CIR

CONSOLIDATED FINANCIAL STATEMENTS
SEPARATE FINANCIAL STATEMENTS
REPORT ON OPERATIONS

2022

Contents

CIR S.p.A.

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

Share capital € 420,000,000 – R.E.A. (Chamber of Commerce) no. 1950090

Milano Monza Brianza Lodi Company Register / Tax code / VAT no. 01792930016

The company is subject to management control and coordination by F.lli De Benedetti S.p.A.

Corporate bodies

at 31 December 2022

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 MARCO DE BENEDETTI FRANCO DEBENEDETTI 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, Risk and Sustainability Committee
(3) Lead Independent Director

CIR S.p.A. – COMPAGNIE INDUSTRIALI RIUNITE

Milan – Via Ciovassino 1
Share Capital: Euro 420,000,000.00 fully paid up – Reg. of Companies and Tax Code no. 01792930016
Company subject to management 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 16 March 2023)

The Shareholders are invited to attend the Annual General Meeting in an ordinary session, at a single calling, on 28 April 2023 at 10.00 a.m. in the registered office, Via Ciovassino 1, Milan, to discuss and pass resolution on the following:

AGENDA

1. Financial Statements for the year ended 31 December 2022 and allocation of the result for the year. Presentation of the consolidated accounts for the year ended 31 December 2022:
   a. Approval of the financial statements for the year ended 31 December 2022;
   b. Allocation of the result for the year.
2. Proposal for an authorization to buy back own shares and use them as appropriate after revoking the previous authorization.
3. Report on the remuneration policy and on compensation paid as per Art. 123–*ter* of the TUF:
   a. Binding vote on Section I;
   b. Consultative vote on Section II.
4. Proposal regarding the approval of Stock Grant Plan 2023.
5. Appointment of the Board of Directors, determination of the number of members, the term of office and the relevant remuneration:
   a. Determination of the number of members;
   b. Determination of the term of office of the Board of Directors;
   c. Appointment of the members of the Board of Directors;
   d. Decision as to their fees as per Art. 2389, parag. 1, of the Civil Code.
6. Appointment of the Board of Statutory Auditors for the years 2023 – 2024 – 2025 and determination of the relevant remuneration as per Art. 2402 of the Civil Code:
   a. Appointment of the Statutory Auditors in office and the Alternate Auditors;
   b. Decision as to their fees.

INFORMATION ON THE SHARE CAPITAL

The share capital amounts to € 420,000,000.00 consisting of 1,107,207,314 shares, with no nominal value expressed, all of which have voting rights except for the own shares for which voting rights are suspended.

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

METHOD OF CONDUCTING THE SHAREHOLDERS' MEETING

The Company has decided to avail itself of the right given by Art. 106 of Decree Law no. 18 of 17 March 2020 transposed with amendments into Law no. 27 of 24 April 2020 and recently extended as an effect of Law no. 14 of 24 February 2023, which states that attendance at the general meeting by those with the right to attend may take place exclusively through the representative designated by the Company as per the terms of Art. 135 -*undecies* of Legislative Decree no. 58 of 24 February 1998 ("**TUF**") – as set out in the following paragraph "*Attendance of general meetings, exercise of vote by proxy and representative of the shareholders designated by the Company*". The designated representative may also be given proxies in accordance with Art. 135-*novies* of the TUF, in waiver of Art. 135-*undecies*, paragraph 4, of the same decree, following the procedures described below.

Without prejudice to the above, attendance of the meeting by those entitled to attend (directors, statutory auditors, secretary of the meeting, representative of the firm of auditors, representative designated as per the terms of Art. 135-*undecies* of the TUF and/or employees and/or freelancers authorized by the Chairman to attend), in consideration of any limitations that could be re-introduced for health reasons, attendance may again be (or exclusively be) through means of telecommunication that enable attendees to be identified, by procedures that they will be informed of individually, in compliance with regulations applicable to such cases, without it being necessary for the Chairman and the secretary and/or the notary to be in the same place.

ENTITLEMENT TO ATTEND AND VOTE AT THE SHAREHOLDERS' MEETING

Entitlement to attend and cast a vote at the Shareholders' Meeting – exclusively through the designated representative - is granted to those who hold voting rights at the close of the seventh stock exchange trading day before the date fixed for the annual general meeting at a single calling (**19 April 2023** – *Record Date*).

Any persons who are holding ordinary shares of the Company after this date will not be entitled to attend the meeting and cast a vote.

Any credit and debit entries made to accounts after the deadline given above will not be significant in terms of entitlement to exercise a vote at the AGM.

Entitlement to attend the meeting and exercise voting rights – which can be exercised solely through the designated representative – is attested by a notification made to the Company by an authorized intermediary as per the terms of Art. 83-*sexies* of the TUF in favour of the person who has the right to vote based on evidence available at the close of the above-mentioned Record Date. This notification must reach the Company by the close of the third stock exchange trading day preceding the date fixed for the meeting (i.e. by **25 April 2023**). If the notification reaches the Company after the above deadline but before the start of the meeting, the shareholder still has the right to attend and to vote.

Any holders of shares that have not yet been dematerialized should first present their share certificates to an authorized intermediary for input into the centralized clearing system in electronic form, in accordance with the provisions of Article 36 of the joint sole Measure on post-trading issued by Consob and Bank of Italy on 13 August 2018, and should request that the notification be sent in as above.

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

For the purposes of the above, the Company decided to avail itself of the right to stipulate that attendance and voting at the AGM should be exclusively through the representative designated by the Company as per the terms of Art. 135-*undecies* of the TUF, identified as the company Studio

Segre S.r.l., with registered office in Turin, Via Valeggio 41(the "**Designated Representative"**).

Shareholders who wish to attend the meeting and exercise their vote must therefore appoint the Designated Representative as their proxy, using one or the other of the following alternative methods:

> Art. 135-*undecies* of the TUF, using the "*Proxy form for the Designated Representative*", or
> Art. 135-*novies* of the TUF, with the right to use the "*Ordinary proxy form*", following the procedures described below.

Proxy as per Art. 135-undecies of the TUF ("Proxy form for the Designated Representative")

The Designated Representative can be given a written proxy pursuant to the terms of Art. 135-*undecies* of the TUF without any costs for the shareholder (except for any mailing costs), with voting instructions on all or some of the resolution proposals on the items on the Agenda.

Appointing the Designated Representative

as proxy as per the terms of Art. 135-*undecies* of the TUF involves signing the specific "*Proxy form for the Designated Representative*", even in electronic form. The form can be found on the Company's website www.cirgroup.it in the section "*Governance/Shareholders Meeting*" and must be sent to Studio Segre S.r.l. with the relative voting instructions and a copy of an identity document, and in the case of a legal entity, with documentation proving that the delegating party possesses the necessary power to act on behalf of the company (copy of a Chamber of Commerce certificate or similar document):

> By courier or registered letter with advice of receipt (A/R), to the address: Via Valeggio 41, Turin – Italy, or
> Electronically by certified e-mail: segre@legalmail.it (Ref. "*Proxy for CIR AGM 2023*")

by the end of the second stock market trading day before the date fixed for the AGM (i.e. no later than **23:59 hours on 26 April 2023**).

The proxy and the relevant voting instructions given to the Designated Representative as per Art. 135-*undecies* of the TUF can be cancelled by the same deadline (**23:59 hours on 26 April 2023**), following the same procedure as that given for assigning the proxy.

The proxy, thus given, is effective only for the proposals for which voting instructions have been provided.

Proxy as per Art. 135-*novies* of the TUF ("ordinary proxy")

Those who do not use the proxy as per Art. 135-*undecies* of the TUF, can appoint the Designated Representative as their proxy under Art. 135-*novies* of the TUF, in waiver of Art. 135-*undecies*, paragraph 4, of the TUF, with the right to use the "*Ordinary proxy form*", even in electronic form. This form is available on the Company's website at the address www.cirgroup.it in the section "*Governance/Shareholders meeting*" and must be sent to Studio Segre S.r.l. with the relevant written voting instructions and a copy of an identity document and, in the case of a legal entity, with documentation proving that the delegating party possesses the necessary power in the company (copy of a Chamber of Commerce certificate or similar document:

> By courier or registered post with advice of receipt *(A/R*), to the address: Via Valeggio 41, Turin – Italy, or
> By e-mail to the certified e-mail address: segre@legalmail.it (Ref. "*Proxy for CIR AGM 2023*"),

by 12.00 noon on **27 April 2023** (although the Designated Representative can accept proxies and/or voting instructions even after the said deadline, provided that the meeting has not yet begun).

The proxy and the relevant voting instructions given to the Designated Representative as per Art. 135-*novies* of the TUF can be cancelled by the same deadline (**27 April 2023**), following the same procedure as that given for assigning the proxy.

The proxy, thus given, is effective only for the proposals for which voting instructions have been provided.

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It should be noted that shares for which a proxy has been assigned, even partially, are included in the calculation of the regular constitution of the shareholders meeting.

Regarding proposals for which no voting instructions have been given, the shares will not be included in the calculation of the majority and the amount of capital required to approve the resolutions.

The regular constitution of the Annual General Meeting and the validity of the resolutions on the items on the Agenda are governed by law.

No procedures have been set up for postal or electronic voting.

RIGHT TO ASK QUESTIONS ON THE ITEMS ON THE AGENDA

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

Questions must be received by the close of the seventh trading day preceding the date fixed for the Annual General Meeting at a single calling, i.e. by 23.59 hours on Wednesday **19 April 2023**.

The Company will give its answer in writing at least two trading days before the AGM (specifically by 10.00 a.m. on Wednesday **26 April 2023**) on the Company website in the "*Governance/Shareholder Meeting*" section.

Questions with the same content may receive a single response.

ADDITIONS TO THE AGENDA AND PRESENTATION OF NEW RESOLUTION PROPOSALS

As per the terms of Art. 126-bis of the TUF, Shareholders representing even jointly at least one fortieth of the share capital may, within ten days of the publication of this notice (i.e. by 26 March 2023), request an addition to the items on the Agenda to be dealt with, indicating in their request the further items proposed, or they may submit proposed resolutions on subjects already on the Agenda.

It should be remembered, however, that any such addition is not allowed for the items on which the Shareholders, as per the terms of the law, vote on a proposal made by the Directors or on a plan or a report prepared by the same, other than those included in Art. 125-*ter*, paragraph 1 of the TUF.
Requests must be made by registered post with advice of receipt (A.R.) to the Registered Office of the Company or by certified e-mail to the address pec_cirspa@legalmail.it and must be

accompanied by a report on the subject being put forward as well as by the certification(s) issued by an authorized intermediary attesting the person's entitlement to exercise this right. Notice will be given of any additions to the Agenda and of any new proposed resolutions in the same form as those on this notice of meeting, at least fifteen days before the date fixed for the single calling of the Shareholders Meeting, by which time the report prepared by the proposers of the same will be made available to the public.

As per the terms of Art. 126-*bis*, paragraph 1, third clause, of the TUF, given the method of attending the Meeting, those with voting rights can individually present resolution proposals on the subjects on the Agenda by **26 March 2023**. These proposals must be submitted by registered post with advice of receipt (A.R.) to the Registered Office of the Company or by certified e-mail to the address pec_cirspa@legalmail.it and must be accompanied by a proposed resolution on the item of the Agenda, and by the certification(s) issued by an authorized intermediary attesting the person's entitlement to exercise this right.

The proposals submitted will be published on the Company's website www.cirgroup.it in the section Governance by **13 April 2023** so that those entitled to vote can see them before sending their proxy forms to the Designated Representative.

If there are any alternative resolution proposals to those on the Agenda formulated by the Board, the Board's proposal will be put to the vote first (unless it is withdrawn) and only if it is rejected will Shareholder proposals be then put to the vote. These proposals, if there are alternatives, will be put before the Shareholders starting with the proposal presented by the Shareholders who hold a greater percentage of the share capital. Only if the first proposal put to the vote is rejected will the next proposal representing the second highest capital percentage be submitted, and so on.

APPOINTMENT OF THE BOARD OF DIRECTORS

With regard to item 5 on the Agenda, it should be noted that with the coming Annual General Meeting the mandate of the Board of Directors comes to an end. New members will therefore have to be appointed at the said meeting.

For the appointment of the Board of Directors the terms of Art. 147-*ter* of the TUF and Art. 11 of the Company Bylaws are followed. The Directors are appointed by the Shareholders Meeting on the basis of lists presented by the Shareholders in which the candidates must be listed in numerical order. Only Shareholders who, alone or with others, represent at least 2.5% (two point five per cent) of the share capital have the right to present lists.

The lists, signed by the Shareholder or Shareholders who are presenting them, even delegating just one of them to do so, accompanied by the required documentation, must be filed by the Shareholders presenting them at the Registered Office of the Company or must be sent to the certified e-mail address pec_cirspa@legalmail.it at least 25 days before the date fixed for the AGM (i.e. by **3 April 2023**) and must be made public in accordance with current regulations.

The lists must be accompanied by:

> Information regarding the identity of the Shareholders who have presented them, with an indication of the percentage of their total shareholding interest and one or more certificate(s), to be filed at the Registered Office of the Company at the same time or, in any case, by **7 April 2023**, showing their ownership of the same shareholding(s) as of the date on which the lists were presented;
> A declaration by the Shareholders other than those who hold, even jointly, a controlling or a relative majority interest, attesting that they have no connection with the latter as set out in the rules of law and regulations currently in force;
> An exhaustive description of the personal and professional characteristics of the candidates

as well a declaration by the same candidates attesting that they possess the requisites required by current regulations and by the Company Bylaws, including the possibility that they can be qualified as independent as per the terms of the law and regulations, and in which they specify whether any of their activities are in competition with the Company and accept their candidature. They must also give a list of any positions of director or statutory auditor that they hold in other companies.

Lists containing a number of candidates equal to or greater than three must include candidates of different genders at least in the proportion required by current legislation on the subject of gender balance. Any lists presented that do not comply with the above rules will considered as not having been presented. No Shareholder can present or contribute to the presentation of more than one list even through an intermediary or a fiduciary company. Shareholders subject to joint control as per the terms of Art. 93 of the TUF or those who are part of the same voting syndicate can present or contribute to the presentation of only one list. Each Shareholder can vote for only one list. Nobody can be a candidate in more than one list and the acceptance of candidature in more than one list makes candidates non-electable. If only one list is presented or admitted to the voting, all the Directors are drawn from that list. In the event that no lists are presented or that fewer directors are elected than the number determined by the Shareholders Meeting, another General Meeting must be convened to appoint the full Board of Directors.

The Shareholders are also asked to take into account the recommendations contained in Consob Communiqué DEM/9017893 of February 26 2009.

APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

With regard to item 6 on the Agenda, it should be noted that with the coming Annual General Meeting the mandate of the Board of Statutory Auditors comes to an end. At the AGM the new members for the years 2023 – 2024 – 2025 will therefore have to be appointed.

For the appointment of the Board of Statutory Auditors the terms of Art. 148 of the TUF and Art. 22 of the Company Bylaws are followed. The Auditors are appointed by the Shareholders Meeting on the basis of lists presented by the Shareholders in which the candidates must be listed in numerical order. Only Shareholders who, alone or with other Shareholders, represent at least 2.5% (two point five per cent) of the share capital have the right to present lists.
The lists, signed by the Shareholder or Shareholders who are presenting them, even delegating just one of them to do so, accompanied by the required documentation, must be filed by the Shareholders presenting them at the Registered Office of the Company or must be sent to the certified e-mail address pec_cirspa@legalmail.it at least 25 days before the date fixed for the AGM (i.e. by **3 April 2023**) and must be made public in accordance with current regulations.

The lists must be accompanied by:

> Information regarding the identity of the Shareholders who have presented them, with an indication of the percentage of their total shareholding interest and one or more certificate(s), to be filed at the Registered Office of the Company at the same time or, in any case, by **7 April 2023**, showing their ownership of the same shareholding(s) as of the date on which the lists were presented;
> A declaration by the Shareholders other than those who hold, even jointly, a controlling or a relative majority interest, attesting that they have no connection with the latter as per the rules of law and regulations currently in force;
> An exhaustive description of the personal and professional characteristics of the candidates as well a declaration by the same candidates attesting that they possess the requisites required by current regulations and by the Company Bylaws, and that they accept their candidature, as well as a list of the positions of director or statutory auditor that they hold in other companies.

Any lists presented that do not comply with the above rules will be considered as not having been presented. No Shareholder can present or contribute to the presentation of more than one list even through an intermediary or a fiduciary company; Shareholders subject to joint control as per the terms of Art. 93 of the TUF or those who are part of the same voting syndicate can present or contribute to the presentation of only one list. Each Shareholder can vote for only one list. Nobody can be a candidate in more than one list and the acceptance of candidature in more than one list makes candidates non-electable. Anyone who exceeds the limits imposed by current rules of law or regulations relating to the maximum number of positions as a member of boards of directors or boards of statutory auditors of companies cannot accept a position and if elected the position will lapse. Each list consists of two sections: one of candidates for the position of Statutory Auditor in office and the other of candidates for the position of Alternate Auditor. They contain the names of one or more candidates for the position of Statutory Auditor in office and Alternate Auditor, each in numerical or

der and the total number shall not be greater than the number of members to be elected. Pursuant to the terms of Art. 144-sexies of the Rules for Issuers approved with Consob Resolution no. 11971 and subsequent amendments and additions, if on the date on which the period for the presentation of lists ends only one list has been filed, or if the only lists presented are of Shareholders who are connected as defined by the rules applicable, lists can then be presented up to the third day from that date and that is by **6 April 2023**. In this case, the threshold for the presentation of lists is reduced by a half and thus to 1.25% (one point two five per cent) of the share capital. If only one list is presented or admitted to the voting, all the members of the Board of Statutory Auditors will be drawn from that list. Lists containing a number of candidates equal to or higher than three must include in each section candidates belonging to both genders.

The Shareholders are also asked to take into account the recommendations contained in Consob Communiqué DEM/9017893 of 26 February 2009.

DOCUMENTATION

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

The Financial Statements for the year 2022 will be made available to the public in the same way.

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

Milan, 16 March 2023

for the Board of Directors
The Chairman – Rodolfo De Benedetti

Letter to the Shareholders

Shareholders,

during 2022, the Company and its investees operated in what is again a complex situation, characterised by the continuing effects of the pandemic, albeit attenuated, by the increase in the cost of raw materials and energy, exacerbated by the conflict between Russia and Ukraine, and by the negative performance of financial markets. Only in the last quarter of the year was there an easing of tensions on financial, energy and raw material markets.

The CIR group had consolidated revenue of € 2.2 billion, 13.9% up on 2021, with positive trends in both of the sectors in which the Group operates, namely Healthcare and Automotive Components.

The recurring operating results of the subsidiaries increased, while the financial management result was influenced by the negative trend in financial markets; 2022 therefore closed with a consolidated net result close to breakeven.

Consolidated net debt (pre-IFRS 16) was down to € 82 million at the end of the year and the capital structure of the holding company is solid, with a positive net financial position of € 320 million at the end of 2022.

As far as the Group's activities are concerned, after being put to the test during the emergency phase of the pandemic, the Healthcare sector in which KOS operates found itself having to deal with various critical issues: a level of activity persistently lower than before the pandemic, with a lower number of guests in nursing homes, as well as fewer rehabilitation services being provided, greater difficulty in finding qualified healthcare staff and rising costs due to high inflation which has affected all of the hotel management costs that are incurred.

In this context, in 2022 KOS recorded a substantial recovery in its business, with revenue up by 6.5% on the previous year, thanks above all to a recovery in the nursing home sector, both in Italy (+16.3%) and in Germany (+6.6%).

Furthermore, despite the extraordinarily demanding context, KOS has continued developing its network of facilities which, from its foundation by CIR to the present day, has allowed it to become a market leader in Italy with a significant presence in Germany; in fact, in 2022 two new long-term care facilities were launched in Germany, and two more were acquired, for a total of 380 beds, while structures with another 740 beds are under construction in the two countries where the company operates.

We are confident that normal operating conditions will be resumed at our facilities during 2023. We are also hopeful that the institutions currently involved in reforming the health system and implementing the healthcare investments envisaged by the PNRR, will provide concrete support to nursing homes, because they are a crucial system in a society that counts a progressive and rapid ageing of its population among its main challenges.

Turning to the Automotive Components sector in which Sogefi operates, in 2022, and particularly in the second half of the year, world production of automobiles posted a clear recovery, giving rise to annual growth of around 6% on the previous year. However, despite the recovery, production volumes in both Europe and North America are still significantly below those of 2019. Furthermore, *inflationary tensions on raw materials and energy have continued, strongly exacerbated in the first part of the year by the outbreak of the conflict between Russia and Ukraine.*

In a context that is still highly uncertain and volatile, Sogefi, one of the leading Italian companies in the automotive components sector, turned in revenue growth of 17.5% compared with 2022, thanks to higher production volumes, an increase in selling prices to offset higher raw material costs and unfavourable exchange rate movements (+12.6% at constant exchange rates). The economic results were positive and improving.

At the same time, Sogefi is preparing for the sector's technological transition, dedicating resources to the development of new products for sustainable mobility.

Lastly, the result of the financial investment portfolio was slightly negative, -1.3%, penalising our Group's consolidated result. We would like to underline that thanks to the prudent investment policy adopted and better-than-market returns in all the asset classes in which we invested, the loss was relatively contained in a year that was extraordinarily negative for the financial markets.

We are confident that 2023 will once again be a year of growth and increased profitability for our businesses and we will put all of our efforts into this.

Rodolfo De Benedetti — *Monica Mondardini*

Chairman — *Chief Executive Officer*

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

Report on operations

1. Key figures

During 2022, the Company and its investees operated in a complex situation, characterised by the continuing effects of the pandemic, albeit attenuated, by the increase in the cost of raw materials and energy, exacerbated by the conflict between Russia and Ukraine, and by the negative performance of financial markets. Only in the last quarter of the year was there an easing of tensions on financial, energy and raw material markets.

The Group's **consolidated revenue** amounted to € 2,235.6 million, an increase of 13.9% compared with 2021, with positive dynamics in both of the group's business sectors, with a clear recovery after two years strongly influenced by the effects of the Covid-19 pandemic.

The Group's **net result** came to -€ 0.2 million compared with a profit of € 18.0 million in 2021.

The recurring operating results of the subsidiaries increased, while the returns on the financial investment portfolio penalised the consolidated net result, as a consequence of the markets' negative trend. The net result of the financial companies of the Group (CIR, CIR International and CIR Investimenti) was in fact negative for € 16.5 million, versus a positive contribution of € 16.1 million in 2021.

At 31 December 2022, **consolidated net financial indebtedness prior to IFRS 16** amounted to € 81.8 million, stable compared with 31 December 2021 (€ 85.6 million):

- the **net debt of the subsidiaries** has fallen to € 402.2 million compared with € 418.0 million at 31 December 2021;
- a **net financial position** of the parent (including CIR Investimenti and CIR International) remains very positive at € 320.3 million, but with a slight decrease compared with 31 December 2021 (€ 332.3 million) due to the purchase of treasury shares for € 6.4 million and to the reduction in financial results.

Consolidated net financial debt including IFRS 16 payables, at 31 December 2022, amounts to € 950.6 million, including right-of-use assets for € 868.8 million, mainly belonging to KOS (€ 798.2 million), which operates using mainly leased properties.
Equity attributable to the Group at 31 December 2022 comes to € 743.4 million, compared with € 740.4 million at 31 December 2021.

KOS

The Covid-19 pandemic caused a contraction in KOS's activities from the second quarter of 2020 to the first months of 2021; the business recovered from the second quarter of 2021 and throughout 2022, thanks to fewer critical issues related to the pandemic, but it has still not returned to pre-pandemic levels.

In 2022, Group **revenue** amounted to € 683.5 million, up by 6.5% compared with the previous year, thanks in particular to the recovery of the care home sector in Italy (+16.3%) and in Germany (+6.6%).

EBIT came to € 30.4 million; in 2021, KOS recorded an EBIT of € 31.8 million, which however included non-recurring income of € 12 million; the recurring operating result therefore shows an increase, thanks to the return to full operations and greater operating efficiency, despite the increase in the cost of healthcare personnel and energy.

KOS's **net result** for the period was close to breakeven (-€ 0.8 million) compared with +€ 1.4 million in 2021, which included the non-recurring income mentioned above.

Operating **free cash flow** before IFRS 16 was positive for € 5.0 million; the group is continuing its plan to develop and acquire new structures and has invested € 23.0 million in green field projects in particular, with the result that cash flow, including these investments in new structures, came to -€ 18.1 million.

Net debt, excluding liabilities deriving from the application of IFRS 16, at the end of 2022 amounted to € 178.3 million (€ 160.2 million at the end of 2021); Total net debt amounts to € 976.4 million, including liabilities under IFRS 16.

Looking forwards, a recovery of pre-Covid results is expected to take place in 2024, with the return to full operations and the adjustment of tariffs to offset the increase in personnel and energy costs seen in recent years. It is to be hoped that the tariff increases can be managed and agreed in cooperation with local institutions, also taking into account the strategic importance of the services offered by KOS for social well-being, at a time when there is a rapid increase in the elderly population and levels of non-self-sufficiency.

Sogefi

World car production grew by 6.2% compared with 2021, with the contribution of all geographical areas: Europe +5.7%, NAFTA +9.7%, Mercosur +8.3%, China +6.1% and India +22.7%. In terms of production costs, tensions on raw material and energy markets continued in the first nine months of 2022, aggravated by the conflict between Russia and Ukraine, though they eased in the last quarter.

Sogefi's revenue is up by 17.5% compared with 2022, due to the increase in production volumes (+4%), to the increase in sales prices to off-set the increase in the cost of raw material, and the evolution of exchange rates (+12.6% at constant exchange rates).

The economic results were positive and improving: **Operating profit** came to € 68.3 million (4.4% of turnover), up by 17% compared with 2021.

Profit for the year came to € 29.6 million (in 2021, € 28.6 million from continuing operations and € 2.0 million from discontinued operations.

Free cash flow was positive for € 29.3 million (€ 32.4 million in 2021).

Net debt (before IFRS 16) has been reduced to € 224.3 million at 31 December 2022, compared with € 258.2 million at 31 December 2021.

Investment in innovation continues: the new particulate air filter for the cabin was named product of the year in France and Sogefi's latest innovations in cooling plates for electric platforms were presented to the market.

2022 was also positive in terms of **commercial activity**: the Filtration Division was awarded several contracts for the supply of oil, fuel and air filters in Europe and India; the A&C Division concluded important contracts in NAFTA, in China and in Europe for the supply of thermal management products and cooling plates for electric mobility; the Suspension Division signed contracts for components that will be produced in the new plant in Romania and in China, also for electric and plug-in hybrid vehicles.

Financial management

As a result of the shock on financial markets caused by the war between Russia and Ukraine and the rise in interest rates decided by central banks to fight inflation, during 2022 the financial markets turned in their worst performance for decades.

In this context, the management of financial assets, which totalled € 393.1 million at the end of 2022, turned in a negative result of € 5.0 million (+€ 24.4 million in 2021), with an average yield of -1.3%; note that this yield compares with performances by the main equity and bond indices of between -10% and -20%.

On 22 December 2022, the parent company CIR signed a binding preliminary agreement, subject to certain conditions precedent, for the sale of a non-industrial real estate complex that it owns for a total of € 38.0 million, compared with a carrying amount of € 11.0 million. An amount of € 5.0 million was collected as a deposit, while the balance will be collected at the time of the closing, when the capital gain will also be recorded.

The tables on the next page analyse the contribution made to the Group's results by the industrial subsidiaries, the aggregate of the "financial holding companies" and the other non-industrial subsidiaries.

Consolidated income statement by business segment

(in millions of euro)	2022 KOS group (Healthcare)	Sogefi group (Automotive components)	**Total industrial subsidiaries**	**CIR and financial holding companies**	Other subsidiaries	**Consolidated total for the group**	2021 **Consolidated total for the group**
Revenue	683.5	1,552.1	**2,235.6**	**--**	--	**2,235.6**	**1,962.5**
Costs of production (1)	(565.0)	(1,344.2)	**(1,909.2)**	**(11.4)**	(0.1)	**(1,920.7)**	**(1,660.1)**
Other operating income & expense (2)	(1.3)	(13.4)	**(14.7)**	**(4.6)**	0.1	**(19.2)**	**(1.7)**
Amortisation, depreciation & impairment losses	(86.8)	(126.2)	**(213.0)**	**(1.0)**	--	**(214.0)**	**(220.5)**
Operating profit (loss)	30.4	68.3	**98.7**	**(17.0)**	--	**81.7**	**80.2**
Financial income & expense (3)	(31.4)	(18.8)	**(50.2)**	**2.1**	--	**(48.1)**	**(41.5)**
Dividends, net of realised and unrealised gains and losses on securities (4)	0.1	--	**0.1**	**(7.2)**	--	**(7.1)**	**21.4**
Fair value gains on equity-accounted investments	--	--	**--**	**--**	--	**--**	**--**
Income taxes	0.5	(18.4)	**(17.9)**	**5.6**	--	**(12.3)**	**(13.1)**
Profit (loss) from discontinued operations	0.7	--	**0.7**	**--**	--	**0.7**	**(24.5)**
Non-controlling interests	(0.7)	(14.4)	**(15.1)**	**--**	--	**(15.1)**	**(4.5)**
Profit (loss) for the period	(0.4)	16.7	**16.3**	**(16.5)**	--	**(0.2)**	**18.0**

During 2022, KOS started a process of divestment of the Diagnostics and Cancer Cure business in India, so the figures were reclassified in accordance with IFRS 5 to "Profit (Loss) from assets held for sale", and the same was done for the balance sheet items.

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 € (0.7) 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 consider the effect of € 0.7 million of intercompany eliminations. Compared with the figures mentioned in paragraph 5 "Performance of the business segments", € 4.2 million relating to the KOS group and € 0.2 million relating to the Sogefi group have been reclassified from "Amortisation, depreciation and impairment losses" to this item .*

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

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

Statement of financial position by business segment

(in millions of euro)	31.12.2022 KOS group (healthcare)	Sogefi group (Automotive components)	**Total industrial subsidiaries**	**CIR and financial holding companies**	Other subsidiaries	**Consolidated total for the group**	31.12.2021 **Consolidated total for the group**
Non-current assets (1)	1,406.3	667.9	**2,074.2**	**8.3**	--	**2,082.5**	**2,102.4**
Other net non-current assets and liabilities (2)	(13.1)	(57.5)	**(70.6)**	**78.3**	(0.7)	**7.0**	**(11.1)**
Assets and liabilities held for sale	17.5	--	**17.5**	**6.0**	--	**23.5**	**--**
Net working capital (3)	(88.3)	(68.0)	**(156.3)**	**(2.6)**	0.7	**(158.2)**	**(178.7)**
Net invested capital	1,322.4	542.4	**1,864.8**	**90.0**	--	**1,954.8**	**1,912.6**
Net financial indebtedness (4)	(976.4)	(294.9)	**(1,271.3)**	**320.3**	0.4	**(950.6)**	**(929.9)**
Total equity	346.0	247.5	**593.5**	**410.3**	0.4	**1,004.2**	**982.7**
Non-controlling interests	143.8	117.0	**260.8**	**--**	--	**260.8**	**242.3**
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	202.2	130.5	**332.7**	**410.3**	0.4	**743.4**	**740.4**

1) *This item is the sum of "intangible assets and goodwill", "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, including derivatives" and "deferred tax assets" under non-current assets and of "other liabilities", "deferred tax liabilities", "employee benefit obligations" and "provisions" 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" in current liabilities in the consolidated statement of financial position.*

4) *This item is the sum of "loan assets", "securities", "other financial assets, including derivatives", 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 2022, consolidated **revenue** was € 2,235.6 million, 13.9% up on 2021 (€ 1,962.5 million). KOS recorded an increase in revenue of 6.5% and Sogefi of 17.5%. It is worth noting that the group records 75.1% of its revenue abroad.

(in millions of euro)	*2022*	*%*	*2021 (1)*	*%*	*Change amount*	*%*
Healthcare						
KOS group	683.5	30.6	641.9	32.7	41.6	6.5
Automotive components						
Sogefi group	1,552.1	69.4	1,320.6	67.3	231.5	17.5
Total consolidated revenue	2,235.6	100.0	1,962.5	100.0	273.1	13.9
of which: ITALY	*557.1*	*24.9*	*527.4*	*26.9*	*29.7*	*5.6*
OTHER COUNTRIES	*1,678.5*	*75.1*	*1,435.1*	*73.1*	*243.4*	*17.0*

(1) The figures for 2021 of the KOS group have been reclassified following the application of IFRS 5 ("Non-current assets held for sale and discontinued operations") to KOS's business in India.

A summary of the 2022 **consolidated income statement** is reported below compared with that of 2021.

(in millions of euro)	*2022*	*%*	*2021 (1)*	*%*
Revenue	2,235.6	100.0	1,962.5	100.0
Gross operating profit (2)	**295.7**	**13.2**	**300.7**	**15.3**
Operating profit	**81.7**	**3.7**	**80.2**	**4.1**
Net financial result *(3)*	(55.2)	(2.5)	(20.1)	(1.0)
Income taxes	(12.3)	(0.5)	(13.1)	(0.7)
Profit (loss) from discontinued operations	0.7	--	(24.5)	(1.3)
Profit including non-controlling interests	**14.9**	**0.7**	**22.5**	**1.1**
Non-controlling interests	(15.1)	(0.7)	(4.5)	(0.2)
Profit attributable to the owners of the parent	**(0.2)**	**--**	**18.0**	**0.9**

(1) Within the KOS group, certain figures have been reclassified following the application of IFRS 5 ("Non-current assets held for sale and discontinued operations") to Diagnostics & Cancer Cure in India, the results of which have therefore been shown under "Profit (loss) from discontinued operations, net of tax".
(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.

The **consolidated gross operating profit** (EBITDA) in 2022 amounted to € 295.7 million (13.2% of revenue), compared with € 300.7 million in 2021 (15.3% of revenue). If we exclude the non-recurring income in 2021 of € 15.4 million and the non-recurring charges in 2022 of € 5.0 million, as explained below for KOS and the parent, consolidated EBITDA improves by 5.4% on 2021.

Consolidated **operating profit** was € 81.7 million, compared with € 80.2 million in 2021. Also in this case, if we exclude the non-recurring income in 2021 of € 14.5 million and the non-recurring charges in 2022 of € 10.1 million, consolidated recurring EBIT increased by 40%.

The net financial result was negative for € 55.2 million compared with € -20.1 million in 2021:

- Net gains from the financial investment portfolio of the holding company CIR and financial subsidiaries were negative for € 5.0 million, compared with a positive amount of € 24.7 million in 2021, due to the reasons explained in paragraph 5.3 below;
- net interest expense on subsidiaries' payables in 2022 amounted to € 26.6 million, more or less in line with the previous year, despite the rise in interest rates in the second half of the year;
- IFRS 16 financial charges were equal to € 23.6 million and have increased by € 3.2 million compared with 2021, mainly because of the new rent contracts signed by the KOS group.

The result of assets held for sale was equal to € 0.7 million and was related to the probable sale of the Diagnostic & Cancer care of KOS in India. it includes the 2021 results of the aforementioned activity and the accounting effects of the sale. The result of assets held for sale was negative for € 24.5 million in 2021 and was due to the sale of the Sogefi's Filtration Division in Argentina, because of the reclassification from equity to the result for the year of the difference accrued over time, with no effect on equity or cash.

The **consolidated loss** amounted to € 0.2 million versus a profit of € 18.0 million in 2021; the contribution of the operating subsidiaries was € 16.3 million, compared with €1.9 million the previous year (which included the effects of the sale of Sogefi's filtration business in Argentina), while the contribution of the holding company and the subsidiaries CIR Investimenti and CIR International was negative for €16.5 million, versus a positive contribution of € 16.1 million in 2021.

In 2022 the **cash flow from continuing operations** was close to zero (+€ 1.6 million), including investments in development for € 24,3 million, dividends distributed for € 2.9 million, treasury share purchases for € 6.4 million and an unfavourable change in working capital for € 24.8 million.

The consolidated statement of cash flows, prepared according to a "management" format, which shows the changes in net financial position, is reported below.

(in millions of euro)	***2022***	***2021(*)***
Profit from continuing operations	14.2	47.0
Amortisation, depreciation, impairment losses & other non-monetary changes	150.6	134.7
Self-financing	**164.8**	**181.7**
Change in working capital and other non-current assets and liabilities	**(24.8)**	**(30.1)**
CASH FLOWS GENERATED BY OPERATIONS	**140.0**	**151.6**
Capital increases		0.1
TOTAL SOURCES OF FUNDS	**140.0**	**151.7**
Net ordinary investment in non-current assets	(113.8)	(106.4)
Net investment in developments	(24.3)	(20.0)
Net investments in private equity	0.8	15.4
Sales	8.2	53.3
Payment of dividends	(2.9)	(4.0)
Purchase of treasury shares	(6.4)	(80.1)
Other changes	-	-
TOTAL APPLICATIONS OF FUNDS	**(138.4)**	**(141.7)**
CASH FLOWS FROM (USED IN) CONTINUING OPERATIONS	**1.6**	**10.0**
CASH FLOWS FROM (USED IN) ASSETS HELD FOR SALE	2.2	4.4
CASH FLOWS FROM (USED IN) THE YEAR	**3.8**	**14.4**
OPENING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16	**(85.6)**	**(100.0)**
CLOSING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16	**(81.8)**	**(85.6)**
RESIDUAL LIABILITY FOR IFRS 16	(868.8)	(844.3)
CLOSING NET FINANCIAL INDEBTEDNESS	**(950.6)**	**(929.9)**

(*) Certain figures for the KOS group have been reclassified following the application of IFRS 5 ("Non-current assets held for sale and discontinued operations") to KOS's activities in India

At 31 December 2022, before the application of IFRS 16, **consolidated net indebtedness** amounted to € 81.8 million (compared with € 85.6 million at 31 December 2021), made up as follows:

- a financial surplus on the part of CIR and the financial sub-holding companies (CIR International and CIR Investimenti) of € 320.4 million, down from € 332.4 million at 31 December 2021), due to the purchase of treasury shares for € 6.4 million and the loss recorded during the period;
- total net indebtedness of the industrial subsidiaries of € 402.2 million, down by € 15.8 million compared with 31 December 2021 (€ 418.0 million).

On the basis of IFRS 16, lease liabilities for rights of use amounted to € 868.8 million at 31 December 2022, giving rise to a total consolidated net financial indebtedness of € 950.6 million (€ 929.9 million at 31 December 2021).

The condensed consolidated statement of financial position of the CIR group at 31 December 2022, with comparative figures at 31 December 2021, is as follows.

(in millions of euro)	*31..12.2022*	*31.12.2021*
Non-current assets	2,082.5	2,102.4
Other net non-current assets and liabilities	7.0	(11.1)
Assets and liabilities held for sale	23.5	--
Net working capital	(158.2)	(178.7)
Net invested capital	**1,954.8**	**1,912.6**
Net financial indebtedness	**(950.6)**	**(929.9)**
Total equity	**1,004.2**	**982.7**
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	743.4	740.4
Non-controlling interests	260.8	242.3

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

Equity attributable to the owners of the parent at 31 December 2022 came to € 743.4 million, compared with € 740.4 million at 31 December 2021.

At 31 December 2022 the CIR group had 16,743 employees, compared with 17,201 at 31 December 2021.

3. Performance of the parent

The parent CIR S.p.A. closed 2022 with a profit of € 3.0 million compared with € 2.1 million in 2021.

The **income statement of CIR S.p.A.** for 2022, compared with that of 2021, is as follows.

(in millions of euro)	*2022*	*2021*
Sundry revenue and income	1.8	6.9
Operating costs (1)	(10.2)	(10.5)
Other operating costs, amortisation and depreciation (2)	(6.8)	(4.2)
Net financial income (3)	13.1	8.3
Profit (loss) before taxes	(2.1)	0.5
Income taxes	5.1	1.6
Profit (loss) of assets held for sale	--	--
Profit for the period	**3.0**	**2.1**

(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 charges", "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" includes income from properties owned by the company and intercompany services, which are stable at € 1.8 million. 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.

Operating costs are slightly down, while other operating expense, amortisation and depreciation increased from € 4.2 million in 2021 to € 6.8 million in 2022. This was because of non-recurring charges which went from € 2.4 million in 2021 to € 5.0 million in 2022.

"Net financial income" includes the dividends from subsidiaries, which in 2022 amounted to € 16.0 million (€ 2.0 million in 2021). They were received from CIR Investimenti S.p.A. and CIR International S.A., whose results in 2021 were very positive, resulting in a good dividend flow in 2022.
The statement of financial position of CIR S.p.A. at 31 December 2022, compared with the situation at 31 December 2021, is as follows.

(in millions of euro)	*31.12.2022*	*31.12.2021*
Non-current assets (1)	586.8	605.0
Other net non-current assets and liabilities (2)	85.4	72.4
Net assets held for sale	6.0	--
Net working capital (3)	(1.9)	2.5
Net invested capital	**676.3**	679.9
Net financial indebtedness (4)	**16.2**	14.4
Equity	**692.5**	**694.3**

(1) This is the sum of "intangible assets", "property, plant and equipment", "investment property", "right-of-use assets", and "equity investments"
(2) This item is the sum of "other assets", "other financial assets including derivatives" and "deferred tax assets" under non-current assets and of "other liabilities", "deferred tax liabilities" and "employee benefit obligations" under non-current liabilities
(3) This item is the sum of "other assets" in current assets and "other liabilities" in current liabilities
(4) This item consists of the sum of "securities"and "cash and cash equivalents" of current assets, of the line "lease liabilities" of non-current liabilities and of the lines "lease liabilities" of current liabilities

Equity went from € 694.3 million at 31 December 2021 to € 692.5 million at 31 December 2022. The net decrease of € 1.8 million is mainly due to: an increase due to the profit for the period, and a decrease due to the purchase of treasury shares for € 6.4 million.

Distributable reserves went from € 19.9 million at 31 December 2021 to € 233.6 million at 31 December 2022, as a result of the capital reduction from € 638,603,657 to € 420,000,000, resolved by the shareholders' meeting on 12 September 2022 and which became effective on 21 December 2022.

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.

(in millions of euro)	*Equity*	*Profit (loss) for 2022*
Separate financial statements of CIR S.p.A. (parent)	692,541	3,045
Derecognition of the carrying amount of consolidated equity investments	(581,405)	--
Recognition of equity and profit (loss) for the year of investments in subsidiaries	629,262	6,277
Goodwill	2,941	--
Dividends from companies included in the consolidation	**--**	(15,952)
Derecognition of fair value gains (losses) on consolidated equity investments	**--**	6,357
Other consolidation adjustments	20	16
Condensed interim consolidated financial statements (share attributable to the owners of the parent)	**743,359**	**(257)**

5. Performance of the business segments

5.1 Healthcare

The KOS group provides healthcare services, managing a total of 144 facilities (care homes for the elderly and rehabilitation centres) for a total of 13,518 beds, in Italy and Germany. Services are detailed below:

- Nursing Homes in Italy: operating in the management of residential care homes for the elderly, mainly under the Anni Azzurri brand (58 facilities and 6,196 beds),
- Nursing Homes in Germany: management of residential care homes for the elderly through Charleston, a subsidiary (51 facilities and 4,423 beds);
- Functional and psychiatric rehabilitation centres, mainly with the Santo Stefano brands, for rehabilitation, and Neomesia for psychiatry (33 structures and 2,592 beds);
- Acute care: management of Villa dei Pini in the Marche region and of the Fratelli Montecchi hospital in Suzzara (under concession) and for a total of 307 beds;

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

(in millions of euro)	*2022*	*2021*	*Change amount*	*%*
Revenue	683.5	641.9	41.6	6.5
Profit (loss) for the period	(0.8)	1.4	(2.2)	n.a.

	31/12/2022	*31/12/2021*	*Change*
Net financial indebtedness before IFRS 16	(178.3)	(160.2)	(18.1)
Net financial indebtedness after IFRS 16	(976.4)	(935.1)	(41.3)
No. of employees	11,341	11,721	(380)

During 2022, KOS started a process of divestment of the Diagnostics and Cancer Cure business in India, so the figures were reclassified in accordance with IFRS 5 to "Profit (Loss) from assets held for sale", and the same was done for the balance sheet items. This sale forms part of the strategic refocusing strategy launched in 2020, with the sale of Medipass (of which India was one of the operating territories), a sale which at the time concerned only the European activities.

Note that, after the significant decline caused by the Covid-19 pandemic, the recovery began in the second quarter of 2021 and continued throughout 2022, helped by the vaccines that made it possible to combat infections.

In 2022, revenue was € 683.5 million, 6.5% up on 2021.

In the care home sector in Italy, revenue of € 225.1 million was recorded, up by 16.3% compared with 2021; the average occupancy rate, on a like-for-like basis, grew by 10 percentage points compared with 2021, but still below 2019. The positive trend is expected to continue in 2023, with a return to full capacity in 2024.

In residential care homes for the elderly in Germany, revenue is up by 6.6% compared with 2021, coming in at € 191.3 million, also thanks to greater public support in terms of subsidies for lack of guests. A further recovery is also expected in Germany in 2023.

In the functional and psychiatric rehabilitation sector, revenue was in line with the previous year (-0.2%, € 189.2 million), when there had already been a good recovery compared with 2020; turnover in 2022 was still penalised by temporary drops in activity linked to the various waves of the pandemic that occurred, especially during the second half of the year.

Hospital management for Acute Care recorded revenue of € 77.8 million, also in line with 2021 and above pre-pandemic levels.

EBITDA amounted to € 121.4 million compared with € 117.5 million in 2021, which included capital gains and other gains for € 12 million; EBITDA grew despite the inflationary rise in healthcare personnel costs, particularly nurses, and energy costs, only marginally offset by tariff adjustments, especially in Italy.

EBIT amounted to € 30.4 million, compared with recurring EBIT in 2021 of € 20 million, and in line with € 31.8 million compared with total EBIT in 2021.

The **loss for the period** was € 0.8 million (+€ 1.4 million in 2021).

In 2022, the development plan continued, particularly in the nursing home sector, with the start-up of four new facilities and the acquisition of another two in Germany; eight other greenfield projects are also under construction. Total development investments in 2022 amounted to €23 million.

Operating free cash flow was positive for € 5.0 million, before the application of IFRS 16; including € 23.0 million of development investments, it was negative for € 18.1 million.

At 31 December 2022 the KOS group presented a **net financial indebtedness before IFRS 16** of € 178.3 million compared with € 160.2 million at 31 December 2021) and of € 976.4 million if we include the effects of IFRS 16 (€ 935.1 million at 31 December 2021).

At the end of 2022, the KOS Group has committed credit lines in excess of its requirement for € 180 million; The covenants of outstanding loan agreements have been respected and they are expected to be met at the next deadlines as well.

At 31 December 2022 consolidated equity amounted to € 338.3 million (€ 338.1 million at 31 December 2021).

The KOS group had 11,341 employees at 31 December 2022 compared with 11,721 at 31 December 2021.

During the coming financial year, there is expected to be a minor operational criticality linked to the evolution of the pandemic. Under this hypothesis, the Rehabilitation and Acute services are expected to return to their pre-Covid level of activity during the current year; for the nursing homes in Italy and Germany in 2024, after a progressive growth in employment during 2023, levels should be reached close to those of 2019. Providing there are no facts or circumstances that make the situation even more complex than it is at present, the operating results of KOS for the coming year should be better than those of the past year.

5.2 Automotive components

In 2022, world car production grew by 6.2% compared with the previous year, making progress in all geographical areas: Europe +5.7%, NAFTA +9.7%, Mercosur +8.3%, China +6.1% and India +22.7%. Despite the recovery in 2022, world car production remains lower than in 2019 (-7.8%), with Europe at -23.2%.

The main indicators of Sogefi 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)	***2022***	***2021***	***Change amount***	***%***
Revenue	1,552.1	1,320.6	231.5	17.5
Profit (loss) for the period	29.6	2.0	27.6	n.a.

	31/12/2022	***31/12/2021***	***Change***
Net financial indebtedness before IFRS 16	(224.3)	(258.2)	33.9
Net financial indebtedness after IFRS 16	(294.9)	(327.6)	32.7
No. of employees	5,384	5,462	(78)

In 2022, revenue is up by 1,552.1 million, with an increase of 17.5% on 2021, due to the rise production volumes (+4%) and in sales prices, correlated with the increase in raw material costs and the evolution of exchange rates (at constant exchange rates, revenue would have been of 12.6%).

Revenue grew in all geographical areas: +9.5% in Europe, +29.7% in North America (+17.2% at constant exchange rates), +38.7% in South America (+15.8% at constant exchange rates, net of inflation in Argentina), +15.0% in China (+6.7% at constant exchange rates) and +36.8% in India (+29.4% at constant exchange rates).

By business segment, Suspensions recorded revenue up 21.5% (+16.6% at constant exchange rates), with significant growth rates particularly in India, North America, South America and Europe; Filtration reported revenue up 15.6% (+12.1% at constant exchange rates), thanks to the good performance of the Aftermarket in Europe and activities in North America and India; Air and Cooling recorded revenue up 15.4% (+8.9% at constant exchange rates), with particularly significant increases in China and Nafta.

EBITDA amounted to € 194.7 million and increased by 1.1% on € 192.5 million of 2021.

EBIT amounted to € 68.3 million in 2022, up by 17% on € 58.4 million in 2021, with a percentage on turnover stable at 4.4%; if we exclude the impairment losses of € 5.0 million recorded in 2022, EBIT would have gone up by 25.5%.

The group reported a profit of € 29.6 million, compared with € 2.0 million in 2021 (including a loss from the sale of the filtration business in Argentina); Profit (loss) from continuing operations amounted to € 31.2 million in 2022 compared with € 28.6 million of 2021.

Free cash flow was positive for € 29.3 million, more or less in line with € 32.4 million in 2021.

Net financial indebtedness pre-IFRS 16 at 31 December 2022 was equal to € 224.3 million, down compared with the end of 2021 (€ 258.2 million). Including lease liabilities for right-of-use assets in accordance with IFRS 16, net financial indebtedness was € 294.9 million at 31 December 2022 compared with € 327.6 million at 31 December 2021.

At 31 December 2022, excluding non-controlling interests, **equity** came to € 230.7 million (€ 187.7 million at 31 December 2021). The increase is mainly due to the profit for the period, the fair value of cash flow hedging derivatives and other changes.

At 31 December 2022, the Sogefi group has committed lines of credit in excess of its requirements for € 279 million; The covenants of outstanding loan agreements have been respected and they are expected to be met at the next deadlines as well.

The Sogefi group had 5,384 employees at 31 December 2022 compared with 5,462 at 31 December 2021.

The visibility for 2023 remains limited, given the uncertainties caused by the Russia-Ukraine conflict, changes in the macroeconomic situation and the availability and prices of raw materials and energy. For the coming year, S&P Global (IHS) foresees a growth in world car production of 3.6% compared with 2022, with Europe at +7.1%, NAFTA at +5.4%, South America at +4.9% and China at +1.1%. As regards the prices of raw materials and energy, the upward trend came to a halt in 2022, even if there is still a high level of volatility. There are also inflationary pressures on labour costs in some geographical areas. Assuming there is no serious deterioration of the geopolitical and macroeconomic scenario compared with the current one, for 2023 the Sogefi group expects mid-single digit revenue growth and an operating result, excluding non-recurring charges, at least in line with that of 2022.

5.3 Financial investments

The group manages a diversified portfolio of financial investments amounting to € 394.1 million at 31 December 2022; it consists of 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.

In 2022, global equity and bond markets turned in one of their worst performances of the last few decades (between -10 and -20% in all segments of the Euro area), due to ***i)*** high initial valuations, ***ii)*** shocks to the world economy as a result of the Russia-Ukraine conflict and the sanctions that followed, and ***iii)*** the sharp upward revision of interest rates by central banks in response to growing inflationary pressures.

In this context, the readily marketable assets (bonds, shares, bank deposits and hedge funds), which at 31 December 2022 amounted to € 320.3 million, turned in a neutral performance, +€ 0.1 million (significantly better than the market indices), as did the private equity portfolio (breakeven), which at the end of the year had a balance of € 59.5 million. The other assets, comprising non-strategic equity investments and non-performing loans which at 31 December 2022 amounted to € 14.3 million, generated a negative return of € 5.1 million in 2022, due to the adjustments to fair value. The portfolio of financial assets as a whole recorded negative net financial income of €5.0 million, with a return of -1.3% on the average capital invested.

On 22 December 2022, the parent company CIR signed a binding preliminary agreement, subject to certain conditions precedent, for the sale of a non-industrial real estate complex that it owns for a total of € 38.0 million, compared with a carrying amount of € 11.0 million. Of the consideration, €5.0 million was paid as a deposit on signing the contract, with the balance to be paid at the closing, which is expected to take place by the end of 2023. The capital gain, net of transaction costs and before tax, is expected to be around €26.0 million, and will be recognised at the time of the closing.

6. Impact of the Russia-Ukraine war, Covid-19 and climate change on the business

With reference to the macroeconomic context, the economies of the main geographical areas in which the CIR group operates have been growing, even if less than expected at the beginning of the year. However, 2022 was characterised by a sudden, hefty rise in inflation, driven by the increase in prices of energy and raw materials in general, which had already taken place in the second half of 2021 and continued in the first half of 2022, and by an increase in both short-term interest rates, implemented by central banks to contain inflation, and long-term interest rates.

The residual effects of the Covid-19 pandemic, which began in 2020 and are now being eased, were still being felt in 2022. And the Russia-Ukraine conflict, which exploded in the first quarter of the year and has not yet been resolved, had important repercussions, exacerbating the inflationary trends in raw materials and energy.

Following the increased significance and relevance of medium-term risks deriving from climate change, the Group companies have incorporated into their risk management systems an analysis of the potential impact of these factors on their own assets and business model, and have incorporated into their respective business plans the impacts of climate change and the policies and regulations implemented at local and international level to deal with it.

The specific impacts of the factors mentioned above on the companies belonging to the CIR Group are illustrated below.

6.1 Impact on the KOS group

The Covid-19 pandemic has had important repercussions on the group's business, given that it operates in the healthcare sector. During 2020, following the spread of the pandemic, KOS recorded a drop in guests in nursing homes and a slowdown in rehabilitation due to the block on non-urgent hospital activities. Completion of the vaccination programme for guests and operators during 2021 mitigated the impact of subsequent waves on rehabilitation activities and allowed the progressive resumption of admissions to nursing homes, which were significantly higher at the end of 2022 compared with the low reached in the early months of 2021, but still lower than the levels reached before the pandemic. Additional costs were incurred due the acute phases of the healthcare emergency for the supply of personal protective equipment, sanitisation materials and to ensure the safety of working environments. Personnel costs in relation to the number of guests have also increased, due to the higher level of assistance required during the pandemic and higher wages, given the shortage of qualified social and health resources, to cope with the sudden increase in demand.

The KOS group also felt the impact of the increase in energy costs on its consumption and on some supplies, such as laundry services. The impact of the rise in interest rates, on the other hand, was limited, thanks to a significant proportion of fixed-rate loans, and because the rise in short-term rates only occurred in the second half of the year.

The company implemented various measures to guarantee an economic and financial balance. In January 2023, it also formulated a plan which foresees a further progressive recovery in the levels of activity and operational efficiency over the next few years.

The KOS group also carried out an analysis of physical risks related to climate change, identifying an overall low level of risk per site in the majority of the facilities, with the exception of 8 sites (10 in the most adverse scenario) for which an average level of risk was identified overall, mainly linked to extreme phenomena such as thermal and water stress, i.e. the risk of heat waves, frost or flooding. These risk profiles do not require urgent interventions and do not suggest any need to recognise impairment losses on fixed assets, but they could lead to the onset of operating costs that are currently considered immaterial. The need to bear higher costs and investments for energy efficiency was also considered and these were incorporated into the company's business plans, while no significant transition risks to the business model have been identified.

6.2 Impact on the Sogefi group

With reference to the macroeconomic context, inflationary impacts on raw materials and energy significantly affected production costs, which Sogefi minimised by optimising them, also resorting to new sources of supply and adjusting sales prices to take the higher costs into account. The impact of the rise in interest rates, on the other hand, was modest, taking into account the significant proportion of fixed-rate loans and the fact that the increase in short-term rates occurred only in the second half of the year.

The direct impact of the Russia-Ukraine conflict is not insignificant. In fact, Sogefi had a commercial activity in Russia and exported to Ukraine and Belarus, with total revenue that was not significant (0.7% of Group revenue). These activities were interrupted in March 2022 and the Russian branch is currently being liquidated. As a result, in 2022 Sogefi recorded impairment losses on the assets held in Russia for € 0.8 million, while the direct impact on revenue was minimal. Like the whole of the automotive sector, Sogefi is also suffering the indirect impacts of the war, in particular the further surge in energy and raw material prices, and supply chain difficulties, critical issues that only saw a partial mitigation towards the end of 2022.

As regards the Covid-19 pandemic, during 2022 the easing of the health emergency made it possible to reduce its effects on the business; in fact, there were no suspensions of industrial and commercial activities, with the exception of the lockdowns in some areas of China; However, the problems related to staff absences due to infections or contacts continued, and the consequent operational inconveniences, despite the Sogefi Group having maintained all of the precautions for health and safety in the workplace to reduce the risk of contagion.

The Sogefi group also carried out an analysis of physical risks related to climate change, identifying an overall low level of risk in the majority of the group's locations, with the exception of 7 sites out of a total of 35, for which an average level of risk was identified overall, mainly linked to extreme phenomena such as thermal and water stress, i.e. the risk of heat waves or frost. These risk profiles do not require urgent interventions by the Sogefi group and do not suggest any need to recognise impairment losses on fixed assets, but they could lead to the onset of operating costs that are currently considered immaterial.

Operating as it does in the Automotive sector, Sogefi is also affected by the transition of the business from the production and supply of components for internal combustion engines to electric motors. The evolution of the product range made necessary by this transition mainly affects the Filtration division, whose current range is intended essentially for combustion engines. The Air and Cooling division, starting with its own know-how and technology, has long since developed new products for electric platforms, already obtaining its first contracts. Lastly, the Suspensions division is only marginally affected by the technological transition taking place in engines. For some time now, the Company has been taking into account the impacts deriving from the transition, directing its investments in this direction.

6.3 Impact on the parent

The changed macroeconomic context and the Russia-Ukraine conflict affected the parent company in particular in terms of the fair value of its financial assets. The sharp rise in interest rates, both in the short and medium-long term, caused heavy downward corrections in the bond markets, starting as early as the last quarter of 2021, while expectations of a recession led to hefty losses on equity markets from January 2022 onwards. The investment portfolio of CIR and the financial holding companies, managed according to a prudent strategy, limited losses with respect to the main market indices, but still turning in a performance that was below expectations.

For the parent, operating as a financial and investment holding company, significant risks to the business model specifically related to climate change have not been identified, whether of a physical or long-term nature, apart from those already identified at the subsidiaries.

6.4 Impact on accounting estimates and measurements

With regard to the impacts on estimates and accounting valuations, it should be noted that the valuations in the consolidated financial statements of the CIR Group are fully supported by the values calculated on the basis of the most recent business plans approved by the subsidiaries, which take into account the short-term impacts of the ongoing conflict and of Covid-19, as well as the long-term impacts of climate change, based on discount rates that are consistent with the macro-economic and financial result.

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

7. Events after the reporting period

As regards both the parent company and its subsidiaries KOS and Sogefi, no significant events have occurred that could have an impact on the economic, equity and financial information being presented here.

8. Outlook

The visibility of the Group's performance in the coming months remains limited, given the persistent uncertainty regarding the evolution of the Russian-Ukrainian conflict, changes in the macroeconomic situation and the prices of raw materials, especially of energy.

As regards **KOS**, thanks to lower critical issues related to the pandemic, it is expected that the return to pre-Covid levels of activity should occur for Rehabilitation and Acute services during the current year and for nursing homes in Italy and Germany in 2024, after a progressive increase in saturation during the course of 2023, reaching levels near to those of 2019. Providing there are no facts or circumstances that make the situation even more complex than it is at present, the operating results of KOS for the coming year should be better than those of the past year.

For the Automotive market in which **Sogefi** operates, the visibility for 2023 remains limited, given the uncertainties caused by the Russia-Ukraine conflict, changes in the macroeconomic situation and the availability and prices of raw materials and energy. For 2023, S&P Global (IHS) still maintains a forecast of growth in world car production of 3.6% compared with 2022, with Europe at +7.1%, NAFTA at +5.4%, South America at +4.9% and China at +1.1%. As regards the prices of raw materials and energy, the upward trend came to a halt in 2022, even if there is still a high level of volatility. There are still inflationary pressures on labour costs in some geographical areas. Assuming there is no serious deterioration of the geopolitical and macroeconomic scenario compared with the current one, for 2023 Sogefi expects mid-single digit revenue growth and an operating result, excluding non-recurring charges, at least in line with that of 2022.

As regards management of the financial assets of the holding company, conditions of high volatility are expected to remain during 2023 because of the uncertainties related to the geo-political, macroeconomic and financial context, though there should be better prospects for the return on the financial assets.

9. Risk management

In a context characterized by market instability, evolution of business dynamics and regulations, a careful and efficient identification and management of risk and opportunities is crucial to i) support an informed decision-making process consistent with the strategic objectives and ii) ensure corporate sustainability and the creation of value in the medium to long term.

In this regard, in line with the provisions of the Corporate Governance Code for listed companies, promoted by Borsa Italiana S.p.A, ABI, Ania, Assogestioni, Assonime and Confindustria, which the Company has adopted, and with national and international best practices recognised on the market, CIR, as part of the Internal Control and Risk Management System ("ICRMS"), starting from 2012 with continuous updates (most recently during 2022), has adopted and implemented a structured and formalised process of "ERM - Enterprise Risk Management", designed for: i) the identification, assessment, management and systematic monitoring of the main risks that could compromise the achievement of the Group's strategic and business objectives, and ii) the definition of adequate information flows within the company and from the subsidiaries of the group. CIR has also set up the Risk Manager ("RM") function, with the task of ensuring correct execution of the process.

The ERM framework has been subject to continuous updating with a view to greater "customisation" and its evolution and improvement, while maintaining continuity with the activities carried on in the past. In particular, on 11 March 2022, the Board of Directors updated the "Guidelines of the Internal Control and Risk Management System", which outline the governance of the risk management system (identifying the persons involved and their roles and responsibilities), and define the operating model, including the analysis and reporting activities to be carried out on a regular basis and the related support tools and methodologies.

The ERM process is organised within the CIR group on several levels: the control set up at the level of CIR S.p.A., the parent, is tasked with: *i)* ensuring that the process functions properly with a focus on the parent and its financial holding subsidiaries, CIR Investimenti S.p.A. and CIR International S.A., and *ii)* implementing the results of the analyses carried out as part of the analogous processes set up at the subsidiaries, Sogefi S.p.A. and KOS S.p.A.

The Board of Directors of CIR S.p.A. has specifically identified the following persons or bodies who are involved in the process:

a. the Board of Directors, which performs a role of guidance and assessment of the adequacy of the system;
b. the Director in charge of the Internal Control and Risk Management System, identified in the person of the Chief Executive Officer, responsible for implementing and maintaining an effective risk management process.
c. the Control, Risk and Sustainability Committee ("CRSC"), established as part of the administrative body, with the task of supporting the assessments and decisions of the Board of Directors relating to the ICRMS, based on the reports of the various control functions and bodies, as well as the management and the approval of the periodic reports of a financial and non-financial nature;
d. the Head of Internal Audit, who is in charge of verifying that the ICRMS functions properly, is adequate and consistent with the guidelines defined by the Board of Directors;
e. the Risk Management function, which has the task of supporting the Director in charge of the ICRMS in identifying risks, defining possible impacts and drawing up mitigation measures;
f. The Executive responsible for the preparation of the company's financial statements, who is charged with carrying out the duties required by the legislation and by the financial reporting control system;
g. the Supervisory Body pursuant to art. 6, paragraph 1.b) of Legislative Decree 231/2001, structured in relation to the company's size, sector, complexity and risk profile;
h. the Board of Statutory Auditors, which supervises, among other things, the effectiveness of the ICRMS;
i. the “risk owners” and, more generally, the members of management, in their role of responsibility, each within the scope of their competence and within the terms established by the corporate organisation, for the identification, management and monitoring of the risks inherent in the area of corporate operations supervised by them.

For a more complete examination of the Company's ICRMS, please refer to paragraph 9 of the Report on Corporate Governance and Ownership Structures for the year 2022, made available to the market within the terms established by the applicable legislation.

The identification of risks and their assessment allow the Board of Directors to acquire greater awareness of the scenarios that could compromise the achievement of their objectives. They also make it possible to evaluate which actions to adopt and with which priority to prevent, mitigate or manage major exposures, taking into account the risk appetite.

The ERM framework is designed to analyse and evaluate, at least once a year, a large portfolio of risks, varied by nature and type, including all of the risks associated with sustainability issues. The risks potentially applicable to the Group's business model are represented in the so-called Risk Model, and grouped into four main risk categories:

- **Strategic Risks**, relating to the external and business context or to strategic decisions, which can significantly influence the Group's performance and/or the achievement of its strategic objectives.
- **Financial Risks**, linked in general to the performance of the financial markets, and in particular to exchange rates, interest rates and share prices, as well as credit/counterparty risk and the availability of liquid resources, which could affect the results and the sustainability of the Group's plans.
- **Legal and Compliance Risks**, relating to non-compliance with applicable laws and regulations, and/or internal Codes, Policies and Procedures, which could lead to legal disputes, financial losses and potentially negative effects on the Group's reputation.
- **Operational Risks**, which can influence the effectiveness/efficiency of business processes, compromising the creation of value.

Within these risk categories, the main risk factors to which the Company and the Group's subsidiaries are potentially exposed are analysed and represented below. To effectively measure and manage the risks that have been identified, an assessment is made based on two main variables: the probability of occurrence of the risk event (probability) and the potential impact (financial/reputational/operational/other) in the case of occurrence. The measures taken to mitigate each risk are included in this assessment. Top priority risks are managed, for the purpose of their mitigation, by means of ad hoc action plans and their evolution is periodically monitored.

The results of the ERM process are also used by Internal Audit for the preparation of its annual Audit Plan, which therefore takes on a risk-based connotation in line with best practices, directing activities and resources towards those areas considered most critical and/or at risk. For further details on the characteristics and functioning of the Internal Control and Risk Management System, please refer to the Annual Report on Corporate Governance available on the company website.

In light of the assessments carried out during 2022, the most significant risks were identified in relation to the company's own activities, as a financial and investment holding company. The risk assessments carried out by the operating subsidiaries in relation to their respective activities in the Healthcare (KOS) and Automotive sectors (Sogefi) have also been included.

With regard to the Company's exposure to price risk, credit risk, liquidity risk and the risk of changes in cash flows, please refer to the comments in note 19 "Financial risk management: additional disclosures" in the notes to the financial statements.

9.1 Risks inherent in the Parent and financial holding companies

Strategic risks

The main strategic risk for the company is a possible decline in the value of its controlling interests (in KOS and Sogefi), which could be negatively impacted, as explained below for each subsidiary, by adverse exogenous factors such as: an unfavourable trend in the respective sectors (Healthcare and Automotive) in terms of market demand and/or increased competition; reduction of public funding levels (for KOS); regulation; increases in the prices of raw materials and energy; relationships with customers and suppliers; technological evolutions, also linked to climate change.

In order to mitigate the impact of these risks, CIR S.p.A. has laid down procedures to ensure effective monitoring of the subsidiaries' operations, in order to promptly identify the onset of any risk factors and monitor the implementation of appropriate countermeasures.

Financial risks

The value of the investment portfolio held by CIR S.p.A. and by the financial holding companies (CIR Investimenti S.p.A. and CIR International S.A.) could be affected by a negative performance by financial markets (market risk, credit/counterparty risk and unfavourable evolution of interest and exchange rates). Another risk is a possible lack of liquidity to meet financial commitments. For more details on the exposure of the Company and the Group to these risks, please refer to the paragraph "19 Financial risk management: additional disclosure" in the explanatory notes to the consolidated financial statements and to the paragraph "23 Other information" in the explanatory notes to the financial statements.

The main mitigating factor is the adoption of a prudent investment policy, with criteria for monitoring and limiting the Value at Risk (VaR), ensuring a high level of diversification and liquidity of the financial assets held.

Legal and compliance risks

The main risks in this area are the management of taxation, administrative-accounting processes, compliance with regulations (e.g. regarding Health, Safety at Work, Privacy, ESG) and the management of privileged information.

To mitigate these risks, the company has adopted specific procedures in each area, with the identification of responsibilities, controls and processes.

Operational risks

The main operational risks identified by the parent company concern possible damage to its tangible assets and/or indemnities to third parties deriving from the company's activity (mitigated through the stipulation of appropriate insurance coverage), dependence on key figures (mitigated by the adoption of a Succession Plan) and IT security.

9.2 Risks inherent in the KOS group

Strategic risks

The main strategic risks identified by the KOS group are those relating to the global context, dependence on the public sector and the evolution of the regulatory environment.

As regards the **global context**, there is a risk of an unfavourable evolution of the Covid-19 pandemic, or more generally of the establishment of situations of serious disturbance to the functioning of the health system, such as what occurred in 2020 and 2021 with the spread of the virus. On that occasion, the operations of KOS were severely compromised due to the restrictions on patients' access to the facilities, the lower number of admissions from the hospital sector, the increase in costs to deal with the emergency and, to a certain extent, difficulties in recruiting health personnel. These critical issues eased during 2022 but have not yet been completely resolved; a new wave of infection would carry the risk of further negative impacts.

The most significant risks relating to the macroeconomic context for KOS are of a financial nature and are explained in greater detail below, They are linked to inflationary dynamics, with particular reference to personnel and energy costs, and to the rise in interest rates. In this context, the possible impacts of a resurgence in the Russia-Ukraine conflict are exclusively indirect (as the group does not operate in either or those countries), mainly linked to a another rise in energy costs.

As for **dependence on the public sector**, 65% of the KOS Group's revenues in 2022 have public bodies as counterparties, such as Municipalities and Regions in Italy and state pension funds in Germany. It follows that any decrease in the spending capacity of these public bodies and the potential inability of KOS group companies to diversify their sources of revenue could have a negative impact on the group's results and financial position.

As regards the **risks associated with the legislative and regulatory framework**, KOS group companies are subject to: *i)* national regulations on accreditation for the activities in which the Group operates and *ii)* the policies for allocating spending budgets by public health management bodies. It cannot be excluded that changes to these regulations and policies could have a significant impact on the group's economic situation.

As far as climate change is concerned, no risks of a strategic nature have been identified, i.e. risks that might have an impact on the KOS business model; risks of an operational nature, on the other hand, have been taken into consideration and are discussed below.

Operational risks

In the operational field, KOS has identified as significant: *i)* the risks associated with litigation, deriving from claims for compensation for civil liability, for events occurring in the context of the core business (e.g. clinical errors, patients falling, accidents, ...), against which a structured monitoring and management system is in place, along with effective insurance coverage; *ii)* the risks associated with the operation of healthcare systems and facilities, such as equipment failures, failure to comply with the applicable legislation with consequent revocation of permits and licences, service interruptions due to lack of staff, etc., risks that are deemed to be monitored through an appropriate system of operational planning and management that is organised centrally and against which insurance coverage is stipulated, where possible.

Intensification of the physical risks associated with climate change is also an element that could affect the Group's activities. Rapid deterioration of the climate affects the frequency of so-called acute phenomena (such as storms, floods, fires, heat waves, etc.). In 2022, KOS carried out an analysis of the physical risks associated with climate change for its healthcare facilities. This analysis was carried out for each location, considering both acute and chronic risks, based on four main aspects (temperature, wind, water and solid mass) and two different scenarios (optimistic and pessimistic). The results of this analysis, which was performed with the support of specialised consultants, show that 94% of KOS locations are "Low" risk; 6% (8) were assessed as "Medium" risk; no location has been assessed as "High" risk, and none of the KOS facilities need to be relocated or require structural adaptation to cope with climate risk. The four specific risks considered significant are the chronic risk of thermal stress, the acute risk of cold spells, the acute risk of heatwaves and the chronic risk of water stress, which will be managed as operational risks.

Financial risks

The main financial risks identified by KOS concern: *i)* credit risk, due to the concentration on a few public sector counterparties, mitigated by their high creditworthiness, diversification over a large number of other counterparties and the exposure to highly fragmented private customers; *ii)* fluctuations in energy prices, a phenomenon that materialised strongly during 2021 and 2022, on average with a significant impact on KOS's results, which only weakened towards the end of the year; *iii)* interest rate risk, which influences the cost of loans. However, it is not considered particularly significant as it is well monitored and managed through appropriate hedging policies.

Legal and compliance risks

The companies of the KOS Group are subject to national regulations regarding: (i) accreditation and methods of carrying on healthcare activities; (ii) environmental protection (storage of special waste, use and management of hazardous substances); (iii) construction; (iv) fire prevention; (v) workplace safety. The risks of non-compliance with these regulations are monitored through the supervision of the relevant central functions and are subject to control activities by the Internal Audit function. Further risks, overseen by the internal control function, concern the possible violation of corporate ethical principles, such as compliance with Group policies and procedures and respect for anti-corruption regulations.

9.3 Risks inherent in the Sogefi group

Strategic risks

The main strategic risks identified by the Sogefi group are those relating to the global and market context and the transition risks linked to climate change.

As regards the **global context**, there is a risk of an unfavourable evolution in the trend of demand for motor vehicles, as an indirect effect of the Russia-Ukraine conflict, which for the rest, as explained previously, has not had a significant direct impact; moreover, the production and logistical risks associated with the Covid-19 pandemic, even if no longer comparable with those that existed in 2020 and, in any case, of a relatively modest impact for Sogefi, still cannot be considered completely reabsorbed. The macroeconomic context and, in particular, the rise in inflation and interest rates, also involve risks of a deterioration in the group's economic results and risks of an operational and financial nature which are discussed below.

Particularly relevant to Sogefi are the **transition risks** linked to the regulations introduced for the mitigation of climate change, such as the EU Green Deal, which imposes the zeroing of net greenhouse gas emissions by 2050 and a deadline for the production of internal combustion engines in Europe by 2035. The impact for Sogefi is twofold: i) on its industrial processes; ii) on its range of products, which will have to move increasingly towards electric vehicles. Regulations and laws are evolving and pushing towards rapid decarbonisation, which implies operational changes in all sectors to reduce the intensity of emissions, with consequent impacts on the use of fossil fuels and electricity costs. Transition risks consist of: *i)* compliance risks, i.e. associated with Sogefi's ability to comply with the target for the reduction and subsequent zeroing of its emissions (considered unlikely, given the emission reduction plan implemented by the company); *ii)* Risks relating to the company's technological innovation, i.e. that the company loses competitiveness, that it incurs extra development costs or that competitors introduce new products that turn out to be disruptive; these factors have been considered and managed for some time in the product development plan dedicated to e-mobility, so the risks of delayed product innovation or a poor ability to develop new products are considered unlikely.

Operational risks

The main operational risks identified by Sogefi concern: *i)* the management of human resources (in particular occupational health and safety, attraction, retention and professional development of talent, labour cost inflation), risks that are deemed significant and therefore appropriately monitored and controlled; *ii)* product reliability (in terms of quality and safety), an issue that is also considered relevant but well monitored*; iii)* a possible interruption of the supply chain, a risk considered unlikely but potentially high impact and therefore carefully monitored through appropriate procurement policies; *iv)* the possible modification or cancellation of projects by customers, which is considered fairly likely but not particularly significant, also thanks to the mitigation and monitoring policies adopted; *v)* IT risks (IT security, breakdowns or service interruptions), deemed potentially significant, but well monitored; lastly *(vi)* the risk of production being interrupted, and *(vii)* contract management risks (in terms of commitments of a technical and financial nature), both of which are considered reasonably significant and therefore well monitored.

Intensification of the physical risks associated with climate change is also an element that could affect the Group's activities. Rapid deterioration of the climate affects the frequency of so-called acute phenomena (such as storms, floods, fires, heat waves, etc. In 2022, Sogefi carried out an analysis of the physical risks associated with climate change for its production sites. This analysis was carried out for each site, considering both acute and chronic risks, based on four main aspects (temperature, wind, water and solid mass) and two different scenarios (optimistic and pessimistic). The results of these analyses, which were performed with the support of specialised consultants, show that 80% of Sogefi sites are "Low" risk; 20% (7) of the Sogefi sites were assessed as "Medium" risk; no site has been assessed as "High" risk, and none of the Sogefi factories has to be relocated or requires structural adaptation. The four specific risks considered significant are the chronic risk of thermal stress, the acute risk of cold spells, the acute risk of heatwaves and the chronic risk of water stress, which will be managed as operational production risks.

Financial risks

The main financial risks identified by Sogefi concern: *i)* fluctuations in the commodity prices (raw materials and energy), a phenomenon that materialised strongly during 2021 and 2022 and which only weakened towards the end of the year. It is managed through an intensified activity of optimisation of production costs (also resorting to new supply sources) and the adjustment of sales prices to changes in raw material prices; *ii)* exchange risk, both in translation (deriving from the fact that, despite preparing its financial statements in Euro, Sogefi has controlling interests in companies with functional currencies other than the Euro), and in transactions (deriving from the fact that the Group carries out frequent purchases and sales, both direct and indirect, in currencies other than the functional currency). However, it is deemed insignificant, also because it is well monitored and managed through appropriate hedging policies.

Legal and compliance risks

The main risks in this area identified by Sogefi concern the violation of ethical principles, in particular: *i)* compliance with Group policies and procedures; *ii)* compliance with anti-corruption laws; *iii)* responsible sourcing. The Internal Audit function regularly checks the effective implementation of Group policies and procedures, as well as high-level controls. Thanks to the consolidated internal control system in place, the risks relating to the violation of ethical principles are considered insignificant.

10. Other information

Treasury shares

At 31 December 2022 the parent owned 24,480,800 treasury shares (2.21% of share capital).

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

Definition of alternative performance indicators

In line with recommendation CESR/05-178b published on 3 November 2005 and subsequent ESMA's new guidance 2015/1415 of 5 October 2015, the criteria used for the construction of the main performance indicators that management considers useful for monitoring the Group's performance are reported below.

EBITDA: this is the sum of "Operating profit" and "Amortisation, depreciation and write-downs".

It should be noted that as at 31 December 2022 there were no non-recurring charges as defined by Consob in communication DEM/6064293 of 28 July 2006 and subsequent new Consob communication 0092543 of 3 December 2015.

Relations with related parties and with subsidiaries, associates, parents and companies controlled by them

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 for identifying the parent's related parties;

2. establishes principles for identifying related party transactions ("Transactions");

3. governs the procedures for carrying out 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 in 2022, "not exempt" pursuant to art. 4.1 of the Procedure, are all 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 Related Party Transactions that are "exempt" pursuant to art. 4.1 of the Procedure: intercompany service, rent and financing contracts, and the tax consolidation contract, with subsidiaries of the CIR Group as counterparties (and as such "exempt"), and a transaction of negligible amount (and as such "exempt"), consisting of the rent of a property owned by the Company to a company which is a related party for the duration of 18 months terminated on 31 December 2022.

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 "Report on Corporate Governance and Ownership structures" is drawn up annually and contains a description of the corporate governance system adopted by the Group. It also provides information on the ownership structures and compliance with the Corporate Governance Code of the Italian Stock Exchange, 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.

Finally, it should be noted that the companies of the Group have fulfilled the obligations envisaged by art. 2497-bis of the Italian Civil Code

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

In compliance with the provisions of article 5, paragraph 3, letter b, of Legislative Decree 254/2016, the Group has prepared a consolidated non-financial report as a separate document. The 2022 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).

Disclosure on the protection of personal data (GDPR 679/2016)

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 2022, R&D at group level was concentrated mainly in the automotive components sector. Capital expenditure including R&D by the Sogefi group amounted to € 109.5 million (€ 120.0

million the previous year), mainly oriented towards increasing production capacity, industrialising new products, including electric platforms, 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.

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).

Other

CIR S.p.A. – Compagnie Industriali Riunite has its registered office in Via Ciovassino 1, 20121 Milan, Italy.
CIR shares are quoted on the Milan Stock Exchange (Euronext Milan segment, FTSE Italia Mid Cap index).

This report for the period 1 January – 31 December 2022 was approved by the Board of Directors on 13 March 2023.

Consolidated financial statements

1. Statement of financial position

(in thousands of euro)

ASSETS	*Notes*	***31.12.2022***	***31.12.2021***
NON-CURRENT ASSETS		**2,265,842**	**2,298,433**
INTANGIBLE ASSETS AND GOODWILL	(7.a.)	591,775	607,405
PROPERTY, PLANT AND EQUIPMENT	(7.b.)	640,470	645,987
RIGHT-OF-USE ASSETS	(7.c.)	845,241	832,338
INVESTMENT PROPERTY	(7.d.)	2,554	14,231
EQUITY-ACCOUNTED INVESTEES	(7.e.)	631	622
OTHER EQUITY INVESTMENTS	(7.f.)	1,871	1,871
OTHER ASSETS	(7.g.)	37,662	44,519
OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES	(7.h.)	72,215	77,759
DEFERRED TAX ASSETS	(7.i.)	73,423	73,701
CURRENT ASSETS		**1,004,143**	**1,030,359**
INVENTORIES	(8.a.)	135,247	117,807
TRADE RECEIVABLES	(8.b.)	248,147	215,793
of which with related parties (*)		--	--
OTHER ASSETS	(8.c.)	68,638	59,872
of which with related parties (*)		*133*	*133*
LOAN ASSETS	(8.d.)	18,540	10,593
SECURITIES	(8.e.)	72,652	19,357
OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES	(8.f.)	241,243	300,448
CASH AND CASH EQUIVALENTS	(8.g.)	219,676	306,489
ASSETS HELD FOR SALE	(8.h.)	**36,082**	
TOTAL ASSETS		**3,306,067**	**3,328,792**

LIABILITIES		***31.12.2022***	***31.12.2021***
EQUITY		**1,004,177**	**982,724**
SHARE CAPITAL	(9.a.)	420,000	638,604
RESERVES	(9.b.)	306,555	76,600
RETAINED EARNINGS	(9.c.)	17,061	7,204
PROFIT FOR THE PERIOD		(257)	17,981
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE GROUP PARENT		**743,359**	**740,389**
EQUITY INVESTMENTS OF NON-CONTROLLING INTERESTS		260,818	242,335
NON-CURRENT LIABILITIES		**1,534,320**	**1,607,266**
BONDS	(10.a.)	151,304	173,235
OTHER FINANCIAL LIABILITIES	(10.b.)	391,636	433,718
RIGHT-OF-USE LEASE LIABILITIES	(10.c.)	815,061	793,231
OTHER LIABILITIES		65,600	66,449
DEFERRED TAX LIABILITIES	(7.i.)	48,326	51,894
EMPLOYEE BENEFITS	(10.d.)	51,581	73,745
PROVISIONS	(10.e)	10,812	14,994
CURRENT LIABILITIES		**754,960**	**738,802**
BANK LOANS AND BORROWINGS	(8.g.)	1,981	2,018
BONDS	(11.a.)	23,551	22,618
OTHER FINANCIAL LIABILITIES	(11.b.)	51,532	74,142
RIGHT-OF-USE LEASE LIABILITIES	(11.c.)	67,639	67,849
TRADE PAYABLES	(11.d.)	352,104	320,345
OTHER LIABILITIES	(11.e.)	206,526	195,348
PROVISIONS	(10.e.)	51,627	56,482
LIABILITIES RELATED TO ASSETS HELD FOR SALE	(8.h.)	**12,610**	
TOTAL LIABILITIES AND EQUITY		**3,306,067**	**3,328,792**

2. Income statement

(in thousands of euro)

	Notes		2022		2021
REVENUE	(12)		2,235,570		1,962,492
CHANGE IN INVENTORIES			7,742		3,444
COSTS FOR THE PURCHASE OF GOODS	(13.a.)		(972,527)		(798,390)
COSTS FOR SERVICES	(13.b.)		(316,300)		(271,029)
of which with related parties (**)		--		--	
PERSONNEL EXPENSES	(13.c)		(638,933)		(594,143)
OTHER OPERATING INCOME	(13.d)		47,556		58,350
of which with related parties (**)		*197*		*164*	
OTHER OPERATING EXPENSE	(13.e)		(67,407)		(60,035)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES			(213,989)		(220,470)
OPERATING PROFIT (LOSS)			**81,712**		**80,219**
FINANCIAL INCOME	(14.a.)		8,705		8,943
FINANCIAL EXPENSE	(14.b.)		(56,786)		(50,484)
DIVIDENDS			40		71
GAINS FROM SECURITIES TRADING	(14.c.)		3,888		9,272
LOSSES FROM SECURITIES TRADING	(14.d.)		(887)		(1,471)
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTEES	(7.e.)		9		26
NET FAIR VALUE GAIN (LOSSES) ON FINANCIAL ASSETS	(14.e.)		(10,201)		13,549
NON-RECURRING INCOME (CHARGES)					
PROFIT (LOSS) BEFORE TAXES			**26,480**		**60,125**
INCOME TAXES	(15)		(12,292)		(13,131)
PROFIT FROM CONTINUING OPERATIONS			**14,188**		**46,994**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(16)		712		(24,450)
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS			**14,900**		**22,544**
- PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS			(15,157)		(4,563)
- PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT			**(257)**		**17,981**
BASIC EARNINGS PER SHARE (in euro)			**-0.0002**		**0.0151**
DILUTED EARNINGS PER SHARE (in euro)			**-0.0002**		**0.0151**
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)			**0.0130**		**0.0395**
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)			**0.0130**		**0.0393**

3. Statement of comprehensive income

(in thousands of euro)

	2022	2021
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	14,900	22,544
OTHER COMPREHENSIVE INCOME		
ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS		
- ACTUARIAL GAINS (LOSSES)	12,337	18,754
- TAX EFFECT OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS	(2,444)	(1,997)
SUB-TOTAL OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS	**9,893**	**16,757**
ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		
- EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	(6,388)	29,679
- NET FAIR VALUE GAINS (LOSSES) ON CASH FLOW HEDGES	6,222	1,917
- OTHER COMPREHENSIVE INCOME (EXPENSE)	--	--
- TAX EFFECT OF ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS	(1,493)	(460)
SUB-TOTAL OF ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS	**(1,659)**	**31,136**
OTHER COMPREHENSIVE EXPENSE	**8,234**	**47,893**
TOTAL COMPREHENSIVE INCOME (EXPENSE)	**23,134**	**70,437**
COMPREHENSIVE INCOME (EXPENSE) ATTRIBUTABLE TO:		
OWNERS OF THE PARENT	4,442	45,041
NON-CONTROLLING INTERESTS	18,692	25,396

4. Statement of cash flows

(in thousands of euro)

	2022	*2021*
OPERATING ACTIVITIES		
PROFIT FOR THE YEAR	14,900	22,544
(PROFIT) LOSS FROM DISCONTINUED OPERATIONS	(712)	24,450
ADJUSTMENTS:		
- AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	213,989	220,470
- NET FAIR VALUE GAINS ON EQUITY-ACCOUNTED INVESTEES	(9)	(26)
- MEASUREMENT OF STOCK OPTION PLANS AND STOCK GRANT	1,713	1,582
- CHANGES IN EMPLOYEE BENEFIT OBLIGATIONS, PROV. FOR RISKS & CHARGES	(18,864)	(15,049)
- FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	10,201	(13,549)
- GAINS ON DISPOSAL OF NON-CURRENT ASSETS	(1,749)	(9,916)
- OTHER NON-MONETARY CHANGES	(11,916)	(9,359)
- INCREASE (DECREASE) IN NON-CURRENT ASSETS/LIABILITIES	8,361	4,204
- INCREASE IN NET WORKING CAPITAL	(9,786)	(22,687)
CASH FLOWS FROM OPERATING ACTIVITIES	**206,128**	**202,664**
of which:		
- interest paid	(19,529)	(20,228)
- income tax paid	(25,552)	(17,085)
INVESTING ACTIVITIES		
CONSIDERATION PAID FOR BUSINESS COMBINATIONS	(4,081)	(1,350)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	405	--
CHANGE IN OTHER LOANS RECEIVABLE	(7,947)	(700)
(PURCHASE) SALE OF SECURITIES	4,933	31,221
SALE OF NON-CURRENT ASSETS	1,293	17,431
PURCHASE OF NON-CURRENT ASSETS	(135,342)	(112,354)
CASH FLOWS USED IN INVESTING ACTIVITIES	**(140,739)**	**(65,752)**
FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL INCREASES	--	83
OTHER CHANGES	--	--
DRAWDOWN OF OTHER LOANS AND BORROWINGS	(85,690)	(135,744)
REPAYMENT OF LEASE LIABILITIES	(62,433)	(39,731)
PURCHASE OF TREASURY SHARES OF GROUP COMPANIES	(6,385)	(80,137)
DIVIDENDS PAID	(2,657)	(4,015)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(157,165)**	**(259,544)**
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS OF CONTINUING OPERATIONS	**(91,776)**	**(122,632)**
OPENING CASH FLOWS/NET CASH & CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS	**5,000**	**6,136**
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	**(86,776)**	**(116,496)**
OPENING NET CASH & CASH EQUIVALENTS	**304,471**	**420,967**
CLOSING NET CASH & CASH EQUIVALENTS	**217,695**	**304,471**

5. Statement of changes in equity

	Attributable to the owners of the parent											
(in thousands of euro)	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	Non-controlling interests	Total
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**
Increase (Decrease) in capital	--	--	--	--	--	--	--	--	--	--	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
Comprehensive income for the period												
Fair value gains (losses) on cash flow hedges	--	--	--	826	--	--	--	--	--	826	631	1,457
Translation differences	--	--	--	--	16,757	--	--	--	--	16,757	12,922	29,679
Net actuarial gains	--	--	--	--	--	--	9,477	--	--	9,477	7,280	16,757
Profit for the period	--	--	--	--	--	--	--	--	17,981	17,981	4,563	22,544
Comprehensive income (expense) for the period	--	--	--	*826*	*16,757*	--	*9,477*	--	*17,981*	*45,041*	*25,396*	*70,437*
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**

	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	Non-controlling interests	Total
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**
Increase (Decrease) in capital	(218,604)	--	--	--	--	--	218,604	--	--	--	--	--
Dividends to Shareholders	--	--	--	--	--	--	--	--	--	--	(2,657)	(2,657)
Allocation of the profit of the previous year	--	--	105	--	--	--	1,980	15,896	(17,981)	--	--	--
Fair value gains (losses) on treasury shares	--	--	--	--	--	--	--	(6,385)	--	(6,385)	--	(6,385)
Notional cost of share-based plans	--	--	--	--	--	1,365	--	--	--	1,365	--	1,365
Unclaimed dividends	--	--	--	--	--	--	171	--	--	171	--	171
Reclassifications	--	--	--	--	--	(346)	--	346	--	--	--	--
Effects of changes in equity attributable to subsidiaries	--	--	--	--	15	--	3,362	--	--	3,377	2,448	5,825
Comprehensive income for the period												
Fair value gains (losses) on cash flow hedges	--	--	--	2,676	--	--	--	--	--	2,676	2,053	4,729
Translation differences	--	--	--	--	(3,611)	--	--	--	--	(3,611)	(2,777)	(6,388)
Net actuarial gains	--	--	--	--	--	--	5,634	--	--	5,634	4,259	9,893
Profit for the period	--	--	--	--	--	--	--	--	(257)	(257)	15,157	14,900
Comprehensive income for the period	--	--	--	*2,676*	*(3,611)*	--	*5,634*	--	*(257)*	*4,442*	*18,692*	*23,134*
BALANCE AT 31 DECEMBER 2022	**420,000**	**5,044**	**25,621**	**2,244**	**(28,590)**	**3,730**	**298,506**	**17,061**	**(257)**	**743,359**	**260,818**	**1,004,177**

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. .

The consolidated financial statements at 31 December 2022 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 2021 figures have been restated for the application of IFRS 5 ("Non-current assets held for sale and discontinued operations"), within the KOS group, with reference to the Indian subsidiaries ClearMedi HealthCare Ltd and ClearView Ltd, due to a sale agreement signed in December 2022 to transfer 100% of the shares of the companies mentioned above.

It should be noted that the classification, form, order and nature of the figures have not changed with respect to the consolidated financial statements approved at 31 December 2021.

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 13 March 2023.

The Company also publishes its consolidated financial statements in ESEF format in compliance with the European Commission's Delegated Regulation EU 2019/815 of 17 December 2018.

In section 2.2.6 of the Guide "Technical constructions of a block tag" of the ESEF Manual, in the version of 5 August 2022, ESMA acknowledges that with the current IT systems for producing XHTML documents, some narrative blocks extracted from such documents in an XBRL application may not be reproduced in an identical manner with respect to the corresponding information that can be viewed in the consolidated financial statements, making it difficult or impossible to read. The XBRL community is monitoring the evolution of the issues involved in these transformation mechanisms and looking for improvements.

In the meantime, exclusively for technical problems, the user of these financial statements in ESEF format is warned that the alignment of the semantic structure in the extraction from the XHTML format into XBRL of some information contained in the text blocks of supplementary notes may not be maintained.

1.a. Information on IFRS 5

KOS group

In December 2022, the KOS group reached an agreement for the transfer of 100% of the shares in the Indian subsidiaries ClearMedi HealthCare Ltd and ClearView Ltd.

In this regard, the following entries have been made in the consolidated financial statements at 31 December 2022:

- in the income statement and the statement of comprehensive income at 31 December 2022 and for comparative purposes at 31 December 2021, 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 2022, the individual flows generated by the activities that constitute the Discontinued Operation have been reclassified to "Cash flow generated by assets held for sale" excluding from the cash flow generated by continuing operations the effects of the flows of the two subsidiaries

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

INCOME STATEMENT

(in thousands of euro)

	2022	*2021*
REVENUE	18,412	18,276
OPERATING PROFIT (LOSS)	**1,918**	**704**
NET FINANCIAL EXPENSE	(972)	(616)
INCOME TAXES	20	19
NET PROFIT (LOSS) FOR THE PERIOD	**966**	**107**
COSTS INCURRED IN THE SALE, NET OF THE TAX EFFECT	(254)	(67)
PROFIT FROM DISCONTINUED OPERATIONS	**712**	**40**

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

	2022	*2021*
NET PROFIT (LOSS) FOR THE PERIOD	**966**	**107**
OTHER COMPREHENSIVE INCOME (EXPENSE)	**(759)**	**634**
COMPREHENSIVE INCOME	**207**	**741**

STATEMENT OF CASH FLOWS

(in thousands of euro)

	2022	*2021*
CASH FLOWS FROM OPERATING ACTIVITIES	2,085	4,631
CASH FLOWS USED IN INVESTING ACTIVITIES	(1,017)	(5,065)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	(1,004)	2,137
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	**64**	**1,703**
OPENING NET CASH & CASH EQUIVALENTS	**721**	**(982)**
CLOSING NET CASH & CASH EQUIVALENTS	**785**	**721**

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 reconsolidated 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 consolidate assets and liabilities 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 subject to impairment testing to determine the recoverable amount;

- 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.

The main criteria adopted for applying the equity method are the following:

- on consolidation, the carrying amount of the investments is eliminated against the Group's share of equity and any positive difference between the purchase price and the share of equity, identified at the time of the acquisition, net of any impairment losses calculated after an analysis to determine the recoverable amount; 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:

	2022		2021	
	Average exchange rate	31.12.2022	Average exchange rate	31.12.2021
US dollar	1.0539	1.0666	1.1835	1.1326
GB pound	0.8526	0.8869	0.8600	0.8403
Brazilian real	5.4431	5.6386	6.3812	6.3101
Argentine peso	188.5033	188.5033	116.3622	116.3622
Chinese renminbi	7.0801	7.3582	7.6342	7.1947
Indian rupee	82.7130	88.1710	87.4891	84.2292
New Romanian leu	4.9317	4.9495	4.9210	4.9490
Canadian dollar	1.3703	1.4440	1.4835	1.4393
Mexican peso	21.2044	20.8560	23.9923	23.1438
Moroccan dirham	10.6781	11.1580	10.6304	10.4830

IAS 29 - Accounting Reporting in Hyperinflationary Economies

The financial statements of the Argentine consolidated companies, which form part of the Sogefi group, were prepared at 31 December 2022 in the functional currency taking into account the effects of applying IAS 29 "Accounting 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 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 from 2020 to 2022 is approximately 182%.

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 2022 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 year concern the following:

- AUTOMOTIVE COMPONENTS

During the year, the Company sold its investment in Afico Filters S..A.E. (17.77% owned). It had been carried at cost and completely written down at the end of the previous year. The sale of the equity investment resulted in a capital gain of €10 thousand recorded under the item "Gains from securities trading".

- HEALTHCARE

During the year, the purchase of the German company Inntal Pflegeheime GmbH for the management of two care homes located in Munich (for a total of 211 beds. The price paid was € 4,081 thousand, the goodwill generated by the operation was € 4,170 thousand.

- OTHER COMPANIES

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

3. Accounting policies

3.a. Intangible assets and goodwill

Intangible fixed assets are only recognised in the accounts if they are identifiable, if they are likely to generate future economic benefits and if their cost can be reliably determined.
Intangible assets are recorded initially at acquisition or production cost.
The acquisition cost is represented by the fair value of the means of payment used to acquire the asset and by any direct costs incurred to prepare the asset for use. The acquisition cost is the equivalent price in cash 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-producing assets, whose ability to generate income and cash flow is monitored constantly for impairment. Any losses that emerge from the impairment test are recognised in the income statement under "Amortisation, depreciation and impairment losses" and are not reinstated in subsequent periods.

3.b. Property, plant and equipment

Property, plant and equipment are initially recognised at purchase price or production cost.
The cost includes ancillary charges and direct and indirect costs incurred at the time of acquisition 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 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 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. Right-of-use assets

For the purposes of defining a lease and IFRS 16 uses 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 investment property in the "right-of-use assets" caption and the related liabilities as "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 losses on intangible assets and goodwill and on 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 machinery 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. Net 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

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-producing assets, whose ability to generate income and cash flow is monitored constantly for impairment.

The accounting treatment of the acquisition of any further investment in companies already controlled are considered transactions with shareholders and therefore any differences between acquisition costs and the carrying amount of the non-controlling interests acquired are recognised in equity attributable to the owners of the Parent. Likewise, sales of non-controlling interests not involving loss of control do not generate gains/losses in the income statement, but rather changes in equity attributable to the owners of the Parent.

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

3.t. Use of estimates

The preparation of these financial statements and 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.

However, considering the impacts of the current macroeconomic and financial situation, Covid-19 and the Russia-Ukraine conflict, these estimates have a high degree of uncertainty, which could affect the valuations and the estimate of the carrying amounts of assets and liabilities, which are being affected by increased 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 2022. 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 adopted IFRS 9 Financial Instruments from 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.

<u>Recognition and measurement</u>

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 security; 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 FVTOCI, the provision for impairment losses is accrued through profit or loss for the year and recognised in other comprehensive income.

<u>Fair value</u>

Fair value, as defined by IFRS 13, is the price that would be received for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants at the measurement date.

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, based on prices set in recent transactions and/or prices/quotations for instruments that have similar characteristics in terms of risk profile, 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.

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.

Depending on the methodology used, the fair value is classified on 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.

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 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; the risk of default must also be considered, implemented through a credit value adjustment (CVA) and a debit value adjustment (DVA).

The fair value of financial liabilities due and payable on demand is not less than the amount payable on demand, discounted from the first date on which payment could be required.

With particular reference to the financial instruments in the portfolio of the Company and of the financial holding companies, in the valuation of investments in private equity funds and hedge funds, the fair value is determined on the basis of the NAV communicated by the related fund administrators at the balance sheet 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, 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.

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 2022:

The following standards, amendments and interpretations were applied for the first time by the group with effect from 1 January 2022:

- Annual improvements to IFRS (Cycle 2018–2020) (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) (published on 14 May 2020). At 31 December 2022, this amendment did not have any impact on the Company's financial statements.
- Onerous contracts—Cost of fulfilling a contract (Amendments to IAS 37) (published on 14 May 2020). At 31 December 2022, this amendment did not have any impact on the Company's financial statements.
- Property, plant and machinery; proceeds before intended use (Amendments to IAS 16) (published on 14 May 2020). At 31 December 2022, this amendment did not have any impact on the Company's financial statements.
- Reference to the Conceptual Framework (Amendments to IFRS 3) (published on 14 May 2020). At 31 December 2022, 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 2022:

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

- 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.
- 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 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 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.

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 financial statements.

- Amendment to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current” and “Deferral effective date” and “Non-current Liabilities with Covenants” (published on 23 January 2020, on 15 July 2020 and on 31 October 2022 respectively). The amendments are effective from 1 January 2024.
- Amendment to IFRS 16 “Leases: Lease Liability in a Sale and Leaseback” (published on 22 September 2022). The amendments are effective from 1 January 2024.

Statement of financial position

7. Non-current assets

7.a. Intangible assets and goodwill

	Opening balance			*Changes for the period*							*Closing balance*		
					Business combinations and disposals								
(in thousands of euro)	*Original cost*	*Accumulated amortisation and impairment losses*	*Balance at 31.12.2021*	*Acquisitions*	*increases*	*decreases*	*Exchange rate gains (losses)*	*Other changes*	*Net disposals*	*Amortisation and impairment losses*	*Original cost*	*Accumulated amortisation and impairment losses*	*Balance at 31.12.2022*
Start-up and capital costs	36	(36)	--	--	--	--	--	--	--	--	36	(36)	--
Capitalised development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	240,624	(176,154)	64,470	9,579	--	--	113	11,013	--	(26,879)	246,746	(188,450)	58,296
Industrial patents and intellectual property rights	46,629	(31,080)	15,549	2	--	--	--	50	--	(2,651)	46,521	(33,571)	12,950
Concessions, licences, trademarks and similar rights	48,677	(36,451)	12,226	1,294	--	(16)	(4)	760	--	(4,407)	50,632	(40,779)	9,853
Goodwill	540,910	(47,959)	492,951	4,170	--	--	--	--	--	(5,041)	545,080	(53,000)	492,080
Assets under development and payments on account													
- purchased	5,750	--	5,750	1,674	--	--	(4)	(829)	--	--	6,591	--	6,591
- produced internally	9,638	(2,858)	6,780	7,075	--	--	69	(8,818)	--	(156)	7,928	(2,978)	4,950
Other	22,706	(13,027)	9,679	85	--	--	14	(1,458)	--	(1,265)	21,334	(14,279)	7,055
Total	**914,970**	**(307,565)**	**607,405**	**23,879**	**--**	**(16)**	**188**	**718**	**--**	**(40,399)**	**924,868**	**(333,093)**	**591,775**

Intangible assets and goodwill went from € 607,405 thousand at 31 December 2021 to € 591,775 thousand at 31 December 2022.

AMORTISATION RATES

Description	%
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

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Automotive sector (Sogefi group)	123,596	128,637
Healthcare sector (KOS group)	368,484	364,314
Total	**492,080**	**492,951**

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 € 492,951 thousand at 31 December 2021 to € 492,080 thousand at 31 December 2022, due to the combined effect of the acquisitions carried out during the year by the KOS group (Healthcare segment) and the write-down of goodwill made after first-level impairment testing by the Sogefi group (Automotive segment).

Impairment test method

Pursuant to the impairment test method adopted by Group companies, the recoverability of carrying amounts is verified in accordance with IAS 36 and considering - where applicable to individual cases - the guidelines issued by the OIV.

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.

The first level impairment test has been carried out on the Sogefi KOS for the purpose of their respective sub-consolidated financial statements. In these tests, each subsidiary identifies its own CGUs,consistently with the ways in which it operates and manages its assets, and as better illustrated below. Second-level impairment testing is then carried out by the parent company CIR S.p.A., grouping together the CGUs identified previously into only two CGUs, which coincide with the Group's operating sectors, i.e. Healthcare and Automotive.

For the Automotive and Healthcare CGUs, as well as for the CGUs identified by the subsidiaries for the first-level test, the recoverable amount at the end of 2022 was estimated on the basis of thevalue in use, calculated using the DCF method, which involves discounting: (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 6-month average of the rates of return on 10-year debt securities of each 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 cost of finance of comparable companies in the healthcare and automotive sectors;
- financial structure: the structure of the financial sources used for weighting the cost of capital was determined on the basis of a market debt ratio (D/D+E), taken from a sample of comparable companies in the sector;

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.

The method of impairment testing is approved annually by the Company's Board of Directors at a meeting held prior to the one that approves the results of the impairment test.

Summary of the results of impairment testing

The impairment test carried out on the goodwill allocated to the Healthcare and Automotive sectors, both of first and second level, ascertained that there are no impairment losses.

The first-level impairment test carried out on the Automotive segment highlighted the need to make a € 5.0 million write-down of the goodwill allocated to the Suspensions CGU, which would also be recognised in CIR's consolidated financial statements under "Amortisation, depreciation and impairment losses" . On the other hand, the second level test carried out ascertained that there were no further losses in value in the Automotive CGU.

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, coincident with the Sogefi sub-group, amounts to about € 123.6 million at 31 December 2022.

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 goodwill associated with them), the flows and amounts relating to the corporate structures not allocated to the first-level CGUs and the goodwill allocated to the Automotive sector at the level of CIR S.p.A.

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 2023-2026 business plan (adjusted to exclude the expected benefits of future projects and reorganisations) approved by the Board of Directors of Sogefi S.p.A. on 20 January 2023. This plan takes into consideration the assumptions made by leading analysts on the outlook for the respective markets and, more in general, on the trend of each business segment, as well as the impact of the Russia-Ukraine war and Covid-19 on business volumes and future profitability; this plan also takes into account the medium and long-term impacts on the business of each CGU of the Sogefi group, deriving from climate change and the policies and regulations implemented internationally to mitigate its effects.

The Sogefi group has assessed the exposure to physical risk of all its plants. A medium level of risk was identified for only 20% of the plants (7), while a low level of risk was identified for 80% of the plants, mainly linked to extreme phenomena such as thermal and water stress, i.e. the risk of heat waves, frost or flooding. These risk profiles do not require urgent interventions by the Sogefi group and do not suggest any need to recognise impairment losses on fixed assets, but they do involve a risk of higher operating costs in the future, which the company will take into account in its plans.

Instead, of particular relevance for the Sogefi group is the transition of the world's production of motor vehicles from platforms with internal combustion engines to electric vehicles. This transition means that the group's divisions will have to invest in the research and development of new components for electric vehicles to be able in the future to replace sales that will disappear with the decline of internal combustion engines. Technological reconversion is seen by management to be substantially neutral for the Suspension division, and not only possible, but also an opportunity, for the Air and Cooling division, whose Strategic Plan includes the investments necessary for the development of new technologies and the industrialisation of new products. For these two CGUs, calculation of the terminal value used in the impairment test for the period following the time horizon of the Strategic Plan followed the usual methodology.

The Filtration CGU, on the other hand, is more affected by the technological transition, since some of its products are specific for internal combustion engines and therefore destined to suffer a drop in sales in the long term. On the other hand, since approximately two-thirds of turnover relates to sales of spare parts (on the independent aftermarket and OES channels), the decline in sales of these products is expected over a much longer time horizon than that forecast for the production of internal combustion engines. The CGU has also developed some products that can be sold for electric vehicles as well. To better capture the long-term market dynamics for the purposes of the impairment test, a projection of turnover and cash flows prepared by management was therefore considered, which goes beyond the horizon of the 2023-2026 business plan and extends to 2045. These longer-term forecasts for the Filtration CGU were approved by Sogefi's Board of Directors on 24 February 2023. For the years after 2026, a progressive decline in sales of components for combustion engines in Europe, the United States and India was hypothesised (with different trends in the three geographical areas where the division is present, and between the original and second equipment channels), partly offset by the growth in sales of components for electric vehicles. Similarly, assumptions were made about fixed cost reductions that are likely to be less than proportional to the decline in turnover. At the end of the explicit period modelled in this way, the terminal value was calculated for the purposes of the impairment test.

The terminal value was calculated using the perpetuity growth model, applying 2.25% 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 9.6%, 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 short-term time horizons (six months) were used in order to purge the rate (and the concepts incorporated therein in terms of risk and expected return) of amounts remained artificially low until the previous period, due to the measures adopted by the European and American central banks to cope with the economic effects of the pandemic. In fact, these measures led to a lowering of the interest rate curve and an increase in outstanding liquidity with a consequent increase in the value of financial assets and a reduction in the market risk premium estimated on the market, conditions which disappeared in 2022 as a result of the sudden rise in interest rates and inflation.

The figures used in calculating the average cost of capital were as follows:

- risk-free rate: 4.54% (6-month 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: 5.60% (average of the market equity risk premium, referred to developed markets, calculated based on independent sources);
- specific risk premium: 1.22% added premium, calculated by an independent source, for the risk linked to small cap);
- financial structure of the sector (leverage): 28.1%;
- levered beta of the sector: 1.14;
- cost of debt after tax: 3.1% (estimated on the basis of sector spreads weighted by the level of debt and incorporating 6-month averages of market base rates).

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 (considering as a base case the extended long-term plan described above) and for the Air and Cooling CGU, for both CGUs in the sensitivity base case and in the worst case; the Automobile Suspensions CGU, on the other hand, had negative coverage of € 5,046 thousand in the base case, so the goodwill associated with this CGU therefore written down by a corresponding amount, which is also reflected in the consolidated financial statements of the CIR Group. The Suspensions CGU will also be monitored at the next deadlines.

Given the results of the first-level impairment test, at 31 December 2022 the goodwill allocated to the Automotive sector, which coincides with the scope of the Sogefi group, decreased to € 123.6 million.

The second-level test carried out using the discounted cash flow method showed that the respective parameters clearly exceeded the related carrying amounts, so no impairment adjustment was made, even after performing a sensitivity analysis by changing the WACC and g parameters (assuming a worst case increase of 1% in the WACC and decrease of 1% in the g growth rate). Coverage (the difference between the value in use and the carrying amount) is in fact € 491,886 thousand in the base case and € 347,889 thousand in the worst case. The values of WACC and the EBIT delta for which coverage falls to zero are 16.7% and -48% respectively. So no write-down was made.

In addition to the impairment test conducted on intangible fixed assets, during 2022, the Sogefi group assessed the possible impacts of the risks associated with the technological transition on the useful life of tangible fixed assets, with particular regard to the Filtration business, without encountering any critical issues.

Healthcare (KOS group)

At 31 December 2022, the goodwill allocated to the Healthcare segment, which coincides with the scope of the KOS Group, was € 368.5 million.

The first-level impairment test was performed within the KOS sub-consolidation, with reference to the following CGUs: Nursing Homes Italy, Rehab Italy, Acute Care Italy, Nursing Homes Germany, Diagnostics and Cancer Cure (only India following the sale of Medipass Europe in 2020). Identification of the CGUs included in the test carried out at 31 December 2022 was different compared with the test carried out at the end of the previous year. In particular, the company aligned the CGUs (previously divided between Long Term Care Italy, in turn broken down at a regional level, and Suzzara Hospital) to the new organisational structure, which in place of the previous regional structure, envisages a divisional structure made up of Nursing Homes Italy, Rehab Italy and Acute Care Italy. This subdivision results in more homogeneous asset groupings from a business dynamics point of view, also for impairment testing purposes. On the other hand, the Nursing Homes Germany and Diagnostics and Cancer Cure CGUs remained as they were in the previous tests.

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 not just the first-level CGUs, but also the flows and carrying amounts associated with the corporate structures and the goodwill associated with the Healthcare segment in CIR S.p.A.

In the first-level test, the recoverability of the carrying amounts was verified by comparing the net book value attributed to the CGUs, including goodwill, with the recoverable amount. The latter was in turn estimated with the value in use, represented by the present value of the operating cash flows and the terminal value attributable to each CGU (Unlevered Discounted Cash Flow), with the exception of the Diagnostics and Cancer Cure CGU. Since Clearmedi, the Indian subsidiary of KOS, was involved in a disposal, which led to its reclassification according to IFRS 5, the recoverable amount of this CGU was estimated using the fair value less cost to sell method, based on the selling price currently being negotiated.

The operating cash flows used were derived from projections included in the 2022-2026 plan approved by the Board of Directors on 21 January 2023, which does not contain development projects or acquisitions, except for those already under contract; for the purposes of the impairment test, future cash flows in the Strategic Plan relating to greenfield projects under construction were not taken into consideration. The plan takes into consideration the hypotheses of leading analysts as to the performance of the reference markets and more generally on the evolution of the sector, as well as the effects on business and prospective profitability of the Russia-Ukraine conflict (for KOS limited to increases on energy costs) and Covid-19; it also considers the medium and long-term impacts on the KOS group's business of climate change and the policies and regulations implemented internationally to mitigate its effects. The company has in fact assessed the exposure to physical risk of all its healthcare facilities. A medium level of risk was identified for only 6% of the sites, equal to 8, while for the other 94% a low level of risk was identified, mainly linked to extreme phenomena such as thermal and water stress, i.e. the risk of heat waves, frost or flooding. These risk profiles do not require urgent interventions by the KOS group and do not suggest any need to recognise impairment losses on fixed assets, but they do involve a risk of higher operating costs in the future, which the company will take into account in its plans. On the other hand, no significant transition risks were identified, deriving from climate change with an impact on the company's business model.

The terminal value was calculated using the perpetuity growth model, applying 2.0% growth, based on the long-term inflation rates estimated for Italy and Germany, considering 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 5.8% (taking the weighted average of the various rates: 6.2% in Italy and 5.0% in Germany). In the same way as for Sogefi, here too the impact of the new situation regarding interest rates was taken into account in determining certain parameters for the discount rate. For the estimate of risk free rates, the six-month averages, and no longer the 10-year ones, have been calculated for 10-year risk-free securities: these are 3.8% for Italy and 1.7% for Germany. the premiums for market risk and specific risk were assumed to be equal to those of the Sogefi CGU (5.6% and 1.2% respectively); sector leverage came to 48.6%, and beta levered to 0.71 for Italy and 0.68 for Germany; lastly, the net cost of debt was estimated on the basis of sector data at 3.3% for Italy and 3.1% for Germany.

The first-level test carried out (for the purposes of the consolidated financial statements of KOS) showed positive coverage for all the CGUs, with adequate margins in the sensitivity cases taken into consideration. Following the change made to the structure of the CGUs, a control test was also carried out, with the grouping of the CGUs at regional and non-divisional level, previously used for Long Term Care Italy. Also in this case, sufficiently positive coverage was found for all the CGUs considered previously, with the exception of the former Long Term Umbria CGU, consisting of a single operating structure, which had a slightly negative coverage (-€ 0.3 million), and the former Suzzara Hospital CGU (a test of little significance, having been conducted over a period of only six months until expiry of the concession currently scheduled for June 2023, subject to extension), which had a slightly negative coverage (-€ 0.1 million). The cases of negative coverage that emerged in the control test would have been equal to only 0.1% of the goodwill allocated to the Healthcare sector, if the group had maintained the previous configuration of the CGUs.

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 € 603,000 thousand in the base case and € 230,386 thousand in the worst case. The values of WACC and delta EBITDA for which coverage falls to zero are 7.7% and -19.4% respectively.

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.

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 pages.

7.b. Property, plant and equipment

(in thousands of euro)	*Opening balance*			*Changes for the period*							*Closing balance*		
	Original cost	*Accumulated depreciation and impairment losses*	*Balance 31.12.2021*	*Acquisitions*	*Business combinations and disposals*		*Exchange gains (losses)*	*Other changes*	*Net disposals*	*Depreciation e impairment losses*	*Original cost*	*Accumulated depreciation and impairment losses*	*Balance 31.12.2022*
					increases	*decreases*			*original cost*				
Land	38,864	(444)	38,420	762	--	--	(72)	--	(2,391)	--	37,163	(444)	36,719
Industrial buildings	300,094	(155,736)	144,358	2,305	--	--	20	4,323	(661)	(9,155)	293,959	(152,769)	141,190
Plant and machinery	754,249	(569,420)	184,829	6,063	--	--	(495)	42,710	(315)	(40,955)	789,884	(598,047)	191,837
Industrial and commercial equipment	361,191	(268,291)	92,900	10,872	141	(14,463)	(455)	40,339	(143)	(37,721)	360,543	(269,073)	91,470
Other assets	208,217	(132,160)	76,057	11,856	233	(947)	(530)	1,808	(314)	(13,907)	216,165	(141,909)	74,256
Assets under construction and payments on account	110,165	(742)	109,423	86,665	--	--	(70)	(86,655)	(4,365)	--	105,746	(748)	104,998
Total	**1,772,780**	**(1,126,793)**	**645,987**	**118,523**	**374**	**(15,410)**	**(1,602)**	**2,525**	**(8,189)**	**(101,738)**	**1,803,460**	**(1,162,990)**	**640,470**

Property, plant and equipment went from € 645,987 thousand at 31 December 2021 to € 640,470 thousand at 31 December 2022.

The decreases in "Business combinations/disposals" refer to ClearMedi Healthcare Ltd and ClearView Ltd, within the KOS group, reclassified according to the provisions of IFRS 5 as they are involved in a sale agreement which should be finalised in 2023.

It should be noted that the balances of "Industrial and commercial equipment" and "Assets under construction and payments on account" at 31 December 2022 include the investments made by the Sogefi group in tooling for € 62,808 thousand and € 34,559 thousand respectively.

In addition to the impairment test conducted on intangible fixed assets, during 2022, the Sogefi group assessed the possible impacts of the risks associated with the technological transition on the useful life of tangible fixed assets, with particular regard to the Filtration business, without encountering any critical issues.

DEPRECIATION RATES

Description	*%*
Industrial buildings	3%
Plant and machinery	10-25%
Other assets:	
- Electronic office equipment	20%
- Furniture and fittings	12%
- Motor vehicles	25%

7.c. Right-of-use assets

	Opening balance			Changes for the period							Closing balance		
					Business combinations and disposals								
(in thousands of euro)	*Original cost*	*Accumulated depreciation and impairment losses*	*Balance 31.12.2021*	*Increases*	*increases*	*decreases*	*Exchange gains (losses)*	*Other changes*	*Net disposals*	*Depreciation and impairment losses*	*Original cost*	*Accumulated depreciation and impairment losses*	*Balance 31.12.2022*
Land	--	--	--	--	--	--	--	--	--	--	--	--	--
Industrial buildings	1,002,479	(178,836)	823,643	66,690	16,339	(2,359)	(23)	413	(116)	(67,039)	1,081,121	(243,573)	837,548
Plant and machinery	10,372	(8,465)	1,907	190	--	--	59	(1,060)	--	(679)	9,797	(9,380)	417
Industrial and commercial equipment	1,784	(1,151)	633	184	--	--	--	--	--	(237)	1,926	(1,346)	580
Other assets	12,041	(5,886)	6,155	3,484	--	(317)	(167)	895	(159)	(3,195)	13,503	(6,807)	6,696
Total	**1,026,676**	**(194,338)**	**832,338**	**70,548**	**16,339**	**(2,676)**	**(131)**	**248**	**(275)**	**(71,150)**	**1,106,347**	**(261,106)**	**845,241**

The right-of-use assets amount to € 845,241 thousand at 31 December 2022 and refer to the KOS group for € 779,312 thousand, the Sogefi group for € 65,830 thousand and the Parent CIR S.p.A. for € 99 thousand.

The increases in “Business combinations/disposals” refer to the acquisitions made during the year, within the KOS group.

The decreases in "Business combinations/disposals" refer to ClearMedi Healthcare Ltd and ClearView Ltd, within the KOS group, reclassified according to the provisions of IFRS 5 as they are involved in a sale agreement which should be finalised in 2023.

7.d. Investment property

(in thousands of euro)	*Opening balance* Original cost	Accumulated depreciation and impairment losses	Net balance 31.12.2021	*Changes for the period* Acquisitions	Business combinations and disposals: increases	Business combinations and disposals: decreases	Reclassification	Exchange gains (losses)	Other movements	Net disposals: cost	Depreciation & impairment losses	*Closing balance* Original cost	Accumulated depreciation and impairment losses	Net 31.12.2022
Buildings	26,503	(12,272)	14,231	1	--	--	(10,976)	--	--	--	(702)	5,831	(3,277)	2,554
Total	**26,503**	**(12,272)**	**14,231**	**1**	**-**	**--**	**(10,976)**	**--**	**--**	**--**	**(702)**	**5,831**	**(3,277)**	**2,554**

Investment property went from € 14,231 thousand at 31 December 2021 to € 2,554 thousand at 31 December 2022.

On 22 December 2022, CIR S.p.A. signed a preliminary binding agreement for the sale of a real estate complex located in Via dell'Orso 8 and Via Ciovassino 1/A, Milan. As a result, the carrying amount of €10,976 thousand was reclassified to caption 8.h “Assets held for sale”.

The market value of the remaining investment properties as at 31 December 2022 is significantly higher than the carrying amount.

DEPRECIATION RATES

Description	*%*
Buildings	3

7.e. Equity-accounted investees

(in thousands of euro)

2022	Balance 31.12.2021	Increases (Decreases)	Impairment losses	Dividends	Pro-rata share of result		Other changes	Balance 31.12.2022
					Loss	Profit		
APOKOS REHAB PVT Ltd	622	--	--	--	--	9	--	631
Total	**622**	**--**	**--**	**--**	**--**	**9**	**--**	**631**

7.f. Other equity investments

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Other	1,871	1,871
Total	**1,871**	**1,871**

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 2022 had a balance of € 37,662 thousand, compared with € 44,519 thousand at 31 December 2021, and were mainly made up of:

- € 1,007 thousand (€ 1,257 thousand at 31 December 2021) 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 € 250 thousand recorded under item 14.e "Fair value gains or losses on financial assets";
- € 3,004 thousand relating to guarantee deposits;
- € 23,877 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. which took place in 2022 and 2021 respectively;
- € 6,053 thousand relating to the "Pension fund surplus" of Sogefi Filtration Ltd., part of the Sogefi group.

7.h. Other financial assets, including derivatives

"Other financial assets, including derivatives" at 31 December 2022 amounted to € 72,215 thousand (€ 77,759 thousand at 31 December 2021) and mainly referred to investments in private equity funds and non-controlling shareholdings held by the parent and by the financial holding companies.

The fair value measurement of these investments led to net losses in the income statement for € 5,395 thousand recorded under item 14.e "Fair value gains or losses on financial assets".

At 31 December 2022, the residual commitment for investment in private equity funds stood at € 25,806 thousand (€ 26,891 thousand at 31 December 2021).

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 over a reasonable time horizon.

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

(in thousands of euro)	*2022*		*2021*	
	Amount of temporary differences	*Tax effect*	*Amount of temporary differences*	*Tax effect*
Deductible temporary differences from:				
- write-down of current assets	16,684	4,129	18,608	4,582
- write-down of non-current assets	68,122	17,385	85,830	21,850
- write-up of current liabilities	51,835	11,715	38,412	9,829
- write-up of employee benefit obligations	33,829	8,446	46,526	11,551
- write-up of provisions for risks and charges	25,815	6,454	26,721	6,939
- write-up of long-term borrowings	--	--	--	--
- write-down of financial instruments	50	12	104	25
- tax losses from previous years	103,327	25,282	76,697	18,925
Total deferred tax assets	**299,662**	**73,423**	**292,898**	**73,701**
Taxable temporary differences from:				
- write-up of current assets	29,061	7,326	25,526	6,393
- write-up of non-current assets	158,685	36,109	183,104	42,554
- write-down of current liabilities	20,509	4,681	15,077	3,283
- measurement of employee benefit obligations	881	210	(1,383)	(336)
- write-down of provisions for risks and charges	--	--	--	--
- write-up of financial instruments	--	--	--	--
Total deferred tax liabilities	**209,136**	**48,326**	**222,324**	**51,894**
Net deferred taxes		**25,097**		**21,807**

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 € 373,549 thousand, which can be carried forward without any limit) and to other Group companies (for € 110,130 thousand). 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:

2022 *(in thousands of euro)*	*Balance at 31.12.2021*	*Use of deferred taxes from prior periods*	*Deferred taxes generated in the period differite sorte*	*Exchange differences and other changes*	*Balance at 31.12.2022*
Deferred tax assets:					
- income statement	54,418	(4,475)	8,946	(20)	58,869
- equity	19,283	(3,592)	--	(1,137)	14,554
Deferred tax liabilities:					
- income statement	(36,153)	4,107	(239)	--	(32,285)
- equity	(15,741)	--	(352)	52	(16,041)
Net deferred taxes	**21,807**	**(3,960)**	**8,355**	**(1,105)**	**25,097**

8. Current assets

8.a. Inventories

Inventories can be broken down as follows:

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Raw materials, supplies and consumables	77,722	65,930
Work in progress and semi-finished products	18,978	15,968
Finished products and goods	38,252	35,503
Payments on account	295	406
Total	**135,247**	**117,807**

This item refers for € 129,725 thousand (€ 111,917 thousand at 31 December 2021) to the Sogefi group and for € 5,522 thousand (€ 5,890 thousand at 31 December 2021) to the KOS group.

The value of inventories is shown net of any write-downs which take into account the degree of obsolescence of finished products, goods and supplies. The inventory provisions at 31 December 2022 amount to € 12,632 thousand (€ 13,272 thousand at 31 December 2021).

8.b. Trade receivables

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Customers	248,147	215,793
Total	**248,147**	**215,793**

This item refers for € 160,045 thousand (€ 135,415 thousand at 31 December 2021) to the Sogefi group and for € 88,062 thousand (€ 80,315 thousand at 31 December 2021) 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 2022, provisions for impairment of receivables were made for a total of € 2,220 thousand (€ 546 thousand related to the KOS group and € 1.674 thousand to the Sogefi group).

8.c. Other assets

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Associates	133	133
Tax receivables	36,851	33,526
Other	31,654	26,213
Total	**68,638**	**59,872**

The increase in the item is attributable to the KOS group for € 4,317 thousand and to the Sogefi group for € 4,345 thousand.

8.d. Loan assets

"Loan assets" rose from € 10,593 thousand at 31 December 2021 to € 18,540 thousand at 31 December 2022. This caption includes € 8,353 thousand (€ 3,957 thousand at 31 December 2021) 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, € 3,127 thousand (€ 1,243 thousand at 31 December 2021) 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 € 6,228 thousand (€ 5,157 thousand at 31 December 2021) 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:

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Equity investments in other companies	42	--
Bonds	48,876	--
Investment funds and similar funds	23,734	19,357
Total	**72,652**	**19,357**

At 31 December 2022, this caption totals € 72,652 thousand (€ 19,357 thousand at 31 December 2021) and refers to bonds held by CIR Investimenti S.p.A., for € 45,923 thousand, and by the Sogefi group for € 2,953 thousand, units held in investment funds by CIR Investimenti S.p.A. amounting to € 13,871 thousand (€ 15,161 thousand at 31 December 2021) and by CIR S.p.A. totalling € 9,647 thousand (€ 4,196 thousand at 31 December 2021) and equities held by CIR S.p.A. and other equities for € 216 thousand held by the Sogefi group.

The fair value measurement of "Securities" led to a fair value gain in the income statement of € 2,916 thousand.

8.f. Other financial assets, including derivatives

This item totals € 241,243 thousand (€ 300,448 thousand at 31 December 2021) and refers for € 58,849 thousand (€ 68,434 thousand at 31 December 2021) 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 loss in the income statement of € 5,281 thousand. During the period, gains for € 3,771 thousand (€ 1,641 thousand in 2021) were realised and recognised under item 14.c "Gains from securities trading".

This item also includes € 182,394 thousand (€ 232,014 thousand at 31 December 2021) 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 € 1,334 thousand (€ 2,034 thousand in 2021). The fair value measurement of policies with yields deriving from unit-linked funds has resulted in a loss in the income statement of € 2,191 thousand.

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

"Cash and cash equivalents" went from € 306,489 thousand at 31 December 2021 to € 219,676 thousand at 31 December 2022.

"Bank loans and borrowings" went from € 2,018 thousand at 31 December 2021 to € 1,981 thousand at 31 December 2022.

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

8.h. Assets held for sale and liabilities directly related to assets held for sale

This item, equal to €23,472 thousand, refers for €17,496 thousand to the assets and liabilities of the Indian subsidiaries classified as “Assets held for sale” within the KOS group, and for €5,976 thousand to the assets and liabilities of CIR S.p.A., which on 22 December 2022 signed a binding preliminary agreement, subject to certain conditions precedent, with Merope S.r.l., a property investment and development company, for the sale of a non-industrial real estate complex located in Via dell'Orso 8 and Via Ciovassino 1/A, Milan, for a total of €38.0 million, of which €5.0 million paid on 22 December 2022 as a deposit, and the remainder to be paid at the closing.

So, in application of IFRS 5 ("Non-current assets held for sale and discontinued operations"), the carrying amount of the property complex being sold (€10,976 thousand) was reclassified from item 7.d "Investment property" to item 8.h "Assets held for sale” and the deposit (€5,000 thousand) was recorded in item 8.h “Liabilities related to assets held for the sale".

9. Equity

9.a. Share capital

On 12 September 2022, the Extraordinary Shareholders' Meeting resolved to reduce the share capital from € 638,603,657 to € 420,000,000 i.e. by a total of € 218,603,657, allocating this amount to the creation of an available reserve without making any capital repayment to the shareholders; this reduction became effective on 21 December 2022.

The share capital therefore went from € 638,603,657 as at 31 December 2021 to € 420,000,000 as at 31 December 2022 and is made up of 1,107,207,314 shares with no par value compared with 1,277,207,314 shares with no par value as at 31 December 2021.

On 12 September 2022, the Extraordinary Shareholders' Meeting also resolved to cancel 170,000,000 treasury shares, ordinary shares with no par value, keeping the amount of the share capital unchanged.

The share capital is fully subscribed and paid up.

At 31 December 2022 the parent held 24,480,800 treasury shares (2.211% of the share capital) for an amount of € 12,500 thousand, compared with 179,456,492 treasury shares (14.05% of the share capital) for an amount of € 93,075 thousand at 31 December 2021.

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

(in thousands of euro)	*Number of shares*	*Amount*
Balance at 31 December 2021	179,456,492	93,075
Cancellation of treasury shares	(170,000,000)	(86,804)
Increases	15,327,661	6,384
Decreases	(303,353)	(155)
Balance at 31 December 2022	**24,480,800**	**12,500**

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.

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.

9.b. Reserves

The breakdown of "Reserves" is as follows:

(in thousands of euro)	*Share premium*	*Legal reserve*	*Fair value reserve*	*Translation reserve*	*Stock grant reserve*	*Other reserves*	*Total reserves*
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	--	--	--	--	--	(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
Net actuarial gains	--	--	--	--	--	9,477	9,477
Balance at 31 December 2021	**5,044**	**25,516**	**(432)**	**(24,994)**	**2,711**	**68,755**	**76,600**
Share capital reductions	--	--	--	--	--	218,604	218,604
Retained earnings	--	105	--	--	--	1,980	2,085
Fair value gains (losses) on treasury shares	--	--	--	--	--	--	--
Notional cost of stock grants credited	--	--	--	--	1,365	--	1,365
Reclassifications	--	--	--	--	(346)	--	(346)
Unclaimed dividends	--	--	--	--	--	171	171
Fair value measurement of cash flow hedges	--	--	2,676	--	--	--	2,676
Effects of changes in equity attributable to subsidiaries	--	--	--	15	--	3,362	3,377
Translation differences	--	--	--	(3,611)	--	--	(3,611)
Net actuarial gains	--	--	--	--	--	5,634	5,634
Balance at 31 December 2022	**5,044**	**25,621**	**2,244**	**(28,590)**	**3,730**	**298,506**	**306,555**

The "Fair value reserve", net of tax, was positive for € 2,244 thousand and refers to the measurement of hedges (positive for € 2,261 thousand relating to the Sogefi group and negative for € 17 thousand relating to the KOS group).

The "Translation reserve" had a negative balance of € 28,590 thousand at 31 December 2022 with the following breakdown:

(in thousands of euro)	*31.12.2021*	*Increases*	*Decreases*	*31.12.2022*
Sogefi group	(25,897)	--	(3,154)	(29,051)
KOS group	903	--	(442)	461
Total	**(24,994)**	**--**	**(3,596)**	**28,590**

The breakdown of "Other reserves" at 31 December 2022 was as follows

(in thousands of euro)

Share capital reduction reserve	218,604
Reserve as per art. 6 Leg. decree 38/2005	5,193
Statutory reserve	185
Other	74,524
Total	**298,506**

9.c. Retained earnings

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

10. Non-current liabilities

10.a. Bonds

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

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Sogefi S.p.A. bond 2013/2023 in USD	--	14,496
Sogefi S.p.A. bond 2019/2025	52,304	59,739
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	**151,304**	**173,235**

Note that the Sogefi S.p.A. 2013/2023 Bond has been reclassified under item 11.a "Bonds" in current liabilities.

10.b. Other financial liabilities

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Collateralised bank loans and borrowings	83,923	58,817
Other bank loans and borrowings	307,477	374,520
Other loans and borrowings	236	381
Total	**391,636**	**433,718**

This item consists of loans to companies of the KOS group for € 158,168 thousand and loans to companies of the Sogefi group for € 233,468 thousand.

10.c. Right-of-use lease liabilities

The item, amounting to € 815,061 thousand (€ 793,231 thousand at 31 December 2021), refers to lease liabilities relating to companies in the KOS group, which operate out of mainly leased properties, for € 757,459 thousand, to companies in the Sogefi group for € 57,543 thousand and to the parent CIR S.p.A. for € 59 thousand.

10.d. Employee benefits

The breakdown of the item is as follows:

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Post-employment benefits (TFR)	23,305	27,908
Pension funds and similar obligations	28,276	45,837
Total	**51,581**	**73,745**

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Opening balance	73,745	93,812
Accrual for labour provided during the year	15,192	11,838
Increases for interest	1,320	1,314
Actuarial gains or losses	(9,286)	(19,095)
Benefits paid	(15,697)	(9,647)
Exchange gains	(483)	--
Other changes	(13,210)	(4,477)
Closing balance	**51,581**	**73,745**

The item mainly refers to companies of the Sogefi group for € 28,944 thousand, to companies of the KOS group for € 20,077 thousand and to the parent CIR S.p.A. for € 2,300 thousand.

The decrease in the item mainly refers to the KOS group for € 4.1 million and to the Sogefi group for € 18.4 million.

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

Annual technical discount rate	3.20% - 4.80%
Annual inflation rate	2.30% - 3.30%
Annual rate of pay increases	0.50% - 2.20%
Annual rate of TFR increase	3.20%

"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:

UK

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

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

(in thousands of euro)	*Provision for restructuring charges*	Provision for product warranties	*Provision for other risks*	*Total*
Balance at 31 December 2021	1,860	506	12,628	14,994
Accruals for the period	401	(472)	778	707
Uses	(460)	--	(2,188)	(2,648)
Exchange gains	(45)	30	(114)	(129)
Other changes	(1,320)	(14)	(778)	(2,112)
Balance at 31 December 2022	**436**	**50**	**10,326**	**10,812**

This item consists mainly of amounts attributable to the Sogefi group companies for € 4,744 thousand and to the KOS group companies for € 5,419 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 € 5,419 thousand and to Sogefi group companies for € 4,258 thousand.

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

(in thousands of euro)	*Provision for restructuring charges*	*garanzia prodotti*	*Fondo rischi diversi*	*Total*
Balance at 31 December 2021	10,097	3,033	43,352	56,482
Accruals for the period	(465)	962	6,067	6,564
Uses	(8,246)	(225)	(5,279)	(13,750)
Exchange gains	(76)	(15)	(26)	(117)
Other changes	1,814	14	620	2,448
Balance at 31 December 2022	**3,124**	**3,769**	**44,734**	**51,627**

This item consists of amounts attributable to the Sogefi group companies for € 10,146 thousand and to the KOS group companies for € 40,631 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 € 40,631 thousand and to Sogefi group companies for € 3,253 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 € 8,229 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 € 18,609 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 € 23,551 thousand, includes € 7,500 thousand for the current portion of the Sogefi S.p.A. 2019/2025 Bond, € 15,385 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 financial liabilities

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Collateralised bank loans and borrowings	5,000	--
Other bank loans and borrowings	43,954	72,041
Other loans and borrowings	2,578	2,101
Total	**51,532**	**74,142**

This item refers to loans to Sogefi group companies for € 46,234 thousand and loans to KOS group companies for € 5,298 thousand.

11.c. Right-of-use lease liabilities

This caption, € 67,639 thousand (€ 67,849 thousand at 31 December 2021), comprises the right-of-use lease liabilities of companies within the KOS group, € 53,932 thousand, and the Sogefi group, € 13,677 thousand, as well as those of CIR S.p.A., € 30 thousand.

11.d. Trade payables

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Suppliers	314,530	288,021
Payments on account	37,574	32,324
Total	**352,104**	**320,345**

This item refers for € 239,194 thousand (€ 210,932 thousand at 31 December 2021) to the Sogefi group and for € 74,841 thousand (€ 76,634 thousand at 31 December 2021) 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

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Due to employees	66,694	66,035
Tax liabilities	27,032	30,988
Social security payables	28,270	28,540
Other	84,530	69,785
Total	**206,526**	**195,348**

The item “Due to employees” refers for € 34,675 thousand to the KOS group and for € 31,767 thousand to the Sogefi group.

"Tax liabilities" refer for € 12,010 thousand to the KOS group and for € 12,994 thousand to the Sogefi group.

The item "Social security payables" concerns for € 13,317 thousand the KOS group and for € 14,784 thousand the Sogefi group.

"Other" relates for € 55,521 thousand to the Sogefi group. In particular, the amount of € 39,015 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)	*2022*		*2021*		*Change*
	Amount	*%*	*Amount*	*%*	*%*
Automotive components	1,552.1	69.4	1,320.6	67.3	17.5
Healthcare	683.5	30.6	641.9	32.7	6.5
Total consolidated revenue	**2,235.6**	**100.0**	**1,962.5**	**100.0**	**13.9**

- BREAKDOWN BY GEOGRAPHICAL AREA

(in millions of euro)

2022	Total revenue	*ItalyOther European countries*		*North America*	*South America*	*Asia*	*Other countries*
Automotive components	1,552.1	64.9	798.3	350.6	110.1	213.2	15.0
Healthcare	683.5	492.2	191.3	--	--	--	--
Total consolidated revenue	**2,235.6**	**557.1**	**989.6**	**350.6**	**110.1**	**213.2**	**15.0**
Percentages	100.0%	24.9%	44.3%	15.7%	4.9%	9.5%	0.7%

(in millions of euro)

2021(*)	Total revenue	*Italy*	*Other European countries*	*North America*	*South America*	*Asia*	*Other countries*
Automotive components	1,320.6	63.9	726.8	264.7	81.4	171.5	12.3
Healthcare	641.9	463.5	178.4	--	--	--	--
Total consolidated revenue	**1,962.5**	**527.4**	**905.2**	**264.7**	**81.4**	**171.5**	**12.3**
Percentages	100.0%	26.9%	46.1%	13.5%	4.2%	8.7%	0.6%

(*) During 2022, KOS started a process of divestment of the Diagnostics and Cancer Cure business in India, so the figures were reclassified in accordance with IFRS 5 to "Profit (Loss) from assets held for sale", and the same was done for the balance sheet items.

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 € 798,390 thousand in 2021 to € 972,527 thousand in 2022. The increase is mainly attributable to the Sogefi group.

13.b. Costs for services

This item went from € 271,029 thousand in 2021 to € 316,300 thousand in 2022, as can be seen from the following breakdown:

(in thousands of euro)	*2022*	*2021*
Technical and professional consulting	84,676	84,684
Distribution and transport costs	19,040	15,328
Outsourcing	22,694	21,553
Other	189,890	149,464
Total	**316,300**	**271,029**

The increase is attributable for € 30,504 thousand to the Sogefi group and for € 15,101 thousand to the KOS group.

13.c. Personnel expenses

Personnel costs totalled € 638,933 thousand in 2022 (€ 594,143 thousand in 2021).

(in thousands of euro)	*2022*	*2021*
Salaries and wages	464,351	430,968
Social security contributions	123,734	118,430
Post-employment benefits	12,214	11,538
Pensions and similar benefits	2,978	300
Valuation of stock option and stock grant plans	1,713	1,582
Other costs	33,943	31,325
Total	**638,933**	**594,143**

The Group had an average of 16,829 employees in 2022 (17,246 in 2021).

The increase is attributable for € 11,249 thousand to the Sogefi group and for € 33,488 thousand to the KOS group.

The increase in "Personnel costs" for the KOS group relates to the growth in the business on 2021 and the acquisitions made during 2020 and 2021. Note that the previous year benefited from Covid subsidies and the release of provisions set aside in previous years for the collective labour agreement.

13.d. Other operating income

This item can be broken down as follows:

(in thousands of euro)	*2022*	*2021*
Grants related to income	3,576	60
Gains on asset disposals	3,160	8,295
Prior period and other income	40,820	49,995
Total	**47,556**	**58,350**

The decrease in “Gains on asset disposals” refers to the KOS group. These gains referred to the sale of some properties owned by the group.

The decrease in "Prior period and other income" is mainly attributable to the Sogefi group.

13.e. Other operating expense

This item can be broken down as follows:

(in thousands of euro)	*2022*	*2021*
Impairment and credit losses	2,886	2.707
Accruals to provisions for risks and charges	5,332	2,777
Indirect taxes	37,206	32,757
Restructuring charges	(592)	7,056
Losses on asset disposals	2,555	3,540
Miscellaneous losses and other costs	20,020	11,198
Total	**67,407**	**60,035**

"Miscellaneous losses and other costs" include € 4,197 thousand for the portion of the registration tax due for the judgements in the Lodo Mondadori affair that CIR S.p.A. had to reimburse to the other party.

14. Financial income and expense

14.a. Financial income

This item includes the following:

(in thousands of euro)	*2022*	*2021*
Interest income on bank accounts	3,443	1,451
Interest income on securities	191	175
Other interest income	4,062	3,684
Interest rate derivatives	627	113
Exchange gains	382	3,520
Total	**8,705**	**8,943**

14.b. Financial expense

This item includes the following:

(in thousands of euro)	*2022*	*2021*
Interest expense on bank loans	11,218	13,001
Interest expense on bonds	6,345	6,937
Interest on financial payables for rights of use	23,543	20,381
Other interest	6,049	3,483
Interest rate derivatives	836	439
Exchange losses	935	--
Other financial expense	7,860	6,243
Total	**56,786**	**50,484**

14.c. Gains from securities trading

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

(in thousands of euro)	*2022*	*2021*
Shares - other companies	10	1,523
Other securities and other gains	3,878	7,749
Total	**3,888**	**9,272**

"Other securities and other gains" mainly relate to CIR S.p.A. and the financial holding companies and refer for € 107 thousand to investments in item 7.h "Other financial assets including derivatives" of non-current assets, for € 3,771 thousand to investments in item 8.e "Other financial assets including derivatives" of current assets.

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.

14.d. Losses from securities trading

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

(in thousands of euro)	*2022*	*2021*
Other securities and other losses	887	1,471
Total	**887**	**1,471**

"Other securities and other losses" mainly relate to CIR S.p.A. and the financial holding companies and refer for € 833 thousand to investments in item 7.h "Other financial assets, including derivatives" of non-current assets, for € 54 thousand to investments in item 8.f "Other financial assets, including derivatives" of current assets.

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

The item in question, which is negative for € 10,201 thousand, it refers to CIR S.p.A. and financial holding companies and relates for € 4,556 thousand to the negative change fair value valuation of "Other financial assets, including derivatives" recognised under current assets, for € 5.645 thousand to the negative change in "Other financial assets, including derivatives" and "Other assets" recognised under non-current assets.

15. Income taxes

Income taxes can be broken down as follows:

(in thousands of euro)	*2022*	*2021*
Current taxes	20,629	20,238
Deferred taxes	(8,337)	(7,107)
Total	**12,292**	**13,131**

The following table shows a reconciliation of the ordinary tax rate and the effective tax rate for 2022:

(in thousands of euro)	*2022*
Profit (loss) before taxes of continuing operations shown in the financial statements	26,480
Theoretical income taxes	6,355
Tax effect of non-deductible costs	3,321
Tax effect of prior year losses which generate deferred tax assets in the current year	(3,261)
Tax effect of prior year losses which did not generate deferred tax assets	(2,848)
Tax effect on interest rate differentials of foreign companies	481
Non-taxable grants	--
Other	6,441
Income taxes	10,489
Average effective tax rate	24.00
Theoretical tax rate	39.61
IRAP and other taxes	1,892
Income taxes from prior years	(89)
Total taxes as per the consolidated financial statements	**12,292**

16. Profit (loss) from discontinued operations net of the tax effect

The item, equal to € 712 thousand, refers to the KOS group for the 2022 profit net of costs related to the disposal of the Indian subsidiaries. The companies are the subject of a sale agreement which is expected to be finalized in 2023. For more details read paragraph 1.a “Information on IFRS 5”.

In the previous year, the balance on this item was negative for € 24,450 thousand, mainly due to the loss made by the Sogefi group on the sale of Sogefi Filtration Argentina SAU (€ 24,081 thousand) and on the sale of Sogefi Spain SAU (€ 205 thousand), as well as the price adjustment for the sale of Sogefi Filtration do Brasil Ltda (€ 204 thousand).

17. Diluted 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 outstanding shares for the year 2022 takes into account the cancellation of 170,000,000 shares following the resolution of the Extraordinary Shareholders' Meeting of 12 September 2022.

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

Basic earnings per share		
	2022	*2021*
Profit (loss) for the period attributable to the owners of the parent (in euro)	(257)	17,981
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Basic earnings per share (euro)	**-0.0002**	**0.0151**

	2022	*2021*
Comprehensive income attributable to the owners of the parent (in euro)	4,442	45,041
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Basic earnings per share (euro)	**0.0041**	**0.0379**

	2022	*2021*
Profit from continuing operations attributable to shareholders (in euro)	14,188	46,994
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Basic earnings per share (euro)	**0.0130**	**0.0395**

	2022	*2021*
Profit (loss) from discontinued operations attributable to the owners of the parent (in euro)	712	(24,450)
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Basic earnings per share (euro)	**0.0007**	**-0.0206**

Diluted earnings per share		
	2022	*2021*
Profit (loss) for the period attributable to the owners of the parent (in euro)	(257)	17,981
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Weighted average number of options	4,590,647	5,330,696
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,094,334,881	1,194,349,819
Diluted earnings per share (in euro)	**-0.0002**	**0.0151**

	2022	*2021*
Comprehensive income attributable to the owners of the parent (in euro)	4,442	45,041
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Weighted average number of options	4,590,647	5,330,696
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,094,334,881	1,194,349,819
Diluted earnings per share (in euro)	**0.0041**	**0.0377**

	2022	*2021*
Profit from continuing operations attributable to shareholders (in euro)	14,188	46,994
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Weighted average number of options	4,590,647	5,330,696
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,094,334,881	1,194,349,819
Diluted earnings per share (in euro)	**0.0130**	**0.0393**

	2022	*2021*
Profit (loss) from discontinued operations attributable to the owners of the parent (in euro)	712	(24,450)
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Weighted average number of options	4,590,647	5,330,696
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,094,334,881	1,194,349,819
Diluted earnings per share (in euro)	**0.0007**	**(0.0205)**

18. Dividends paid

No dividends were paid by the Company 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.

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 2022	Classification	Carrying amount
NON-CURRENT ASSETS		
OTHER EQUITY INVESTMENTS	FVTOCI	1,871
OTHER ASSETS	Amortised cost	37,662
OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES	FVTPL	72,215
CURRENT ASSETS		
TRADE RECEIVABLES	Amortised cost, expected loss for counterparty risk	248,147
OTHER ASSETS	Amortised cost, expected loss for counterparty risk	68,638
LOAN ASSETS	Amortised cost, expected loss for counterparty risk	18,540
SECURITIES	FVTPL	72,652
OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES	FVTPL	241,243
CASH AND CASH EQUIVALENTS	Amortised cost, expected loss for counterparty risk	219,676
NON-CURRENT LIABILITIES		
BONDS	Amortised cost	151,304
OTHER FINANCIAL LIABILITIES	Amortised cost	391,636
RIGHTS-OF-USE LEASE LIABILITIES	Amortised cost	815,061
CURRENT LIABILITIES		
BANK LOANS AND BORROWINGS	Amortised cost	1,981
BONDS	Amortised cost	23,551
OTHER FINANCIAL LIABILITIES	Amortised cost	51,532
RIGHTS-OF-USE LEASE LIABILITIES	Amortised cost	67,639
TRADE PAYABLES	Amortised cost	352,104

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").

DETAILS OF OTHER FINANCIAL ASSETS SHOWN IN THE FINANCIAL STATEMENTS

Category of financial assets and liabilities at 31 December 2022	Classification	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
NON-CURRENT ASSETS					
OTHER FINANCIAL ASSETS	FVTPL	72,215	--	71,981	234
CURRENT ASSETS					
SECURITIES	FVTPL	72,652	45,965	26,687	--
OTHER FINANCIAL ASSETS	FVTPL	241,243	--	241,243	--

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.

Foreign 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	*31.12.2022*		*31.12.2021*	
Shift in the EUR/USD exchange rate	-5%	+5%	-5%	+5%
Change in income statement (EUR/thousand)	2,700	(2,453)	1,852	(1,685)
Change in equity (EUR/thousand)	2,700	(2,453)	1,852	(1,685)

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. 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.
There is no significant counterparty concentration of credit risk within the group.
Some time ago adequate policies were put in place to ensure that sales are made to customers of an appropriate credit history. The counterparties for derivative products and cash transactions are exclusively financial institutions with a high credit rating. The group has policies that limit credit exposure to individual financial institutions.
Credit risk can vary depending on the business segment concerned.

In the "Automotive Components" sector there is no excessive concentration of credit risk since the Original Equipment and Aftermarket 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.

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 Group operating 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 liquidability of the majority of financial assets.

The following tables show the data relating to credit and liquidity risks.

CREDIT RISK

(in thousands of euro)

Position at 31 December 2022	Items financial statements	Total	-Not yet due	Expired by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Expired traded	Impairment losses
Other assets (non-current assets) (*)	7.g.	24,513	23,506	1,007	--	--	--	1,007	--	
Gross receivable		38,724	23,506	15,218	--	--	--	15,218	--	
Provision for impairment losses		(14,211)	--	(14,211)	--	--	--	(14,211)	--	(250)
Trade receivables	8.b.	248,147	200,918	47,229	20,857	6,673	2,356	17,343	--	
Gross receivable		277,043	203,962	73,081	21,063	6,977	2,721	42,320	--	
Provision for impairment losses		(28,896)	(3,044)	(25,852	(206)	(304)	(365)	(24,977)	--	(2,220)
Other assets (current assets) (**)	8.c.	31,787	31,787	--	--	--	--	--	--	
Gross receivable		33,304	32,454	850	--	--	--	850	--	
Provision for impairment losses		(1,517)	(667)	(850)	--	--	--	(850)	--	(297)
Total		**304,447**	**256,211**	**48,236**	**20,857**	**6,673**	**2,356**	**18,350**	**--**	**(2,767)**

(*) 13,149 thousand of tax receivables not included

(**) 36,851 thousand of tax receivables not included

(in thousands of euro)

Position at 31 December 2021	Items financial statements	Total	-Not yet due	Expired by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Expired traded	Impairment losses
Other assets (non-current assets)(*)	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 assets (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

PROVISION FOR IMPAIRMENT LOSSES ON RECEIVABLES

(in thousands of euro)

Position at 31 December 2022	*Opening balance*	*Impairment losses*	*Uses*	*Exchange difference +/-*	*Business combinations +/-*	Other changes	Closing balance
Provision for impairment losses on receivables	(52,920)	(2,767)	2,057	16	8,990	--	(44,624)

(in thousands of euro)

Position at 31 December 2021	*Opening balance*	*Impairment losses*	*Uses*	*Exchange difference +/-*	*Business combinations +/-*	Other changes	*Closing balance*
Provision for impairment losses on receivables	(49,979)	(7,802)	5,392	(726)	195	--	(52,920)

LIQUIDITY RISK - 2022

(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	26,126	74,237	80,723	--	--	--	181,086
Other financial liabilities:							
- Bank loans and borrowings	66,056	86,532	117,688	106,264	74,438	45,775	496,753
- Payables to other lenders	3,794	438	63	--	--	--	4,295
Bank loans and borrowings	1,981	--	--	--	--	--	1,981
Trade payables	352,104	63,082	--	--	--	--	415,186
Derivative financial liabilities							
Hedging derivatives	(2,655)	(2,066)	(959)	(159)	--	--	(5,839)
Non-hedging derivatives	--	--	--	--	--	--	--
TOTAL	**447,406**	**222,223**	**197,515**	**106,105**	**74,438**	**45,775**	**1,093,462**

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 financial liabilities:							
- Bank loans and borrowings	84,436	141,753	131,317	82,755	59,872	43,574	543,707
- Payables to other lenders	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	**434,120**	**231,818**	**205,926**	**163,774**	**60,149**	**43,574**	**1,139,361**

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 and/or 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 subsidiaries have entered into various loan contracts with fixed interest rates and into IRS contracts with leading financial institutions over the years in order to hedge the interest risk on floating-rate loan contracts.

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)	*31.12.2022*		*31.12.2021*	
Change	-1%	+1%	-1%	+1%
Change in income statement	878	(2,501)	829	(1,870)
Change in equity	(359)	(1,253)	(1,067)	60

Note that since interest rates also had negative levels for most of 2022 as in previous years, the KOS group has decided to evaluate the effect on the income statement and financial position only of the positive change of +1%.

19.e. Derivatives

Derivatives are measured at fair value.

For accounting purposes hedging transactions can be classified as:

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

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

For instruments classified as hedges of a net investment in a foreign operation, gains and losses from marking them to market are recognised directly in equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised in the income statement.

On initial recognition under hedge accounting, derivatives are accompanied by an effective hedging relationship which designates the individual derivative as a hedge and specifies its effectiveness parameters in relation to the financial instrument being hedged.

Hedge effectiveness is tested at regular intervals, with the effective part of the relationship being recognised in equity and the ineffective part, if any, in the income statement.
More specifically, the hedge is considered effective when fair value gains or losses or changes in the cash flows of the instrument being hedged is "almost entirely" offset by the fair value gains or

losses or changes in the cash flow hedges, and when the results achieved are in a range of 80%-125%.

At 31 December 2022, the Group had the following derivative outstanding accounted for as hedges, expressed at their notional value:

a) interest rate hedge:

Sogefi group

- hedging of bank borrowings, with a notional value € 80 million.

KOS group

- hedging of bank borrowings, with a notional value € 13.1 million.

b) exchange rate hedge:

CIR International S.A.

- forward sales totalling USD 63.8 million to hedge investments in hedge funds.

Sogefi group

- forward purchase of € 150 thousand and sale of BRL expiring in 2023;
- forward sales of USD 1.4 million and purchases of BRL expiring in 2023;
- forward purchase of USD 250 thousand and sale of ARS expiring in 2023;
- arrangement of cross currency swaps expiring in 2023 to hedge the private placement of bonds in US dollars, with a notional amount of USD 16.4 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 2022, 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 2022, 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;
- 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 2022, these covenants were all respected.

20. Guarantees and commitments

At 31 December 2022 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 € 25,806 thousand.

Sogefi group

Investment commitments

At 31 December 2022 there are binding commitments for investments relating to purchases of property, plant and machinery of € 519 thousand (€ 801 thousand at 31 December 2021).

Guarantees given

Details of these guarantees are as follows:

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Guarantees given to third parties	1,591	1,346
Other unsecured guarantees given to third parties	3,743	3,301
Secured guarantees given for borrowings shown in the financial statements	19,202	19,363

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 machinery and trade receivables.

Other risks

At 31 December 2022 the Sogefi Group held assets belonging to third parties on its premises for € 18,907 thousand (€ 17,471 thousand at 31 December 2021).

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 € 28,714 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 € 28,443 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 € 6,916 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 € 756 thousand;
- contractual commitments of around € 2,194 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 KOS 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. On the other hand, the corporate loans and bonds are guaranteed by the assignment of amounts due to KOS by subsidiaries, given that KOS has lent the proceeds of those loans to group companies.

21. Information on the business segment

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

(in thousands of euro)	*Assets*	*Investments*	*Depreciation/* Impairment losses
Italy	3,650,413	40,736	148,910
Other European countries	1,362,671	55,839	82,812
North America	184,581	22,052	23,874
South America	53,722	3,269	3,701
Asia	173,996	21,517	19,609
Consolidation gains (losses)	(2,119,316)	(680)	(64,917)
Total	**3,306,067**	**142,733**	**213,989**

22. Joint ventures

The group does not hold any direct investments in joint ventures at 31 December 2022.

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:

	(in thousands of euro)	*31.12.2022*	*31.12.2021*
A.	Cash	219,676	306,489
B.	Cash equivalents	241,243	300,448
C.	Other current financial assets	91,192	29,950
D.	**Cash and cash equivalents (A) + (B) + (C)**	**552,111**	**636,887**
E.	Current financial indebtedness	25,532	24,636
F.	Current portion of non-current financial indebtedness	119,171	141,991
G.	**Current financial indebtedness (E) + (F)**	**144,703**	**166,627**
H.	NET CURRENT FINANCIAL INDEBTEDNESS (G) - (D)	**(407,408)**	**(470,260)**
I.	Non-current financial indebtedness	1,206,697	1,226,949
J.	Debt instruments	151,304	173,235
K.	Trade payables and other non-current liabilities	--	--
L.	**Non-current financial indebtedness (I) + (J) + (K)**	**1,358,001**	**1,400,184**
M.	**NET FINANCIAL INDEBTEDNESS (H) + (L)**	**950,593**	**929,924**

A) item 8.g "Cash and cash equivalents;
B) item 8.f "Other financial assets, including derivatives";
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 financial liabilities" and item 11.c "Financial liabilities for rights of use";
I) item 10.b "Other financial liabilities" and item 10.c "Financial liabilities for rights of use";
J) item 10.a "Bonds".

24. Disclosures regarding share-based payment plans

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.

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

CIR - STOCK GRANT PLANS AT 31 DECEMBER 2022

	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 2016	1,033,057	0.5267	-	-	-	-	-	-	1,033,057	0.5267	3.33	1,033,057	0.5267
Stock Grant Plan 2017	897,538	0.7144	-	-	-	-	-	-	897,538	0.7144	4.33	897,538	0.7144
Stock Grant Plan 2018	3,085,747	0.4378	-	-	65,125	0.4378	1,567,171	0.4378	1,453,451	0.4378	5.33	1,453,451	0.4378
Stock Grant Plan 2019	3,360,570	0.4557	-	-	183,844	0.4557	-	-	3,176,726	0.4557	6.33	1,191,791	0.4557
Stock Grant Plan 2020	3,640,311	0.4066	-	-	54,384	0.4066	-	-	3,585,927	0.4066	7.44	628,175	0.4066
Stock Grant Plan 2021	3,565,284	0.4025	-	-	-	-	-	-	3,565,284	0.4025	8.33	-	-
Stock Grant Plan 2022	-	-	4,274,469	0.3512	-	-	-	-	4,274,469	0.3512	9.33	-	-
Total	**15,582,507**	**0.4481**	**4,274,469**	**0.3512**	**303,353**	**0.4431**	**1,567,171**	**0.4378**	**17,986,452**	**0.4261**	**7.31**	**5,204,012**	**0.5035**

With reference to plans issued by CIR S.p.A. in the last three years, note that:

- On 8 June 2020 the Shareholders' Meeting approved the 2020 Stock Grant Plan reserved for the executives and directors of the company, the parent and subsidiaries, for a maximum of 4,500,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2022 to 31 January 2024. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 1,820,156 time units were assigned during the year, whose maturity is subject to continued service, and 1,820,155 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index.
- 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 1/12th 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.
- On 29 April 2022 the Shareholders' Meeting approved the 2022 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 1/12th of the related total, each of which maturing on a quarterly basis from 30 April 2024 to 31 January 2027. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 2,137,235 time units were assigned during the year, whose maturity is subject to continued service with the company, and 2,137,234 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 2022 was € 1,366 thousand, recognised in the income statement under "Personnel costs".

Sogefi S.p.A. - Stock grant plans

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.

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.

In this regard, it should be noted that with the issue of the 2022 Stock Grant plan, the type B Performance Units will also be subject to the achievement of the non-financial objectives, measured on the basis of a comparison between the non-financial results and the non-financial objectives set 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 22 April 2022, the Board of Directors implemented the 2022 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 995,000 units (of which 294,166 time-based units and 350,417 Type B performance units).

The time-based units mature in quarterly tranches, i.e. 8.33% of the related total, from 30 April 2024 to 31 January 2027.

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 July 2024. In particular, the vesting dates and conditions are indicated below:

1) the first tranche will vest from 1 July 2024, depending on achievement of the 2022 economic-financial objectives and non-financial objectives specified in the regulation;

2) the second tranche will vest from 31 July 2025, depending on achievement of the 2024 economic-financial objectives and non-financial objectives specified in the regulation;

3) the third tranche will vest from 31 July 2026, depending on achievement of the 2025 economic-financial objectives and non-financial objectives specified in the regulation.

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

- *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 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 to 31 July 2024

At 31 December 2022, 78,750 time-based units and 179,375 Type A Performance Units and 179,375 Type B performance units of have lapsed in accordance with the regulation.

- *Stock Grant Plan 2021* reserved for the employees of the Company and its subsidiaries, by assigning them a total of 897,500 units (of which 292,084 time-based units and 302,708 Type A performance units and 302,708 Type B 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 yearly tranches, each equal to maximum one-third (1/3rd) of the total number of Type B performance units allocated, commencing from 31 January 2023 to 31 July 2024.

  At 31 December 2022, 75,834 time-based units and 77,083 Type A performance units and 77,083 Type B performance units have lapsed in accordance with the regulation.

KOS S.p.A. - Stock grant plans

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 constraints regarding the duration of the employment 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 2022

	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 date*	
	No. of options	*Weighted average strike price*	*No. of options*	*Weighted average strike price*	*No. of options*	*Weighted average strike price*	*No. of options*	*Weighted average strike price*	*Number*	*Weighted average strike price*	*Average duration (years)*	*No. of options*	*Weighted average strike price*	*Vesting date*	*Expiry date*
Stock Option Plan '10 rev	1,414,583	2.65	--	--	--	--	--	--	1,414,583	2.65	10.40	1,414,583	2.65	31/12/2014	17/05/2033
Stock Option Plan '16	1,206,000	7.50	--	--	--	--	--	--	1,206,000	7.79	10.40	964,800	7.79	17/05/2023	17/05/2033
Total	**2,620,583**	**4.88**	**--**	**--**	**--**	**--**	**--**	**--**	**2,620,583**	**5.02**	**10.40**	**2,379,383**	**4.73**		

25. Contingent assets/liabilities

Contingent liabilities

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

KOS group

The KOS group makes provisions for risks and charges based on assumptions essentially referring to the amounts that would reasonably be paid to settle payment obligations based on past events.

Lawsuits and litigation against the group may arise from complex and difficult legal issues, often subject to varying degrees of uncertainty, including the facts and circumstances inherent in each lawsuit and the different laws that may be applicable in the circumstances. 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. The amounts actually paid to extinguish or transfer the payment obligations to third parties could also differ significantly from those estimated for the purposes of making the provisions.

Provisions representing the risk of a negative outcome are recognised for legal and tax risks. The provisions shown in the financial statements for these risks represent the directors' best estimate at the reporting date. This estimate involves the adoption of assumptions which depend on factors which may change over time and which could therefore have significant effects with respect to the current estimates made by the directors when preparing the group's financial statements.

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. This amount, equal to € 1.3 million, has been included in "Tax credits".
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 Tax Authorities have filed an appeal, which was notified on 9 September 2022. The company presented its counter-appeal within 40 days of notification of the appeal.

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 and by the adjournment decision, management believes that at 31 December 2022 the risk of losing the dispute, which involves taxes of around € 3 million, fines for the same amount and estimated interest of around € 2 million, for a total of around € 8 million, is theoretically possible but not probable.

In light of the recent Budget Law 2023 (no. 197, of 29 December 2022), the company and its consultants reckon that it should be possible to settle the matter by paying 15% of the higher amount of tax; deeming it probable that the dispute will be resolved with such a payment, at 31 December 2022 the company has set aside approximately € 0.5 million of additional taxes.

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.

As far as CIR is aware, GEDI was notified in June of the closure of the preliminary investigations pursuant to art. 415-bis c.p.p. The proceedings are therefore in the phase immediately following closure of the preliminary investigations and, at present, there are no natural and/or legal persons whose indictment has been requested, as the Public Prosecutor has not yet made a decision regarding the outcome of the investigation 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)	*2022*
Parent:	
a) by the independent auditors for auditing services	183
b) by the independent auditors:	
- for other services	11
c) by network partners of the independent auditors for other services	
Charged to the subsidiaries:	
a) by the independent auditors for auditing services	2,101
b) by the independent auditors:	
- for other services	46
c) by network partners of the independent auditors for other services	58

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

As regards both the parent company and its subsidiaries KOS and Sogefi, no significant events have occurred that could have an impact on the economic, equity and financial information being presented here.

OUTLOOK

The visibility of the Group's performance in the coming months remains limited, given the persistent uncertainty regarding the evolution of the Russia-Ukraine conflict, changes in the macroeconomic situation and the prices of raw materials, especially of energy.

As far as **KOS** is concerned, in a situation of less operational criticality linked to the pandemic, it is expected that it should return to the pre-Covid level of activity. for Rehabilitation and Acute Care services already in the course of the current year; for RSA in Italy and Germany, in 2024, after a progressive growth in employment during 2023, reaching levels close to those of 2019. In the absence of facts and circumstances that make the context even more complex than the current one, the operating results of Sogefi and KOS for the entire year should increase compared with the previous year.

As regards the automotive market, in which **Sogefi** operates, visibility for 2023 remains low due to uncertainties related to the Russia-Ukraine conflict, macroeconomic evolution, availability and prices of raw materials and energy. For 2023, S&P Global (IHS) foresees a growth in world car production of 3.6% compared with 2022, with Europe at +7.1%, NAFTA at +5.4%, South America at +4.9% and China at +1.1%. As regards the prices of raw materials and energy, the upward trend came to a halt in 2022, even if there is still a high level of volatility. Note also the inflationary pressures on labour costs in some geographical areas. Assuming there is no serious deterioration of the geopolitical and macroeconomic scenario compared with the current one, for 2023 the Sogefi group expects mid-single digit revenue growth and an operating result, excluding non-recurring charges, at least in line with that of 2022.

As regards management of the financial assets of the holding company, conditions of high volatility are expected to remain during 2023 because of the uncertainties related to the geo-political, macroeconomic and financial context, though there should be better prospects for the return on the financial assets.

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

During 2022, 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.itin 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)	*Costs for services*	*Other operating income*	*Other operating expense*
Parents	--	--	--
Subsidiaries	--	--	--
Associates	--	--	--
Joint ventures	--	--	--
Other related parties	--	197	300
Total	**--**	**197**	**300**

STATEMENT OF FINANCIAL POSITION

(in thousands of euro)	*Trade receivables (current assets)*	*Other receivables (current assets)*
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 2022.

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, 13 March 2023

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*		*31.12.2022*		*31.12.2021*
NON-CURRENT ASSETS			**674,914,928**		**679,785,315**
INTANGIBLE ASSETS	(3.a.)		97,089		91,624
PROPERTY, PLANT AND EQUIPMENT	(3.b.)		5,180,897		5,447,253
INVESTMENT PROPERTY	(3.c.)		14,724		11,573,207
RIGHT-OF-USE ASSETS	(3.d.)		98,911		76,379
EQUITY INVESTMENTS	(3.e.)		581,405,292		587,761,792
OTHER ASSETS	(3.f.)		56,595,536		45,005,797
of which with related parties (*)		*54,788,186*		*43,485,158*	
OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES	(3.g.)		24,400,842		27,976,627
DEFERRED TAX ASSETS	(3.h.)		7,121,637		1,852,636
CURRENT ASSETS			**24,635,379**		**23,892,200**
OTHER ASSETS	(4.a.)		8,378,708		9,406,702
of which with related parties (*)		*1,331,927*		*2,440,586*	
SECURITIES	(4.b.)		9,647,249		4,196,048
CASH AND CASH EQUIVALENTS	(4.c.)		6,609,422		10,289,450
ASSETS HELD FOR SALE	(4.d.)		**10,975,641**		**--**
TOTAL ASSETS			**710,525,948**		**703,677,515**

LIABILITIES			*31.12.2022*		*31.12.2021*
EQUITY			**692,541,366**		**694,344,198**
SHARE CAPITAL	(5.a.)		420,000,000		638,603,657
RESERVES	(5.b.)		258,376,990		36,497,012
RETAINED EARNINGS	(5.c.)		11,119,524		17,158,030
PROFIT FOR THE YEAR			3,044,852		2,085,499
NON-CURRENT LIABILITIES			**2,763,618**		**2,459,480**
RIGHT-OF-USE LEASE LIABILITIES	(6.a.)		59,307		49,932
OTHER LIABILITIES	(6.b.)		282,000		282,000
DEFERRED TAX LIABILITIES	(3.h.)		121,956		86,290
EMPLOYEE BENEFITS	(6.c.)		2,300,355		2,041,258
CURRENT LIABILITIES			**10,220,964**		**6,873,837**
RIGHT-OF-USE LEASE LIABILITIES	(7.a.)		29,867		16,683
OTHER LIABILITIES	(7.b.)		10,191,097		6,857,154
of which with related parties (*)		*2,398,943*		*2,973,614*	
LIABILITIES DIRECTLY RELATED TO ASSETS HELD FOR SALE	(7.c.)		**5,000,000**		**--**
TOTAL LIABILITIES AND EQUITY			**710,525,948**		**703,677,515**

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

2. Income statement

(in euro)

	Notes		2022		2021
SUNDRY REVENUE AND INCOME	(8)		1,762,670		6,915,739
of which with related parties (*)		778,580		735,793	
COSTS FOR SERVICES	(9)		(6,071,783)		(6,413,683)
of which with related parties (*)		(12,000)		(12,000)	
PERSONNEL EXPENSES	(10)		(4,087,847)		(4,051,090)
OTHER OPERATING EXPENSE	(11)		(5,832,925)		(2,433,838)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES			(962,753)		(1,803,197)
OPERATING PROFIT (LOSS)			**(15,192,638)**		**(7,786,069)**
FINANCIAL INCOME	(12)		1,356,563		1,458,604
of which with related parties (*)		966,457		740,484	
FINANCIAL EXPENSE	(13)		(23,951)		(13,490)
DIVIDENDS	(14)		15,951,882		2,000,895
of which with related parties (*)		15,951,882		2,000,895	
GAINS FROM SECURITIES TRADING	(15)		60,502		6,067,654
LOSSES FROM SECURITIES TRADING	(16)		(833,487)		(1,030,427)
FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	(17)		(3,418,629)		(173,280)
PROFIT (LOSS) BEFORE TAXES			**(2,099,758)**		**523,887**
INCOME TAXES	(18)		5,144,610		1,561,612
PROFIT (LOSS) FROM CONTINUING OPERATIONS			**3,044,852**		**2,085,499**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS NET OF TAXES	(19)		--		--
PROFIT FOR THE YEAR			**3,044,852**		**2,085,499**
BASIC EARNINGS PER SHARE (in euro)	(20)		0.0028		0.0018
DILUTED EARNINGS PER SHARE (in euro)	(20)		0.0028		0.0017
BASIC LOSS PER SHARE FROM CONTINUING OPERATIONS (in euro)	(20)		0.0028		0.0018
DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS (in euro)	(20)		0.0028		0.0017

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

3. Statement of comprehensive income

(in euro)

	2022	*2021*
PROFIT FOR THE YEAR	**3,044,852**	**2,085,499**
OTHER COMPREHENSIVE INCOME	**--**	**--**
TOTAL COMPREHENSIVE INCOME (EXPENSE)	**3,044,852**	**2,085,499**

4. Statement of cash flows

(in euro)

		2022		**2021**
OPERATING ACTIVITIES				
PROFIT FOR THE YEAR		3,044,852		2,085,499
OTHER NON-MONETARY CHANGES FOR DISCONTINUED OPERATIONS		--		--
ADJUSTMENTS:				
INCOME TAXES IN THE INCOME STATEMENT		(5,144,610)		(1,561,612)
NET FINANCIAL INCOME AND EXPENSE		(960,786)		(743,557)
DIVIDENDS		(15,951,882)		(2,000,895)
LOSSES (GAINS) ON SALE OF SECURITIES		772,985		(5,037,227)
PROFIT (LOSS) FOR THE YEAR BEFORE INCOME TAXES, INTEREST, DIVIDENDS AND GAINS/LOSSES ON DISPOSAL		(18,239,441)		(7,257,792)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES		962,753		1,803,197
NOTIONAL COST OF SHARE-BASED PAYMENT PLAN		1,365,757		1,461,966
PROVISION FOR EMPLOYEE BENEFIT OBLIGATIONS		183,353		290,870
FAIR VALUE LOSSES ON FINANCIAL ASSETS		3,036,573		(507,019)
PROVISIONS FOR RISKS AND CHARGES		--		(4,951,099)
OTHER NON-MONETARY CHANGES		484,273		948,042
CHANGES IN OPERATING ASSETS AND LIABILITIES		3,680,026		(913,217)
of which with related parties	*533,988*		*(642,055)*	
RECEIPTS (PAYMENTS) OF INCOME TAX		363,178		864,627
of which with related parties	*363,178*		*864,627*	
INTEREST PAID		(3,003)		4,175
DIVIDENDS RECEIVED		15,951,882		2,000,895
of which with related parties	*15,951,882*		*2,000,895*	
CASH FLOWS FROM OPERATING ACTIVITIES		**7,785,351**		**(6,255,355)**
INVESTING ACTIVITIES				
SALE OF CURRENT SECURITIES		--		16,084,188
REIMBURSEMENT (PAYMENT) OF LOANS TO SUBSIDIARIES		(10,352,882)		34,387,272
SALE (PURCHASE) OF NON-CURRENT ASSETS		403,248		3,557,330
CASH FLOWS USED IN INVESTING ACTIVITIES		**(9,949,634)**		**54,028,790**
FINANCING ACTIVITIES				
POST-EMPLOYMENT BENEFITS PAID		(89,256)		(274,501)
PAYMENT OF RIGHT-OF-USE LEASE LIABILITIES		(41,950)		(33,481)
PURCHASE OF TREASURY SHARES		(6,384,539)		(80,137,254)
DIVIDENDS PAID		--		--
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**(6,515,745)**		**(80,445,236)**
DECREASE IN NET CASH & CASH EQUIVALENTS OF CONTINUING OPERATIONS		**(8,680,028)**		**(32,671,801)**
CASH FLOWS FROM ASSETS HELD FOR SALE		5,000,000		5,049,138
OPENING NET CASH & CASH EQUIVALENTS		10,289,450		37,912,113
CLOSING NET CASH & CASH EQUIVALENTS		**6,609,422**		**10,289,450**

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 for the year	Total
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	--	--	--	--	--	--	--	--	--	--
Total comprehensive income (expense)	--	--	--	--	--	--	--	--	*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**
Profit for the year	--	--	--	--	--	--	--	--	3,044,852	3,044,852
Other comprehensive income	--	--	--	--	--	--	--	--	--	--
Total comprehensive income (expense)	--	--	--	--	--	--	--	--	*3,044,852*	*3,044,852*
Reduction in capital	(218,603,657)	--	--	--	--	--	218,603,657	--	--	--
Allocation of the profit of the previous year	--	--	104,275	--	--	1,981,224	--	--	(2,085,499)	--
Fair value gains (losses) on treasury shares	--	--	--	--	--	--	--	(6,384,539)	--	(6,384,539)
Notional cost of share-based payment plan	--	--	--	--	1,365,757	--	--	--	--	1,365,757
Unclaimed dividends	--	--	--	171,098	--	--	--	--	--	171,098
Reclassifications	--	--	--	--	(346,033)	--	--	346,033	--	--
BALANCE AT 31 DECEMBER 2022	**420,000,000**	**5,044,115**	**25,620,722**	**185,176**	**3,730,226**	**5,193,094**	**218,603,657**	**11,119,524**	**3,044,852**	**692,541,366**

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.

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.

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 and relations with subsidiaries associated companies, parents, companies directly or indirectly controlled by them 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 2022.

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.

<u>Significant events after 31 December 2022</u>

No significant events have occurred after the end of 2022.

In accordance with paragraph 17 of IAS 10, the financial statements were approved for publication by the Company's Board of Directors on 13 March 2023.

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 2022 are explained below for the main asset, liability and income statement items.

1.a. Intangible assets

Intangible fixed assets are only recognised in the accounts if they are identifiable, 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 acquisition cost is represented by the fair value of the means of payment used to acquire the asset and by any direct costs incurred to prepare the asset for use. The acquisition cost is the equivalent price in cash 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. Right-of-use assets

For the purposes of defining a lease, IFRS 16 uses 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 2022 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

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. Sundry 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.

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 2022:

The following standards, amendments and interpretations were applied for the first time by the group with effect from 1 January 2022:

- Annual improvements to IFRS (Cycle 2018–2020) (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) (published on 14 May 2020). At 31 December 2022, this amendment did not have any impact on the Company's financial statements.
- Onerous contracts—Cost of fulfilling a contract (Amendments to IAS 37) (published on 14 May 2020). At 31 December 2022, this amendment did not have any impact on the Company's financial statements.
- Property, plant and equipment; proceeds before intended use (Amendments to IAS 16) (published on 14 May 2020). At 31 December 2022, this amendment did not have any impact on the Company's financial statements.
- Reference to the Conceptual Framework (Amendments to IFRS 3) (published on 14 May 2020). At 31 December 2022, 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 2022:

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

- 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.
- 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 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 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.

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 financial statements.

- Amendment to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current” and “Deferral effective date” and “Non-current Liabilities with Covenants” (published on 23 January 2020, on 15 July 2020 and on 31 October 2022 respectively). The amendments are effective from 1 January 2024.
- Amendment to IFRS 16 “Leases: Lease Liability in a Sale and Leaseback” (issued on 22 September 2022). The amendments are effective from 1 January 2024.

2. Financial instruments

The Company adopted IFRS 9 Financial Instruments from 1 January 2018 (date of first-time application).

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, INCLUDING DERIVATIVES	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	
RIGHT-OF-USE LEASE LIABILITIES	Amortised cost
CURRENT LIABILITIES	
RIGHT-OF-USE 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 other comprehensive income (FVTOCI) - debt security; FVTOCI – equity security; or at fair value through profit or loss for the year (FVTPL).

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

- the financial asset is held as part of a business model whose objective 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 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.

STATEMENT OF FINANCIAL POSITION

3. Non-current assets

3.a. Intangible assets

2021	Opening balance			movements during the year					Closing balance		
						Disposals					
(in thousands of euro)	Original cost	Accumulated amortisation and impairment losses	Balance 31.12.2020	Acquisitions	Reclassifications	original cost		Amortisation and impairment losses	Original cost	Accumulated amortisation and impairment losses	Balance 31.12.2021
Trademarks and software	1,035	(1,008)	27	77	15	--	--	(27)	1,127	(1,035)	92
Assets under development and payments on account	15	--	15	--	(15)	--	--	--	--	--	--
Total	**1,050**	**(1,008)**	**42**	**77**	**--**	**--**	**--**	**(27)**	**1,127**	**(1,035)**	**92**

2022	Opening balance			Movements during the year					Closing balance		
						Disposals					
(in thousands of euro)	Original cost	Accumulated amortisation and impairment losses	Balance 31.12.2021	Acquisitions	Reclassifications	Original cost	accum. amort. and impairment losses	Amortisation and impairment losses	Original cost	Accumulated amortisation and impairment losses	Balance 31.12.2022
Trademarks and software	1,127	(1,035)	92	40	--	--	--	(35)	1,167	(1,070)	97
Assets under development and payments on account	--	--	--	--	--	--	--	--	--	--	--
Total	**1,127**	**(1,035)**	**92**	**40**	**--**	**--**	**--**	**(35)**	**1,167**	**(1,070)**	**97**

AMORTISATION RATES

Description	*%*
Trademarks and software	5-30 %

3.b. Property, plant and equipment

2021	Opening balance			movements during the year					Closing balance		
	Original cost	Accumulated depreciation and impairment losses	Balance 31.12.2020	Acquisitions	Merger	Disposals original cost	Disposals accum. depr. and impair. losses	Depreciation and impairment losses	Original cost	Accumulated depreciation and impairment losses	Balance 31.12.2021
(in thousands of euro)											
Land	723	--	723	--	--	--	--	--	723	--	723
Buildings	9,790	(5,505)	4,285	23	--	--	--	(170)	9,813	(5,675)	4,138
Plant and machinery	1,327	(1,186)	141	46	--	--	--	(65)	1,373	(1,251)	122
Other assets	4,420	(3,900)	520	10	--	(22)	22	(84)	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**	**(319)**	**16,335**	**(10,888)**	**5,447**

2022	Opening balance			movements during the year					Closing balance		
	Original cost	Accumulated depreciation and impairment losses	Balance 31.12.2021	Acquisitions	Reclassifications	Disposals original	Disposals Cost accum. depr.	Depreciation and impairment losses	Original cost	Accumulated depreciation and impairment losses	Balance 31.12.2022
(in thousands of euro)											
Land	723	--	723	--	--	--	--	--	723	--	723
Buildings	9,813	(5,675)	4,138	--	--	--	--	(171)	9,813	(5,846)	3,967
Plant and machinery	1,373	(1,251)	122	36	19	--	--	(65)	1,427	(1,315)	112
Other assets	4,408	(3,962)	446	3	--	(62)	62	(70)	4,349	(3,970)	379
Assets under construction and payments on account	18	--	18	--	(18)	--	--	--	--	--	--
Total	**16,335**	**(10,888)**	**5,447**	**39**	**1**	**(62)**	**62**	**(306)**	**16,312**	**(11,131)**	**5,181**

Property, plant and equipment went from € 5,447 thousand at 31 December 2021 to € 5,181 thousand at 31 December 2022, mainly due to depreciation.
“Land” and “Buildings” include the property located in via Ciovassino 1, used as the company's headquarters, and a property located in Rome.

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

2021	Opening balance			Movements during the year					Closing balance		
(in thousands of euro)	*Original cost*	*Accumulated depreciation and impairment losses*	*Balance 31.12.2020*	*Acquisitions*	*Merger*	*Disposals original cost*	*Disposals accum. depr. and impairment losses*	*Depreciation and impairment losses*	*Original cost*	*Accumulated depreciation and impairment losses*	*Balance 31.12.2021*
	21,527	**(8,533)**	**12,994**	**14**	**--**	**--**	**--**	**(1,435)**	**21,541**	**(9,968)**	**11,573**

2022	Opening balance			Movements during the year					Closing balance		
(in thousands of euro)	*Original cost*	*Accumulated depreciation and impairment losses*	*Balance 31.12.2021*	*Acquisitions*	*Reclassifications*	*Disposals original cost*	*Disposals accum. depr. and impairment losses*	*Depreciation and impairment losses*	*Original cost*	*Accumulated depreciation and impairment losses*	*Balance 31.12.2022*
	21,541	**(9,968)**	**11,573**	**1**	**(10,976)**	**--**	**--**	**(583)**	**869**	**(854)**	**15**

This item went from € 11,573 thousand at 31 December 2021 to € 15 thousand at 31 December 2022. On 22 December 2022, a preliminary binding agreement was signed for the sale of a real estate complex located in Via dell'Orso 8 and Via Ciovassino 1/A, Milan. As a result, the carrying amount of €10,976 thousand was reclassified to caption 4.d "Assets held for sale". The market value of the remaining property in Milan based on sector operator estimates is considerably higher than the carrying amount.

DEPRECIATION RATES

Description	*%*
Investment property	3.00 %

3.d. Right-of-use assets

2021	*Opening balance*			*movements during the year*					*Closing balance*		
	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*	*Balance 31.12.2021*
(in thousands of euro)						*original cost*	*accum. depr. and impairment losses*				
Buildings	20	(20)	--	20	--	--	--	(10)	40	(30)	10
Other assets	160	(140)	20	59	--	(140)	139	(12)	79	(13)	66
Total	**180**	**(160)**	**20**	**79**	**--**	**(140)**	**139**	**(22)**	**119**	**(43)**	**76**

2022	*Opening balance*			*Movements during the year*					*Closing balance*		
	Original cost	*Accumulated depreciation and impairment losses*	*Balance 31.12.2021*	*Acquisitions*	*Reclassifications*	*Disposals*		*Depreciation and impairment losses*	*Original cost*	*Accumulated depreciation and impairment losses*	*Balance 31.12.2022*
(in thousands of euro)						*original cost*	*accum. depr. and impairment losses*				
Buildings	40	(30)	10	11	--	--	--	(10)	51	(40)	11
Other assets	79	(13)	66	51	--	--	--	(29)	130	(42)	88
Total	**119**	**(43)**	**76**	**62**	**--**	**--**	**--**	**(39)**	**181**	**(82)**	**99**

The item amounts to €99 thousand at 31 December 2022. During the year there were increases for € 62 thousand and depreciation for € 39 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	
	31.12.2021		*Decreases*		*Increases*		*Impairment losses/ Revaluations Reversals*	*31.12.2022*	
	no. of shares	*amount*	*no. of shares*	*amount*	*no. of shares*	*amount*	*amount*	*no. of shares*	*amount*
Subsidiaries									
SOGEFI S.p.A.	66,830,988	109,011	--	--	--	--	--	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	--	--	--	--	(1,552)	19,426,162	202,741
CIR INTERNATIONAL S.A.	1,500,000	98,133	--	--	--	--	(4,692)	1,500,000	93,441
CIGA LUXEMBOURG S.A.R.L.	1,000	125	--	--	--	--	(113)	1,000	12
JUPITER MARKETPLACE S.r.l.	100,000	413	--	--	--	--	--	100,000	413
Total subsidiaries		**587,762**		**--**		**--**	**(6,357)**		**581,405**
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		**587,762**		**--**		**--**	**(6,357)**		**581,405**

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31 DECEMBER 2022 (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	223,117	(58,706)	55.64	(*)	109,011
CIR INVESTIMENTI S.p.A.	Milan	19,426	199,720	(156)	100.00		202,741
CIR INTERNATIONAL S.A.	Luxembourg	15,000	59,370	1,498	100.00		93,441
KOS S.p.A.	Milan	8,853	121,490	(23,759)	59.77		175,787
CIGA LUXEMBOURG S.A.R.L.	Luxembourg	1,000	12	(113)	100.00		12
JUPITER MARKETPLACE S.r.l.	Milan	100	416	2	100.00		413

(*) 56.55% of voting rights

The balance of "Equity investments" has passed from € 587,762 thousand at 31 December 2021 to € 581,405 thousand at 31 December 2022.

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 the higher of its value in use or its fair value less costs to dispose, also considering - where applicable in the specific circumstances - the 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:

- risk free rate: this is equal to theaverage of the six-month 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 cost of finance of comparable companies in the healthcare and automotive sectors;
- financial structure: the structure of the financial sources used for weighting the cost of capital was determined on the basis of a market debt ratio (D/D+E), taken from a sample of comparable companies in the sector;

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 financial holding companies CIR Investimenti, CIR International, CIGA Luxembourg and Jupiter Marketplace 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.

The method of impairment testing is approved annually by the Company's Board of Directors at a meeting held prior to the one that approves the results of the impairment test.

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 ascertained that there are no impairment losses. With regard to the other equity investments held by CIR S.p.A. in the financial sub-holding companies, checks on the recoverability of their carrying amounts identified a need for impairment adjustments of € 1,552 thousand for CIR Investimenti S.p.A., € 4,692 thousand for CIR International S.A. and € 113 thousand for 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 operating cash flows were derived from projections included in the 2023-2026 plan approved by the Board of Directors of Sogefi S.p.A. on 20 January 2023, which considers the effects of the Russia-Ukraine war and of the Covid-19 pandemic on business volumes and future profitability; it also considers the medium and long-term impacts on each CGU of the Sogefi group's business of climate change and the policies and regulations implemented internationally to mitigate its effects. See section 7.a ("Intangible assets and goodwill") of the notes to the consolidated financial statements for further details on the assumptions underlying this plan. In the case of the Filtration division, it has been extended beyond the horizon of the strategic plan (until 2045), in order to capture the effects of the transition in the production of motor vehicles to new electric technologies.

The terminal value was calculated using the perpetuity growth model, applying 2.25% 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 (WACC*)* is equal to 9.6%, 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 short-term time horizons (6 months) were used in order to purge the rate (and the concepts incorporated therein in terms of risk and expected return) from the values that remained artificially low until the previous year, for the measures adopted by the European and American central banks to cope with the economic effects of the Covid-19 pandemic. In fact, these measures led to a lowering of the interest rate curve and an increase in outstanding liquidity with a consequent increase in the value of financial assets and a reduction in the market risk premium estimated on the market, conditions which disappeared in 2022 as a result of the sudden rise in interest rates and inflation.

The figures used in calculating the average cost of capital were as follows:

- risk-free rate: 4.54% (half-yearly 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: 5.60% (average of the market equity risk premium, referred to developed markets, calculated based on independent sources);
- specific risk premium: 1.22% added premium, calculated by an independent source, for the risk linked to small cap);
- financial structure of the sector (leverage): 28.1%;
- levered beta of the sector: 1.14;
- cost of debt after tax: 3.1% (estimated on the basis of sector spreads weighted by the level of debt and incorporating 6-month averages of market base rates).

Verification of the present value of expected cash flows showed that the value in use of the Sogefi investment (in proportion to the equity interest held by CIR S.p.A. and net of borrowing) is € 419.3 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 1% increase in the WACC and a 0.5% decrease in g, the coverage remains positive by € 228.8 million. Given the results of the test, no impairment adjustments have been made. The Company has carried out an analysis of the performance of the Sogefi stock in 2022 to see if there are any indicators of impairment, which can be inferred from differences between the market value of the shareholding (€ 60 million on average for the year) and the carrying amount of the investment (€ 109.0 million). This trigger event is mitigated by the following considerations: i) during 2022, the Sogefi stock followed the trend of equity indices, in particular that of the automotive sector, with a high correlation, and these indices were heavily penalised during the year by the geopolitical situation; ii) the Sogefi stock is further penalised by the fact that its free float is minimal with the low level of liquidity, giving valuation multiples that historically are lower than the average of its listed peers. It was therefore felt that the stock exchange value did not fully reflect Sogefi's real value; the recoverable amount was therefore estimated using the value in use method.

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 operating cash flows used were derived from projections included in the 2022-2026 plan approved by the Board of Directors on 21 January 2023, which does not contain development projects or acquisitions, except for those already under contract; for the purposes of the impairment test, future cash flows in the Strategic Plan relating to greenfield projects under construction were not taken into consideration. The plan takes into consideration the effects on the business and its prospective profitability of the Russia-Ukraine conflict (for KOS limited to increases in energy costs) and the Covid-19 pandemic; it also considers the medium and long-term impacts on the KOS group's business of climate change and the policies and regulations implemented internationally to mitigate its effects. For further details on the assumptions underlying this plan, please refer to section 7.a ("Intangible assets and goodwill") of the Explanatory Notes to the consolidated financial statements.

The terminal value was calculated using the perpetuity growth model, applying 2.0% growth, based on the long-term inflation rates estimated for Italy and Germany, considering 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 5.8% (taking the weighted average of the various rates: 6.2% in Italy and 5.0% in Germany. In the same way as for Sogefi, here too the impact of the new situation regarding interest rates was taken into account in determining certain parameters for the discount rate. For the estimate of risk free rates, the six-month averages, and no longer the 10-year ones, have been calculated for 10-year risk-free securities: these are *3.8%* for Italy and *1.7%* for Germany; the premiums for market risk and specific risk were assumed to be equal to those of the holding in Sogefi (5.6% and 1.2% respectively); sector leverage came to 48.6%, and beta levered to 0.71 for Italy and 0.68 for Germany; lastly, the net cost of debt was estimated on the basis of sector data at 3.3% for Italy and 3.1% for Germany.

Verification of the present value of expected cash flows showed that the value in use of the holding in KOS (in proportion to the equity interest held by CIR S.p.A. and net of borrowing) is € 637.0 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 € 238.4 million. Given the results of the test, no impairment adjustments have been made.

Financial holding companies (CIR Investimenti, CIR International and CIGA Luxembourg)

Being financial holding companies, the impairment tests carried out on the wholly-owned investments in CIR Investmenti and CIR International was measured using the fair value less costs to dispose method, which was estimated with reference to the market value of the assets held (mainly financial investments and non-controlling equity interests), net of 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 net equity value of CIR Investmenti at the reporting date, € 202.7 million, has decreased with respect to 31 December 2021, because of losses during the year linked to the negative trend in its financial asset portfolio and dividends distributed during 2022. It was lower than its carrying amount of € 204.3 million, so it was written down by € 1.6 million.

The net equity value of CIR International S.A. at the reporting date, € 93.4 million, has decreased with respect to 31 December 2021, because of losses during the year linked to the negative trend in its financial asset portfolio and dividends distributed during 2022. It was lower than its carrying amount of € 98.1 million, so it was written down by € 4.7 million.

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., € 113 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)	*31.12.2022*	*31.12.2021*
Other receivables - related parties	54,788	43,485
Other	1,807	1,521
Total	**56,595**	**45,006**

"Receivables from related parties" at 31 December 2022 are made up of:

- € 38,814 thousand (€ 40,238 thousand at 31 December 2021) relating to the loan disbursed to the subsidiary CIR Investments S. A. The rate applied to this loan is 2.685% (3-month Euribor with zero floor + spread of 1.5%). During the year, repayments were made for a total of € 2,147 thousand;
- € 15,974 thousand (€ 3,247 thousand at 31 December 2021) relating to the loan disbursed to the subsidiary CIR International S.A. The rate applied to this loan is 4.527% (6m Euribor + spread of 2%). During the year, new amounts were granted for € 12,500 thousand.

"Other" at 31 December 2022 includes € 1,650 thousand (€ 1,485 thousand at 31 December 2021) relating to the insurance premiums paid to guarantee the termination indemnities of the directors of the Company.

3.g. Other financial assets, including derivatives

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Mutual investment funds	16,413	14,556
Non strategic equity investments	7,988	13,421
Total	**24,401**	**27,977**

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

- € 3,181 thousand (€ 2,328 thousand at 31 December 2021) relate to an investment in the Arve Fund 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 € 2,204 thousand (€ 93 thousand). During the year, the fund made repayments for a total of € 1,351 thousand, which gave rise to a net capital gain of € 22 thousand;
- € 13,232 thousand (€ 12,228 thousand at 31 December 2021) 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 € 426 thousand (€ 2,185 thousand in 2021). During the year, new investments were made for €

1,694 thousand and the fund made repayments for an amount of € 1,116 thousand which gave rise to a net capital loss of € 281 thousand.

"Non strategic equity investments" consist of:

- € 5,549 thousand (€ 4,778 thousand at 31 December 2021) related to the investment in TH Aereo CO Invest S.C.A. 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 € 771 thousand (€ 491 thousand in 2021);
- € 1,000 thousand (€ 6,600 thousand al 31 December 2021) 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 € 5,600 thousand (€ 5,100 thousand in 2021);
- € 1,205 thousand (€ 1,735 thousand at 31 December 2021) related to an investment in Bow Street LLC. The measurement of this investment at fair value resulted in an overall positive valuation of € 21 thousand (€ 1,128 thousand in 2021), of which € 20 thousand recorded in the income statement under item 17 "Fair value gains (losses) on financial assets" and € 1 thousand in the income statement under item 12 "Financial income". During the year, new investments were made for € 123 thousand and the fund made repayments for an amount of € 674 thousand which gave rise to a net capital loss of € 393 thousand;
- € 234 thousand (€ 308 thousand at 31 December 2021) 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 € 74 thousand (€ 46 thousand in 2021).

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 amounts relate to taxes resulting from deductible temporary differences and from benefits deriving from tax losses of previous years and the year under review carried forward, which are deemed to be recoverable over a reasonable time horizon.

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

(in thousands of euro)	*31.12.2022*		*31.12.2021*	
	Amount of temporary differences	*Tax effect*	*Amount of temporary differences*	*Tax effect*
Tax losses	29,673	7,122	7,719	1,852
Total deferred tax assets	**29,673**	**7,122**	**7,719**	**1,852**
Measurement at fair value of non-current assets	10,147	122	7,191	86
Total deferred tax liabilities	**10,147**	**122**	**7,191**	**86**
Net deferred taxes		**7,000**		**1,766**

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

(in thousands of euro)	*Balance at 31.12.2021*	*Use of deferred taxes from prior periods*	*Deferred taxes generated in the period*	*Balance at 31.12.2022*
Deferred tax assets:				
- income statement	1,852	--	5,270	7,122
- equity	--	--	--	--
Deferred tax liabilities:				
- income statement	(86)	--	(36)	(122)
- equity	--	--	--	--
Net deferred taxes	**1,766**	**--**	**5,234**	**7,000**

4. Current assets

4.a. Other assets

(in thousands of euro)	31.12.2022	*31.12.2021*
Tax receivables	3,868	3,904
Other receivables -related parties	1,332	2,441
Customers	40	63
Other	3,139	2,999
Total	**8,379**	**9,407**

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

- € 1,237 thousand (€ 2,319 thousand at 31 December 2021) relating to the receivable from companies that adhered to the tax consolidation (€ 771 thousand to companies of the Sogefi group and € 466 to companies of the KOS group);
- € 94 thousand (€ 94 thousand at 31 December 2021) to companies that pay directors' emoluments (€ 80 thousand to CIR Investimenti S.p.A. and € 14 thousand to Sogefi S.p.A.);
- € 1 thousand (€ 28 thousand at 31 December 2021) to Sogefi S.p.A. for a property lease.

Tax receivables" include € 2,267 thousand of IRES related to the Company's tax consolidation and € 1,296 thousand to tax credits concerning previous years.

4.b. Securities

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Mutual investment funds	9,647	4,196
Total	**9,647**	**4,196**

The fair value measurement of securities at the reporting date identified a net positive value of € 5,451 thousand (€ 1,402 thousand in 2021), of which € 5,192 thousand recognised in income statement caption 17 "Net fair value gains (losses) on financial assets" and unrealised exchange gains of € 259 thousand were charged to income statement caption 12 "Financial income".

4.c. Cash and cash equivalents

Cash and cash equivalents decreased by € 3,680 thousand from € 10,289 thousand at 31 December 2021 to € 6,609 thousand at 31 December 2022. A breakdown of the changes is shown in the statement of cash flows.

4.d. Assets held for sale

On 22 December 2022, the company signed with Merope S.r.l., a property investment and development company, a binding preliminary agreement subject to certain conditions precedent, for the sale of a non-industrial real estate complex located in Via dell'Orso 8 and Via Ciovassino 1/A Milan, for a total of € 38.0 million, of which € 5.0 million paid on 22 December 2022 as deposit and the remaining amount payable at the closing of the transaction.

So, in application of IFRS 5 ("Non-current assets held for sale and discontinued operations"), the carrying amount of the property complex being sold (€10,976 thousand) was reclassified from item 3.c "Investment property".

5. Equity

5.a. Share capital

On 12 September 2022, the Extraordinary Shareholders' Meeting resolved to reduce the share capital from € 638,603,657 to € 420,000,000 i.e. by a total of € 218,603,657, allocating this amount to the creation of an available reserve without making any capital repayment to the shareholders; this reduction became effective on 21 December 2022.

Share capital went from € 638,603,657 at 31 December 2021 to € 420,000,000 at 31 December 2022 and consisted of 1,107,207,314 shares without par value compared with 1,277,207,314 shares without par value at 31 December 2021.

On 12 September 2022, the Extraordinary Shareholders' Meeting also resolved to cancel 170,000,000 treasury shares, ordinary shares with no par value, keeping the amount of the share capital unchanged.

At 31 December 2022 the parent held 24,480,800 treasury shares (2.211% of the share capital) for an amount of € 12,500 thousand, compared with 179,456,492 treasury shares (14.05% of the share capital) for an amount of € 93,075 thousand at 31 December 2021.

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

(in thousands of euro)	*Number of shares*	*Amount*
Balance at 31 December 2021	179,456,492	93,075
Cancellation of treasury shares	(170,000,000)	(86,804)
Increases	15,327,661	6,384
Decreases	(303,353)	(155)
Balance at 31 December 2022	**24,480,800**	**12,500**

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 35.957% of share capital and 46.299% 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 Leg. Decree 38/2005*	*Other reserves*	*Stock grant reserve*	*Total reserves*
Balance at 31 December 2020	**5,044**	**25,517**	**--**	**2,648**	**33,046**	**1,480**	**67,735**
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**	**25,517**	**14**	**3,212**	**--**	**2,710**	**36,497**
Capital reductions	--	--	--	--	218,604	--	218,604
Retained earnings	--	104	--	1,981	--	--	2,085
Unclaimed dividends	--	--	171	--	--		171
Fair value gains (losses) on treasury shares	--	--	--	--	--	--	--
Notional cost of stock options credited	--	--	--	--	--	1,366	1,366
Reclassifications	--	--	--	--	--	(346)	(346)
Balance at 31 December 2022	**5,044**	**25,621**	**185**	**5,193**	**218,604**	**3,730**	**258,377**

The increase in"Other reserves" refers to the creation of an unrestricted reserve following the resolution of the shareholders' meeting of 12 September 2022 which reduced the share capital by € 218,603,657.

The "Stock grant reserve" refers to the notional cost of the incentives assigned to employees and approved after 7 November 2002.

5.c. Retained earnings

The changes in retained earnings are shown in the "Statement of changes in equity".

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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 31.12.2022*	*Possible use*	Amount available	*Summary of uses made* in the previous three years (*)		
				To cover losses	*For dividend distribution*	*Other*
CAPITAL	420,000	--	--	--	--	--
Capital reserves:						
Share premium	5,044	AB	--	--	--	--
Earnings reserves:						
Legal reserve	25,621	B	--	--	--	--
Other reserves	--	ABC	--	--	--	(33,046)
Statutory reserves	185	ABC	185	--		
Stock grant reserve	3,730	ABC	3,730	--	--	--
Reserve ex art. 6 Leg. Decree 38/2005	5,193	B	--	--	--	--
Share capital reduction reserve	218,604	ABC	218,604			
Retained earnings	11,119	ABC	11,119	--	--	(53,476)
TOTAL	**689,496**		**233,638**	**--**	**--**	**(86,522)**

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.

Utilizations made in the three previous years, for a total of € 86,552 thousand, refer to the purchase of treasury shares.

6. Non-current liabilities

6.a. Right-of-use lease liabilities

This item amounts to € 59 thousand (€ 50 thousand at 31 December 2021) 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 2022 (unchanged at 31 December 2021) 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 in 2020.

6.c. Employee benefits

Details of employee benefits are as follows:

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Post-employment benefits (TFR)	705	611
Pension funds and similar obligations	1,595	1,430
Total	**2,300**	**2,041**

"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:

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Opening balance	611	595
Portion accrued	183	291
Benefits paid	(89)	(275)
Other changes	--	--
Total	**705**	**611**

7. Current liabilities

7.a. Right-of-use lease liabilities

This item equal to € 30 thousand (€ 17 thousand at 31 December 2021) refers to lease liabilities, with maturities of more than 12 months, relating to car leases.

7.b. Other liabilities

(in thousands of euro)	*31.12.2022*	*31.12.2021*
Tax liabilities	1,548	1,502
Payables - related parties	2,399	2,974
Suppliers	425	345
Other	5,819	2,036
Total	**10,191**	**6,857**

The item "Payables to related parties" refers to payables to companies which took part in the tax consolidation (€ 1,492 thousand to companies of the Sogefi group, € 902 thousand to companies of the KOS group and € 2 thousand to CIR Investimenti S.p.A. and € 3 thousand Jupiter Marketplace S.r.l.).

"Other" included € 4,197 thousand for the portion of the registration tax due for the judgements in the Lodo Mondadori affair that CIR S.p.A. had to reimburse to the other party.

7.c. Liabilities directly related to assets held for sale

The item, amounting to € 5,000 thousand, refers to the deposit collected on 22 December 2022 following the achievement of a preliminary binding agreement for the sale of a property complex. For more details, see item 4.d "Assets held for sale".

Income statement

8. Sundry revenue and income

(in thousands of euro)	*2022*	*2021*
Services to subsidiaries	285	285
Emoluments paid by subsidiaries	177	170
Property income	928	1,071
Property income from related parties	317	281
Other income and cost recoveries	56	5,109
Total	**1,763**	**6,916**

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

(in thousands of euro)	*2022*	*2021*
SOGEFI S.p.A.	175	175
KOS S.p.A.	110	110
Total	**285**	**285**

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 € 37 thousand.

Real estate income from related parties refers to the lease contracts signed with Sogefi S.p.A. for € 120 thousand (€ 117 thousand in 2021), with ROMED S.p.A. for € 116 thousand (€ 85 thousand in 2021) and with a natural person who is a related party for € 81 thousand (€ 79 thousand in 2021).

Last year's figure for "Other income and cost recoveries" was shown net of an amount of € 4,951 thousand released from the provision for risks and charges as there had been an improvement in the situation that generated the risks and uncertainties that led to recognition of the previous provision.

9. Costs for services

(in thousands of euro)	*2022*	*2021*
Administrative, fiscal, legal and corporate consulting	1,181	1,681
Provision of services from subsidiaries	12	12
Fees for corporate bodies	3,349	3,291
Other	1,530	1,430
Total	**6,072**	**6,414**

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

Other costs are substantially in line with 2021.

10. Personnel expenses

Personnel costs totalled € 4,088 thousand (€ 4,051 thousand in 2021).

The item includes the notional cost of € 1,366 thousand (€ 1,462 thousand in 2021) 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:

	31.12.2021	*New hires*	*Resignations*	*31.12.2022*	*Average for the year*
Executives	4	--	--	4	4
Middle managers and employees	9	--	--	9	9
Total	**13**	**--**	**--**	**13**	**13**

11. Other operating expense

(in thousands of euro)	*2022*	*2021*
Non-deductible VAT and other taxes	888	991
Miscellaneous losses and other costs	4,945	1,443
Total	**5,833**	**2,434**

“Miscellaneous losses and other costs” include € 4,197 thousand for the portion of the registration tax due for the judgements in the Lodo Mondadori affair that CIR S.p.A. had to reimburse to the other party.

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

12. Financial income

(in thousands of euro)	*2022*	*2021*
Interest income on bank deposits	--	4
Interest income from subsidiaries	966	740
Exchange gains	382	680
Other financial income	8	34
Total	**1,356**	**1,458**

The breakdown of the interest income from subsidiaries, accrued on intercompany financing contracts, is as follows:

(in thousands of euro)	*2022*	*2021*
CIR INTERNATIONAL S.A.	243	88
CIR INVESTIMENTI S.p.A.	723	652
Total	**966**	**740**

13. Financial expense

(in thousands of euro)	*2022*	*2021*
Interest on right-of-use lease liabilities	3	1
Other interest expense and financial expense	21	12
Total	**24**	**13**

14. Dividends

(in thousands of euro)	*2022*	*2021*
Dividends from related parties:		
CIR INVESTIMENTI S.p.A.	952	2,001
CIR INTERNATIONAL S.A.	15,000	--
Total dividends from related parties	15,952	2,001
Dividends from other companies	--	--
Total dividends	**15,952**	**2,001**

15. Gains from securities trading

(in thousands of euro)	*2022*	*2021*
Gains from securities trading under non-current assets	61	1,567
Gains from securities trading under current assets	--	4,500
Total	**61**	**6,067**

16. Losses from securities trading

(in thousands of euro)	*2022*	*2021*
Losses from securities trading under non-current assets	833	1,030
Losses from securities trading under current assets	--	--
Total	**833**	**1,030**

17. Fair value gains (losses) on financial assets

(in thousands of euro)	*2022*	*2021*
Impairment loss on investments in subsidiaries	(6,357)	(75)
Impairment losses on other financial assets	(6,200)	(5,146)
Impairment losses securities	--	(4)
Revaluation of other financial assets	3,946	3,878
Revaluation of securities	5,192	1,174
Total	**(3,419)**	**(173)**

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)	*2022*	*2021*
Current taxes	--	434
Deferred taxes	5,234	1,121
Income taxes from prior years	(89)	57
Gains/(losses) from tax consolidation	--	(51)
Total	**5,145**	**1,561**

Last year, the item “Income/charges from tax consolidation” referred to the recalculation of the income form the sale of interest income to companies that joined the National Tax Consolidation recorded in 2020.

For the evolution of “Deferred taxes” please refer to item 3.h “Deferred tax assets and liabilities”.

The table below illustrates the reconciliation between the theoretical and actual tax burden.

RECONCILIATION BETWEEN THE THEORETICAL AND ACTUAL TAX BURDEN

(in thousands of euro)	*Taxable income*	*Rate %*	*Tax*
PROFIT (LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS	(2,100)	24.0	(504)
Effect of increases (decreases) compared with the ordinary rate			
- Dividends	(15,154)	24.0	(3,637)
- Temporary differences deductible in future years	658	24.0	158
- Temporary differences deductible from previous years	(564)	24.0	(135)
- Non-deductible costs	14,286	24.0	3,428
Other permanent differences	(5,087)	24.0	(1,221)
SUB-TOTAL	(7,961)	24.0	(1,911)
Tax losses not absorbed by the tax consolidation	7,961	24.0	1,911
IRES	--	--	--
IRAP	--	--	--
Taxable income/Income taxes	--	--	--

Deferred tax assets have been accounted for on the tax losses not absorbed by the tax consolidation as they are deemed recoverable within a reasonable period of time.

19. Profit from discontinued operations net of taxes

The item did not change during the year.

20. Earnings 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 and adjusted for the dilutive effects of outstanding options.

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

Note that the weighted average number of outstanding shares for 2022 takes into account the cancellation of 170,000,000 shares following the resolution of the Extraordinary Shareholders' Meeting of 12 September 2022.

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

Basic earnings per share

	2022	*2021*
Profit (loss) for the period attributable to the owners of the parent (in euro)	3,044,852	2,085,499
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Basic earnings per share (euro)	**0.0028**	**0.0018**

	2022	*2021*
Comprehensive income attributable to the owners of the parent (in euro)	3,044,852	2,085,499
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Basic earnings per share (euro)	**0.0028**	**0.0018**

	2022	*2021*
Profit (loss) from continuing operations attributable to the owners of the parent (in euro)	3,044,852	2,085,499
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Basic earnings per share (euro)	**0.0028**	**0.0018**

Diluted earnings per share

	2022	*2021*
Profit (loss) for the period attributable to the owners of the parent (in euro)	3,044,852	2,085,499
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Weighted average number of options	4,590,647	5,330,696
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,094,334,881	1,194,349,819
Diluted earnings per share (in euro)	**0.0028**	**0.0017**

	2022	*2021*
Comprehensive income attributable to the owners of the parent (in euro)	3,044,852	2,085,499
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Weighted average number of options	4,590,647	5,330,696
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,094,334,881	1,194,349,819
Diluted earnings per share (in euro)	**0.0028**	**0.0017**

	2022	*2021*
Profit (loss) from continuing operations attributable to the owners of the parent (in euro)	3,044,852	2,085,499
Weighted average number of ordinary shares in circulation	1,089,744,234	1,189,019,123
Weighted average number of options	4,590,647	5,330,696
No. of shares that could have been issued at fair value	--	--
Adjusted weighted average number of shares in circulation	1,094,334,881	1,194,349,819
Diluted earnings per share (in euro)	**0.0028**	**0.0017**

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 2022 the following amounts were accrued to the income statement in favour of:

- Administration bodies € 2,197 thousand;
- Control bodies € 175 thousand;
- Chief Executive Officer and General Manager € 2,728 thousand (of which € 1,057 thousand as the notional cost of equity-based compensation);
- Key executives € 485 thousand (of which € 179 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:

(in thousands of euro)		*31.12.2022*	*31.12.2021*
A.	Cash	6,609	10,289
B.	Cash equivalents	--	--
C.	Other current financial assets	9.647	4,196
D.	Cash and cash equivalents (A) + (B) + (C)	**16,256**	**14,485**
E.	Current financial indebtedness	--	--
F.	Current portion of non-current financial indebtedness	30	17
G.	**Current financial indebtedness (E) + (F)**	**30**	**17**
H.	NET CURRENT FINANCIAL INDEBTEDNESS (G) - (D)	**(16,226)**	**(14,468)**
I.	Non-current financial indebtedness	59	50
J.	Debt instruments	--	--
K.	Trade payables and other non-current liabilities	--	--
L.	Non-current financial indebtedness (I) + (J) + (K)	**59**	**50**
M.	**NET FINANCIAL INDEBTEDNESS (H) + (L)**	**(16,167)**	**(14,418)**

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 “Right-of-use lease liabilities”;
I) item 6.a “Right-of-use 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:

a) interest rate risk resulting from exposure to fluctuations in interest rates;

b) credit risk resulting from the potential default of a counterparty;

c) liquidity risk resulting from a lack of financial resources to meet short-term commitments.

<u>Interest rate risk</u>

Fluctuations in interest rates affect the market value of financial assets and the level of net financial expense. At 31 December 2022, there are no loans payable and therefore no interest rate risk on financial charges.

<u>Market risk</u>

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.

<u>Credit risk</u>

Credit risk represents the Company's exposure to potential losses resulting from the failure of counterparties to meet their obligations. Particularly in relation to financial counterparty risk resulting from the investment of liquidity and from derivative positions, counterparties are selected according to guidelines which set out the characteristics of the counterparties suitable for financial transactions. The list of possible counterparties includes both national and international companies with a high credit rating.

The Company has not encountered any cases of default by counterparties.

At 31 December 2022 there was no significant concentration of credit risk.

<u>Liquidity risk</u>

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.

The following tables show the data relating to credit and liquidity risks.

CREDIT RISK

Position at 31 December 2022	Financial statement items	Total receivable	Not yet due	Expired by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Expired/ renegotiated	Impairment losses
Other assets - non-current assets	3.f.									
Gross receivable		56,595	56,595	--	--	--	--	--	--	
Provision for impairment losses		--	--	--	--	--	--	--	--	--
Other assets – Current assets	4.a.									
Gross receivable		5,178	5,142	36	-	--	6	30	--	
Provision for impairment losses		(667)	(667)	--	--	--	--	--	--	(297)
Total		**61,106**	**61,070**	**36**	**-**	**--**	**6**	**30**	**--**	**(297)**

(in thousands of euro)

Position at 31 December 2021	Financial statement items	Total receivable	Not yet due	Expired by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Expired/ renegotiated	Impairment losses
Other assets - non-current assets	3.f.									
Gross receivable		45,006	45,006	--	--	--	--	--	--	
Provision for impairment losses		--	--	--	--	--	--	--	--	--
Other assets – Current assets	4.a.									
Gross receivable		5,873	5,814	59	1	29	--	29	--	
Provision for impairment losses		(370)	(370)	--	--	--	--	--	--	(370)
Total		**50,509**	**50,450**	**59**	**1**	**29**	**--**	**29**	**--**	**(370)**

LIQUIDITY RISK - 2022

(in thousands of euro)

Non-derivative financial liabilities	*<1 year*	*>1 <2 years*	*>2 <3 years*	*>3 < 4 years*	*>4 < 5 years*	*<5 years*	*Total*
Non-current liabilities							
Right-of-use lease liabilities	--	29	27	6	--	--	62
Other liabilities	--	--	--	--	--	--	--
Current liabilities							
Right-of-use lease liabilities	32	--	--	--	--	--	32
Trade payables	2,824	--	--	--	--	--	2,824
Total	**2,856**	**29**	**27**	**6**	**--**	**--**	**2,918**

LIQUIDITY RISK - 2021

(in thousands of euro)

Non-derivative financial liabilities	*<1 year*	*>1 <2 years*	*>2 <3 years*	*>3 < 4 years*	*>4 < 5 years*	*<5 years*	*Total*
Non-current liabilities							
Right-of-use lease liabilities	--	17	14	13	6	--	50
Other liabilities	--	--	--	--	--	--	--
Current liabilities							
Right-of-use lease liabilities	17	--	--	--	--	--	17
Trade payables	3,319	--	--	--	--	--	3,319
Total	**3,336**	**17**	**14**	**13**	**6**	**--**	**3,386**

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 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 grant plans for employees of the Group.

At 31 December 2022. the Company has stock option and stock grant plans for a total of 17,986,452 units.

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

- On 8 June 2020 the Shareholders' Meeting approved the 2020 Stock Grant Plan reserved for the executives and directors of the company, the parent and subsidiaries, for a maximum of 4,500,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2022 to 31 January 2024. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 1,820,156 time units were assigned during the year, whose maturity is subject to continued service, and 1,820,155 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index.
- 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 1/12th 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.
- On 29 April 2022 the Shareholders' Meeting approved the 2022 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 1/12th of the related total, each of which maturing on a quarterly basis from 30 April 2024 to 31 January 2027. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 2,137,235 time units were assigned during the year, whose maturity is subject to continued service with the company, and 2,137,234 performance units, whose maturity 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.

As far as CIR is aware, GEDI was notified in June of the closure of the preliminary investigations pursuant to art. 415-bis c.p.p. The proceedings are therefore in the phase immediately following closure of the preliminary investigations and, at present, there are no natural and/or legal persons whose indictment has been requested, as the Public Prosecutor has not yet made a decision regarding the outcome of the investigation 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 2022, which we submit for your approval, closed with net profit for the year of € 3,044,851.40 which we propose should be allocated as follows:

- € 152,242.57 to the legal reserve;
- € 2,892,608.83 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, 13 March 2023

25. Financial statements of the parent F.lli De Benedetti S.p.A. (Art. 2021-bis para. 4 of the Italian Civil Code)

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	*31.12.2021*
NON-CURRENT ASSETS	256,278,224
CURRENT ASSETS	277,334
TOTAL ASSETS	256,555,558

LIABILITIES	
EQUITY	197,512,984
NON-CURRENT LIABILITIES	24,000,000
CURRENT LIABILITIES	35,042,574
TOTAL LIABILITIES AND EQUITY	254,555,558

INCOME STATEMENT
(in euro)

	2021
SUNDRY REVENUE AND INCOME	1,270
COSTS FOR THE PURCHASE OF GOODS	(144)
COSTS FOR SERVICES	(454,312)
PERSONNEL EXPENSES	--
OTHER OPERATING EXPENSE	(69,255)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	(7,690)
OPERATING LOSS	(530,131)
FINANCIAL INCOME	--
FINANCIAL EXPENSE	(380,128)
DIVIDENDS	--
GAINS FROM SECURITIES TRADING	--
LOSSES FROM SECURITIES TRADING	--
FAIR VALUE LOSSES ON FINANCIAL ASSETS	--
PROFIT / LOSS BEFORE TAXES	(910,259)
INCOME TAXES	--
PROFIT FOR THE YEAR	(910,259)

The key figures of the ultimate parent F.lli 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 2021.

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 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 separate financial statements during 2022.

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, 13 March 2023

Monica Mondardini	Michele Cavigioli
Chief Executive Officer	Executive responsible for the preparation of the company's financial statements

LIST OF EQUITY INVESTMENTS

AT 31 DECEMBER 2022

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.	97.81
				CLEARVIEW HEALTHCARE LTD	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
GES.CA. S. VILLA ARMONIA NUOVA S.R.L.	Italy	52,000.00	€	KOS CARE S.r.l.	100.00
CHARLESTON HOLDING GMBH	Germany	25,000.00	€	KOS CARE S.r.l.	100.00
REGENTA BETRIEBSGESELLSCHAFT MBH	Germany	250,000.00	€	Charleston Holding GmbH	100.00
ELISABETHENHAUS BETRIEBSGESELLSCHAFT MBH	Germany	250,000.00	€	Charleston Holding GmbH	100.00
DIENSTLEISTUNGSGESELLSCHAFT FÜR SOZIALEINRICHTUNGEN MBH	Germany	25,600	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM FRIESENHOF GMBH	Germany	25,000	€	Charleston Holding GmbH	100.00
WOHN- & PFLEGEZENTRUM GUT HANSING GMBH	Germany	50,000	€	Charleston Holding GmbH	100.00
RDS RESIDENZPARK DIENSTLEISTUNG & SERVICE GMBH	Germany	25,000	€	Wohn- & Pflegezentrum Gut Hansing GmbH	100.00

Company name	Registered office	Share/quota capital	Currency	Held by	investment %
WOHN- UND PFLEGEZENTRUM HAUS TEICHBLICK GMBH	Germany	128,150.00	€	Charleston Holding GmbH	100.00
DIENSTLEISTUNGSGESELLSCHAFT FÜR SOZIALEINRICHTUNGEN - NORD MBH	Germany	25,000.00	€	Wohn- und Pflegezentrum Haus Teichblick GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS AM BAHNHOF GMBH	Germany	51,150.00	€	Charleston Holding GmbH	100.00
RSG ROTENBURGER SERVICEGESELLSCHAFT AM BAHNHOF MBH	Germany	25,000.00	€	Wohn- und Pflegezentrum Haus am Bahnhof Gmb	100.00
WOHN- UND PFLEGEZENTRUM HAUS OTTERSBERG GMBH	Germany	51,150.00	€	Charleston Holding GmbH	100.00
OSW OTTERSBERGER SERVICEGESELLSCHAFT WÜMMEBLICK MBH	Germany	25,000.00	€	Wohn- und Pflegezentrum Haus Ottersberg GmbH	100.00
WOHN- & PFLEGEZENTRUM SEEHOF GMBH	Germany	51,200.00	€	Charleston Holding GmbH	100.00
DGS DIENSTLEISTUNGSGESELLSCHAFT SEEHOF MBH	Germany	26,000.00	€	Wohn- & Pflegezentrum Seehof GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS SCHWANEWEDE GMBH	Germany	27,500.00	€	Charleston Holding GmbH	100.00
PROGUSTO SCHWANEWEDER SERVICEGESELLSCHAFT MBH	Germany	25,000.00	€	Wohn- und Pflegezentrum Haus Schwanewede GmbH	100.00
ALTEN- UND PFLEGEZENTRUM ZU BAKUM GMBH	Germany	51,129.00	€	Charleston Holding GmbH	100.00
APZ ZU BAKUM SERVICEGESELLSCHAFT MBH	Germany	25,000.00	€	Alten- und Pflegezentrum zu Bakum GmbH	100.00
CURATUM BETEILIGUNGS- UND VERWALTUNGSGESELLSCHAFT MBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
SENIORENDOMIZIL HAUS AM PARK GMBH	Germany	50,000.00	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
VSG VÖRDER SERVICE GESELLSCHAFT MBH	Germany	25,000.00	€	Seniorendomizil Haus am Park GmbH	100.00
WOHN- UND PFLEGEZENTRUM BURG AUF FEHMARN GMBH	Germany	25,000.00	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
FFH FEHMARNSCHE FLINKE HÄNDE SERVICEGESELLSCHAFT MBH	Germany	25,000.00	€	Wohn- und Pflegezentrum Burg auf Fehmarn GmbH	100.00
LANDHAUS GLÜCKSTADT WOHN- & PFLEGEZENTRUM GMBH	Germany	51,129.00	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
LH GLÜCKSTADT SERVICEGESELLSCHAFT MBH	Germany	25,000.00	€	Landhaus Glückstadt Wohn- & Pflegezentrum GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS AM GOLDBACH GMBH	Germany	50,000.00	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
GBS GOLDBACH SERVICEGESELLSCHAFT MBH	Germany	25,000.00	€	Wohn- und Pflegezentrum Haus am Goldbach GmbH	100.00
WOHN- & PFLEGEZENTRUM UP'N KAMP GMBH	Germany	26,000.00	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
BSG BÖRDE SERVICEGESELLSHCAFT MBH	Germany	25,565.00	€	Wohn- & Pflegezentrum Up'n Kamp GmbH	100.00
CHARLESTON VOR GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
SSB SERVICEGESELLSCHAFT SELSINGER BÖRDE MBH	Germany	25,000.00	€	CHARLESTON VOR GMBH	100.00
CHARLESTON - AMBULANTE DIENSTE GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
SENOVUM GMBH	Germany	226,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEHEIM LESMONA GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WPH LESMONA SERVICEGESELLSCHAFT MBH	Germany	25,000.00	€	Wohn- und Pflegeheim Lesmona GmbH	100.00
SENIOREN- UND PFLEGEHAUS "DRENDEL" BETRIEBS GMBH	Germany	30,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEEINRICHTUNG BAD CAMBERG GMBH -ANNA-MÜLLER-HAUS-	Germany	100,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS KIKRA GMBH	Germany	26,000.00	€	Charleston Holding GmbH	100.00
MPS CATERING GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
BAYERNSTIFT - GESELLSCHAFT FÜR SOZIALE DIENSTE UND GESUNDHEIT MBH	Germany	250,000.00	€	Charleston Holding GmbH	100.00
BAYERNSTIFT SERVICE GMBH	Germany	25,000.00	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00
SLW ALTENHILFE LIEBFRAUENHAUS GMBH	Germany	50,000.00	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00

Company name	Registered office	Share/quota capital	Currency	Held by	investment %
BAYERNSTIFT MOBIL GMBH	Germany	25,000.00	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00
DIE FRANKENSCHWESTERN GMBH	Germany	25,000.00	€	Bayernstift Mobil GmbH	60.00
BRISA MANAGEMENT GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WOHNPARK DR. MURKEN GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
WOHNPARK KLOSTERGARTEN GMBH	Germany	26,000.00	€	Brisa Management GmbH	100.00
WOHNPARK SCHRIEWESHOF GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
WOHNPARK LUISENHOF GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
CHRISTOPHORUS SENIORENRESIDENZEN GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
CHRISTOPHORUS PFLEGE- UND BETREUUNGSDIENSTE GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
CHRISTOPHORUS INTENSIVPFLEGEDIENSTE GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
WOHN- UND PFLEGEZENTRUM ESSEN GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM MÜLHEIM GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
CHARLESTON DIENSTLEISTUNGSGESELLSCHAFT RUHR MBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM NEUENSTEIN GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
SIG GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
GSA GP GMBH	Germany	25,000.00	€	Brisa Management GmbH	100.00
GSA GMBH & CO. IMMOBILIEN VERWALTUNGS KG	Germany	5,000.00	€	Brisa Management GmbH	100.00
QLT.CARE GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM CRAILSHEIM GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM CRAILSHEIM GMBH	Germany	25,000.00	€	Charleston Holding GmbH	100.00
INNTAL PFLEGEHEIME GMBH	Germany	25..000.00	€	Charleston Holding GmbH	100.00
KOS SERVIZI SOCIETÀ CONSORTILE A R.L.	Italy	138,000.00	€	KOS CARE S.r.l.	85.15
				KOS S.p.A.	5.35
				ABITARE IL TEMPO S.r.l.	4.11
				SANATRIX GESTIONI S.r.l.	2.52
				OSPEDALE DI SUZZARA S.p.A.	1.79
				FIDIA S.r.l.	0.36
				JESILAB S.r.l.	0.36
				GES.CA. S. VILLA ARMONIA NUOVA S.r.l.	0.36
					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 SPAIN 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	10,800,000.00	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.	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

(*) 56.55% 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
SOFEFI 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	115,446.64	€	JUPITER MARKET PLACE S.r.l.	41.18
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	***Registe red office***	***Share/quota capital***	***Curren cy***	***Held by***	***investment %***
KOS GROUP					
FONDO SPAZIO SANITÀ	Italy	112,043,000	€	KOS CARE S.r.l.	0.80

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***	***Curren cy***	***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 2022, 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, informing the Board of Directors of the Company.

* * *

During the year ended 31 December 2022 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 DEM/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 envisaged 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 2025;
- 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;
- we exercised the functions of the Board of Statutory Auditors as per art. 19 of Legislative Decree no. 39/2010 identifies as those of the "Internal Control and Audit Committee”;
- pursuant to art. 149, paragraph 1.d) of Legislative Decree no. 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 no. 58/1998;

- we checked that the rules of corporate governance foreseen in the Corporate Governance Code adopted 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 itself;
- 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 acknowledged 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 Legislative Decree no. 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 no. 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.

* * *

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 carried out by the Company with third parties, with Group companies or with related parties, which could be defined as atypical or unusual that would have 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 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. The Directors pointed out that, on 12 September 2022, the Extraordinary Shareholders' Meeting resolved to reduce the share capital from Euro 638,603,657 to Euro 420,000,000 i.e. by a total of Euro 218,603,657, allocating this amount to the creation of an available reserve without making any capital repayment to the shareholders. The capital reduction became effective on 21 December 2022. The share capital therefore went from Euro 638,603,657 at 31 December 2021 to Euro 420,000,000 at 31 December 2022 and is made up of 1,107,207,314 shares with no par value compared with 1,277,207,314 shares with no par value at 31 December 2021. On 12 September 2022, the Extraordinary Shareholders' Meeting resolved to cancel 170,000,000 treasury shares (ordinary shares with no par value), maintaining the share capital the same as it was before. The share capital is fully subscribed and paid up. 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. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends, with the exception of treasury shares.

4. The Directors have prepared the financial statements on the basis of the going concern assumption having assessed that, on the basis of the most recent forecasts prepared by management, over a minimum time horizon of 12 months, the Company has sufficient liquidity to meet its commitments and has no loans outstanding. In the report on operations and the explanatory notes to the separate and consolidated financial statements, the Directors explain the impacts of the situation related to the macroeconomic context, the Russia-Ukraine conflict, Covid-19 and climate change 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. With reference to the macroeconomic context, the Directors observe that the rate growth in the economies of the main geographical areas in which the CIR Group operates was positive, even if less than expected at the beginning of the year. However, 2022 was characterised by a sudden, hefty rise in inflation, driven by the increase in prices of energy and raw materials in general, which had already taken place in the second half of 2021 and continued in the first half of 2022, and by an increase in both short-term interest rates, implemented by central banks to contain inflation, and long-term interest rates. 2022 also saw the residual effects of the pandemic, which began in 2020 and is now losing strength. Furthermore, the Russia-Ukraine conflict, which exploded in the first quarter of the year and has not yet been resolved, has had important repercussions, exacerbating inflationary trends for raw materials and energy. Following the increased significance and relevance of medium-term risks deriving from climate change, CIR Group companies have incorporated into their risk management systems an analysis of the potential impact of these factors on their own assets and business model, and have incorporated into their respective business plans the impacts of climate change and the policies and regulations implemented at local and international level to deal with it. With regard to the impacts on estimates and accounting valuations, the Directors point out that the valuations in the consolidated financial statements of the CIR Group are fully supported by the values calculated on the basis of the most recent business plans approved by the subsidiaries, which take into account the short-term impacts of the ongoing conflict and of Covid-19, as well as the long-term impacts of climate change, based on discount rates that are consistent with the macro-economic and financial result.

   The Directors highlight the fact that the visibility of the Group's performance in coming months remains low, taking into account the persistent uncertainty regarding the evolution of the geopolitical context as a result of the Russia-Ukraine crisis, the macroeconomic evolution and the price trend of raw materials, especially of energy.

As regards KOS, the Directors acknowledge that, thanks to lower critical issues related to the pandemic, it is expected that the return to pre-Covid levels of activity should occur for Rehabilitation and Acute services during the current year and for nursing homes in Italy and Germany in 2024, after a progressive increase in saturation during the course of 2023, reaching levels near to those of 2019. Providing there are no facts or circumstances that make the situation even more complex than it is at present, the operating results of KOS for the coming year should be better than those of the past year. As regards Sogefi, the Automotive market still has limited visibility in 2023, given the uncertainties caused by the Russia-Ukraine conflict, changes in the macroeconomic situation and the availability and prices of raw materials and energy. For 2023, S&P Global (IHS) foresees a growth in world car production of 3.6% compared with 2022, with Europe at +7.1%, NAFTA at +5.4%, South America at +4.9% and China at +1.1%. As regards the prices of raw materials and energy, the upward trend came to a halt in 2022, even if there is still a high level of volatility. There are still inflationary pressures on labour costs in some geographical areas. Assuming there is no serious deterioration of the geopolitical and macroeconomic scenario compared with the current one, for 2023 Sogefi expects mid-single digit revenue growth and an operating result, excluding non-recurring charges, at least in line with that of 2022.

As regards management of the financial assets of the Company, conditions of high volatility are expected to remain during 2023 because of the uncertainties related to the geo-political, macroeconomic and financial context, though there should be better prospects for the return on the financial assets.

As regards contingent liabilities, in the explanatory notes to the separate and consolidated financial statements, the Directors acknowledge, in line with the report on operations contained in the financial statements at 31 December 2021, 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”), realised 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 no. 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 no. 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 Euro 1.3 million and a ceiling of Euro 13.3 million, as a result of which the economic liability that CIR could face in the event of activation of the guarantee is Euro 12.0 million. The Directors recall that on 20 December 2021, the Gedi Group 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 Euro 38.9 million, as the alleged profit obtained by the Gedi Group Companies in correlation with their alleged responsibility pursuant to Legislative Decree no. 231 of 2001 for the facts under investigation. The Directors observe that, as far as CIR is aware, GEDI was notified in June 2022 of the closure of the preliminary investigations pursuant to art. 415-bis c.p.p. The proceedings are therefore in the phase immediately following closure of the preliminary investigations and, at present, there are no natural and/or legal persons whose indictment has been requested, as the Public Prosecutor has not yet made a decision regarding the outcome of the investigation currently underway. In the event of a possible 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. 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. The Directors conclude that 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, the Directors say that 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 Euro 12 million.

5. The Independent Auditors, 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 2022, 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.

6. In relation to the provisions introduced by Legislative Decree no. 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.
7. During the year ended 31 December 2022, the Company asked the auditors to provide non-audit services for a total of Euro 11 thousand. The subsidiaries asked the auditors to provide non-audit services for a total of Euro 46 thousand; they also asked companies belonging to the auditors' network, again for the provision of services, for a total of Euro 58 thousand.
8. Since 2017, the Company has also given KPMG S.p.A. an additional mandate with respect to the audit to issue the attestation on the compliance of the information provided in the consolidated non-financial statement prepared in accordance with Legislative Decree no. 254/2016 for an annual fee starting from 2021 of Euro 11 thousand. A similar assignment was also given to KPMG S.p.A. by Sogefi S.p.A., for a total annual fee of Euro 18 thousand, while KOS S.p.A. has given a mandate for a voluntary limited audit of the Sustainability Report, starting in 2021. 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.
9. During 2022, we issued opinions pursuant to art. 2389 of the Italian Civil Code.

10. During 2022, we did not receive any complaints pursuant to art. 2408 of the Italian Civil Code.
11. During 2022, 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.
12. We are not aware of any complaints that need to be mentioned in this Report.
13. The Board of Directors met 6 times during 2022. The Appointments and Compensation Committee met 6 times during 2022. The Audit, Risk and Sustainability Committee met 6 times during 2022. The Board of Statutory Auditors met 22 times during 2022.
14. 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 Company's organisational structure, which we found to be suitable to meet its operating, managerial and control needs. 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.
15. 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 by the Board of Statutory Auditors. The Head of the Internal Auditing function guaranteed the functional and informative link on the methods of carrying out his institutional control tasks and on the results of the verification activities carried out in accordance with the audit plan, also by taking part in meetings of the Board of Statutory Auditors. The functional and informative link between the Board of Statutory Auditors and the Supervisory Body established pursuant to Legislative Decree no. 231/2001 was ensured through a periodic exchange of information and by the fact that the head of the Internal Auditing function is also a member of the Supervisory Body.
16. 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. In any case, the responsibility for assessing the adequacy of the Company's organisational, administrative and accounting structure considering its nature and size, as well as for implementing and adopting the necessary measures for its implementation, lies with the Board of Directors, which also has responsibility for the implementation and

functioning of an adequate internal control system on financial reporting aimed, among other things, at preventing and identifying fraud and/or errors. As regards the accounting information presented in the separate and consolidated financial statements for the year ended 31 December 2022, 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.

17. We have not reported any matters to the Board of Directors pursuant to art. 15 Legislative Decree no. 118/2021 nor pursuant to art. 25-octies Legislative Decree no. 14/2019. Nor have public creditors reported any matters to us pursuant to art. 25-novies Legislative Decree no. 14/2019 nor pursuant to art. 30-sexies Legislative Decree no. 152/2021.
18. 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.
19. 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.
20. The Company has substantially adhered to the recommendations contained in the Corporate Governance Code as approved by the Corporate Governance Committee and has drawn up 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 the Company has approved an adequate procedure for the management, treatment and communication of information regarding the Company, with particular reference to relevant and privileged information and a Code of Conduct on Internal Dealing, in accordance with the current legislation on market abuse.

21. Our surveillance activities were carried out on a routine basis during 2022 and did not reveal any omissions, facts that could be censured or any irregularities worthy of note in this Report.
22. 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 2022, 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.
23. 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 2022, 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, 6 April 2023

THE BOARD OF STATUTORY AUDITORS

Francesco Mantegazza - Chairman of the Board of Statutory Auditors

Maddalena Gnudi - Statutory Auditor

Gaetano Rebecchini - Statutory Auditor

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 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 2022, 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 2022 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 and goodwill"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2022 include goodwill of €492.0 million. The parent's directors test goodwill for impairment at least once a year and whenever there are indicators of impairment, by comparing its carrying amount to its estimated recoverable amount, including considering the relevant tests carried out by the directors of the subsidiaries Sogefi S.p.A. and KOS S.p.A.. The group calculated the recoverable amount of goodwill by estimating its value in use, using a method that discounts their expected cash flows. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: • the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for recent years and the projected growth rates; • the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	The audit procedures performed, including considering the work carried out by the component' audit teams as part of their respective engagements assigned by the subsidiaries Sogefi S.p.A. and KOS S.p.A., included: • understanding the process adopted for impairment testing approved by the parent's board of directors and assessing the design and implementation of material controls and their operating effectiveness; • understanding the process adopted to prepare the forecasts from which the expected cash flows used to calculate value in use 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 level of historical accuracy of the estimates; • comparing the expected cash flows used to calculate value in use to those used for the forecasts and analysing the reasonableness of any discrepancies; • analysing, including by involving our own specialists, the reasonableness of the material assumptions used by the directors in impairment testing, as well as the valuation models used and the underlying data; • checking the sensitivity analysis made by the directors in relation to the key assumptions used to calculate value in use; • 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, the measures taken to eliminate those threats or the safeguards applied.

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 at 31 December 2022 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 at 31 December 2022 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.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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 2022 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 2022 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 2022 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, 6 April 2023

KPMG S.p.A.

(signed on the original)

Alessandra Ponzio
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 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 2022, 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 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

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

Key audit matters

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

Measurement of investments in subsidiaries

Notes to the separate financial statements: Notes 1 "Basis of preparation and accounting policies" and 3.e "Equity investments"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2022 include investments in subsidiaries of €581.4 million, mainly relating to the subsidiaries CIR Investimenti S.p.A. (€202.7 million), KOS S.p.A. (€175.8 million), Sogefi S.p.A. (€109.0 million) and CIR International S.A. (€93.4 million). At least once a year, the directors check whether there are any indicators of impairment and, if there are, they test these equity investments for impairment 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. The calculation of value in use is very complex and entail the use of estimates which, by their very nature, are uncertain and subjective, about: • the expected cash flows, calculated by taking into account the general economic performance and that of the subsidiaries' sector, the actual cash flows for recent years and the projected growth rates; • the financial parameters used to calculate the discount rate. The directors estimated the recoverable amount of the investments in CIR Investimenti S.p.A. and CIR International S.A., whose carrying amount is significant, based on their fair value less costs of disposal. For the above reasons, we believe that the measurement of investments in subsidiaries is a key audit matter.	Our audit procedures included: • understanding the process adopted for impairment testing approved by the company's board of directors and assessing the design and implementation of material controls and their operating effectiveness; • understanding the process adopted to prepare the forecasts from which the expected cash flows used to calculate value in use 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 historical accuracy of the estimates; • comparing the expected cash flows used to calculate value in use to those used for the forecasts and analysing the reasonableness of any discrepancies; • analysing, including by involving our own specialists, the reasonableness of the material assumptions used by the directors in impairment testing, as well as the valuation models used and the underlying data; • checking the sensitivity analysis made by the directors in relation to the key assumptions used to calculate value in use; • assessing the methods used to estimate fair value less costs of disposal and comparing it to the related carrying amount; • assessing the appropriateness of the disclosures provided in the notes about the measurement of equity investments.

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, the measures taken to eliminate those threats or the safeguards applied.

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 at 31 December 2022 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 at 31 December 2022 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 2022 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 2022 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 2022 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, 6 April 2023

KPMG S.p.A.

(signed on the original)

Alessandra Ponzio
Director of Audit

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