# CONSOLIDATED FINANCIAL STATEMENTS
# SEPARATE FINANCIAL STATEMENTS
# REPORT ON OPERATIONS

## 2023

**"Translation from the Italian original which remains the definitive version"**

# Contents

# CIR

**CIR S.p.A.**

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

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

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

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

# Corporate bodies

## at 31 December 2023

### BOARD OF DIRECTORS

| | |
|---|---|
| Honorary Chairman | CARLO DE BENEDETTI |
| Honorary Deputy Chairman | FRANCO DE BENEDETTI |
| Chairman | RODOLFO DE BENEDETTI **(*)** |
| Chief Executive Officer and General Manager | MONICA MONDARDINI (*) |
| Directors | PHILIPPE BERTHERAT **(1) (3)**<br>EDOARDO DE BENEDETTI<br>MARCO DE BENEDETTI<br>TOMMASO NIZZI **(2) (3)**<br>ELISABETTA OLIVERI **(2)**<br>FRANCESCA PASINELLI **(1) (3)**<br>MARIA SERENA PORCARI **(1) (2) (4)** |
| Secretary to the Board | ANTONIO SEGNI |

### BOARD OF STATUTORY AUDITORS

| | |
|---|---|
| Chairman | GIOVANNI BARBARA |
| Standing Statutory Auditors | MARIA MADDALENA GNUDI<br>FRANCESCO MANTEGAZZA |
| Alternate Statutory Auditors | ANTONELLA DELLATORRE<br>MARCO PARDI |

### INDEPENDENT AUDITORS

KPMG S.p.A.

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

**(*)** Powers as per Corporate Governance
**(1)** Member of the Appointments and Remuneration Committee
**(2)** Member of the Control, Risk and Sustainability Committee
**(3)** Member of the Related Party Transactions Committee
**(4)** Lead Independent Director

**CIR S.p.A. – COMPAGNIE INDUSTRIALI RIUNITE**
Milan – Via Ciovassino, 1
Share Capital: Euro 420,000,000.00 fully paid up - Comp. Reg. and Tax Code No. 01792930016
Company subject to management and coordination by F.lli De Benedetti S.p.A.

# NOTICE OF CALL OF THE GENERAL ORDINARY AND EXTRAORDINARY MEETING (published on the Company website on 26 March 2024)

The Shareholders are invited to attend the General Meeting in ordinary and extraordinary session, at a single calling, on 29 April 2024 at 10.00 am in the registered office, Via Ciovassino n. 1, Milan, to discuss and pass resolution on the following:

## AGENDA

Ordinary Part

1. Financial Statements for the year ended 31 December 2023 and allocation of the profit/loss for the year. Presentation of the consolidated financial statements for the year ended 31 December 2023:
   a. Approval of the separate financial statements for the year ended 31 December 2023;
   b. Allocation of the profit/loss for the year.
2. Proposal to authorise the purchase and disposal of treasury shares, subject to revocation of the previous authorisation for the portion not executed.
3. Report on the remuneration policy and on compensation paid as per Art. 123–*ter* of the TUF:
   a. Binding vote on Section I - Remuneration Policy 2024;
   b. Advisory vote on Section II - Disclosure of compensation paid in 2023.
4. Proposal regarding the approval of the Stock Grant Plan 2024.
5. Integration of the Board of Statutory Auditors through the appointment of an Alternate Auditor.

Extraordinary Part

1. Cancellation of treasury shares without reduction of share capital; consequent amendment of Article 4 of the Company Bylaws. Related and consequent resolutions.

## INFORMATION ON THE SHARE CAPITAL

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

Each share is attributed one vote, with the exception of the shares for which the voting right has been increased pursuant to Article 8 of the Company Bylaws, which attribute two votes. At the date of publication of this notice, the total number of voting rights is 1,634,949,188 and the Company holds no.70,594,411 treasury shares.

## HOW THE MEETING WILL BE HELD

The Company has decided to avail itself of the right given by Art. 106 of Decree Law no. 18 of 17 March 2020 transposed with amendments into Law no. 27 of 24 April 2020 and recently extended as an effect of Law no. 18 of 23 February 2024 until 30 April 2024, which states that attendance at the general meeting by those with the right to vote may take place exclusively through the representative designated by the Company as per the terms of Art. 135-*undecies* of Legislative Decree no. 58 of 24 February 1998 ("**TUF**") – as set out in the following paragraph "*Attendance of general meetings, exercise of vote by proxy and representative of the Shareholders designated by the Company"*. The designated representative may also be given proxies in accordance with Art. 135-*novies* of the TUF, waiving Art. 135-*undecies*, paragraph 4, of the same decree, following the procedures described below.

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

## ENTITLEMENT TO ATTEND AND VOTE AT THE MEETING

Entitlement to attend the Shareholders meeting – exclusively through the designated representative – is granted to those who hold voting rights at the close of the seventh stock exchange trading day before the date fixed for the annual general meeting at a single calling (**18 April 2024** – Record Date).

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

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

Entitlement to attend the meeting and exercise voting rights – which can be exercised solely through the designated representative – is attested by a notification made to the Company by an authorized intermediary as per the terms of Art. 83-*sexies* of the TUF in favour of the person who has the right to vote based on evidence available at the close of the above-mentioned Record Date.

The notification of the intermediary must reach the Company by the close of the third stock exchange trading day preceding the date fixed for the meeting (i.e., by **24 April 2024**). If the notification reaches the Company after the above deadline but before the start of the meeting, the Shareholder still has the right to attend and to vote.

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

## ATTENDANCE OF THE AGM, VOTING BY PROXY AND THE REPRESENTATIVE OF THE SHAREHOLDERS DESIGNATED BY THE COMPANY

The Company has identified Monte Titoli S.p.A., with registered office in Milan, Piazza degli Affari No. 6 (the "**Designated Representative**" or "**Monte Titoli**"), as its designated representative pursuant to Article 135-*undecies* of the TUF.

Shareholders who wish to attend and vote at the Shareholders' Meeting must, therefore, grant the Designated Representative an appropriate proxy, free of charge for the proxy holder (except for any postage expenses), with voting instructions on all or some of the proposed resolutions on the items on the Agenda, alternatively pursuant to:
> Art. 135-*undecies* of the TUF, using the "*Proxy form for the Designated Representative*", or
> Art. 135-*novies* of the TUF, with the right to use the "*Ordinary proxy form*", following the procedures described below.

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

The proxy to the Designated Representative pursuant to Article *135-undecies* of the TUF must be conferred by signing the specific "*Proxy form for the Designated Representative*", also in electronic format, made available on the Company website at www.cirgroup.it in the "*Governance/Shareholders' Meetings*" section and must be sent, with the relative written voting instructions, together with a copy of a currently valid identity document of the Proxy Granter or, if the Proxy Granter is a legal person, of the pro tempore legal representative or other party with the appropriate powers, together with suitable documentation attesting to the latter's qualification and powers (copy of a Chamber of Commerce certificate or similar), to the Designated Representative, in one of the following alternative methods:

(i) transmission of an electronically reproduced copy (PDF) to the certified e-mail address RD@pec.euronext.com (subject line "Proxy for CIR Shareholders' Meeting April 2024") from one's own certified mailbox (or, failing that, from one's own ordinary mailbox, in which case the proxy with the voting instructions must be signed with a qualified electronic or digital signature);
(ii) transmission of the original, by courier or registered mail with return receipt, to the address Monte Titoli S.p.A., Register Services area, Piazza degli Affari n. 6, 20123 Milan (Ref. "Proxy for the CIR Shareholders' Meeting April 2024") in advance by sending a copy reproduced electronically (PDF) by ordinary e-mail to the following e-mail address: RD@pec.euronext.com (subject "Proxy for the CIR Shareholders' Meeting April 2024");

by the end of the second stock market trading day before the date fixed for the AGM (i.e. no later than **11:59 pm on 25 April 2024**).

The proxy and the relevant voting instructions given to the Designated Representative as per Art. 135-*undecies* of the TUF can be cancelled by the same deadline (**11:59 pm on 25 April 2024**), following the same procedure as that given for assigning the proxy.

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

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

Those who do not make use of proxies pursuant to Article *135-undecies* of the TUF, may grant proxies or sub-proxies to the Designated Representative pursuant to Article *135-novies* of the TUF, as an exception to Article*135-undecies*, paragraph 4, of the TUF, necessarily containing voting instructions on all or some of the proposals on the agenda, by using the special proxy/sub-proxy form "*Ordinary Proxy Form*", also in electronic format, made available on the Company website at www.cirgroup.it in the section "*Governance/Shareholders' Meetings*", which, together with the relevant written voting instructions, and together with a copy of a currently valid identity document of the Proxy Granter or, if the Proxy Granter is a legal person, of the pro tempore legal representative or other person with the appropriate powers, together with appropriate documentation attesting to the latter's qualification and powers (copy of a Chamber of Commerce certificate or similar), must be received by the Designated Representative by one of the following alternative methods:

(i) transmission of an electronically reproduced copy (PDF) to the certified e-mail address RD@pec.euronext.com (subject line "Proxy for CIR Shareholders' Meeting April 2024") from one's own certified mailbox (or, failing that, from one's own ordinary mailbox, in which case the proxy with the voting instructions must be signed with a qualified electronic or digital signature);
(ii) transmission of the original, by courier or registered mail with return receipt, to the address Monte Titoli S.p.A., Register Services area, Piazza degli Affari n. 6, 20123 Milan (Ref. "Proxy for the CIR Shareholders' Meeting April 2024") in advance by sending a copy reproduced electronically (PDF) by ordinary e-mail to the following e-mail address: RD@pec.euronext.com (subject "Proxy for the CIR Shareholders' Meeting April 2024")

by 6:00 pm on the day before the meeting (although the Designated Representative can accept proxies and/or voting instructions even after said deadline, as long as the meeting has not yet begun). Within this period, the proxy and voting instructions may always be revoked.

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

**>>>**

In the absence of the communication from the authorised intermediary attesting to the entitlement to participate in the Shareholders' Meeting, the proxy shall be deemed ineffective.

For any clarifications concerning granting proxy to the Designated Representative (and in particular concerning the compilation of the proxy form and the Voting Instructions and their transmission), please contact Monte Titoli by e-mail at RegisterServices@euronext.com or by telephone (+39) 02.33635810 (during open office days, from 9:00 am to 5:00 pm).

It should be noted that shares for which a proxy has been assigned, even partially, are included in the calculation of the regular constitution of the Shareholders meeting. Regarding proposals for which no voting instructions have been given, the shares will not be included in the calculation of the majority and the amount of capital required to approve the resolutions.

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

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

## RIGHT TO ASK QUESTIONS ON THE ITEMS ON THE AGENDA

As per the terms of Art. 127-*ter* of the TUF, those entitled to vote who wish to ask questions regarding the items on the Agenda of the AGM can send their questions by registered post with return receipt (A.R.) to the registered office of the Company or by certified e-mail to the address pec_cirspa@legalmail.it, accompanied by information on the identity of the shareholders who submitted them and the references of the communication sent by the intermediary to the Company pursuant to regulations in force.

Questions must be received by the close of the seventh trading day preceding the date fixed for the Annual General Meeting at a single calling, i.e., by 11:59 pm on Thursday **18 April 2024**. Entitlement to vote may also be certified after the applications have been submitted, but providing that within the third day following the seventh open market day preceding the general meeting (i.e., by 21 April 2024).

The Company will provide a written answer by Wednesday **24 April 2024**, by means of publication on the Company website in the section "*Governance/Shareholders' Meeting*".

Questions with the same content may receive a single response.

## ADDITIONS TO THE AGENDA AND PRESENTATION OF NEW RESOLUTION PROPOSALS

As per the terms of Art. 126-*bi*s of the TUF, Shareholders representing even jointly at least one fortieth of the share capital may, within ten days of the publication of this notice (i.e. by **5 April 2024**), request an addition to the items on the Agenda to be dealt with, indicating in their request the further items proposed, or they may submit proposed resolutions on subjects already on the Agenda.

It should be remembered, however, that any such addition is not allowed for the items on which the Shareholders, as per the terms of the law, vote on a proposal made by the Directors or on a plan or a report prepared by the same, other than those included in Art. 125-*ter*, paragraph 1 of the TUF.

The requests must be submitted by registered mail with return receipt (A.R.) to the Company's registered office or by certified e-mail to pec_cirspa@legalmail.it and must be accompanied by a report stating the reasons for the resolution proposals on the new items proposed for discussion or the reasons for the additional resolution proposals submitted on items already on the agenda, as well as by the certificate(s) issued by an authorised intermediary proving the entitlement to exercise the right. Notice will be given of any additions to the Agenda and of any new proposed resolutions in the same form as those on this convening notice, at least fifteen days before the date fixed for the single calling of the Shareholders Meeting, by which time the report prepared by the proposers of the same will be made available to the public.

As per the terms of Art. 126-bis, paragraph 1, penultimate clause, of the TUF, given the method of attending the Meeting, those with voting rights can individually present resolution proposals on the subjects on the Agenda by **14 April 2024**. These proposals must be submitted by registered post with return receipt (A.R.) to the Registered Office of the Company or by certified e-mail to the address pec_cirspa@legalmail.it and must be accompanied by a proposed resolution on the item of the Agenda, and by the certification(s) issued by an authorized intermediary attesting the person's entitlement to exercise this right.

The proposals submitted will be published on the Company website www.cirgroup.it in the section Governance by Tuesday **16 April 2024**, so that those entitled to vote can see them before sending their proxy forms to the Designated Representative.

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

## ADDITION TO THE BOARD OF STATUTORY AUDITORS

It should be noted that, pursuant to Article 22 of the Company Bylaws, since it is not an appointment of corporate bodies, the procedure of appointment by list voting does not apply, but the Shareholders' Meeting is called upon to resolve by majority vote with the specifications indicated therein.

Further information on this can be found in the illustrative report prepared by the Board of Directors and published in accordance with the law.

## DOCUMENTATION

The documents relating to the items on the Agenda, as provided for by the regulations in force, including, inter alia, the full text of the proposed resolutions, as well as the financial reports for the financial year 2023, will be made available to the public at the Company's registered office (in Milan, Via Ciovassino, 1), using the authorised eMarket STORAGE mechanism at www.emarketstorage.com and on the Company website www.cirgroup.it in the section "*Governance/Shareholders' Meetings*", and in any case in the manner provided for under current regulations and within the terms prescribed therein; Shareholders may obtain a copy.

An excerpt from this notice is published in the newspaper "La Repubblica" on 26 March 2024.

Milan, 26 March 2024

For the Board of Directors
The Chairman – Rodolfo De Benedetti

# *Letter to the Shareholders*

*Dear Shareholders,*

*The year 2023 marked a period of robust recovery for all business units within our Group. Our subsidiary, KOS, a leading entity in the healthcare sector in Italy with operations in Germany, has restored full functionality across the majority of its facilities following the pandemic-induced downturn. Sogefi, another subsidiary and a key player in the automotive components industry active across Europe, America, and Asia, thrived in a market that saw a 9.4% global volume increase. Additionally, our financial asset management operations benefited from favorable market conditions.*

*The CIR group reported consolidated revenues of €2,380 billion, reflecting a growth of 6.9% over 2022, and witnessed substantial enhancement in consolidated results with a net profit of €32.8 million, a significant improvement from a breakeven in 2022, with advancements in all the sectors in which the Group operates.*

*Consolidated net debt (pre-IFRS 16) was reduced to €18 million at year end, and the holding's capital structure remains solid, with a net financial position of €314 million as of the end of 2023.*

*Our subsidiary KOS, which was severely impacted by the pandemic consequences, recorded a gradual recovery starting from mid-2021. By 2023, the Functional and Psychiatric Rehabilitation business resumed full operations, and care homes in Italy and Germany are expected to recover complete saturation levels by 2024.*

*In light of this, KOS achieved a significant revenue increase across all businesses in 2023: care homes in Italy (+12.1%) and Germany (+15.4%), including fees' adjustments, and Functional and Psychiatric Rehabilitation (+7.2%). Total revenue amounted to €752 million, a up 10.0% from 2022.*

*Moreover, operational profitability improved due to increased business activity, fees' adjustments, operational efficiency gains from higher saturation, normalization of the health situation, and a reversal in energy costs trends from 2022. Italy showed considerable progress, whereas Germany is lagging, with the sector experiencing a notable rise in healthcare assistance costs not yet offset by rate increases.*

*Furthermore, KOS has continued on the path of expanding its network of facilities, which has enabled it, since its establishment by CIR to date, to become a leading player in Italy and with a significant presence in Germany. In 2023, the company launched two new long-term care facilities in Italy and one in Germany, totaling 288 beds, with another 700 beds under construction in both countries.*

*We anticipate continued profitability recovery in 2024, driven by further saturation increases in care homes expected to achieve full operational capacity, the ramp-up of numerous greenfield projects developed in recent years, and the ongoing recovery plan in Germany.*

*Turning to the Automotive Components sector, in 2023, our subsidiary Sogefi reported revenue of €1,628 million, up 5.5% from 2022 and 9.1% at constant exchange rates, in a strongly rebounding automotive market that has now returned to 2019 levels.*

*On the production cost front, pressures in the raw materials and energy markets eased, while labor costs have been impacted by inflation over the past twoyears.*

*Economic results were positive and markedly improved, thanks to the recovery in volumes and margins and the measures implemented over the past few years, following the crisis phases in the three-year period 2020-2022, triggered by the pandemic emergency, with impact on production volumes, and geopolitical tensions, with significant consequences on raw material and energy prices. Sogefi reported a net profit of €58 million in 2023, far exceeding its pre-crisis results.*

*In February 2024, Sogefi reached an agreement with an American fund, setting the stage for the divestment of the Filtration division. This move not only adds value but also sharpens the group's focus on an ambitious growth plan in the Air & Cooling sector, particularly in thermal management products for the Electric Vehicles sector, and a turnaround and development strategy for the Suspension division after profitability losses due to increased production costs and to the issues mentioned above.*

*Lastly, the result of our financial investment portfolio also improved, buoyed by rising interest rates and positive market developments across all asset classes.*

*We are confident that 2024 will herald another year of growth and increased operational profitability for our businesses, and we will put all of our efforts into this.*

*Rodolfo De Benedetti*

*Chairman*

*Monica Mondardini*

*CEO*

# Report on operations

## 1. Key figures

In 2023, the CIR Group achieved a clear improvement in its consolidated results.

**Revenue** amounted to € 2,379.8 million, an increase of 6.9 % compared to 2022, with positive dynamics in both business segments of the group.

P**rofit** rose to € 32.8 million against a break-even result in 2022, with increases in all business segments.

At 31 December 2023, **consolidated net financial indebtedness prior to IFRS 16** fell to € 17.8 million, compared with 31 December 2022 (€ 81.8 million):

- the net indebtedness of the subsidiaries is equal to € 332.2 million compared with € 402.2 million at 31 December 2022;
- the net financial position of the Parent (including subsidiaries CIR Investimenti and CIR International) is € 314.4 million, slightly lower than at 31 December 2022 (€ 320.4 million) due to the repurchase of treasury shares for € 14.0 million.

**Consolidated financial indebtedness including lease liabilities under IFRS 16**, at 31 December 2023, amounts to € 871.5 million, including right-of-use assets of € 853.7 million, mainly belonging to KOS (€ 788.8 million), which operates using mainly leased properties.

**Equity** attributable to the owners of the parent at 31 December 2023 comes to € 753.6 million, compared with € 743.4 million at 31 December 2022.

### KOS

KOS's business, which was severely affected by the consequences of the pandemic, has been gradually recovering since mid-2021; in 2023, the Functional and Psychiatric Rehabilitation segment is back to full operation, and for the segment of residential care homes, saturation recovery, in Italy and Germany, is expected to be completed during 2024.

**Revenue** for 2023 amounted to € 751.9 million, an increase of 10.0% compared to 2022, thanks to the recovery in all segments: care homes in Italy (+12.1%) and Germany (+15.4%), where the increase in revenue also includes fees adjustments, and Functional and Psychiatric Rehabilitation (+7.2%).

**EBIT** (operating profit) increased to € 53.0 million, compared to € 30.3 million in 2022, despite the loss of the significant support still guaranteed in 2022 by the German healthcare system for social workers. The increase in operating profit resulted from increased activity, fees adjustments, recovery of operating efficiency due to higher saturation and "normalisation" of the health situation, and the reversal of energy costs compared to 2022.

The **profit for the period** was € 11.7 million (-€ 0.8 million in 2022). Net profit in Italy recovered markedly, although still below the pre-crisis results; the performance in Germany was more critical, due to the loss of the significant subsidies recognised in the previous year and an adjustment of fees that remains insufficient compared to the increase in costs recorded during the two-year period 2022-2023, which affected healthcare costs in particular.

**Free cash flow** before application of IFRS-16 was positive for € 46.4 million: operating cash flow amounted to € 15.7 million, gains on disposals of € 36.8 million (sale of the Indian Diagnostics and Cancer Cure business and of real estate in Italy) were recorded, and investments in development of € 6.1 million were incurred.

**Net indebtedness**, excluding lease liabilities under IFRS 16, at the end of 2023 amounted to € 131.9 million (€ 178.3 million at the end of 2022); total net debt amounts to € 920.7 million, including lease liabilities under IFRS 16.

On 28 June 2023, the sale of the Diagnostics and Cancer Cure business in India was finalised, thus concluding the strategic refocusing process started in 2020 with the sale of Medipass. The equity value of the sale, net of transaction costs, was € 18.6 million.

Profitability is expected to continue to recover in 2024, thanks to the increased saturation of the care homes, the ramp-up of the numerous green fields developed over the past few years, and the ongoing recovery plan in Germany.

### Sogefi

In 2023, the automotive market experienced a vigorous recovery, with global vehicle production up 9.4% on 2022 and progress in all geographical areas: Europe +12.5%, NAFTA +9.5%, China +9.4%, India +6.3% and Mercosur +3.5%. Global production for the year reached 2019 volumes (+1.2%), thanks to China (+17.2%) and India (+29.5%), while it remained lower in Europe (-13.0%), Mercosur (-9.6%) and NAFTA (-4.1%). On the production cost side, tensions in the raw materials and energy markets eased, while labour costs were affected by inflation over the past two financial years.

The Group's consolidated **revenue** grew by 5.5% compared to 2022 and 9.1% at constant exchange rates, reflecting the increase in production volumes (+6.1%) and sales prices (+2.8%).

The results showed a significant improvement over 2022: EBITDA, at € 221.4 million, increased by +13.5%, thanks to growth in volumes and contribution margin.

**EBIT**, at € 105.2 million, grew by 49.2%, with an EBIT margin at 6.5% of sales, compared to 4.6% in 2022.

**Profit** for the year amounted to € 57.8 million (+95.4% compared to € 29.6 million in 2022).

**Free cash flow** was positive at € 37.9 million (€ 29.3 million in 2022) and **net indebtedness** (pre IFRS 16) at 31 December 2023 decreased to € 200.7 million, compared to € 224.3 million at 31 December 2022 (due to the free cash flow generated and net of dividends paid to third parties and the fair value of derivatives).

Commercial activity was also positive for all divisions, both in terms of the total value of contracts acquired and the mix, with 31% of the value of new contracts acquired during the year going to e-mobility. Significant new contracts were won in North America, Europe and China.

On 23 February 2024, the subsidiary Sogefi signed a put option agreement with the US investment fund Pacific Avenue. Under this agreement two corporate vehicles referring to the fund have assumed unilateral, unconditional and irrevocable commitments to acquire, in the event Sogefi exercises the put option, the entire share capital of Sogefi Filtration S.A. and Sogefi USA Inc., i.e. the Filtration business unit. The exercise of the put option by Sogefi and the signing of the sale and purchase agreement can only take place once the consultation procedure with the trade union representatives, as required by French law, has been completed. The completion of the transaction is in any case subject to obtaining FDI (Foreign Direct Investment) clearance in Slovenia and antitrust clearance in Morocco. The transaction is expected to be finalised by August 2024. For further details, please refer to paragraph 7 "Significant Events after the reporting date" and the note "Subsequent Events" in the "Notes to the Consolidated Financial Statements".

The Group has an ambitious development plan in the Air & Cooling sector and, in particular, in thermal management products for the Electric Vehicles sector and is committed to a turnaround plan for the Suspensions division, after the loss of profitability caused by the increase in production costs, which has not yet been fully offset by price adjustments and rationalisation actions of the production structure implemented over the last three years.

### Financial management

During 2023, global stock and bond markets recovered strongly after a very negative performance in 2022 and bond yields turned positive again following successive interest rate hikes by central banks to counter inflation.

The **management of financial assets** of the parent and financial subsidiaries recorded a return of 1.4%, compared to -1.3% in 2022. In particular, the total return on "highly liquid" assets (bonds, hedge funds, equities) was +3.7 %, while the remainder of the portfolio (private equity and minority shareholdings) still recorded a correction partly due to the development of the euro/dollar exchange rate.

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

## Income statement by business segment

| (in millions of euro) | 2023 KOS group (Healthcare) | Sogefi group (Automotive components) | Total industrial subsidiaries | CIR and financial holding companies | Other subsidiaries | Total Group consolidation | 2022(*) Total Group consolidation |
|---|---|---|---|---|---|---|---|
| Revenue | 751.9 | 1,627.9 | 2,379.8 | -- | -- | 2,379.8 | 2,226.8 |
| Costs of production (1) | (599.2) | (1,383.9) | (1,983.1) | (11.0) | -- | (1,994.1) | (1,910.8) |
| Other operating income & expense (2) | (10.2) | (22.6) | (32.8) | (0.7) | -- | (33.5) | (19.8) |
| Amortisation, depreciation and impairment losses | (89.5) | (116.2) | (205.7) | (0.3) | -- | (206.0) | (212.3) |
| Operating profit (loss) | 53.0 | 105.2 | 158.2 | (12.0) | -- | 146.2 | 83.9 |
| Financial income & expense (3) | (33.4) | (20.1) | (53.5) | 2.8 | -- | (50.7) | (48.0) |
| Dividends, net of realised and unrealised gains and losses on securities (4) | 0.1 | -- | 0.1 | 2.5 | -- | 2.6 | (7.2) |
| Fair value gains on equity-accounted investments | -- | -- | -- | -- | -- | -- | -- |
| Income taxes | (7.9) | (17.5) | (25.4) | 1.1 | -- | (24.3) | (13.0) |
| Profit (loss) from discontinued operations | 0.9 | (6.7) | (5.8) | (1.1) | -- | (6.9) | (0.7) |
| Non-controlling interests | (5.8) | (28.3) | (34.1) | -- | -- | (34.1) | (15.2) |
| Profit (loss) for the year attributable to the owners of the parent | 6.9 | 32.6 | 39.5 | (6.7) | -- | 32.8 | (0.2) |

*(*) Within the Sogefi group, the figures for 2022 have been reclassified following the application of IFRS 5 "Non-current assets held for sale and discontinued operations" to Sogefi's activities in the suspensions business in North America (Mexico).*

1) *This item is the sum of "change in inventories", "costs for the purchase of goods", "costs for services" and "personnel expense" in the income statement. This item does not take into consideration the € (0.7) million effect of intercompany eliminations.*

2) *This item is the sum of "other operating income" and "other operating costs" in the income statement. This item does not consider the effect of € 0.7 million of intercompany eliminations. Compared with the figures mentioned in paragraph 5 "Performance of the business segments", € 1.5 million relating to the KOS group have been reclassified from "Amortisation, depreciation and impairment losses" to this item.*

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

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

## Statement of financial position by business segment

| (in millions of euro) | 31.12.2023 KOS group (Healthcare) | Sogefi group (Automotive components) | Total industrial subsidiaries | CIR and financial holding companies | Other subsidiaries | Total Group consolidation | 31.12.2022 Total Group consolidation |
|---|---|---|---|---|---|---|---|
| Non-current assets (1) | 1,371.5 | 637.3 | 2,008.8 | 7.9 | -- | 2,016.7 | 2,082.5 |
| Other net non-current assets and liabilities (2) | (14.3) | (39.1) | (53.4) | 69.1 | (0.7) | 15.0 | 7.0 |
| Assets and liabilities from discontinued operations | -- | -- | -- | 2.9 | -- | 2.9 | 23.5 |
| Net working capital (3) | (80.4) | (45.4) | (125.8) | (3.2) | 0.7 | (128.3) | (158.2) |
| Net invested capital | 1,276.8 | 552.8 | 1,829.6 | 76.7 | -- | 1,906.3 | 1,954.8 |
| Net financial position (4) | (920.7) | (265.5) | (1,186.2) | 314.3 | 0.4 | (871.5) | (950.6) |
| Total equity | 356.1 | 287.3 | 643.4 | 391.0 | 0.4 | 1,034.8 | 1,004.2 |
| Non-controlling interests | 147.7 | 133.5 | 281.2 | -- | -- | 281.2 | 260.8 |
| Equity attributable to the owners of the parent | 208.4 | 153.8 | 362.2 | 391.0 | 0.4 | 753.6 | 743.4 |

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

2) *This item is the sum of "other assets", "other financial assets, including derivatives" and "deferred tax assets" under non-current assets and of "other liabilities", "deferred tax liabilities", "employee benefits" and "provisions" under non-current liabilities in the statement of financial position.*

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

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

## 2. Performance of the Group

In 2023, **consolidated revenue** was € 2,379.8 million, 6.9% up on 2022 (€ 2,226.8 million). KOS recorded an increase in revenue of 10% and Sogefi of 5.5%. The group records 74.8% of its revenue abroad.

| *(in millions of euro)* | *2023* | *%* | *2022 (1)* | *%* | *Absolute change* | *%* |
|---|---|---|---|---|---|---|
| ***Healthcare*** | | | | | | |
| KOS group | 751.9 | 31.6 | 683.4 | 30.7 | 68.5 | 10.0 |
| ***Automotive components*** | | | | | | |
| Sogefi group | 1,627.9 | 68.4 | 1,543.4 | 69.3 | 84.5 | 5.5 |
| **Total consolidated revenue** | 2,379.8 | 100.0 | 2,226.8 | 100.0 | 153.0 | 6.9 |
| of which: ITALY | *599.7* | *25.2* | *557.0* | *25.0* | *42.7* | *7.7* |
| OTHER COUNTRIES | *1,780.1* | *74.8* | *1,669.8* | *75.0* | *110.3* | *6.6* |

(*) *Within the Sogefi group, the figures for the year 2022 have been reclassified following the application of IFRS 5 "Non-current assets held for sale and discontinued operations" to Sogefi's activities in the Suspensions business in Mexico, transferred in October 2023.*

A summary of the 2023 **income statement** is reported below compared with that of 2022.

| *(in millions of euro)* | *2023* | *%* | *2022 (1)* | *%* |
|---|---|---|---|---|
| **Revenue** | 2,379.8 | 100.0 | 2,226.8 | 100.0 |
| **Gross operating profit (EBITDA) (2)** | **352.2** | **14.8** | **296.2** | **13.3** |
| **Operating profit (EBIT)** | **146.2** | **6.1** | **83.9** | **3.8** |
| Net financial expense ***(3)*** | (48.1) | (2.0) | (55.2) | (2.5) |
| Income taxes | (24.3) | (1.0) | (13.0) | (0.6) |
| Profit from discontinued operations | (6.9) | (0.3) | (0.7) | -- |
| **Profit including non-controlling interests** | **66.9** | **2.8** | **15.0** | **0.7** |
| Non-controlling interests | (34.1) | (1.4) | (15.2) | (0.7) |
| **Profit (loss) attributable to the owners of the parent** | **32.8** | **1.4** | **(0.2)** | **--** |

(1) *Within the Sogefi group, the figures for the year 2022 have been reclassified following the application of IFRS 5 "Non-current assets held for sale and discontinued operations" to Sogefi's activities in the Suspensions business in Mexico, transferred in October 2023.*

(2) *The item EBITDA is the sum of "Operating profit" and "Amortisation, depreciation & impairment losses" in the income statement.*

(3) *The item "Net financial expense" is the sum of "financial income", "financial expense", "dividends", "gains from securities trading", "losses from securities trading", "share of profit (loss) of equity-accounted investments" and "fair value gains (losses) on financial assets" in the income statement.*

The **consolidated gross operating profit** (EBITDA) in 2023 amounted to € 352.2 million (14.8% of revenue), compared with € 296.2 million in the equivalent period of 2022 (13.3% of revenue). The increase in EBITDA was due to the rise in sales and the improvement in margins at both KOS and Sogefi, as illustrated in more detail below.

The **consolidated operating profit** (EBIT) amounted to € 146.2 million, compared to € 83.9 million in 2022, following the development of EBITDA.

The **consolidated net financial expense**, including financial expense under IFRS16, was € 48.1 million (€ -55.2 million in 2022):

- net gains from the financial investment portfolio of the holding company CIR and financial subsidiaries were positive for € 5.3 million, compared with a net negative amount of € 5.1 million in the corresponding period of 2022;
- net interest expense on the debts of subsidiaries amounted to € 29.1 million and increased by € 2.5 million compared to 2022 due to higher interest rates on variable-rate bank loans;
- IFRS16 charges amounted to € 24.3 million in 2023 (€ 23.5 million in 2022).

The loss from discontinued operations was € 6.9 million (-€ 0.7 million in 2022), of which -€ 6.7 million (-€ 1.4 million in 2022) related to the sale of Sogefi's Mexican Suspensions business.

The **consolidated profit** was € 32.8 million, compared to a loss of € 0.2 million in 2022; the contribution of the operating subsidiaries was € 39.5 million, compared to € 16.3 million in the previous year, while the contribution of the holding company and subsidiaries CIR Investimenti and CIR International was a loss of € 6.7 million (€ -16.5 million in 2022).

In 2023 the **cash flow from continuing operations** was +€ 64.0 million; recurring operating flows were positive by € 51.2 million; the following non-recurring flows were also recorded: gains on asset disposals of € 44.9 million (Indian subsidiary of KOS, +€ 18.6 million, two properties of KOS, +€ 17.6 million, CIR properties +€ 8.7 million), investments in development of € 11.3 million (in addition to the recurring investments made by operating activities) and finally disbursements of € 14.0 million for the purchase of treasury shares and € 6.8 million in dividends.

The increase in Free Cash Flow compared to 2022, which recorded a financial surplus of € 3.8 million, is due for about € 21 million to the rise in recurring flows related to the improved results of all Group activities, and for the remainder to non-recurring flows.

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

| *(in millions of euro)* | *2023* | *2022* |
|---|---|---|
| Profit from continuing operations | 73.8 | 15.6 |
| Amortisation, depreciation, impairment losses & other non-monetary changes | 127.5 | 153.6 |
| **Self-financing** | **201.3** | **169.2** |
| **Change in working capital and other non-current assets and liabilities** | **(36.2)** | **(24.8)** |
| **CASH FLOWS GENERATED BY OPERATIONS** | **165.1** | **144.4** |
| Capital increases | -- | -- |
| **TOTAL SOURCES OF FUNDS** | **165.1** | **144.4** |
| Net investment in non-current assets | (108.5) | (113.7) |
| Net investment in developments | (11.3) | (27.9) |
| Net investments in private equity | (0.6) | 0.8 |
| Sales | 17.6 | 7.3 |
| Payment of dividends | (6.8) | (2.9) |
| Repurchase of treasury shares | (14.0) | (6.4) |
| Other changes | -- | -- |
| **TOTAL APPLICATIONS OF FUNDS** | **(123.6)** | **(142.8)** |
| **CASH FLOWS FROM CONTINUING OPERATIONS** | **41.5** | **1.6** |
| CASH FLOWS FROM DISCONTINUED OPERATIONS | 22.5 | 2.2 |
| **CASH FLOWS FROM THE YEAR** | **64.0** | **3.8** |
| **OPENING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16** | **(81.8)** | **(85.6)** |
| **CLOSING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16** | **(17.8)** | **(81.8)** |
| RESIDUAL LEASE LIABILITIES UNDER IFRS 16 | (853.7) | (868.8) |
| **CLOSING NET FINANCIAL INDEBTEDNESS** | **(871.5)** | **(950.6)** |

At 31 December 2023, before the application of IFRS 16, **consolidated net indebtedness** amounted to € 17.8 million (compared with € 81.8 million at 31 December 2022), made up as follows:

- a financial surplus on the part of CIR and the financial sub-holding companies (CIR International and CIR Investimenti) of € 314.4 million, down from € 320.4 million at 31 December 2022, due to the repurchase of treasury shares for € 14.0 million;
- total net indebtedness of the industrial subsidiaries of € 332.2 million, down by € 70 million compared with 31 December 2022 (€ 402.2 million).

On the basis of IFRS 16, lease liabilities amounted to € 853.7 million at 31 December 2023, giving rise to a total consolidated net financial indebtedness of € 871.5 million (€ 950.6 million at 31 December 2022).

**Equity attributable to the owners of the parent** at 31 December 2023 amounted to € 753.6 million, compared to € 743.4 million at 31 December 2022; the change was mainly attributable to: as an increase, to the profit for the year of € 32.8 million, as a decrease, to the repurchase of treasury shares for € 14.0 million and the exchange rate losses of € 9.3 million.

The condensed **statement of financial position** of the CIR group at 31 December 2023, with comparative figures at 31 December 2022, is as follows.

| *(in millions of euro)* ***(1)*** | *31.12.2023* | *31.12.2022* |
|---|---:|---:|
| Non-current assets | 2,016.7 | 2,082.5 |
| Other net non-current assets and liabilities | 15.0 | 7.0 |
| Assets and liabilities from discontinued operations | 2.9 | 23.5 |
| Net working capital | (128.3) | (158.2) |
| **Net invested capital** | **1,906.3** | **1,954.8** |
| **Net financial indebtedness** | **(871.5)** | **(950.6)** |
| **Total equity** | **1,034.8** | **1,004.2** |
| Equity attributable to the owners of the parent | 753.6 | 743.4 |
| Non-controlling interests | 281.2 | 260.8 |

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

At 31 December 2023 the CIR group had 17,117 employees, compared with 16,680 at 31 December 2022.

## 3. Performance of the parent

The parent CIR S.p.A. closed 2023 with a loss of € 6.7 million compared with a profit of € 3.0 million in 2022.

The **income statement of CIR S.p.A.** for 2023, compared with that of 2022, is as follows.

| *(in millions of euro)* | *2023* | *2022* |
|---|---|---|
| Sundry revenue and income | 1.4 | 1.8 |
| Operating costs (1) | (9.7) | (10.2) |
| Other operating costs, amortisation and depreciation (2) | (1.8) | (6.8) |
| Net financial income (3) | 1.7 | 13.1 |
| Loss before taxes | (8.4) | (2.1) |
| Income taxes | 2.8 | 5.1 |
| Profit (loss) from discontinued operations | **(1.1)** | **--** |
| **Profit (loss) for the year** | **(6.7)** | **3.0** |

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

*(2) This item is the sum of "other operating expense" and "amortisation, depreciation & impairment losses" in the income statement of CIR S.p.A.*

*(3) This item is the sum of "financial income", "financial expense", "dividends", "gains from securities trading", "losses from securities trading" and "fair value gains (losses) on financial assets" in the income statement of CIR S.p.A.*

"Sundry revenue and income" includes income from properties owned by the company and intercompany services, which came to € 1.4 million compared to € 1.8 million in 2022.

Operating costs decreased slightly and other operating costs and depreciation and amortisation decreased from € 6.8 million in 2022 (including non-recurring expenses in the amount of € 5.0 million) to € 1.8 million in 2023.

The "Net financial income" includes the dividend flow from subsidiaries, which amounted to € 4 million in 2023 (€ 16 million in 2022).

The statement of **financial position of CIR S.p.A.** at 31 December 2023, compared with the situation at 31 December 2022, is as follows.

| *(in millions of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Non-current assets (1) | 585.1 | 586.8 |
| Other net non-current assets and liabilities (2) | 84.7 | 85.4 |
| Net assets from discontinued operations | 2.9 | 6.0 |
| Net working capital (3) | (0.9) | (1.9) |
| Net invested capital | **671.8** | **676.3** |
| Net financial position (4) | **1.4** | **16.2** |
| **Equity** | **673.2** | **692.5** |

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

**Equity** went from € 692.5 million at 31 December 2022 to € 673.2 million at 31 December 2023. The net decrease of € 19.3 million is due to the loss for the year and the repurchase of treasury shares for € 14.0 million.

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

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

| *(in millions of euro)* | *Equity 31.12.2023* | *Profit (loss) for 2023* |
|---|---|---|
| Separate financial statements of CIR S.p.A. | 673,146 | (6,720) |
| Derecognition of the carrying amount of consolidated equity investments | (580,077) | -- |
| Recognition of equity and profit (loss) for the year of investments in subsidiaries | 657,586 | 42,237 |
| Goodwill | 2,941 | -- |
| Dividends from companies included in the consolidation | -- | (4,000) |
| Derecognition of fair value gains (losses) on consolidated equity investments | -- | 1,276 |
| Other consolidation adjustments | 19 | (1) |
| Condensed interim consolidated financial statements (share attributable to the owners of the parent) | **753,615** | **32,792** |

# 5. Performance of the business segments

## 5.1 Healthcare

The KOS group provides healthcare services, managing a total of 146 facilities (residential care homes and rehabilitation centres) for a total of 13,753 beds, in Italy and Germany. Services are detailed below:

- Nursing Homes in Italy: operating in the management of residential care homes, mainly under the Anni Azzurri brand (59 facilities and 6,531 beds);
- Nursing Homes in Germany: management of residential care homes through Charleston, a subsidiary, (52 facilities and 4,488 beds);
- Functional and psychiatric rehabilitation centres, mainly with the Santo Stefano brands, for rehabilitation, and Neomesia for psychiatry (33 structures and 2,427 beds);
- Acute care: management of Villa dei Pini in the Marche region and of the Fratelli Montecchi hospital in Suzzara (under concession) for a total of 307 beds;

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

| *(in millions of euro)* | ***2023*** | ***2022*** | ***Absolute change*** | ***%*** |
|---|---|---|---|---|
| **Revenue** | 751.9 | 683.4 | 68.5 | 10.0 |
| **Profit (loss) for the year** | 11.7 | (0.8) | 12.5 | n.a. |

| | ***31/12/2023*** | ***31/12/2022*** | ***Change*** |
|---|---|---|---|
| **Net financial indebtedness before IFRS 16** | (131.9) | (178.3) | 46.4 |
| **Net financial indebtedness after IFRS 16** | (920.7) | (976.4) | 55.7 |
| **No. of employees** | 11,831 | 11,341 | 490 |

On 28 June 2023 KOS sold the Diagnostics and Cancer Cure business in India, so the figures were reclassified, in accordance with IFRS 5, to "Profit (Loss) from discontinued operations", and the same was done for the statement of financial position items. This sale forms part of the strategic refocusing strategy launched in 2020, with the sale of Medipass (of which India was one of the operating territories), a sale which at the time concerned only the European activities.

The KOS business was strongly affected by the consequences of the pandemic, recording a significant drop from Q2 2020, which continued over the following 12 months; recovery began in Q2 2021: in 2023, the activity of the Functional and Psychiatric Rehabilitation segment went back to full capacity, while the residential care homes in Italy and Germany recorded a significant increase in saturation, which is still lower than pre-pandemic levels. In particular, the *occupancy of* care homes in Italy progressed well during the year and in many regions substantially reached the level of the pre-pandemic period, with a return to full activity expected in 2024; in Germany, where the impact of Covid on activity occurred at a later stage than in Italy and was less pronounced, the recovery was slower, mainly due to the difficulty in finding specialised healthcare personnel.

In 2023, **revenue** was € 751.9 million, 10.0% up on 2022.

The care home segment in Italy recorded revenue of € 252.5 million, an increase of 12.1% compared to 2022; the average saturation rate, on a like-for-like basis, increased by 7.5 percentage points compared to 2022, still about 4 percentage points below pre-pandemic levels, due to the lag in some specific regions, mainly Piedmont. The positive trend is expected to continue in 2024, with a return to full capacity.

In Germany, despite the loss of public support in terms of subsidies for non-occupancy (paid until June 2022), care home revenue grew by 15.4% compared to the previous year, to € 220.8 million, due to the adjustment of fees, which is currently still being implemented, and the increase in saturation, which, on a like-for-like basis, increased by 7 percentage points compared to 2022, but is still about 5 percentage points lower than in 2019. A further recovery is also expected in Germany in 2024.

In the Functional and Psychiatric Rehabilitation segment, revenue increased over the previous year (+7.2%, € 202.8 million), reaching full operation.

Hospital management for Acute Care recorded revenue of € 75.7 million, in line with pre-Covid levels, but down 2.6% compared to 2022, due to the reduction of pandemic-related extraordinary activities.

**EBITDA** (gross operating profit) amounted to € 144.0 million compared to € 121.3 million in 2022, due to the increase in business, the recovery of operational efficiency and the reduction in energy costs, despite the discontinuation of subsidies in Germany (paid until June 2022 to all operators), the significant increase in healthcare personnel expense and the rise in other costs due to high inflation in 2023.

**EBIT** (operating profit) amounted to € 53.0 million, compared to € 30.3 million in 2022, and reflected the increase in EBITDA.

The **net profit** was € 11.7 million (-€ 0.8 million in 2022), including a profit from discontinued operations of € 0.9 million, referring to the Indian business sold in the first half-year (capital gain of € 1.5 million and loss for the year of € 0.6 million).

In 2023, the development plan continued, particularly in the care home segment, with the start-up of two new facilities in Italy and one in Germany; eight other greenfield projects are also under construction. Total development investments in 2023 amounted to € 6.1 million.

Operating **free cash flow**, before application of IFRS 16, was positive by € 46.3 million; operating cash flow was positive by € 17.5 million, and includes maintenance capex of € 21.6 million and cash absorption of working capital of € 6.7 million. Net extraordinary income of € 36.2 million was also recorded, relating to the sale of the Indian subsidiary and some properties related to greenfield developments and € 6.1 million in development investments.

At 31 December 2023, the KOS group presented **net financial indebtedness before IFRS16** of € 131.9 million (compared with € 178.3 million at 31 December 2022) and of € 920.7 million if we include the effects of IFRS 16 (€ 976.4 million at 31 December 2022).

At the end of 2023, the KOS group has committed credit lines in excess of requirements of approx. € 200 million.

At 31 December 2023, consolidated **equity** amounted to € 348.6 million (€ 338.3 million at 31 December 2022).

The group had 11,831 employees at 31 December 2023 compared with 11,341 at 31 December 2022.

## 5.2 Automotive components

In 2023, world car production grew by 9.4% compared with 2022, with progress in all geographical areas: Europe +12.5%, NAFTA +9.5%, China +9.4%, India +6.3% and Mercosur +3.5%. Global production for the year reached the 2019 levels (+1.2%), with volumes well above the 2019 levels in China and India, and volumes still significantly below 2019 levels in Europe (-13.0%), Mercosur (-9.6%) and NAFTA (-4.1%).

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

| *(in millions of euro)* | ***2023*** | ***2022*** | ***Absolute change*** | ***%*** |
|---|---|---|---|---|
| **Revenue** | 1,627.9 | 1,543.4 | 84.5 | 5.5 |
| **Profit for the year** | 57.8 | 29.6 | 28.2 | n.a. |

| | ***31/12/2023*** | ***31/12/2022*** | ***Change*** |
|---|---|---|---|
| **Net financial indebtedness before IFRS 16** | (200.7) | (224.3) | 23.6 |
| **Net financial indebtedness after IFRS 16** | (266.1) | (294.9) | 28.8 |
| **No. of employees** | 5,273 | 5,321 | (48) |

**Revenue** for 2023, € 1,627.9 million, grew by 5.5% at current exchange rates and 9.1% at constant exchange rates compared to 2022.

The growth in revenue reflected the very positive trend recorded in Europe (+10%), North America (+6.0% and +10.5% at constant exchange rates) and India (+7.1% and +15.6% at constant exchange rates); in the remaining areas, volumes were essentially stable, but revenue was penalised by exchange rate fluctuations (-7.1% in China, +0.5% at constant exchange rates, and -21.7% in South America, -2.2% at constant exchange rates net of Argentina's inflation).

By business segment, Suspensions reported a 4.8% increase in revenue (+9.5% at constant exchange rates), with particularly interesting growth in India and Europe; Filtration reported 7.1% increase in revenue (+9.3% at constant exchange rates), with strong growth in the Aftermarket channel (+10.5%) and in India; Air and Cooling reported 5.0% increase in revenue (+8.9% at constant exchange rates), with particularly significant growth in NAFTA (+12.4% at constant exchange rates).

**EBITDA (gross operating profit)** amounted to € 221.4 million, up 13.5% from 2022 (€ 195.1 million), with the EBITDA margin rising from 12.6% in 2022 to 13.6% in 2023. The contribution margin increased by 12.8% compared to 2022, due to volume growth and margins (contribution margin/turnover % ratio) increasing from 27.4% in 2022 to 29.3% in 2023, while the ratio of fixed costs to revenue was 14.6%, essentially stable compared to 2022 (14.3%). Other expenses, which mainly include exchange rate differences, made a negative contribution of € 10.4 million to EBITDA, compared to a positive contribution of € 0.8 million in 2022.

**EBIT (operating profit)** amounted to € 105.2 million and increased by 49.2% on € 70.5 million of 2022. The percentage on turnover increased from 4.6% in 2022 to 6.5% in 2023.

Financial expense of € 20.1 million was higher than in 2022 (€ 18.8 million) due to rising interest rates on the variable-rate loan component.

The Sogefi Group recorded a consolidated **net profit** of € 57.8 million. Profit from continuing operations amounted to € 67.7 million, compared to € 32.6 million in the previous year. In October 2023, the Suspensions business in Mexico was sold, resulting in a net loss for "discontinued operations and assets held for sale" of € 6.7 million (€ -1.4 million in 2022), which includes the net result of operations up to October and the capital loss incurred.

**Free Cash Flow** was positive at € 37.9 million, up from € 29.3 million in 2022.

**Net financial indebtedness** before IFRS 16 at 31 December 2023 was € 200.7 million, compared to € 224.3 million at 31 December 2022, due to the free cash flow generated and net of dividends paid to third parties of € 6.3 million and the negative change in the fair value of derivatives of € 2.8 million. Including lease liabilities under IFRS 16, net financial indebtedness was € 266.1 million at 31 December 2023 compared with € 294.9 million at 31 December 2022.

At 31 December 2023, excluding non-controlling interests, **equity** came to € 272.9 million (€ 230.7 million at 31 December 2022). The increase reflects the net profit for the year, exchange losses, the fair value of cash flow hedges, and other changes.

At 31 December 2023, the Group had committed credit lines in excess of requirements of € 242 million.

The Sogefi group had 5,273 **employees** at 31 December 2023 compared with 5,321 at 31 December 2022.

### 5.3 Financial investments

The group manages a diversified portfolio of financial investments amounting to € 378.3 million at 31 December 2023; it consists of traditional financial assets that are highly liquid, private equity funds and non-strategic equity investments. The investment strategy seeks to manage the risk-return trade-off in a prudent manner.

Global financial markets recovered in 2023 after the very negative performance of all segments in 2022. In this context, highly liquid assets (bonds, shares, bank deposits and hedge funds), which amounted to € 314.3 million at 31 December 2023, recorded returns of € 11.7 million (or 3.7% of average capital invested); the private equity portfolio, which amounted to € 56.4 million at the end of the year, recorded a loss of € 3.8 million (-6.5%), mainly due to unfavourable exchange rate fluctuations and fair value adjustments of the funds held, while the remaining assets, comprising non-strategic equity investments and non-performing loans, which amounted to € 8.1 million at 31 December 2023, recorded a negative return of € 2.6 million, again due to fair value adjustments. The portfolio of financial assets as a whole recorded negative net financial income of € 5.4 million, with a return of +1.4% on the average capital invested.

*Real estate*

With regard to the binding preliminary agreement for the sale of a non-operating real estate complex entered into by the parent company CIR on 22 December 2022, for a total value of € 38.0 million, the counterparty exercised the option to postpone the closing of the transaction until the end of the first half of 2024. An additional amount of € 2.0 million was collected as a down payment, in addition to the amount already collected in 2022 (€ 5.0 million), while the remainder of the purchase price will be collected at the closing of the transaction, when the capital gain will also be recorded. The sale of an additional non-operating residential property was also finalised, for a consideration of € 6.7 million.

## 6. Impact of the macroeconomic context, of the Russia-Ukraine Gaza-Israel wars, Covid-19 and climate change on the business

With reference to the **macroeconomic context**, in 2023 the growth rate of the economies of the main geographical areas in which the CIR Group operates was positive. However, the year 2023 was characterised by the persistence of high levels of inflation, despite the reversal of the upward trend that began in 2022, particularly in the commodities and energy sectors; finally, there was a further increase in both short-term rates, driven by central banks to contain inflation, and long-term rates; only in the last quarter did long-term inflation expectations fall, and as a result, medium to long-term interest rates partly corrected downwards, in anticipation of the imminent start of a downward cycle of central bank interest rates.

In general, for all the group's activities, inflation led to increases in production and operating costs, which in 2023 particularly affected personnel expense and the cost of certain supplies. The impact of these increases is carefully monitored and contrasted through appropriate interventions on efficiency, product selling prices and service fees. Nevertheless, in certain activities, particularly in the social and health sector, the results for the year were affected by a negative impact of inflation in personnel expense, which has not yet been fully reabsorbed through fee trends.

The rise in interest rates led to an increase in financial expense for industrial subsidiaries, albeit mitigated by the high component of fixed-rate loans and the reduction in net debt.

With regard to the consequences of the **Russia-Ukraine and Gaza-Israel conflicts**, the Group's activities did not record any direct impacts worth mentioning. In contrast, the indirect impacts of the Russia-Ukraine conflict (availability and prices of raw materials and energy, consequent inflationary pressures) were significant, as shown above and below, but are being mitigated. With regard to the Middle East conflict, tension on logistics and transport prices was noted and is being closely monitored.

The effects of the **Covid-19** pandemic, which were very significant in particular for the Group's socio-healthcare activities, are currently being overcome.

Lastly, with reference to the increased significance and relevance of medium-term risks arising from **climate change**, Group companies have incorporated into their risk management models the analysis of the potential impacts of these factors (including the impacts of policies and regulations implemented at international and local level to cope with the same) on their assets and business and have taken them into account in their respective business plans.

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

## 6.1 Impact on the KOS group

Starting from 2020, the Covid-19 pandemic has had important repercussions on the group's business, given that it operates in the healthcare segment. With the spread of the pandemic, KOS recorded a drop in guests in care homes and a slowdown in rehabilitation due to the block on non-urgent hospital activities. The completion of the vaccination programme for guests and operators during 2021 mitigated the impact of the successive waves on rehabilitation activities and allowed the gradual recovery of admissions in care homes as well, which at the end of 2023 were at almost normalised levels in most Italian regions of presence, and in any case also progressing in the remaining areas, including Germany. During 2023, the impact of the health emergency on operational efficiency and extra operating costs was also substantially overcome.

Current sector and macroeconomic trends, and in particular high inflation, have led to significant cost increases for the KOS Group. In particular, since 2021 there has been a high increase in personnel expense, with particular reference to qualified healthcare resources, due both to the shortage of such personnel in Italy and Germany, and to general inflation; in addition, the group recorded a significant increase in energy costs in 2022, in line with market trends, which was then partly offset during the past financial year. Finally, the high inflation index in Italy and Germany affected consumption costs, especially foodstuffs, and rental costs. The company carefully monitored the phenomena in question and implemented various actions to mitigate the economic-financial impact, based on recovering operational efficiency and gradual and sustainable adjustments of fees, in line and compatible with the measures taken by the regions.

By contrast, the impact of rising interest rates was limited, thanks to the significant component of fixed-rate loans.

The KOS group, during 2022, also carried out an analysis of physical risks related to climate change, identifying an overall low level of risk per site in the majority of the facilities, mainly linked to extreme phenomena such as thermal and water stress, the risk of heat waves, frost or flooding. These risk profiles do not require urgent interventions and do not suggest any need to recognise impairment losses on fixed assets, but they could lead to the onset of operating costs that are currently considered immaterial. The need to bear higher costs and investments for energy efficiency was also considered and these were incorporated into the company's plans, while no significant transition risks to the business model have been identified. In 2023, the company's facilities were not affected by any extreme events that resulted in significant damage; the KOS Group considered the previous year's assessment still relevant and therefore did not conduct a new physical risk analysis.

## 6.2 Impact on the Sogefi group

With reference to the macroeconomic context, in 2023 the evolution of the economies of the main geographical areas in which Sogefi operates was positive and world car production increased by 9.4%, with considerable progress made in all geographical areas. This development enabled Sogefi to achieve revenue growing by 9.1% at constant exchange rates. Energy and commodity prices, after rising sharply since 2021, have been declining since the second half of 2022, though still remaining high and volatile. Faced with this situation, the Sogefi Group carefully monitors production costs and stays constantly in communication with suppliers and customers to safeguard its margins. During 2023, high inflation led to a higher increase in personnel costs than in previous years, and the rise in interest rates affected financial expense, albeit with an impact mitigated by the fixed-rate financing component.

The direct impact of the Russia-Ukraine conflict is not material. In fact, Sogefi had a commercial activity in Russia and exported to Ukraine and Belarus, with total revenue that was not material (0.7% of Group revenue in 2021). These activities were interrupted in March 2022 and the Russian branch was liquidated in 2023. As a result, in 2022 Sogefi recorded impairment losses in relation to assets held in Russia of € 0.8 million and an immaterial loss of revenue; no further impact was recorded in 2023.

Like the whole of the automotive segment, Sogefi instead suffered the indirect impacts of the war, in particular the increase in energy and raw material prices, and supply chain difficulties, critical issues that saw a partial mitigation towards the end of 2022 and in the whole of 2023.

The Gaza-Israel conflict is not expected to have a direct impact on the Sogefi Group's business, as it has no direct operations in the affected areas. At this stage, it is not possible to assess any indirect impacts, including in particular the tensions in the Suez Canal and the related impacts on logistics and transport prices, which are, however, being closely monitored. The conflict could have impacts on Sogefi's supply chain, by generating delays in deliveries of materials transiting the Suez Canal. Sogefi carefully monitors this risk and adopts appropriate mitigation measures (creation of safety stocks, evaluation of alternative suppliers). At present it is not possible to evaluate any further indirect impacts.

As far as the Covid-19 pandemic is concerned, no significant impact on activity was recorded in 2023.

In 2022, the Sogefi Group carried out an analysis of physical risks related to climate change, identifying an overall low level of risk in the majority of the group's locations, with the exception of 7 sites out of a total of 35, for which an average level of risk was identified overall, mainly linked to extreme phenomena such as thermal and water stress, the risk of heat waves or frost. These risk profiles do not require urgent interventions by the Sogefi group and do not suggest any need to recognise impairment losses on non-current assets, but they could lead to the onset of operating costs that are currently considered immaterial.
In 2023, the company's facilities were not subject to extreme events that resulted in significant damage; the Sogefi Group considered the previous year's assessment still relevant and therefore did not conduct a new physical risk analysis.
Operating as it does in the Automotive segment, Sogefi is also affected by the transition of the business from the production and supply of components for internal combustion engines to electric motors. The evolution of the product range made necessary by this transition mainly affects the Filtration division, whose current range is intended essentially for combustion engines. The Air and Cooling division also mainly produces components for combustion engines only, but thanks to its own know-how and technologies, it has long since developed new products for electric platforms, already obtaining its first contracts. Lastly, the Suspensions division is only marginally affected by the technological transition taking place in engines.
For some time now, the Company has been taking into account the impacts deriving from the transition, directing its investments in this direction and evaluating the need to carry out write-downs on fixed assets or other actions.

### 6.3 Impact on the parent

During 2023, the context of interest rates, which had already risen in 2022, both in the short and medium to long term, led to positive returns on bond markets, while equity markets recovered after the very negative performance of 2022.

The investment portfolio of CIR and its financial subsidiaries, managed according to a prudent strategy and concentrated on the bond component, recorded a positive performance.

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

### 6.4 Impact on accounting estimates and measurements

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

For more details on accounting estimates and measurements, please refer to the "Notes".

## 7. Significant events after the reporting date

On 23 February 2024, the subsidiary Sogefi signed a put option agreement with the US investment fund Pacific Avenue. Under this agreement two corporate vehicles referring to the fund have assumed unilateral, unconditional and irrevocable commitments to acquire, in the event Sogefi exercises the put option, the entire share capital of Sogefi Filtration S.A. and Sogefi USA Inc., i.e. the Filtration business unit. The exercise of the put option by Sogefi and the signing of the sale and purchase agreement can only take place once the consultation procedure with the trade union representatives, as required by French law, has been completed. The completion of the transaction is in any case subject to obtaining FDI (Foreign Direct Investment) clearance in Slovenia and antitrust clearance in Morocco. The transaction is expected to be finalised by August 2024.

The consideration for the transaction is based on an enterprise value of € 374 million, corresponding to an Equity Value, to be settled entirely in cash, currently estimated at approximately € 330 million, which would be determined at closing based on a bridge to equity, which takes into account adjustments based on Working Capital and Net Financial Position, in line with the standard for this type of transaction. Based on the estimated equity value, the transaction would result in a capital gain of approximately € 130 million compared to the financial statements amounts as of 31 December 2023.

The strategic rationale of the transaction for Sogefi is as follows: first of all, the transaction allows Sogefi to enhance the Filtration division at a time when it has achieved unprecedented results, following a programme that has involved the divestment of unprofitable activities, commercial development and increased profitability, in a favourable market environment for the Aftermarket channel. The transaction also reduces the powertrain component in the group’s business portfolio, making Sogefi less exposed to the risks associated with the transition to e-mobility. It also makes it possible to reduce the complexity and diversification of the group and to focus on two high-potential segments, namely Suspensions, which is in the turnaround phase, and Air and Cooling, a business that has been performing well and growing, with a view to ambitious growth. Finally, the group will have a very solid statement of financial position that will allow more investments for the development in the EV market, already identified and underway, being able to count on at least part of the financial resources deriving from the planned sale.

Subject to the exercise of the put option by Sogefi and to the completion of the transaction, at least 50% of the proceeds from the sale, estimated at around € 330 million, may be allocated to debt reduction while, for the remainder, the Board of Directors of Sogefi will consider proposing their distribution.

For further details, please refer to the note “Subsequent Events” in the “Notes to the Consolidated Financial Statements”.

## 8. Outlook

As far as **KOS** is concerned, in a context in which the critical health and operational issues stemming from the pandemic are being resolved, full operation already resumed in 2023 in the Rehabilitation and Acute Care segments is expected to be maintained in 2024, and saturation for the carehomes in Italy and Germany is projected to be risen, reaching full operation by the end of 2024, with the exception of ramp-up facilities. Due to the inflationary trends experienced in the segment and in general over the last three years, a full recovery of normal profitability will require a gradual adjustment of fees, particularly in Germany. In the absence of facts and circumstances that make the context more complex than the current one, the operating results of KOS for 2024 should improve compared with the previous year.

As regards the automotive market in which **Sogefi** operates, visibility on the evolution in 2024 is reduced due to uncertainties related to macroeconomic and geopolitical developments. S&P Global (IHS) expects global car production to remain broadly stable (-0.5%) after the growth recorded in 2023, with Europe down 1.9%, China in line with 2023 and marginal growth in the other regions.
As far as commodity and energy prices are concerned, the first few months of 2024 confirm a certain stability, already seen in the second part of 2023, but remain exposed to volatility risks exacerbated by geo-political tensions. Inflationary tensions on labour costs also persist in some geographical areas.
In this scenario, Sogefi constantly monitors trends in the different geographic areas, seeking fair agreements with all customers on sales prices.
In the absence of any deterioration in the macroeconomic scenario compared to the current one, the Sogefi Group expects low single-digit revenue growth in 2024, higher than forecast in the automotive market, and operating profitability, excluding non-recurring charges, at least in line with that recorded in 2023. In the event of deconsolidation of the Filtration division, on the continuity scope (Suspensions and Air & Cooling), the same evolution of revenue as described above, a progression of operating profitability and a net profit are expected.

With regard to the management of the holding company's financial assets, in view of the persistent uncertainties related to the geo-political, macroeconomic and financial environment, conditions of high volatility are expected to persist.

## 9. Risk management

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

In this regard, in accordance with the provisions of the Corporate Governance Code of listed companies, promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, to which the parent has adhered, and with the national and international best practices recognised on the market, CIR has defined the "Guidelines of the Internal Control and Risk Management System". These outline the governance model of the risk management system (identifying the persons involved and their roles and responsibilities) and define the operating model, including the analysis and reporting activities to be carried out periodically and the related supporting tools and methodologies.

The Board of Directors of CIR has specifically identified the following persons or bodies who are involved in the ICRMS:

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

For a more complete examination of the parent's ICRMS, please refer to paragraph 9 of the Report on Corporate Governance and Ownership Structures for the year 2023, made available to the market within the terms established by the applicable legislation.

Within the framework of its ICRMS, CIR i) adopted and implemented a structured and formalised "ERM - Enterprise Risk Management" process, aimed at the identification, assessment, management and systematic monitoring of the main risks that could jeopardise the achievement of the Group's strategic and business objectives and the definition of adequate information flows within the group, and ii) established the Risk Manager ("RM") function, with the task of ensuring that the process is carried out correctly.

The ERM framework has been subject to continuous updating with a view to greater "customisation" and its evolution and improvement, while maintaining continuity with the activities carried on in the past. In particular, the Board of Directors, on 11 March 2024, updated the risk assessment, the related mitigation measures and the strategies to respond to the residual risk.

The ERM process is supervised on several levels: i) the control set up at the level of the parent company CIR S.p.A., which has the task of ensuring the functioning of the process with a focus on the parent and its financial holding subsidiaries CIR Investimenti S.p.A. and CIR International S.A, and incorporating the results of the analyses carried out as part of the similar processes set up at the level of the subsidiaries Sogefi S.p.A. and KOS S.p.A.; ii) the controls set up at the level of the two sub-holding companies, Sogefi S.p.A. and KOS S.p.A.

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

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

Within these categories, the main risks to which the parent and its subsidiaries are potentially exposed are identified and represented below.

In order to measure the materiality of the identified risks, and consequently manage them effectively, an assessment of the inherent risk is carried out based on two parameters: the probability of the risk event occurring (probability) and the potential impact (financial/reputational/operational/other), should it happen. The assessment then takes into account the measures taken to mitigate each risk and thus identifies the residual risk. Top priority risks are managed, for the purpose of their mitigation, by means of ad hoc action plans and their evolution is periodically monitored.

The results of the ERM process are also used by Internal Audit for the preparation of its annual Audit Plan, which therefore takes on a risk-based connotation in line with best practices, directing activities and resources towards those areas considered most critical and/or at risk. For further details on the characteristics and functioning of the Internal Control and Risk Management System, please refer to the Annual Report on Corporate Governance available on the group's website.
In light of the assessments carried out during 2023, the most significant risks were identified in relation to the parent's own activities, as a financial and investment holding company. The risk assessments carried out by the operating subsidiaries in relation to their respective activities in the Healthcare (KOS) and Automotive segments (Sogefi) have also been included.

## 9.1 Risks inherent in the Parent and financial holding companies

### Strategic risks

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

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

### Financial risks

The value of the investment portfolio held by CIR S.p.A. and by the financial holding companies (CIR Investimenti S.p.A. and CIR International S.A.) is exposed to the risk of suffering a decrease due to exogenous factors linked to the negative performance by financial markets (market risk, credit/counterparty risk and unfavourable evolution of interest and exchange rates).

A further risk in the financial sphere is the possible lack of current liquidity to meet financial commitments or investments and/or other uses. This risk could arise from the inability to monetise the financial assets held, in the event of need, due to a possible deterioration in the liquidity conditions of the financial markets, or in the redemption terms stipulated in fund investment contracts.

The main mitigating factor is the adoption by the parent's Board of Directors, on an annual basis, at the proposal of the Chief Financial Officer, of a prudent investment policy based on the criteria of Value at Risk (VaR) containment, high portfolio diversification and liquidity of the financial assets held.

For more details on the parent's and the Group's exposure to these risks, please refer to the paragraph "19. Financial risk management: additional disclosures" in the notes to the consolidated financial statements and to the paragraph "23. Other information" in the notes to the separate financial statements.

### Legal and compliance risks

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

To mitigate these risks, the parent has adopted specific procedures in each area, identifying responsibilities, controls and processes, the effective application of which is periodically verified by the Internal Audit function.

### Operational risks

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

## 9.2 Risks inherent in the KOS group

### Strategic risks

The main strategic risks identified by the KOS group are those related to dependence on the public sector and the changing regulatory environment in the health and social sector, and reputational risks.

As for **dependence on the public sector**, 62% of the KOS Group's revenue in 2023 have public bodies as counterparties, such as Municipalities and Regions in Italy and state pension funds in Germany. It follows that any decrease in the spending capacity of these public bodies and the potential inability of KOS Group companies to diversify their sources of revenue could have a negative impact on the group's results and financial position. The diversification of public counterparties at international and regional level as well as the activities carried out and the presence in the territory and in trade associations constitute mitigating elements. In addition, in order to reduce dependence on the public sector, the KOS Group has developed and continues to expand its private-sector service offerings and, as of 2021, has created the Innovative Services function with the aim of developing new services with a strong digital connotation.

As regards the **risks associated with the legislative and regulatory framework**, KOS group companies are subject to: *i)* national regulations on accreditation for the activities in which the Group operates; *ii)* the policies for allocating spending budgets and fee review policies by public health management bodies. It cannot be excluded that changes to these regulations and policies could have a significant impact on the group's economic situation. Diversification in terms of geography and type of activity is a mitigating factor, since regulations and budget allocation policies are decided predominantly on a regional scale. By virtue of the services provided by the Company, it is significantly exposed to **reputational risks** arising from ineffective management of any negative events or ineffective governance of communications to users and stakeholders. In order to contain and manage the reputational risk, the KOS Group pays the utmost attention to preventing negative events and manages institutional and media relations, promoting its image and values.

### Risks linked to the macro-economic and financial context

The main risks related to the macroeconomic and financial context identified by KOS concern *i)* risks related to the increase in costs in a context of high inflation that developed in 2022 and 2023, with significant impacts on the company's profitability; *ii*) credit risk, given by the concentration on certain public counterparties, which is however mitigated by their high creditworthiness, diversification on a large number of other counterparties and exposure also to highly fragmented private customers; *iii)* interest rate risk, which affects the cost of financing, which is in any case considered not particularly relevant and well monitored and managed through appropriate hedging policies.

### Operational risks

In the operational field, KOS has identified as significant: *i)* the risks associated with litigation, deriving from claims for compensation for civil liability, for events occurring in the context of the core business (e.g. clinical errors, patients falling, accidents, ...), against which a structured monitoring and management system is in place, along with effective insurance coverage; *ii)* the risks associated with the retention of healthcare personnel and the procurement of the professional skills needed to run the business, for which KOS has launched specific initiatives to increase its appeal to personnel.

Intensification of the physical risks associated with climate change is also an element that could affect the Group's activities. Rapid deterioration of the climate affects the frequency of so-called acute phenomena (such as storms, floods, fires, heat waves, etc.). In 2022, KOS carried out an analysis of the physical risks associated with climate change for its healthcare facilities. This analysis was carried out for each location, considering both acute and chronic risks, based on 4 main aspects (temperature, wind, water and solid mass) and two different scenarios (optimistic and pessimistic). The 4 specific risks considered significant are the chronic risk of thermal stress, the acute risk of cold spells, the acute risk of heatwaves and the chronic risk of water stress, which will be managed as operational risks. The results of this analysis, which was performed with the support of specialised consultants, show that 94% of KOS locations are “Low” risk and that none of the KOS facilities need to be relocated or require structural adaptation to cope with climate risk. Based on these results, and considering that the climatic events that occurred in 2023 did not have an impact on any of the KOS Group’s facilities, the need for structural interventions by the Company has not been highlighted and therefore the risk is considered moderately material.

### Legal and compliance risks

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

## 9.3 Risks inherent in the Sogefi group

### Strategic risks

The main strategic risks identified by the Sogefi group are those related to (i) the global and market context; (ii) climate change, and in particular the transition to e-mobility; (iii) the company’s technological innovation.

As far as the **global context** is concerned, there is the risk of returning to a competitive dynamic highly focused on sales prices; in this scenario, the major OEMs would transfer strong price pressure throughout the value chain, potentially posing a risk to the margins of products sold by Sogefi. In this context, Sogefi pays the utmost attention to retaining its profitability through i) appropriate sourcing strategies and ii) careful management of relations and agreements with its customers.

There is also a risk of a drop in demand in the automotive sector: after the growth of 2023, in a context of uncertainty related to macroeconomic and technological developments, a drop in the market and a consequent contraction of sales volumes cannot be ruled out, in correlation with an economic recession or a downturn in the automotive sector. This risk is most relevant for the Air & Cooling and Suspensions Business Units, which focus on the OE market, and for the European market. Sogefi monitors risk through i) constant monitoring of the backlog by geographic area/market/product line; ii) constant interaction with customers to identify and anticipate possible risks.

Particularly relevant for Sogefi are the **transition risks** related to the regulations put in place for climate change mitigation. The regulatory framework is in fact giving strong impetus to decarbonisation and emission reduction, with impacts on (i) industrial processes and (ii) products, which will have to progressively move towards e-mobility. In view of the above, Sogefi is closely monitoring regulatory developments and has drawn up a roadmap focused on the development of the e-mobility product range. The Group has also implemented several actions aimed at reducing emissions: i) installation of solar panels (with the progressive coverage of an additional plant per year); ii) production efficiency actions to reduce energy consumption for the same production; iii) in production processes, switching from gas to electricity/hydrogen when operationally possible; and iv) progressive increase in the purchase of green energy.

As regards the risks relating to the company's **technological innovation**, in the current context of technological transition towards EVs, Sogefi could i) lose market share due to the failure to develop innovative technologies and solutions required by the market or as a result of the introduction of disruptive new products by competitors, and/or ii) incur extra costs for the development of new products. This risk particularly concerns the Filtration and, to a lesser extent, Air and Cooling divisions, which have product ranges specifically intended for the ICE (Internal Combustion Engine) segment. In order to reduce the risks associated with technological innovation, and to seize all the opportunities offered by the technological transition, the Group has strengthened its R&D Function through new hires and has formulated a plan for the development of new products dedicated to e-mobility, defining specific targets in terms of sales of new e-mobility products, value of orders for e-mobility products; R&D expenditure for e-mobility products.

### Operational risks

The main operational risks identified by Sogefi relate to *i)* the attraction, retention and professional development of talent (these risks are duly monitored and controlled by strengthening the recruiting and talent attraction strategy, identifying and enhancing talent and critical skills and developing special retention plans, collecting and analysing employee feedback through internal surveys, organising training activities to develop and enhance managerial and technical skills and, lastly, through brand promotion activities to increase the Group's attractiveness); *ii)* the risk relating to health and safety at work, which is monitored and managed through prevention and protection programmes that are constantly monitored and updated; *iii)* the risk of increased labour costs, mitigated through constructive social dialogue in the search for sustainable agreements, careful management of personnel remuneration policy and talent development, and the implementation of variable remuneration measures linked to the achievement of specific objectives; *iv)* product reliability (in terms of quality and safety), an issue that is also well monitored through the application of the main national and international technical reference standards, the identification and monitoring of specific KPIs relating to performance in terms of quality and customer satisfaction, and the obtaining of technical certifications for its production processes; *v)* the possible interruption of the supply chain, a risk that is carefully monitored through appropriate procurement policies, avoiding excessive concentration of the supplier portfolio, carefully monitoring the operational and financial soundness of suppliers and geographically diversifying supplies; *vi)* the possible modification or cancellation of projects by customers, a risk that is mitigated through the careful assessment of the soundness of the counterparty and its projects, the development of partnership relations, increased contractual safeguards and careful monitoring in the project area; *vii)* cyber risks (IT security, breakdowns or service interruptions), which are well monitored through periodic IT risk assessment activities, aimed at directing appropriate prevention and protection actions, training activities and awareness-raising campaigns on Cyber Security, periodic audits by external companies on IT security, and finally, the formulation of specific Disaster Continuity and Recovery Plans; *viii)* risks related to the alignment between planning and production capacity, mitigated through periodic reviews of investment planning and production capacity, constant monitoring of volumes and production capacity at individual plant level; *ix)* risks related to the occurrence of potential crisis events, in relation to which Sogefi is structuring a management system aimed at promptly addressing potential crisis events and safeguarding business continuity, based on international reference standards; *x)* physical risks related to climate change.

Regarding this last risk area, the intensification of climate change-related phenomena and the related impacts on the value chain (e.g. operations, suppliers, customers and markets) represent one of the main challenges that companies will face in the short and medium to long term. The rapid worsening of the climatic situation affects the frequency of so-called acute phenomena (e.g. storms, floods, fires or heat waves) that may: i) negatively impact the well-being of employees; ii) lead to production interruptions and/or increase operating costs for operating in adverse conditions; iii) damage company assets, reduce their efficiency or increase prevention/maintenance costs; iv) generate interruptions in the supply chain; v) lead to increases in insurance premiums. In 2022, Sogefi, supported by a leading consulting firm, conducted a Climate Risk Assessment to evaluate the impact of climate change on its local production sites, considering a 5-year time horizon (2023-2028). All risks listed in the Climate Change Delegated Act Annex I - Appendix A were analysed and the assessment was carried out for all Group sites, analysing for each risk the exposure and probability of occurrence through specific assessment tools. Risks were classified as acute (related to specific events) or chronic (long-term changes in the climate pattern) based on four main aspects (temperature, wind, water, solid mass). From the analysis of the results of the climate physical assessment and considering that the acute climatic events that occurred in 2023 did not impact any of the Group's plants, the need for structural interventions by the Company has not been highlighted and therefore the risk is considered moderately relevant. During 2024 Sogefi will carry out an update of the climate physical assessment with a time horizon of 10-30 years.

### Financial risks

The main financial risks identified by Sogefi concern *i)* fluctuations in commodity prices (raw materials and energy), the costs of which represent a significant part of the cost of production, and which can be subject to volatility, including at significant level, that depend on a wide variety of factors, to a large extent uncontrollable by Sogefi and difficult to predict, such as, for example, changes in demand levels, the introduction of new laws or regulations, exchange rate fluctuations; this risk is managed through an intensified activity of optimisation of production costs (also resorting to new supply sources) and the adjustment of sales prices to changes in raw material prices; *ii)* currency risk, both in translation (deriving from the fact that, despite preparing its financial statements in Euro, Sogefi has controlling interests in companies with functional currencies other than the Euro), and in transactions (deriving from the fact that the Group carries out frequent purchases and sales, both direct and indirect, in currencies other than the functional currency), which is well monitored and managed through appropriate hedging policies.

### Legal and compliance risks

The main risks identified by Sogefi in this area concern the violation of ethical principles. The Group's Code of Ethics defines the values by which the Sogefi Group is inspired to achieve its objectives and establishes binding rules of conduct for directors, employees and others who have ongoing relations with the Group.
The Group has also adopted an "Organisation, Management and Control Model pursuant to Legislative Decree no. 231 of 8 June 2001", in line with the provisions of the Decree itself, aimed at ensuring fairness and transparency in the conduct of group activities. Finally, the group has formulated a set of policies and procedures, aimed at sound and conscious management, which are continuously updated, and promotes dedicated training programmes. Thanks to the consolidated internal control system in place, the risks relating to the violation of ethical principles are well monitored.

## 10 Other information

### Treasury shares

At 31 December 2023 the parent owned 59,157,253 treasury shares (5.343% of share capital).

For more detailed information on treasury shares held, please refer to the comments on equity in the notes to the financial statements.

## Definition of alternative performance indicators

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

EBITDA: this is the sum of "Operating profit" and "Amortisation, depreciation and impairment losses".

It should be noted that at 31 December 2023 there were no non-recurring charges as defined by Consob in communication DEM/6064293 of 28 July 2006 and subsequent new Consob communication 0092543 of 3 December 2015.

## Related party transactions

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

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

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

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

3) governs the procedures for carrying out transactions;

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

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

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

The transactions currently in place during 2023, "not exempt" pursuant to art. 4.1 of the Procedure, are all of Lesser Importance pursuant to the Procedure and concern: i) the donation of € 300,000 to the Fondazione Ing. Rodolfo De Benedetti; ii) the rent of a property owned by the Parent to a Related Party (a natural person), with a contract lasting 6+6 years.

We also point out the other Related Party Transactions that are "exempt" pursuant to art. 4.1 of the Procedure: intercompany service, rent and financing contracts, and the tax consolidation agreement, with subsidiaries of the CIR Group as counterparties (and as such "exempt"), and a financial asset management mandate with a related party company, of a Negligible Amount pursuant to art. 4.1.v of the Procedure (and as such "exempt").

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

## Corporate Governance

On 29 January 2021, the new “Corporate Governance Code” was approved by the Board of Directors.

In compliance with regulatory obligations, the “Report on Corporate Governance and Ownership structures” is drawn up annually and contains a description of the corporate governance system adopted by the Group. It also provides information on the ownership structures and compliance with the Corporate Governance Code of the Italian Stock Exchange, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial reporting process.

It should be noted that the full text of the “Report on Corporate Governance and Ownership Structures” for the year 2023 was submitted for approval to the Board of Directors on 11 March 2024. The Annual Corporate Governance Report is available to anyone who requests it, in the ways provided by Borsa Italiana for making it available to the public. The Report will also be available on the Company’s website (www.cirgroup.it) in the “Governance” section and can be consulted on the website of the authorised storage mechanism www.emarketstorage.com.

In relation to Legislative Decree 231/01, issued in order to adapt the legislation on the administrative liability of legal persons to the international conventions signed by Italy, the Parent’s Board of Directors approved the adoption of a Group Code of Ethics, which defines the set of values which inspired the Group to achieve its objectives and establishes binding principles of conduct for directors, employees and those who have relationships with the Group.

The Board of Directors also approved the “Organisational Model - Organisation and Management Model pursuant to Legislative Decree 231/01”, in line with the requirements of that decree, with a view to ensuring that the business affairs and activities of the Parent are conducted in a proper and transparent manner. The Organisation and Management Model pursuant to Legislative Decree 231/01 is updated regularly by the Board of Directors in order to take account of the broadening scope of the legislation. The last update was made in July 2023.

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

In relation to the obligations referred to in art. 2.6.2, of the Borsa Italiana Regulations, taking into account the provisions of articles 15 and 16 of the Market Regulation, it is confirmed that there are no conditions such as to inhibit the listing of CIR shares on the Euronext Milan market organised and managed by Borsa Italiana S.p.A. as the foreign subsidiaries in countries not belonging to the European Union, which are of significant importance for the Parent, publicise their articles of association, the composition and powers of their corporate bodies, according to the legislation applicable to them or voluntarily, provide the Parent's auditors with the information necessary to carry out their audit of the Company's annual and interim accounts and have an administrative and accounting system suitable for sending economic and financial data regularly to the Parent's management and auditors for the preparation of the consolidated financial statements.

The Parent is subject to management and coordination activities by the ultimate parent Fratelli De Benedetti S.p.A. In this regard, i) the Parent has fulfilled the disclosure obligations provided for by art. 2497-bis of the Italian Civil Code, ii) it has an independent negotiating capacity in relations with customers and suppliers, iii) it does not have a centralised treasury relationship with Fratelli De Benedetti S.p.A., iv) out of a total of 9 members of the Parent's Board of Directors, 5 directors are independent, so there is enough of them to ensure that their opinion has a significant weight in making board decisions.

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

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

In compliance with the provisions of art. 5, paragraph 3, letter b, of Legislative Decree 254/2016, the Group has prepared a consolidated non-financial report as a separate document. The 2023 consolidated non-financial report, prepared in accordance with the GRI Standards, and subjected to a limited audit by KPMG S.p.A., is available on the Parent's website (www.cirgroup.it).

## Information on the protection of personal data (G.D.P.R. 679/2016)

With regard to compliance with the processing of personal data pursuant to Legislative Decree 196/03 - Code regarding the protection of personal data, Decree Law 5 of 9 February 2012, known as the "Simplification Decree", abrogated the obligation to prepare a Security Policy Document. All other obligations remain in force. However, the absence of this document does not reduce the level of control over compliance with the said legislation.

The Parent's processing follows the Code regarding the protection of personal data and such compliance is verified through the risk analysis document that is produced annually and a separate processing mapping document, which is updated whenever there are changes.

## Investments and Research & Development

During 2023, R&D at group level was concentrated mainly in the automotive components segment. Capital expenditure including R&D by the Sogefi group amounted to € 106.6 million (€ 109.5 million the previous year), mainly oriented towards increasing production capacity, industrialising new products, including electric platforms, improving industrial processes and increasing productivity.

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

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

### Management and coordination activities

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

### Other

CIR S.p.A. – Compagnie Industriali Riunite has its registered office in Via Ciovassino 1, 20121 Milan, Italy.

As of 31 December 2023, the CIR stock was listed on the Italian Stock Exchange, Euronext Milan segment, FTSE Italia Mid Cap index.

It should be noted that from 1 January 2024 the Parent acquired the qualification of Small and Medium Enterprise ("SME") and the CIR stock is listed on the Italian Stock Exchange, Euronext Milan segment, FTSE Italia Small Cap index.

This report for the period 1 January – 31 December 2023 was approved by the Board of Directors on 11 March 2024.

# Consolidated financial statements

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

# 1. Statement of financial position

*(in thousands of euro)*

| ASSETS | *Notes* | | *31.12.2023* | | *31.12.2022* |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | **2,198,637** | | **2,274,387** |
| INTANGIBLE ASSETS AND GOODWILL | (7.a.) | | 577,208 | | 591,775 |
| PROPERTY, PLANT AND EQUIPMENT | (7.b.) | | 613,225 | | 640,470 |
| RIGHT-OF-USE ASSETS | (7.c.) | | 821,368 | | 845,241 |
| INVESTMENT PROPERTY | (7.d.) | | 2,426 | | 2,554 |
| EQUITY-ACCOUNTED INVESTMENTS | (7.e.) | | 670 | | 631 |
| OTHER EQUITY INVESTMENTS | (7.f.) | | 1,872 | | 1,871 |
| OTHER ASSETS | (7.g.) | | 36,141 | | 37,662 |
| OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES | (7.h.) | | 72,932 | | 80,760 |
| DEFERRED TAX ASSETS | (7.i.) | | 72,795 | | 73,423 |
| **CURRENT ASSETS** | | | **1,021,650** | | **995,598** |
| INVENTORIES | (8.a.) | | 143,605 | | 135,247 |
| TRADE RECEIVABLES | (8.b.) | | 254,658 | | 248,147 |
| *of which with related parties (*)* | | -- | | -- | |
| OTHER ASSETS | (8.c.) | | 67,254 | | 68,638 |
| *of which with related parties (*)* | | *105* | | *133* | |
| LOAN ASSETS | (8.d.) | | 16,014 | | 13,164 |
| SECURITIES | (8.e.) | | 74,806 | | 69,483 |
| OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES | (8.f.) | | 315,322 | | 241,243 |
| CASH AND CASH EQUIVALENTS | (8.g.) | | 149,991 | | 219,676 |
| **ASSETS HELD FOR SALE** | (8.h.) | | **10,976** | | **36,082** |
| **TOTAL ASSETS** | | | **3,231,263** | | **3,306,067** |

| LIABILITIES | | *31.12.2023* | *31.12.2022* |
|---|---|---|---|
| **EQUITY** | | **1,034,851** | **1,004,177** |
| SHARE CAPITAL | (9.a.) | 420,000 | 420,000 |
| RESERVES | (9.b.) | 298,183 | 306,555 |
| RETAINED EARNINGS | (9.c.) | 2,640 | 17,061 |
| PROFIT (LOSS) FOR THE YEAR | | 32,792 | (257) |
| **EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT** | | **753,615** | **743,359** |
| EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | | 281,236 | 260,818 |
| **NON-CURRENT LIABILITIES** | | **1,375,533** | **1,534,320** |
| BONDS | (10.a.) | 79,870 | 151,304 |
| OTHER FINANCIAL LIABILITIES | (10.b.) | 345,038 | 391,636 |
| LEASE LIABILITIES | (10.c.) | 793,256 | 815,061 |
| OTHER LIABILITIES | | 57,379 | 65,600 |
| DEFERRED TAX LIABILITIES | (7.i.) | 48,172 | 48,326 |
| EMPLOYEE BENEFITS | (10.d.) | 42,530 | 51,581 |
| PROVISIONS | (10.e) | 9,288 | 10,812 |
| **CURRENT LIABILITIES** | | **812,809** | **754,960** |
| BANK LOANS AND BORROWINGS | (8.g.) | 659 | 1,981 |
| BONDS | (11.a.) | 72,166 | 23,551 |
| OTHER FINANCIAL LIABILITIES | (11.b.) | 73,985 | 51,532 |
| LEASE LIABILITIES | (11.c.) | 72,214 | 67,639 |
| TRADE PAYABLES | (11.d.) | 326,252 | 352,104 |
| OTHER LIABILITIES | (11.e.) | 217,002 | 206,526 |
| PROVISIONS | (10.e.) | 50,531 | 51,627 |
| **LIABILITIES RELATED TO ASSETS HELD FOR SALE** | (8.h.) | **8,070** | **12,610** |
| **TOTAL LIABILITIES AND EQUITY** | | **3,231,263** | **3,306,067** |

## 2. Income statement

*(in thousands of euro)*

| | Notes | 2023 | 2022 |
|---|---|---|---|
| REVENUE | (12) | 2,379,836 | 2,226,838 |
| CHANGE IN INVENTORIES | | 4,140 | 7,724 |
| COSTS FOR THE PURCHASE OF GOODS | (13.a.) | (979,350) | (966,367) |
| COSTS FOR SERVICES | (13.b.) | (335,222) | (314,738) |
| *of which with related parties (**)* | | *--* | *--* |
| PERSONNEL EXPENSE | (13.c.) | (683,030) | (637,487) |
| OTHER OPERATING INCOME | (13.d.) | 33,931 | 47,556 |
| *of which with related parties (**)* | | *85* | *197* |
| OTHER OPERATING EXPENSE | | (68,065) | (67,368) |
| AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES | | (206,051) | (212,280) |
| **OPERATING PROFIT** | | **146,189** | **83,878** |
| FINANCIAL INCOME | (14.a.) | 20,478 | 8,905 |
| FINANCIAL EXPENSE | (14.b.) | (71,207) | (56,986) |
| DIVIDENDS | | 50 | 40 |
| GAINS FROM SECURITIES TRADING | (14.c.) | 786 | 3,888 |
| LOSSES FROM SECURITIES TRADING | (14.d.) | (3,011) | (887) |
| SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTMENTS | (7.e.) | 40 | 9 |
| NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS | (14.e.) | 4,765 | (10,201) |
| **PROFIT BEFORE TAXES** | | **98,090** | **28,646** |
| INCOME TAXES | (15) | (24,282) | (13,020) |
| **PROFIT FROM CONTINUING OPERATIONS** | | **73,808** | **15,626** |
| LOSS FROM DISCONTINUED OPERATIONS | (16) | (6,893) | (726) |
| **PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS** | | **66,915** | **14,900** |
| - LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | | (34,123) | (15,157) |
| **- PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT** | | **32,792** | **(257)** |
| **BASIC EARNINGS PER SHARE (in euro)** | | **0.0308** | **-0.0002** |
| **DILUTED EARNINGS PER SHARE (in euro)** | | **0.0306** | **-0.0002** |
| **BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in euro)** | | **0.0693** | **0.0143** |
| **DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in euro)** | | **0.0689** | **0.0143** |

## 3. Statement of comprehensive income

*(in thousands of euro)*

| | *Notes* | ***2023*** | ***2022*** |
|---|---|---|---|
| **PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS** | | 66,915 | 14,900 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| *ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS* | | | |
| - NET ACTUARIAL GAINS (LOSSES) | | (1,370) | 12,337 |
| - TAX EFFECT OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS | | (2,117) | (2,444) |
| **SUB-TOTAL OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS** | | **(3,487)** | **9,893** |
| *ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS* | | | |
| - EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS | | (16,881) | (6,388) |
| - NET FAIR VALUE GAINS (LOSSES) ON CASH FLOW HEDGES | | (2,499) | 6,222 |
| - OTHER COMPREHENSIVE INCOME (EXPENSE) | | -- | -- |
| - TAX EFFECT OF ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS | | 600 | (1,493) |
| **SUB-TOTAL OF ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS** | | **(18,780)** | **(1,659)** |
| **OTHER COMPREHENSIVE INCOME (EXPENSE)** | | **(22,267)** | **8,234** |
| **COMPREHENSIVE INCOME** | | **44,648** | **23,134** |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | | |
| OWNERS OF THE PARENT | | 20,230 | 4,442 |
| NON-CONTROLLING INTERESTS | | 24,418 | 18,692 |

## 4. Statement of cash flows

*(in thousands of euro)*

| | *2023* | *2022* |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| PROFIT FOR THE YEAR | 66,915 | 14,900 |
| (PROFIT) LOSS FROM DISCONTINUED OPERATIONS | 6,893 | (712) |
| ADJUSTMENTS: | | |
| - AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES | 206,051 | 213,989 |
| - ADJUSTMENT OF EQUITY-ACCOUNTED INVESTMENTS | (40) | (9) |
| - MEASUREMENT OF STOCK OPTION AND STOCK GRANT PLANS | 1,732 | 1,713 |
| - CHANGES IN EMPLOYEE BENEFIT OBLIGATIONS, PROV. FOR RISKS & CHARGES | (13,041) | (18,864) |
| - FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS | (5,061) | 10,201 |
| - GAINS ON DISPOSAL OF NON-CURRENT ASSETS | (341) | (1,749) |
| - OTHER NON-MONETARY CHANGES | (8,735) | (11,916) |
| - INCREASE (DECREASE) IN NON-CURRENT ASSETS/LIABILITIES | (83) | 8,361 |
| - INCREASE IN NET WORKING CAPITAL | (40,719) | (9,786) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **213,571** | **206,128** |
| of which: | | |
| - interest paid | (35,530) | (19,529) |
| - income tax paid | (18,855) | (25,552) |
| **INVESTING ACTIVITIES** | | |
| CONSIDERATION PAID FOR BUSINESS COMBINATIONS | (1,300) | (4,081) |
| NET FINANCIAL POSITION OF ACQUIRED COMPANIES | 1,131 | 405 |
| CHANGE IN OTHER FINANCIAL ASSETS AND LOAN ASSETS | (3,837) | (7,947) |
| (PURCHASE) SALE OF SECURITIES | (65,565) | 4,933 |
| SALE OF NON-CURRENT ASSETS | 4,382 | 1,293 |
| PURCHASE OF NON-CURRENT ASSETS | (102,001) | (135,342) |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | **(167,190)** | **(140,739)** |
| **FINANCING ACTIVITIES** | | |
| PROCEEDS FROM CAPITAL INCREASES | -- | -- |
| OTHER CHANGES | -- | -- |
| CLOSING OF OTHER LOANS AND BORROWINGS | (47,497) | (85,690) |
| REPAYMENT OF LEASE LIABILITIES | (68,160) | (62,433) |
| REPURCHASE OF TREASURY SHARES OF GROUP COMPANIES | (14,035) | (6,385) |
| DIVIDENDS PAID | (6,808) | (2,657) |
| **CASH FLOWS USED IN FINANCING ACTIVITIES** | **(136,500)** | **(157,165)** |
| **DECREASE IN NET CASH & CASH EQUIVALENTS OF CONTINUING OPERATIONS** | **(90,119)** | **(91,776)** |
| **OPENING CASH FLOWS/NET CASH & CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS** | **21,756** | **5,000** |
| **DECREASE IN NET CASH & CASH EQUIVALENTS** | **(68,363)** | **(86,776)** |
| **OPENING NET CASH & CASH EQUIVALENTS** | **217,695** | **304,471** |
| **CLOSING NET CASH & CASH EQUIVALENTS** | **149,332** | **217,695** |

# 5. Statement of changes in equity

| *(in thousands of euro)* | Attributable to the owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital issued | Share premium | Legal reserve | Fair value reserve | Translation reserve | Stock option and stock grant reserve | Other reserves | Retained earnings | Profit (loss) for the year | Total | Non-controlling interests | Total |
| **BALANCE AT 31 DECEMBER 2021** | **638,604** | **5,044** | **25,516** | **(432)** | **(24,994)** | **2,711** | **68,755** | **7,204** | **17,981** | **740,389** | **242,335** | **982,724** |
| Increase (Decrease) in capital | (218,604) | -- | -- | -- | -- | -- | 218,604 | -- | -- | -- | -- | -- |
| Dividends to Shareholders | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (2,657) | (2,657) |
| Allocation of the profit of the previous year | -- | -- | 105 | -- | -- | -- | 1,980 | 15,896 | (17,981) | -- | -- | -- |
| Fair value losses on treasury shares | -- | -- | -- | -- | -- | -- | -- | (6,385) | -- | (6,385) | -- | (6,385) |
| Notional cost of share-based plans | -- | -- | -- | -- | -- | 1,365 | -- | -- | -- | 1,365 | -- | 1,365 |
| Unclaimed dividends | -- | -- | -- | -- | -- | -- | 171 | -- | -- | 171 | -- | 171 |
| Reclassifications | -- | -- | -- | -- | -- | (346) | -- | 346 | -- | -- | -- | -- |
| Effects of changes in equity attributable to subsidiaries | -- | -- | -- | -- | 15 | -- | 3,362 | -- | -- | 3,377 | 2,448 | 5,825 |
| *Comprehensive income for the year* | | | | | | | | | | | | |
| Fair value gains on cash flow hedges | -- | -- | -- | 2,676 | -- | -- | -- | -- | -- | 2,676 | 2,053 | 4,729 |
| Translation differences | -- | -- | -- | -- | (3,611) | -- | -- | -- | -- | (3,611) | (2,777) | (6,388) |
| Net actuarial gains | -- | -- | -- | -- | -- | -- | 5,634 | -- | -- | 5,634 | 4,259 | 9,893 |
| Profit (loss) for the year | -- | -- | -- | -- | -- | -- | -- | -- | (257) | (257) | 15,157 | 14,900 |
| *Comprehensive income (expense) for the year* | -- | -- | -- | *2,676* | *(3,611)* | -- | *5,634* | -- | *(257)* | *4,442* | *18,692* | *23,134* |
| **BALANCE AT 31 DECEMBER 2022** | **420,000** | **5,044** | **25,621** | **2,244** | **(28,590)** | **3,730** | **298,506** | **17,061** | **(257)** | **743,359** | **260,818** | **1,004,177** |
| | | | | | | | | | | | | |
| **BALANCE AT 31 DECEMBER 2022** | **420,000** | **5,044** | **25,621** | **2,244** | **(28,590)** | **3,730** | **298,506** | **17,061** | **(257)** | **743,359** | **260,818** | **1,004,177** |
| Increase (Decrease) in capital | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Dividends to Shareholders | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (6,808) | (6,808) |
| Allocation of the profit of the previous year | -- | -- | 152 | -- | -- | -- | 2,892 | (3,301) | 257 | -- | -- | -- |
| Fair value losses on treasury shares | -- | -- | -- | -- | -- | -- | (2,391) | (11,644) | -- | (14,035) | -- | (14,035) |
| Notional cost of share-based plans | -- | -- | -- | -- | -- | 1,310 | -- | -- | -- | 1,310 | -- | 1,310 |
| Unclaimed dividends | -- | -- | -- | -- | -- | -- | 49 | -- | -- | 49 | -- | 49 |
| Reclassifications | -- | -- | -- | -- | -- | (576) | 52 | 524 | -- | -- | -- | -- |
| Effects of changes in equity attributable to subsidiaries | -- | -- | -- | (9) | 100 | -- | 2,611 | -- | -- | 2,702 | 2,808 | 5,510 |
| *Comprehensive income for the year* | | | | | | | | | | | | |
| Fair value losses on cash flow hedges | -- | -- | -- | (1,069) | -- | -- | -- | -- | -- | (1,069) | (830) | (1,899) |
| Translation differences | -- | -- | -- | -- | (9,516) | -- | -- | -- | -- | (9,516) | (7,365) | (16,881) |
| Net actuarial losses | -- | -- | -- | -- | -- | -- | (1,977) | -- | -- | (1,977) | (1,510) | (3,487) |
| Profit for the year | -- | -- | -- | -- | -- | -- | -- | -- | 32,792 | 32,792 | 34,123 | 66,915 |
| *Comprehensive income (expense) for the year* | -- | -- | -- | *(1,069)* | *(9,516)* | -- | *(1,977)* | -- | *32,792* | *20,230* | *24,418* | *44,648* |
| **BALANCE AT 31 DECEMBER 2023** | **420,000** | **5,044** | **25,773** | **1,166** | **(38,006)** | **4,464** | **299,742** | **2,640** | **32,792** | **753,615** | **281,236** | **1,034,851** |

# Notes to the consolidated financial statements

## 1 Basis of preparation

These consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union, as well as all the measures issued in implementation of art. 9 of Legislative Decree 38/05, taking into account that, on the basis of the most recent forecasts prepared by the management, over a minimum time horizon of 12 months the companies of the group have sufficient liquidity to operate and to meet their commitments and they will also comply with any covenants in their loan agreements.

The consolidated financial statements as at and for the year ended 31 December 2023 include the parent CIR S.p.A. and its subsidiaries, and were prepared using the financial statements of the individual companies included in the consolidation scope; these correspond to their separate financial statements or the consolidated financial statements of sub-groups, examined and approved by their respective boards and amended and re-stated where necessary to bring them into line with the accounting policies listed below, providing they are compatible with Italian regulations.

The presentation criteria adopted are as follows:

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

It should be noted that the figures for 2022 were restated for the application of IFRS 5 ("Non-current Assets Held for Sale and Discontinued Operations"), within the Sogefi group, following the sale of the suspensions business in North America (Mexico) in November 2023.

It should be noted that the classification, form, order and nature of the items in the financial statements have not changed compared to the approved consolidated financial statements at 31 December 2022, with the exception of the reclassification, carried out within the Sogefi group, from the item "Loan assets" of current assets, in the amount of € 5,376 thousand, and from the item "Securities" of current assets, in the amount of € 3,169 thousand, to the item "Other financial assets, including derivatives" of non-current assets, in the amount of € 8,545 thousand.

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

In accordance with paragraph 17 of IAS 10, it is hereby announced that the financial statements have been authorised for publication by the Board of Directors of the Parent on 11 March 2024.

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

In section 2.2.6 of the Guide "Technical constructions of a block tag" of the ESEF Manual, in the version of 31 August 2023, ESMA acknowledges that with the current IT systems for producing XHTML documents, some narrative blocks extracted from such documents in an XBRL instance may not be formatted in an identical manner with respect to the corresponding information that can be viewed in the consolidated financial statements, making it difficult or impossible to read. The XBRL community is monitoring the evolution of the issues involved in these transformation mechanisms and looking for improvements.

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

## 1.a. Information on IFRS 5

Sogefi group

In November 2023, the Sogefi group sold its Suspensions business in Mexico, based on the accounting situation at 31 October 2023.

In this regard, the following entries have been made in the consolidated financial statements at 31 December 2023:

- in the income statement and the statement of comprehensive income for 2023 and for comparative purposes for 2022, the items of revenue and income and costs and expense, less costs to sell the sold asset that make up the *Discontinued Operations* have been reclassified to "*Loss from discontinued operations*";

The income statement and the statement of comprehensive income of the Suspensions business in Mexico are shown in detail below.

**INCOME STATEMENT**

*(in thousands of euro)*

| | *2023* | *2022* |
|---|---|---|
| REVENUE | 7,677 | 8,733 |
| COST | (12,697) | (10,897) |
| **OPERATING LOSS** | **(5,020)** | **(2,164)** |
| NET FINANCIAL EXPENSE | -- | -- |
| INCOME TAXES | 312 | 726 |
| **NET LOSS FOR THE YEAR** | **(4,708)** | **(1,438)** |
| PROFIT (LOSS) FROM THE SALE OF DISCONTINUED OPERATIONS | (1,950) | -- |
| **LOSS FROM DISCONTINUED OPERATIONS** | **(6,658)** | **(1,438)** |

**STATEMENT OF COMPREHENSIVE INCOME**

*(in thousands of euro)*

| | *2023* | *2022* |
|---|---|---|
| **NET LOSS FOR THE YEAR** | **(6,658)** | **(1,438)** |
| **OTHER COMPREHENSIVE INCOME (EXPENSE)** | **--** | **--** |
| **COMPREHENSIVE EXPENSE** | **(6,658)** | **(1,438)** |

# 2 Basis of consolidation

## 2.a. Consolidation method

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

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

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

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

Associates

Associates are those companies in which the Group has a significant influence, but not control over it, in accordance with IAS 28. Significant influence is presumed if the Group owns a percentage of voting rights between 20% and 50% (excluding situations where there is joint control). Associates are consolidated at equity from the date on which the Group exercises significant influence over the associate, whereas they are deconsolidated from the moment that such influence no longer exists.

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

- on consolidation, the carrying amount of the investments is eliminated against the Group's share of equity and any positive difference between the purchase price and the share of equity, identified at the time of the acquisition, net of any impairment losses calculated after an analysis to determine the recoverable amount; the corresponding portion of profits or losses for the year is recognised in profit or loss. When the Group's share of accumulated losses becomes equal to or exceeds the carrying amount of the associate, the latter is cancelled and the Group does not record further losses unless it is contractually obliged to cover them;
- unrealized gains and losses on transactions with Group companies are eliminated with the exception of losses that represent permanent impairment of the associate's assets;
- the accounting policies of the associate are modified, where necessary, to bring them into line with those of the Group.

Joint ventures

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

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

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

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

The main exchange rates used are the following:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | *Average exchange rate* | *31.12.2023* | *Average exchange rate* | *31.12.2022* |
| US dollar | 1.0816 | 1.1050 | 1.0539 | 1.0666 |
| GB pound | 0.8699 | 0.8691 | 0.8526 | 0.8869 |
| Brazilian real | 5.4016 | 5.3618 | 5.4431 | 5.6386 |
| Argentine peso | 892.9239 | 892.9239 | 188.5033 | 188.5033 |
| Chinese renminbi | 7.6593 | 7.8509 | 7.0801 | 7.3582 |
| Indian rupee | 89.2857 | 91.9045 | 82.7130 | 88.1710 |
| New Romanian leu | 4.9468 | 4.9756 | 4.9317 | 4.9495 |
| Canadian dollar | 1.4596 | 1.4642 | 1.3703 | 1.4440 |
| Mexican peso | 19.1902 | 18.7231 | 21.2044 | 20.8560 |
| Moroccan dirham | 10.9577 | 10.9280 | 10.6781 | 11.1580 |

### IAS 29 - Accounting Reporting in Hyperinflationary Economies

The financial statements of the Argentine consolidated companies, which form part of the Sogefi group, were prepared at 31 December 2023 in the functional currency taking into account the effects of applying IAS 29 “Financial reporting in hyperinflationary economies” in order to represent the operating profit, financial position and performance at current purchasing power at the year-end .

This Standard does not establish an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgement when restatement of financial statements in accordance with this Standard becomes necessary. Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:

a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are 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 is approaching, or exceeds, 100%.

The financial statements of the Argentine consolidated companies have been prepared taking account of IAS 29 as the cumulative inflation rate in Argentina for the last three years from 2021 to 2023 is approximately 507%.

The non-monetary figures in the statement of financial position are restated by applying the change in the general price index between the date they were first recognised and the year-end.

Monetary items are not restated because they are already expressed in the current unit of measurement at the year-end.

All items in the income statement are expressed in the current unit of measurement at the year-end, applying the change in the general price index between the date when the income and costs were initially recorded in the financial statements.

## 2.c. Consolidation scope

The consolidation scope of the Group at 31 December 2023 includes the parent CIR and all subsidiaries, directly and indirectly controlled, joint ventures and associates. Assets and liabilities held for sale are reclassified to specific asset and liability items to highlight these circumstances.

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

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

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

At 31 December 2023 there are no companies with material non-controlling interests.

### 2.d. Change in the consolidation scope

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

#### AUTOMOTIVE COMPONENTS

The following changes in the scope of consolidation occurred during the year:

- in March 2023, the subsidiary Sogefi Air & Cooling S.A.S. acquired 51% of the share capital of the French company ATN Molds & Parts S.A.S.;
- the sale of the suspensions business in North America (Mexico) was finalised in November.

It should also be noted that in August 2023 the liquidation process of the subsidiary Sogefi Filtration Russia Llc was completed and in September 2023 Sogefi HD Suspensions Germany Gmbh was merged into Sogefi PC Suspensions Germany Gmbh, which subsequently changed its name to Sogefi HD Suspensions Germany Gmbh.

#### HEALTHCARE

During the year, the sale of the entire capital of the Indian subsidiary ClearMedi HealthCare LTD was finalised.

#### OTHER COMPANIES

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

## 3 Accounting policies

The amendments to IAS 1 regarding the information on the accounting policies applied came into force from 1 January 2023. The most relevant accounting policies applied for the CIR group are described below.

### 3.a. Intangible assets and goodwill

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

normal credit terms, the difference with respect to the equivalent price in cash is recognised as interest over the period of extended credit.

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

Development costs

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

Concessions, licences, trademarks and similar rights

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

Goodwill

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

## 3.b. Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or construction cost.
The cost includes ancillary charges and direct and indirect costs incurred at the time of acquisition and needed to make the asset ready for use. The financial expense on specific loans for long-term investments is capitalised up to the date that the asset comes into operation.
Costs involved in the expansion, modernisation or improvement of structural elements owned or used by third parties are only capitalised to the extent that they meet the requirements to be classified separately as an asset or part of an asset. Ordinary maintenance costs are taken to profit or loss.
When there are contractual obligations for the dismantling, removal or reclamation of sites where property, plant and equipment are installed, the carrying amount recognised also includes the estimated costs to be incurred at the time of their disposal.
Property, plant and equipment are depreciated systematically each year over the residual useful life of the assets.

After initial recognition, property, plant and equipment are measured at cost, net of accumulated depreciation and any impairment losses. The depreciable amount of each significant component of property, plant and equipment that has a different useful life is spread over the expected period of use on a straight-line basis.
The depreciation criteria used, the useful lives and the residual amounts are reviewed and redefined at least at the end of each financial period to take any significant changes into account.

Costs capitalised for leasehold improvements are depreciated over the lower of the residual duration of the lease contract and the residual useful life of the asset in question.
The carrying amount of property, plant and equipment is maintained in the financial statements to the extent that there is evidence that this amount can be recovered through use. Land, assets under construction and payments on account are not depreciated.

Land and buildings not held for business purposes according to the objects of Group companies are classified in a specific asset item and accounted for on the basis of IAS 40 "Investment property" (see paragraph 3.d. below).
If events suggest that an asset has been impaired, the carrying amount is checked against the recoverable amount, represented by the higher of its fair value and value in use. The fair value is defined on the basis of values expressed by an active market, by recent transactions, or by the best information available in order to determine the potential amount that could be obtained by selling the asset. The value in use is determined by discounting the cash flows deriving from the expected use of the asset, applying best estimates of the residual useful life and a discount rate that takes into account the implicit risk of the specific business sectors in which the Group operates.
If there are negative differences between the values mentioned above and the carrying amount, the asset is impaired; if the reasons for the impairment cease to exist, the asset is reversed. Impairment losses and reversals are taken to profit or loss.

### 3.c. Government grants

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

### 3.d. Right-of-use assets

For the purposes of defining a lease, IFRS 16 uses a right-of-use criterion for assets to distinguish lease contracts from service contracts as follows: identification of the asset, the right to substitute it, the right to obtain substantially all of the economic benefits from its use and the right to direct the use of the identified asset.
The standard establishes a single model for the recognition and measurement of lease contracts by the lessee, whereby all leased assets (including those held under operating leases) must be recognised as right-of-use assets with a corresponding lease liability. As exceptions, leases for which the underlying asset is of low value and those with a duration of 12 months or less may not be recognised as leases.
The Group classifies right-of-use assets that do not meet the definition of investment property in the "right-of-use assets" caption and lease liabilities as "lease liabilities" in the statement of financial position.
The Group recognises the right-of-use asset and lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, then subsequently at cost net of accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.
The Group measures the lease liability at the present value of the lease payments not paid at the commencement date, discounting them at its incremental borrowing rate. The lease liability is subsequently remeasured by increasing the carrying amount that reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made; it is also remeasured if

there is a change in future lease payments resulting from a change in the index or rate used, if there is a change in the amount that the Group expects to pay as a residual value guarantee or if there is a change in the assessment of an option to purchase the underlying asset, extend or cancel the lease.

### 3.e. Investment property

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

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

At least once a year, the Group checks the recoverability of the carrying amount of its intangible assets and property, plant and equipment to see whether there is any sign that these assets may have suffered an impairment loss. If such evidence exists, the carrying amount of the assets is reduced to their recoverable amount.
An intangible asset with an indefinite useful life is tested for impairment every year or more frequently, whenever there are indicators of impairment.
When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.
To determine the value in use of an asset, the Group calculates the present value of the estimated future cash flows, applying a discount rate consistent with the cash flows, which reflects the current market assessments of the time value for money and the specific risks of the business. An impairment loss is recognised if the recoverable amount is lower than the carrying amount.
When, subsequently, a loss on assets, other than goodwill, disappears or decreases, the carrying amount of the asset or of the cash-generating unit is increased up to the new estimate of the recoverable amount and cannot exceed the value that it would have had if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately in profit or loss.

## 3.g. Equity investments in associates and joint ventures

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

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

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

## 3.h. Other equity investments

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

## 3.i. Assets held for sale

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

A discontinued operation is a part of the company that has been sold or classified as held for sale, and:

- it is an important line of business or geographical area of business;

- it is part of a coordinated plan to dispose of an important line of business or geographical area of business; or
- it is a subsidiary that was bought exclusively for the purpose of reselling it.

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

### 3.j. Income taxes

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

### 3.k. Inventories

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

### 3.l. Equity

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

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

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

“Retained earnings” include the accumulated results and transfers from other equity reserves when freed from any restrictions.

This item also contains the cumulative effect of changes in accounting standards or any corrections of errors that are accounted for in accordance with IAS 8.

### 3.m. Provisions for risks and charges

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

Where it is expected that the financial outflow for the obligation will occur beyond the normal payment terms and the effect of discounting would be significant, the provision is represented by the present value of the future payments needed to settle the obligation, calculated at a risk-free nominal rate.

Contingent assets and liabilities (i.e. assets and liabilities that are possible, or not recognised because they cannot be reliably quantified) are not accounted for. However, adequate disclosure is given in the notes.

### 3.n. Revenue from contracts with customers

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

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

### 3.o. Employee benefits

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

Budget Law 296/2006 made important changes to the rules governing post-employment benefits (TFR) by introducing the possibility for employees to transfer their accrued TFR from 1 January 2007 onwards to selected pension schemes. The TFR accrued up to 31 December 2006 for employees who exercised the option, while remaining within the scope of defined-benefit plans, was determined with actuarial techniques, but excluding the actuarial/financial components for the trend in future wages and salaries.
In accordance with the standard, the Group measures and recognises the notional cost represented by stock options and stock grants in profit or loss under personnel expense and distributes them over the period of accrual of the benefit, with the contra-entry in a specific equity reserve.

The cost of the option is determined at the time the plan is assigned using specific models and multiplied by the number of options that can be exercised in the reference period, the latter being determined by means of appropriate actuarial variables.

Similarly, the obligation deriving from attribution of phantom stock options is determined with reference to the fair value of the options on the assignment date and recognised in the income statement in personnel expenses, based on the vesting period; unlike for stock options and stock grants, the contra-entry is recognised under liabilities (other personnel provisions) and not an equity reserve. Until this liability is extinguished, the fair value is recalculated at each reporting date and on the actual disbursement date, recognising all changes in fair value to profit or loss.

## 3.p. Derivatives

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

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

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

For accounting purposes, hedging transactions can be classified as:

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

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

## 3.q. Translation of foreign currency items

The Group's reporting currency is the euro, the currency in which the financial statements are prepared and published. Group companies draw up their financial statements in the functional currency.

Transactions in currencies other than the functional currency are initially recognised at the exchange rate at the transaction date.

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

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

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

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

- assets and liabilities are translated at the exchange rate at the reporting date;

- costs and revenue are translated at the average exchange rate for the year.

Exchange gains or losses are recognised directly in a specific equity reserve.

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

### 3.r. Earnings per share

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

### 3.s. Business combinations

Business acquisitions are recognised using the purchase and acquisition methods in compliance with IFRS 3, on the basis of which the acquisition cost is equal to the fair value on the date of exchange of the assets transferred and the liabilities incurred or assumed. Any transaction costs relating to business combinations are recognised in profit or loss for the year they are incurred.

Contingent consideration is included as part of the transfer price of the net assets acquired and is measured at fair value at the acquisition date. Similarly, if the business combination agreement envisages the right to receive repayment of certain elements of the price if certain conditions are met, this right is classified as an asset by the purchaser.
Any subsequent changes in this fair value are recognised as an adjustment to the original accounting treatment, but only if they are the result of more or better fair value information and if this takes place within twelve months of the acquisition date; all other changes must be recognised in profit or loss.

In the event of a step acquisition of a subsidiary, the non-controlling interest previously held (recognised up to that point according to IFRS 9 – Financial Instruments: Recognition, IAS 28 – Investments in Associates or IFRS 11 – Joint Arrangements – Accounting for acquisitions of interests in joint operations) is treated as if it had been sold and repurchased on the date that control is acquired. The investment is therefore measured at its fair value on the date of “transfer” and any gains and losses resulting from this measurement are recognised in profit or loss. Moreover, any amount previously recognised in equity as “Other comprehensive gains and losses”, is reclassified to the income statement following the sale of the asset to which it refers. The goodwill (or income in the case of badwill) arising on conclusion of the deal with subsequent acquisition is calculated as the sum of the price paid for the acquisition of control, the value of non-controlling interests (measured using one of the methods permitted by the financial reporting standard) and the fair value of the minority interest previously held, net of the fair value of the identifiable net assets acquired.

The identifiable assets, liabilities and contingent liabilities of the acquired business which meet the conditions for recognition are accounted for at their fair value on the date of acquisition. Any positive difference between the acquisition cost and the fair value of the Group’s share of net assets acquired is recognised as goodwill or, if negative, in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill always refers to identified income-producing assets, whose ability to generate income and cash flows is constantly tested for impairment.

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

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

### 3.t. Use of estimates

The preparation of these financial statements and Notes in accordance with IFRS requires management to make estimates and assumptions which affect the amounts of assets and liabilities shown in them, as well as the disclosures made regarding contingent assets and liabilities at the reporting date.

The estimates and assumptions used are based on experience and other factors considered relevant.
The actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement in the year in which the amendment is made if the review only affects that year, or in subsequent years if the amendment affects both the current and future years.

However, considering the impacts of the current macroeconomic and financial situation, Covid-19 and the Russia-Ukraine conflict, these estimates have a high degree of uncertainty, which could affect the measurement and the estimate of the carrying amounts of assets and liabilities, which are being affected by increased volatility.

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

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

The assessments made did not show significant impacts on the consolidated financial statements at 31 December 2023. The following paragraphs of the Notes to the financial statements include the relevant information regarding the estimates listed above.

## 4 Financial instruments

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

Recognition and measurement

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

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

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

| Category of financial assets and liabilities | Classification |
|---|---|
| **NON-CURRENT ASSETS** | |
| Other equity investments | FVTOCI |
| Other assets | Amortised cost |
| Other financial assets | FVTPL |
| **CURRENT ASSETS** | |
| TRADE RECEIVABLES | Amortised cost, expected loss for counterparty risk |
| Other assets | Amortised cost, expected loss for counterparty risk |
| Loan assets | Amortised cost, expected loss for counterparty risk |
| Securities | FVTPL |
| Other financial assets | FVTPL |
| Cash and cash equivalents | Amortised cost, expected loss for counterparty risk |
| **NON-CURRENT LIABILITIES** | |
| Bonds | Amortised cost |
| Other loans and borrowings | Amortised cost |
| Lease liabilities | Amortised cost |
| **CURRENT LIABILITIES** | |
| Bank loans and borrowings | Amortised cost |
| Bonds | Amortised cost |
| Other loans and borrowings | Amortised cost |
| Lease liabilities | Amortised cost |
| Trade payables | Amortised cost |

Classification and subsequent measurement – Financial assets

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

Financial assets are not reclassified after their initial recognition, unless the Group changes its business model for managing financial assets. In this case, all of the financial assets involved are reclassified on the first day of the first year following the change in business model.

A financial asset must be measured at amortised cost if both of the following conditions are met and the asset is not designated at FVTPL:

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

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

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

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

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

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

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

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

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

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

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

Classification and subsequent measurement – Financial liabilities:

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

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

Derecognition - Financial assets and liabilities

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

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

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

Impairment losses

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

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

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

Loss allowances on trade receivables and assets deriving from contracts are always measured at an amount equal to the expected losses throughout the life of the asset.

To establish whether the credit risk on a particular financial asset has increased significantly since initial recognition in order to estimate expected losses, the Group takes into consideration information that is reasonable and provable, but also relevant and available without excessive cost or effort. Quantitative and qualitative information and analyses are included, based on the Group's historical experience, credit assessment and forward-looking information.

Expected losses on long-term loans are the losses expected on assets deriving from all possible defaults during the entire estimated life of a financial instrument.

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

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

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

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

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

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

Fair value

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

For financial instruments quoted in active markets, the fair value is determined on the basis of official prices in the principal market to which the Group has access (mark to market). A financial instrument is considered quoted in an active market if quoted prices are readily and regularly available from a quotation system, dealers, brokers, etc., and these prices represent actual and regular market transactions. If there is no quoted market price in an active market for a financial instrument taken as a whole, but there is one for some of its components, the fair value is determined on the basis of the specific market prices of its components.

If there are no observable prices in an active market for an identical item owned by another operator as an asset, or if prices are not available, using other observable inputs such as quoted prices in an inactive market for the identical item owned by another operator as an asset, the Group will assess the fair value using another valuation technique, based on prices set in recent transactions and/or prices/quotations for instruments that have similar characteristics in terms of risk profile, such as:

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

these are subject to revision from time to time in order to ensure consistency with the objectives of the valuation.

The choice between these techniques is not optional, as they have to be applied in hierarchical order: if, for example, a price quoted in an active market is available, the other valuation techniques cannot be used.

Depending on the methodology used, the fair value is classified on three levels:

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

As a further guarantee of the objectivity of valuations derived from valuation models, the Group uses fair value adjustments (FVAs) to take into account the risks associated primarily with the limited liquidity of the positions, the valuation models used and counterparty risk.

The fair value of derivatives that are listed on an active market is measured on the basis of market prices; if no prices are published, different approaches are used according to the type of instrument; the risk of default must also be considered, implemented through a credit value adjustment (CVA) and a debit value adjustment (DVA).

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

With particular reference to the financial instruments in the portfolio of the Company and of the financial holding companies, in the valuation of investments in private equity funds and hedge funds, the fair value is determined on the basis of the NAV communicated by the related fund administrators at the balance sheet date. Where such information is not available at the reporting date, the last official communication is used, though it must not be more than three months old at the reporting date and, if necessary, validated against more recent information made available to investors by the fund administrators.
With reference to insurance policies with guaranteed capital (Branch I), these instruments cannot be classified as fair value level 1 as they are not listed, the price cannot be inferred from public info providers and, considering that the investor/policyholder cannot sell these instruments to third parties, there are not even transactions that can identify the instrument as "liquid". The fair value is configured as level 2 as the value of the capital is updated at each year-end by the insurance company, which also provides the guarantee on the capital, including annual consolidated returns; the method for determining the annual return of these instruments is the same for all policyholders investing in the same fund, and is communicated on an annual basis by the insurance companies, or is available on their websites.

## 5 Change in accounting policies, estimates and errors

The criteria for making estimates and measurements are reviewed periodically, based on historical experience and other factors such as expectations of possible future events that are reasonably likely to take place.
If first-time adoption of a standard affects the current year or the previous one, the effect is shown by indicating the change caused by any transitional rules, the nature of the change, a description of the transitional rules, which may also affect future years, and the amount of any adjustments to years prior to those being presented.

If a voluntary change of a standard affects the current or previous year, the effect is shown by indicating the nature of the change, the reasons for adopting the new standard, and the amount of any adjustments to years prior to those being presented.
In the event of a new standard or interpretation issued but not yet in force, an indication is given of the fact, its potential impact, the name of the standard or interpretation, the date on which it will come into force and the date of its first-time adoption.
A change in accounting estimates involves giving an indication of the nature and impact of the change. Estimates are used mainly in the recognition of asset impairment, provisions for risks, employee benefits, taxes and other provisions and allowances. Estimates and assumptions are reviewed regularly and the effects of any such changes are reflected in the income statement.
Lastly, the treatment of accounting errors involves an indication of the nature of the error and the amount of the adjustments to be made at the beginning of the first reporting year after they were discovered.

## 6 Adoption of new standards, interpretations and amendments

**Standards, amendments and interpretations of IFRS applied from 1 January 2023:**

The following standards, amendments and interpretations were applied for the first time by the Group with effect from 1 January 2023:

- IFRS 17 "Insurance Contracts" and related amendments (published on 18 May 2017 and on 25 June 2020 respectively). At 31 December 2023, there were no impacts on the Group's consolidated financial statements.
- Amendment to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies" (issued on 12 February 2021). At 31 December 2023, this amendment did not have any impact on the Group's consolidated financial statements.
- Amendment to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates" (published on 12 February 2021). At 31 December 2023, this amendment did not have any impact on the Group's consolidated financial statements.
- Amendment to IAS 12 "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (published on 7 May 2021). At 31 December 2023, this amendment did not have any impact on the Group's consolidated financial statements.
- Amendment to IFRS 17 "Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information" (published on 9 December 2021). At 31 December 2023, this amendment did not have any impact on the Group's consolidated financial statements.
- Amendments to IAS 12*:* "Income taxes: International Tax Reform - Pillar Two Model Rules" (issued on 23 May 2023). At 31 December 2023, this amendment did not have any significant impact on the Group's consolidated financial statements. For more details read paragraph 15. "Income taxes"

**Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet mandatory and not adopted early by the Group at 31 December 2023:**

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

- Amendment to IFRS 16 "Leases: Lease Liability in a Sale and Leaseback" (issued on 22 September 2022). The amendments are effective from 1 January 2024.
- Amendment 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). The amendments are effective from 1 January 2024.

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

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

- Amendment to IAS 7: "Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements" (issued on 25 May 2023). The amendments are effective from 1 January 2024.
- Lack of Exchangeability (Amendments to IAS 21) (published on 15 August 2023). The amendments are effective from 1 January 2025.

# Statement of financial position

## 7. Non-current assets

### 7.a. Intangible assets and goodwill

| | *Opening balance* | | | *Changes for the year* | | | | | | | *Closing balance* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euro)* | *Original cost* | *Accumulated amortisation and impairment losses* | *Balance 31.12.2022* | *Acquisitions* | *Business combinations and disposals* | | *Exchange rate differences* | *Other changes* | *Net disposals* | *Amortisation and impairment losse* | *Original cost* | *Accumulated amortisation and impairment losses* | *Balance 31.12.2023* |
| | | | | | *increases* | *decreases* | | | | | | | |
| Start-up and capital costs | 36 | (36) | -- | -- | -- | -- | -- | -- | -- | -- | 36 | (36) | -- |
| Capitalised development costs | | | | | | | | | | | | | |
| *- purchased* | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| *- produced internally* | 246,746 | (188,450) | 58,296 | 6,507 | -- | -- | (1,220) | 8,515 | -- | (22,812) | 219,195 | (169,909) | 49,286 |
| Industrial patents and intellectual property rights | 46,521 | (33,571) | 12,950 | -- | -- | (150) | -- | (185) | -- | (4,696) | 46,582 | (38,663) | 7,919 |
| Concessions, licences, trademarks and similar rights | 50,632 | (40,779) | 9,853 | 983 | -- | -- | (70) | 659 | -- | (2,156) | 50,569 | (41,300) | 9,269 |
| Goodwill | 545,080 | (53,000) | 492,080 | 2,479 | -- | -- | -- | 3 | -- | -- | 547,559 | (52,997) | 494,562 |
| Assets under development and payments on account | | | | | | | | | | | | | |
| *- purchased* | 6,591 | -- | 6,591 | 1,333 | -- | -- | (10) | (4,052) | (56) | -- | 3,806 | -- | 3,806 |
| *- produced internally* | 7,928 | (2,978) | 4,950 | 6,970 | -- | -- | (428) | (6,068) | -- | (245) | 8,128 | (2,949) | 5,179 |
| Other | 21,334 | (14,279) | 7,055 | 1,363 | -- | -- | 13 | (8) | -- | (1,236) | 22,708 | (15,521) | 7,187 |
| **Total** | **924,868** | **(333,093)** | **591,775** | **19,635** | **--** | **(150)** | **(1,715)** | **(1,136)** | **(56)** | **(31,145)** | **898,583** | **(321,375)** | **577,208** |

Intangible assets and goodwill went from € 591,775 thousand at 31 December 2022 to € 577,208 thousand at 31 December 2023.

Acquisitions, including goodwill deriving from the acquisition of the company ATN Molds & Parts S.A.S., refer to the Sogefi group for a total of €18 million.

The decreases in the item “Business Combinations/Disposals” refer, within the Sogefi group, to the sale of the suspensions business in Mexico carried out during the year.

AMORTISATION RATES

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

GOODWILL

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Automotive sector (Sogefi group) | 126,075 | 123,596 |
| Healthcare sector (KOS group) | 368,487 | 368,484 |
| **Total** | **494,562** | **492,080** |

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

This item rose from € 492,080 thousand at 31 December 2022 to € 494,562 thousand at 31 December 2023 as a result of the acquisition made during the year by the Sogefi Group (Automotive sector).

*Impairment test*

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

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

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

For the Automotive and Healthcare CGUs, as well as for the CGUs identified by the subsidiaries for the first-level test, the recoverable amount at the end of 2023 was estimated on the basis of the value in use, calculated using the DCF method, which involves discounting: (i) the future cash flows of the most recent business plan approved by the competent bodies, without taking into account those of financial management ("Operating Free Cash Flow"); (ii) the terminal value, calculated using the "perpetual annuity" formula, or projecting the operating cash flow of the last year of the multi-year plan with an expected long-term growth rate ("g").

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

- risk free rate: this is equal to the 6-month average of the rates of return on ten-year debt securities of each countries in which the KOS and Sogefi group companies operate;
- market equity risk premium: measured as a long-term historical yield differential between equity and bonds on mature financial markets (Source: Fernandez/Duff & Phelps);

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

The fair value less costs to dispose of an asset or a group of assets (e.g. a Cash Generating Unit) is best expressed in the price defined in a binding sale agreement between independent counterparties, net of the direct costs of disposing of the asset. If this information is not available, the fair value net of costs to sell is determined in relation to the following trading prices, in order of importance: (i) the current price traded on an active market; (ii) prices for prior similar transactions; (iii) the estimated price based on information obtained by the company.

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

*Summary of the results of impairment testing*

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

Since the recoverable amount is determined on the basis of estimates, the Group cannot guarantee that no further impairment of goodwill will occur in future periods. Given the current context of market crisis, the various factors used to make the estimates could be revised if conditions prove not to be in line with those on which the forecasts were based.

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

*Automotive segment (SOGEFI group)*

The goodwill allocated to the Automotive segment, which coincides with the Sogefi group, amounts to about € 126,075 thousand at 31 December 2023.

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

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

The operating cash flows were derived from projections included in the 2024-2027 business plan (adjusted to exclude the expected benefits of future projects and reorganisations) approved by the Board of Directors of Sogefi S.p.A. on 15 December 2023. This plan takes into consideration the assumptions made by leading analysts on the outlook for the respective markets and, more in general, on the trend of each business segment, as well as the impact of the Russia-Ukraine war and Covid-19 on business volumes and future profitability; this plan also takes into account the medium and long-term impacts on the business of each CGU of the Sogefi group, deriving from climate change and the policies and regulations implemented internationally to mitigate its effects. Compared to these projections, more conservative assumptions were applied for impairment testing purposes, in some cases reducing the expected cash flows used in the calculation of discounted cash flows. The prudential changes to the projections were approved by Sogefi's Board of Directors on 23 February 2024. They refer in particular to the Filtration CGU, to which certain prudent assumptions in terms of margins and cash generation, already present at the Sogefi consolidated level but not allocated to divisions in the 2024-2027 Strategic Plan approved on 15 December 2023. Further, additional prudent assumptions, were allocated, and to the Suspensions division: since the Strategic Plan incorporates the effects on margins of an important turnaround plan to which management has committed, based on the requirements of IAS 36 and the OIV guidelines, for the purpose of the impairment test it was decided to adopt greater prudence in estimating the margins and forecast cash flows, both for the explicit plan horizon and for the terminal value, assuming a growth in margins in line with the CGU's potential for evolution in continuity.

The Sogefi group also assessed the physical risk exposure of all its plants in 2022. A medium level risk was identified for only 20% of the plants (7), while a low level risk was identified for 80% of the plants, mainly linked to extreme phenomena such as thermal and water stress, heat waves, frost or flooding. These risk profiles do not require urgent interventions by the Sogefi group and do not suggest any need to recognise impairment losses on fixed assets. In 2023, the Group's facilities were not subject to extreme events that caused significant damage, and the company considered the physical risk assessment carried out in the previous year to be still valid.

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

The Filtration CGU, on the other hand, is more affected by the technological transition, since some of its products are specific for internal combustion engines and therefore destined to suffer a drop in sales in the long term. On the other hand, since approximately two-thirds of turnover relates to sales of spare parts (on the independent aftermarket and OES channels), the decline in sales of these products is expected over a much longer time horizon than that forecast for the production of internal combustion engines. The CGU has also developed some products that can be sold for electric vehicles as well. To better capture the long-term market dynamics for the purposes of the impairment test, a projection of turnover and cash flows prepared by management was therefore considered, which goes beyond the horizon of the 2024-2027 business plan (already amended as illustrated above) and extends to 2045. These longer-term forecasts for the Filtration CGU were approved by Sogefi's Board of Directors on 23 February 2024. For the years after 2026, a progressive decline in sales of components for combustion engines in Europe, the United States and India was hypothesised (with different trends in the three geographical areas where the division is present, and between the original and second equipment channels), partly offset by the growth in sales of components for electric vehicles. Similarly, assumptions were made about fixed cost reductions that are likely to be less than proportional to the decline in turnover. At the end of the explicit period modelled in this way, the terminal value was calculated for the purposes of the impairment test.

The terminal value for the three CGUs was calculated using the perpetuity growth model, assuming 2.37% growth (based on the long-term inflation rates estimated for each country, weighted by their sales) and considering the operating cash flow for the final year of the long-term plan, as adjusted to project a stable situation "in perpetuity" (considering the investments needed to maintain the existing production infrastructure and no change in working capital).

The discount rate based on the weighted average cost of capital (WACC*)* is equal to 10.0%, calculated through the weighted average parameters composing WACC for each country in which the Sogefi group operates. In determining the discount rate, market rate averages based on short-term time horizons (6 months) were used in order to purge the rate (and the concepts incorporated therein in terms of risk and expected return) from the values that remained artificially low until 2021, for the measures adopted by the European and American central banks to cope with the economic effects of the Covid-19 pandemic. In fact, these measures led to a lowering of the interest rate curve and an increase in outstanding liquidity with a consequent increase in the value of financial assets and a reduction in the market risk premium estimated on the market, conditions which disappeared in 2022 as a result of the sudden rise in interest rates and inflation. The figures used in calculating the average cost of capital were as follows: risk free rate: 4.8% (half-yearly average for 10-year risk-free government bonds of the countries in which the group operates, weighted on the basis of revenue); market risk premium: 5.70% (average of the market equity risk premium, referred to developed markets, calculated based on independent sources); specific risk premium: 1.22% (added premium, calculated by an independent source, for the risk linked to small cap); financial structure of the segment (leverage): 29.3%: levered beta of the segment: 1.18; cost of debt after tax: 3.4% (estimated on the basis of sector spreads weighted by the level of debt and incorporating 6-month averages of market base rates).

The first-level test carried out (for the purposes of the consolidated financial statements of Sogefi) showed positive coverage for all the CGUs (Filtration, Air and Cooling, Car Suspensions), even after performing a sensitivity analysis by changing the WACC and g parameters (assuming a worst case increase of 1% in the WACC and decrease of 1% in the g growth rate). Therefore, the goodwill allocated to the automotive segment has not been subjected to any impairment losses.

The second-level test check, carried out using the discounted cash flow model on the entire Automotive CGU, showed that the respective parameters clearly exceeded the related carrying amounts, even after performing a sensitivity analysis by changing the WACC and g parameters (assuming a worst case increase of 1% in the WACC and decrease of 1% in the g growth rate). Therefore, no impairment losses were carried out. Coverage (the difference between the value in use and the carrying amount) is in fact € 554,888 thousand in the base case and € 390,134 thousand in the worst case. The values of WACC delta and EBIT delta for which coverage falls to zero are +8.9% and -48.7% respectively. So no write-down was made.

In addition to the impairment test conducted on intangible assets, during 2023, the Sogefi group assessed the possible impacts of the risks associated with the technological transition on the useful life of property, plant and equipment, with particular regard to the Filtration business, without encountering any critical issues.

*Healthcare (KOS group)*

At 31 December 2023, the goodwill allocated to the Healthcare segment, which coincides with the scope of the KOS Group, was € 368,487 thousand.

The impairment test was first performed at the first level, i.e. within the sub-consolidated KOS, with reference to the CGUs Care Homes Italy, Rehab (Rehabilitation) Italy, Acute care Italy, Care Homes Germany. The Diagnostics and Cancer Cure CGU, already restricted in 2022 to India after the sale of Medipass Europe in 2020, was eliminated following its final exit from the segment in 2023.

Subsequently, a second-level impairment test was carried out with the KOS Group as the sole CGU, in order to check the recoverability of the carrying amount of the business as a whole, including not just the first-level CGUs, but also the flows and carrying amounts associated with the corporate structures and the goodwill associated with the Healthcare segment in CIR S.p.A.

In the first-level test, the recoverability of the carrying amounts was verified by comparing the net carrying amount attributed to the CGUs, including goodwill, with the recoverable amount. The latter was in turn estimated with the value in use, represented by the present value of the operating cash flows and the terminal value attributable to each CGU (Unlevered Discounted Cash Flow).

The operating cash flows used were derived from projections included in the 2024-2027 Strategic Plan approved by the Board of Directors on 12 January 2024, which does not contain development projects or acquisitions, except for those already under contract; for the purposes of the impairment test, future cash flows in the Strategic Plan relating to greenfield projects under construction were not taken into consideration. The plan takes into consideration the hypotheses of leading analysts as to the performance of the reference markets and more generally on the evolution of the sector, as well as the residual effects on business and prospective profitability of Covid-19; it also considers the medium and long-term impacts on the KOS group's business of climate change and the policies and regulations implemented internationally to mitigate its effects. During 2022, the group has in fact assessed the exposure to physical risk of all its healthcare facilities. A medium level of risk was identified for only 6% of the sites, equal to 8, while for the other 94% a low level of risk was identified, mainly linked to extreme phenomena such as thermal and water stress, heat waves, frost or flooding. These risk profiles do not require urgent interventions by the KOS group and do not suggest any need to recognise impairment losses on non-current assets. In 2023, the Group's facilities were not subject to extreme events that caused significant damage, and the parent considered the physical risk assessment carried out in the previous year to be still valid. On the other hand, no significant transition risks were identified, deriving from climate change with an impact on the parent's business model.

The terminal value was calculated using the perpetuity growth model, applying 2.0% growth, based on the long-term inflation rates estimated for Italy and Germany, considering the operating cash flow for the final year of the long-term plan, as adjusted to project a stable situation "in perpetuity" assuming net zero investment and depreciation and no changes in working capital.

The discount rate used (WACC) reflects current market valuations, considering the specific risks faced in the various geographical areas in which the KOS group operates, and is equal to 6.6% (taking the weighted average of the various rates: 6.9% in Italy and 5.8% in Germany. In the same way as for Sogefi, here too the impact of the new situation regarding interest rates was taken into account in determining certain parameters for the discount rate. For the estimate of risk free rates, the six-month averages, and no longer the 10-year ones, have been calculated for 10-year risk-free securities: these are 4.2% for Italy and 2.6% for Germany; the premiums for market risk and specific risk were assumed to be equal to those of the Sogefi CGU (5.6% and 1.2% respectively); segment leverage came to 47.4%, and beta levered to 0.63 for Italy and 0.71 for Germany; lastly, the net cost of debt was estimated on the basis of sector data at 4.6% for Italy and 4.2% for Germany.

The first-level test carried out (for the purposes of the consolidated financial statements of KOS) showed positive coverage for all the CGUs, with adequate margins in the sensitivity cases taken into consideration.

The second-level test check, carried out using the discounted cash flow model, showed that the respective parameters clearly exceeded the related carrying amounts, even after performing a sensitivity analysis by changing the WACC and g parameters (assuming a worst case increase of 0.5% in the WACC and decrease of 0.5% in the g growth rate). Coverage (the difference between the value in use and the carrying amount) for the entire Healthcare CGU (KOS) is in fact € 364,192 thousand in the base case and € 80,123 thousand in the worst case. The values of delta WACC and delta EBITDA for which coverage falls to zero are +1.3% and -13.5% respectively.

Given the above results, the goodwill relating to the KOS Group recognised in the consolidated financial statements of the CIR Group has not been subject to any impairment losses.

## Property, plant and equipment, Right-of-use Assets and Investment Property

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

## 7.b. Property, plant and equipment

| | *Opening balance* | | | *Changes for the year* | | | | | | | *Closing balance* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euro)* | *Original Cost* | *Accumulated depreciation and impairment losses* | *Balance 31.12.2022* | *Acquisitions* | *Business combinations and disposals* increases | *Business combinations and disposals* decreases | *Exchange rate Differences* | *Other Changes* | *Net disposals* cost | *Depreciation and impairment losses* | *Original Cost* | *Accumulated depreciation and impairment losses* | *Balance 31.12.2023* |
| Land | 37,163 | (444) | 36,719 | -- | -- | -- | 8 | 1 | (1,784) | -- | 35,388 | (444) | 34,944 |
| Industrial buildings | 293,959 | (152,769) | 141,190 | 2,677 | -- | -- | (414) | 4,485 | (1) | (9,719) | 296,338 | (158,120) | 138,218 |
| Plant and machinery | 789,884 | (598,047) | 191,837 | 11,101 | -- | (2,251) | (3,279) | 42,813 | (964) | (40,825) | 801,203 | (602,771) | 198,432 |
| Industrial and commercial equipment | 360,543 | (269,073) | 91,470 | 8,260 | -- | (812) | (1,432) | 21,735 | (286) | (36,150) | 362,377 | (279,592) | 82,785 |
| Other assets | 216,165 | (141,909) | 74,256 | 11,616 | 11 | -- | (1,098) | 3,941 | (46) | (13,281) | 222,428 | (147,029) | 75,399 |
| Assets under construction and payments on account | 105,746 | (748) | 104,998 | 72,602 | -- | -- | (2,863) | (72,565) | (18,725) | -- | 84,455 | (1,008) | 83,447 |
| **Total** | **1,803,460** | **(1,162,990)** | **640,470** | **106,256** | **11** | **(3,063)** | **(9,078)** | **410** | **(21,806)** | **(99,975)** | **1,802,189** | **(1,188,964)** | **613,225** |

Property, plant and equipment went from € 640,470 thousand at 31 December 2022 to € 613,225 thousand at 31 December 2023.

It should be noted that the balances of “Industrial and commercial equipment” and “Assets under construction and payments on account” at 31 December 2023 include the investments made by the Sogefi group in tooling for € 52,650 thousand and € 36,142 thousand respectively.

The increase in the item “Acquisitions” is attributable for € 80,425 thousand to the Sogefi group and for € 25,798 thousand to the KOS group.

The decreases in the item “Business Combinations/Disposals” refer, within the Sogefi group, to the sale of the suspensions business in Mexico carried out during the year.

The decrease in the item “Net disposals” is attributable to the KOS group for € 19,918 thousand and to the KOS group for € 1,888 thousand.

DEPRECIATION RATES

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

## 7.c. Right-of-use assets

| *(in thousands of euro)* | *Opening balance* Original Cost | *Opening balance* Accumulated depreciation and impairment losses | *Opening balance* Balance 31.12.2022 | *Changes for the year* Acquisitions | *Changes for the year* Business combinations and disposals increases | *Changes for the year* Business combinations and disposals decreases | *Changes for the year* Exchange rate Differences | *Changes for the year* Other Changes | *Changes for the year* Net Disposals | *Changes for the year* Depreciation and impairment losses | *Closing balance* Original Cost | *Closing balance* Accumulated depreciation and impairment losses | *Closing balance* Balance 31.12.2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Land | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Industrial buildings | 1,081,121 | (243,573) | 837,548 | 49,957 | 529 | - | (1,077) | (188) | (3,719) | (70,769) | 1,117,238 | (304,957) | 812,281 |
| Plant and machinery | 9,797 | (9,380) | 417 | 1 | -- | -- | (7) | 5 | (37) | (247) | 9,452 | (9,320) | 132 |
| Industrial and commercial equipment | 1,926 | (1,346) | 580 | 25 | -- | -- | -- | -- | (4) | (148) | 1,884 | (1,431) | 453 |
| Other assets | 13,503 | (6,807) | 6,696 | 5,645 | -- | -- | (371) | 288 | (117) | (3,639) | 16,094 | (7,592) | 8,502 |
| **Total** | **1,106,347** | **(261,106)** | **845,241** | **55,628** | **529** | **--** | **(1,455)** | **105** | **(3,877)** | **(74,803)** | **1,144,668** | **(323,300)** | **821,368** |

The right-of-use assets amount to € 821,368 thousand at 31 December 2023 and refer to the KOS group for € 762,206 thousand, the Sogefi group for € 59,093 thousand and the Parent CIR S.p.A. for € 69 thousand.

The increases in the item "Acquisitions" refer for €46,568 thousand to the KOS group and for €9,060 thousand to the Sogefi group.

The increases in "Business combinations/disposals" refer to the acquisitions made during the year, within the Sogefi group.

## 7.d. Investment property

| | *Opening balance* | | | *Changes for the year* | | | | | | | *Closing balance* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | *Business combinations and disposals* | | | | | | | | |
| *(in thousands of euro)* | *Original Cost* | *Accumulated depreciation and impairment losses* | *Balance 31.12.2022* | *Increases* | *increases* | *decreases* | *Exchange rate differences* | *Other Changes* | *Net Disposals* | *Depreciation and impairment losses* | *Original Cost* | *Accumulated depreciation and impairment losses* | *Balance 31.12.2023* |
| Buildings | 5,831 | (3,277) | 2,554 | 1 | -- | -- | -- | (1) | -- | (128) | 5,832 | (3.406) | 2,426 |
| **Total** | **5,831** | **(3,277)** | **2,554** | **1** | **--** | **-** | **--** | **(1)** | **--** | **(128)** | **5,832** | **(3,406)** | **2,426** |

Investment property fell from € 2,554 thousand at 31 December 2022 to € 2,426 thousand at 31 December 2023, and € 2,411 thousand of this refer to non-operating properties within the KOS group.

The market value of the investment properties at 31 December 2023 is significantly higher than the carrying amount.

DEPRECIATION RATES

| *Description* | *%* |
|---|---|
| Buildings | 3 |

## 7.e. Equity-accounted investments

*(in thousands of euro)*

| ***2023*** | *Balance 31.12.2022* | *Increases (Decreases)* | *Impairment losses* | *Dividends* | *Portion of the profit (loss)* | | *Other changes* | *Balance 31.12.2023* |
|---|---|---|---|---|---|---|---|---|
| | | | | | *Loss* | *Profit* | | |
| Apokos Rehab PVT Ltd | 631 | -- | -- | -- | -- | 40 | (1) | 670 |
| **Total** | **631** | **--** | **--** | **--** | **--** | **40** | **(1)** | **670** |

## 7.f. Other equity investments

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Other | 1,872 | 1,871 |
| **Total** | **1,872** | **1,871** |

The carrying amounts correspond to the cost, reduced where necessary for impairment, and are essentially considered to be equivalent to their fair value. They refer to non-controlling interests held by the KOS group for € 1,825 thousand.

## 7.g. Other assets

"Other assets" at 31 December 2023 had a balance of € 36,141 thousand, compared with € 37,662 thousand at 31 December 2022, and were mainly made up of:

- € 707 thousand (€ 1,007 thousand at 31 December 2022) of unsecured and mortgage-backed financial assets held by CIR International S.A. The measurement of these investments led to net losses in the income statement for € 160 thousand recognised under item 14.e "Fair value gains (losses) on financial assets";
- € 3,384 thousand (€ 3,004 thousand at 31 December 2022) relating to guarantee deposits;
- € 22,208 thousand, (€ 23,877 thousand at 31 December 2022), due from the Treasury to the Sogefi group, comprising tax credits, including the R&D activities of the French subsidiaries, and the non-current portion of the consideration for the sale of Sogefi Filtration do Brasil Ltda and Sogefi Filtration Argentina S.A.U. which took place in 2020 and 2021 respectively;
- € 6,694 thousand (€ 6,053 thousand at 31 December 2022) relating to the "Pension fund surplus" of Sogefi Filtration Ltd., part of the Sogefi group.

## 7.h. Other financial assets, including derivatives

"Other financial assets, including derivatives" at 31 December 2023 amounted to € 72,932 thousand (€ 80,760 thousand at 31 December 2022) and referred to investments in private equity funds and non-controlling interests held by CIR S.p.A. and by the financial holding companies for € 63,400 thousand (€ 72,215 thousand at 31 December 2022). The fair value measurement of these investments led to net losses in profit or loss for € 4,746 thousand recognised under item 14.e "Fair value gains (losses) on financial assets".

At 31 December 2023, the residual commitment for investment in private equity funds stood at € 18,953 thousand (€ 25,806 thousand at 31 December 2022).

This item also includes, within the Sogefi group, € 6,771 thousand (€ 2,953 thousand at 31 December 2022) of investments made by the Argentine subsidiary Sogefi Suspensions Argentina S.A. in dollar-linked financial instruments to mitigate the effects of the devaluation of the local currency and € 2,761 thousand (€ 5,592 thousand at 31 December 2022) relating to the fair value of interest rate swap hedging contracts.

## 7.i. Deferred tax assets and liabilities

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

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

| *(in thousands of euro)* | *2023* | | *2022* | |
|---|---|---|---|---|
| | *Amount of temporary differences* | *Tax effect* | *Amount of temporary differences* | *Tax effect* |
| **Deductible temporary differences from:** | | | | |
| - impairment losses on current assets | 19,160 | 4,748 | 16,684 | 4,129 |
| - impairment losses on non-current assets | 77,093 | 19,193 | 68,122 | 17,385 |
| - reversal of impairment losses on current liabilities | 76,573 | 10,707 | 51,835 | 11,715 |
| - reversal of impairment losses on employee benefit obligations | 27,769 | 6,975 | 33,829 | 8,446 |
| - reversal of impairment losses on provisions for risks and charges | 21,044 | 5,240 | 25,815 | 6,454 |
| - reversal of impairment losses on long-term borrowings | -- | -- | -- | -- |
| - impairment losses on financial instruments | 39 | 9 | 50 | 12 |
| - tax losses from previous years | 108,534 | 25,923 | 103,327 | 25,282 |
| **Total deferred tax assets** | **330,212** | **72,795** | **299,662** | **73,423** |
| | | | | |
| **Taxable temporary differences from:** | | | | |
| - reversal of impairment losses on current assets | 31,011 | 7,877 | 29,061 | 7,326 |
| - reversal of impairment losses on non-current assets | 161,967 | 35,426 | 158,685 | 36,109 |
| - impairment losses on current liabilities | 21,384 | 4,744 | 20,509 | 4,681 |
| - measurement of employee benefit obligations | 530 | 125 | 881 | 210 |
| - impairment losses on provisions for risks and charges | -- | -- | -- | -- |
| - reversal of impairment losses on financial instruments | -- | -- | -- | -- |
| **Total deferred tax liabilities** | **214,892** | **48,172** | **209,136** | **48,326** |
| **Net deferred tax assets** | | **24,623** | | **25,097** |

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

Prior-year losses not used in the calculation of deferred taxes relate to CIR International S.A.(for € 374,906 thousand, which can be carried forward without any limit) and to other Group companies (for € 117,169 thousand). No deferred tax assets were calculated for these losses because present conditions are such that there is no certainty that they can be recovered through future taxable income.

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

| *2022*<br><br>*(in thousands of euro)* | *Balance at 31.12.2022* | *Use of deferred taxes from previous years* | *Deferred taxes in the year* | *Exchange rate differences and other changes* | *Balance at 31.12.2023* |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| - income statement | 58,869 | (4,994) | 7,519 | (751) | 60,643 |
| - equity | 14,554 | (1,621) | 68 | (849) | 12,152 |
| **Deferred tax liabilities:** | | | | | |
| - income statement | (32,285) | 486 | (2,071) | 676 | (33,194) |
| - equity | (16,041) | 32 | -- | 1,031 | 14,978 |
| **Net deferred tax assets** | **25,097** | **(6,097)** | **5,516** | **107** | **24,623** |

# 8. Current assets

## 8.a. Inventories

Inventories can be broken down as follows:

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Raw materials, supplies and consumables | 77,572 | 77,722 |
| Work in progress and semi-finished products | 18,960 | 18,978 |
| Finished products and goods | 46,814 | 38,252 |
| Payments on account | 259 | 295 |
| **Total** | **143,605** | **135,247** |

This item refers for € 138,231 thousand (€ 129,725 thousand at 31 December 2022) to the Sogefi group and for € 5,374 thousand (€ 5,522 thousand at 31 December 2022) to the KOS group.

The carrying amount of inventories is shown net of any write-downs which take into account the degree of obsolescence of finished products, goods and supplies. The provision for inventory write-downs at 31 December 2023 amount to € 11,156 thousand (€ 12,632 thousand at 31 December 2022).

## 8.b. Trade receivables

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Customers | 254,658 | 248,147 |
| **Total** | **254,658** | **248,147** |

This item refers for € 163,277 thousand (€ 160,045 thousand at 31 December 2022) to the Sogefi group and for € 91,330 thousand (€ 88,062 thousand at 31 December 2022) to the KOS group.

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

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

During 2023, allocations were made within the Sogefi group to the loss allowance in the amount of € 643 thousand and, within the KOS group, releases of the loss allowance allocated in previous years in the amount of € 1,436 thousand.

## 8.c. Other assets

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Associates | 105 | 133 |
| Tax assets | 34,254 | 36,851 |
| Other | 32,895 | 31,654 |
| **Total** | **67,254** | **68,638** |

The decrease in this item refers mainly to the KOS group.

## 8.d. Loan assets

"Loan assets" rose from € 13,164 thousand at 31 December 2022 to € 16,014 thousand at 31 December 2023. The item includes € 5,128 thousand (€ 3,127 thousand as of 31 December 2022) relating to financial instruments issued in favour of the Sogefi group by leading Chinese banks, at the request of some customers, as consideration for supplies made by the Chinese subsidiaries, and € 9,428 thousand (€ 6,228 thousand as of 31 December 2022) due to the KOS group by factoring companies following the without-recourse sale of assets.

## 8.e. Securities

This item consists of the following categories of securities:

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Equity investments in other companies | -- | 42 |
| Bonds | 63,873 | 45,923 |
| Investment funds and similar funds | 10,933 | 23,518 |
| **Total** | **74,806** | **69,483** |

At 31 December 2023, this item totalled € 74,806 thousand (€ 69,483 thousand at 31 December 2022) and refers to bonds held by the subsidiary CIR Investimenti S.p.A. for € 63,873 thousand (€ 45,923 thousand at 31 December 2022), to units held in investment funds by the subsidiary CIR Investimenti S.p.A. for € 10,933 thousand (€ 13,871 thousand at 31 December 2022) and also, at 31 December 2022, to units held in investment funds by the parent CIR S.p.A. for € 9,647 thousand, which were then redeemed during 2023.

The fair value measurement of the item "Securities" led to net losses in the income statement for € 3,134 thousand recognised under item 14.e "Fair value gains (losses) on financial assets".

### 8.f. Other financial assets, including derivatives

This item totals € 315,322 thousand (€ 241,243 thousand at 31 December 2022) and refers for € 63,652 thousand (€ 58,849 thousand at 31 December 2022) to investments in hedge funds and redeemable shares in asset management companies held by CIR International S.A. The degree of liquidity of the investment is a function of the time required for the redemption of the funds, which normally varies from one to three months.

The fair value measurement of these provisions led to a gain in the income statement for € 5,874 thousand recorded under item 14.e "Fair value gains (losses) on financial assets". During the period, losses for € 207 thousand (gains of € 3,771 thousand in 2022) were realised and recognised under item 14.d "Losses from securities trading".

This item also includes € 144,822 thousand (€ 182,394 thousand at 31 December 2022) for whole-life insurance and capitalisation policies arranged with leading insurance companies by CIR Investimenti S.p.A., with yields linked to separate managed insurance funds and, in some cases, to unit-linked funds. The net yield during the year came to € 3,873 thousand (€ 1,334 thousand in 2022). The fair value measurement of policies with yields deriving from unit-linked funds has resulted in a gain in the income statement of € 799 (loss of € 2,191 thousand in 2022) thousand recorded under item 14.e "Fair value gains (losses) on financial assets", while the remainder of the net yield was recorded under item 14.a "Financial income".

This item also includes, within the KOS group, investments of liquidity in the amount of € 106,848 thousand in Time Deposits at major banks with agreed maturities within 12 months.

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

"Cash and cash equivalents" went from € 219,676 thousand at 31 December 2022 to € 149,991 thousand at 31 December 2023.

"Bank loans and borrowings" went from € 1,981 thousand at 31 December 2022 to € 659 thousand at 31 December 2023.

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

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

The net balance of these two items at 31 December 2023 amounts to €2,906 thousand (€23,472 thousand at 31 December 2022) and are made up as follows:

- +€ 10,976 thousand, unchanged from 31 December 2022, for the carrying amount of a real estate complex being sold. On 22 December 2022, the parent signed with Merope S.r.l., a property investment and development company, a binding preliminary agreement subject to certain conditions precedent, for the sale of a non-operating real estate complex located in Via dell'Orso 8 and Via Ciovassino 1/A, Milan, for a total of € 38.0 million, of which € 7.0 million paid as deposit and the remaining amount payable at the closing of the transaction, scheduled for the first half of 2024;
- for -€ 7,000 thousand (-€ 5,000 thousand at 31 December 2022) to the deposits collected following the achievement of the binding preliminary agreement for the sale of the non-operating real estate complex located in Milan;
- for -€ 1,065 thousand from the liability allocated in relation to a specific guarantee issued by the parent CIR S.p.A. to the purchaser counterparty in connection with the sale of GEDI. For more details, please refer to note 25. "Contingent assets and liabilities";
- for -€ 5 thousand to the amount due to the purchaser of an additional non-operating property located in Rome sold on 28 June 2023, for the reimbursement of maintenance costs.

The item at 31 December 2022 included € 17,496 thousand relating to the assets and liabilities of the Indian subsidiaries of the KOS group, classified as "Assets held for sale" and sold in June 2023.

# 9 Equity

## 9.a. Share Capital

The share capital at 31 December 2023 amounted to € 420,000 thousand unchanged from 31 December 2022, and consisted of 1,107,207,314 shares with no nominal amount.

The share capital is fully subscribed and paid up.

At 31 December 2023, the parent held 59,157,253 treasury shares (5.343% of the share capital) for an amount of € 26,462 thousand, compared with 24,480,800 treasury shares (2.211% of the share capital) for an amount of € 12,500 thousand at 31 December 2022.

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

| *(in thousands of euro)* | *Number of shares* | *Amount* |
|---|---|---|
| Balance at 31 December 2022 | 24,480,800 | 12,500 |
| Increases | 34,838,938 | 14,035 |
| Decreases | (162,485) | (73) |
| **Balance at 31 December 2023** | **59,157,253** | **26,462** |

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

In application of IAS 32, treasury shares are deducted from total equity.

None of the shares are subject to any rights, privileges or limitations on the distribution of dividends, with the exception of treasury shares.

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

## 9.b. Reserves

The breakdown of "Reserves" is as follows:

| *(in thousands of euro)* | *Share premium reserve* | *Legal reserve* | *Fair value reserve* | *Translation reserve* | *Stock grant reserve* | *Other reserves* | *Total reserves* |
|---|---|---|---|---|---|---|---|
| ***Balance at 31 December 2021*** | **5,044** | **25,516** | **(432)** | **(24,994)** | **2,711** | **68,755** | **76,600** |
| Capital reductions | -- | -- | -- | -- | -- | 218,604 | 218,604 |
| Retained earnings | -- | 105 | -- | -- | -- | 1,980 | 2,085 |
| Fair value gains (losses) on treasury shares | -- | -- | -- | -- | -- | -- | -- |
| Notional cost of stock grants credited | -- | -- | -- | -- | 1,365 | -- | 1,365 |
| Reclassifications | -- | -- | -- | -- | (346) | -- | (346) |
| Unclaimed dividends | -- | -- | -- | -- | -- | 171 | 171 |
| Fair value measurement of cash flow hedges | -- | -- | 2,676 | -- | -- | -- | 2,676 |
| Effects of changes in equity attributable to subsidiaries | -- | -- | -- | 15 | -- | 3,362 | 3,377 |
| Translation differences | -- | -- | -- | (3,611) | -- | -- | (3,611) |
| Net actuarial gains | -- | -- | -- | -- | -- | 5,634 | 5,634 |
| ***Balance at 31 December 2022*** | **5,044** | **25,621** | **2,244** | **(28,590)** | **3,730** | **298,506** | **306,555** |
| Retained earnings | -- | 152 | -- | -- | -- | 2,892 | 3,044 |
| Fair value gains losses on treasury shares | -- | -- | -- | -- | -- | (2,391) | (2,391) |
| Notional cost of stock grants credited | -- | -- | -- | -- | 1,310 | -- | 1,310 |
| Reclassifications | -- | -- | -- | -- | (576) | 52 | (524) |
| Unclaimed dividends | -- | -- | - | -- | -- | 49 | 49 |
| Fair value measurement of cash flow hedges | -- | -- | (1,069) | -- | -- | -- | (1,069) |
| Effects of changes in equity attributable to subsidiaries | -- | -- | (9) | 100 | -- | 2,611 | 2,702 |
| Translation differences | -- | -- | -- | (9,516) | -- | -- | (9,516) |
| Net actuarial losses | -- | -- | -- | -- | -- | (1,977) | (1,977) |
| ***Balance at 31 December 2023*** | **5,044** | **25,773** | **1,166** | **(38,006)** | **4,464** | **299,742** | **298,183** |

The "Fair value reserve", net of tax, was positive for € 1,166 thousand and refers to the measurement of hedges (positive for € 1,173 thousand relating to the Sogefi group and negative for € 7 thousand relating to the KOS group).

The "Translation reserve" had a negative balance of € 38,006 thousand at 31 December 2023 with the following breakdown:

| *(in thousands of euro)* | *31.12.2022* | *Increases* | *Decreases* | *31.12.2023* |
|---|---|---|---|---|
| Sogefi group | (29,051) | -- | (8,955) | (38,006) |
| KOS group | 461 | -- | (461) | -- |
| **Total** | **(28,590)** | **--** | **(9,416)** | **(38,006)** |

The breakdown of "Other reserves" at 31 December 2023 was as follows

*(in thousands of euro)*

| | |
|---|---|
| Share capital reduction reserve | 216,213 |
| Reserve as per art. 6 Legislative Decree 38/2005 | 8,138 |
| Statutory reserve | 234 |
| Other | 75,157 |
| **Total** | **299,742** |

### 9.c. Retained earnings

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

## 10 Non-current liabilities

### 10.a. Bonds

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

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Sogefi S.p.A. 2019/2025 | 44,870 | 52,304 |
| Private Placement Kos S.p.A. 2017/2024 | -- | 64,000 |
| Private Placement Kos S.p.A. 2017/2025 | 35,000 | 35,000 |
| **Total** | **79,870** | **151,304** |

Please note that the Private Placement Kos S.p.A. 2017/2024 has been reclassified under item 11.a "Bonds" in current liabilities.

### 10.b. Other financial liabilities

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Collateralised bank loans and borrowings | 74,117 | 83,923 |
| Other bank loans and borrowings | 270,595 | 307,477 |
| Other loans and borrowings | 326 | 236 |
| **Total** | **345,038** | **391,636** |

This item consists of loans to companies of the KOS group for € 160,275 thousand and loans to companies of the Sogefi group for € 184,763 thousand.

## 10.c. Lease liabilities

The item, amounting to € 793,256 thousand (€ 815,061 thousand at 31 December 2022), refers to lease liabilities relating to companies in the KOS group, which operate using mainly leased properties, for € 741,112 thousand, to companies in the Sogefi group for € 52,112 thousand and to the parent CIR S.p.A. for € 32 thousand.

## 10.d. Employee benefits

The breakdown of the item is as follows:

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Post-employment benefits (TFR) | 18,999 | 23,305 |
| Pension funds and similar obligations | 23,531 | 28,276 |
| **Total** | **42,530** | **51,581** |

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Opening balance | 51,581 | 73,745 |
| Accrual for labour provided during the year | 12,346 | 15,192 |
| Increases for interest | 1,502 | 1,320 |
| Actuarial gains (losses) | 968 | (9,286) |
| Benefits paid | (14,553) | (15,697) |
| Exchange rate differences | 189 | (483) |
| Other changes | (9,503) | (13,210) |
| **Closing balance** | **42,530** | **51,581** |

The item mainly refers to companies of the Sogefi group for € 19,361 thousand, to companies of the KOS group for € 20,586 thousand and to the parent CIR S.p.A. for € 2,311 thousand.

The decrease in this item refers mainly to the Sogefi group.

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

| | |
|---|---|
| Annual technical discount rate | 3.08% - 4.60% |
| Annual inflation rate | 2.0% - 3.10% |
| Annual rate of pay increases | 0.50% - 2.20% |
| Annual rate of TFR increase | 3% |

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

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

*Great Britain*

In Great Britain, pension plans are mainly private in nature and are entered into with management companies and administered independently of the company.
They are classified as defined benefit plans, subject to actuarial valuation and accounted for in accordance with IAS 19.

With regard to governance of the plan, the directors, made up of representatives of employees, former employees and the employer, must by law act in the interest of the fund and of all the main stakeholders and are responsible for the investment policies of the plan's assets.
As regards the nature of employee benefits, they have the right, on termination of employment, to receive an annual amount calculated by multiplying a portion of the salary received at retirement age for each year of service with the company up to the age of retirement.

*France*

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

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

## 10.e. Provisions

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

| *(in thousands of euro)* | *Provision for restructuring charges* | *Provision for product warranties* | *Provision for other risks* | *Total* |
|---|---|---|---|---|
| Balance at 31 December 2022 | 436 | 50 | 10,326 | 10,812 |
| Accruals for the year | 21 | (50) | 1,787 | 1,758 |
| Uses | -- | -- | (3,285) | (3,285) |
| Exchange gains (losses) | 9 | -- | (200) | (191) |
| Other changes | (396) | -- | 590 | 194 |
| **Balance at 31 December 2023** | **70** | **--** | **9,218** | **9,288** |

This item consists of amounts attributable to the Sogefi group companies for € 4,463 thousand and to the KOS group companies for € 4,176 thousand.

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

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

The "Provision for other risks" was set aside mainly for disputes of various kinds involving various Group companies and includes liabilities to employees and other subjects. It refers principally to companies of the KOS group for € 4,176 thousand and to Sogefi group companies for € 4,393 thousand.

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

| *(in thousands of euro)* | *Provision for restructuring charges* | *Provision for product warranties* | *Provision for other risks* | *Total* |
|---|---|---|---|---|
| Balance at 31 December 2022 | 3,124 | 3,769 | 44,734 | 51,627 |
| Accruals for the year | 1,696 | 3,649 | 8,040 | 13,385 |
| Uses | (2,254) | (313) | (12,747) | (15,314) |
| Exchange rate differences | 40 | 4 | 7 | 51 |
| Other changes | 424 | 2 | 356 | 782 |
| **Balance at 31 December 2023** | **3,030** | **7,111** | **40,390** | **50,531** |

This item consists of amounts attributable to the Sogefi group companies for € 12,383 thousand and to the KOS group companies for € 37,298 thousand.

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

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

The "Provision for other risks" was set aside mainly for disputes of various kinds involving various Group companies and includes liabilities to employees and other subjects. It refers principally to companies of the KOS group for € 37,298 thousand and to Sogefi group companies for € 2,242 thousand.

In particular, the KOS group is a party to various civil proceedings involving medical and surgical practice, which could lead to compensation orders. The potential liabilities that could derive from pending disputes were assessed and a provision was made in the financial statements to cover the risk of losing these proceedings. Lawsuits and disputes can derive from complex and difficult problems, subject to a varying degree of uncertainty and characterised by differing levels of justice over a long period of time. This estimate is the result of an articulated process, which involves consultants essentially in the legal and medical field and subjective judgements by the management of the group company. Against the assessments made, there are provisions in the financial statements for disputes against third parties and staff for an amount equal to € 9,092 thousand.

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

We would also point out the inclusion of € 14,489 thousand of employee benefit obligations in the provisions for other risks, other than provision for restructuring charges.

# 11 Current liabilities

## 11.a. Bonds

This item, totalling € 72,166 thousand, includes € 7,500 thousand for the current portion of the Sogefi S.p.A. Bond 2019/2025 and € 64,666 thousand for the current portion of the private placements issued by KOS S.p.A.

## 11.b. Other financial liabilities

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---:|---:|
| Collateralised bank loans and borrowings | 3,025 | 5,000 |
| Other bank loans and borrowings | 66,297 | 43,954 |
| Other loans and borrowings | 4,663 | 2,578 |
| **Total** | **73,985** | **51,532** |

This item refers to loans to Sogefi group companies for € 55,782 thousand, to loans to KOS group companies for € 17,350 thousand and other financial liabilities of the subsidiary CIR International S.A.

## 11.c. Lease liabilities

This caption, € 72,214 thousand (€ 67,639 thousand at 31 December 2022), comprises the lease liabilities of companies within the KOS group, € 59,497 thousand, and the Sogefi group, € 12,689 thousand, as well as those of CIR S.p.A., € 28 thousand.

## 11.d. Trade payables

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---:|---:|
| Suppliers | 287,591 | 314,530 |
| Payments on account | 38,661 | 37,574 |
| **Total** | **326,252** | **352,104** |

The item “Suppliers” refers for € 218,569 thousand (€ 239,194 thousand at 31 December 2022) to the Sogefi group and for € 68,565 thousand (€ 74,841 thousand at 31 December 2022) to the KOS group.
“Payments on account” mainly include the liabilities recognised by the Sogefi group on FTA of IFRS 15. These liabilities represent the amounts received from customers for the sale of tooling and prototypes that will be recognised in profit or loss over the life of the product.

## 11.e. Other liabilities

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---:|---:|
| Due to employees | 69,919 | 66,694 |
| Tax liabilities | 32,399 | 27,032 |
| Social security payables | 30,276 | 28,270 |
| Other | 84,408 | 84,530 |
| **Total** | **217,002** | **206,526** |

The item “Due to employees” refers for € 32,265 thousand to the KOS group and for € 37,414 thousand to the Sogefi group.

“Tax liabilities” refer for € 9,852 thousand to the KOS group and for € 20,215 thousand to the Sogefi group.

The item “Social security payables” concerns for € 13,877 thousand the KOS group and for € 16,262 thousand the Sogefi group.

“Other” relates for € 58,486 thousand to the Sogefi group. In particular, the amount of € 42,199 thousand refers to credit notes to be issued to customers for price reductions and discounts granted to customers of the Aftermarket segment upon reaching certain levels of turnover.

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

# Notes to the Income Statement

## 12. Revenue

- BREAKDOWN BY BUSINESS SEGMENT

| *(in millions of euro)* | *2023* | | *2022* | | *Change* |
|---|---|---|---|---|---|
| | *amount* | *%* | *amount* | *%* | *%* |
| Automotive components | 1,627.9 | 68.4 | 1,543.4 | 69.3 | 5.5 |
| Healthcare | 751.9 | 31.6 | 683.4 | 30.7 | 10.0 |
| **Total consolidated revenue** | **2,379.8** | **100.0** | **2,226.8** | **100.0** | **6.9** |

- BREAKDOWN BY GEOGRAPHICAL AREA

*(in millions of euro)*

| ***2023*** | *Total revenue* | *Italy* | *Other European countries* | *North America* | *South America* | *Asia* | *Other Countries* |
|---|---|---|---|---|---|---|---|
| Automotive components | 1,627.9 | 69.0 | 872.0 | 377.1 | 70.7 | 226.0 | 13.1 |
| Healthcare | 751.9 | 530.7 | 221.2 | - | -- | -- | -- |
| **Total consolidated revenue** | **2,379.8** | **599.7** | **1,093.2** | **377.1** | **70.7** | **226.0** | **13.1** |
| Percentages | 100.0% | 25.2% | 45.9% | 15.8% | 3.0% | 9.5% | 0.6% |

*(in millions of euro)*

| ***2022 (+)*** | *Total revenue* | *Italy* | *Other European countries* | *North America* | *South America* | *Asia* | *Other Countries* |
|---|---|---|---|---|---|---|---|
| Automotive components | 1,543.4 | 64.9 | 798.3 | 341.9 | 110.1 | 213.2 | 15.0 |
| Healthcare | 683.4 | 492.1 | 191.3 | -- | -- | -- | -- |
| **Total consolidated revenue** | **2,226.8** | **557.0** | **989.6** | **341.9** | **110.1** | **213.2** | **15.0** |
| Percentages | 100.0% | 25.0% | 44.4% | 15.4% | 4.9% | 9.6% | 0.7% |

*(*) The 2022 amounts of the Sogefi group were reclassified following the application of IFRS 5 "Non-current assets held for sale and discontinued operations" to Sogefi's activities in the suspension business in North America (Mexico)*

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

# 13 Operating income and expense

## 13.a. Costs for the purchase of goods

This item went from € 966,367 thousand in 2022 to € 979,350 thousand in 2023. The increase is mainly attributable to the Sogefi group.

## 13.b. Costs for services

This item went from € 314,738 thousand in 2022 to € 335,222 thousand in 2023, as can be seen from the following breakdown:

| *(in thousands of euro)* | *2023* | *2022* |
|---|---:|---:|
| Technical and professional consulting | 95,372 | 84,673 |
| Distribution and transport costs | 21,455 | 19,040 |
| Outsourcing | 23,778 | 22,689 |
| Other | 194,617 | 188,336 |
| **Total** | **335,222** | **314,738** |

The increase is attributable for € 13,082 thousand to the Sogefi group and for € 7,503 thousand to the KOS group.

## 13.c. Personnel expense

Personnel expense totalled € 683,030 thousand in 2023 (€ 637,487 thousand in 2022).

| *(in thousands of euro)* | *2023* | *2022* |
|---|---:|---:|
| Salaries and wages | 494,055 | 462,920 |
| Social security contributions | 132,456 | 123,734 |
| Post-employment benefits | 11,961 | 12,214 |
| Pensions and similar benefits | 385 | 2,978 |
| Measurement of stock option and stock grant plans | 1,732 | 1,713 |
| Other costs | 42,441 | 33,928 |
| **Total** | **683,030** | **637,487** |

The Group had an average of 16,999 employees in 2023 (16,764 in 2022).

The increase is attributable for € 19,274 thousand to the Sogefi group and for € 26,660 thousand to the KOS group.

The increase is due to the rise in business compared to 2022, the wage increases recorded (in particular by the German subsidiary of the KOS Group) and the effects of the acquisitions made in the financial years 2022 and 2023.

### 13.d. Other operating income

This item can be broken down as follows:

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Grants related to income | 3,019 | 3,576 |
| Gains on asset disposals | 1,568 | 3,160 |
| Prior period and other income | 29,344 | 40,820 |
| **Total** | **33,931** | **47,556** |

The decrease in the item "Prior period and other income" is mainly attributable to the KOS group, due to lower COVID refunds and subsidies in Germany and Italy for a total amount of € 8,264 thousand.

### 13.e. Other operating expense

This item can be broken down as follows:

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Impairment and credit losses | 69 | 2,886 |
| Accruals to provisions for risks and charges | 4,937 | 5,332 |
| Indirect taxes | 37,955 | 37,206 |
| Restructuring charges | 3,826 | (592) |
| Losses on asset disposals | 1,540 | 2,555 |
| Prior year and other losses | 19,738 | 19,981 |
| **Total** | **68,065** | **67,368** |

"Prior year and other losses" of last year included € 4,197 thousand for the portion of the registration tax due for the judgements in the Lodo Mondadori case requested by the other party.

## 14 Financial income and expense

### 14.a. Financial income

This item includes the following:

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Interest income on bank accounts | 5,192 | 3,443 |
| Interest income on securities | 993 | 191 |
| Other interest income | 11,305 | 4,262 |
| Interest rate derivatives | 2,986 | 627 |
| Exchange gains | 2 | 382 |
| **Total** | **20,478** | **8,905** |

The increase in "Other interest income" was mainly attributable, within the Sogefi group, to dollar-linked bond instruments, which rose from € 383 thousand in 2022 to € 5,994 thousand in 2023.

## 14.b. Financial expense

This item includes the following:

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Interest expense on bank loans | 26,153 | 14,220 |
| Interest expense on bonds | 2,182 | 3,343 |
| Interest on lease liabilities | 24,349 | 23,543 |
| Other interest | 9,994 | 6,249 |
| Interest rate derivatives | 551 | 836 |
| Exchange losses | 1,175 | 935 |
| Other financial expense | 6,803 | 7,860 |
| **Total** | **71,207** | **56,986** |

The increase in the item "Interest expense on bank loans" is mainly due to the increase in interest rates compared to the previous year.

## 14.c. Gains from securities trading

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

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Shares - other companies | -- | 10 |
| Other securities and other gains | 786 | 3,878 |
| **Total** | **786** | **3,888** |

"Other securities and other gains" mainly relate to CIR S.p.A. and the financial holding companies and refer for € 533 thousand to investments in item 7.h "Other financial assets, including derivatives" of non-current assets, for € 253 thousand to investments in item 8.f "Other financial assets, including derivatives" of current assets.

## 14.d. Losses from securities trading

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

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Other securities and other losses | 3,011 | 887 |
| **Total** | **3,011** | **887** |

"Other securities and other losses" mainly relate to CIR S.p.A. and the financial holding companies and refer for € 220 thousand to investments in item 7.h "Other financial assets, including derivatives" of non-current assets, for € 2,791 thousand to investments in item 8.f "Other financial assets, including derivatives" of current assets.

## 14.e. Fair value gains (losses) on financial assets

The item in question, which is positive for € 4,765 thousand, refers to CIR S.p.A. and financial holding companies and relates for € 9,807 thousand to the positive fair value valuation of "Securities" and "Other financial assets, including derivatives" recognised under current assets and for € 5.042 thousand to the negative change in "Other financial assets, including derivatives" and "Other assets" recognised under non-current assets.

## 15 Income taxes

Income taxes can be broken down as follows:

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Current taxes | 25,222 | 20,968 |
| Deferred taxes | (940) | (7,948) |
| **Total** | **24,282** | **13,020** |

The following table shows a reconciliation of the ordinary tax rate and the effective tax rate for 2023:

| *(in thousands of euro)* | *2023* |
|---|---|
| Profit before taxes of continuing operations shown in the financial statements | 98,090 |
| Theoretical income taxes | 23,542 |
| Tax effect of non-deductible costs | 1,016 |
| Tax effect related to losses from previous years originating deferred taxes in the period | 96 |
| Tax effect of prior year losses which did not generate deferred tax assets | (3,488) |
| Tax effect on interest rate differentials of foreign companies | 1,319 |
| Non-taxable grants | -- |
| Other | (880) |
| Income taxes | 21,605 |
| Average effective tax rate | 24.00 |
| Theoretical tax rate | 22.03 |
| IRAP and other taxes | 2,734 |
| Income taxes from prior years | (57) |
| **Total taxes as per the consolidated financial statements** | **24,282** |

The Pillar Two/GloBE model rules became effective in Italy for periods beginning on or after 1 January 2024 by means of Legislative Decree no. 209/2023 implementing Directive no. 2523/2022/EU and apply to CIR S.p.A., providing that the entities belonging to the Group (wherever located) are subject to a minimum tax rate of 15%, to be determined on the basis of a detailed computation based on the accounting and tax data of such entities. Where the level of taxation is lower than the minimum level, a minimum tax (the "Top-Up Tax") shall be applied up to 15%.

As required by IAS 12 (in particular, the "Amendments to IAS 12 Income Taxes-International Tax Reform-Pillar Two Model Rules"), the Group carried out an analysis, with the support of an external consultant, in order to identify the scope of application and the potential impact of this new legislation on the jurisdictions of its consolidation scope, also making use of the so-called transitional safe harbours applicable in the three-year period 2024-2026 (the transitional period) as provided for by the OECD Guidelines. These rules require that no top-up tax is due if any of the following tests are passed (to be performed with respect to each jurisdiction):

- *De minimis test*: revenue in the jurisdiction is below € 10 million and aggregate pre-tax profit is below € 1 million;

- *Simplified effective tax rate test*: the level of effective taxation is at least 15% (for 2024), as determined on the basis of the ratio of the aggregate values of pre-tax profit/loss (denominator) and income tax (numerator). In this regard, the numerator figure represents the value of current and deferred income taxes (with some specific adjustments) recognised in the reporting packages of subsidiaries in a given jurisdiction;
- *Routine profit test*: the aggregate value of the "*Substance-based income exclusion*" ("SBIE") required by Pillar Two rules is higher than or equal to the aggregate amount of the pre-tax profit/loss. As stipulated in the OECD Guidelines, in the event that a pre-tax loss is present for a jurisdiction, the test is considered to be passed.

If none of the tests are passed for a specific jurisdiction, the Group is required to calculate the level of effective taxation based on the full set of Pillar Two rules, i.e. by making specific "adjustments" to the accounting and tax data of entities located in that jurisdiction, also for the purpose of determining - where this level of effective taxation is below 15% - the amount of the minimum tax due.

On the basis of current figures - for CIR S.p.A. and its subsidiaries - the company Fratelli De Benedetti S.p.A. assumes the role of "Ultimate Parent Entity" while the companies CIR S.p.A., Sogefi S.p.A. and KOS S.p.A. assume the role of "Partially Owned Parent Entity" ("POPE").

In addition, for the purposes of Pillar Two rules, the companies Sogefi S.p.A. and KOS S.p.A. have the status of "Minority-Owned Constituent Entity" ("MOCE") and, in relation to its subsidiaries, of "Minority-Owned Parent Entity".

In accordance with the OECD Guidelines, the transitional safe harbours tests have been prepared using - from a forward-looking perspective - the information available in the Ultimate Parent Entity's "Country-by-Country Report" for the financial years 2021 and 2022 and the reporting packages prepared by the controlled entities for the purpose of preparing the Group's consolidated financial statements for the financial year 2023 using an approach that considers the "aggregate" data of the entities within the group in a single jurisdiction where the group operates ("jurisdictional approach").

Based on this activity, transitional safe harbours were positively found in all jurisdictions for CIR S.p.A., including its wholly-owned subsidiaries, and the KOS group.

As far as the Sogefi group is concerned, transitional safe harbours were positively found for the following jurisdictions: Netherlands, Sweden, Russian Federation, France, Spain, India, Canada, USA, Argentina, Brazil, Italy, Germany, Romania, UK, Mexico. The jurisdictions that did not pass any of the applicable tests during the transitional period (based on data for the financial year 2023) and, therefore, could result in the application of the supplementary tax are Slovenia, China and Morocco.

It is specified that - in the prospective view adopted for the purposes of this disclosure on the expected impacts of the entry into force of the Pillar Two rules as of 1 January 2024 - the results described above are in line with the analyses carried out for the application of the transitional safe harbours for the financial years 2021 and 2022.

On the basis of the data available to date for 2023 (reporting packages prepared by the subsidiaries for the purposes of preparing the group's consolidated financial statements and CbCR data), on a forward-looking basis considering the "adjustments" that could have an impact on the level of effective taxation in 2024, for the Sogefi group entities located in Slovenia, China and Morocco, the estimated amount of the supplementary tax would be € 227 thousand (of which € 141 thousand relating to Slovenia, € 58 thousand relating to China and € 28 thousand relating to Morocco).

This estimated value - based on a prospective approach of the data available to date, as detailed above - represents the best estimate to date available to the Group on the impacts expected from the entry into force of the articulated set of Pillar Two rules starting from 2024 and has been determined considering the amount of pre-tax income, the amount of the Substance-based income exclusion and a minimum tax rate equal to the difference between 15% and the effective tax rate in the individual jurisdiction (obtained on the basis of the Simplified effective tax rate test described above). Since not all the adjustments that would have been required by the Pillar 2 regulations "at full capacity" have been included in the calculation, the actual impacts that the Pillar Two regulations might have had on the Group's income, had they been in place for the year 2023, might have been different than the estimate made on the historical data available to date.

Finally, it should be noted that the Group has not recognised any effect for deferred taxation purposes arising from the entry into force of the Pillar Two rules as of 1 January 2024.

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

The item changed from a loss of € 726 thousand in 2022 to a loss of € 6,893 thousand in 2023, which breaks down as follows:

- -€ 6,658 thousand (-€ 1,438 thousand in 2022) related to the sale of the Suspensions business in Mexico of the Sogefi group;
- +€ 939 thousand (+€ 712 thousand in 2022) related to the sale of the Diagnostic & Cancer Care business in India of the KOS group;
- +€ 4,711 thousand related to the gain on the sale by the parent CIR S.p.A. in June 2023 of a non-operating property located in Rome. The sales price received amounted to € 6,700 thousand, the tax effects amounted to -€ 1,715 thousand and the costs associated with the disposal amounted to -€ 120 thousand;
- -€ 5,885 thousand for the allocation of a provision for risks, relating to a specific guarantee issued by the parent CIR S.P.A. to the purchaser in connection with the GEDI sale. On 11 December 2023, GEDI announced that it had incurred a liability as a result of the procedure, which has not yet been concluded, and therefore requested CIR S.p.A. to be indemnified for the portion corresponding to 38.6% of such liability. CIR fulfilled this request with the payment in December 2023 of an amount of € 4,820 thousand. For more details, please refer to note 25. "Contingent liabilities"

## 17 Basic earnings per share

Basic earnings (loss) per share is calculated by dividing the net profit (loss) for the year, which is the profit from continuing operations and the loss from discontinued operations attributable to the owners of the parent by the weighted average number of shares outstanding during the year, excluding treasury shares in portfolio. Diluted earnings (loss) per share is calculated by dividing the net profit (loss) for the year, which is the profit from continuing operations and the loss from discontinued operations attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares in portfolio and adjusted for the dilutive effects of outstanding options. Treasury shares are not included in the calculation of outstanding shares.

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

| **Basic earnings per share** | | |
|---|---|---|
| | *2023* | *2022* |
| Profit (loss) for the year attributable to the owners of the parent (in euro) | 32,792 | (257) |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| **Basic earnings per share (euro)** | **0.0308** | **-0.0002** |

| | *2023* | *2022* |
|---|---|---|
| Comprehensive income attributable to owners of the parent (in euro) | 20,230 | 4,442 |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| **Basic earnings per share (euro)** | **0.0190** | **0.0041** |

| | *2023* | *2022* |
|---|---|---|
| Profit from continuing operations attributable to owners of the parent (in euro) | 73,808 | 15,626 |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| **Basic earnings per share (euro)** | **0.0693** | **0.0143** |

| | *2023* | *2022* |
|---|---|---|
| Loss from discontinued operations attributable to the owners of the parent (in euro) | (6,893) | (726) |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| **Basic earnings per share (euro)** | **(0.0065)** | **(0.0007)** |

| **Diluted earnings per share** | | |
|---|---|---|
| | *2023* | *2022* |
| Profit (loss) for the year attributable to the owners of the parent (in euro) | 32,792 | (257) |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| Weighted average number of options | 5,982,376 | 4,590,647 |
| No. of shares that could have been issued at fair value | -- | -- |
| Adjusted weighted average number of shares outstanding | 1,070,524,495 | 1,094,334,881 |
| **Diluted earnings per share (in euro)** | **0.0306** | **(0.0002)** |

| | 2023 | 2022 |
|---|---|---|
| Comprehensive income attributable to owners of the parent (in euro) | 20,230 | 4,442 |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| Weighted average number of options | 5,982,376 | 4,590,647 |
| No. of shares that could have been issued at fair value | -- | -- |
| Adjusted weighted average number of shares outstanding | 1,070,524,495 | 1,094,334,881 |
| **Diluted earnings per share (in euro)** | **0.0189** | **0.0041** |

| | 2023 | 2022 |
|---|---|---|
| Profit from continuing operations attributable to the owners of the parent (in euro) | 73,808 | 15,626 |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| Weighted average number of options | 5,982,376 | 4,590,647 |
| No. of shares that could have been issued at fair value | -- | -- |
| Adjusted weighted average number of shares outstanding | 1,070,524,495 | 1,094,334,881 |
| **Diluted earnings per share (in euro)** | **0.0689** | **0.0143** |

| | 2023 | 2022 |
|---|---|---|
| Loss from discontinued operations attributable to the owners of the parent (in euro) | (6,893) | (726) |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| Weighted average number of options | 5,982,376 | 4,590,647 |
| No. of shares that could have been issued at fair value | -- | -- |
| Adjusted weighted average number of shares outstanding | 1,070,524,495 | 1,094,334,881 |
| **Diluted earnings per share (in euro)** | **(0.0064)** | **(0.0007)** |

## 18 Dividends paid

No dividends were paid by the parent CIR S.p.A.

## 19 Financial risk management: additional disclosures

The Group operates in various industry and service sectors, both nationally and internationally, and manages a portfolio of financial assets: so its business is exposed to various kinds of financial risk, including market risk (currency risk and price risk), credit risk, liquidity risk and interest rate risk.

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

## 19.a. Market risk

Price risk

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

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

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE FINANCIAL STATEMENTS

| Category of financial assets and liabilities at 31 December 2023 | Classification | Carrying amount |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| OTHER EQUITY INVESTMENTS | FVTOCI | 1,872 |
| OTHER ASSETS | Amortised cost | 36,141 |
| OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES | Amortised cost | 6,771 |
| OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES | FVTPL | 66,161 |
| **CURRENT ASSETS** | | |
| TRADE RECEIVABLES | Amortised cost, expected loss for counterparty risk | 254,658 |
| OTHER ASSETS | Amortised cost, expected loss for counterparty risk | 67,254 |
| LOAN ASSETS | Amortised cost, expected loss for counterparty risk | 16,014 |
| SECURITIES | FVTPL | 74,806 |
| OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES | Amortised cost, expected loss for counterparty risk | 106,848 |
| OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES | FVTPL | 208,474 |
| CASH AND CASH EQUIVALENTS | Amortised cost, expected loss for counterparty risk | 149,991 |
| **NON-CURRENT LIABILITIES** | | |
| BONDS | Amortised cost | 79,870 |
| OTHER FINANCIAL LIABILITIES | Amortised cost | 345,038 |
| LEASE LIABILITIES | Amortised cost | 793,256 |
| **CURRENT LIABILITIES** | | |
| BANK LOANS AND BORROWINGS | Amortised cost | 659 |
| BONDS | Amortised cost | 72,166 |
| OTHER FINANCIAL LIABILITIES | Amortised cost | 73,985 |
| LEASE LIABILITIES | Amortised cost | 72,214 |
| TRADE PAYABLES | Amortised cost | 326,252 |

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

DETAILS OF OTHER FINANCIAL ASSETS SHOWN IN THE FINANCIAL STATEMENTS

| Category of financial assets and liabilities at 31 December 2023 | Classification | Carrying amount | Fair value Level 1 | Fair value Level 2 | Fair value Level 3 |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | | |
| OTHER FINANCIAL ASSETS | FVTPL | 66,161 | -- | 66,161 | -- |
| **CURRENT ASSETS** | | | | | |
| SECURITIES | FVTPL | 74,806 | 63,873 | 10,933 | -- |
| OTHER FINANCIAL ASSETS | FVTPL | 208,474 | -- | 208,474 | -- |

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

Currency risk

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

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

| *Sensitivity analysis on the EUR/USD exchange rate* | *31.12.2023* | | *31.12.2022* | |
|---|---|---|---|---|
| Shift in the EUR/USD exchange rate | -5% | +5% | -5% | +5% |
| Change in profit or loss (EUR/thousand) | 2,100 | (1,858) | 2,756 | (2,453) |
| Change in equity (EUR/thousand) | 2,100 | (1,858) | 2,756 | (2,453) |

## 19.b. Credit risk

The Group is exposed to credit risk both in commercial terms in relation to the type of customers, the contractual terms and the concentration of sales, and in financial terms in relation to the creditworthiness of the counterparties used in financial transactions. The monitoring of credit risk versus customers includes grouping assets together by type, age, whether the company is in financial difficulty or is involved in disputes and the existence of legal or insolvency proceedings.
There is no significant counterparty concentration of credit risk within the group.
Some time ago adequate policies were put in place to ensure that sales are made to customers of an appropriate credit history. The counterparties for derivative products and cash transactions are exclusively financial institutions with a high credit rating. The group has policies that limit credit exposure to individual financial institutions.
Credit risk can vary depending on the business segment concerned.
In the "Automotive Components" segment there is no excessive concentration of credit risk since the Original Equipment and Aftermarket distribution channels with which the Sogefi group operates are car manufacturers or large purchasing groups without any particular concentration of risk or counterparties with low creditworthiness.
The "Healthcare" segment shows a higher concentration of assets, since its main counterparties are the Italian and German public administration. This concentration is also mitigated by the fact that the exposure to the Italian public sector is distributed over a large number of counterparties (individual regions and ultimately the local health units), and a significant portion of the assets is from individual private customers. For example, the concentration of trade receivables is lower than in the case of management of residential care homes, whose revenue derive more than 50%

from the number of guests in the facility and whose trade receivables recorded in the financial statements from public entities (mainly local health authorities and municipalities) are due from a plurality of subjects. The concentration of trade receivables is greater in the case of hospital management due to the fact that almost all of the revenue derives from the public sector.

### 19.c. Liquidity risk

In order to maintain a correct balance between procurement and use of financial resources, Group companies make sure that they maintain sufficient liquidity and/or negotiable securities and access to additional financial resources, obtainable through an adequate level of committed credit lines.
The companies heading up the three main business segments (automotive, healthcare and management of financial assets of holding companies) manage their own liquidity risk directly and independently, through centralised treasury operations. The Group operating companies ensure strict control over the net financial position and its short, medium and long term evolution, follow a very prudential debt policy, having recourse largely to medium/long term financing structures and in excess of the expected needs, and systematically respect the deadlines of payment commitments, conduct that makes it possible to operate in the market with the necessary reliability. The parent and the financial holding companies, which have a positive aggregate net financial position, manage liquidity risk, relating to the monetization of assets if cash is required for investments or other uses, through an investment policy that provides for the short-term liquidability of the majority of financial assets.

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

## CREDIT RISK

*(in thousands of euro)*

| **Position at 31 December 2023** | *Items in the financial statements* | *Total* | *Not yet due* | *Expired by >* | *0 - 30 days* | *30 - 60 days* | *60 - 90 days* | *over 90 days* | *Expired/ renegotiated* | *Impairment losses* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Other assets (non-current assets) (*)** | 7.g. | 24,503 | 23,796 | 707 | -- | -- | -- | 707 | -- | |
| Gross | | 39,010 | 23,932 | 15,078 | -- | -- | -- | 15,078 | -- | |
| Loss allowance | | (14,507) | (136) | (14,371) | -- | -- | -- | (14,371) | -- | (296) |
| **Trade receivables** | 8.b. | 254,658 | 197,671 | 56,987 | 22,978 | 4,798 | 4,204 | 25,007 | -- | |
| Gross | | 279,514 | 199,824 | 79,690 | 23,231 | 5,246 | 4,510 | 46,703 | -- | |
| Loss allowance | | (24,856) | (2,153) | (22,703) | (253) | (448) | (306) | (21,696) | -- | (2,079) |
| **Other assets (current assets)** (**) | 8.c. | 33,000 | 33,000 | -- | -- | -- | -- | -- | -- | |
| Gross | | 34,536 | 33,686 | 850 | -- | -- | -- | 850 | -- | |
| Loss allowance | | (1,536) | (686) | (850) | -- | -- | -- | (850) | -- | (19) |
| **Total** | | **312,161** | **254,467** | **57,694** | **22,978** | **4,798** | **4,204** | **25,714** | | **(2,394)** |

*(*) € 11,638 thousand of tax receivables not included*

*(**) € 34,254 thousand of tax receivables not included*

*(in thousands of euro)*

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

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

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

## LOSS ALLOWANCE

*(in thousands of euro)*

| Position at 31 December 2023 | *Opening balance* | *Impairment losses* | *Uses* | *Exchange difference +/-* | *Business combinations +/-* | *Other changes* | *Final balance* |
|---|---|---|---|---|---|---|---|
| Loss allowance | (44,624) | (2,394) | 6,119 | -- | -- | -- | (40,899) |

*(in thousands of euro)*

| Position at 31 December 2022 | *Opening balance* | *Impairment losses* | *Uses* | *Exchange difference +/-* | *Business combinations +/-* | *Other changes* | *Final balance* |
|---|---|---|---|---|---|---|---|
| Loss allowance | (52,920) | (2,767) | 2,057 | 16 | 8,990 | -- | (44,624) |

## LIQUIDITY RISK - 2023

| (in thousands of euro) | *<1 year* | *>1 <2 years* | *>2 <3 years* | *>3 <4 years* | *>4 <5 years* | *>5 years* | *Total* |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Bonds | 74,237 | 80,789 | -- | -- | -- | -- | 155,026 |
| Other financial liabilities: | | | | | | | |
| *- Bank loans and borrowings* | 91,684 | 127,540 | 115,683 | 84,843 | 45,840 | -- | 465,590 |
| *- Loans and borrowings from other financial backers* | 6,248 | 152 | 153 | 60 | 387 | 46 | 7,046 |
| Bank loans and borrowings | 659 | -- | -- | -- | -- | -- | 659 |
| Trade payables | 326,252 | 56,449 | -- | -- | -- | -- | 382,701 |
| **Derivative financial liabilities** | | | | | | | |
| Hedging derivatives | 2,317 | 970 | 160 | -- | -- | -- | 3,447 |
| Non-hedging derivatives | -- | -- | -- | -- | -- | -- | -- |
| **TOTAL** | **501,397** | **265,900** | **115,996** | **84,903** | **46,227** | **46** | **1,014,469** |

## LIQUIDITY RISK - 2022

| (in thousands of euro) | *<1 year* | *>1 <2 years* | *>2 <3 years* | *>3 <4 years* | *>4 <5 years* | *>5 years* | *Total* |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Bonds | 26,126 | 74,237 | 80,723 | -- | -- | -- | 181,086 |
| Other financial liabilities: | | | | | | | |
| *- Bank loans and borrowings* | 66,056 | 86,532 | 117,688 | 106,264 | 74,438 | 45,775 | 496,753 |
| *- Loans and borrowings from other financial backers* | 3,794 | 438 | 63 | -- | -- | -- | 4,295 |
| Bank loans and borrowings | 1,981 | -- | -- | -- | -- | -- | 1,981 |
| Trade payables | 352,104 | 63,082 | -- | -- | -- | -- | 415,186 |
| **Derivative financial liabilities** | | | | | | | |
| Hedging derivatives | (2,655) | (2,066) | (959) | (159) | -- | -- | (5,839) |
| Non-hedging derivatives | -- | -- | -- | -- | -- | -- | -- |
| **TOTAL** | **447,406** | **222,223** | **197,515** | **106,105** | **74,438** | **45,775** | **1,093,462** |

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

Interest rate risk depends on fluctuations in market rates, which can cause changes in the fair value and/or cash flows of financial assets or liabilities.

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

In line with the group's risk management policies, the subsidiaries have entered into various loan contracts with fixed interest rates and into IRS contracts with leading financial institutions over the years in order to hedge the interest risk on floating-rate loan contracts.

*Sensitivity analysis*

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

| *(in thousands of euro)* | *31.12.2023* | | *31.12.2022* | |
|---|---|---|---|---|
| Change | -1% | +1% | -1% | +1% |
| Change in profit or loss | 2,058 | (2,488) | 900 | (2,523) |
| Change in equity | 1,379 | (1,804) | (337) | (1,275) |

## 19.e. Derivatives

Derivatives are measured at fair value.

For accounting purposes hedging transactions can be classified as:

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

For derivatives classified as fair value hedges, gains and losses resulting from both the determination of their market value and the fair value gains or losses of the element underlying the hedge are recognised in the income statement.

For instruments classified as cash flow hedges (interest rate swaps), gains and losses from marking them to market are recognised directly in equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised to the income statement.

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

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

Hedge effectiveness is tested at regular intervals, with the effective part of the relationship being recognised in equity and the ineffective part, if any, in the income statement.

More specifically, the hedge is considered effective when fair value gains or losses or changes in the cash flows of the instrument being hedged is "almost entirely" offset by the fair value gains or losses or changes in the cash flow hedges, and when the results achieved are in a range of 80%-125%.

At 31 December 2023, the Group had the following derivative outstanding accounted for as hedges, expressed at their notional value:

*a) interest rate hedge:*

Sogefi group

- hedging of bank borrowings, with a notional value € 66.5 million.

KOS group

- hedging of bank borrowings, with a notional value € 4.4 million.

*b) exchange rate hedge:*

CIR International S.A.

- forward sales totalling USD 67.9 million to hedge investments in hedge funds.

Sogefi group

- forward purchase of € 90 thousand and sale of BRL expiring in 2024;
- forward sales of USD 800 thousand and purchases of BRL expiring in 2024;

## 19.f. Capital ratios

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

## 19.g. Borrowing conditions

Some of the group's borrowing agreements contain special clauses which, in the event of failure to comply with certain economic and financial covenants, give the financing banks an option to claim immediate repayment if the company involved does not immediately remedy the infringement of such covenants as required under the terms and conditions of the agreements.

At 31 December 2023, all contractual clauses relating to medium and long term financial liabilities were fully complied with by the group.

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

Sogefi group

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

- ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3.

At 31 December 2023, these covenants were all met.

KOS group

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

- ratio of consolidated net financial position to gross operating profit (loss) less than or equal to 3.5;
- ratio of gross operating profit (loss) to financial charges greater than or equal to 3,

- and a loan to value ratio of less than 60%.

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

At 31 December 2023, these covenants were all met.

## 20 Guarantees and commitments

At 31 December 2023, the position of guarantees and commitments was the following:

CIR & financial holding companies

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

Commitments for private equity fund investments by CIR International for € 18,953 thousand.

Sogefi group

*Investment commitments*

At 31 December 2023, there are binding commitments for investments relating to purchases of property, plant and machinery of € 552 thousand (€ 519 thousand at 31 December 2022).

*Guarantees given*

Details of these guarantees are as follows:

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Sureties given to third parties | 1,039 | 1,591 |
| Other unsecured guarantees given to third parties | 3,743 | 3,743 |
| Secured guarantees given for borrowings shown in the financial statements | 18,348 | 19,202 |

The sureties given in favour of third parties relate to guarantees given to certain customers by Sogefi Suspensions Heavy Duty Italy S.p.A., and to guarantees given to tax authorities by Sogefi Filtration Ltd; -sureties are shown at the amount of the outstanding commitment as of the reporting date. These items indicate risks, commitments and guarantees given by group companies to third parties.

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

The secured guarantees relate exclusively to the subsidiaries Sogefi Suspensions Eastern Europe S.R.L., Sogefi (Suzhou) Auto Parts Co., Ltd and Sogefi ADM Suspensions Private Limited which, for the loans obtained, have granted to the lenders secured guarantees over their property, plant and machinery and trade receivables.

*Other risks*

At 31 December 2023, the Sogefi Group held assets belonging to third parties on its premises for € 19,170 thousand (€ 18,907 thousand at 31 December 2022).

KOS group

The following is a breakdown of the bank guarantees and other sureties given by KOS S.p.A. and/or other subsidiaries against loans of KOS S.p.A. for a total of € 27,899 thousand:

- a guarantee on behalf of KOS S.p.A. for the lease of the Via Durini offices for € 46 thousand;
- a guarantee on behalf of KOS Care S.r.l. for lease contracts worth € 27,628 thousand;
- a guarantee in favour of the Municipality of Sanremo as a security deposit for urbanisation works, for € 225 thousand.

At 31 December 2023, other commitments and risks amounted to € 5,093 thousand, related to:

- assets on free loan for € 3,013 thousand;
- guarantees issued by Ospedale di Suzzara in favour of F.lli Montecchi, for € 953 thousand;
- tenders for € 756 thousand;
- contractual commitments of around € 371 thousand.

With regard to the additional current guarantees, it should be noted that the € 100 million mortgage line, used for € 78 million, is guaranteed by mortgages registered on some of the KOS group's properties. In addition, this line is also guaranteed by the assignment to the lending banks of KOS's receivables from the group companies that have benefited from the funding. On the other hand, the corporate loans and bonds are guaranteed by the assignment of amounts due to KOS by subsidiaries, given that KOS has lent the proceeds of those loans to group companies.

## 21 Information on the business segment

The business segments coincide with the groups of companies that CIR S.p.A. controls: the KOS group for the Healthcare segment, the Sogefi group for Automotive components.

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

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

| *(in thousands of euro)* | *Assets* | *Investments* | *Depreciation/ Impairment losses* |
|---|---|---|---|
| Italy | 3,701,010 | 28,628 | 61,593 |
| Other European countries | 1,414,025 | 56,097 | 94,467 |
| North America | 171,538 | 12,602 | 24,210 |
| South America | 50,856 | 2,982 | 3,042 |
| Asia | 174,821 | 22,007 | 20,283 |
| Consolidation gains (losses) | (2,280,987) | (694) | 2,456 |
| **Total** | **3,231,263** | **121,622** | **206,051** |

## 22 Joint ventures

The group does not hold any direct investments in joint ventures at 31 December 2023.

## 23 Net financial position

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

| *(in thousands of euro)* | | *31.12.2023* | *31.12.2022* |
|---|---|---|---|
| A. | Cash | 149,991 | 219,676 |
| B. | Cash equivalents | 315,322 | 241,243 |
| C. | Other current financial assets | 90,820 | 82,647 |
| **D.** | **Cash and cash equivalents (A) + (B) + (C)** | **556,133** | **543,566** |
| E. | Current financial indebtedness | 72,825 | 25,532 |
| F. | Current portion of non-current financial indebtedness | 146,199 | 119,171 |
| **G.** | **Current financial indebtedness (E) + (F)** | **219,024** | **144,703** |
| **H.** | **NET CURRENT FINANCIAL INDEBTEDNESS (G) - (D)** | **(337,109)** | **(398,863)** |
| I. | Non-current financial indebtedness | 1,138,294 | 1,206,697 |
| J. | Debt instruments | 79,870 | 151,304 |
| K. | Trade payables and other non-current liabilities | -- | -- |
| **L.** | **Non-current financial indebtedness (I) + (J) + (K)** | **1,218,164** | **1,358,001** |
| **M.** | **NET FINANCIAL INDEBTEDNESS (H) + (L)** | **881,055** | **959,138** |
| | **Other non-current financial assets** | **(9,532)** | **(8,545)** |
| | **NET FINANCIAL INDEBTEDNESS (as per the "Net Financial Position" in the tables in the Report on Operations)** | **871,523** | **950,593** |

A) item 8.g "Cash and cash equivalents";
B) item 8.f "Other financial assets, including derivatives";
C) item 8.d "Loan assets" and item 8.e "Securities";
E) item 8.g "Bank loans and borrowings" and item 11.a "Bonds";
F) item 11.b "Other financial liabilities" and item 11.c "Lease liabilities";
I) item 10.b "Other financial liabilities" and item 10.c "Lease liabilities";
J) item 10.a "Bonds".

## 24 Disclosures regarding share-based payment plans

*CIR S.p.A. - stock grant plans*

The stock grant plans involve the assignment free of charge of units, which are not transferable to third parties or other beneficiaries, each giving a right to be assigned one CIR S.p.A. share. The Plans envisage two classes of rights: time-based units, which vest subject to the passing of a certain period of time, and performance units, which vest subject to the passing of a certain period of time and the achievement of certain objectives in terms of the "normal market value" of the stock (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) as established in the Plan Regulations.

The regulations envisage a minimum holding of the shares covered by the Plan.

The shares assigned in implementation of the Plans will be made available only from treasury shares held by CIR S.p.A. The regulations state that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights and at the date that they are exercised.

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

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

- On 30 April 2021, the Shareholders' Meeting approved the 2021 Stock Grant Plan reserved for executives and directors of the Company and the subsidiaries, for a maximum of 5,000,000 units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 1/12th of the related total, each of which maturing on a quarterly basis from 30 April 2023 to 31 January 2026. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 1,782,642 time units were assigned during the year, whose maturity is subject to continued service, and 1,782,642 performance units, the maturity of which is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index.
- On 29 April 2022, the Shareholders' Meeting approved the 2022 Stock Grant Plan reserved for executives and directors of the Company and the subsidiaries, for a maximum of 5,000,000 units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 1/12th of the related total, each of which maturing on a quarterly basis from 30 April 2024 to 31 January 2027. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 2,137,235 time units were assigned during the year, whose maturity is subject to continued service with the company, and 2,137,234 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index.
- On 28 April 2023, the Shareholders' Meeting approved the 2023 Stock Grant Plan reserved for executives and directors of the Company and the subsidiaries, for a maximum of 5,000,000 units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 1/12th of the related total, each of which maturing on a quarterly basis from 1 May 2025 to 31 January 2028. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 2,292,272 time units were assigned during the year, whose maturity is subject to continued service with the company, and 2,292,272 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index.

The notional cost of the plans for 2023 was € 1,310 thousand, recognised in the income statement under "Personnel expense".

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

## CIR - STOCK GRANT PLANS AT 31 DECEMBER 2023

| | Instruments outstanding at start of period | | Instruments granted during the period | | Instruments exercised during the period | | Instruments vested during the period | | Instruments outstanding at end of period | | | Instruments exercisable at the end of the period | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Units | Opening amount | No. of Units | Opening amount | No. of Units | Weighted average strike price | No. of Units | Weighted average strike price | No. of Units | Opening amount | Average duration (years) | No. of Units | Opening amount |
| Stock Grant Plan 2016 | 1,033,057 | 0.5267 | - | - | - | - | - | - | 1,033,057 | 0.5267 | 2.33 | 1,033,057 | 0.5267 |
| Stock Grant Plan 2017 | 897,538 | 0.7144 | - | - | - | - | - | - | 897,538 | 0.7144 | 3.33 | 897,538 | 0.7144 |
| Stock Grant Plan 2018 | 1,453,451 | 0.4378 | - | - | - | - | - | - | 1,453,451 | 0.4378 | 4.33 | 1,453,451 | 0.4378 |
| Stock Grant Plan 2019 | 3,176,726 | 0.4557 | - | - | 69,870 | 0.4557 | 1,764,386 | 0.4557 | 1,342,470 | 0.4557 | 5.33 | 1,342,470 | 0.4557 |
| Stock Grant Plan 2020 | 3,585,927 | 0.4066 | - | - | 63,448 | 0.4066 | - | - | 3,522,479 | 0.4066 | 6.44 | 1,474,805 | 0.4066 |
| Stock Grant Plan 2021 | 3,565,284 | 0.4025 | - | - | 29,167 | 0.4025 | - | - | 3,536,117 | 0.4025 | 7.33 | 416,493 | 0.4025 |
| Stock Grant Plan 2022 | 4,274,469 | 0.3512 | - | - | - | - | 150,000 | 0.3512 | 4,124,469 | 0.3512 | 8.33 | - | - |
| Stock Grant Plan 2023 | -- | - | 4,584,544 | 0.3292 | - | - | 160,882 | 0.3292 | 4,423,662 | 0.3292 | 9.33 | - | |
| **Total** | **17,986,452** | **0.4261** | **4,274,469** | **0.3292** | **162,485** | **0.4270** | **2,075,268** | **0.4383** | **20,333,243** | **0.4030** | **7.04** | **6,617,814** | **0.4836** |

*SOGEFI S.p.A.*

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

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

*Stock grant plans*

The stock grant plans involve the assignment free of charge of units, which are not transferable to third parties or other beneficiaries, each giving a right to be assigned one Sogefi S.p.A. share free of charge.

Up to 2019, the Plans envisage two classes of rights: time-based units, which vest subject to the passing of a fixed period of time, and performance units, which vest subject to the passing of a term and the achievement of certain objectives based on the market value of the shares and established in the Plan Regulations.

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

In this regard, it should be noted that with the issue of the 2022 Stock Grant plan, the type B Performance Units will also be subject to the achievement of the non-financial objectives, measured on the basis of a comparison between the non-financial results and the non-financial objectives set in the regulation.

The regulation envisages a minimum holding for the shares covered by the Plan.

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

On 21 December 2023, the Board of Directors implemented the 2023 stock grant plan (approved by Shareholders' Meeting of 21 April 2023 for a maximum of 1,250,000 units) reserved for employees of the company and its subsidiaries by granting them a total of 980,000 units (of which 277,500 time-based units, 351,250 Type A performance units and 351,250 Type B performance units).
The time-based units mature in quarterly tranches, i.e. 8.33% of the related total, from 22 December 2025 to 22 September 2028.
The type A performance units will vest on the same dates envisaged for the time-based units, but only on condition that the increase in the fair market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.
The Type B performance units will vest in three tranches, each equal to one-third (1/3rd) of the total number of Type B performance units allocated, commencing from 22 December 2025. In particular, the vesting dates and conditions are indicated below:
1) the first tranche will vest from 22 December 2025, depending on achievement of the 2024 economic-financial objectives and non-financial objectives specified in the regulation;
2) the second tranche will vest from 22 December 2026, depending on achievement of the 2025 economic-financial objectives and non-financial objectives specified in the regulation;
3) the third tranche will vest from 22 December 2027, depending on achievement of the 2026 economic-financial objectives and non-financial objectives specified in the regulation.

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

- *Stock Grant Plan 2021* reserved for the employees of the Company and its subsidiaries, by assigning them a total of 897,500 units (of which 292,084 time-based units and 302,708 Type A performance units and 302,708 Type B performance units).
  The time-based units mature in quarterly tranches, i.e. 8.33% of the related total, from 30 April 2023 to 31 January 2026.
  The type A performance units will vest on the same dates envisaged for the time-based units, but only on condition that the increase in the fair market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.
  The Type B performance units will vest in three yearly tranches, each equal to maximum one-third (1/3rd) of the total number of Type B performance units allocated, commencing from 31 January 2023 to 31 July 2024.

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

- *Stock Grant Plan 2022* reserved for the employees of the Company and its subsidiaries, by assigning them a total of 995,000 units (of which 294,166 time-based units and 350,417 Type A performance units and 350,417 Type B performance units). The time-based units mature in quarterly tranches, i.e. 8.33% of the related total, from 30 April 2024 to 31 January 2027.
  The Type A performance units will vest on the same dates envisaged for the time-based units, but only on condition that the increase in the fair market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.
  The Type B performance units will vest in three tranches, each equal to one-third (1/3rd) of the total number of Type B performance units allocated, commencing from 31 July 2024 until 31 July 2026, depending on achievement of the economic-financial objectives specified in the regulation.

  At 31 December 2023, 35,000 time-based units and 40,000 Type A Performance Units and 40,000 Type B performance units of have lapsed in accordance with the regulation.

KOS

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

Exercising the options is subject to specific time constraints regarding the duration of the employment relationship or mandate.

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

The following is information on the Stock Option Plans outstanding at the KOS Group.

## KOS - STOCK OPTION PLANS AT 31 DECEMBER 2023

| | *Options outstanding at the start of the period* | | *Options granted during the period* | | *Options exercised during the period* | | *Options expired during the period* | | *Options outstanding at the end of the period* | | | *Options exercisable at the end of the period* | | *Maturities of the options* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *No. of options* | *Weighted average strike price* | *No. of options* | *Weighted average strike price* | *No. of options* | *Weighted average strike price* | *No. of options* | *Weighted average strike price* | *Number* | *Weighted average strike price* | *Average duration (years)* | *No. of options* | *Weighted average strike price* | *Vesting date* | *Expiry date* |
| Stock Option Plan '10 rev | 1,414,583 | 2.65 | -- | -- | -- | -- | 10,000 | 2.65 | 1,404,583 | 2.65 | 9.40 | 1,404,583 | 2.65 | 31/12/2014 | 17/05/2033 |
| Stock Option Plan '16 | 1,206,000 | 7.76 | -- | -- | -- | -- | 255,000 | 7.76 | 951,000 | 8.02 | 9.40 | 951,000 | 8.02 | 17/05/2023 | 17/05/2033 |
| **Total** | **2,620,583** | **5.00** | **--** | **--** | **--** | **--** | **265,000** | **7.56** | **2,355,583** | **4.82** | **9.40** | **2,355,583** | **4.82** | | |

## 25 Contingent assets andliabilities

***Contingent liabilities***

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

*KOS group*

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

Lawsuits and litigation against the group may arise from complex and difficult legal issues, often subject to varying degrees of uncertainty, including the facts and circumstances inherent in each lawsuit and the different laws that may be applicable in the circumstances. This estimate is the result of an articulated process, which involves consultants essentially in the legal and tax field and subjective judgements by the management of the group company. The amounts actually paid to extinguish or transfer the payment obligations to third parties could also differ significantly from those estimated for the purposes of making the provisions.

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

*Sogefi group*

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

Sogefi Filtration Italy S.p.A. has a dispute with the Tax Authorities for the 2004 tax year. The dispute, which arose in 2009, concerns an alleged circumvention or abuse of the merger with cancellation of the shares of the "old" Sogefi Filtration S.p.A. merged into Filtrauto Italia S.r.l., which resulted in the derecognition on cancellation of the merger deficit attributed partially to goodwill and partially to revaluation of a property, in addition to interest on the loan granted by Sogefi S.p.A. to Filtrauto S.r.l. as part of the deal.
The Company has challenged the assessment notices, defending the legitimacy of its approach. In 2012 the Provincial Tax Commission of Milan cancelled the assessment notices for the part relating to the accusation of circumvention/abuse. The Office appealed these rulings before the

Milan Regional Tax Commission. On 21 March 2014, the Milan Regional Tax Commission filed the ruling confirming cancellation of the documents already ordered at first instance. On 16 June 2014 the Tax Authorities filed an appeal through the State Attorney. The Company has filed a counter-appeal. On 5 December 2019 the Supreme Court upheld one of the grounds of appeal proposed by the State Attorney and, as a result, the ruling rendered by the second instance judge was dismissed. The company returned the case to the Lombardy Regional Tax Commission In July 2020. The hearing before the Lombardy Regional Tax Commission was held on 10 December 2021. On 9 February 2022, with ruling no. 395/2022, the Lombardy Regional Tax Commission confirmed, also in the referral, the previous ruling in favour of the company passed in 2014. The Tax Authorities have filed an appeal, which was notified on 9 September 2022. The company presented its counter-appeal within 40 days of notification of the appeal.
The ruling of 9 February 2022 strengthens the conclusion that the company's position is supported by valid reasons.
With reference to the dispute in question, it should be noted that the subsidiary Sogefi Filtration Italy S.p.A., in light of the provisions of the Budget Law 2023 (no. 197, dated 29 December 2022), on 22 September 2023 settled the dispute by paying an amount of € 431 thousand, which had already been set aside at the end of the previous year.

*Parent CIR S.p.A.*

On 23 April 2020, CIR S.p.A. finalised the sale to Giano Holding S.p.A., a vehicle at the time wholly owned by EXOR N.V., of its investment in GEDI, equal to 43.78% of the latter's share capital. In execution of this agreement, on 13 July 2020, CIR indirectly reinvested in GEDI by purchasing from EXOR a 5% stake in the share capital of Giano, which in the meantime had become the owner of the entire capital of GEDI. As a result of the merger of Giano by GEDI, CIR now owns a 5.19% stake in the share capital of GEDI.
As part of the sale, CIR granted the buyer Giano Holding S.p.A. (and as a result of the merger into GEDI as the acquirer) a specific guarantee, accompanied by a "special indemnity", in relation to criminal proceedings, of which GEDI became aware of on 21 March 2018, for the alleged offence provided for in art. 640, paragraph 2, no. 1 in respect of the persons who at the time of the facts held the position of Chief Executive Officer, Central Director of Human Resources and General Manager of the National Press, as well as for the offence provided for in art. 24 of Legislative Decree 231/2001 versus GEDI itself and its subsidiaries A. Manzoni & C. S.p.A., Elemedia S.p.A., Gedi News Network S.p.A. and Gedi Printing S.p.A. (the "**Companies**"). The investigation conducted by the Rome Public Prosecutor's Office concerned an alleged fraud against INPS in relation to an allegedly irregular access to State redundancy payments (CIGS) by some employees wanting to obtain early retirement as provided for by Law 416/81. In the context of the Proceedings, various different episodes are disputed, the outcome of which could have varied results depending on the situation.
By virtue of the above-mentioned "special indemnity" contractual provision, CIR is required to indemnify GEDI for a portion corresponding to 38.6% of certain liabilities that GEDI may incur as a result of the proceedings, for a maximum amount of € 12.0 million. Based on the analysis of GEDI's information during 2023, a provision for risks of € 5.9 million was set aside, with a balancing entry in the income statement under "profit/loss from discontinued operations". On 11 December 2023, GEDI announced that it had incurred a liability as a result of the proceedings, which have not yet been concluded, and therefore requested CIR S.p.A. to be indemnified for the portion corresponding to 38.6% of such liability. CIR fulfilled this request with the payment, in December 2023, of an amount of € 4.8 million and therefore the residual risk provision is € 1.1 million. Since the information provided by GEDI is subject to change depending on the development of the proceedings, it cannot be excluded that the total amount of the indemnity may vary in the future, within a ceiling of € 12 million, including the indemnity already paid.

## 26 Other information

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

| *(in thousands of euro)* | *2023* |
|---|---|
| *Parent:* | |
| a) by the independent auditors for auditing services | 194 |
| b) by the independent auditors: | |
| - for other services | 11 |
| c) by network partners of the independent auditors for other services | -- |
| *Subsidiaries:* | |
| a) by the independent auditors for auditing services | 2,043 |
| b) by the independent auditors: | |
| - for other services | 188 |
| c) by network partners of the independent auditors for other services | -- |

### MANAGEMENT AND COORDINATION ACTIVITIES

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

### SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 23 February 2024, the subsidiary Sogefi signed a put option agreement with the US investment fund Pacific Avenue, pursuant to which two corporate vehicles referring to the fund have assumed unilateral, unconditional and irrevocable commitments to acquire, in the event Sogefi exercises the put option, the entire share capital of Sogefi Filtration S.A. and Sogefi USA Inc., i.e. the Filtration business unit. The exercise of the put option by Sogefi and the signing of the sale and purchase agreement can only take place once the consultation procedure with the trade union representatives, as required by French law, has been completed. The completion of the transaction is in any case subject to obtaining FDI (Foreign Direct Investment) clearance in Slovenia and antitrust clearance in Morocco. The transaction is expected to be finalised by August 2024.

The consideration for the transaction is based on an enterprise value of € 374 million, corresponding to an Equity Value, to be settled entirely in cash, currently estimated at approximately € 330 million, which would be determined at closing based on a bridge to equity, which takes into account adjustments based on Working Capital and Net Financial Position, in line with the standard for this type of transaction. Based on the estimated equity value, the transaction would result in a capital gain of approximately € 130 million compared to the financial statements amounts as of 31 December 2023.

The strategic rationale of the Transaction for Sogefi is as follows: first of all, the Transaction allows Sogefi to enhance the Filtration division at a time when it has achieved unprecedented results, following a programme that has involved the divestment of unprofitable activities, commercial development and increased profitability, in a favourable market environment for the Aftermarket channel. The transaction also reduces the powertrain component in the group's business portfolio, making Sogefi less exposed to the risks associated with the transition to e-mobility. It also makes it possible to reduce the complexity and diversification of the group and to focus on two high-potential segments, namely Suspensions, which is in the turnaround phase, and Air and Cooling, a business that has been performing well and growing, with a view to ambitious growth. Finally, the group will have a very solid statement of financial position that will allow more investments for the development in the EV market, already identified and underway, being able to count on at least part of the financial resources deriving from the planned sale.

Subject to the exercise of the put option by Sogefi and to the completion of the transaction, at least 50% of the proceeds from the sale, estimated at around € 330 million, may be allocated to debt reduction while, for the remainder, the Board of Directors of Sogefi will consider proposing their distribution. As of 31 December 2023, the Filtration business unit did not meet the requirements to be classified as discontinued operations. In fact, on that date, the conditions set out in paragraph 32 of IFRS 5 - Non-current assets held for sale and discontinued operations were not met.

In particular, the Filtration business unit could not be classified as available for sale, as such sale was not highly probable at the reporting date, because, on that date:

- The approval of any sales transaction of the Filtration business unit was subject to approval by the Board of Directors and no sales delegations had been approved to the delegated bodies.
- Discussions between Sogefi and the potential buyer were still ongoing.
- No binding offers and/or firm purchase commitments had been received for the sale of the Filtration business unit.

The put option agreement was signed on 23 February 2024. For the purposes of the financial statements as at 31 December 2023, this evidence is representative of a non-adjusting event pursuant to IAS 10 - Events after the Reporting Period. From that date, the conditions for the representation of the Filtration business unit as a discontinued operation pursuant to IFRS 5 are considered met.

The following tables show the provisional estimates of the effects on the consolidated income statement and on the statement of financial position of the CIR Group as of 31 December 2023 in the event that the Filtration *business unit* met the requirements to be presented as a *discontinued operation*.

## Income statement

| *(in million of euro)* | ***2023*** |
|---|---|
| REVENUE | 1,791.6 |
| CHANGE IN INVENTORIES | 2.7 |
| COSTS FOR THE PURCHASE OF GOODS | (663.8) |
| COSTS FOR SERVICES | (277.5) |
| PERSONNEL EXPENSE | (586.0) |
| OTHER OPERATING INCOME | 34.6 |
| OTHER OPERATING EXPENSE | (63.0) |
| AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES | (172.0) |
| **OPERATING PROFIT** | **66.6** |
| FINANCIAL INCOME | 9.8 |
| FINANCIAL EXPENSE | (55.2) |
| DIVIDENDS | 0.1 |
| GAINS FROM SECURITIES TRADING | 0.8 |
| LOSSES FROM SECURITIES TRADING | (3.0) |
| SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTMENTS | -- |
| NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS | 4.7 |
| **PROFIT BEFORE TAXES** | **23.8** |
| INCOME TAXES | (11.2) |
| **PROFIT FROM CONTINUING OPERATIONS** | **12.6** |
| LOSS FROM DISCONTINUED OPERATIONS | 54.3 |
| **PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS** | **66.9** |
| - LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | (34.1) |
| **- PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT** | **32.8** |

# Statement of financial position

*(in million of euro)*

| ASSETS | *31.12.2023* |
|---|---|
| **NON-CURRENT ASSETS** | **1,971.7** |
| INTANGIBLE ASSETS AND GOODWILL | 485.7 |
| PROPERTY, PLANT AND EQUIPMENT | 512.9 |
| RIGHT-OF-USE ASSETS | 803.3 |
| INVESTMENT PROPERTY | 2.4 |
| EQUITY-ACCOUNTED INVESTMENTS | 0.7 |
| OTHER EQUITY INVESTMENTS | 1.9 |
| OTHER ASSETS | 24.4 |
| OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES | 72.9 |
| DEFERRED TAX ASSETS | 67.5 |
| **CURRENT ASSETS** | **867.9** |
| INVENTORIES | 82.7 |
| TRADE RECEIVABLES | 183.8 |
| OTHER ASSETS | 60.5 |
| LOAN ASSETS | 16.0 |
| SECURITIES | 74.8 |
| OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES | 315.3 |
| CASH AND CASH EQUIVALENTS | 134.8 |
| **ASSETS HELD FOR SALE** | **391.6** |
| **TOTAL ASSETS** | **3,231.2** |

| LIABILITIES | *31.12.2023* |
|---|---|
| **EQUITY** | **1,034.8** |
| SHARE CAPITAL | 420.0 |
| RESERVES | 298.2 |
| RETAINED EARNINGS | 2.6 |
| PROFIT (LOSS) FOR THE YEAR | 32.8 |
| **EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT** | **753.6** |
| EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 281.2 |
| **NON-CURRENT LIABILITIES** | **1,325.7** |
| BONDS | 79.9 |
| OTHER FINANCIAL LIABILITIES | 337.0 |
| LEASE LIABILITIES | 777.6 |
| OTHER LIABILITIES | 43.5 |
| DEFERRED TAX LIABILITIES | 44.3 |
| EMPLOYEE BENEFITS | 29.4 |
| PROVISIONS | 14.0 |
| **CURRENT LIABILITIES** | **653.6** |
| BANK LOANS AND BORROWINGS | 0.6 |
| BONDS | 72.2 |
| OTHER FINANCIAL LIABILITIES | 70.0 |
| LEASE LIABILITIES | 68.1 |
| TRADE PAYABLES | 251.2 |
| OTHER LIABILITIES | 142.6 |
| PROVISIONS | 48.9 |
| **LIABILITIES RELATED TO ASSETS HELD FOR SALE** | **217.1** |
| **TOTAL LIABILITIES AND EQUITY** | **3,231,2** |

## OUTLOOK

As far as **KOS** is concerned, in a context in which the critical health and operational issues stemming from the pandemic are being resolved, full operation already resumed in 2023 in the Rehabilitation and Acute Care sectors is expected to be maintained in 2024, and saturation for the care homes in Italy and Germany is expected to rise, reaching full operation by the end of 2024, with the exception of ramp-up facilities. Due to the inflationary trends experienced in the sector and in general over the last three years, a full recovery of normal profitability will require a gradual adjustment of fees, particularly in Germany. In the absence of facts and circumstances that make the context more complex than the current one, the operating results of KOS for 2024 should improve compared with the previous year.

As regards the automotive market in which **Sogefi** operates, visibility on the evolution in 2024 is reduced due to uncertainties related to macroeconomic and geopolitical developments. S&P Global (IHS) expects global car production to remain broadly stable (-0.5%) after the growth recorded in 2023, with Europe down 1.9%, China in line with 2023 and marginal growth in the other regions.
As far as commodity and energy prices are concerned, the first few months of 2024 confirm a certain stability, already seen in the second part of 2023, but remain exposed to volatility risks exacerbated by geo-political tensions. Inflationary tensions on labour costs also persist in some geographical areas.
In this scenario, Sogefi constantly monitors trends in the different geographic areas, seeking fair agreements with all customers on sales prices.
In the absence of any deterioration in the macroeconomic scenario compared to the current one, the Sogefi Group expects low single-digit revenue growth in 2024, higher than forecast in the automotive market, and operating profitability, excluding non-recurring charges, at least in line with that recorded in 2023. In the event of deconsolidation of the Filtration division, on the continuity scope (Suspensions and Air & Cooling), the same evolution of revenue as described above, a progression of operating profitability and a positive net result are expected.

With regard to the management of the holding company's financial assets, in view of the persistent uncertainties related to the geo-political, macroeconomic and financial environment, conditions of high volatility are expected to persist.

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

During 2023, subsidiaries that receive the types of government grants referred to in this law have made suitable disclosures in their financial statements.

## DISCLOSURE PURSUANT TO ART. 2427, 22-QUINQUIES AND ART. 2427, 22-SEXIES

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

## RELATED PARTY TRANSACTIONS

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

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

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

2) establishes principles for identifying related party transactions;

3) governs the procedures for carrying out such transactions;

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

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

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

The transactions currently in place during 2023, "not exempt" pursuant to art. 4.1 of the Procedure, are all of Lesser Importance pursuant to the Procedure and concern: i) the donation of € 300,000 to the Fondazione Ing. Rodolfo De Benedetti; ii) the rent of a property owned by the parent to a Related Party (a natural person), with a contract lasting 6+6 years.

We also point out the other Transactions that are "exempt" pursuant to art. 4.1 of the Procedure: intercompany service, rent and financing contracts, and the tax consolidation agreement, with subsidiaries of the CIR Group as counterparties (and as such "exempt"), and a financial asset management mandate with a related party company, of a Negligible Amount pursuant to art. 4.1.v of the Procedure (and as such "exempt").

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

## INCOME STATEMENT

| *(in thousands of euro)* | *Costs for services* | *Other operating income* | *Other operating expense* |
|---|---|---|---|
| Parents | -- | -- | -- |
| Subsidiaries | -- | -- | -- |
| Associates | -- | -- | -- |
| Other related parties | -- | 85 | 300 |
| **Total** | **--** | **85** | **300** |

## STATEMENT OF FINANCIAL POSITION

| *(in thousands of euro)* | *Trade receivables (current assets)* | *Other assets (current assets)* |
|---|---|---|
| Parents | -- | -- |
| Subsidiaries | -- | -- |
| Associates | -- | 105 |
| Other related parties | -- | -- |
| **Total** | **--** | **105** |

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

1. The undersigned, Monica Mondardini, the Chief Executive Officer, and Michele Cavigioli, the Manager in charge of financial reporting of CIR S.p.A., hereby certify, also taking into account the provisions of art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

   – the appropriateness, in relation to the characteristics of the business, and
   – the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2023.

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

3. We also certify that the consolidated financial statements:

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

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

*Milan, 11 March 2024*

| | |
|---|---|
| Monica Mondardini<br>Chief Executive Officer | Michele Cavigioli<br>Manager in charge of financial reporting |
| ______________________ | ______________________ |

# Separate Financial statements

# 1. Statement of financial position

*(in euro)*

| ASSETS | *Notes* | | *31.12.2023* | | *31.12.2022* |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | **672,143,410** | | **674,914,928** |
| INTANGIBLE ASSETS | (3.a.) | | 66,170 | | 97,089 |
| PROPERTY, PLANT AND EQUIPMENT | (3.b.) | | 4,826,101 | | 5,180,897 |
| INVESTMENT PROPERTY | (3.c.) | | 15,011 | | 14,724 |
| RIGHT-OF-USE ASSETS | (3.d.) | | 68,972 | | 98,911 |
| EQUITY INVESTMENTS | (3.e.) | | 580,077,273 | | 581,405,292 |
| OTHER ASSETS | (3.f.) | | 57,926,319 | | 56,595,536 |
| *of which with related parties (*)* | | *56,086,448* | | *54,788,186* | |
| OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES | (3.g.) | | 22,100,304 | | 24,400,842 |
| DEFERRED TAX ASSETS | (3.h.) | | 7,063,260 | | 7,121,637 |
| **CURRENT ASSETS** | | | **15,701,576** | | **24,635,379** |
| OTHER ASSETS | (4.a.) | | 14,231,085 | | 8,378,708 |
| *of which with related parties (*)* | | *7,416,567* | | *1,331,927* | |
| SECURITIES | (4.b.) | | -- | | 9,647,249 |
| CASH AND CASH EQUIVALENTS | (4.c.) | | 1,470,491 | | 6,609,422 |
| **ASSETS HELD FOR SALE** | (4.d.) | | **10,975,641** | | **10,975,641** |
| **TOTAL ASSETS** | | | **698,820,627** | | **710,525,948** |

| LIABILITIES | | | *31.12.2023* | | *31.12.2022* |
|---|---|---|---|---|---|
| **EQUITY** | | | **673,146,102** | | **692,541,366** |
| SHARE CAPITAL | (5.a.) | | 420,000,000 | | 420,000,000 |
| RESERVES | (5.b.) | | 259,866,433 | | 258,376,990 |
| RETAINED EARNINGS (LOSSES CARRIED FORWARD) | (5.c.) | | -- | | 11,119,524 |
| PROFIT (LOSS) FOR THE YEAR | | | (6,720,331) | | 3,044,852 |
| **NON-CURRENT LIABILITIES** | | | **2,464,419** | | **2,763,618** |
| LEASE LIABILITIES | (6.a.) | | 31,764 | | 59,307 |
| OTHER LIABILITIES | (6.b.) | | -- | | 282,000 |
| DEFERRED TAX LIABILITIES | (3.h.) | | 122,090 | | 121,956 |
| EMPLOYEE BENEFITS | (6.c.) | | 2,310,565 | | 2,300,355 |
| **CURRENT LIABILITIES** | | | **15,139,837** | | **10,220,964** |
| LEASE LIABILITIES | (7.a.) | | 27,544 | | 29,867 |
| OTHER LIABILITIES | (7.b.) | | 15,112,293 | | 10,191,097 |
| *of which with related parties (*)* | | *7,429,995* | | *2,398,943* | |
| **LIABILITIES DIRECTLY RELATED TO ASSETS HELD FOR SALE** | (7.c.) | | **8,070,269** | | **5,000,000** |
| **TOTAL LIABILITIES AND EQUITY** | | | **698,820,627** | | **710,525,948** |

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

# 2 Income statement

*(in euro)*

| | *Notes* | | *2023* | | *2022* |
|---|---|---|---|---|---|
| SUNDRY REVENUE AND INCOME | (8) | | 1,418,057 | | 1,762,670 |
| *of which with related parties (*)* | | 670,860 | | 778,580 | |
| COSTS FOR SERVICES | (9) | | (5,973,060) | | (6,071,783) |
| *of which with related parties (*)* | | (12,000) | | (12,000) | |
| PERSONNEL EXPENSE | (10) | | (3,721,064) | | (4,087,847) |
| OTHER OPERATING EXPENSE | (11) | | (1,522,252) | | (5,832,925) |
| AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES | | | (306,151) | | (962,753) |
| **OPERATING LOSS** | | | **(10,104,470)** | | **(15,192,638)** |
| FINANCIAL INCOME | (12) | | 2,596,787 | | 1,356,563 |
| *of which with related parties (*)* | | 2,586,862 | | 966,457 | |
| FINANCIAL EXPENSE | (13) | | (278,246) | | (23,951) |
| DIVIDENDS | (14) | | 4,000,000 | | 15,951,882 |
| *of which with related parties (*)* | | 4,000,000 | | 15,951,882 | |
| GAINS FROM SECURITIES TRADING | (15) | | 219,296 | | 60,502 |
| LOSSES FROM SECURITIES TRADING | (16) | | (2,434,425) | | (833,487) |
| FAIR VALUE LOSSES ON FINANCIAL ASSETS | (17) | | (2,373,231) | | (3,418,629) |
| **LOSS BEFORE TAXES** | | | **(8,374,289)** | | **(2,099,758)** |
| INCOME TAXES | (18) | | 2,827,645 | | 5,144,610 |
| **LOSS FROM CONTINUING OPERATIONS** | | | **(5,546,644)** | | **3,044,852** |
| PROFIT (LOSS) FROM DISCONTINUED OPERATIONS NET OF THE TAX EFFECT | (19) | | (1,173,687) | | -- |
| **PROFIT (LOSS) FOR THE YEAR** | | | **(6,720,331)** | | **3,044,852** |
| **BASIC EARNINGS (LOSS) PER SHARE (in euro)** | (20) | | (0.0063) | | 0.0028 |
| **DILUTED EARNINGS (LOSS) PER SHARE (in euro)** | (20) | | (0.0063) | | 0.0028 |
| **BASIC EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS (in euro)** | (20) | | (0.0052) | | 0.0028 |
| **DILUTED EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS (in euro)** | (20) | | (0.0052) | | 0.0028 |

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

# 3 Statement of comprehensive income

*(in euro)*

| | *2023* | *2022* |
|---|---|---|
| **PROFIT (LOSS) FOR THE YEAR** | **(6,720,331)** | **3,044,852** |
| **OTHER COMPREHENSIVE INCOME** | **--** | **--** |
| **TOTAL COMPREHENSIVE INCOME (EXPENSE)** | **(6,720,331)** | **3,044,852** |

# 4 Statement of cash flows

*(in euro)*

| | | ***2023*** | | ***2022*** |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS | | (5,546,644) | | 3,044,852 |
| ADJUSTMENTS: | | | | |
| INCOME TAXES IN THE INCOME STATEMENT | | (2,827,645) | | (5,144,610) |
| NET FINANCIAL INCOME (EXPENSE) | | (2,584,938) | | (960,786) |
| DIVIDENDS | | (4,000,000) | | (15,951,882) |
| LOSSES ON SALE OF SECURITIES | | 2,471,394 | | 772,985 |
| LOSS FOR THE YEAR BEFORE INCOME TAX, INTEREST, DIVIDENDS AND CAPITAL GAINS/LOSSES ON DISPOSAL | | (12,487,833) | | (18,239,441) |
| AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES | | 306,151 | | 962,753 |
| NOTIONAL COST OF SHARE-BASED PAYMENT PLAN | | 1,310,403 | | 1,365,757 |
| PROVISION FOR EMPLOYEE BENEFIT OBLIGATIONS | | 123,215 | | 183,353 |
| FAIR VALUE GAINS ON FINANCIAL ASSETS | | 2,236,852 | | 3,036,573 |
| PROVISIONS FOR RISKS AND CHARGES | | -- | | -- |
| OTHER NON-MONETARY CHANGES | | 68,614 | | 484,273 |
| CHANGES IN OPERATING ASSETS AND LIABILITIES | | 2,801,633 | | 3,680,026 |
| *of which with related parties* | *(1,053,588)* | | *533,988* | |
| RECEIPTS OF INCOME TAX | | -- | | 363,178 |
| *of which with related parties* | -- | | *363,178* | |
| INTEREST RECEIVED (PAID) | | 78 | | (3,003) |
| DIVIDENDS RECEIVED | | 4,000,000 | | 15,951,882 |
| *of which with related parties* | *4,000,000* | | *15,951,882* | |
| **CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES** | | **(1,640,887)** | | **7,785,351** |
| **INVESTING ACTIVITIES** | | | | |
| SALE OF CURRENT SECURITIES | | 7,177,482 | | -- |
| REIMBURSEMENT (PAYMENT) OF LOANS TO SUBSIDIARIES | | (1,290,000) | | (10,352,882) |
| SALE OF NON-CURRENT ASSETS | | 1,205,292 | | 403,248 |
| **CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES** | | **7,092,774** | | **(9,949,634)** |
| **FINANCING ACTIVITIES** | | | | |
| POST-EMPLOYMENT BENEFITS PAID | | (278,005) | | (89,256) |
| PAYMENT OF LEASE LIABILITIES | | (43,228) | | (41,950) |
| PURCHASE OF TREASURY SHARES | | (14,034,614) | | (6,384,539) |
| DIVIDENDS PAID | | -- | | -- |
| **CASH FLOWS USED IN FINANCING ACTIVITIES** | | **(14,355,847)** | | **(6,515,745)** |
| **DECREASE IN NET CASH & CASH EQUIVALENTS OF CONTINUING OPERATIONS** | | **(8,903,960)** | | **(8,680,028)** |
| **CASH FLOWS FROM DISCONTINUED OPERATIONS** | | 3,765,029 | | 5,000,000 |
| **OPENING NET CASH & CASH EQUIVALENTS** | | 6,609,422 | | 10,289,450 |
| **CLOSING NET CASH & CASH EQUIVALENTS** | | **1,470,491** | | **6,609,422** |

# 5 Statement of changes in equity

*(in euro)*

| | *Share capital issued* | *Share premium reserve* | *Legal reserve* | *Statutory reserve* | *Stock grant reserve* | *Non-distributable reserve as per art. 6 Legislative Decree 38/2005* | *Other reserves* | *Retained earnings* | *Profit (loss) for the year* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE AT 31 DECEMBER 2021** | **638,603,657** | **5,044,115** | **25,516,447** | **14,078** | **2,710,502** | **3,211,870** | **--** | **17,158,030** | **2,085,499** | **694,344,198** |
| Profit for the year | -- | -- | -- | -- | -- | -- | -- | -- | 3,044,852 | 3,044,852 |
| Other comprehensive income | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| *Total comprehensive income* | -- | -- | -- | -- | -- | -- | -- | -- | *3,044,852* | *3,044,852* |
| Capital reductions | (218,603,657) | -- | -- | -- | -- | -- | 218,603,657 | -- | -- | -- |
| Allocation of the profit of the previous year | -- | -- | 104,275 | -- | -- | 1,981,224 | -- | -- | (2,085,499) | -- |
| Fair value gains (losses) on treasury shares | -- | -- | -- | -- | -- | -- | -- | (6,384,539) | -- | (6,384,539) |
| Notional cost of share-based payment plan | -- | -- | -- | -- | 1,365,757 | -- | -- | -- | -- | 1,365,757 |
| Unclaimed dividends | -- | -- | -- | 171,098 | -- | -- | -- | -- | -- | 171,098 |
| Reclassifications | -- | -- | -- | -- | (346,033) | -- | -- | 346,033 | -- | -- |
| **BALANCE AT 31 DECEMBER 2022** | **420,000,000** | **5,044,115** | **25,620,722** | **185,176** | **3,730,226** | **5,193,094** | **218,603,657** | **11,119,524** | **3,044,852** | **692,541,366** |
| Loss for the year | -- | -- | -- | -- | -- | -- | -- | -- | (6,720,331) | (6,720,331) |
| Other comprehensive income | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| *Total comprehensive expense* | -- | -- | -- | -- | -- | -- | -- | -- | *(6,720,331)* | *(6,720,331)* |
| Allocation of the profit of the previous year | -- | -- | 152,243 | -- | -- | 2,892,609 | -- | -- | (3,044,852) | -- |
| Fair value gains (losses) on treasury shares | -- | -- | -- | -- | -- | -- | (2,390,564) | (11,644,050) | -- | (14,034,614) |
| Notional cost of share-based payment plan | -- | -- | -- | -- | 1,310,403 | -- | -- | -- | -- | 1,310,403 |
| Unclaimed dividends | -- | -- | -- | 49,278 | -- | -- | -- | -- | -- | 49,278 |
| Reclassifications | -- | -- | -- | .. | (576,282) | 51,756 | -- | 524,526 | -- | -- |
| **BALANCE AT 31 DECEMBER 2023** | **420,000,000** | **5,044,115** | **25,772,965** | **234,454** | **4,464,347** | **8,137,459** | **216,213,093** | **--** | **(6,720,331)** | **673,146,102** |

# Notes to the separate financial statements

## 1. Basis of preparation and accounting policies

These separate financial statements have been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union, as well as all the measures issued in implementation of art. 9 of Legislative Decree 38/05, taking into account that, on the basis of the most recent forecasts prepared by the management, over a minimum time horizon of 12 months the company has sufficient liquidity to operate and meet its commitments, in addition it does not have outstanding loan agreements.

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

The presentation criteria adopted are as follows:

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

The Company's financial statements are accompanied by the Report on Operations to which reference should be made for the nature of the business of the company and relations with subsidiaries, associates, parents, companies directly or indirectly controlled by them and outlook.

During the year, there were no exceptional cases that made it necessary to resort to the exemptions mentioned in IAS 1. IFRS were applied on a consistent basis in all of the periods presented in this report. Please refer to the paragraph "Adoption of new standards, interpretations and amendments" for an explanation of the standards that became effective for the first time on 1 January 2023.

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

<u>Significant events after the reporting date</u>

No significant events have occurred after the end of 2023.

In accordance with paragraph 17 of IAS 10, the separate financial statements were approved for publication by the Company's Board of Directors on 11 March 2024.

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

It should be noted that the amendments to IAS 1 regarding the information on the accounting policies applied became effective on 1 January 2023. The most relevant accounting policies applied for the Company are described below.

## 1.a. Intangible assets

Intangible assets are recognised only if they can be separately identified, if they are likely to generate future economic benefits and if their cost can be reliably determined.
Intangible assets with a finite life are measured at purchase or development cost, net of amortisation and impairment losses. Intangible assets are initially recognised at purchase or development cost.

The purchase cost is represented by the fair value of the means of payment used to acquire the asset and by any direct costs incurred to prepare the asset for use. The purchase cost is the equivalent price in cash at the recognition date and, therefore, if payment is deferred beyond normal credit terms, the difference with respect to the equivalent price in cash is recognised as interest over the period of extended credit.
Amortisation is calculated on a straight-line basis over the asset's expected useful life and starts when the asset is available for use.
Intangible assets with an indefinite useful life are not subject to amortisation, but are constantly monitored to identify any impairment losses. The carrying amount of intangible assets is maintained in the financial statements to the extent that there is evidence that this amount can be recovered through use; for this purpose an impairment test is carried out at least once a year to verify that the intangible asset is able to generate income in the future.
Trademarks and licences, initially recognised at cost, are subsequently accounted for net of accumulated amortisation and impairment losses. The amortisation period is the lower of the contract term, if any, and the useful life of the asset.
Software licences, including ancillary charges, are recognised at cost and recognised net of accumulated amortisation and any accumulated impairment losses.

## 1.b. Property, plant and equipment

Property, plant and equipment are recognised at the purchase or production cost, net of accumulated depreciation.
The cost includes ancillary charges and direct and indirect costs incurred at the time of purchase and needed to make the asset ready for use.
Property, plant and equipment are depreciated systematically each year over the residual useful life of the assets.
Land, assets under construction and payments on account are not depreciated.
Land and buildings not held for business purposes according to the objects of Group companies are classified in a specific asset item and accounted for on the basis of IAS 40 "Investment property" (see paragraph 1.c. below).
If events suggest that an asset has been impaired, the carrying amount is checked against the recoverable amount, represented by the higher of its fair value and value in use.
The fair value is defined on the basis of values expressed by an active market, by recent transactions, or by the best information available in order to determine the potential amount that could be obtained by selling the asset. The value in use is determined by discounting the cash flows deriving from the expected use of the asset, applying best estimates of the residual useful life and a discount rate that takes into account the implicit risk of the specific business sectors in which the Company operates. This assessment is carried out at the level of the individual asset or of the smallest identifiable set of independent cash flow generating units (CGU).
If there are negative differences between the values mentioned above and the carrying amount, the asset is impaired; if the reasons for the impairment cease to exist, the asset is reversed. Impairment losses and reversals are taken to profit or loss.

## 1.c. Investment property

An investment property is real estate, land or building - or part of a building - or both, held by the owner or by the lessee, also through a finance lease contract, for the purpose of earning rent or for appreciation of the capital invested in it or for both reasons, rather than for direct use in the production or supply of goods or services, or in corporate administration or sale, in the normal course of business.
The Company has opted for the cost method, to be applied to all investment properties held. According to the cost method, the measurement is performed net of depreciation and accumulated impairment losses: the cost of an investment property is represented by the purchase cost, improvements, replacements and extraordinary maintenance.
The investment property held by the lessee as a right-of-use asset must be recognised initially at cost, consistent with IFRS 16.

## 1.d. Right-of-use assets

For the purposes of defining a lease, IFRS 16 uses a right-of-use criterion for assets to distinguish leasing contracts from service contracts in the following ways: identification of the asset, the right to substitute it, the right to obtain substantially all the economic benefits deriving from its use and the right to direct the use of the identified asset.
The standard establishes a single model for the recognition and measurement of lease contracts by the lessee, whereby all leased assets (including those held under operating leases) must be recognised as right-of-use assets with a corresponding lease liability. As exceptions, leases for which the underlying asset is of low value and those with a duration of 12 months or less may not be recognised as leases.
The Company classifies right-of-use assets that do not meet the definition of investment property in the “right-of-use assets” caption and lease liabilities as “lease liabilities” in the statement of financial position.
The Company recognises the right-of-use asset and lease liability on the commencement date of the lease. The right-of-use asset is initially measured at cost, then subsequently at cost net of accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement in the lease liability.
The Company measures the lease liability at the present value of the lease payments not paid at the commencement date, discounting them at its incremental borrowing rate. The lease liability is subsequently remeasured by increasing the carrying amount that reflects interest on the lease liability, reducing the carrying amount to reflect the lease payments made; it is also remeasured if there is a change in future lease payments resulting from a change in the index or rate used, if there is a change in the amount that the Company expects to pay as a residual value guarantee or if there is a change in the assessment of an option to purchase the underlying assets, extend or cancel the lease.

## 1.e. Investments in subsidiaries and associates

Investments in subsidiaries and associates are initially recognised at cost, adjusted for any impairment losses.
Investments in subsidiaries and associates are tested every year, or more frequently if necessary, for impairment. The impairment test is carried out as explained in the following paragraph. Where there is evidence of impairment of the investments, it is recognised in the income statement as an impairment loss.
If the Company’s share of the losses of the investee company exceeds the carrying amount of the investment, and the Company is obliged or intends to cover them, then the value of the investment is reduced to zero and the Company’s share of any further losses is recognised as a provision under liabilities. If the impairment subsequently ceases to exist or is reduced, the value is reversed through the income statement up to the limit of its cost.

## 1.f. Impairment losses on assets

At least once a year the Company checks the recoverability of the carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates in order to determine whether these assets have suffered any impairment loss. If such evidence exists, the carrying amount of the assets is reduced to their recoverable amount.
The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.
The fair value is estimated on the basis of values expressed by an active market, by recent transactions, or by the best information available in order to determine the amount that could be obtained by selling the asset. The value in use is represented by the present value of the expected future cash flows of the asset. In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market valuation of the cost for money for the period of the investment and the specific risks of the business. An impairment loss is recognised in the income statement if the carrying amount of the asset is higher than the recoverable amount.
When, subsequently, a loss on assets disappears or decreases, the carrying amount of the asset is increased up to the new estimate of the recoverable amount and cannot exceed the value that it would have had if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately in profit or loss.

## 1.g. Other equity investments

Equity investments in other companies, consisting of non-current financial assets which are not held for trading, are classified as “other financial assets” and recognised at fair value through profit or loss.

## 1.h. Income taxes

Current taxes are recognised on the basis of a realistic estimate of taxable income in accordance with the current tax laws, taking into account any applicable exemptions and tax assets that may be claimed.
Deferred taxes are determined on the basis of temporary taxable or deductible differences between the carrying amount of assets and liabilities and their value for tax purposes and are classified as non-current assets and liabilities.
A deferred tax asset is recognised if sufficient taxable income is likely to be generated against which the temporary deductible difference can be used.
The carrying amount of deferred tax assets is subject to periodic analysis and is reduced to the extent that it is no longer probable that sufficient taxable income will be obtained to take advantage of this deferred asset.
Starting from 2004 and for three years, the Company and some of its Italian subsidiaries decided to join the national tax consolidation agreement established pursuant to articles 117/129 of the Consolidated Income Tax Act (CITA). This option was renewed in 2022 for at least three more years.

The Company acts as the consolidating company and calculates a single taxable base for the group of companies taking part in the national tax consolidation agreement, which then benefits from the ability to offset taxable income with tax losses in a single tax return. Each company participating in the national tax consolidation agreement transfers its result for fiscal purposes to the consolidating company (either taxable income or a tax loss). The Company recognises an asset from companies that provide taxable income, equal to the amount of IRES to be paid. In the case of companies with tax losses, on the other hand, the Company recognises a liability equal to the IRES on the portion of the loss compensated at group level.

## 1.i. Equity

The ordinary shares are shown without nominal amount. The costs directly attributable to the issue of new shares are deducted from equity reserves, net of any related tax benefit.
Treasury shares are classified in a specific item that is deducted from reserves; any subsequent sale, reissue or cancellation does not have any impact on the income statement, but exclusively on equity.
"Retained earnings (losses carried forward)" include the accumulated results of previous years and transfers from other equity reserves when freed from any restrictions they are subject to.

## 1.l. Provisions

The provisions for risks and charges represent probable liabilities of an uncertain amount and/or maturity deriving from past events whose occurrence will entail a financial outflow. Provisions are only made when there is an effective obligation, legal or implicit, towards third parties which requires the use of economic resources probable and when a reliable estimate of the obligation can be made. The amount recognised as a provision represents the best estimate of the expense required to settle the obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The effect of changes in estimate is charged to profit or loss.
Where it is expected that the financial outflow for the obligation will occur beyond the normal payment terms and the effect of discounting would be significant, the provision is represented by the present value of the future payments needed to settle the obligation, calculated at a risk-free nominal rate.
The notes to the separate financial statements illustrate the contingent liabilities represented by: (i) possible (but not probable) obligations, deriving from past events, the existence of which will only be confirmed on the occurrence or not of one or more uncertain future events not totally under the Company's control; (ii) current obligations deriving from past events, the amount of which cannot be reliably estimated or whose settlement is unlikely to be costly.

## 1.m. Sundry revenue and income

Service revenue is recognised when the service is provided, based on its stage of completion at the reporting date.

Dividend and interest income are recognised as follows:

- dividends, in the year in which the right to be collected arises;
- interest, using the effective interest rate method.

## 1.n. Employee benefits

Benefits to be paid to employees on termination of their employment and other long term benefits are not subject to actuarial valuation as the residual liability - of the post-employment benefits in particular - is not significant. In fact, the budget Law 296/2006 made important changes to the rules governing post-employment benefits (TFR) by introducing the possibility for employees to transfer their accrued TFR from 1 January 2007 onwards to approved pension schemes.

*Stock grant plans*
The stock grant plans involve the assignment free of charge of units, which are not transferable to third parties or other beneficiaries, each giving a right to be assigned one CIR S.p.A. share. The Plans in general envisage two classes of rights: time-based units, which vest subject to the passing of a certain period of time, and performance units, which vest subject to the passing of a certain period of time and the achievement of certain objectives in terms of the "normal market value" of

the stock (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) as established in the reference Regulations.
The regulation envisages a minimum holding for the shares covered by the Plan.
The shares assigned in implementation of the Plans will be made available only from treasury shares held by CIR S.p.A. The regulation provides that the continued employment or directorship with the Company or its subsidiaries during the vesting period and the date of exercise of the rights is a prerequisite for the allocation of the shares.
The fair value of rights assigned is calculated at the time of assignment using the Cox Ross Rubinstein binomial pricing model for American options in relation to the time-based units, and a “Monte Carlo” statistical simulation for the performance units. The notional cost is charged to “Personnel expense” in the income statement on a straight-line basis between the assignment date and the last vesting date.

### 1.o. Translation of foreign currency items

The Company’s reporting currency is the euro, the currency in which the financial statements are prepared and published.
Transactions carried out in foreign currencies are initially recognised at the exchange rate at the transaction date.
At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at that date.
Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date.
Non-monetary items recognised at fair value are translated at the exchange rate at the date that the carrying amount is determined.

### 1.p. Earnings per share

Basic earnings per share are determined by dividing profit attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares in portfolio.
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to take into account those potentially deriving from the conversion of all potential ordinary shares with a diluting effect.

### 1.q. Use of estimates

The preparation of these financial statements and their Notes in accordance with IFRS requires management to make estimates and assumptions which affect the amounts of the assets and liabilities shown in them, as well as the disclosures made regarding contingent assets and liabilities at the reporting date.

The estimates and assumptions used are based on experience and other factors considered relevant. The actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement in the year in which the amendment is made if the review only affects that year, or in subsequent years if the amendment affects both the current and future years.

The most significant application of this estimation process involves measuring the investment in subsidiaries.
In this regard, equity investments are subject to impairment tests annually in order to ascertain whether there is any impairment loss. When checking for the existence of the above circumstances, the Directors make assessments based on both internal and market information, as well as on their experience and the outlook for the future. The considerations made when

determining the amount of any impairment losses include factors that may change over time, with both positive and negative effects on the estimates made by the Company.
See the notes on these specific items for further details.

## 1.r. Adoption of new standards, interpretations and amendments

**Standards, amendments and interpretations of IFRS applied from 1 January 2023:**

The following standards, amendments and interpretations were applied for the first time with effect from 1 January 2023:

- IFRS 17 "Insurance Contracts" and related amendments (published on 18 May 2017 and on 25 June 2020 respectively). At 31 December 2023, there were no impact on the Company's financial statements.
- Amendment to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies" (issued on 12 February 2021). At 31 December 2023, this amendment did not have any impact on the Company's financial statements.
- Amendment to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimate" (published on 12 February 2021). At 31 December 2023, this amendment did not have any impact on the Company's financial statements.
- Amendment to IAS 12 "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (published on 7 May 2021). At 31 December 2023, this amendment did not have any impact on the Company's financial statements.
- Amendment to IFRS 17 "Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information" (published on 9 December 2021). At 31 December 2023, this amendment did not have any impact on the Company's financial statements.
- Amendments to IAS 12*:* "Income taxes: International Tax Reform - Pillar Two Model Rules" (issued on 23 May 2023). At 31 December 2023, this amendment did not have any significant impact on the Company's financial statements. For more details read paragraph 18. "Income taxes"

**Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet mandatory and not adopted early by the Company at 31 December 2023:**

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

- Amendment to IFRS 16 "Leases: Lease Liability in a Sale and Leaseback" (issued on 22 September 2022). The amendments are effective from 1 January 2024.
- Amendment 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). The amendments are effective from 1 January 2024.

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

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

- Amendment to IAS 7: "Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements" (issued on 25 May 2023). The amendments are effective from 1 January 2024.
- Lack of Exchangeability (Amendments to IAS 21) (published on 15 August 2023). The amendments are effective from 1 January 2025.

## 2 Financial instruments

The Company has applied IFRS 9 Financial Instruments since 1 January 2018 (date of first-time adoption).

Impairment losses on financial assets are presented in a separate item in the income statement and the statement of comprehensive income.

Recognition and measurement

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

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

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

| Category of financial assets and liabilities | Classification |
|---|---|
| **NON-CURRENT ASSETS** | |
| OTHER ASSETS | Amortised cost |
| OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES | FVTPL |
| **CURRENT ASSETS** | |
| OTHER ASSETS | Amortised cost, expected loss for counterparty risk |
| CASH AND CASH EQUIVALENTS | Amortised cost, expected loss for counterparty risk |
| **NON-CURRENT LIABILITIES** | |
| LEASE LIABILITIES | Amortised cost |
| **CURRENT LIABILITIES** | |
| LEASE LIABILITIES | Amortised cost |
| OTHER LIABILITIES | Amortised cost |

Classification and subsequent measurement – Financial assets

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

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

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

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

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

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

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

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

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

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

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

Classification and subsequent measurement – Financial liabilities:

Financial liabilities are classified as valued at amortised cost.

Derecognition - Financial assets and liabilities

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

The Company proceeds with derecognition of a financial liability when the obligation specified in the contract has been settled or cancelled, or if it has expired. The Company also derecognises a financial liability if the related contractual terms change and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value based on the modified contractual terms.
The difference between the carrying amount of the extinguished financial liability and the amount paid (including assets not represented by liquid assets transferred or liabilities assumed) is recognised in profit or loss for the year.

Impairment losses

The Company recognises loss allowances for expected credit losses relating to:

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

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

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

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

Expected losses on long-term loans are the losses expected on assets deriving from all possible defaults during the entire estimated life of a financial instrument.
Expected losses on assets at 12 months are the losses expected on assets deriving from possible defaults within 12 months of the reporting date (or within a shorter period if the expected life of a financial instrument is less than 12 months).

The maximum period to be taken into consideration in evaluating expected credit losses is the maximum contractual period during which the Company is exposed to credit risk.

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

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

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

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

Fair value

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

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

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

The fair value hierarchy has three levels:

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

# Statement of Financial Position

## 3 Non-current assets

### 3.a. Intangible assets

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

| ***2023*** | *Opening balance* | | | *Changes for the year* | | | | | *Closing balance* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Original cost* | *Accumulated amortisation and impairment losses* | *Balance 31.12.2022* | *Acquisitions* | *Reclassifications* | *Disposals* | | *Amortisation and impairment losses* | *Original cost* | *Accumulated amortisation and impairment losses* | *Balance 31.12.2023* |
| *(in thousands of euro)* | | | | | | *Cost* | *acc. amort. and imp. losses* | | | | |
| Trademarks and software | 1,167 | (1,070) | 97 | 3 | -- | -- | -- | (34) | 1,170 | (1,104) | 66 |
| Assets under development and payments on account | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| **Total** | **1,167** | **(1,070)** | **97** | **3** | **--** | **--** | **--** | **(34)** | **1,170** | **(1,104)** | **66** |

AMORTISATION RATES

| *Description* | *%* |
|---|---|
| Trademarks and software | 5-30 % |

## 3.b. Property, plant and equipment

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

| **2023** | *Opening balance* | | | *Changes for the year* | | | | | *Closing balance* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Original cost* | *Accumulated depreciation and impairment losses* | *Balance 31.12.2022* | *Acquisitions* | *Reclassifications* | *Disposals* | | *Depreciation and impairment losses* | *Original cost* | *Accumulated depreciation and impairment losses* | *Balance 31.12.2023* |
| *(in thousands of euro)* | | | | | | *cost* | *acc. depr. and imp. losses* | | | | |
| Land | 723 | -- | 723 | -- | -- | -- | -- | -- | 723 | -- | 723 |
| Buildings | 9,813 | (5,846) | 3,967 | -- | (116) | -- | -- | (130) | 8,474 | (4,753) | 3,721 |
| Plant and machinery | 1,427 | (1,315) | 112 | 17 | (38) | -- | -- | (47) | 752 | (708) | 44 |
| Other assets | 4,349 | (3,970) | 379 | 12 | -- | (28) | 26 | (54) | 2,704 | (2,369) | 335 |
| Assets under construction and payments on account | -- | -- | -- | 3 | -- | -- | -- | -- | 3 | -- | 3 |
| **Total** | **16,312** | **(11,131)** | **5,181** | **32** | **(154)** | **(28)** | **26** | **(231)** | **12,656** | **(7,830)** | **4,826** |

This item went from € 5,181 thousand at 31 December 2022 to € 4,826 thousand at 31 December 2023.
The amounts in "Reclassifications" in 2023 relate to a building in Rome reclassified under item 4.d "Assets held for sale" and subsequently sold.
"Land" and "Buildings" at 31 December 2023 include the operating property located in via Ciovassino 1, used as the company's headquarters.

DEPRECIATION RATES

| *Description* | *%* |
|---|---|
| Buildings | 3.00 % |
| Plant and machinery | 10.00 – 25.00 % |
| *Other assets:* | |
| - Electronic office equipment | 20.00 % |
| - Furniture and fittings | 12.00 % |
| - Motor vehicles | 25.00 % |

## 3.c. Investment property

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

| *2023* | *Opening balance* | | | *Changes for the year* | | | | | *Closing balance* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euro)* | *Original cost* | *Accumulated depreciation and impairment losses* | *Balance 31.12.2022* | *Acquisitions* | *Reclassifications* | *Disposals cost* | *Disposals acc. depr. and imp. losses* | *Depreciation and Impairment losses* | *Original cost* | *Accumulated depreciation and impairment losses* | *Balance 31.12.2023* |
| | **869** | **(854)** | **15** | **--** | **--** | **--** | **--** | **--** | **869** | **(854)** | **15** |

The item at 31 December 2021 included the non-operating property located at Via dell'Orso 8 in Milan, which was reclassified to item 4.d "Assets held for sale" at 31 December 2022. The sale is expected to be finalised by the first half of 2024.

The item at 31 December 2023, unchanged from the end of the previous year, amounted to € 15 thousand, and referred to a property, located in Milan, whose market value, based on estimates by sector operators, was significantly higher than its carrying amount.

DEPRECIATION RATES

| *Description* | *%* |
|---|---|
| Investment property | 3.00 % |

## 3.d. Right-of-use assets

| ***2021*** | *Opening balance* | | | *Changes for the year* | | | | | *Closing balance* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euro)* | *Original cost* | *Accumulated depreciation and impairment losses* | *Balance 31.12.2021* | *Acquisitions* | *Reclassifications* | *Disposals cost* | *Disposals acc. depr. and imp. losses* | *Depreciation and impairment losses* | *Original cost* | *Accumulated depreciation and impairment losses* | *Balance 31.12.2022* |
| Buildings | 40 | (30) | 10 | 11 | -- | -- | -- | (10) | 51 | (40) | 11 |
| Other assets | 79 | (13) | 66 | 51 | -- | -- | -- | (29) | 130 | (42) | 88 |
| **Total** | **119** | **(43)** | **76** | **62** | **--** | **--** | **--** | **(39)** | **181** | **(82)** | **99** |

| ***2022*** | *Opening balance* | | | *Changes for the year* | | | | | *Closing balance* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euro)* | *Original cost* | *Accumulated depreciation and impairment losses* | *Balance 31.12.2022* | *Acquisitions* | *Reclassifications* | *Disposals cost* | *Disposals acc. depr. and imp. losses* | *Depreciation and impairment losses* | *Original cost* | *Accumulated depreciation and impairment losses* | *Balance 31.12.2023* |
| Buildings | 51 | (40) | 11 | 11 | -- | -- | -- | (11) | 62 | (51) | 11 |
| Other assets | 130 | (42) | 88 | -- | -- | -- | -- | (30) | 130 | (72) | 58 |
| **Total** | **181** | **(82)** | **99** | **11** | **--** | **--** | **--** | **(41)** | **192** | **(123)** | **69** |

The item amounts to € 69 thousand at 31 December 2023. During the year there were increases for € 11 thousand and depreciation for € 41 thousand.

## 3.e. Equity investments

The list of equity investments is given below:

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31 DECEMBER 2023 (ART. 2427 no. 5 Italian Civil Code)

*(in thousands of euro)*

| *Name* | *Registered office* | *Share Capital* | *Total equity* | *Profit (loss) for the year* | *% held* | | *Carrying amount* |
|---|---|---|---|---|---|---|---|
| SOGEFI S.p.A. | Milan | 62,461 | 228,288 | 6,735 | 55.64 | (*) | 109,011 |
| CIR INVESTIMENTI S.p.A. | Milan | 19,426 | 200,221 | 4,501 | 100.00 | | 204,126 |
| CIR INTERNATIONAL S.A. | Luxembourg | 15,000 | 155,232 | (4,139) | 100.00 | | 90,897 |
| KOS S.p.A. | Milan | 8,853 | 114,292 | (6,909) | 59.77 | | 175,635 |
| CIGA LUXEMBOURG S.A.r.l. | Luxembourg | 1,000 | (7) | (119) | 100.00 | | -- |
| JUPITER MARKETPLACE S.r.l. | Milan | 100 | 408 | (8) | 100.00 | | 408 |

*(*) 56.36% of voting rights*

Changes in the carrying amounts of equity investments during the year are shown below:

| | *OPENING BALANCE* | | *CHANGES FOR THE YEAR* | | | | | *CLOSING BALANCE* | |
|---|---|---|---|---|---|---|---|---|---|
| | *31.12.2022* | | *Decreases* | | *Increases* | | *Impairment losses/ Revaluations Reversals* | *31.12.2023* | |
| | *no. of shares* | *amount* | *no. of shares* | *amount* | *no. of shares* | *amount* | *amount* | *no. of shares* | *amount* |
| ***Subsidiaries*** | | | | | | | | | |
| SOGEFI S.p.A. | 66,830,988 | 109,011 | -- | -- | -- | -- | -- | 66,830,988 | 109,011 |
| KOS S.p.A. | 53,205,051 | 175,787 | -- | (152) | -- | -- | -- | 53,205,051 | 175,635 |
| CIR INVESTIMENTI S.p.A. | 19,426,162 | 202,741 | -- | -- | -- | -- | 1,385 | 19,426,162 | 204,126 |
| CIR INTERNATIONAL S.A. | 1,500,000 | 93,441 | -- | -- | -- | -- | (2,544) | 1,500,000 | 90,897 |
| CIGA LUXEMBOURG S.A.R.L. | 1,000 | 12 | -- | -- | -- | 100 | (112) | 1,000 | -- |
| JUPITER MARKETPLACE S.r.l. | 100,000 | 413 | -- | -- | -- | -- | (5) | 100,000 | 408 |
| **Total subsidiaries** | | **581,405** | | **(152)** | | **100** | **(1,276)** | | **580,077** |
| ***Other companies*** | | | | | | | | | |
| C IDC S.p.A. (in liquidation and in composition with creditors) | 2,462,638 | -- | | -- | -- | -- | -- | 2,462,638 | -- |
| KIWI.COM SERVICOS DE CONSULTORIA S.A. | 3,812,055 | -- | | -- | -- | -- | -- | 3,812,055 | -- |
| FILIPPO FOCHI S.p.A. *(in receivership)* | 409,250 | -- | | -- | -- | -- | -- | 409,250 | -- |
| IST. EDIL. ECONOM.POPOLARE S.r.l. | 1,350 | -- | | -- | | -- | -- | 1,350 | -- |
| **Total other companies** | | **--** | | **--** | | **--** | **--** | | **--** |
| **Total equity investments** | | **581,405** | | **(152)** | | **100** | **(1,276)** | | **580,077** |

The balance of "Equity investments" has passed from € 581,405 thousand at 31 December 2022 to € 580,077 thousand at 31 December 2023.

The decrease in the KOS S.p.A. investment refers to the finalisation of the sale of the KOS group's Diagnostics and Cancer Cure business in India. During the year, the consideration due to subscribers of KOS stock option plans was settled. For more information, please refer to Section 6.b "Other Liabilities".

As required by IFRS the investments were tested for impairment to see whether there was objective evidence that their carrying amount could not be fully recovered.

For the purposes of carrying out the impairment test for the separate financial statements, the individual investments (CGU) held by the Company were divided into those that act as a holding company for their sector (KOS and Sogefi) and the other investments.

In order to perform the impairment test, the recoverable amount of each cash generating unit, defined in accordance with IAS 36, was estimated with reference to the higher of its value in use or its fair value less costs to dispose, also considering - where applicable in the specific circumstances - the guidelines issued by the O.I.V. (Italian Valuation Board).

The recoverable amount of KOS and Sogefi was estimated using the value in use calculated by discounting, at an appropriate discount rate, the future cash flows generated by the unit (discounted cash flow model). More specifically, in accordance with what is required by international financial reporting standards, to test the value, cash flows are considered without taking into account inflows and outflows generated by financial management ("Free cash flow from operations").

The cash flows of the single operating units are extrapolated from the budgets and forecasts made by the management of the operating units concerned and approved by the respective Boards of Directors. These plans were processed using the assumptions made by leading analysts on the outlook for the respective markets and more in general on the trend of each business segment.

The value in use of a Cash Generating Unit is estimated by considering, in addition to the cash flows expected from the unit, its long-term growth rate ("g") and the discount rate corresponding to the weighted-average cost of the capital invested ("WACC"), which takes account of market returns and specific risk factors associated with the sector and the unit concerned.

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

- risk free rate: this is equal to the 6-month average of the rates of return on 10-year debt securities of each countries in which the group companies KOS and Sogefi operate;
- market equity risk premium: measured as a long-term historical yield differential between equity and bonds on mature financial markets (Source: Fernandez/Duff & Phelps);
- dimensional risk premium: based on long-term observations of the yield premium associated with an investment in the risk capital of a small and medium-sized company (Source: Duff & Phelps);
- Levered Beta: determined with reference to the Beta of comparable companies in the healthcare and automotive segments;
- cost of debt: determined with reference to the cost of finance of comparable companies in the healthcare and automotive segments;
- financial structure: the structure of the financial sources used for weighting the cost of capital was determined on the basis of a market debt ratio (D/D+E), taken from a sample of comparable companies in the segment;

The recoverable amount of the other equity investments, principally CIR Investments and CIR International and other non-controlling investments, was estimated at fair value less costs to dispose. This methodology is best applied when a price has been determined in a binding sale agreement between independent counterparties, with deduction of the direct disposal costs. If this information is not available, the fair value net of costs to sell is determined in relation to the following trading prices, in order of importance: (i) the current price traded on an active market; (ii) prices for prior similar transactions; (iii) the estimated price based on information obtained by the company. In the case of the financial holding companies CIR Investimenti, CIR International, CIGA Luxembourg and Jupiter Marketplace the fair value less costs to dispose was determined on the basis of the value of the respective consolidated equity, as it represented the market value of all financial assets and liabilities which, in accordance with the accounting standards, are recognised in the consolidated financial statements at fair value.

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

*Summary of the results of impairment testing*

The impairment tests carried out on the equity investments held by the Healthcare (KOS) and Automotive (Sogefi) segments ascertained that there are no impairment losses. With regard to the other equity investments held by CIR S.p.A. in the financial sub-holding companies, checks on the recoverability of their carrying amounts identified a need for impairment losses of € 1,552 thousand for CIR Investimenti S.p.A., € 2,544 thousand for CIR International S.A. and € 113 thousand for CIGA Luxembourg S.A.r.l.

However, considering that the recoverable amount is determined on the basis of estimates, the Group cannot guarantee that they will not be impaired in future years. Given the current context of market crisis, the various factors used to make the estimates could be revised if conditions prove not to be in line with those on which the forecasts were based.

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

*Automotive segment (SOGEFI group)*

The recoverability of the carrying amount of the investment was checked against its value in use, being the present value of the cash flows forecast by the Sogefi group plus its terminal value (Unlevered Discounted Cash Flow).

The operating cash flows were derived from projections included in the 2024-2027 Strategic Plan approved by the Board of Directors of Sogefi S.p.A. on 15 December 2023, which considers the medium and long-term impacts on each CGU of the Sogefi group's business of climate change and the policies and regulations implemented internationally to mitigate its effects. For further details on the assumptions underlying the plans for the purposes of the impairment test, please refer to section 7.a ("Intangible assets and goodwill") of the Notes to the consolidated financial statements.

The terminal value was calculated using the perpetuity growth model, applying 2.37% growth rate (based on the long-term inflation rates estimated for each country, weighted by their sales) to the operating cash flows for the final year of the long-term plan, as adjusted to project a stable situation "in perpetuity" assuming net zero investment and depreciation and no changes in working capital.

The discount rate based on the weighted average cost of capital (WACC) is equal to 10.0%, calculated through the weighted average parameters composing WACC for each country in which the Sogefi group operates. In determining the discount rate, market rate averages based on short-term time horizons (6 months) were used in order to purge the rate (and the concepts incorporated therein in terms of risk and expected return) from the values that remained artificially low until 2021, for the measures adopted by the European and American central banks to cope with the economic effects of the Covid-19 pandemic. In fact, these measures led to a lowering of the interest rate curve and an increase in outstanding liquidity with a consequent increase in the value of financial assets and a reduction in the market risk premium estimated on the market, conditions which disappeared in 2022 as a result of the sudden rise in interest rates and inflation. The figures used in calculating the average cost of capital were as follows: risk free rate: 4.8% (half-yearly average for 10-year risk-free government bonds of the countries in which the group operates, weighted on the basis of revenue); market risk premium: 5.70% (average of the market equity risk premium, referred to developed markets, calculated based on independent sources); specific risk premium: 1.22% (added premium, calculated by an independent source, for the risk linked to small cap); financial structure of the sector (leverage): 29.3%: levered beta of the sector: 1.18; cost of debt after tax: 3.4% (estimated on the basis of sector spreads weighted by the level of debt and incorporating 6-month averages of market base rates).

Verification of the present value of expected cash flows showed that the value in use of the Sogefi investment (in proportion to the equity interest held by CIR S.p.A. and net of borrowing) is € 475,779 thousand, which exceeds its carrying amount of € 109,011 thousand. The sensitivity analyses carried out on the WACC and g (long-term growth rate) parameters confirm positive coverage of the carrying amount: in particular, in the worst case scenario, with a 1% increase in the WACC and a 1% decrease in g, the coverage remains positive by € 273,914 thousand. Given the results of the test, no impairment losses have been made.

The Company has carried out an analysis of the performance of the Sogefi stock in 2023 to see if there are any indicators of impairment, which can be inferred from differences between the market value of the shares held (€ 88,805 thousand on average for the year) and the carrying amount of the investment (€ 109,011 thousand). This trigger event is mitigated by the following considerations: *i)* in 2023, Sogefi's stock performed very well, outperforming the automoti*ve* segment equity indices, thus reducing the difference between stock market value and carrying amount; *ii)* Sogefi's stock is nevertheless penalised by the thinness of the free float and low liquidity, which result in valuation multiples that are historically lower than the average of listed peers. It was therefore felt that the stock exchange value did not fully reflect Sogefi's real value; the recoverable amount was therefore estimated using the value in use method.

*Healthcare (KOS group)*

The recoverability of the carrying amount of the investment was checked with reference to its value in use, being the present value of the cash flows forecast by the KOS group plus its terminal value (Unlevered Discounted Cash Flow).

The operating cash flows used were derived from projections included in the 2024-2026 Strategic Plan approved by the Board of Directors on 12 January 2024, which does not contain development projects or acquisitions, except for those already under contract; for the purposes of the impairment test, future cash flows in the Strategic Plan relating to greenfield projects under construction were not taken into consideration. The plan takes into consideration the residual effects on the business and the profitability of the Covid-19 pandemic; it also considers the medium and long-term impacts on the KOS group's business of climate change and the policies and regulations implemented internationally to mitigate its effects. For further details on the assumptions underlying this plan, please refer to section 7.a ("Intangible assets and goodwill") of the Notes to the consolidated financial statements.

The terminal value was calculated using the perpetuity growth model, applying 2.0% growth, based on the long-term inflation rates estimated for Italy and Germany, considering the operating cash flow for the final year of the long-term plan, as adjusted to project a stable situation "in perpetuity" assuming net zero investment and depreciation and no changes in working capital.

The discount rate used (WACC) reflects current market valuations, considering the specific risks faced in the various geographical areas in which the KOS group operates, and is equal to 6.6% (taking the weighted average of the various rates: 6.9% in Italy and 5.8% in Germany). In the same way as for Sogefi, here too the impact of the new situation regarding interest rates was taken into account in determining certain parameters for the discount rate. For the estimate of risk free rates, the six-month averages, and no longer the 10-year ones, have been calculated for 10-year risk-free securities: these are 4.2% for Italy and 2.6% for Germany; the premiums for market risk and specific risk were assumed to be equal to those of the Sogefi CGU (5.6% and 1.2% respectively); sector leverage came to 47.4%, and beta levered to 0.63 for Italy and 0.71 for Germany; lastly, the net cost of debt was estimated on the basis of sector data at 4.6% for Italy and 4.2% for Germany.

Verification of the present value of expected cash flows showed that the value in use of the investment in KOS (in proportion to the equity interest held by CIR S.p.A. and net of borrowing) is € 501,220 thousand, which exceeds its carrying amount of € 175,635 thousand. The sensitivity analyses carried out on the WACC and g (long-term growth rate) parameters confirm positive coverage of the carrying amount: in particular, in the worst case scenario, with a 0.5% increase in the WACC and a 0.5% decrease in g, the coverage remains positive by € 155,797 thousand. Given the results of the test, no impairment losses have been made.

*Financial Holding Companies (CIR Investimenti, CIR International, CIGA Luxembourg and Jupiter Marketplace).*

Being financial holding companies, the impairment tests carried out on the wholly-owned investments in CIR Investmenti and CIR International was measured using the fair value less costs to dispose method, which was estimated with reference to the market value of the assets held (mainly financial investments and non-controlling equity interests), net of liabilities (mainly amounts due to CIR S.p.A.).

The financial investments (securities and investment funds) held by the two companies are stated in their respective financial statements at fair value, determined with reference to the market prices of the securities and the values indicated by the managers of certain direct investments; on the other hand, certain smaller non-controlling interests were measured by management at their estimated realisable value.

The equity value of the two companies is therefore considered to be a reliable estimate of their fair value less costs to dispose, and was used for impairment testing purposes in the separate financial statements of CIR S.p.A.

The net equity value of CIR Investmenti S.p.A. at the reporting date, € 204,126 thousand, has increased with respect to 31 December 2022, because of profits during the year linked to the positive trend in its financial asset portfolio, partially offset by the dividends distributed during 2023. It was higher than its carrying amount of € 202,741 thousand, therefore, a revaluation of € 1,385 thousand was made, partially offsetting the impairment made in the previous year.

The net equity value of CIR International S.A. at the reporting date, € 90,897 thousand, has decreased with respect to 31 December 2022, because of losses during the year linked to the negative trend in its financial asset portfolio. It was lower than its carrying amount of € 93,441 thousand, so it was impaired by € 2,544 thousand.

The recoverability of the carrying amounts of the other smaller equity investments held by CIR S.p.A. was checked in a manner similar to that described above, resulting in the need to make certain impairment adjustments in CIGA Luxembourg S.a.r.l. for € 112 thousand and in Jupiter Marketplace S.r.l for € 5 thousand. The impairment losses and revaluations mentioned above were made with a matching entry to income statement caption 17 "Fair value gains (losses) on financial assets.

## 3.f. Other assets

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---|---|
| Assets from related parties | 56,086 | 54,788 |
| Other | 1,840 | 1,807 |
| **Total** | **57,926** | **56,595** |

"Assets from related parties" at 31 December 2023 are made up of:

- € 41,205 thousand (€ 38,814 thousand as of 31 December 2022) related to the loan disbursed in favour of subsidiary CIR Investimenti S.p.A. The rate applied on this loan is 5.451% (3m Euribor with zero floor + 1.5% spread). During the year, new amounts were granted for € 560 thousand;
- € 14,881 thousand (€ 15,974 thousand at 31 December 2022) relating to the loan disbursed to the subsidiary CIR International S.A. The rate applied to this loan is 5.96% (6m Euribor + spread of 2%). During the year, repayments were made for a total of € 1,850 thousand.

"Other" at 31 December 2023 includes € 1,815 thousand (€ 1,650 thousand at 31 December 2022) relating to the insurance premiums paid to guarantee the termination indemnities of the directors of the Company.

The item "Other" at 31 December 2022 included € 132 thousand relating to a loan granted to the company October S.A. This loan was totally written off during the year.

### 3.g. Other financial assets, including derivatives

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---:|---:|
| Investment funds | 15,219 | 16,413 |
| Non strategic equity investments | 6,881 | 7,988 |
| **Total** | **22,100** | **24,401** |

The item "Investment funds" is made up of:

- € 3,181 thousand, unchanged compared to 31 December 2022, relating to an investment in the Arve Fund real estate fund;
- € 12,038 thousand (€ 13,232 thousand at 31 December 2022) related to an investment in the Three Hills fund, which invests in small/medium-sized European companies. The measurement of this fund at fair value resulted in a loss, recognised in profit or loss under item 17 "Fair value gains (losses) on financial assets", for an amount of € 1,059 thousand (gain of € 426 thousand in 2022). During the year, new investments were made for € 446 thousand and the fund made repayments for an amount of € 581 thousand which gave rise to a net capital loss of € 214 thousand.

"Non strategic equity investments" consist of:

- € 6,881 thousand (€ 5,549 thousand at 31 December 2022) related to the investment in TH Aereo CO Invest S.C.A. The measurement of this investment at fair value resulted in a positive valuation, recorded in the income statement under item 17 "Fair value gains (losses) on financial assets", for an amount of € 1,332 thousand (€ 771 thousand in 2022).

The item at 31 December 2022 included the following investments:

- € 1,000 thousand related to the investment in GEDI Gruppo Editoriale S.p.A. The measurement of this investment at fair value resulted in a loss, recognised in profit or loss under item 17 "Fair value gains (losses) on financial assets", for an amount of € 1,000 thousand (€ 5,600 thousand in 2022). The valuation was carried out on the basis of the valuation mechanism of the put & call option contained in the purchase and sale contract of GEDI with the counterparty EXOR N.V., which expires in July 2024;
- € 1,205 thousand related to the investment in Bow Street LLC., which was repaid during the year and generated a capital gain of € 213 thousand;
- € 234 thousand related to an investment in the company October S.A. The measurement of this investment at fair value resulted in a negative valuation, recorded in the income statement

under item 17 “Fair value gains (losses) on financial assets”, for an amount of € 234 thousand (€ 74 thousand in 2022).

With regard to the disclosure required by IFRS 13, it should be noted that the fair value of investments was determined on the basis of valuation models using inputs observable in active markets (Level 2).

### 3.h. Deferred tax assets and liabilities

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

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

| *(in thousands of euro)* | *31.12.2023* | | *31.12.2022* | |
|---|---|---|---|---|
| | *Amount of temporary differences* | *Tax effect* | *Amount of temporary differences* | *Tax effect* |
| Tax losses | 29,430 | 7,063 | 29,673 | 7,122 |
| **Total deferred tax assets** | **29,430** | **7,063** | **29,673** | **7,122** |
| | | | | |
| Measurement at fair value of non-current assets | 10,174 | 122 | 10,147 | 122 |
| **Total deferred tax liabilities** | **10,174** | **122** | **10,147** | **122** |
| **Net deferred taxes** | | **6,941** | | **7,000** |

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

| *(in thousands of euro)* | *Balance at 31.12.2022* | *Use of deferred taxes from prior year* | *Deferred taxes in the year* | *Balance at 31.12.2023* |
|---|---|---|---|---|
| **Deferred tax assets:** | | | | |
| - income statement | 7,122 | (59) | -- | 7,063 |
| - equity | -- | -- | -- | -- |
| **Deferred tax liabilities:** | | | | |
| - income statement | (122) | -- | -- | (122) |
| - equity | -- | -- | -- | -- |
| **Net deferred taxes** | **7,000** | **(59)** | **--** | **6,941** |

## 4 Current assets

### 4.a. Other assets

| *(in thousands of euro)* | 31.12.2023 | *31.12.2022* |
|---|---|---|
| Tax assets | 3,942 | 3,868 |
| Assets from related parties | 7,417 | 1,332 |
| Trade receivables | 51 | 40 |
| Other | 2,821 | 3,139 |
| **Total** | **14,231** | **8,379** |

The item “Assets from related parties” consists of:

- € 7,315 thousand (€ 1,237 thousand at 31 December 2022) relating to the assets from companies that adhered to the tax consolidation scheme (€ 1,511 thousand to companies of the Sogefi group, € 4,538 to companies of the KOS group and € 1,266 thousand to CIR Investimenti S.p.A.);
- € 94 thousand (€ 94 thousand at 31 December 2022) to companies that pay directors' compensations (€ 80 thousand to CIR Investimenti S.p.A. and € 14 thousand to Sogefi S.p.A.);
- € 2 thousand (€ 1 thousand at 31 December 2022) to Sogefi S.p.A. for a property lease;
- € 6 thousand to CIR Investimenti S.p.A. for recharges of personnel expense.

"Tax assets" include € 2,521 thousand of IRES related to the Company's tax consolidation scheme and € 1,296 thousand to tax credits concerning previous years.

### 4.b. Securities

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---:|---:|
| Investment funds | -- | 9,647 |
| **Total** | **--** | **9,647** |

During the year, securities in the portfolio were sold. This sale gave rise to a capital loss of € 2,470 thousand, of which € 2,214 thousand was recognised in profit or loss under item 16 "Losses from securities trading" and € 256 thousand of exchange difference recognised in profit or loss under item 13 "Financial expense".

### 4.c. Cash and cash equivalents

Cash and cash equivalents decreased by € 5,139 thousand from € 6,609 thousand at 31 December 2022 to € 1,470 thousand at 31 December 2023. A breakdown of the changes is shown in the statement of cash flows.

### 4.d. Assets held for sale

This item refers to the carrying amount of a real estate complex that is being sold.

On 22 December 2022, the company signed with Merope S.r.l., a property investment and development company, a binding preliminary agreement subject to certain conditions precedent, for the sale of a non-operating real estate complex located in Via dell'Orso 8 and Via Ciovassino 1/A, Milan, for a total of € 38.0 million, of which € 7.0 million paid as deposit and the remaining amount payable at the closing of the transaction, scheduled for the first half of 2024.

## 5 Equity

### 5.a. Share Capital

The share capital at 31 December 2023 amounted to € 420,000 thousand, unchanged from 31 December 2022, and consisted of 1,107,207,314 shares with no nominal amount.

At 31 December 2023, the company held 59,157,253 treasury shares (5.343% of the share capital) for an amount of € 26,462 thousand, compared with 24,480,800 treasury shares (2.211% of the share capital) for an amount of € 12,500 thousand at 31 December 2022.

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

| *(in thousands of euro)* | *Number of shares* | *Amount* |
|---|---|---|
| Balance at 31 December 2022 | 24,480,800 | 12,500 |
| Increases | 34,838,938 | 14,035 |
| Decreases | (162,485) | (73) |
| **Balance at 31 December 2023** | **59,157,253** | **26,462** |

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

In application of IAS 32, treasury shares are deducted from total equity.

The subscribed share capital is fully paid up. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends, with the exception of treasury shares.

The Company's controlling shareholder is Fratelli De Benedetti S.p.A. with registered office in via Valeggio 41, Turin, which holds 35.957% of share capital and 46.299% of voting rights.

## 5.b. Reserves

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

| *(in thousands of euro)* | *Share premium reserve* | *Legal reserve* | *Statutory reserve* | *Non-distributable Reserve as per art. 6 Legislative Decree 38/2005* | *Other reserves* | *Stock grant reserve* | *Total reserves* |
|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2021** | **5,044** | **25,517** | **14** | **3,212** | **--** | **2,710** | **36,497** |
| Capital reductions | -- | -- | -- | -- | 218,604 | -- | 218,604 |
| Retained earnings | -- | 104 | -- | 1,981 | -- | -- | 2,085 |
| Unclaimed dividends | -- | -- | 171 | -- | -- | | 171 |
| Fair value gains (losses) on treasury shares | -- | -- | -- | -- | -- | -- | -- |
| Notional cost of stock options credited | -- | -- | -- | -- | -- | 1,366 | 1,366 |
| Reclassifications | -- | -- | -- | -- | -- | (346) | (346) |
| **Balance at 31 December 2022** | **5,044** | **25,621** | **185** | **5,193** | **218,604** | **3,730** | **258,377** |
| Retained earnings | -- | 152 | -- | 2,893 | -- | -- | 3,045 |
| Unclaimed dividends | -- | -- | 49 | -- | -- | -- | 49 |
| Fair value gains (losses) on treasury shares | -- | -- | -- | -- | (2,391) | -- | (2,391) |
| Notional cost of stock options credited | -- | -- | -- | -- | -- | 1,310 | 1,310 |
| Reclassifications | -- | -- | -- | 52 | -- | (576) | (524) |
| **Balance at 31 December 2023** | **5,044** | **25,773** | **234** | **8,138** | **216,213** | **4,464** | **259,866** |

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

### 5.c. Retained earnings (losses carried forward)

The changes in this item are shown in the “Statement of changes in equity”.

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

| *(in thousands of euro)* | *Amount at 31.12.2023* | *Possible use* | *Amount available* | *Summary of uses made in the previous three years (*)* | | |
|---|---|---|---|---|---|---|
| | | | | *To cover losses* | *For dividend distribution* | *Other* |
| SHARE CAPITAL | 420,000 | -- | -- | -- | -- | -- |
| Capital reserves: | | | | | | |
| Share premium reserve | 5,044 | AB | -- | -- | -- | -- |
| Earnings reserves: | | | | | | |
| Legal reserve | 25,773 | B | -- | -- | -- | -- |
| Other reserves | -- | ABC | -- | -- | -- | (33,046) |
| Statutory reserves | 234 | ABC | 234 | -- | -- | -- |
| Stock grant reserve | 4,464 | ABC | 4,464 | -- | -- | -- |
| Reserve as per art. 6 Legislative Decree 38/2005 | 8,138 | B | -- | -- | -- | -- |
| Share capital reduction reserve | 216,213 | ABC | 216,213 | -- | -- | (2,391) |
| Retained earnings | -- | ABC | -- | -- | -- | (65,120) |
| **TOTAL** | **679,866** | | **220,911** | **--** | **--** | **(100,557)** |

*Key: A: for capital increases; B: to cover losses; C: for distribution to shareholders*

*(*) The uses shown are those that led to a decrease in equity.*

Utilizations made in the three previous years, for a total of € 100,557 thousand, refer to the purchase of treasury shares.

## 6 Non-current liabilities

### 6.a. Lease liabilities

This item amounts to € 32 thousand (€ 59 thousand at 31 December 2022) and refers to lease liabilities, with maturities of more than 12 months.

### 6.b. Other liabilities

The item at 31 December 2022, equal to € 282 thousand, referred to the liabilities to the subscribers of KOS stock option plans, from whom CIR acquired the shares resulting from the exercise of the options in 2020 (liabilities in relation to the price adjustment expected following the future sale of the Diagnostics and Cancer Cure business in India by the KOS group). During the year, following the finalisation of the sale of the Diagnostics and Cancer Cure business in India by the KOS group, the consideration due to the subscribers of the KOS stock option plans was paid in the amount of € 130 thousand. The difference, amounting to € 152 thousand, was deducted from the value of the investment in KOS S.p.A. recognised under item 3.f "Equity Investments".

### 6.c. Employee benefits

Details of employee benefits are as follows:

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---:|---:|
| Post-employment benefits (TFR) | 551 | 705 |
| Pension funds and similar obligations | 1,760 | 1,595 |
| **Total** | **2,311** | **2,300** |

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

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

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---:|---:|
| Opening balance | 705 | 611 |
| Portion accrued | 123 | 183 |
| Benefits paid | (277) | (89) |
| **Total** | **551** | **705** |

## 7 Current liabilities

### 7.a. Lease liabilities

This item, equal to € 28 thousand (€ 30 thousand at 31 December 2022), refers to lease liabilities, with maturities of more than 12 months, relating to car leases.

### 7.b. Other liabilities

| *(in thousands of euro)* | *31.12.2023* | *31.12.2022* |
|---|---:|---:|
| Tax liabilities | 1,474 | 1,548 |
| Liabilities to related parties | 7,430 | 2,399 |
| Suppliers | 357 | 425 |
| Other | 5,851 | 5,819 |
| **Total** | **15,112** | **10,191** |

The item "Liabilities to related parties" refers to amounts due to companies which took part in the tax consolidation scheme (€ 3,920 thousand to companies of the Sogefi group, € 3,502 thousand to companies of the KOS group and € 2 thousand to CIR Investimenti S.p.A. and € 6 thousand Jupiter Marketplace S.r.l.).

"Other" included € 4,197 thousand relating to the refund requested by the counterparty for the registration tax due for the judgements in the Lodo Mondadori affair.

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

This item amounted to € 8,070 thousand at 31 December 2023 and consisted:

- for € 7,000 thousand (€ 5,000 thousand at 31 December 2022) of the deposits collected following the achievement of the binding preliminary agreement for the sale of the non-operating real estate complex located in Milan. For more details, please refer to item 4.d. "Assets held for sale";
- for € 1,065 thousand of the liability allocated in relation to a specific guarantee issued by the parent CIR S.P.A. to the purchaser counterparty in connection with the sale of GEDI. For more details, please refer to note 19. "Contingent liabilities";
- for € 5 thousand to the amount due to the purchaser of an additional non-operating property located in Rome sold on 28 June 2023, for the reimbursement of maintenance costs.

# Income Statement

## 8 Sundry revenue and income

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Services to subsidiaries | 275 | 285 |
| Fees paid by subsidiaries | 180 | 177 |
| Property income | 714 | 928 |
| Property income from related parties | 216 | 317 |
| Other income and cost recoveries | 33 | 56 |
| **Total** | **1,418** | **1,763** |

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

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| SOGEFI S.p.A. | 165 | 175 |
| KOS S.p.A. | 110 | 110 |
| **Total** | **275** | **285** |

Fees paid by subsidiaries refer to Cir Investimenti S.p.A. for € 120 thousand, to Sogefi S.p.A. for € 20 thousand and to KOS S.p.A. for € 40 thousand.

Real estate income from related parties refers to the lease contracts signed with Sogefi S.p.A. for € 131 thousand (€ 120 thousand in 2022) and with a natural person who is a related party for € 85 thousand (€ 81 thousand in 2022).

The item at 31 December 2022 also included the amount of € 116 thousand for a lease agreement with ROMED S.p.A.

## 9 Costs for services

| *(in thousands of euro)* | *2023* | *2022* |
|---|---:|---:|
| Administrative, tax, legal and corporate consulting | 1,224 | 1,181 |
| Services provided by subsidiaries | 12 | 12 |
| Fees for corporate bodies | 3,286 | 3,349 |
| Other | 1,451 | 1,530 |
| **Total** | **5,973** | **6,072** |

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

Other costs are substantially in line with 2022.

## 10 Personnel expense

Personnel expense totalled € 3,721 thousand (€ 4,088 thousand in 2022).

The item includes the notional cost of € 1,310 thousand (€ 1,366 thousand in 2022) of the valuation of the stock grant of the plans currently in issue, approved after 7 November 2002.

The following chart shows the changes in the number of employees in the different categories during the year:

| | *31.12.2022* | *New hires* | *Resignations* | *31.12.2023* | *Average for the year* |
|---|---:|---:|---:|---:|---:|
| Executives | 4 | -- | (1) | 3 | 4 |
| Middle managers and employees | 9 | -- | (3) | 6 | 7 |
| **Total** | **13** | **--** | **(4)** | **9** | **11** |

## 11 Other operating expense

| *(in thousands of euro)* | *2023* | *2022* |
|---|---:|---:|
| Non-deductible VAT and other taxes | 807 | 888 |
| Miscellaneous losses and other costs | 715 | 4,945 |
| **Total** | **1,522** | **5,833** |

"Miscellaneous losses and other costs" of last year included € 4,197 thousand for the portion of the registration tax due for the judgements in the Lodo Mondadori case requested by the other party.

## 12 Financial income

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Interest income from subsidiaries | 2,587 | 966 |
| Exchange gains | -- | 382 |
| Other financial income | 10 | 8 |
| **Total** | **2,597** | **1,356** |

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

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| CIR International S.A. | 756 | 243 |
| CIR Investimenti S.p.A. | 1,831 | 723 |
| **Total** | **2,587** | **966** |

## 13 Financial expense

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Interest on lease liabilities | 2 | 3 |
| Exchange losses | 257 | -- |
| Other interest expense and financial expense | 19 | 21 |
| **Total** | **278** | **24** |

## 14 Dividends

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| *Dividends from related parties:* | | |
| CIR Investimenti S.p.A. | 4,000 | 952 |
| CIR International S.A. | -- | 15,000 |
| *Total dividends from related parties* | 4,000 | 15,952 |
| Dividends from other companies | -- | -- |
| **Total dividends** | **4,000** | **15,952** |

## 15 Gains from securities trading

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Gains from securities trading under non-current assets | 219 | 61 |
| Gains from securities trading under current assets | -- | -- |
| **Total** | **219** | **61** |

## 16 Losses from securities trading

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Losses from securities trading under non-current assets | 220 | 833 |
| Losses from securities trading under current assets | 2,214 | -- |
| **Total** | **2,434** | **833** |

## 17 Fair value gains (losses) on financial assets

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Impairment losses on investments in subsidiaries | (2,661) | (6,357) |
| Impairment losses on other financial assets | (2,341) | (6,200) |
| Impairment losses on other assets | (136) | -- |
| Reversal of investments in subsidiaries | 1,385 | -- |
| Reversal of other financial assets | 1,380 | 3,946 |
| Reversal of securities | -- | 5,192 |
| **Total** | **(2,373)** | **(3,419)** |

For details on “Impairment losses on investments in subsidiaries” and “Reversal of investments in subsidiaries”, please refer to item 3.e “Equity investments”.

For details of “Reversal of other financial assets” and “Impairment losses on other financial assets”, please refer to item 3.g “Other financial assets”.

For details of “Impairment losses on other assets”, please refer to item 3.f “Other assets”.

## 18 Income taxes

| *(in thousands of euro)* | *2023* | *2022* |
|---|---|---|
| Current taxes | 2,829 | -- |
| Deferred taxes | (59) | 5,234 |
| Tax gains/(losses) from prior years | 57 | (89) |
| **Total** | **2,827** | **5,145** |

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

The table below illustrates the reconciliation between the theoretical and effective taxes.

RECONCILIATION BETWEEN THE THEORETICAL AND EFFECTIVE TAXES

| *(in thousands of euro)* | *Taxable income* | *% rate* | *Tax* |
|---|---|---|---|
| LOSS BEFORE TAXES FROM CONTINUING OPERATIONS | (8,374) | 24.0 | (2,010) |
| *Effect of increases (decreases) compared with the ordinary rate* | | | |
| - Dividends | (3,800) | 24.0 | (912) |
| - Temporary differences deductible in future years | 685 | 24.0 | 164 |
| - Temporary differences deductible from previous years | (649) | 24.0 | (156) |
| - Non-deductible costs | 5,894 | 24.0 | 1,415 |
| Other permanent differences | (5,529) | 24.0 | (1,327) |
| SUB-TOTAL | (11,773) | 24.0 | (2,826) |
| Tax losses not absorbed by the tax consolidation scheme | (14) | 24.0 | (3) |
| Taxable income/Income taxes - IRES | (11,787) | 24.0 | (2,829) |

The Pillar Two/GloBE model rules became effective in Italy for periods beginning on or after 1 January 2024 by Legislative Decree no. 209/2023 implementing Directive no. 2523/2022/EU and apply to CIR S.p.A., providing that the entities belonging to the Company (wherever located) are subject to an effective income tax rate of at least 15%, to be determined on the basis of a detailed computation based on the accounting and tax data of such entities. Where the level of taxation is lower than the minimum level, a minimum tax (the “Top-Up Tax”) shall be applied up to 15%.

As required by IAS 12 (in particular, the “Amendments to IAS 12 Income Taxes-International Tax Reform-Pillar Two Model Rules”), the Company carried out an analysis, with the support of an external consultant, in order to identify the scope of application and the potential impact of this new legislation on the jurisdictions of its consolidation scope, also making use of the so-called transitional safe harbours applicable in the three-year period 2024-2026 (the transitional period) as provided for by the OECD Guidelines. These rules require that no top-up tax is due if any of the following tests are passed (to be performed with respect to each jurisdiction):

- *De minimis test*: revenue in the jurisdiction is below € 10 million and aggregate pre-tax profit is below € 1 million;
- *Simplified effective tax rate test*: the level of effective taxation is at least 15% (for 2024), as determined on the basis of the ratio of the aggregate values of pre-tax profit/loss (denominator) and income tax (numerator). In this regard, the numerator figure represents the value of current and deferred income taxes (with some specific adjustments) recognised in the reporting packages of subsidiaries in a given jurisdiction;
- *Routine profit test*: the aggregate value of the “*Substance-based income exclusion*” (“SBIE”) required by Pillar Two rules is higher than the aggregate amount of the pre-tax profit/loss. As stipulated in the OECD Guidelines, in the event that a pre-tax loss is present for a jurisdiction, the test is considered to be passed.

If none of the tests are passed for a specific jurisdiction, the Company is required to calculate the level of effective taxation based on the full set of Pillar Two rules, i.e. by making specific “adjustments” to the accounting and tax data of entities located in that jurisdiction, also for the purpose of determining - where this level of effective taxation is below 15% - the amount of the minimum tax due.

On the basis of current figures - for CIR S.p.A. and its subsidiaries - the company Fratelli De Benedetti S.p.A. assumes the role of “Ultimate Parent Entity” while CIR S.p.A. assumes the role of “Partially- Owned Parent Entity” (“POPE”).

In accordance with the OECD Guidelines, the transitional safe harbours tests have been prepared using - from a forward-looking perspective - the information available in the Ultimate Parent Entity’s “Country-by-Country Report” for the financial years 2021 and 2022 and the reporting packages prepared by the controlled entities for the purpose of preparing the Group's consolidated financial statements for the financial year 2023 using an approach that considers the "aggregate" data of the entities within the group in a single jurisdiction where the group operates ("jurisdictional approach"). Based on this activity, transitional safe harbours were positively found in all jurisdictions for CIR S.p.A., and for its wholly-owned subsidiaries.

## 19 Profit (loss) from discontinued operations net of the tax effect

This item, for a loss of € 1,174 thousand, is broken down as follows:

- +€ 4,711 thousand related to the capital gain, net of tax effects in the amount of € 1,715 thousand and costs related to the sale in the amount of € 120 thousand, for the sale in June 2023 of a non-operating property located in Rome. The sales price received amounted to € 6,700 thousand;
- -€ 5,885 thousand for the allocation of a provision for risks, relating to a specific guarantee issued by the parent CIR S.P.A. to the purchaser counterparty in connection with the GEDI sale. On 11 December 2023, GEDI announced that it had incurred a liability as a result of the proceedings, which have not yet been concluded, and therefore requested CIR S.p.A. to be indemnified for the portion corresponding to 38.6% of such liability. CIR fulfilled this request with the payment in December 2023 of an amount of € 4,820 thousand. For more details, please refer to note 19. "Contingent liabilities"

## 20 Basic Earnings per share

Basic earnings (loss) per share is calculated by dividing the net profit (loss) for the year, which is the loss from continuing operations and the profit (loss) from discontinued operations attributable to the owners of the parent by the weighted average number of shares outstanding during the year, excluding treasury shares in portfolio. Diluted earnings (loss) per share is calculated by dividing the profit (loss) for the year, which is the loss from continuing operations and the profit (loss) from discontinued operations attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares in portfolio and adjusted for the dilutive effects of outstanding options.

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

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

### Basic earnings per share

| | *2023* | *2022* |
|---|---:|---:|
| Profit (loss) for the year attributable to the owners of the parent (in euro) | (6,720,331) | 3,044,852 |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| **Basic earnings (loss) per share (euro)** | **(0.0063)** | **0.0028** |

| | *2023* | *2022* |
|---|---:|---:|
| Comprehensive income attributable to the owners of the parent (in euro) | (6,720,331) | 3,044,852 |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| **Basic earnings (loss) per share (euro)** | **(0.0063)** | **0.0028** |

| | *2023* | *2022* |
|---|---:|---:|
| Profit (loss) from continuing operations attributable to owners of the parent (in euro) | (5,546,644) | 3,044,852 |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| **Basic earnings (loss) per share (euro)** | **(0.0052)** | **0.0028** |

| | *2023* | *2022* |
|---|---:|---:|
| Profit (loss) from discontinued operations net of taxes attributable to the owners of the parent (in euro) | (1,173,687) | -- |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | -- |
| **Basic earnings (loss) per share (euro)** | **(0.0011)** | **--** |

### Diluted earnings per share

| | *2023* | *2022* |
|---|---:|---:|
| Profit (loss) for the period attributable to the owners of the parent (in euro) | (6,720,331) | 3,044,852 |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| Weighted average number of options | 5,982,376 | 4,590,647 |
| No. of shares that could have been issued at fair value | -- | -- |
| Adjusted weighted average number of shares outstanding | 1,070,542,495 | 1,094,334,881 |
| **Diluted earnings (loss) per share (in euro)** | **(0.0063)** | **0.0028** |

| | *2023* | *2022* |
|---|---|---|
| Comprehensive income attributable to owners of the parent (in euro) | (6,720,331) | 3,044,852 |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| Weighted average number of options | 5,982,376 | 4,590,647 |
| No. of shares that could have been issued at fair value | -- | -- |
| Adjusted weighted average number of shares outstanding | 1,070,524,495 | 1,094,334,881 |
| **Diluted earnings (loss) per share (in euro)** | **(0.0063)** | **0.0028** |

| | *2023* | *2022* |
|---|---|---|
| Profit (loss) from continuing operations attributable to owners of the parent (in euro) | (5,546,644) | 3,044,852 |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | 1,089,744,234 |
| Weighted average number of options | 5,982,376 | 4,590,647 |
| No. of shares that could have been issued at fair value | -- | -- |
| Adjusted weighted average number of shares outstanding | 1,070,524,495 | 1,094,334,881 |
| **Diluted earnings (loss) per share (in euro)** | **(0.0052)** | **0.0028** |

| | *2023* | *2022* |
|---|---|---|
| Profit (loss) from discontinued operations net of taxes attributable to the owners of the parent (in euro) | (1,173,687) | -- |
| Weighted average number of ordinary shares outstanding | 1,064,542,119 | -- |
| Weighted average number of options | 5,982,376 | -- |
| No. of shares that could have been issued at fair value | -- | -- |
| Adjusted weighted average number of shares outstanding | 1,070,524,495 | -- |
| **Diluted earnings (loss) per share (in euro)** | **(0.0011)** | **--** |

## 21 Related party transactions

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

Note that during 2023 the following amounts were accrued to the income statement in favour of:

- Administration bodies € 2,171 thousand;
- Control bodies € 141 thousand;
- Chief Executive Officer and General Manager € 2,978 thousand (of which € 1,037 thousand as the notional cost of equity-based compensation);
- Key executives € 493 thousand (of which € 183 thousand as the notional cost of equity-based compensation).

For further details, please refer to the “Remuneration Report” available in the Governance section of the Company’s website (www.cirgroup.it).

# 22 Net financial position

The net financial position in accordance with Consob Resolution no. 6064293 dated 28 July 2006 supplemented by RA 5/21, is as follows:

| *(in thousands of euro)* | | *31.12.2023* | *31.12.2022* |
|---|---|---|---|
| A. | Cash | 1,470 | 6,609 |
| B. | Cash equivalents | -- | -- |
| C. | Other current financial assets | -- | 9.647 |
| **D.** | **Cash and cash equivalents (A) + (B) + (C)** | **1,470** | **16,256** |
| E. | Current financial indebtedness | -- | -- |
| F. | Current portion of non-current financial indebtedness | 28 | 30 |
| **G.** | **Current financial indebtedness (E) + (F)** | **28** | **30** |
| **H.** | **NET CURRENT FINANCIAL INDEBTEDNESS (G) - (D)** | **(1,442)** | **(16,226)** |
| I. | Non-current financial indebtedness | 32 | 59 |
| J. | Debt instruments | -- | -- |
| K. | Trade payables and other non-current liabilities | -- | -- |
| **L.** | **Non-current financial indebtedness (I) + (J) + (K)** | **32** | **59** |
| **M.** | **NET FINANCIAL INDEBTEDNESS (H) + (L)** | **(1,410)** | **(16,167)** |

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

# 23 Other information

FINANCIAL RISK MANAGEMENT: ADDITIONAL DISCLOSURES

With regard to business risks, the main financial risks identified, monitored and actively managed by the Company are the following:

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

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

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

<u>Interest rate risk</u>

Fluctuations in interest rates affect the market value of financial assets and the level of net financial expense. At 31 December 2023, there are no loans payable and therefore no interest rate risk on financial charges.

<u>Market risk</u>

The trend on financial markets affects the fair value of the financial assets held by the Company. The fair value of financial assets and liabilities is calculated as follows:

- the fair value of financial assets and liabilities with standard terms and conditions listed on an active market is measured on the basis of prices published on the active market;

- the fair value of other financial assets and liabilities (except for derivatives) is measured using commonly accepted valuation techniques based on analytical models using discounted cash flows, which as variables use prices observable in recent market transactions and broker listed prices for similar instruments.

With regard to financial instruments represented by current assets and liabilities and for which the present value of future cash flows does not differ significantly from their carrying amount, it is assumed that this is a reasonable approximation of their fair value. In particular, the carrying amount of trade receivables and other current assets and trade payables and other current liabilities approximates their fair value.

At 31 December 2023, the Company held no financial assets, and therefore was not significantly exposed to market risk.

<u>Credit risk</u>

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

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

As of 31 December 2023, almost all of the assets recognised in the financial statements have as counterparties the wholly-owned subsidiaries CIR Investimenti S.p.A. and CIR International S.A., both of which are deemed to have high creditworthiness, having financial assets with a fair value adequately higher than the debt to CIR. With regard to the rest of the assets, there are no significant concentrations of credit risk.

<u>Liquidity risk</u>

Liquidity risk is the risk that financial resources may not be available or may be available only at a monetary cost. As things stand today, based on its cash and cash equivalents and expected future cash inflows, the Company believes that it will be able to meet its foreseeable financial needs. The objective of liquidity risk management is not only that of guaranteeing sufficient available financial resources to cover short term commitments, but also to ensure where necessary a sufficient level of operating flexibility for development programmes within the Group.

The Company is not significantly exposed to liquidity risk.

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

## CREDIT RISK

| **Position at 31 December 2023** | *Items in the financial statements* | *Total assets* | *Not yet due* | *Expired by >* | *0 - 30 days* | *30 - 60 days* | *60 - 90 days* | *over 90 days* | *Expired/ renegotiated* | *Impairment losses* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Other assets - non-current assets** | 3.f. | | | | | | | | | |
| Gross | | 58,062 | 58,062 | -- | -- | -- | -- | -- | -- | |
| Loss allowance | | (136) | (136) | -- | -- | -- | -- | -- | -- | (136) |
| **Other assets – Current assets** | 4.a. | | | | | | | | | |
| Gross | | 10,975 | 10,931 | 44 | 26 | 11 | 1 | 6 | -- | |
| Loss allowance | | (686) | (686) | -- | -- | -- | -- | -- | -- | (19) |
| **Total** | | **68,215** | **68,171** | **44** | **26** | **11** | **1** | **6** | **--** | **(155)** |

*(in thousands of euro)*

| **Position at 31 December 2022** | *Items in the financial statements* | *Total assets* | *Not yet due* | *Expired by >* | *0 - 30 days* | *30 - 60 days* | *60 - 90 days* | *over 90 days* | *Expired/ renegotiated* | *Impairment losses* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Other assets - non-current assets** | 3.f. | | | | | | | | | |
| Gross | | 56,595 | 56,595 | -- | -- | -- | -- | -- | -- | |
| Loss allowance | | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| **Other assets – Current assets** | 4.a. | | | | | | | | | |
| Gross | | 5,178 | 5,142 | 36 | - | -- | 6 | 30 | -- | |
| Loss allowance | | (667) | (667) | -- | -- | -- | -- | -- | -- | (297) |
| **Total** | | **61,106** | **61,070** | **36** | **-** | **--** | **6** | **30** | **--** | **(297)** |

## LIQUIDITY RISK - 2023

*(in thousands of euro)*

| **Non-derivative financial liabilities** | *<1 year* | *>1 <2 years* | *>2 <3 years* | *>3 <4 years* | *>4 <5 years* | *>5 years* | *Total* |
|---|---|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | | | |
| Lease liabilities | -- | 26 | 6 | -- | -- | -- | 32 |
| Other liabilities | -- | -- | -- | -- | -- | -- | -- |
| **Current liabilities** | | | | | | | |
| Lease liabilities | 29 | -- | -- | -- | -- | -- | 29 |
| Trade payables | 7,787 | -- | -- | -- | -- | -- | 7,787 |
| **Total** | **7,816** | **26** | **6** | **--** | **--** | **--** | **7,848** |

## LIQUIDITY RISK - 2022

*(in thousands of euro)*

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

MANAGEMENT AND COORDINATION ACTIVITIES

The Company is subject to management control and coordination activities by Fratelli De Benedetti S.p.A. In accordance with art. 2497-bis of the Italian Civil Code, point 25 provides a summary of the key figures from the latest approved separate financial statements of the Company exercising management control and coordination.

STOCK GRANT PLANS

As required to be disclosed by Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments and additions, the Company has stock grant plans for employees of the Group.

At 31 December 2023, the Company had stock option and stock grant plans for a total of 20,333,243 units.

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

- On 30 April 2021, the Shareholders' Meeting approved the 2021 Stock Grant Plan reserved for executives and directors of the Company and the subsidiaries, for a maximum of 5,000,000 units assignable during the year. The Stock Grant Plan involves the free assignment of units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The units will mature in tranches equal to 1/12th of the related total, each of which maturing on a quarterly basis from 30 April 2023 to 31 January 2026. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 1,782,642 time units were assigned during the year, whose maturity is subject to continued service, and 1,782,642 performance units, the maturity of which is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index.

- On 29 April 2022, the Shareholders' Meeting approved the 2022 Stock Grant Plan reserved for executives and directors of the Company and the subsidiaries, for a maximum of 5,000,000 units assignable during the year. The Stock Grant Plan involves the free assignment of units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The units will mature in tranches equal to 1/12th of the related total, each of which maturing on a quarterly basis from 30 April 2024 to 31 January 2027. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 2,137,235 time units were assigned during the year, whose maturity is subject to continued service with the company, and 2,137,234 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index.

- On 28 April 2023, the Shareholders' Meeting approved the 2023 Stock Grant Plan reserved for executives and directors of the Company and the subsidiaries, for a maximum of 5,000,000 units assignable during the year. The Stock Grant Plan involves the free assignment of units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The units will mature in tranches equal to 1/12th of the related total, each of which maturing on a quarterly basis from 1 May 2025 to 31 January 2028. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 2,292,272 time units were assigned during the year, whose maturity is subject to continued service, and 2,292,272 performance units, the maturity of which is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index.

CONTINGENT LIABILITIES

On 23 April 2020, CIR S.p.A. finalised the sale to Giano Holding S.p.A., a vehicle at the time wholly owned by EXOR N.V., of its investment in GEDI, equal to 43.78% of the latter's share capital. In execution of this agreement, on 13 July 2020 CIR indirectly reinvested in GEDI by purchasing from EXOR a 5% stake in the share capital of Giano, which in the meantime had become the owner of the entire capital of GEDI. As a result of the merger of Giano by GEDI, CIR now owns a 5.19% stake in the share capital of GEDI.
As part of the sale, CIR granted the buyer Giano Holding S.p.A. (and as a result of the merger to GEDI as the acquirer) a specific guarantee, accompanied by a "special indemnity", in relation to criminal proceedings, of which GEDI became aware of on 21 March 2018, for the alleged offence provided for in art. 640, paragraph 2, no. 1 in respect of the persons who at the time of the facts held the position of Chief Executive Officer, Central Director of Human Resources and General Manager of the National Press, as well as for the offence provided for in art. 24 of Legislative Decree 231/2001 versus GEDI itself and its subsidiaries A. Manzoni & C. S.p.A., Elemedia S.p.A., Gedi News Network S.p.A. and Gedi Printing S.p.A. (the "**Companies**"). The investigation conducted by the Rome Public Prosecutor's Office concerned an alleged fraud against INPS in relation to an allegedly irregular access to State redundancy payments (CIGS) by some employees wanting to obtain early retirement as provided for by Law 416/81. In the context of the Proceedings, various different episodes are disputed, the outcome of which could have varied results depending on the situation.
By virtue of the above-mentioned "special indemnity" contractual provision, CIR is required to indemnify GEDI for a portion corresponding to 38.6% of certain liabilities that GEDI may incur as a result of the proceedings, for a maximum amount of € 12.0 million. Based on the analysis of GEDI's information during 2023, a provision for risks of € 5.9 million was set aside, with a balancing entry in the income statement under "profit/loss from discontinued operations". On 11 December 2023, GEDI announced that it had incurred a liability as a result of the proceedings, which have not yet been concluded, and therefore requested CIR S.p.A. to be indemnified for the portion corresponding to 38.6% of such liability. CIR fulfilled this request with the payment, in December 2023, of an amount of € 4.8 million and therefore the residual risk provision is € 1.1 million. Since the information provided by GEDI is subject to change depending on the development of the proceedings, it cannot be excluded that the total amount of the indemnity may vary in the future, within a ceiling of € 12 million, including the indemnity already paid.

## 24 Proposed allocation of the profit for the year

Shareholders,

the separate financial statements as at and for the year ended 31 December 2023, which we submit for your approval, closed with a net loss for the year of € 6,720,331, which we propose to cover in full by using the cash available under "Other Reserves".

THE BOARD OF DIRECTORS

Milan, 11 March 2024

## 2022 Financial statements of the parent F.lli De Benedetti S.p.A. (Art. 2497-bis para. 4 of the Italian Civil Code)

STATEMENT OF FINANCIAL POSITION
*(in euro)*

| ASSETS | *31.12.2022* |
|---|---|
| NON-CURRENT ASSETS | 256,270,534 |
| CURRENT ASSETS | 443,427 |
| TOTAL ASSETS | 256,713,961 |

| LIABILITIES | |
|---|---|
| EQUITY | 196,641,067 |
| NON-CURRENT LIABILITIES | 25,000,000 |
| CURRENT LIABILITIES | 35,072,894 |
| TOTAL LIABILITIES AND EQUITY | 256,713,961 |

INCOME STATEMENT
*(in euro)*

| | *2022* |
|---|---|
| SUNDRY REVENUE AND INCOME | 688 |
| COSTS FOR THE PURCHASE OF GOODS | (226) |
| COSTS FOR SERVICES | (209,963) |
| USE OF THIRD PARTY ASSETS | (87,057) |
| OTHER OPERATING EXPENSE | (18,258) |
| AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES | (7,690) |
| OPERATING LOSS | (322,506) |
| FINANCIAL INCOME | 7 |
| FINANCIAL EXPENSE | (549,418) |
| DIVIDENDS | -- |
| GAINS FROM SECURITIES TRADING | -- |
| LOSSES FROM SECURITIES TRADING | -- |
| FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS | -- |
| LOSS BEFORE TAXES | (871,917) |
| INCOME TAXES | -- |
| LOSS FOR THE YEAR | (871,917) |

The key figures of the ultimate parent F.lli De Benedetti S.p.A. shown in the summary table above, as required by art. 2497-bis of the Italian Civil Code, are taken from its separate financial statements as at and for the year ended 31 December 2022.

**Certification of the separate Financial Statements pursuant to art. 154-bis, paragraphs 3 and 4, Legislative Degree no. 58/1998**

1. The undersigned, Monica Mondardini, the Chief Executive Officer, and Michele Cavigioli, the Manager in charge of financial reporting of CIR S.p.A., hereby certify, also taking into account the provisions of art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

   – the appropriateness, in relation to the characteristics of the business, and
   – the effective application of the administrative and accounting procedures for the preparation of the separate financial statements during 2023.

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

3. We also certify that the separate financial statements:

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

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

*Milan, 11 March 2024*

| Monica Mondardini<br>Chief Executive Officer | Michele Cavigioli<br>Manager in charge of financial reporting |
|---|---|
| ______________________________ | ______________________________ |

# LIST OF EQUITY INVESTMENTS

AT 31 DECEMBER 2023

pursuant to art. 38.2 of Legislative Decree 127/91

## SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

*(in euro or foreign currency)*

| *Company name* | *Registered office* | *Share Capital* | *Currency* | *Held by* | *% investment in share capital* |
|---|---|---|---|---|---|
| ***CIR GROUP*** | | | | | |
| CIR INTERNATIONAL S.A. | Luxembourg | 15,000,000.00 | € | CIR S.p.A. | 100.00 |
| CIGA LUXEMBOURG S.À.R.L. | Luxembourg | 1,000,000.00 | € | CIR S.p.A. | 100.00 |
| JUPITER MARKETPLACE S.R.L. | Italy | 100,000.00 | € | CIR S.p.A. | 100.00 |
| CIR INVESTIMENTI S.P.A. | Italy | 19,426,162.00 | € | CIR S.p.A. | 100.00 |
| ***KOS GROUP*** | | | | | |
| KOS S.P.A. | Italy | 8,853,458.40 | € | CIR S.p.A. | 59.77 |
| OSPEDALE DI SUZZARA S.P.A. | Italy | 120,000.00 | € | KOS S.p.A. | 99.90 |
| KOS CARE S.R.L. | Italy | 2,550,000.00 | € | KOS S.p.A. | 100.00 |
| ABITARE IL TEMPO S.R.L. | Italy | 100,826.00 | € | KOS CARE S.r.l. | 54.00 |
| SANATRIX S.R.L. | Italy | 843,700.00 | € | KOS CARE S.r.l. | 94.08 |
| SANATRIX GESTIONI S.R.L. | Italy | 300,000.00 | € | SANATRIX S.r.l. | 99.64 |
| JESILAB S.R.L. | Italy | 80,000.00 | € | KOS CARE S.r.l. | 100.00 |
| FIDIA S.R.L. | Italy | 10,200.00 | € | KOS CARE S.r.l. | 60.00 |
| CHARLESTON HOLDING GMBH | Germany | 25,000.00 | € | KOS CARE S.r.l. | 100.00 |
| REGENTA BETRIEBSGESELLSCHAFT MBH | Germany | 250,000.00 | € | Charleston Holding GmbH | 100.00 |
| ELISABETHENHAUS BETRIEBSGESELLSCHAFT MBH | Germany | 250,000.00 | € | Charleston Holding GmbH | 100.00 |
| DIENSTLEISTUNGSGESELLSCHAFT FÜR SOZIALEINRICHTUNGEN MBH | Germany | 25,600 | € | Charleston Holding GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM FRIESENHOF GMBH | Germany | 25,000 | € | Charleston Holding GmbH | 100.00 |
| WOHN- & PFLEGEZENTRUM GUT HANSING GMBH | Germany | 50,000 | € | Charleston Holding GmbH | 100.00 |
| RDS RESIDENZPARK DIENSTLEISTUNG & SERVICE GMBH | Germany | 25,000 | € | Wohn- & Pflegezentrum Gut Hansing GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM HAUS TEICHBLICK GMBH | Germany | 128,150.00 | € | Charleston Holding GmbH | 100.00 |
| DIENSTLEISTUNGSGESELLSCHAFT FÜR SOZIALEINRICHTUNGEN - NORD MBH | Germany | 25,000.00 | € | Wohn- und Pflegezentrum Haus Teichblick GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM HAUS AM BAHNHOF GMBH | Germany | 51,150.00 | € | Charleston Holding GmbH | 100.00 |
| RSG ROTENBURGER SERVICEGESELLSCHAFT AM BAHNHOF MBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM HAUS OTTERSBERG GMBH | Germany | 51,150.00 | € | Charleston Holding GmbH | 100.00 |
| OSW OTTERSBERGER SERVICEGESELLSCHAFT WÜMMEBLICK MBH | Germany | 25,000.00 | € | Wohn- und Pflegezentrum Haus Ottersberg GmbH | 100.00 |
| WOHN- & PFLEGEZENTRUM SEEHOF GMBH | Germany | 51,200.00 | € | Charleston Holding GmbH | 100.00 |
| DGS DIENSTLEISTUNGSGESELLSCHAFT SEEHOF MBH | Germany | 26,000.00 | € | Wohn- & Pflegezentrum Seehof GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM HAUS SCHWANEWEDE GMBH | Germany | 27,500.00 | € | Charleston Holding GmbH | 100.00 |
| PROGUSTO SCHWANEWEDER SERVICEGESELLSCHAFT MBH | Germany | 25,000.00 | € | Wohn- und Pflegezentrum Haus Schwanewede GmbH | 100.00 |

| *Company name* | *Registered office* | *Share Capital* | *Currency* | *Held by* | *% investment in share capital* |
|---|---|---|---|---|---|
| ALTEN- UND PFLEGEZENTRUM ZU BAKUM GMBH | Germany | 51,129.00 | € | Charleston Holding GmbH | 100.00 |
| APZ ZU BAKUM SERVICEGESELLSCHAFT MBH | Germany | 25,000.00 | € | Alten- und Pflegezentrum zu Bakum GmbH | 100.00 |
| CURATUM BETEILIGUNGS- UND VERWALTUNGSGESELLSCHAFT MBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| SENIORENDOMIZIL HAUS AM PARK GMBH | Germany | 50,000.00 | € | Curatum Beteiligungs- und Verwaltungsgesellschaft mbH | 100.00 |
| VSG VÖRDER SERVICE GESELLSCHAFT MBH | Germany | 25,000.00 | € | Seniorendomizil Haus am Park GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM BURG AUF FEHMARN GMBH | Germany | 25,000.00 | € | Curatum Beteiligungs- und Verwaltungsgesellschaft mbH | 100.00 |
| FFH FEHMARNSCHE FLINKE HÄNDE SERVICEGESELLSCHAFT MBH | Germany | 25,000.00 | € | Wohn- und Pflegezentrum Burg auf Fehmarn GmbH | 100.00 |
| LANDHAUS GLÜCKSTADT WOHN- & PFLEGEZENTRUM GMBH | Germany | 51,129.00 | € | Curatum Beteiligungs- und Verwaltungsgesellschaft mbH | 100.00 |
| LH GLÜCKSTADT SERVICEGESELLSCHAFT MBH | Germany | 25,000.00 | € | Landhaus Glückstadt Wohn- & Pflegezentrum GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM HAUS AM GOLDBACH GMBH | Germany | 50,000.00 | € | Curatum Beteiligungs- und Verwaltungsgesellschaft mbH | 100.00 |
| GBS GOLDBACH SERVICEGESELLSCHAFT MBH | Germany | 25,000.00 | € | Wohn- und Pflegezentrum Haus am Goldbach GmbH | 100.00 |
| WOHN- & PFLEGEZENTRUM UP'N KAMP GMBH | Germany | 26,000.00 | € | Curatum Beteiligungs- und Verwaltungsgesellschaft mbH | 100.00 |
| BSG BÖRDE SERVICEGESELLSHCAFT MBH | Germany | 25,565.00 | € | Wohn- & Pflegezentrum Up'n Kamp GmbH | 100.00 |
| CHARLESTON VOR GMBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| SSB SERVICEGESELLSCHAFT SELSINGER BÖRDE MBH | Germany | 25,000.00 | € | CHARLESTON VOR GMBH | 100.00 |
| CHARLESTON - AMBULANTE DIENSTE GMBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| SENOVUM GMBH | Germany | 226,000.00 | € | Charleston Holding GmbH | 100.00 |
| WOHN- UND PFLEGEHEIM LESMONA GMBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| WPH LESMONA SERVICEGESELLSCHAFT MBH | Germany | 25,000.00 | € | Wohn- und Pflegeheim Lesmona GmbH | 100.00 |
| SENIOREN- UND PFLEGEHAUS "DRENDEL" BETRIEBS GMBH | Germany | 30,000.00 | € | Charleston Holding GmbH | 100.00 |
| WOHN- UND PFLEGEEINRICHTUNG BAD CAMBERG GMBH -ANNA-MÜLLER-HAUS- | Germany | 100,000.00 | € | Charleston Holding GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM HAUS KIKRA GMBH | Germany | 26,000.00 | € | Charleston Holding GmbH | 100.00 |
| MPS CATERING GMBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| BAYERNSTIFT - GESELLSCHAFT FÜR SOZIALE DIENSTE UND GESUNDHEIT MBH | Germany | 250,000.00 | € | Charleston Holding GmbH | 100.00 |
| BAYERNSTIFT SERVICE GMBH | Germany | 25,000.00 | € | BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH | 100.00 |
| SLW ALTENHILFE LIEBFRAUENHAUS GMBH | Germany | 50,000.00 | € | BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH | 100.00 |

| Company name | Registered office | Share Capital | Currency | Held by | % investment in share capital |
|---|---|---|---|---|---|
| BAYERNSTIFT MOBIL GMBH | Germany | 25,000.00 | € | BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH | 100.00 |
| DIE FRANKENSCHWESTERN GMBH | Germany | 25,000.00 | € | Bayernstift Mobil GmbH | 60.00 |
| BRISA MANAGEMENT GMBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| WOHNPARK DR. MURKEN GMBH | Germany | 25,000.00 | € | Brisa Management GmbH | 100.00 |
| WOHNPARK KLOSTERGARTEN GMBH | Germany | 26,000.00 | € | Brisa Management GmbH | 100.00 |
| WOHNPARK SCHRIEWESHOF GMBH | Germany | 25,000.00 | € | Brisa Management GmbH | 100.00 |
| WOHNPARK LUISENHOF GMBH | Germany | 25,000.00 | € | Brisa Management GmbH | 100.00 |
| CHRISTOPHORUS SENIORENRESIDENZEN GMBH | Germany | 25,000.00 | € | Brisa Management GmbH | 100.00 |
| CHRISTOPHORUS PFLEGE- UND BETREUUNGSDIENSTE GMBH | Germany | 25,000.00 | € | Brisa Management GmbH | 100.00 |
| CHRISTOPHORUS INTENSIVPFLEGEDIENSTE GMBH | Germany | 25,000.00 | € | Brisa Management GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM ESSEN GMBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM MÜLHEIM GMBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| CHARLESTON DIENSTLEISTUNGSGESELLSCHAFT RUHR MBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM NEUENSTEIN GMBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| SIG GMBH | Germany | 25,000.00 | € | Brisa Management GmbH | 100.00 |
| GSA GP GMBH | Germany | 25,000.00 | € | Brisa Management GmbH | 100.00 |
| GSA GMBH & CO. IMMOBILIEN VERWALTUNGS KG | Germany | 5,000.00 | € | Brisa Management GmbH | 100.00 |
| QLT.CARE GMBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM CRAILSHEIM GMBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| WOHN- UND PFLEGEZENTRUM DURLANGEN GMBH | Germany | 25,000.00 | € | Charleston Holding GmbH | 100.00 |
| INNTAL PFLEGEHEIME GMBH | Germany | 25..000.00 | € | Charleston Holding GmbH | 100.00 |
| KOS SERVIZI SOCIETÀ CONSORTILE A R.L. | Italy | 138,000.00 | € | KOS CARE S.r.l. | 85.51 |
| | | | | KOS S.p.A. | 5.35 |
| | | | | ABITARE IL TEMPO S.r.l. | 4.11 |
| | | | | SANATRIX GESTIONI S.r.l. | 2.52 |
| | | | | OSPEDALE DI SUZZARA S.p.A. | 1.79 |
| | | | | FIDIA S.r.l. | 0.36 |
| | | | | JESILAB S.r.l. | 0.36 |
| | | | | | 100.00 |

| Company name | Registered office | Share Capital | Currency | Held by | % investment in share capital |
|---|---|---|---|---|---|
| ***SOGEFI GROUP*** | | | | | |
| SOGEFI S.p.A. (*) | Italy | 62,461,355.84 | € | CIR S.p.A. | 55.64 |
| | | | | | |
| SOGEFI FILTRATION S.A. | France | 120,596,780.00 | € | SOGEFI S.p.A. | 99.99998 |
| SOGEFI SUSPENSIONS S.A. | Francia | 73,868,383.00 | € | SOGEFI S.p.A. | 99.999 |
| SOGEFI U.S.A. Inc. | U.S.A. | 20,055,000.00 | USD | SOGEFI S.p.A. | 100.00 |
| SOGEFI GESTION S.A.S. | Francia | 100,000.00 | € | SOGEFI S.p.A. | 100.00 |
| SHANGHAI SOGEFI AUTO PARTS Co., Ltd | Cina | 13,000,000.00 | USD | SOGEFI S.p.A. | 100.00 |
| SOGEFI AIR & COOLING S.A.S. | Francia | 54,938,125.00 | € | SOGEFI S.p.A. | 100.00 |
| SOGEFI (SUZHOU) AUTO PARTS CO., Ltd | Cina | 37,400,000.00 | USD | SOGEFI S.p.A. | 100.00 |
| SOGEFI FILTRATION Ltd | Great Britain | 5,126,737.00 | GBP | SOGEFI FILTRATION S.A. | 100.00 |
| SOGEFI AFTERMARKET SPAIN S.L.U. | Spain | 3,000.00 | € | SOGEFI FILTRATION S.A. | 100.00 |
| SOGEFI FILTRATION d.o.o. | Slovenia | 10,291,798.00 | € | SOGEFI FILTRATION S.A. | 100.00 |
| FILTER SYSTEMS MAROC SARL | Morocco | 215,548,000.00 | MAD | SOGEFI FILTRATION S.A. | 100.00 |
| SOGEFI ENGINE SYSTEMS INDIA Pvt Ltd | India | 21,254,640.00 | INR | SOGEFI FILTRATION S.A. | 64.29 |
| | | | | SOGEFI AIR & COOLING S.A.S. | 35.71 |
| | | | | | 100,00 |
| SOGEFI FILTRATION RUSSIA LLC | Russia | 10,800,000.00 | RUB | SOGEFI FILTRATION S.A. | 100.00 |
| SOGEFI GESTION S.A.S. | France | 100,000.00 | € | SOGEFI S.p.A. | 100.00 |
| SOGEFI U.S.A. Inc. | U.S.A. | 20,055,000 | USD | SOGEFI S.p.A. | 100.00 |
| SOGEFI AIR & COOLING S.A.S. | France | 54,938,125.00 | € | SOGEFI S.p.A. | 100.00 |
| SHANGHAI SOGEFI AUTO PARTS Co., Ltd | China | 13,000,000.00 | USD | SOGEFI S.p.A. | 100.00 |
| SOGEFI (SUZHOU) AUTO PARTS CO., Ltd | China | 37,400,000.00 | USD | SOGEFI S.p.A. | 100.00 |
| ALLEVARD SPRINGS Ltd | Great Britain | 4,000,002.00 | GBP | SOGEFI SUSPENSIONS S.A. | 100.00 |
| SOGEFI PC SUSPENSIONS GERMANY GmbH | Germany | 50,000.00 | € | SOGEFI SUSPENSIONS S.A. | 100.00 |
| SOGEFI SUSPENSION ARGENTINA S.A. | Argentina | 61,356,535.00 | ARS | SOGEFI SUSPENSIONS S.A. | 89.999 |
| | | | | SOGEFI SUSPENSIONS BRASIL Ltda | 9.9918 |
| | | | | | 99.99 |
| IBERICA DE SUSPENSIONES S.L. (ISSA) | Spain | 10,529,668.00 | € | SOGEFI SUSPENSIONS S.A. | 50.00 |
| SOGEFI SUSPENSION BRASIL Ltda | Brazil | 37,161,683.00 | BRL | SOGEFI SUSPENSIONS S.A. | 100.00 |
| UNITED SPRINGS Limited | Great Britain | 4,500,000.00 | GBP | SOGEFI SUSPENSIONS S.A. | 100.00 |
| UNITED SPRINGS B.V. | Holland | 254,979.00 | € | SOGEFI SUSPENSIONS S.A. | 100.00 |
| UNITED SPRINGS S.A.S. | France | 5,109,000.00 | € | SOGEFI SUSPENSIONS S.A. | 100.00 |
| SOGEFI HD SUSPENSIONS GERMANY GmbH | Germany | 50,000.00 | € | SOGEFI PC SUSPENSIONS GERMANY GmbH | 100.00 |
| S.ARA COMPOSITE S.A.S. | France | 13,000,000.00 | € | SOGEFI SUSPENSIONS S.A. | 96.15 |

*(*) 56.36% net of the treasury shares*

| Company name | Registered office | Share Capital | Currency | Held by | % investment in share capital |
|---|---|---|---|---|---|
| SOGEFI ENGINE SYSTEMS INDIA Pvt Ltd | India | 21,254,640.00 | INR | SOGEFI FILTRATION S.A. | 64.29 |
| | | | | SOGEFI AIR & COOLING S.A.S. | 35.71 |
| | | | | | 100.00 |
| SOFEFI ADM SUSPENSIONS Private Limited | India | 432,000,000.00 | INR | SOGEFI SUSPENSIONS S.A. | 74.23 |
| SOGEFI SUSPENSIONS HEAVY DUTY ITALY S.p.A. | Italy | 6,000,000.00 | € | SOGEFI SUSPENSIONS S.A. | 99.88 |
| SOGEFI SUSPENSIONS PASSENGER CAR ITALY S.p.A. | Italy | 8,000,000.00 | € | SOGEFI SUSPENSIONS S.A. | 99.88 |
| SOGEFI SUSPENSIONS EASTERN EUROPE S.R.L. | Romania | 31,395,890.00 | RON | SOGEFI SUSPENSIONS S.A. | 100.00 |

## EQUITY INVESTMENTS IN ASSOCIATES *MEASURED AT EQUITY*

| Company name | Registered office | Share Capital | Currency | Held by | % investment in share capital |
|---|---|---|---|---|---|
| ***CIR GROUP*** | | | | | |
| DEVIL PEAK S.R.L. | Italy | 115,446.64 | € | JUPITER MARKETPLACE S.r.l. | 41.18 |
| ***CIR INTERNATIONAL GROUP*** | | | | | |
| KTP GLOBAL FINANCE S.C.A. | Luxembourg | 566,573.75 | € | CIR INTERNATIONAL S.A. | 47.55 |
| ***KOS GROUP*** | | | | | |
| APOKOS REHAB OVT LTD | India | 169,500,000.00 | INR | KOS S.p.A. | 50.00 |

## EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES *MEASURED AT COST (*)*

*(in euro or foreign currency)*

| Company name | Registered office | Share Capital | Currency | Held by | % investment in share capital |
|---|---|---|---|---|---|
| ***KOS GROUP*** | | | | | |
| OSIMO SALUTE S.P.A. | Italy | 750,000.00 | € | ABITARE IL TEMPO S.r.l. | 25.50 |
| ***CIR INTERNATIONAL GROUP*** | | | | | |
| KTP GLOBAL FINANCE MANAGEMENT S.A. | Luxembourg | 31,000.00 | € | CIR INTERNATIONAL S.A. | 46.00 |

*(*) Non-significant, non-operating equity investments or recently acquired equity investments, if not otherwise indicated*

## EQUITY INVESTMENTS IN OTHER COMPANIES
## *MEASURED AT COST*

*(in euro or foreign currency)*

| ***Company name*** | ***Registered office*** | ***Share Capital*** | ***Currency*** | ***Held by*** | ***% investment in share capital*** |
|---|---|---|---|---|---|
| ***KOS GROUP*** | | | | | |
| FONDO SPAZIO SANITÀ | Italy | 112,043,000 | € | KOS CARE S.r.l. | 0.80 |

## EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND IN OTHER COMPANIES
## *NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS*

*(in euro or foreign currency)*

| ***Company name*** | ***Registered office*** | ***Share Capital*** | ***Currency*** | ***Held by*** | ***% investment in share capital*** |
|---|---|---|---|---|---|
| ***CIR GROUP*** | | | | | |
| FINAL S.A. *(in liquidation)* | France | 2,324,847.00 | € | CIGA LUXEMBOURG S.à.r.l. | 47.73 |

# REPORT OF THE STATUTORY AUDITORS

***CIR S.p.A.***

## *REPORT OF THE STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998*

Shareholders,

This report (the "**Report**") explains the activities that we carried out as the Board of Statutory Auditors (the "**Board**") of CIR S.p.A. (the "**Company**") during 2023, in accordance with the requirements of Consob Communication DEM/1025564 of 6 April 2001 and subsequent additions and amendments.

We carried out the supervisory activities required by law, taking into account the Rules of Conduct of the Board of Statutory Auditors of listed companies recommended by the National Council of Chartered Accountants and Accounting Experts, most recently updated in December 2023 and in force since 1 January 2024, and Consob communications regarding corporate controls and activities of the board of statutory auditors.

In particular, we supervised: (i) compliance with the law and the company bylaws; (ii) compliance with the principles of sound administration; (iii) the adequacy of the Company's organisational structure, for the aspects within our sphere of competence, of the internal control system and the administrative-accounting system, as well as its reliability in correctly representing operational events and transactions; (iv) the methods of actual implementation of the corporate governance rules adopted by the Company in compliance with the Corporate Governance Code of listed companies; and (v) the adequacy of the instructions given to the subsidiaries pursuant to Article 114(2), Legislative Decree No. 58/1998.

Furthermore, in our capacity as the Internal Control and Audit Committee, we performed all the functions required under Article 19 of Legislative Decree No. 39/2010, also through regular meetings with the Executive responsible for the preparation of the financial statements, with the heads of the Internal Audit and Risk Management Functions and with the representatives of the independent auditors, KPMG S.p.A.

We positively assessed the requirements of independence, professionalism, integrity, diversity and competence and the limits on the accumulation of offices held by its members, with reference to Article 148(3) of Legislative Decree No. 58/1998 and the provisions of the Corporate Governance Code, informing the Company's Board of Directors.

* * *

*During the year ended 31 December 2023, we performed the surveillance activities required by the applicable laws and regulations, in accordance with the Principles of Conduct of the Board of Statutory Auditors of Listed Companies recommended by the National Council of Chartered Accountants and Accounting Experts and the guidelines of the Code of Conduct issued by the Corporate Governance Committee of Borsa Italiana S.p.A. In preparing this report, we took account of the above and of the recommendations made in Consob Communication DEM/1025564 of 6 April 2001 and subsequent amendments and integrations.*

*In the Report on Operations and the Notes accompanying the financial statements, the Directors informed you about the more important transactions that took place during the year and after the year end.*

*Given all of the above, having regard for the manner in which the activities for which we are responsible were performed during the year, we can confirm that:*

- *we attended all shareholders' meetings and the meetings of the Board of Directors held during the year. We obtained from the Directors timely and full information on operations and on the more significant transactions from an economic and financial point of view entered into by the Company and its subsidiaries, in accordance with the law and the company bylaws and we always attended, through one or more of our members, the meetings of the Control, Risk and Sustainability Committee, of the Related Party Transactions Committee and of the Appointments and Remuneration Committee;*
- *we obtained the knowledge required to carry out our duties regarding compliance with the law and the company bylaws, observance of the principles of sound administration and the adequacy of the Company's organisational structure and internal control and administrative accounting systems, through direct investigation, collection of data and information from the heads of department involved, and from an exchange of key data and information with the Executive responsible for the preparation of the company's financial statements and with the independent auditors KPMG S.p.A.;*
- *we received from the independent auditors KPMG S.p.A. the Report required by Article 14 of Legislative Decree 39/2010 and by Article 10 of Regulation (EU) No*

*537/2014, issued today, concerning the separate and consolidated financial statements as at 31 December 2023;*

- *we received from the independent auditors KPMG S.p.A. the Additional Report referred to in Article 11 of European Regulation No 537/2014, issued on 5 April 2024, from which no significant aspects worthy of mention emerged, and we also received as an annex to the Additional Report the annual confirmation of the independence of the independent auditors pursuant to Article 6(2)(a) of the EU Regulation;*
- *we exercised the functions of the Board of Statutory Auditors, pursuant to Article 19 of Legislative Decree No. 39/2010 which identifies it as the 'Internal Control and Audit Committee';*
- *we monitored, pursuant to Article 149(1)(d) of Legislative Decree No. 58/1998, the effectiveness of the internal control system on the investee companies and the adequacy of the instructions given to them, also pursuant to 114(2) of Legislative Decree No. 58/1998;*
- *we monitored the practical application of the rules of corporate governance foreseen in the Corporate Governance Code adopted by the Company since 1 January 2021;*
- *we supervised compliance of the Company's related party transactions procedure with the principles contained in the Consob Regulations approved by resolution no. 17221 of 12 March 2010 and subsequent amendments, as well as compliance with the procedure itself;*
- *we acquired from the control bodies of the subsidiaries Sogefi S.p.A. and KOS S.p.A. adequate information on the aspects deemed most relevant in the performance of our duties and acknowledged the absence of significant aspects that the control bodies of the subsidiaries had to communicate;*
- *we checked that the provisions of current law and regulations were being complied with in the preparation and format of the separate and consolidated financial statements, including all accompanying documents, which include, among other things, the information referred to in the regulations issued jointly by the Bank of Italy, Consob and Ivass;*
- *we monitored the adequacy of the methods and processes used to prepare the consolidated non-financial report, as well as the fulfilment of legal obligations regarding its preparation and publication, including KPMG's issuance of the*

*report pursuant to Article 3(10) of Legislative Decree No. 254/2016;*

- we evaluated positively the adequacy of all the procedures, processes and structures involved in the production, reporting and representation of the results and of the consolidated non-financial information referred to in Legislative Decree No. 254/2016;
- we verified that the procedures performed to test whether any assets had suffered impairment were adequate from a methodological viewpoint;
- we verified that the Report on Operations drawn up by the Board of Directors complies with current laws and regulations and is consistent with the resolutions adopted by the Board of Directors.

At the end of our surveillance activities, carried out as explained above, we found no significant facts requiring notification to the Supervisory Bodies and have no proposals to make regarding the financial statements, their approval or any other matters relating to our mandate.

* * *

The specific indications to be provided with this report in accordance with the provisions of Consob Communication DEM/1025564 of 6 April 2001 and its subsequent updates are listed below.

1. *We obtained sufficient information on the more significant transactions from an economic and financial viewpoint entered into by the Company and subsidiaries, checking that they were in accordance with the law and the company bylaws. We also obtained information and ensured that the transactions approved and/or put in place were not clearly imprudent, rash, in contrast with resolutions adopted, in potential conflict of interest or in any way likely to compromise the integrity of the Company's assets. The Directors have made adequate disclosures about these transactions in the Report on Operations, to which reference should be made.*
2. *We did not find any transactions carried out by the Company with third parties, with Group companies or with related parties, which could be defined as atypical or unusual and requiring mention in this report. Adequate information was given to us regarding intercompany and related-party transactions. Based on the information obtained, we ascertained that these transactions comply with the law and the company bylaws, are in the interest of the company and are not liable to give rise to doubts as to the correctness and completeness of the relevant financial statement disclosures, the existence of situations of conflict of interest, the safeguarding of corporate assets and the*

*protection of non-controlling interests. The documents accompanying the financial statements give appropriate details about the effects of such transactions on the financial position and performance. The periodic checks and controls carried out did not reveal that any atypical and/or unusual transactions had been carried out.*

3. *In the Report on Operations and in the Notes to the separate and consolidated financial statements, the Directors provide adequate information on the main transactions carried out during the year.*
4. *The share capital at 31 December 2023 amounted to €420,000,000.00, unchanged from 31 December 2022, and consisted of 1,107,207,314 shares with no nominal amount. The share capital is fully subscribed and paid up. At 31 December 2023 the Company held 59,157,253 treasury shares (5.343% of the share capital) with a value of €26,462 thousand, compared to 24,480,800 treasury shares (2.211% of the share capital) with a value of €12,500 thousand at 31 December 2022. Increases refer to the buyback plan implemented by the company in the year 2023, partially offset by decreases related to the exercise of existing stock grant plans. In application of IAS 32, treasury shares are deducted from total equity. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends, with the exception of treasury shares.*
5. *The Directors prepared the financial statements on the basis of the going concern assumption having assessed that, on the basis of the most recent forecasts prepared by management, over a minimum time horizon of 12 months, the Company has sufficient liquidity to meet its commitments and has no loans outstanding. In the Report on Operations and in the Notes to the separate and consolidated financial statements, the Directors explain the impact of the situation associated with the macroeconomic context, the Russia-Ukraine and Gaza-Israel conflicts, Covid-19 and climate change on the activities of the Company and of its subsidiaries Soge.fi S.p.A. and KOS S.p.A., as well as on the accounting estimates and valuations, both in the separate financial statements of CIR S.p.A. and in the consolidated financial statements of the CIR Group. In this regard, the Directors note that, with reference to the macroeconomic context, in 2023 the economies of the main geographical areas where the CIR group operates recorded a positive growth rate. However, 2023 was characterised by the persistence of high levels of inflation, despite the reversal of the upward trend that began in 2022, particularly in the*

*commodities and energy sectors; there was a further increase in both short-term rates, driven by central banks to contain inflation, and long-term rates; only in the last quarter did long-term inflation expectations fall, and as a result, medium to long-term interest rates were partly adjusted downwards, in anticipation of the imminent start of a downward cycle of central bank interest rates. In general, for all the group's activities, inflation led to increases in production and operating costs, which in 2023 particularly affected personnel expense and the cost of certain supplies. The impact of these increases is carefully monitored and tackled through appropriate interventions on efficiency, product selling prices and service tariffs. Nevertheless, in certain activities, particularly in the social and health sector, the results for the year were affected by a negative impact of inflation in personnel expense, which has not yet been fully reabsorbed through fees trends. The rise in interest rates led to an increase in financial expense for industrial subsidiaries, albeit mitigated by the high component of fixed-rate loans and the reduction in net debt. With regard to the consequences of the Russia-Ukraine and Gaza-Israel conflicts, the Group's activities did not record any direct impacts worth mentioning. In contrast, the indirect impacts of the Russia-Ukraine conflict (availability and prices of raw materials and energy, consequent inflationary pressures) were significant, as explained above and below, but are being mitigated. With regard to the Middle East conflict, tension on logistics and transport prices was noted and is being closely monitored. The effects of the Covid-19 pandemic, which were very significant in particular for the Group's social healthcare activities, are now coming to an end. Lastly, with reference to the increased significance and relevance of the medium-term risks arising from climate change, Group companies have incorporated into their risk management models the analysis of the potential impacts of these factors on their assets (including the impacts of policies and regulations implemented at international and local level to cope with them) and have taken these into account in their respective business plans. With regard to the impacts on estimates and accounting valuations, the Directors point out that the valuations in the consolidated financial statements of the CIR Group are fully supported by the values calculated on the basis of the most recent business plans approved by the subsidiaries, which take into account the short-term impacts of the ongoing conflicts and of Covid-19, as well as the long-term impacts of climate change, based on discount rates that are consistent with the* *changed macro-economic and financial context.*

On the matter of the significant events occurred after 31 December 2023, the Directors report that on 23 February 2024, the subsidiary Sogefi signed a put option agreement with the US investment fund Pacific Avenue, pursuant to which two corporate vehicles referring to the fund have assumed unilateral, unconditional and irrevocable commitments to acquire, in the event that Sogefi exercises the put option, the entire share capital of Sogefi Filtration S.A. and Sogefi USA Inc., i.e. the perimeter of the Filtration business unit. The exercise of the put option by Sogefi and the signing of the sale and purchase agreement can only take place once the consultation procedure with the trade union representatives, as required by French law, has been completed. The completion of the transaction is in any case subject to obtaining FDI (Foreign Direct Investment) clearance in Slovenia and antitrust clearance in Morocco. The transaction is expected to be finalised by August 2024. The consideration for the Transaction is based on an enterprise value of €374 million, corresponding to an Equity Value, to be settled entirely in cash, currently estimated at approximately €330 million, which would be determined at closing based on a bridge to equity, which takes into account adjustments based on the Working Capital and the Net Financial Position, in line with the standard for this type of transaction. Based on the estimated Equity Value, the transaction would give rise to a capital gain which, compared to the financial statements amounts as at 31 December 2023, would amount to approximately €130 million. The strategic rationale of the Transaction for Sogefi is as follows: first of all, the Transaction allows Sogefi to enhance the Filtration division at a time when it has achieved unprecedented results, following a programme involving the divestment of unprofitable activities, commercial development and increased profitability, in a favourable market context for the Aftermarket channel. The transaction also reduces the powertrain component in the Group’s asset portfolio, making Sogefi less exposed to the risks associated with the transition to e-mobility. It also makes it possible to reduce the group’s complexity and diversification and to focus on two high-potential sectors, namely Suspensions, which is in the turnaround phase, and Air and Cooling, a business that has been performing well and growing, with a view to ambitious growth. Lastly, the group will have a very solid statement of financial position that will allow more investments for the development in the EV market, already identified and underway, being able to count on at least part of the financial resources deriving from the planned sale. Subject to Sogefi's exercise of the put option and to the completion of the Transaction, at least 50% of the proceeds from the sale, estimated at around €330 million, may be allocated to debt reduction, while the Board of Directors of Sogefi will consider proposing the distribution of the remainder.

With regard to the information on the business outlook, the Directors report that, as far as KOS is concerned, in a context where the critical health and operational issues stemming from the pandemic are being resolved, the full operation already resumed in 2023 in the Rehabilitation and Acute Care sectors is expected to be maintained in 2024, and saturation for the care homes in Italy and Germany is expected to rise, reaching full operation by the end of 2024, with the exception of facilities in the ramp up phase. Due to the inflationary trends experienced in the sector and in general over the last three years, a full recovery of normal profitability will require a gradual adjustment of fees, particularly in Germany. In the absence of facts and circumstances that make the context more complex than the current one, the operating results of KOS for 2024 should improve compared with the previous year.

As regards the automotive market in which Sogefi operates, developments in 2024 are not easily forecasted, due to uncertainties related to macroeconomic and geopolitical developments. S&P Global (IHS) expects global car production to remain broadly stable (-0.5%) after the growth recorded in 2023, with Europe down 1.9%, China in line with 2023 and marginal growth in the other regions.

With regard to commodity and energy prices, the first months of 2024 confirm a degree of stability, as already recorded in the second part of 2023, but they remain exposed to volatility risks exacerbated by geopolitical tensions. Inflationary tensions on labour costs also persist in some geographical areas.

In this scenario, Sogefi constantly monitors trends in the different geographic areas, seeking fair agreements with all customers on sales prices.

In the absence of any deterioration in the macroeconomic scenario compared to the current one, the Sogefi Group expects low single-digit revenue growth in 2024, higher than forecast in the automotive market, and operating profitability, excluding non-recurring charges, at least in line with the figure recorded in 2023. In the event of deconsolidation of the Filtration division, the ongoing areas (Suspensions and Air & Cooling) are expected to record the same trend in revenue described above, an improvement in operating profitability and a positive net result.

With regard to the management of the holding company's financial assets, in view of the persistent uncertainties related to the geopolitical, macroeconomic and financial context, conditions of high volatility are expected to persist.

As regards contingent liabilities, in the Explanatory Notes to the separate and consolidated financial statements, the Directors acknowledge, in line with the view provided for the year ended 31 December 2022, the specific guarantee, accompanied by a special indemnity, issued by the Company in relation to the sale of GEDI Gruppo Editoriale S.p.A. ("GEDI"), implemented on 2 December 2019, in relation to the existence of criminal proceedings against GEDI for the offence referred to in Article 640(2)(1) in respect of persons who at the time of the facts held the position of Chief Executive Officer, Central Director of Human Resources and General Manager National Press, as well as for the offence referred to in Article 24 of Legislative Decree 231/2001 in respect of GEDI and its subsidiaries A. Manzoni & C. S.p.A., Elemedia S.p.A., Gedi News Network S.p.A. and Gedi Printing S.p.A. (the "Gedi Group Companies”). The investigation conducted by the Rome Public Prosecutor's Office concerned an alleged fraud against INPS in relation to an allegedly irregular access to State redundancy payments (CIGS) by some employees wanting to obtain early retirement as provided for by Law 416/81. By virtue of the aforementioned contractual provision, the company CIR is obliged to indemnify GEDI (as it took over the relative right following the merger by incorporation implemented with Giano Holding S.p.A. purchaser of the participation) for a portion corresponding to 38.6% of certain liabilities that GEDI may incur in the future as a result of the aforementioned proceedings, for a maximum amount of €12 million.

Based on the analysis of GEDI's information during 2023, a provision for risks of €5.9 million was set aside, with a balancing entry in the income statement under “profit/loss from discontinued operations”. On 11 December 2023, GEDI announced that it had incurred a liability as a result of the proceedings, which have not yet been concluded, and therefore requested CIR S.p.A. to be indemnified for the portion corresponding to 38.6% of such liability. CIR fulfilled this request with the payment, in December 2023, of an amount of €4.8 million and therefore the residual risk provision stands at €1.1 million.

Since the information provided by GEDI is subject to change depending on the development of the proceedings, it cannot be excluded that the total amount of the indemnity may vary in the future, within a ceiling of €12 million, including the indemnity already paid.

6. *The independent auditors, KPMG S.p.A., today issued the audit reports referred to in Article 14 of Legislative Decree No. 39/2010 and Article 10 of EU Regulation No. 537/2014 relating to the separate financial statements and consolidated financial statements for the financial year ending 31 December 2023, including the opinion on consistency as required by Article 14(2)(e) of Legislative Decree No. 39/2010 and by Article 123 bis(4) of Legislative Decree No. 58/1998, without observations or emphasis of matters, as well as the information and certifications required by Article 14(2) of Legislative Decree No. 39/2010, by Article I0 of EU Regulation No. 537/2014, as well as by Article 4 of the CONSOB Regulation implementing Legislative Decree 254/16. Furthermore, in the opinion of KPMG S.p.A., the financial statements as at 31 December 2023 were prepared in XHTML format in accordance with the provisions of Delegated Regulation (EU) 2019/815.*
7. *In relation to the provisions introduced by Legislative Decree No. 135/2016 in compliance with EU Regulation 537/2014 on the matter, during the year we carried out the preliminary analysis and, where appropriate, approved each engagement granted by the Company and its subsidiaries to KPMG S.p.A. or to companies in its network. The fees for these engagements are appropriate to the size and complexity of the works carried out and do not in any case appear likely to affect the independence and autonomy of auditors in the performance of their audit functions.*
8. *During the year ended 31 December 2023, the Company asked the independent auditors to provide non-audit services for a total of €11 thousand. The subsidiaries asked the independent auditors to provide non-audit services for a total of €188 thousand.*
9. *Since 2017, the Company has also given KPMG S.p.A. a further mandate in addition to the audit regarding the issue for the years 2017-2025 of the attestation on the compliance of the information provided in the consolidated non-financial statement prepared in accordance with Legislative Decree No. 254/2016 for an annual fee starting from 2021 of €11 thousand. Sogefi S.p.A. awarded KPMG S.p.A. for the years 2017-2025 a limited assurance engagement on the non-financial statement for a total annual fee of €19*

*thousand, while KOS S.p.A. awarded a voluntary engagement, starting from 2021, for a limited examination of the information provided in the Sustainability Report for a total annual fee of €29.4 thousand. In relation to the above, we note that we verified and monitored the independence of the auditors, deeming that the fees requested are adequate for the size and complexity of the services rendered and that, in any case, they are unlikely to affect the independence and autonomy of the auditors in the performance of their functions. In relation to the above, we note that we verified and monitored the independence of the auditors, deeming that the fees requested are adequate for the size and complexity of the services rendered and that, in any case, they are unlikely to affect the independence and autonomy of the auditors in the performance of their functions.*

10. *During 2023, we issued opinions pursuant to Article 2389 of the Civil Code.*
11. *During 2023, we did not receive any complaints pursuant to Article 2408 of the Civil Code.*
12. *During 2023, we issued the statutory opinions and attestations as required. The contents of these opinions were not in contrast with the resolutions subsequently adopted by the Board of Directors.*
13. *We are not aware of any complaints that need to be mentioned in this Report.*
14. *The Board of Directors met 6 times during 2023. The Appointments and Remuneration Committee met 4 times during 2023. The Control, Risk and Sustainability Committee met 6 times during 2023. The Related Party Transactions Committee met 2 times during 2023. The Board of Statutory Auditors met 13 times during 2023.*
15. *We have no particular observations to make concerning compliance with the principles of sound administration, because these appear to have been constantly observed, or concerning the adequacy of the Company's organisational structure, which we found to be suitable to meet its operating, managerial and control needs. We believe that the governance tools, institutes and practices adopted by the Company constitute on the whole a suitable safeguard for compliance with the principles of sound administration in working practice. We monitored the decision-making procedures of the Board of Directors and verified that the management decisions were in compliance with the applicable regulations (substantive legitimacy), adopted in the interest of the Company, compatible with its resources and assets and adequately supported by information, analysis and verification processes.*

16. *The system of internal control appeared to be adequate for the size and type of operations of the Company, as we also ascertained at meetings of the Control, Risk and Sustainability Committee, all of which were attended by the Board of Statutory Auditors. The Head of the Internal Auditing function guaranteed the functional and informative link on the methods of carrying out his institutional control tasks and on the results of the verification activities carried out in accordance with the audit plan, also by taking part in meetings of the Board of Statutory Auditors. The functional and informative link between the Board of Statutory Auditors and the Supervisory Body established pursuant to Legislative Decree No. 231/2001 was ensured through a periodic exchange of information and by the fact that the head of the Internal Auditing function is also a member of the Supervisory Body.*
17. *We have no observations to make regarding the adequacy of the administrative and accounting system or its reliability to represent operating events and transactions correctly. The responsibility for assessing the adequacy of the Company's organisational, administrative and accounting structure considering its nature and size, and for implementing and adopting the necessary measures for its implementation, lies with the Board of Directors, which is also responsible for the implementation and functioning of an adequate internal control system on financial reporting designed, among other things, to prevent and identify fraud and/or errors. The accounting information presented in the separate and consolidated financial statements for the year ended 31 December 2023 was certified without any significant matters raised, by the Chairman of the Board of Directors and by the Executive responsible for the preparation of the company's financial statements in accordance with Article 154-bis(5) of Legislative Decree No. 58/1998 and Article 81-ter of Consob Regulation No. 11971 of 14 May 1999, as amended and supplemented. In the information exchanges with us, the Executive responsible for the preparation of the company's financial statements did not report any shortcomings in the operating and control processes that could affect the adequacy of the administrative and accounting procedures and their correct application for the purposes of financial reporting.*
18. *We did not make any reports to the Board of Directors pursuant to and for the purposes of Article 25-octies of Legislative Decree No. 14/2019. Furthermore, we did not receive any reports from public creditors pursuant to and for the purposes of Article 25-novies of Legislative Decree No. 14/2019 or pursuant to*

*and for the purposes of Article 30-sexies of Decree Law No. 152/2021.*

19. *We have no observations to make regarding the adequacy of the information flows from the subsidiaries to the Company in the capacity of the Parent to ensure the timely fulfilment of reporting obligations required by law.*
20. *During the regular exchanges of information and data between ourselves and the independent auditors KPMG S.p.A., no further aspects emerged that need to be highlighted in this report.*
21. *The Company has substantially adhered to the recommendations contained in the Corporate Governance Code as approved by the Corporate Governance Committee and has drawn up its own Corporate Governance Code. The Company illustrated its corporate governance model in the Report on Corporate Governance and Ownership Structures, drawn up pursuant to Article 123-bis of Legislative Decree No. 58/1998 and the applicable laws and regulations on the subject of disclosure of adherence to codes of conduct. To the extent of our responsibilities, we monitored the way in which the rules of corporate governance required by the Corporate Governance Code adopted by the Company are actually implemented, ensuring among other things that the Report on Corporate Governance and Ownership Structures contains the results of the periodic check by the Board of Statutory Auditors that its members meet the necessary independence requirements, which are determined on the same basis as for Directors. The Company has adopted, implemented and updated an "Organisational Model" of conduct and regulation of the activity and has provided for the establishment of the Supervisory Body required by Legislative Decree No. 231/2001. In particular, in 2023, with the assistance of the Supervisory Body, the Board of Directors updated the 231 Model in order to reflect the regulatory changes relating to predicate offences that have occurred since the previous update in 2021 and the adjustment to the new whistleblowing regulations. The Company has also adopted a Code of Ethics. We also acknowledge that the Company has approved an adequate procedure for the management, treatment and communication of information regarding the Company, with particular reference to relevant inside information and a Code of Conduct on Internal Dealing, in accordance with the current legislation on market abuse.*
22. *Our surveillance activities were carried out on a routine basis during 2023 and did not reveal any omissions, reprehensible actions or irregularities worthy of note in this Report.*

23. *In order to enable the exchange of information required under Article 151(2) of Legislative Decree No. 58/1998, we met with the chairmen of the control bodies of Sogefi S.p.A. and KOS S.p.A. to obtain information on the supervisory activities that they carried out during 2023, on the administration and control systems adopted and on the company's performance. No reports or facts emerged from these exchanges of information that need to be mentioned in this report.*
24. *As a result of the supervisory activities carried out during the year, we have no proposals to make under Article 153(2) of Legislative Decree No. 58/1998 concerning the financial statements for the year ended 31 December 2023, their approval and the matters within our competence, and likewise we have nothing to observe on the proposed allocation of net profit for the financial year formulated by the Board of Directors.*

Milan, 5 April 2024

The Board of Statutory Auditors

Mr Giovanni Barbara - Chairman of the Board of Statutory Auditors

Ms Maddalena Gnudi - Statutory Auditor

Mr Francesco Mantegazza - Statutory Auditors

# REPORTS OF THE INDEPENDENT AUDITORS

(The accompanying translated consolidated financial statements of the CIR - Compagnie Industriali Riunite Group constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

# CIR – Compagnie Industriali Riunite Gruoup

**Consolidated financial statements as at and for the year ended 31 December 2023**

(with independent auditors' report thereon)

KPMG S.p.A.

5 April 2024

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 translated consolidated financial statements of the CIR - Compagnie Industriali Riunite Group constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)**

# Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of*
*CIR S.p.A. – Compagnie Industriali Riunite*

## Report on the audit of the consolidated financial statements

### *Opinion*

We have audited the consolidated financial statements of the CIR – Compagnie Industriali Riunite Group (the "group"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the CIR – Compagnie Industriali Riunite Group as at 31 December 2023 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 the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of CIR S.p.A. – Compagnie Industriali Riunite (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Key audit matters*

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

### *Recoverability of goodwill*

*Notes to the consolidated financial statements: Notes 3 "Accounting policies" and 7.a. "Intangible assets and goodwill"*

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| The consolidated financial statements at 31 December 2023 include goodwill of €494.6 million.<br>The parent's directors test goodwill for impairment at least once a year and whenever there are indicators of impairment, by comparing its carrying amount to its estimated recoverable amount, including considering the relevant tests carried out by the directors of the subsidiaries Sogefi S.p.A. and KOS S.p.A..<br>The group calculated the recoverable amount of goodwill by estimating its value in use, using a method that discounts their expected cash flows. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about:<br>• the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for recent years and the projected growth rates;<br>• the financial parameters used to calculate the discount rate.<br>For the above reasons, we believe that the recoverability of goodwill is a key audit matter. | The audit procedures performed, including considering the work carried out by the component' audit teams as part of their respective engagements assigned by the subsidiaries Sogefi S.p.A. and KOS S.p.A., included:<br>• understanding the process adopted for impairment testing approved by the parent's board of directors and assessing the design and implementation of material controls and their operating effectiveness;<br>• understanding the process adopted to prepare the forecasts from which the expected cash flows used to calculate value in use have been derived;<br>• analysing the reasonableness of the assumptions used by the group to prepare the forecasts;<br>• checking any discrepancies between the previous year forecast and actual figures, in order to check the level of historical accuracy of the estimates;<br>• comparing the expected cash flows used to calculate value in use to those used for the forecasts and analysing the reasonableness of any discrepancies;<br>• analysing, including by involving our own specialists, the reasonableness of the material assumptions used by the directors in impairment testing, as well as the valuation models used and the underlying data;<br>• checking the sensitivity analysis made by the directors in relation to the key assumptions used to calculate value in use;<br>• assessing the appropriateness of the disclosures provided in the notes about the recoverability of goodwill. |

## *Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements*

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

## *Auditors' responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

### *Other information required by article 10 of Regulation (EU) no. 537/14*

On 29 April 2017, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

## Report on other legal and regulatory requirements

### *Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815*

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2023 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

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

### *Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98*

The parent's directors are responsible for the preparation of the group's report on operations and report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

### *Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16*

The directors of CIR S.p.A. – Compagnie Industriali Riunite are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the consolidated non-financial statement separately.

Milan, 5 April 2024

KPMG S.p.A.

(signed on the original)

Alessandra Ponzio
Director of Audit

**(The accompanying translated separate financial statements of CIR S.p.A. - Compagnie Industriali Riunite constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)**

# CIR S.p.A. – Compagnie Industriali Riunite

**Separate financial statements as at and for the year ended 31 December 2023**

(with independent auditors' report thereon)

KPMG S.p.A.

5 April 2024

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 translated separate financial statements of CIR S.p.A. - Compagnie Industriali Riunite constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)**

# Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of*
*CIR S.p.A. – Compagnie Industriali Riunite*

## Report on the audit of the separate financial statements

### *Opinion*

We have audited the separate financial statements of CIR S.p.A. – Compagnie Industriali Riunite (the "company"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of CIR S.p.A. – Compagnie Industriali Riunite as at 31 December 2023 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 the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Key audit matters*

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

### *Measurement of investments in subsidiaries*

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

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| The separate financial statements at 31 December 2023 include investments in subsidiaries of €580.1 million, mainly relating to the subsidiaries CIR Investimenti S.p.A. (€204.1 million), KOS S.p.A. (€175.6 million), Sogefi S.p.A. (€109.0 million) and CIR International S.A. (€90.9 million).<br>At least once a year, the directors check whether there are any indicators of impairment and, if there are, they test these equity investments for impairment by comparing their carrying amounts to their recoverable amount.<br>They estimated the recoverable amount of the investments KOS S.p.A. and Sogefi S.p.A. based on their value in use calculated using the discounted cash flow model.<br>The calculation of value in use is very complex and entail the use of estimates which, by their very nature, are uncertain and subjective, about:<br>• the expected cash flows, calculated by taking into account the general economic performance and that of the subsidiaries' sector, the actual cash flows for recent years and the projected growth rates;<br>• the financial parameters used to calculate the discount rate.<br>The directors estimated the recoverable amount of the investments in CIR Investimenti S.p.A. and CIR International S.A., whose carrying amount is significant, based on their fair value less costs of disposal.<br>For the above reasons, we believe that the measurement of investments in subsidiaries is a key audit matter. | Our audit procedures included:<br>• understanding the process adopted for impairment testing approved by the company's board of directors and assessing the design and implementation of material controls and their operating effectiveness;<br>• understanding the process adopted to prepare the forecasts from which the expected cash flows used to calculate value in use have been derived;<br>• analysing the reasonableness of the assumptions used by the company to prepare the forecasts;<br>• checking any discrepancies between the previous year forecast and actual figures, in order to check the level of historical accuracy of the estimates;<br>• comparing the expected cash flows used to calculate value in use to those used for the forecasts and analysing the reasonableness of any discrepancies;<br>• analysing, including by involving our own specialists, the reasonableness of the material assumptions used by the directors in impairment testing, as well as the valuation models used and the underlying data;<br>• checking the sensitivity analysis made by the directors in relation to the key assumptions used to calculate value in use;<br>• assessing the methods used to estimate fair value less costs of disposal and comparing it to the related carrying amount;<br>• assessing the appropriateness of the disclosures provided in the notes about the measurement of equity investments. |

## *Other matters - Management and coordination*

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of CIR S.p.A. – Compagnie Industriali Riunite does not extend to such data.

## *Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements*

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

## *Auditors' responsibilities for the audit of the separate financial statements*

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

### *Other information required by article 10 of Regulation (EU) no. 537/14*

On 29 April 2017, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

## Report on other legal and regulatory requirements

### *Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815*

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2023 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

## *Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98*

The company's directors are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 5 April 2024

KPMG S.p.A.

(signed on the original)

Alessandra Ponzio
Director of Audit

CIR S.P.A.
Compagnie Industriali Riunite
Via Ciovassino, 1 20121 Milano
Tel. +39 02 72 27 01
info@cirgroup.com
cirgroup.com