ANNUAL FINANCIAL STATEMENTS

2021

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS

JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84
COMPANY REGISTER OF MILAN MONZA-BRIANZA LODI AND TAX CODE 00607460201
COMPANY SUBJECT TO MANAGEMENT AND COORDINATION BY CIR S.p.A.
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BOARD OF DIRECTORS

Honorary Chairman	CARLO DE BENEDETTI
Chair	MONICA MONDARDINI (1)
Chief Executive Officer	FRÉDÉRIC SIPAHI (1)
Directors	PATRIZIA CANZIANI (3) RODOLFO DE BENEDETTI ROBERTA DI VIETO (3) MAURO MELIS (2) - (3) - (4) ERVINO RICCOBON (2) CHRISTIAN STREIFF (2)
Secretary to the Board	NICCOLO' MORESCHINI

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITORS

KPMG S.p.A.

Disclosure under Consob Recommendation no. 97001574 of 20 February 1997:

(1) Powers as per Corporate Governance.
(2) Members of the Appointment and Remuneration Committee.
(3) Members of the Risk Control and Sustainability Committee and of the Committee for Related Party Transactions.
(4) *Lead independent director.*

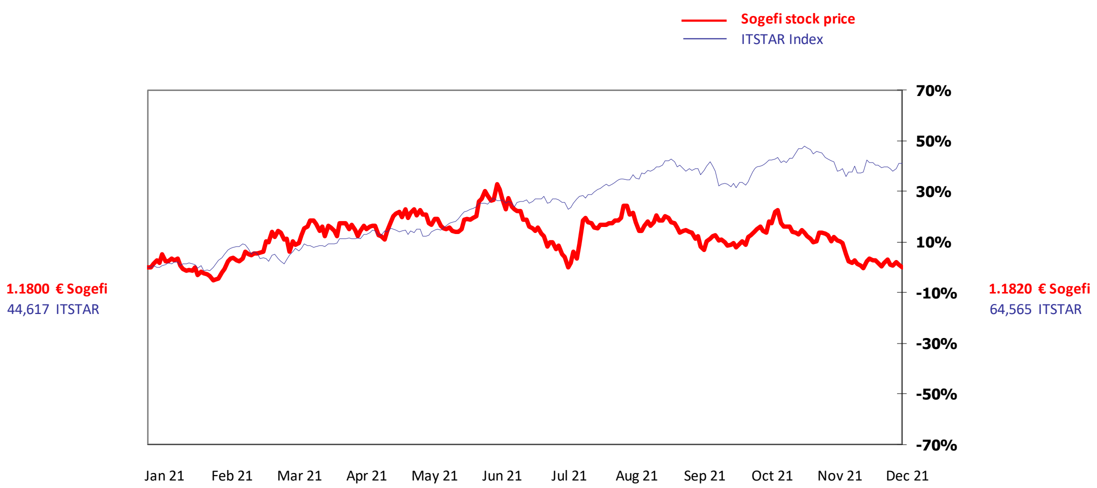
OVERVIEW OF GROUP RESULTS

(in millions of Euro)	2018		2019 (**)		2020 (**)		2021	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues	1,570.7	100.0%	1,439.4	100.0%	1,190.2	100.0%	1,320.6	100.0%
EBITDA	176.1	11.2%	174.6	12.1%	137.0	11.5%	192.5	14.6%
Ebit	60.1	3.8%	46.4	3.2%	7.1	0.6%	58.4	4.4%
Net income (loss) from discontinued operations, net of tax effects	1.1	0.1%	(7.6)	-0.5%	(16.2)	-1.4%	(24.5)	-1.9%
Net result	14.0	0.9%	3.2	0.2%	(35.1)	-3.0%	2.0	0.1%
Self-financing	134.4		145.3		104.9		124.6	
Free cash flow	2.9		8.4		(38.2)		32.4	
Net financial position	(260.5)		(318.9)		(358.1)		(327.6)	
Total shareholders' equity	213.9		207.8		150.3		205.0	
GEARING	1.22		1.53		2.38		1.60	
ROI	12.7%		9.3%		1.4%		11.2%	
ROE	7.6%		1.7%		-21.8%		1.2%	
Number of employees at December 31	6,967		6,158		5,790		5,462	
Dividends per share (Euro)	-		-		-		-	(*)
EPS (Euro)	0.119		0.027		(0.298)		0.017	
Average annual price per share	1.5754		1.4058		1.0082		1.3236	

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

STOCK PERFORMANCE

The graph below shows the performance of Sogefi stock and of the ITSTAR index in 2021.



REPORT OF THE BOARD OF DIRECTORS ON PERFORMANCE IN 2021

Dear Shareholders,

THE AUTOMOTIVE MARKET IN 2021

In 2021, the world's automotive production saw a 2.5% increase compared to 2020. After the 29.2% increase recorded in the first half of 2021 compared to the first half of 2020 (which had been penalised by the Covid-19 pandemic and lockdown), global production in the second half was significantly lower than in the corresponding period of 2020 (-16.0%). In particular, it was affected by difficulties in the supply of specific components (which also led to the temporary closure of some plants of the world leading manufacturers), shortages of raw materials and sudden rise in raw material prices.

In 2021, Europe was the worst performer, with car production at -6.2% compared to 2020; in NAFTA, production was basically steady (+0.1%) and it recovered in China and Mercosur (+4.0% and +16.2% respectively).

Global production in 2021 did not recover the volumes of the pre-pandemic phase, and stands at -14.1% compared to 2019 (Europe -27.9%, NAFTA -20.1% and Mercosur -19.4%); the only exception is China, which returned substantially to 2019 levels (-0.6%).

After the decline recorded in 2020 and the very weak recovery in 2021, IHS forecasts production growth of 8.5% in 2022.

INFORMATION ON OPERATIONS

Group revenues grew by 11.0% compared to 2020, significantly outperforming the market (+2.5%); compared to 2019, revenues were -8.3%, compared to -14.1% for global car production.

The recovery in turnover and the measures implemented to counter the economic impact of the crisis made it possible to end the financial year with:

- a “Net income (loss) of operating activities” of Euro 28.6 million, against a loss of Euro 18.4 million in 2020,
- a positive free cash flow of Euro 32.4 million (negative for Euro 38.2 million in 2020),
- a net indebtedness before IFRS16 down at Euro 258.2 million (Euro 291.3 million at 31 December 2020).

The 2021 financial year was also positive for the commercial business.

The Air & Cooling division finalised important contracts in Europe, NAFTA and China for the supply of thermal management products for electric mobility, which have the characteristic of incorporating higher added value than the standard average value of traditional products for internal combustion engines. These include new contracts with a premium German car manufacturer for a next-generation electric platform, with two electric commercial vehicle manufacturers, one pure electric and the other using fuel cell technology, and with several Chinese full electric car manufacturers.

Filtration won a significant number of contracts for the supply of Air Purification Filters and two important contracts in NAFTA for Transmission Filters.

The Suspension business unit expanded its customer portfolio, winning contracts with new customers focused exclusively on electrical products. The division also acquired orders from long-standing customers that will be produced in the new plant in Romania: among these it is worth mentioning the first contract entered into with a major customer for the production of coil springs in Eastern Europe.

In the current context of a generalised rise in the cost of raw materials, transport and energy, which has led to a deterioration in margins in the second half of 2021, Sogefi has begun negotiations with all of its customers with the aim of adjusting its sales prices, to a more complete extent than that provided for in the contracts by the indexing clauses. Sogefi's management is determined to reach fair agreements with all customers in order to continue sustainable long-term business relationships and is confident that it will be able to do so. With some of them the objective has already been achieved.

2021 RESULTS

It should be noted that the values for 2021 and 2020 include the application of IFRS 5 ("Non-current assets held for sale and discontinued operations") to the Brazilian, Spanish and Argentinian subsidiaries of the Filtration business unit, which were sold, in December 2020, January 2021 and August 2021, respectively. The commentary on the results is proposed below not only with a comparison to the previous year, as is customary, but also by indicating, for the main indicators, the figures of 2019, taking into account the extraordinary nature of the trends in 2020, due to the spread of the Covid-19 pandemic - first in China and then in all the Group's areas of operation - and the impacts of the restrictive measures adopted.

In 2021, Sogefi's **revenues** amounted to Euro 1,320.6 million, up 11.0% compared to 2020.

After +34.7% in the first half of the year, the second half of the year closed with a drop of -6.2% compared to the same period in 2020, which was nevertheless significantly better than the market performance of -16.0%.

Sales revenues by geographic area

(in millions of Euro)	2021	2020	reported change 2021 vs 2020	constant exchange rates 2021 vs 2020	reference market production	2019	reported change 2021 vs 2019
	Amount	*Amount*	*%*	*%*	*%*	*Amount*	*%*
Europe	813.5	754.9	7.8	7.5	(6.2)	923.5	(11.9)
North America	262.4	250.8	4.6	5.6	0.1	288.7	(9.1)
South America	77.8	46.3	67.9	85.2	16.2	85.6	(9.1)
Asia	176.9	144.9	22.0	21.4	6.6	150.0	17.9
- of which China	*100.5*	*86.0*	*16.9*	*13.4*	*4.0*	*75.5*	*33.0*
Intercompany eliminations	(10.0)	(6.7)				(8.4)	
TOTAL	1,320.6	1,190.2	11.0	11.3	2.5	1,439.4	(8.3)

Revenues grew in all geographical areas: +7.8% in Europe, +4.6% in North America, +22.0% in Asia, +67.9% in South America.

Sales revenues by business sector

(in millions of Euro)	2021	2020	reported change 2021 vs 2020	constant exchange rates 2021 vs 2020	2019	reported change 2021 vs 2019
	Amount	*Amount*	*%*	*%*	*Amount*	*%*
Suspensions	458.2	399.6	14.7	15.6	549.7	(16.6)
Filtration	463.4	421.2	10.0	10.8	467.1	(0.8)
Air&Cooling	402.0	371.8	8.1	7.6	425.9	(5.6)
Intercompany eliminations	(3.0)	(2.4)			(3.3)	
TOTAL	1,320.6	1,190.2	11.0	11.3	1,439.4	(8.3)

The Air & Cooling and Filtration segments recorded revenues close to those achieved in 2019.

The growth in Air & Cooling compared to 2020 (+8.1%) was due, in addition to the market recovery, to the development of the contracts portfolio particularly in China, where revenues increased by 18.4% compared to the previous year.

The increase in Filtration revenues (+10.0%) reflects not only the evolution of the market but also the strong recovery in India.

Finally, the Suspension business unit reported revenues up by 14.7%, but business remains significantly below that of the corresponding period in 2019 (-16.6%). Revenue growth mainly reflects the good performance in South America and China.

Sales revenues by customer

Sogefi has a balanced customer portfolio, and its composition remained unchanged during 2021. The main customers of Sogefi are Stellantis, Ford, Renault/Nissan, Daimler and GM, which together account for 57.2% of revenues (60.9% in 2020).

Overview of consolidated income statement

(in millions of Euro)	Note(*)	2021		2020		Changes	
		Amount	%	Amount	%	Amount	%
Sales revenues		1,320.6	100.0	1,190.2	100.0	130.4	11.0
Variable cost of sales		916.9	69.4	824.0	69.2	92.9	11.3
CONTRIBUTION MARGIN		403.7	30.6	366.2	30.8	37.5	10.3
Fixed costs	(a)	215.3	16.3	200.9	16.9	14.4	7.2
Restructuring costs		7.1	0.5	28.9	2.4	(21.8)	(75.5)
Other expenses (income)	(b)	(11.2)	(0.8)	(0.6)	0.0	(10.6)	-
EBITDA	(c)	192.5	14.6	137.0	11.5	55.5	40.5
Depreciation and amortization	(d)	134.1	10.2	129.9	10.9	4.2	3.2
EBIT		58.4	4.4	7.1	0.6	51.3	-
NET INCOME (LOSS) OF OPERATING ACTIVITIES		28.6	2.2	(18.4)	(1.5)	47.0	255.3
Net income (loss) from discontinued operations, net of tax effects		(24.5)	(1.9)	(16.2)	(1.4)	(8.3)	(51.0)
GROUP NET RESULT		2.0	0.1	(35.1)	(3.0)	37.1	105.6

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

EBITDA[1] amounted to Euro 192.5 million, compared to Euro 137.0 million in 2020 and Euro 174.6 million in 2019. Gross profitability (EBITDA / Revenues %) increased to 14.6% compared to 11.5% in 2020 (13.1% if we exclude non-recurring restructuring costs[2]) and to 12.1% in 2019.

The contribution margin remained stable (30.6% compared to 30.8% in 2020 and 30.1% in 2019) and the increase in profitability is attributable to the reduction in the ratio of fixed costs to revenues to 16.3% (16.9% in 2020 and 17.2% in 2019) and restructuring costs. It should be noted that compared to 2019, fixed costs fell by 12.8%, thanks to the action plans implemented.

Finally, the positive effect of exchange rates (amounting to Euro +2.5 million in 2021 compared to Euro -4.7 million in 2020) contributed to the increase in EBITDA.

Finally, it should be noted that, like in the third quarter, the fourth quarter was affected by the weakness of volumes and the general increase in raw material costs, particularly the prices of steel for the production of suspensions, which led to a reduction in the contribution margin for the quarter from 31.5% in 2020 to 28.1% in 2021.

EBIT amounted to Euro 58.4 million compared to Euro 7.1 million in 2020 and Euro 46.4 million in 2019.

Financial expenses, amounting to Euro 17.8 million, were down on 2020 (Euro 22.1 million) thanks to the reduction in debt and the recognition of non-recurring financial income (of Euro 1.2 million); tax expenses amounted to Euro 13.5 million, compared to Euro 3.4 million in 2020.

[1] EBITDA is calculated by adding "EBIT", the item "Depreciation and amortization" and the amount of writedowns of tangible and intangible assets posted in "Other non-operating expenses (income)" for Euro 18.5 million at 31 December 2021 (Euro 13.6 million in the corresponding period last year).

[2] For more details, please refer to the paragraph "Definition of performance indicators and net financial debt" attached at the end of this report.

The **Net income of operating activities** was of Euro 28.6 million compared to a loss of Euro 18.4 million in 2020 and an income of Euro 13.8 million in 2019.

The **Net income (loss) from discontinued operations** was negative for Euro 24.5 million (negative for Euro 16.2 million as at 31 December 2020) and related to the filtering business in Argentina, sold in 2021, which generated a negative accounting impact of Euro 24.1 million on the income statement, of which Euro 20.8 million deriving from the reclassification of accumulated exchange rate differences from shareholders' equity to profit or loss for the period, with no impact on cash and shareholders' equity as of December 31, 2021.

The **Net result** was positive for Euro 2.0 million compared to a loss of Euro 35.1 million in 2020 and a profit of Euro 3.2 million in 2019.

Consolidated operating cash flow

Free cash flow was positive at Euro 32.4 million, compared to a cash consumption of Euro 38.2 million in 2020, due to the special circumstances in 2020 and in particular the drop in revenues, which also affected working capital. In 2021, the strong recovery of free cash flow reflects the positive evolution of results and the specific actions on working capital implemented by the Group.

(in millions of Euro)	Note(*)	2021	2020
SELF-FINANCING	(e)	124.6	104.9
Change in net working capital		(13.0)	(32.1)
Other medium/long-term assets/liabilities	(f)	28.8	6.0
CASH FLOW GENERATED BY OPERATIONS		**140.4**	**78.8**
Net decrease from sale of fixed assets	(g)	21.1	2.3
TOTAL SOURCES		161.5	81.1
TOTAL APPLICATION OF FUNDS		120.0	133.4
Net financial position of subsidiaries purchased/sold during the year		(5.4)	9.0
Exchange differences on assets/liabilities and equity	(h)	(3.7)	5.1
FREE CASH FLOW		**32.4**	**(38.2)**
Dividends paid by subsidiaries to non-controlling interests		(3.0)	-
Change in fair value derivative instruments		1.1	(1.0)
CHANGES IN SHAREHOLDERS' EQUITY		(1.9)	(1.0)
Change in net financial position	(i)	**30.5**	**(39.2)**
Opening net financial position	(i)	**(358.1)**	**(318.9)**
CLOSING NET FINANCIAL POSITION	(i)	**(327.6)**	**(358.1)**

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

Consolidated net invested capital

(in millions of Euro)	Note(*)	12.31.2021		12.31.2020	
		Amount	*%*	*Amount*	*%*
Short-term operating assets	(l)	287.8		284.8	
Short-term operating liabilities	(m)	(355.9)		(365.0)	
Net working capital		(68.1)	(12.8)	(80.2)	(15.8)
Equity investments	(n)	-	-	-	-
Intangible, tangible fixed assets and other medium and long-term assets	(o)	764.8	143.6	774.4	152.4
CAPITAL INVESTED		696.7	130.8	694.2	136.6
Deferred Taxes/Pension Funds/Provision for risks	(p)	(98.3)	(18.5)	(127.3)	(25.0)
Other medium and long-term liabilities	(q)	(65.8)	(12.3)	(58.6)	(11.6)
NET CAPITAL INVESTED		532.6	100.0	508.3	100.0
Net financial indebtedness	(r)	327.6	61.6	358.1	70.5
Non-controlling interests		17.3	3.2	16.4	3.2
Consolidated equity of the Group		187.7	35.2	133.8	26.3
TOTAL		532.6	100.0	508.3	100.0

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

At 31 December 2021, **shareholders' equity** excluding minority interests amounted to Euro 187.7 million compared to Euro 133.8 million as at 31 December 2020 (Euro 188.7 million as at 31 December 2019).

Consolidated net financial position

(in millions of Euro)	12.31.2021	12.31.2020
Cash, banks, financial receivables and securities held for trading	122.2	213.7
Medium/long-term financial receivables	4.0	2.2
Short-term financial debts (*)	(106.1)	(170.1)
Medium/long-term financial debts	(347.7)	(403.9)
NET FINANCIAL POSITION	(327.6)	(358.1)

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

The **net financial indebtedness** before IFRS16 as at 31 December 2021 was Euro 258.2 million, showing a decrease compared to end of 2020 (Euro 291.3 million) and basically in line with the amount as at 31 December 2019 (Euro 256.2 million).

When financial payables for rights of use are included, in accordance with IFRS 16, net financial indebtedness at 31 December 2021 amounted to Euro 327.6 million, down compared to Euro 358.1 million at 31 December 2020 (Euro 318.9 at 31 December 2019).

As at 31 December 2021 the Group has committed credit lines in excess of requirements for Euro 280 million (after having repaid the convertible bond loan of Euro 100 million).

As at 31 December 2021, the Sogefi Group's **workforce** was 5,462, compared to 5,790 as at 31 December 2020 and 6,158 at 31 December 2019, considering the same scope.

	12.31.2021		12.31.2020 (*)	
	Number	*%*	*Number*	*%*
Suspensions	2,267	41.5	2,290	39.5
Filtration	1,974	36.1	2,254	38.9
Air&Cooling	1,169	21.4	1,192	20.6
Other	52	1.0	54	1.0
TOTAL	5,462	100.0	5,790	100.0

(*) excluding employees of the Spanish subsidiary (86) of the filtration division sold in January 2021 and excluding employees of Argentinian subsidy (150) of the filtration division sold in August 2021.

A breakdown by category is provided below.

	12.31.2021		12.31.2020 (*)	
	Number	*%*	*Number*	*%*
Managers	72	1.3	70	1.2
Clerical staff	1,521	27.9	1,629	28.1
Blue collar workers	3,869	70.8	4,091	70.7
TOTAL	5,462	100.0	5,790	100.0

(*) excluding employees of the Spanish subsidiary (86) of the filtration division sold in January 2021 and excluding employees of Argentinian subsidy (150) of the filtration division sold in August 2021.

INVESTMENTS AND RESEARCH & DEVELOPMENT ACTIVITIES

Investments totalled Euro 120.0 million in 2021 (Euro 133.4 million in 2020).

The company decided to go ahead with all investments in the development of new products (Euro 52.1 million) and in the start-up of the new Suspension plant in Romania (Euro 10.5 million in 2021 and Euro 12.8 million in 2020), which are essential for growth and improvement of business profitability. While investments under IFRS16 decreased, as commitments made in 2021 for rights of use were lower than in 2020.

The table below provides details of the investments.

(in millions of Euro)	2021	2020
Increase in intangible assets	19.4	23.3
Purchase of tangible assets	56.5	48.7
Purchase of Tooling	33.9	36.2
Increase in intangible assets for right of use	10.2	25.2
TOTAL INVESTMENTS	120.0	133.4

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

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

(in millions of Euro)	2021	2020
Net result per Sogefi S.p.A. financial statements	69.9	(6.2)
Group share of results of subsidiary companies included in the consolidated financial statements	10.3	(14.9)
Writedowns of equity investments	(68.1)	0.5
Elimination dividends	(8.9)	(13.5)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related tax effect	(1.2)	(1.0)
NET RESULT PER CONSOLIDATED FINANCIAL STATEMENTS	2.0	(35.1)

(in millions of Euro)	2021	2020
Shareholders' equity per Sogefi S.p.A. financial statements	276.8	205.6
Group share of higher/lower equity value of investments in consolidated companies over carrying value in Sogefi S.p.A. financial statements	(95.8)	(79.7)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related tax effect	6.7	7.9
SHAREHOLDERS' EQUITY PER CONSOLIDATED FINANCIAL STATEMENTS	187.7	133.8

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

In 2021, the Company recorded a reversal of an impairment loss of the equity investment in the French subsidiary Sogefi Filtration S.A. by Euro 68.1 million as a result of an impairment test as at 31 December 2021. Thanks to this reversal, in 2021 Sogefi S.p.A. reported a net profit of Euro 69.9 million, compared to a net loss of Euro 6.2 million in 2020.

The flow of dividends from subsidiaries was lower than in the previous year by Euro 4.6 million, net financial expenses were lower by Euro 5.2 million and net exchange differences made a positive contribution, higher than in 2020, by Euro 5 million.

The decrease in "Other non-operating income (expenses)" is mainly due to lower expenses incurred in 2021 in adjusting the fair value of certain investment properties of the Company to reflect experts' valuation.

(in millions of Euro)	2021	2020
Financial income/expenses and dividends	5.2	(0.4)
Adjustments to financial assets	68.1	(0.5)
Other operating revenues	8.7	7.9
Operating costs	(12.1)	(11.8)
Other non-operating income (expenses)	(0.8)	(2.5)
RESULT BEFORE TAXES	69.1	(7.3)
Income taxes	0.8	1.1
NET RESULT	69.9	(6.2)

As regards the **statement of financial position**, the table below shows the main items as at 31 December 2021, compared to the figures recorded at the end of the previous year.

(in millions of Euro)	Note(*)	12.31.2021	12.31.2020
Short-term assets	(s)	5.6	7.2
Short-term liabilities	(t)	(5.3)	(3.3)
Net working capital		0.3	3.9
Equity investments	(u)	416.2	348.0
Other fixed assets	(v)	31.4	36.2
CAPITAL INVESTED		447.9	388.1
Other medium and long-term liabilities	(w)	(0.4)	(2.5)
NET CAPITAL INVESTED		447.5	385.6
Net financial indebtedness		170.7	180.0
Shareholders' equity		276.8	205.6
TOTAL		447.5	385.6

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

Shareholders' equity as at 31 December 2021 amounted to Euro 276.8 million, up by Euro 71,2 million from 31 December 2020 (Euro 205.6 million), mainly thanks to the positive result for the year 2021.

Net **financial indebtedness** as at 31 December 2021 was Euro 170.7 million, showing a year-over-year drop of Euro 9.3 million compared to 31 December 2020.

(in millions of Euro)	12.31.2021	12.31.2020
Short-term cash investments	49.8	119.4
Short/medium-term financial receivables to third and subsidiaries	265.0	242.1
Short-term financial debts (*)	(256.9)	(247.0)
Medium/long-term financial debts	(228.6)	(294.5)
NET FINANCIAL POSITION	(170.7)	(180.0)

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

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

(in millions of Euro)	Note(*)	2021	2020
SELF-FINANCING	(x)	4.2	(0.4)
Change in net working capital	(y)	3.6	(1.4)
Other medium/long term assets/liabilities	(z)	0.8	0.9
CASH FLOW GENERATED BY OPERATIONS		**8.6**	**(0.9)**
Sale of equity investments		-	-
Net decrease from sale of intangible assets		-	-
TOTAL SOURCES		8.6	(0.9)
TOTAL APPLICATION OF FUNDS		0.4	0.4
FREE CASH FLOW		**8.2**	**(1.3)**
Holding Company increases in capital		-	-
Change in fair value derivative instruments		1.1	(1.0)
Dividends paid by the Holding Company		-	-
CHANGES IN SHAREHOLDERS' EQUITY		1.1	(1.0)
Change in net financial position	(aa)	**9.3**	**(2.3)**
Opening net financial position	(aa)	**(180.0)**	**(177.7)**
CLOSING NET FINANCIAL POSITION	(aa)	**(170.7)**	**(180.0)**

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

The positive change in free cash flow, amounting to Euro 8.2 million, was mainly generated by the improvement of self-financing and working capital.

PERFORMANCE BY BUSINESS DIVISION

“Filtration” business unit

Key indicators

(in millions of Euro)	2018	2019	2020	2021	Change '21 vs '20
Sales revenues	537.2	467.1	421.2	463.4	10.0%
EBIT	23.4	22.2	8.0	37.4	367.5%
% on sales revenues	*4.4%*	*4.8%*	*1.9%*	*8.1%*	
Number of employees	2,889	2,472	2,254	1,974	-12.4%

In 2021, the Filtration business unit reported revenues of Euro 463.4 million, up by 10.0% compared to 2020 and basically in line with 2019.

The EBITDA margin was 15.8%, up from 11.3% in 2020 and 11.7% in 2019, thanks to the recovery in revenues, the reduction in the impact of fixed costs, both compared to 2020 and 2019, lower non-recurring charges (in 2020 there were Euro 7.7 million of non-recurring expenses related to the plans to reduce fixed costs), non-operating income of Euro 2.4 million and the effect of exchange rates - positive for Euro 0.9 million and negative for Euro 0.6 million in 2020.

EBIT was positive at Euro 37.4 million (Euro 8.0 million in 2020 and 22.2 million in 2019), with an operating profitability of 8.1%, higher than pre-Covid levels (4.8% in 2019).

Employees of the business unit at 31 December 2021 were 1,974 (2,254 at 31 December 2020, considering the same scope).

“Suspension” business unit

Key indicators

(in millions of Euro)	2018	2019	2020	2021	Change '21 vs '20
Sales revenues	602.6	549.7	399.6	458.2	14.7%
EBIT	12.7	5.0	(13.2)	(9.1)	30.8%
% on sales revenues	*2.1%*	*0.9%*	*-3.3%*	*-2.0%*	
Number of employees	2,541	2,400	2,290	2,267	-1.0%

In 2021, the Suspension business unit reported revenues of Euro 458.2 million, up by 14.7%, which mainly reflects the business trend in South America and China.

The EBITDA margin was 7.1%, up from 5.5% in 2020, mainly due to the reduction in non-recurring expenses, which amounted to Euro 11.5 million in 2020. The 2020 and 2021 results include the start-up costs of the new plant in Romania. Lastly, the second-half results were affected by the increase in steel prices, which is passed over to sales prices with a certain delay.
EBIT amounted to Euro -9.1 million compared to Euro -13.2 million in 2020.

Employees of the business unit at 31 December 2021 were 2,267 (2,290 at 31 December 2020).

"Air & Cooling" business unit

Key indicators

(in millions of Euro)	2018	2019	2020	2021	Change '21 vs '20
Sales revenues	433.5	425.9	371.8	402.0	8.1%
EBIT	21.7	24.7	20.0	32.1	60.5%
% on sales revenues	*5.0%*	*5.8%*	*5.4%*	*8.0%*	
Number of employees	1,471	1,231	1,192	1,169	-1.9%

In 2021, the Air & Cooling business unit reported revenues of Euro 402.0 million, up by 8.1%. The trend was particularly dynamic in China, where revenues grew by 18.4% over 2020 thanks to the recovery of the market and the launch of new programmes.

At 20.6%, the EBITDA margin was higher than in 2020 (18.4%) and 2019 (17.2%).

EBIT amounted to Euro 32.1 million, compared to Euro 20 million in 2020 and 24.7 million in 2019, with an increase in operating profitability at 8.0% of revenues, higher than in 2020 and 2019.

Employees of the business unit at 31 December 2021 were 1,169 (1,192 at 31 December 2020).

RESULTS FOR THE FOURTH QUARTER OF 2021

In the fourth quarter of 2021, Sogefi reported **revenues** of Euro 330.6 million, down by 8.4% compared to the fourth quarter of 2020, in a market where production was at -13.2%. The fourth quarter, like the third quarter, was affected by the temporary closure of some plants of the world's leading manufacturers; the business unit that was most affected by market trends was Air & Cooling, also in view of its greater exposure to the two most distressed markets (Europe and NAFTA).

Revenues by business unit

(in millions of Euro)	Q4 2021	Q4 2020	reported change 2021 vs 2020	constant exchange rates 2021 vs 2020	Q4 2019	reported change 2021 vs 2019
	Amount	*Amount*	*%*	*%*	*Amount*	*%*
Suspensions	120.0	121.7	(1.4)	(2.6)	126.8	(5.3)
Filtration	118.3	126.3	(6.3)	(7.5)	117.8	0.4
Air&Cooling	92.8	113.6	(18.3)	(20.7)	106.4	(12.7)
Intercompany eliminations	(0.5)	(0.7)			(0.8)	
TOTAL	330.6	360.9	(8.4)	(10.0)	350.2	(5.6)

Condensed Income Statement

(in millions of Euro)	Note(*)	Q4 2021		Q4 2020		Changes	
		Amount	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues		330.6	100.0	360.9	100.0	(30.3)	(8.4)
Variable cost of sales		237.7	71.9	247.0	68.5	(9.3)	(3.8)
CONTRIBUTION MARGIN		92.9	28.1	113.9	31.5	(21.0)	(18.4)
Fixed costs	(a)	53.2	16.1	57.0	15.8	(3.8)	(6.7)
Restructuring costs		4.7	1.4	16.7	4.5	(12.0)	(71.6)
Other expenses (income)	(b)	(13.3)	(4.0)	1.4	0.4	(14.7)	-
EBITDA	(c)	48.3	14.6	38.8	10.8	9.5	24.4
Depreciation and amortization	(d)	39.4	11.9	35.0	9.7	4.4	12.5
EBIT		8.9	2.7	3.8	1.1	5.1	134.8
NET INCOME (LOSS) OF OPERATING ACTIVITIES		4.3	1.3	(2.9)	(0.8)	7.2	249.7
Net income (loss) from discontinued operations, net of tax effects		0.2	0.1	(8.0)	(2.2)	8.2	(102.5)
GROUP NET RESULT		3.9	1.2	(12.0)	(3.3)	15.9	132.7

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

EBITDA amounted to Euro 48.3 million, compared to Euro 38.8 million in the fourth quarter of 2020 and to Euro 43.1 million in 2019. The EBITDA margin was 14.6%, higher than in 2020, but in line if we exclude the non-recurring expenses of the previous year. The reduction in the contribution margin (from 31.5% in the fourth quarter of 2020 to 28.1% in the fourth quarter of 2021) reflects the increase in the cost of raw materials, which particularly affected the results of the Suspension business unit. Negotiations are underway with customers in order to adjust sales prices to the actual situation of the raw materials market.

EBIT was positive at Euro 8.9 million compared to Euro +3.8 million in the fourth quarter of 2020.

The **Net income (loss) of operating activities** was positive for Euro 4.3 million compared to a loss of Euro 2.9 million in the fourth quarter of 2020.

The **Net income (loss) from discontinued operations** was a positive Euro 0.2 million, compared to a negative Euro 8 million in the fourth quarter of 2020 (referring in particular to the Brazilian Filtration business, which was sold at the end of 2020).

The **consolidated net result** in the fourth quarter of 2021 was at Euro +3.9 million compared with a loss of Euro 12.0 million in the previous year.

IMPACT OF COVID-19 ON OPERATIONS

In 2021, although the pandemic crisis persisted, the effects on the market in which the Company operates were less severe than those recorded in 2020, as there was no lock-down of industrial activities. However, there was a general weakness in demand, which was still lower than in the same period of 2019, particularly in Europe (-27.9%) and NAFTA (-20.1%), and operational difficulties were reported because of fluctuating production levels and staff absences linked to contagion or, above all, to contact with a person who had tested positive.

During 2021 financial year, the Sogefi Group maintained all its occupational health safety provisions aimed at reducing the risk of spreading the virus, which include physical distancing, the use of personal protective equipment and measures aimed at limiting the presence of staff in the workplace through the use of the so-called "agile working".

OUTLOOK FOR OPERATIONS

Visibility on market trends in the coming months remains reduced, above all due to uncertainties on the evolution of the pandemic and the macroeconomic situation, which are still being experienced.

In addition, there are specific uncertainty factors relating in particular to the demand trend, the overall increase in the prices of the main raw materials and their availability, as well as the logistics of transport and procurement from Asian markets.

For 2022, after the decline in 2020 and a 2021 performance that was lower than expected at the beginning of the year, IHS estimates a recovery of 8.5% in global production volumes compared to 2021, with Europe at +20.8%, NAFTA at +16.6%, South America at +12.5% and China essentially at breakeven (+0.9%). Despite the expected positive trend, 2022 production would still be lower than in 2019 (-6.8%), especially in Europe (-12.9%), NAFTA (-6.9%) and South America (-9.4%), with only the Asian market at pre-Covid-19 levels (+0.7%).

With regard to raw material prices, given the unprecedented booming trend in 2021, it is difficult to make forecasts for 2022 and in any case the situation at present seems to persist in the first part of the year. To mitigate the effects, the Group has already started resourcing activities, cost-cutting measures and commercial actions.

In this scenario, in the absence of any extraordinary events that are not yet identifiable, Sogefi expects to achieve operating profits for the whole of 2022, excluding non-recurring costs, substantially in line with the amount recorded in 2021, thanks to the effects of the incisive actions already put in place to reduce the impact of fixed costs and structurally improve profitability and, in particular as far as the Suspension business unit is concerned, to the new plant in Romania gradually becoming fully operational.

MANAGEMENT OF THE MAIN BUSINESS RISKS

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

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

Since 2019, the Group has had a central function headed by a Group Chief Risk Officer (“CRO”), dedicated to risk management, thus confirming the growing commitment of the Company to the effective implementation of the integrated internal control and risk management system.

The Group also started to work on the evolution of the traditional risk assessment process, by designing and implementing a more structured risk management system in line with the latest industry best practices. The ERM framework was updated in order to further customise it to suit the needs of a growing Group, while maintaining continuity with the activities carried out in the past. In particular, it laid down the *ERM Group Policy*, approved by the Board of Directors, which outlines the governance model of the risk management system, assigns roles and responsibilities to each player involved, defines the operating model including the analysis and reporting activities to be performed periodically and the tools and methods to support them.

The ERM process is directed and supervised by the Board of Directors which, in addition to defining the main guidelines, also identified the main players:

- the Control and Risk Committee, set up within the Board and whose members are appointed among Directors to assist the Board with decisions concerning the risk management process and in assessing their adequacy;
- the Chief Executive Officer, director in charge of the Internal Control and Risk Management System, is responsible for implementing and maintaining an effective risk management process;
- the Group Chief Risk Officer coordinates the risk management process, facilitating the identification, assessment, management and monitoring of major corporate risks

and provides methodological support, and is responsible for preparing periodic reports on risk management activities;

- the Group's top and senior management is actively involved during the process of risk identification, analysis and management in a top-down approach and as the main risk owner.

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

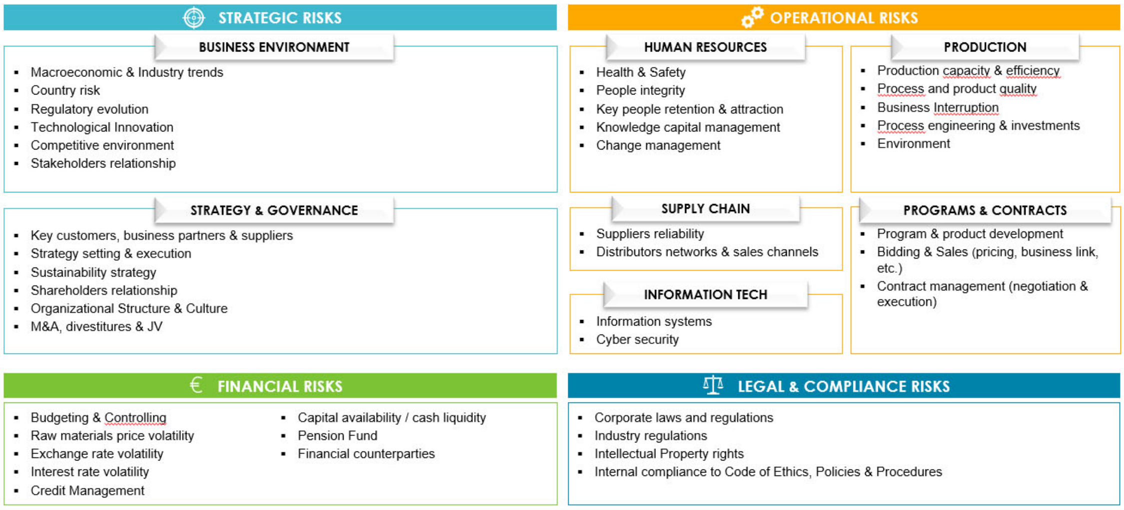
From this point of view, it is fundamental that the management plays an active role in the risk management process, which is why the Group set up an internal Risk Management Committee, made up of the first lines of Management, the Internal Audit function and other key managers and coordinated by the CRO, which meets periodically. The role of the Committee is to support the CEO in carrying out assessments and making decisions related to the ERM system.

The ERM framework aims to analyse and evaluate a wide portfolio of risks, which vary in nature and type, including all risks associated with sustainability issues.

The risks potentially applicable to the Group's business model are represented in the so-called Risk Model, which identifies four risk categories:

- **Strategic Risks**, relating to the external and business environment or governance strategies and decisions that can significantly affect the Group's performance and/or the achievement of the defined strategic objectives;
- **Operational Risks,** which can affect the effectiveness/efficiency of business processes, jeopardising the creation of value;
- **Financial Risks**, linked, by way of example, to exchange rates, interest rates, liquidity, etc., which may affect results;
- **Legal and Compliance Risks**, relating to non-compliance with applicable laws and regulations, as well as internal Codes, Policies and Procedures that may lead to legal disputes, financial losses and potential adverse effects on the Group's reputation.

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



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

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

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

In light of the assessments carried out during 2021, the most significant risks were identified in relation to the reference sector, business and sustainability issues for which a periodic assessment of exposure and related mitigation actions is required. Particular attention has been paid to risk management strategies, as well as to the consequences of a prolonged pandemic on each risk and the possibility of response by the Group.

STRATEGIC RISKS

Risks related to the Group's economic growth[3]

In a macroeconomic context already characterised by a general slowdown in growth trends and significant changes in trade relations between countries (e.g. EU-UK post-Brexit, US-China-Russia relations, etc.), Covid-19 and the prolonged pandemic represented a disruptive element for the global economy.

For the automotive sector in particular, the control measures appropriately adopted by governments (e.g. lock-downs/restrictions on access to workplaces and businesses/etc.), the drop in GDP in 2020, the situation affecting raw materials, have led to a slowdown in demand and in production of new cars. Despite slight growth in 2021 compared to 2020 (+2.5%), world car market production for the whole of 2021 is still 14.1% lower than in 2019. In all geographical areas, production volumes remain down compared to those prior to the spread of the pandemic (Europe, NAFTA and Mercosur recorded production volumes respectively 27.9%, 20.1% and 19.4% lower than in 2019), with the sole exception of China, which basically returned to 2019 levels (-0.6%).

The Company quickly took the necessary measures to respond to the changed market circumstances, recovering economic balance in 2021, and laying the foundations for achieving its medium- to long-term objectives.

Risks associated with technological innovation[4]

The automotive industry, driven by the regulatory evolution under way, is strategically oriented towards the creation of vehicles with a reduced environmental impact, resulting in significant investments by the main car makers, which have officially stated specific sales targets for electric vehicles within the next ten years.

At the same time, greater awareness of the effects of climate change, combined with increased media and political attention, especially at European level (e.g. EU Green Deal), are influencing consumer behaviours, directing them towards the purchase of more sustainable (hybrid, full-electric) vehicles.

For Sogefi, as a component manufacturer, it is therefore essential to: innovate its product portfolio, promoting solutions for the growing e-mobility market; and in any case, even on existing products, look for solutions that guarantee a reduced environmental impact - for example, by reducing the weight of components, which allows lower fuel consumption, better control of vehicle performance (e.g. mechatronic components), and so on.

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

[4] This risk is also relevant for sustainability purposes. For a complete picture of the risks related to climate change, this risk of a strategic nature must be taken into consideration together with the “Physical risks related to climate change”, which are of an operational nature and are described in the following paragraphs.

The Group invests significant resources annually in Research and Development, promoting an approach to innovation that involves all its employees in the search for new solutions to optimise products and processes.

In this regard, Sogefi has drafted a plan for the development of new products for e-mobility, defining specific targets for increasing investments in R&D and related sales. This approach confirms the Group's commitment to tackling technological challenges, responding to the needs and pressures of the automotive market towards a low-carbon economy.

The Company also collaborates with private companies, laboratories and research centres worldwide to develop new materials and products for existing technologies.

Based on the need to develop new and/or innovative technologies, the risks physiologically connected to the related processes are considered critical for the Group, e.g., the risk of losing the competitive advantage acquired over existing products or incurring extra costs in the development and quality control phase or experiencing delays in the implementation of new solutions, or even the risk of competitors introducing new disruptive products for the market, etc..

Risks associated with contract management and pricing policies

The Group's business, like all B2B businesses, is strongly affected by the decisions of large customers with high negotiating power; furthermore, as is well known, the car maker market is concentrated and characterised by further aggregation. On the component supply side, there is a growing competition: in particular, companies seek vertical integration to obtain benefits on production and logistic costs, in order to offer more competitive prices, and players based in low-cost countries enter the market.

Therefore, there is a risk that the Group, under pressure from customers and competitors, agrees on contractual conditions and in particular pricing conditions that are not adequate and not consistent with the Group's risk appetite and profitability objectives, with consequences on performance and/or repercussions on reputation.

Within this context, already in 2019, the Group launched an analysis of the risks associated with the Contract Management process, which is still in progress, aimed at aligning roles, responsibilities and rules at Group level and strengthening the monitoring of the main KPIs.

In particular, we have already put in place a process that, from the drafting of the offer to the signing of the contract, includes predefined gate reviews aimed at assessing whether the financial targets of the projects are compatible with the profitability targets, as well as the soundness of contractual terms and conditions.

However, given the highly competitive environment in which Sogefi operates, the risk is considered critical.

OPERATIONAL RISKS

Risks related to human resources management[5]

In a multicultural and constantly changing environment, corporate competitiveness is also measured by the ability to identify and manage risks related to human resources, to which Sogefi has always been committed as they are considered an essential factor for the performance of business activities.

In particular, the Company identifies the risks listed below:

- *Occupational Health and Safety*

Particular attention is paid to the still current risk of infection by Covid-19, which is potentially considered to be higher within production sites where staff must be physically present to carry out their work, sometimes in small areas and/or areas in which particular work is carried out that requires greater interaction between personnel.

The adoption of and strict compliance with the protocols and measures defined in 2020 and still in force, in line with local regulations, guarantee the continuity of the Group's work in total safety, protecting the health of its employees and their families and preventing the spread of the virus within the organisation.

With regard to tasks that do not require staff presence in the workplace, in 2021 the Company has again guaranteed its employees the possibility of using working from home schemes, although the same safety measures and protocols are in place.

- *Talent attraction, retention and professional development*

The economic and business difficulties that the pandemic has forced us to face in the last two years and the uncertainty connected to future developments in the labour market and in the automotive sector in general - especially in countries such as the United States of America and Canada where turnover rates are high - could have an impact on the ability to maintain the Group's attractiveness as an employer, making it difficult to retain key resources in the short to medium term.

Sogefi, through its Human Resources Department, has taken various actions to minimise this risk, including the centralised management of the key skills of its employees, the organisation of regular training activities to develop and enhance managerial and technical skills and, last but not least, the implementation of a structured performance review system for managers, employees and workers at each plant.

In light of the health emergency related to the spread of Covid-19, the prolonged pandemic and its consequences on business activities, Sogefi considers both of the above risks to be of significant importance and therefore under close monitoring.

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

- *Diversity, equal opportunities and employee well-being*

In the last two years, the health emergency has required the adoption of new working models that are remote and/or subject to stricter rules, which could have a negative impact on certain categories of people, typically more fragile and/or more exposed, if not adequately supported by the organisation, and be reflected in the daily management of business activities.

Thanks to the several actions taken since 2020 to support its workforce, the Group does not identify any critical issues in the management of diversity, equal opportunities and employee well-being, which are therefore considered low risk. Morover through the definition of specific actions included in the 2022-2025 ESG Plan[6], Sogefi Group confirms its commitment to spreading practices and policies that help overcome gender differences, contribute to creating a positive and inclusive work environment and also promote the well-being of its employees.

Risks related to product reliability (i.e., quality and safety) [7]

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

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

Over the years, various measures have been implemented that enabled the Group to gradually strengthen control of the processes through periodic gate reviews both in the development and production phases, aimed at preventing the onset of potential critical issues.

In particular, the Group applies the main national and international technical reference standards, in order to ensure the alignment of its production processes to the best practices in the industry and guarantee the production of excellent products.

An integral part of the quality management system is also the IATF 16949:2016 certification, which guarantees adequate quality control over the production processes and along the supply chain. In December 2021, 100% of the Group's production sites were IATF 16949:2016 certified.

However, considering the critical impacts that could arise, this risk is considered significant and therefore closely monitored by the Group.

[6] For details of the 2022-2025 ESG Plan, please refer to the 2021 Consolidated statement for the disclosure of non-financial information.
[7] This risk is also relevant for sustainability purposes.

Supply chain risks

The efficiency of the production process also depends on the efficiency of the supply chain: any sudden interruption of the supply chain, caused, for example, by natural disasters or strong international demand, could, if prolonged, have consequences on the continuity of the production process and lead to late delivery of orders to customers; the supply of defective products and/or products with lower quality standards than expected could affect product quality.

Supply chain management became even more critical during the pandemic. In fact, the impact of restrictive measures on work organisation and the economic difficulties generated by the continued health emergency have put the sustainability of the supply chain to a hard test, sometimes leading to partial and/or temporary interruptions, as well as consequences on the quality of the materials supplied. The companies have therefore been forced to review and readjust their supplier portfolio in line with current needs.

The Group has strengthened the supplier selection and monitoring process, so as to ensure a prompt assessment of both financial soundness and adherence to adequate quality standards, and has identified, where possible, alternative suppliers for the most critical raw materials/components to reduce any risk of dependence.

Moreover, as part of the reorganisation of the Group Purchasing Department, several actions were launched in 2021 and are still in progress, aimed at consolidating the process and a more targeted and effective management of suppliers at a global level (e.g. implementation of the Group Supplier Portal for managing documentation; services for monitoring the solvency status of suppliers, etc.).

However, risks related to the supply chain could have significant impacts on the stability of the relationship with its customers and the Group's brand reputation, and are therefore considered critical.

Physical risks related to climate change[8]

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

In this regard, the intensification of physical risks[9] related to climate change is a further element capable of affecting the proper performance of the Group's business. The fast worsening of the climate situation affects the frequency of so-called acute phenomena (e.g., storms, floods, fires or heat waves, etc.) that can damage company assets and/or disrupt value chains.

[8] This risk is also relevant for sustainability purposes. For a complete picture of the risks related to climate change, this risk of an operational nature must be taken into consideration together with the "Risks related to technological innovation", which are of a strategic nature and are described above.
[9] The classification of such risks refers to the guidelines of the Task Force on Climate-related Financial Disclosure (TCFD).

Considering these assumptions, in 2021, the Risk Management function carried out a climate risk assessment, using a special tool, Swiss RE's CatNet, which, through the geographical location of production sites on the world map and the underlying analysis models, allows the potential exposure to climate risk to be assessed on a scale from 0 (Very Low) to 10 (Extreme). The score assigned - i.e. Dry score - considers the probability that the site is located in a geographical area potentially subject to changes in average rainfall and increase in absolute and extreme temperatures, in a time horizon of up until 2030 and therefore exposed to events such as fires, drought, diseases, etc..

The results of the analysis confirm the findings of the previous year, i.e. they show a low general exposure of the Group's production facilities to climate risk (i.e. 94% of sites with a score of less than 4) and only two sites[10] with a medium, albeit not critical, level of exposure (score 4-5).

In light of the results, the Risk Management function does not consider it necessary to carry out in-depth studies at local level, but the risk profile assessment will be periodically monitored.

Risks relating to the responsible use of natural resources[11]

The conservation of natural resources is essential to promote a more efficient and virtuous economy that requires new models of production and consumption along the entire value chain. Sogefi, like the entire automotive sector to which it belongs, pays particular attention to factors susceptible to promote a responsible and rational use of natural resources, and sets it as one of the main targets pursued in the development of new and/or innovative products and technologies and therefore the associated risks could have an impact on the Group's image and performance.

In particular, the Group confirms its commitment to the following topics.

- *Sustainable water management*

With the aim of limiting its impact on water resources, minimising consumption and preserving their quality, as well as guaranteeing their availability to the local communities in which it operates, especially in those contexts where access to water is more difficult, the Company has set up a periodic water risk assessment process, using a special tool, Aqueduct, developed by the World Resources Institute[12]. The use of this tool is aimed at determining the operating sites that are located in areas classified as water-stressed and consequently implementing additional measures to protect the water basins concerned.

[10] Similarly to 2020, the production sites with scores of 4-5 are: Nules and Tanger.
[11] This risk is also relevant for sustainability purposes.
[12] The tool provides information on plants located in areas subject to extreme water scarcity by comparing the best available information on water, sanitation, population and biodiversity on a national and basin basis.

However, due to these countermeasures and the presence of production activities that by their nature do not require excessive use of water compared to other manufacturing sectors[13], the water risk for the Group's plants is considered to be insignificant.

Furthermore, with regard to water discharges, the impact of the Group's activities is considered limited, as the processes carried out do not generate highly polluting effluents. Within the frame of its environmental management system, the Group's production plants are equipped to prevent accidental leakage. Where necessary, waste water treatment systems are installed.

- *Optimisation of material cycles in industrial processes*

With the aim of reducing the use of virgin materials, minimising non-reusable waste and thus favouring the creation of a virtuous circular system, the Group has made investments and made a continuous commitment to the development of increasingly innovative processes and technologies aimed at a low environmental impact.

In view of the above, the Group does not identify significant risk factors in the management of these aspects.

Furthermore, it should be noted that the Company's overall impact on waste generation in 2021 follows the positive trend of waste reduction (-16% in the last three years), in line with the Group's environmental policy.

Cyber Security Risks

Unauthorised and fraudulent access to its IT systems by third parties, with potential loss and/or violation of sensitive and confidential data that could lead to financial losses and reputation damage: such risks are closely monitored by the Chief Information Officer (CIO) and its Security team.

In particular, in the last few years, the main IT security events of the Group involved phishing incidents for which there were no consequences, thanks to the timely identification and management by the Security Team. Communication campaigns are periodically launched to increase the awareness of Group employees on security issues, sharing best practices to avoid a cyber attack, and assessments are carried out through a security risk assessment, in order to identify any need to strengthen the Group's IT systems, defining, if necessary, timely action plans.

In addition, the increasing use of working from home schemes, to help the management of the health emergency, has imposed the revision and updating of technical and operational measures to ensure high levels of protection of the Group's IT infrastructure, including the introduction of new VPN servers, the subscription to Webex meeting to

[13] The source used to determine the water risk for the plants of the Group is: https://ec.europa.eu/eurostat/statistics-explained/index.php/Archive:Water_use_in_industry#Water_use_in_manufacturing_industry

manage meetings with a large audience, as well as the tools necessary for the digital signature of documents for the management team.

Finally, the activities of the Cyber Security Program launched in 2018 and aimed at the general strengthening of the Group's cyber security system continue, in line with the defined schedule.

As a result of the many actions taken, the cyber security risk is considered not particularly significant, although it is closely monitored by the Chief Information Officer (CIO) and its Security team.

FINANCIAL RISKS

Risks associated with fluctuations in raw material prices

The creation of the Group's product portfolio requires the procurement of raw materials such as steel, plastic materials and aluminium, as well as components and semi-finished products containing them.

The price of the raw materials accounts for a significant part of production cost, and is subject to – sometimes significant – fluctuations, which depend on a wide variety of factors, largely beyond Sogefi's control and hardly predictable, such as, for example, changes in demand levels, the introduction of new laws or regulations, changing exchange rates and price levels.

When the price of raw materials unexpectedly increases, the procurement activities typically become more expensive and complex, with negative effects on the Group's economic and financial position and equity situation.

Demand for raw materials was under strong pressure between 2020 and 2021, with availability problems and a sharp rise in raw material prices, together with critical transport logistics issues especially in Asian markets in 2021.

Sogefi, like the whole industry, was strongly impacted in the second half of 2021 by the increase in the prices of steels for the production of suspensions, which reflected in a reduction in the contribution margin from 31.5% in the fourth quarter of 2020 to 28.1% in the fourth quarter of 2021.

In order to mitigate these effects, which are expected to continue in the first half of 2022, and considering the related risk as critical, the Group promptly initiated resourcing activities to limit cost increases and undertook commercial negotiations with all customers aimed at adjusting sales prices to the current market of raw materials and therefore transferring any cost variations to the final sales price.

However, the risk still remains critical.

Foreign exchange risk

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

The risks associated with changes in exchange rates (in particular of the EURO to the USD, to South American and emerging market currencies) include:

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

In order to mitigate currency risk, Sogefi:

- continuously monitors its exposure trying to offset sales and purchases in the same currency
- and, for the remaining part, arranges specific hedges, when possible, using financial instruments available on the market.

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

LEGAL AND COMPLIANCE RISKS

Risks related to the violation of ethical principles[14]

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

In particular, Sogefi focuses on three key topics:

- *Compliance with Group Policies and Procedures*

Sogefi adopted the Group's Code of Ethics, which clearly defines the values that the Group believes in as the basis on which to achieve its objectives. It lays down rules of

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

conduct which are binding on directors, employees and others who have ongoing relations with the Group. The Company also adopted an “Organization, Management and Control Model as per Italian Legislative Decree no. 231 of 8 June 2001” following the guidelines of the decree, with a view to ensuring conditions of fairness and transparency in the carrying on of the company's affairs and business activities. Finally, the Company has formulated a set of policies and procedures aimed at a wise and informed management, and subject to continuous updating, and promotes dedicated training programs.

- *Compliance with anti-corruption regulations*

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

- *Responsible sourcing*

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

The Internal Audit department regularly audits the effective implementation of Group policies and procedures, as well as high-level controls. The activity is carried out through the use of an Entity-level Checklist, prepared in agreement with the Sustainability Manager and based on a method that provides for the assignment of a qualitative score (i.e., Low, Medium, High) to each non-financial aspect audited, taking into account the adequacy of existing local practices and their compliance with Group standards. On the basis of the individual scores, the subsidiary is then assigned an overall rating that confirms the general level of adequacy and effectiveness of the internal control and risk management system and reports any margins for improvement. Based on any deficiencies identified, action plans are formulated to establish compliance.

Finally, it should be noted that in 2021, no corruption incidents were identified internally, nor was the Company involved in any litigation related to corruption. Furthermore, there were no investigations by public authorities that resulted in significant exposure for the Group.

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

OTHER INFORMATION

RELATED PARTY TRANSACTIONS

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

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

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

i. individual Transactions of Greater Importance concluded during the financial year;

ii. any other Transaction with Related Parties, pursuant to article 2427, paragraph 2, of the Italian Civil Code, concluded in the financial year, which have had a significant impact on the Company's financial position or results;

iii. any modification or development of the Related Party Transactions described in the last annual report that had significant effects on the financial position or results of the companies during the financial year.

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

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

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

In accordance with Art. 2497-bis of Italian Civil Code, we point out that Sogefi S.p.A.

is subject to management and coordination by its parent company CIR S.p.A..

CORPORATE GOVERNANCE

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

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

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

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

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

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

Legislative Decree no. 254/2016 (which implemented Directive 2014/95/EU) introduced the obligation for large listed companies to add to the annual report on operations a Statement for the disclosure of non-financial information containing information about environmental, social, and employment impacts, as well as details related to human rights, anti-corruption, and bribery issues, consistently with the principle of materiality, i.e. providing relevant information in relation to its business profile, strategies, stakeholder expectations, the context in which it operates, etc.

The Statement also describes the company's model for managing and organising activities in non-financial areas, as well as the policies applied, the main risks and the results achieved in the various areas using non-financial performance indicators.

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

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

The “Consolidated statement for the disclosure of non-financial information” for the fiscal year 2021 was approved at the meeting of the Board of Directors that was called to approve the draft financial statements for the year ended 31 December 2021 and is made available to Shareholders as provided for by the law. The Statement will also be available on the Company's website www.sogefigroup.com in the “Group – Sustainability” section.

TREASURY SHARES

As at 31 December 2021, the Parent Company has 2,014,013 treasury shares in its portfolio (having a nominal value of Euro 0.52), corresponding to 1.68% of share capital. In 2021, treasury shares decreased after they were assigned to beneficiaries of stock-based compensation plans.

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

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

Sogefi S.p.A. will also publish the financial statements of foreign subsidiaries (based in non-European countries and with material significance to the Company), prepared for the purpose of the consolidated financial statements as at 31 December 2021, in accordance with the procedures indicated in the Consob regulation.

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

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

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

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

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

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

OTHER

SOGEFI S.p.A. has its registered office at Via Ciovassino 1/A, Milan (Italy) and its offices at Parc Ariane IV- 7, Avenue du 8 May 1945, Guyancourt (France).

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

This report, which relates to the period 1 January to 31 December 2021, was approved by the Board of Directors on 25 February 2022.

MAJOR EVENTS OCCURRED AFTER YEAR-END

No significant events occurred after 31 December 2021 that could have had an impact on the income statement, balance sheet and financial data presented.

PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

The statutory financial statements as at 31 December 2021 that we submit for your approval show a net profit of Euro 69,861,315.89 which we propose to allocate to "Retained earnings".

Milan, 25 February 2022

For THE BOARD OF DIRECTORS
The Chief Executive Officer
Frédéric Sipahi

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

Notes relating to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

(n) the heading agrees with the line item “Other financial assets” in the Consolidated Statement Of Financial Position;

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

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

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

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

Notes relating to the Parent Company's Statutory Financial Statements

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

(t) the heading agrees with the sum of the line items “Trade and other payables” (“Debiti commerciali e altri debiti”), “Tax payables” (“Debiti per imposte”) and “Other current liabilities” (“Altre passività correnti”) in the Parent Company's statutory Statement Of Financial Position;

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

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

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

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

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

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

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

DEFINITION OF PERFORMANCE INDICATORS AND NET FINANCIAL DEBT

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

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

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

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

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

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

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

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

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

Please note that as at 31 December 2021 there were no non-recurring expenses as defined in Consob Communication DEM/6064293 of 28 July 2006. Non-recurring costs related to the 2020 financial year are shown below.

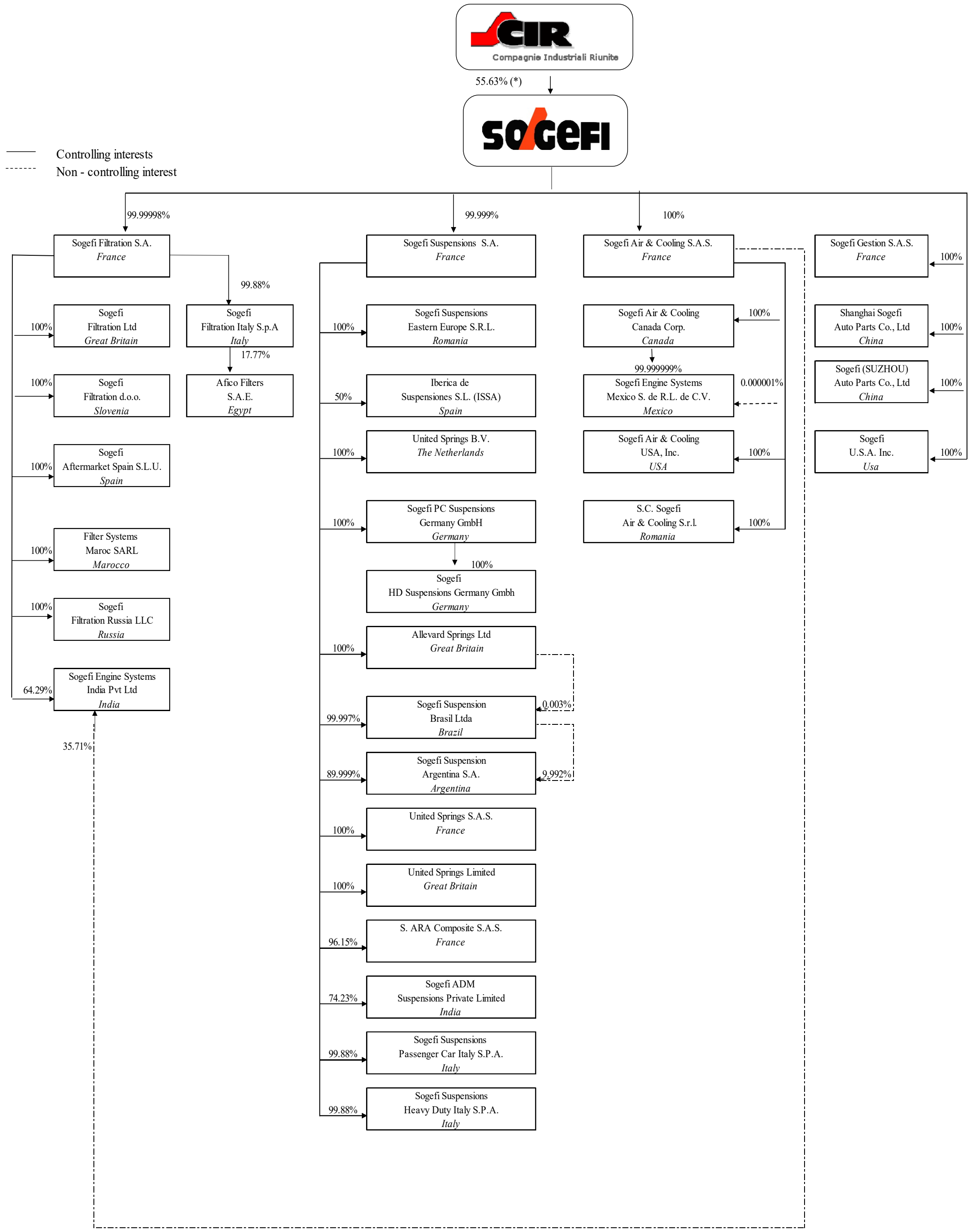
Total Year

(in thousands of Euro)	2021	2020
Restructuring costs	7,056	28,852
- of which non recurring	-	*19,287*
Other non-operating expenses (income)	9,897	8,321
- of which non recurring depreciation	-	*758*
Total non recurring costs	**-**	**20,045**
Tax Effects	-	3,838
Total net non recurring costs	**-**	**16,207**

Q4

(in thousands of Euro)	2021	2020
Restructuring costs	4,739	16,676
- of which non recurring	-	*13,873*
Other non-operating expenses (income)	(2,591)	5,082
- of which non recurring depreciation	-	*758*
Total non recurring costs	**-**	**14,631**
Tax Effects	-	2,739
Total net non recurring costs	**-**	**11,892**

SOGEFI GROUP STRUCTURE: CONSOLIDATED COMPANIES



(*) 56.58% of shares outstanding (excluding treasury shares).

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)

ASSETS	*Note*	12.31.2021	12.31.2020 (*)
CURRENT ASSETS			
Cash and cash equivalents	*5*	120,927	209,673
Other financial assets	*6*	1,268	3,974
Inventories	*7*	111,917	97,731
Trade receivables	*8*	136,736	146,273
Other receivables	*8*	10,861	8,778
Tax receivables	*8*	25,589	23,222
Other assets	*8*	2,693	2,254
ASSETS HELD FOR SALE	*14*	-	6,548
CURRENT ASSETS		409,991	498,453
NON-CURRENT ASSETS			
Land	*9*	12,209	12,400
Property, plant and equipment	*9*	368,599	361,104
Other tangible fixed assets	*9*	4,730	4,533
Rights of use	*9*	67,449	66,389
Intangible assets	*10*	236,687	255,384
Other financial assets available for sale	*11*	46	46
Financial receivables	*12*	3,957	2,248
Other receivables	*12*	38,779	33,911
Deferred tax assets	*13-19*	36,276	40,728
TOTAL NON-CURRENT ASSETS		768,732	776,743
TOTAL ASSETS		1,178,723	1,275,196

(*) The comparative information has been amended following a change in the classification of liabilities from "Trade receivables" to "Trade and other payables". For further details, please refer to notes 8 and 16, respectively.

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

LIABILITIES	*Note*	12.31.2021	12.31.2020 (*)
CURRENT LIABILITIES			
Bank overdrafts and short-term loans	*15*	1,998	3,230
Current portion of medium/long-term financial debts and other loans	*15*	86,874	148,804
Short-term financial debts for rights of use	*15*	17,147	17,971
Other short-term liabilities for derivative financial instruments	*15*	45	20
Trade and other payables	*16*	317,630	320,241
Tax payables	*16*	4,783	4,327
Other current liabilities	*17*	33,447	35,156
Current provisions	*18*	16,727	26,137
LIABILITIES RELATED TO ASSETS HELD FOR SALE	*14*	-	5,252
TOTAL CURRENT LIABILITIES		478,651	561,138
NON-CURRENT LIABILITIES			
Financial debts to bank	*15*	219,016	255,407
Non current portion of medium/long-term financial debts and other loans	*15*	74,235	95,311
Medium/long-term financial debts for rights of use	*15*	54,440	52,238
Other medium/long-term financial liabilities for derivative financial instruments	*15*	-	1,003
Non-current provisions	*18*	56,283	70,969
Other payables	*18*	65,826	58,660
Deferred tax liabilities	*19*	25,288	30,216
TOTAL NON-CURRENT LIABILITIES		495,088	563,804
SHAREHOLDERS' EQUITY			
Share capital	*20*	62,461	62,461
Reserves and retained earnings (accumulated losses)	*20*	123,275	106,511
Group net result for the year	*20*	1,951	(35,131)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY		187,687	133,841
Non-controlling interests	*20*	17,297	16,413
TOTAL SHAREHOLDERS' EQUITY		204,984	150,254
TOTAL LIABILITIES AND EQUITY		1,178,723	1,275,196

(*) The comparative information has been amended following:
- a change in the classification of liabilities from "Trade receivables" to "Trade and other payables". For further details, please refer to notes 8 and 16, respectively;
- a split of the former item "Long-term provisions" between "Current provisions" and "Non-current provisions". For further details, please refer to note 18;
- the application of IFRIC "Attributing Benefit to Periods of Service (IAS 19 Employee Benefits)". For further details, please refer to note 2.3 "Accounting policies".

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

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)

	Note	2021		2020 (*)	
		Amount	*%*	*Amount*	*%*
Sales revenues	*22*	1,320,637	100.0	1,190,233	100.0
Variable cost of sales	*23*	916,916	69.4	824,076	69.2
CONTRIBUTION MARGIN		403,721	30.6	366,157	30.8
Manufacturing and R&D overheads	*24*	114,931	8.7	105,967	8.9
Depreciation and amortization	*25*	115,557	8.8	116,246	9.8
Distribution and sales fixed expenses	*26*	29,872	2.3	28,530	2.4
Administrative and general expenses	*27*	70,555	5.3	66,336	5.6
Restructuring costs	*29*	7,056	0.5	28,852	2.4
Losses (gains) on disposal	*30*	(4)	-	116	-
Exchange (gains) losses	*31*	(2,516)	(0.2)	4,686	0.4
Other non-operating expenses (income)	*32*	9,897	0.8	8,321	0.7
EBIT		58,373	4.4	7,103	0.6
Financial expenses	*33*	20,655	1.5	23,490	2.0
Financial (Income)	*33*	(2,894)	(0.2)	(1,369)	(0.1)
Losses (gains) from equity investments	*33*	(1,523)	(0.1)	-	-
RESULT BEFORE TAXES		42,135	3.2	(15,018)	(1.3)
Income taxes	*35*	13,516	1.0	3,410	0.2
NET INCOME (LOSS) OF OPERATING ACTIVITIES		28,619	2.2	(18,428)	(1.5)
Net income (loss) from discontinued operations, net of tax effects	*36*	(24,490)	(1.9)	(16,214)	(1.4)
NET RESULT INCLUDING THIRD PARTY		4,129	0.3	(34,642)	(2.9)
Loss (income) attributable to non-controlling interests		(2,178)	(0.2)	(489)	(0.1)
GROUP NET RESULT		1,951	0.1	(35,131)	(3.0)
Earnings per share (EPS) (Euro):	*38*				
Basic		0.017		(0.298)	
Diluted		0.017		(0.298)	

(*) The values for the 2020 financial year, relating to “Assets held for sale”, have been reclassified following the application of IFRS 5 “Non-current assets held for sale and discontinued operations” to the line “Net income (loss) from discontinued operations, net of tax effects”.

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)

	Note	2021	2020
Net result before non-controlling interests		4,129	(34,642)
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
- Actuarial gain (loss)	*20*	19,049	(14,009)
- Tax on items that will not be reclassified to profit or loss	*20*	(2,068)	1,030
Total items that will not be reclassified to profit or loss		*16,981*	*(12,979)*
Items that may be reclassified to profit or loss			
- Profit (loss) booked to cash flow hedging reserve	*20*	1,829	(272)
- Tax on items that may be reclassified to profit or loss	*20*	(439)	65
- Profit (loss) booked to translation reserve	*20*	29,037	(11,195)
Total items that may be reclassified to profit or loss		*30,427*	*(11,402)*
Other Comprehensive Income		*47,408*	*(24,381)*
Total comprehensive result for the period		51,537	(59,023)
Attributable to:			
- Shareholders of the Holding Company		49,265	(59,419)
- Non-controlling interests		2,272	396

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

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Euro)	2021	2020
Cash flows from operating activities		
Net result	1,951	(35,131)
Adjustments:		
- non-controlling interests	2,178	489
- depreciation, amortization and writedowns	135,018	135,353
- expenses recognised for share-based incentive plans	8	339
- exchange rate differences on private placement	2,234	(3,707)
- provision in income statement of fair value derivatives in cash flow hedge	(2,234)	3,707
- losses/(gains) on disposal of fixed assets and non-current assets held for sale	(4)	107
- provisions for risks, restructuring and deferred taxes	(6,480)	17,344
- post-retirement and other employee benefits	(6,416)	(3,855)
- Net financial expenses	17,761	22,817
- income tax	13,516	3,558
- change in net working capital	(16,032)	(32,998)
- other medium/long-term assets/liabilities	27,271	7,395
CASH FLOWS FROM OPERATING ACTIVITIES	168,771	115,418
Interest paid	(14,346)	(16,346)
Income tax paid	(12,767)	(13,051)
NET CASH FLOWS FROM OPERATING ACTIVITIES	141,658	86,021
INVESTING ACTIVITIES		
Interest received	3,464	1,936
Net financial position of entities acquired / sold during the year	(4,406)	(39)
Purchase of property, plant and equipment	(90,323)	(84,961)
Purchase of intangible assets	(19,400)	(23,270)
Sale of property, plant and equipment and business held for sale	21,049	1,878
Sale of intangible assets	27	361
NET CASH FLOWS FROM INVESTING ACTIVITIES	(89,589)	(104,095)
FINANCING ACTIVITIES		
Capital increase in subsidiaries from third parties	-	-
Net change in capital	-	-
Dividends paid to Holding Company shareholders and non-controlling interests	(3,012)	-
New (repayment of) bonds	(120,888)	(39,628)
New (repayment of) long-term loans	(1,686)	117,345
New (repayment of) finance leases	(1,456)	(1,419)
New (repayment of) finance leases IFRS16	(12,998)	(12,841)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(140,040)	63,457
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(87,971)	45,383
Balance at the beginning of the period	206,443	163,231
Exchange differences	457	(2,171)
BALANCE AT THE END OF THE PERIOD (*)	118,929	206,443

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

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

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

	Attributable to the shareholders of the parent company														*Third*	*Total*
	Share capital	*Share premium reserve*	*Reserve for treasury shares*	*Treasury shares*	*Legal reserve*	*Share-based incentive plans reserve*	*Translation reserve*	*Cash flow hedging reserve*	*Actuarial gain/loss reserve*	*Tax on items booked in Other Comprehensive Income*	*Other reserves*	*Retained earnings*	*Net result for the period*	*Total*		
Balance at December 31, 2019	*62,461*	*18,728*	*5,161*	*(5,161)*	*12,640*	*1,778*	*(63,606)*	*(2,490)*	*(43,178)*	*14,651*	*12,201*	*172,346*	*3,202*	*188,733*	*19,017*	*207,750*
Adjustment to the date of initial application of IFRIC IAS 19 (*)	-	-	-	-	-	-	-	-	*1,186*	*(306)*	-	-	-	*880*	-	*880*
Balance at January 1°, 2020	*62,461*	*18,728*	*5,161*	*(5,161)*	*12,640*	*1,778*	*(63,606)*	*(2,490)*	*(41,992)*	*14,345*	*12,201*	*172,346*	*3,202*	*189,613*	*19,017*	*208,630*
Allocation of 2019 net profit:																
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,000)	(3,000)
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	3,202	(3,202)	-	-	-
Recognition of share-based incentive plans	-	-	-	-	-	339	-	-	-	-	-	-	-	339	-	339
Other changes	-	314	(314)	314	-	(1,020)	-	-	-	-	-	4,014	-	3,308	-	3,308
Comprehensive result for the period																
Fair value cash flow hedging instruments	-	-	-	-	-	-	-	(272)	-	-	-	-	-	(272)	-	(272)
Actuarial gain (loss)	-	-	-	-	-	-	-	-	(14,009)	-	-	-	-	(14,009)	-	(14,009)
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	1,095	-	-	-	1,095	-	1,095
Currency translation differences	-	-	-	-	-	-	(11,102)	-	-	-	-	-	-	(11,102)	(93)	(11,195)
Result for the period	-	-	-	-	-	-	-	-	-	-	-	-	(35,131)	(35,131)	489	(34,642)
Total Comprehensive result for the period	-	-	-	-	-	-	*(11,102)*	*(272)*	*(14,009)*	*1,095*	-	-	*(35,131)*	*(59,419)*	*396*	*(59,023)*
Balance at December 31, 2020	*62,461*	*19,042*	*4,847*	*(4,847)*	*12,640*	*1,097*	*(74,708)*	*(2,762)*	*(56,001)*	*15,440*	*12,201*	*179,562*	*(35,131)*	*133,841*	*16,413*	*150,254*
Allocation of 2020 net profit:																
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12)	(12)
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	(35,131)	35,131	-	-	-
Recognition of share-based incentive plans	-	-	-	-	-	8	-	-	-	-	-	-	-	8	-	8
Other changes	-	247	(247)	247	-	(292)	-	-	-	-	-	4,618	-	4,573	(1,376)	3,197
Comprehensive result for the period																
Fair value cash flow hedging instruments	-	-	-	-	-	-	-	1,829	-	-	-	-	-	1,829	-	1,829
Actuarial gain (loss)	-	-	-	-	-	-	-	-	19,049	-	-	-	-	19,049	-	19,049
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	(2,507)	-	-	-	(2,507)	-	(2,507)
Currency translation differences	-	-	-	-	-	-	28,943	-	-	-	-	-	-	28,943	94	29,037
Result for the period	-	-	-	-	-	-	-	-	-	-	-	-	1,951	1,951	2,178	4,129
Total Comprehensive result for the period	-	-	-	-	-	-	*28,943*	*1,829*	*19,049*	*(2,507)*	-	-	*1,951*	*49,265*	*2,272*	*51,537*
Balance at December 31, 2021	*62,461*	*19,289*	*4,600*	*(4,600)*	*12,640*	*813*	*(45,765)*	*(933)*	*(36,952)*	*12,933*	*12,201*	*149,049*	*1,951*	*187,687*	*17,297*	*204,984*

(*) The Group applied the IFRIC "Attributing Benefits to Periods of Service (IAS 19 Employee Benefits)" as of 1 January 2021. The comparative information has been restated by recognising the cumulative effect of adopting the new IFRIC as an adjustment to the opening balance of retained earnings at 1 January 2020. For further details, please refer to note 2.3 "Accounting policies".

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

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CONTENTS

A) GENERAL ASPECTS

SOGEFI is an Italian Group that is market leader in the field of components for motor vehicles, specializing in engine and cabin filtration systems, air intake and engine cooling systems, and suspension components.
SOGEFI is present in 4 continents and 18 countries, with 48 locations, of which 37 are production sites. It is a multinational group and a *partner* of the world's largest motor vehicle manufacturers.

The Parent Company Sogefi S.p.A. has its registered offices at Via Ciovassino no. 1/A, Milan (Italy) and operating offices at Parc Ariane IV- 7, Avenue du 8 May 1945, Guyancourt (France).
The Sogefi stock has been listed on the Milan Stock Exchange, organised and managed by Borsa Italiana S.p.A. since 1986 and has been traded on the STAR segment since January 2004.
The Parent Company, Sogefi S.p.A., is subject to management and coordination of its parent company CIR – Compagnie Industriali Riunite S.p.A.

1. CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements at 31 December 2021 have been prepared in accordance with article 154-*ter* of Italian Legislative Decree no. 58/1998 and have been drawn up in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as with the measures issued in implementation of article 9 of Italian Legislative Decree no. 38/2005.
These financial statements have been prepared in accordance with Consob resolution no. 11971/1999 as subsequently amended, in particular by resolutions no. 14990 of 14 April 2005 and no. 15519 of 27 July 2006, and include the consolidated accounting schedules of the Group and explanatory and supplementary notes, prepared according to the IFRS international accounting standards issued by the IASB (International Accounting Standards Board) and endorsed by the European Union. IFRS means all the "International Financial Reporting Standards" (IFRS), all the "International Accounting Standards" (IAS) and all the interpretations of the "International Financial Reporting Interpretations Committee" (IFRS IC, formerly IFRIC), previously named the "Standing Interpretations Committee" (SIC).
It is specifically reported that the IFRS have been applied in a consistent manner to all the periods presented in this document, with the specifications indicated below for newly applied standards.

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

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

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

The consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation and are authorised for publication by a resolution of the Board of Directors passed on 25 February 2022. These financial statements will be submitted for approval to the shareholders' meeting of Sogefi S.p.A. on 22 April 2022.

1.1 Format of the consolidated financial statements

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

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

An asset/liability is classified as current when it satisfies one of the following criteria:
- it is expected to be realised/settled or it is expected to be sold or consumed in the normal cycle of operations, or
- it is held primarily for the purpose of trading, or
- it is expected to be realised/settled within twelve months after the reporting period.

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

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

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

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

- Contribution margin;
- EBIT (earnings before interest and tax);
- Result before taxes;

- Profit (loss) from operations;
- Net result before non-controlling interests;
- Profit (loss) of the Group

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

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

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

1.2 Content of the consolidated financial statements

The Consolidated Financial Statements as at 31 December 2021 include the Parent Company Sogefi S.p.A. and the directly or indirectly controlled subsidiaries.
Section H of these notes gives a list of the companies included in the scope of consolidation and the percentages held.

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

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

- transfer of the subsidiary Sogefi Filtration Spain S.A.U., owned at 100%, in January 2021. The effects resulting from this transfer are described in note 36 "Income (loss) from discontinued operations, net of tax effects";
- transfer of the subsidiary Shanghai Allevard Springs Co., Ltd, owned at 60.58%, in April 2021. The effects resulting from this transfer are described in note 34 "Losses (gains) from equity investments";
- transfer of the subsidiary Sogefi Filtration Argentina S.A.U. in August 2021. The effects resulting from this transfer are described in note 36 "Income (loss) from discontinued operations, net of tax effects".

It should be noted that the values for 2020 have been reclassified due to the application of IFRS 5 ("Non-current assets held for sale and discontinued operations") to the Brazilian, Spanish and Argentinian subsidiaries of the Filtration business unit, which were sold, in December 2020, January 2021 and August 2021, respectively.

1.3 Group composition

As required by IFRS 12, Group composition as at 31 December 2021 and 31 December 2020 was as follows:

Business Unit	*Region*	*Wholly-owned subsidiaries*	
		December 31, 2021	December 31, 2020
Air&Cooling	Canada	1	1
	France	1	1
	Mexico (*)	1	1
	Romania	1	1
	China (*)	2	2
	USA	1	1
Filtration	Italy	1	1
	France	1	1
	Great Britain	1	1
	Spain	1	2
	Slovenia	1	1
	USA (**)	1	1
	Argentina	-	1
	India	1	1
	Russia	1	1
	Morocco	1	1
Suspensions	France	2	2
	Italy	2	2
	Great Britain	2	2
	Germany	2	2
	The Netherlands	1	1
	Romania	1	1
	Brazil	1	1
	Argentina	1	1
Sofegi Gestion S.A.S.	France	1	1
TOTAL		29	31

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

Business Unit	*Region*	*Non-wholly-owned subsidiaries*	
		December 31, 2021	December 31, 2020
Suspensions	France	1	1
	Spain	1	1
	China	-	1
	India	1	1
TOTAL		3	4

2. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

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

Going concern

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

On this topic, please note that in 2021, although the pandemic crisis persisted, the effects on the market in which the Company operates were less severe than those recorded in 2020, as there was no lock-down of industrial activities. However, there was a general weakness in demand, which was still lower than in the same period of 2019, particularly in Europe (-27.9%) and NAFTA (-20.1%), and operational difficulties were reported because of fluctuating production levels and staff absences linked to contagion or, above all, to contact with a person who had tested positive.

The Group recorded a significant recovery in revenues, up by 11% compared to 2020.
The recovery in turnover and the measures implemented to counter the economic impact of the crisis made it possible to end the financial year with:

- a "Net income (loss) of operating activities" of Euro 28.6 million, against a loss of Euro 18.4 million in 2020,
- a positive free cash flow of Euro 32.4 million (negative for Euro 38.2 million in 2020),
- a net indebtedness before IFRS16 down at Euro 258.2 million (Euro 291.3 million at 31 December 2020).

The 2022 Budget and the 2022-2025 Strategic Plan, approved by the Board of Directors on 16 December 2021 and 21 January 2022 respectively, stress how the measures to protect margins and limit fixed costs provided therein would make it possible to protect the company's profitability and its financial balance.

The plan shows the sustainability of the debt over the period considered and that the loan agreement conditions, with special regard to the covenants, were complied with at 31 December 2021 and compliance was expected, based on projections, at the subsequent maturities.

The risks and uncertainties relating to the business are described in the dedicated sections in the Report on Operations. A description of how the Group manages financial risks, including liquidity and capital risk, is provided in note 39 "Financial instruments and financial risk management".

2.1 Consolidation principles

The financial statements as at 31 December 2021 of the companies included in the scope of consolidation, prepared in accordance with Group accounting policies with reference to IFRS, have been used for consolidation purposes.
The scope of consolidation includes subsidiaries, joint ventures and associates.

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

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

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

The following exchange rates have been used for translation purposes:

	2021		2020	
	Average	*12.31*	*Average*	*12.31*
US dollar	1.1835	1.1326	1.1413	1.2271
Pound sterling	0.8600	0.8403	0.8892	0.8990
Brazilian real	6.3812	6.3101	5.8900	6.3735
Argentine peso	116.3622	116.3622	103.2494	103.2494
Chinese renminbi	7.6342	7.1947	7.8709	8.0225
Indian rupee	87.4891	84.2292	84.6024	89.6605
New romanian Leu	4.9210	4.9490	4.8379	4.8683
Canadian dollar	1.4835	1.4393	1.5294	1.5633
Mexican peso	23.9923	23.1438	24.5098	24.4160
Moroccan dirham	10.6304	10.4830	10.8249	10.9190

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

Company AFICO FILTERS S.A.E. (Egypt) owned at 17.77% as at 31 December 2021 (unchanged compared to previous fiscal year) was not classified as associate due to the significant lack of Group's members in the management bodies of the company (which means the Group does not exert significant influence on the company).

2.2 Business combinations

Business combinations are recognised under the acquisition method. According to this method, the consideration transferred to a business combination is measured at fair value calculated as the aggregate of the acquisition-date fair value of the assets transferred and liabilities assumed by the Company and of the equity instruments issued in exchange for the control of the acquired entity.
On the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair value; the following items represent exception to the above and are valued according to their reference principle:

- deferred tax assets and liabilities;
- assets and liabilities relating to employee benefits;
- liabilities or equity instruments relating to share-based payments of the acquired entity or share-based payments relating to the Group, issued as a replacement of contracts of the acquired entity;
- assets held for sale and discontinued assets and liabilities.

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

2.3 Accounting policies

The following accounting policies have been applied in the consolidated financial statements as at 31 December 2021.

Cash and cash equivalents

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

Inventories

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

Receivables included in current assets

Receivables are initially recognised at fair value of the consideration to be received, which usually corresponds to the nominal value shown on the invoice, adjusted (if necessary) to their estimated realisable value by making provision for doubtful accounts. Subsequently, receivables are measured at amortised cost, which generally corresponds to their nominal value.
Receivables assigned through without-recourse factoring transactions after which the related risks and benefits are definitively transferred to the assignee are derecognised from the statement of financial position at the time of transfer. Receivables assigned through recourse factoring transactions are not derecognised.

Property, plant and equipment and other tangible fixed assets

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

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

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

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

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

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

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

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

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

Rights of use

The standard IFRS 16 provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to differentiate between lease and service agreements according to: asset identification, right to replacement of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.
The standard introduces a single lessee accounting model for recognising and evaluating lease agreements, which provides for the underlying asset to be recognised in assets and counterbalanced by a financial liability. Lessees may elect to not recognise agreements for low-value assets or with a term of up to 12 months as leases.
The Group recognises right of use assets that do not meet the definition of investment property under item “rights of use” and lease liabilities are booked to item “financial debts for rights of use” in the statement of financial position.
On the effective date of the lease agreement, the Group recognises the right of use asset and the lease liability. The right of use asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses, and adjusted to reflect the revaluation of the lease liability.
The Group measures the lease liability at the present value of payments due for lease agreements not paid on the effective date, discounted at the marginal borrowing rate.
The lease liability is subsequently adjusted by adding accrued interest and subtracting the lease payments made, and is revalued in the event of changes in future lease payments due to a changing index or rate, in the event the amount that the Group expects to pay as a guarantee on the residual value changes, or when the Group changes its valuation for the reporting period or in the event of a call, extension or termination option.

Intangible assets

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

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

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

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

Research and development expenses
Research expenses are charged to the income statement as incurred in accordance with IAS 38.
Development expenses relating to specific projects are capitalised when their future benefit is considered reasonably certain by virtue of a customer's commitment; they are then amortised over the entire period of future profits expected to be earned by the project in question.
Costs incurred in developing the range of Aftermarket products are capitalised from the time a certain product is recognised to be missing from the product portfolio. Its future benefit is considered reasonably certain because the new product will be added to the product catalogue and made available to customers.
The capitalised value of the various projects is reviewed annually, or more frequently if there are particular reasons for doing so, analysing its recoverable amount to assess if there have been any impairment losses.

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

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

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

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

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

– Air & Cooling”), Car Suspension, Industrial Vehicles Suspension and Precision Springs.
The goodwill currently on the books only concerns the CGUs Filtration, Air & Cooling and Car Suspension.

Impairment losses of tangible and intangible fixed assets

If there are indications of possible losses in value, tangible and intangible fixed assets are subjected to impairment test, estimating the asset's recoverable amount and comparing it with its net book value. If the recoverable amount is less than the book value, the latter is reduced accordingly. This reduction constitutes an impairment loss, which is booked to the income statement.
For goodwill and any other intangible fixed assets with indefinite useful life, an impairment test is carried out at least once a year.
With the exception of goodwill, if a previous writedown is no longer justified, a new recoverable amount is estimated, providing it is not higher than what the carrying value would have been if the writedown had never been made. This reversal is also booked to the Income Statement.

Equity investments in other companies and other securities

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

Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups consisting of assets and liabilities are classified as held for sale when it is highly probable that their book value will be recovered mainly through a sale transaction rather than through their continued use.
The assets or the disposal group are usually stated at the lower of book value and fair value net of selling costs. Any impairment loss of a disposal group is allocated first to goodwill and then proportionally to the remaining assets and liabilities, with the exception of inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be valued in accordance with other Group accounting policies. Impairment losses arising from the initial classification of an asset as held for sale or distribution and subsequent valuation differences are recognised in the profit or loss for the period.
Once classified as held for sale, intangible assets and property, plant and equipment cease to be amortised and equity investments recognised using the equity method are no longer recorded using that method.

Loans

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

Derivative financial instruments

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

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

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

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

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

Trade and other payables

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

Provisions for risks and charges

Provisions for risks and charges are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
On the other hand, no provision is made in the case of risks for which there is only a possibility that a liability may arise. In this case, the risk is disclosed in the notes on commitments and risks without making any provision.
Provisions relating to corporate reorganizations are only set aside once they have been approved and raised a valid expectation to the parties involved.

Post-retirement and similar employee benefits

In financial year 2021, the Group applied IFRIC “Attributing Benefit to Periods of Service (IAS 19 Employee Benefits)”. The comparative information has been restated by recognising the cumulative effect of adopting the new IFRIC as an adjustment to the opening balance of retained earnings at 1 January 2020. The effect of such application is described in note 18 “Current provisions, Non-current provisions and Other payables”.

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

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

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

Pursuant to the amendment to IAS 19 "Employee Benefits" effective as from 1 January 2013, the Group recognises actuarial gains and losses and books them to "Other comprehensive income" immediately, so that the full net amount of the provisions for the defined benefits (net of plan assets) is recognised in the Consolidated Statement of Financial Position. The amendment further requires any changes in the defined benefit provision and plan assets over the previous period to be subdivided into three components: the cost components of work performed during the reporting period must be recognised in the Income Statement as service costs; net interest costs calculated by applying the appropriate discount rate to the opening balance of defined benefit provision net of assets must be booked to Income Statement as net financial expenses and the actuarial gains and losses resulting from the remeasurement of assets and liabilities must be booked to "Other comprehensive income". In addition, the return on assets included in net financial expenses must be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets. The difference between actual return on plan assets and the return calculated as described above is booked to "Other comprehensive income".

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

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

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

Other long-term benefits

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

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

Stock-based incentive plans

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

Deferred taxation

Deferred taxes are calculated on the taxable/deductible temporary differences between the book value of assets and liabilities and their tax bases, and classified under non-current assets and liabilities.

Deferred tax assets are accounted for only to the extent that it is probable that sufficient taxable profits will be available in the future against which they can be utilised.

The carrying amount of the deferred tax assets shown in the financial statements is subject to an annual review.

Deferred tax assets and liabilities are calculated at the tax rates expected to apply in the period when the differences reverse under the law of the countries in which the Group operates, considering current rates and those enacted or substantially enacted at the end of the reporting period.

Deferred tax liabilities are calculated on taxable temporary differences relating to equity investments in subsidiaries, associates and joint ventures, except where the Company can control the reversal of such temporary differences and it is probable that they will not reverse in the foreseeable future.

Current and deferred taxes are recognised in the income statement, except for those relating to items directly charged or credited to Other comprehensive income or other equity items, in which case tax effect is recognised directly under Other comprehensive income or equity.

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

In the year 2019, the Parent Company Sogefi S.p.A. and its subsidiary Sogefi Filtration Italy S.p.A. renewed their participation in the CIR Group tax filing system for the three-year period 2019-2021. In 2020, the subsidiaries Sogefi Suspensions Heavy Duty Italy S.p.A. and Sogefi Suspensions Passenger Car Italy S.p.A. renewed their adhesion to CIR Group tax filing system for the three-year period 2020-2022.

Each company joining to the group Italian tax filing system transfers its tax profit or loss to the parent company. The parent company recognises a credit corresponding to the IRES (Italian tax on company income) that companies have to pay (debit for the transferor company). On the contrary, for companies that booked tax losses, the parent company recognises a debt corresponding to the IRES for the part of loss actually offset at group level (credit for the transferee company). In connection with the Group tax filing system, those companies that record non-deductible net financial expenses may use the excess tax benefits available for offset of other Group companies (thus making such expenses deductible) for a consideration. Such consideration, in an amount proportionate to the resulting tax benefit and applicable to excess tax benefits arising in Italy only, has been paid to the Parent Company CIR and is treated as expense for those companies that obtain the excess tax benefit and as revenue for those that transfer it.

Treasury shares

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

Revenues recognition

IFRS 15 entered into force on 1 January 2018 and provides for a revenue recognition model, which is applicable to all agreements made with customers, with the exception of those falling under the scope of application of other IAS/IFRS standards, such as leases, insurance contracts and financial instruments.
The main steps for revenue recognition according to the new model are:

- identifying the agreement in place with the customer;
- identifying the performance obligations under the agreement;
- defining the transaction price;
- price allocation to the performance obligations under the agreement;
- revenue recognition criteria when the entity satisfies each performance obligation.

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

Income Statement Overview

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

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

Distribution and sales fixed expenses
These are costs that are essentially insensitive to changes in sales volumes, relating to personnel, promotion and advertising, external warehousing, rentals and other sales and

distribution activities. This category, therefore, includes all fixed costs identified as being incurred after finished products have been stocked in the warehouse and directly related to their sale and distribution.

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

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

Operating grants

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

Dividends

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

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

Current taxes

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

Earnings per share (EPS)

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

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

Translation of foreign currency items

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

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

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

IAS 29 - Financial reporting in hyperinflationary economies

The financial statements of the consolidated Argentine companies were prepared at 31 December 2021 in the functional currency taking into account the effects of the application of IAS 29 “Financial Reporting in Hyperinflationary Economies”, so as to present the operating result and the statement of financial position reflecting purchasing power at the end of the period under consideration.
IAS 29 adoption was required starting with periods ending after 30 June 2018.

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

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

Accordingly, the financial statements of the consolidated Argentine companies for the period ending 30 June 2018 and subsequent periods were prepared by applying IAS 29 because the cumulative inflation rate in Argentina over the last three years amounts to approximately 120%.

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

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

Critical estimates and assumptions

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

The main items affected by these estimates are as follows:

- goodwill (Euro 126.6 million) – impairment test: for the purpose of determining the value in use of the Cash Generating Units, the Group took into account the trends expected for the explicit period as determined based on the budget 2022 and the forecasts included in the 2022-2025 strategic plan for the following years (adjusted to eliminate any estimated benefits from future projects and reorganisations). The budget 2022 and the 2022-2025 strategic plan were approved by the Board of Directors on 16 December 2021 and 21 January 2022, respectively. The impairment test, based on such forecasts, does not indicate a need for devaluation;
- pension plans (Euro 39.1 million, of which Euro 44.3 million recognised to liabilities and Euro 5.2 million to assets): included in “Long-term provisions” and in “Other non-current receivables”: actuarial consultants who offer their consulting services to the Group use different statistic assumptions in order to anticipate future events for the purpose of estimating pension plan expenses, liabilities and assets. Such assumptions concern discount rate, future wage inflation rates, mortality and turnover rates;
- recoverability of deferred tax assets on tax losses (Euro 5 million compared to Euro 5.6 million in the previous year) recognised to “Deferred tax assets”: as at 31 December 2021, deferred tax assets on tax losses incurred during the current and previous years were accounted for to the extent that it is probable that taxable income will be available in the future against which they can be utilised. Such probability is also determined based on the fact that such losses have originated mainly under extraordinary circumstances that are unlikely to occur again in the future and that the same could be recovered throughout an unlimited or long-term time frame;
- derivatives (Euro 4 million in assets) recognised to “Financial receivables”, “Other financial assets” and “Other short-term liabilities for derivative financial instruments”: the fair value of derivatives (relating to interest and exchange rates) was estimated with the aid of external consultants based on valuation models commonly used in the industry, in line with the requirements of IFRS 13 (calculation of DVA - debit valuation adjustment).

The most relevant impacts in terms of Covid-19 and climate change, as requested by ESMA in its publication of 29 October 2021, are outlined below:

Covid-19 impacts:

- as described in Note 2 “Consolidation principles and accounting policies. Going concern,” there are no material uncertainties for the going concern within the time horizon covered by the 2022-2025 strategic plan;
- concerning the liquidity risk, please refer to note 39 “Financial instruments and financial risk management”;
- depreciation and amortization of tangible and intangible fixed assets are described in note 9 “Land, property, plant and equipment, other tangible fixed assets and rights of use” and note 10 “Intangible assets”. There are no significant reversals of impairment losses;
- no deferred tax assets or unusual tax credits related to Covid-19 were recognised;
- with regard to government grants, the use of welfare support provisions - such as redundancy benefits in Italy and similar schemes in other countries - continued in 2021, albeit to a significantly reduced extent compared to 2020. For the French subsidiaries, there was a gain of approximately Euro 2 million resulting from the reduction in the “*Cotisation foncière des entreprises (CFE)*” and “*Cotisation sur la valeur ajoutée des entreprises (CVAE)*” taxes due for the 2021 financial year as a result of the Covid-19 pandemic.

Impacts of climate change:

- as specified in the Report on Operations, section “Management of the main business risks”, the Group considers physical risks related to climate change to be low. While the risks associated with technological innovation are considered to be critical. In this regard, the Group has prepared a plan for the development of new products (the 2022-2025 ESG Plan approved by the Board of Directors on 21 January 2022), defining specific targets for increasing investments in Research and Development on e-mobility products, as well as targets for the development of related sales.
- During 2022, the Group will start the process of assessing the possible impacts of climate change on certain factors, first and foremost on the useful life of tangible fixed assets, with particular regard to the filtration business segment.

2.4 Adoption of new accounting standards

IFRS accounting standards, amendments and interpretations applicable since 1 January 2021

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group as from 1 January 2021:

- Amendment to IFRS 4 "Insurance Contracts" – deferral of effective date of IFRS 9 (issued on 25 June 2020). This amendment as at 31 December 2021 did not have any impact on the Sogefi Group's consolidated financial statements.
- Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform" (phase 2 - issued on 27 August 2020). This amendment as at 31 December 2021 did not have any impact on the Sogefi Group's consolidated financial statements.
- Amendments to IFRS 16 "Leases Covid -19-Related Rent Concessions" (issued on 31 March 2021). By extending the application period of one year, the document provides lessees with the option to account for lease reductions related to Covid-19 without having to assess, through contract analysis, whether the definition of lease modification under IFRS 16 is met. This amendment as at 31 December 2021 did not have any impact on the Sogefi Group's consolidated financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet mandatory applicable and not early adopted by the Group as at 31 December 2021

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

- Annual improvements to IFRS (Cycle 2018–2020) (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) (issued on 14 May 2020). These amendments are to be applied for financial periods beginning on 1 January 2022.
- Onerous contracts—Cost of fulfilling a contract (Amendments to IAS 37) (issued on 14 May 2020). These amendments are to be applied for financial periods beginning on 1 January 2022.
- Property, plant and equipment: proceeds before intended use (Amendments to IAS 16) (issued on 14 May 2020). These amendments are to be applied for financial periods beginning on 1 January 2022.
- Reference to the Conceptual Framework (Amendments to IFRS 3) (issued on 14 May 2020). These amendments are to be applied for financial periods beginning on 1 January 2022.
- IFRS 17 "Insurance Contracts" and its amendments (issued respectively on 18 May 2017 and on 25 June 2020). These amendments are to be applied for financial periods beginning on 1 January 2023.

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

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

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

3. FINANCIAL ASSETS

Classification and initial recognition

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

Subsequent measurement

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

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

Business model assessment

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

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

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

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

B) SEGMENT INFORMATION

4. OPERATING SEGMENTS

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

Business segments

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

The tables below provide the Group's income statement and statement of financial position figures for 2021 and 2020:

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

The adjustment in the item "Depreciation, amortisation and writedowns (reversal of impairment loss)" refers for Euro 68,084 thousand to the derecognition, at consolidated level, of the reversal recognised by the Parent Company Sogefi S.p.A. with reference to the equity investment in Sogefi Filtration S.A..

(in thousands of Euro)	2020					
	Air&Cooling	Suspensions	Filtration	Sogefi S.p.A. / Sogefi Gestion S.A.S.	Adjustments	Sogefi consolidated f/s
REVENUES						
Sales to third parties	371,427	397,919	420,887	-	-	1,190,233
Intersegment sales	372	1,647	302	18,965	(21,286)	-
TOTAL REVENUES	371,799	399,566	421,189	18,965	(21,286)	1,190,233
RESULTS						
EBIT	20,046	(13,216)	8,039	(7,956)	190	7,103
Financial expenses, net						(22,121)
Income from equity investments						-
Losses from equity investments						-
Result before taxes						(15,018)
Income taxes						(3,410)
NET INCOME (LOSS) OF OPERATING ACTIVITIES						(18,428)
Net income (loss) from discontinued operations, net of tax effetcs						(16,214)
NET RESULT INCLUDED THIRD PARTY SHARE						(34,642)
Profit (loss) from third parties						(489)
GROUP NET RESULT						(35,131)
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	390,288	472,467	381,052	752,447	(856,647)	1,139,607
Equity investments in associates	-	-	-	-	-	-
Unallocated assets	-	-	-	-	135,589	135,589
TOTAL ASSETS	390,288	472,467	381,052	752,447	(721,058)	1,275,196
LIABILITIES						
Segment liabilities	231,609	401,714	375,146	555,689	(439,216)	1,124,942
TOTAL LIABILITIES	231,609	401,714	375,146	555,689	(439,216)	1,124,942
OTHER INFORMATION						
Increase in tangible and intangible fixed assets	41,603	39,387	27,326	330	(415)	108,231
Depreciation, amortisation and writedowns (reversal of impairment loss)	43,237	35,387	48,381	7,642	706	135,353

Please note that the Air & Cooling Business Unit figures include the net book value of the Systèmes Moteurs Group (company name is now Sogefi Air & Cooling S.A.S.), deriving from local accounts (in other words, not including the fair value adjustment of net assets after the Purchase Price Allocation of 2011) and only the adjustments arising from the Purchase Price Allocation and relating to the change in product warranty provisions (contingent liabilities booked upon PPA); the remaining adjustments arising from the Purchase Price Allocation are posted in column “Adjustments”.
Adjustments to “Intersegment sales” mainly refer to services provided by the Parent Company Sogefi S.p.A. and by subsidiary Sogefi Gestion S.A.S. to other Group companies (see note 40 “Related party transactions” for further details on the nature of the services provided). This item also includes intersegment sales between the business units. Intersegment transactions are conducted according to the Group's transfer pricing policy.
The adjustments to “EBIT” mainly refer to depreciation and amortization linked to the revaluation of assets resulting from the acquisition of the Systèmes Moteurs Group in 2011.
In the Statement of Financial Position, the adjustments to the item “Segment assets” refer to the consolidation entry of investments in subsidiaries and intercompany receivables.

Adjustments to "Unallocated assets" mainly include the goodwill and the fixed assets revaluations resulting from the acquisitions of: the Allevard Ressorts Automobile Group, Sogefi Rejna S.p.A., the Filtrauto Group, 60% of Sogefi M.N.R. Filtration India Private Ltd (now merged into Sogefi Engine Systems India Pvt Ltd) and Systèmes Moteurs Group.
"Depreciation, amortization and writedowns" include writedowns of tangible (Euro 11,319 thousand) and intangible fixed assets (Euro 7,994 thousand) for the most part relating to European subsidiaries.

Information on the main customers

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

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

Revenues from sales to third parties as of 31 December 2020 accounting for over 10% of Group revenues are shown in the following table:

(in thousands of Euro)	2020				
Group	Group		BU Filtration	BU Air&Cool.	BU Suspensions
	Amount	*%*			
Stellantis	244,445	20.5	86,905	71,467	86,073
Ford	140,656	11.8	50,103	68,359	22,194
Renault/Nissan	135,231	11.4	60,392	19,123	55,716

Information on geographic areas

The breakdown of revenues by geographical area is analysed in the Directors' Report and in note 22 "Sales Revenues".

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

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

(in thousands of Euro)	2020					
	Europe	South America	North America	Asia	Adjustm ents	Sogefi consolida-ted f/s
TOTAL ASSETS	1,562,470	42,996	147,498	162,403	(640,171)	1,275,196

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

C 1) ASSETS

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to Euro 120,927 thousand versus Euro 209,673 thousand as at 31 December 2020 and break down as follows:

(in thousands of Euro)	12.31.2021	12.31.2020
Short-term cash investments	120,902	209,644
Cash on hand	25	29
TOTAL	120,927	209,673

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

For further details, please refer to the "Analysis of the net financial position" in note 21 and to the Consolidated Cash Flow Statement included in the financial statements.

As of 31 December 2021, the Group has unused lines of credit for the amount of Euro 301,479 thousand. These funds are available for use on demand, because the conditions required for their availability are met.

As at 31 December 2021, the increase of cash and cash equivalents was equal to Euro 113 thousand.

6. OTHER FINANCIAL ASSETS

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

(in thousands of Euro)	12.31.2021	12.31.2020
Financial receivables	1,243	3,952
Assets for derivative financial instruments	25	22
TOTAL	1,268	3,974

Financial receivables mainly refer to financial instruments issued by leading Chinese banks, at the request of some customers, as payment for supplies made by the Chinese subsidiaries.
"Assets for derivative financial instruments" amount to Euro 25 thousand and refer to the fair value of forward foreign currency contracts. Further details can be found in the analysis of financial instruments contained in note 39 "Financial instruments and financial risk management".

7. *INVENTORIES*

The breakdown of inventories is as follows:

(in thousands of Euro)	12.31.2021			12.31.2020		
	Gross	*Write-downs*	*Net*	*Gross*	*Write-downs*	*Net*
Raw, ancillary and consumable materials	66,810	6,355	60,455	54,297	5,594	48,703
Work in progress and semi-finished products	16,534	566	15,968	14,314	497	13,817
Finished goods and goods for resale	42,041	6,547	35,494	42,208	6,997	35,211
TOTAL	125,385	13,468	111,917	110,819	13,088	97,731

The gross value of inventories increased by Euro 14,566 thousand compared to the previous financial year, Euro 2,290 thousand of which account for exchange rate effects.
The deconsolidation of the subsidiary Sogefi Filtration Argentina S.A.U. led to a reduction in the gross value of inventories of Euro 1,855 thousand.

Writedowns consist for the most part of accruals for raw materials that can no longer be used for current production and for obsolete or slow-moving finished goods, goods for resale and ancillary materials. The increase in the provisions by Euro 380 thousand reflects the allocation of an additional Euro 1,891 thousand and a positive exchange rate effect of Euro 238 thousand, partly offset by products scrapped during the year (Euro 1,561 thousand) and by the deconsolidation of the subsidiary Sogefi Filtration Argentina S.A.U. (Euro 188 thousand).

8. *TRADE RECEIVABLES AND OTHER*

Current receivables break down as follows:

(in thousands of Euro)	12.31.2021	12.31.2020
Trade receivables	136,736	146,273
Of which:		
due to Parent Company	1,321	2,779
due to trade receivables	*139,433*	*148,862*
Less: allowance for bad debts	*(4,018)*	*(5,368)*
Trade receivables, net	135,415	143,494
Tax receivables	25,589	23,222
Other receivables	10,861	8,778
Other assets	2,693	2,254
TOTAL	175,879	180,527

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

It should be noted that as at 31 December 2021, the Group factored trade receivables for Euro 89,416 thousand (Euro 97,709 thousand as at 31 December 2020), including an amount of Euro 74,772 thousand (Euro 86,485 thousand as at 31 December 2020) which was not notified and for which the Group continues to manage collection services. The risks and benefits related to these receivables have been transferred to the factor; therefore these receivables have been derecognised in the Statement of Financial Position debiting the consideration received from the factoring company.
Excluding the factoring transactions (Euro 89,416 thousand as at 31 December 2021 and Euro 97,709 thousand as at 31 December 2020) and the positive effect of exchange rates (Euro 4,969 thousand), trade receivables net show a decrease of Euro 21,341 thousand mainly as a result of the lower revenues in the fourth quarter of 2021 with respect to the corresponding period of the previous year.
The deconsolidation of the subsidiaries Sogefi Filtration Argentina S.A.U. and Shanghai Allevard Springs Co., Ltd led to a reduction in trade receivables net of Euro 2,422 thousand.

It should be noted that an amount of Euro 14,452 thousand at 31 December 2021 and Euro 10,723 thousand at 31 December 2020 related to credit notes to be issued to customers for price reductions and discounts granted to Aftermarket customers upon reaching certain levels of turnover. These amounts in previous years were classified as a reduction of trade receivables. Following a better analysis of the contractual clauses, these amounts were classified as “Trade payables and other”. For comparison purposes, the 2020 amounts were also reclassified. Further details can be found in note 16 “Trade payables and other”.

Further write-downs were booked to “Allowance for doubtful accounts” during the year for a total of Euro 904 thousand, against net utilisations of the allowance for the amount of Euro 2,131 thousand (see note 39 “Financial instruments and financial risk management” for further details). Write-downs, net of provisions not used during the period, were charged to Income Statement under the item “Variable cost of sales – Variable sales and distribution costs”.
Please note that the Allowance for doubtful accounts as at 31 December 2021 includes Euro 873 thousand reflecting losses on receivables recognised upon adoption of IFRS 9 (Euro 1,054 thousand at 31 December 2020).

“Due to Parent Company” as at 31 December 2021 is the amount receivable from the Parent Company CIR S.p.A. arising from the participation in the Group tax filing system on the part of the Italian companies of the Group. Outstanding receivables as at 31 December 2020 (totalling Euro 2,779 thousand) collected in 2021 amounted to Euro 2,608 thousand.
See chapter F “Related party transactions” for the terms and conditions governing these receivables from CIR S.p.A..

“Tax receivables” as at 31 December 2021 include tax credits due to the Group companies by the tax authorities of the various countries.
It does not include deferred taxes which are treated separately.

"Other receivables" are made up as follows:

(in thousands of Euro)	12.31.2021	12.31.2020
Amounts due from social security institutions	114	274
Amounts due from employees	98	243
Advances to suppliers	3,646	3,166
Due from others	7,003	5,095
TOTAL	10,861	8,778

Receivables from others include the current portion of the consideration for the sale of the subsidiaries Sogefi Filtration do Brasil Ltda and Sogefi Filtration Argentina S.A.U. amounting to Euro 720 thousand and Euro 1,255 thousand respectively, insurance reimbursements and other receivables.

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

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

The net carrying amount of tangible fixed assets as of 31 December 2021 amounted to Euro 452,987 thousand versus Euro 444,426 thousand at the end of the previous year and breaks down as follows:

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

(in thousands of Euro)	2020							
	Land	*Buildings, plant and machinery, commercial and industrial*	*Other assets*	*Assets under construction and payments on account*	*Tooling*	*Tooling under construction*	*Right of use / finance leases IAS 17*	*TOTAL*
Balance at December 31, 2019								
Historical cost	13,156	874,996	37,176	50,173	160,574	50,792	100,896	1,287,763
Accumulated depreciation	151	640,287	32,530	1,345	112,704	92	39,636	826,745
Net value	13,005	234,709	4,646	48,828	47,870	50,700	61,260	461,018
Additions of the period	-	9,617	486	38,665	4,466	31,727	25,163	110,124
Disposals/reductions during the period	-	(185)	(61)	(110)	-	-	-	(356)
Exchange differences	(245)	(10,821)	(284)	(1,527)	(2,594)	(1,617)	(4,081)	(21,169)
Depreciation for the	-	(40,851)	(1,951)	-	(30,959)	-	(12,601)	(86,362)
(Writedowns) / revaluations during the period	(360)	(7,708)	22	(62)	(452)	(860)	(118)	(9,538)
Variation of consolidation perimeter	-	(1,195)	(119)	(82)	(787)	-	(4,819)	(7,002)
Reclassification of non-current assets held for sale	-	(1,748)	(7)	(351)	(257)	-	(1,383)	(3,746)
Other changes	-	41,005	1,801	(41,895)	28,237	(30,659)	2,968	1,457
Balance at December 31, 2020	12,400	222,823	4,533	43,466	45,524	49,291	66,389	444,426
Historical cost	12,844	864,166	32,638	44,811	168,535	50,219	101,688	1,274,901
Accumulated depreciation	444	641,343	28,105	1,345	123,011	928	35,299	830,475
Net value	12,400	222,823	4,533	43,466	45,524	49,291	66,389	444,426

Investments during the year amounted to Euro 100,559 thousand compared to Euro 110,124 thousand in the previous year.

The larger projects regarded the “Assets under construction and payments on account”, “Tooling under construction” and “Buildings, plant and machinery, commercial and industrial equipment” categories.

Major investments in the “Assets under construction and payments on account” category reflect investments in the European and Chinese subsidiaries to develop new products and technologies, and to improve production processes.

In the category “Tooling under construction”, the main investments concerned the subsidiaries Sogefi Air & Cooling S.A.S., Sogefi Air & Cooling Canada Corp., Sogefi Filtration S.A. and Sogefi (Suzhou) Auto Parts Co., Ltd..

The most significant projects in the category “Buildings, plant and machinery, commercial and industrial equipment” included investments in the subsidiary Sogefi Suspensions Eastern Europe S.R.L. for the new plant in Oradea (Euro 8,440 thousand).

Disposals/reductions amount to Euro 8,999 thousand, compared to Euro 356 thousand in the previous year, and relate mainly to funds received by the subsidiary Sogefi Suspensions Eastern Europe S.R.L. for investments made in the Oradea plant.

“Depreciation for the period” has been recorded in the appropriate item in the Income Statement for an amount of Euro 82,447 thousand and for Euro 148 thousand in the item “Net income (loss) from discontinued operations, net of tax effects”.

Line item “(Writedowns)/revaluations during the period” totalled Euro 11,319 thousand and mainly relates to the subsidiaries Sogefi Air & Cooling S.A.S. and Allevard Springs Ltd.
Impairment losses less reversals are booked to “Other non-operating expenses (income)”.
“Variation of consolidation perimeter” relates to the sale of the subsidiaries Sogefi Filtration Argentina S.A.U. and Shanghai Allevard Springs Co., Ltd. For further details, please refer to note 34 “Losses (gains) from equity investments” and note 36 “Income (loss) from discontinued operations, net of tax effects”.

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

The balance of “Assets under construction and payments on account” as at 31 December 2021 includes Euro 1,403 thousand of advances for investments.

The main inactive assets, with a total net value of Euro 3,062 thousand, included in the item “Tangible fixed assets” refer to investment properties of the Parent Company Sogefi S.p.A. in San Felice del Benaco. The fair value of these assets as measured by an independent expert report exceeds their net book value. The book value of said assets will be recovered through their sale rather than through their continuous use. It should be noted that in December 2020 a preliminary sale agreement was executed, extended until March 2022, subject to conditions precedent, for the property complex in San Felice del Benaco.

No interest costs were capitalised to “Tangible fixed assets” during the year 2021.

Guarantees
As at 31 December 2021, tangible fixed assets were encumbered by mortgages or liens granted to lending institutions to guarantee loans obtained, which specifically refer for Euro 14,998 thousand to the subsidiary Sogefi Suspensions Eastern Europe S.R.L. and for Euro 3,910 thousand to the subsidiary Sogefi (Suzhou) Auto Parts Co., Ltd and for Euro 455 thousand to the Indian subsidiary Sogefi ADM Suspensions Private Limited.

Purchase commitments
As at 31 December 2021, there are binding commitments to buy tangible fixed assets for Euro 801 thousand (Euro 1,316 thousand as at 31 December 2020) for the most part relating to the subsidiary Sogefi Suspensions S.A.. Said commitments will be settled within 12 months.

Rights of use
The net carrying amount of rights of use as of 31 December 2021 amounted to Euro 67,449 thousand versus Euro 66,389 thousand at 1 January 2021 and breaks down as follows:

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

(in thousands of Euro)	2020					
	Industrial Buildings	*Other buildings*	*Plant and machinary*	*Commercial and industrial equipment*	*Other assets*	*TOTAL*
Balance at January 1°, 2020						
Historical cost	70,201	10,968	11,435	784	7,507	100,895
Accumulated depreciation	25,827	2,927	7,800	694	2,387	39,635
Net value	44,374	8,041	3,635	90	5,120	61,260
Additions of the period	23,380	33	41	227	1,482	25,163
Exchange differences	(3,436)	(334)	(159)	-	(152)	(4,081)
Depreciation for the period	(7,849)	(1,335)	(1,072)	(78)	(2,267)	(12,601)
(Writedowns)/revaluations during the period	-	-	(118)	-	-	(118)
Variation of consolidation perimeter	(4,767)	-	-	-	(52)	(4,819)
Reclassification of non-current assets held for sale	(1,298)	-	-	(24)	(61)	(1,383)
Other changes	3,670	76	(761)	-	(17)	2,968
Balance at December 31, 2020	54,074	6,482	1,566	215	4,053	66,389
Historical cost	76,313	9,624	7,368	470	7,913	101,688
Accumulated depreciation	22,240	3,142	5,802	255	3,860	35,299
Net value	54,073	6,482	1,566	215	4,053	66,389

The increases for the period amount to Euro 10,236 thousand and mainly refer to the "Industrial property" category, for renewal and execution of new contracts, "Plant and machinery" and "Other assets" categories. The increases concerned in particular the subsidiaries Sogefi Engine Systems India Pvt Ltd, Iberica de Suspensiones S.L. (ISSA) and Sogefi Air & Cooling USA Inc..

"Depreciation for the period" has been recorded in the appropriate item in the Income Statement for an amount of Euro 12,015 thousand.

10. INTANGIBLE ASSETS

The net balance as at 31 December 2021 was Euro 236,687 thousand versus Euro 255,384 thousand at the end of the previous year, and breaks down as follows:

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

(in thousands of Euro)	2020						
	Development costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction and payments on account*	*Customer Relationship*	*Trade name Systemes Moteurs*	*Goodwill*	*TOTAL*
Balance at December 31, 2019							
Historical cost	284,344	72,717	32,210	19,215	8,437	149,537	566,460
Accumulated amortization	207,283	42,825	8,905	8,329	3,657	22,898	293,897
Net value	77,061	29,892	23,305	10,886	4,780	126,639	272,563
Additions of the period	11,665	385	11,220	-	-	-	23,270
Disposals/reductions during the period, net	(335)	-	(26)	-	-	-	(361)
Exchange differences	(2,799)	(59)	(820)	-	-	-	(3,678)
Amortization for the period	(27,590)	(4,319)	(175)	(990)	(435)	-	(33,509)
(Writedowns) / revaluations during the period	(3,282)	(2,361)	(301)	-	-	-	(5,944)
Variation of consolidation perimeter	(17)	-	-	-	-	-	(17)
Reclassification of non-current assets held for sale	(238)	(32)	(15)	-	-	-	(285)
Other changes	18,185	860	(15,700)	-	-	-	3,345
Balance at December 31, 2020	72,650	24,366	17,488	9,896	4,345	126,639	255,384
Historical cost	272,642	68,579	22,752	19,215	8,437	149,537	541,162
Accumulated amortization	199,992	44,213	5,264	9,319	4,092	22,898	285,778
Net value	72,650	24,366	17,488	9,896	4,345	126,639	255,384

Investments during the year amounted to Euro 19,400 thousand.

The increases in “Development costs” for the amount of Euro 11,735 thousand refer to the capitalisation of costs incurred by Group companies to develop new products in collaboration with leading motor vehicle manufacturers (after obtaining the nomination letter from the customer). The most significant investments related to the North American, European and Chinese subsidiaries.

Increases in “Industrial patents and intellectual property rights, concessions, licences and trademarks” amount to Euro 148 thousand and refer mainly to the development and implementation in process of the new information system across the Sogefi Group. This integrated information system is amortised on a ten-year basis, based on its estimated useful life, starting from the date of implementation in each subsidiary.

Increases in “Other, assets under construction and payments on account”, for the amount of Euro 7,517 thousand, refer mainly to a large number of investments in the development and implementation of the new products not yet ready for use. The highest development costs were recorded at the European subsidiaries.

Item “Customer relationship” amounts to Euro 8,906 thousand and represents the value of the Systèmes Moteurs Group's customer portfolio at the acquisition date as determined during the Purchase Price Allocation process (2011). This item is amortised over a period of approximately 19 years.

Item “Trade name Systèmes Moteurs” amounts to Euro 3,911 thousand and represents the value of the trade name “Systèmes Moteurs” at the acquisition date as determined during the Purchase Price Allocation process (2011). This item is amortised over a period of approximately 19 years.

The item “(Writedowns)/revaluations during the period”, amounting to Euro 7,994 thousand, refers to projects no longer recoverable, mainly for the European subsidiaries.

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

“Development costs” principally include costs generated internally, whereas “Industrial patents and intellectual property rights, concessions, licences and trademarks” consist of factors that are acquired externally for the most part.
“Other, assets under construction and payments on account” include around Euro 7,328 thousand of costs generated internally.

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

Goodwill and impairment test

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

- filtration
- air & cooling
- car suspension

- industrial vehicle suspension
- precision springs

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

The specific goodwill of C.G.U. “filtration” amounts to Euro 77,030 thousand; the goodwill of C.G.U. “Air & Cooling” amounts to Euro 32,560 thousand; and the goodwill of C.G.U. “Car Suspension” amounts to Euro 17,049 thousand.
Impairment tests have been carried out in accordance with the procedure laid down in IAS 36 to check whether there have been any losses in the value of this goodwill, by comparing the book value of the individual C.G.U. with their value in use, given by the present value of estimated future cash flows that are expected to result from the continuing use of the asset being tested for impairment.
We used the Discounted Cash Flow Unlevered model; the criteria used have been approved by the Board of Directors on January, 21 2022. The Group took into account the expected performance as determined based on the budget 2022 for the period under consideration and the forecasts included in the 2022-2025 strategic plan (adjusted to eliminate any estimated benefits from future projects and reorganisations) approved by the Board of Directors on 16 December 2021 and 21 January 2022 respectively, for the following years. Budget and strategic plan were prepared taking into account forecasts for the automotive industry made by major sources in the industry.

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

A discount rate of 8.71%, which reflects the weighted average cost of capital, was used after taxation. The same discount rate is used for all three C.G.U.. As a matter of fact, the three C.G.U. operate in the same sector and deal with the same kind of customers, and it is estimated that they are exposed to the same risks.

The terminal value was calculated using the “perpetual annuity” approach, assuming a growth rate (“g-rate”) of 2.78% (based on long-term inflation estimates for the reference countries weighted by revenues) and considering an operating cash flow based on the last year of the forecast (the year 2025), adjusted to project a stable situation “in perpetuity”, based on the following main assumptions:
- consider a level of investment necessary to “maintain” the business (for the purposes of balancing investment and depreciation/amortisation);
- change in working capital equal to zero.

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

The values used to calculate the average cost of capital (extrapolated from the main financial sources) are as follows:
- financial structure of the industry: 24.3%
- levered beta of the industry: 1.12

- risk-free rate: 3.4% (10 year average of risk-free rates of 10 year sovereign debt of the key markets in which the Group operates, weighted by revenues)
- risk premium: 5.5% (risk associated with AAA-rated countries calculated by an independent source)
- specific risk: 1.43% additional premium, calculated by an independent source, for the risk connected with small caps
- debt cost spread for the industry: 1.2%

As far as the sensitivity analysis goes, it should be noted that:
- the impairment test reached the break-even point at the following discounting rates (growth rate of terminal value remaining unchanged at 2.78% and all other plan assumptions being equal): 19.5% for C.G.U. Filtration; 19.6% for C.G.U. Air & Cooling; and 9.6% for C.G.U. Car Suspension;
- the impairment test reached break-even point with a significant reduction in EBIT during the explicit period covered by the plan that was also applied to terminal value (all other plan assumptions being equal): -65.7% in C.G.U. Filtration; -65.5% in C.G.U. Air & Cooling; and -10.6% in C.G.U. Car Suspension;
- the impairment test reached break-even point at the following growth rates ("g-rate") of the terminal value (all other plan assumptions being equal): -16.6% in CGU Filtration; -14.3% in C.G.U. Air & Cooling; and +1.7% in C.G.U. Car Suspension.

In addition, the Company has developed combined sensitivity analyses on the main parameters of the impairment test calculation (discount rate and "g-rate"); no impairment has emerged from said sensitivity analyses for the C.G.U. filtration and for the C.G.U. Air & Cooling.
For car suspensions only, there are potential situations of impairment loss due to changes in the discount rate of + 1%, or in the event of a joint worsening of the two variables.
The test based on the present value of the estimated future cash flows turns out a value in use of the CGUs that exceeds their carrying value, so no writedown has been posted.

11. OTHER FINANCIAL ASSETS

As at 31 December 2021, this item amounts to Euro 46 thousand, unchanged compared to the previous fiscal year.

12. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT RECEIVABLES

Non-current financial receivables total Euro 3,957 thousand (Euro 2,248 thousand as at 31 December 2020) and refer to the fair value of cross currency swap and interest rate swap hedging contracts. Further details can be found in note 39 "Financial instruments and financial risk management".

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

(in thousands of Euro)	12.31.2021	12.31.2020
Surplus pension funds	5,208	-
Other receivables	33,571	33,911
TOTAL	38,779	33,911

As at 31 December 2021, one of the pension plans of the subsidiary Sogefi Filtration Ltd had a surplus of Euro 5,208 thousand recognised to “Other non-current receivables”. For further details, please refer to note 18 “Current provisions, Non-current provisions and Other payables”.

The item "Other receivables", amounting to Euro 33,571 thousand (Euro 33,911 thousand as at 31 December 2020), includes tax receivables for the research and development activities of the French subsidiaries, other tax receivables, the non-current portion of the consideration for the sale of the subsidiaries Sogefi Filtration do Brasil Ltda and Sogefi Filtration Argentina S.A.U. amounting to Euro 1,872 thousand and Euro 3,765 thousand respectively, other assets and non-interest-bearing security deposits paid for leased properties.

13. DEFERRED TAX ASSETS

As at 31 December 2021, this item amounts to Euro 36,276 thousand compared to Euro 40,728 thousand as of 31 December 2020.
This amount relates to the expected benefits on deductible temporary differences, booked to the extent that it is probable that it will be recovered. Reference should be made to note 19 for a further discussion of this matter.

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

As at 31 December 2021, this item amounts to zero. As at 31 December 2020, the item included the assets and liabilities of the subsidiary Sogefi Filtration Spain S.A.U. sold in January 2021. For further details, please refer to note 36 “Income (loss) from discontinued operations, net of tax effects”.

C 2) LIABILITIES AND EQUITY

15. FINANCIAL DEBTS TO BANKS AND OTHER FINANCING

These break down as follows:

Current portion

(in thousands of Euro)	12.31.2021	12.31.2020
Bank overdrafts and short-term loans	1,998	3,230
Current portion of medium/long-term financial debts and other loans	86,874	148,804
Short-term financial debts for right of use	17,147	17,971
TOTAL SHORT-TERM FINANCIAL DEBTS	106,019	170,005
Other short-term liabilities for derivative financial instruments	45	20
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	106,064	170,025

Non-current portion

(in thousands of Euro)	12.31.2021	12.31.2020
Financial debts to banks	219,016	255,407
Non current portion of medium/long-term financial debts and other loans	74,235	95,311
Medium/long-term financial debts for right of use	54,440	52,238
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	347,691	402,956
Other medium/long-term liabilities for derivative financial instruments	-	1,003
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	347,691	403,959

Bank overdrafts and short-term loans

For further details, please refer to the Analysis of the net financial position in note 21 and to the Consolidated Cash Flow Statement included in the financial statements.

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

Details are as follows:

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

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

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

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

Balance as at 31 December 2020 (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Current portion	Non-current portion	Total amount	Real Guaran-tees
Sogefi S.p.A.	Equity linked bond	May - 2014	May - 2021	100,000	Fixed coupon 2% year	98,193	-	98,193	N/A
Sogefi S.p.A.	Banca Nazionale del Lavoro S.p.A.	Dec -2018	Dec -2023	80,000	Euribor 3m. + 145 bps	-	79,962	79,962	N/A
Sogefi S.p.A.	Unicredit S.p.A. (guaranteed by Sace)	Oct -2020	Jun -2026	20,000	Euribor 3m. + 190 bps	-	19,925	19,925	N/A
Sogefi S.p.A.	Intesa SanPaolo S.p.A. (guaranteed by Sace)	Oct -2020	Jun -2026	20,000	Euribor 3m. + 190 bps	-	19,925	19,925	N/A
Sogefi S.p.A.	Mediobanca S.p.A. (guaranteed by Sace)	Oct -2020	Jun -2026	20,000	Euribor 3m. + 190 bps	-	19,925	19,925	N/A
Sogefi S.p.A.	ING Bank N.V. (guaranteed by Sace)	Oct -2020	Jun -2026	20,000	Euribor 3m. + 190 bps	-	19,925	19,925	N/A
Sogefi S.p.A.	ING Bank N.V.	Jul - 2015	Sept - 2022	55,000	Euribor 3m. + 165 bps	10,000	14,987	24,987	N/A
Sogefi S.p.A.	Mediobanca S.p.A	Aug- 2019	Aug- 2023	25,000	Euribor 3m. + 170 bps	-	24,950	24,950	N/A
Sogefi S.p.A.	Private placement	May- 2013	May- 2023	USD 115,000	Fixed coupon 600 bps	13,388	(*)	13,388	N/A
Sogefi S.p.A.	Private placement	Nov - 2019	Nov - 2025	75,000	Fixed coupon 3% year	7,500	(*)	7,500	N/A
Sogefi Filtration S.A.	CIC S.A.	Oct - 2020	Oct - 2026	10,000	Euribor 3m. + 250 bps	-	10,000	10,000	N/A
Sogefi Air&Cooling S.A.S	CIC S.A.	Oct - 2020	Oct - 2026	7,000	Euribor 3m. + 250 bps	-	7,000	7,000	N/A
Sogefi Suspensions S.A.	CIC S.A.	Oct - 2020	Oct - 2026	3,000	Euribor 3m. + 250 bps	-	3,000	3,000	N/A
Sogefi Air&Cooling S.A.S	LCL PGE	Oct - 2020	Oct - 2026	9,500	Euribor 3m.	-	9,500	9,500	N/A
Sogefi Filtration S.A.	LCL PGE	Oct - 2020	Oct - 2026	3,500	Euribor 3m.	-	3,500	3,500	N/A
Sogefi Suspensions S.A.	LCL PGE	Oct - 2020	Oct - 2026	2,000	Euribor 3m.	-	2,000	2,000	N/A
Sogefi Air&Cooling S.A.S	BNP PGE	Oct - 2020	Oct - 2026	9,000	Euribor 3m.	-	9,000	9,000	N/A
Sogefi Filtration S.A.	BNP PGE	Oct - 2020	Oct - 2026	6,500	Euribor 3m.	-	6,500	6,500	N/A
Sogefi Suspensions S.A.	BNP PGE	Oct - 2020	Oct - 2026	4,000	Euribor 3m.	-	4,000	4,000	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Feb - 2020	May- 2021	10,533	4.11 % fixed	10,533	-	10,533	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Intesa SanPaolo S.p.A.	Feb - 2020	Dec - 2021	4,363	4.54 % fixed	4,363	-	4,363	N/A
S.C. Sogefi Air & Cooling S.r.l.	ING Bank	Sept - 2019	Mar - 2024	2,465	ROBOR 3m. + 190 bps	616	1,387	2,003	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ICBC Bank	Nov - 2020	Nov - 2021	1,246	4.79 % fixed	1,246	-	1,246	N/A
Other loans/ deferrals of up front fees						2,965	(79)	2,886	
TOTAL						148,804	255,407	404,211	

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

In December 2021, the Parent Company Sogefi S.p.A. exercised its right under the contract to repay in advance the outstanding amount of the Euro 55 million loan taken from ING Bank N.V. in July 2015, for an amount of Euro 15 million.

With reference to the convertible bond loan for USD 100 million expiring in May 2014, as per the relative contract the Parent Company Sogefi S.p.A. paid the full balance expired in May 2021.

During 2021 the Parent Company Sogefi S.p.A. also took out the following loans:

- Euro 10 million with Cassa Depositi e Prestiti S.p.A., expiring in June 2026, at a floating rate linked to Euribor plus a spread of 200 basis points. As at 31 December 2021, this loan was in use;
- Euro 10 million with Cassa Depositi e Prestiti S.p.A., expiring in July 2026, at a floating rate linked to Euribor plus a spread of 210 basis points. As at 31 December 2021, this loan was not in use;
- Euro 20 million with ING Bank N.V., expiring in May 2025, at a floating rate linked to Euribor plus a spread of 250 basis points. As at 31 December 2021, this loan was not in use.

With reference to the loan of Euro 25 million taken out with Banco do Brasil in March 2020, the Parent Company Sogefi S.p.A. renegotiated the conditions by extending the maturity date to March 2025 and agreeing to at a floating rate linked to Euribor plus a spread of 180 basis points.

The existing loans of the Parent Company Sogefi S.p.A. are not secured by the Company's assets. Furthermore, note that, contractually, the spreads relating to some of the loans of the Parent Company are reviewed every six months on the basis of the computation of the consolidated NFP/normalised consolidated EBITDA ratio. For an analysis of the covenants relating to loans outstanding at the end of the period, please refer to the note 21 below entitled "Analysis of the financial position".

Other short-term liabilities for derivative financial instruments

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

Other medium/long-term financial debts

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

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

Please note that an amount of Euro 14,452 thousand relating to the bond issue of USD 115,000 thousand and Euro 7,500 thousand relating to the bond issue of Euro 75,000 thousand were classified under "Current portion of medium/long-term financial debts" as they are to be repaid in 2022.

As at 31 December 2020, details were as follows (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan (in thousands)	Interest rate	Total amount at December 31, 2020 (in thousands of Euro)	Real Guaran-tees
Sogefi S.p.A.	Private placement	Nov - 2019	Nov - 2025	Euro 75,000	Fixed coupon 3% year	67,173	N/A
Sogefi S.p.A.	Private placement	May - 2013	May - 2023	USD 115,000	Fixed coupon 600 bps	26,670	N/A
Other financial debts						1,468	
TOTALE						95,311	

With reference to the bond loan originally for USD 115 million expiring in May 2023, as per the relative contract the Company paid the fifth instalment in June 2021, for a total sum of USD 16.4 million.

Financial payables for rights of use

Details are as follows:

(in thousands of Euro)	12.31.2021	12.31.2020
Short-term financial debts for right of use	17,147	17,971
Medium/long-term financial debts for right of use	54,440	52,238
TOTAL	71,587	70,209

The item includes payables for Rights of Use recorded following the application of the accounting standard IFRS 16 “Leases”.
This item mainly refers to the residual debt of property rental agreements. The main property rental agreements refer to the subsidiaries Sogefi Suspensions Eastern Europe S.R.L. (Euro 17.4 million), Sogefi Engine Systems Mexico S. de R.L. de C.V. (Euro 11.8 million), Sogefi (Suzhou) Auto Parts Co., Ltd (Euro 6.6 million), Filter Systems Maroc SARL (Euro 5.9 million), Sogefi Filtration S.A. (Euro 4.4 million) and Sogefi Air & Cooling Canada Corp. (Euro 3.9 million).

It should also be noted that the item includes Euro 2,212 thousand (of which Euro 1,598 thousand are current and Euro 614 thousand are medium/long-term) relating to financial leases already in place as at 1 January 2019, already accounted for in accordance with the provisions of IAS 17.

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

As at 31 December 2021, this item amounts to zero. Reference should be made to chapter E for a further discussion of this matter.

16. TRADE PAYABLES AND OTHER

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

(in thousands of Euro)	12.31.2021	12.31.2020
Trade and other payables	317,630	320,241
Tax payables	4,783	4,327
TOTAL	322,413	324,568

Details of trade and other payables are as follows:

(in thousands of Euro)	12.31.2021	12.31.2020
Due to suppliers	210,932	225,638
Due to the parent company	1,876	1,267
Due to tax authorities for indirect and other taxes	7,220	9,254
Due to social and security institutions	15,517	14,546
Due to employees	32,557	26,999
Other commercial payables to customers	36,654	29,535
Other payables	12,874	13,002
TOTAL	317,630	320,241

Amounts “Due to suppliers ” are not interest-bearing and are settled on average in 59 days (65 days as at 31 December 2020).
There is no significant concentration of payables due to any one supplier or small group of suppliers.

The amounts “Due to suppliers” decreased by Euro 14,706 thousand (at constant exchange rates the decrease would be Euro 20,972 thousand); this is mainly due to the decrease in average payment time.
The deconsolidation of the subsidiary Sogefi Filtration Argentina S.A.U. led to a reduction in trade payables of Euro 1,612 thousand.

Amounts “Due to the parent company” reflect the consideration of Euro 617 thousand due for the fiscal surplus transferred by companies that have joined the CIR Group tax filing system; Euro 1,218 thousand represent the tax liability, net of the relevant pre-payments, of the Italian subsidiaries in connection with the CIR Group tax filing system; Euro 18 thousand refer to the payable to the Parent Company CIR S.p.A. for services rendered in December 2021; Euro 9 thousand refer to insurance premiums paid in advance by the Parent Company CIR S.p.A. for the civil liability of directors, statutory auditors and managers; and Euro 14 thousand reflect outstanding Directors' remuneration charged back to the parent company CIR S.p.A..

The item "Other commercial payables to customers" includes credit notes to be issued to customers for price reductions and discounts granted to Aftermarket customers upon reaching certain levels of turnover. These amounts in previous years were partially classified as a reduction of trade receivables. Following a better analysis of the contractual clauses, these amounts were classified within this item. For comparison purposes, the 2020 amounts were also reclassified.

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

"Tax payables" are taxes accrued in 2021.

17. OTHER CURRENT LIABILITIES

The item "Other current liabilities", for the amount of Euro 33,447 thousand (Euro 35,156 thousand as at 31 December 2020), mainly includes the liabilities recorded upon adoption of IFRS 15. These liabilities represent the amounts received from customers for the sale of tooling and prototypes that will be recognised in the Income Statement over the life of the product.
This item also includes adjustments to costs and revenues for the period so as to ensure compliance with the accruals based principle (accrued expenses and deferred income) and advances received from customers for orders still to be delivered.

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

These are made up as follows:

Details of the main items are given below.

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

(in thousands of Euro)	December 31, 2020		
	Current	*Non-current*	*Total*
Pension funds	-	61,589	61,589
Employment termination indemnities	-	3,190	3,190
Provision for restructuring	19,458	24	19,482
Provision for product warranties	3,376	584	3,960
Provision for rights of use restoration	-	4,552	4,552
Provision for disputes in progress and other risks	3,303	1,030	4,333
TOTAL	26,137	70,969	97,106

Pension funds

Please note that in financial year 2021, the Group applied IFRIC "Attributing Benefit to Periods of Service (IAS 19 Employee Benefits)". The comparative information has been restated by recognising the cumulative effect of adopting the new IFRIC, equal to Euro 1,185 thousand, as an adjustment to the opening balance of retained earnings at 1 January 2020. Please note that the new interpretation only had an impact on French pension funds.

The amount of Euro 39,127 thousand represents the amount set aside at year end by the various Group foreign companies to cover the liabilities of their various pension funds. Changes in the pension funds occurred during the year are shown below:

(in thousands of Euro)	12.31.2021	12.31.2020
Opening balance	61,589	52,050
Cost of benefits charged to income statement	1,368	1,463
"Other Comprehensive Income"	(19,095)	13,936
Contributions paid	(6,918)	(4,261)
Change in the scope of consolidation	-	-
Exchange differences	2,183	(1,599)
TOTAL	39,127	61,589
of which booked to Liabilities	*44,335*	*61,589*
of which booked to Assets	*5,208*	-

The following table shows all of the obligations deriving from "Pension funds" and the present value of the plan assets for the year 2021 and the two previous years.

(in thousands of Euro)	12.31.2021	12.31.2020	12.31.2019
Present value of defined benefit obligations	231,739	236,361	226,746
Fair value of plan assets	192,612	174,772	174,696
Deficit	39,127	61,589	52,050

Changes in the "Present value of defined benefit obligations" for the year 2021 were as follows:

(in thousands of Euro)	12.31.2021	12.31.2020
Present value of defined benefit obligations at the beginning of the period	236,361	226,746
Current service cost	1,234	1,399
Financial expenses	3,012	4,052
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	2,111	(765)
- Actuarial (gains)/losses arising from changes in financial assumptions	(10,589)	26,108
- Actuarial (gains)/losses arising from experience	(5,703)	(192)
- Actuarial (gains)/losses arising from "Other long-term benefits"- Jubilee benefit	(292)	(495)
Past service cost	-	116
Contribution paid by plan participants	-	1
Settlements/Curtailments	(769)	(709)
Exchange differences	14,551	(11,095)
Change in the scope of consolidation	-	-
Benefits paid	(8,177)	(8,805)
Present value of defined benefit obligations at the end of the period	231,739	236,361

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

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

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

(in thousands of Euro)	12.31.2021	12.31.2020
Fair value of plan assets at the beginning of the period	174,772	174,696
Interest income	2,373	3,321
Remeasurement (gains)/losses:		
Return on plan assets	4,914	11,215
Non-management costs of plan assets	(556)	(421)
Contributions paid by the company	5,537	2,583
Contributions paid by the plan participants	-	1
Settlements/Curtailments	-	-
Exchange differences	12,343	(9,484)
Benefits paid	(6,771)	(7,139)
Fair value of plan assets at the end of the period	192,612	174,772

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

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

(in thousands of Euro)	12.31.2021	12.31.2020
Return on plan assets (excluding amounts included in net interests expenses on net liability (asset))	(4,914)	(11,215)
Actuarial (gains)/losses arising from changes in demographic assumptions	2,111	(765)
Actuarial (gains)/losses arising from changes in financial assumptions	(10,589)	26,108
Actuarial (gains)/losses arising from experience	(5,703)	(192)
Value of the net liability (asset) to be recognised in "Other Comprehensive income"	(19,095)	13,936

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

(in thousands of Euro)	12.31.2021	12.31.2020
Current service cost	1,234	1,399
Net interest cost	639	731
Past service cost	-	116
Actuarial (gains)/losses recognised during the year on "Other long-term benefits"- Jubilee benefit	(292)	(495)
Non-management costs of plan assets	556	421
Settlements/Curtailments	(769)	(709)
TOTAL	1,368	1,463

Items “Current service cost” and “Non-management costs of plan assets” are included in the various “Labour cost” lines of Income Statement items.
Line “Financial expenses, net” is included in “Financial expenses (income), net”.

“Actuarial (gains) losses recognized during the year” relating to jubilee benefits, “Settlements/Curtailments” and “Past service cost” are included in “Other non-operating expenses (income)”.

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

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

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

(in thousands of Euro)	12.31.2020			
	Great Britain	France	Other	TOTAL
Present value of defined benefit obligations	213,267	19,395	3,699	236,361
Fair value of plan assets	174,537	-	235	174,772
Deficit	38,730	19,395	3,464	61,589

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

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

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

Great Britain

In Great Britain, pension plans are mainly private, being made with fund management companies and administered independently from the company.

They are classified as defined-benefit plans subject to actuarial valuation that are accounted for according to the corridor approach as provided for by IAS 19.

With regard to plan governance, administrators are representatives of employees, former employees and employer, within the subsidiary Sogefi Filtration Ltd, or independent professionals, within the subsidiary Allevard Springs Ltd; they are required by law to act in the interest of the fund and of all main stakeholders and are responsible for the investment policies adopted for plan assets.
With regard to the nature of employee benefits, employees are entitled to a post-employment annuity calculated by multiplying a portion of the wage earned at retirement age by the number of years of service until retirement age.

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

	12.31.2021	12.31.2020
Discount rate %	1.8-1.9	1.3
Annual inflation rate %	2.8-3.5	2.1-3.0
Retirement age	65	65

The increased "Discount rate" versus the previous year reflects the upward trend in returns on AA-rated UK corporate bonds recorded in 2021.
The "Discount rate" is calculated based on the returns on AA-rated UK corporate bonds with average duration similar to that of the bond (approximately 18 years for the subsidiary Allevard Springs Ltd and 17 years for the subsidiary Sogefi Filtration Ltd).

Changes in the present value of the UK funds obligation for 2021 and 2020 were as follows:

(in thousands of Euro)	12.31.2021	12.31.2020
Present value of defined benefit obligations at the beginning of the period	213,267	201,511
Current service cost	-	4
Financial expenses	2,855	3,809
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	2,110	423
- Actuarial (gains)/losses arising from changes in financial assumptions	(9,964)	25,494
- Actuarial (gains)/losses arising from experience	(5,186)	-
Past service cost	-	116
Contribution paid by plan participants	-	1
Settlements/Curtailments	-	22
Exchange differences	14,515	(11,058)
Benefits paid	(6,671)	(7,055)
Present value of defined benefit obligations at the end of the period	210,926	213,267

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

(in thousands of Euro)	12.31.2021	12.31.2020
Fair value of plan assets at the beginning of the period	174,537	174,371
Interest income	2,360	3,304
Remeasurement (gains)/losses:		
Return on plan assets (excluded amounts recognised in interest income)	4,909	11,221
Non-management costs of plan assets	(556)	(421)
Contribution paid by the company	5,537	2,573
Contribution paid by plan participants	-	1
Settlements/Curtailments	-	-
Exchange differences	12,335	(9,457)
Benefits paid	(6,671)	(7,055)
Fair value of plan assets at the end of the period	192,451	174,537

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

	12.31.2021	12.31.2020
Debt instruments	20.4%	21.0%
Equity instruments	27.5%	24.0%
Real estate investments	0.0%	0.0%
Cash	14.7%	14.7%
Derivatives	23.0%	28.5%
Other assets	14.4%	11.8%
TOTAL	100.0%	100.0%

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

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

With regard to the impact of the defined-benefit plan of the UK companies on the Group's future cash flows, expected contributions to the plans for the next year total Euro 3,282 thousand.

Average bond duration as at 31 December 2021 is approximately 17 years.

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

- Discount rate
- Life expectancy

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

(in thousands of Euro)	12.31.2021	
	+1%	-1%
Discount rate	(31,059)	39,292
	+ 1 year	- 1 year
Life expectancy	7,910	(7,869)

France

Pensions in France are essentially based on state pension plans and the responsibility of the company is limited to paying the contributions established by law.

In addition to this basic assistance guaranteed by the state, retiring employees are also entitled to other additional amounts under collective labour agreements that are determined based on length of service and salary level, and are only paid if the employee reaches retirement age in the company. An employee leaving the company before retirement age will lose these additional benefits.

These additional benefits are recognised as a liability for the company and, in accordance with IAS 19, they are considered as defined-benefit plans subject to actuarial valuation.

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

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

	12.31.2021	12.31.2020
Discount rate %	0.90	0.60
Expected annual wage rise %	1.6-4 based on age	1.6-5 based on age
Annual inflation rate %	1.75	1.75
Retirement age	62-67	62-67

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

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

(in thousands of Euro)	12.31.2021	12.31.2020
Present value of defined benefit obligations at the beginning of the period	19,395	21,480
Current service cost	1,100	1,252
Financial expenses	117	191
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	-	(1,178)
- Actuarial (gains)/losses arising from changes in financial assumptions	(605)	516
- Actuarial (gains)/losses arising from experience	(586)	(250)
- Actuarial (gains)/losses related to "Other long-term benefits" - Jubelee benefit	(292)	(495)
Past service cost	-	-
Settlements/Curtailments	(768)	(732)
Change in the scope of consolidation	-	-
Benefits paid	(1,157)	(1,389)
Present value of defined benefit obligations at the end of the period	17,204	19,395

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

The sensitivity analysis of the French funds was performed by varying the following actuarial assumptions:
- Discount rate
- Wage inflation rate

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

(in thousands of Euro)	12.31.2021	
	+1%	-1%
Discount rate	(1,741)	3,003
Rate of salary increase	2,668	(1,355)

Employment termination indemnities

This aspect only concerns the Group's Italian companies, where pensions are represented by state plans and the company's responsibility is limited to regular payment of social contributions each month.
In addition to state-provided pensions, employees are entitled by law to a termination indemnity that accrues in accordance with length of service and is paid when an employee leaves the company.
The termination indemnity is calculated based on the length of service and taxable remuneration of each employee.
The corresponding liability is put aside in a specific provision and the amounts accrued in previous years are subject to annual revaluation based on the official cost-of-life index and at the legal interest rates; it is not associated with any conditions or accrual

periods, nor does it require any financial provision; as a result, there are no assets underlying the provision.
This termination indemnity is considered as a defined-benefit provision, but subject to actuarial valuation for the part relating to the expected future benefits in respect of past service (which is the part subject to annual revaluation).
Further to the amendments to the "Employment termination indemnities" introduced by Law 296 of 27 December 2006 and subsequent decrees and regulations issued in the early part of 2007, for companies with 50 or more employees (Sogefi Filtration Italy S.p.A., Sogefi Suspensions Passenger Car Italy S.p.A. and Sogefi Suspensions Heavy Duty Italy S.p.A.), the portions of the provision accruing as from 1 January 2007 are transferred - at employee's option - to supplementary pension funds or to the treasury fund held by INPS (the Italian social security authority) or to supplementary pension schemes, and are considered as "defined-contribution plans". These amounts therefore do not require actuarial valuation and are no longer booked to "Employment termination indemnities". The "Employment termination indemnities" accruing up to 31 December 2006 is still a "defined-benefit plan", consequently requiring actuarial valuation, which however will no longer take account of the component relating to future wage inflation.
In accordance with the IAS 19, for companies with less than 50 employees (Parent Company Sogefi S.p.A.) the item "Employment termination indemnities" as at 31 December 2021 is entirely accounted for as a "Definite-benefit plan" and is subject to actuarial valuation.

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

Macroeconomic assumptions:
- annual discount rate (IBoxx Eurozone Corporate AA Index): 0.38%-0.92% (0%-0.27% as at 31 December 2020);
- annual inflation rate: 1.75% (as at 31 December 2020: 1.2%);
- annual increase in termination indemnity: 2.8% (as at 31 December 2020: 2.4%);

Demographic assumptions:
- rate of voluntary resignations: 3% - 10% of the workforce (same assumptions adopted as at 31 December 2020);
- retirement age: it was assumed that employees would reach the first of the requirements valid for mandatory general social security (same assumptions adopted as at 31 December 2020);
- probability of death: the RG48 mortality tables produced by the General State Accounting Body were used (same assumptions adopted as at 31 December 2020);
- probability of advanced settlement: an annual value of 2% - 3% each year was assumed (same assumptions adopted as at 31 December 2020);
- INPS' table split by age and gender was used for the probability of disability (same assumptions adopted as at 31 December 2020).

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2021	12.31.2020
Opening balance	3,190	3,467
Accruals for the period	31	34
Amounts recognised in "Other Comprehensive Income"	46	73
Contributions paid	(259)	(384)
TOTAL	3,008	3,190

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

(in thousands of Euro)	2021	2020
Current service cost	30	27
Financial charges	1	7
TOTAL	31	34

Average bond duration as at 31 December 2021 is approximately 8 years.

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

(in thousands of Euro)	12.31.2021	
	+0.5%	-0.5%
Discount rate	(104)	110
Rate of salary increase	1	(1)

Provision for restructuring

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

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2021	12.31.2020
Opening balance	19,482	2,238
Accruals for the period	2,998	19,220
Utilisations	(5,936)	(1,767)
Provisions not used during the period	(3,956)	(107)
Other changes	(669)	(102)
Exchange differences	38	-
TOTAL	11,957	19,482

The accrual of Euro 2,998 thousand mainly refers to the British subsidiary Allevard Springs Ltd and other European subsidiaries.
Provisions not used during the period, equal to Euro 3,956 thousand, mainly refer to the subsidiary Sogefi PC Suspensions Germany Gmbh, because of the revision of estimated provisions made.

Changes in “Accruals for the period” net of the “Provisions not used during the period” (amounts set aside during previous years in excess of amounts actually paid), is positive at Euro 958 thousand; this figure is booked to the Income Statement under “Restructuring costs”.
“Other changes” essentially include the reclassification of liabilities that have become certain to accounts payable.

Provision for product warranties

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2021	12.31.2020
Opening balance	3,960	4,678
Accruals for the period	2,101	1,505
Utilisations	(110)	(938)
Provisions not used during the period	(2,475)	(545)
Other changes	28	(750)
Exchange differences	35	10
TOTAL	3,539	3,960

The item includes provisions for product warranties by Group companies.

The provision of Euro 2,101 thousand mainly refers to the European subsidiaries.
Provisions not used, equal to Euro 2,475 thousand and referred to release of no longer needed funds, mainly refer to European subsidiaries.

Provision for restoration of rights of use

This item (for the amount of Euro 4,742 thousand) includes an estimate of the costs that the lessees of leased assets will have to incur in order to dismantle and remove the asset and restore the site or asset to the condition provided for in the lease terms.

Lawsuits and other risks

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2021	12.31.2020
Opening balance	4,333	8,095
Accruals for the period	3,075	4,599
Utilisations	(1,224)	(2,108)
Provisions not used during the period	(668)	(428)
Variation of consolidation perimeter	(66)	(2,799)
Other changes	(48)	(1,612)
Exchange differences	26	(1,414)
TOTAL	5,429	4,333

The provision includes liabilities toward employees and other individuals or entities. Amounts stated in the financial statements represent the best possible estimates of liabilities at year-end date.

The provision at 31 December 2021 mainly refers to liabilities for risks connected with the European subsidiaries.
Please refer to note 44 “Contingent assets/liabilities” for details on liabilities not assessed as probable.
“Other changes” essentially include the reclassification of liabilities that have become certain to accounts payable.
“Variation of consolidation perimeter” refers to the deconsolidation of the subsidiary Sogefi Filtration Argentina S.A.U.. For further details, please refer to note 36 “Income (loss) from discontinued operations, net of tax effects”.

Other payables

The item “Other payables” amounts to Euro 65,826 thousand (Euro 58,660 thousand as at 31 December 2020), and mainly reflects the non-current portion of the liabilities recorded upon adoption of IFRS 15. These liabilities represent the amounts received from customers for the sale of tooling and prototypes that will be recognised in the Income Statement over the life of the product.

19. DEFERRED TAX LIABILITIES

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

(in thousands of Euro)	12.31.2021		12.31.2020	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Deferred tax assets:				
Allowance for doubtful accounts	1,586	371	1,814	431
Fixed assets amortisation/writedowns	49,742	12,775	45,878	11,905
Inventory writedowns	3,522	954	4,549	1,195
Provisions for restructuring	3,718	855	12,473	2,379
Other provisions - Other payables	30,155	7,712	49,530	11,052
Fair value derivative financial instruments	933	224	2,762	663
IFRS15	18,381	4,501	15,723	3,681
IFRS16	4,671	978	3,776	770
Other	12,197	2,874	11,610	3,019
Deferred tax assets for tax losses incurred during the year	13,133	3,395	8,505	1,761
Deferred tax assets for tax losses incurred during previous years	7,348	1,637	14,958	3,872
TOTAL	145,386	36,276	171,578	40,728
Deferred tax liabilities:				
Accelerated/excess depreciation and amortisation	68,247	14,917	73,814	17,087
Difference in inventory valuation methods	1,211	388	1,032	295
Capitalisation of R&D costs	27,816	6,121	36,402	8,473
Other	17,282	3,862	21,221	4,361
TOTAL	114,556	25,288	132,469	30,216
Deferred tax assets (liabilities) net		10,988		10,512
Temporary differences excluded from the calculation of deferred tax assets (liabilities):				
Tax losses carried forward	117,396	25,265	95,159	22,982

The tax effect has been calculated on the basis of the rates applicable in the various countries, which are in line with those of the previous year, except for the tax rate applicable to French subsidiaries - which will be decreasing gradually from 27.37% to 25.85% for deferred tax expected to be reversed starting in 2022 - and for the tax rate applicable to the Argentinian subsidiary, which went from 30% to 35%.

The increase in “Deferred tax assets (liabilities), net” compared to 31 December 2020 amounts to Euro 476 thousand and differs by Euro 1,858 thousand from the amount shown in the Income Statement under “Income taxes – Deferred tax liabilities (assets)” (Euro 2,334 thousand) due to:

- movements in Balance sheet items that did not have any effect on the income statement and therefore the related negative tax effect amounting to Euro 2,507

thousand has been accounted for as Other comprehensive income (expenses); negative effect of the fair value of derivatives designated as cash flow hedges was Euro 439 thousand; negative effect of actuarial gains/losses arising from the adoption of the IAS 19 was Euro 2,068 thousand;
- reclassification of Balance sheet items that did not have any effect on the income statement, for a positive amount of Euro 168 thousand;
- a positive effect, equal to Euro 334 thousand, refers to the deconsolidation of the subsidiary Sogefi Filtration Argentina S.A.U.;
- a positive effect of Euro 35 thousand following the adoption of IAS 29;
- exchange differences with a positive amount of Euro 112 thousand.

The tax effect in the item "Provisions for restructuring" is related to the provisions made for the reorganisations under way of the subsidiaries Sogefi Filtration S.A. and Allevard Springs Ltd.

The decrease in the tax effect relating to item "Other provisions - Other payables" mostly originates from the lower liabilities referred to the pension funds of the subsidiaries Allevard Springs Ltd and Sogefi Filtration Ltd.

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

Item "Other" of deferred tax assets includes various types of items, such as for example costs for which tax deduction is deferred (for example, amounts allocated to remuneration accrued in 2021 not yet paid).

"Deferred tax assets for tax losses incurred during the year" amount to Euro 3,395 thousand and relate to subsidiary Sogefi Suspensions S.A.. These taxes were recognised because it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised.

"Deferred tax assets for tax losses incurred during previous years" amount to Euro 1,637 thousand and mainly relate to Parent Company Sogefi S.p.A. (Euro 704 thousand as of 31 December 2021 and Euro 1,004 thousand as of 31 December 2020) and Sogefi Air & Cooling S.A.S. (Euro 349 thousand as at 31 December 2021 and Euro 2,309 thousand as at 31 December 2020), Sogefi Suspensions S.A. (Euro 115 thousand as at 31 December 2021 and Euro 1,401 thousand as at 31 December 2020), and Sogefi PC Suspensions Germany GmbH (Euro 451 thousand as at 31 December 2021).
These taxes were recognised because it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised. Such probability is determined based on the fact that losses have originated under extraordinary circumstances that are unlikely to occur again, such as restructuring plans currently under way or occurred in the past.
Moreover, please note that the losses of the French subsidiaries can be carried forward indefinitely but there is a limit for the amount that can be utilised each year making recovery time longer. Losses of the German subsidiary can be carried forward indefinitely to cover possible future profits, there is no limitation on the use of losses carried forward of less than Euro 1 million, while there is a limit of 60% of income for losses above this threshold.

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

Column "Tax effect" of item "Other" of deferred tax liabilities includes:
- Euro 1,727 thousand relating to the taxed portion of dividends expected to be paid to the French subsidiaries and to the Parent Company Sogefi S.p.A. in the short term;
- Euro 752 thousand relating to deferred tax liabilities generated by the application of IFRS 15;
- Euro 1,383 thousand relating to other headings, mainly referred to the subsidiary Sogefi Suspension Brasil Ltda.

As regards the figures shown under "Temporary differences excluded from the calculation of deferred tax assets (liabilities) ", deferred tax assets were not booked as, at year end, there was not a probability that they would be recovered. "Tax losses carried forward" relate to subsidiaries Sogefi Suspensions S.A., Sogefi ADM Suspensions Private Limited, Sogefi Suspensions Eastern Europe S.R.L., Sogefi Filtration S.A., Filter Systems Maroc SARL, Allevard Spring Ltd and S.ARA Composite S.A.S..

20. SHARE CAPITAL AND RESERVES

Share capital

The share capital of the Parent Company Sogefi S.p.A. is fully paid in and amounts to Euro 62,461 thousand as at 31 December 2021 (unchanged since 31 December 2020), split into 120,117,992 ordinary shares with a par value of Euro 0.52 each (unchanged since 31 December 2020).
No shares are encumbered by rights, liens or limitations relating to dividend distribution.

As at 31 December 2021, the Company has 2,014,013 treasury shares in its portfolio, corresponding to 1.68% of share capital.

Movements in the shares outstanding are as follows:

(Shares outstanding)	2021	2020
No. shares at start of period	120,117,992	120,117,992
No. shares issued for subscription of stock options	-	-
No. of ordinary shares as of December 31	120,117,992	120,117,992
Treasury shares	(2,014,013)	(2,122,229)
No. of shares outstanding as of December 31	118,103,979	117,995,763

Share premium reserve
It amounts to Euro 19,289 thousand compared to Euro 19,042 thousand in the previous year.

During 2021, the Parent Company Sogefi S.p.A. credited Euro 247 thousand to the Share premium reserve after the free grant of 108,216 treasury shares to Stock Grant Plan beneficiaries.

Treasury shares
Item "Treasury shares" reflects the purchase price of treasury shares. Movements during the year amount to Euro 247 thousand and reflect the free grant of 108,216 treasury shares as reported in the note to "Stock-based incentive plans reserve".

Translation reserve
This reserve is used to record the exchange differences arising from the translation of foreign subsidiaries' financial statements.
Changes during the period show an increase of Euro 28,943 thousand, mainly due to reclassification of accumulated negative exchange rate differences (Euro 20,765 thousand) from shareholders' equity to profit or loss for the period pertaining to the subsidiary Sogefi Filtration Argentina S.A.U. Sold in August 2021.

Reserve for actuarial gains/losses
This reserve reflects the net impact of the application of the amendment to IAS 19 "Employee Benefits" on other actuarial gains (losses) as at 1 January 2012. The item also includes actuarial gains and losses accrued after 1 January 2012 and recognised under Other Comprehensive Income.

Stock-based incentive plans reserve
The reserve refers to credit to equity for stock-based incentive plans, assigned to Directors, employees and co-workers, resolved after 7 November 2002, including the portion relating to the stock grant plan approved in 2021.

Further to Stock Grant Plan beneficiaries exercising their rights in 2021, and the corresponding free grant of 108,216 treasury shares, the amount of Euro 292 thousand, corresponding to the fair value at right (Unit) allocation date, was reclassified from "Stock-based incentive plans reserve" to "Share premium reserve" (increased by Euro 247 thousand) and to "Retained earnings reserve" (increased by Euro 45 thousand).

Cash flow hedging reserve
This reserve has changed as a result of accounting for the cash flows deriving from instruments that for IAS 39 purposes are designated as "cash flow hedging instruments". Changes during the period show an increase of Euro 1,829 thousand which breaks down as follows:

- Increase of Euro 728 thousand reflecting the portion of the negative reserve relating to contracts no longer in hedge accounting that will be recognised to the Income Statement over the same period of time as the differentials relating to the underlying hedged item;
- Increase of Euro 1,101 thousand referred to IRS contracts in hedge accounting. Further details can be found in note 39 "Financial instruments and financial risk management".

Other reserves
This item amounts to Euro 12,201 thousand (unchanged compared to 31 December 2020).

Retained earnings
These totalled Euro 149,049 thousand and include amounts of profit that have not been distributed.
The increase of Euro 4,618 thousand refers to the following events:
- reclassification from the "Stock-based incentive plans reserve" for a total amount of Euro 45 thousand;
- the effect of the adoption of IAS 29 "Financial Reporting in Hyperinflationary Economies" in the Argentine subsidiaries, which amounted to Euro 4,555 thousand;
- other positive changes for the amount of Euro 18 thousand.

Tax on items booked in Other Comprehensive Income
The table below shows the amount of income taxes relating to each item of Other Comprehensive Income:

(in thousands of Euro)	2021			2020		
	Gross value	Taxes	Net value	Gross value	Taxes	Net value
- Profit (loss) booked to cash flow hedging reserve	1,829	(439)	1,390	(272)	65	(207)
- Actuarial gain (loss)	19,049	(2,068)	16,981	(14,009)	1,030	(12,979)
- Profit (loss) booked to translation reserve	29,037	-	29,037	(11,195)	-	(11,195)
- Total Profit (loss) booked in Other Comprehensive Income	49,915	(2,507)	47,408	(25,476)	1,095	(24,381)

Tax constraints applicable to certain reserves

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

Non-controlling interests

The balance amounts to Euro 17,297 thousand and refers to the portion of shareholders' equity attributable to non-controlling interests.

Details of non-controlling interests are given below:

(in thousands of Euro)		*% owned by third parties*		*Loss (proftt) attributable to non-controlling interests*		*Shareholders' equity attributable to non-controlling interests*	
Subsidiary's name	Region	12.31.2021	12.31.2020	12.31.2021	12.31.2020	12.31.2021	12.31.2020
S.ARA Composite S.A.S.	France	4.21%	4.21%	46	(76)	20	(26)
Iberica de Suspensiones S.L. (ISSA)	Spain	50.00%	50.00%	2,091	1,433	16,843	14,752
Shanghai Allevard Spring Co., Ltd	China	0.00%	39.42%	(3)	(768)	-	1,204
Sogefi ADM Supensions Private Limited	India	25.77%	25.77%	42	(103)	381	419
Sogefi Filtration Italy S.p.A.	Italy	0.12%	0.12%	-	1	28	29
Sogefi Suspensions Passenger Car Italy S.p.A.	Italy	0.12%	0.12%	(1)	-	12	18
Sogefi Suspensions Heavy Duty Italy S.p.A.	Italy	0.12%	0.12%	3	2	13	17
TOTAL				2,178	489	17,297	16,413

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

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

(in thousands of Euro)	*Shanghai Allevard Spring Co., Ltd*		*Iberica de Suspensiones S.L. (ISSA)*	
	12.31.2021	12.31.2020	12.31.2021	12.31.2020
Current Assets	-	2,307	29,184	32,946
Non-current Assets	-	1,031	20,976	20,875
Current Liabilities	-	8	13,337	22,287
Non-current Liabilities	-	-	3,137	2,030
Shareholders' equity attributable to the Holding Company	-	2,126	16,843	14,752
Non-controlling interests	-	1,204	16,843	14,752
Sales Revenue	-	844	55,384	54,475
Variable cost of sales	-	690	35,375	34,816
Other variable costs of sales	-	121	2,734	2,770
Fixed expenses	10	508	11,716	12,518
Non-operating expenses (income)	(2)	1,472	101	666
Income taxes	-	-	1,276	839
Income (loss) for the period	(8)	(1,947)	4,182	2,866
Income (loss) attributable to the Holding Company	(5)	(1,179)	2,091	1,433
Income (loss) attributable to non-controlling interests	(3)	(768)	2,091	1,433
Income (loss) for the period	(8)	(1,947)	4,182	2,866
OCI attributable to the Holding Company	103	(60)	-	-
OCI attributable to non-controlling interests	65	(39)	-	-
OCI for the period	168	(99)	-	-
Total income (losses) attributable to the Holding Company	98	(1,239)	2,091	1,433
Total income (losses) attributable to non-controlling interests	62	(807)	2,091	1,433
Total income (losses) for the period	160	(2,046)	4,182	2,866
Dividends paid to non-controlling interests	-	-	-	3,000
Net cash inflow (out flow) from operating activities	26	(214)	5,884	5,506
Net cash inflow (out flow) from investing activities	(2,383)	116	(2,726)	(2,675)
Net cash inflow (out flow) from financing activities	31	(30)	(6,199)	(91)
Net cash inflow (out flow)	(2,326)	(128)	(3,041)	2,740

21. ANALYSIS OF THE NET FINANCIAL POSITION

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

(in thousands of Euro)	12.31.2021	12.31.2020
A. Cash	120,927	209,673
B. Cash equivalent	-	-
C. Other current financial assets	5,112	6,222
D. Liquidity (A) + (B) + (C)	**126,039**	**215,895**
E. Current Financial Debt (including debt instruments, but excluding current portion of non-current financial debt)	2,043	4,496
F. Current portion of non-current financial debt	104,021	165,529
G. Current financial indebtedness (E) + (F)	**106,064**	**170,025**
H. Net current financial indebtedness (G) - (D)	**(19,975)**	**(45,870)**
I. Non-current financial debt (excluding the current portion and debt instruments)	273,343	310,117
J. Debt istruments	74,235	93,842
K. Non-current trade and other payables	-	-
L. Non-current financial indebtedness (I) + (J) + (K)	**347,578**	**403,959**
M. Net indebtedness (H) + (L)	**327,603**	**358,089**

It should be noted that item "F. Current portion of non-current financial debt" includes short-term liabilities related to lease agreements for Euro 17,147 thousand (Euro 17,971 thousand as at 31 December 2020) and item "I. Non-current financial debt (excluding the current portion and debt instruments)" includes long-term liabilities for Euro 54,440 thousand (Euro 52,238 thousand as at 31 December 2020).

Furthermore, with reference to derivative contracts, it should be noted that item "C. Other current financial assets" includes the positive fair value of derivatives not in cash flow hedge and item "E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)" includes the negative fair value of derivatives not in cash flow hedge. Item "I. Non-current financial debt (excluding the current portion and debt instruments)" includes the positive fair value of derivatives in cash flow hedge.

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

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

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

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

As at 31 December 2021, the Company was in compliance with these covenants.
As specified in note 2 “Consolidation principles and accounting policies – Going concern”, covenants are expected to be complied with also in 2022.

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

22. SALES REVENUES

Revenues from sales and services

In 2021, Sogefi Group's revenues amounted to Euro 1,320.6 million, up 11.0% compared to 2020.

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

(in thousands of Euro)	2021		2020	
	Amount	*%*	*Amount*	*%*
Suspensions	458,227	34.7	399,566	33.6
Filtration	463,372	35.1	421,189	35.4
Air&Cooling	402,042	30.4	371,800	31.2
Intercompany eliminations	(3,004)	(0.2)	(2,322)	(0.2)
TOTAL	1,320,637	100.0	1,190,233	100.0

The Air & Cooling & Filtration segments recorded revenues close to those achieved in 2019.

The growth in Air & Cooling compared to 2020 (+8.1%) was due, in addition to the market recovery, to the development of the contracts portfolio particularly in China, where revenues increased by 18.4% compared to the previous year.

The increase in Filtration revenues (+10.0%) reflects not only the evolution of the market but also the strong recovery in India.

Finally, the Suspension business unit reported revenues up by 14.7%, but business remains significantly below that of the corresponding period in 2019 (-16.6%). Revenue growth mainly reflects the good performance in South America and China.

By geographic area:

(in thousands of Euro)	2021		2020	
	Amount	*%*	*Amount*	*%*
Europe	813,481	61.6	754,851	63.4
South America	77,825	5.9	46,347	3.9
North America	262,369	19.9	250,836	21.1
Asia	176,850	13.4	144,918	12.2
Intercompany eliminations	(9,888)	(0.8)	(6,719)	(0.6)
TOTAL	1,320,637	100.0	1,190,233	100.0

Revenues grew in all geographical areas: +7.8% in Europe, +4.6% in North America, +22.0% in Asia, +67.9% in South America.

23. VARIABLE COST OF SALES

Details are as follows:

(in thousands of Euro)	2021	2020
Materials	701,561	622,205
Direct labour cost	99,258	91,482
Energy costs	29,407	27,329
Sub-contracted work	37,781	34,073
Ancillary materials	16,205	14,227
Variable sales and distribution costs	27,430	28,041
Royalties paid to third parties on sales	3,112	4,646
Other variable costs	2,162	2,073
TOTAL	916,916	824,076

The impact of “Variable cost of sales” on revenues stands at 69.4%, basically in line compared to the previous year.

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

24. MANUFACTURING AND R&D OVERHEADS

These can be broken down as follows:

(in thousands of Euro)	2021	2020
Labour cost	87,821	83,366
Materials, maintenance and repairs	24,982	24,237
Rental and hire charges	1,643	1,267
Personnel services	5,968	6,167
Technical consulting	6,310	6,275
Sub-contracted work	1,268	1,443
Insurance	2,186	1,960
Utilities	3,639	3,193
Capitalization of internal construction costs	(17,537)	(21,259)
Other	(1,349)	(682)
TOTAL	114,931	105,967

“Manufacturing and R&D overheads” show an increase of Euro 8,964 thousand, +8.5% compared to the previous year.
At constant exchange rates, the increase of this item would amount to Euro 9,274 thousand.

The increase in this item mainly refers to the headings “Labour cost”, “Capitalization of internal construction costs”.

The “Labour costs” heading shows an overall increase of Euro 4,455 thousand, following the greater welfare support provisions utilised in 2020, such as redundancy benefits in Italy and similar schemes in other countries, as well as more annual leave days enjoyed in previous year.

The heading “Capitalization of internal construction costs” refers mainly to the capitalisation of research and development costs and recorded a decrease of Euro 3,722 thousand compared to the previous year.

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

The heading “Materials, maintenance and repairs” increased by Euro 745 thousand compared to the previous year and is linked to more maintenance work following the increase in volumes.

Total costs for Research and Development (not reported in the table but included mainly under the headings “Labour cost”, “Materials, maintenance and repairs” and “Technical consulting”) amount to Euro 28,893 thousand compared to Euro 27,996 thousand as of 31 December 2020.

25. DEPRECIATION AND AMORTIZATION

Details are as follows:

(in thousands of Euro)	2021	2020
Depreciation of tangible fixed assets	70,432	70,319
Depreciation of Right of Use/assets under finance leases IAS 17	12,015	12,601
Amortisation of intangible assets	33,110	33,326
TOTAL	115,557	116,246

Item “Depreciation and amortization” amounts to Euro 115,557 thousand compared to Euro 116,246 thousand in the previous year. At constant exchange rates, this item would decrease by Euro 432 thousand overall.

26. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

(in thousands of Euro)	2021	2020
Labour cost	21,143	20,083
Sub-contracted work	4,270	4,287
Advertising, publicity and promotion	1,648	993
Personnel services	807	700
Rental and hire charges	603	683
Consulting	274	566
Other	1,127	1,218
TOTAL	29,872	28,530

“Distribution and sales fixed expenses” increased by Euro 1,342 thousand. Exchange rates being equal, this item increased by Euro 1,388 thousand.

With respect to the previous year, “Labour cost” increased by Euro 1,060 thousand (+5.3%). This increase accounts the greater welfare support provisions utilised in 2020, such as redundancy benefits in Italy and similar schemes in other countries, as well as more annual leave days enjoyed in previous year.

The heading “Advertising, publicity and promotion” increased by Euro 655 thousand compared to the previous year, mainly reflecting events and promotions for the aftermarket channel, which have been suspended in 2020 because of Covid-19 pandemic.

27. ADMINISTRATIVE AND GENERAL EXPENSES

These can be broken down as follows:

(in thousands of Euro)	2021	2020
Labour cost	32,245	28,947
Personnel services	2,355	2,401
Maintenance and repairs	2,912	2,807
Cleaning and security	1,891	1,837
Consulting	6,912	5,267
Utilities	2,052	1,960
Rental and hire charges	1,849	2,060
Insurance	2,085	2,055
Participation des salaries	2,931	706
Administrative, financial and tax-related services provided by Parent Company	326	509
Audit fees and related expenses	1,480	1,553
Directors' and statutory auditors' remuneration	869	715
Sub-contracted work	371	214
Capitalization of internal construction costs	(149)	(158)
Indirect taxes	5,068	6,547
Other fiscal charges	1,823	2,905
Other	5,535	6,011
TOTAL	70,555	66,336

“Administrative and general expenses” increased by Euro 4,219 thousand compared to 2020. At constant exchange rates, this item would have increased by Euro 4,602 thousand.

With respect to the previous year, “Labour cost” increased by Euro 3,298 thousand (+11.4%). This increase accounts for more welfare support provisions utilised in 2020, such as redundancy benefits in Italy and similar schemes in other countries, as well as more annual leave days enjoyed in the previous year.

The increase in the item “Consulting” (up by Euro 1,645 thousand compared to the previous year) is mainly due to a greater use of legal, tax and administrative advisory services.

Item “Administrative, financial, tax-related services provided by Parent Company” decreased by Euro 183 thousand due to the reduction in the services provided by the Parent Company CIR S.p.A.. For further details, please refer to note 40 “Related party transactions”.

The increase of item “*Participation des salaries*” is traced back to the better results obtained by the French subsidiaries.

“Indirect taxes” include tax charges such as property tax, taxes on sales revenues (*taxe organic* of the French companies), non-deductible VAT and taxes on professional training. The item recorded an overall decrease of Euro 1,479 thousand, of which approximately Euro 1,000 thousand related to the French subsidiaries that benefited from a reduction of these taxes by the government following the Covid-19 pandemic.

“Other fiscal charges” consist of the *cotisation économique territoriale* (previously called *taxe professionnelle*) relating to the French companies, which is calculated on the value of fixed assets and on added value. The item recorded a decrease of Euro 1,082 thousand due to the reduction of these charges by the government following the Covid-19 pandemic.

28. PERSONNEL COSTS

Personnel

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

(in thousands of Euro)	2021	2020
Wages, salaries and contributions	236,819	220,319
Pension costs: defined benefit plans	1,820	1,847
Pension costs: defined contribution plans	1,828	1,713
Participation des salaries	2,931	706
Imputed cost of stock grant plans	8	339
Other costs	23	13
TOTAL	243,429	224,937

“Personnel costs” increased by Euro 18,492 thousand (+8.2%) compared to the previous period. At constant exchange rates this item would have increased by Euro 18,920 thousand (+8.4%).
The increase in personnel costs accounts for more welfare support provisions utilised in 2020, such as redundancy benefits in Italy and similar schemes in other countries, as well as more annual leave days enjoyed in the previous year. These measures were

adopted in the previous year in order to lessen the adverse effects of the reduction of operations due to the Covid-19 pandemic.

The impact of “Personnel costs” on sales revenues has decreased to 18.4% from 18.9% as at 31 December 2020.

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

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

“Other costs” is included in “Administrative and general expenses”.
“Imputed cost of stock grant plans” is included in “Other non-operating expenses (income)”. The following paragraph “Personnel benefits” provides details of the stock grant plans.

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

(Number of employees)	2021	2020
Managers	72	74
Clerical staff	1,587	1,688
Blue collar workers	3,989	4,098
TOTAL	5,648	5,860

The 2020 headcount has been restated by excluding the employees of the Brazilian subsidiary (298) sold in December 2020, the Spanish subsidiary (88) sold in January 2021 and the Argentinian subsidiary (165) sold in August 2021.

Personnel benefits

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

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

Except as outlined at the following paragraphs “Stock Grant plans”, the Group has not carried out any other transaction that involves the purchase of goods or services with payments based on shares or any other kind of instrument representing portions of equity. As a result, it is not necessary to disclose the fair value of such goods or services.
The Group has issued plans from 2011 to 2021 of which the main details are provided blow.

Stock grant plans

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

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

Starting with the 2020 Stock Grant Plan, an additional category of units was added:
• Performance Units type B, whose vesting is subject to the passing of the time periods and the achievement of the Economic-Financial Targets set out in the regulation.
The regulation provides for a minimum holding period during which the shares held for the plan can not be disposed of.
All shares assigned under these plans will be treasury shares held by Sogefi S.p.A. According to the regulation, a pre-condition for assigning the shares is a continued employer-employee relationship or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period of the rights.

On 23 April 2021, the Board of Directors executed the 2021 Stock Grant plan approved by the Shareholders' Meeting held on 23 April 2021 to assign a maximum of 1,000,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 897,500 Units (292,084 of which were Time-based Units, 302,708 Performance Units type A and 302,708 Performance Units type B).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 8.33% of their respective total, starting on 30 April 2023 and ending on 31 January 2026.
Performance Units type A will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
Performance Units type B will vest in three tranches, each equal to up to one third (1/3) of the total number of Performance Units type B granted, starting on 31 July 2023, at the following vesting dates and under the following conditions:
1) the first portion, with effect from 31 July 2023, depending on the achievement of the Economic-Financial Targets for the financial year 2022, in accordance with the Regulation;
2) the second portion, with effect from 31 July 2024, depending on the achievement of the Economic-Financial Targets for the financial year 2023, in accordance with the Regulation;
3) the third portion, with effect from 31 July 2025, depending on the achievement of the Economic-Financial Targets for the financial year 2024, in accordance with the Regulation.

The fair value of the units granted during 2021 was determined at the time of granting, with the help of an external consultant, and was calculated on the basis of the binomial model for the valuation of American options known as the Cox, Ross and Rubinstein

(CRR) model for Time-based units and Performance Units type B, and on the basis of the model called 'Monte Carlo simulation' for Performance Units type A. The overall fair value amounts to a total of Euro 1,128 thousand.

Input data used for measuring the fair value of the 2021 stock grant plan are provided below:
- curves of EUR/SEK/CHF-riskless interest rates as at 23 April 2021;
- price of the Sogefi S.p.A. share as at 23 April 2021 (equal to Euro 1.350), and of the securities included in the benchmark basket, again as at 23 April 2021;
- standard values of Sogefi S.p.A. share and of the securities included in the benchmark basket, calculated as an average of the prices during the period starting on 22 March 2021 and ending on 22 April 2021 for the determination of the limit for Stock Grant Performance Units type A;
- 260-day historical volatility values observed at 23 April 2021 for stocks and foreign exchange rates;
- Dividend yield equal to zero;
- historical series of the logarithmic returns of involved securities and EUR/SEK and EUR/CHF exchange rates to calculate the correlation among securities and among the 2 non-EUR denominated securities and associated exchange rates (to adjust for estimated trends), calculated for the period starting on 23 April 2020 and ending on 23 April 2021.

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

• 2012 Stock Grant plan to assign a maximum of 1,600,000 conditional rights, restricted to the Director who filled the post of Managing Director of the Parent Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries, who were assigned a total of 1,152,436 Units (480,011 of which were Time-based Units and 672,425 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2014 and ending on 31 January 2016.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
On 31 December 2021, 82,374 Time-based Units and 596,630 Performance Units expired as per regulation. While 397,637 Time-based Units and 75,795 Performance Units had been exercised.

• 2013 Stock Grant plan to assign a maximum of 1,700,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 1,041,358 Units (432,434 of which were Time-based Units and 608,924 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2015 and ending on 31 January 2017.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at

each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
On 31 December 2021, 256,954 Time-based Units and 608,924 Performance Units expired as per regulation. While 171,280 Time-based Units had been exercised.

• 2014 Stock Grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 378,567 Units (159,371 of which were Time-based Units and 219,196 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2016 and ending on 20 January 2018.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
On 31 December 2021, 109,543 Time-based Units and 219,196 Performance Units expired as per regulation. While 48,666 Time-based Units had been exercised.

• 2015 Stock Grant plan to assign a maximum of 1,500,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 441,004 Units (190,335 of which were Time-based Units and 250,669 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 October 2017 and ending on 20 July 2019.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
On 31 December 2021, 56,911 Time-based Units and 179,805 Performance Units expired as per regulation. While 124,884 Time-based Units and 67,943 Performance Units had been exercised.

• 2016 Stock Grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 500,095 Units (217,036 of which were Time-based Units and 283,059 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 27 July 2018 and ending on 27 April 2020.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
On 31 December 2021, 77,399 Time-based Units and 100,948 Performance Units expired as per regulation. While 139,638 Time-based Units and 182,111 Performance Units had been exercised.

• 2017 Stock Grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 287,144 Units (117,295 of which were Time-based Units and 169,849 Performance Units).

Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 26 July 2019 and ending on 26 April 2021.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
On 31 December 2021, 36,703 Time-based Units and 169,849 Performance Units expired as per regulation. While 79,236 Time-based Units had been exercised.

• 2018 Stock Grant plan to assign a maximum of 500,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 415,000 Units (171,580 of which were Time-based Units and 243,420 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 23 July 2020 and ending on 23 April 2022.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
On 31 December 2021, 94,782 Time-based Units and 146,886 Performance Units expired as per regulation. While 56,075 Time-based Units had been exercised.

• 2019 Stock Grant plan to assign a maximum of 500,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 469,577 Units (213,866 of which were Time-based Units and 255,711 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 22 October 2021 and ending on 22 July 2023.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
On 31 December 2021, 102,479 Time-based Units and 122,531 Performance Units expired as per regulation. While 12,026 Time-based Units and 14,377 Performance Units had been exercised.

• 2020 Stock Grant plan to assign a maximum of 1,000,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 790,000 Units (235,000 of which were Time-based Units and 277,500 Performance Units type A and 277,500 Performance Units type B).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 31 January 2023 and ending on 31 October 2024.
Performance Units type A will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
Performance Units type B will vest in three tranches, each equal to up to one third (1/3) of the total number of Performance Units type B granted, starting on 31 January 2023, at the following vesting dates and under the following conditions:
1) the first portion, with effect from 31 January 2023, depending on the achievement of the Economic-Financial Targets for the financial year 2021, in accordance with the Regulation;

2) the second portion, with effect from 31 July 2023, depending on the achievement of the Economic-Financial Targets for the financial year 2022, in accordance with the Regulation;
3) the third portion, with effect from 31 July 2024, depending on the achievement of the Economic-Financial Targets for the financial year 2023, in accordance with the Regulation.

On 31 December 2021, 46,250 Time-based Units and 163,125 Performance Units type A and 163,125 Performance Units type B expired as per regulation.

It should be noted that the 2011 Stock Grant plan, for which 7,757 options were subscribed in 2021, expired as per regulation on 20 April 2021.

The imputed cost for 2021 for existing stock grant plans is Euro 8 thousand, and is booked to the Income Statement under "Other non-operating expenses (income)".

The following table shows the total number of existing rights with reference to the 2011-2021 plans:

	2021	2020
Not exercised/not exercisable at the start of the period	1,482,261	927,040
Granted during the period	897,500	790,000
Cancelled during the period	(692,946)	(97,248)
Exercised during the period	(108,216)	(137,531)
Not exercised/not exercisable at the end of the period	1,578,599	1,482,261
Exercisable at the end of the period	25,069	46,719

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

29. RESTRUCTURING COSTS

Restructuring costs amounted to Euro 7,056 thousand (compared to Euro 28,852 thousand in the previous year) and mainly refer to the costs for the shut-down of a British plant of the Suspension business unit and to personnel rationalisation measures in the Filtration business unit.

The item "Restructuring costs" mainly includes personnel costs and is comprised of costs incurred and paid during the year in the amount of Euro 8,014 thousand and for Euro 958 thousand from the release of provisions made in previous years, net of the new provisions to the restructuring Fund.

30. LOSSES (GAINS) ON DISPOSAL

Gains on disposal as at 31 December 2021 amounted to Euro 4 thousand (losses amounted to Euro 116 thousand as at 31 December 2020).

31. EXCHANGE (GAINS) LOSSES

Net exchange gains as at 31 December 2021 amount to Euro 2,516 thousand compared to net exchange losses of Euro 4,686 thousand as at 31 December 2020.

32. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to Euro 9,897 thousand compared to Euro 8,321 thousand the previous year. The following table shows the main elements:

(in thousands of Euro)	2021	2020
Write-downs of tangible and intangible fixed assets	18,527	13,640
Product warranty costs	1,218	1,717
Cost of stock option and stock grant plans	8	339
Litigations	347	953
Pension fund litigations refund	(2,401)	-
Actuarial losses (gains)	(292)	(495)
Insurance refunds	(2,366)	(6,798)
Indirect Tax recovery	(3,893)	-
Past service cost and other items related to pension funds	(769)	(593)
Other ordinary (income) expenses	(482)	(442)
TOTAL	9,897	8,321

"Writedowns of tangible and intangible fixed assets" amount to Euro 18,527 thousand and include writedowns of tangible (Euro 11,319 thousand) and intangible fixed assets (Euro 7,208 thousand) for the most part relating to European subsidiaries and the subsidiary Sogefi Engine Systems India Pvt Ltd.

The item "Litigations" mainly refers to risks connected with existing or probable disputes mainly relating to the European subsidiaries.

The item "Refund of pension litigations" includes the amount obtained following the settlement of a dispute with some consultants on matters relating to the pension funds of the subsidiary Sogefi Filtration Ltd.

The item "Insurance refunds" mainly refers to compensation for damage (costs incurred and loss of profit) in connection with a fire at the subsidiaries Sogefi HD Suspensions Germany GmbH and Sogefi Suspensions S.A., occurred in 2019 and 2020.

The item "Indirect tax recovery" includes the recovery of indirect taxes paid in previous years following new legislation for the Brazilian and Chinese subsidiaries.

33. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

(in thousands of Euro)	2021	2020
Interests on bonds	6,937	12,175
Interest on amounts due to banks	4,961	5,230
Financial charges under lease contracts	2,945	2,585
Financial component of pension funds and termination indemnities	640	738
Net financial expenses from fair value of IRS derivatives in cash flow hedge	263	-
Financial expenses from Cross currency swap no more in cash flow hedge	563	-
Financial component IAS 29	908	-
Other interest and commissions	3,438	2,762
TOTAL FINANCIAL EXPENSES	20,655	23,490

Financial income is detailed as follows:

(in thousands of Euro)	2021	2020
Gain on Cross currency swap no more in cash flowhedge	(205)	(290)
Net gain on fair value Cross currency swap no more in cash flow hedge	-	(462)
Interest on amounts given to banks	(1,442)	(431)
Financial component IAS 29	-	(163)
Other interest and commissions	(1,247)	(23)
TOTAL FINANCIAL INCOME	(2,894)	(1,369)
TOTAL FINANCIAL EXPENSES (INCOME), NET	17,761	22,121

Net financial expenses amount to Euro 17,761 thousand, down by Euro 4,360 thousand compared to their amount as at 31 December 2020.

The item “Financial expenses from cross currency swap no more in cash flow hedge” is comprised of:

- a financial expense of Euro 728 thousand reflecting the portion of the reserve previously booked to Other Comprehensive Income that will be reclassified to Income Statement over the same period of time expected for the differentials relating to the former underlying hedged item;
- a financial income of Euro 165 thousand reflecting the change in the fair value of these derivatives compared to 31 December 2020.

It should be noted that the item “Other interest and commissions” includes Euro 1,247 thousand of interest income related to a recovery of indirect taxes paid in previous years by the Brazilian subsidiary, following a change in regulations.

34. LOSSES (GAINS) FROM EQUITY INVESTMENTS

This item amounts to Euro 1,523 thousand (zero as at 31 December 2020). The item includes Euro 451 thousand relating to the gain resulting from the sale, in April 2021, of the subsidiary Shanghai Allevard Springs Co., Ltd and Euro 1,072 thousand relating to the reclassification of exchange rate differences, attributable to the same subsidiary, from equity to profit for the year.
As at 31 December 2021, the negative effect of the sale of the Chinese equity investment on cash and cash equivalents amounted to Euro 2,383 thousand, equal to the transferred cash and cash equivalents. This effect is shown under the heading "Net financial position of companies acquired/sold during the year".

35. INCOME TAXES

(in thousands of Euro)	2021	2020
Current taxes	15,338	12,672
Deferred tax liabilities (assets)	(2,334)	(9,552)
Gain (loss) from partecipation to fiscal consolidation	512	290
TOTAL	13,516	3,410

The year 2021 recorded a tax rate of 32.1% compared to a negative tax rate of 22.7% in the previous year.

A reconciliation between the standard tax rate (that of the Parent Company Sogefi S.p.A.) and the effective tax rate for 2021 and 2020 is shown in the table below. Taxes have been calculated at the domestic rates applicable in the various countries. The differences between the rates applied in the various countries and the standard Italian tax rate are included in the line "Other permanent differences and tax rate differentials".

(in thousands of Euro)	2021		2020	
		Tax rate %		Tax rate %
Result before taxes	42,135	24.0%	(15,018)	24.0%
Theoretical income taxes	10,112		(3,604)	
Effect of increases (decreases) with respect to the standard rate:				
Statutory amortisation of goodwill	(141)	-0.3%	-	0.0%
Non-deductible costs, net	1,287	3.1%	3,315	-22.1%
Use of deferred tax assets not recognised in previous years	(4,395)	-10.4%	-	0.0%
Deferred tax assets on losses for the year not recognised in the financial statements	5,369	12.7%	4,727	-31.5%
Taxed portion of dividends	291	0.7%	264	-1.8%
Other permanent differences and tax rate differentials	993	2.4%	(1,292)	8.7%
Income taxes in the consolidated income statement	13,516	32.1%	3,410	-22.7%

The item “Non-deductible costs, net” includes Euro 309 thousand referred to the portion of net financial expenses of the Parent Company Sogefi S.p.A. which, for the year 2021, has been considered non-deductible as it cannot be included in the CIR Group tax filing system and the remaining part refers to other non-deductible costs, mainly of the French subsidiaries.

“Deferred tax assets on losses for the year not recognised in the financial statements” are mainly attributable to subsidiaries Allevard Springs Ltd and Sogefi Suspensions Eastern Europe S.R.L., for which there was no probability at the end of the year that such losses would be recovered.

The “Taxed portion of dividends” refers to the portion of dividends received from Group companies that is not tax-exempt.

The item “Other permanent differences and tax rate differentials” includes Euro 512 thousand for the net charge from the transfer of tax surpluses to the CIR Group and the remaining part is mainly the effect of the difference between the rates applicable in the individual countries and the ordinary Italian tax rate.

36. INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX EFFECTS

The item is at Euro 24,490 thousand and refers to the subsidiaries Sogefi Filtration Spain S.A.U., sold in January 2021, Sogefi Filtration Argentina S.A.U., sold in August 2021 and Sogefi Filtration do Brasil Ltda, sold in December 2020 and for which a negative price adjustment of Euro 204 thousand was recognised in 2021. The item includes the 2021 and 2020 operating result and the relevant result from the sale.

The following table shows the Result of discontinued operations at 31 December 2021 and 31 December 2020:

(in thousands of Euro)	2021			
	Sogefi Filtration Spain S.A.U.	Sogefi Filtration do Brasil Ltda	Sogefi Filtration Argentina S.A.U.	Total
Sales revenues	219	-	10,109	10,328
Costs	(137)	-	(9,441)	(9,578)
Operating income	**82**	**-**	**668**	**750**
Financial expenses (income), net	-	-	(1,279)	(1,279)
Income taxes	-	-	(232)	(232)
Net Operating income, net of tax effects	**82**	**-**	**(843)**	**(761)**
Result of held for sale/discontinued activities	(287)	-	(2,473)	(2,760)
Price Adjustement	-	(204)	-	(204)
Reclassification of equity translation reserve to profit and loss	-	-	(20,765)	(20,765)
Net income (loss) of held for sale activities	**(205)**	**(204)**	**(24,081)**	**(24,490)**

Earnings per share (EPS), without discounted operations (Euro):				
Basic				0.224
Diluted				0.224

It should be noted that the negative impact on the statement of comprehensive income amounts to Euro 3,725 thousand.

(in thousands of Euro)	2020			
	Sogefi Filtration Spain S.A.U.	Sogefi Filtration do Brasil Ltda	Sogefi Filtration Argentina S.A.U.	Total
Sales revenues	9,599	24,544	12,967	47,110
Costs	(10,403)	(33,820)	(12,859)	(57,082)
Operating income	**(804)**	**(9,276)**	**108**	**(9,972)**
Financial expenses (income), net	(4)	(2,011)	(695)	(2,710)
Income taxes	-	343	(148)	195
Net Operating income, net of tax effects	**(808)**	**(10,944)**	**(735)**	**(12,487)**
Result of held for sale/discontinued activities	(1,497)	3,631	-	2,134
Reclassification of equity translation reserve to profit and loss	-	(5,861)	-	(5,861)
Net income (loss) of held for sale activities	**(2,305)**	**(13,174)**	**(735)**	**(16,214)**

Earnings per share (EPS), without discounted operations (Euro):				
Basic				(0.160)
Diluted				(0.160)

The following table shows the effect of the sale of the subsidiary Sogefi Filtration Spain S.A.U. on the Group's financial position:

(in thousands of Euro)	12.31.2021
Asset helf for sale	(6,703)
Liabilities related to assets held for sale	5,120
Net (assets) and liabilities	**(1,583)**

It should be noted that the subsidiary was sold in January 2021 for a consideration of Euro 1,296 thousand.
As at 31 December 2021, the effect of the sale of the Spanish equity investment on cash and cash equivalents amounted to Euro 1,296 thousand.

The following table shows the effect of the sale of the subsidiary Sogefi Filtration Argentina S.A.U. on the Group's financial position:

(in thousands of Euro)	12.31.2021
Property, plant and machinery	(4,155)
Deferred Income Taxes	(501)
Inventories	(2,014)
Trade and other receivables	(2,794)
Cash and cash equivalents	(2,022)
Other current financial assets	(1,047)
Deferred Tax Liabilities	1,015
Trade and other payables	3,058
Other non current payables	113
Net assets and liabilities	**(8,347)**

It should be noted that the subsidiary was sold in August 2021 for a consideration of Euro 5,874 thousand (the equivalent in Euro of a consideration of USD 6,986 thousand). The consideration was collected in the amount of Euro 1,092 thousand in the financial year 2021 and the remainder will be collected in quarterly instalments until July 2026.
As at 31 December 2021, the negative effect of the sale of the Argentinian equity investment on cash and cash equivalents of the Group amounted to Euro 930 thousand.

37. DIVIDENDS PAID

No dividends were paid to the Parent Company shareholders during the year 2021. Dividends paid to non-controlling interests amounted to Euro 3,012 thousand.
The Parent Company Sogefi S.p.A. did not issue any shares other than ordinary shares; treasury shares are always excluded from the dividend.

38. EARNINGS PER SHARE (EPS)

Basic EPS

	2021	2020
Net result attributable to the ordinary shareholders (in thousands of Euro)	1,951	(35,131)
Weighted average number of shares outstanding during the year (thousands)	118,104	117,996
Basic EPS (Euro)	*0.017*	*(0.298)*

Diluted EPS

The company has no categories of ordinary shares with a potentially dilutive effect. The diluted earnings are therefore equal to the basic earnings.

E) 39. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

The following table shows a comparison between the book value of the Group's financial instruments and their fair value.

An analysis of the table shows that the fair value is different from the book value only in the case of short-term and long-term fixed-rate financial debts. This difference, corresponding to Euro 7,230 thousand, is generated by a recalculation of these loans at year-end date at current market rates.
The spreads of floating-rate loans are in line with standard market conditions.
The fair value of fixed-rate financial debts is classified as Level 2 in the fair value hierarchy (see paragraph "Categories of financial assets and liabilities stated in the financial statements and fair value hierarchy") and was measured using generally accepted discounted cash flow models and a free-risk discount rate.

(in thousands of Euro)	Book value		Fair value	
	12.31.2021	12.31.2020	12.31.2021	12.31.2020
Financial assets				
Cash and cash equivalents	120,927	209,673	120,927	209,673
Securities held for trading	-	-	-	-
Held-to-maturity investments	-	-	-	-
Assets for derivative financial instruments	25	22	25	22
Current financial receivables	1,243	3,952	1,243	3,952
Trade receivables	136,736	146,273	136,736	146,273
Other receivables	10,861	8,778	10,861	8,778
Other assets	2,693	2,254	2,693	2,254
Other financial assets available for sale	46	46	46	46
Non-current trade receivables	-	-	-	-
Non-current financial receivables	3,957	2,248	3,957	2,248
Other non-current receivables	38,779	33,911	38,779	33,911
Financial liabilities				
Short-term fixed rate financial debts	40,836	37,853	41,830	41,722
Short-term financial debts for right of use	17,147	17,971	17,147	17,971
Equity linked bond included embedded derivative	-	98,193	-	99,393
Trade and other payables	48,036	15,989	48,036	15,989
Other short-term financial liabilities for derivatives	45	20	45	20
Trade and other payables	317,630	320,241	317,630	320,241
Other current liabilities	33,447	35,156	33,447	35,156
Other non- current liabilities	65,826	58,660	65,826	58,660
Other fixed rate medium/long-term financial debts	101,841	95,329	108,076	100,765
Medium/long-term financial debts for right of use	54,440	52,238	54,440	52,238
Medium / long-term variable rate financial debt	191,410	255,388	191,410	255,388
Other medium / long-term financial liabilities for derivatives	-	1,003	-	1,003

Financial risk management

Given that the Group operates on world markets, its activity is exposed to various kinds of financial risks, including fluctuations, up or down, of interest and exchange rates, and cash flow risks (for cash flows generated outside of the Eurozone). In order to minimise these risks, the Group uses derivatives as part of its risk management activity, whereas it does not use or hold derivatives or similar instruments purely for trading purposes.

The Group also has available a variety of financial instruments other than derivatives, such as bank loans, financial leases, rentals, sight deposits, payables and receivables deriving from normal operating activities.
The Group handles its main hedging operations centrally. Precise instructions have also been issued, laying down guidelines on risk management, while procedures have been introduced to control all transactions in derivatives.

Interest risk

The interest risk to which the Group is exposed mainly arises from long-term debts.

These debts may be fixed or floating rate.

Floating rate debts, which represent 62% of the net book value of Group loans, expose the Group to a risk arising from interest rate volatility (cash flow risk).

With regard to this risk, for the purposes of the related hedging, the Group may use derivative contracts which limit the impacts on the Income Statement of changes in the interest rate. As at 31 December 2021, the Parent Company Sogefi S.p.A. had four Interest Rate Swap contracts in place to hedge loans guaranteed by SACE. Excluding hedging transactions, floating rate payables represent 41% of the net book value of the Group's loans.

The following table gives a breakdown, by maturity, of the book value of the Group's financial assets and liabilities instruments, which are exposed to interest rate risk as at 31 December 2021, split according to whether they are contractually at a fixed or floating rate (for further details see the table shown in the analysis of "Liquidity risk"):

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
TOTAL FIXED RATE	(57,983)	(46,356)	(22,099)	(58,415)	(12,175)	(17,236)	(214,264)
TOTAL FLOATING RATE - ASSET	122,196	-	-	-	-	-	122,196
TOTAL FLOATING RATE - LIABILITIES	(48,063)	(92,008)	(39,859)	(39,541)	(20,003)	-	(239,474)

Financial instruments booked to "Total floating rate – Asset" refer to "Cash and cash equivalents" and "Other financial assets" (Securities held for trading, Held-to-maturity investments, Assets for derivative financial instruments, Current financial receivables).

Below there is a sensitivity analysis which shows the impact on the Income Statement, net of tax, and on Equity of a change in interest rates that is considered reasonably possible.

An increase or decrease in interest rates of 100 basis points, applied to floating-rate financial assets and liabilities in existence as at 31 December 2021, including interest-rate hedges, would have the following effects:

(in thousands of Euro)	12.31.2021		12.31.2020	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 100 basis points	(834)	1,096	(402)	2,164
- 100 basis points	829	(1,067)	402	(1,961)

The effect on Equity differs from the effect on the Income Statement by Euro +1,930 thousand (in the event of an increase in interest rates), and by Euro -1,896 thousand (in the event of a decrease in interest rates), which reflects the change in the fair value of the instruments hedging the interest rate risk.

Currency risk

As it operates at an international level, the Group is exposed to the risk that changes in exchange rates could have an impact on the fair value of some of its assets or liabilities.
Moreover, as can be seen from the segment information given in note 4, the Group produces and sells mainly in countries of the Eurozone, but it is potentially exposed to currency risk, above all in respect of the British Pound, Brazilian Real, US Dollar, Argentine Peso, Chinese Renminbi and Canadian Dollar.
Generally speaking, the Group is not particularly exposed to exchange risk, which is mainly related to the translation of foreign subsidiaries' financial statements, as the currencies in which the foreign operating companies bill and those in which they are invoiced tend to be much the same.

As regards borrowings, there are also policies stating that any funds raised from third parties have to be in the same currency as the functional currency of the company obtaining the loan. If any exception is made to this principle, then the risk is hedged through forward currency purchases.
More specifically, the Parent Company Sogefi S.p.A. made one private placement of bonds for the amount of USD 115 million in 2013 (USD 32.9 million as at 31 December 2021). The exchange risk on this financing was hedged through Cross Currency Swap contracts (please see paragraph "Hedging – Exchange risk hedges" for more details).

A sensitivity analysis is provided below, which shows the impact on the Income Statement, especially on "Exchange (gains) losses", net of tax, and on Equity of a change that is considered reasonably possible in exchange rates of the main foreign currencies. Note that the exchange effect of translating the financial statements of foreign subsidiaries into Euro has not been taken into consideration here.
What has been taken into consideration are the financial assets and liabilities outstanding as at 31 December 2021 denominated in a currency other than the functional currency of the individual subsidiaries. This analysis also takes into account any changes in the fair value of the financial instruments used to hedge exchange risk.

As at 31 December 2021, exchange risk was concentrated mainly in transactions with the Euro.

A 5% appreciation or depreciation of the Euro against the other main currencies would have the following effects:

(in thousands of Euro)	12.31.2021		12.31.2020	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 5%	(1,685)	(1,685)	(1,997)	(1,997)
- 5%	1,852	1,852	2,203	2,203

These effects are mainly due to the following exchange rates:
-EUR/USD due to the net financial exposure in USD of the Parent Company Sogefi S.p.A. and the net exposure for the trade payables in Euro of the US subsidiaries;
-EUR/GBP due to the net exposure for the trade payables and financial debt in Euro of UK companies and for the net financial debt in GBP of the Parent Company Sogefi S.p.A.;
- EUR/MAD due to the net exposure for the financial debt and trade payables in Euro of the Moroccan subsidiary Filter Systems Maroc SARL.

Please note that a sensitivity analysis of the CAD/USD exchange rate showed that a 5% appreciation/depreciation of the Canadian dollar against the US dollar would cause Group's net profit and equity to increase/decrease by Euro 725 thousand. This effect is due to the exposure for the trade payables and financial debt in USD of the Canadian subsidiary.

Price risk

The Group is partially exposed to price risk as it makes purchases of various raw materials such as steel, plastics, aluminium, cellulose products.
The risk is handled in the best way possible thanks to centralised purchasing at business unit level and to a policy of having various suppliers for each kind of raw material, operating in different parts of the world.
We would also point out that price risk is generally mitigated by the Group's ability to pass on part of the variation in raw material costs to selling prices.

The price risk on Group investments classified as "Securities held for trading" and "Other financial assets available for sale" is not significant.

Credit risk

This is the risk that one of the parties signing a contract of a financial nature defaults on an obligation, thereby provoking a financial loss. This risk can derive from strictly commercial aspects (granting and concentration of credits), as well as from purely financial aspects (choice of counterparties used in financial transactions).

Cash and cash equivalents
Cash and cash equivalents held by the Group as at 31 December 2021 amounted to Euro 120,927 thousand (Euro 209,673 thousand as at 31 December 2020). Cash and cash equivalents are held with banks and financial institutions with credit ratings between Aa2 and Caa3 by Moody's.
Impairment losses of cash and cash equivalents are measured at 12-month expected credit losses and reflect the maturities of short-term exposures. The Group believes its credit risk on cash and cash equivalents to be low, according to the counterparties' credit ratings by third parties.
The Group measures expected credit loss relating to cash and cash equivalents using a method similar to that adopted for debt instruments.
As at 31 December 2021, impairment losses of cash and cash equivalents were equal to Euro 26 thousand.

Derivative financial instruments
Derivative financial instruments were entered into with banks and financial institutions with credit ratings between A1 and Baa1 by Moody's.

Trade receivables
From a commercial point of view, the Group does not have excessive concentrations of credit risk as it operates on distribution channels, both Original Equipment and the Aftermarket, that make it possible not to depend too much on individual customers. For example, Original Equipment sales are largely to car and industrial vehicle manufacturers.
As regards the Aftermarket, on the other hand, the Group's main customers are important international purchasing groups.
In order to minimise credit risk, however, procedures have in any case been implemented to limit the impact of any customer insolvencies.
As regards counterparties for the management of financial resources, the Group only has recourse to partners that have a safe profile and a high international standing.
The Group's maximum exposure to credit risk as at 31 December 2021 is represented by the book value of the financial assets shown in the financial statements (Euro 315,267 thousand), as well as by the nominal value of the guarantees given in favour of third parties, as mentioned in note 42 (Euro 4,647 thousand).

The exposure to credit risk is essentially linked to trade receivables which amounted to Euro 139,433 thousand as at 31 December 2021 (Euro 148,862 thousand as at 31 December 2020), written down by Euro 4,018 thousand (Euro 5,368 thousand as at 31 December 2020).
Receivables are backed by mainly bank guarantees for Euro 2,205 thousand (Euro 4,283 thousand as at 31 December 2020).
The Group does not have any other guarantees covering trade receivables.

The following table shows the changes in the allowance for doubtful accounts:

(in thousands of Euro)	12.31.2021	12.31.2020
Opening balance	5,368	4,653
Change to the scope of consolidation	(195)	(161)
Accruals for the period	904	2,691
Utilisations	(245)	(493)
Provisions not used during the period	(1,886)	(1,230)
Exchange differences	72	(92)
TOTAL	4,018	5,368

The following is an ageing analysis of gross receivables and the related allowance for doubtful accounts to help evaluate credit risk:

(in thousands of Euro)	12.31.2021		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	12,230	-	12,230
30-60 days	2,792	(4)	2,788
60-90 days	1,560	(11)	1,549
over 90 days	6,098	(3,101)	2,997
Total receivables past due	22,680	(3,116)	19,564
Total receivables still to fall due	116,753	(902)	115,851
TOTAL	139,433	(4,018)	135,415

(in thousands of Euro)	12.31.2020		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	11,691	(21)	11,670
30-60 days	2,091	(3)	2,088
60-90 days	1,050	(259)	791
over 90 days	6,710	(3,624)	3,086
Total receivables past due	21,542	(3,907)	17,635
Total receivables still to fall due	127,320	(1,461)	125,859
TOTAL	148,862	(5,368)	143,494

As at 31 December 2021, gross receivables past due had decreased by Euro 1,138 thousand compared to the previous year. The increase is concentrated in the ranges of 0-30 day and 30-60 day receivables.
The item “Total receivables still to fall due” does not contain significant positions that have been renegotiated.

Considering the nature of the Sogefi Group's customers (cars and industrial vehicles manufacturers and important international purchasing groups), a Credit risk analysis by type of customer is not considered meaningful.

Liquidity risk

This is the risk that the Group may have trouble meeting its commitments associated with financial liabilities settled by cash or other financial assets. The Group's approach to managing liquidity is to have sufficient funds to meet its commitments upon maturity at all times, whether under normal conditions or under financial pressure, without incurring in excess charges or damaging its reputation.

The Group is subject to a minimum amount of liquidity risk, namely having to handle a situation where it is not able to raise sufficient funds to meet its liabilities.
The Group has always taken an extremely prudent approach to its financial structure, using mainly medium/long-term funding, whereas forms of short-term financing are generally used only to cope with moments of peak requirement.
Its solid capital structure makes it relatively easy for the Group to find additional sources of financing.
It should also be mentioned that the Parent Company Sogefi S.p.A. has implemented a cash pooling system for all of the main European subsidiaries, which makes it possible to optimise liquidity and cash flow management at a supranational level.
The following table shows an analysis of the Group's financial assets and liabilities instruments by maturity, including the amount of future interests to be paid and trade receivables and payables:

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
Fixed rate							
Financial debts for right of use	(17,147)	(17,454)	(7,699)	(6,776)	(5,275)	(17,236)	(71,587)
Private Placement USD 115 million Sogefi S.p.A.	(14,452)	(14,496)	-	-	-	-	(28,948)
Private Placement EUR 75 million Sogefi S.p.A.	(7,500)	(7,500)	(7,500)	(44,739)	-	-	(67,239)
Sogefi Air Cooling S.A.S Loans	(3,700)	(3,700)	(3,700)	(3,700)	(3,700)	-	(18,500)
Sogefi Filtration S.A. Loans	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	-	(10,000)
Sogefi Suspension S.A. Loans	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	-	(6,000)
Sogefi (Suzhou) Auto Parts Co., Ltd loans	(11,215)	-	-	-	-	-	(11,215)
Government financing	(361)	-	-	-	-	-	(361)
Other fixed rate loans	(408)	(6)	-	-	-	-	(414)
Future interests	(4,144)	(2,323)	(1,713)	(1,303)	(32)	-	(9,515)
Future financial income on derivative instruments - interest risk hedging (*)	377	111	-	-	-	-	488
TOTAL FIXED RATE	(61,750)	(48,568)	(23,812)	(59,718)	(12,207)	(17,236)	(223,291)
Floating rate							
Cash and cash equivalents	120,927	-	-	-	-	-	120,927
Financial assets	-	-	-	-	-	-	-
Assets for derivative financial instruments	25	-	-	-	-	-	25
Current financial receivables	1,243	-	-	-	-	-	1,243
Non-current financial receivables	-	-	-	-	-	-	-
Bank overdrafts and other short-term loans	(1,998)	-	-	-	-	-	(1,998)
Sogefi S.p.A. loans	(40,000)	(81,071)	(29,458)	(29,303)	(14,465)	-	(194,297)
S.C. Sogefi Air & Cooling S.r.l. loan	(606)	(606)	(152)	-	-	-	(1,364)
Sogefi Air Cooling S.A.S loans	(1,400)	(1,400)	(1,400)	(1,400)	(1,400)	-	(7,000)
Sogefi Filtration S.A. loans	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	-	(10,000)
Sogefi Suspension S.A. loans	(600)	(600)	(600)	(600)	(600)	-	(3,000)
Sogefi Suspensions Eastern Europe S.r.l. loans	-	(6,154)	(6,154)	(6,154)	(1,538)	-	(20,000)
Other floating rate loans	(1,432)	(177)	(95)	(84)	-	-	(1,788)
Future interests	(3,803)	(3,796)	(2,365)	(1,693)	(134)	-	(11,791)
Liabilities for derivative financial instruments - exchange risk hedging	(27)	-	-	-	-	-	(27)
Future financial expenses on derivative instruments - interest risk hedging (*)	(277)	(278)	(277)	(277)	(277)	-	(1,386)
TOTAL FLOATING RATE	70,052	(96,082)	(42,501)	(41,511)	(20,414)	-	(130,456)
Trade receivables	136,736	-	-	-	-	-	136,736
Trade and other payables	(317,630)	(65,826)	-	-	-	-	(383,456)
TOTAL FINANCIAL INSTRUMENT - ASSET	258,931	-	-	-	-	-	258,931
TOTAL FINANCIAL INSTRUMENT - LIABILITIES	(431,523)	(210,476)	(66,313)	(101,229)	(32,621)	(17,236)	(859,400)

* The amount is different from "Net financial assets for derivatives – hedging of interest rate" (equal to a total of Euro 3,939 thousand) because it represents the non-discounted cash flows.

Hedging

a) Exchange risk hedges – not designated in hedge accounting

The Sogefi Group has entered the following contracts to hedge the exchange risk on commercial balances. Note that even though the Group considers these instruments as exchange risk hedges from a risk management point of view, it has chosen not to adopt hedge accounting, as this treatment is not considered suitable for the Group's operating requirements. It therefore measures such contracts at fair value, posting the differences to "Exchange (gains) losses" in the Income Statement (this difference is offset within Income Statement by the fair value change of the asset/liability denominated in a certain currency).
The fair value of these instruments was calculated using the forward curve of exchange rates as at 31 December 2021.

As at 31 December 2021, the following forward purchase/sale contracts were maintained to hedge the exchange risk on commercial positions:

Company	Forward purchase / Forward sale		Date opened	Currency exchange	Spot price	Date closed	Forward price	Fair value (*) at 12.31.2021
Sogefi Suspension Brasil Ltda	P	EUR 150.000	12/23/2021	BRL/value	6.4178	02/21/2022	6.523	(2)
Sogefi Suspension Brasil Ltda	S	USD 175.000	12/30/2021	BRL/value	5.5792	02/09/2022	5.620	(0)
Sogefi Suspension Argentina S.A.	P	USD 300.000	11/05/2021	ARS/value	100.0500	01/31/2022	117.000	(21)
Sogefi Suspension Argentina S.A.	P	USD 300.000	12/16/2021	ARS/value	102.0100	02/25/2022	112.110	(4)

*Fair value was recognised in "Other short-term liabilities for derivative financial instruments".

b) Interest risk hedges – in hedge accounting

On 23 December 2020, the Parent Company Sogefi S.p.A. entered into four Interest Rate Swap contracts that began to exchange their flows as from 31 December 2020, for a total notional amount of Euro 80 million that will be extinguished in June 2026. These contracts were designated to hedge the four loans guaranteed by SACE for a total amount of Euro 80 million.

Description of IRS	Date opened	Contract maturity	Notional (in thousands of Euro)	Fixed rate	Fair value at 12.31.2021
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26)	12/31/2020	06/30/2026	20,000	-0.196%	28
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26)	12/31/2021	06/30/2026	20,000	-0.196%	28
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26)	12/31/2022	06/30/2026	20,000	-0.196%	28
Hedging of SACE loans Euro 80 millions (10/09/20 expired 06/30/26)	12/31/2020	06/30/2026	20,000	-0.196%	28
TOTAL			80,000		113

These financial instruments envisage payment by the Group of an agreed fixed rate (-0.196%) and payment by the counterparty of the floating rate (Euribor) that is the basis of the underlying loan.

The change in fair value compared to 31 December 2020, amounting to Euro 1,116 thousand, was recognised in the amount of Euro 1,101 thousand under "Other comprehensive income" and Euro 15 thousand under financial income.

c) Exchange risk hedges – no longer in hedge accounting

During 2013 the Parent Company Sogefi S.p.A. entered into three Cross currency swap (CCS) contracts in order to hedge interest and exchange rate risks relating to the private placement currently of USD 32.9 million bonds. Under these contracts, a fixed interest receivable of 600 basis points on subscribed notional USD amount is collected by the Company on a quarterly basis against payment of a fixed interest payable on a notional amount in EUR corresponding to the USD notional amount converted at the fixed exchange rate of 1.3055 (totalling Euro 25,168 thousand). Contracts expire in June 2023.
These contracts, initially designated in hedge accounting have become ineffective on 31 December 2017 so that the hedging relationship was discontinued and the derivative contracts were reclassified as profit or loss instruments. The change in fair value (exclusively for the interest rate risk) was recognised in the Income Statement, whereas the reserve initially booked to "Other Comprehensive Income" (if any) was reclassified in the Income Statement over the same period of time as the differentials relating to the underlying hedged item.

Details of these contracts are as follows:

Description of CCSwap	Date opened	Contract maturity	Notional (in thousands of Usd)	Fixed rate	Fair value at 12.31.2021	Fair value at 12.31.2020
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	15,714	receivable 5.6775% Euro payables	1,843	1,086
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	11,429	6.0% USD receivable 5.74% Euro payables	1,335	777
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	5,714	6.0% USD receivable 5.78% Euro payables	666	385
TOTAL			32,857		3,844	2,248

The discontinuation of hedge accounting, for the interest rate risk, had the following impact on the financial statements as at 31 December 2021:

- immediate recognition to the Income Statement of a financial expense of Euro 728 thousand reflecting the portion of the reserve previously booked to Other Comprehensive Income that will be reclassified to Income Statement over the same period of time expected for the differentials relating to the former underlying hedged item. As at 31 December 2021, an amount of Euro 1,032 thousand remains to be reclassified to the Income Statement in the future years;

- immediate recognition to the Income Statement of a financial income of Euro 165 thousand reflecting the change in the fair value of these derivatives compared to 31 December 2020.

d) fair value of derivatives

The fair value of all derivatives was calculated using the forward curves of exchange and interest rates as at 31 December 2021, also taking into account a credit valuation adjustment/debit valuation adjustment. The fair value amounts of derivatives are classified as Level 2 in fair value hierarchy, based on the significance of the inputs used in fair value measurements.

Equity management

The main objectives pursued by the Group through its equity risk management are the creation of value for shareholders and the safeguarding of business continuity. The Group also sets itself the objective of maintaining an optimal equity structure so as to reduce the cost of indebtedness and meet the covenants established by the loan agreements.

The Group monitors equity on the basis of the net financial position/total equity ratio (gearing ratio). For the purposes of determination of the net financial position reference is made to note 21. Total equity is analysed in note 20.

As at 31 December 2021, gearing stands at 1.60 (2.38 as at 31 December 2020).

Categories of financial assets and liabilities stated in the financial statements and fair value hierarchy

In compliance with the requirements of IFRS 7, the table below provides the information on the categories of financial assets and liabilities held by the Group as at 31 December 2021.
For the financial instruments measured at fair value in the statement of financial position the IFRS 7 requires a classification by hierarchy determined by reference to the source of inputs used to derive the fair value. This classification uses the following three levels:

- level 1: if the financial instrument is quoted in an active market;
- level 2: if the fair value is determined using valuation techniques and the inputs used for the valuation (other than quoted prices of financial instruments) are observable in the market. Specifically, fair value was calculated using the forward curves of exchange and interest rates;
- level 3: if the fair value is determined using valuation techniques and the inputs used for the valuation are non-observable in the market.

The following table therefore shows the fair value level of financial assets and liabilities measured at fair value, as at 31 December 2021:

(in thousands of Euro)	Note	Book value 2021	Receivables and financial assets	Financial assets available for sale	Held-to-maturity investments	Financial liabilities	Fair Value with changes booked in the Income Statement	
							Amount	Fair value hierarchy
Current assets								
Cash and cash equivalents	*5*	120,927	120,927	-	-	-	-	-
Securities held for trading	*6*	-	-	-	-	-	-	-
Held-to-maturity investments	*6*	-	-	-	-	-	-	-
Assets for derivative financial instruments	*6*	25	-	-	-	-	25	2
Current trade receivables	*6*	1,243	1,243	-	-	-	-	-
Trade receivables	*8*	136,736	136,736	-	-	-	-	-
Other receivables	*8*	10,861	10,861	-	-	-	-	-
Other assets	*8*	2,693	2,693	-	-	-	-	-
Non-current assets								
Other financial assets available for sale	*11*	46	-	46 *	-	-	-	-
Non-current assets for derivative financial instruments	*12*	3,957	-	-	-	-	3,957	*2*
Other non-current receivables	*12*	38,779	38,779	-	-	-	-	-
Current liabilities								
Short-term fixed rate financial debts	*15*	40,836	-	-	-	40,836	-	-
Short-term financial debts for Right of Use	*15*	17,147	-	-	-	17,147	-	-
Short-term variable rate financial debts	*15*	48,036	-	-	-	48,036	-	-
Other short-term liabilities for derivative financial instruments	*15*	45	-	-	-	-	45	*2*
Trade and other payable	*16*	317,630	-	-	-	317,630	-	-
Other current liabilities	*17*	33,447	-	-	-	33,447	-	-
Non-current liabilities								
Medium/long-term fixed rate financial debts	*15*	101,841	-	-	-	101,841	-	-
Medium/long-term financial debts for Right of Use	*15*	54,440	-	-	-	54,440	-	-
Medium/long-term variable rate financial debts	*15*	191,410	-	-	-	191,410	-	-
Other medium/long-term liabilities for derivative financial instruments	*15*	-	-	-	-	-	-	-

* relating to financial assets valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not avaible.

The following table shows the fair value level of financial assets and liabilities measured at fair value, as at 31 December 2020:

(in thousands of Euro)	Note	Book value 2020	Receivables and financial assets	Financial assets available for sale	Held-to-maturity investments	Financial liabilities	Fair Value with changes booked in the income statement	
							Amount	Fair value hierarchy
Current assets								
Cash and cash equivalents	5	209,673	209,673	-	-	-	-	-
Securities held for trading	*6*	-	-	-	-	-	-	-
Held-to-maturity investments	*6*	-	-	-	-	-	-	-
Assets for derivative financial instruments	*6*	22	-	-	-	-	22	*2*
Current financial receivables	*6*	3,952	3,952	-	-	-	-	-
Trade receivables	*8*	146,273	146,273	-	-	-	-	-
Other receivables	*8*	8,778	8,778	-	-	-	-	-
Other assets	*8*	2,254	2,254	-	-	-	-	-
Non-current assets								
Other financial assets available for sale	*11*	46	-	46 *	-	-	-	-
Non-current assets for derivative financial instruments	*12*	2,248	-	-	-	-	2,248	*2*
Other non-current receivables	*12*	33,911	33,911	-	-	-	-	-
Current liabilities								
Short-term fixed rate financial debts	*15*	37,853	-	-	-	37,853	-	-
Short-term financial debts for Right of Use	*15*	17,971	-	-	-	17,971	-	-
Equity linked bond included embedded	*15*	98,193	-	-	-	98,193	-	-
Short-term variable rate financial debts	*15*	15,989	-	-	-	15,989	-	-
Other short-term liabilities for derivative financial instruments	*15*	20	-	-	-	-	20	*2*
Trade and other payables	*16*	320,241	-	-	-	320,241	-	-
Other current liabilities	*17*	35,156	-	-	-	35,156	-	-
Non-current liabilities								
Medium/long-term fixed rate financial debts	*15*	95,329	-	-	-	95,329	-	-
Medium/long-term financial debts for Right of Use	*15*	52,238	-	-	-	52,238	-	-
Medium/long-term variable rate financial debts	*15*	255,388	-	-	-	255,388	-	-
Other medium/long-term liabilities for derivative financial instruments	*15*	1,003	-	-	-	-	1,003	*2*

* relating to financial assets valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not avaible.

F) 40. RELATED PARTY TRANSACTIONS

See IAS 24 and the related communications from Consob for the definition of related party transactions.

The Group is controlled by the Parent Company CIR S.p.A. (which in turn is controlled by the ultimate Parent Company Fratelli De Benedetti S.p.A.), which as at 31 December 2021 held 55.63% of the share capital (56.58% of outstanding shares, excluding treasury shares). The shares of Sogefi S.p.A. are listed on the Euronext Star Milan Market.

The Group’s consolidated financial statements include the financial statements of the consolidated companies, listed in chapter H along with the stake held in the same by the Group.
Dealings between Group companies are conducted at arm’s length, taking into account the quality and type of services rendered.
The Parent Company Sogefi S.p.A., because of its role of Holding company, provides administrative, financial and management services directly to the three French sub-holding operative companies (Sogefi Filtration S.A., Sogefi Suspensions S.A. and Sogefi Air & Cooling S.A.S.) which, in turn, beside dealing with the services provided by the Parent Company to the companies operating in the relevant business units, provide directly to the latter support services as well as operating and business services. The Parent Company also debits and credits interest at a market spread to those subsidiaries that have joined the Group's cash pooling system. The Parent Company is also charging royalties fees on the Group “SAP” information system to those subsidiaries at which implementation has been completed.

The subsidiary Sogefi Gestion S.A.S. carries out centralised functions and charges Group companies for administrative, financial, legal, industrial and IT services as well as royalties for the use of Group-wide IT applications.

As part of its activity, the Parent Company Sogefi S.p.A. makes use of the services provided by CIR S.p.A., its Parent Company, in areas such as strategic development and of an administrative, financial, fiscal and corporate nature. This relationship is regulated by contracts at arm's-length conditions and the cost is commensurate to the effective value of such services to the Sogefi Group in terms of the resources devoted to them and the specific economic advantages obtained as a result. It should be noted that Sogefi's interest in the provision of services by the parent company is considered to be preferable to services provided by third parties because of, among other things, its extensive knowledge acquired over time in its specific business and market environment.
In 2021, the Parent Company Sogefi S.p.A. used the services of CIR S.p.A., paying Euro 175 thousand for them (Euro 405 thousand in the previous year). In addition, during the year 2021 CIR S.p.A. incurred in costs for the amount of Euro 144 thousand for the sole benefit of the Parent Company Sogefi S.p.A. These costs were charged back to Sogefi S.p.A. as at 31 December 2021.

The Parent Company Sogefi S.p.A. has entered into a rental contract, effective from 1 January 2017, on the offices located in Milan, via Ciovassino 1/A where Sogefi has its registered offices and administration.

As at 31 December 2021, the Italian companies of the Sogefi Group had receivables for the amount of Euro 1,321 thousand owed by CIR S.p.A. in connection with their participation in the group tax filing system, and payables for the amount of Euro 1,835 thousand. As at 31 December 2020, receivables amounted to Euro 2,779 thousand (Euro 2,608 thousand were collected during the course of 2021) and payables amounted to Euro 1,253 thousand.

At the end of 2021, the Italian subsidiaries recorded an income of Euro 105 thousand (Euro 289 thousand in the previous year) following the transfer of fiscal surplus to companies that have joined the CIR Group tax filing system in order to have an interest deduction. The Parent Company Sogefi S.p.A. recorded an expense of Euro 617 thousand (Euro 579 thousand in the previous year) due to the payment for the fiscal surplus received from the companies that have joined the CIR Group tax filing system.

As regards economic transactions with the Board of Directors, Statutory Auditors, Chief Executive Officer and the Manager with strategic responsibility in 2021, please refer to the attached table.

Apart from those mentioned above and shown in the table below, at the date of these financial statements, we are not aware of any other related party transactions.

The following table summarises related party transactions:

(in thousands of Euro)	2021	2020
Receivables		
- for the Group tax filing from CIR S.p.A.	1,216	2,490
- for income following the transfer of fiscal surplus to the CIR Group	105	289
Payables		
- for Director's remuneration	14	14
- for costs recharged from CIR S.p.A.	9	-
- for services received from CIR S.p.A.	18	-
- for the cost of transferring tax surpluses from the CIR Group	617	579
- for the Group tax filing from CIR S.p.A.	1,218	674
Right of use (*)		
- for rental property	112	225
Financial debts for Right of Use (*)		
- for rental property	115	222
Costs		
- for services received from CIR S.p.A.	175	405
- for rental contract from CIR S.p.A	7	7
- for costs recharged from CIR S.p.A.	144	97
-for the cost of transferring tax surpluses from the CIR Group	617	579
Revenues		
- for income following the transfer of fiscal surplus to the CIR Group	105	289
Compensation of directors and statutory auditors		
- directors	647	445
- directors charged back to the parent company	20	20
- statutory auditors (**)	112	108
- contribution charges on compensation to directors and statutory auditors	29	42
Compensation and related contributions to the General Manager (***)	884	636
Compensation and related contributions to Managers with strategic responsibilities ex Consob resolution no. 17221/2010 (****)	500	398

(*) Presented here are the components relating to the rental contract for the headquarters in Via Ciovassino1/A, Milan; it should be noted that rents accrued as at 31 December 2021 totalled Euro 112 thousand.

(**) The item also includes remuneration accrued for the office held by members of the Parent Company's Board of Statutory Auditors in other subsidiaries.

(***) The item includes the imputed cost of Stock Grant plans of Euro 111 thousand in 2021 recognised in item "Other non-operating expenses (income)".

(****) The item also includes the net imputed cost of the Stock Grant plans for Euro 44 thousand in 2021 (Euro 49 thousand in 2020) recognised in item "Other non-operating expenses (income)".

G) COMMITMENTS AND RISKS

41. INVESTMENT COMMITMENTS

As at 31 December 2021, Group companies have binding commitments for investments relating to the purchase of property, plant and equipment for Euro 801 thousand (Euro 1,316 thousand at the end of the previous year), as already disclosed in the explanatory notes regarding tangible fixed assets.

42. GUARANTEES GIVEN

Details of guarantees are as follows:

(in thousands of Euro)	12.31.2021	12.31.2020
PERSONAL GUARANTEES GIVEN		
a) Sureties to third parties	1,346	858
b) Other personal guarantees in favour of third parties	3,301	3,271
TOTAL PERSONAL GUARANTEES GIVEN	4,647	4,129
REAL GUARANTEES GIVEN		
a) Against liabilities shown in the financial statements	19,363	556
TOTAL REAL GUARANTEES GIVEN	19,363	556

The guarantees given in favour of third parties mainly relate to guarantees given to certain customers by subsidiary Sogefi Suspensions Heavy Duty Italy S.p.A., and to guarantees given to tax authorities by subsidiary Sogefi Filtration Ltd; guarantees are shown at a value equal to the outstanding commitment at the end of the reporting period. These accounts indicate risks, commitments and guarantees provided by Group companies to third parties.

The “Other personal guarantees in favour of third parties” relate to the commitment of the subsidiary Sogefi HD Suspensions Germany GmbH to the employee pension fund for the two business lines at the time it was acquired in 1996; this commitment is covered by the contractual obligations of the seller, who is a leading German operator.

“Real guarantees given” refer to subsidiaries Sogefi Suspensions Eastern Europe S.R.L., Sogefi (Suzhou) Auto Parts Co., Ltd and Sogefi ADM Suspensions Private Limited, which pledged tangible fixed assets and trade receivables as real guarantees to secure loans obtained from financial institutions.

43. OTHER RISKS

As at 31 December 2021, the Group had third-party goods and materials held at Group companies worth Euro 17,471 thousand (Euro 15,319 thousand as at 31 December 2020).

44. CONTINGENT ASSETS/LIABILITIES

Potential liabilities

Sogefi Group is managing environmental issues in some production plants. No relevant costs are expected.

In October 2016, the Parent Company Sogefi S.p.A. received four notices of assessment relating to fiscal periods 2011 and 2012, as a result of a tax audit carried out during the first half year 2016, with two irregularities: i) undue detraction of Euro 0.6 million of VAT paid on purchases of goods and services, ii) non-deductibility from IRES tax (and relating non-deductibility for VAT of Euro 0.2 million) of the expense for services performed by parent company CIR S.p.A., for the overall taxable amount of Euro 1.3 million, not including interest and fines. The notices were challenged by the Company before the Province Tax Commission of Mantua, which on 14 July 2017 filed judgement no. 119/02/2017, ruling in favour of the Company on all claims. The Italian Tax Agency filed an appeal against parts of the judgement, requesting that only the notices of VAT assessment be sustained, and finally waiving the notices of IRES assessment (Italian Corporate Income Tax).
The Company has filed its rebuttal arguments against this partial appeal. On 19 November 2019, a hearing was held at the Lombardy Regional Tax Committee, which accepted the Authority's argument.
The judgement of the Regional Tax Committee of Lombardy, Brescia local unit, was challenged by the Company before the Cassation on 30 September 2020. The Authority, through the *Avvocatura Generale dello Stato* (office of State lawyers), filed a defence. The Company is waiting for the hearing to be held.
On 31 December 2020, the Company paid the amount ordered under Regional Tax Committee judgement no. 1/26/2020. This amount of Euro 1.3 million is included in the item “Tax receivables”.
Based on the tax advisor's opinion, Directors believe the risk of losing to be possible but not likely.

The subsidiary Sogefi Filtration Italy S.p.A. has a pending dispute with the tax authorities for tax year 2004. The purpose of the proceedings, which were initiated in 2009, is to challenge the elusion/abuse of the merger by incorporation through the cancellation of shares of the “old” Sogefi Filtration S.p.A. into Filtrauto Italia S.r.l., which led to the derecognition of the cancellation deficit (generated by the merger), which was partly booked under goodwill and partly to the revaluation of a property, in addition to interest on the loan granted by Sogefi S.p.A. to Filtrauto S.r.l. as part of the transaction.
The Company challenged the notices of assessment and defended the full legitimacy of its actions. In 2012, the Milan Provincial Tax Committee voided the notices of assessment for the part concerning the assessment of elusion/abuse. The Authority

challenged the above judgements before the Regional Tax Committee of Milan. On 21 March 2014, the Regional Tax Committee of Milan filed the judgement confirming the annulment of the orders already filed at first instance. On 16 June 2014, the Tax Agency filed an appeal before the Court of Cassation through the Legal Council of State. The Company lodged a defence. On 5 December 2019, the Supreme Court upheld one of the grounds of appeal raised by the Legal Council of State and, as a result, overruled the judgement passed by the court of second instance. In July 2020, the Company filed again the complaint with the Regional Tax Committee of Lombardy. The hearing before the Regional Tax Committee of Lombardy was held on 10 December 2021. On 9 February 2022, with judgement no. 395/2022, the Regional Tax Committee of Lombardy confirmed, also on remand, the previous judgement on the merits in favour of the Company rendered in 2014. The deadline for any (further) petitions submitted to the Court of Cassation by the Agency will expire on 9 September 2022, unless the Company decides to notify the judgement (in which case the shorter term of 60 days from notification would apply).

The judgement of 9 February 2022 reinforces the conclusion that the Company's position is supported by valid reasons. Hence, based on the opinion offered by the tax advisor who has been following the litigation, as well as on legal theory, that supports the arguments on circumvention of law and abuse of rights put forward by the Company almost without exception, also considering that first and second instance judgements as well as the decision to remand agree with such arguments, the Company believes the risk of losing pending disputes concerning disputed taxes amounting to nearly Euro 3 million, penalties in the same amount as disputed taxes and interest estimated at around Euro 2 million – totalling an estimated Euro 8 million approximately – to be still theoretically possible but not likely as at 31 December 2021.

Consequently, the Company did not set aside any amount for tax risks to contingent liabilities in financial statements as at 31 December 2021.

45. ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication dated 28 July 2006, it is specified that the Group did not implement any atypical and/or unusual transactions during 2021.

46. OTHER INFORMATION

DISCLOSURE PURSUANT TO ART. 1, PARAGRAPH 125, OF ACT NO. 124 OF 4 AUGUST 2017

During 2021, the subsidiaries that have obtained public grants under the provisions referred to above disclosed the relevant information in their statutory financial statements.

DISCLOSURE PURSUANT TO ARTICLE 2427, 22-QUINQUIES AND ARTICLE 2427, 22-SEXIES

The company that prepares the consolidated financial statements of the largest group of companies the company is part of as a subsidiary, is Fratelli De Benedetti S.p.A. with registered office in Via Valeggio no. 41 - Turin, whose financial statements are filed at the registered office of Fratelli De Benedetti S.p.A..

The company that prepares the consolidated financial statements of the smallest group of companies the company is part of as a subsidiary is CIR – Compagnie Industriali Riunite S.p.A. with registered office in Via Ciovassino no. 1 - Milan, whose financial statements are filed at the registered office of CIR.

47. SUBSEQUENT EVENTS

No significant events occurred after 31 December 2021 such as could have an impact on the consolidated financial statements as at 31 December 2021.

H) GROUP COMPANIES

48. LIST OF GROUP COMPANIES AS AT 31 December 2021

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Direct equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
SOGEFI FILTRATION S.A. Guyancourt (France)	Euro	120,596,780	6,029,838	99.99998	20	120,596,760
SOGEFI SUSPENSIONS S.A. Guyancourt (France)	Euro	73,868,383	4,345,198	99.999	17	73,868,366
SOGEFI U.S.A., Inc. Prichard (U.S.A.)	USD	20,055,000	191	100	(2)	20,055,000
SOGEFI GESTION S.A.S. Guyancourt (France)	Euro	100,000	10,000	100	10	100,000
SHANGHAI SOGEFI AUTO PARTS Co., Ltd Shanghai (China)	USD	13,000,000	(1)	100	(2)	13,000,000
SOGEFI AIR & COOLING S.A.S. Guyancourt (France)	Euro	54,938,125	36,025	100	1,525	54,938,125
SOGEFI (SUZHOU) AUTO PARTS CO., Ltd Wujiang (China)	USD	37,400,000	(1)	100	(2)	37,400,000

(1) The share capital is not divided in shares or quotas.
(2) There is no unit nominal value.

Indirect equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
FILTRATION BUSINESS UNIT						
SOGEFI FILTRATION Ltd Tredegar (Great Britain) held by Sogefi Filtration S.A.	GBP	5,126,737	5,126,737	100	1	5,126,737
SOGEFI AFTERMARKET SPAIN S.L.U. Cerdanyola (Spain) held by Sogefi Filtration S.A.	Euro	3,000	3,000	100	1	3,000
SOGEFI FILTRATION d.o.o. Medvode (Slovenia) held by Sogefi Filtration S.A.	Euro	10,291,798	1	100	10,291,798	10,291,798
FILTER SYSTEMS MAROC SARL Tanger (Morocco) held by Sogefi Filtration S.A.	MAD	215,548,000	215,548	100	1,000	215,548,000
SOGEFI FILTRATION RUSSIA LLC Russia held by Sogefi Filtration S.A.	RUB	6,800,000	1	100	6,800,000	6,800,000
SOGEFI ENGINE SYSTEMS INDIA Pvt Ltd Bangalore (India) 64.29% held by Sogefi Filtration S.A. 35.71% held by Sogefi Air & Cooling S.A.S.	INR	21,254,640	2,125,464	100	10	21,254,640
SOGEFI FILTRATION ITALY S.p.A. Sant'Antonino di Susa (Italy) held by Sogefi Filtration S.A.	Euro	8,000,000	7,990,043	99.88	1	7,990,043

Indirect equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
AIR&COOLING BUSINESS UNIT						
SOGEFI AIR & COOLING CANADA CORP. Nova Scotia (Canada) held by Sogefi Air & Cooling S.A.S.	CAD	9,393,000	2,283	100	(2)	9,393,000
SOGEFI AIR & COOLING USA, Inc. Wilmington (U.S.A.) held by Sogefi Air & Cooling S.A.S.	USD	100	1,000	100	0.10	100
S.C. SOGEFI AIR & COOLING S.r.l. Titesti (Romania) held by Sogefi Air & Cooling S.A.S.	RON	7,087,610	708,761	100	10	7,087,610
SOGEFI ENGINE SYSTEMS MEXICO S. de R.L. de C.V. Apodaca (Mexico)	MXN	126,246,760		100		126,246,760
0.0000007921% held by Sogefi Air & Cooling S.A.S.			1		1	
99.9999992079% held by Sogefi Air & Cooling Canada Corp.			1		126,246,759	

(2) There is no unit nominal value.

Indirect equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
SUSPENSIONS BUSINESS UNIT						
ALLEVARD SPRINGS Ltd Clydach (Great Britain) held by Sogefi Suspensions S.A.	GBP	4,000,002	4,000,002	100	1	4,000,002
SOGEFI PC SUSPENSIONS GERMANY GmbH Volklingen (Germany) held by Sogefi Suspensions S.A.	Euro	50,000	1	100	50,000	50,000
SOGEFI SUSPENSION ARGENTINA S.A. Buenos Aires (Argentina) 89.999% held by Sogefi Suspensions S.A. 9.9918% held by Sogefi Suspension Brasil Ltda	ARP	61,356,535	61,351,555	99.99	1	61,351,555
IBERICA DE SUSPENSIONES S.L. (ISSA) Alsasua (Spain) held by Sogefi Suspensions S.A.	Euro	10,529,668	5,264,834	50	1	5,264,834
SOGEFI SUSPENSION BRASIL Ltda São Paulo (Brazil) 99.997% held by Sogefi Suspensions S.A. 0.003% held by Allevard Springs Ltd	BRL	37,161,683	37,161,683	100	1	37,161,683
UNITED SPRINGS Limited Rochdale (Great Britain) held by Sogefi Suspensions S.A.	GBP	4,500,000	4,500,000	100	1	4,500,000
UNITED SPRINGS B.V. Hengelo (Holland) held by Sogefi Suspensions S.A.	Euro	254,979	254,979	100	1	254,979
UNITED SPRINGS S.A.S. Guyancourt (France) held by Sogefi Suspensions S.A.	Euro	5,109,000	2,043,600	100	2.5	5,109,000
S.ARA COMPOSITE S.A.S. Guyancourt (France) held by Sogefi Suspensions S.A.	Euro	13,000,000	25,000,000	96.15	0.5	12,500,000
SOGEFI ADM SUSPENSIONS Private Limited Pune (India) held by Sogefi Suspensions S.A.	INR	432,000,000	32,066,926	74.23	10.0	320,669,260
SOGEFI HD SUSPENSIONS GERMANY GmbH Hagen (Germany) held by Sogefi PC Suspensions Germany GmbH	Euro	50,000	1	100.00	50,000.0	50,000
SOGEFI SUSPENSIONS HEAVY DUTY ITALY S.P.A. Puegnago sul Garda (Italy) held by Sogefi Suspensions S.A.	Euro	6,000,000	5,992,531	99.88	1	5,992,531
SOGEFI SUSPENSIONS PASSENGER CAR ITALY S.P.A. Settimo Torinese (Italy) held by Sogefi Suspensions S.A.	Euro	8,000,000	7,990,043	99.88	1	7,990,043
SOGEFI SUSPENSIONS EASTERN EUROPE S.R.L. Oradea (Romania) held by Sogefi Suspensions S.A.	RON	31,395,890	3,139,589	100	10	31,395,890

EQUITY INVESTMENTS IN OTHER COMPANIES CARRIED AT COST

Indirect equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
AFICO FILTERS S.A.E. Cairo (Egypt) Held by Sogefi Filtration Italy S.p.A.	EGP	14,000,000	24,880	17.77	100	2,488,000

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT ART. 81-TER OF CONSOB RESOLUTION No. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned:
Frédéric Sipahi – Chief Executive Officer of Sogefi S.p.A.
Yann Albrand – Manager responsible for preparing Sogefi S.p.A.'s financial reports
hereby certify having also taken into consideration the provisions of Article 154-bis, paragraph 3 and 4, of Italian Legislative Decree n. 58 of February 24, 1998, that:

- are adequate with respect to the company structure and
- have been effectively applied the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2021 fiscal year.

2. No relevant aspects are to be reported on this subject.

3. It is also certified that:

3.1 the consolidated financial statements at December 31, 2021:

- have been prepared in accordance with international accounting standards as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002;
- correspond to the books and accounting records;
- provide a true and fair representation of the financial position, result of operations and cash flow of the issuer and the companies included in the scope of consolidation.

3.2 The report on operations includes a reliable analysis of the performance and result of operations and also the position of the issuer and the companies included in the scope of consolidation together with all principle risks and uncertainties that the Group is exposed.

Milan, February 25, 2022

Signed by	Signed by
Chief Executive Officer	Manager responsible for preparing financial report
Frédéric Sipahi	Yann Albrand

SOGEFI S.p.A.

Company subject to the direction and coordination of CIR S.p.A.

BOARD OF AUDITORS' REPORT PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE NO. 58/1998 AND ART. 2429 OF THE ITALIAN CIVIL CODE

To the Shareholders' Meeting of SOGEFI S.p.A.

During the financial year closed at 31 December 2021, we carried out our supervisory activity as required by law and the Articles of Association, in accordance with the Rules of Conduct for the Board of Statutory Auditors recommended by the National Council of Accountants and the Corporate Governance Code of Borsa Italiana S.p.A., and hereby report on such activity. This report was drawn up following the recommendations set out in Consob Communication no. 1025564 of 6 April 2001 as amended.
The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting on 23 April 2021 according to the prevailing regulations. Its term of office will expire upon the Shareholders' Meeting called to approve the Annual report as at 31 December 2023.

The statutory audit of the Company's accounts is carried out by the company KPMG S.p.a. (hereinafter the Auditing Firm), for the term of nine financial years (2017-2025), as resolved by the Shareholders' Meeting of 26 April 2017.

* * *

As regards the methods employed to perform our duties during the period under consideration, we report as follows:

- we attended the Shareholders' Meetings and Board of Directors meetings held during the period under consideration and obtained timely and adequate information on operations and their outlook, as well as on significant operational, financial and equity-related operations conducted by the Company and subsidiaries within the Group, as required by law and the Articles of Association; all meetings of the Control, Risk and

Sustainability Committee, of the Appointment and Remuneration Committee and of the Related Parties' Committee were attended by the Board of Statutory Auditors.

- we ensured compliance with the law and the Articles of Association, and with the principles of good administration, we supervised the activities carried out by the delegated body and the Board of Directors to ascertain the adequacy of the Company's organisational structure and internal control and administrative-accounting systems, through the information received and the exchange of information flows with the firm appointed to audit the accounts;
- we incorporated the results of the quarterly checks on the correct keeping of accounts carried out by the company appointed for the statutory audit of the accounts;
- we received from the independent auditors the Report required under art. 14 of Italian Legislative Decree no. 39/2010 relating to the statutory and consolidated financial statements as at 31 December 2021;
- we received from the independent auditors the Report required under art. 11 of European Regulation 537/2014 from which no significant aspects to report emerge;
- we fulfilled the tasks provided for in art. 19 of the Italian Legislative Decree No. 39/2010, as the Internal Control and Auditing Committee;
- we monitored the performance of the system used to control subsidiaries and the adequacy of the directions given to them, also under art. 114, paragraph 2, of the Italian Legislative Decree no. 58/1998;
- we monitored the actual methods used to implement the corporate governance rules set out in the Corporate Governance Code issued by Borsa Italiana S.p.A., as adopted by the Company;
- we met the Supervisory Body, which confirmed the adequacy of the Organizational and Management Model under Legislative Decree no. 231/2001 as amended considering the expanded scope of the regulations;
- pursuant to art. 4, para. 6 of the Regulation approved by Consob Resolution no. 17221 of 12 March 2010, we monitored compliance with the Discipline for related-party transactions approved by the Board of Directors;
- we supervised the impairment test approval process;

- for the Consolidated statement for the disclosure of non-financial information, we received the certification referred to in paragraph 10 of article 3 of the Italian Legislative Decree no. 254/2016;
- we have determined that the Board of Directors properly implemented the verification criteria and procedures to assess the independence of its members, based on the statements made by the Directors and the opinions issued by the Board of Directors;
- within the framework of our audits, during the financial year 2021, we have continued the activity of supervising the adoption of the necessary COVID-19 prevention and containment measures in the workplace, in compliance with the instructions given by the Authorities. To this end, we have obtained information also on the occasion of Board of Directors' meetings. We also monitored the effects of the pandemic emergency on the performance of the Company and its business. It is acknowledged that the Report on Operations analytically describes the impacts on the business and the relevant risks.
- we met the board of statutory auditors of the parent company in order to mutually exchange information.

As a result of our supervisory activities, no significant facts have emerged, and we have no proposals to make for the financial statements, their approval and on matters of our competence.

* * *

Outlined below is the information specifically required by the Consob Communication of 6 April 2001 as amended.

- We collected information on significant operational, financial and equity-related operations conducted by SOGEFI S.p.A. and its subsidiaries and established their compliance with the law and the Articles of Association; the Directors provide disclosure on such transactions in the Report on Operations; we also obtained information on and assurance that the transactions resolved and carried out were not manifestly imprudent, risky, in conflict with Shareholders' Meeting resolutions or, in any case, of such a nature as to jeopardise integrity of corporate assets.
- We obtained information on intercompany and related party transactions. Based on obtained information, we determined that such transactions comply with the law and the Articles of Association, satisfy the interest of the company and raise no doubts as

to their accurate, exhaustive disclosure in the financial statements, the protection of corporate assets and of non-controlling shareholders; periodic audits and inspections carried out at the Company's premises did not identify any atypical and/or unusual transactions.

- We have not been made aware of nor have we received reports on transactions in potential conflict of interest.
- The Directors provided disclosures on key transactions, as well as on the dealings between SOGEFI S.p.A., Group companies and/or related parties in the Report on Operations and in the Notes, and stated that such dealings had been conducted at arm's length, taking into account the quality and type of services rendered; such dealings mainly consisted in the provision of administrative and financial services, including the management of the Group's centralised treasury and interest debiting and crediting, as well as management support and communication services and use of the Group's information system; in addition, SOGEFI S.P.A. made use of administrative, financial, fiscal and corporate services provided by the Parent Company CIR S.p.A. and joined the Group tax filing system; appropriate financial details were provided and the impact on the statement of financial position was adequately described in the documents accompanying the 2021 statutory financial statements.
- KPMG S.p.A., the company appointed to audit the accounts, issued the audit reports required under art. 14 of Italian Legislative Decree no. 39/2010 relating to the statutory and consolidated financial statements for the year ended as at 31 December 2021 without remarks or disclosure requirements.

  Specifically, it certified that:

  A) the statutory financial statements of the Company and the consolidated financial statements of the Group as at 31/12/2021 provide *"a true and fair view of the financial position of Sogefi S.p.A. and of the Group, and of the results of their operations and cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union and with the measures issued in implementation of art. 9 of Italian Legislative Decree 38/05,"*

  B) the annual report and consolidated financial statements have been prepared *"in XHTML format in compliance with the provisions of Delegated Regulation (EU) 2019/815",*

  C) *"the report on operations and some specific information contained in the*

Corporate Governance and Ownership Report (...) are consistent with Sogefi S.p.A.'s annual report and with the consolidated financial statements as at 31 December 2021, and are drawn up in accordance with the law",

D) *"the opinion"* on the statutory and consolidated financial statements expressed in the aforementioned reports *"is in line with the contents of the Additional Report prepared pursuant to art. 11 of Reg. EU 537/2014*".

Today, the auditing firm has also:

- issued the Additional Report required by art. 11 of Reg. EU 537/2014, which was sent on the same date to the Board of Statutory Auditors, as the Internal Control and Audit Committee, and from which no particular remarks emerge;
- issued, pursuant to art. 3, paragraph 10, of Italian Legislative Decree 254/2016 and art. 5 of Consob Regulation no. 20267/2018, the certificate of conformity of the Consolidated statement for the disclosure of non-financial information drafted by the Company as required by the aforementioned decree and according to the principles and the methodologies used by the Company to prepare the said Declaration. In this Report, the auditing firm stated that *"no evidence has come to our attention to suggest that the consolidated statement for the disclosure of non-financial information of the Sogefi Group for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined by the GRI - Global Reporting Initiative ("GRI Standards")."*
- issued the annual confirmation of its independence pursuant to art. 6, paragraph 2), letter A) of European Regulation 537/2014, which was sent on the same date to the Board of Statutory Auditors.

- During the periodic exchanges of data and information between the Board of Auditors and the Auditing firm, pursuant also to art. 150, paragraph 3 of Italian Legislative Decree no. 58/1998, no aspects emerged that need to be pointed out in this report.
- In relation to the provisions introduced by the Italian Legislative Decree no. 135/2016 in compliance with EU Regulation 537/2014, during this year the Board of Statutory Auditors carried out a prior analysis of and authorised, when necessary, any assignment conferred by the Company and its subsidiaries to KPMG;
  During 2021, the subsidiaries of SOGEFI S.p.A. entrusted the independent auditors with other services and the relevant fees were EUR 17,500. The amounts paid for

these services were found to be adequate consideration for the scope and complexity of the services rendered and are not deemed liable to affect the independence and discretion of the auditors in performing their auditing tasks.

- During the year, the Board of Statutory Auditors did not receive any complaints under article 2408 of the Italian Civil Code.
- During the year under consideration, we have given advice pursuant to article 2389 of the Italian Civil Code.
- During the financial year 2021, 6 meetings of the Board of Directors and 1 Shareholders' Meeting were held. The Board of Statutory Auditors met 15 times and attended all the meetings of the Control, Risk and Sustainability Committee, those of the Appointments and Remuneration Committee and those of the Related Parties' Committee.
- The Company substantially followed the recommendations contained in the Corporate Governance Code drafted by the Corporate Governance Committee for listed companies and described its corporate governance model in the relevant Report, which was prepared among other things under art. 123-*bis* of Legislative Decree no. 58/1998. As far as we are concerned, we supervised the procedures for the concrete implementation of the corporate governance rules provided for in the above-mentioned Corporate Governance Code, as adopted by the Company. In compliance with Legislative Decree no. 231/2001, the Company adopted, implemented and maintained up-to-date an "Organisational Model" that governs its behaviour and business conduct and set up a Supervisory Body as provided for by the regulations. The Company also adopted a Code of Ethics.

On the basis of the above, the Board of Statutory Auditors did not find any specific critical issues, omissions, reprehensible facts or irregularities during the supervisory activities carried out throughout the year and has no observations to make, not finding any reasons to prevent the approval of the financial statements and the allocation of the result for the year as proposed by the Board of Directors to the Shareholders' Meeting.

Milan, 18 March 2022

For the Board of Statutory Auditors

Daniela Delfrate - Chair

KPMG S.p.A.
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(As disclosed by the directors on page 2, the accompanying consolidated financial statements of the Sogefi Group. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Sogefi S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Sogefi Group (the "group"), which comprise the statement of financial position as at 31 December 2021, the income statement and statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Sogefi Group as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

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

Key audit matters

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

Recoverability of goodwill

Notes to the consolidated financial statements: Note 2.3 "Accounting policies", sections "Intangible assets - Goodwill" and "Critical estimates and assumptions" and Note 10 "Intangible assets", section "Goodwill and Impairment test"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2021 include goodwill of €126.6 million, allocated to the following cash-generating units ("CGU"): Filtration, Air & Cooling and Car suspension. In accordance with the criteria approved by the board of directors on 21 January 2022, the directors carried out impairment tests in order to identify any impairment losses that would arise should the CGU's carrying amount exceed their recoverable amount. The directors estimated the recoverable amount based on their value in use, calculated using the unlevered discounted cash flow model by discounting the expected cash flows. For impairment testing purposes, the directors used the expected operating cash flows estimated on the basis of the 2022 budget and the strategic plan 2022-2025 (approved by the board of directors respectively on 16 December 2021 and 21 January 2022). The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: — the expected operating cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual operating cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures included: — understanding the process adopted for impairment testing approved by the board of directors; — understanding the process adopted to prepare the 2022 budget and the strategic plan 2022-2025 approved by the board of directors, from which the expected operating cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the directors to prepare the 2022 budget and the strategic plan 2022-2025; — checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; — comparing the expected operating cash flows used for impairment testing to the cash flows forecast in the 2022 budget and the strategic plan 2022-2025 and analysing any discrepancies for reasonableness; — checking the report of the external management expert engaged by the parent; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions underlying the expected operating cash flows, including by means of comparison with market data and information; — checking the sensitivity analysis made by the directors in relation to the key

Key audit matter	Audit procedures addressing the key audit matter
	assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Measurement of current and non-current provisions

Notes to the consolidated financial statements: Note 2.3 "Accounting policies", section "Provisions for risks and charges" and Note 18 "Current provisions, non-current provisions and other payables", section "Provision for restructuring", "Provision for product warranties" and "Provisions for disputes in progress and other risks"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2021 include current and non-current provisions, which comprise the provisions for restructuring, product warranties and disputes in progress and other risks of €11.9 million, €3.5 million and €5.4 million, respectively. Determining with certainty when all IAS 37 requirements for the recognition of provisions are met is difficult and requires a high level of subjective and material estimates and judgements. Therefore, we believe that the measurement of these provisions carries a risk of material misstatement. Specifically: — certain European subsidiaries are undergoing corporate restructuring that, once the related plans have been approved and disclosed to the main parties involved, will require the recognition of specific provisions; — the group is exposed to the risk of product quality/non-conformance claims made by its customers; — the group is exposed to the risk of liabilities with employees and third parties. For the above reasons, we believe that the measurement of the above non-current provisions is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of provisions and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — sending written requests for information to the legal and tax advisors assisting the group's directors about the assessment of the risk of losing pending disputes and the quantification of the related liability; — analysing the assumptions used to determine the provisions through discussions with the relevant internal departments and analysis of the supporting documentation; — analysing the events after the reporting date to gather useful information for the measurement of the provisions; — assessing the appropriateness of the disclosures provided in the notes about provisions.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 26 April 2017, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Sogefi S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 18 March 2022

KPMG S.p.A.

(signed on the original)

Elisabetta C. Forni
Director of Audit