ANNUAL FINANCIAL STATEMENTS

2022

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS

JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84
COMPANY REGISTER OF MILAN MONZA-BRIANZA LODI AND TAX CODE 00607460201
COMPANY SUBJECT TO THE DIRECTION AND COORDINATION OF CIR S.p.A.
REGISTERED OFFICE: 20121 MILAN (ITALY), VIA CIOVASSINO, 1/A - PHONE 02.467501
OFFICES: 78280 GUYANCOURT (FRANCE), IMMEUBLE DE RENAISSANCE, AVENUE CLAUDE MONET 1
TEL. 0033 01 61374300
WEBSITE: WWW.SOGEFIGROUP.COM

CONTENTS

This document, PDF format, does not fulfill the obligations deriving from Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 (the "ESEF Regulation" - European Single Electronic Format) for which a dedicated iXBRL and XHTML format has been prepared.

CORPORATE BODIES

Honorary Chair CARLO DE BENEDETTI

BOARD OF DIRECTORS

Chair	MONICA MONDARDINI (1)
Chief Executive Officer	FRÉDÉRIC SIPAHI (1)
Directors	PATRIZIA ARIENTI (3) - (4)
	MAHA DAOUDI (3)
	RODOLFO DE BENEDETTI
	MAURO MELIS (2) - (3) - (4) - (5)
	RAFFAELLA PALLAVICINI
	MASSIMILIANO PICARDI (2) - (4)
	CHRISTIAN STREIFF (2)
Secretary to the Board	NICCOLO' MORESCHINI

BOARD OF STATUTORY AUDITORS

Chair	DANIELA DELFRATE
Acting Auditors	RITA ROLLI
	GIOVANNI BARBARA
Alternate Auditors	LUCA DEL PICO
	ANNA MARIA ALLIEVI
	MARIA PIA MASPES

INDEPENDENT AUDITORS

KPMG S.p.A.

Disclosure under Consob Recommendation no. 97001574 of 20 February 1997:
(1) Powers as per Corporate Governance.
(2) Members of the Appointment and Remuneration Committee.
(3) Members of the Control, Risk and Sustainability Committee.
(4) Members of the Committee on Related Party Transactions.
(5) *Lead independent director*

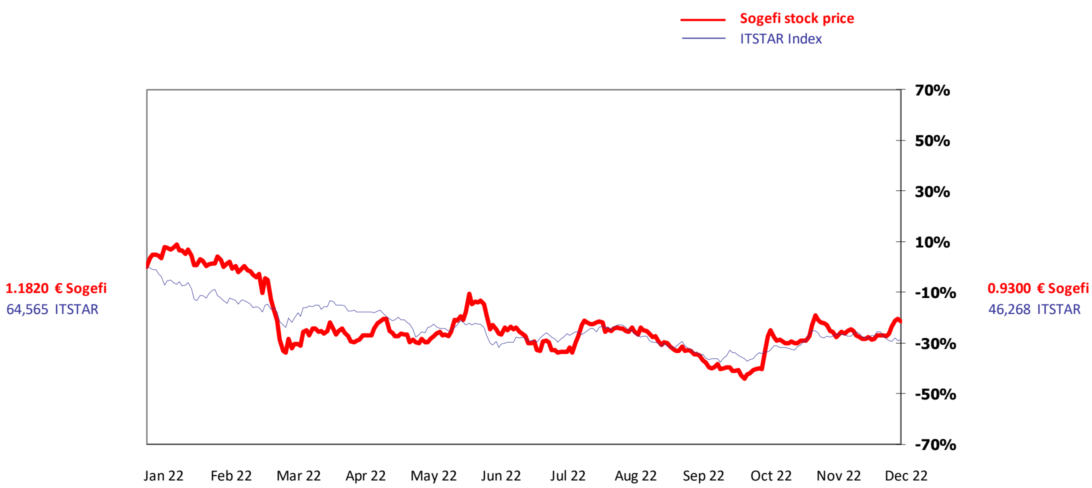
OVERVIEW OF GROUP RESULTS

(in millions of Euro)	2019 (**)		2020 (**)		2021		2022	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues	1,439.4	100.0%	1,190.2	100.0%	1,320.6	100.0%	1,552.1	100.0%
EBITDA	174.6	12.1%	137.0	11.5%	192.5	14.6%	194.7	12.5%
Ebit	46.4	3.2%	7.1	0.6%	58.4	4.4%	68.3	4.4%
Net income (loss) from discontinued operations, net of tax effects	(7.6)	-0.5%	(16.2)	-1.4%	(24.5)	-1.9%	0.0	0.0%
Net result	3.2	0.2%	(35.1)	-3.0%	2.0	0.1%	29.6	1.9%
Self-financing	145.3		104.9		124.6		137.4	
Free cash flow	8.4		(38.2)		32.4		29.3	
Net financial position	(318.9)		(358.1)		(327.6)		(294.9)	
Total shareholders' equity	207.8		150.3		205.0		247.5	
GEARING	1.53		2.38		1.60		1.19	
ROI	9.3%		1.4%		11.2%		12.7%	
ROE	1.7%		-21.8%		1.2%		14.1%	
Number of employees at December 31	6,158		5,790		5,462		5,384	
Dividends per share (Euro)	-		-		-		-	(*)
EPS (Euro)	0.027		(0.298)		0.017		0.250	
Average annual price per share	1.4058		1.0082		1.3236		0.9119	

(*) As proposed to the Meeting by the Board of Directors.
(**) The values for the 2019 and 2020 financial years, relating to "Assets held for sale", have been reclassified following the application of IFRS 5 "Non-current assets held for sale and discontinued operations" to the line "Net income (loss) from discontinued operations, net of tax effects".

STOCK PERFORMANCE

The graph below shows the performance of Sogefi stock and of the ITSTAR index in 2022.



REPORT OF THE BOARD OF DIRECTORS ON PERFORMANCE IN 2022

Dear Shareholders,

THE AUTOMOTIVE MARKET IN 2022

In 2022, global motor vehicle production grew by 6.2% year-on-year, with an increase in all regions: +5.7% in Europe, +9.7% in NAFTA, +8.3% in Mercosur, +6.1% in China and +22.7% in India. This good performance reflects the strong increase in Q3 2022 (+29.5%) and the smaller increase in the last quarter (+1.7%).

However, despite the recovery in 2022, global car production remains lower than in 2019 (-7.8%), with Europe at -23.2%.

For 2023, S&P Global (IHS), a commonly used source in the industry, expects global production to grow by 3.6% compared to 2022, with increases in all major geographies.

KEY MANAGEMENT INFORMATION

The Group's consolidated **revenues** increased by 17.5% compared to 2021 due to the increase in production volumes (+4%), the adjustment of sales prices to take into account increases in raw material costs, and exchange rate developments (at constant exchange rates, the increase in revenues would be 12.6%).

The **results were positive and clearly improving**:

- EBITDA[1] increased to Euro 194.7 million compared to Euro 192.5 million in 2021;
- EBIT was equal to Euro 68.3 million (4.4% of revenues), representing a 17% increase compared to Euro 58.4 million in 2021 (4.4% of revenues);
- net profit amounted to EUR 29.6 million (EUR 28.6 million for continuing operations and EUR 2.0 million including discontinued operations in 2021);
- business generated a positive free cash flow of Euro 29.3 million (Euro 32.4 million in 2021);
- Net debt (pre IFRS16) decreased to Euro 224.3 million as of 31 December 2022, compared to Euro 258.2 million as of 31 December 2021.

Investment in innovation continues, with significant improvements in 2022:

- the SOGEFI CabinHepa+ passenger compartment filter, which uses HEPA (High Efficiency Particulate Air) media and filters mechanically, capturing particles 50 times smaller than a conventional passenger compartment filter, was named Product of the Year 2022 in France;
- the new European E-Mobility Tech Centre of Sogefi was inaugurated, based in eastern France, dedicated to the research and development of new E-mobility products and equipped with Europe's largest 3D printer;

[1] EBITDA is calculated by adding "EBIT", the item "Depreciation and amortization" and the amount of writedowns of tangible and intangible assets posted in "Other non-operating expenses (income)" for Euro 8.9 million at 31 December 2022 (Euro 18.5 million in the corresponding period last year).

- in September 2022, Sogefi presented its cooling plate innovations for EV platforms at “The Battery Show” in North America, attracting considerable customer interest;
- in October 2022, Sogefi presented its new aftermarket products and latest product innovations at the Equip Auto Show in Paris, attracting great interest from industry players.

Commercial activity was strong, with the execution of major contracts also in the EV sector. Overall, 52% of the value of new contracts entered into in 2022 concern E-mobility platforms:

- the Filtration division was granted contracts for the supply of Air Purification Filters, Oil Filters and Fuel Modules in Europe and India;
- the Suspension Division entered into contracts in Europe for coil springs and stabiliser bars - most of which will be manufactured in Romania - and three new contracts for the supply of stabiliser bars for electric or plug-in hybrid vehicles; in the fourth quarter it was also awarded the contract for the supply of stabiliser bars for the electric version of a pick-up truck whose i.c. version is one of the best-selling vehicles in the US;
- The A&C division concluded major contracts in NAFTA, Europe and China for the supply of thermal management products and cooling plates for electric mobility. Overall, 54% of the value of new contracts entered into in 2022 concern E-mobility platforms.

The group is honouring its commitments in the area of sustainability, in particular the installation of photovoltaic panels at its factories in Nules (Spain) and Pune (India), in line with the path defined for reducing the use of energy from non-renewable sources, with the aim of mitigating its impact on climate change. These panels will reduce emissions by approximately 1,300 tonnes per year.

Finally, even in the critical market situation, due to procurement and prices of raw materials and energy, **Sogefi has always met the demand of its customers and sales prices have been adjusted to take into account increases in raw material costs**.

2022 RESULTS

Revenues for 2022 amounted to Euro 1,552.1 million, up 17.5% compared to the corresponding period of 2021.

At constant exchange rates, the increase amounted to 12.6%: sales volumes increased by 3.9% compared to 2021, and the remainder of the increase reflected the adjustment of sales prices, which was divided between the different product lines according to the evolution of the costs of raw materials and components used.

Sales revenues by geographic area

	2022	2021	reported change 2022 vs 2021	constant exchange rates 2022 vs 2021	reference market production
(in millions of Euro)	*Amount*	*Amount*	*%*	*%*	*%*
Europe	890.9	813.5	9.5	9.5	5.7
North America	340.3	262.4	29.7	17.2	9.7
South America	108.0	77.8	38.7	15.8	8.3
India	104.5	76.4	36.8	29.4	22.7
China	115.6	100.5	15.0	6.7	6.1
Intercompany eliminations	(7.2)	(10.0)			
TOTAL	1,552.1	1,320.6	17.5	12.6	6.2

Revenues 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), +15.0% in China (+6.7% at constant exchange rates) and +36.8% in India (+29.4% at constant exchange rates).

Sales revenues by business sector

	2022	2021	reported change 2022 vs 2021	constant exchange rates 2022 vs 2021
(in millions of Euro)	*Amount*	*Amount*	*%*	*%*
Suspensions	556.7	458.2	21.5	16.6
Filtration	535.7	463.4	15.6	12.1
Air&Cooling	464.0	402.0	15.4	8.9
Intercompany eliminations	(4.3)	(3.0)	-	-
TOTAL	1,552.1	1,320.6	17.5	12.6

Suspension reported revenue growth of 21.5% (+16.6% at constant exchange rates), with significant growth rates particularly in India, North America, South America and Europe.

Filtration reported an increase in sales of 15.6% (+12.1% at constant exchange rates), due to the good performance of the Aftermarket channel in Europe and the activities in North

America and India.

Air & Cooling reported revenue growth of 15.4% (+8.9% at constant exchange rates), with significant growth rates particularly in China and NAFTA.

Sales revenues by customer

Sogefi has a balanced customer portfolio, and its composition remained unchanged during 2022. The main customers of Sogefi are Stellantis, Ford, Daimler, GM, and Renault/Nissan, which together account for 58.2% of revenues (57.2% in 2021).

Overview of consolidated income statement

(in millions of Euro)	Note(*)	2022		2021		Changes	
		Amount	%	Amount	%	Amount	%
Sales revenues		1,552.1	100.0	1,320.6	100.0	231.5	17.5
Variable cost of sales		1,127.0	72.6	916.9	69.4	210.1	22.9
CONTRIBUTION MARGIN		425.1	27.4	403.7	30.6	21.4	5.3
Fixed costs	(a)	223.1	14.4	215.3	16.3	7.8	3.6
Restructuring costs		8.1	0.5	7.1	0.5	1.0	15.3
Other expenses (income)	(b)	(0.8)	0.0	(11.2)	(0.8)	10.4	(92.8)
EBITDA	(c)	194.7	12.5	192.5	14.6	2.2	1.1
Depreciation and amortization	(d)	126.4	8.1	134.1	10.2	(7.7)	(5.8)
EBIT		68.3	4.4	58.4	4.4	9.9	17.0
NET INCOME (LOSS) OF OPERATING ACTIVITIES		31.2	2.0	28.6	2.2	2.6	9.0
Net income (loss) from discontinued operations, net of tax effects		-	-	(24.5)	(1.9)	24.5	100.0
Loss (income) attributable to non-controlling interests		(1.6)	(0.1)	(2.1)	(0.2)	0.5	25.1
GROUP NET RESULT		29.6	1.9	2.0	0.1	27.6	-

(*) The notes in the table are explained in detail in the annex at the end of this report.

EBITDA amounted to Euro 194.7 million, up by 1.1% compared to Euro 192.5 million in 2021; the EBITDA/Revenues % ratio decreased to 12.5%, from 14.6% in 2021.

In order to understand the development of the percentage profitability, it is necessary to consider that higher material and energy costs were offset by increases in sales prices; this equally large increase in revenue and material costs resulted in a dilution of the profitability ratio.

The contribution margin increased by 5.3% compared to 2021, in line with the increase in volumes sold; the contribution margin/revenues % ratio decreased to 27.4%, compared to 30.6% in 2021, because of the dilutive effect mentioned above.

The ratio of fixed costs to revenue is decreasing from 16.3% of 2021 to 14.4% today.

Other income, which also includes exchange rate differences, made a positive contribution of Euro 0.8 million to EBITDA, compared to a positive contribution of Euro 11.2 million in 2021.

EBIT amounted to Euro 68.3 million, up by 17% compared to Euro 58.4 million in 2021. The impact on revenues in 2022 is in line with the 2021 value (4.4%).

Financial expenses of Euro 18.8 million were slightly down compared to 2021 (Euro 17.8 million), which included non-recurring financial income for Euro 1.2 million.

Tax expenses increased to Euro 18.3 million (Euro 13.5 million in 2021).

Net income of operating activities amounted to Euro 31.2 million compared to Euro 28.6 million in 2021.

There were no results from discontinued operations or operations held for sale, whereas in 2021 the sale of the Filtration subsidiary in Argentina resulted in a negative accounting result of EUR 24.5 million.

The group recorded a **net profit** of Euro 29.6 million (Euro 2.0 million in 2021).

Consolidated operating cash flow

(in millions of Euro)	Note(*)	2022	2021
SELF-FINANCING	(e)	137.4	124.6
Change in net working capital		(11.9)	(13.0)
Other medium/long-term assets/liabilities	(f)	12.0	28.8
CASH FLOW GENERATED BY OPERATIONS		**137.5**	**140.4**
Net decrease from sale of fixed assets	(g)	6.9	21.1
TOTAL SOURCES		144.4	161.5
TOTAL APPLICATION OF FUNDS		109.5	120.0
Net financial position of subsidiaries purchased/sold during the year		-	(5.4)
Exchange differences on assets/liabilities and equity	(h)	(5.6)	(3.7)
FREE CASH FLOW		**29.3**	**32.4**
Dividends paid by subsidiaries to non-controlling interests		(2.1)	(3.0)
Change in fair value derivative instruments		5.5	1.1
CHANGES IN SHAREHOLDERS' EQUITY		3.4	(1.9)
Change in net financial position	(i)	**32.7**	**30.5**
Opening net financial position	(i)	**(327.6)**	**(358.1)**
CLOSING NET FINANCIAL POSITION	(i)	**(294.9)**	**(327.6)**

(*) The notes in the table are explained in detail in the annex at the end of this report.

Free Cash Flow was positive at Euro 29.3 million, basically in line with Euro 32.4 million in 2021.

Consolidated net invested capital

(in millions of Euro)	Note(*)	12.31.2022		12.31.2021	
		Amount	*%*	*Amount*	*%*
Short-term operating assets	(l)	334.4		287.8	
Short-term operating liabilities	(m)	(392.3)		(355.9)	
Net working capital		(57.9)	(10.7)	(68.1)	(12.8)
Equity investments	(n)	-	-	-	-
Intangible, tangible fixed assets and other medium and long-term assets	(o)	732.2	135.0	764.8	143.6
CAPITAL INVESTED		674.3	124.3	696.7	130.8
Deferred Taxes/Pension Funds/Provision for risks	(p)	(67.5)	(12.4)	(98.3)	(18.5)
Other medium and long-term liabilities	(q)	(64.4)	(11.9)	(65.8)	(12.3)
NET CAPITAL INVESTED		542.4	100.0	532.6	100.0
Net financial indebtedness	(r)	294.9	54.4	327.6	61.6
Non-controlling interests		16.8	3.1	17.3	3.2
Consolidated equity of the Group		230.7	42.5	187.7	35.2
TOTAL		542.4	100.0	532.6	100.0

(*) The notes in the table are explained in detail in the annex at the end of this report.

As at 31 December 2022, **shareholders' equity**, excluding minority interests, amounted to Euro 230.7 million, compared to Euro 187.7 million as at 31 December 2021. The increase reflects the net result for the period, actuarial gains on pension funds, the fair value of cash flow hedging instruments, and other changes.

Consolidated net financial position

(in millions of Euro)	12.31.2022	12.31.2022
Cash, banks, financial receivables and securities held for trading	124.6	122.2
Medium/long-term financial receivables	8.5	4.0
Short-term financial debts (*)	(84.7)	(106.1)
Medium/long-term financial debts	(343.3)	(347.7)
NET FINANCIAL POSITION	(294.9)	(327.6)

(*) Including current portions of medium and long-term financial debts.

The **net financial indebtedness** before IFRS16 as at 31 December 2022 was Euro 224.3 million, compared to Euro 258.2 million at 31 December 2021 Euro 219.7 million at 30 September 2022. Including financial payables for usage rights, according to IFRS 16, the net financial debt as at 31 December 2022 was Euro 294.9 million, compared to Euro 327.6 million as at 31 December 2021.

As at 31 December 2022, the Group had committed credit lines in excess of requirements of Euro 279 million.

As at 31 December 2022, the Sogefi Group's **workforce** was 5,384, compared to 5,462 as at 31 December 2021.

	12.31.2022		12.31.2021	
	Number	*%*	*Number*	*%*
Suspensions	2,156	40.0	2,267	41.5
Filtration	1,954	36.3	1,974	36.1
Air&Cooling	1,218	22.6	1,169	21.4
Other	56	1.1	52	1.0
TOTAL	5,384	100.0	5,462	100.0

A breakdown by category is provided below.

	12.31.2022		12.31.2021	
	Number	*%*	*Number*	*%*
Managers	54	1.0	62	1.1
Clerical staff	1,411	26.2	1,531	28.1
Blue collar workers	3,919	72.8	3,869	70.8
TOTAL	5,384	100.0	5,462	100.0

INVESTMENTS AND RESEARCH & DEVELOPMENT ACTIVITIES

Investments totalled Euro 109.5 million in 2022 (Euro 120.0 million in 2021).

The company invested in particular in the development of new products (Euro 50.4 million) and in the start-up of the new Suspension plant in Romania (Euro 6.0 million in 2022 and Euro 10.5 million in 2021), which are essential for growth and improvement of business profitability.

The table below provides details of the investments.

(in millions of Euro)	12.31.2022	12.31.2022
Increase in intangible assets	18.1	19.4
Purchase of tangible assets	49.2	56.5
Purchase of Tooling	31.4	33.9
Increase in intangible assets for right of use	10.8	10.2
TOTAL INVESTMENTS	109.5	120.0

RECONCILIATION BETWEEN THE PARENT COMPANY'S STATUTORY FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

The following is a reconciliation of the Group's net result and equity at the end of the year with the equivalent figures for the Parent Company.

(in millions of Euro)	2022	2021
Net result per Sogefi S.p.A. financial statements	(58.7)	69.9
Group share of results of subsidiary companies included in the consolidated financial statements	33.7	10.3
Writedowns of equity investments	78.9	(68.1)
Elimination dividends	(22.9)	(8.9)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related tax effect	(1.4)	(1.2)
NET RESULT PER CONSOLIDATED FINANCIAL STATEMENTS	29.6	2.0

(in millions of Euro)	2022	2021
Shareholders' equity per Sogefi S.p.A. financial statements	223.1	276.8
Group share of higher/lower equity value of investments in consolidated companies over carrying value in Sogefi S.p.A. financial statements	2.3	(95.8)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related tax effect	5.3	6.7
SHAREHOLDERS' EQUITY PER CONSOLIDATED FINANCIAL STATEMENTS	230.7	187.7

PERFORMANCE OF THE PARENT COMPANY SOGEFI S.p.A.

In 2022, the Company recorded a write-down of the equity investment in the French subsidiary Sogefi Filtration S.A. by Euro 78.9 million (recognised to "Adjustments to financial assets") as a result of an impairment test as at 31 December 2022. Thanks to this write-down, in 2022 Sogefi S.p.A. reported a net loss of Euro 58.7 million, compared to a net profit of Euro 69.9 million in 2021.

With reference to the item "Financial income, expenses and dividends", it should be noted that the flow of dividends from subsidiaries amounted to Euro 22.9 million compared to Euro 8.9 million in the previous year; net financial expenses amounted to Euro 3.1 million compared to Euro 5.7 million in 2021; finally, net exchange rate differences made a positive contribution of Euro 2.8 million compared to a positive contribution of Euro 2.0 million in the previous year.

The decrease in "Other non-operating income (expenses)" is mainly due to lower expenses incurred in 2022 in adjusting the fair value of certain investment properties of the Company to reflect experts' valuation.

(in millions of Euro)	2022	2021
Financial income/expenses and dividends	22.6	5.2
Adjustments to financial assets	(78.9)	68.1
Other operating revenues	11.0	8.7
Operating costs	(13.1)	(12.1)
Other non-operating income (expenses)	-	(0.8)
RESULT BEFORE TAXES	(58.4)	69.1
Income taxes	(0.3)	0.8
NET RESULT	(58.7)	69.9

As regards the **statement of financial position**, the table below shows the main items as at 31 December 2022, compared to the figures recorded at the end of the previous year.

(in millions of Euro)	Note(*)	12.31.2022	12.31.2021
Short-term assets	(s)	7.6	5.6
Short-term liabilities	(t)	(3.8)	(5.3)
Net working capital		3.8	0.3
Equity investments	(u)	337.5	416.2
Other fixed assets	(v)	23.7	31.4
CAPITAL INVESTED		365.0	447.9
Other medium and long-term liabilities	(w)	(0.1)	(0.4)
NET CAPITAL INVESTED		364.9	447.5
Net financial indebtedness		141.8	170.7
Shareholders' equity		223.1	276.8
TOTAL		364.9	447.5

(*) The notes in the table are explained in detail in the annex at the end of this report.

Shareholders' equity as at 31 December 2022 amounts to Euro 223.1 million, down by Euro 53.7 million from 31 December 2021 (Euro 276.8 million), mainly because of the negative result for the year 2022 due to the write-down of the equity investment in Sogefi Suspensions S.A..

Net **financial indebtedness** as at 31 December 2022 was Euro 141.8 million, showing a year-over-year drop of Euro 28.9 million compared to 31 December 2021.

(in millions of Euro)	12.31.2022	12.31.2021
Short-term cash investments	48.9	49.8
Short/medium-term financial receivables to third and subsidiaries	297.7	265.0
Short-term financial debts (*)	(249.5)	(256.9)
Medium/long-term financial debts	(238.9)	(228.6)
NET FINANCIAL POSITION	(141.8)	(170.7)

(*) Including current portions of medium and long-term financial debts.

The table below illustrates the **cash flow statement** of Sogefi S.p.A.:

(in millions of Euro)	Note(*)	2022	2021
SELF-FINANCING	(x)	23.0	4.2
Change in net working capital	(y)	(3.5)	3.6
Other medium/long term assets/liabilities	(z)	0.9	0.8
CASH FLOW GENERATED BY OPERATIONS		**20.4**	**8.6**
Sale of equity investments		-	-
Net decrease from sale of intangible assets		3.3	-
TOTAL SOURCES		23.7	8.6
TOTAL APPLICATION OF FUNDS		0.3	0.4
FREE CASH FLOW		**23.4**	**8.2**
Holding Company increases in capital		-	-
Change in fair value derivative instruments		5.5	1.1
Dividends paid by the Holding Company		-	-
CHANGES IN SHAREHOLDERS' EQUITY		5.5	1.1
Change in net financial position	(aa)	**28.9**	**9.3**
Opening net financial position	(aa)	**(170.7)**	**(180.0)**
CLOSING NET FINANCIAL POSITION	(aa)	**(141.8)**	**(170.7)**

(*) The notes in the table are explained in detail in the annex at the end of this report

Free cash flow was Euro 28.9 million, an improvement over 2021 (Euro 9.3 million) due to higher dividends and the collection of the consideration for the sale of the real estate complex in San Felice del Benaco for Euro 3.2 million.

PERFORMANCE BY BUSINESS DIVISION

“Filtration” business unit

Key indicators

(in millions of Euro)	2019	2020	2021	2022	Change '22 vs '21
Sales revenues	467.1	421.2	463.4	535.7	15.6%
EBIT	22.2	8.0	37.4	52.5	40.5%
% on sales revenues	4.8%	*1.9%*	*8.1%*	*9.8%*	
Number of employees	2,472	2,254	1,974	1,954	-1.0%

In 2022, the business unit achieved revenues of Euro 535.7 million, up 15.6% (+12.1% at constant exchange rates) compared to the same period in 2021, due to the good performance of the Aftermarket channel in Europe, which gained new market shares, and to the businesses in North America and India.

EBITDA amounted to Euro 83.0 million, up compared to Euro 73.4 million in 2021, and the EBITDA margin was basically stable at 15.5% compared to 15.8% in 2021.

EBIT was positive at EUR 52.5 million, up from Euro 37.4 million in 2021, with operating profitability increasing to 9.8% compared to the same period last year (8.1%).

Employees of the business unit at 31 December 2022 were 1,954 (1,974 at 31 December 2021).

“Suspension” business unit

Key indicators

(in millions of Euro)	2019	2020	2021	2022	Change '22 vs '21
Sales revenues	549.7	399.6	458.2	556.7	21.5%
EBIT	5.0	(13.2)	(9.1)	(11.8)	-28.9%
% on sales revenues	*0.9%*	*-3.3%*	*-2.0%*	*-2.1%*	
Number of employees	2,400	2,290	2,267	2,156	-4.9%

In 2022, the business unit realised revenues of Euro 556.7 million, with a growth of 21.5% at historical exchange rates and 16.6% at constant exchange rates, which reflects the dynamics of the business in South America, North America, India, Europe and the adjustment of sales prices.

EBITDA amounted to Euro 27.0 million, down compared to Euro 32.4 million in 2021, and the EBITDA margin was down at 4.9% compared to 7.1% in 2021.

EBIT was negative for Euro 11.8 million compared to Euro -9.1 million in 2021. Ongoing structural work and the development of the new plant in Romania should allow a return to profitability.

Employees of the business unit at 31 December 2022 were 2,156 (2,267 at 31 December 2021).

“Air & Cooling” business unit

Key indicators

(in millions of Euro)	2019	2020	2021	2022	Change '22 vs '21
Sales revenues	425.9	371.8	402.0	464.0	15.4%
EBIT	24.7	20.0	32.1	33.0	2.8%
% on sales revenues	*5.8%*	*5.4%*	*8.0%*	*7.1%*	
Number of employees	1,231	1,192	1,169	1,218	4.2%

In 2022, the business unit achieved revenues of Euro 464.0 million, up 15.4% (+8.9% at constant exchange rates), thanks to very strong development in NAFTA and China.

EBITDA amounted to Euro 79.3 million (Euro 82.9 million in 2021), with an EBITDA margin of 17.1%, slightly down from 18.5% in 2021, mainly reflecting the dilution due to higher prices offsetting the increase in raw material costs.

EBIT amounted to Euro 33.0 million, slightly up compared to Euro 32.1 million in the same period of the previous year.

Employees of the business unit at 31 December 2022 were 1,218 (1,169 at 31 December 2021).

RESULTS FOR THE FOURTH QUARTER OF 2022

The following table provides an overview of the comparative figures of the income statement for the fourth quarter compared with the corresponding quarter of the previous year.

(in millions of Euro)	Note(*)	Q4 2022		Q4 2021		Changes	
		Amount	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues		386.5	100.0	330.6	100.0	55.9	16.9
Variable cost of sales		284.2	73.5	237.7	71.9	46.5	19.5
CONTRIBUTION MARGIN		102.3	26.5	92.9	28.1	9.4	10.2
Fixed costs	(a)	54.3	14.1	53.2	16.1	1.1	2.1
Restructuring costs		0.2	-	4.7	1.4	(4.5)	(96.4)
Other expenses (income)	(b)	4.5	1.2	(13.3)	(4.0)	17.8	-
EBITDA	(c)	43.3	11.2	48.3	14.6	(5.0)	(10.3)
Depreciation and amortization	(d)	37.3	9.6	39.4	11.9	(2.1)	(5.4)
EBIT		6.0	1.6	8.9	2.7	(2.9)	(32.3)
NET INCOME (LOSS) OF OPERATING ACTIVITIES		(2.9)	(0.8)	4.3	1.3	(7.2)	(168.4)
Net income (loss) from discontinued operations, net of tax effects		-	-	0.2	0.1	(0.2)	(100.0)
Loss (income) attributable to non-controlling interests		(0.5)	(0.1)	(0.6)	(0.2)	0.1	(16.5)
GROUP NET RESULT		(3.4)	(0.9)	3.9	1.2	(7.3)	(186.6)

(*) The notes in the table are explained in detail in the annex at the end of this report

In the fourth quarter of 2022, Sogefi recorded **revenues** of Euro 386.5 million, up 16.9% (+15.4% at constant exchange rates) compared to the corresponding period of 2021, thanks to the increase in production volumes (+5.8%), sales price adjustments and the positive effect of exchange rates. The revenue trend, even at constant exchange rates and sales prices, was positive and higher than the market trend.

EBITDA amounted to Euro 43.3 million, i.e. 11.2% of revenues, compared to Euro 48.3 million (14.6%) in the fourth quarter of 2021. The EBITDA result was affected by non-operating expenses of Euro 4.5 million compared to non-operating income of Euro 13.3 million in the fourth quarter of 2021. Excluding these non-operating expenses/income, the nature of which is non-recurring, EBITDA increased from Euro 35 million in 2021 (10.6%) to Euro 47.8 (12.4%) million in 2022.

EBIT was positive for Euro 6.0 million (compared to Euro 8.9 million in the fourth quarter of 2021), due to the above-mentioned non-recurring results.

The consolidated **net result** for Q4 2022 was negative at Euro 3.4 million compared with a profit of Euro +3.9 million in the same period of the previous year, after financial expense of Euro 5.2 million (Euro 4.4 million in 2021) and tax expense of Euro 3.8 million (Euro 0.3 million in 2021). The increase in the ratio to taxes reflects the presence in the result of losses that are not relevant for tax purposes or for which the prerequisites for recording deferred tax assets are not met. The fourth quarter of 2021, on the other hand, benefited from the recognition of deferred tax assets of Euro 4.3 million.

IMPACTS OF THE MACROECONOMIC ENVIRONMENT, THE COVID-19, THE RUSSIA-UKRAINE CONFLICT AND THE CLIMATE CHANGE ON OPERATIONS

Impact of the macroeconomic environment on operations

With reference to the macroeconomic context, the trend of the economies of the main geographical areas in which Sogefi operates was positive, although below expectations at the beginning of the year and, in this context, global car production increased by 6.2%, with progress in all geographical areas, including Europe.

The year 2022 was characterised by a sudden and substantial rise in inflation, driven by the increase in energy and commodity prices in general, which already occurred in the second half of 2021 and continued in 2022. This phenomenon had a significant impact on Sogefi's production costs, and Sogefi took steps to minimise this impact by optimising its production costs, even resorting to new procurement sources, and adjusting sales prices to take into account cost trends.

As a consequence of high inflation, there was a rise in interest rates, the impact of which on operations was modest, taking into account the significant component of fixed-rate loans and an increase in short-term rates that only occurred in the second half of the year.

Impacts of the Russia-Ukraine conflict on operations

The direct impact of the Russia-Ukraine conflict on operations was not significant. In fact, Sogefi had a business in Russia and exported to Ukraine and Belarus, with insignificant total revenues (0.7% of Group revenues in 2021). These operations have been discontinued as of March 2022 and the Russian subsidiary is being liquidated. As a result, in 2022 Sogefi recorded impairment losses on assets held in Russia of Euro 0.8 million and an insignificant loss of revenue.

Sogefi, like the entire automotive sector, also suffered the indirect impacts of the war, and in particular the further rise in energy and raw material prices as well as the difficulties in procurement for some of them. These critical issues were only partially alleviated in the final part of the financial year 2022.

Impact of Covid-19 pandemic on operations

During 2022, the easing of the health emergency made it possible to reduce its effects on business; in fact, there were no suspensions of industrial and commercial activities, with the exception of lock-downs in certain areas of China. However, the problems continued because of staff absence from work due to contagion or contact with sick persons and the consequent operational inconveniences, despite the fact that the Sogefi Group maintained all provisions for health safety in the workplace aimed at reducing the risk of contagion.

Climate change and transition risks

The Sogefi Group has conducted an analysis of physical risks related to climate change, identifying an overall low level of risk at the majority of the Group's sites, with the exception of 7 sites out of a total of 35 for which an overall medium level of risk was identified, mainly related to extreme phenomena such as heat and water stress, heat waves and frost. These risk profiles do not require urgent action on the part of the Sogefi Group and do not suggest the need to recognise write-downs or impairment losses of fixed assets, but could lead to the emergence of operating costs that are currently considered immaterial.

As the Group operates in the automotive sector, it is also affected by the transition of the business from the predominant production and supply of components for internal combustion engines to electric motors. The evolution of the product range, necessitated by this transition, mainly affects the Filtration division, whose current range is mainly intended for internal combustion engines only. The Air and Cooling Division, based on its own know-how and technologies, has long since developed new products for electric platforms, and was already awarded the first contracts. Finally, the Suspension Division is only marginally affected by the technological transition currently taking place on engines.

The company has long taken into account the impacts of the transition and has oriented its investments accordingly.

OUTLOOK FOR OPERATIONS

Visibility on automotive market trends in 2023 remains reduced due to uncertainties related to the Russia-Ukraine conflict, the macroeconomic trend and the raw material prices, especially energy.

For 2023, S&P Global (IHS) expects a world car production growth of 3.6% compared to 2022, with Europe at +7.1%, NAFTA at +5.4%, South America at +4.9% and China at +1.1%.

As far as commodity prices are concerned, the upward trend for steel came to a halt in 2022, and in the latter part of the year the upward trend for resin and other commodities, as well as gas and electricity, also came to a halt, although high volatility remains. Also worth noting are the inflationary pressures on labour costs in some geographical areas.

In the absence of any serious deterioration in the geopolitical and macroeconomic scenario compared to the current one, the Sogefi Group for 2023 expects mid single-digit revenue growth and an operating result, excluding non-recurring charges, at least in line with that recorded in 2022.

MANAGEMENT OF THE MAIN BUSINESS RISKS

In a context characterised by market instability and a rapid evolution of business dynamics and regulations, careful and effective risk and opportunity identification and management is essential to i) support an informed decision-making process consistent with strategic goals and ii) ensure corporate sustainability and value creation in the medium-to-long term.

In this regard, as required by the Corporate Governance Code for listed companies of Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, adopted by the Company as well as by national and international best practices acknowledged in the market, as part of its Internal Control and Risk Management System ("SCIGR"), Sogefi adopted and implemented a structured and formalised ERM (*Enterprise Risk Management*) process as of 2012. The purpose of this ERM process is to i) identify, assess, manage and systematically monitor the main risks that could hinder the achievement of the Group's strategic and business goals, ii) as well as define appropriate information flows to ensure transparency and dissemination of information within the organisation.

In 2019, the Group set up a central function headed by a Group Chief Risk Officer ("CRO"), dedicated to risk management, thus confirming the growing commitment of the Company to the effective implementation of the integrated internal control and risk management system.

The ERM framework was consistently updated in order to further customise it to suit the needs of a growing Group, while maintaining continuity with the activities carried out in the past. In particular, on 25 February 2022, the Board of Directors updated the "Guidelines of the internal control and risk management system", which outline the governance model of the risk management system, identifying the persons concerned and assigning roles and responsibilities to them, and define the operating model including the analysis and reporting activities to be performed periodically and the tools and methods to support them.

In particular, the Board of Directors has identified the following persons/bodies concerned:

a) the Board of Directors, which plays a role in providing guidance and assessing 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, which is responsible for implementing and maintaining an effective risk management process;
c) the Control, Risk and Sustainability Committee (hereinafter "CCReS"), set up within the Board of Directors, with the task, among others, of supporting the Board's assessments and decisions relating to the SCIGR;
d) the Head of the Risk Management function, which is responsible for identifying risks, defining their possible impacts and developing mitigation measures;
e) the "risk owners" and the members of the management, in their role of persons responsible, each within their own sphere of competence and within the terms laid down by the corporate organisation, for identifying, managing and monitoring the risks inherent in the area of corporate operations they supervise;

f) the Head of the Internal Audit department, responsible for verifying that the SCIGR is functioning, adequate and consistent with the guidelines defined by the Board of Directors;
g) the Executive responsible for preparing corporate accounting documents, who is responsible for carrying out the tasks required by the regulations and the financial reporting control system;
h) the Supervisory Body pursuant to Article 6, par. 1, letter b) of Italian Legislative Decree no. 231/2001, which is organised in relation to the size, sector, complexity and risk profile of the company;
i) the Board of Auditors, which monitors the effectiveness of the SCIGR.

Risk identification and assessment provide the Board of Directors with a better understanding of the scenarios that could hinder the achievement of set goals and enable it to determine which actions should be taken to prevent, mitigate or manage the main exposures and their order of priority, taking in account the risk appetite.

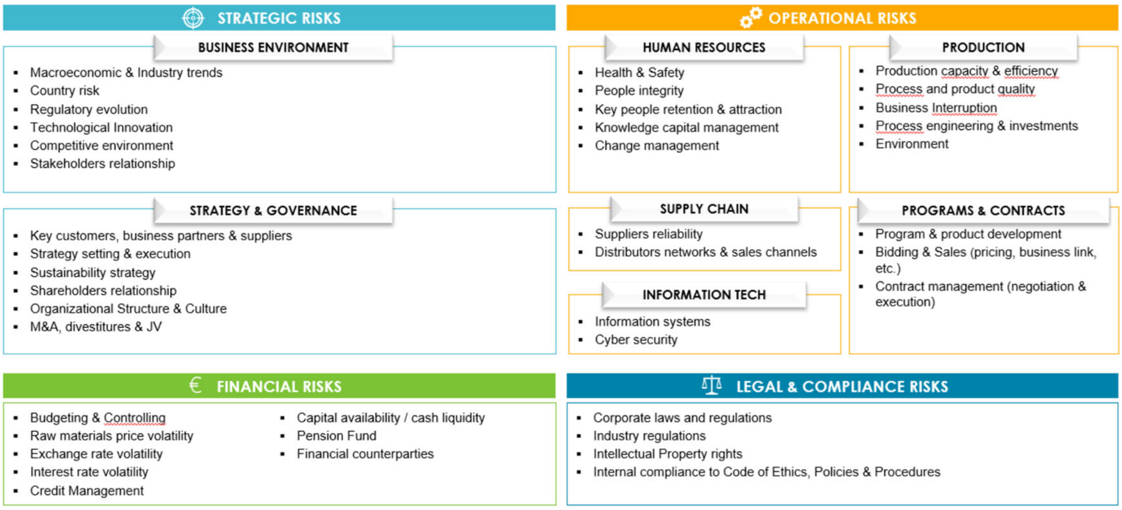
For more details on the characteristics and operation of the Internal Control and Risk Management System, please read the Annual Report on Corporate Governance available on the Company’s website.

The ERM framework aims to analyse and evaluate a wide portfolio of risks, which vary in nature and type, including all 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 in four main risk categories:

- **Strategic Risks**, relating to the external and business environment or governance strategies and decisions that can significantly affect the Group's performance and/or the achievement of the defined strategic objectives.
- **Operational Risks,** which can affect the effectiveness/efficiency of business processes, jeopardising the creation of value.
- **Financial Risks**, mainly related to exchange rates, interest rates, access to credit, liquidity, which may affect the results and 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 that may lead to legal disputes, financial losses and potential adverse effects on the Group’s reputation.

Further areas of main risk events to which the Group could potentially be exposed are identified within these risk categories as outlined below.



The ERM operating model requires that risk assessment activities be carried out on an annual basis by identifying, analysing and assessing priority risks for the Group, and possibly carrying out in-depth analyses on specific risk issues. Priority risks are managed by defining *ad hoc* action plans aimed at mitigating the risks, and their evolution is periodically monitored.

With regard to the method for assessing and documenting risks, in order to effectively measure and manage the risks identified, Sogefi carries out an assessment based on two main variables: the likelihood of the risk event occurring (probability) and the potential impact (financial/ reputational/operational/other) in the event of occurrence. The respective measures taken by Sogefi to mitigate the risk are included in this assessment.

The results of the ERM process are also used by the Internal Audit department to prepare its annual Audit Plan, in a risk-based approach that is in line with best practices, so that resources and activities can be allotted to those areas that are considered to be most critical and/or risky.

In light of the assessments carried out during 2022, the most significant risks were identified in relation to the reference sector, business and sustainability issues for which a periodic assessment of exposure and related mitigation actions is required. These risks are summarised below.

1. STRATEGIC RISKS

1.a. Risks related to the global context

In 2022, the economic and market environment was again characterised by great turbulence and uncertainty.

The market risks associated with the Covid-19 pandemic cannot yet be considered fully reabsorbed, although the impacts are not comparable with those in 2020. In 2022, there were still lock-downs in China, which affected production volumes and created critical issues in global supply chains and logistics. However, the impact on Sogefi's business was modest.

The Russia/Ukraine conflict generated multiple risks and impacts on the market, both direct and indirect. As for the direct impact caused by the loss of the Russian market due to the stop of operations there, for Sogefi it was insignificant since Sogefi's presence was limited to the marketing of products for the Independent Aftermarket, and leaving this business after the start of the conflict had only minor consequences. Indirect impacts were more significant, although difficult to measure: reduction in the production of light vehicles in the European car market, due to the stop of operations in Russia of some manufacturers and the disruption of supply chains and related production at several car manufacturers, further increases in the costs of energy, raw materials and logistics. The risks and impacts for Sogefi relating to the above phenomena are analysed below.

The year 2022 was also characterised by a sharp rise in inflation and a significant increase in interest rates. The operational and financial risks and impacts of both phenomena are analysed below.

1.b. Transition risks[2]

The Green Deal promoted by the EU calls for zero net greenhouse gas emissions by 2050 and -55% emissions by 2030.

In particular, the EU initiative "Fit for 55" defined CO2 emission reduction targets for cars and vans:
- -25% by 2025;
- -55% for cars and -50% for vans by 2030;
- -100% by 2035, i.e. a ban on the production of internal combustion vehicles (diesel or petrol) and hybrid vehicles after that date.

The regulatory framework is giving strong impetus to decarbonisation and, in this context, the impact for Sogefi is twofold: i) on its industrial processes; ii) on its product range, which will have to progressively target electric vehicles.

Regulations and laws are evolving and pushing towards rapid decarbonisation that implies operational changes in all sectors to reduce emission intensity with consequent impacts on reduced fossil fuel use and electricity costs.

[2] This risk is also relevant for sustainability purposes.

Compliance Risks

These are the risks associated with Sogefi's ability to meet its emission reduction and subsequent zero emission targets.

In this respect, Sogefi has drawn up a detailed annual roadmap that would allow it to achieve -30% emissions in 2026 compared to 2021, with constant volumes and industrial production mix, through: i) the installation of solar panels (with the progressive coverage of an additional plant per year), ii) actions to increase production efficiency and reduce energy consumption while keeping the same production output (-2% per year), iii) switching from gas to electricity/hydrogen when operationally possible and iv) progressive increase in the purchase of green energy.

In view of the above, the risk that Sogefi may not be able to comply with regulatory constraints in terms of decarbonisation is a risk whose impact would be theoretically high, but it is considered unlikely.

Risks related to the company's technological innovation

At a time of epochal technological transition, there is a risk i) that the company will lose competitiveness in the market due to the failure to develop new and/or innovative technologies required by the market, ii) and/or that the company will incur extra costs in the development phase, and/or iii) that competitors will introduce new disruptive products.

This risk particularly concerns the Filtration and Air & Cooling divisions, whose product range is set to evolve.

In order to reduce the risks associated with technological innovation, and to seize all the opportunities offered by the technological transition for an operator such as Sogefi, the Group has formulated a plan for the development of new e-mobility products, defining specific targets for said products for the three-year period 2023-2026 in terms of:

- sales of new electric vehicle products;
- value of orders for electric vehicle products;
- research and development expenditure on products for electric vehicles.

In addition, sales targets have also been defined by vehicle type for existing products, which are components suitable for all types of vehicles.

Given the above, the risks of a delay in product innovation or a lack of capacity to develop new products, risks that could have significant impacts on the long-term sustainability of the business, are considered unlikely.

2. OPERATIONAL RISKS

2.a. Risks related to human resources management[3]

In a multicultural and constantly changing environment, corporate competitiveness is also measured by the ability to identify and manage risks related to human resources, which is a topic to which Sogefi has always been committed. The main risks identified in this area are outlined below, which concern i) occupational health and safety, ii) resource attraction and retention, and iii) rising labour costs in a high inflation environment.

<u>*Occupational Health and Safety*</u>

Employee health and safety is a top priority for Sogefi: prevention and protection plans are continuously updated and implemented to protect employees.

With reference to the recent health crisis, Sogefi paid particular attention to the risks linked to Covid-19, with protocols in line with or exceeding the measures provided for by local regulations, and is in any case able to reactivate such protocols in the future, should the pandemic phenomenon resurge.

Therefore, although the phenomenon may reoccur, taking into account the mitigation measures adopted, the risk is considered on average relevant and well controlled.

<u>*Talent attraction, retention and professional development*</u>

The labour market situation, after the acute phase of the pandemic and the change in work patterns, was characterised by an increased turnover and a shortage of resources, in particular those with specialised and technological skills.

In this context, the risk for Sogefi may consist of insufficient coverage of the necessary technical skills and management positions in general, which could limit the Group's real ability to meet the technological and managerial challenges imposed by market evolution.

In order to reduce the risk of turnover and shortage of qualified personnel, Sogefi adopted the following management policies: i) a systematic and consistent personnel recruitment and development strategy; ii) identification of critical skills and talent in the Group; iii) a retention plan for relevant personnel and management personnel, as part of the annual global talent review process; iii) organisation of periodic training activities to develop and enhance managerial and technical skills; iv) brand promotion, in order to increase the Group's attractiveness as an employer.

This risk is considered significant because it is likely to occur and has a significant impact, and as such is carefully monitored and managed.

<u>*Labour cost inflation*</u>

---

[3] This risk is also relevant for sustainability purposes.

The high inflation recorded in the main countries of operation and the evolution of the labour market, as described above, give rise to i) the risk of an increase in personnel costs that could penalise the Group's competitiveness, or ii) the risk of excessive social conflict and/or loss of personnel.

The Group adopts all possible policies to mitigate the aforementioned risks, and in particular: i) constructive social dialogue to seek sustainable agreements; ii) careful management of remuneration policy for management and talent, also leveraging variable remuneration components linked to the achievement of targets; iii) plans and programmes to increase productivity.

On this basis, the risk is currently considered significant and therefore carefully monitored and managed.

2.b. Risks related to product reliability (i.e., quality and safety) [4]

For the Group, managing the risk associated with the possible production and marketing of products that do not comply with industry quality and safety standards, as well as with customer expectations, is a top priority.

Any issues referred to product defects and/or non-compliance with standards could actually result in recall campaigns which, although financially mitigated by the specific international insurance programmes in place, would have a negative effect on the relations with our customers and on Group's reputation.

Over the years, several effective risk prevention and mitigation measures have been implemented: i) the control of processes through regular gate reviews during both the development and production phases, in order to prevent the emergence of potential critical issues; ii) the application of the main national and international technical reference standards, in order to ensure the alignment of its production processes with industry best practices and guarantee the production of products of excellence; iii) ISO and IATF certifications (as of December 2022, 97% of the Group's production sites are IATF 16949:2016 or ISO9001:2015 certified for IAM products).

In view of the above, the risk as a whole is considered on average to be significant and well-controlled.

2.c. Risks of supply chain disruption

The efficiency of the production process of a group like Sogefi also depends on the efficiency of the supply chain: any sudden interruption of the supply chain, if prolonged, could have consequences on the continuity of the production process and lead to delays in the delivery of orders to customers, with economic and reputational impacts.

The pandemic crisis and the post-pandemic recovery phase, as well as the outbreak of the Russia/Ukraine conflict, strained the sustainability of the supply chain, with partial and/or temporary disruptions due to material and/or component shortages, and/or logistical

[4] This risk is also relevant for sustainability purposes.

difficulties. Over the last few months, however, the risks of this nature have clearly diminished.

Sogefi adopts procurement strategies that are attentive to managing the risks of supply chain disruption: i) avoiding, as far as possible, excessive concentration of the supplier portfolio (and in any case avoiding cases of one supplier only for any specific item); ii) carefully monitoring the operational and financial soundness of suppliers; iii) diversifying geographically; iv) favouring the localisation of suppliers in the production area, with a view to also containing logistics risks.

In view of the favourable development during the year, the risk of supply chain disruption is currently assessed as unlikely, but remains relevant and closely monitored.

2.d. Risks related to the modification or cancellation of projects

This is the risk of customers unilaterally deciding to change or cancel a programme. As for project cancellations, historically they have rarely occurred and we could make agreements with customers ensuring a fair compensation of Sogefi. The risk of cancellation or substantial modification of the project has become more likely due to the technological transition and the consequent initiation of relationships with new OEMs, with whom relationships must be consolidated.

Project cancellations, but also any substantial changes that are not properly managed, can have unfavourable economic impacts for Sogefi.

To mitigate the aforementioned risks, Sogefi has adopted the following main measures: i) in the case of new customers, careful assessment of the counterparty's soundness and projects, prior to entering into agreements; ii) development of partnership relations with new high-potential customers, in line with those established over time with traditional customers; iii) increased contractual protections; iv) more active monitoring of changes in projects/products, throughout the cycle.

In view of the above, the risk, although considered probable, is considered of medium significance.

2.e. Cyber risks[5]

Sogefi's business operations depend, continuously and increasingly, on the proper functioning of its computer and information systems.

The main risks that could adversely affect operations and systems are related to:
- cybercrime: global cyber attacks or specific attacks targeting group interests or, as a side effect, national interests;
- failure/breakdown incidents that could compromise the continuity of services of Sogefi's infrastructures and those of its partners and suppliers;
- non-compliance with IT standards or practices required by legislation or by third parties.

[5] This risk is also relevant for sustainability purposes.

The materialisation of these risks could have negative impacts i) of a financial nature, related to temporary suspension of the Group's operations of any kind, sanctions or increased insurance premiums, and ii) on the reputation and trust of third parties in the Group and its brands.

Cyber Security Risks

These are the risks associated with fraudulent and unauthorised access by third parties to IT systems: these attacks, which are becoming increasingly frequent, may aim to access sensitive data (strategic, product, service or personal), to steal or alter them, and to block services or even all the group's information systems, resulting in the loss and/or breach of sensitive and confidential data.

As far as the Group is concerned, the main IT security events in recent years have been phishing incidents without consequences.

In order to mitigate the risk, Sogefi adopted a global cyber security organisation throughout the company, so that cyber risks are properly and closely monitored.

From an operational point of view, cyber risks are monitored through:
- the implementation of security policies (e.g. information system security, cyber security management system, IT code of conduct);
- the translation of policies into operational procedures;
- the process of continuous improvement and refinement of security requirements according to the level of criticality of the applications and data managed;
- the implementation of an action plan, always evolving, based on a general security plan and annual risk mapping, in coordination with the Risk Manager.

Communication campaigns are periodically launched to increase the awareness of Group employees on security issues, sharing best practices to avoid a cyber attack, and assessments are carried out through a security risk assessment, in order to identify any need to strengthen the Group's IT systems, defining, if necessary, timely action plans.

The robustness of Sogefi's information security was recently tested through several audits performed by independent external bodies:
- Bureau Veritas in July 2022, which led to the Tisax certification (Tisax is an information security assessment -ISA- for the automotive sector at a European level, which is based on key aspects of information security such as data protection and connection to third parties);
- Marsh Cyber Self-Assessment for the renewal of our three-year global insurance programme "Liability Coverage";
- BlueVoyant (cyber security company) with a high score of 91/100 (low level of cyber risk).

All external audits concluded that the robustness and maturity of Sogefi's IT security management met the highest industry standards.

All in all, in view of the above, the risk is considered significant, but well controlled.

Risk of failure/disruption of information systems (not related to Cyber Security)

Computer systems include all types of hardware, including laptops, desktops, servers and other equipment such as LANs and other networks, as well as communication and connectivity devices.

Sogefi uses information and communication systems to manage its operations. As a result, most critical data, including financial, sales, customer and all operations data, are stored in computer systems.

Computer systems may be subject to different categories of risk:
- risk of system and communication network failure due to power fluctuations and lack of effective protection;
- hardware or LAN failure;
- loss of data due to inadequate backup procedures;
- poorly trained and unskilled IT staff, who lack sufficient knowledge.
- excessive dependence on the external supplier and its staff;
- inadequate use of antivirus for protection;
- location of computer systems in inappropriate environments that are not conducive to system performance.

In the face of such risks, Sogefi: i) continuously monitors them, and ii) implements business continuity and disaster recovery plans, centrally and at each site, to be able to respond to critical emergency situations, which are tested internally every year through different types of crisis scenarios and through external IATF and Tisax audits (Tisax certification was obtained in July 2022).

So, the risk is considered to be of medium significance and well controlled.

2.f. Physical risks related to climate change[6]

The intensification of phenomena related to climate change and its impacts on the main areas of the value chain (e.g., operations, suppliers, customers and markets), are some of the main challenges that companies will have to face in the short and medium-long term.

In this regard, the intensification of physical risks related to climate change is a further element that may affect the proper performance of the Group's business. The fast worsening of the climate situation affects the frequency of so-called acute phenomena (e.g., storms, floods, fires or heat waves, etc.) that can:
- have an impact on the well-being of employees and/or require a temporary interruption of production;
- generate production interruptions and/or increase operating costs for operation in adverse conditions;
- damage company assets, reduce their efficiency or increase prevention/maintenance costs
- generate interruptions in the supply chain;

[6] This risk is also relevant for sustainability purposes.

- increase insurance premiums.

In 2022, Sogefi requested to leading consultancy firm to analyse the physical risks of climate change. The analysis was conducted for each site, through geographical location, by means of an assessment with reference to 28 physical risks (compared to 3 in the previous year) and the probability of occurrence of climate change risks, using a broader set of assessment tools: IPCC WGI Interactive Atlas, Climate Impact Explorer, Aqueduct, Climate Knowledge Portal, World Environment Situation Room MapX.

Site-specific data were analysed with respect to each risk; risks were classified as acute (related to specific events) or chronic (long-term changes in the climate model) according to 4 main aspects (temperature, wind, water, solid mass) in order to assess the physical impacts of climate change at the local level for the following 5 years (2023-2028).

The assessment was carried out in 2 different scenarios:

- an "Optimistic" scenario (IPCC RCP 4.5), which considers effective climate change actions and a significant reduction in greenhouse gas emissions by 2040;
- a "Pessimistic" scenario (IPCC RCP 8.5), which considers conditions similar to today's (so-called "business as usual"/"no mitigation"), which means that emissions will increase compared to today (+2.6/4.8°C).

Each indicator, referring to the two reference scenarios considered, was assessed to identify the level of risk exposure according to this scale of values: Low (1), Medium (2), High (3).

For both scenarios, the result was as follows:

- 80% of Sogefi sites were assessed as "Low" risk;
- 20% (7) of Sogefi sites were assessed as "Medium" risk;
- no sites were assessed as "High" risk.

Sogefi took note of the 2022 physical analysis carried out by the external consultants and decided that:

- none of the Sogefi plants should be relocated or requires structural adaptation;
- only 4 specific risks (Chronic Heat Stress Risk, Acute Cold Wave Risk, Acute Heat Wave Risk, Chronic Water Stress Risk) are considered relevant and will be managed as operational production risks.

2.g. Risks of business interruption due to plant accidents

Within this category of risks, a significant risk is that of the occurrence of fires that could cause i) health and safety problems, ii) loss or damage to physical assets, with technological and financial implications, as well as iii) business disruptions, with logistical, commercial, reputational and financial impacts.

During 2022, in order to minimise these risks, the Group strengthened prevention by: i) analysing all the systems in the Suspension Division, ii) reinforcing protocols and drill activities, and iii) the remaining "technical" activities (including thermographic detection to identify "hot" spots and risk areas, engineering controls, the installation of equipment capable of detecting flammable/explosive atmospheres and interrupting the production process) in order to mitigate the risk of the event occurring.

In addition, "recovery plans" have been evaluated to ensure the continuity of production activities, while specific insurance policies are in place to cover the related financial risks, such as loss or damage to company assets and loss or damage resulting from the interruption of supplies to customers.

In view of the above, the risk as a whole is considered on average to be significant and well-controlled.

2.h. Contract Management

The Group maintains business relations with a multitude of counterparties and aims to constantly develop new ones, in different geographical areas and for different types of products. These relationships are governed by contracts lasting several years, which expose the company to risks of taking on commitments of a technical and financial nature that are not sustainable and/or that could potentially cause significant economic loss or damage to the company.

To this end, Sogefi has recently strengthened its control of the process, through a more stringent definition of its governance, with regard to the parties involved and responsible, and the checks required on the relevant aspects of the agreements (soundness of the counterparty and the project, adequate profitability, contractual commitments, evaluation of technical and economic risks).

In view of the above, the risk as a whole is considered on average to be significant and well-controlled.

3. FINANCIAL RISKS

3.a. Risks associated with fluctuations in commodity prices (raw materials and energy)

The creation of the Group's product portfolio requires the procurement of raw materials such as steel, plastic materials and aluminium - as well as components and semi-finished products containing them - whose costs are a significant portion of the production cost. The price of the raw materials is subject to – sometimes significant – fluctuations, which depend on a wide variety of factors, largely beyond Sogefi's control and hardly predictable, such as, for example, changes in demand levels, the introduction of new laws or regulations, fluctuating exchange rates.

Over the last two years, these prices underwent exceptional upward trends: the recovery in demand for raw materials after the acute phase of the pandemic led (already in 2021) to a sharp rise in the prices of some raw materials, transport and energy, which was further exacerbated by the Russia/Ukraine conflict. Since the second half of 2022 there has been a reversal of the trend, but prices remain mostly at extremely high levels compared to the pre-crisis period.

Unexpected increases of the price of raw materials can have negative effects on the Group's economic and financial position and equity situation.

In this unfavourable environment, Sogefi protected its margins through: i) intensified production cost optimisation activities, also resorting to new sources of procurement and i) the adjustment of sales prices to the evolution of raw material prices, reaching agreements with customers.

The overall risk decreased during the course of the year and is currently considered to be of medium significance and adequately monitored.

3.b. Foreign exchange risk

The Sogefi Group, operating internationally through foreign subsidiaries in various markets where the reference currency is different from the Euro, is exposed to the risk of potential significant fluctuations in exchange rates.

The risks associated with changes in exchange rates (in particular of the EURO to the USD, to South American and emerging market currencies) include:
- the translation exchange risk arising from the fact that Sogefi prepares its financial statements in Euro, yet holds controlling interests in companies that use functional currencies other than the Euro – as a result, any fluctuations in the exchange rates at which the financial statements of subsidiaries originally expressed in foreign currencies are converted could significantly affect both the Group's economic result and its consolidated shareholders' equity;
- the transaction exchange risk arising from the fact that the Group carries out frequent direct/indirect purchase and sale transactions in currencies other than the functional currency, and therefore exchange rate fluctuations could affect the actual cost/revenue ratio of the Company, for the portion that is not offset between purchases and sales.

To mitigate the exchange rate risk, Sogefi: i) monitors its exposure continuously, trying to offset same-currency sales and purchases and, for the remainder, ii) it uses financial instruments available on the market to hedge its exposure whenever possible.

In view of the actions taken, the risk is considered not significant, and at any rate it is closely monitored by the relevant Company departments.

4. LEGAL AND COMPLIANCE RISKS

4.a. Risks related to the violation of ethical principles[7]

Operating in more than 18 countries, with over 5,400 employees, and having a very large number of suppliers (over 1,500), there are potential risks associated with the violation of the ethical principles, with reference to relations with employees and within the context of commercial transactions, which, should they occur, could have significant reputational impacts and consequently compromise the Group's performance.

Sogefi pays particular attention to the risks set out below:

Compliance with Group policies and procedures

Sogefi has adopted the Group’s Code of Ethics, which clearly defines the values in which the Group believes and which are the starting point for achieving its targets. It establishes binding rules of conduct for directors, employees and other stakeholders who have an ongoing relationship with the Group. The Company also adopted an “Organization, Management and Control Model as per Italian Legislative Decree no. 231 of 8 June 2001” following the guidelines of the decree, with a view to ensuring conditions of fairness and transparency in the carrying on of the company's affairs and business activities. Finally, the Company has formulated a set of policies and procedures aimed at a wise and informed management, and subject to continuous updating, and promotes dedicated training programs.

Compliance with anti-corruption regulations

Sogefi has defined principles and rules of conduct to be followed in carrying out business activities, prohibited behaviours and controls to prevent the risk of corruption. The Company aims at continually improving the overall awareness of its employees in recognising corruption and any other type of fraud, and at proactively taking an active role in preventing, avoiding and reporting any possible violation of anti-corruption regulations. Furthermore, within the framework of the “Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231 of 8 June 2001” adopted by the Company, specific protocols have been defined to prevent any conduct that circumvents anti-corruption regulations.

Responsible sourcing

[7] This risk is also relevant for sustainability purposes.

Sogefi has also adopted policies for reducing the consumption of raw materials and promoting the use of renewable and recycled materials in its production processes, as well as for focusing on the selection of counterparties that comply with ethical, environmental, social and business integrity standards in line with Group standards.

The Internal Audit department regularly audits the effective implementation of Group policies and procedures, as well as high-level controls. The activity is carried out through the use of an Entity-level Checklist, prepared in agreement with the Sustainability Manager, taking into account the adequacy of existing local practices and their compliance with Group standards.

Finally, it should be noted that in 2022, no corruption incidents were identified internally, nor was the Company involved in any litigation related to corruption. Furthermore, there were no investigations by public authorities that resulted in significant exposure for the Group.

Thanks to the actions taken and the well-established internal control system in place, the risks related to the violation of ethical principles are considered not significant.

OTHER INFORMATION

RELATED PARTY TRANSACTIONS

The Company's Board of Directors has established a Related Party Transactions Committee and adopted the Procedure for Related Party Transactions (the "Procedure"), which establishes the principles of conduct and the rules adopted by Sogefi S.p.A. to ensure the transparency and substantive and procedural fairness of transactions with its related parties carried out by the Company directly or through its subsidiaries. The Procedure was last updated on 28 June 2021, subject to the favourable opinion of the Committee for Related Party Transactions, in order to incorporate the changes introduced by Consob Regulation no. 21624 of 10 December 2020 and has been in force since 1 July 2021.

The Procedure is available on the Company's website at www.sogefigroup.com, in the "Investor – Corporate Governance" section.

According to the Procedure, the Committee for Related Party Transactions, on the basis of information received from the Executive responsible for preparing corporate accounting documents, examines the report on:

i. individual Transactions of Greater Importance concluded during the financial year;
ii. any other Transaction with Related Parties, pursuant to article 2427, paragraph 1, of the Italian Civil Code, concluded in the financial year, which have had a significant impact on the Company's financial position or results;
iii. any modification or development of the Related Party Transactions described in the last annual report that had significant effects on the financial position or results of the companies during the financial year.

As a result of the analysis carried out, it should be noted that: (i) there were no Transactions of Greater Importance concluded during the year; (ii) there were no other Related Party Transactions, pursuant to article 2427, first paragraph, of the Italian Civil Code, concluded during the year, which had a material effect on the Company's financial position or results, (iii) there were no changes in, or developments relating to, the Related Party Transactions described in the previous annual report which had a material effect on the Company's financial position or results during the year.

Information on the most important economic transactions and balances with related parties is provided in the explanatory and supplementary notes to the consolidated financial statements, in the section entitled "Related Party Transactions", as well as in the explanatory and supplementary notes to the statutory financial statements.

Dealings between Group companies are conducted at arm's length, taking into account the quality and type of services rendered.

In accordance with Art. 2497-bis of Italian Civil Code, we point out that Sogefi S.p.A. is subject to management and coordination by its parent company CIR S.p.A.

CORPORATE GOVERNANCE

The "Annual Report on Corporate Governance" for 2021 was approved on 25 February 2022, at the meeting of the Board of Directors that was called to approve the draft financial statements for the year ended 31 December 2021, and is made available to Shareholders as provided for by the law. The Report will also be available on the Company's website (www.sogefigroup.com, in the "Investor – Corporate Governance" section).

The Report also contains the information prescribed by Art. 123-bis of Italian Financial Consolidated Law, including information on ownership structures and compliance with the code of conduct that the Company has adopted. The overall "Corporate Governance" framework of the Company is substantially in line with the principles and recommendations contained in the Corporate Governance Code for Listed Companies introduced, in its latest version, in January 2020, by the Corporate Governance Committee to which Company Associations, Borsa Italiana S.p.A. and Assogestioni belong.

As regards Italian Legislative Decree no. 231/2001, which brings domestic regulations on administrative liability of legal entities into line with the international conventions signed by Italy, in February 2003 the Board of Directors adopted a Code of Ethics for the Sogefi Group (as subsequently amended and integrated). The Code clearly defines the values that the Group believes in as the basis on which to achieve its objectives. It lays down rules of conduct which are binding on directors, employees and others who have ongoing relations with the Group.

On 26 February 2004 the Company also adopted an "Organization, Management and Control Model as per Italian Legislative Decree no. 231 of 8 June 2001" following the guidelines of the decree, with a view to ensuring conditions of fairness and transparency in the carrying on of the company's affairs and business activities. Said Organization, Management and Control Model was last updated on 23 October 2020.

A Supervisory Body was also set up with the task of monitoring the functioning, effectiveness and observance of the Model, as laid down in the decree.

CONSOLIDATED STATEMENT FOR THE DISCLOSURE OF NON-FINANCIAL INFORMATION (UNDER ITALIAN LEGISLATIVE DECREE NO. 254/2016)

Italian Legislative Decree no. 254/2016 (implementing Directive 2014/95/EU) introduced the obligation for companies/large groups to provide, together with the annual report on operations, a “Statement for the disclosure of non-financial information” or “DNF” (from the Italian name of the document) containing information on environmental, social, personnel-related, human rights issues and the fight against active and passive corruption.
These issues must be represented consistently with the principle of materiality, i.e. providing relevant information in relation to one's own business profile, strategies, stakeholder expectations and impact.

The Statement also describes:
(i) the business model of management and organisation of business activities;
(ii) the policies implemented, including those of due diligence;
(iii) the main risks, generated or suffered, arising from the company's activities, its products, business relationships and supply chains.

The aforementioned decree provided that the DNF can be presented in a separate Report from the Report on operations.

Moreover, Sogefi is included in the Consolidated statement for the disclosure of non-financial information of CIR S.p.A., the Group’s parent company that manages and coordinates the Issuer. However, it chose not to make use of the exemption provided for in art. 6, par. 2, letter a) of Legislative Decree No. 254/2016 and prepared its own Consolidated statement for the disclosure of non-financial information in compliance with the Decree, so as to guarantee the utmost transparency for the market and its stakeholders.

Accordingly, the Sogefi Group document “Consolidated statement for the disclosure of non-financial information” has been prepared in accordance with articles 3 and 4 of Legislative Decree 254/2016, in accordance with the standards defined by GRI – Global Reporting Initiative.

TREASURY SHARES

As at 31 December 2022, the Parent Company has 1,945,864 treasury shares in its portfolio (having a nominal value of Euro 0.52), corresponding to 1.62% of share capital. In 2022, treasury shares decreased after they were assigned to beneficiaries of stock-based compensation plans.

DECLARATIONS PURSUANT TO ARTICLES 15 AND 16 OF MARKET REGULATION (ADOPTED WITH CONSOB REGULATION NO. 20249 OF 28 DECEMBER 2017)

In accordance with the obligations set forth in article 2.6.2. of the Regulations of Borsa Italiana [Italian Stock Exchange], and with reference to the requirements referred to in articles 15 and 16 of Consob Resolution no. 20249 of 28 December 2017, it is hereby stated that there are no circumstances such as to prevent the listing of Sogefi stock on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. insofar as: Sogefi S.p.A. (the "Company") has obtained the articles of association and the composition and powers of the related control bodies from foreign subsidiaries based in countries that are not part of the European Union and are of material significance to the Company; the same foreign subsidiaries provide the Company's auditor with information necessary to perform annual and interim audits of Sogefi and use an administrative/accounting system appropriate for regular reporting to the Management and to the auditors of the Company of the income statement, balance and financial data necessary for the preparation of the consolidated financial statements.

Sogefi S.p.A. will also publish the financial statements of foreign subsidiaries (based in non-European countries and with material significance to the Company), prepared for the purpose of the consolidated financial statements as at 31 December 2022, in accordance with the procedures indicated in the Consob regulation.

In consideration of the fact that Sogefi is subject to policy guidance and coordination by its parent company CIR – Compagnie Industriali Riunite S.p.A., it is also hereby stated that there are no circumstances such as to prevent the listing of Sogefi stock on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. insofar as the Company has fulfilled its publication obligations pursuant to article 2497-*bis* of Italian Civil Code.

Sogefi has independent decision-making powers in relations with customers and suppliers, and does not hold a cash pooling system with CIR. The Company has a cash pooling system with its subsidiaries that satisfies the interest of the company. This situation enables the Group's finances to be centralised, thus reducing the need to utilise funding from banks, and therefore minimising financial expense.

The Company has set up the Control, Risk and Sustainability Committee, the Committee for Related Party Transactions and the Appointment and Remuneration Committee, all of which are currently composed exclusively of Independent Directors.

Lastly, it is hereby stated that the Company's Board of Directors comprised nine members, five of which are Independent Directors, and therefore a sufficient number to guarantee that their contribution has an adequate weight when taking board decisions.

EXEMPTION FROM THE OBLIGATION TO PUBLISH INFORMATION DOCUMENTS UNDER ARTICLE 70, PARAGRAPH 8 AND ARTICLE 71, PARAGRAPH 1-BIS OF THE RULES FOR ISSUERS

In relation to art. 70, paragraph 8 and art. 71, paragraph 1-bis of Consob Regulation no. 11971/99, the Board of Directors resolved to make use of the exemption from the obligation to publish the information documents required for significant transactions consisting in mergers, spin-offs, capital increases by means of the conferral of assets in kind, takeovers and transfers.

OTHER

SOGEFI S.p.A. has its registered office at Via Ciovassino 1/A, Milan (Italy) and its offices at 1, Avenue Claude Monet, Guyancourt (France).

The Sogefi stock has been listed on the Milan Stock Exchange since 1986 and has been traded on the STAR segment (now Euronext STAR Milan) since January 2004.

This report, which relates to the period 1 January to 31 December 2022, was approved by the Board of Directors on 24 February 2023.

MAJOR EVENTS OCCURRED AFTER YEAR-END

No significant events occurred after 31 December 2022 that could have had an impact on the income statement, balance sheet and financial data presented.

PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

The statutory financial statements as at 31 December 2022 that we submit for your approval show a net loss of Euro 58,705,949.42, which we propose to cover entirely using "Retained earnings".

Milan, 24 February 2023

For THE BOARD OF DIRECTORS
The Chief Executive Officer
Frédéric Sipahi

ANNEX: NOTES RECONCILING THE FINANCIAL STATEMENTS SHOWN IN THE REPORT ON OPERATIONS AND THE FINANCIAL STATEMENTS CONTAINED IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY'S STATUTORY FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IAS/IFRS

Notes relating to the Consolidated Financial Statements

(a) The heading agrees with the sum of the line items “Manufacturing and R&D overheads”, “Distribution and sales fixed expenses” and “Administrative and general expenses” of the Consolidated Income Statement;

(b) the heading agrees with the sum of the line items “Losses (gains) on disposal”, “Exchange (gains) losses” and “Other non-operating expenses (income)”, with the exception of the amount relating to write-downs of tangible and intangible fixed assets of the Consolidated Income Statement;

(c) the heading agrees with the sum of the line items “EBIT”, “Depreciation and Amortization” and the write-downs of tangible and intangible fixed assets included in the item “Other non-operating expenses (income)” of the Consolidated Income Statement;

(d) the heading agrees with the sum of the line items “Depreciation and amortization” and the write-downs of tangible and intangible fixed assets included in the item “Other non-operating expenses (income)” of the Consolidated Income Statement;

(e) the heading agrees with the sum of the line items “Net result”, “Non-controlling interests”, “Depreciation, amortization and writedowns”, “Accrued costs for stock-based incentive plans”, “Provisions for risks and restructuring” and “Post-retirement and other employee benefits” in the Consolidated Cash Flow Statement with the exception of the financial component relating to pension funds and the deferred taxes included in the item “Income taxes”;

(f) the heading is included in line item “Other medium/long-term assets/liabilities” in the Consolidated Cash Flow Statement;

(g) the heading agrees with the sum of the line items “Losses/(gains) on disposal of fixed assets and non-current assets held for sale”, “Cash receipts from the sale of property, plant and equipment and disposal of non-current assets held for sale” and “Cash receipts from the sale of intangible assets” in the Consolidated Cash Flow Statement;

(h) the heading agrees with the line items “Exchange differences” in the Consolidated Cash Flow Statement, excluding exchange differences on medium/long-term financial receivables and payables;

(i) these headings differ from those shown in the Consolidated Cash Flow Statement as they refer to the total net financial position and not just to cash and cash equivalents;

(l) the heading agrees with the sum of the line items “Inventories”, “Trade receivables”, “Other receivables”, “Current tax assets”, “Other assets” and “Assets held for sale” in the Consolidated Statement Of Financial Position;

(m) the heading agrees with the sum of the line items “Trade and other payables”, “Current tax liabilities”, “Other current liabilities” and “Liabilities directly related to assets held for sale” in the Consolidated Statement Of Financial Position;

(n) the heading agrees with the heading “Other financial assets available for sale” included in the line item “Other financial assets – non current” in the Consolidated Statement Of Financial Position;

(o) the heading agrees with the sum of the line items “Land”, “Property, plant and equipment”, “Other tangible fixed assets”, “Rights of use”, “Intangible assets”, “Other receivables” and “Deferred tax assets” in the Consolidated Statement Of Financial Position;

(p) the heading agrees with the sum of the line items “Current provisions”, “Non-current provisions” and “Deferred tax liabilities” in the Consolidated Statement of Financial Position;

(q) the heading agrees with the line item “Other payables” in the Consolidated Statement Of Financial Position;

(r) the heading agrees with the sum of the line items “Cash and cash equivalents”, “Other financial assets - current”, “Other financial assets - non current” (excluded the line “Other financial assets available for sale”), “Financial receivables – non-current”, “Bank overdrafts and short-term loans”, “Current portion of medium/long-term financial debts and other loans”, “Current financial payables for rights of use”, “Other short-term liabilities for derivative financial instruments”, “Non-current bank liabilities”, “Non-current portion of medium/long-term financial debts and other loans”, “Medium/long-term financial payables for rights of use” and “Other medium/long-term liabilities for derivative financial instruments” in the Consolidated Statement Of Financial Position;

Notes relating to the Parent Company's Statutory Financial Statements

(s) the heading agrees with the sum of the line items “Trade receivables”, “Other receivables”, “Current tax assets” and “Other assets” in the Statement of Financial Position of the Parent Company;

(t) the heading agrees with the sum of the line items “Trade and other payables” (“Debiti commerciali e altri debiti”), “Tax payables” (“Debiti per imposte”) and “Other short-term financial liabilities for derivative financial instruments” (“Altre passività finanziarie a breve termine per derivati”) in the Parent Company's statutory Statement Of Financial Position;

(u) the heading agrees with the line item “Equity investments in subsidiaries” (“Partecipazioni in società controllate”) in the Parent Company's statutory Statement Of Financial Position;

(v) the heading agrees with the sum of the line items “Investment property: Land”, “Investment property: Other property”, “Other tangible fixed assets”, “Rights of use”, “Intangible assets”, “Other receivables” and “Deferred tax assets” in the Statement Of Financial Position of the Parent Company;

(w) the heading agrees with the line item “Total other long-term liabilities” (“Totale altre passività a lungo termine”) in the Parent Company's statutory Statement Of Financial Position;

(x) the heading is included in line items “Net profit” (“Utile netto d’esercizio”), “Income taxes” (“Imposte sul reddito”), “Dividends” (“Dividendi”), “Net financial expenses” (“Oneri finanziari netti”), “Waiver of receivables from subsidiaries” (“Rinuncia crediti commerciali verso società controllate”), “Writedown/Writeup of equity investments in subsidiaries” (“Svalutazione/Rivalutazione partecipazioni in società controllate”), “Depreciation and amortization” (“Ammortamenti immobilizzazioni materiali e immateriali”), “Change in fair value of investment properties” (“Variazione fair value investimenti immobiliari”), “Accrued costs for stock-based incentive plans” (“Accantonamenti costi per piani di incentivazione basati su azioni”), “Exchange differences on private placement” (“Differenze cambio su private placement”), “Exchange differences on cross-currency swaps” (“Differenze cambio su Cross currency swap”), “Net change in provision for employment termination indemnities” (“Variazione netta fondo trattamento di fine rapporto”), “Current income taxes collected/(paid)” (“Imposte correnti sul reddito incassate/(pagate)), “Dividends collected” (“Dividendi incassati”) and “Net financial expenses paid” (“Oneri finanziari netti pagati”) of the Parent Company's statutory Cash Flow Statement;

(y) the heading is included in line items “Change in net working capital” (“Variazione del capitale circolante netto”), “Change in tax receivables/payables” (“Variazione dei crediti/debiti per imposte”), “Other medium/long-term assets/liabilities” (“Altre attività/passività a medio lungo termine”), “Current income taxes collected/(paid)” (“Imposte correnti sul reddito incassate/(pagate)”) and “Income taxes” (“Imposte sul reddito”) of the Parent Company's statutory Cash Flow Statement;

(z) the heading is included in the line “Other medium/long-term assets/liabilities” and “Accrued costs for stock-based incentive plans” in the Parent Company's Cash Flow Statement;

(aa) these headings differ from those shown in the Parent Company's statutory cash flow statement as they refer to the total net financial position and not just to cash and cash equivalents.

DEFINITION OF PERFORMANCE INDICATORS AND NET FINANCIAL DEBT

In accordance with recommendation CESR/05-178b published on 3 November 2005, the criteria used for constructing the main performance indicators deemed by the management to be useful for the purpose of monitoring Group performance are provided below.

EBITDA: EBITDA is calculated as the sum of “EBIT”, “Depreciation and Amortization” and the impairment losses of tangible and intangible fixed assets included in the item “Other non-operating expenses (income)”.

“Other non-operating expenses (income)” include amounts that do not relate to ordinary business activities such as:

- writedowns of tangible and intangible fixed assets
- imputed cost of Stock Grant plans
- accruals to provisions for legal disputes with employees and third parties
- product warranty costs
- strategic consulting services

Normalised EBITDA (used to calculate covenants): it is calculated by summing “EBITDA” and the following expenses and revenues arising from non-ordinary operations: “Restructuring costs” and “Losses (gains) on disposal”.

“Restructuring costs” include voluntary redundancy incentives for all employee categories (managers, clerical staff, blue collar workers) and costs relating to the shutdown of a plant or the discontinuation of individual business lines (personnel costs and related costs associated with shutdown).

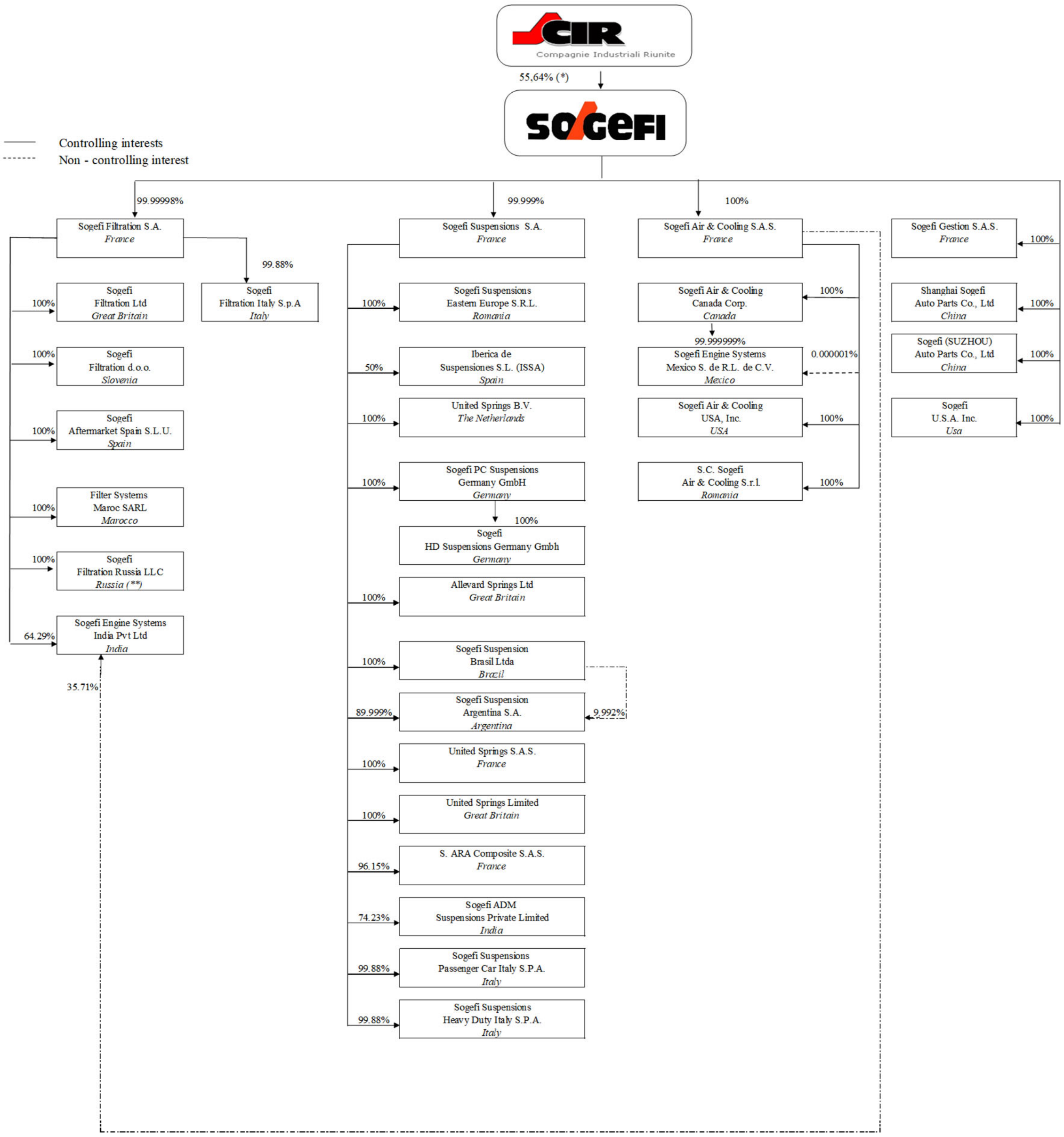
“Losses (gains) on disposal” include the difference between the net book value of sold assets and selling price.

“Net financial indebtedness” is calculated by adding up the following items from the Statement Of Financial Position: “Cash and cash equivalents”, “Other financial assets - current”, “Financial receivables – non-current”, “Other financial assets – non-current”, “Bank overdrafts and short-term loans”, “Current portion of medium/long-term financial debts and other loans”, “Current financial payables for rights of use”, “Other short-term liabilities for derivative financial instruments”, “Non-current bank liabilities”, “Non-current portion of medium/long-term financial debts and other loans”, “Medium/long-term financial payables for rights of use”, “Other medium/long-term liabilities for derivative financial instruments”.

As regards the Parent Company Sogefi S.p.A, the amount of “Net financial indebtedness” shown in the Report on Operations differs from the “Net financial indebtedness” shown in the table prepared in accordance with Consob Communication no. DEM/6064293 of 28 July 2006, as recalled by ESMA in Communication no. ESMA32-382-1138 of 4 March 2021, due to the amount of non-current intercompany financial receivables recognised in the item “Loans and financial receivables similar to loans - of which, from subsidiaries” in the Statement of Financial Position.

Please note that as at 31 December 2022 there were no non-recurring expenses as defined in Consob Communication DEM/6064293 of 28 July 2006.

SOGEFI GROUP STRUCTURE: CONSOLIDATED COMPANIES



(*) 56.55% of shares outstanding (excluding treasury shares).
(**) Subsidiary in liquidation

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)

ASSETS	*Note*	12.31.2022	12.31.2021
CURRENT ASSETS			
Cash and cash equivalents	*5*	118,488	120,927
Other financial assets	*6*	6,104	1,268
Inventories	*7*	129,725	111,917
Trade receivables	*8*	161,223	136,736
Other receivables	*8*	11,332	10,861
Tax receivables	*8*	29,038	25,589
Other assets	*8*	3,107	2,693
ASSETS HELD FOR SALE	*14*	-	-
CURRENT ASSETS		459,017	409,991
NON-CURRENT ASSETS			
Land	*9*	9,746	12,209
Property, plant and equipment	*9*	367,821	368,599
Other tangible fixed assets	*9*	6,253	4,730
Rights of use	*9*	65,830	67,449
Intangible assets	*10*	218,231	236,687
Other financial assets	*11*	2,999	46
Financial receivables	*12*	5,592	3,957
Other receivables	*12*	32,493	38,779
Deferred tax assets	*13*	31,806	36,276
TOTAL NON-CURRENT ASSETS		740,771	768,732
TOTAL ASSETS		1,199,788	1,178,723

The “Explanatory and supplementary notes to the consolidated financial statements” are an integral part of these consolidated financial statements.

LIABILITIES	*Note*	12.31.2022	12.31.2021
CURRENT LIABILITIES			
Bank overdrafts and short-term loans	*15*	1,894	1,998
Current portion of medium/long-term financial debts and other loans	*15*	69,102	86,874
Short-term financial debts for rights of use	*15*	13,677	17,147
Other short-term liabilities for derivative financial instruments	*15*	17	45
Trade and other payables	*16*	347,564	317,630
Tax payables	*16*	4,688	4,783
Other current liabilities	*17*	40,095	33,447
Current provisions	*18*	10,146	16,727
LIABILITIES RELATED TO ASSETS HELD FOR SALE	*14*	-	-
TOTAL CURRENT LIABILITIES		487,183	478,651
NON-CURRENT LIABILITIES			
Financial debts to bank	*15*	233,423	219,016
Non current portion of medium/long-term financial debts and other loans	*15*	52,349	74,235
Medium/long-term financial debts for rights of use	*15*	57,543	54,440
Other medium/long-term financial liabilities for derivative financial instruments	*15*	-	-
Non-current provisions	*18*	33,708	56,283
Other payables	*18*	64,363	65,826
Deferred tax liabilities	*13*	23,731	25,288
TOTAL NON-CURRENT LIABILITIES		465,117	495,088
SHAREHOLDERS' EQUITY			
Share capital	*19*	62,461	62,461
Reserves and retained earnings (accumulated losses)	*19*	138,643	123,275
Group net result for the year	*19*	29,562	1,951
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY		230,666	187,687
Non-controlling interests	*19*	16,822	17,297
TOTAL SHAREHOLDERS' EQUITY		247,488	204,984
TOTAL LIABILITIES AND EQUITY		1,199,788	1,178,723

The “Explanatory and supplementary notes to the consolidated financial statements” are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)

	Note	2022		2021	
		Amount	*%*	*Amount*	*%*
Sales revenues	*21*	1,552,096	100.0	1,320,637	100.0
Variable cost of sales	*22*	1,126,982	72.6	916,916	69.4
CONTRIBUTION MARGIN		425,114	27.4	403,721	30.6
Manufacturing and R&D overheads	*23*	120,340	7.7	114,931	8.7
Depreciation and amortization	*24*	117,452	7.6	115,557	8.8
Distribution and sales fixed expenses	*25*	31,344	2.0	29,872	2.3
Administrative and general expenses	*26*	71,479	4.6	70,555	5.3
Restructuring costs	*28*	8,133	0.5	7,056	0.5
Losses (gains) on disposal	*29*	(588)	-	(4)	-
Exchange (gains) losses	*30*	1,115	0.1	(2,516)	(0.2)
Other non-operating expenses (income)	*31*	7,518	0.5	9,897	0.8
EBIT		68,321	4.4	58,373	4.4
Financial expenses	*32*	23,002	1.5	20,655	1.5
Financial (Income)	*32*	(4,217)	(0.3)	(2,894)	(0.2)
Losses (gains) from equity investments	*33*	(10)	-	(1,523)	(0.1)
RESULT BEFORE TAXES		49,546	3.2	42,135	3.2
Income taxes	*34*	18,353	1.2	13,516	1.0
NET INCOME (LOSS) OF OPERATING ACTIVITIES		31,193	2.0	28,619	2.2
Net income (loss) from discontinued operations, net of tax effects	*35*	-	-	(24,490)	(1.9)
NET RESULT INCLUDING THIRD PARTY		31,193	2.0	4,129	0.3
Loss (income) attributable to non-controlling interests		(1,631)	(0.1)	(2,178)	(0.2)
GROUP NET RESULT		29,562	1.9	1,951	0.1
Earnings per share (EPS) (Euro):	*37*				
Basic		0.250		0.017	
Diluted		0.250		0.017	

The "Explanatory and supplementary notes to the consolidated financial statements" are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)

	Note	2022	2021
Net result before non-controlling interests		31,193	4,129
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
- Actuarial gain (loss)	*19*	9,588	19,049
- Tax on items that will not be reclassified to profit or loss	*19*	(1,784)	(2,068)
Total items that will not be reclassified to profit or loss		*7,804*	*16,981*
Items that may be reclassified to profit or loss			
- Profit (loss) booked to cash flow hedging reserve	*19*	6,200	1,829
- Tax on items that may be reclassified to profit or loss	*19*	(1,488)	(439)
- Profit (loss) booked to translation reserve	*19*	(5,644)	29,037
Total items that may be reclassified to profit or loss		*(932)*	*30,427*
Other Comprehensive Income		*6,872*	*47,408*
Total comprehensive result for the period		38,065	51,537
Attributable to:			
- Shareholders of the Holding Company		36,474	49,265
- Non-controlling interests		1,591	2,272

The "Explanatory and supplementary notes to the consolidated financial statements" are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Euro)	2022	2021
Cash flows from operating activities		
Net result	29,562	1,951
Adjustments:		
- non-controlling interests	1,631	2,178
- depreciation, amortization and writedowns	126,360	135,018
- expenses recognised for share-based incentive plans	286	8
- exchange rate differences on private placement	897	2,234
- provision in income statement of fair value derivatives in cash flow hedge	(897)	(2,234)
- losses/(gains) on disposal of fixed assets and non-current assets held for sale	(586)	(4)
- losses/(gains) on sale of equity investments in associates and joint ventures	(10)	-
- provisions for risks, restructuring and deferred taxes	(10,848)	(6,480)
- post-retirement and other employee benefits	(9,746)	(6,416)
- Net financial expenses	18,785	17,761
- income tax	18,353	13,516
- change in net working capital	(7,755)	(16,032)
- other medium/long-term assets/liabilities	8,961	27,271
CASH FLOWS FROM OPERATING ACTIVITIES	174,993	168,771
Interest paid	(17,235)	(14,346)
Income tax paid	(22,872)	(12,767)
NET CASH FLOWS FROM OPERATING ACTIVITIES	134,886	141,658
INVESTING ACTIVITIES		
Interest received	5,628	3,464
Net financial position of entities acquired / sold during the year	-	(4,406)
Purchase of property, plant and equipment	(80,661)	(90,323)
Purchase of intangible assets	(18,097)	(19,400)
Net change in other securities	(3,169)	-
Sale of subsidiaries (net of cash and cash equivalents) and associates	10	-
Sale of property, plant and equipment and business held for sale	7,509	21,049
Sale of intangible assets	-	27
NET CASH FLOWS FROM INVESTING ACTIVITIES	(88,780)	(89,589)
FINANCING ACTIVITIES		
Capital increase in subsidiaries from third parties	-	-
Net change in capital	-	-
Dividends paid to Holding Company shareholders and non-controlling interests	(2,067)	(3,012)
New (repayment of) bonds	(22,005)	(120,888)
New (repayment of) long-term loans	(4,481)	(1,686)
New (repayment of) finance leases	(1,682)	(1,456)
New (repayment of) finance leases IFRS16	(12,480)	(12,998)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(42,715)	(140,040)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	3,391	(87,971)
Balance at the beginning of the period	118,929	206,443
Exchange differences	(5,726)	457
BALANCE AT THE END OF THE PERIOD (*)	116,594	118,929

(*) The heading agrees with the sum of the line items “Cash and cash equivalents” under current assets and “Bank overdrafts and other short-term loans” under current liabilities.

The “Explanatory and supplementary notes to the consolidated financial statements” are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in thousands of Euro)

	Attributable to the shareholders of the parent company														*Third*	*Total*
	Share capital	*Share premium reserve*	*Reserve for treasury shares*	*Treasury shares*	*Legal reserve*	*Share-based incentive plans reserve*	*Translation reserve*	*Cash flow hedging reserve*	*Actuarial gain/loss reserve*	*Tax on items booked in Other Comprehensive Income*	*Other reserves*	*Retained earnings*	*Net result for the period*	*Total*		
Balance at December 31, 2020	*62,461*	*19,042*	*4,847*	*(4,847)*	*12,640*	*1,097*	*(74,708)*	*(2,762)*	*(56,001)*	*15,440*	*12,201*	*179,562*	*(35,131)*	*133,841*	*16,413*	*150,254*
Allocation of 2020 net profit:																
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12)	(12)
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	(35,131)	35,131	-	-	-
Recognition of share-based incentive plans	-	-	-	-	-	8	-	-	-	-	-	-	-	8	-	8
Other changes	-	247	(247)	247	-	(292)	-	-	-	-	-	4,618	-	4,573	(1,376)	3,197
Comprehensive result for the period																
Fair value cash flow hedging instruments	-	-	-	-	-	-	-	1,829	-	-	-	-	-	1,829	-	1,829
Actuarial gain (loss)	-	-	-	-	-	-	-	-	19,049	-	-	-	-	19,049	-	19,049
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	(2,507)	-	-	-	(2,507)	-	(2,507)
Currency translation differences	-	-	-	-	-	-	28,943	-	-	-	-	-	-	28,943	94	29,037
Result for the period	-	-	-	-	-	-	-	-	-	-	-	-	1,951	1,951	2,178	4,129
Total Comprehensive result for the period	-	-	-	-	-	-	*28,943*	*1,829*	*19,049*	*(2,507)*	-	-	*1,951*	*49,265*	*2,272*	*51,537*
Balance at December 31, 2021	*62,461*	*19,289*	*4,600*	*(4,600)*	*12,640*	*813*	*(45,765)*	*(933)*	*(36,952)*	*12,933*	*12,201*	*149,049*	*1,951*	*187,687*	*17,297*	*204,984*
Allocation of 2021 net profit:																
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,067)	(2,067)
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	1,951	(1,951)	-	-	-
Recognition of share-based incentive plans	-	-	-	-	-	286	-	-	-	-	-	-	-	286	-	286
Other changes	-	156	(156)	156	-	(121)	-	-	-	-	-	6,184	-	6,219	1	6,220
Comprehensive result for the period																
Fair value cash flow hedging instruments	-	-	-	-	-	-	-	6,200	-	-	-	-	-	6,200	-	6,200
Actuarial gain (loss)	-	-	-	-	-	-	-	-	9,588	-	-	-	-	9,588	-	9,588
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	(3,272)	-	-	-	(3,272)	-	(3,272)
Currency translation differences	-	-	-	-	-	-	(5,604)	-	-	-	-	-	-	(5,604)	(40)	(5,644)
Result for the period	-	-	-	-	-	-	-	-	-	-	-	-	29,562	29,562	1,631	31,193
Total Comprehensive result for the period	-	-	-	-	-	-	*(5,604)*	*6,200*	*9,588*	*(3,272)*	-	-	*29,562*	*36,474*	*1,591*	*38,065*
Balance at December 31, 2022	*62,461*	*19,445*	*4,444*	*(4,444)*	*12,640*	*978*	*(51,369)*	*5,267*	*(27,364)*	*9,661*	*12,201*	*157,184*	*29,562*	*230,666*	*16,822*	*247,488*

The “Explanatory and supplementary notes to the consolidated financial statements” are an integral part of these consolidated financial statements.

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CONTENTS

A) GENERAL ASPECTS

SOGEFI is an Italian Group that is market leader in the field of components for motor vehicles, specializing in engine and cabin filtration systems, air intake and engine cooling systems, and suspension components.
SOGEFI is present in 4 continents and 18 countries, with 35 production sites, 7 R&D centres and 12 sales offices. It is a multinational group and a partner of the world's largest motor vehicle manufacturers.

The Parent Company Sogefi S.p.A., registered with the Company Register of Milan - Monza - Brianza - Lodi (Italy), has its registered office in Via Ciovassino No. 1/A, Milan, Italy, and its operating headquarters in 1, Avenue Claude Monet, Guyancourt (France).
The Sogefi stock has been listed on the Milan Stock Exchange, organised and managed by Borsa Italiana S.p.A. since 1986 and has been traded on the STAR segment since January 2004.
The Parent Company, Sogefi S.p.A., is subject to management and coordination of its parent company CIR – Compagnie Industriali Riunite S.p.A..

1. CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements at 31 December 2022 have been prepared in accordance with article 154-*ter* of Italian Legislative Decree no. 58/1998 and have been drawn up in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as with the measures issued in implementation of article 9 of Italian Legislative Decree no. 38/2005.
These financial statements have been prepared in accordance with Consob resolution no. 11971/1999 as subsequently amended, in particular by resolutions no. 14990 of 14 April 2005 and no. 15519 of 27 July 2006, and include the consolidated accounting schedules of the Group and explanatory and supplementary notes, prepared according to the IFRS international accounting standards issued by the IASB (International Accounting Standards Board) and endorsed by the European Union. IFRS means all the "International Financial Reporting Standards" (IFRS), all the "International Accounting Standards" (IAS) and all the interpretations of the "International Financial Reporting Interpretations Committee" (IFRS IC, formerly IFRIC), previously named the "Standing Interpretations Committee" (SIC).
It is specifically reported that the IFRS have been applied in a consistent manner to all the periods presented in this document, with the specifications indicated below for newly applied standards.

The financial statements have been prepared on the basis of the conventional historical cost principle, except for the measurement of certain financial assets and liabilities, including derivatives instruments, where the application of the fair value principle is mandatory.

The financial statements used for consolidation purposes are those prepared by the Boards of Directors for approval by the shareholders of the individual companies or specific accounting statements prepared for consolidation purposes that have been duly reclassified and adjusted to comply with International Financial Reporting Standards (IAS/IFRS), and Group accounting policies.

The directors of Sogefi S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulation (EU) 2019/815 on regulatory technical standards relating to the specification of the European Single Electronic Format (ESEF) (hereinafter the “Delegated Regulation”) to the consolidated financial statements, which are included in the annual financial report.

The consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation and are authorised for publication by a resolution of the Board of Directors passed on 24 February 2023. These financial statements will be submitted for approval to the shareholders' meeting of Sogefi S.p.A. on 21 April 2023.

1.1 Format of the consolidated financial statements

As regards to the format of the consolidated financial statements, the Company has opted to present the following types of accounting statements:

Consolidated Statement of Financial Position
The Consolidated Statement of Financial Position is presented in two sections, showing assets on one side and liabilities and equity on the other.
Assets and liabilities are in turn shown in the consolidated financial statements on the basis of their classification as current or non-current.

An asset/liability is classified as current when it satisfies one of the following criteria:

- it is expected to be realised/settled or it is expected to be sold or consumed in the normal cycle of operations, or
- it is held primarily for the purpose of trading, or
- it is expected to be realised/settled within twelve months after the reporting period.

If none of the above conditions are met, the assets/liabilities are classified as non-current.

Finally, liabilities are classified as current when the entity does not have unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Consolidated Income Statement
Costs shown in the Consolidated Income Statement are aggregated by function, while also making a distinction between fixed and variable costs.

The Income Statement also provides the following intermediate aggregates in order to give a clearer understanding of the typical results of normal manufacturing activities, the financial side of the business and the impact of taxation:

- Contribution margin;
- EBIT (earnings before interest and tax);
- Result before taxes;
- Profit (loss) from operations;
- Net result before non-controlling interests;

- Profit (loss) of the Group

Consolidated Statement of Other Comprehensive Income
The Consolidated Statement of Other Comprehensive Income includes all the changes occurring in Other comprehensive income of the year, generated by transactions other than those conducted with shareholders and in compliance with specific IAS/IFRS accounting principles.
The Group has chosen to present these changes in a separate table to the Consolidated Income Statement.
The changes in Other comprehensive income are shown before the related tax effect with the aggregate amount of the income taxes on said variations being recognised in a single item. Those components that may or may not be reclassified to Consolidated Income Statement at a later time are listed separately in the table.

Consolidated Cash Flow Statement
A Consolidated Cash Flow Statement split by area of formation of the various types of cash flow as indicated in international accounting standards is included.
The Consolidated Cash Flow Statement has been prepared using the indirect method.
Please note that in this cash flow statement, the change in working capital may not coincide with the difference between the opening and closing statement of financial position figures because of exchange differences: in fact, cash flows generated are converted using the average exchange rate for the year, while the difference between the opening and closing consolidated statement of financial position figures in Euro may be influenced by changes in exchange rates at the beginning and end of the year, which have little to do with the generation or absorption of cash flow within working capital. The exchange differences generated by opening and closing statements of financial position are booked to “Exchange differences”.
Cash flows arising from the collection and payment of interest are classified as operating cash flows. Dividends paid are classified as cash flows from financing activities.

Consolidated Statement of Changes in Equity
A Consolidated Statement of Changes in Equity is included as required by international accounting standards, showing separately the net result for the period and any change that was not charged through the Income Statement, but directly to the consolidated Other comprehensive income on the basis of specific IAS/IFRS, as well as transactions with shareholders in their role as shareholders.

1.2 Content of the consolidated financial statements

The Consolidated Financial Statements as at 31 December 2022 include the Parent Company Sogefi S.p.A. and the directly or indirectly controlled subsidiaries.
Section H of these notes gives a list of the companies included in the scope of consolidation and the percentages held.

These financial statements are presented in Euro and all figures are rounded up or down to the nearest thousand Euro, unless otherwise indicated.
The consolidated financial statements (prepared on a line-by-line basis) include the financial statements of Sogefi S.p.A., the Parent Company, and of all the Italian and foreign companies under its direct or indirect control, which is normally identified as control over the majority of the voting rights.

During the year the following change occurred in the scope of consolidation:

- sale of the equity investment in Afico Filters S.A.E. (17.77% stake) measured using the cost method and fully written down at the end of the previous financial year. The sale of the equity investment resulted in a capital gain of Euro 10 thousand, which was recorded under the item "Losses (gains) from equity investments" in the consolidated income statement.

It should also be noted that in September, the liquidation process of the subsidiary Sogefi Filtration Russia Llc was started, and will be completed in 2023.

1.3 Group composition

As required by IFRS 12, Group composition as at 31 December 2022 and 31 December 2021 was as follows:

Business Unit	*Region*	*Wholly-owned subsidiaries*	
		December 31, 2022	December 31, 2021
Air&Cooling	Canada	1	1
	France	1	1
	Mexico (*)	1	1
	Romania	1	1
	China (*)	2	2
	USA	1	1
Filtration	Italy	1	1
	France	1	1
	Great Britain	1	1
	Spain	1	1
	Slovenia	1	1
	USA (**)	1	1
	India	1	1
	Russia (***)	1	1
	Morocco	1	1
Suspensions	France	2	2
	Italy	2	2
	Great Britain	2	2
	Germany	2	2
	The Netherlands	1	1
	Romania	1	1
	Brazil	1	1
	Argentina	1	1
Sofegi Gestion S.A.S.	France	1	1
TOTAL		29	29

(*) This subsidiary works also for Suspensions business unit.
(**) This subsidiary works also for Air&Cooling business unit.
(***) This subsidiary is in liquidation

Business Unit	*Region*	*Non-wholly-owned subsidiaries*	
		December 31, 2022	December 31, 2021
Suspensions	France	1	1
	Spain	1	1
	India	1	1
TOTAL		3	3

2. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

The main accounting principles and standards applied in preparation of the consolidated financial statements and of the Group aggregate financial disclosures are set forth below.

Going concern

These consolidated financial statements have been prepared in accordance to the going concern assumption, as the Directors have verified the non-existence of financial, performance or other indicators that could give rise to doubts as to the Company's ability to meet its obligations in the foreseeable future.

In this regard, it should be noted that the financial year 2022 was characterised by a sudden and substantial rise in inflation (driven by the increase in energy and commodity prices in general), rising interest rates and the direct and indirect impacts of the Russia-Ukraine conflict. Despite the uncertainty of the macroeconomic environment, the Group's results were positive and clearly improved compared to the year 2021, thanks to the activities implemented by the Group to optimise its production costs, also by resorting to new sources of supply, and to adjust sales prices to cost trends. In particular:

- revenues grew by 17.5% compared to 2021;
- EBIT was equal to Euro 68.3 million (4.4% of revenues), representing a 17% increase compared to Euro 58.4 million in 2021 (4.4% of revenues);
- business generated a positive free cash flow of Euro 29.3 million (Euro 32.4 million in 2021);
- Net debt (pre IFRS16) decreased to Euro 224.3 million as of 31 December 2022, compared to Euro 258.2 million as of 31 December 2021.

The 2023 Budget and the 2023-2026 Strategic Plan, approved by the Board of Directors on 16 December 2022 and 20 January 2023 respectively, stress how the measures to protect margins and limit fixed costs provided therein would make it possible to protect the company's profitability and its financial balance.

The plan shows the sustainability of the debt over the period considered and that the loan agreement conditions, with special regard to the covenants, were complied with at 31 December 2022 and compliance was expected, based on projections, at the subsequent maturities.

The risks and uncertainties relating to the business are described in the dedicated sections in the Report on Operations. A description of how the Group manages financial risks, including liquidity and capital risk, is provided in note 38 "Financial instruments and financial risk management".

2.1 Consolidation principles

The financial statements as at 31 December 2022 of the companies included in the scope of consolidation, prepared in accordance with Group accounting policies with reference to IFRS, have been used for consolidation purposes.
The scope of consolidation includes subsidiaries, joint ventures and associates.

All the companies over which the Group has the direct or indirect power to determine the relevant activities (i.e., the financial and operating policies) – in other words, those companies that determine the highest exposure to variable returns – are considered subsidiaries. Specifically, 50% owned company Iberica de Suspensiones S.L. is treated as a subsidiary because the Group controls the majority of votes of the Board of Directors, which is the corporate body tasked with deciding on the entity's relevant activities.
The assets, liabilities, costs and revenues of the individual consolidated companies are fully consolidated on a line-by-line basis, regardless of the percentage owned, while the carrying value of consolidated investments held by the Parent Company and other consolidated companies is eliminated against the related share of equity.
All intercompany balances and transactions, including unrealised profits deriving from transactions between consolidated companies, are eliminated. Unrealised losses are eliminated, except when a loss represents an impairment indicator to be recognised in the Income Statement.

The financial statements of the subsidiaries are drawn up using the currency of the primary economic environment in which they operate (“functional currency”). The consolidated financial statements are presented in Euro, the functional currency of the Parent Company and hence the currency of presentation of the consolidated financial statements of the Sogefi Group.
The procedures for translation of the financial statements expressed in foreign currency other than the Euro are the following:

- the items of the Consolidated Statement of Financial Position are translated into Euro at the year-end exchange rates;
- the Income Statement items are translated into Euro using the year’s average exchange rates;
- differences arising from the translation of equity's opening balance with year-end exchange rates are recorded in the translation reserve account, together with any difference between the net result of income statement and statement of financial position;
- whenever a subsidiary with a different functional currency from Euro is disposed of, any exchange difference included in line item Other comprehensive income is reclassified to the Income Statement;
- dividends paid by companies that use functional currencies other than the Euro are converted at the average exchange rate of the previous year for the company that pays the dividend and at the current exchange rate for the company that receives the dividend; exchange differences between the two amounts are recorded to the translation reserve account.

The following exchange rates have been used for translation purposes:

	2022		2021	
	Average	*12.31*	*Average*	*12.31*
US dollar	1.0539	1.0666	1.1835	1.1326
Pound sterling	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

A joint venture is an entity for which strategic financial and operating decisions concerning the relevant activities of the company are made with the unanimous approval of the controlling parties.
An associate company is an entity in which the Group is able to exert a significant influence, but without being able to control its relevant activities.
Investments in joint ventures and associates are consolidated applying the equity method, which means that the results of operations of associates and any changes in line item Other comprehensive income of the joint ventures and associates are reflected in the consolidated Income Statement and in Consolidated Statement of Other Comprehensive Income. If the carrying value exceeds the recoverable amount, the carrying value of the investment in the joint venture or in the associate company is adjusted by booking the related loss to the Income Statement.

2.2 Business combinations

Business combinations are recognised under the acquisition method. According to this method, the consideration transferred to a business combination is measured at fair value calculated as the aggregate of the acquisition-date fair value of the assets transferred and liabilities assumed by the Company and of the equity instruments issued in exchange for the control of the acquired entity.
On the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair value; the following items represent exception to the above and are valued according to their reference principle:
- deferred tax assets and liabilities;
- assets and liabilities relating to employee benefits;
- liabilities or equity instruments relating to share-based payments of the acquired entity or share-based payments relating to the Group, issued as a replacement of contracts of the acquired entity;
- assets held for sale and discontinued assets and liabilities.

Goodwill is measured as the surplus between the sum of the consideration transferred to the business combination, the value of non-controlling interests and the fair value of previously-held equity interest in the acquiree with respect to the fair value of the net assets transferred and liabilities assumed as at the acquisition-date. If the fair value of the net assets transferred and liabilities assumed as at the acquisition-date exceeds the sum of

the consideration transferred, the value of non-controlling interests and the fair value of the previously-held equity interest in the acquiree, said surplus is immediately booked to the Income Statement as gain resulting from said transaction.
The share of non-controlling interests as at the acquisition-date may be measured at fair value or as a proportion of the fair value of net assets in the acquiree. The measurement method adopted is decided on a transaction-by-transaction basis.

2.3 Accounting policies

The following accounting policies have been applied in the consolidated financial statements as at 31 December 2022.

Cash and cash equivalents

Cash and cash equivalents are those held to meet short-term cash needs, rather than for investment or other purposes. For an investment to be considered as cash or cash equivalent, it must be able to be readily converted into a known amount of cash and must be subject to an insignificant risk of change in value.

Inventories

Inventories are stated at the lower of purchase or manufacturing cost, determined on a weighted average cost basis, and realisable value based on market trends, net of variable selling costs.
Manufacturing cost includes raw materials and all direct or indirect production-related expenses. Financial expenses are excluded. Obsolete and slow-moving inventories are written down according to their realisable value.

Receivables included in current assets

Receivables are initially recognised at fair value of the consideration to be received, which usually corresponds to the nominal value shown on the invoice, adjusted (if necessary) to their estimated realisable value by making provision for doubtful accounts. Subsequently, receivables are measured at amortised cost, which generally corresponds to their nominal value.
The recoverability of receivables is assessed on the basis of expected credit losses. Expected losses are based on the difference between the contractually due cash flows and the cash flows the group expects to receive over the life of the receivable. The Group has defined a system based on historical information of prospective elements, with reference to specific types of debtors, as a tool for determining expected losses.
Receivables assigned through without-recourse factoring transactions after which the related risks and benefits are definitively transferred to the assignee are derecognised from the statement of financial position at the time of transfer. Receivables assigned through recourse factoring transactions are not derecognised.

Property, plant and equipment and other tangible fixed assets

They mainly relate to industrial sites. Assets are shown at historical cost, net of accumulated depreciation and accumulated impairment losses.

Cost includes related charges, together with the portion of direct and indirect expenses reasonably attributable to individual assets.

They are depreciated each month on a straight-line basis using rates that reflect the technical and economic remaining lives of the related assets.

The depreciable value is the cost of an asset less its residual value, where the residual value of an asset is the estimated value that the entity could receive currently from its disposal, if the asset was already in the condition expected at the end of its useful life net of estimated disposal costs.
Depreciation is calculated from the month that the asset becomes available for use, or when it is potentially able to provide the economic benefits expected of it.

The annual average depreciation/amortisation rates applied are as follows:

	%
Land	n.a.
Industrial buildings and light constructions	2.5-12.5
Plant and machinery	7-14
Industrial and commercial equipment	10-25
Other assets	10-33.3
Tooling	25
Assets under construction	n.a.

Land, assets under construction and payments on account are not depreciated.

Ordinary maintenance costs are charged to the Income Statement.
Maintenance costs that increase the value, functions or useful life of fixed assets are recorded directly as the increase in the value of the assets to which they refer and depreciated over their residual useful lives.
Gains or losses on the disposal of assets are calculated as the difference between the sales proceeds and the net book value of the asset and are charged to the Income Statement for the period.

Grants are shown in the Statement of Financial Position as an adjustment of the book value of the asset concerned. Grants are then recognised as income over the useful life of the asset by effectively reducing the depreciation charge each year.

Rights of use

The standard IFRS 16 provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to differentiate between lease and service agreements according to: asset identification, right to replacement of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.
The standard introduces a single lessee accounting model for recognising and evaluating lease agreements, which provides for the underlying asset to be recognised in assets and counterbalanced by a financial liability. Lessees may elect to not recognise agreements for low-value assets or with a term of up to 12 months as leases.

The Group recognises right of use assets that do not meet the definition of investment property under item “rights of use” and lease liabilities are booked to item “financial payables for rights of use” in the statement of financial position.
On the effective date of the lease agreement, the Group recognises the right of use asset and the lease liability. The right of use asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses, and adjusted to reflect the revaluation of the lease liability.
The Group measures the lease liability at the present value of payments due for lease agreements not paid on the effective date, discounted at the marginal borrowing rate. The lease liability is subsequently adjusted by adding accrued interest and subtracting the lease payments made, and is revalued in the event of changes in future lease payments due to a changing index or rate, in the event the amount that the Group expects to pay as a guarantee on the residual value changes, or when the Group changes its valuation for the reporting period or in the event of a call, extension or termination option.

Intangible assets

An intangible asset is only recognised if it is identifiable and verifiable, it is probable that it will generate economic benefits in the future and its cost can be measured reliably.
Intangible assets with a finite life are valued at purchase or production cost, net of amortization and accumulated impairment losses.

The annual average depreciation/amortisation rates applied are as follows:

	%
Development costs	20-33.3
Industrial patents and intellectual property rights, concessions, licences, trademarks	10-33.3
Customer relation	5
Trade name	5
Software	20-50
Other	20-33.3
Goodwill	n.a.
Assets under construction	n.a.

Amortization is based on the asset’s estimated useful life and begins when it is available for use.

Research and development expenses
Research expenses are charged to the income statement as incurred in accordance with IAS 38.
Development expenses relating to specific projects are capitalised when their future benefit is considered reasonably certain by virtue of a customer’s commitment; they are then amortised over the entire period of future profits expected to be earned by the project in question.
The capitalised value of the various projects is reviewed annually - or more frequently if there are particular reasons for doing so - analysing its recoverable amount to assess if there have been any impairment losses.

Trademarks and licences
Trademarks and licences are valued at cost, less amortization and accumulated impairment losses. The cost is amortised over the shorter of the contract term and the finite useful life of the asset.

Customer Relations
Customer relations represent the value of the Systèmes Moteurs Group's customer portfolio at the acquisition date as determined during the Purchase Price Allocation process.

Brand name
Brand name represents the value of the “Systèmes Moteurs” brand name at the acquisition date as determined during the Purchase Price Allocation process.

Software
The costs of software licences, including related charges, are capitalised and shown in the financial statements net of amortization and any accumulated impairment losses.
It should be pointed out that a multi-year project was launched in 2011 to implement a new integrated IT system across the Group. Relating costs are capitalised by Parent Company Sogefi S.p.A., that will licence the intellectual property rights on the IT system for use by the subsidiaries involved in the implementation process receiving the payment of royalty fees. The useful life of the fixed asset is estimated at 10 years and amortization begins when implementation at each individual company is completed.

Goodwill
Goodwill resulting from business combinations is initially recognised at cost as at the acquisition-date, as detailed in the paragraph above entitled “Business combinations”. Goodwill is not amortised but is tested annually for impairment, or more frequently if specific events or changed circumstances indicate a potential loss in value. Unlike other intangible assets, reversal of an impairment loss is not allowed for goodwill.
For impairment test purposes, goodwill was allocated to each of the Cash Generating Units (CGU) due to benefit from the acquisition.
The Sogefi Group currently encompasses five CGUs: Filtration (previously named “Engine Systems – Fluid Filters”), Air &Cooling (previously named “Engine Systems – Air and Cooling”), Car Suspension, Industrial Vehicles Suspension and Precision Springs.
The goodwill currently on the books only concerns the CGUs Filtration, Air &Cooling and Car Suspension.

Impairment losses of tangible and intangible fixed assets

If there are indications of possible losses in value, tangible and intangible fixed assets are subjected to impairment test, estimating the asset's recoverable amount and comparing it with its net book value. If the recoverable amount is less than the book value, the latter is reduced accordingly. This reduction constitutes an impairment loss, which is booked to the income statement.
For goodwill and any other intangible fixed assets with indefinite useful life, an impairment test is carried out at least once a year.

With the exception of goodwill, if a previous writedown is no longer justified, a new recoverable amount is estimated, providing it is not higher than what the carrying value would have been if the writedown had never been made. This reversal is also booked to the Income Statement.

Equity investments in other companies and other securities

Equity investments in entities other than subsidiaries, joint ventures and associates are classified as financial assets available for sale which are measured at fair value, except in situations where the market price or fair value cannot be reliably determined. In this case the cost method is used.
Gains and losses deriving from fair value adjustments are booked to a specific item in Other comprehensive income. In the case of objective evidence that an asset suffered an impairment loss or it is sold, the gains and losses previously recognised under Other Comprehensive Income are reclassified to the Income Statement.
For a more complete discussion of the principles regarding financial assets, reference should be made to the note specifically prepared on this matter (paragraph 3 "Financial assets").

Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups consisting of assets and liabilities are classified as held for sale when it is highly probable that their book value will be recovered mainly through a sale transaction rather than through their continued use and the business or group being disposed of is available for immediate sale in its current condition.
The assets or the disposal group are usually stated at the lower of book value and fair value net of selling costs. Any impairment loss of a disposal group is allocated first to goodwill and then proportionally to the remaining assets and liabilities, with the exception of inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be valued in accordance with other Group accounting policies. Impairment losses arising from the initial classification of an asset as held for sale and subsequent valuation differences are recognised in the profit or loss for the period.
Once classified as held for sale, intangible assets and property, plant and equipment cease to be amortised and equity investments recognised using the equity method are no longer recorded using that method.
Non-current assets and groups being disposed of classified as held for sale are considered "discontinued operations" if, alternatively:
(i) they represent a significant independent line of business or a significant geographical area of business;
(ii) they are part of a plan to divest a significant stand-alone line of business or a significant geographic area of business; or
(iii) they relate to a subsidiary acquired solely for the purpose of its sale.
The results of discontinued operations, as well as any gain/loss realised on disposal, are shown separately in the income statement in a separate item, net of related tax effects, also for the periods considered for comparison.

Loans

Loans are initially recognised at cost, represented by the fair value received, net of related loan origination charges.
After initial recognition, loans are measured at amortised cost by applying the effective interest rate method.
The amortised cost is calculated taking account of issuing costs and any discount or premium envisaged at the time of settlement.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to exchange and interest rate risks. Embedded derivatives are separated from their host contracts and accounted for separately when the related host contract is not a financial asset and when certain criteria are met.
Derivative financial instruments are initially measured at fair value. After initial recognition, derivatives are measured at fair value and any changes are usually recognised in the profit or loss for the year.
The Group designates certain derivatives as hedging instruments to hedge variability in cash flows arising from highly probable forecast transactions connected with fluctuating exchange and interest rates, and certain derivatives and non-derivative financial liabilities as hedges of the exchange risk for a net investment in a foreign operation.
At the beginning of the designated hedging relationship, the Group documents its risk management objectives and hedging strategy, as well as the economic relationship between hedged item and hedging instrument and whether it is expected that changes in the cash flows of the hedged item and hedging instrument will offset each other.

Cash flow hedging
When a derivative financial instrument is designated as a hedge of the exposure to the variability of cash flows, the effective portion of the changes in the fair value of the derivative is reported as a component of Other Comprehensive Income and presented in the cash flow hedging reserve. The effective portion of the changes in the fair value of the derivative that is recognised in Other Comprehensive Income is limited to the change in fair value of the hedged item (at present value) accumulated since the beginning of the hedge. The ineffective portion of the changes in the fair value of the derivative is taken immediately to profit or loss for the year.
In a hedging relationship, the Group designates only the fair value change of the spot element of the forward contract as a hedging instrument in a cash flow hedging relationship. The fair value change of the forward element of the forward foreign exchange contract (swap points) is accounted for separately as costs of hedging and recognised in Shareholders' equity, in the costs of hedging reserve.

If a planned hedged transaction entails the subsequent recognition of a non-financial asset or liability, such as inventories, the amount accrued in the cash flow hedging and costs of hedging reserves is included directly in the initial cost of the asset or liability at recognition.
For all other hedged planned transactions, the amount must be reclassified from the cash flow hedging and costs of hedging reserves to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss for the period.

If the hedge no longer meets the eligibility criteria, upon reaching maturity date or if the hedge is sold or exercised, hedge accounting is discontinued prospectively. When hedge accounting is discontinued for cash flow hedges, the amount accrued in the cash flow hedging reserve is left in Shareholders' equity until (a) if the hedge is for a transaction that entails the recognition of a non-financial asset or liability, it is included in the cost of the non-financial asset or liability at initial recognition, or (b) for other cash flow hedges, it is reclassified to profit or loss for the period in the same period or periods during which the hedged expected future cash flows affect the profit or loss for the period.
If no hedged cash flows are expected, the amount must be reclassified immediately from the cash flow hedging and costs for hedging reserves to profit or loss for the year.

Net investment hedges
When a derivative instrument or a non-derivative financial liability is designated as hedge to hedge a net investment in a foreign operation, the effective portion of the fair value change of derivatives or the foreign exchange gains or losses of non-derivatives are recognised as components of Other Comprehensive Income and posted in Shareholders' equity in the translation reserve. The non-effective portion is taken immediately to profit or loss for the year. The amount recorded as a component of Other Comprehensive Income is reclassified to profit or loss for the year as a reclassification adjustment upon disposal of the foreign operation.

Trade and other payables

Payables are initially recognised at fair value of the consideration to be paid and subsequently at amortised cost, which generally corresponds to their nominal value.

Provisions for risks and charges, contingent liabilities and contingent assets

Provisions for risks and charges are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
On the other hand, no provision is made in the case of risks for which there is only a possibility that a liability may arise (contingent liabilities). In this case, the risk is disclosed in the notes on commitments and risks without making any provision.
Provisions relating to corporate reorganizations are only set aside once they have been approved and raised a valid expectation to the parties involved.
A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised unless the receipt of the related benefits is virtually certain. Where the receipt of benefits is probable, contingent assets are disclosed in the section “Contingent Assets/Liabilities”.

Post-retirement and similar employee benefits

Group employees have defined-benefit and/or defined-contribution pension plans, depending on the conditions and local practices of the countries in which the group operates.

The Group's responsibility is to finance the pension funds for the defined-benefit plans (including the employment termination indemnities currently applicable in Italy) and the annual cost recognised in the Income Statement are calculated on the basis of actuarial valuations that use the projected unit credit method.

The liability relating to benefits to be recognised on termination of employment recorded in the Consolidated Statement of Financial Position represents the present value of the defined-benefit obligation, less the fair value of the plan assets. Any net assets determined are recognised at the lowest of their value and the present value of available repayments and reductions of future contribution to the plan.

The Group recognises actuarial gains and losses and books them to "Other comprehensive income" immediately, so that the full net amount of the provisions for the defined benefits (net of plan assets) is recognised in the Consolidated Statement of Financial Position. Any changes in the defined benefit provision and plan assets over the previous period must be subdivided into three components: the cost components of work performed during the reporting period must be recognised in the Income Statement as service costs; net interest costs calculated by applying the appropriate discount rate to the opening balance of defined benefit provision net of assets must be booked to Income Statement as net financial expenses and the actuarial gains and losses resulting from the remeasurement of assets and liabilities must be booked to "Other comprehensive income". In addition, the return on assets included in net financial expenses must be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets. The difference between actual return on plan assets and the return calculated as described above is booked to "Other comprehensive income".

In the event of an amendment to the plan that changes the benefits relating to past service or in the event of the application of a new plan relating to past service, the costs relating to past service are booked to the Income Statement (under service costs). In the event of an amendment to the plan that significantly reduces the number of employees involved in the plan or that changes the clauses of the plan in such a way that a significant part of future service due to employees will no longer accrue the same benefits or will accrue them but to a lesser extent, the profit or loss relating to said reduction is immediately booked to the Income Statement (under service costs).

All of the costs and income resulting from the measurement of funds for pension plans are booked to the Income Statement by functional area of destination, with the exception of the financial component relating to non-financed defined-benefit plans, which is included in Financial expenses.

The costs relating to defined-contribution plans are booked to the Income Statement when incurred.

Other long-term benefits

Other long-term employee benefits relate to the French subsidiaries and include "Jubilee or other long-service benefits" that are not expected to be paid fully within the twelve months following the end of the reporting period during which the employee has rendered service for those benefits.

The valuation of other long-term benefits usually does not present the same degree of uncertainty as post-employment benefits. This is why IAS 19 requires a simplified method of accounting for such benefits. Unlike the accounting method required for post-employment benefits, this method (which requires actuarial valuation) does not require discounting effects to be taken to Other comprehensive income.

Stock-based incentive plans
With regard to "Stock-based incentive plans" (Stock Grants), as envisaged by IFRS 2, the Group calculates the fair value of the option at the granting date, booking it to the Income Statement as a cost over the vesting period of the benefit. The *ad hoc* equity reserve in the Consolidated Statement of Financial Position has been increased. This imputed cost is measured by specialists with the help of suitable economic and actuarial models.

Deferred taxation

Deferred taxes are calculated on the taxable/deductible temporary differences between the book value of assets and liabilities and their tax bases, and classified under non-current assets and liabilities.
Deferred tax assets are accounted for only to the extent that it is probable that sufficient taxable profits will be available in the future against which they can be utilised.
The carrying amount of the deferred tax assets shown in the financial statements is subject to an annual review.
Deferred tax assets and liabilities are calculated at the tax rates expected to apply in the period when the differences reverse under the law of the countries in which the Group operates, considering current rates and those enacted or substantially enacted at the end of the reporting period.
Deferred tax liabilities are calculated on taxable temporary differences relating to equity investments in subsidiaries, associates and joint ventures, except where the Company can control the reversal of such temporary differences and it is probable that they will not reverse in the foreseeable future.
Current and deferred taxes are recognised in the income statement, except for those relating to items directly charged or credited to Other comprehensive income or other equity items, in which case tax effect is recognised directly under Other comprehensive income or equity.

Participation in CIR's group tax filing system (applicable to Italian companies)

In the year 2022, the Parent Company Sogefi S.p.A. and its subsidiary Sogefi Filtration Italy S.p.A. renewed their participation in the CIR Group tax filing system for the three-year period 2022-2024. In 2020, the subsidiaries Sogefi Suspensions Heavy Duty Italy S.p.A. and Sogefi Suspensions Passenger Car Italy S.p.A. renewed their adhesion to CIR Group tax filing system for the three-year period 2020-2022.
Each company joining to the group Italian tax filing system transfers its tax profit or loss to the parent company. The parent company recognises a credit corresponding to the IRES (Italian tax on company income) that companies have to pay (debit for the transferor company). On the contrary, for companies that booked tax losses, the parent company recognises a debt corresponding to the IRES for the part of loss actually offset at group level (credit for the transferee company). In connection with the Group tax filing system, those companies that record non-deductible net financial expenses may use the excess tax benefits available for offset of other Group companies (thus making such expenses deductible) for a consideration. Such consideration, in an amount proportionate to the resulting tax benefit and applicable to excess tax benefits arising in Italy only, has been

paid to the parent company CIR and is treated as expense for those companies that obtain the excess tax benefit and as revenue for those that transfer it.

Treasury shares

Treasury shares are deducted from equity. The original cost of treasury shares and the profit/loss resulting from their subsequent sales are recognised as changes in equity.

Revenues recognition

IFRS 15 entered into force on 1 January 2018 and provides for a revenue recognition model, which is applicable to all agreements made with customers, with the exception of those falling under the scope of application of other IAS/IFRS standards, such as leases, insurance contracts and financial instruments.
The main steps for revenue recognition according to the new model are:
- identifying the agreement in place with the customer;
- identifying the performance obligations under the agreement;
- defining the transaction price;
- price allocation to the performance obligations under the agreement;
- revenue recognition criteria when the entity satisfies each performance obligation.

Supply of "tooling" and "prototypes" does not meet the requirements to be identified as a separate performance obligation, so related revenues will be recognised on the same duration as the performance obligation identified by the supply of goods.
Revenues from services rendered are recognised at the time the services are provided.

Income Statement Overview

Variable cost of sales
This represents the cost of goods sold. It includes the cost of raw and ancillary materials and goods for resale, as well as variable manufacturing and distribution costs, including the direct labour cost of production.

Manufacturing and R&D overheads
This category includes manufacturing overheads such as indirect labour cost of production, maintenance costs, consumable materials, building rents, and industrial equipment involved in production.
Also included are all R&D overheads, net of any development costs that are capitalised because of their future benefits and excluding amortization which is booked to a separate item in the Consolidated Income Statement.

Distribution and sales fixed expenses
These are costs that are essentially insensitive to changes in sales volumes, relating to personnel, promotion and advertising, external warehousing, rentals and other sales and distribution activities. This category, therefore, includes all fixed costs identified as being incurred after finished products have been stocked in the warehouse and directly related to their sale and distribution.

Administrative and general expenses
This category includes fixed labour costs, telephone expenses, legal and tax consulting fees, rents and rentals, cleaning, security and other general expenses.

Restructuring costs and other non-operating expenses/income
These are figures that do not relate to the Group's normal business activities or refer to non-ordinary activities and are expressly disclosed in the notes if they are of a significant amount.

Operating grants

These are credited to the Consolidated Income Statement when there is a reasonable certainty that the company will meet the conditions for obtaining the grant and that the grants will therefore be received.

Financial income and expenses

Interest income and expenses are recognised in the Consolidated Income Statement as financial income/expense following their assessment on an accrual basis.

Dividends

Dividend income is recorded when the right to receive it arises. This is normally at the time of the shareholders' resolution that approves distribution of the dividends.

Dividends to be distributed are recognised as a payable to shareholders immediately after they have been approved.

Current taxes

Current taxes are booked on the basis of a realistic estimate of taxable income calculated according to current tax legislation in the country concerned, taking account of any exemptions and tax credits that may be due.

Earnings per share (EPS)

Basic EPS is calculated by dividing net result for the period attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, net of treasury shares.

Diluted EPS is obtained by adjusting the weighted average number of shares outstanding to take account of all potential ordinary shares that could have a dilutive effect.

Translation of foreign currency items

Functional currency
The functional currency of the Parent Company is the Euro and this is the presentation currency in which the consolidated financial statements are prepared and published.

Group companies prepare their financial statements in their own functional currency; these financial statements are then translated into euros (EUR) for the purpose of preparing the consolidated financial statements.

Accounting for foreign currency transactions
Foreign currency transactions are initially translated at the exchange rate ruling on the transaction date.
At the end of the reporting period, monetary assets and liabilities expressed in foreign currency are retranslated at the period-end exchange rate.
Non-monetary foreign currency items valued at historical cost are translated at the exchange rate ruling on the transaction date.
Non-monetary items carried at fair value are translated at the exchange rate ruling on the date this value was determined.

IAS 29 - Financial reporting in hyperinflationary economies

The financial statements of the consolidated Argentine companies were prepared at 31 December 2022 in the functional currency taking into account the effects of the application of IAS 29 “Financial Reporting in Hyperinflationary Economies”, so as to present the operating result and the statement of financial position reflecting purchasing power at the end of the period under consideration.
IAS 29 adoption was required starting with periods ending after 30 June 2018.

This standard does not establish an absolute inflation rate above which hyperinflation is deemed to occur. Under the IFRS, the need to restate the financial statements must be evaluated. Conditions that may indicate hyperinflation exists include:

a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Local currency held is immediately invested to maintain purchasing power;
b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
d) interest rates, wages and prices are linked to a price index; and
e) the cumulative inflation rate over three years approaches or exceeds 100%.

Accordingly, the financial statements of the consolidated Argentine companies for the period ending 30 June 2018 and subsequent periods were prepared by applying IAS 29 because the cumulative inflation rate in Argentina over the last three years (2020-2022) amounts to approximately 182%.

Non-monetary amounts in the statement of financial position are restated by applying the change in the general price index occurred from the date of recognition in the financial statements to the end of the period. Monetary amounts are not restated because they are expressed in the unit of measurement current at the end of the period. All items in the Income Statement are expressed in terms of the unit of measurement current at the end of the period, applying the change in the general price index occurred since revenue and expense were initially recognised in the financial statements.

The following items of the income statement and non-monetary items were restated as a result of the application of this standard: “Tangible fixed assets”, “Intangible fixed assets”, “Inventories”, “Deferred tax liabilities”, “Tooling contract liabilities” (liabilities recognised as a result of adopting IFRS 15).

Critical estimates and assumptions

Various estimates and assumptions regarding the future have to be made when preparing financial statements. They are the best estimates possible at the end of the reporting period. Given their nature, they could lead to a material difference in statement of financial position items in future years.

The main items affected by these estimates are as follows:

- goodwill (Euro 121.6 million) – impairment test: for the purpose of determining the value in use of the Cash Generating Units, the Group took into account the trends expected for 2023 as determined based on the budget and the forecasts included in the 2023-2026 strategic plan for the following years (adjusted to eliminate any estimated benefits from future projects and reorganisations). For the Filtering CGU the explicit period was extended beyond 2026 to take into account the technological transition to electric vehicles. The 2023 budget, the 2023-2026 strategic plan and extended forecast for the Filtration CGU were approved by the Board of Directors on 16 December 2022, 20 January 2023 and 24 February 2023, respectively. The impairment test, based on such forecasts with reference to the Car Suspension CGU, led to impairment losses of Euro 5,041 thousand;
- pension plans (Euro 20.5 million, of which Euro 26.6 million recognised to liabilities and Euro 6.1 million to assets): included in “Non-current provisions” and in “Other non-current receivables”: actuarial consultants who offer their consulting services to the Group use different statistic assumptions in order to anticipate future events for the purpose of estimating pension plan expenses, liabilities and assets. Such assumptions concern discount rate, future wage inflation rates, mortality and turnover rates;
- recoverability of deferred tax assets on tax losses (Euro 7.3 million compared to Euro 5 million in the previous year) recognised to “Deferred tax assets”: as at 31 December 2022, deferred tax assets on tax losses incurred during the current and previous years were accounted for to the extent that it is probable that taxable income will be available in the future against which they can be utilised. Such probability is also determined based on the fact that such losses have originated mainly under extraordinary circumstances that are unlikely to occur again in the future and that the same could be recovered throughout an unlimited or long-term time frame;
- derivatives (Euro 8.4 million in assets; Euro 0 million in liabilities) recognised to “Other current financial assets”, “Non-current financial receivables”, and “Other short-term liabilities for derivative financial instruments”: the fair value of derivatives (relating to interest and exchange rates) was estimated with the aid of external consultants based on valuation models commonly used in the industry, in line with the requirements of IFRS 13 (calculation of DVA - debit valuation adjustment).

Below are the most relevant impacts on climate change, the Russia-Ukraine conflict and the macroeconomic environment, as requested by ESMA in the document “European common enforcement priorities for 2022 annual financial reports” of 28 October 2022:

Impacts of climate change

As specified in the Report on Operations, section "Management of the risks", the Group identified two risks associated with climate change:

- physical risk: the Group assessed the physical risk exposure of all its plants. A low risk was identified for 80% of the plants, while a medium risk was identified for only 20% of the plants (7 plants), mainly related to extreme phenomena such as heat and water stress, heat waves and cold waves/frost. These risk profiles do not require urgent action on the part of the Sogefi Group and do not suggest the need to recognise write-downs or impairment losses of fixed assets, but could lead to the emergence of operating costs that are currently considered immaterial;

- risks related to technological innovation are, on the other hand, considered significant and are linked to the conversion plans to electric mobility of several jurisdictions, primarily the European Union and the United States. In this regard, the Group has prepared a plan for the development of new products (included in the 2023-2026 strategic Plan approved by the Board of Directors on 20 January 2023), defining specific targets for increasing investments in Research and Development on e-mobility products (a new E-mobility Tech Centre was set up in Eastern France), as well as targets for the development of related sales. The Group then considered the resilience of the various businesses to the transition to electric mobility also in the medium to long term (i.e. for the period after 2026). With specific reference to the Filtration business unit, the progressive decline in sales of internal combustion engines in Europe and the US was taken into account, extending the cash flow estimate beyond the explicit period of 2026. In particular, the Group estimated the evolution of the CGU's turnover up to the year 2045 (the year in which the terminal value was calculated for the purpose of the impairment test), based on the production projections of internal combustion engines by reference geographic area (European Union, NAFTA and India), also taking into account the sales of spare parts (OES and Aftermarket), which continue for several years even after the end of production for OEM. On the other hand, the Air and Cooling business unit, thanks to its specific technical and production skills, has great opportunities to respond to the current and future needs of the electric mobility market, and therefore a decrease in turnover in the medium-long term was not foreseen, and therefore the calculation of the terminal value used in the impairment test for the period following the Strategic Plan horizon followed the usual methodology. The same applies to the Suspension business unit, whose market is independent of the evolution of the propulsion platform; therefore, no impact of the technological innovation risk on the business model in the medium to long term has been foreseen for this business unit either.

During 2022, the Group also assessed the possible impacts of the risks referred to technological innovation on the useful life of tangible fixed assets, with particular regard to the filtration business segment and found no critical issues. As a result of the analysis performed, no impact on other items of the financial statements (i.e. decommissioning and/or risk provisions) is expected.

Conflict between Russia and Ukraine

For more details, please refer to the section "Impacts of the macroeconomic environment, the Covid-19, the Russia-Ukraine conflict and the climate change on operations” of the Report on Operations.

Macroeconomic context

For more details, please refer to the section “Impacts of the macroeconomic environment, the Covid-19, the Russia-Ukraine conflict and the climate change on operations” of the Report on Operations.

2.4 Adoption of new accounting standards

IFRS accounting standards, amendments and interpretations applicable since 1 January 2022

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group as from 1 January 2022:

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

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet mandatory applicable and not early adopted by the Group as at 31 December 2022

The Group has not adopted the following new and amended standards that have been issued but are not yet applicable:

- IFRS 17 “Insurance Contracts” and its amendments (issued respectively on 18 May 2017 and on 25 June 2020). These amendments are to be applied for financial periods beginning on 1 January 2023.
- Amendments to IAS 1 “Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies” (issued on 12 February 2021). These amendments are to be applied for financial periods beginning on January 1, 2023.
- Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimate” (issued on 12 February 2021). These amendments are to be applied for financial periods beginning on 1 January 2023.

- Amendments to IAS 12 “Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction” (issued on 7 May 2021). These amendments are to be applied for financial periods beginning on 1 January 2023.
- Amendment to IFRS 17 “Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information” (issued on 9 December 2021). These amendments are to be applied for financial periods beginning on 1 January 2023.

IFRS and IFRIC accounting standards, amendments and interpretations not yet endorsed by the European Union

The European Union has not yet completed its endorsement process for the standards and amendments below reported at the date of these Financial Statements. The Directors are evaluating the possible effects of applying these amendments to the Group’s Consolidated Financial Statements:

- Amendments to IAS 1: “Presentation of Financial Statements: Classification of liabilities as current or non-current”, “Classification of Liabilities as Current or Non-current - Deferral of Effective Date” and “Non-current Liabilities with Covenants’’(issued on 23 January 2020, 15 July 2020 and 31 October 2022, respectively). These amendments are to be applied for financial periods beginning on 1 January 2024.
- Amendments to IFRS 16 “Leases”: “Lease Liability in a Sale and Leaseback” (issued on 22 September 2022). These amendments are to be applied for financial periods beginning on 1 January 2024.

3. FINANCIAL ASSETS

Classification and initial recognition

Trade receivables and debt instruments issued are recognised when they are originated. All other financial assets and liabilities are initially recognised upon trade date, i.e. when the Group becomes a party to the financial instrument.
With the exception of trade receivables that do not contain a significant financing component, financial assets are initially measured at fair value plus or minus, in the case of financial assets or liabilities not measured at fair value recognised through profit or loss for the year (FVTPL), the transaction costs directly attributable to the acquisition or issue of the financial asset. At the time of initial recognition, trade receivables that do not have a significant financing component are valued at their transaction price.

Subsequent measurement

As provided for by IFRS 9, upon initial recognition, a financial asset is classified according to its valuation: amortised cost; fair value recognised in Other Comprehensive Income (FVOCI) - debt instrument; FVOCI - equity instrument; or at fair value recognised in the profit or loss for the year (FVTPL).
Financial assets are not reclassified after initial recognition, unless the Group changes its business model to manage financial assets. In this case, all affected financial assets concerned are reclassified on the first day of the first reporting period following the change in the business model.
A financial asset must be measured at amortised cost if both of the following conditions are met and it is not designated at FVTPL:
– the financial asset is held within a business model whose objective is to hold the financial assets to collect their contractual cash flows; and
– the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be measured at FVOCI if both of the following conditions are met and it is not designated at FVTPL:
– the financial asset is held within a business model whose objective is to collect contractual cash flows and sell financial assets; and
– the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.
At initial recognition of an equity instrument not held for trading, the Group may elect to recognise subsequent changes in fair value in the other comprehensive income. This choice is irrevocable. Such choice is made for each asset.
Any financial assets that are not classified as measured at amortised cost or at FVOCI as indicated above, are measured at FVTPL. All derivative financial instruments are included. At initial recognition, the Group may irrevocably designate a financial asset as measured at fair value through profit or loss if this eliminates or significantly reduces the accounting inconsistency that would otherwise arise from measuring the financial asset at amortised cost or at FVOCI.

Business model assessment

The Group assesses the objective of the business model within which the financial asset is held at portfolio level, as this best reflects how the asset is managed and what information is communicated to management. Such information includes:
– the criteria set out, portfolio objectives and the practical application of those criteria, including, among other things, whether the strategy of corporate management aims to collect interest on the contract, to maintain a specified interest rate profile, to align the life of financial assets with that of related liabilities or is aimed at expected cash flows or to collect cash flows by selling assets;
– how portfolio performance is evaluated and communicated to Group executives with strategic responsibilities;
– the risks that affect the performance of the business model (and of the financial assets held within the business model) and how these risks are managed;
– the method of remuneration of the company's management (for example, whether remuneration is based on the fair value of the assets under management or collected contractual cash flows); and
– the frequency, value and timing of sales of financial assets in previous years, the reasons for selling and the expectations about future sales.
Transfers of financial assets to third parties as part of transactions that do not involve derecognition are not treated as sales for the purposes of business model assessment, in line with the Group's continued recognition of these assets in the financial statements.
Financial assets that meet the definition of financial assets held for trading or whose performance is measured at fair value are measured at FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is the fair value of the financial asset at initial recognition, whereas “interest” is the consideration for the time value of money, for the credit risk associated with the principal amount to be repaid over a given period of time and for other basic risks and costs associated with the loan (for example, liquidity risk and administrative costs), as well as for the profit margin.
In order to determine whether contractual cash flows are solely principal and interest payments, the Group considers the contractual terms of the instrument. It assesses, among other things, whether the financial asset contains a contractual provision that changes the timing or amount of contractual cash flows such that the following condition is not met. For the purposes of this assessment, the Group takes into account:
– contingent events that would change the timing or amount of financial flows;
– clauses that could entail an adjustment of the contractual rate of the coupon, including variable rate elements;
– prepayment and extension elements; and
– clauses limiting the Group's requests for cash flows from specific assets (for example, elements without recourse).
The prepayment element is consistent with the “cash flows that are solely principal and interest payments” criterion when the amount of the prepayment basically represents the principal amount outstanding and interest accrued on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. In addition, in the case of a financial asset acquired at a significant premium or discount on the contractual nominal amount, an element that permits or requires the

prepayment of an amount that basically represents the contractual nominal amount plus accrued (yet outstanding) contractual interest (which may include reasonable additional compensation for early termination of the contract) is accounted for in accordance with that criterion if the fair value of the prepayment element is not significant at initial recognition.

B) SEGMENT INFORMATION

4. OPERATING SEGMENTS

In compliance with the provisions of IFRS 8, the following information is provided by operating segments (business segments) and performance indicators that play a key role in the Group's strategic decisions.
The operating segments covered by the Segment Information are the Group’s strategic business sectors, provide different products and are managed separately from a strategic viewpoint.
As the analysis by business segments is given higher priority in the decision-making process, the analysis by geographic areas is limited to the assets and sales.

Business segments

With regard to the business segments, disclosures concerning the three business units: Air &Cooling, Suspensions and Filtration are provided below. Figures for the Parent Company Sogefi S.p.A. and the subsidiary Sogefi Gestion S.A.S. are also provided for the purpose of reconciliation with consolidated values.

The tables below provide the Group's income statement and statement of financial position figures for 2022 and 2021:

(in thousands of Euro)	2022					
	Air&Cooling	Suspensions	Filtration	Sogefi S.p.A. / Sogefi Gestion S.A.S.	Adjustments	Sogefi consolidated f/s
REVENUES						
Sales to third parties	463,216	554,180	534,700	-	-	1,552,096
Intersegment sales	788	2,557	1,028	23,643	(28,016)	-
TOTAL REVENUES	464,004	556,737	535,728	23,643	(28,016)	1,552,096
RESULTS						
EBIT	32,980	(11,782)	52,481	1,348	(6,706)	68,321
Financial expenses, net						(18,785)
Income from equity investments						10
Losses from equity investments						-
Result before taxes						49,546
Income taxes						(18,353)
NET INCOME (LOSS) OF OPERATING ACTIVITIES						31,193
Net income (loss) from discontinued operations, net of tax effetcs						-
NET RESULT INCLUDED THIRD PARTY SHARE						31,193
Profit (loss) from third parties						(1,631)
NET RESULT						29,562
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	455,194	524,680	389,893	713,842	(1,012,148)	1,071,461
Equity investments in associates	-	-	-	-	-	-
Unallocated assets	-	-	-	-	128,327	128,327
TOTAL ASSETS	455,194	524,680	389,893	713,842	(883,821)	1,199,788
LIABILITIES						
Segment liabilities	250,440	479,737	327,833	499,419	(605,129)	952,300
TOTAL LIABILITIES	250,440	479,737	327,833	499,419	(605,129)	952,300
OTHER INFORMATION						
Increase in tangible and intangible fixed assets	41,570	32,117	25,308	443	(680)	98,758
Depreciation, amortisation and writedowns (reversal of impairment loss)	41,514	38,803	35,264	83,414	(72,635)	126,360

(in thousands of Euro)	2021					
	Air&Cooling	Suspensions	Filtration	Sogefi S.p.A. / Sogefi Gestion S.A.S.	Adjustments	Sogefi consolidated f/s
REVENUES						
Sales to third parties	401,185	456,125	463,327	-	-	1,320,637
Intersegment sales	858	2,102	45	20,327	(23,332)	-
TOTAL REVENUES	402,043	458,227	463,372	20,327	(23,332)	1,320,637
RESULTS						
EBIT	32,078	(9,142)	37,353	(1,490)	(426)	58,373
Financial expenses, net						(17,761)
Income from equity investments						1,523
Losses from equity investments						-
Result before taxes						42,135
Income taxes						(13,516)
NET INCOME (LOSS) OF OPERATING ACTIVITIES						28,619
Net income (loss) from discontinued operations, net of tax effetcs						(24,490)
NET RESULT INCLUDED THIRD PARTY SHARE						4,129
Profit (loss) from third parties						(2,178)
GROUP NET RESULT						1,951
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	424,390	511,471	381,240	766,443	(1,039,953)	1,043,591
Equity investments in associates	-	-	-	-	-	-
Unallocated assets	-	-	-	-	135,132	135,132
TOTAL ASSETS	424,390	511,471	381,240	766,443	(904,821)	1,178,723
LIABILITIES						
Segment liabilities	232,874	451,169	345,354	498,004	(553,662)	973,739
TOTAL LIABILITIES	232,874	451,169	345,354	498,004	(553,662)	973,739
OTHER INFORMATION						
Increase in tangible and intangible fixed assets	43,842	38,582	27,284	222	(207)	109,723
Depreciation, amortisation and writedowns (reversal of impairment loss)	48,154	41,515	38,839	(62,823)	69,333	135,018

Please note that the Air and Cooling Business Unit figures include the net book value of the Systèmes Moteurs Group (company name is now Sogefi Air & Cooling S.A.S.), deriving from local accounts – in other words, not including the fair value adjustment of net assets after the Purchase Price Allocation of 2011 – and only the adjustments arising from the Purchase Price Allocation and relating to the change in product warranty provisions (contingent liabilities booked upon PPA); the remaining adjustments arising from the Purchase Price Allocation are posted in column "Adjustments".
Adjustments to "Intersegment sales" mainly refer to services provided by the Parent Company Sogefi S.p.A. and by subsidiary Sogefi Gestion S.A.S. to other Group companies (see note 39 "Related party transactions" for further details on the nature of the services provided). This item also includes intersegment sales between the business units. Intersegment transactions are conducted according to the Group's transfer pricing policy.
Adjustments in the item "EBIT" refer, for Euro 5,041 thousand, to the recognition of the impairment loss of goodwill related to the Car Suspension C.G.U. and, for the remainder, mainly to the depreciation and amortization linked to the revaluation of assets resulting from the acquisition of the Systèmes Moteurs Group in 2011.
The adjustment in the item "Depreciation, amortisation and writedowns (reversals of impairment loss)" includes Euro 78,900 thousand referred to the writing off, at a consolidated level, of the impairment loss recorded by the Parent Company Sogefi S.p.A.,

with reference to the equity investment in Sogefi Suspensions S.A., and Euro 5,041 thousand referred to the recording of the goodwill impairment loss of the Car Suspension CGU.

In the Statement of Financial Position, the adjustments to the item "Segment assets" refer to the consolidation entry of investments in subsidiaries and intercompany receivables.
Adjustments to "Unallocated assets" mainly include the goodwill and the fixed assets revaluations resulting from the acquisitions of: the Allevard Ressorts Automobile Group, Sogefi Rejna S.p.A., the Filtrauto Group, 60% of Sogefi M.N.R. Filtration India Private Ltd (now merged into Sogefi Engine Systems India Pvt Ltd) and Systèmes Moteurs Group.
"Depreciation, amortization and writedowns (reversals of impairment loss)" include writedowns of tangible (Euro 1,271 thousand) and intangible fixed assets (Euro 7,637 thousand) for the most part relating to European subsidiaries.

Information on the main customers

Revenues from sales to third parties as of 31 December 2022 accounting for over 10% of Group revenues are shown in the following table:

(in thousands of Euro)	2022				
Group	Group		BU Filtration	BU Air&Cool.	BU Suspensions
	Amount	*%*			
Stellantis	310,414	20.0	125,521	85,839	99,054
Ford	177,300	11.4	64,104	86,882	26,314

Revenues from sales to third parties as of 31 December 2021 accounting for over 10% of Group revenues are shown in the following table:

(in thousands of Euro)	2021				
Group	Group		BU Filtration	BU Air&Cool.	BU Suspensions
	Amount	*%*			
Stellantis	275,808	20.9	102,765	78,384	94,659
Ford	144,514	10.9	55,095	68,603	20,816

Information on geographic areas

The breakdown of revenues by geographical area is analysed in the Directors' Report and in note 21 “Sales Revenues”.

The following table shows a breakdown of total assets by geographical area of origin:

(in thousands of Euro)	2022					
	Europe	South America	North America	Asia	Adjustments	Sogefi consolida-ted f/s
TOTAL ASSETS	1,577,029	53,722	184,581	173,996	(789,540)	1,199,788

(in thousands of Euro)	2021					
	Europe	South America	North America	Asia	Adjustments	Sogefi consolida-ted f/s
TOTAL ASSETS	1,612,513	44,136	152,535	180,468	(810,929)	1,178,723

C) NOTES ON THE MAIN INCOME STATEMENT ITEMS: STATEMENT OF FINANCIAL POSITION

C 1) ASSETS

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to Euro 118,488 thousand versus Euro 120,927 thousand as at 31 December 2021 and break down as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
Short-term cash investments	118,488	120,902
Cash on hand	-	25
TOTAL	118,488	120,927

"Short-term cash investments" earn interest at a floating rate.

For further details, please refer to the "Analysis of the net financial position" in note 20 and to the Consolidated Cash Flow Statement included in the financial statements.

As of 31 December 2022, the Group has unused lines of credit for the amount of Euro 246,280 thousand. These funds are available for use on demand, because the conditions required for their availability are met.

As at 31 December 2022, the increase of cash and cash equivalents was equal to Euro 104 thousand.

6. OTHER FINANCIAL ASSETS

"Other financial assets" can be broken down as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
Securities held for trading	216	-
Financial receivables	3,127	1,243
Assets for derivative financial instruments	2,761	25
TOTAL	6,104	1,268

Financial receivables mainly refer to financial instruments issued by leading Chinese banks, at the request of some customers, as payment for supplies made by the Chinese subsidiaries.
"Assets for derivative financial instruments" total Euro 2,761 thousand and refer to the fair value of cross currency swap hedging contracts and the fair value of forward foreign currency contracts. Further details can be found in the analysis of financial instruments contained in note 38 "Financial instruments and financial risk management".

7. INVENTORIES

The breakdown of inventories is as follows:

	12.31.2022			12.31.2021		
(in thousands of Euro)	*Gross*	*Write-downs*	*Net*	*Gross*	*Write-downs*	*Net*
Raw, ancillary and consumable materials	78,537	6,035	72,502	66,810	6,355	60,455
Work in progress and semi-finished products	19,901	924	18,977	16,534	566	15,968
Finished goods and goods for resale	43,918	5,672	38,246	42,041	6,547	35,494
TOTAL	142,356	12,631	129,725	125,385	13,468	111,917

The gross value of inventories amounted to Euro 142,356 thousand and increased by Euro 16,971 thousand compared to the previous year, mainly in Europe and North America; at constant exchange rates, the increase would amount to Euro 18,305 thousand.

Writedowns consist for the most part of accruals for raw materials that can no longer be used for current production and for obsolete or slow-moving finished goods, goods for resale and ancillary materials. The decrease in the provisions by Euro 837 thousand reflects the negative exchange rate effect for Euro 166 thousand, and products scrapped during the year (Euro 735 thousand) partly offset by Euro 64 thousand of new provisions.

8. TRADE AND OTHER RECEIVABLES

Current receivables break down as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
Trade receivables	161,223	136,736
Of which:		
due to Parent Company	1,178	1,321
due to trade receivables	*164,734*	*139,433*
Less: allowance for bad debts	*(4,689)*	*(4,018)*
Trade receivables, net	160,045	135,415
Tax receivables	29,038	25,589
Other receivables	11,332	10,861
Other assets	3,107	2,693
TOTAL	204,700	175,879

"Trade receivables, net" are non-interest bearing and have an average due date of 35 days, against 33 days recorded at the end of the previous year.

It should be noted that as at 31 December 2022, the Group factored trade receivables for Euro 101,667 thousand (Euro 89,416 thousand as at 31 December 2021), including an amount of Euro 71,553 thousand (Euro 74,772 thousand as at 31 December 2021) which was not notified and for which the Group continues to manage collection services. The risks and benefits related to these receivables have been transferred to the factor; therefore

these receivables have been derecognised in the Statement of Financial Position debiting the consideration received from the factoring company.
Excluding the factoring transactions (Euro 101,667 thousand as at 31 December 2022 and Euro 89,416 thousand as at 31 December 2021) and the negative effect of exchange rates (Euro 2,846 thousand), net trade receivables show an increase of Euro 39,727 thousand, mainly as a result of the higher revenues in the fourth quarter of 2022 with respect to the corresponding period of the previous year.

Further adjustments were booked to "Allowance for doubtful accounts" during the year for a total of Euro 1,981 thousand, against net utilisations of the allowance for the amount of Euro 1,294 thousand (see note 38 "Financial instruments and financial risk management" for details). Writedowns, net of provisions not used during the period, were charged to Income Statement under the item "Variable cost of sales – Variable sales and distribution costs".
Please note that the Allowance for doubtful accounts as at 31 December 2022 includes Euro 1,445 thousand reflecting losses on receivables recognised upon adoption of IFRS 9 (Euro 873 thousand at 31 December 2021).

"Due to Parent Company" as at 31 December 2022 is the amount receivable from the Parent Company CIR S.p.A. arising from the participation in the Group tax filing system on the part of the Italian companies of the Group. Outstanding receivables as at 31 December 2021 (totalling Euro 1,321 thousand) collected in 2022 amounted to Euro 622 thousand.
See chapter F "Related party transactions" for the terms and conditions governing these receivables from CIR S.p.A.

"Tax receivables" as at 31 December 2022 include tax credits due to the Group companies by the tax authorities of the various countries.
It does not include deferred taxes which are treated separately.

"Other receivables" are made up as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
Amounts due from social security institutions	80	114
Amounts due from employees	144	98
Advances to suppliers	4,370	3,646
Due from others	6,738	7,003
TOTAL	11,332	10,861

Receivables from others include the current portion of the consideration for the sale, in 2020 and 2021, of the subsidiaries Sogefi Filtration do Brasil Ltda and Sogefi Filtration Argentina S.A.U. equal to Euro 2,097 thousand and other receivables.

The item "Other assets" mainly includes accrued income and prepayments on insurance premiums, indirect taxes relating to buildings and on costs incurred for sales activities.

9. LAND, PROPERTY, PLANT AND EQUIPMENT, OTHER TANGIBLE FIXED ASSETS AND RIGHTS OF USE

The net carrying amount of tangible fixed assets as of 31 December 2022 amounted to Euro 449,650 thousand versus Euro 452,987 thousand at the end of the previous year and breaks down as follows:

(in thousands of Euro)	2022							
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*Tooling*	*Tooling under construction*	*Right of use / finance leases IAS 17*	*TOTAL*
Balance at December 31, 2021								
Historical cost	12,653	918,113	31,976	52,000	197,378	44,832	114,273	1,371,225
Accumulated depreciation	444	695,646	27,246	651	147,336	91	46,824	918,238
Net value	12,209	222,467	4,730	51,349	50,042	44,741	67,449	452,987
Additions of the period	-	5,671	1,257	42,278	4,008	27,447	10,792	91,453
Disposals/reductions during the period	(2,391)	(691)	(35)	(3,584)	-	-	(222)	(6,923)
Exchange differences	(72)	(509)	(530)	(135)	(421)	65	(131)	(1,733)
Depreciation for the	-	(44,875)	(1,836)	-	(28,481)	-	(12,307)	(87,499)
(Writedowns) / revaluations during the period	-	(1,204)	(51)	-	(16)	-	-	(1,271)
Other changes	-	44,731	2,718	(45,044)	37,676	(37,694)	249	2,636
Balance at December 31, 2022	9,746	225,590	6,253	44,864	62,808	34,559	65,830	449,650
Historical cost	10,190	940,918	33,942	45,515	215,808	34,656	121,966	1,402,995
Accumulated depreciation	444	715,328	27,689	651	153,000	97	56,136	953,345
Net value	9,746	225,590	6,253	44,864	62,808	34,559	65,830	449,650

(in thousands of Euro)	2021							
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*Tooling*	*Tooling under construction*	*Right of use / finance leases IAS 17*	*TOTAL*
Balance at December 31, 2020								
Historical cost	12,844	864,166	32,638	44,811	168,535	50,219	101,688	1,274,901
Accumulated depreciation	444	641,343	28,105	1,345	123,011	928	35,299	830,475
Net value	12,400	222,823	4,533	43,466	45,524	49,291	66,389	444,426
Additions of the period	-	17,662	1,071	37,755	5,863	27,972	10,236	100,559
Disposals/reductions during the period	-	(3,866)	(30)	(4,871)	-	-	(232)	(8,999)
Exchange differences	59	6,416	124	1,078	1,848	1,636	2,525	13,686
Depreciation for the	-	(41,510)	(1,433)	-	(27,637)	-	(12,015)	(82,595)
(Writedowns) / revaluations during the period	-	(3,285)	(5)	(105)	(1,022)	(6,726)	(176)	(11,319)
Variation of consolidation perimeter	(250)	(3,838)	-	(950)	(200)	-	-	(5,238)
Other changes	-	28,065	470	(25,024)	25,666	(27,432)	722	2,467
Balance at December 31, 2021	12,209	222,467	4,730	51,349	50,042	44,741	67,449	452,987
Historical cost	12,653	918,113	31,976	52,000	197,378	44,832	114,273	1,371,225
Accumulated depreciation	444	695,646	27,246	651	147,336	91	46,824	918,238
Net value	12,209	222,467	4,730	51,349	50,042	44,741	67,449	452,987

Investments during the year amounted to Euro 91,453 thousand compared to Euro 100,559 thousand in the previous year; of which Euro 31,455 thousand related to tooling, Euro 10,792 thousand related to rights of use, and Euro 49,206 thousand related to other investments. Other investments include Euro 5,952 thousand for the new plant in Romania, Euro 19,023 thousand for the development of new products, including products for electric vehicles, Euro 5,303 thousand for the improvement of production efficiency, and Euro 18,928 thousand for miscellaneous investments, including investments to increase production capacity, replace machinery, and investments in health and safety.

Disposals/reductions for the year amount to Euro 6,923 thousand, compared to Euro 8,999 thousand in the previous year, and relate mainly to funds received by the subsidiary Sogefi Suspensions Eastern Europe S.R.L. for investments made in the Oradea plant and to the sale by the Parent Company Sogefi S.p.A. of the building in San Felice del Benaco.

"Depreciation for the period" has been recorded in the appropriate item in the Income Statement for an amount of Euro 87,499 thousand.

Line item "(Writedowns)/revaluations during the period" totalled Euro 1,271 thousand and mainly relates to the subsidiaries Sogefi U.S.A., Inc. and Allevard Springs Ltd. Impairment losses less reversals are booked to "Other non-operating expenses (income)".

"Other changes" refer to the completion of projects that were under way at the end of the previous year and their reclassification under the pertinent items. The item also includes the revaluation of the tangible fixed assets of the Argentine subsidiary as a result of the application of IAS 29.

The balance of "Assets under construction and payments on account" as at 31 December 2022 includes Euro 1,217 thousand of advances for investments.

In November 2022, the property complex in San Felice del Benaco was sold for Euro 3,600 thousand, realising a capital gain of Euro 683 thousand.

No interest costs were capitalised to "Tangible fixed assets" during the year 2022.

Guarantees
For information on the guarantees, see note 41 "Guarantees given".

Purchase commitments
For information on commitments, please refer to note 41 "Guarantees given".

Rights of use
The net carrying amount of rights of use as of 31 December 2022 amounted to Euro 65,830 thousand versus Euro 67,449 thousand at 1 January 2021 and breaks down as follows:

(in thousands of Euro)	2022					
	Industrial Buildings	*Other buildings*	*Plant and machinary*	*Commercial and industrial equipment*	*Other assets*	*TOTAL*
Balance at December 31, 2021						
Historical cost	84,748	10,837	9,165	801	8,722	114,273
Accumulated depreciation	29,740	4,884	7,258	375	4,567	46,824
Net value	55,008	5,953	1,907	426	4,155	67,449
Additions of the period	6,500	949	190	184	2,969	10,792
Disposals/reductions during the period	(63)	-	-	-	(159)	(222)
Exchange differences	(82)	58	52	-	(159)	(131)
Depreciation for the period	(7,703)	(1,492)	(679)	(185)	(2,248)	(12,307)
(Writedowns)/revaluations during the period	-	-	-	-	-	-
Other changes	415	-	(1,053)	-	887	249
Balance at December 31, 2022	54,075	5,468	417	425	5,445	65,830
Historical cost	90,202	11,664	8,590	943	10,567	121,966
Accumulated depreciation	36,127	6,196	8,173	518	5,122	56,136
Net value	54,075	5,468	417	425	5,445	65,830

(in thousands of Euro)	2021					
	Industrial Buildings	*Other buildings*	*Plant and machinary*	*Commercial and industrial equipment*	*Other assets*	*TOTAL*
Balance at December 31, 2020						
Historical cost	76,313	9,624	7,368	470	7,913	101,688
Accumulated depreciation	22,240	3,142	5,802	255	3,860	35,299
Net value	54,073	6,482	1,566	215	4,053	66,389
Additions of the period	5,796	1,074	1,414	350	1,602	10,236
Disposals/reductions during the period	-	-	(45)	-	(187)	(232)
Exchange differences	2,343	70	83	-	29	2,525
Depreciation for the period	(7,300)	(1,497)	(891)	(126)	(2,201)	(12,015)
(Writedowns)/revaluations during the period	-	(176)	-	-	-	(176)
Other changes	96	-	(220)	(13)	859	722
Balance at December 31, 2021	55,008	5,953	1,907	426	4,155	67,449
Historical cost	84,748	10,837	9,165	801	8,722	114,273
Accumulated depreciation	29,740	4,884	7,258	375	4,567	46,824
Net value	55,008	5,953	1,907	426	4,155	67,449

The increases for the period amount to Euro 10,792 thousand and mainly refer to the "Industrial property" category, for renewal and execution of new contracts, "Other assets" and "Other property" categories. The increases concerned in particular the subsidiaries Sogefi Filtration Ltd, Sogefi Air & Cooling S.A.S., Sogefi Suspensions S.A., Sogefi Filtration S.A. and Sogefi Suspensions Eastern Europe S.R.L..

Depreciation for the period has been recorded in the appropriate item in the Income Statement for an amount of Euro 12,307 thousand.

10. INTANGIBLE ASSETS

The net balance as at 31 December 2022 was Euro 218,231 thousand versus Euro 236,687 thousand at the end of the previous year, and breaks down as follows:

(in thousands of Euro)	2022						
	Development costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction and payments on account*	*Customer Relationship*	*Trade name Systemes Moteurs*	*Goodwill*	*TOTAL*
Balance at December 31, 2021							
Historical cost	240,625	67,772	17,621	19,214	8,437	149,537	503,206
Accumulated amortization	176,153	47,746	4,888	10,308	4,526	22,898	266,519
Net value	64,472	20,026	12,733	8,906	3,911	126,639	236,687
Additions of the period	9,579	77	8,441	-	-	-	18,097
Disposals/reductions during the period, net	-	-	-	-	-	-	-
Exchange differences	113	(4)	79	-	-	-	188
Amortization for the period	(24,439)	(3,842)	(248)	(990)	(434)	-	(29,953)
(Writedowns) / revaluations during the period	(2,440)	-	(156)	-	-	(5,041)	(7,637)
Other changes	11,011	861	(11,023)	-	-	-	849
Balance at December 31, 2022	58,296	17,118	9,826	7,916	3,477	121,598	218,231
Historical cost	246,746	68,557	15,067	19,214	8,437	149,537	507,558
Accumulated amortization	188,450	51,439	5,241	11,298	4,960	27,939	289,327
Net value	58,296	17,118	9,826	7,916	3,477	121,598	218,231

(in thousands of Euro)	2021						
	Development costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction and payments on account*	*Customer Relationship*	*Trade name Systemes Moteurs*	*Goodwill*	*TOTAL*
Balance at December 31, 2020							
Historical cost	272,642	68,579	22,752	19,215	8,437	149,537	541,162
Accumulated amortization	199,992	44,213	5,264	9,319	4,092	22,898	285,778
Net value	72,650	24,366	17,488	9,896	4,345	126,639	255,384
Additions of the period	11,735	148	7,517	-	-	-	19,400
Disposals/reductions during the period, net	(9)	(15)	(3)	-	-	-	(27)
Exchange differences	2,949	113	149	-	-	-	3,211
Amortization for the period	(27,474)	(3,959)	(253)	(990)	(434)	-	(33,110)
(Writedowns) / revaluations during the period	(5,238)	(1,275)	(1,481)	-	-	-	(7,994)
Other changes	9,859	648	(10,684)	-	-	-	(177)
Balance at December 31, 2021	64,472	20,026	12,733	8,906	3,911	126,639	236,687
Historical cost	240,625	67,772	17,621	19,214	8,437	149,537	503,206
Accumulated amortization	176,153	47,746	4,888	10,308	4,526	22,898	266,519
Net value	64,472	20,026	12,733	8,906	3,911	126,639	236,687

Investments during the year amounted to Euro 18,097 thousand.

The increases in "Development costs" for the amount of Euro 9,579 thousand refer to the capitalisation of costs incurred by Group companies to develop new products in collaboration with leading motor vehicle manufacturers (after obtaining the nomination letter from the customer). The most significant investments related to the North American and Chinese subsidiaries.

Increases in “Other, assets under construction and payments on account”, for the amount of Euro 8,441 thousand, refer mainly to a large number of investments in the development and implementation of the new products not yet ready for use. The highest development costs were recorded at the European subsidiaries.

Item “Customer relationship” amounts to Euro 7,916 thousand and represents the value of the Systèmes Moteurs Group's customer portfolio at the acquisition date as determined during the Purchase Price Allocation process (2011). This item is amortised over a period of approximately 19 years.

Item “Trade name Systèmes Moteurs” amounts to Euro 3,477 thousand and represents the value of the trade name “Systèmes Moteurs” at the acquisition date as determined during the Purchase Price Allocation process (2011). This item is amortised over a period of approximately 19 years.

The item “(Writedowns)/revaluations”, amounting to Euro 7,637 thousand, mainly refers, for Euro 2,440 thousand, to projects that are no longer recoverable in the European and North American subsidiaries, and, for Euro 5,041 thousand, to the goodwill impairment loss of the Car Suspension CGU. For more details, please refer to the section “Goodwill and impairment test”.

The item does not include advances to suppliers for the purchase of fixed assets.

“Development costs” principally include costs generated internally, whereas “Industrial patents and intellectual property rights, concessions, licences and trademarks” consist of factors that are acquired externally for the most part.
“Other, assets under construction and payments on account” include around Euro 5,298 thousand of costs generated internally.

There are no intangible assets with an indefinite useful life except for goodwill.

Goodwill and impairment test

Goodwill is not amortised, but subjected each year to impairment test.
The Company identified five Cash Generating Units (CGUs):

- filtration
- air & cooling
- car suspension
- industrial vehicle suspension
- precision springs

For the moment, it is possible to identify goodwill deriving from external acquisitions in three CGUs: Filtration, Air & Cooling and Car Suspension.

The specific goodwill of the Filtration CGU amounts to Euro 77,030 thousand, the goodwill of Air & Cooling CGU amounts to Euro 32,560 thousand, and the goodwill of the Car Suspension CGU amounts to Euro 12,008 thousand (after recognising an impairment loss of Euro 5,041 thousand).

Impairment tests have been carried out in accordance with the procedure laid down in IAS 36 to check whether there have been any losses in the value of this goodwill, by comparing the book value of the individual CGUs with their value in use, given by the present value of estimated future cash flows that are expected to result from the continuing use of the asset being tested for impairment.
The Discounted Cash Flow Unlevered method was used; the criteria used were approved by the Board of Directors on 20 January 2023. The Group took into account the expected performance as determined based on the budget for 2023 for the period under consideration and the forecasts included in the 2023-2026 strategic plan (adjusted to eliminate any estimated benefits from future projects and reorganisations) for the following years. For the Filtration CGU the explicit period was extended beyond 2026 (until 2045) to take into account the technological transition to electric vehicles (for more details see section "Critical Estimates and Assumptions - Impacts of Climate Change").
The 2023 budget, the 2023-2026 strategic plan and extended forecast for the Filtration CGU were approved by the Board of Directors on 16 December 2022, 20 January 2023 and 24 February 2023, respectively. Budget and strategic plan were prepared taking into account forecasts for the automotive industry made by major sources in the industry.

It should be noted that the impairment test prepared by the Company underwent methodological control by a leading consulting firm.

A discount rate of 9.60%, which reflects the weighted average cost of capital, was used after taxation. The same discount rate is used for all three CGUs. As a matter of fact, the three CGUs operate in the same sector and deal with the same kind of customers, and it is estimated that they are exposed to the same risks.

The terminal value was calculated using the "perpetual annuity" approach, assuming a growth rate ("g-rate") of 2.25% (based on long-term inflation estimates for the reference countries weighted by revenues) and considering an operating cash flow based on the last year of the forecast, adjusted to project a stable situation "in perpetuity", based on the following main assumptions:
- consider a level of investment necessary to "maintain" the business (for the purposes of balancing investment and depreciation/amortisation);
- change in working capital equal to zero.

As regards the average cost of capital, we calculated a weighted average of the cost of debt (taking into consideration the benchmark interest rates plus a spread) and the Company's own cost of capital, based on parameters for a group of firms operating in the European car components sector which are considered by the leading industry analysts to be Sogefi's peers.

The values used to calculate the average cost of capital (extrapolated from the main financial sources) are as follows:
- financial structure of the industry: 28.08%
- levered beta of the industry: 1.14
- risk-free rate: 4.54% (6 month average of risk-free rates of 10 year sovereign debt of the key markets in which the Group operates, weighted by revenues)
- risk premium: 5.60% (risk associated with AAA-rated countries calculated by an independent source)

- specific risk: 1.22% additional premium, calculated by an independent source, for the risk connected with small caps
- debt cost spread for the industry: 1.48%

As far as the sensitivity analysis goes, it should be noted that:
- the impairment test reached the break-even point at the following discounting rates (growth rate of terminal value remaining unchanged at 2.25% and all other plan assumptions being equal): 26.1% for Filtration CGU; 22.1% for Air & Cooling CGU;
- the impairment test reached break-even point with a significant reduction in EBIT during the explicit period covered by the plan that was also applied to terminal value (all other plan assumptions being equal): -55.3% for Filtration CGU; -63.7% for Air & Cooling CGU;
- the impairment test reached break-even point at the following growth rates ("g-rate") of the terminal value (all other plan assumptions being equal): -20% for the Air & Cooling CGU. Regarding the Filtration CGU, since the terminal value calculated on the year 2045 has an insignificant impact on the value in use, the break even on the g-rate is not significant.

No sensitivity analysis was reported for the Car Suspension CGU as it was already in an impairment loss situation.

In addition, the Company has developed combined sensitivity analyses on the main parameters of the impairment test calculation (discount rate and "g-rate"); no impairment has emerged from said sensitivity analyses for CGU Filtration and for CGU Air and Cooling.

The test based on the present value of the estimated future cash flows turns out a value in use of the Filtration and Air and Cooling CGUs that exceeds their carrying value, so no writedown has been posted. On the other hand, for the Car Suspension CGU, the present value of the expected cash flows shows a value in use lower than the book value by Euro 5,041 thousand; this amount has been recognised as an impairment loss under item "Write-downs of intangible fixed assets" of "Other non-operating expenses (income)".

11. OTHER FINANCIAL ASSETS

As at 31 December 2022, they amounted to Euro 2,999 thousand, compared with Euro 46 thousand in the previous year.

(in thousands of Euro)	12.31.2022	12.31.2021
Other financial assets available for sale	46	46
Other financial assets valued at amortized cost	2,953	-
TOTAL	2,999	46

The item "Other financial assets measured at amortised cost" amounted to Euro 2,953 thousand and refers to investments made by the Argentine subsidiary Sogefi Suspension Argentina S.A. in dollar-linked bond instruments to mitigate the effects of the devaluation of the local currency.

12. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT RECEIVABLES

Non-current financial receivables total Euro 5,592 thousand (Euro 3,957 thousand as at 31 December 2021) and refer to the fair value of cross currency swap and interest rate swap hedging contracts. Further details can be found in note 38 "Financial instruments and financial risk management".

"Other non-current receivables" break down as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
Surplus pension funds	6,053	5,208
Other receivables	26,440	33,571
TOTAL	32,493	38,779

As at 31 December 2022, one of the pension plans of the subsidiary Sogefi Filtration Ltd had a surplus of Euro 6,053 thousand recognised to "Other non-current receivables". For further details, please refer to note 18 "Current provisions, Non-current provisions and Other payables".

The item "Other receivables", amounting to Euro 26,440 thousand (Euro 33,571 thousand as at 31 December 2021), includes tax receivables for the research and development activities of the French subsidiaries, other tax receivables, the non-current portion (equal to Euro 4,308 thousand) of the consideration for the sale of the subsidiaries Sogefi Filtration do Brasil Ltda and Sogefi Filtration Argentina S.A.U. That took place in 2020 and 2021, other assets and non-interest-bearing security deposits paid for leased properties.

13. DEFERRED TAX ASSETS AND LIABILITIES

The net balance of deferred tax assets and deferred tax liabilities as at 31 December 2022 can be broken down as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
Deferred tax assets	31,806	36,276
Deferred tax liabilities	(23,731)	(25,288)
TOTAL	8,075	10,988

The following details of deferred tax assets and liabilities are provided in light of the IAS/IFRS disclosure requirements.

(in thousands of Euro)	12.31.2022		12.31.2021	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Deferred tax assets:				
Allowance for doubtful accounts	1,964	424	1,586	371
Fixed assets amortisation/writedowns	58,367	13,204	49,742	12,775
Inventory writedowns	4,444	1,217	3,522	954
Provisions for restructuring	-	-	3,718	855
Other provisions - Other payables	24,156	6,461	30,155	7,712
Fair value derivative financial instruments	-	-	933	224
IFRS15	14,560	3,835	18,381	4,501
IFRS16	3,547	646	4,671	978
Other	8,087	1,960	12,197	2,874
Deferred tax assets for tax losses incurred during the year	11,063	2,689	13,133	3,395
Deferred tax assets for tax losses incurred during previous years	18,773	4,617	7,348	1,637
Compensation	(13,039)	(3,247)		
TOTAL	131,922	31,806	145,386	36,276
Deferred tax liabilities:				
Accelerated/excess depreciation and amortisation	72,384	16,068	68,247	14,917
Difference in inventory valuation methods	1,436	470	1,211	388
Capitalisation of R&D costs	24,646	5,504	27,816	6,121
Fair value of derivative instruments	5,268	1,264	-	-
Other	16,225	3,672	17,282	3,862
Compensation	(13,039)	(3,247)	-	-
TOTAL	106,920	23,731	114,556	25,288
Deferred tax assets (liabilities) net		8,075		10,988
Temporary differences excluded from the calculation of deferred tax assets (liabilities):				
Tax losses carried forward	103,492	22,121	117,396	25,265

The tax effect has been calculated on the basis of the rates applicable in the various countries, which are in line with those of the previous year, except for the tax rate applicable to British subsidiaries, which increased from 23.5% to 25% for deferred tax expected to be reversed starting in 2023.

The decrease in "Deferred tax assets (liabilities), net" compared to 31 December 2021 amounts to Euro 2,913 thousand and differs by Euro 3,336 thousand from the amount shown in the Income Statement under "Income taxes – Deferred tax liabilities (assets)" (Euro 423 thousand) due to:

- movements in Balance sheet items that did not have any effect on the income statement and therefore the related negative tax effect amounting to Euro 3,272 thousand has been accounted for as Other comprehensive income (expenses); negative effect of the fair value of derivatives designated as cash flow hedges was Euro 1,488 thousand; negative effect of actuarial gains/losses arising from the adoption of the IAS 19 was Euro 1,784 thousand;
- a negative effect of Euro 35 thousand following the adoption of IAS 29;
- exchange differences with a negative amount of Euro 29 thousand.

The decrease in the tax effect relating to item “Other provisions - Other payables” mostly originates from the lower liabilities referred to the pension funds of the subsidiary Sogefi Filtration Ltd.

The decrease in the tax effect related to the item "Fair value derivative financial" refers to the Parent Company Sogefi S.p.A..

Item “Other” of deferred tax assets includes various types of items, such as for example costs for which tax deduction is deferred (for example, amounts allocated to remuneration accrued in 2022 not yet paid).

“Deferred tax assets for tax losses incurred during the year” amount to Euro 2,689 thousand and relate to subsidiary Sogefi Suspensions S.A. and to the Parent Company Sogefi S.p.A.. These taxes were recognised because it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised.

“Deferred tax assets for tax losses incurred during previous years” amount to Euro 4,617 thousand and mainly relate to Parent Company Sogefi S.p.A. (Euro 704 thousand as at 31 December 2022, unchanged compared to as at 31 December 2021), and to subsidiaries Sogefi Suspensions S.A. (Euro 3,510 thousand as at 31 December 2022 and Euro 115 thousand as at 31 December 2021), and Sogefi PC Suspensions Germany GmbH (Euro 388 thousand as at 31 December 2022 and Euro 451 thousand as at 31 December 2021).
These taxes were recognised because it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised. Such probability is determined based on the fact that losses have originated under extraordinary circumstances that are unlikely to occur again, such as restructuring plans currently under way or occurred in the past.
Moreover, please note that the losses of the French subsidiaries can be carried forward indefinitely but there is a limit for the amount that can be utilised each year making recovery time longer. Losses of the German subsidiary can be carried forward indefinitely to cover possible future profits, there is no limitation on the use of losses carried forward of less than Euro 1 million, while there is a limit of 60% of income for losses above this threshold.

Note that the deferred tax assets relating to the “Allowance for doubtful accounts” and to the “Inventory writedowns” include amounts that will mainly be reversed in the twelve months following year end.

Column “Tax effect” of item “Other” of deferred tax liabilities includes:
- Euro 1,945 thousand relating to the taxed portion of dividends expected to be paid to the French subsidiaries and the Parent Company Sogefi S.p.A. in the short term;
- Euro 469 thousand relating to deferred tax liabilities generated by the application of IFRS 15;
- Euro 1,258 thousand relating to other headings, mainly referred to the subsidiary Sogefi Suspension Brasil Ltda.

As regards the figures shown under “Temporary differences excluded from the calculation of deferred tax assets (liabilities)”, deferred tax assets were not booked as, at year end, there was not a probability that they would be recovered. “Tax losses carried forward” mainly relate to subsidiaries Sogefi Suspensions S.A., Sogefi ADM

Suspensions Private Limited, Sogefi Suspensions Eastern Europe S.R.L., Filter Systems Maroc SARL and S.ARA Composite S.A.S..

14. ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY RELATED TO ASSETS HELD FOR SALE

As at 31 December 2022, this item amounts to zero.

C 2) LIABILITIES AND EQUITY

15. FINANCIAL DEBTS TO BANKS AND OTHER FINANCING CREDITORS

These break down as follows:

Current portion

(in thousands of Euro)	12.31.2022	12.31.2021
Bank overdrafts and short-term loans	1,894	1,998
Current portion of medium/long-term financial debts and other loans	69,102	86,874
Short-term financial debts for right of use	13,677	17,147
TOTAL SHORT-TERM FINANCIAL DEBTS	84,673	106,019
Other short-term liabilities for derivative financial instruments	17	45
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	84,690	106,064

Non-current portion

(in thousands of Euro)	12.31.2022	12.31.2021
Financial debts to banks	233,423	219,016
Non current portion of medium/long-term financial debts and other loans	52,349	74,235
Medium/long-term financial debts for right of use	57,543	54,440
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	343,315	347,691
Other medium/long-term liabilities for derivative financial instruments	-	-
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	343,315	347,691

Bank overdrafts and short-term loans

For further details, please refer to the Analysis of the net financial position in note 20 and to the Consolidated Cash Flow Statement included in the financial statements.

Current and non-current portions of medium/long-term financial debts and other loans

Details are as follows:

Balance as at 31 December 2022 (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Current portion	Non-current portion	Total amount	Real Guarantees
Sogefi S.p.A.	Banca Nazionale del Lavoro S.p.A.	Apr - 2022	Apr - 2027	80.000	Euribor 3m. + 190 bps	-	79.818	79.818	N/A
Sogefi S.p.A.	Banco do Brasil AG	Mar - 2020	Mar - 2025	25.000	Euribor 3m. + 180 bps	-	24.926	24.926	N/A
Sogefi S.p.A.	Unicredit S.p.A. (guaranteed by Sace)	Oct - 2020	Jun - 2026	20.000	Euribor 3m. + 190 bps	3.333	16.619	19.952	N/A
Sogefi S.p.A.	Intesa SanPaolo S.p.A. (guaranteed by Sace)	Oct - 2020	Jun - 2026	20.000	Euribor 3m. + 190 bps	3.333	16.619	19.952	N/A
Sogefi S.p.A.	Mediobanca S.p.A. (guaranteed by Sace)	Oct - 2020	Jun - 2026	20.000	Euribor 3m. + 190 bps	3.333	16.619	19.952	N/A
Sogefi S.p.A.	ING Bank N.V. (guaranteed by Sace)	Oct - 2020	Jun - 2026	20.000	Euribor 3m. + 190 bps	3.333	16.619	19.952	N/A
Sogefi Suspensions Eastern Europe S.r.l.	ING Bank	Jul - 2021	Mar - 2026	20.000	Euribor 3m. + 225 bps	6.154	13.846	20.000	YES
Sogefi S.p.A.	Cassa depositi e prestiti S.p.A.	Nov - 2021	Jul - 2026	10.000	Euribor 6m. + 210 bps	1.429	8.530	9.959	N/A
Sogefi S.p.A.	Cassa depositi e prestiti S.p.A.	Jun - 2021	Jun - 2026	10.000	Euribor 6m. + 200 bps	2.857	7.104	9.961	N/A
Sogefi S.p.A.	Prestito Obbligazionario	May - 2013	May - 2023	USD 115.000	Fixed coupon 600 bps	15.385	-	15.385	N/A
Sogefi S.p.A.	Prestito Obbligazionario	Nov - 2019	Nov - 2025	75.000	Fixed coupon 3% annuo	7.500	(*)	7.500	N/A
Sogefi Filtration S.A.	CIC S.A.	Oct - 2020	Oct - 2026	10.000	Euribor 3m. + 300 bps	2.000	6.000	8.000	N/A
Sogefi Air&Cooling S.A.S	CIC S.A.	Oct - 2020	Oct - 2026	7.000	Euribor 3m. + 300 bps	1.400	4.200	5.600	N/A
Sogefi Suspensions S.A.	CIC S.A.	Oct - 2020	Oct - 2026	3.000	Euribor 3m. + 300 bps	600	1.800	2.400	N/A
Sogefi Air&Cooling S.A.S	LCL PGE	Oct - 2020	Oct - 2026	9.500	0.75% fixed	1.900	5.700	7.600	N/A
Sogefi Filtration S.A.	LCL PGE	Oct - 2020	Oct - 2026	3.500	0.75% fixed	700	2.100	2.800	N/A
Sogefi Suspensions S.A.	LCL PGE	Oct - 2020	Oct - 2026	2.000	0.75% fixed	400	1.200	1.600	N/A
Sogefi Air&Cooling S.A.S	BNP PGE	Oct - 2020	Oct - 2026	9.000	0.75% fixed	1.800	5.400	7.200	N/A
Sogefi Filtration S.A.	BNP PGE	Oct - 2020	Oct - 2026	6.500	0.75% fixed	1.300	3.900	5.200	N/A
Sogefi Suspensions S.A.	BNP PGE	Oct - 2020	Oct - 2026	4.000	0.75% fixed	800	2.400	3.200	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Intesa SanPaolo S.p.A.	Aug - 2022	Feb - 2023	680	4.05 % fixed	680	-	680	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ICBC Bank	Sep - 2022	Oct - 2023	6.795	3.36 % fixed	6.795	-	6.795	YES
Other loans/ deferrals of up front fees						4.070	22	4.092	
TOTAL						69.102	233.423	302.525	

(*) The medium/long-term portion of the bonds of the Parent company Sogefi S.p.A. is detailed in the following paragraph "Other medium/long-term financial debts".

The line "Other medium/long-term financial debts" includes other minor loans.

Balance as at 31 December 2021 (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Current portion	Non-current portion	Total amount	Real Guaran-tees
Sogefi S.p.A.	Banca Nazionale del Lavoro S.p.A.	Dec - 2018	Dec -2023	80,000	Euribor 3m. + 145 bps	40,000	39,975	79,975	N/A
Sogefi S.p.A.	Mediobanca S.p.A	Aug - 2019	Aug - 2023	25,000	Euribor 3m. + 170 bps	-	24,969	24,969	N/A
Sogefi S.p.A.	Unicredit S.p.A. (guaranteed by Sace)	Oct - 2020	Jun - 2026	20,000	Euribor 3m. + 190 bps	-	19,939	19,939	N/A
Sogefi S.p.A.	Intesa SanPaolo S.p.A. (guaranteed by Sace)	Oct - 2020	Jun - 2026	20,000	Euribor 3m. + 190 bps	-	19,939	19,939	N/A
Sogefi S.p.A.	Mediobanca S.p.A. (guaranteed by Sace)	Oct - 2020	Jun - 2026	20,000	Euribor 3m. + 190 bps	-	19,939	19,939	N/A
Sogefi S.p.A.	ING Bank N.V. (guaranteed by Sace)	Oct - 2020	Jun - 2026	20,000	Euribor 3m. + 190 bps	-	19,939	19,939	N/A
Sogefi Suspensions Eastern Europe S.r.l.	ING Bank	Jul - 2021	Mar- 2026	20,000	Euribor 3m. + 225 bps	-	20,000	20,000	YES
Sogefi S.p.A.	Cassa depositi e prestiti S.p.A.	Jun - 2021	Jun - 2026	10,000	Euribor 6m. + 200 bps	-	9,951	9,951	N/A
Sogefi S.p.A.	Private Placement	May - 2013	May - 2023	USD 115.000	Fixed coupon 600 bps	14,452	(*)	14,452	N/A
Sogefi S.p.A.	Private Placement	Nov - 2019	Nov - 2025	75,000	Fixed coupon 3%	7,500	(*)	7,500	N/A
Sogefi Filtration S.A.	CIC S.A.	Oct - 2020	Oct - 2026	10,000	Euribor 3m. + 250 bps	2,000	8,000	10,000	N/A
Sogefi Air&Cooling S.A.S	CIC S.A.	Oct - 2020	Oct - 2026	7,000	Euribor 3m. + 250 bps	1,400	5,600	7,000	N/A
Sogefi Suspensions S.A.	CIC S.A.	Oct - 2020	Oct - 2026	3,000	Euribor 3m. + 250 bps	600	2,400	3,000	N/A
Sogefi Air&Cooling S.A.S	LCL PGE	Oct - 2020	Oct - 2026	9,500	0.75% fixed	1,900	7,600	9,500	N/A
Sogefi Filtration S.A.	LCL PGE	Oct - 2020	Oct - 2026	3,500	0.75% fixed	700	2,800	3,500	N/A
Sogefi Suspensions S.A.	LCL PGE	Oct - 2020	Oct - 2026	2,000	0.75% fixed	400	1,600	2,000	N/A
Sogefi Air&Cooling S.A.S	BNP PGE	Oct - 2020	Oct - 2026	9,000	0.75% fixed	1,800	7,200	9,000	N/A
Sogefi Filtration S.A.	BNP PGE	Oct - 2020	Oct - 2026	6,500	0.75% fixed	1,300	5,200	6,500	N/A
Sogefi Suspensions S.A.	BNP PGE	Oct - 2020	Oct - 2026	4,000	0.75% fixed	800	3,200	4,000	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Intesa SanPaolo S.p.A.	Feb - 2021	May - 2022	5,560	4.15% fixed	5,560	-	5,560	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ICBC Bank	Jun - 2021	Sep - 2022	5,529	4.13% fixed	5,529	-	5,529	YES
S.C. Sogefi Air & Cooling S.r.l.	ING Bank	Sep - 2019	Mar - 2024	2,465	ROBOR 3m. + 190 bps	606	758	1,364	N/A
Other loans/ deferrals of up front fees						2,327	7	2,334	
TOTAL						86,874	219,016	305,890	

(*) The medium/long-term portion of the bonds of the Parent company Sogefi S.p.A. is detailed in the following paragraph "Other medium/long-term financial debts".

During 2022, the Parent Company Sogefi S.p.A. carried out the following transactions:

- early repayment of the Euro 80 million loan with BNL/BNP Paribas and, at the same time, entering into a new loan for the same amount, expiring in April 2027, agreeing to a floating rate linked to Euribor plus a spread of 190 basis points;

- renegotiation of the loan with Mediobanca S.p.A. for Euro 25 million, extending its expiration in march 2026 and agreeing to a variable rate linked to Euribor plus a spread of 200 basis points. As at 31 December 2022, this loan was not in use;

- renegotiation of the loan with Intesa Sanpaolo S.p.A. for Euro 50 million, extending its expiration to May 2026 and agreeing to a floating rate linked to Euribor plus a spread of 205 basis points. As at 31 December 2022, this loan was not in use;

- use of the Banco do Brasil loan, in the amount of Euro 25 million, signed in March 2020, the terms of which were renegotiated during the 2021 financial year;

- use, as from April, of the Revolving Loan with Cassa Depositi e Prestiti S.p.A. for Euro 10 million, expiring in July 2026 and entered into in November 2021.

The existing loans of the Parent Company Sogefi S.p.A. are not secured by the Company's assets. Furthermore, note that, contractually, the spreads relating to some of the loans of the Parent Company are reviewed every six months on the basis of the computation of the consolidated NFP/normalised consolidated EBITDA ratio. For an analysis of the covenants relating to loans outstanding at the end of the period, please refer to the note 20 below entitled "Analysis of the financial position".

Other short-term liabilities for derivative financial instruments

The item includes the short-term portion of the *fair value* of the exchange risk hedging contracts. Reference should be made to chapter E for a further discussion of this matter.

Other medium/long-term financial debts

As at 31 December 2022, details were as follows (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan (in thousands)	Interest rate	Total amount at December 31, 2022 (in thousands of Euro)	Real Guaran-tees
Sogefi S.p.A.	Prestito obbligazionario	Nov - 2019	Nov - 2025	Euro 75.000	Fixed coupon 3% year	52,304	N/A
Other financial debt						45	
TOTAL						52,349	

Please note that an amount of Euro 15,385 thousand relating to the bond issue, whose original amount was USD 115,000 thousand, was classified under "Current portion of medium/long-term financial debts" as it will get to maturity in May 2023.

The line "Other medium/long-term financial debts" includes other minor loans.

As at 31 December 2021, details were as follows (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan (in thousands)	Interest rate	Total amount at December 31, 2021 (in thousands of Euro)	Real Guaran-tees
Sogefi S.p.A.	Private placement	Nov - 2019	Nov - 2025	Euro 75,000	Fixed coupon 3% year	59,739	N/A
Sogefi S.p.A.	Private placement	May - 2013	May - 2023	USD 115,000	Fixed coupon 600 bps	14,496	N/A
TOTAL						74,235	

With reference to the bond loan originally for USD 115 million expiring in May 2023, as per the relative contract the Parent Company Sogefi S.p.A. paid the sixth instalment in May, for an amount of USD 16.4 million.

Moreover, with reference to the bond loan originally for Euro 75 million expiring in November 2025, as per the relative contract the Company Sogefi S.p.A. paid the second instalment in November 2022, for a sum of Euro 7.5 million.

Financial payables for rights of use

Details are as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
Short-term financial debts for right of use	13,677	17,147
Medium/long-term financial debts for right of use	57,543	54,440
TOTAL	71,220	71,587

The item includes payables for Rights of Use recorded following the application of the accounting standard IFRS 16 "Leases".
This item mainly refers to the residual debt of property rental agreements. The main property rental agreements refer to the subsidiaries Sogefi Suspensions Eastern Europe S.r.l. (Euro 18.1 million), Sogefi Engine Systems Mexico S. de R.L. de C.V. (Euro 11.5 million), Sogefi (Suzhou) Auto Parts Co., Ltd (Euro 6.1 million), Filter Systems Maroc SARL (Euro 5.4 million), Sogefi Filtration Ltd (Euro 4.5 million), Sogefi Filtration S.A. (Euro 3.9 million) and Sogefi Air & Cooling Canada Corp. (Euro 3.1 million).

It should also be noted that the item includes Euro 652 thousand (current payables) relating to financial leases in place as at 1 January 2019, already accounted for in accordance with the provisions of IAS 17.

Other medium/long-term financial liabilities for derivative financial instruments

As at 31 December 2022, this item amounts to zero. Reference should be made to chapter E for a further discussion of this matter.

16. TRADE AND OTHER PAYABLES

The amounts shown in the financial statements can be broken down into the following categories:

(in thousands of Euro)	12.31.2022	12.31.2021
Trade and other payables	347,564	317,630
Tax payables	4,688	4,783
TOTAL	352,252	322,413

Details of trade and other payables are as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
Due to suppliers	239,194	210,932
Due to the parent company	785	1,876
Due to tax authorities for indirect and other taxes	8,307	7,220
Due to social and security institutions	14,784	15,517
Due to employees	31,767	32,557
Other commercial payables to customers	39,015	36,654
Other payables	13,712	12,874
TOTAL	347,564	317,630

Amounts "Due to suppliers" are not interest-bearing and are settled on average in 58 days (59 days as at 31 December 2021).
There is no significant concentration of payables due to any one supplier or small group of suppliers.

The amounts "Due to suppliers" increased by Euro 28,262 thousand (by Euro 30,596 thousand at constant exchange rates); this is mainly due to business growth in the fourth quarter of 2022 compared to the same period of the previous year.

Amounts "Due to the parent company" reflect the consideration of Euro 385 thousand due for the fiscal surplus transferred by companies that have joined the CIR Group tax filing system; Euro 386 thousand represent the tax liability, net of the relevant pre-payments, of the Italian subsidiaries in connection with the CIR Group tax filing system, and Euro 14 thousand reflect outstanding Directors' remuneration charged back to the parent company CIR S.p.A.

The item "Other commercial payables to customers" includes credit notes to be issued to customers for price reductions and discounts granted to Aftermarket customers upon reaching certain levels of turnover.

"Other payables" include mainly trade payables to customers in the Aftermarket segment for commercial services.

"Tax payables" are taxes accrued in 2022.

17. OTHER CURRENT LIABILITIES

The item "Other current liabilities", for the amount of Euro 40,095 thousand (Euro 33,447 thousand as at 31 December 2021), mainly includes the liabilities recorded upon adoption 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.
This item also includes adjustments to costs and revenues for the period so as to ensure compliance with the accruals based principle (accrued expenses and deferred income) and advances received from customers for orders still to be delivered.

18. CURRENT PROVISIONS, NON-CURRENT PROVISIONS AND OTHER PAYABLES

These are made up as follows:

Details of the main items are given below.

(in thousands of Euro)	December 31, 2022		
	Current	*Non-current*	*Total*
Pension funds	-	26,609	26,609
Employment termination indemnities	-	2,335	2,335
Provision for restructuring	3,124	436	3,560
Provision for product warranties	3,769	50	3,819
Provision for rights of use restoration	501	3,246	3,747
Provision for disputes in progress and other risks	2,752	1,032	3,784
TOTAL	10,146	33,708	43,854

(in thousands of Euro)	December 31, 2021		
	Current	*Non-current*	*Total*
Pension funds	-	44,335	44,335
Employment termination indemnities	-	3,008	3,008
Provision for restructuring	10,097	1,860	11,957
Provision for product warranties	3,033	506	3,539
Provision for rights of use restoration	47	4,695	4,742
Provision for disputes in progress and other risks	3,550	1,879	5,429
TOTAL	16,727	56,283	73,010

Pension funds

The amount of Euro 20,556 thousand represents the amount set aside at year end by the various Group foreign companies to cover the liabilities of their various pension funds. Changes in the pension funds occurred during the year are shown below:

(in thousands of Euro)	12.31.2022	12.31.2021
Opening balance	39,127	61,589
Cost of benefits charged to income statement	3,918	1,368
"Other Comprehensive Income"	(9,286)	(19,095)
Contributions paid	(12,720)	(6,918)
Change in the scope of consolidation	-	-
Exchange differences	(483)	2,183
TOTAL	20,556	39,127
of which booked to Liabilities	*26,609*	*44,335*
of which booked to Assets	*6,053*	*5,208*

The following table shows all of the obligations deriving from “Pension funds” and the present value of the plan assets for the year 2022 and the two previous years.

(in thousands of Euro)	12.31.2022	12.31.2021	12.31.2020
Present value of defined benefit obligations	143,841	231,739	236,361
Fair value of plan assets	123,662	192,612	174,772
Asset ceiling	(377)	-	-
Deficit	20,556	39,127	61,589

The “Asset ceiling” refers to the subsidiary Allevard Springs Ltd, as described below.

Changes in the “Present value of defined benefit obligations” for the year 2022 were as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
Present value of defined benefit obligations at the beginning of the period	231,739	236,361
Current service cost	1,105	1,234
Financial expenses	4,066	3,012
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(129)	2,111
- Actuarial (gains)/losses arising from changes in financial assumptions	(76,248)	(10,589)
- Actuarial (gains)/losses arising from experience	1,610	(5,703)
- Actuarial (gains)/losses arising from "Other long-term benefits"- Jubilee benefit	(513)	(292)
Past service cost	247	-
Contribution paid by plan participants	-	-
Settlements/Curtailments	(1,436)	(769)
Exchange differences	(8,234)	14,551
Change in the scope of consolidation	-	-
Benefits paid	(8,366)	(8,177)
Present value of defined benefit obligations at the end of the period	143,841	231,739

“Actuarial (gains)/losses arising from changes in financial assumptions” are mainly due to a higher discount rate in British and French pension funds.
“Actuarial (gains)/losses arising from experience adjustments” reflect the difference between actuarial assumptions and what occurred in practice (for instance, in terms of employee turnover, wage inflation or inflation rate) mainly in British pension funds.
“Actuarial (gains)/losses relating to other long-term benefits” mainly relate to the French subsidiaries.

With regard to the balances of companies that use functional currencies other than the Euro, please note that the Income Statement items are translated into Euro using the average exchange rate of the reporting period; the present value of obligations at beginning and end of period was translated at the rate of exchange ruling at the relevant date.

Changes in the fair value of plan assets are illustrated in the table below:

(in thousands of Euro)	12.31.2022	12.31.2021
Fair value of plan assets at the beginning of the period	192,612	174,772
Interest income	3,551	2,373
Remeasurement (gains)/losses:		
Return on plan assets	(65,089)	4,914
Non-management costs of plan assets	(522)	(556)
Contributions paid by the company	11,681	5,537
Contributions paid by the plan participants	-	-
Settlements/Curtailments	(3,478)	-
Exchange differences	(7,757)	12,343
Benefits paid	(7,336)	(6,771)
Fair value of plan assets at the end of the period	123,662	192,612

The item “Settlements/Curtailments”, amounting to Euro 3,478 thousand, refers to the subsidiary Allevard Springs Ltd. In December 2022, the trustee entered into an insurance buy-in of the entire scheme whereby the insurer committed to insure the value of all current liabilities in exchange for a premium of Euro 8,332 thousand, for the shareholding of the subsidiary, paid in December 2022. At the same time, the trustee, Allevard Springs Ltd and Sogefi S.p.A. expressed their intention to convert the buy-in agreement into a buy-out agreement as soon as possible; following the buy-out, each Plan member will receive an individual annuity policy from the same insurer and the Plan will be terminated. The Plan’s actuary confirmed that s/he saw no impediment to the timely completion of the buy-out transaction. Since the buy-in transaction was carried out to allow the plan to transition to a full buy-out with the same insurer, and since the stated intention of all parties is for this to occur as soon as possible, the buy-in transaction was recognised as a settlement and the resulting loss of Euro 3,478 thousand was recognised to the income statement.
It should also be noted that the plan of the subsidiary Allevard Springs Ltd shows, as of 31 December 2022, a surplus of Euro 377 thousand to which a cap was applied to limit this surplus to zero.

With regard to the balances of companies that use functional currencies other than the Euro, please note that the Income Statement items are translated into Euro using the average exchange rate of the reporting period, whereas the fair value of assets at beginning and end of period was translated at the rate of exchange ruling at the relevant date.

Details of the amounts recognised in Other comprehensive income are given below:

(in thousands of Euro)	12.31.2022	12.31.2021
Return on plan assets (excluding amounts included in net interests expenses on net liability (asset))	65,089	(4,914)
Actuarial (gains)/losses arising from changes in demographic assumptions	(129)	2,111
Actuarial (gains)/losses arising from changes in financial assumptions	(76,248)	(10,589)
Actuarial (gains)/losses arising from experience	1,610	(5,703)
Asset ceiling	392	-
Value of the net liability (asset) to be recognised in "Other Comprehensive income"	(9,286)	(19,095)

The amounts charged to the Income Statement can be summarised as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
Current service cost	1,105	1,234
Net interest cost	515	639
Past service cost	247	-
Actuarial (gains)/losses recognised during the year on "Other long-term benefits"- Jubilee benefit	(513)	(292)
Non-management costs of plan assets	522	556
Curtailments	3,478	-
Settlements	(1,436)	(769)
TOTAL	3,918	1,368

Items “Current service cost” and “Non-management costs of plan assets” are included in the various “Labour cost” lines of Income Statement items.
Line “Financial expenses, net” is included in “Financial expenses (income), net”.
“Actuarial (gains) losses recognized during the year” relating to jubilee benefits, “Settlements/Curtailments” and “Past service cost” are included in “Other non-operating expenses (income)”.

Defined-benefit plans expose the Group to the following actuarial risks:

- Investment risk (only applies to British subsidiaries that hold plan assets): the present value of the defined-benefit obligation is calculated at a discount rate determined with reference to returns on AA-rated UK corporate bonds or Eurozone corporate bonds; if the return on plan assets is lower than this rate, the plan will be in deficit. For this reason, and considering the long-term nature of plan liabilities, the British companies’ funds diversified their portfolios to include investment in properties, debt instruments and equity instruments.
- Interest risk: a decrease in the discount rate will lead to an increase in plan liability; however, if plan assets are present, such increase will be partially offset by an increase in the return on plan investments.
- Longevity risk: the value of the defined-benefit obligation is calculated taking into account the best possible estimate of the mortality rate of plan beneficiaries; an increase in life expectancy leads to an increase in the resulting obligation.

- Inflation risk/wage inflation risk: the value of the definite-benefit plan with reference to employees in service is calculated taking into account future pay rises and inflation rate: an increase in these elements causes the relevant obligation to increase.

The following table shows the breakdown of "Pension funds" by geographical area of the relevant subsidiaries:

(in thousands of Euro)	12.31.2022			
	Great Britain	France	Other	TOTAL
Present value of defined benefit obligations	128,508	12,463	2,870	143,841
Fair value of plan assets	123,534	-	128	123,662
Asset ceiling	(377)	-	-	(377)
Deficit	5,351	12,463	2,742	20,556

(in thousands of Euro)	12.31.2021			
	Great Britain	France	Other	TOTAL
Present value of defined benefit obligations	210,926	17,204	3,609	231,739
Fair value of plan assets	192,451	-	161	192,612
Deficit	18,475	17,204	3,448	39,127

Note that the actuarial valuations of the "Pension funds" are carried out in collaboration with external specialists.

The following paragraphs summarise the pension systems in the geographical areas that affect the Group the most: Great Britain and France.

Great Britain
In Great Britain, pension plans are mainly private, being made with fund management companies and administered independently from the company.
They are classified as defined-benefit plans subject to actuarial valuation that are accounted for according to the corridor approach as provided for by IAS 19.
With regard to plan governance, administrators are representatives of employees, former employees and employer, within the subsidiary Sogefi Filtration Ltd, or independent professionals, within the subsidiary Allevard Springs Ltd; they are required by law to act in the interest of the fund and of all main stakeholders and are responsible for the investment policies adopted for plan assets.
With regard to the nature of employee benefits, employees are entitled to a post-employment annuity calculated by multiplying a portion of the wage earned at retirement age by the number of years of service until retirement age.

The main assumptions used in the actuarial valuation of these "Pension funds" were as follows:

	12.31.2022	12.31.2021
Discount rate %	4.8	1,8-1,9
Annual inflation rate %	2,6-3,3	2,8-3,5
Retirement age	65	65

The higher "Discount rate" versus the previous year reflects the upward trend in returns on AA-rated UK corporate bonds recorded in 2022.

The “Discount rate” is calculated based on the returns on AA-rated UK corporate bonds with average duration similar to that of the bond (approximately 15 years for the subsidiary Allevard Springs Ltd and 13 years for the subsidiary Sogefi Filtration Ltd).

Changes in the present value of the UK funds obligation for 2022 and 2021 were as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
Present value of defined benefit obligations at the beginning of the period	210,926	213,267
Current service cost	-	-
Financial expenses	3,861	2,855
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(108)	2,110
- Actuarial (gains)/losses arising from changes in financial assumptions	(72,745)	(9,964)
- Actuarial (gains)/losses arising from experience	1,813	(5,186)
Past service cost	247	-
Contribution paid by plan participants	-	-
Settlements/Curtailments	-	-
Exchange differences	(8,222)	14,515
Benefits paid	(7,264)	(6,671)
Present value of defined benefit obligations at the end of the period	128,508	210,926

Changes in the fair value of Great Britain plan assets are illustrated in the table below:

(in thousands of Euro)	12.31.2022	12.31.2021
Fair value of plan assets at the beginning of the period	192,451	174,537
Interest income	3,541	2,360
Remeasurement (gains)/losses:		
Return on plan assets (excluded amounts recognised in interest income)	(65,084)	4,909
Non-management costs of plan assets	(522)	(556)
Contribution paid by the company	11,644	5,537
Contribution paid by plan participants	-	-
Settlements/Curtailments	(3,478)	-
Exchange differences	(7,754)	12,335
Benefits paid	(7,264)	(6,671)
Fair value of plan assets at the end of the period	123,534	192,451

Allocations of the fair value of plan asset based on type of financial instrument were as follows:

	12.31.2022	12.31.2021
Debt instruments	24.1%	20.4%
Equity instruments	16.2%	27.5%
Real estate investments	0.0%	0.0%
Cash	9.4%	14.7%
Derivatives	26.9%	23.0%
Other assets	23.4%	14.4%
TOTAL	100.0%	100.0%

The fair value of these financial instruments was measured based on quoted prices available in active markets.

Debt instruments are mostly UK and foreign corporate securities. Equity instruments are mostly foreign securities (emerging country securities constitute a minimal share).
Other assets include the insurance policy of the subsidiary Allevard Springs Ltd as mentioned above.
The Trustee Board periodically reviews the plan's investment strategies and diversifies them by risk and asset profitability. These strategies take into account the nature and duration of liabilities, the fund's financing needs and the employer's ability to meet the fund's commitments. The British funds also use derivative financial instruments to hedge the risk of changes in liability value connected with inflation, exchange and interest rates.

With regard to the impact of the defined-benefit plan of the UK companies on the Group's future cash flows, expected contributions to the plans for the next year total Euro 2,542 thousand.

Average bond duration as at 31 December 2022 is approximately 14 years.

In compliance with the IAS 19, a sensitivity analysis was performed to determine the changes to the present value of the bond as the most significant actuarial assumptions change, other actuarial assumptions being equal.
Considering the peculiar operation of UK funds, the following actuarial assumptions are considered significant:
- Discount rate
- Life expectancy

An overview of the changes in the present value of the obligation triggered by changes in these actuarial assumptions is provided below:

(in thousands of Euro)	12.31.2022	
	+1%	-1%
Discount rate	(12,983)	15,786
	+ 1 year	- 1 year
Life expectancy	2,952	(2,974)

France
Pensions in France are essentially based on state pension plans and the responsibility of the company is limited to paying the contributions established by law.
In addition to this basic assistance guaranteed by the state, retiring employees are also entitled to other additional amounts under collective labour agreements that are determined based on length of service and salary level, and are only paid if the employee reaches retirement age in the company. An employee leaving the company before retirement age will lose these additional benefits.
These additional benefits are recognised as a liability for the company and, in accordance with IAS 19, they are considered as defined-benefit plans subject to actuarial valuation.

In addition to the retirement indemnity, a collective labour agreement provides for a "Jubilee benefit" (which is calculated with a different method at each different French subsidiary) that vests upon reaching 20, 30, 35 and 40 years of service with the company. Under the IAS 19, this "Jubilee benefit" falls under the residual category of "Other long-term benefits" and is subject to actuarial valuation; actuarial gains (losses) must be recognised in the Income Statement for that year. Employees will lose the bonus falling due upon the different service jubilee bonuses if they leave the company before reaching the years of service mentioned above.

The main assumptions used in the actuarial valuation of these "Pension funds" were as follows:

	12.31.2022	12.31.2021
Discount rate %	3.2-3.5	0.90
Expected annual wage rise %	2.2-11 based on age	1.6-4 based on age
Annual inflation rate %	2.30	1.75
Retirement age	62-67	62-67

The "Discount rate" is calculated based on the returns on Eurozone AA-rated corporate bonds (average duration of 15 years).

Changes in the "Present value of defined benefit obligations" were as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
Present value of defined benefit obligations at the beginning of the period	17,204	19,395
Current service cost	978	1,100
Financial expenses	153	117
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	23	-
- Actuarial (gains)/losses arising from changes in financial assumptions	(3,045)	(605)
- Actuarial (gains)/losses arising from experience	(142)	(586)
- Actuarial (gains)/losses related to "Other long-term benefits" - Jubelee benefit	(513)	(292)
Past service cost	-	-
Settlements/Curtailments	(1,436)	(768)
Change in the scope of consolidation	-	-
Benefits paid	(759)	(1,157)
Present value of defined benefit obligations at the end of the period	12,463	17,204

"Actuarial (gains)/losses arising from experience adjustments" reflect the difference between actuarial assumptions and what occurred in practice (for instance, in terms of employee turnover, wage inflation or inflation rate).

The sensitivity analysis of the French funds was performed by varying the following actuarial assumptions:

- Discount rate
- Wage inflation rate

An overview of the changes in the present value of the obligation triggered by changes in these actuarial assumptions is provided below:

(in thousands of Euro)	12.31.2022	
	+1%	-1%
Discount rate	(1,424)	1,623
Rate of salary increase	1,583	(1,152)

Employment termination indemnities

This aspect only concerns the Group's Italian companies, where pensions are represented by state plans and the company's responsibility is limited to regular payment of social contributions each month.
In addition to state-provided pensions, employees are entitled by law to a termination indemnity that accrues in accordance with length of service and is paid when an employee leaves the company.
The termination indemnity is calculated based on the length of service and taxable remuneration of each employee.

The corresponding liability is put aside in a specific provision and the amounts accrued in previous years are subject to annual revaluation based on the official cost-of-life index and at the legal interest rates; it is not associated with any conditions or accrual periods, nor does it require any financial provision; as a result, there are no assets underlying the provision.
This termination indemnity is considered as a defined-benefit provision, but subject to actuarial valuation for the part relating to the expected future benefits in respect of past service (which is the part subject to annual revaluation).
Further to the amendments to the "Employment termination indemnities" introduced by Law 296 of 27 December 2006 and subsequent decrees and regulations issued in the early part of 2007, for companies with 50 or more employees (Sogefi Filtration Italy S.p.A., Sogefi Suspensions Passenger Car Italy S.p.A. and Sogefi Suspensions Heavy Duty Italy S.p.A.), the portions of the provision accruing as from 1 January 2007 are transferred - at employee's option - to supplementary pension funds or to the treasury fund held by INPS (the Italian social security authority) or to supplementary pension schemes, and are considered as "defined-contribution plans". These amounts therefore do not require actuarial valuation and are no longer booked to "Employment termination indemnities".
The "Employment termination indemnities" accruing up to 31 December 2006 is still a "defined-benefit plan", consequently requiring actuarial valuation, which however will no longer take account of the component relating to future wage inflation.
In accordance with the IAS 19, for companies with less than 50 employees (Parent Company Sogefi S.p.A.) the item "Employment termination indemnities" as at 31 December 2022 is entirely accounted for as a "Definite-benefit plan" and is subject to actuarial valuation.

The assumptions taken into consideration when carrying out the actuarial valuation of the "Employment termination indemnities" were as follows:

Macroeconomic assumptions:
- annual discount rate (IBoxx Eurozone Corporate AA Index): 3.37%-3.5% (0.38%-0.92% as at 31 December 2021);
- annual inflation rate: 2.3% (as at 31 December 2021: 1.75%);
- annual increase in termination indemnity: 3.2% (as at 31 December 2021: 2.8%).

Demographic assumptions:
- rate of voluntary resignations: 3% - 10% of the workforce (same assumptions adopted as at 31 December 2021);
- retirement age: it was assumed that employees would reach the first of the requirements valid for mandatory general social security (same assumptions adopted as at 31 December 2021);
- probability of death: the RG48 mortality tables produced by the General State Accounting Body were used (same assumptions adopted as at 31 December 2021);
- probability of advanced settlement: an annual value of 2% - 3% each year was assumed (same assumptions adopted as at 31 December 2021);
- INPS' table split by age and gender was used for the probability of disability (same assumptions adopted as at 31 December 2021).

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2022	12.31.2021
Opening balance	3,008	3,190
Accruals for the period	55	31
Amounts recognised in "Other Comprehensive Income"	(302)	46
Contributions paid	(426)	(259)
TOTAL	2,335	3,008

The amounts charged to the Income Statement can be summarised as follows:

(in thousands of Euro)	2022	2021
Current service cost	19	30
Financial charges	36	1
TOTAL	55	31

Average bond duration as at 31 December 2022 is approximately 7 years.

The sensitivity analysis of the provision for employment termination indemnities is outlined below. The table below shows the changes in the provision triggered by changes in the following actuarial assumptions:
- Discount rate
- Wage inflation

(in thousands of Euro)	12.31.2022	
	+0.5%	-0.5%
Discount rate	(34)	35
Rate of salary increase	1	(1)

Provision for restructuring

These are amounts set aside for restructuring operations that have been officially announced and communicated to those concerned, as required by IAS/IFRS.

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2022	12.31.2021
Opening balance	11,957	19,482
Accruals for the period	1,142	2,998
Utilisations	(8,705)	(5,936)
Provisions not used during the period	(1,207)	(3,956)
Other changes	491	(669)
Exchange differences	(118)	38
TOTAL	3,560	11,957

The accrual of Euro 1,142 thousand mainly refers to the British subsidiary Allevard Springs Ltd. and the French subsidiary Sogefi Suspensions S.A..

Provisions not used during the period, equal to Euro 1,207 thousand, mainly refer to the subsidiary Sogefi Filtration S.A., because of the revision of estimated provisions made.
Changes in “Accruals for the period” net of the “Provisions not used during the period” (amounts set aside during previous years in excess of amounts actually paid), is negative at Euro 65 thousand; this figure is booked to the Income Statement under “Restructuring costs”.
“Other changes” essentially include reclassifications from other balance sheet items to the “Provision for restructuring”.

Provision for product warranties

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2022	12.31.2021
Opening balance	3,539	3,960
Accruals for the period	2,130	2,101
Utilisations	(225)	(110)
Provisions not used during the period	(1,640)	(2,475)
Other changes	-	28
Exchange differences	15	35
TOTAL	3,819	3,539

The item includes provisions for product warranties by Group companies.

The provision of Euro 2,130 thousand mainly refers to the European subsidiaries.
Provisions not used, equal to Euro 1,640 thousand, mainly refer to the European subsidiaries and the North American subsidiary Sogefi U.S.A., Inc., and refer to the revision of estimated provisions made.

Provision for restoration of rights of use

This item (for the amount of Euro 3,747 thousand) includes an estimate of the costs that the lessees of leased assets will have to incur in order to dismantle and remove the asset and restore the site or asset to the condition provided for in the lease terms.

Lawsuits and other risks

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2022	12.31.2021
Opening balance	5,429	4,333
Accruals for the period	1,634	3,075
Utilisations	(1,617)	(1,224)
Provisions not used during the period	(1,402)	(668)
Variation of consolidation perimeter	-	(66)
Other changes	(158)	(48)
Exchange differences	(102)	26.4
TOTAL	3,784	5,429

The provision includes liabilities toward employees and other individuals or entities. Amounts stated in the financial statements represent the best possible estimates of liabilities at year-end date.
The provision at 31 December 2022 mainly refers to liabilities for risks connected with the European subsidiaries.
Please refer to note 43 “Contingent assets/liabilities” for details on liabilities not assessed as probable.
“Other changes” essentially include the reclassification of liabilities that have become certain to accounts payable.

Other payables

The item “Other payables” amounts to Euro 64,363 thousand (Euro 65,826 thousand as at 31 December 2021), and mainly reflects the non-current portion of the liabilities recorded upon adoption 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.

19. SHARE CAPITAL AND RESERVES

Share capital

The share capital of the Parent Company Sogefi S.p.A. is fully paid in and amounts to Euro 62,461 thousand as at 31 December 2022 (unchanged since 31 December 2021), split into 120,117,992 ordinary shares with a par value of Euro 0.52 each (unchanged since 31 December 2021).
No shares are encumbered by rights, liens or limitations relating to dividend distribution.

As at 31 December 2022, the Company has 1,945,864 treasury shares in its portfolio, corresponding to 1.62% of share capital.

Movements in the shares outstanding are as follows:

(Shares outstanding)	2022	2021
No. shares at start of period	120,117,992	120,117,992
No. shares issued for subscription of stock options	-	-
No. of ordinary shares as of December 31	120,117,992	120,117,992
Treasury shares	(1,945,864)	(2,014,013)
No. of shares outstanding as of December 31	118,172,128	118,103,979

Share premium reserve
It amounts to Euro 19,445 thousand compared to Euro 19,289 thousand in the previous year.
During 2022, the Parent Company Sogefi S.p.A. credited Euro 156 thousand to the Share premium reserve after the free grant of 68,149 treasury shares to Stock Grant Plan beneficiaries.

Treasury shares
Item “Treasury shares” reflects the purchase price of treasury shares. Movements during the year amount to Euro 156 thousand and reflect the free grant of 68,149 treasury shares as reported in the note to “Stock-based incentive plans reserve”.

Translation reserve
This reserve is used to record the exchange differences arising from the translation of foreign subsidiaries' financial statements.
Changes during the period show a decrease of Euro 5,604 thousand mainly due to the depreciation of the Argentine pesos.

Reserve for actuarial gains/losses
The reserve includes actuarial gains and losses recognised in Other Comprehensive Income, according to IAS 19 “Employee Benefits”.

Stock-based incentive plans reserve
The reserve refers to credit to equity for stock-based incentive plans, assigned to Directors, employees and co-workers, resolved after 7 November 2002, including the portion relating to the Stock Grant plan approved in 2022.

Further to Stock Grant Plan beneficiaries exercising their rights in 2022, and the corresponding free grant of 68,149 treasury shares, the amount of Euro 121 thousand, corresponding to the fair value at right (Unit) allocation date, was reclassified from “Stock-based incentive plans reserve” to “Share premium reserve” (increased by Euro 156 thousand) and to “Retained earnings reserve” (decreased by Euro 35 thousand).

Cash flow hedging reserve
This reserve has changed as a result of accounting for the cash flows deriving from instruments that for IAS 39 purposes are designated as “cash flow hedging instruments”. Changes during the period show an increase of Euro 6,200 thousand which breaks down as follows:

- Increase of Euro 728 thousand reflecting the portion of the negative reserve relating to contracts no longer in hedge accounting that will be recognised to the Income Statement over the same period of time as the differentials relating to the underlying hedged item;
- Increase of Euro 5,472 thousand referred to IRS contracts in hedge accounting. Further details can be found in note 38 “Financial instruments and financial risk management”.

Other reserves
This item amounts to Euro 12,201 thousand (unchanged compared to 31 December 2021).

Retained earnings
These totalled Euro 157,184 thousand and include amounts of profit that have not been distributed.
The increase of Euro 6,184 thousand refers to the following events:

- reclassification to the “Stock-based incentive plans reserve” for a total amount of Euro 35 thousand;

- the effect of the adoption of IAS 29 “Financial Reporting in Hyperinflationary Economies” in the Argentine subsidiaries, which amounted to Euro 6,486 thousand;
- other negative changes for the amount of Euro 267 thousand.

Tax on items booked in Other Comprehensive Income

The table below shows the amount of income taxes relating to each item of Other Comprehensive Income:

(in thousands of Euro)	2022			2021		
	Gross value	Taxes	Net value	Gross value	Taxes	Net value
- Profit (loss) booked to cash flow hedging reserve	6,200	(1,488)	4,712	1,829	(439)	1,390
- Actuarial gain (loss)	9,588	(1,784)	7,804	19,049	(2,068)	16,981
- Profit (loss) booked to translation reserve	(5,644)	-	(5,644)	29,037	-	29,037
- Total Profit (loss) booked in Other Comprehensive Income	10,144	(3,272)	6,872	49,915	(2,507)	47,408

Tax constraints applicable to certain reserves

The equity of Parent Company Sogefi S.p.A. includes Reserves under tax suspension and its share capital is subject to constraints under tax suspension after revaluation reserves were utilised in the past, for a total amount of Euro 24,164 thousand.
The Parent Company has made no allocations for deferred tax liabilities to such reserves, that, if distributed, would count towards taxable income of the Company, because it is not deemed likely that they will be distributed.

Non-controlling interests

The balance amounts to Euro 16,822 thousand and refers to the portion of shareholders' equity attributable to non-controlling interests.

Details of non-controlling interests are given below:

(in thousands of Euro)		*% owned by third parties*		*Loss (proftt) attributable to non-controlling interests*		*Shareholders' equity attributable to non-controlling interests*	
Subsidiary's name	Region	12.31.2022	12.31.2021	12.31.2022	12.31.2021	12.31.2022	12.31.2021
S.ARA Composite S.A.S.	France	4.21%	4.21%	(2)	46	18	20
Iberica de Suspensiones S.L. (ISSA)	Spain	50.00%	50.00%	1,333	2,091	16,113	16,843
Shanghai Allevard Spring Co., Ltd	China	0.00%	0.00%	-	(3)	-	-
Sogefi ADM Supensions Private Limited	India	25.77%	25.77%	298	42	639	381
Sogefi Filtration Italy S.p.A.	Italy	0.12%	0.12%	-	-	28	28
Sogefi Suspensions Passenger Car Italy S.p.A.	Italy	0.12%	0.12%	-	(1)	12	12
Sogefi Suspensions Heavy Duty Italy S.p.A.	Italy	0.12%	0.12%	2	3	12	13
TOTAL				1,631	2,178	16,822	17,297

It should be noted that company Iberica de Suspensiones S.L. (ISSA) – which is 50% owned – is treated as a subsidiary because the Group controls the majority of votes of the Board of Directors, which is the corporate body tasked with deciding on the entity's relevant activities.

As required by IFRS 12, an overview of the key financial indicators of the companies showing significant non-controlling interests:

(in thousands of Euro)	*Shanghai Allevard Spring Co., Ltd*		*Iberica de Suspensiones S.L. (ISSA)*	
	12.31.2022	12.31.2021	12.31.2022	12.31.2021
Current Assets	-	-	27,679	29,184
Non-current Assets	-	-	19,275	20,976
Current Liabilities	-	-	12,744	13,337
Non-current Liabilities	-	-	1,984	3,137
Shareholders' equity attributable to the Holding Company	-	-	16,113	16,843
Non-controlling interests	-	-	16,113	16,843
Sales Revenue	-	-	64,939	55,384
Variable cost of sales	-	-	46,216	35,375
Other variable costs of sales	-	-	3,209	2,734
Fixed expenses	-	10	12,258	11,716
Non-operating expenses (income)	-	(2)	(237)	101
Income taxes	-	-	828	1,276
Income (loss) for the period	-	(8)	2,665	4,182
Income (loss) attributable to the Holding Company	-	(5)	1,333	2,091
Income (loss) attributable to non-controlling interests	-	(3)	1,333	2,091
Income (loss) for the period	-	(8)	2,665	4,182
OCI attributable to the Holding Company	-	103	-	-
OCI attributable to non-controlling interests	-	65	-	-
OCI for the period	-	168	-	-
Total income (losses) attributable to the Holding Company	-	98	1,333	2,091
Total income (losses) attributable to non-controlling interests	-	62	1,333	2,091
Total income (losses) for the period	-	160	2,665	4,182
Dividends paid to non-controlling interests	-	-	2,067	-
Net cash inflow (out flow) from operating activities	-	26	5,367	5,884
Net cash inflow (out flow) from investing activities	-	(2,383)	(2,584)	(2,726)
Net cash inflow (out flow) from financing activities	-	31	(4,421)	(6,199)
Net cash inflow (out flow)	-	(2,326)	(1,638)	(3,041)

20. ANALYSIS OF THE NET FINANCIAL POSITION

The following table provides details of the net financial position as required by Consob in its communication no. DEM/6064293 of 28 July 2006 referred to by ESMA in Communication no. ESMA32-382-1138 dated 4 March 2021:

(in thousands of Euro)	12.31.2022	12.31.2021
A. Cash	118,488	120,927
B. Cash equivalent	-	-
C. Other current financial assets	6,104	5,112
D. Liquidity (A) + (B) + (C)	**124,592**	**126,039**
E. Current Financial Debt (including debt instruments, but excluding current portion of non-current financial debt)	2,591	2,043
F. Current portion of non-current financial debt	82,099	104,021
G. Current financial indebtedness (E) + (F)	**84,690**	**106,064**
H. Net current financial indebtedness (G) - (D)	**(39,902)**	**(19,975)**
I. Non-current financial debt (excluding the current portion and debt instruments)	285,419	273,343
J. Debt instruments	52,304	74,235
K. Non-current trade and other payables	-	-
L. Non-current financial indebtedness (I) + (J) + (K)	**337,723**	**347,578**
M. Net indebtedness (H) + (L)	**297,821**	**327,603**
Other non current financial assets	2,953	-
Net indebtedness (as per the "Net financial position" included in the Report on operations)	**294,868**	**327,603**

It should be noted that item "F. Current portion of non-current financial debt" includes short-term liabilities related to lease agreements for Euro 13,677 thousand (Euro 17,147 thousand as at 31 December 2021) and item "I. Non-current financial debt (excluding the current portion and debt instruments)" includes long-term liabilities for Euro 57,543 thousand (Euro 54,440 thousand as at 31 December 2021).

Details of the covenants applying to loans outstanding at year end are as follows (please read note 15 "Financial debts to banks and other financing creditors" above for further details on loans):

- loan of Euro 25,000 thousand from Mediobanca S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- loan of Euro 50,000 thousand from Unicredit S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- loan of Euro 80,000 thousand from Banca Nazionale del Lavoro S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less

than or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- loan of Euro 20,000 thousand from Ing Bank N.V.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- loan of Euro 50,000 thousand from Intesa Sanpaolo S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- loan of Euro 25,000 thousand from Banco do Brasil S.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- bond issue of USD 115,000 thousand: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;
- bond issue of Euro 75,000 thousand: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- loan of Euro 80,000 thousand guaranteed by SACE: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- loan of Euro 10,000 thousand from Cassa depositi e prestiti S.p.A. (entered into in June 2021): the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3;
- loan of Euro 10,000 thousand from Cassa depositi e prestiti S.p.A. (entered into in November 2021): the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 4; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 3.

It should also be noted that Sogefi S.p.A. has provided a guarantee to Ing Bank N.V. for the loan of Euro 20,000 thousand obtained by the subsidiary Sogefi Suspensions Eastern Europe S.r.l., to which the following covenants apply: ratio of consolidated net financial position to consolidated normalised EBITDA less than or equal to 4; ratio of consolidated normalised EBITDA to consolidated net financial expenses not less than 3.

As at 31 December 2022, the Company was in compliance with these covenants.

As specified in note 2 “Consolidation principles and accounting policies – Going concern”, covenants are expected to be complied with also in 2023.

D) NOTES ON THE MAIN FINANCIAL STATEMENT ITEMS: INCOME STATEMENT

21. SALES REVENUES

Revenues from sales and services

In 2022, Sogefi Group's revenues amounted to Euro 1,552.1 million, up 17.5% compared to 2021.

Revenues from the sale of goods and services are as follows:

(in thousands of Euro)	2022		2021	
	Amount	*%*	*Amount*	*%*
Suspensions	556,737	35.9	458,227	34.7
Filtration	535,728	34.5	463,372	35.1
Air&Cooling	464,002	29.9	402,042	30.4
Intercompany eliminations	(4,371)	(0.3)	(3,004)	(0.2)
TOTAL	1,552,096	100.0	1,320,637	100.0

Suspension reported revenue growth of 21.5% (+16.6% at constant exchange rates), with significant growth rates particularly in India, North America, South America and Europe.

Filtration reported an increase in sales of 15.6% (+12.1% at constant exchange rates), due to the good performance of the Aftermarket channel in Europe and the activities in North America and India.

Air & Cooling reported revenue growth of 15.4% (+8.9% at constant exchange rates), with significant growth rates particularly in China and NAFTA.

By geographic area:

(in thousands of Euro)	2022		2021	
	Amount	*%*	*Amount*	*%*
Europe	890,853	57.4	813,481	61.6
South America	107,959	7.0	77,825	5.9
North America	340,277	21.9	262,369	19.9
India	104,518	6.8	76,387	5.8
China	115,551	7.4	100,463	7.6
Intercompany eliminations	(7,062)	(0.5)	(9,888)	(0.8)
TOTAL	1,552,096	100.0	1,320,637	100.0

Revenues 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), +15.0% in China (+6.7% at constant exchange rates) and +36.8% in India (+29.4% at constant exchange rates).

22. VARIABLE COST OF SALES

Details are as follows:

(in thousands of Euro)	2022	2021
Materials	873,677	701,561
Direct labour cost	106,971	99,258
Energy costs	46,038	29,407
Sub-contracted work	43,783	37,781
Ancillary materials	18,194	16,205
Variable sales and distribution costs	33,609	27,430
Royalties paid to third parties on sales	3,047	3,112
Other variable costs	1,663	2,162
TOTAL	1,126,982	916,916

The impact of "Variable cost of sales" on revenues stands at 72.6%, up from 69.4% in the previous year due to the dilution caused by the parallel increase in sales prices and raw material prices.

"Other variable costs" represent the portion of direct labour cost and fixed cost included in the increase in the inventory of finished goods and semi-finished products. Please note that the portion of change in inventory relating to raw materials is included in the row "materials".

23. MANUFACTURING AND R&D OVERHEADS

These can be broken down as follows:

(in thousands of Euro)	2022	2021
Labour cost	87,729	87,821
Materials, maintenance and repairs	26,458	24,982
Rental and hire charges	2,039	1,643
Personnel services	7,139	5,968
Technical consulting	5,291	6,310
Sub-contracted work	700	1,268
Insurance	2,516	2,186
Utilities	3,694	3,639
Capitalization of internal construction costs	(15,967)	(17,537)
Other	741	(1,349)
TOTAL	120,340	114,931

"Manufacturing and R&D overheads" show an increase of Euro 5,409 thousand, compared to the previous year. At constant exchange rates and excluding the inflationary impact of Argentina, the increase would be Euro 1,323 thousand.

The heading "Materials, maintenance and repairs" increased by Euro 1,476 thousand compared to the previous year and is linked to more maintenance work following the increase in volumes mainly for North and South American subsidiaries.

It should be noted that the item “Rents and hires” includes costs relating to variable payments and ancillary costs due for leases not included in the valuation of lease liabilities, short-term leases and leases of small value assets.

“Technical consulting” decreased by Euro 1,019 thousand compared to the previous year as a consequence of a less extensive use of external consultants related to research and development activities.

The item “Personnel services” increased by Euro 1,171 thousand compared to the previous year and refers to higher travel expenses.

“Capitalization of internal construction costs” mainly reflects capitalised product development costs.

The item “Other” includes other services in support of industrial and research and development activities, as well as contributions for research and development of the French subsidiaries.

Total costs for Research and Development (not reported in the table but included mainly under the headings “Labour cost”, “Materials, maintenance and repairs” and “Technical consulting”) amount to Euro 26,198 thousand compared to Euro 28,893 thousand as of 31 December 2021.

24. DEPRECIATION AND AMORTIZATION

Details are as follows:

(in thousands of Euro)	2022	2021
Depreciation of tangible fixed assets	75,192	70,432
Depreciation of Right of Use/assets under finance leases IAS 17	12,307	12,015
Amortisation of intangible assets	29,953	33,110
TOTAL	117,452	115,557

Item “Depreciation and amortization” amounts to Euro 117,452 thousand compared to Euro 115,557 thousand in the previous year. At constant exchange rates and excluding the inflationary impact of Argentina, the item would overall decrease by Euro 2,136 thousand.

25. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

(in thousands of Euro)	2022	2021
Labour cost	21,772	21,143
Sub-contracted work	4,398	4,270
Advertising, publicity and promotion	1,404	1,648
Personnel services	1,175	807
Rental and hire charges	725	603
Consulting	692	274
Other	1,178	1,127
TOTAL	31,344	29,872

"Distribution and sales fixed expenses" increased by Euro 1,472 thousand. At constant exchange rates and excluding the inflationary impact of Argentina, the item would increase by Euro 558 thousand.

26. ADMINISTRATIVE AND GENERAL EXPENSES

These can be broken down as follows:

(in thousands of Euro)	2022	2021
Labour cost	31,807	32,245
Personnel services	2,583	2,355
Maintenance and repairs	3,615	2,912
Cleaning and security	1,868	1,891
Consulting	6,297	6,912
Utilities	2,196	2,052
Rental and hire charges	1,704	1,849
Insurance	2,209	2,085
Participation des salaries	1,852	2,931
Administrative, financial and tax-related services provided by Parent Company	344	326
Audit fees and related expenses	1,759	1,480
Directors' and statutory auditors' remuneration	969	869
Sub-contracted work	600	371
Capitalization of internal construction costs	(128)	(149)
Indirect taxes	5,810	5,068
Other fiscal charges	1,563	1,823
Other	6,431	5,535
TOTAL	71,479	70,555

"Administrative and general expenses" increased by Euro 924 thousand compared to 2021. At constant exchange rates and excluding the inflationary impact of Argentina, the item would decrease by Euro 805 thousand. This decrease is mainly attributable to the items "Labour Cost" (due to a reduction in the average number of employees in the administrative and general functions), "Consulting" (due to a lower use of legal, tax, administrative and HR consultants) and “*Participation des salaires*” (due to a lower tax result of the French subsidiaries, which is the basis for the calculation of this cost item).

“Indirect taxes” include tax charges such as property tax, taxes on sales revenues (*taxe organic* of the French companies), non-deductible VAT and taxes on professional training.

“Other fiscal charges” consist of the *cotisation économique territoriale* (previously called *taxe professionnelle*) relating to the French companies, which is calculated on the value of fixed assets and on added value.

With reference to the item “Audit fees and related expenses”, it should be noted that the fees incurred for services provided by the auditing firm KPMG S.p.A. and other entities belonging to its network amounted to:
- Euro 199 thousand for auditing services provided to the Parent Company Sogefi S.p.A.;
- Euro 18 thousand for other services provided to the Parent Company Sogefi S.p.A.;
- Euro 1,179 thousand for audit services provided to subsidiaries;
- Euro 58 thousand for other services provided to subsidiaries.

27. PERSONNEL COSTS

Personnel

Regardless of their destination, as specified in paragraphs “Variable cost of sales”, “Manufacturing and R&D overheads”, “Distribution and sales fixed expenses” and “Administrative and general expenses”, the whole “Personnel costs” may be broken down in the following main components:

(in thousands of Euro)	2022	2021
Wages, salaries and contributions	245,021	236,819
Pension costs: defined benefit plans	1,646	1,820
Pension costs: defined contribution plans	1,611	1,828
Participation des salaries	1,852	2,931
Imputed cost of stock option and stock grant plans	286	8
Other costs	13	23
TOTAL	250,429	243,429

“Personnel costs” increased by Euro 7,000 thousand (+2.9%) compared to the previous period. At constant exchange rates and excluding the inflationary impact of Argentina, the item would decrease by Euro 864 thousand.

The impact of “Personnel costs” on sales revenues has decreased to 16.1% from 18.4% as at 31 December 2021.

“Wages, salaries and contributions”, “Pension costs: defined benefit plans” and “Pension costs: defined contribution plans” are posted in the tables provided above at line “Labour cost”.

“*Participation des salaries*” is included in “Administrative and general expenses”.

"Other costs" is included in "Administrative and general expenses".

"Imputed cost of stock grant plans" is included in "Other non-operating expenses (income)". The following paragraph "Personnel benefits" provides details of the stock grant plans.

The average number of Group employees, broken down by category, is shown in the table below:

(Number of employees)	2022	2021
Managers	58	65
Clerical staff	1,469	1,594
Blue collar workers	3,923	3,989
TOTAL	5,450	5,648

Personnel benefits

Sogefi S.p.A. implements stock-based incentive plans for the employees of the Company and of its subsidiaries that hold important positions of responsibility within the Group. The purpose is to foster greater loyalty to the Group and to provide an incentive that will raise their commitment to improving business performance and generating value in the long term.

The stock-based incentive plans of Sogefi S.p.A. are first approved by the Shareholders' Meeting.

Except as outlined at the following paragraphs "Stock Grant plans", the Group has not carried out any other transaction that involves the purchase of goods or services with payments based on shares or any other kind of instrument representing portions of equity. As a result, it is not necessary to disclose the fair value of such goods or services.
The Group has issued plans from 2013 to 2022 of which the main details are provided blow.

Stock Grant plans

The Stock Grant plans provide for the free assignment of conditional rights (called units) that cannot be transferred to third parties or other beneficiaries; each of them entitles to the free assignment of one Sogefi S.p.A. share.

Until 2019, the plans provided for two categories of units:
• Time-based Units, the vesting of which is subject to the passing of the established time periods;
• Performance Units type A, whose vesting is subject to the passing of the time periods and the achievement of the targets based on the market value of the share, as set out in the regulation.

Starting with the 2020 Stock Grant Plan, an additional category of units was added:

• Performance Units type B, whose vesting is subject to the passing of the time periods and the achievement of the Economic-Financial Targets set out in the regulation.
In this regard, it should be noted that with the issuance of the 2022 Stock Grant Plan, the Type B Performance Units will also be subject to the achievement of the Non-Financial Targets, measured on the basis of the comparison between the Non-Financial Results and the Non-Financial Targets set forth in the regulation.

The regulation provides for a minimum holding period during which the shares held for the plan can not be disposed of.
All shares assigned under these plans will be treasury shares held by Sogefi S.p.A. According to the regulation, a pre-condition for assigning the shares is a continued employer-employee relationship or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period of the rights.

On 22 April 2022, the Board of Directors executed the 2022 Stock Grant plan (approved by the Shareholders' Meeting held on the same day to assign a maximum of 1,000,000 conditional rights) restricted to employees of the Company and its subsidiaries, who were assigned a total of 995,000 Units (294,166 of which were Time-based Units, 350,417 Performance Units type A and 350,417 Performance Units type B).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 8.33% of their respective total, starting on 30 April 2024 and ending on 31 January 2027.
Performance Units type A will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
Performance Units type B will vest in three tranches, each equal to up to one third (1/3) of the total number of Performance Units type B granted, starting on 31 July 2024, at the following vesting dates and under the following conditions:
1) the first tranche, with effect from 31 July 2024, depending on the achievement of the Economic-Financial Targets and Non-Financial Targets for the financial year 2023, in accordance with the Regulation;
2) the second tranche, with effect from 31 July 2025, depending on the achievement of the Economic-Financial Targets and Non-Financial Targets for the financial year 2024, in accordance with the Regulation;
3) the third tranche, with effect from 31 July 2026, depending on the achievement of the Economic-Financial Targets and Non-Financial Targets for the financial year 2025, in accordance with the Regulation.

The fair value of the units granted during 2022 was determined at the time of granting, with the help of an external consultant, and was calculated on the basis of the binomial model for the valuation of American options known as the Cox, Ross and Rubinstein (CRR) model for Time-based units and Performance Units type B, and on the basis of the model called 'Monte Carlo simulation' for Performance Units type A. The overall fair value amounts to a total of Euro 889 thousand.

Input data used for measuring the fair value of the 2022 stock grant plan are provided below:
- curves of EUR/SEK/CHF-riskless interest rates as at 22 April 2022;
- price of the Sogefi S.p.A. share as at 22 April 2022 (equal to Euro 0.942), and of the securities included in the benchmark basket, again as at 22 April 2022;

- standard values of Sogefi S.p.A. share and of the securities included in the benchmark basket, calculated as an average of the prices during the period starting on 21 March 2022 and ending on 21 April 2022 for the determination of the limit for Stock Grant Performance Units type A;
- 260-day historical volatility values observed at 22 April 2022 for stocks and foreign exchange rates;
- Dividend yield equal to zero;
- historical series of the logarithmic returns of involved securities and EUR/SEK and EUR/CHF exchange rates to calculate the correlation among securities and among the 2 non-EUR denominated securities and associated exchange rates (to adjust for estimated trends), calculated for the period starting on 22 April 2021 and ending on 22 April 2022.

The main characteristics of the Stock Grant plans approved during previous years and still under way are outlined below:

• 2013 Stock Grant plan to assign a maximum of 1,700,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 1,041,358 Units (432,434 of which were Time-based Units and 608,924 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2015 and ending on 31 January 2017.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
On 31 December 2022, 256,954 Time-based Units and 616,219 Performance Units expired as per regulation. While 174,895 Time-based Units had been exercised.

• 2014 Stock Grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 378,567 Units (159,371 of which were Time-based Units and 219,196 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2016 and ending on 20 January 2018.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
On 31 December 2022, 109,543 Time-based Units and 219,196 Performance Units expired as per regulation. While 50,410 Time-based Units had been exercised.

• 2015 Stock Grant plan to assign a maximum of 1,500,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 441,004 Units (190,335 of which were Time-based Units and 250,669 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 October 2017 and ending on 20 July 2019.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each

vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
On 31 December 2022, 56,397 Time-based Units and 179,805 Performance Units expired as per regulation. While 125,599 Time-based Units and 67,943 Performance Units had been exercised.

• 2016 Stock Grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 500,095 Units (217,036 of which were Time-based Units and 283,059 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 27 July 2018 and ending on 27 April 2020.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
On 31 December 2022, 77,399 Time-based Units and 100,948 Performance Units expired as per regulation. While 139,638 Time-based Units and 182,111 Performance Units had been exercised.

• 2017 Stock Grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 287,144 Units (117,295 of which were Time-based Units and 169,849 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 26 July 2019 and ending on 26 April 2021.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
On 31 December 2022, 36,703 Time-based Units and 169,849 Performance Units expired as per regulation. While 79,236 Time-based Units had been exercised.

• 2018 Stock Grant plan to assign a maximum of 500,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 415,000 Units (171,580 of which were Time-based Units and 243,420 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 23 July 2020 and ending on 23 April 2022.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
On 31 December 2022, 95,446 Time-based Units and 243,420 Performance Units expired as per regulation. While 72,995 Time-based Units had been exercised.

• 2019 Stock Grant plan to assign a maximum of 500,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 469,577 Units (213,866 of which were Time-based Units and 255,711 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 22 October 2021 and ending on 22 July 2023.

Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
On 31 December 2022, 111,226 Time-based Units and 137,460 Performance Units expired as per regulation. While 62,155 Time-based Units and 14,762 Performance Units had been exercised.

• 2020 Stock Grant plan to assign a maximum of 1,000,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 790,000 Units (235,000 of which were Time-based Units and 277,500 Performance Units type A and 277,500 Performance Units type B).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 31 January 2023 and ending on 31 October 2024.
Performance Units type A will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
Performance Units type B will vest in three annual tranches, each equal to up to one third (1/3) of the total number of Performance Units type B granted, starting on 31 January 2023 until 31 July 2024, depending on the achievement of the economic-financial objectives defined by the regulation.
On 31 December 2022, 78,750 Time-based Units and 179,375 Performance Units type A and 179,375 Performance Units type B expired as per regulation.

• 2021 Stock Grant plan to assign a maximum of 1,000,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 897,500 Units (292,084 of which were Time-based Units and 302,708 Performance Units type A and 302,708 Performance Units type B).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 8.33% of their respective total, starting on 30 April 2023 and ending on 31 January 2026.
Performance Units type A will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
Performance Units type B will vest in three annual tranches, each equal to up to one third (1/3) of the total number of Performance Units type B granted, starting on 31 July 2023 until 31 July 2025, depending on the achievement of the economic-financial objectives defined by the regulation.
On 31 December 2022, 75,834 Time-based Units and 77,083 Performance Units type A and 77,083 Performance Units type B expired as per regulation.

It should be noted that the 2012 Stock Grant Plan ended in April 2022 as per regulation.

The imputed cost for 2022 for existing Stock Grant plans is Euro 286 thousand, and is booked to the Income Statement under "Other non-operating expenses (income)".

The following table shows the total number of existing rights with reference to the 2012-2022 plans:

	2022	2021
Not exercised/not exercisable at the start of the period	1,578,599	1,482,261
Granted during the period	995,000	897,500
Cancelled during the period	(305,259)	(692,946)
Exercised during the period	(68,149)	(108,216)
Not exercised/not exercisable at the end of the period	2,200,191	1,578,599
Exercisable at the end of the period	26,832	25,069

The line "Not exercised/not exercisable at the end of the period" refers to the total number of options, net of those exercised or cancelled during the current and previous periods. The line "Exercisable at the end of the period" refers to the total amount of options matured at the end of the period and not yet subscribed.

28. RESTRUCTURING COSTS

Restructuring costs amounted to Euro 8,133 thousand (compared to Euro 7,056 thousand in the previous year) and mainly refer to personnel rationalisation measures in the Suspension business unit.

The item "Restructuring costs" mainly includes personnel costs and is comprised of costs incurred and paid during the year in the amount of Euro 8,198 thousand and use of allocations of the previous years net of the new provisions made to "Provision for restructuring" in the amount of Euro 65 thousand.

29. LOSSES (GAINS) ON DISPOSAL

Gains on disposal as at 31 December 2022 amounted to Euro 588 thousand (gains amounted to Euro 4 thousand as at 31 December 2021).

30. EXCHANGE (GAINS) LOSSES

Net exchange losses as at 31 December 2022 amount to Euro 1,115 thousand compared to net exchange gains of Euro 2,516 thousand as at 31 December 2021.

31. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to Euro 7,518 thousand compared to Euro 9,897 thousand the previous year. The following table shows the main elements:

(in thousands of Euro)	2022	2021
Write-downs of tangible and intangible fixed assets	8,908	18,527
Product warranty costs	780	1,218
Cost of stock option and stock grant plans	286	8
Litigations	(1,353)	347
Pension fund litigations refund	-	(2,401)
Actuarial losses (gains)	(513)	(292)
Insurance refunds	-	(2,366)
Indirect Tax recovery	(197)	(3,893)
Past service cost and other items related to pension funds	2,289	(769)
Other ordinary (income) expenses	(2,682)	(482)
TOTAL	7,518	9,897

“Writedowns of tangible and intangible fixed assets” amount to Euro 8,908 thousand and include writedowns of tangible (Euro 1,271 thousand) and intangible fixed assets (Euro 7,637 thousand) for the most part relating to European subsidiaries and American subsidiaries.

The item “Litigations” mainly refers to risks connected with existing or probable disputes mainly relating to the European subsidiaries.

32. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

(in thousands of Euro)	2022	2021
Interests on bonds	3,343	6,937
Interest on amounts due to banks	6,423	4,961
Financial charges under lease contracts	3,238	2,945
Financial component of pension funds and termination indemnities	551	640
Net financial expenses from fair value of IRS derivatives in cash flow hedge	-	263
Financial expenses from Cross currency swap no more in cash flow hedge	815	563
Financial component IAS 29	2,313	908
Other interest and commissions	6,319	3,438
TOTAL FINANCIAL EXPENSES	23,002	20,655

Financial income is detailed as follows:

(in thousands of Euro)	2022	2021
Gain on Cross currency swap no more in cash flowhedge	(154)	-
Net gain on fair value Cross currency swap no more in cash flow hedge	(200)	(205)
Interest on amounts given to banks	(3,199)	(1,442)
Other interest and commissions	(664)	(1,247)
TOTAL FINANCIAL INCOME	(4,217)	(2,894)
TOTAL FINANCIAL EXPENSES (INCOME), NET	18,785	17,761

Net financial expenses amount to Euro 18,785 thousand, up by Euro 1,024 thousand compared to their amount as at 31 December 2021.

Item "Financial expenses from cross-currency swap no more in cash flow hedge" is comprised of:

- a financial expense of Euro 728 thousand reflecting the portion of the reserve previously booked to Other Comprehensive Income that will be reclassified to Income Statement over the same period of time expected for the differentials relating to the former underlying hedged item;
- a financial expense of Euro 87 thousand reflecting the change in the fair value of these derivatives compared to 31 December 2021.

It should be noted that the item "Other interest and commissions - financial income" includes Euro 281 thousand of interest income related to a recovery of indirect taxes, paid in previous years by the Brazilian subsidiary, following a change in regulations (interest income of Euro 1,247 thousand as of 31 December 2021) and Euro 383 thousand related to dollar-linked bond instruments measured at amortised cost in the Argentine subsidiary.

33. LOSSES (GAINS) FROM EQUITY INVESTMENTS

This item amounted to Euro 10 thousand (Euro 1,523 thousand as of 31 December 2021) and included the gain from the sale, in December 2022, of the equity investment in Afico Filters S.A.E (17.77% stake) measured at cost and fully written down at the end of the previous year.

34. INCOME TAXES

(in thousands of Euro)	2022	2021
Current taxes	18,448	15,338
Deferred tax liabilities (assets)	(423)	(2,334)
Gain (loss) from partecipation to fiscal consolidation	328	512
TOTAL	18,353	13,516

The year 2022 recorded a tax rate of 37% compared to a tax rate of 32.1% in the previous year.

A reconciliation between the standard tax rate (that of the Parent Company Sogefi S.p.A.) and the effective tax rate for 2022 and 2021 is shown in the table below. Taxes have been calculated at the domestic rates applicable in the various countries. The differences between the rates applied in the various countries and the standard Italian tax rate are included in the line "Other permanent differences and tax rate differentials".

(in thousands of Euro)	2022		2021	
		Tax rate %		Tax rate %
Result before taxes	49,546	24.0%	42,135	24.0%
Theoretical income taxes	11,891		10,112	
Effect of increases (decreases) with respect to the standard rate:				
Statutory amortisation of goodwill	(106)	-0.2%	(141)	-0.3%
Non-deductible costs, net	1,515	3.1%	1,287	3.1%
Use of deferred tax assets not recognised in previous years	(2,675)	-5.4%	(4,395)	-10.4%
Deferred tax assets on losses for the year not recognised in the financial statements	3,917	7.9%	5,369	12.7%
Taxed portion of dividends	639	1.3%	291	0.7%
Other permanent differences and tax rate differentials	3,172	6.4%	993	2.4%
Income taxes in the consolidated income statement	18,353	37.0%	13,516	32.1%

"Deferred tax assets on losses for the year not recognised in the financial statements" are mainly attributable to subsidiaries Allevard Springs Ltd and Sogefi Suspensions Eastern Europe S.r.l., for which there was no probability at the end of the year that such losses would be recovered.

The "Taxed portion of dividends" refers to the portion of dividends received from Group companies that is not tax-exempt.

The item "Other permanent differences and tax rate differentials" includes Euro 328 thousand for the net charge from the transfer of tax surpluses to the CIR Group and the remaining part is other permanent differences such as mainly the effect of the difference between the rates applicable in the individual countries and the ordinary Italian tax rate.

35. INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX EFFECTS

The result from discontinued operations as at 31 December 2022 was Euro zero (Euro 24,490 thousand as at 31 December 2021).

The following table shows the result of discontinued operations as at 31 December 2021 and the effect of the sale of the subsidiary Sogefi Filtration Argentina S.A.U., which took place in August 2021, on the Group's financial position for the previous year.

(in thousands of Euro)	2021			
	Sogefi Filtration Spain S.A.U.	Sogefi Filtration do Brasil Ltda	Sogefi Filtration Argentina S.A.U.	Total
Sales revenues	219	-	10,109	10,328
Costs	(137)	-	(9,441)	(9,578)
Operating income	**82**	**-**	**668**	**750**
Financial expenses (income), net	-	-	(1,279)	(1,279)
Income taxes	-	-	(232)	(232)
Net Operating income, net of tax effects	**82**	**-**	**(843)**	**(761)**
Result of held for sale/discontinued activities	(287)	-	(2,473)	(2,760)
Price Adjustement	-	(204)	-	(204)
Reclassification of equity translation reserve to profit and loss	-	-	(20,765)	(20,765)
Net income (loss) of held for sale activities	**(205)**	**(204)**	**(24,081)**	**(24,490)**

Earnings per share (EPS), without discounted operations (Euro):				
Basic				0.224
Diluted				0.224

(in thousands of Euro)	12.31.2022	12.31.2021
Property, plant and machinery	-	(4,155)
Deferred Income Taxes	-	(501)
Inventories	-	(2,014)
Trade and other receivables	-	(2,794)
Cash and cash equivalents	-	(2,022)
Other current financial assets	-	(1,047)
Deferred Tax Liabilities	-	1,015
Trade and other payables	-	3,058
Other non current payables	-	113
Net assets and liabilities	**-**	**(8,347)**

36. DIVIDENDS PAID

No dividends were paid to the Parent Company shareholders during the year 2022. Dividends paid to non-controlling interests amounted to Euro 2,067 thousand.
The Parent Company Sogefi S.p.A. did not issue any shares other than ordinary shares; treasury shares are always excluded from the dividend.

37. EARNINGS PER SHARE (EPS)

Basic EPS

	2022	2021
Net result attributable to the ordinary shareholders (in thousands of Euro)	29,562	1,951
Weighted average number of shares outstanding during the year (thousands)	118,172	118,104
Basic EPS (Euro)	*0.250*	*0.017*

Diluted EPS

The company has no categories of ordinary shares with a potentially dilutive effect. The diluted earnings are therefore equal to the basic earnings.

E) 38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

The following table shows a comparison between the book value of the Group's financial instruments and their fair value.

An analysis of the table shows that the fair value is different from the book value only in the case of short-term and long-term fixed-rate financial debts. This negative difference, corresponding to Euro 6,136 thousand, is generated by a recalculation of these loans at year-end date at current market rates.
The spreads of floating-rate loans are in line with standard market conditions.
The fair value of fixed-rate financial debts is classified as Level 2 in the fair value hierarchy (see paragraph "Categories of financial assets and liabilities stated in the financial statements and fair value hierarchy") and was measured using generally accepted discounted cash flow models and a free-risk discount rate.

(in thousands of Euro)	Book value		Fair value	
	12.31.2022	12.31.2021	12.31.2022	12.31.2021
Financial assets				
Cash and cash equivalents	118,488	120,927	118,488	120,927
Securities held for trading	216	-	216	-
Held-to-maturity investments	-	-	-	-
Assets for derivative financial instruments	2,761	25	2,761	25
Current financial receivables	3,127	1,243	3,127	1,243
Trade receivables	161,223	136,736	161,223	136,736
Other receivables	11,332	10,861	11,332	10,861
Other assets	3,107	2,693	3,107	2,693
Other financial assets available for sale	46	46	46	46
Altre attività finanziarie valutate al costo ammortizzato	2,953	-	2,953	-
Non-current trade receivables	-	-	-	-
Non-current financial receivables	5,592	3,957	5,592	3,957
Other non-current receivables	32,493	38,779	32,493	38,779
Financial liabilities				
Short-term fixed rate financial debts	37,762	40,836	37,462	41,830
Short-term financial debts for right of use	13,677	17,147	13,677	17,147
Other short-term financial liabilities for derivatives	17	45	17	45
Trade and other payables	347,564	317,630	347,564	317,630
Other current liabilities	40,095	33,447	40,095	33,447
Other non- current liabilities	64,363	65,826	64,363	65,826
Other fixed rate medium/long-term financial debts	73,049	101,841	67,213	108,076
Medium/long-term financial debts for right of use	57,543	54,440	57,543	54,440
Medium / long-term variable rate financial debt	212,722	191,410	212,722	191,410
Other medium / long-term financial liabilities for derivatives	-	-	-	-

Financial risk management

Given that the Group operates on world markets, its activity is exposed to various kinds of financial risks, including fluctuations, up or down, of interest and exchange rates, and cash flow risks (for cash flows generated outside of the Eurozone). In order to minimise these risks, the Group uses derivatives as part of its risk management activity, whereas it does not use or hold derivatives or similar instruments purely for trading purposes.

The Group also has available a variety of financial instruments other than derivatives, such as bank loans, financial leases, rentals, sight deposits, payables and receivables deriving from normal operating activities.
The Group handles its main hedging operations centrally. Precise instructions have also been issued, laying down guidelines on risk management, while procedures have been introduced to control all transactions in derivatives.

Interest risk

The interest risk to which the Group is exposed mainly arises from long-term debts.

These debts may be fixed or floating rate.

Floating rate debts, which represent 69% of the net book value of Group loans, expose the Group to a risk arising from interest rate volatility (cash flow risk).

With regard to this risk, for the purposes of the related hedging, the Group may use derivative contracts which limit the impacts on the Income Statement of changes in the interest rate. As at 31 December 2022, the Parent Company Sogefi S.p.A. had four Interest Rate Swap contracts in place to hedge loans guaranteed by SACE. Excluding hedging transactions, floating rate payables represent 46% of the net book value of the Group's loans.

The following table gives a breakdown, by maturity, of the book value of the Group's financial assets and liabilities instruments, which are exposed to interest rate risk as at 31 December 2022, split according to whether they are contractually at a fixed or floating rate (for further details see the table shown in the analysis of “Liquidity risk”):

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
TOTAL FIXED RATE - ASSET	-	830	957	1,166	-	-	2,953
TOTAL FIXED RATE - LIABILITIES	(51,439)	(37,164)	(60,337)	(13,677)	(5,139)	(14,275)	(182,032)
TOTAL FLOATING RATE - ASSET	124,592	-	-	-	-	-	124,592
TOTAL FLOATING RATE - LIABILITIES	(33,251)	(43,175)	(67,890)	(61,748)	(39,909)	-	(245,973)

Financial instruments at “Total fixed rate – Assets” refer to “Other financial assets measured at amortized cost”.

Financial instruments booked to “Total floating rate – Asset” refer to “Cash and cash equivalents” and “Other financial assets” (Securities held for trading, Held-to-maturity investments, Assets for derivative financial instruments, Current financial receivables).

Below there is a sensitivity analysis which shows the impact on the Income Statement, net of tax, and on Equity of a change in interest rates that is considered reasonably possible.

An increase or decrease in interest rates of 100 basis points, applied to floating-rate financial assets and liabilities in existence as at 31 December 2022, including interest-rate hedges, would have the following effects:

(in thousands of Euro)	12.31.2022		12.31.2021	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 100 basis points	(900)	348	(834)	1,096
- 100 basis points	900	(337)	829	(1,067)

The effect on Equity differs from the effect on the Income Statement by Euro +1,248 thousand (in the event of an increase in interest rates), and by Euro -1,237 thousand (in the event of a decrease in interest rates), which reflects the change in the fair value of the instruments hedging the interest rate risk.

Currency risk

As it operates at an international level, the Group is exposed to the risk that changes in exchange rates could have an impact on the fair value of some of its assets or liabilities.
Moreover, as can be seen from the segment information given in note 4, the Group produces and sells mainly in countries of the Eurozone, but it is potentially exposed to currency risk, above all in respect of the British Pound, Brazilian Real, US Dollar, Argentine Peso, Chinese Renminbi and Canadian Dollar.
Generally speaking, the Group is not particularly exposed to exchange risk, which is mainly related to the translation of foreign subsidiaries' financial statements, as the currencies in which the foreign operating companies bill and those in which they are invoiced tend to be much the same.

As regards borrowings, there are also policies stating that any funds raised from third parties have to be in the same currency as the functional currency of the company obtaining the loan. If any exception is made to this principle, then the risk is hedged through forward currency purchases.
More specifically, the Parent Company Sogefi S.p.A. made one private placement of bonds for the amount of USD 115 million in 2013 (USD 16.4 million as at 31 December 2022). The exchange risk on this financing was hedged through Cross Currency Swap contracts (please see paragraph "Hedging – Exchange risk hedges" for more details).

A sensitivity analysis is provided below, which shows the impact on the Income Statement, especially on "Exchange (gains) losses", net of tax, and on Equity of a change that is considered reasonably possible in exchange rates of the main foreign currencies. Note that the exchange effect of translating the financial statements of foreign subsidiaries into Euro has not been taken into consideration here.
What has been taken into consideration are the financial assets and liabilities outstanding as at 31 December 2022 denominated in a currency other than the functional currency of the individual subsidiaries. This analysis also takes into account any changes in the fair value of the financial instruments used to hedge exchange risk.

As at 31 December 2022, exchange risk was concentrated mainly in transactions with the Euro.

A 5% appreciation or depreciation of the Euro against the other main currencies would have the following effects:

(in thousands of Euro)	12.31.2022		12.31.2021	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 5%	(2,453)	(2,453)	(1,685)	(1,685)
- 5%	2,756	2,756	1,852	1,852

These effects are mainly due to the following exchange rates:
-EUR/USD due to the net financial exposure in USD of the Parent Company Sogefi S.p.A. and the net exposure for the trade payables in Euro of the US subsidiaries;
-EUR/RON due to the net commercial and financial exposure in Euro of the Romanian subsidiaries;
- EUR/MAD due to the net exposure for the financial debt and trade payables in Euro of the Moroccan subsidiary Filter Systems Maroc SARL.

Please note that a sensitivity analysis of the CAD/USD exchange rate showed that a 5% appreciation/depreciation of the Canadian dollar against the US dollar would cause Group's net profit and equity to increase/decrease by Euro 1,051 thousand. This effect is due to the exposure for the trade payables and financial debt in USD of the Canadian subsidiary.

Price risk

The Group is partially exposed to price risk as it makes purchases of various raw materials such as steel, plastics, aluminium, cellulose products.
The risk is handled in the best way possible thanks to centralised purchasing at business unit level and to a policy of having various suppliers for each kind of raw material, operating in different parts of the world.

We would also point out that price risk is generally mitigated by the Group's ability to pass on part of the variation in raw material costs to selling prices.

The price risk on Group investments classified as “Securities held for trading” and “Other financial assets available for sale” is not significant.

Credit risk

This is the risk that one of the parties signing a contract of a financial nature defaults on an obligation, thereby provoking a financial loss. This risk can derive from strictly commercial aspects (granting and concentration of credits), as well as from purely financial aspects (choice of counterparties used in financial transactions).

Cash and cash equivalents
Cash and cash equivalents held by the Group as at 31 December 2022 amounted to Euro 118,488 thousand (Euro 120,927 thousand as at 31 December 2021). Cash and cash equivalents are held with banks and financial institutions with credit ratings between Aa3 and Caa3 by Moody’s.

Impairment losses of cash and cash equivalents are measured at 12-month expected credit losses and reflect the maturities of short-term exposures. The Group believes its credit risk on cash and cash equivalents to be low, according to the counterparties' credit ratings by third parties.
The Group measures expected credit loss relating to cash and cash equivalents using a method similar to that adopted for debt instruments.
As at 31 December 2022, impairment losses of cash and cash equivalents were equal to Euro 34 thousand.

Derivative financial instruments
Derivative financial instruments were entered into with banks and financial institutions with credit ratings between A1 and Baa1 by Moody's.

Trade receivables
From a commercial point of view, the Group does not have excessive concentrations of credit risk as it operates on distribution channels, both *Original Equipment* and the Aftermarket, that make it possible not to depend too much on individual customers. For example, Original Equipment sales are largely to car and industrial vehicle manufacturers. As regards the Aftermarket, on the other hand, the Group's main customers are important international purchasing groups.
In order to minimise credit risk, however, procedures have in any case been implemented to limit the impact of any customer insolvencies.
As regards counterparties for the management of financial resources, the Group only has recourse to partners that have a safe profile and a high international standing.
The Group's maximum exposure to credit risk as at 31 December 2022 is represented by the book value of the financial assets shown in the financial statements (Euro 341,338 thousand), as well as by the nominal value of the guarantees given in favour of third parties, as mentioned in note 41 (Euro 5,334 thousand).

The exposure to credit risk is essentially linked to trade receivables which amounted to Euro 164,734 thousand as at 31 December 2022 (Euro 139,433 thousand as at 31 December 2021), written down by Euro 4,689 thousand (Euro 4,018 thousand as at 31 December 2021).

Receivables are backed by mainly bank guarantees for Euro 2,019 thousand (Euro 2,205 thousand as at 31 December 2021).
The Group does not have any other guarantees covering trade receivables.

The following table shows the changes in the allowance for doubtful accounts:

(in thousands of Euro)	12.31.2022	12.31.2021
Opening balance	4,018	5,368
Change to the scope of consolidation	-	(195)
Accruals for the period	1,981	904
Utilisations	(346)	(245)
Provisions not used during the period	(948)	(1,886)
Exchange differences	(16)	72
TOTAL	4,689	4,018

The following is an ageing analysis of gross receivables and the related allowance for doubtful accounts to help evaluate credit risk:

(in thousands of Euro)	12.31.2022		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	12,971	(3)	12,968
30-60 days	2,678	(38)	2,640
60-90 days	1,006	(4)	1,002
over 90 days	7,175	(2,991)	4,184
Total receivables past due	23,830	(3,036)	20,794
Total receivables still to fall due	140,904	(1,653)	139,251
TOTAL	164,734	(4,689)	160,045

(in thousands of Euro)	12.31.2021		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	12,230	-	12,230
30-60 days	2,792	(4)	2,788
60-90 days	1,560	(11)	1,549
over 90 days	6,098	(3,101)	2,997
Total receivables past due	22,680	(3,116)	19,564
Total receivables still to fall due	116,753	(902)	115,851
TOTAL	139,433	(4,018)	135,415

The item “Total receivables still to fall due” does not contain significant positions whose conditions have been negotiated.

Considering the nature of the Sogefi Group’s customers (cars and industrial vehicles manufacturers and important international purchasing groups), a Credit risk analysis by type of customer is not considered meaningful.

Liquidity risk

This is the risk that the Group may have trouble meeting its commitments associated with financial liabilities settled by cash or other financial assets. The Group's approach to managing liquidity is to have sufficient funds to meet its commitments upon maturity at all times, whether under normal conditions or under financial pressure, without incurring in excess charges or damaging its reputation.

The Group is subject to a minimum amount of liquidity risk, namely having to handle a situation where it is not able to raise sufficient funds to meet its liabilities.
The Group has always taken an extremely prudent approach to its financial structure, using mainly medium/long-term funding, whereas forms of short-term financing are generally used only to cope with moments of peak requirement.

Its solid capital structure makes it relatively easy for the Group to find additional sources of financing.
It should also be mentioned that the Parent Company Sogefi S.p.A. has implemented a cash pooling system for all of the main European and North American subsidiaries, which makes it possible to optimise liquidity and cash flow management at a supranational level.
The following table shows an analysis of the Group's financial assets and liabilities instruments by maturity, including the amount of future interests to be paid and trade receivables and payables:

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
Fixed rate							
Other financial asstes valued at amortized cost	-	830	957	1,166	-	-	2,953
Financial debts for right of use	(13,677)	(22,719)	(8,633)	(6,777)	(5,139)	(14,275)	(71,220)
Private Placement USD 115 million Sogefi S.p.A.	(15,385)	-	-	-	-	-	(15,385)
Prestito Banco do Brasil S.A. EUR 20 Mio Sogefi S.p.A.	-	-	-	-	-	-	-
Private Placement EUR 75 million Sogefi S.p.A.	(7,500)	(7,500)	(44,804)	-	-	-	(59,804)
Sogefi Air Cooling S.A.S Loans	(3,700)	(3,700)	(3,700)	(3,700)	-	-	(14,800)
Sogefi Filtration S.A. Loans	(2,000)	(2,000)	(2,000)	(2,000)	-	-	(8,000)
Sogefi Suspension S.A. Loans	(1,200)	(1,200)	(1,200)	(1,200)	-	-	(4,800)
Sogefi (Suzhou) Auto Parts Co., Ltd loans	(7,491)	-	-	-	-	-	(7,491)
Government financing	(181)	(45)	-	-	-	-	(226)
Other fixed rate loans	(306)	-	-	-	-	-	(306)
Future interests	(2,544)	(1,712)	(1,303)	(32)	-	-	(5,591)
Future financial income on derivative instruments - interest risk hedging (*)	15	-	-	-	-	-	15
TOTAL FIXED RATE	(53,969)	(38,047)	(60,682)	(12,543)	(5,139)	(14,275)	(184,655)
Floating rate							
Cash and cash equivalents	118,488	-	-	-	-	-	118,488
Financial assets	216	-	-	-	-	-	216
Assets for derivative financial instruments	2,761	-	-	-	-	-	2,761
Current financial receivables	3,127	-	-	-	-	-	3,127
Non-current financial receivables	-	-	-	-	-	-	-
Bank overdrafts and other short-term loans	(1,894)	-	-	-	-	-	(1,894)
Sogefi S.p.A. loans	(17,619)	(32,768)	(57,674)	(56,209)	(39,909)	-	(204,179)
S.C. Sogefi Air & Cooling S.r.l. loan	(606)	(152)	-	-	-	-	(758)
Sogefi Air Cooling S.A.S loans	(1,400)	(1,400)	(1,400)	(1,400)	-	-	(5,600)
Sogefi Filtration S.A. loans	(2,000)	(2,000)	(2,000)	(2,000)	-	-	(8,000)
Sogefi Suspensions S.A. loans	(600)	(600)	(600)	(600)	-	-	(2,400)
Sogefi Suspensions Eastern Europe S.r.l. loans	(6,154)	(6,154)	(6,154)	(1,538)	-	-	(20,000)
Other floating rate loans	(2,961)	(102)	(63)	-	-	-	(3,126)
Future interests	(7,827)	(6,858)	(4,591)	(1,969)	(309)	-	(21,554)
Liabilities for derivative financial instruments - exchange risk hedging	(17)	-	-	-	-	-	(17)
Future financial income on derivative instruments - interest risk hedging (*)	2,657	2,066	959	159	-	-	5,841
TOTAL FLOATING RATE	86,171	(47,968)	(71,522)	(63,557)	(40,218)	-	(137,095)
Trade receivables	161,223	-	-	-	-	-	161,223
Trade and other payables	(347,564)	(64,363)	-	-	-	-	(411,927)
TOTAL FINANCIAL INSTRUMENT - ASSET	285,814	-	-	-	-	-	285,814
TOTAL FINANCIAL INSTRUMENT - LIABILITIES	(439,953)	(150,377)	(132,205)	(76,100)	(45,357)	(14,275)	(858,268)

* The amount is different from "Net financial assets for derivatives – hedging of interest rate" (equal to a total of Euro 8,336 thousand) because it represents the non-discounted cash flows.

Hedging

a) Exchange risk hedges – not designated in hedge accounting

The Sogefi Group has entered the following contracts to hedge the exchange risk on commercial balances. Note that even though the Group considers these instruments as exchange risk hedges from a risk management point of view, it has chosen not to adopt hedge accounting, as this treatment is not considered suitable for the Group's operating requirements. It therefore measures such contracts at fair value, posting the differences to "Exchange (gains) losses" in the Income Statement (this difference is offset within Income Statement by the fair value change of the asset/liability denominated in a certain currency).
The fair value of these instruments was calculated using the forward curve of exchange rates as at 31 December 2022.

As at 31 December 2022, the following forward purchase/sale contracts were maintained to hedge the exchange risk on commercial positions:

Company	Forward purchase / Forward sale		Date opened	Currency exchange	Spot price	Date closed	Forward price	Fair value (*) at 12.31.2022
Sogefi Suspension Brasil Ltda	P	EUR 150,000	11/25/22	BRL/value	5.5339	01/20/23	5.640	1
Sogefi Suspension Brasil Ltda	S	USD 250,000	10/28/22	BRL/value	5.3003	01/05/23	5.411	5
Sogefi Suspension Brasil Ltda	S	USD 250,000	11/25/22	BRL/value	5.3900	01/19/23	5.315	3
Sogefi Suspension Brasil Ltda	S	USD 250,000	12/16/22	BRL/value	5.3183	02/02/23	5.318	(0)
Sogefi Suspension Brasil Ltda	S	USD 200,000	12/16/22	BRL/value	5.3183	02/16/23	5.334	(0)
Sogefi Suspension Brasil Ltda	S	USD 250,000	12/22/22	BRL/value	5.2031	03/02/23	5.223	(6)
Sogefi Suspension Brasil Ltda	S	USD 200,000	12/22/22	BRL/value	5.2031	03/16/23	5.235	(5)
Sogefi Suspension Argentina S.A.	P	USD 250,000	12/02/22	ARS/value	168.1000	01/31/23	196.850	(6)

*Fair value was recognised in "Other short-term liabilities for derivative financial instruments".

b) Interest risk hedges – in hedge accounting

On 23 December 2020, the Parent Company Sogefi S.p.A. entered into four Interest Rate Swap contracts that began to exchange their flows as from 31 December 2020, for a total notional amount of Euro 80 million that will be extinguished in June 2026. These contracts were designated to hedge the four loans guaranteed by SACE for a total amount of Euro 80 million.

Description of IRS	Date opened	Contract maturity	Notional (in thousands of Euro)	Fixed rate	Fair value at 12.31.2022	Fair value at 12.31.2021
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26)	12/31/2020	06/30/2026	20,000	-0.196%	1,398	28
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26)	12/31/2020	06/30/2026	20,000	-0.196%	1,398	28
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26)	12/31/2020	06/30/2026	20,000	-0.196%	1,398	28
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26)	12/31/2020	06/30/2026	20,000	-0.196%	1,398	28
TOTAL			80,000		5,592	113

These financial instruments envisage payment by the Group of an agreed fixed rate (-0.196%) and payment by the counterparty of the floating rate (Euribor) that is the basis of the underlying loan.

The change in fair value compared to 31 December 2021, amounting to Euro 5,479 thousand, was recognised in the amount of Euro 5,472 thousand under "Other comprehensive income" and Euro 7 thousand under financial income.

c) Exchange risk hedges – no longer in hedge accounting

During 2013 the Parent Company Sogefi S.p.A. entered into three Cross currency swap (CCS) contracts in order to hedge interest and exchange rate risks relating to the private placement currently of USD 16.4 million bonds. Under these contracts, a fixed interest receivable of 600 basis points on subscribed notional USD amount is collected by the Company on a quarterly basis against payment of a fixed interest payable on a notional amount in EUR corresponding to the USD notional amount converted at the fixed exchange rate of 1.3055 (totalling Euro 12,584 thousand). Contracts expire in June 2023. These contracts, initially designated in hedge accounting have become ineffective on 31 December 2017 so that the hedging relationship was discontinued and the derivative contracts were reclassified as profit or loss instruments. The change in fair value (exclusively for the interest rate risk) was recognised in the Income Statement, whereas the reserve initially booked to "Other Comprehensive Income" (if any) was reclassified in the Income Statement over the same period of time as the differentials relating to the underlying hedged item.

Details of these contracts are as follows:

Description of CCSwap	Date opened	Contract maturity	Notional (in thousands of Usd)	Fixed rate	Fair value at 12.31.2022 (in thousands of Euro)	Fair value at 12.31.2021 (in thousands of Euro)
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	7,858	6.0% USD receivable 5.6775% Euro payables	1,309	1,843
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	5,714	6.0% USD receivable 5.74% Euro payables	950	1,335
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	2,857	6.0% USD receivable 5.78% Euro payables	475	666
TOTAL			16,429		2,734	3,844

The discontinuation of hedge accounting, for the interest rate risk, had the following impact on the financial statements as at 31 December 2022:

- immediate recognition to the Income Statement of a financial expense of Euro 728 thousand reflecting the portion of the reserve previously booked to Other Comprehensive Income that will be reclassified to Income Statement over the same period of time expected for the differentials relating to the former underlying hedged item. As at 31 December 2022, an amount of Euro 303 thousand remains to be reclassified to the Income Statement in the future years;
- immediate recognition to the Income Statement of a financial expense of Euro 87 thousand reflecting the change in the fair value of these derivatives compared to 31 December 2021.

d) fair value of derivatives

The fair value of all derivatives was calculated using the forward curves of exchange and interest rates as at 31 December 2022, also taking into account a credit valuation adjustment/debit valuation adjustment. The fair value amounts of derivatives are classified as Level 2 in fair value hierarchy, based on the significance of the inputs used in fair value measurements.

Equity management

The main objectives pursued by the Group through its equity risk management are the creation of value for shareholders and the safeguarding of business continuity. The Group also sets itself the objective of maintaining an optimal equity structure so as to reduce the cost of indebtedness and meet the covenants established by the loan agreements.

The Group monitors equity on the basis of the net financial position/total equity ratio (gearing ratio). For the purposes of determination of the net financial position reference is made to note 20. Total equity is analysed in note 19.

As at 31 December 2022, gearing stands at 1.19 (1.60 as at 31 December 2021).

Categories of financial assets and liabilities stated in the financial statements and fair value hierarchy

In compliance with the requirements of IFRS 7, the table below provides the information on the categories of financial assets and liabilities held by the Group as at 31 December 2022.
For the financial instruments measured at fair value in the statement of financial position the IFRS 13 requires a classification by hierarchy determined by reference to the source of inputs used to derive the fair value. This classification uses the following three levels:
- level 1: if the financial instrument is quoted in an active market;
- level 2: if the fair value is determined using valuation techniques and the inputs used for the valuation (other than quoted prices of financial instruments) are observable in the market. Specifically, fair value was calculated using the forward curves of exchange and interest rates;
- level 3: if the fair value is determined using valuation techniques and the inputs used for the valuation are non-observable in the market.

The following table therefore shows the fair value level of financial assets and liabilities measured at fair value, as at 31 December 2022:

(in thousands of Euro)	Note	Book value 2022	Receivables and financial assets Valued at amortized cost	Financial assets available for sale	Financial liabilities	Fair Value with changes booked in the Income Statement	
						Amount	Fair value hierarchy
Current assets							
Cash and cash equivalents	*5*	118,488	118,488	-	-	-	-
Securities held for trading	*6*	216	-	-	-	216	*2*
Held-to-maturity investments	*6*	-	-	-	-	-	-
Assets for derivative financial instruments	*6*	2,761	-	-	-	2,761	*2*
Current financial receivables	*6*	3,127	3,127	-	-	-	-
Trade receivables	*8*	161,223	161,223	-	-	-	-
Other receivables	*8*	11,332	11,332	-	-	-	-
Other assets	*8*	3,107	3,107	-	-	-	-
Non-current assets							
Other financial assets available for sale	*11*	46	-	46 *	-	-	-
Other financial assets valued at amortised cost	*11*	2,953	2,953	-	-	-	-
Non-current assets for derivative financial instruments	*12*	5,592	-	-	-	5,592	*2*
Other non-current receivables	*12*	32,493	32,493	-	-	-	-
Current liabilities							
Short-term fixed rate financial debts	*15*	37,762	-	-	37,762	-	-
Short-term financial debts for Right of Use	*15*	13,677	-	-	13,677	-	-
Short-term variable rate financial debts	*15*	33,234	-	-	33,234	-	-
Other short-term liabilities for derivative financial instruments	*15*	17	-	-	-	17	*2*
Trade and other payable	*16*	347,564	-	-	347,564	-	-
Other current liabilities	*17*	40,095	-	-	40,095	-	-
Non-current liabilities							
Medium/long-term fixed rate financial debts	*15*	73,049	-	-	73,049	-	-
Medium/long-term financial debts for Right of Use	*15*	57,543	-	-	57,543	-	-
Medium/long-term variable rate financial debts	*15*	212,722	-	-	212,722	-	-
Other medium/long-term liabilities for derivative financial instruments	*15*	-	-	-	-	-	-

* relating to financial assets valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not avaible.

The following table shows the fair value level of financial assets and liabilities measured at fair value, as at 31 December 2021:

(in thousands of Euro)	Note	Book value 2021	Receivables and financial assets Valued at amortized cost	Financial assets available for sale	Financial liabilities	Fair Value with changes booked in the Income Statement	
						Amount	Fair value hierarchy
Current assets							
Cash and cash equivalents	5	120,927	120,927	-	-	-	-
Securities held for trading	*6*	-	-	-	-	-	-
Held-to-maturity investments	*6*	-	-	-	-	-	-
Assets for derivative financial instruments	*6*	25	-	-	-	25	*2*
Current financial receivables	*6*	1,243	1,243	-	-	-	-
Trade receivables	*8*	136,736	136,736	-	-	-	-
Other receivables	*8*	10,861	10,861	-	-	-	-
Other assets	*8*	2,693	2,693	-	-	-	-
Non-current assets							
Other financial assets available for sale	*11*	46	-	46 *	-	-	-
Non-current assets for derivative financial instruments	*12*	3,957	-	-	-	3,957	*2*
Other non-current receivables	*12*	38,779	38,779	-	-	-	-
Current liabilities							
Short-term fixed rate financial debts	*15*	40,836	-	-	40,836	-	-
Short-term financial debts for Right of Use	*15*	17,147	-	-	17,147	-	-
Equity linked bond included embedded	*15*	-	-	-	-	-	-
Short-term variable rate financial debts	*15*	48,036	-	-	48,036	-	-
Other short-term liabilities for derivative financial instruments	*15*	45	-	-	-	45	*2*
Trade and other payables	*16*	317,630	-	-	317,630	-	-
Other current liabilities	*17*	33,447	-	-	33,447	-	-
Non-current liabilities							
Medium/long-term fixed rate financial debts	*15*	101,841	-	-	101,841	-	-
Medium/long-term financial debts for Right of Use	*15*	54,440	-	-	54,440	-	-
Medium/long-term variable rate financial debts	*15*	191,410	-	-	191,410	-	-
Other medium/long-term liabilities for derivative financial instruments	*15*	-	-	-	-	-	-

* relating to financial assets valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not avaible.

F) 39. RELATED PARTY TRANSACTIONS

See IAS 24 and the related communications from Consob for the definition of related party transactions.

The Company's Board of Directors has established a Related Party Transactions Committee and adopted the Procedure for Related Party Transactions (the “Procedure”), which establishes the principles of conduct and the rules adopted by Sogefi S.p.A. to ensure the transparency and substantive and procedural fairness of transactions with its related parties carried out by the Company directly or through its subsidiaries.
Related parties transactions are conducted at arm’s length, taking into account the quality and type of services

The Group is controlled by the Parent Company CIR S.p.A. (which in turn is controlled by the ultimate Parent Company Fratelli De Benedetti S.p.A.), which as at 31 December 2022 held 55.64% of the share capital (56.55% of outstanding shares, excluding treasury shares). The shares of Sogefi S.p.A. are listed on the Euronext Star Milan Market.

The Group’s consolidated financial statements include the financial statements of the consolidated companies, listed in chapter H along with the stake held in the same by the Group.
Dealings between Group companies are conducted at arm’s length, taking into account the quality and type of services rendered.
The Parent Company Sogefi S.p.A., because of its role of Holding company, provides administrative, financial and management services directly to the three French sub-holding operative companies (Sogefi Filtration S.A., Sogefi Suspensions S.A. and Sogefi Air & Cooling S.A.S.) which, in turn, beside dealing with the services provided by the Parent Company to the companies operating in the relevant business units, provide directly to the latter support services as well as operating and business services. The Parent Company also debits and credits interest at a market spread to those subsidiaries that have joined the Group's cash pooling system. The Parent Company is also charging royalties fees on the Group “SAP” information system to those subsidiaries at which implementation has been completed.

The subsidiary Sogefi Gestion S.A.S. carries out centralised functions and charges Group companies for administrative, financial, legal, industrial and IT services as well as royalties for the use of Group-wide IT applications.

As part of its activity, the Parent Company Sogefi S.p.A. makes use of the services provided by CIR S.p.A., its Parent Company, in areas such as strategic development and of an administrative and financial nature, governance and communication. This relationship is regulated by contracts at arm's-length conditions and the cost is commensurate to the effective value of such services to the Sogefi Group in terms of the resources devoted to them and the specific economic advantages obtained as a result. It should be noted that Sogefi's interest in the provision of services by the parent company is considered to be preferable to services provided by third parties because of, among other things, its extensive knowledge acquired over time in its specific business and market environment.
In 2022, the Parent Company Sogefi S.p.A. used the services of CIR S.p.A., paying Euro 175 thousand for them (Euro 175 thousand in the previous year). In addition, during the

year 2022 CIR S.p.A. incurred in costs for the amount of Euro 162 thousand for the sole benefit of the Parent Company Sogefi S.p.A. These costs were charged back to Sogefi S.p.A. as at 31 December 2022.

The Parent Company Sogefi S.p.A. has entered into a rental contract, effective from 1 January 2017, on the offices located in Milan, via Ciovassino 1/A where Sogefi has its registered offices and administration; the contract expired on 31 December 2022.

As at 31 December 2022, the Italian companies of the Sogefi Group had receivables for the amount of Euro 1,178 thousand owed by CIR S.p.A. in connection with their participation in the group tax filing system, and payables for the amount of Euro 785 thousand. As at 31 December 2021, receivables amounted to Euro 1,321 thousand (Euro 622 thousand were collected during the course of 2022) and payables amounted to Euro 1,876 thousand.

At the end of 2022, the Italian subsidiaries recorded an income of Euro 57 thousand (Euro 105 thousand in the previous year) following the transfer of fiscal surplus to companies that have joined the CIR Group tax filing system in order to have an interest deduction and an expense for Euro 29 thousand. The Parent Company Sogefi S.p.A. recorded an expense of Euro 356 thousand (Euro 617 thousand in the previous year) due to the payment for the fiscal surplus received from the companies that have joined the CIR Group tax filing system.

As regards economic transactions with the Board of Directors, Statutory Auditors, Chief Executive Officer and the Manager with strategic responsibility in 2022, please refer to the attached table.

Apart from those mentioned above and shown in the table below, at the date of these financial statements, we are not aware of any other related party transactions.

The following table summarises related party transactions:

(in thousands of Euro)	2022	2021
Receivables		
- for the Group tax filing from CIR S.p.A.	1,121	1,216
- for income following the transfer of fiscal surplus to the CIR Group	57	105
Payables		
- for Director's remuneration	14	14
- for costs recharged from CIR S.p.A.	-	9
- for services received from CIR S.p.A.	-	18
- for the cost of transferring tax surpluses from the CIR Group	385	617
- for the Group tax filing from CIR S.p.A.	386	1,218
Right of use (*)		
- for rental property	-	112
Financial debts for Right of Use (*)		
- for rental property	-	115
Costs		
- for services received from CIR S.p.A.	175	175
- for rental contract from CIR S.p.A	7	7
- for costs recharged from CIR S.p.A.	162	144
-for the cost of transferring tax surpluses from the CIR Group	385	617
Revenues		
- for income following the transfer of fiscal surplus to the CIR Group	57	105
Compensation of directors and statutory auditors		
- directors	748	647
- directors charged back to the parent company	20	20
- statutory auditors (**)	93	112
- contribution charges on compensation to directors and statutory auditors	28	29
Compensation and related contributions to the General Manager (***)	1,044	884
Compensation and related contributions to Managers with strategic responsibilities ex Consob resolution no. 17221/2010 terminated during 2022 (****)	187	500
Compensation and related contributions to Managers with strategic responsibilities ex Consob resolution no. 17221/2010 (*****)	588	-

(*) Presented here are the components relating to the rental contract for the headquarters in Via Ciovassino1/A, Milan, expired on 31 December 2022; it should be noted that rents accrued in financial year 2022 totalled Euro 112 thousand.
(**) It should be noted that, as at 31 December 2021, this item also included remuneration accrued for the office held by members of the Parent Company's Board of Statutory Auditors in other subsidiaries.
(***) The item includes the imputed cost of Stock Grant plans of Euro 134 thousand in 2022 (Euro 111 thousand in 2021) recognised in item “Other non-operating expenses (income)”.
(****) It should be noted that during 2022 the terminated executive was also paid the sum of Euro 307 thousand as per the settlement agreement.
(*****) The item also includes the net imputed cost of the Stock Grant plans for Euro 47 thousand in 2022 (Euro 44 thousand in 2021) recognised in item “Other non-operating expenses (income)”.

G) COMMITMENTS AND RISKS

40. INVESTMENT COMMITMENTS

As at 31 December 2022, Group companies have binding commitments for investments relating to the purchase of property, plant and equipment for Euro 519 thousand (Euro 801 thousand at the end of the previous year).

41. GUARANTEES GIVEN

Details of guarantees are as follows:

(in thousands of Euro)	12.31.2022	12.31.2021
PERSONAL GUARANTEES GIVEN		
a) Sureties to third parties	1,591	1,346
b) Other personal guarantees in favour of third parties	3,743	3,301
TOTAL PERSONAL GUARANTEES GIVEN	5,334	4,647
REAL GUARANTEES GIVEN		
a) Against liabilities shown in the financial statements	19,202	19,363
TOTAL REAL GUARANTEES GIVEN	19,202	19,363

The guarantees given in favour of third parties mainly relate to guarantees given to certain customers by subsidiary Sogefi Suspensions Heavy Duty Italy S.p.A., and to guarantees given to tax authorities by subsidiary Sogefi Filtration Ltd; guarantees are shown at a value equal to the outstanding commitment at the end of the reporting period. These accounts indicate risks, commitments and guarantees provided by Group companies to third parties.

The “Other personal guarantees in favour of third parties” relate to the commitment of the subsidiary Sogefi HD Suspensions Germany GmbH to the employee pension fund for the two business lines at the time it was acquired in 1996; this commitment is covered by the contractual obligations of the seller, who is a leading German operator.

“Real guarantees given” refer to subsidiaries Sogefi Suspensions Eastern Europe S.R.L., Sogefi (Suzhou) Auto Parts Co., Ltd and Sogefi ADM Suspensions Private Limited, which pledged tangible fixed assets and trade receivables as real guarantees to secure loans obtained from financial institutions.

42. OTHER RISKS

As at 31 December 2022, the Group had third-party goods and materials held at Group companies worth Euro 18,907 thousand (Euro 17,471 thousand as at 31 December 2021).

43. CONTINGENT ASSETS/LIABILITIES

Sogefi Group is managing environmental issues in some production plants. No relevant costs are expected.

In October 2016, the Parent Company Sogefi S.p.A. received four notices of assessment relating to fiscal periods 2011 and 2012, as a result of a tax audit carried out during the first half year 2016, with two irregularities: i) undue detraction of Euro 0.6 million of VAT paid on purchases of goods and services, ii) non-deductibility from IRES tax (and relating non-deductibility for VAT of Euro 0.2 million) of the expense for services performed by parent company CIR S.p.A., for the overall taxable amount of Euro 1.3 million, not including interest and fines. The notices were challenged by the Company before the Province Tax Commission of Mantua, which on 14 July 2017 filed judgement no. 119/02/2017, ruling in favour of the Company on all claims. The Italian Tax Agency filed an appeal against parts of the judgement, requesting that only the notices of VAT assessment be sustained, and finally waiving the notices of IRES assessment (Italian Corporate Income Tax).
The Company has filed its rebuttal arguments against this partial appeal. On 19 November 2019, a hearing was held at the Lombardy Regional Tax Committee, which accepted the Authority's argument.
The judgement of the Regional Tax Committee of Lombardy, Brescia local unit, was challenged by the Company before the Cassation on 30 September 2020. The Authority, through the *Avvocatura Generale dello Stato* (office of State lawyers), filed a defence. The Company is waiting for the hearing to be held.
On 31 December 2020, the Company paid the amount ordered under Regional Tax Committee judgement no. 1/26/2020. This amount of Euro 1.3 million is included in the item “Tax receivables”.
Based on the tax advisor's opinion, Directors believe the risk of losing to be possible but not likely.

Consequently, the Company did not set aside any amount for tax risks to contingent liabilities in financial statements as at 31 December 2022.

The subsidiary Sogefi Filtration Italy S.p.A. has a pending dispute with the tax authorities for tax year 2004. The purpose of the proceedings, which were initiated in 2009, is to challenge the elusion/abuse of the merger by incorporation through the cancellation of shares of the “old” Sogefi Filtration S.p.A. into Filtrauto Italia S.r.l., which led to the derecognition of the cancellation deficit (generated by the merger), which was partly booked under goodwill and partly to the 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 transaction.
The Company challenged the notices of assessment and defended the full legitimacy of its actions.
In 2012, the Milan Provincial Tax Committee voided the notices of assessment for the part concerning the assessment of elusion/abuse. The Authority challenged the above judgements before the Regional Tax Committee of Milan.

On 21 March 2014, the Regional Tax Committee of Milan filed the judgement confirming the annulment of the orders already filed at first instance. On 16 June 2014, the Tax Agency filed an appeal before the Court of Cassation through the Legal Council of State. The Company lodged a defence.
On 5 December 2019, the Supreme Court upheld one of the grounds of appeal raised by the Legal Council of State and, as a result, overruled the judgement passed by the court of second instance. In July 2020, the Company filed again the complaint with the Regional Tax Committee of Lombardy. The hearing before the Regional Tax Committee of Lombardy was held on 10 December 2021. On 9 February 2022, with judgement no. 395/2022, the Regional Tax Committee of Lombardy confirmed, also on remand, the previous judgement on the merits in favour of the Company rendered in 2014.
The Italian Tax Agency filed an appeal at the Court of cassation, which was served on 9 September 2022. Within 40 days from the service of the appeal, the Company filed its defence with a conditional cross-appeal.

The judgement of 9 February 2022 reinforces the conclusion that the Company's position is supported by valid reasons. Hence, based on the opinion offered by the tax advisor who has been following the litigation, as well as on legal theory, that supports the arguments on circumvention of law and abuse of rights put forward by the Company almost without exception, also considering that first and second instance judgements as well as the decision to remand agree with such arguments, the Company believes the risk of losing pending disputes concerning disputed taxes amounting to nearly Euro 3 million, penalties in the same amount as disputed taxes and interest estimated at around Euro 2 million – totalling an estimated Euro 8 million approximately – to be still theoretically possible but not likely as at 31 December 2022.

In light of the provisions of the recent Italian Budget Law 2023 (No. 197, dated 29 December 2022), the Company, together with its consultants, evaluated the possibility of settling the dispute with the payment of an amount equal to 15% of the higher tax alone; considering the settlement of the dispute with the aforementioned payment to be probable, the Company has set aside the relevant taxes of Euro 470 thousand as of 31 December 2022.

44. ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication dated 28 July 2006, it is specified that the Group did not implement any atypical and/or unusual transactions during 2022.

45. OTHER INFORMATION

DISCLOSURE PURSUANT TO ART. 1, PARAGRAPH 125, OF ACT NO. 124 OF 4 AUGUST 2017

During 2022, the subsidiaries that have obtained public grants under the provisions referred to above disclosed the relevant information in their statutory financial statements.

DISCLOSURE PURSUANT TO ARTICLE 2427, 22-QUINQUIES AND ARTICLE 2427, 22-SEXIES

The company that prepares the consolidated financial statements of the largest group of companies the company is part of as a subsidiary, is Fratelli De Benedetti S.p.A. with registered office in Via Valeggio no. 41 - Turin, whose financial statements are filed at the registered office of Fratelli De Benedetti S.p.A..

The company that prepares the consolidated financial statements of the smallest group of companies the company is part of as a subsidiary is CIR – Compagnie Industriali Riunite S.p.A. with registered office in Via Ciovassino no. 1 - Milan, whose financial statements are filed at the registered office of CIR.

46. SUBSEQUENT EVENTS

No significant events occurred after 31 December 2022 such as could have an impact on the consolidated financial statements as at 31 December 2022.

H) GROUP COMPANIES

47. LIST OF GROUP COMPANIES AS AT 31 December 2022

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Direct equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
SOGEFI FILTRATION S.A. Guyancourt (France)	Euro	120,596,780	6,029,838	99.99998	20	120,596,760
SOGEFI SUSPENSIONS S.A. Guyancourt (France)	Euro	73,868,383	4,345,198	99.999	17	73,868,366
SOGEFI U.S.A., Inc. Prichard (U.S.A.)	USD	20,055,000	191	100	(2)	20,055,000
SOGEFI GESTION S.A.S. Guyancourt (France)	Euro	100,000	10,000	100	10	100,000
SHANGHAI SOGEFI AUTO PARTS Co., Ltd Shanghai (China)	USD	13,000,000	(1)	100	(2)	13,000,000
SOGEFI AIR & COOLING S.A.S. Guyancourt (France)	Euro	54,938,125	36,025	100	1,525	54,938,125
SOGEFI (SUZHOU) AUTO PARTS CO., Ltd Wujiang (China)	USD	37,400,000	(1)	100	(2)	37,400,000

(1) The share capital is not divided in shares or quotas.
(2) There is no unit nominal value.

Indirect equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
FILTRATION BUSINESS UNIT						
SOGEFI FILTRATION Ltd Tredegar (Great Britain) held by Sogefi Filtration S.A.	GBP	5,126,737	5,126,737	100	1	5,126,737
SOGEFI AFTERMARKET SPAIN S.L.U. Cerdanyola (Spain) held by Sogefi Filtration S.A.	Euro	3,000	3,000	100	1	3,000
SOGEFI FILTRATION d.o.o. Medvode (Slovenia) held by Sogefi Filtration S.A.	Euro	10,291,798	1	100	10,291,798	10,291,798
FILTER SYSTEMS MAROC SARL Tanger (Morocco) held by Sogefi Filtration S.A.	MAD	215,548,000	215,548	100	1,000	215,548,000
SOGEFI FILTRATION RUSSIA LLC (*) Russia held by Sogefi Filtration S.A.	RUB	10,800,000	1	100	10,800,000	10,800,000
SOGEFI ENGINE SYSTEMS INDIA Pvt Ltd Bangalore (India) 64.29% held by Sogefi Filtration S.A. 35.71% held by Sogefi Air & Cooling S.A.S.	INR	21,254,640	2,125,464	100	10	21,254,640
SOGEFI FILTRATION ITALY S.p.A. Sant'Antonino di Susa (Italy) held by Sogefi Filtration S.A.	Euro	8,000,000	7,990,043	99.88	1	7,990,043

(*) Subsidiary in liquidation

Indirect equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
AIR&COOLING BUSINESS UNIT						
SOGEFI AIR & COOLING CANADA CORP. Nova Scotia (Canada) held by Sogefi Air & Cooling S.A.S.	CAD	9,393,000	2,283	100	(2)	9,393,000
SOGEFI AIR & COOLING USA, Inc. Wilmington (U.S.A.) held by Sogefi Air & Cooling S.A.S.	USD	100	1,000	100	0.10	100
S.C. SOGEFI AIR & COOLING S.r.l. Titesti (Romania) held by Sogefi Air & Cooling S.A.S.	RON	7,087,610	708,761	100	10	7,087,610
SOGEFI ENGINE SYSTEMS MEXICO S. de R.L. de C.V. Apodaca (Mexico)	MXN	126,246,760		100		126,246,760
0.0000007921% held by Sogefi Air & Cooling S.A.S.			1		1	
99.9999992079% held by Sogefi Air & Cooling Canada Corp.			1		126,246,759	

(2) There is no unit nominal value.

Indirect equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
SUSPENSIONS BUSINESS UNIT						
ALLEVARD SPRINGS Ltd Clydach (Great Britain) held by Sogefi Suspensions S.A.	GBP	4,000,002	4,000,002	100	1	4,000,002
SOGEFI PC SUSPENSIONS GERMANY GmbH Volklingen (Germany) held by Sogefi Suspensions S.A.	Euro	50,000	1	100	50,000	50,000
SOGEFI SUSPENSION ARGENTINA S.A. Buenos Aires (Argentina) 89.999% held by Sogefi Suspensions S.A. 9.9918% held by Sogefi Suspension Brasil Ltda	ARP	61,356,535	61,351,555	99.99	1	61,351,555
IBERICA DE SUSPENSIONES S.L. (ISSA) Alsasua (Spain) held by Sogefi Suspensions S.A.	Euro	10,529,668	5,264,834	50	1	5,264,834
SOGEFI SUSPENSION BRASIL Ltda São Paulo (Brazil) held by Sogefi Suspensions S.A.	BRL	37,161,683	37,161,683	100	1	37,161,683
UNITED SPRINGS Limited Rochdale (Great Britain) held by Sogefi Suspensions S.A.	GBP	4,500,000	4,500,000	100	1	4,500,000
UNITED SPRINGS B.V. Hengelo (Holland) held by Sogefi Suspensions S.A.	Euro	254,979	254,979	100	1	254,979
UNITED SPRINGS S.A.S. Guyancourt (France) held by Sogefi Suspensions S.A.	Euro	5,109,000	2,043,600	100	2.5	5,109,000
S.ARA COMPOSITE S.A.S. Guyancourt (France) held by Sogefi Suspensions S.A.	Euro	13,000,000	25,000,000	96.15	0.5	12,500,000
SOGEFI ADM SUSPENSIONS Private Limited Pune (India) held by Sogefi Suspensions S.A.	INR	432,000,000	32,066,926	74.23	10.0	320,669,260
SOGEFI HD SUSPENSIONS GERMANY GmbH Hagen (Germany) held by Sogefi PC Suspensions Germany GmbH	Euro	50,000	1	100.00	50,000.0	50,000
SOGEFI SUSPENSIONS HEAVY DUTY ITALY S.P.A. Puegnago sul Garda (Italy) held by Sogefi Suspensions S.A.	Euro	6,000,000	5,992,531	99.88	1	5,992,531
SOGEFI SUSPENSIONS PASSENGER CAR ITALY S.P.A. Settimo Torinese (Italy) held by Sogefi Suspensions S.A.	Euro	8,000,000	7,990,043	99.88	1	7,990,043
SOGEFI SUSPENSIONS EASTERN EUROPE S.R.L. Oradea (Romania) held by Sogefi Suspensions S.A.	RON	31,395,890	3,139,589	100	10	31,395,890

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT ART. 81-TER OF CONSOB RESOLUTION No. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned:
Frédéric Sipahi – Chief Executive Officer of Sogefi S.p.A.
Maria Beatrice De Minicis – Manager responsible for preparing Sogefi S.p.A.'s financial reports
hereby certify having also taken into consideration the provisions of Article 154-bis, paragraph 3 and 4, of Italian Legislative Decree n. 58 of February 24, 1998, that:

- are adequate with respect to the company structure and
- have been effectively applied the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2022 fiscal year.

2. No relevant aspects are to be reported on this subject.

3. It is also certified that:

3.1 the consolidated financial statements at December 31, 2022:

- have been prepared in accordance with international accounting standards as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002;
- correspond to the books and accounting records;
- provide a true and fair representation of the financial position, result of operations and cash flow of the issuer and the companies included in the scope of consolidation.

3.2 The report on operations includes a reliable analysis of the performance and result of operations and also the position of the issuer and the companies included in the scope of consolidation together with all principle risks and uncertainties that the Group is exposed.

Milan, February 24, 2023

Signed by Chief Executive Officer Frédéric Sipahi	Signed by Manager responsible for preparing financial report Maria Beatrice De Minicis

SOGEFI S.p.A.

Company subject to policy guidance and coordination on the part of Cir S.p.A.

BOARD OF STATUTORY AUDITORS' REPORT

PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE NO. 58/1998 AND ART. 2429 OF THE ITALIAN CIVIL CODE

To the Shareholders' Meeting of SOGEFI S.p.A.

During the financial year closed at 31 December 2022, we carried out our supervisory activity as required by law and the Articles of Association, in accordance with the Rules of Conduct for the Board of Statutory Auditors recommended by the National Council of Accountants and the Corporate Governance Code of Borsa Italiana S.p.A., and hereby report on such activity. This report was drawn up following the recommendations set out in Consob Communication no. 1025564 of 6 April 2001 as amended.

The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting on 23 April 2021 according to the prevailing regulations. Its term of office will expire upon the Shareholders' Meeting called to approve the Annual report as at 31 December 2023.

The statutory audit of the Company's accounts is carried out by the company KPMG S.p.a. (hereinafter the Auditing Firm), for the term of nine financial years (2017-2025), as resolved by the Shareholders' Meeting of 26 April 2017.

* * *

As regards the methods employed to perform our duties during the period under consideration, we report as follows:

- we attended the Shareholders' Meetings and Board of Directors meetings held during the period under consideration and obtained timely and adequate information on operations and their outlook, as well as on significant operational, financial and equity-related operations conducted by the Company and subsidiaries within the Group, as required by law and the Articles of Association; all meetings of the Control, Risk and Sustainability Committee, of the

Appointment and Remuneration Committee and of the Related Parties' Committee were attended by the Board of Statutory Auditors.

- we ensured compliance with the law and the Articles of Association, and with the principles of good administration, we supervised the activities carried out by the delegated body and the Board of Directors to ascertain the adequacy of the Company's organisational structure and internal control and administrative-accounting systems, through the information received and the exchange of information flows with the firm appointed to audit the accounts;
- we incorporated the results of the quarterly checks on the correct keeping of accounts carried out by the company appointed for the statutory audit of the accounts;
- we received from the independent auditors the Report required under art. 14 of Italian Legislative Decree no. 39/2010 relating to the statutory and consolidated financial statements as at 31 December 2022;
- we received from the independent auditors the Report required under art. 11 of European Regulation 537/2014 from which no significant aspects to report emerge;
- we fulfilled the tasks provided for in art. 19 of the Italian Legislative Decree No. 39/2010, as the Internal Control and Auditing Committee;
- we monitored the performance of the system used to control subsidiaries and the adequacy of the directions given to them, also under art. 114, sub-paragraph 2 of Legislative Decree no. 58/1998;
- we monitored the actual methods used to implement the corporate governance rules set out in the Corporate Governance Code issued by Borsa Italiana S.p.A., as adopted by the Company;
- we met the Supervisory Body, which confirmed the adequacy of the Organization, Management Model under Legislative Decree no. 231/2001 as amended considering the expanded scope of the regulations;
- we fulfilled the tasks provided for in art. 4, para. 6 of the Regulation approved by Consob Resolution no. 17221 of 12 March 2010, we monitored compliance with the Discipline for related-party transactions approved by the Board of Directors;
- we supervised the impairment test approval process;

- for the Consolidated statement for the disclosure of non-financial information, we received the certification referred to in paragraph 10 of article 3 of the Italian Legislative Decree no. 254/2016;
- we have determined that the Board of Directors properly implemented the verification criteria and procedures to assess the independence of its members, based on the statements made by the Directors and the opinions issued by the Board of Directors;
- we met the board of statutory auditors of the parent company and subsidiary companies in order to mutually exchange information.

As a result of our supervisory activities, no significant facts have emerged, and we have no proposals to make for the financial statements, their approval and on matters of our competence.

* * *

Outlined below is the information specifically required by the Consob Communication of 6 April 2001 as amended.

- We collected information on significant operational, financial and equity-related operations conducted by SOGEFI S.p.A. and its subsidiaries and established their compliance with the law and the Articles of Association; the Directors provide disclosure on such transactions in the Report on Operations; we also obtained information on and assurance that the transactions resolved and carried out were not manifestly imprudent, risky, in conflict with Shareholders' Meeting resolutions or, in any case, of such a nature as to jeopardise integrity of corporate assets.
- We obtained information on intercompany and related party transactions. Based on obtained information, we determined that such transactions comply with the law and the Articles of Association, satisfy the interest of the company and raise no doubts as to their accurate, exhaustive disclosure in the financial statements, the protection of corporate assets and of non-controlling shareholders; periodic audits and inspections carried out at the Company's premises did not identify any atypical and/or unusual transactions.
- We have not been made aware of nor have we received reports on transactions in potential conflict of interest.

- The Directors provided disclosures on key transactions, as well as on the dealings between SOGEFI S.p.A., Group companies and/or related parties in the Report on Operations and in the Notes, and stated that such dealings had been conducted at arm's length, taking into account the quality and type of services rendered; such dealings mainly consisted in the provision of administrative and financial services, including the management of the Group's centralised treasury and interest debiting and crediting, as well as management support and communication services and use of the Group's information system; in addition, SOGEFI S.P.A. made use of administrative, financial, fiscal and corporate and communication services provided by the Parent Company CIR S.p.A. and joined the Group tax filing system; appropriate financial details were provided and the impact on the statement of financial position was adequately described in the documents accompanying the 2022 statutory financial statements.
- KPMG S.p.A., the company appointed to audit the accounts, issued the audit reports required under art. 14 of Italian Legislative Decree no. 39/2010 relating to the statutory and consolidated financial statements for the year ended as at 31 December 2022 without remarks or disclosure requirements.

  Specifically, it certified that:

  A) the statutory financial statements of the Company and the consolidated financial statements of the Group as at 31/12/2022 provide *"a true and fair view of the financial position of Sogefi S.p.A. and of the Group, and of the results of their operations and cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union and with the measures issued in implementation of 9 of Italian Legislative Decree 38/05"*,

  B) the annual report and consolidated financial statements have been prepared "*in XHTML format in compliance with the provisions of Delegated Regulation (EU) 2019/815"*,

  C) "the report on operations and some specific information contained in the Report on Corporate Governance and Ownership Structure (...) are consistent with Sogefi S.p.A. annual report and the consolidated financial statements as at 31 December 2022 and have been prepared in accordance with the law", *D) "the opinion"* on the statutory and consolidated financial statements expressed in the aforementioned reports *"is in line with the contents of the Additional Report prepared pursuant to art. 11* of EU Reg. 537/2014.

Today, the auditing firm has also:

- issued the Additional Report required by art. 11 of the EU Reg. 537/2014, which was sent on the same date to the Board of Statutory Auditors, as the Internal Control and Audit Committee, and from which no particular remarks emerge;
- issued, pursuant to art. 3, para. 10 of the Italian Legislative Decree no. 254/2016 and to art. 5 of the Consob Regulation no. 20267/2018, the certificate of conformity of the Consolidated statement for the disclosure of non-financial information drafted by the Company as required by the aforementioned decree and according to the principles and the methods used by the Company to prepare the said Declaration. In this Report, the auditing firm stated that *"no evidence has come to our attention to suggest that the consolidated statement for the disclosure of non-financial information of the Sogefi Group for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined by the GRI - Global Reporting Initiative ("GRI Standards")."*
- issued the annual confirmation of its independence pursuant to art. 6, para. 2), letter A) of European Regulation 537/2014, which was sent on the same date to the Board of Statutory Auditors.
- During the periodic exchanges of data and information between the Board of Auditors and the Auditing firm, pursuant also to art. 150, paragraph 3 of Italian Legislative Decree no. 58/1998, no aspects emerged that need to be pointed out in this report.
- In relation to the provisions introduced by the Italian Legislative Decree no. 135/2016 in compliance with EU Regulation 537/2014, during this year the Board of Statutory Auditors carried out a prior analysis of and authorised, when necessary, any assignment conferred by the Company and its subsidiaries to KPMG;

During 2022, the subsidiaries of SOGEFI S.p.A. entrusted the independent auditors with other services and the relevant fees were EUR 57,700 as specified below:

INDIA: Sogefi Systems India Ltd	€1.200
FRANCIA: Sogefi Air and Cooling SAS- Sogefi Suspensions SA-Sogefi Filtration SS	€ 5.500 each
ITALIA/FRANCIA: Sogefi Spa – Sogefi Gestion SAS	€ 32.000
SLOVENIA: Sogefi Filtration Doo	€ 4.000
FRANCIA: Sogefi Suspensions SA	€ 4.000

The amounts paid for these services were found to be adequate consideration for the scope and complexity of the services rendered and are not deemed liable to affect the independence and discretion of the auditors in performing their auditing tasks.

However, the change occurred in the remuneration of the appointed auditing company has been contractually determined.

- During the year, no complaints have been received under article 2408 of the Italian Civil Code.
- During the year under consideration, we have given advice pursuant to article 2389 of the Italian Civil Code.
- During the financial year 2022, 8 meetings of the Board of Directors and 2 Shareholders' Meetings were held. The Board of Statutory Auditors met 18 times and attended all the meetings of the Control, Risk and Sustainability Committee, those of the Appointments and Remuneration Committee and those of the Related Parties' Committee.
- The Company substantially followed the recommendations contained in the Corporate Governance Code drafted by the Corporate Governance Committee for listed companies and described its corporate governance model in the relevant Report, which was prepared among other things under art. 123-*bis* of Italian Legislative Decree no. 58/1998. As far as we are concerned, we supervised the procedures for the concrete implementation of the corporate governance rules provided for in the above-mentioned Corporate Governance Code, as adopted by the Company. In compliance with Legislative Decree no. 231/2001, the Company adopted, implemented and maintained up-to-date an "Organisational Model" that governs its behaviour

and business conduct and set up a Supervisory Body as provided for by the regulations. The Company also adopted a Code of Ethics.

On the basis of the above, the Board of Statutory Auditors did not find any specific critical issues, omissions, reprehensible facts or irregularities during the supervisory activities carried out throughout the year and has no observations to make, not finding any reasons to prevent the approval of the financial statements and the allocation of the result for the year as proposed by the Board of Directors to the Shareholders Meeting.

Milan, 24 March 2023

For the Board of Statutory Auditors

Daniela Delfrate - Chair

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(The accompanying consolidated financial statements of the Sogefi Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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

To the shareholders of
Sogefi S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Sogefi Group (the "group"), which comprise the statement of financial position as at 31 December 2022, the income statement and 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 Sogefi 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 Sogefi S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Recoverability of goodwill

Notes to the consolidated financial statements: Note 2.3 "Accounting policies", sections "Intangible assets - Goodwill" and "Critical estimates and assumptions" and Note 10 "Intangible assets", section "Goodwill and Impairment test"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2022 include goodwill of €121.6 million, allocated to the following cash-generating units ("CGU"): Filtration, Air & Cooling and Car suspension. In accordance with the criteria approved by the board of directors on 20 January 2023, the directors carried out impairment tests in order to identify any impairment losses that would arise should the CGU's carrying amount exceed their recoverable amount. The directors estimated the recoverable amount based on their value in use, calculated using the unlevered discounted cash flow model by discounting the expected cash flows. For impairment testing purposes, the directors used the expected operating cash flows estimated on the basis of the 2023 budget, the strategic plan 2023-2026 and extended forecast for the Filtration CGU (approved by the board of directors respectively on 16 December 2022, 20 January 2023 and 24 February 2023). The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the expected operating cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual operating 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.	Our audit procedures included: • understanding the process adopted for impairment testing approved by the board of directors; • understanding the process adopted to prepare the 2023 budget, the strategic plan 2023-2026 and the extended forecast for the Filtration CGU approved by the board of directors, from which the expected operating cash flows used for impairment testing have been derived; • analysing the reasonableness of the assumptions used by the directors to prepare the 2023 budget, the strategic plan 2023-2026 and and the extended forecast for the Filtration CGU; • checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; • comparing the expected operating cash flows used for impairment testing to the cash flows forecast in the 2023 budget, the strategic plan 2023-2026 and the extended forecast for the Filtration CGU and analysing any discrepancies for reasonableness; • checking the report of the external management expert engaged by the parent; • involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions underlying the expected operating cash flows, including by means of comparison with market data and information; • checking the sensitivity analysis made by the directors in relation to the key assumptions used for impairment testing; • assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Measurement of current and non-current provisions

Notes to the consolidated financial statements: Note 2.3 "Accounting policies", section "Provisions for risks and charges" and Note 18 "Current provisions, non-current provisions and other payables", section "Provision for restructuring", "Provision for product warranties" and "Provisions for disputes in progress and other risks"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2022 include current and non-current provisions, which comprise the provisions for restructuring, product warranties and disputes in progress and other risks of €3.6 million, €3.8 million and €3.8 million, respectively. Determining with certainty when all IAS 37 requirements for the recognition of provisions are met is difficult and requires a high level of subjective and material estimates and judgements. Therefore, we believe that the measurement of these provisions carries a risk of material misstatement. Specifically: • certain European subsidiaries are undergoing corporate restructuring that, once the related plans have been approved and disclosed to the main parties involved, will require the recognition of specific provisions; • the group is exposed to the risk of product quality/non-conformance claims made by its customers; • the group is exposed to the risk of liabilities with employees and third parties. For the above reasons, we believe that the measurement of the above non-current provisions is a key audit matter.	Our audit procedures included: • understanding the process for the measurement of provisions and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; • sending written requests for information to the legal and tax advisors assisting the group's directors about the assessment of the risk of losing pending disputes and the quantification of the related liability; • analysing the assumptions used to determine the provisions through discussions with the relevant internal departments and analysis of the supporting documentation; • analysing the events after the reporting date to gather useful information for the measurement of the provisions; • assessing the appropriateness of the disclosures provided in the notes about provisions.

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 26 April 2017, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

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

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

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

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 directors' report 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 directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no.

58/98 with the group's consolidated financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 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 Sogefi S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 24 March 2023

KPMG S.p.A.

(signed on the original)

Elisabetta C. Forni
Director of Audit