the two countries, could affect the automotive sector in terms of both demand and supply chain, but it is not yet possible to foresee the impact it might have.

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

During 2021, 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 June 2021, the Company updated its Procedure on Related Party Transactions (the "Procedure"), in compliance with the new "Regulation containing provisions on related party transactions" issued with Resolution 17221 of 12 March 2010 provided for by Resolution 21624 of 10 December 2020. This procedure is published on the Company's website www.cirgroup.it in the "Governance" section.

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 such Transactions;
- 4) establishes ways to ensure compliance with the related disclosure requirements.

The procedure envisages, among other things, the functions of the Related Party Transactions Committee, previously established by the Board of Directors. Functions and operating methods of the Related Party Transactions Committee are also governed by its internal regulations.

The parties defined as such by the international accounting standards currently in force have been identified as related parties, which at the reporting date include (i) the ultimate parent of CIR S.p.A., its subsidiaries, also joint ventures, and its associates, (ii) the subsidiary entities (whose relationships are eliminated in the consolidation process), jointly controlled and the associated entities of COFIDE S.p.A. (iii) the persons who have control, joint control, who have significant influence or are individuals with strategic responsibilities of the Company, as well as their close family members and any companies directly or indirectly controlled by them or subject to joint control or significant influence.

The Transactions currently in place, "not exempt" pursuant to art. 4.1 of the Procedure, are both of Lesser Importance pursuant to the Procedure and concern: i) the donation of € 300,000 to the Fondazione Ing. Rodolfo De Benedetti; ii) the rent of a property owned by the Company to a Related Party (a natural person), with a contract lasting 6+6 years.

We also point out the other Transactions that are "exempt" pursuant to art. 4.1 of the Procedure: i) the rent of a property owned by CIR S.p.A. to a company controlled by a natural person who is a Related Party (exempt as a Transaction of Negligible Amount), ii) contracts with subsidiaries of the CIR Group as counterparties (and as such "exempt"), or intercompany service, rent and financing contracts, and the tax consolidation contract.

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

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	<i>Costs for services</i>	<i>Other operating income</i>	<i>Other operating expense</i>
Parents	--	--	--
Subsidiaries	--	--	--
Associates	--	--	--
Joint ventures	--	--	--
Other related parties	--	164	300
Total	--	164	300

STATEMENT OF FINANCIAL POSITION

(in thousands of euro)	<i>Trade receivables (current assets)</i>	<i>Other receivables (current assets)</i>
Parents	--	--
Subsidiaries	--	--
Associates	--	133
Joint ventures	--	--
Other related parties	--	--
Total	--	133

Certification of the Consolidated Financial Statements pursuant to art. 154-bis, para. 3 and 4, Legislative Decree 58/1998

1. The undersigned, Monica Mondardini, the Chief Executive Officer, and Michele Cavigioli, the executive responsible for the preparation of the consolidated financial statements 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:
 - the appropriateness, in relation to the characteristics of the business, and
 - the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2021.
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 Community 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.

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, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, 11 March 2022

Monica Mondardini
Chief Executive Officer

Michele Cavigioli
Executive responsible for the preparation of the
company's financial statements

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	31.12.2021	31.12.2020
NON-CURRENT ASSETS		679,785,315	648,842,657
INTANGIBLE ASSETS	(3.a.)	91,624	42,527
PROPERTY, PLANT AND EQUIPMENT	(3.b.)	5,447,253	5,687,000
INVESTMENT PROPERTY	(3.c.)	11,573,207	12,993,560
RIGHT-OF-USE ASSETS	(3.d.)	76,379	20,410
EQUITY INVESTMENTS	(3.e.)	587,761,792	587,782,980
OTHER ASSETS	(3.f.)	45,005,797	9,131,863
of which with related parties (*)		43,485,158	7,653,843
OTHER FINANCIAL ASSETS	(3.g.)	27,976,627	32,467,934
DEFERRED TAX ASSETS	(3.h.)	1,852,636	716,383
CURRENT ASSETS		23,892,200	138,159,026
OTHER ASSETS	(4.a.)	9,406,702	86,296,351
of which with related parties (*)		2,440,586	72,857,966
SECURITIES	(4.b.)	4,196,048	13,950,562
CASH AND CASH EQUIVALENTS	(4.c.)	10,289,450	37,912,113
TOTAL ASSETS		703,677,515	787,001,683
LIABILITIES		31.12.2021	31.12.2020
EQUITY		694,344,198	770,919,909
SHARE CAPITAL	(5.a.)	638,603,657	638,603,657
RESERVES	(5.b.)	36,497,012	67,735,044
RETAINED EARNINGS	(5.c.)	17,158,030	61,950,158
PROFIT FOR THE YEAR		2,085,499	2,631,050
NON-CURRENT LIABILITIES		2,459,480	2,259,702
LEASE LIABILITIES	(6.a.)	49,932	12,445
OTHER LIABILITIES	(6.b.)	282,000	316,582
DEFERRED TAX LIABILITIES	(3.h.)	86,290	70,786
EMPLOYEE BENEFIT OBLIGATIONS	(6.c.)	2,041,258	1,859,889
CURRENT LIABILITIES		6,873,837	13,822,072
BANK LOANS AND BORROWINGS	(4.c.)	--	--
LEASE LIABILITIES	(7.a.)	16,683	8,123
OTHER LIABILITIES	(7.b.)	6,857,154	8,862,850
of which with related parties (*)		2,973,614	4,560,379
PROVISIONS FOR RISKS AND CHARGES	(7.c.)	--	4,951,099
TOTAL LIABILITIES AND EQUITY		703,677,515	787,001,683

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

2. Income statement

(in euro)

	Notes	2021	2020
SUNDRY REVENUE AND INCOME	(8)	6,915,739	2,282,643
<i>of which with related parties (*)</i>		735,793	1,057,552
COSTS FOR SERVICES	(9)	(6,413,683)	(7,238,871)
<i>of which with related parties (*)</i>		(12,000)	(5,548)
PERSONNEL EXPENSE	(10)	(4,051,090)	(5,041,256)
OTHER OPERATING EXPENSE	(11)	(2,433,838)	(1,783,714)
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES		(1,803,197)	(1,155,908)
OPERATING PROFIT (LOSS)		(7,786,069)	(12,937,106)
FINANCIAL INCOME	(12)	1,458,604	763,872
<i>of which with related parties (*)</i>		740,484	697,016
FINANCIAL EXPENSE	(13)	(13,490)	(1,365,675)
DIVIDENDS	(14)	2,000,895	6,000,000
<i>of which with related parties (*)</i>		2,000,895	6,000,000
GAINS FROM SECURITIES TRADING	(15)	6,067,654	--
LOSSES FROM SECURITIES TRADING	(16)	(1,030,427)	(23,641)
NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	(17)	(173,280)	3,470,292
PROFIT (LOSS) BEFORE TAXES		523,887	(4,092,258)
INCOME TAXES	(18)	1,561,612	1,617,051
PROFIT (LOSS) FROM CONTINUING OPERATIONS		2,085,499	(2,475,207)
PROFIT FROM DISCONTINUED OPERATIONS	(19)	--	5,106,257
PROFIT FOR THE YEAR		2,085,499	2,631,050
BASIC EARNINGS PER SHARE (in euro)	(20)	0.0018	0.0022
DILUTED EARNINGS PER SHARE (in euro)	(20)	0.0017	0.0022
BASIC LOSS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)	(20)	0.0018	(0.0021)
DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)	(20)	0.0017	(0.0021)

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

3. Statement of comprehensive income

(in euro)

	2021	2020
PROFIT FOR THE YEAR	2,085,499	2,631,050
OTHER COMPREHENSIVE INCOME	--	--
TOTAL COMPREHENSIVE INCOME (EXPENSE)	2,085,499	2,631,050

4. Statement of cash flows

(in euro)

	2021	2020
OPERATING ACTIVITIES		
PROFIT FOR THE YEAR	2,085,499	2,631,050
OTHER NON-MONETARY CHANGES FOR DISCONTINUED OPERATIONS	--	(5,106,257)
ADJUSTMENTS:		
INCOME TAXES IN THE INCOME STATEMENT	(1,561,612)	(1,617,051)
NET FINANCIAL INCOME AND EXPENSE	(743,557)	(598,216)
DIVIDENDS	(2,000,895)	(6,000,000)
LOSSES (GAINS) ON SALE OF SECURITIES	(5,037,227)	23,641
PROFIT (LOSS) FOR THE YEAR BEFORE INCOME TAXES, INTEREST, DIVIDENDS AND GAINS/LOSSES ON DISPOSAL	(7,257,792)	(10,666,833)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	1,803,197	1,155,908
NOTIONAL COST OF SHARE-BASED PAYMENT PLAN	1,461,966	1,515,643
PROVISION FOR EMPLOYEE BENEFIT OBLIGATIONS	290,870	172,815
FAIR VALUE LOSSES ON FINANCIAL ASSETS	(507,019)	(2,499,392)
PROVISIONS FOR RISKS AND CHARGES	(4,951,099)	--
OTHER NON-MONETARY CHANGES	948,042	--
CHANGES IN OPERATING ASSETS AND LIABILITIES	(913,217)	(511,247)
<i>of which with related parties</i>	(642,055)	1,490,030
RECEIPTS (PAYMENTS) OF INCOME TAX	864,627	2,611,366
<i>of which with related parties</i>	864,627	2,611,366
INTEREST PAID	4,175	(11,648)
DIVIDENDS RECEIVED	2,000,895	6,000,000
<i>of which with related parties</i>	2,000,895	6,000,000
CASH FLOWS FROM OPERATING ACTIVITIES	(6,255,355)	(2,233,388)
INVESTING ACTIVITIES		
SALE OF CURRENT SECURITIES	16,084,188	--
REIMBURSEMENT (PAYMENT) OF LOANS TO SUBSIDIARIES	34,387,272	(7,596,004)
SALE (PURCHASE) OF NON-CURRENT ASSETS	3,557,330	(23,018,844)
CASH FLOWS USED IN INVESTING ACTIVITIES	54,028,790	(30,614,848)
FINANCING ACTIVITIES		
POST-EMPLOYMENT BENEFITS PAID	(274,501)	(70,816)
REPAYMENT OF OTHER LOANS AND BORROWINGS	--	(35,866,938)
PAYMENT OF LEASE LIABILITIES	(33,481)	(167,662)
PURCHASE OF TREASURY SHARES	(80,137,254)	--
DIVIDENDS PAID	--	--
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	(80,445,236)	(36,105,416)
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS OF CONTINUING OPERATIONS	(32,671,801)	(68,953,652)
CASH FLOWS FROM ASSETS HELD FOR SALE	5,049,138	102,444,408
EFFECT OF THE MERGER ON CASH & CASH EQUIVALENTS	--	3,184,806
OPENING NET CASH & CASH EQUIVALENTS	37,912,113	1,236,551
CLOSING NET CASH & CASH EQUIVALENTS	10,289,450	37,912,113

5. Statement of changes in equity

(in euro)

	Share capital/ issued	Share premium	Legal reserve	Statutory reserve	Stock grant reserve	Non-distributable reserve as per art. 6 Leg. Decree 38/2005	Other Reserves	Retained earnings	Profit (loss) for the year	Total
BALANCE AT 31 DECEMBER 2019	359,604,959	5,044,115	24,846,159	--	--	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	--	--	--	--	--	--	--	--	--	--
<i>Total comprehensive income (expense)</i>	--	--	--	--	--	--	--	--	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	--	--	--	--	--	(75,076,337)	--	--	203,922,361
Fair value gains (losses) on treasury shares	--	--	--	--	--	--	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	5,044,115	25,516,447	--	1,480,649	2,648,078	33,045,755	61,950,158	2,631,050	770,919,909
Profit for the year	--	--	--	--	--	--	--	--	2,085,499	2,085,499
Other comprehensive income	--	--	--	--	--	--	--	--	--	--
<i>Total comprehensive income (expense)</i>	--	--	--	--	--	--	--	--	2,085,499	2,085,499
Allocation of the profit of the previous year	--	--	--	--	--	--	--	2,631,050	(2,631,050)	--
Fair value gains (losses) on treasury shares	--	--	--	--	--	--	(33,045,755)	(47,091,499)	--	(80,137,254)
Notional cost of share-based payment plan	--	--	--	--	1,461,966	--	--	--	--	1,461,966
Unclaimed dividends	--	--	--	14,078	--	--	--	--	--	14,078
Reclassifications	--	--	--	--	(232,113)	563,792	--	(331,679)	--	--
BALANCE AT 31 DECEMBER 2021	638,603,657	5,044,115	25,516,447	14,078	2,710,502	3,211,870	--	17,158,030	2,085,499	694,344,198



Notes to the separate financial statements

1. Basis of preparation and accounting policies

These financial statements, prepared on the basis of the going-concern principle, have been drawn 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, taking into account that, on the basis of the most recent forecasts prepared by the management, over a minimum time horizon of 12 months the company has sufficient liquidity to operate and meet its commitments, in addition it does not have outstanding loan agreements.

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 CIR and of the two industrial groups, which have taken action to mitigate these uncertainties as much as possible.

These financial statements have been prepared on the historical cost basis applicable to going concerns, except for the measurement of certain financial assets and liabilities and derivative instruments that must be stated at fair value.

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 suspense 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 period.

Note that, for a better presentation, the investment in GEDI Gruppo Editoriale S.p.A. has been reclassified from item 3.e in the statement of financial position at 31 December 2020 "Equity investments" to item 3.g. "Other financial assets" of non-current assets for an amount of € 11,700 thousand.

Lastly, starting from these financial statements, the share capital of the parent CIR S.p.A. is shown in the "Statement of financial position" and in the "Statement of changes in shareholders' equity", gross and no longer net of treasury shares in portfolio.

The Company's financial statements are accompanied by the Directors' Report on Operations to which reference for the nature of the business of the company, significant events occurring after the end of the year and relations with related parties and the outlook for operations.

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. Please refer to the paragraph "Adoption of new accounting standards, interpretations and amendments" for an explanation of the standards that came into force for the first time on 1 January 2021.

The figures in the financial statements are in euro, whereas those in the explanatory notes are in thousands of euro. The euro is the Company's "functional" and "presentation" currency in accordance with the provisions of IAS 21.

Events after the reporting date

No significant events have occurred after the end of 2021.



Outlook for operations

Based on the information available to date, as regards operating costs, results are not expected to be significantly different from those achieved in 2021; with regard to the financial assets held by the Company, and indirectly by the financial holding companies CIR Investimenti S.p.A. and CIR International SA, although they are largely represented by low volatility investments, it is not easy to make forecasts about their returns, especially in the presence of macro-economic and geopolitical uncertainties that characterise financial markets at present. The risks to which the Company is exposed must also be taken into consideration, as described in paragraph 26. "Other information" of the explanatory notes to the consolidated financial statements.

In accordance with paragraph 17 of IAS 10, the financial statements were approved for publication by the Company's Board of Directors on 11 March 2022.

The Shareholders' Meeting has the power to make changes to the financial statements.

The financial reporting standards applied in preparing the financial statements at 31 December 2021 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 life are measured at purchase or production cost, net of amortisation and accumulated impairment losses. Intangible assets are recorded initially at acquisition 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 purchase cost is the equivalent price in cash on 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 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 recorded net of amortisation and any accumulated impairment losses.

1.b. Property, plant and equipment

Property, plant and equipment are recognised at the purchase price 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 usable.

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.

Property and land not held for business purposes according to the objects of Group companies are classified in a specific asset item and recorded in the accounts on the basis of IAS 40 "Investment property" (see paragraph 1.c. below).

If events suggest that an asset has suffered a permanent loss of value, the carrying amount is verified by comparing it with 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 the income statement.

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 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: 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.

1.d. Rights -of- use assets

IFRS 16 provides a new definition of a lease and introduces a right-of-use criterion for assets to distinguish leasing contracts from service contracts in the following ways: identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from its use and the right to manage use of the asset underlying the contract.

The standard establishes a single model for the recognition and measurement of leasing contracts by the lessee, whereby all leased assets (including those held under operating leases) must be recognised as assets with a matching financial payable. As exceptions, contracts for low-value assets and those with a duration of 12 months or less need not be recognised as leases.

The Company classifies right-of-use assets that do not satisfy 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 on 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 impairment losses, and adjusted to reflect any increase in the lease liability.

The Company measures the lease liability at the present value of the lease payments not paid on the commencement date, discounting them at its incremental borrowing rate. The lease liability is subsequently increased by the interest that accrues on this liability and decreased by the lease payments made; it is also revalued in the event of a change in future lease payments deriving from a change in the index or rate used, in the event of change in the amount that the Company expects to pay as a guarantee on the residual value or when the Company changes its assessment depending on whether or not it exercises a purchase, extension or cancellation option.



1.e. Equity investments in subsidiary and associated companies

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 losses. 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 restored through the income statement up to the limit of its cost.

1.f. Impairment losses on assets

At least once a year the Company verifies 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. 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 estimated 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 of money for the period of the investment and the specific risks of the business. A reduction in value 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 restoration of an impairment loss is charged immediately to the income statement.

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 taxes

Current taxes are recorded 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 credits due to it.

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 taking part in the national tax consolidation, 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 transfers its result for fiscal purposes to the consolidating company (either taxable income or a tax loss). The Company recognises a receivable 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 payable equal to the IRES on the portion of the loss compensated at group level.

1.i. Equity

The ordinary shares are shown without par value. 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 outlay. 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 fulfil 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 outlay 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 extinguish the obligation, calculated at a risk-free nominal rate.

The notes to the 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 fulfilment 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 severance indemnities (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 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.

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 costs" 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 Group's reporting 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 on the date of the transaction.

At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on that date.

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate ruling on the date of the transaction.

Non-monetary items recognised at fair value are translated at the exchange rate ruling on 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 their 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, the equity investments are subject to impairment tests annually in order to ascertain whether there is any impairment, which has to be recognised through a write-down. 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 2021:

The following standards, amendments and interpretations were applied for the first time by the group with effect from 1 January 2021:

- **Amendment to IFRS 4 “Insurance Contracts”** (published on 25 June 2020). At 31 December 2021, this amendment did not have any impact on the Company's financial statements.
- **Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform” (stage 2 – published on 27 August 2020)**. At 31 December 2021, this amendment did not have any impact on the Company's financial statements.
- **Amendment to IFRS 16 “Leases Covid 19-Related Rent Concessions”** (published on 31 March 2021). The document provides for lessees the right to account for the reduction in rents related to Covid-19 without having to assess, through the analysis of the contracts, whether the definition of lease modification of IFRS 16 is respected. At 31 December 2021, this amendment did not have any impact on the Company's financial statements.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet mandatory and not adopted early by the Company at 31 December 2021:

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

- *Annual improvements to IFRS (Cycle 2018–2020)* (*Amendments* to IFRS 1, IFRS 9, IFRS 16 and IAS 41) (published on 14 May 2020). The amendments are effective from 1 January 2022.
- *Onerous contracts—Cost of fulfilling a contract* (*Amendments* to IAS 37) (published on 14 May 2020). The amendments are effective from 1 January 2022.
- *Property, plant and equipment; proceeds before intended use* (*Amendments* to IAS 16) (published on 14 May 2020). The amendments are effective from 1 January 2022.
- *Reference to the Conceptual Framework* (*Amendments* to IFRS 3) (published on 14 May 2020). The amendments are effective from 1 January 2022.
- Standard IFRS 17 “Insurance Contracts” and related amendments (published on 18 May 2017 and on 25 June 2020 respectively). The amendments are effective from 1 January 2023.

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.

- **Amendment to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current” and “Deferral effective date”** (published on 23 January 2020 and on 15 July 2020 respectively). The amendments are effective from 1 January 2023.
- **Amendment to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimate”** (published on 12 February 2021). The amendments are effective from 1 January 2023.
- **Amendment to IAS 1 “Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies”** (published on 12 February 2021). The amendments are effective from 1 January 2023.
- **Amendment to IAS 12 “Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”** (published on 7 May 2021). The amendments are effective from 1 January 2023.
- **Amendment to IFRS 17 “Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Disclosure”** (published on 9 December 2021). 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 application), 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. Losses due to impairment 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 valued 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 in the other components of the statement of comprehensive income (FVTOCI) - debt security; FVTOCI - equity security; or at fair value recognised in 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 is 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 FVTOCI 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 valued at amortised cost or at FVTOCI, as indicated above, are valued at FVTPL. At the time of initial recognition, the Company can irrevocably designate the financial asset as valued 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 FVTOCI. The company chose to book 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 valued at FVTPL.

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

Financial assets valued at amortised cost are subsequently valued 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 valued at amortised cost.

Derecognition - Financial assets and liabilities

Financial assets are eliminated from the financial statements (or "derecognised") 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, the transferred assets are not derecognised.

The company proceeds with derecognition of a financial liability when the obligation specified in the contract has been fulfilled 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 provisions for expected losses on receivables relating to:

- financial assets valued at amortised cost;
- assets deriving from contracts.



The company assesses the provisions 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 balance sheet 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.

Provisions for impairment losses on trade receivables and assets deriving from contracts are always assessed at an amount equal to the expected losses throughout the life of the receivable.

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 receivables deriving from all possible defaults during the entire estimated life of a financial instrument.

Expected losses on receivables at 12 months are the losses expected on receivables deriving from possible defaults within 12 months of the year-end (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 balance sheet 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 Company 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.

Provisions for impairment losses on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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 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 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 company 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 Company 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 cannot 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.

Statement of financial position

3. Non-current assets

3.a. Intangible assets

2020	Opening position			Movements during the year					Closing position		
	Original cost	Accumulated amortisation and impairment losses	Balance at 31.12.2019	Acquisitions	Merger	Disposals accum. cost	Disposals amort.	Amortisation and impairment losses	Original cost	Accumulated amortisation and impairment losses	Balance at 31.12.2020
(in thousands of euro)											
Trademarks and software	--	--	--	17	72	--	--	(62)	1,035	(1,008)	27
Assets under construction and payments on account	--	--	--	15	--	--	--	--	15	--	15
Total	--	--	--	32	72	--	--	(62)	1,050	(1,008)	42

2021	Opening position			Movements during the year					Closing position		
	Original cost	Accumulated amortisation and impairment losses	Balance at 31.12.2020	Acquisitions	Reclassifications	Disposals accum. cost	Disposals amort.	Amortisation and impairment losses	Original cost	Accumulated amortisation and impairment losses	Balance at 31.12.2021
(in thousands of euro)											
Trademarks and software	1,035	(1,008)	27	77	15	--	--	(27)	1,127	(1,035)	92
Assets under construction and payments on account	15	--	15	--	(15)	--	--	--	--	--	--
Total	1,050	(1,008)	42	77	--	--	--	(27)	1,127	(1,035)	92

AMORTISATION RATES

Amortisation	%
Trademarks and software	5-30 %

3.b. Property, plant and equipment

2020	Opening position			Movements during the year				Closing position		
	Original cost	Accumulated depreciation and impairment losses	Balance at 31.12.2019	Acquisitions	Reclassifications	Disposals	Depreciation and impairment losses	Original cost	Accumulated depreciation and impairment losses	Balance at 31.12.2020
(in thousands of euro)										
Land	--	--	--	--	723	--	--	723	--	723
Buildings	1,316	(1,104)	212	436	3,800	--	--	9,790	(5,505)	4,285
Plant and machinery	60	(60)	--	56	151	(4)	2	1,327	(1,186)	141
Other assets	568	(560)	8	28	606	(7)	3	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	16,278	(10,591)	5,687
2021	Opening position			Movements during the year				Closing position		
	Original cost	Accumulated depreciation and impairment losses	Balance at 31.12.2020	Acquisitions	Reclassifications	Disposals	Depreciation and impairment losses	Original cost	Accumulated depreciation and impairment losses	Balance at 31.12.2021
(in thousands of euro)										
Land	723	--	723	--	--	--	--	723	--	723
Buildings	9,790	(5,505)	4,285	23	--	--	--	9,813	(5,675)	4,138
Plant and machinery	1,327	(1,186)	141	46	--	--	--	1,373	(1,251)	122
Other assets	4,420	(3,900)	520	10	--	(22)	22	4,408	(3,962)	446
Assets under construction and payments on account	18	--	18	--	--	--	--	18	--	18
Total	16,278	(10,591)	5,687	79	--	(22)	22	16,335	(10,888)	5,447

Property, plant and equipment went from € 5,687 thousand at 31 December 2020 to € 5,447 thousand at 31 December 2021, mainly due to depreciation.

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

2020	Opening position		Movements during the year				Closing position	
	Original cost	Accumulated depreciation and impairment losses	Balance 31.12.2019	Acquisitions	Merger	Disposals cost	Depreciation and impairment losses	Original cost
(in thousands of euro)						accum. depr.		Accumulated depreciation and impairment losses
	854	(2)	852	--	12,725	--	(583)	21,527
								12,994

2021	Opening position		Movements during the year				Closing position	
	Original cost	Accumulated depreciation and impairment losses	Balance 31.12.2020	Acquisitions	Reclassifications	Disposals cost	Depreciation and impairment losses	Original cost
(in thousands of euro)						accum. depr.		Accumulated depreciation and impairment losses
	21,527	(8,533)	12,994	14	--	--	(1,435)	21,541
								11,573

Investment property has increased from € 12,994 thousand at 31 December 2020 to € 11,573 thousand at 31 December 2021. The decrease is essentially due to depreciation and impairment losses for the period.

The item includes "Land" for € 1,238 thousand.

The market value based on sector operator estimates is considerably higher than the carrying amount.

DEPRECIATION RATES

Description	%
Investment property	3.00 %

3.d. Rights -of -use assets

2020	Opening position			Movements during the year				Closing position	
	Original cost	Accumulated depreciation and impairment losses	Balance 31.12.2020	Acquisitions	Reclassifications	Disposals	Depreciation and impairment losses	Original cost	Accumulated depreciation and impairment losses
(in thousands of euro)									
Buildings	20	(20)	--	20	--	--	(10)	40	(30)
Other assets	160	(140)	20	59	--	(140)	(12)	79	(13)
Total	180	(160)	20	79	--	(140)	(22)	119	(43)
									76

The right-of-use assets amount to € 76 thousand at 31 December 2021. During the year there were increases for € 79 thousand, sales for € 1 thousand and depreciation for € 22 thousand.

3.e. Equity investments

A list of equity investments, including changes in the respective carrying amounts during the year, is shown below:

	OPENING POSITION		MOVEMENTS DURING THE YEAR					CLOSING POSITION	
	31.12.2020		Decreases		Increases		Impairment losses/ Revaluations Reversals	31.12.2021	
	no. shares	amount	no. of shares	amount	no. of shares	amount	amount	no. shares	amount
Subsidiaries									
SOGEFI S.p.A.	66,788,988	108,957	--	--	42,000	54	--	66,830,988	109,011
KOS S.p.A.	53,205,051	175,787	--	--	--	--	--	53,205,051	175,787
CIR INVESTIMENTI S.p.A.	19,426,162	204,293	--	--	--	--	--	19,426,162	204,293
CIR INTERNATIONAL S.A.	1,500,000	98,133	--	--	--	--	--	1,500,000	98,133
NEXENTI ADVISORY S.r.l.	100,000	287	(100,000)	(287)	--	--	--	--	--
CIGA LUXEMBOURG S.A.R.L.	1,000	200	--	--	--	--	(75)	1,000	125
NEXENTI S.r.l.	50,000	126	(50,000)	(126)	--	--	--	--	--
JUPITER MARKETPLACE S.r.l.	--	--	--	--	100,000	413	--	100,000	413
Total subsidiaries		587,783		(413)		467	(75)		587,762
Other companies									
C IDC S.p.A. (in liquidation and in composition with creditors)	2,462,638	--	--	--	--	--	--	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	--
Total other companies		--		--		--	--		--
Total equity investments		587,783		(413)		467	(75)		587,762

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31 DECEMBER 2021 (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	276,835	69,861	55.64	(*) 109,011
CIR INVESTIMENTI S.p.A.	Milan	19,426	200,828	1,372	100.00	204,293
CIR INTERNATIONAL S.A.	Luxembourg	15,000	72,873	1,413	100.00	98,133
KOS S.p.A.	Milan	8,853	145,058	(2,749)	59.77	175,783
CIGA LUXEMBOURG S.A.r.l.	Luxembourg	1,000	125	(74)	100.00	125
JUPITER MARKETPLACE S.r.l.	Milan	100	414	2	100.00	413

(*) 56.59% of voting rights

The balance of "Equity investments" has passed from € 587,783 thousand at 31 December 2020 to € 587,762 thousand at 31 December 2021.

As required by IFRS the investments were subjected to an impairment test 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 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 value 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 ("*Operating Free Cash Flow*")

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 10-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 equities and bonds on mature financial markets (Source: Fernandez/Duff & Phelps);
- 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)
- Levered Beta: determined with reference to the Beta of comparable companies in the of the healthcare and automotive sectors;
- cost of debt: 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;

The recoverable value of the other equity investments, principally CIR Investments and CIR International and other non-controlling investments, 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: (i) the current price traded on an active market; (ii) prices for similar transactions executed previously; (iii) the estimated price based on information obtained by the company. In the case of the two financial holding companies CIR Investimenti and CIR International, the fair value less costs to dispose was determined on the basis of the value of the respective consolidated shareholders' equity, as it represented the market value of all financial assets and liabilities which, in accordance with the accounting standards, are recognised in the consolidated financial statements at fair value.

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 minor equity investments held by CIR S.p.A., checks on the recoverability of their carrying amounts identified the need for impairment adjustments totalling € 75 thousand related to CIGA LUXEMBOURG S.A.r.l.

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 with reference to 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 2022-2025 plan (adjusted to exclude the estimate benefits from future projects and reorganisations) approved by the Board of Directors on 21 January 2022. The terminal value was calculated using the perpetuity growth model, applying 2.78% growth (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 8.71%, calculated through the weighted average parameters composing WACC for each country in which the Sogefi group operates.

In determining the discount rate, market rate averages based on extended time horizons were used in order to purge the rate (and the concepts incorporated therein in terms of risk and expected return) of the measures adopted by the European and American central banks to cope with 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:

- risk-free rate: 3.42% (annual average for 10-year risk-free government bonds of the countries in which the group operates, weighted on the basis of revenue);
- market equity risk premium: 5.50% (average of the market equity risk premium, referred to developed markets, calculated based on independent sources);
- specific risk premium: 1.43% added premium, calculated by an independent source, for the risk linked to small cap.;
- financial structure of the sector (leverage): 24.3%;
- levered beta of the sector: 1.12;
- cost of debt after tax: 1.56% (estimated on the basis of sector data weighted by the level of debt).

Verification 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 € 464.8 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 € 265.7 million. Given the results of the test, no impairment adjustments have been made.

Healthcare (KOS group)

The recoverability of the carrying amount of the investment was checked with reference to 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 2022-2026 plan approved by the Board of Directors on 20 January 2022 (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 formula, assuming 1.39% as the g growth rate (resulting from the weighted average of 1.39% for activities in Italy, 1% in Germany and 4.05% in India, based on the long-term inflation rates estimated for each country) and taking into account 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 used (WACC) reflects current market valuations, considering the specific risks faced in the various geographical areas in which the KOS group operates, and is equal to 5.3% (taking the weighted average of the various rates: 5.55% in Italy, 4.37% in Germany and 8.02% in India). In the same way as for Sogefi, here too the impact of the rate policies implemented by central banks following the Covid-19 pandemic was taken into account in determining certain parameters for the discount rate.

For the estimate of risk free rates, the annual average for 10-year risk-free securities have been recognised: these are 2.40% for Italy, 0.49% for Germany and 7.36% for India. the premiums for market risk and specific risk were assumed to be equal to those of the Automotive CGU (5.50% and 1.43% respectively); sector leverage came to 46.9%, and the beta levered to 0.80 for Italy and 0.77 for the other geographical areas; lastly, the net cost of debt was estimated on the basis of sector data at 2.53% for Italy and 2.33% elsewhere.

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 € 627.1 million, which exceeds its carrying amount of € 175.8 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 € 99.1 million. Given the results of the test, no impairment adjustments 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 Investimenti 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 equity value 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 value of CIR Investimenti at the reporting date, € 205.3 million, was found to exceed its carrying amount, € 204.3 million, and no impairment loss was therefore recognised.

The equity value of CIR International at the reporting date, € 116.7 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 CIGA Luxembourg S.a.r.l., € 75 thousand, with a matching entry to income statement caption 17 "Net fair value gains (losses) on financial assets".

3.f. Other assets

(in thousands of euro)	31.12.2021	31.12.2020
Tax assets	--	107
Other assets -related parties	43,485	7,654
Other	1,521	1,371
Total	45,006	9,132

"Other assets- related parties" at 31 December 2021 are made up of:

- € 40,238 thousand (€ 69,423 thousand at 31 December 2020 recognised in item 4.a "Other assets" of current assets) relating to the loan disbursed to the subsidiary CIR Investimenti S.p.A. The rate applied to this loan is 1.5% (3-month Euribor with zero floor + spread of 1.5%). During the year, repayments were made for a total of € 29,837 thousand;
- € 3,247 thousand (€ 7,654 thousand at 31 December 2020) relating to the loan disbursed to the subsidiary CIR International S.A. The rate applied to this loan is 1.481% (6-month Euribor + spread). During the year, repayments were made for a total of € 4,500 thousand;

"Other" at 31 December 2021 includes € 1,485 thousand (€ 1,320 thousand at 31 December 2020) relating to the insurance premiums paid to guarantee the termination indemnities of the directors of the Company.

3.g. Other financial assets

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Mutual investment funds	14,556	15,535
Non strategic equity investments	13,421	16,933
Total	27,977	32,468

The item "Mutual investment funds" is made up of:

- € 2,328 thousand (€ 2,309 thousand at 31 December 2020) relate to an investment in the Jargonant real estate fund. The measurement of this fund at fair value resulted in a positive valuation, recorded in the income statement under item 17 "Net fair value gains (losses) on financial assets", for an amount of € 93 thousand;
- € 12,228 thousand (€ 13,226 thousand at 31 December 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 "Net fair value gains (losses) on financial assets", for an amount of € 2,185 thousand (€ 1,874 thousand). During the year, the fund made repayments for a total of € 3,183 thousand, which gave rise to a net capital gain of € 463 thousand.

"Non strategic equity investments" consist of:

- € 4,778 thousand (€ 4,287 thousand at 31 December 2020) related to the investment in TH Aereo CO Invest S.C.A. The measurement of this investment at fair value resulted in a positive valuation, recorded in the income statement under item 17 "Net fair value gains (losses) on financial assets", for an amount of € 491 thousand;
- € 6,600 thousand (€ 11,700 thousand at 31 December 2020) related to the investment in GEDI Gruppo Editoriale S.p.A. The measurement of this investment at fair value resulted in a negative valuation, recorded in the income statement under item 17 "Net fair value gains (losses) on financial assets", for an amount of € 5,100 thousand.
- € 1,735 thousand (€ 592 thousand at 31 December 2020) related to an investment in Bow Street LLC. The measurement of this investment at fair value resulted in an overall positive valuation of € 1,128 thousand (€ 518 thousand in 2019), of which € 1,107 thousand recorded in the income statement under item 17 "Fair value gains (losses) on financial assets" and € 21 thousand in the income statement under item 12 "Financial expense";
- € 308 thousand (€ 354 thousand at 31 December 2020) related to an investment in the company October S.A. The measurement of this investment at fair value resulted in a negative valuation, recorded in the income statement under item 17 "Net fair value gains (losses) on financial assets", for an amount of € 46 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 valuation 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 valuation 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)	31.12.2021		31.12.2020	
	Total temporary differences	Tax effect	Total temporary differences	Tax effect
Tax losses	7,719	1,852	2,985	716
Total deferred tax assets	7,719	1,852	2,985	716
Measurement at fair value of non-current assets	7,191	86	5,899	71
Total deferred tax liabilities	7,191	86	5,899	71
Net deferred taxes		1,786		645

The changes in "Deferred taxes" during the year were as follows:

(in thousands of euro)	Balance at 31.12.2020	Use of deferred taxes from prior periods	Deferred taxes generated in the period	Balance at 31.12.2021
Deferred tax assets:				
- income statement	716	--	1,136	1,852
- equity	--	--	--	--
Deferred tax liabilities:				
- income statement	(71)	--	(15)	(86)
- equity	--	--	--	--
Net deferred taxes	645	--	1,121	1,766

4. Current assets

4.a. Other assets

(in thousands of euro)	31.12.2021	31.12.2020
Tax assets	3,904	4,219
Other assets -related parties	2,441	72,858
Trade receivables	63	118
Other	2,999	9,102
Total	9,407	86,297

The item "Other assets with related parties" consists of:

- € 2,319 thousand (€ 3,251 thousand at 31 December 2020) relating to the receivable from companies that adhered to the tax consolidation (€ 1,837 thousand to companies of the Sogefi group, € 433 to CIR Investimenti S.p.A. and € 49 thousand to companies of the KOS group);
- € 94 thousand (€ 130 thousand at 31 December 2020) to companies that pay directors' emoluments (€ 80 thousand to CIR Investimenti S.p.A. and € 14 thousand to Sogefi S.p.A.);
- € 28 thousand (€ 3 thousand at 31 December 2020) to Sogefi S.p.A. for a property lease;

At 31 December 2020 this item included an amount of € 69,423 thousand relating to the loan granted to CIR Investimenti S.p.A. maturing in April 2021. During the year, this loan was renewed for a further 5 years and was therefore classified under item 3.f. "Other assets" in non-current assets.

The balance at 31 December 2020 also included an amount of € 50 thousand relating to the loan disbursed to Nexenti S.r.l., which was repaid during the year, and an amount of € 1 thousand to CIR International S.A. for the chargeback of insurance costs.

"Tax assets" include € 2,181 thousand of IRES related to the Company's tax consolidation.

"Other" includes € 5,049 thousand at 31 December 2020 related to the contractual "Earn out" as part of the sale of the Sorgenia group. The amount was cashed on 1 February 2021.

4.b. Securities

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Mutual investment funds	4,196	13,947
Non strategic equity investments	--	4
Total	4,196	13,951

The fair value measurement of securities at the reporting date identified a net positive value of € 1,402 thousand (€ 2,991 thousand in 2020), of which € 1,169 thousand recognised in income statement caption 17 "Net fair value gains (losses) on financial assets", while unrealised exchange losses of € 233 thousand were charged to income statement caption 12 "Financial expense". During the year, investment fund units were repaid for an amount of € 13,690 thousand which gave rise to a total capital gain of € 4,927 thousand, of which € 4,500 thousand recognised in income statement item 15 "Gains from securities trading" and € 427 thousand in income statement item 12 "Financial income".

4.c. Cash and cash equivalents

Cash and cash equivalents decreased by € 27,623 thousand from € 37,912 thousand at 31 December 2020 to € 10,289 thousand at 31 December 2021. A breakdown of the changes is shown in the statement of cash flows.

5. Equity

5.a. Share capital

Share capital at 31 December 2021, unchanged on 31 December 2020, amounted to € 638,603,657.00 and consisted of 1,277,207,314 shares without par value.

At 31 December 2021 the parent held 179,456,492 treasury shares (14.05% of the share capital) for an amount of € 93,075 thousand, compared with 26,957,393 treasury shares (2.111% of the share capital) for an amount of € 15,200 thousand at 31 December 2020.

On 30 April 2021, the Ordinary Shareholders' Meeting resolved to revoke the resolution authorising the purchase of treasury shares adopted at the Ordinary Meeting held on 8 June 2020 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.

This meeting also resolved to authorise the Board of Directors, and for it the Chairman and the Chief Executive Officer, severally, with the right to sub-delegate, pursuant to art. 2357 of the Italian Civil Code, starting from the day after this Shareholders' Meeting and for a period of eighteen months, the purchase of CIR S.p.A. shares as follows:

- A) a maximum of 225,000,000 shares may be purchased, taking into account that, including the treasury shares already owned, also through subsidiaries, the number of shares purchased cannot in any case exceed one fifth of the total number of shares making up CIR's share capital. The unit price of each single share purchase must not be more than 15% higher or lower than the reference price recorded by the shares in the trading session preceding each single

purchase transaction or prior to the date on which the price is fixed in the event of purchases according to the methods referred to in points (a), (c) and (d) of paragraph B below, and in any case, where the purchases are made with orders on the regulated market, the consideration must not exceed the higher of the price of the last independent transaction and the price of the highest current independent purchase offer on the same market, in compliance with the provisions of art. 3 of the EU Delegated Regulation 2016/1052;

- B) the purchase must take place on the market, in compliance with the provisions of art. 132 of Legislative Decree 58/98 and the provisions of law or regulations in force at the time of the transaction and precisely (a) by means of a public purchase or exchange offer; (b) on regulated markets according to operating methods established in the regulations for the organization and management of the markets, which do not allow a direct matching of purchase offers with predetermined sale offers; (c) through the proportional assignment to shareholders of put options to be assigned within 15 months from the date of the shareholders' resolution that gave the authorization, exercisable within 18 months of the same date; (d) through the purchase and sale of derivative instruments traded on regulated markets that provide for the physical delivery of the underlying shares in compliance with the additional provisions contained in art. 144-bis of the Issuers' Regulation issued by Consob, as well as pursuant to art. 5 and 13 of EU Regulation 596/2014.

On 10 May 2021, CIR's Board of Directors resolved to launch a partial voluntary Tender Offer, pursuant to article 102 et seq. of the CFA, for a maximum of 156,862,745 CIR shares, equal to 12.282% of the share capital, at a price of € 0.51 per share, corresponding to a total value of € 80 million.

Based on the final results communicated on 5 August 2021 by UniCredit Bank AG, as the intermediary responsible for coordinating the collection of acceptances, 205,782,739 Shares, equal to approximately 131.2% of the shares subject of the offer and approximately 16.1% of the share capital of the issuer, accepted the Tender Offer.

Taking into account the final results of the offer, the allotment coefficient was 76.227% and as a result of applying the latter and the related rounding, on 6 August 2021 the offerer purchased 156,861,838 shares, corresponding to approximately 12.282% of the share capital, for a total of € 79,999,537.38 with an outlay of € 80,137,253.43.

The following is a summary of the changes in treasury shares during the year:

<i>(in thousands of euro)</i>	<i>Number of shares</i>	<i>Amount</i>
Balance at 31 December 2020	26,957,393	15,200
Increases	156,861,838	80,137
Decreases	(4,362,739)	(2,262)
Balance at 31 December 2021	179,456,492	93,075

The decreases refer to the exercise of the stock grant plans currently outstanding.

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 31.171% of share capital and 44.953% of voting rights

5.b. Reserves

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

(in thousands of euro)	Share premium	Legal reserve	Statutory reserve	Non distributable reserve as per art. 6 of Legislative Decree no. 38/2005	Other reserves	Stock grant reserve	Total reserves
Balance at 31 December 2019	5,044	24,846	--	887	107,977	--	138,754
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 shares	--	--	--	--	145	--	145
Notional cost of stock options credited	--	--	--	--	--	1,516	1,516
Reclassifications	--	--	--	487	--	(35)	452
Balance at 31 December 2020	5,044	25,516	--	2,648	33,046	1,481	67,735
Capital increases	--	--	--	--	--	--	--
Dividends to shareholders	--	--	--	--	--	--	--
Retained earnings	--	--	--	--	--	--	--
Unclaimed dividends	--	--	14	--	--	--	14
Fair value gains (losses) on treasury shares	--	--	--	--	(33,046)	--	(33,046)
Notional cost of stock options credited	--	--	--	--	--	1,462	1,462
Reclassifications	--	--	--	564	--	(232)	332
Balance at 31 December 2021	5,044	25,516	14	3,212	--	2,711	36,497

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 (accumulated losses) are shown in the "Statement of changes in equity".

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The following chart gives a breakdown of equity items according to how they can be utilised:

(in thousands of euro)	Amount at 31.12.2021	Possible use	Amount available	Summary of uses made in the previous three years (*)		
				To cover losses	For dividend distribution	Other
CAPITAL	638,604	--	--	--	--	--
Capital reserves:						
Share premium	5,044	AB	--	--	--	--
Earnings reserves:						
Legal reserve	25,516	B	--	--	--	--
Other reserves	--	ABC	--	--	(10,034)	(34,551)
Statutory reserves	14	ABC	14	--		
Stock grant reserve	2,711	ABC	2,711	--	--	--
Reserve ex art. 6 Leg. Decree 38/2005	3,212	B	--	--	--	--
Retained earnings	17,158	ABC	17,158	--	--	(47,091)
TOTAL	692,259		19,883	--	(10,034)	(81,642)

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. Lease liabilities

This item amounts to € 50 thousand (€ 12 thousand at 31 December 2020) and refers to lease liabilities for right of use, with maturities of more than 12 months. It relates to car leases.

6.b. Other liabilities

This item amounting to € 282 thousand at 31 December 2021 (€ 317 thousand at 31 December 2020) refers to other payables due beyond 12 months, in particular 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.c. Employee benefit obligations

The details of this item are as follows:

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Post-employment benefits (TFR)	611	595
Pension funds and similar obligations	1,430	1,265
Total	2,041	1,860

"Pension funds and similar obligations" comprise the provision recorded for the termination indemnities of the directors of the company.

Changes in the "Post-employment benefits" provision are shown in the following chart:

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Opening balance	595	--
Merger	--	658
Portion accrued	291	173
Benefits paid	(275)	(236)
Other changes	--	--
Total	611	595

7. Current liabilities

7.a. Lease liabilities

This item equal to € 17 thousand (€ 8 thousand at 31 December 2020) refers to lease liabilities, with maturities of more than 12 months, relating to car leases.

7.b. Other liabilities

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
Tax liabilities	1,502	1,726
Other liabilities - related parties	2,974	4,560
Trade Payables	345	482
Other	2,036	2,095
Total	6,857	8,863

The item "Other liabilities- related parties" refers to payables to companies which took part in the tax consolidation (€ 1,646 thousand to companies of the Sogefi group, € 1,325 thousand to companies of the KOS group and € 3 thousand to Jupiter Marketplace S.r.l.).

7.c. Provisions for risks and charges

The breakdown of these provisions and the changes during the year are as follows:

<i>(in thousands of euro)</i>	Balance at 31.12.2020	Merger	Provisions	Uses	Balance at 31.12.2021
Other	4,951			(4,951)	--
Total	4,951			(4,951)	--

Provisions for risks and charges were released during the year following the elimination of the potential liabilities for which they had been set aside.



8. Income statement

Sundry revenue and income

<i>(in thousands of euro)</i>	2021	2020
Services to subsidiaries	285	633
Fees paid by subsidiaries	170	176
Property income	1,071	1,017
Property income from related parties	281	249
Other income and cost recoveries	5,109	208
Total	6,916	2,283

Revenue from services provided to subsidiaries and affiliated companies are the charge-back of fees for strategic and management support and specific administrative, financial and tax assistance provided to them, they are broken down as follows:

<i>(in thousands of euro)</i>	2021	2020
GEDI Gruppo Editoriale S.p.A.	--	90
Sogefi S.p.A.	175	433
KOS S.p.A.	110	110
Total	285	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.

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 € 30 thousand.

Real estate income from related parties refers to the lease contracts signed with Sogefi S.p.A. for € 117 thousand (€ 119 thousand in 2020), with ROMED S.p.A. for € 85 thousand (€ 85 thousand in 2020) and with a natural person who is a related party for € 79 thousand (€ 45 thousand in 2020).

"Other income and cost recoveries" include the amount of € 4,951 thousand released from the provision for risks and charges.

9. Costs for services

<i>(in thousands of euro)</i>	2021	2020
Administrative, ftax, legal and corporate consulting	1,681	1,909
Services from subsidiaries	12	6
Fees for corporate bodies	3,291	3,389
Other	1,430	1,935
Total	6,414	7,239

Services provided by subsidiaries refers to the monitoring and reporting of investments in "Investment funds" and "Non-strategic equity investments" recorded under item 3.g "Other financial assets", supplied under normal market conditions by the merged subsidiary CIR International S.p.A.

10. Personnel expense

Personnel expense amounts to € 4,051 thousand (€ 5,041 thousand in 2020).

The item includes the notional cost of € 1,462 thousand (€ 1,516 thousand in 2020) 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:

	31.12.2020	New hires	Resignations	31.12.2021	Average for the year
Executives	4	1	1	4	3
Middle managers and employees	11	--	2	9	9
Total	15	--	3	13	12

11. Other operating expense

<i>(in thousands of euro)</i>	2021	2020
Non-deductible VAT and other taxes	991	1,259
Miscellaneous losses and other costs	1,443	525
Total	2,434	1,784

“Miscellaneous losses and other costs” include € 564 thousand for the write-down of tax credits no longer considered collectible.

12. Financial income

<i>(in thousands of euro)</i>	2021	2020
Interest income on bank deposits	4	67
Interest income from subsidiaries	740	697
Exchange gains	680	--
Other financial income	34	--
Total	1,458	764

The breakdown of the interest income from subsidiaries is as follows:

<i>(in thousands of euro)</i>	2021	2020
CIR International S.A.	88	106
CIR Investimenti S.p.A.	652	591
Total	740	697

13. Financial expense

<i>(in thousands of euro)</i>	2021	2020
Interest on lease liabilities	1	8
Interest expense and financial expense on loans	--	315
Exchange losses	--	971
Other interest expense and financial expense	12	72
Total	13	1,366



14. Dividends

<i>(in thousands of euro)</i>	2021	2020
<i>Dividends from related parties:</i>		
CIR Investimenti S.p.A.	2,001	--
CIR International S.A.	--	6,000
<i>Total dividends from related parties</i>	2,001	6,000
Dividends from other companies	--	--
Total dividends	2,001	6,000

15. Gains from securities trading

<i>(in thousands of euro)</i>	2021	2020
Gains from securities trading under non-current assets	1,567	--
Gains from securities trading under current assets	4,500	--
Total	6,067	--

16. Losses from securities trading

<i>(in thousands of euro)</i>	2021	2020
Losses from securities trading under non-current assets	1,030	23
Losses from securities trading under current assets	--	--
Total	1,030	23

17. Net fair value gains (losses) on financial assets

<i>(in thousands of euro)</i>	2021	2020
Impairment loss on investments in subsidiaries	(75)	(160)
Impairment losses on other financial assets	(5,146)	(2,350)
Impairment losses securities	(4)	(27)
Revaluation of other financial assets	3,878	2,065
Revaluation of securities	1,174	3,942
Total	(173)	3,470

For details of the "Impairment loss on investments in subsidiaries", please refer to item 3.e "Equity investments".

For detail of "Revaluations other financial assets" and "Impairment losses other financial assets" please refer to item 3.g "Other financial assets".

For details of "Revaluations securities" and "Impairment losses securities" please refer to item 4.b "Securities".

18. Income taxes

(in thousands of euro)	2021	2020
Current taxes	434	820
Deferred taxes	1,121	746
Income taxes from prior years	57	--
Gains/(losses) from tax consolidation	(51)	51
Total	1,561	1,617

“Income/charges from tax consolidation” refer to the income from the sale of interest income to companies that joined the National Tax Consolidation.

RECONCILIATION BETWEEN THE THEORETICAL AND ACTUAL TAX BURDEN

(in thousands of euro)	Taxable income	Rate %	Tax
PROFIT (LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS	524	24.0	126
<i>Effect of increases (decreases) compared with the ordinary rate</i>			
- Dividends	(1,901)	24.0	(456)
- Temporary differences deductible in future years	587	24.0	141
- Temporary differences deductible from previous years	(494)	24.0	(119)
- Non-deductible costs	8,840	24.0	2,121
Other permanent differences	(11,759)	24.0	(2,822)
SUB-TOTAL	(4,203)	24.0	(1,009)
Tax losses not absorbed by the tax consolidation	2,395	24.0	575
Taxable income/Income taxes	(1,808)	24.0	(434)

Note: 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 2021. This table therefore refers only to IRES.

19. Profit from discontinued operations

The balance on the item for 2020 mainly referred, for € 5,049 thousand, to the contractual "Earn out" as part of the sale of the Sorgenia group.

20. 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 parent has only one category of potential ordinary shares, those deriving from stock grant plans assigned to employees.

It should be noted that:

- The weighted average number of shares in circulation in 2020 takes into account the increase in capital, which took place on 19 February 2020 following the completion of the absorption of CIR S.p.A. (the absorbed company) and CIR S.p.A. (formerly Cofide S.p.A., the absorbing company), of 557,997,396 shares.
- The weighted average number of shares outstanding in 2021 takes into account the purchase of 156,861,838 shares on 6 August 2021 following the partial voluntary Tender Offer.

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

Basic earnings per share

	2021	2020
Profit (loss) for the period attributable to the owners of the parent (in euro)	2,085,499	2,631,050
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Basic earnings per share (euro)	0.0018	0.0022
	2021	2019
Comprehensive income attributable to the owners of the parent (in euro)	2,085,499	2,631,050
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Basic earnings per share (euro)	0.0018	0.0022
	2021	2020
Profit from continuing operations attributable to shareholders (in euro)	2,085,499	(2,475,207)
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Basic loss per share (euro)	0.0018	(0.0021)
	2021	2020
Profit from discontinued operations attributable to shareholders (in euro)	--	5,106,257
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Basic earnings per share (euro)	n.a.	0.0044

Diluted earnings per share

	2021	2020
Profit (loss) for the period attributable to the owners of the parent (in euro)	2,085,499	2,631,050
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Weighted average number of options	5,330,696	5,845,150
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,194,349,819	1,179,678,702
Diluted earnings per share (in euro) (*)	0.0017	0.0022
	2021	2020
Comprehensive income attributable to the owners of the parent (in euro)	2,085,499	2,631,050
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Weighted average number of options	5,330,696	5,845,150
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,194,349,819	1,179,678,702
Diluted earnings per share (in euro) (*)	0.0017	0.0022

	2021	2020
Profit from continuing operations attributable to shareholders (in euro)	2,085,499	(2,475,207)
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Weighted average number of options	5,330,696	5,845,150
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,194,349,819	1,179,678,702
Diluted loss per share (euro) (*)	0.0017	(0.0021)

	2021	2020
Profit from discontinued operations attributable to shareholders (in euro)	--	5,106,257
Weighted average number of ordinary shares in circulation	1,189,019,123	1,173,833,552
Weighted average number of options	5,330,696	5,845,150
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,194,349,819	1,179,678,702
Diluted earnings per share (in euro) (*)	n.a.	0.0043

21. Related party transactions

Information regarding the impact that related party transactions have on the financial and equity situation and on the profit or loss for the year are provided in the comment on the individual items of the separate financial statements.

Note that during 2021 the following amounts were accrued to the income statement in favour of:

- Management bodies € 2,234 thousand;
- Supervisory bodies € 175 thousand;
- Chief Executive Officer and General Manager € 2,925 thousand (of which € 1,105 thousand as the notional cost of equity-based compensation);
- Key executives € 475 thousand (of which € 177 thousand as the notional cost of equity-based compensation).

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 supplemented by RA 5/21, is as follows:

<i>(in thousands of euro)</i>	31.12.2021	31.12.2020
A. Cash	10,289	37,912
B. Cash equivalents	--	--
C. Other current financial assets	4,196	13,951
D. Cash and cash equivalents (A) + (B) + (C)	14,485	51,863
E. Current financial indebtedness	--	--
F. Current portion of non-current financial indebtedness	17	12
G. Current financial indebtedness (E) + (F)	17	12
H. NET CURRENT FINANCIAL INDEBTEDNESS (G) - (D)	(14,468)	(51,851)
I. Non-current financial indebtedness	50	8
J. Debt instruments	--	--
K. Trade payables and other non-current liabilities	--	--
L. Non-current financial indebtedness (I) + (J) + (K)	50	8
M. NET FINANCIAL INDEBTEDNESS (H) + (L)	(14,418)	(51,843)

A) item 4.c "Cash and cash equivalents";
 C) item 4.b "Securities";
 E) item 4.c "Bank loans and borrowings"
 F) item 7.a "Lease liabilities";
 I) item 6.a "Lease liabilities".

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:

- interest rate risk resulting from exposure to fluctuations in interest rates;
- credit risk resulting from the potential default of a counterparty;
- liquidity risk resulting from a lack of financial resources to meet short-term commitments.

Interest rate risk

Fluctuations in interest rates affect the market value of financial assets and the level of net financial expense. At 31 December 2021, there are no loans payable and therefore no interest rate risk on financial charges.

Credit risk

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 2021 there was no significant concentration of credit risk.

Market risk

The trend on financial markets affects the fair value of the financial assets held by the Company. 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.

With regard to financial instruments represented by short-term receivables and payables 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 receivables and other current assets and trade payables and other current liabilities approximates their fair value.

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.

The Company is not significantly exposed to liquidity risk.

CREDIT RISK

Position at 31 December 2021	Items financial statements	Total receivable	Not yet due	Expired by >
Other receivables – Non-current assets	4. f.			
Gross receivable		45,006	45,006	--
Provision for impairment losses		--	--	--
Other receivables – Current assets	5. a.			
Gross receivable		5,873	5,814	59
Provision for impairment losses		(370)	(370)	--
Total		50,509	50,450	59

(in thousands of euro)

		Items financial statements	Total receivable	Not yet due	Expired by >
Situation at 31 December 2020					
Other receivables – Non-current assets		4. f.			
Gross receivable			9,025	9,025	--
Provision for impairment losses			--	--	--
Other receivables – Current assets		5. a.			
Gross receivable			82,078	82,016	62
Provision for impairment losses			--	--	--
Total			91,103	91,041	62

LIQUIDITY RISK - 2021*(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							
Non-current liabilities							
Lease liabilities	--	17	14	13	6	--	50
Other	--	--	--	--	--	--	--
Current liabilities							
Lease liabilities	17	--	--	--	--	--	17
Trade payables	3,319	--	--	--	--	--	3,319
Total	3,336	17	14	13	6	--	3,386

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							
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

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 25 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 Group.

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 Group.

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

- On 29 April 2019 the Shareholders' Meeting approved the 2019 Stock Grant Plan reserved for the Chief Executive Officer and executives and directors 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 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.
- 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.
- On 30 April 2021 the Shareholders' Meeting approved the 2021 Stock Grant Plan reserved for the executives and directors of the company, the parent companies and subsidiaries, for a maximum of 5,000,000 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 1/12th of the related total, each of which maturing on a quarterly basis from 30 April 2023 to 31 January 2026. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 1,782,642 time units were assigned during the year, whose maturity is subject to continued service, and 1,782,642 performance units, the maturity of which is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index.

CONTINGENT LIABILITIES

As is generally known, on 23 April 2020 CIR S.p.A. ("CIR") finalized the sale to Giano Holding S.p.A. ("Giano"), a vehicle wholly owned at the time by EXOR N.V. ("EXOR"), of its investment in GEDI ("GEDI"), equal to 43.78% of the latter's share capital in execution of the agreement reached on 2 December 2019 (the "Sale"). In execution of this agreement, on 13 July 2020 CIR indirectly reinvested in GEDI by purchasing from EXOR a 5% stake in the share capital of Giano, which in the meantime had become the owner of the entire capital of GEDI. As a result of the absorption of Giano by GEDI, CIR now owns a 5.19% stake in the share capital of GEDI.

As part of the Sale, CIR granted the buyer Giano (and as a consequence of the merger with GEDI as the absorbing company) a specific guarantee, accompanied by a special indemnity, which pertains to the proceedings described below (the "Proceedings"). By virtue of this contractual provision, CIR is required to indemnify GEDI for a portion equal to 38.6% of certain liabilities if incurred by GEDI in the future as a result of the Proceedings. The indemnity obligation is subject to a minimum absolute excess limit set at € 1.3 million and a ceiling of € 13.3 million, as a result of which the economic liability that CIR could face in the event of activation of the guarantee is € 12.0 million (the "Indemnity Obligation").

With reference to the Proceedings, on 21 March 2018 GEDI became aware of the existence of criminal proceedings for the hypothesis of a crime envisaged by art. 640, paragraph 2, no. 1 against those who at the time of the events held the role of Chief Executive Officer, Central Manager of Human Resources and General Manager of the National Press, as well as for the offence referred to in art. 24 of Legislative Decree 231/2001 versus GEDI itself and its subsidiaries A. Manzoni & C. S.p.A., Elemedia S.p.A., Gedi News Network S.p.A. and Gedi Printing S.p.A. (the "Companies"). The investigation conducted by the Rome Public Prosecutor's Office concerned an alleged fraud against INPS in relation to an allegedly irregular access to State redundancy payments (CIGS) by some employees wanting to obtain early retirement as provided for by Law 416/81.

On 20 December 2021, the Companies received notification of a preventive seizure decree, issued on 9 December 2021 by the Investigating Magistrate at the Court of Rome, to confiscate a total sum of € 38.9 million, as the alleged profit obtained by the Companies in correlation with their alleged responsibility pursuant to Legislative Decree 231 of 2001 for the facts under investigation.

To the best of CIR's knowledge, the Proceedings are still in the preliminary investigation phase. At present, therefore, there are no natural and/or legal persons whose indictment has been requested, as the Public Prosecutor has not yet made any decision regarding the outcome of the investigations currently underway. In the event of a possible conclusion of the investigations with the request for indictment of natural and/or legal persons, the documents will be sent to the judge of the preliminary hearing for an assessment whether there are the conditions to initiate a debate and therefore, if this assessment has a positive outcome, for the start of legal proceedings.

If the trial has an adverse outcome, in addition to confiscation of the alleged illicit profit, the Companies could be condemned pursuant to Legislative Decree no. 231 of 2001 also to payment of fines.

In the context of the Proceedings, various different episodes are disputed, the outcome of which could have varied results depending on the situation. Without prejudice to GEDI's awareness of having always acted in compliance with current legislation, CIR, also on the basis of authoritative legal opinions, is of the opinion that at present, both in consideration of the state of the Proceedings and the subject of the same, it is not easy to formulate forecasts on its outcome, having regard both to the prospects of payment of the alleged illegal profit, and to the application of the fines against the Companies. So, at present it is impossible to determine the degree of risk that CIR is required to indemnify GEDI, pursuant to the Indemnity Obligation, nor is it possible to quantify this risk. On the other hand, it cannot be ruled out that, should the outcome of the Proceedings be adverse, CIR may in the future be called upon to indemnify GEDI up to a maximum of € 12 million.



24. Proposed allocation of the profit for the year

Shareholders,

The separate financial statements for the year ended 31 December 2021, which we submit for your approval, closed with net profit for the year of € 2,085,498.82 which we propose should be allocated as follows:

- € 104,274.94 to the legal reserve;
- € 1,981,223.88 to the “Reserve for the revaluation of other financial assets” for the non-distributable portion pursuant to art. 6 of Italian Legislative Decree 38/2005.

THE BOARD OF DIRECTORS

Milan, 11 March 2022

25. 2020 Financial statements of the parent F.Ili De Benedetti S.p.A. (Art. 2497-bis para. 4 of the Italian Civil Code)

STATEMENT OF FINANCIAL POSITION (in euro)

ASSETS	31.12.2020
NON-CURRENT ASSETS	253,562,345
CURRENT ASSETS	912,208
TOTAL ASSETS	254,474,553

LIABILITIES	
EQUITY	198,423,243
NON-CURRENT LIABILITIES	21,000,000
CURRENT LIABILITIES	35,051,310
TOTAL LIABILITIES AND EQUITY	254,474,553

INCOME STATEMENT (in euro)

	2020
SUNDRY REVENUE AND INCOME	--
COSTS FOR THE PURCHASE OF GOODS	(172)
COSTS FOR SERVICES	(388,241)
PERSONNEL EXPENSES	--
OTHER OPERATING EXPENSE	(16,665)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	(1,097)
OPERATING LOSS	(406,175)
FINANCIAL INCOME	--
FINANCIAL EXPENSE	(497,563)
DIVIDENDS	--
GAINS FROM SECURITIES TRADING	--
LOSSES FROM SECURITIES TRADING	--
FAIR VALUE LOSSES ON FINANCIAL ASSETS	--
PROFIT / LOSS BEFORE TAXES	
INCOME TAXES	(903,738)
PROFIT FOR THE YEAR	(903,738)

The key figures of the ultimate parent F.Ili De Benedetti 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 2020.

Certification of the separate Financial Statements pursuant to art. 154-bis, paragraphs 3 and 4, Leg. Decree 58/1998

1. The undersigned, Monica Mondardini, the Chief Executive Officer, and Michele Cavigioli, the executive responsible for the preparation of the financial statements 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:
 - the appropriateness, in relation to the characteristics of the business, and
 - the effective application of the administrative and accounting procedures for the preparation of the separate financial statements during 2021.
2. In this respect, no significant issues have arisen which need to be reported.
3. We also certify that the financial statements:
 - are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community 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.

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, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, 11 March 2022

MONICA MONDARDINI
Chief Executive Officer

Michele Cavigioli
Executive responsible for the preparation of the
company's financial statements



LIST OF EQUITY INVESTMENTS

AT 31 DECEMBER 2021

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.A.R.L.	Luxembourg	1,000,000.00	€	CIR S.p.A.	100.00
JUPITER MARKETPLACE S.R.L.	Italy	100,000.00	€	CIR S.p.A.	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	8,853,458.40	€	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. CLEARVIEW HEALTHCARE LTD	97.81 2.19 100.00
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
GES.CA.S. VILLA ARMONIA NUOVA S.R.L.	Italy	52,000.00	€	KOS CARE S.r.l.	95.00
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 FRISENHOF 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
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

Company name	Registered office	Share/quota capital	Currency	Held by	Investment %
WOHN- UND PFLEGEZENTRUM HAUS SCHWANEWEDE GMBH	Germany	27,500.00	€	Charleston Holding GmbH	100.00
PROGUSTO SCHWANEWEDE 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 FEHMARNISCHE 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 SERVICEGESELLSCHAFT 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
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
WOHN-PARK DR. MURKEN GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00

Company name	Registered office	Share/quota capital	Currency	Held by	Investment %
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 CRAILSHEIM GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
KOS SERVIZI SOCIETÀ CONSORTILE A R.L.	Italy	115,000.00	€	KOS CARE S.r.l.	81.75
				KOS S.p.A.	6.42
				ABITARE IL TEMPO S.r.l.	4.94
				SANATRIX GESTIONI S.r.l.	3.02
				OSPEDALE DI SUZZARA S.p.A.	2.15
				FIDIA S.r.l.	0.43
				JESILAB 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.	55.64
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	Great Britain	5,126,737.00	GBP	SOGEFI FILTRATION S.A.	100.00
SOGEFI AFTERMARKET S.L.U.	Spain	3,000.00	€	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 SARL	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.	U.S.A.	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
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	Great Britain	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 Limited	Great Britain	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
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

(*) 56.59% 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
SOGEFI ADM SUSPENSIONS Private Limited	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.	U.S.A.	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 SUSPENSIONS 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	€	JUPITER MARKET PLACE 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 ASSOCIATED COMPANIES 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 %
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 we have carried out as the Board of Statutory Auditors ("Board") of CIR S.p.A. (the "Company") during 2021, in accordance with the requirements of Consob Communication DEM/1025564 of 6 April 2001 and subsequent additions and amendments.

We carried out the supervisory activities required by law, taking into account the Rules of Conduct of the Board of Statutory Auditors of listed companies recommended by the National Council of Chartered Accountants and Accounting Experts and of Consob communications regarding corporate controls and the activities of the board of statutory auditors.

In particular, we 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 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 the preparation of the financial statements, with the heads of the Internal Audit and Risk Management Functions and with representatives of the independent auditors, KPMG S.p.A.

We 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.

* * *

During the year ended 31 December 2021 we performed the surveillance activities required by the applicable laws and regulations, in accordance with the Principles 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 explanatory 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 we are responsible were performed during the year, we can confirm that:

- we attended all meetings of the Shareholders and the Board of Directors held during the year. We 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;
- we obtained the knowledge required to carry out our 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.;
- we 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 2021;
- we 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 we 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;

- we exercised the functions of the Board of Statutory Auditors in which 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. 58/1998, we 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;
- we checked that the Company applied the rules of corporate governance foreseen in the new Code of Conduct for Listed Companies applied by the Company since 1 January 2021;
- we 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;
- we 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;
- we 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;
- we 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;
- we 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;

- we verified that the procedures performed to test whether any assets had suffered impairment were adequate from a methodological viewpoint;
- we 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 our surveillance activities, carried out as explained above, no significant facts emerged requiring notification to the Supervisory Bodies nor do we have any proposals to make regarding the financial statements, their approval or any other matters relating to our mandate.

It should be noted with reference to the events relating to the Covid-19 pandemic that we 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.

1. We 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. We 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.
2. We 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 us regarding intercompany and related-party transactions. Based on the information gathered, we 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 balance sheet 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.

3. In the report on operations and in the explanatory notes to the separate and consolidated financial statements, the Directors provide adequate information on the main transactions carried out during the year. On 30 April 2021, the Ordinary Shareholders' Meeting resolved to revoke the resolution authorising the purchase of treasury shares passed by the Ordinary Shareholders' Meeting held on 8 June 2020 (to the extent that the resolution had not already been used and from the day after the Meeting until its natural expiry), consequently also revoking the authorisation to dispose of the shares. They also point out that this meeting also resolved to authorise the Board of Directors, and for it the Chairman and the Chief Executive Officer, severally, with the right to sub-delegate, pursuant to art. 2357 of the Italian Civil Code, starting from the day after this Shareholders' Meeting and for a period of eighteen months, the purchase of the Company's shares as described in the Notes to the separate and consolidated financial statements. In addition, note that on 10 May 2021, Company's Board of Directors resolved to launch a partial voluntary takeover bid, pursuant to article 102 et seq. of the CFA, for a maximum of 156,862,745 shares of the Company, equal to 12.282% of the share capital, at a price of € 0.51 per share, corresponding to a total value of € 80 million. Based on the final results communicated on 5 August 2021 by UniCredit Bank AG, as the intermediary responsible for coordinating the collection of acceptances, 205,782,739 Shares, equal to approximately 131.2% of the shares subject of the offer and approximately 16.1% of the share capital of the issuer, accepted the takeover bid. Taking into account the final results of the offer, the allotment coefficient was 76.22% and as a result of applying the latter and the related rounding, on 6 August 2021 the Company purchased 156,861,838 shares, corresponding to approximately 12.282% of the share capital, for a total of € 79,999,537.38 with an outlay of € 80,137,253.43.

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 remain in business. In the report on operations and the explanatory 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, 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 CIR and of the two industrial groups, which have taken action to mitigate these uncertainties as much as possible. 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) possible impairment losses on the goodwill, intangible and tangible fixed assets and equity investments reported in the separate financial statements, due to the deterioration of the economic outlook; (b) the risks associated with financial assets and liabilities, with a particular focus on liquidity risk and the measurement of expected losses on receivables; (c) the application of IFRS 16 “Leases”, in view of the specific issues raised as a consequence of Covid-19. In particular, for the Impairment Test, the Company (i) used updated plans approved by the Boards of Directors of KOS S.p.A. and Sogefi S.p.A. in February 2022, (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, (iii) prepared sensitivity analyses, even in combination, for the principal parameters used in the calculations. Taking into account the persisting uncertainty about how the pandemic will evolve and the geopolitical situation as a result of the Russian-Ukraine crisis, the Directors pointed out that the visibility on the performance of the Group's activities in the coming months remains low. As regards KOS S.p.A., taking into account the effects of vaccines and the absence of new critical issues related to the pandemic, the Directors highlight that the return to pre-Covid levels of activity vary according to the type of activity and geographical area. With regard to the activities in Italy, a higher incidence of costs is also expected to persist, even in a steady state, with respect to 2019, due to contract renewals and cost inflation in general, but to an extent that does not compromise the profitability of the business model. As for the automotive market, in which Sogefi S.p.A. operates, the Directors

acknowledge that, before the Ukraine crisis, IHS estimated a recovery in world production in volumes of +8.5% in 2022 compared with 2021, but still lower than in 2019 (-6.8%). In contrast to this recovery, since 2021 there has been an unprecedented increase in raw material prices in terms of amount and duration. It is difficult to make forecasts on how this situation will evolve, but it seems to be persisting in the first part of this year. In this scenario, Sogefi expects to achieve operating profitability for the whole of 2022 substantially in line with in 2021 (excluding non-recurring charges), thanks to the incisive action already taken to reduce fixed costs and structurally improve profitability; and as regards Suspensions in particular, the new plant in Romania gradually coming up to speed. However, the Directors underline that the Russia-Ukraine crisis, to which Sogefi is not directly exposed as it is not present in either of the two countries, could affect the automotive sector in terms of both demand and supply chain, but it is not yet possible to foresee the impact it might have.

As regards contingent liabilities, in the explanatory notes to the separate and consolidated financial statements, the Directors acknowledged the specific guarantee, accompanied by a special indemnity issued by the Company in relation to the sale of GEDI Gruppo Editoriale S.p.A. ("GEDI"), issued on 2 December 2019, concerning the existence of criminal proceedings against GEDI for the hypothesis of a crime envisaged by art. 640, paragraph 2.1 against those who at the time of the events held the role of Chief Executive Officer, Central Manager of Human Resources and General Manager of the National Press, as well as for the offence referred to in art. 24 of Legislative Decree 231/2001 against GEDI itself and its subsidiaries A. Manzoni & C. S.p.A., Elemedia S.p.A., Gedi News Network S.p.A. and Gedi Printing S.p.A. (the "Companies of the GEDI group"). The investigation conducted by the Rome Public Prosecutor's Office concerned an alleged fraud against INPS in relation to an allegedly irregular access to State redundancy payments (CIGS) by some employees wanting to obtain early retirement as provided for by Law 416/81. By virtue of this contractual provision, CIR is required to indemnify GEDI (as it took over the related right as a result of the merger with Giano Holding S.p.A., the purchaser of the investment) for a portion equal to 38.6% of certain liabilities if incurred by GEDI in the future as a result of the Proceedings. The indemnity obligation is subject to a minimum absolute excess limit set at € 1.3 million and a ceiling of € 13.3 million, as a result of which the economic liability that CIR could

face in the event of activation of the guarantee is € 12.0 million. The Directors confirm that, on 20 December 2021, the Companies received notification of a preventive seizure decree, issued on 9 December 2021 by the Investigating Magistrate at the Court of Rome, to confiscate a total sum of € 38.9 million, as the alleged profit obtained by the Companies of the GEDI group in correlation with their alleged responsibility pursuant to Legislative Decree 231 of 2001 for the facts under investigation. The Directors affirm that, to the best of CIR's knowledge, the Proceedings are still in the preliminary investigation phase. At present, therefore, there are no natural and/or legal persons whose indictment has been requested, as the Public Prosecutor has not yet made any decision regarding the outcome of the investigations currently underway. If the trial has an adverse outcome, in addition to confiscation of the alleged illicit profit, the Companies of the GEDI group could be condemned pursuant to Legislative Decree no. 231 of 2001 also to payment of fines. In the context of the Proceedings, various different episodes are disputed, the outcome of which could have varied results depending on the situation. The Directors would like to point out that, without prejudice to GEDI's awareness of having always acted in compliance with current legislation, CIR, also on the basis of authoritative legal opinions, is of the opinion that at present, both in consideration of the state of the Proceedings and the subject of the same, it is not easy to formulate forecasts on its outcome, having regard both to the prospects of payment of the alleged illegal profit, and to the application of the fines against the Companies of the GEDI Group. So, at present it is impossible to determine the degree of risk that CIR is required to indemnify GEDI, pursuant to the Indemnity Obligation, nor it is possible to quantify this risk. On the other hand, it cannot be ruled out that, should the outcome of the Proceedings be adverse, CIR may in the future be called upon to indemnify GEDI up to a maximum of € 12 million.

4. KPMG S.p.A. today 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 2021, 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 auditors in carrying out their audit functions.
6. During the year ended 31 December 2021, the Company asked the auditors to provide non-audit services for a total of € 10 thousand. The subsidiaries asked the auditors to provide non-audit services for a total of € 94 thousand; they also asked companies belonging to the auditors' network, again for the provision of services, for a total of € 18 thousand.
7. Since 2017, the Company has also given KPMG S.p.A. an additional mandate for the period 2017-2021 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 Euro 10 thousand. A similar assignment was also given to KPMG S.p.A. by Sogefi S.p.A., for a total annual fee of Euro 17 thousand. Starting from 2021, KOS S.p.A. has voluntarily given a mandate for a limited audit of the Sustainability Report. 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 auditors in the performance of their functions. 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 auditors in the performance of their functions.
8. During 2021, we issued opinions pursuant to art. 2389 of the Italian Civil Code.
9. During 2021, we did not receive any complaints pursuant to art. 2408 of the Italian Civil Code.

10. During 2021, we 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. We are not aware of any complaints that need to be mentioned in this Report.
12. During 2021, the Board of Directors met 8 times. During 2021, the Appointments and Compensation Committee met 9 times. During 2021, the Audit, Risk and Sustainability Committee met 6 times. During 2021, we met 19 times.
13. We have 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 we found to be suitable to meet the operating, managerial and control needs of the Company. We believe 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. We 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 we also ascertained at meetings of the Audit, Risk and Sustainability Committee, all of which were attended. 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. We have 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 2021, 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 us, the Executive responsible for the preparation of the company's financial statements 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. We have no observations to make regarding the adequacy of the information flows from the subsidiaries to the company as the Parent Company to ensure the timely fulfilment of communication obligations required by law.
17. During the regular exchanges of information and data between ourselves 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 complied with the recommendations contained in the Corporate Governance Code prepared by the Committee for the Corporate Governance 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 our responsibilities, we have monitored the way in which the rules of corporate governance required by the Corporate Governance Code 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. We also acknowledge 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. Our surveillance activities were carried out on a routine basis during 2021 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, we 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 2021, 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 we carried out during the year, we do 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 2021, their approval or any other matter within our area of responsibility, just as we have no observations to make on the allocation of the net profit for the year as proposed by the Board of Directors.

Milan, 7 April 2022

For the Board of Statutory Auditors

Francesco Mantegazza - Chairman of the Board of Statutory Auditors

Report of the independent auditors



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(The accompanying translated consolidated financial statements of the CIR - Compagnie Industriali Riunite Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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 2021, 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 2021 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
<p>The consolidated financial statements at 31 December 2021 include goodwill of €493.0 million.</p> <p>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 directors of the subsidiaries Sogefi S.p.A. and KOS S.p.A..</p> <p>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:</p> <ul style="list-style-type: none"> — 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. <p>For the above reasons, we believe that the recoverability of goodwill is a key audit matter.</p>	<p>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:</p> <ul style="list-style-type: none"> — 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 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 on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.



We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

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 2021 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 2021 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 2021 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, 7 April 2022

KPMG S.p.A.

(signed on the original)

Giovanni Rebay
Director of Audit



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(The accompanying translated separate financial statements of CIR S.p.A. - Compagnie Industriali Riunite constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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 2021, 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 2021 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
<p>The separate financial statements at 31 December 2021 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).</p> <p>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 by comparing their carrying amounts to their recoverable amount. They estimated the recoverable amount of the investments KOS S.p.A. and Sogefi S.p.A. based on their value in use calculated using the discounted cash flow model. They estimated the recoverable amount of the investments in CIR Investimenti and CIR International based on their fair value less costs of disposal. These models are very complex and entail the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> — 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. <p>For the above reasons, we believe that the measurement of investments in subsidiaries is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — 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; — involving experts of the KPMG network, analysing the fair value less costs of disposal of the investments in CIR Investimenti S.p.A. and CIR International S.A. and comparing it to their carrying amount; — assessing the appropriateness of the disclosures provided in the notes about



Key audit matter	Audit procedures addressing the key audit matter
	the measurement of equity investments.

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 separate financial statements of CIR S.p.A. – Compagnie Industriali Riunite 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 separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the separate financial statements

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

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

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and 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 on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

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 2021 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 2021 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 2021 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, 7 April 2022

KPMG S.p.A.

(signed on the original)

Giovanni Rebay
Director of Audit



CIR S.P.A.

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